

20 March 2018

FRONTIER'S COMMITMENT TO UN GLOBAL COMPACT

As part of the UN Global Compact (UNGC) commitment, Frontier is required to communicate what the company does to promote the ten principles associated with that commitment.

STATEMENT OF CONTINUED SUPPORT BY COO

To our stakeholders

Date: 20 March 2018

I am pleased to confirm that Frontier Economics reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to share this information with our stakeholders using our primary channels of communication.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Chris Newton".

Chris Newton
Chief Operating Officer

COMMUNICATION OF PROGRESS 2018

Frontier is a microeconomics consultancy, using economics to solve practical policy and business problems for clients in both the public and private sectors. Frontier operates according to four internal key values aimed at promoting staff welfare and engagement. These are:

- fun – making Frontier a welcoming and enjoyable place to work;
- interesting – doing work that is challenging and makes a difference;
- profitable – and sustainably so; and
- open – having a culture that generates trust, respect and integrity.

Frontier is committed to respect and promote the ten principles of the UNGC. Below we provide a summary of our contribution to the UNGC principles.

Human Rights Principles

Assessment, Policy and Goals

The focus of the company in this area has been to ensure that none of the work that we do for clients makes us complicit with human rights violations. Frontier continues to respect human rights principles, in accordance with the laws of the countries in which its offices are located (UK, Belgium, France, Germany, Ireland, and Spain).

Risks are most likely to arise for us where Frontier is called upon to work for companies operating in countries where local laws may not fully protect human rights and/or uphold non-discriminatory principles. Our priority is therefore to ensure that, as Frontier grows internationally and expands the scope of the work it does, we do not place ourselves in situations where we may be complicit with or are remaining silent in the face of possible human rights violations.

Frontier's public commitment to the UNGC in February 2014 was our first formal step. Since then we have put in place an internal review mechanism that is effective in ensuring that Frontier's business winning activity remains at all times consistent with the principles of the UNGC.

Goals for the coming year

Frontier monitors the application of this framework, to ensure that it has been firmly embedded into Frontier's culture. We have communicated to colleagues across the firm the importance of giving explicit consideration to these issues when doing business. Our commitment to human right principles will be explicitly embodied within our general terms of business. We are in the process of strengthening our guidance for managers and senior members of staff on our commitment to the UNGC principles.

Implementation

Frontier's Management Committee is ultimately responsible for ensuring that the company does not engage in commercial relationships that would make it complicit with human rights violations.

We do not consider there to be any concerns internally in this area. Frontier has put in place policies and open channels of communication in order to identify and address any issues that might arise in relation to employee welfare. For example, we have anti-harassment and anti-bullying policies to protect our employees alongside a range of other policies aimed at promoting well-being within the workplace. Perhaps more importantly, Frontier has a flat management structure where communication between colleagues at all levels in the company is actively promoted and colleagues with management responsibilities in particular listen and are responsive to feedback from the wider firm.

Progress made

In 2017, we have progressed in this area in the following ways:

- We held a firm-wide seminar on ethical issues in our project work. This highlighted to all colleagues the firm's commitment to ensuring that all project work is fully compliant with the UNGC. All employees are given the opportunity to opt-out of projects which personally raise ethical issues. Given the type of work we do, it is very rare for such concerns to arise
- We have carried out a review of our standard form contracts – the terms and conditions used when agreeing contracts for our services – to ensure that all such contracts are consistent with the principles of the UNGC.
- We have drafted a supplier code of conduct which sets out the standards we expect of all our suppliers, to ensure that any company we directly work with is compliant with UNGC principles. This supplier code of conduct can be found on our website¹.
- Responsibility for monitoring, promoting and communicating our activities in this area has been given to our Corporate and Social Responsibility (CSR) team.

Measurement of outcomes

Frontier has introduced a process for tracking how possible new work has been assessed to help us better understand the risks that we face and ensure that we meet the UNGC principles, including those relating to human rights violations. As part of the new bidding review framework, Frontier's project managers are required to report any potential project leads that have been rejected due to concerns that they might conflict with the UNGC principles or our values.

Outcomes this year

No projects were reported that were considered and rejected on these grounds in 2017. We believe that this reflects the fact that, following the guidance issued,

¹ <http://www.frontier-economics.com/about-us/our-social-impact/ethical-standards/>

project managers have internalised the UNGC principles. While this is positive, we remain vigilant as we further expand our business.

There have been no issues raised under our anti-harassment and anti-bullying policies this year, reflecting our strong track record since Frontier was created 18 years ago.

Labour Principles

Assessment, Policy and Goals

Frontier is owned and run by its employees. Much of the day-to-day management of Frontier is done through internal teams containing a mix of people from different levels and roles within the business. The welfare of our colleagues is at the very core of our activity, since the value we bring to our clients lies in the people who work at Frontier.

Frontier runs a large range of initiatives aimed at ensuring staff feel happy and fulfilled in their working environment. These include measures to promote work-life balance, career development, progression and fulfilment, and overall social cohesion within the company. It also means promoting colleagues' engagement with the values of the company, and ensuring that they feel empowered to make change happen.

In terms of the labour principles specifically mentioned in the UNGC, our focus has been on ensuring the absence of any form of discrimination. Neither forced nor child labour are a concern in the context of Frontier's work. Frontier is committed to ensuring all our employees have a voice. Frontier's open culture promotes staff participation and employee empowerment (each member of staff owns a share of the company and has an equal vote in the company's ASM).

In the area of discrimination, Frontier is committed to providing equal opportunities to all employees and prospective employees, independently of age, disability, gender, marital or civil partnership status, pregnancy or maternity, race, colour, nationality, ethnic origin, religion or belief, sex or sexual orientation. In addition, as with violations of human rights, Frontier is committed to not being associated with any form of discrimination by clients or other third parties.

Goals for the coming year

Our goal this year is to continue to promote employee engagement with the Frontier values and its UNGC commitment, in particular among our more junior colleagues. In our view, this is the best guarantee that these values and principles remain relevant and a continuing focus for our staff. Frontier's Central People team are committed to continue to promote our Diversity and Inclusion programme which is focussed on all aspects of the employee journey from recruitment to exit.

Implementation

Frontier has put in place a range of policies and initiatives aimed at ensuring the welfare of our employees. These include flexible and generous maternity leave, flexible working arrangements (e.g. working part-time, working from home), supporting charity initiatives (e.g. red nose day, partnership with homeless

association), mentoring and external support channels. Frontier has special remit teams dedicated to making improvements to Work Life Balance, Wellbeing and Inclusion across the firm.

In the area of equality, Frontier has a written policy setting out our commitment to combat discrimination on the grounds of ethnic origin, religion or belief, disability, age and sexual orientation. It also monitors whether and how such policies are applied in practice, as we recognise that discrimination may sometimes be implicit or indirect.

Progress made

This year Frontier has taken further measures to prevent any potential discrimination issues arising, in particular:

- our interview process includes blind application selection at first stage to eliminate bias;
- all interviewers are trained in best-practice interview techniques and are given cultural and bias awareness training colleagues have undergone training for interviewing to ensure that their assessment of candidates is based entirely on objective criteria;
- Frontier emphasises in the latest guidance provided to project managers that, in pursuing new business, they must ensure that Frontier is not placed in any situation where it would be associated with forms of discrimination;
- our Equality Policy is now embedded in our induction for all new joiners and the firm's stance on equality is clearly outlined as part of our recruitment and on boarding processes; and
- we adhere to the Modern Slavery and Human trafficking law and produce an annual statement for our shareholders and suppliers
- the firm has an active Diversity and Inclusion programme and produces annual diversity monitoring with statistics for presentation to the board and on our website.

In other areas:

- Frontier actively monitors work-life balance and working hours to ensure that employees do not work excessive hours;
- Frontier has pushed forward mental health initiatives, aimed at increasing the awareness, understanding and acceptance of mental health issues and problems;
- Frontier has established links with external coaches and mentors that are specialists in stress management and mental health issues;
- we have also enhanced awareness of our Employee Assistance Programme system so that employees have access to 24 hour, confidential support on a range of wellbeing issues.

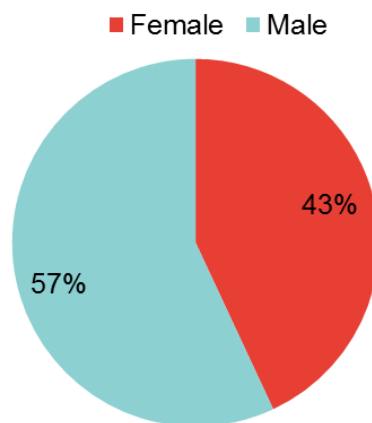
Measurement of outcomes

We monitor our performance against the company's values through a variety of informal and more formal ways: staff feedback, group discussions, our appraisal system and staff surveys. We monitor in particular the data on colleagues' promotions to understand whether there are potential gender barriers to progression.

Outcomes this year

As can be seen below, the overall female participation at all levels of the company was slightly below parity (at around 43%) with a lower level of female participation in more senior positions in the firm.

Exhibit 1. Gender Balance at Frontier at end 2017



Source: Frontier Economics

In 2017, we hired 23 new permanent members of staff 34% of whom were women.

Moreover, Frontier is a relatively diverse company, notwithstanding the majority of staff being based in our UK office. This is reflected in the composition of Frontier staff by nationality and reflects the effort made by Frontier's recruitment team.

Environmental Principles

Assessment, Policy and Goals

Frontier's business does not have, by its nature, a high negative impact on the environment, but Frontier is nonetheless committed to reducing this impact as much as possible.

In particular, Frontier's aim is firstly to minimise our usage of paper, energy, water and other scarce resources, and secondly to reduce the impact of business travel on carbon emissions.

Goals for the coming year

Frontier continues its efforts towards reducing CO2 emissions per head.

Implementation

Frontier set up a team responsible for reducing Frontier's impact on the environment back in 2010. In the same year it adopted an environmental policy.

Since then the company has grown considerably year on year and now counts seven offices across Europe. Operations and facilities may vary between offices however our main environmental principles are applied across all of them. In addition, Frontier has taken multiple green office initiatives, such as:

- reduce need or impact of travel – through individual and firm wide video-conferencing systems;
- waste reduction – through re-use and recycling (no landfill), “follow-me” printing system to save paper waste; and
- save energy – through virtualising our server equipment and upgrading our colour printers to low-energy, zoned and timed LED or similar energy efficient lighting, and purchasing low-energy computer and kitchen equipment.

Our employees are encouraged to do their share in reducing the carbon footprint. With this in mind, the Green Team has been raising awareness around the office regarding the importance of recycling and of choosing environmentally friendly transport (we operate the ‘cycle to work’ scheme).

We have continuously supported social impact carbon projects in Africa by off-setting our emissions and to date, we have offset 3,114.59 tonnes of carbon dioxide emissions to balance out our carbon footprint. This includes projects run by CO2 Balance such as an improved cook stove project in Kenya and borehole rehabilitation project in Uganda – improving the lives of thousands of people within these project areas.

Progress made this year

Our latest Greenhouse Gas Assessment revealed a notable decrease compared to the previous assessment. The reduction in emissions amounted to a significant decrease of 39.54 tCO₂e, a drop of 6%.

The largest factor in this reduction in carbon emissions was linked to a decrease in air travel. It made up over a third of Frontier Economics' carbon footprint and included a drop of 38.56% of long haul flights.

This new assessment included for the first time new offices in Paris and Berlin; whilst this added to our carbon footprint it was only a minor increase as both offices are still relatively small.

The number of employees overall increased once again and this, coupled with the reduction in emissions, resulted in a large reduction in the emissions per employee figure, in fact compared to the baseline of 2010 we have seen a drop from 4.38 tCO₂e in 2010 to 2.63 tCO₂e in 2016 – a decrease of 40.04%.

Measurement of outcomes

Frontier uses the firm CO2 Balance to run an independent audit of its greenhouse case emissions on an annual basis. The assessment methodology for the Greenhouse Gas Assessment follows the reporting principles and guidelines

provided by the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol). We review our processes on a regular basis to ensure that all appropriate measures are being implemented and efforts are being made to mitigate harm to the environment.

Frontier also regularly monitors its energy use across the company and runs annual carbon emission audits, having received “carbon zero” status since 2010.

Anti-Corruption Principles

Assessment, Policy and Goals

Frontier aims to conduct all of its business in an honest and ethical manner. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

Implementation

Frontier has anti-bribery and corruption policies, and a zero-tolerance approach to these issues. Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct. Any non-employee who breaches this policy may have their contract terminated with immediate effect.

Any employees offered a bribe, or asked to make one, or suspecting that any bribery, corruption or other breach of this policy has occurred or may occur, are required to notify their manager or the People Director as soon as possible.

Measurement of outcomes

In all of Frontier's history, we have not had any incidents with corruption.