



# ModusLink

## **SUSTAINABILITY** **REPORT**

SURVEY OF FISCAL YEARS 2018 & 2019

PUBLISHED JULY 20, 2020

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## Letter from the CEO

Dear Stakeholders,



The interconnectedness of our world is more apparent today than ever. The only way to effectively navigate the shared challenges of our future is through taking collective action today.

Sustainability is no longer a buzzword. Today, businesses are expected to respond to the urgent call to act responsibly, lead with integrity, and operate with purpose. At ModusLink, we recognize that our greatest sustainability impacts are achieved through helping likeminded customers apply responsible practices across their supply chain.

We provide digital and physical supply chain solutions to many of the world's leading brands across a diverse range of industries, including consumer electronics, telecommunications, computing and storage, software and content, consumer packaged goods, medical devices, retail and luxury and connected devices. With a global footprint spanning North America, Europe and the Asia Pacific, our solutions and services are designed to improve end-to-end supply chains in order to drive growth, lower costs, and improve profitability.

The emergence of COVID-19 towards the end of 2019 has underscored the importance of building and maintaining resilient supply chains. Procurement teams around the world are working diligently to secure critical materials, maintain the health and safety of their workforces, and adapt to a new normal. Our adaptive and innovative approach to supply chain services help alleviate some of these new challenges, while improving the efficiency of our customers' value chains and their overall environmental impact.

While the direct impacts of our operations are relatively low, this does not absolve us of the responsibility to minimize our own environmental impact as much as possible. As such, we spent time over the last year researching opportunities to introduce emission reduction initiatives at some of our most energy-intensive sites. While we are currently on track to exceed our GHG emissions reduction goal by fiscal year 2021, we will continue to identify opportunities for reducing our environmental footprint.

I am pleased to present our 2019 Sustainability Report, which covers our progress in fiscal years 2018 and 2019. We welcome your comments and ideas for how to bring even more value to our relationships as we progress to a more sustainable future.

Sincerely,

Fawaz Khalil

A long-exposure photograph of a waterfall cascading over mossy rocks in a lush forest. The water is blurred, creating a soft, ethereal effect. The rocks are covered in vibrant green moss and small plants. The background shows more of the forest and a glimpse of a blue sky.

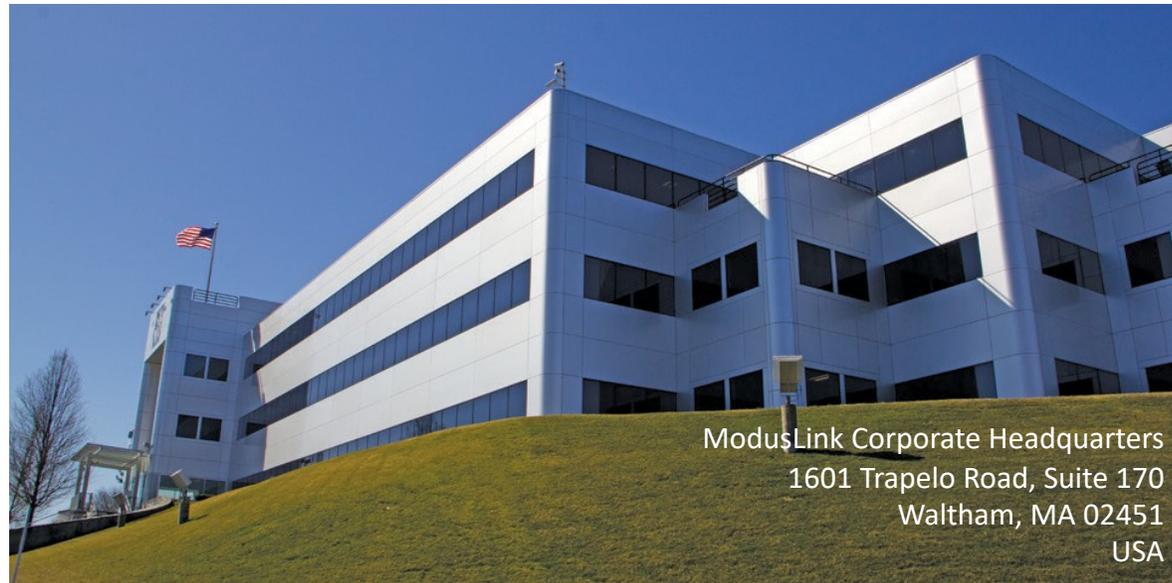
# ***Our Role in the Supply Chain***

# ▶ ABOUT MODUSLINK

**ModusLink Corporation** is a wholly-owned subsidiary of **Steel Connect, Inc.** (NASDAQ: STCN).

We use our 25+ years of experience to tailor supply chain management and global eCommerce solutions to meet the needs of companies spanning North America, Europe, and Asia Pacific. Our clients come from industries as diverse as consumer electronics, telecommunications, computing and storage devices, and consumer packaged goods. We help every one of those clients streamline processes, drive growth, improve profitability, and manage expansion.

ModusLink is in business to grow yours. What does that mean? It means we focus our leading supply chain management and global eCommerce solutions on breaking through efficiency barriers, meeting your customers' increasingly demanding needs, and expanding your borders. Whether it's eCommerce business infrastructure, multilingual call center teams, subscription order packaging, or retail compliance, we're the whole package. Or any part of it that you need.



ModusLink Corporate Headquarters  
1601 Trapelo Road, Suite 170  
Waltham, MA 02451  
USA

## > Our History

ModusLink started as CMGI, an internet conglomerate that acquired Modus Media in 2004. CMGI's SalesLink supply chain business then merged with Modus under the name ModusLink. In 2008, CMGI changed its name to ModusLink Global Solutions. In 2018, ModusLink Global Solutions changed its name to Steel Connect, Inc., a publicly-traded diversified holding company with two wholly-owned subsidiaries, ModusLink Corporation and IWCO Direct, a market leader in direct marketing.

Currently, ModusLink is headquartered in Waltham, Massachusetts, with 20 support sites strategically located across North America, Europe, and the Asia/Pacific region. ModusLink is legally incorporated in the State of Delaware, and our geographic reach extends across 15 countries, with major operations in China, the Czech Republic, the Netherlands, Ireland, Singapore, and the United States.

ModusLink's four operating and reportable Business Units include the Americas, Asia, Europe, and E-Business. Our regionally optimized and highly scalable facilities provide the flexibility to manage supply chain requirements and deliver products close to the point of consumption. Alternately, for maximum efficiency and cost-effectiveness, we can configure products closer to the point of manufacturing in low-cost regions (such as China, Eastern Europe and Mexico).

We are committed to developing sustainable supply chain solutions for our clients that also minimize our own impacts through careful management of resources. With special attention paid to energy consumption and our subsequent carbon footprint, efforts are in place to reduce ModusLink's emissions and maximize the efficiency of our operations. In recent years, our key sustainability achievements have included implementing Lean processes and reducing greenhouse gas (GHG) emissions through the redesign of clients' product packaging and shipping processes, also resulting in significant savings on packaging materials.

By making sustainability a core part of our strategy, we also help our clients achieve measurable sustainability goals for their own businesses. Throughout our history as ModusLink, we have continuously acted as a seamless extension of our clients' global supply chains by delivering real-time visibility into their operations. We focus on helping our global customers reach their fullest potential through efficient, sustainable, and creative logistics solutions at fair prices.





ModusLink's industry-leading logistics and supply chain services are designed to drive costs savings, growth, and profitability for our customers. Our mission is to ensure customers repeatedly choose ModusLink for our ability to provide value-adding services that enable their own growth and business success.

To maintain this objective, ModusLink considers sustainability integral and foundational to everything that we do. Through our innovative and adaptive approach to supply chain services, we improve the efficiency of our customers' value chains and their overall environmental impact. Through constant engagement and dialogue with our clients, we maintain versatility in our solution offerings and strive to consistently meet the expectations of their own stakeholders. By approaching sustainability in a holistic way, we work with our customers, clients, employees, and community members to navigate our common future while ensuring our long-term business success.

# ModusLink Core Values



## 1. Client Focus

We unite as a team putting client needs ahead of our own to deliver value and client satisfaction. We innovate on behalf of the client in every aspect of our work.

## 2. Respect and Teamwork

We treat our colleagues, clients and partners with respect, supporting each other throughout to ensure we maximize performance while creating an atmosphere of trust.



## 3. Make Smart and Swift Business Decisions

We strive for perfection but understand that speed is important to build a successful business and create long-term client value.

## 4. We are Owners

Each member of our team is the master of their own destiny. We take personal responsibility for our actions, deadlines and the quality of outputs. We empower employees and inspire each other to achieve excellence.



## 5. Evangelize Lean Principles

We actively learn, teach, support and use Lean principles throughout the organization, at every opportunity. There is always a better, faster and more efficient way to operate and drive value for each other and for our clients.

## 6. Act Ethically and with Integrity

We believe that it is our moral obligation to do what is right for our clients, our partners and our colleagues.



A long-exposure photograph of a waterfall cascading over mossy rocks in a lush forest. The water is blurred, creating a soft, ethereal effect. The rocks are covered in vibrant green moss and small plants. The background shows more of the forest and a glimpse of a blue sky.

# *Sustainability at ModusLink*

# » Our Approach to Sustainability

Sustainability is threaded throughout ModusLink's business objectives and strategy. Our ability to enable customers to efficiently deliver value to their clients while decreasing their environmental impact demonstrates ModusLink's adaptive approach to creative and flexible supply chain services.

Our greatest sustainability impacts are achieved through helping our customers. Therefore, we pay special attention to evaluating our customers' supply chains and product packaging, minimizing the associated greenhouse gas emissions from their supply and value chain processes, providing options for sustainable packaging, and offering responsible end-of-life disposal services for their products. In addition, we offer support to customers who need assistance in meeting specific certification standards for product content and labelling requirements.

We approach each potential internal sustainability initiative with an eye towards its associated environmental concerns and impacts. This mindset applies to deciding which materials we use, minimizing the amount of resources consumed through production, avoiding hazardous materials and products, and purchasing recycled and recyclable products and materials when possible. We foster collaboration with our suppliers and logistics partners to achieve sustainable operations and participate in industry groups to learn and share best practices for sustainable operations.

## MODUSLINK'S MATERIAL TOPICS

ModusLink focuses its sustainability initiatives and this report on an identified list of topics that are most relevant for our company and stakeholders. In FY2019, we conducted our most recent materiality assessment with support from Sustainserv Inc./GmbH, a CR consultancy. This materiality process involved an evaluation of our FY2017 list of material topics and an analysis of ModusLink's most current business and sustainability priorities.

The following topics were deemed to be most relevant to ModusLink's business priorities and underpin all our business and sustainability endeavors.

- Energy
- Water
- Emissions
- Effluents and Waste
- Employment
- Occupational Health and Safety
- Training and Education
- Freedom of Association and Collective Bargaining
- Child Labor
- Forced or Compulsory Labor
- Anti-Corruption
- Anti-Competitive Behavior
- Compliance
- Customer Privacy
- IT Infrastructure and Resilience
- Supplier Assessment for Labor Practices
- Responsible Sourcing
- Customer Satisfaction
- Innovation

# › GOVERNANCE & ETHICS

We understand that strong governance and ethics foundations are critical to ModusLink's ability to create long-term value. Our executive leadership team, comprised of our Chief Executive, Finance, Information, Commercial, Strategy, and Supply Chain Officers and our General Managers, takes potential economic, environmental, and social impacts of ModusLink's operations into account when making decisions. Our Board of Directors is composed of five independent and experienced members is ultimately responsible for managing and overseeing the business strategy of ModusLink. A full list of the names and occupations of our board members is available through our Investor Relations department.

To define our ethical expectations, our Code of Business Conduct ("the Code") describes appropriate business conduct that is in accordance with compliance standards, applicable laws and regulations, and standards of integrity that align with our core values. The Code applies to ModusLink and our subsidiaries, along with directors, officers, and employees of the company, including our principal executive officer, and senior financial officers, which include the principal financial officer, controller or principal accounting officer, and other persons performing similar functions.

The Code represents ModusLink's commitment to complying with all laws, rules, and regulations wherever we do business. We expect all our employees and directors to act in the best interests of the company and request employees' transparency when faced with a conflict of interest situation. Employees, officers, and directors are also required to maintain confidentiality of information entrusted to them by ModusLink, our suppliers, and customers, unless stated otherwise or disclosure is legally required. All ModusLink employees receive annual training on our whistleblower policy, which outlines the procedure for any employee to file reports through a confidential hotline.

ModusLink prohibits collusion, gifts, and gratuities and regularly assesses its operations for corruption risks. In the reporting year covering the FY2018 and FY2019, all of our operations in China for risks related to corruption and no corruption risks were identified during that analysis. Furthermore, in the reporting year, we did not receive significant fines or non-monetary sanctions for non-compliance with laws or regulations in the social and economic area. We also did not experience any legal proceedings resulting from anti-competitive conduct or infringements as we upheld our commitment to honest and ethical conduct and fair dealing.

Our Board of Directors has three standing committees:

- ❖ *Audit Committee*
- ❖ *Human Resources and Compensation Committee*
- ❖ *Nominating and Corporate Governance Committee*

Our Corporate Governance Guidelines detail the roles, responsibilities, and expectations we have for our Board. These include:

- *Director Responsibilities*
- *Director Qualification Standards*
- *Board Meetings*
- *Board Committees*
- *Director Access to Management and Independent Advisors*
- *Director Compensation*
- *Director Orientation and Continuing Education*
- *Management Evaluation and Succession*
- *Annual Performance Evaluation of the Board*
- *Board Interaction with Institutional Investors, the Press, Customers, etc.*
- *Periodic Review of the Corporate Governance Guidelines*

## » Stakeholders

Stakeholder engagement is integral to ModusLink's long-term business success. We take stakeholder feedback into account when determining everything from how we conduct business, how we satisfy customers, and how our operations affect surrounding communities. We have identified and selected key stakeholders based on the extent to which ModusLink affects each stakeholder economically, environmentally, and socially, and on how each stakeholder group impacts ModusLink. These stakeholders are customers, vendors/business partners, employees, shareholders, trade organizations, and the communities in which we operate.

Our engagement with stakeholders is based on communication and collaboration. We maintain consistent dialogue with our customers through customer satisfaction and feedback surveys, as well as quarterly business reviews. Similarly, ModusLink biannually conducts employee engagement surveys to obtain valuable feedback on an employee's experience and engagement while working for the Company. ModusLink facilitates constant communication with investors, engaging with shareholders through both annual meetings and phone calls and on-site visits with interested parties. ModusLink also conducts due diligence via regular audits to ensure suppliers continue to comply with legal, regulatory, and the Company's own risk policies and procedures. We also interact with trade organizations in which we are members on a variety of issues relating to advancing innovation within the industry. When communities voice their concern over company-related activity, we meet with and engage with community members to collaboratively come to a solution.

### MANAGEMENT APPROACHES FOR ANTI-CORRUPTION, FAIR COMPETITION, AND COMPLIANCE

**ModusLink Corporation provides our customers superior products and our employees a safe and productive workplace. Our goal is to assure and enhance the integrity, people, processes, and assets needed by all stakeholders of ModusLink Global Solutions, Inc. We are committed to abiding by all applicable laws and regulations to maintain adherence to anti-corruption, fair competition, and compliance.**

**Anti-corruption issues are overseen by our Legal Department and Internal Audit team. Furthermore, all employees are subject to a Foreign Corrupt Practices Act, which they are obligated to review and agree to annually. Employees are also encouraged to provide the company with anonymous and confidential suggestions, concerns, or reports of misconduct or violations through the online EthicsPoint platform. Our Legal and Internal Audit teams follow up on any reported violations.**

**Fair competition issues are overseen by our Legal Department. For the management of this topic, outside counsel experts may be consulted with respect to contractual clauses, if needed.**

**Compliance issues are overseen by our Legal Department, with assistance from other departments, particularly Internal Audit, if applicable. Various company-wide policies for this topic include the company's Code of Business Conduct and Ethics, Statements of Labor and Ethics, and Foreign Corrupt Practices Act Policy. These formal policies are updated annually, and all employees, including members of management, are required to review and indicate their acceptance. ModusLink's Code of Business Conduct and Ethics commits to the RBA Code of Conduct and we perform RBA self-assessments across all solution centers.**

**Employees are also encouraged to use the online EthicsPoint platform to provide suggestions, concerns, or reports of misconduct and violations on this topic as well. These reports are initially handled by the company's head of Internal Audit who consults with Legal and other involved departments, depending on the nature of the complaint. For anti-corruption, all business units are assessed annually by the Internal Audit team for risks related to corruption. Our management approach for fair competition is based on the absence of governmental complaints or issues. We assess our management approach of compliance based on all grievances that are followed up, and, if applicable, ModusLink's Audit Committee is kept advised of those grievances thereafter. Due to the effectiveness of our approach to managing these important topics, we have not found the need to change our processes.**

A long-exposure photograph of a waterfall cascading over mossy rocks in a lush forest. The water is blurred, creating a soft, ethereal effect. The rocks are covered in vibrant green moss and small plants. The background is a dense forest with green foliage.

***Sustainable Fulfillment***

## › SERVING OUR CUSTOMERS

The metrics that define successful supply chains are remarkably uniform. However, ModusLink has found that the path taken to reach supply chain success is unique to each company - no matter where they may operate or where their customers might be in the world.

That's why we offer Adaptive Supply Chain Services, a unique approach that draws on our decades of experience and cross-border capabilities to design and implement a solution that adapts to your specific needs - to ensure your company's supply chain path leads to success.



**Packaging, Kitting & Assembly:** By analyzing operating variables and supply chain costs, we help develop and execute a strategy that has product configuration and packaging done at the optimal time, and from the greatest strategic benefit. Our just-in-time flexibility utilizes sites located near our customers' manufacturing locations in the Americas, the Asia-Pacific region or Europe. In addition, our light manufacturing services cover the final assembly of components and parts into finished goods, including build-to-order customization. We also offer additional value-added processes such as product testing, RFID tagging, product or service activation, language settings, personalization and engraving and multi-channel packaging and packaging design.



**Fulfillment:** We have deep experience in handling the fulfillment requirements of multiple channels, be they manufacturing sites, distribution centers, retail operations or individual consumers dispersed across the globe. We're equally strong in adapting to the needs of retail/B2B or B2C product movement. We can manage all aspects of bringing our customers' products to market, including order management, pick, pack and ship, retail compliance and demand planning services. Along with that, we help optimize component and finished goods inventory levels for better efficiency and cost savings. We also provide physical programming of digital content – such as software, firmware, upgrades or promotional material – onto numerous types of flash media, including SD and MicroSD cards, USB drives, navigation systems, smartphones and tablets. This programming includes content protection and activation options as well as full IP security. What's more, as direct-to-consumer volumes increase, customers can rest assured that we will provide a customer experience that will serve to further enhance their brand relationship.



**Digital Commerce:** Our cloud-based e-commerce technologies remove the complexities and risk of a global web store. Our adaptive suite of solutions is fully integrated with global payment, CRM and fulfillment systems, helping customers seamlessly expand their business into new regions and countries. Our team of experts can help to optimize each stage of the online buying experience, ensuring our clients' products can be quickly and easily purchased, serviced and delivered to their customers, anywhere in the world. By leveraging our trusted partnerships, integrated technologies and broad e-commerce capabilities, we offer a consultative approach to select and implement eCommerce Infrastructure, Enhanced Payment Services, Entitlement and Subscription Services (powered by Poetic®), and Global Contact Centers. We also offer a full suite of Digital Marketing Services and can quickly develop bespoke marketing strategies and programs that ensure a consistent, optimized experience for customers at every stage of their relationship.



**Reverse Logistics:** We help to simplify the returns process for retailers and manufacturers that want to improve service parts management and the value of returned assets. We manage the end-to-end process, including receipt, RMA, sorting, triage, credit processing and ultimate disposition of the returned product. Our approach to reverse logistics employs a modular global system that combines existing and new supply chain solutions, so customers can gain actionable insight into their reverse supply chain, which leads to reduced costs and increased service and satisfaction levels.



**Supply Chain Infrastructure for Small Companies:** We help young businesses with big ambitions grow from local operations to global market leaders with our Supply Chain Infrastructure Services. EZ Connect™ service offers ModusLink's essential fulfillment capabilities for emerging growth companies without the expensive surprises typically associated with third-party fulfillment services for young, growing companies.

## Customer Satisfaction

Our goal is to create value for our customers and enable their success through our services. We therefore prioritize customer satisfaction as a key motivating factor behind the work we do each day. The feedback that we receive from customers helps drive innovation by identifying ways we can improve our services to better fit their needs. To this end, our Quarterly Business Reviews are very valuable to both our clients and ModusLink's business. During these reviews, we monitor and assess the agreed upon key performance indicators (KPIs) for both organizations and focus on what needs to be improved. In addition to looking backwards, we also focus on identifying our strategies and new projects for the years ahead. As a result, we have received several awards from our global clients as a recognition for our services and proactiveness.

As a key influencer to customer satisfaction, we also prioritize protecting our customers privacy. It is imperative that we ensure the protection of all our customer and client information for the efficacy of our business and the privacy of their data. Therefore, we manage both customer satisfaction and customer privacy closely. In the reporting period, we have not received any substantiated complaints concerning breaches of customer privacy, nor have we identified any leaks, thefts, or losses of customer data. Furthermore, throughout FY2018 and FY2019, we enhanced our cyber-security protection measures globally. As a supply and logistics company, it is crucial that we remain reliable and secure for our customers through all their physical and digital processes and needs. To achieve our clients' satisfaction and privacy, we focus on providing our customers what they need while aligning our strategies with their own business strategies and goals. For instance, we work with our clients to achieve process optimization while educating them on our role within the supply chain. This collaboration often leads to opportunities that expand clients' efficiency and sustainability initiatives through our services.

### MANAGEMENT APPROACHES FOR CUSTOMER SATISFACTION AND CUSTOMER PRIVACY



Our entire organization plays a role in managing customer satisfaction. Our company-wide efforts contribute to this important topic, so we prioritize it across everything we do. However, for specific governance over this topic, our business management team oversees processes for collecting data from customer satisfaction surveys. Furthermore, to actively engage with our clients and bring them greater satisfaction, we provide feedback to clients on trends and opportunities through a quarterly business review documentation. Similarly, we provide our clients with relevant metrics, resources, and real-time applicable key performance indicators and reporting through our Site Information Centers and Power Business Intelligence (BI) tool. We also utilize an internal tool that addresses client concerns to create cross-management of client concerns or trouble shooting. This helps us look for new opportunities to engage with customers and enhance their experiences with our services. Together, these tools and initiatives help us keep a finger on the pulse of our clients' satisfaction.

We assess the efficacy of how we manage customer satisfaction by reviewing our engagements with our clients and the retention of those relationships. Furthermore, we assess our management approach to customer privacy on an annual basis. Through these efforts, we continuously improve upon our initiatives to afford the highest degree of client and customer satisfaction and privacy we can year after year. We help our clients to find ways to increase sustainability by reducing freight (air/sea/road) and by introducing sustainable packaging solutions.

It is also our business imperative that we protect our clients' and customers' data. Our Legal department manages this topic, referring to the guidelines set forth in our Corporate Privacy Policy. This covers our commitment to the European Union — United States Privacy Shield and our TRUSTe Privacy Certification, which helps us establish and maintain strong privacy management practices consistent with a wide range of global regulatory and industry standards. Furthermore, we adhere to General Data Protection Regulation (GDPR) compliance. These initiatives and commitments are transparently displayed on our website along with our Privacy Policy. For grievances relating to unresolved privacy or data use concerns, we encourage respondents to use our U.S.-based third-party dispute resolution provider, TRUSTe. We assess our management approach to customer privacy on an annual basis.

## ➤ Responsible Sourcing

We are committed to providing products and services that abide by our ethical standards while driving our guidelines and responsibilities for sustainable production into our supply base. This not only helps us achieve our goal of responsible sourcing, but it in turn helps our customers source responsibly as well. As we strive to partner with suppliers that hold our same ethics, we have a rigorous supplier vetting process for our approved vendor list. As part of a vendor setup process, we require all suppliers to sign and adhere to our Code of Business Conduct and Ethics and abide by our Supplier Handbook. ModusLink has incorporated supplier Customs-Trade Partnership Against Terrorism (CTPAT) checks into our supplier review process to identify CTPAT or comparable programs as an additional factor in our supplier selection process. In FY2018, CTPAT requirements were implemented on the top 80% of international supply base. We have expanded this to our approved vendor supply base as part of the setup process instead of as a retroactive review.

Both provide criteria on appropriate ethical practices within the supply chain. Ultimately, responsible sourcing at ModusLink ensures that our suppliers are screened for impacts concerning environmental, labor, human rights and society issues, and these efforts reflect our goal of supporting sustainable and efficient supply chains.

### MANAGEMENT APPROACHES FOR RESPONSIBLE SOURCING AND SUPPLIER ASSESSMENTS FOR LABOR PRACTICES

Our procurement team manages responsible sourcing on a monthly basis. However, for the management of conflict minerals, we review our practices annually, and all federal requirements are reviewed on a regular basis. To understand where our sources are coming from, we also release a survey to our suppliers. Furthermore, we adhere to the same requirements our clients have for responsible sourcing, and our clients and partners must abide by our Code of Business Conduct and Ethics when they conduct business with us. Our goal is to continue down the path of responsible sourcing by ensuring that all of our partners are trained, aware of what our expectations are, and follow our guidelines.

For supplier assessments for labor practices specifically, our Sourcing, Commodity Management, Buying and Planning, Freight, and Logistics teams all play a role in managing this important topic. We also refer to our Supplier Handbook for guidance on supplier selection and supplier evaluation templates. In addition, ModusLink is committed to the ethical sourcing of minerals used in its materials. Therefore, we expect all of our suppliers to comply with the Dodd-Frank Financial Reform Bill and provide all necessary declarations for compliance to avoid the use of conflict minerals. Suppliers must pass these requirements through their supply chain and determine the source of specified minerals. Furthermore, we obtain required chain of custody declarations and have adopted due diligence reporting processes set forth by the Electronic Industry Citizenship Coalition (EICC), which is now the Responsible Business Alliance (RBA), to ensure transparency in our supply chain. ModusLink also complies with the Responsible Minerals Initiative (RMI) and conducts due diligence with all material suppliers through conflict minerals reporting template (CMRT) and cobalt reporting template (CRT) formats.

We assess the efficacy of how we manage responsible sourcing by reviewing our engagements with our suppliers and the retention of those relationships. For example, as we add new suppliers to our preferred list, our standards for responsible sourcing are thus practiced and implemented, we therefore believe our management approach is effective. In addition, we assess our management approach of supplier assessments for labor practices through the expanded awareness of this topic by internal employees. Informing our employees of this important topic ensures necessary requirements are followed. We strive to continuously build upon our initiatives and management of responsible sourcing and supplier assessments for labor practices.

# ENVIRONMENTAL IMPACTS

It is our objective to make continuous improvements to the quality and efficiency of our operations by managing natural resources effectively. These efforts revolve around our consumption of energy and associated emissions, our consumption of water, and our production of effluents and waste. We aim to manage our environmental impacts by monitoring our environmental performance over time, and collect data on our energy consumption, water usage and waste generation. This allows us to understand our use of resources and production of waste and identify opportunities to improve. Prioritizing our environmental initiatives also means that we are able to support a sustainable value chain that is cost-effective, solutions-oriented, and lower-impact for the environment for both our customers and for our business.

Our approach to environmental management is influenced by the ISO 14001 guidelines. As of the end of FY2019, 11 of our 20 facilities are ISO 14001 certified and we plan to certify more in the future.

In addition, ModusLink is a member of the Responsible Business Alliance (RBA), formerly known as the Electronics Industry Citizenship Coalition (EICC). This international organization is dedicated to sustainability performance in the electronics industry, with a focus on supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain. As a member of RBA, we adhere to stringent requirements for conduct and reporting around social, environmental, and ethical issues as set forth by RBA and RBA's common Code of Conduct. The RBA standards, which are complementary and reinforce ISO 14001 guidelines, the UN Global Compact, and other international sustainability-related standards, represent our commitment to act responsibly in our day-to-day operations. As an RBA member, we regularly communicate our environmental performance to our stakeholders.

We annually report information about energy usage and greenhouse gas (GHG) emissions to the Carbon Disclosure Project (CDP), the world's leading platform for disclosures of corporate greenhouse gas emission and management approaches. ModusLink received a score of the "Awareness" level for CDP in FY2018, and "Disclosure" level in FY2019, demonstrating our ongoing efforts to disclose ModusLink's impacts on, and of, climate change issues.

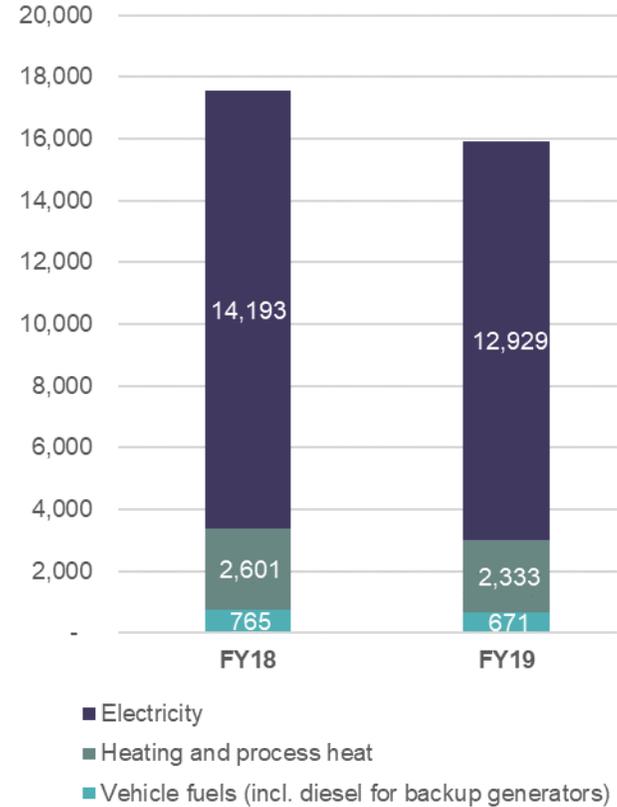
# Energy & Emissions

Across our global operations, we monitor our energy use by regularly collecting data on electricity usage and fuel consumption. In FY2019, our total energy consumption was approximately 16,000 MWh, which represented a 9% decrease from the previous fiscal year. More than 80% of this consumption was attributed to electricity. Our second largest source for energy is on-site fuel consumption used for heating and process heat. Furthermore, at the regional level, the largest source of energy consumption is Asia, comprised of nine sites that represent 48% of the total energy consumption included in our annual environmental data collection analysis.

For our vehicle fleet, we saw a 14% decrease in total vehicle fuels used in FY2019. This was mainly attributed to consolidating our vehicle fleets at several facilities. Furthermore, forklifts that were previously liquefied petroleum (LPG)-powered were replaced with more efficient, electric options.

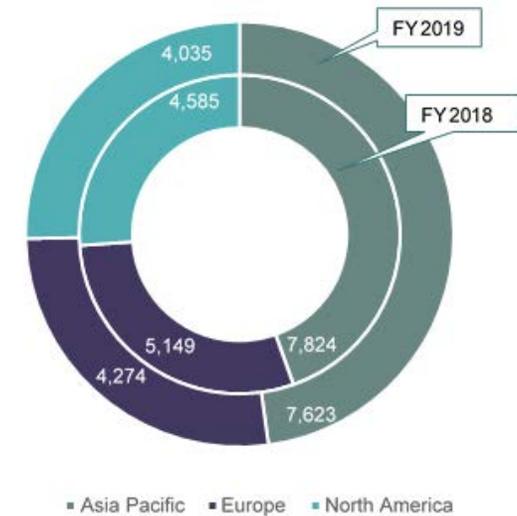
To evaluate our greatest impacts related to energy consumption, we calculate our direct (Scope 1) and indirect (Scope 2) greenhouse gas (GHG) emissions in accordance with the Greenhouse Gas Protocol. In FY2019, our total GHG emissions decreased 7% from the previous fiscal year. As a reflection of the number and size of our facilities in Asia, the Asia region produced the largest amount of GHG emissions.

Total energy consumption by source (MWh)



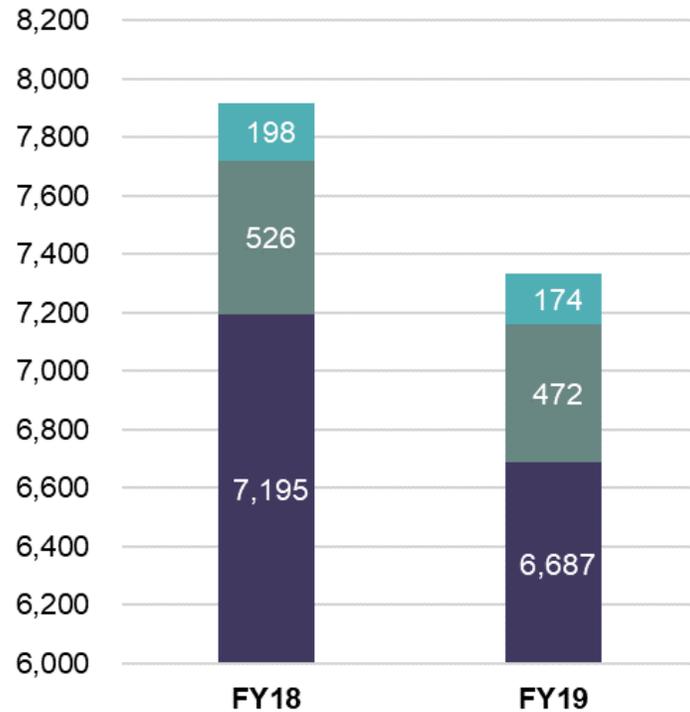
As part of our efforts to reduce energy consumption and emissions, we focus on integrating impactful initiatives in our operations and internal practices. For example, many of our sites utilize motion sensitive lights, programmable thermostats, and infrared imaging to detect thermal leaks within the facility. We also encourage our employees to power down equipment when use is complete. With these initiatives and others, we continue our commitment to sustainability.

Energy consumption by region (MWh)



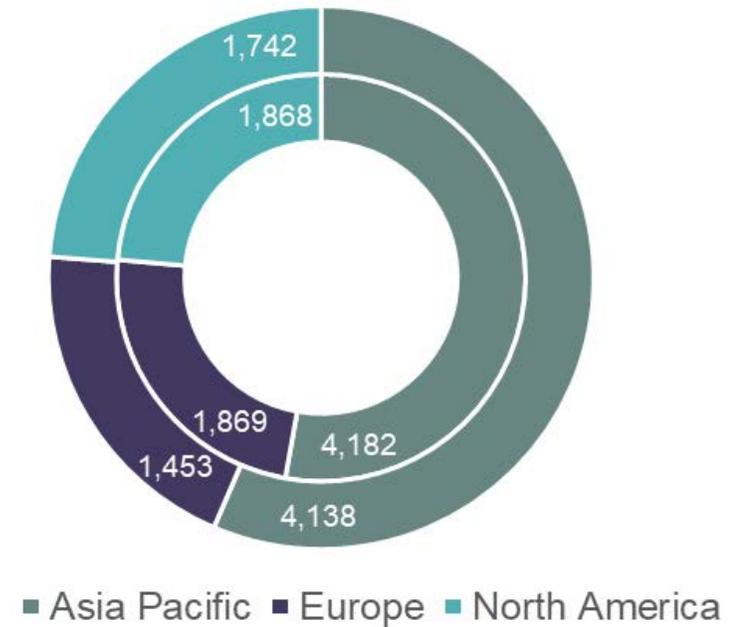
# Greenhouse Gas Emissions

## Total GHG emissions by source (MTCO2e)



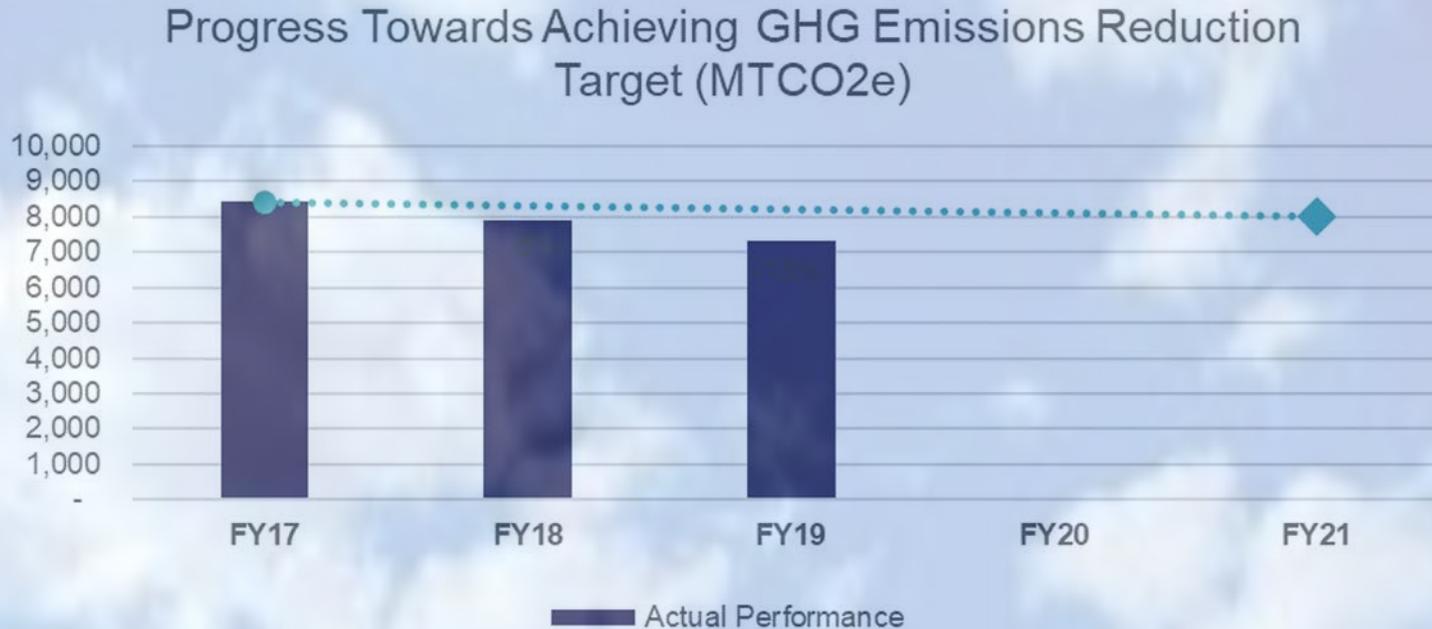
- Vehicle fuels (incl. diesel for backup generators)
- Heating and process heat
- Electricity

## GHG emissions by region (MTCO2e)



# Reduction of Greenhouse Gas Emissions

In FY2017, ModusLink set a goal to reduce our company-wide GHG emissions 5% by FY2021, using FY2017 as the baseline. To support the attainment of this target, we identified the top five facilities that are our largest GHG emitters, representing nearly 70% of total energy consumption and corresponding emissions. In FY2018 and FY2019, ModusLink continued to investigate potential emission reduction initiatives to be implemented across these five facilities. This entailed researching initiatives on both the supply and demand side, such as evaluating the feasibility of offsite access for community solar via Power Purchase Agreements (PPAs) and on-site renewable energy generation. ModusLink remains on track to exceed its GHG reduction goal by FY2021.



# Energy Consumption and Greenhouse Gas Emissions

Energy consumption (MWh)	FY2018	FY2019	% change
<b>Electricity</b>	14,193	12,929	-9%
<b>Heating fuels total</b>	2,601	2,333	-10%
Natural gas	2,601	2,333	-10%
<b>Vehicle fuels total</b>	765	671	-12%
Diesel	365	294	-19%
Gasoline	373	340	-9%
Diesel for backup generators	28	37	33%
<b>Total energy consumption MWh</b>	<b>17,559</b>	<b>15,932</b>	<b>-9%</b>

Greenhouse gas emissions (MTCO <sub>2</sub> e) <sup>1)</sup>	FY2018	FY2019	% change
<b>Direct greenhouse gas emissions (Scope 1)<sup>2)</sup></b>	724	645	-11%
Heating and process heat	526	472	-10%
Vehicle fuels (incl. diesel for backup generators)	198	174	-12%
<b>Indirect greenhouse gas emissions (Scope 2)<sup>3)</sup></b>	7,195	6,687	-7%
Electricity <sup>4)</sup>	7,195	6,687	-7%
<b>Total emissions MTCO<sub>2</sub>e</b>	<b>7,919</b>	<b>7,333</b>	<b>-7%</b>

1) Greenhouse gas inventory calculated in accordance with the WIR/WBCSD Greenhouse Gas Protocol

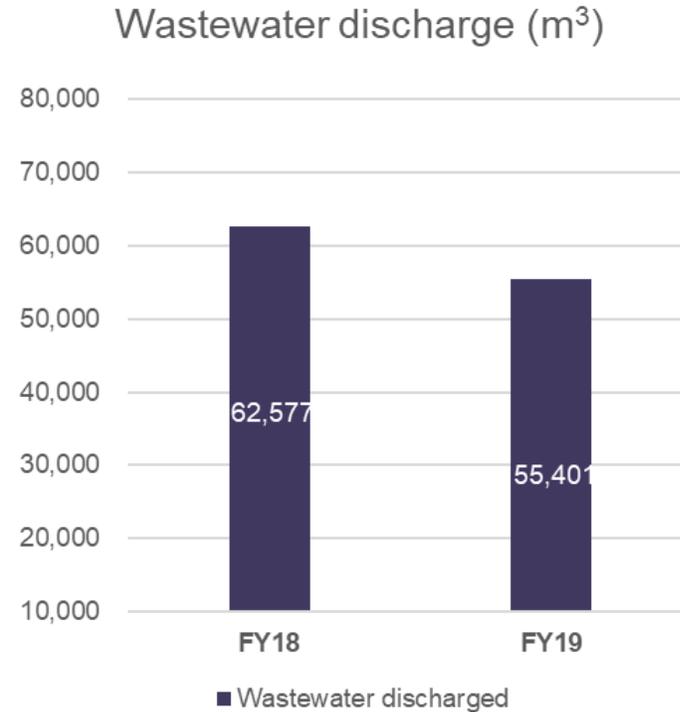
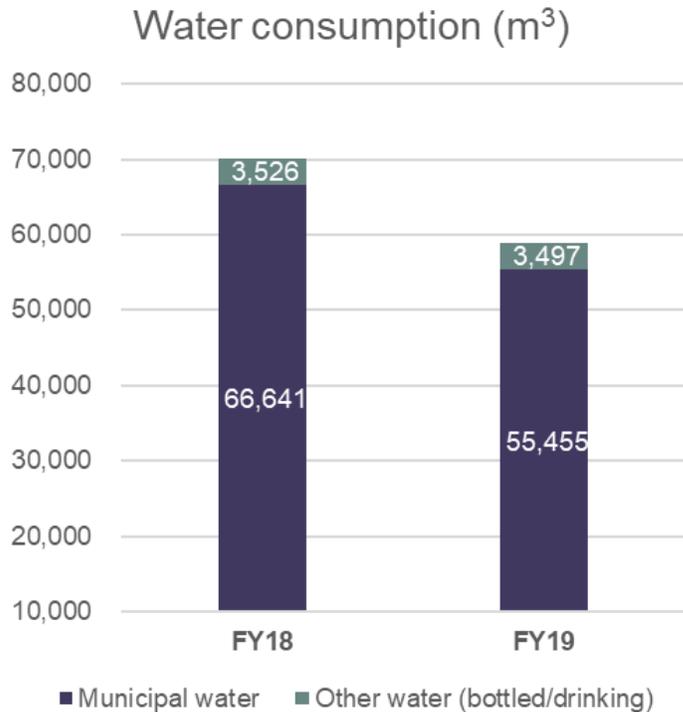
2) Scope 1: direct greenhouse gas emissions from sources owned or controlled by ModusLink

3) Scope 2: indirect greenhouse gas emissions from sources owned or controlled by another entity, as a consequence of ModusLink's activities

4) The greenhouse gas emissions associated with electricity consumption are reported according to the «location-based» approach, as defined in the Greenhouse Gas Protocol Scope 2 Guidance. Value used as an approximation for the «market-based» emissions.

# Water and Effluents

Although not a major component of our overall business impacts, we utilize water in our operations as it is a requirement for day-to-day facility and employee use. In FY2019, our facilities consumed approximately 59,000 cubic meters of water, which primarily came from municipal sources. Our total water consumption is primarily from human consumption and sanitation. The next most common consumption of water is for irrigation, heating, and cooling our facilities. In comparison to FY2018, our water consumption decreased by 16%. This is largely due to consolidating our footprint as well as introducing efficiency improvements. For example, in some of our facilities, we utilize low-flow appliances, motion-activated plumbing fixtures, and reduction of irrigation where applicable. Furthermore, we monitor our wastewater discharges to understand how we utilize water and opportunities for improvement to reduce our production of effluents. These practices help us pursue our goal of reducing our environmental impact through water conservation practices.



## Waste and Packaging

While producing waste is inevitable, there are plenty of opportunities to reduce landfill waste and increase recycling rates. To drive our efforts, we are committed to reducing waste in the supply chain and optimizing resources wherever possible. We apply Lean methodology to our processes, promote efficient use of materials, and reduce waste through reuse and recycling. We also focus on maintaining strong recycling programs and educating our employees and clients on waste and recycling, and use SERI R2 certified downstream vendors for our recycling and reuse programs wherever possible. In FY2019, we produced 862 tons of waste, consumed 98 tons of new paper, and recycled 2,161 tons of materials including metal, batteries, cardboard, construction waste, glass, electronics, paper, and plastics. Through our reverse logistics services, we help our clients accomplish their sustainability goals by addressing old products. We offer diagnostic and disposition services, where the components may be refurbished and resold or recycled if beyond reuse. This value-add service bolsters our client's bottom line, preserves the intellectual property of the products, and reduces waste sent to landfills. Furthermore, we strive to attain greater environmental and supply chain efficiency while reducing waste through our packaging designs. We utilize package designs that are easy to assemble and disassemble. We implement cost saving measures to help our clients reduce the size of their parcels and consequently, pallets. On the other end of the value chain, these initiatives help customers receive intuitively-assembled packages with Lean designs.

### MANAGEMENT APPROACHES FOR ENERGY, EMISSIONS, WATER, AND WASTE

Every department, function, and position within ModusLink plays a role in managing energy and water consumption, and the reduction of effluents and waste. Our Environmental Health and Safety Policy governs how we manage these topics; however, we also refer to specific management approaches and policies for each. Our Energy Consumption, Water Management, and Waste Management policies determine our practices in reducing energy and water consumption and waste production, which leads to overall increased efficiency. These policies also reduce operational costs while advancing our sustainability goals. Furthermore, our approach to environmental management is documented in accordance with ISO 14001-certified environmental management systems and Sustainable Electronics Recycling International (SERI) R2 Standard. R2 Standard is the leading certification for electronics repair and reuse. As the housing body for R2, SERI maintains the R2 Standard, related documentation, guidance, and facilitates its ongoing development for the responsible reuse, repair, and recycling of electronic products. For grievance mechanisms pertaining to energy, water, and waste, we engage all relevant parties for discussion-oriented meetings and encourage employees to provide anonymous and confidential complaints through the company's Ethicspoint platform.

As part of our efforts for energy and emissions management, all ModusLink sites are directed to meet with local energy utilities to discuss options for energy conservation programs and availability of support for audit efforts. Energy usage and corresponding Scope 1, 2, and 3 emissions are monitored on a regular basis. We annually report this information to the Carbon Disclosure Project (CDP), the world's leading platform for disclosures of corporate greenhouse gas emission and management approaches. To minimize the overall volume of water consumed, especially in fresh, potable form, all ModusLink facilities have met with their local water utility to discuss ways to increase water conservation and available programs to support these efforts. Each ModusLink location around the world meets with local waste haulers and recycling vendors to discuss options for enhanced recycling programs. As part of our efforts to assist clients in their own sustainability efforts, we continue to meet with key clients to discuss ways that their product lines' waste streams can be reduced. For energy, emissions, water, and waste, we conduct regular assessments that cover aspect and impact reviews for the continued certification of ISO 14001 and SERI R2, as well as external auditing and certification. To assess the efficacy of our management approaches, we refer to the adjustments made as a result of non-conformance related to our environmental impact assessments. We did not encounter any non-conformance in the reporting period, therefore our certifications were upheld and we did not change our management approaches.

A long-exposure photograph of a waterfall cascading over mossy rocks in a lush forest. The water is blurred, creating a soft, ethereal effect. The rocks are dark and covered in vibrant green moss and small plants. The background is filled with dense green foliage, and the overall scene is serene and natural.

# *Our Employees*

## Who We Are

ModusLink's success depends upon a core of approximately 1,600 highly trained, permanent employees who have comprehensive and in-depth knowledge of our clients' needs and the tools that we have at our disposal to create value for them. Our workforce brings years of combined experience in logistics, quality management, fulfillment, and information technology (IT), that help drive our core-business processes and efforts to innovate and pursue new revenue opportunities.

To supplement our workforce, we contract with local agencies that provide temporary workers to fill short-to-medium term needs that we have at our facilities worldwide for seasonal work or time-bound contracts. This workforce model provides a high degree of flexibility regarding our staffing needs and overhead costs, while also offering individuals part-time or temporary employment opportunities. Due to our dependence on temporary workers, we are obligated to ensure that the agencies with whom we do business operate ethically and within the bounds of all applicable laws and regulations. For example, all suppliers are required to sign our Supplier Code of Conduct, certifying that they comply with all locally applicable laws and regulations, including those related to child labor and/or forced labor. *In the reporting period, we found no instances of any such law violations.*

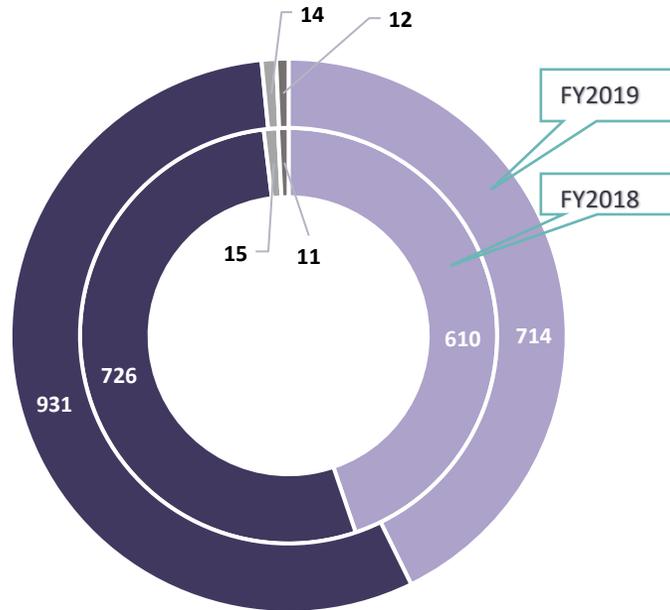
Our commitment to freedom of association and collective bargaining is evidenced by the fact that many employees at our sites in Mexico, France, Ireland, and China participate in collective bargaining agreements and labor unions. Any employee with concerns or grievances related to freedom of association or collective bargaining can submit those anonymously through EthicsPoint, our confidential reporting system, which is monitored by the management team. Similarly, our suppliers are also required to adhere to all applicable laws and regulations regarding freedom of association and collective bargaining. *We are not aware of any instances where such laws were violated during the reporting period.*

### MANAGEMENT APPROACHES FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING, CHILD LABOR AND FORCED LABOR

Our Code of Business Conduct and Ethics illustrates our commitment that the entire company and our employees comply with all applicable laws, rules, and regulations wherever we do business. Due to our high ethical standards for business practices, we manage issues related to organized labor and collective bargaining in accordance with all applicable laws and regulations in the locations where we operate. Many of our employees participate in collective bargaining agreements. The corporate Human Resources function, supported by the ModusLink Legal team, is responsible for ensuring that we always operate in full compliance with the laws. Similarly, we comply with all laws regarding underage or child labor, primarily through careful vetting of all ModusLink employees, and by communicating our requirements to all vendors and subcontractors. Adherence to these requirements is periodically spot-checked and audited by third-party auditors. We assess the efficacy of our action by third party audits and our own internal compliance and audit processes. Deviations from expected performance are addressed immediately.

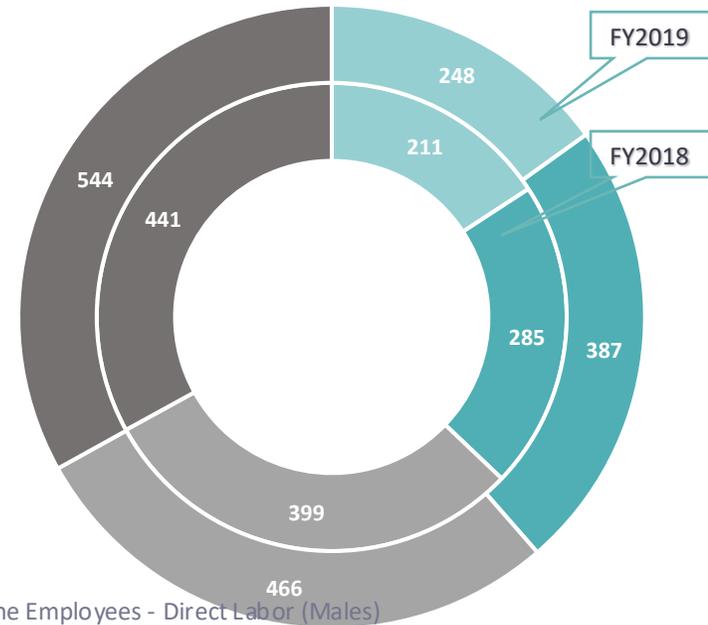
# Information on Employees

Employees by Contract Type



- Permanent Employees (Males)
- Permanent Employees (Females)
- Fixed Term / Temporary Employment Contract (Males)
- Fixed Term / Temporary Employment Contract (Females)

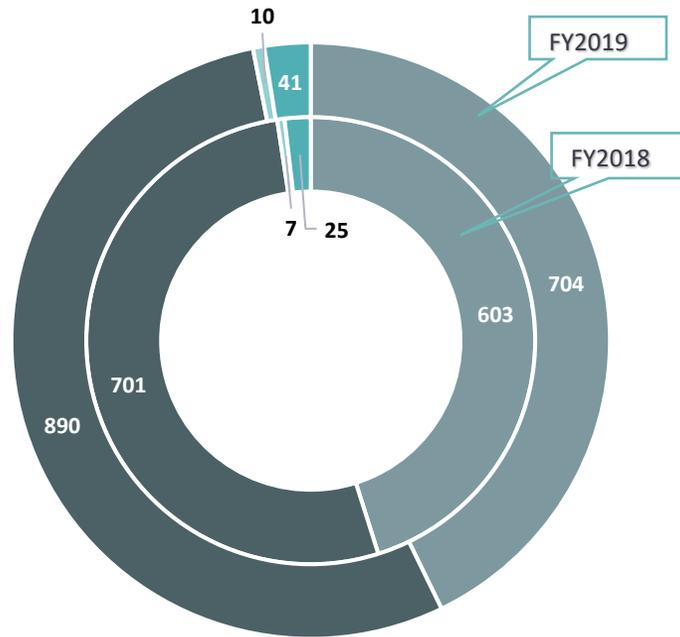
Permanent Employees by Category



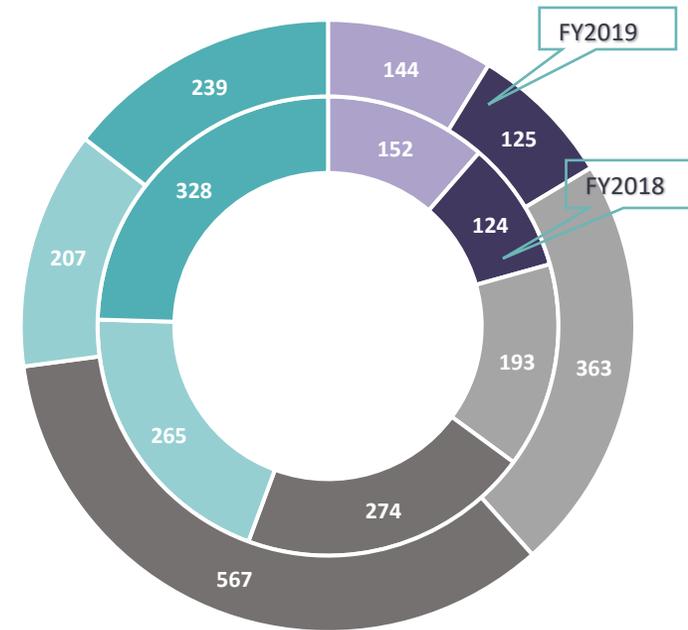
- Line Employees - Direct Labor (Males)
- Line Employees - Direct Labor (Females)
- Management or Administration Employees - Indirect Labor (Males)
- Management or Administration Employees - Indirect Labor (Females)

# Additional Information on Permanent Employees

Permanent Employees by Work Type



Permanent Employees by Region



- Full Time (Males)
- Full Time (Females)
- Part Time (Males)
- Part Time (Females)

- Americas (Males)
- Americas (Females)
- Asia Pacific (Males)
- Asia Pacific (Females)
- Europe (Males)
- Europe (Females)

# Permanent Employee Turnover by Region

PERMANENT EMPLOYEE TURNOVER – AMERICAS	FY2018						FY2019					
	<30 years old		30 - 50 years old		>50 years old		<30 years old		30 - 50 years old		>50 years old	
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES
Beginning of year headcount (Aug. 1)	19	18	118	97	45	39	12	13	90	76	37	29
Employees leaving in FY	12	13	38	30	14	11	5	8	29	21	16	5
Employees joining in FY	5	8	10	9	6	1	3	6	11	5	4	1
End of year headcount (July 31)	12	13	90	76	37	29	10	11	72	60	25	25

PERMANENT EMPLOYEE TURNOVER – ASIA	FY2018						FY2019					
	<30 years old		30 - 50 years old		>50 years old		<30 years old		30 - 50 years old		>50 years old	
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES
Beginning of year headcount (Aug. 1)	95	97	247	435	30	40	73	80	209	383	26	26
Employees leaving in FY	59	59	72	97	7	15	41	40	31	70	4	12
Employees joining in FY	37	42	33	45	3	1	50	61	20	36	2	1
End of year headcount (July 31)	73	80	208	383	26	26	82	101	198	349	24	15

PERMANENT EMPLOYEE TURNOVER – EUROPE	FY2018						FY2019					
	<30 years old		30 - 50 years old		>50 years old		<30 years old		30 - 50 years old		>50 years old	
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES
Beginning of year headcount (Aug. 1)	60	69	247	289	57	77	22	36	141	174	34	28
Employees leaving in FY	42	43	120	131	26	51	4	7	31	27	6	8
Employees joining in FY	3	9	15	17	3	2	2	9	12	9	4	1
End of year headcount (July 31)	21	35	148	175	34	28	20	38	122	156	32	21

## ▶ Training & Education

Many of our locations provide annual training on ModusLink's Code of Business Conduct, highlighting our high ethics standards. Additionally, many locations receive training on environmental health and safety standards put forth by the Responsible Business Alliance (RBA), formerly known as EICC (Electronic Industry Citizenship Coalition). Other training topics include security awareness, evacuation training, fire prevention, and first aid training. Employees that are part of the site's emergency response team may receive specific safety training on these topics, including firefighting, first aid, and automated emergency defibrillator training. Forklift driving training, manual handling, and elevator mechanics training are examples of job-specific training that we have provided at some sites based on job requirements. Our sites offered a variety of training programs in FY2018 and FY2019 depending on the needs of each location and function. In addition to the ethics and health and safety training mentioned previously, we conducted job-specific skills training over the past two years in several of our sites:

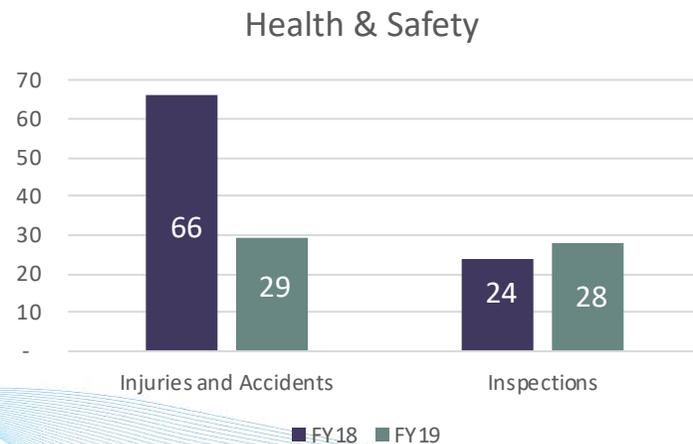
- ✓ • *Closed Circuit Television systems, Electricity, and SAP and Microsoft at our sites in Mexico*
- ✓ • *Elevator mechanics training at our site in Chongqing*
- ✓ • *Lean principles at our operations in China and Ireland*
- ✓ • *Project Management software at our site in the Czech Republic*
- ✓ • *Forklift driving at several sites*
- ✓ • *IT trainings at several sites*

### MANAGEMENT APPROACHES FOR EMPLOYMENT AND TRAINING AND EDUCATION

The working conditions provided to our employees is essential for their comfort and productivity. Similarly, the training opportunities we provide to our employees enables them to support the company and grow professionally. We therefore consider this topic as foundational to our company's proficiency. The corporate Human Resources function at ModusLink oversees the management of employment related issues, as well as certain training programs. Every business unit and facility offer training programs that are customized to the needs of each individual facility, depending upon the type of work performed at that location. Site management engages with clients to assess the specific requirements of the work we are contracted to perform, and design training programs accordingly to develop those skills within ModusLink's teams. In addition, other areas within the business might assess and conduct trainings based on business or employee development need. We assess the efficacy of our efforts based upon satisfaction with our services from our customers, and other feedback based upon industry standards and norms.

## Health & Safety

Ensuring our employees remain safe on the job is vital to our long-term success. Our employees, both permanent and temporary, work in warehouses and other light industrial settings that pose hazards that must be managed. To minimize these hazards, we refer to ModusLink's Environment, Health, and Safety Policy. This policy outlines the company's approach to health and safety management, including injury and accident prevention, prevention of pollution, and risk reduction, and its commitment to continual improvement of issues related to health and safety. In addition to the corporate-wide Health and Safety policy, specific policies are implemented on a site-to-site basis relative to the work performed in the respective location and relevant local regulations. All policies are based on the belief that all ModusLink employees have a right to work in a safe and secure environment, and have an obligation to work with ModusLink to achieve this goal by supporting policies and procedures designed to protect ModusLink property and proprietary information, as well as the health and safety of our employees, contract workers, visitors, and vendors. These policies are reflected in our Employee Handbooks, specific Security Policy Manuals, and Company-wide policies. With a strong commitment to our high safety standards, we were able to significantly reduce the number of total injuries and accidents year-over-year in FY2019. In FY2018 and FY2019, we maintained our schedule of regular health and safety inspections at ModusLink facilities.



### MANAGEMENT APPROACH FOR OCCUPATIONAL HEALTH AND SAFETY

Our organization as a whole is focused on protecting the health and safety of our team, as this is central to their well-being and the efficacy of our operations. Our commitment to environmental, health, and safety policies is led by the Director of Operations at each facility, and is shared equally by managers, supervisors and leads, and all employees. Human Resources holds responsibility for Health and Safety at the corporate level. All employees of ModusLink have the responsibility to carry out activities in support of the environmental, health and safety policies and requirements. Generally, a cross-functional management approach is practiced at ModusLink facilities in which employees report to their functional manager, who reports to the Director of Operations. Senior Management has appointed the Quality Manager as the Health and Safety Management Representative (H&SMR) with the authority to:

- Ensure the OHSMS is established, implemented, and maintained per OHSAS 18001 and R2 Standards.
- Report to senior management on OHSMS performance and recommendations for improvement.

The H&SMR shall be identified to all persons working under the control of the organization through employee and contractor trainings. ModusLink also ensures that persons in the workplace take responsibility for EH&S aspects/impacts/hazard identification and reporting over which they have control, including complying with applicable Company EH&S requirements. We assess our approach to managing our programs by monitoring our health and safety incident and accident rates on an ongoing basis. Any extraordinary incidents are assessed using a root-cause analysis approach, and opportunities to rectify any situations that led to the incidents are explored and communicated.

A long-exposure photograph of a waterfall cascading over mossy rocks in a lush forest. The water is blurred, creating a soft, ethereal effect. The rocks are covered in vibrant green moss and small plants. The background is a dense forest with green foliage.

# ***Innovation and Value Creation***

# How We Innovate

## Innovation

At ModusLink, we define innovation as discoveries that improve quality, bring in new or differentiated services, or develop efficiencies that surpass standard operating procedures. We continually seek to deliver on our vision of optimizing our clients' digital and physical supply chain — empowering our clients to more effectively accomplish their goals. For example, innovation can result in quicker fulfillment processes, providing our clients later cut-off times for e-commerce orders. Innovation can also result in focused automation and robotics that lower cost and improve clients' product quality.

One of our main goals within innovation is to anticipate customers' needs — to go beyond obligations and focus on what the client is trying to achieve. Over the short term, most of our innovation efforts target lowering costs across the supply chain. For the longer term, these efforts aim to enable our clients to sell more, better support their customers, and expand their business. Our business is successful when our clients are successful.

During the reporting period, we launched several programs including packaging automation, redesigned material planning processes, and warehouse machinery and equipment utilization programs. A global monthly review of continuous improvement (CI) projects keeps us aligned with best practices and new innovations.

## Quality and Continuous Improvement

Our approach to innovation starts with a corporate culture that pursues continuous improvement and high-quality standards. We constantly seek better ways to serve the client, in physical operations, technology, and back-office functions, using our Lean and Global Process Excellence programs as the foundation. We actively identify gaps and improvement priorities by benchmarking our performance against the industry. Any new processes or innovations we propose must serve our commitment to delivering high-quality products and services for our clients. We embrace the idea of Lean, seeking opportunities to learn,

teach, support, and use Lean principles throughout the organization. There are always ways to increase operational efficiency, driving value for both our customers and ourselves. All ModusLink Solution Centers are certified to the ISO 9000 quality management standard.

## Sustainable Solutions

Innovation is integral to help us provide market differentiation and value-added services to our customers. For example, one core service we offer is returns management. This means we are providing both logistics and material handling support, and in many cases providing our customers the chance to harness new revenue streams from the returned devices. The devices can then be sold as either used or refurbished. Even when products cannot be repaired, they still have value— the device can be broken down and recycled for individual parts and materials, thereby offsetting the cost of creating new devices in the future while also reducing waste.

There is also an opportunity to gather valuable data from returned devices and apply that knowledge on future product research and development (R&D), reducing returned devices in the future. Every returned device has information on why it was returned. By creating and implementing a method for analyzing, documenting, and processing the data associated with returns, we can offer clients the ability to compile a comprehensive database that can easily be used in the research and development process of their products. Everything from the customer's initial complaint about the product, to exactly which components of the product were damaged or malfunctioning, or even the geographical region of where the faulty product was originally sold, could be useful for R&D purposes.

Similarly, we support clients with data they accumulate in their operational and production processes. The Internet of Things (IoT) is used to achieve this, which offers opportunities to bring new value to ModusLink's clients through its connectivity and communication capabilities. ModusLink offers a Poetic IoT service, extending its cloud platform to offer IoT services and allows IoT device producers and product manufacturers to connect smart devices to the cloud and collect service/usage data that can drive value creation. This information can improve consumer or B2B services, share detailed product usage or telemetry-based insights, and generate revenue with auto replenishment

and other offerings. With our commitment to innovation, ModusLink is continually finding new ways to deliver value to our customers.

Our team also developed other approaches to strengthen our customers' sustainability performance. Through our regional pack-out programs, we reduce freight costs and keep products in their original state for as long as possible by purchasing regional products and reconstructing them based on local demand. Our facility in Brno in the Czech Republic is harnessing 3D printing to produce parts for customers. These parts can be used in the final products or to test design and fit of critical parts.

Furthermore, ModusLink created the industry-leading Four Minute Click-to-Ship concept. Through a heavy investment in e-fulfillment operations, technology, and processes, ModusLink has strengthened its offering of e-commerce solutions and developed a state-of-the-art solution to ensure that products are in constant motion from the time the product is initially picked to its arrival at the shipping dock. Starting at the time a customer submits an order, ModusLink can have a product moving to the customer within four minutes, a truly unique and exclusive capability. This program officially launched in 2017.

Recently, a major electronics company sought ModusLink's help to optimize the packaging of its products by identifying and removing redundancies, waste, and extra materials. To accomplish this, our team measured and analyzed the carbon footprint of current packaging design and benchmarked it against the new design. We determined that the primary cost concern with the current design was its excessively large size and an exceptionally large paper user's manual. This resulted in packaging that used too much material, added unnecessary weight, and it took up too much space, increasing shipping costs.

The packaging optimization process started with eliminating the unnecessary plastic. One issue was the use of a single packaging size despite the various sizes of offerings in the product line. The solution was a standard-sized cardboard back with a blistered plastic packaging front tailored to the size of the product. This dramatically cut the over-all amount of plastic required for the devices.

## MANAGEMENT APPROACHES FOR INNOVATION AND IT INFRASTRUCTURE & RESILIENCE

Innovation is central to our mission and an essential part of addressing our client's problems today and into the future. For ModusLink, short term innovation efforts target cost reduction along the supply chain. In the long run, innovation helps clients sell more, while better supporting their customers and growing business. Our efforts around IT infrastructure and resilience complement these efforts. Maintaining the physical hardware necessary to run and connect our systems around the world while strengthening our ability to continue operations despite a failure in this environment with minimum impact are top priorities. Our global services are dependent on the use of these systems and technology to effectively and efficiently operate our business so ModusLink can support our clients and continue to pursue innovation.

Innovation is managed through our Lean and Global Process Excellence programs, which regularly seek better ways to serve the client in technology, physical operations, and back-office functions. We also identify gaps and improvement priorities by robustly benchmarking our performance against competitors. In addition, our global IT team is responsible for the support and management of IT infrastructure and resilience at ModusLink. We also monitor our Service Level Achievement platform for system availability and incident management. This drives root cause analyses, consistent improvements in the availability of our IT systems, and the productivity of our operations.

We assess the effectiveness of our management approach for innovation according to how we develop new solutions for our clients and continuously optimize their supply chain. Similarly, IT infrastructure and resilience is a major component of our business, therefore we manage our approach to this vital topic based on the success of our business and the means through which IT infrastructure and resilience enables that success.

