



SUSTAINABILITY REPORT

SURVEY OF FISCAL YEARS 2016 & 2017
PUBLISHED MAY 23, 2018



Table of Contents

Letter from the CEO	3
Our Role in the Supply Chain	4
<i>About ModusLink</i>	4
<i>ModusLink's History</i>	5
Management Approach for Economic Performance	5
<i>Our Performance</i>	6
Sustainability at ModusLink	7
<i>Mission & Vision</i>	7
<i>Our Approach to Sustainability</i>	8
<i>Material Topics</i>	8
ModusLink's Material Topics	8
<i>Governance & Ethics</i>	9
Management Approaches for Anti-Corruption, Fair Competition, and Compliance	10
<i>Stakeholders</i>	10
Sustainable Fulfillment	11
<i>Serving Our Customers</i>	11
Management Approaches for Client Satisfaction and Customer Privacy	12
Client Satisfaction	13
Responsible Sourcing	13
Management Approaches for Responsible Sourcing and Supplier Assessments for Labor Practices	14

<i>Environmental Impact</i>	15
Energy and Emissions	15
Water and Effluents	17
Waste and Packaging	17
Management Approaches for Energy, Emissions, Water, and Waste	18
Our Employees	19
<i>Who We Are</i>	19
Management Approaches for Freedom of Association and Collective Bargaining, Child and Forced Labor	19
<i>Training and Education</i>	20
Management Approaches for Employment and Training and Education	20
<i>Health and Safety</i>	20
Management Approach for Occupational Health and Safety	21
Innovation and Value Creation	24
<i>How We Innovate</i>	24
Quality and Continuous Improvement	24
Sustainable Solutions	24
Management Approaches for Innovation and IT Infrastructure & Resilience	25
Awards and Recognition	26
Principles of Reporting	27
<i>GRI Overview</i>	27
<i>GRI Content Index</i>	27



Dear Stakeholders,

We enable our customer's success. This is the core of our business strategy and the central theme to how we work with our customers. Our team brings experience and skills that allow us to offer value-added services so our customers can achieve their business goals. Their success is our success.

But it hasn't always been easy. We operate a business that must be flexible, fast-moving, and constantly tracking new innovations in our clients' varied sectors. We need to be able to ride the "ups" and "downs" of our clients' businesses, to have a cost structure that can accommodate the economic variability that our

clients experience, and to anticipate what those rhythms might be so we can position ourselves to ride out tough times. Frankly, we haven't always been successful.

But in recent years, we have done a much better job of positioning ourselves to accomplish these goals. Through some significant and deliberate transformations in our business, teams, and facilities, including investments in key technologies that support our core business activities and enhance our relationships with our clients, we have built a foundation that we are confident will take ModusLink to the next level. We are more flexible, we move more quickly and decisively, and we have a highly scalable set of processes and infrastructure that can accommodate whatever our customers need. At the heart of this stage of our transformation is our relationship with our clients, and our dedication to work with them to optimize their digital and physical supply chain. So far, the early returns are positive, showing that we are increasingly seen by our clients as not just a vendor, but as a business partner that can support them in achieving their business goals.

One area where this partnership is crucial is in the arena of sustainability. Almost every major corporation in the world has committed to managing and reducing their environmental impacts, and to being a good corporate citizen. Our job is to help them do that, while managing our own impacts at the same time.

One way that we improve our own sustainability performance, as well as that of our customers, is through our commitment to innovation and

collaboration. For example, we have become a leader in reverse logistics, managing customer returns quickly and efficiently while allowing our clients to extract maximum value from what has historically been a significant cost center for them. We have implemented 3D printing technology for the rapid prototyping and production of complex parts, thereby reducing the amount of material required for manufacturing and the amount of waste generated. Lastly, our product packaging team has developed numerous examples of efficient packaging solutions for our customers, reducing materials required, allowing for more efficient packing into larger containers, and, in some cases, using recycled materials. Innovations like these and a willingness to think "out of the box" help us show our clients the value we bring to our relationship with them.

We are confident that the foundation is in place for us to move forward. This publication, our 2017 Sustainability Report, will show how far we have come. We look forward to what 2018 brings and welcome your comments and ideas for how we can provide even more value.

Sincerely,

A handwritten signature in black ink, appearing to read "J Henderson".

James R. Henderson
CEO



About ModusLink

ModusLink Corporation is a wholly-owned subsidiary of Steel Connect, Inc. (NASDAQ: STCN). 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, luxury and connected devices. With a global footprint spanning North America, Europe and the Asia Pacific region, the Company's solutions and services are designed to improve end-to-end supply chains in order to drive growth, lower costs, and improve profitability.



Our Global Headquarters in Waltham, MA, USA

Our goal is to enable our customers' success by helping them achieve their business and sustainability-related objectives. We do this by offering solutions and services designed to enable global brands and companies to expand their share across geographies and channels. With our support, our clients maximize operational efficiency, drive global market expansion, and optimize product planning in a manner that is consistent with their sustainability and corporate responsibility aspirations.

ModusLink's 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 21 support sites 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 and configure products close to the point of consumption or close to the point of manufacturing in low-cost regions, such as China, Eastern Europe and Mexico, for maximum efficiency and cost-effectiveness.

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, resulting in significant savings on packaging materials. By making sustainability a core part of our strategy, we also help our clients measurably achieve 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.

Management Approach for Economic Performance

Strategic oversight of ModusLink's financial performance is provided by the Board of Directors and operational responsibilities are delegated to the Executive Leadership Team. The Audit Committee assists with the Board of Director's oversight of ModusLink's accounting and financial reporting, and the audit of financial statements. The Chief Financial Officer is responsible for the financial leadership of ModusLink's global supply chain business, driving best-in-class processes and ensuring that cost productivity is balanced with growth objectives. He also oversees all financial business process, outsourcing activities, and partnerships, including accounting, treasury and internal audit services, accounts receivable, and accounts payable.

The efficacy of how we manage economic performance is assessed through the financial returns we experience. We consistently develop strategies to improve our approach to managing this topic so we may remain prosperous.



Our Performance

To succeed in today's competitive logistics landscape, we take our clients to the next level with innovative solutions. For example, in fiscal year 2017 (FY2017), we strengthened our sales and business unit teams, optimized our global footprint, augmented our processes to reduce waste and redundancies, improved our systems and technology, expanded our use of data analytics to generate efficiencies in our clients' supply chains, and furthered our solutions portfolio. These initiatives enabled us to increase our use of automation, institute additional Lean methodologies, provide quicker client responses and support, and improve our data systems for long-term success.

As a result of this performance, we generated a revenue of \$436.6 million with a gross margin of \$36.3 million for the fiscal year 2017, and \$459.0 million with a gross margin of \$24.7 million in 2016. However, despite these efforts, our performance has been marked by the economic variability our clients have faced in recent years: In FY2017, we experienced a loss of \$19.8 million, although this was significantly lower than the \$40.6 million loss in 2016. Since our economic performance fuels our success as a company, we are continuing to aggressively pursue business strategies that promote higher financial returns.



CONSOLIDATED STATEMENTS OF OPERATIONS	Years Ended July 31	
	FY 2017	FY 2016
	(In Thousands)	
Net revenue	\$436,620	\$459,023
Operating loss	(19,761)	(40,572)
Loss from continuing operations	(25,827)	(61,281)
Income (loss) from discontinued operations	0	0
Net loss	\$(25,827)	\$(61,281)



Mission & Vision

Our logistics and supply chain solutions are integral to our customers' value chains. They look to us to deliver value-adding services that enable them to drive growth, lower costs, and improve profitability **through continuous optimization of their end-to-end digital and physical supply chains.**

With this objective in mind, our mission, vision, and values are focused on one overriding principle: **how we can drive customer satisfaction through innovation, differentiation, and unparalleled service.** To achieve our mission, we foster a corporate culture with a commitment to hard work and high ethical standards so our employees are prepared and motivated to provide the best service at the highest level of integrity. Internally, we subscribe to a set of core values that supports this corporate culture and facilitates our mission.

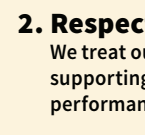
In our experience, the concept of sustainability aligns perfectly with these objectives. By innovating to help our clients be more efficient, they reduce the inputs they require and their overall global impact. By offering services that help our clients achieve their sustainability objectives, we help them advance their business goals. By engaging deeply with our clients, we can understand their needs and the expectations of their stakeholders. This approach captures the essence of sustainability, and has become a defining and differentiating feature of how we do business.

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.



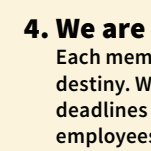
2. Respect and Teamwork

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.



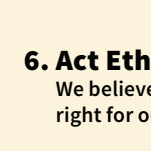
4. We are Owners

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.

Our Approach to Sustainability

Sustainability at ModusLink is increasingly a central component of our business strategy — both in terms of our own operations and the services and solutions we provide for our clients.

In developing our sustainability initiatives, we weigh environmental concerns and impacts in our internal decision-making processes, against the economic and relationship benefits that such initiatives provide. This includes promoting the efficient use of materials, resources, and energy throughout our ISO 14001 certified facilities, avoiding unnecessary use of hazardous materials and products, and purchasing recycled and recyclable products and materials that can be refurbished when feasible. We also work with our suppliers and logistics partners to conduct their operations in an environmentally responsible way, and participate in industry groups to stay up-to-date on best practices for environmentally-sound operations. Furthermore, we promote environmental awareness amongst our employees and encourage them to work in an environmentally responsible manner, including reducing waste through reuse and recycling whenever possible.

We pride ourselves on developing sustainable, cost-effective supply chain solutions for our clients, helping them achieve their business and sustainability-related objectives. To facilitate our customers’ sustainability programs, we help them design processes that use our services and solutions to minimize the environmental impact of their supply

chains. This includes evaluating the carbon footprints of their supply chains and product packaging, finding and implementing opportunities to reduce GHG emissions from their supply chain processes, providing redesign services for sustainable packaging, and offering responsible reuse, recycling, and end-of-life management for their products. We also offer customers assistance in meeting applicable standards for product certification, product content, and labeling requirements, and support in eliminating the use of hazardous substances in products and product accessories.

Material Topics

To guide our sustainability efforts both internally for employees and externally for clients, we refer to a set of material topics that reflect key business objectives and sustainability goals. In 2017, we conducted a materiality review and assessment to determine and update our most relevant, or “material,” topics. The material topics identification process involved an evaluation of previous material topics determined in a 2015 assessment, as well as an analysis of ModusLink’s whole business and current sustainability initiatives. For validation, the process concluded with an internal review by our business and corporate responsibility team who finalized the sustainability issues deemed most relevant to ModusLink’s business and stakeholders.

The resulting material topics reflect the top risk and opportunity priorities for ModusLink and serve as a backbone to our sustainability and business goals. These topics also align with the Global Reporting Initiative (GRI) Standards framework, which requires companies to undergo materiality processes for

transparency, strategy, and reporting purposes. ModusLink reports in accordance to the GRI Standards framework.

ModusLink’s Material Topics



Governance & Ethics

Our mission and sustainability approach, including material topics, are founded upon our core governance and ethics foundations. Our executive leadership team leads decision making on economic, environmental, and social issues — including the assessment of material topics and sustainability priorities — as part of our efforts to create long-term value for ModusLink and success for our customers. This team includes our Chief Executive, Finance, Information, Commercial, Strategy, and Supply Chain Officers and our General Managers. Ultimately, our Board of Directors, composed of five independent members with diverse experience and backgrounds, is responsible for the management, oversight, and business strategy of the entire company. A full list of the names and occupations of our board members is available through our Investor Relations department.

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

Our Board of Directors has three standing committees:

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

Our Code of Business Conduct and Ethics, which we refer to as “the Code,” sets forth legal and ethical standards of conduct for 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. This Code is designed to deter wrongdoing and promote business conduct that is in accordance with high standards of integrity and compliance with all applicable laws and regulations. Our Core Values work in conjunction with the principles outlined by the Code, and ultimately foster a corporate culture with a strong work ethic and high ethical standards.

The Code applies to ModusLink and our subsidiaries. It highlights our insistence that the entire company and its employees comply with all laws, rules, and regulations applicable to the company wherever it does business. This includes conflicts of interest as well;

employees and directors must act in the best interests of the company and refrain from engaging in any activity or having a personal interest that creates a situation in which an individual has competing interests or loyalties. Furthermore, our employees, officers, and directors who have material non-public information about ModusLink or ModusLink’s suppliers and customers as a result of their relationship with ModusLink are prohibited by law and company policy from trading in securities of the company or communicating such information for trading purposes. Collusion, gifts, and gratuities are also prohibited.

In practice, ModusLink assesses its operations for corruption risks. In the reporting year covering the fiscal year 2017, we assessed approximately 25% of our operations, specifically, 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. In addition, all of our employees, officers, and directors must maintain confidentiality regarding information entrusted to them by the company or other companies, including our suppliers and customers, except when disclosure is authorized by a supervisor or legally mandated. Our employees, officers, and directors are required to deal honestly, ethically, and fairly with our suppliers, customers, competitors, and employees. In the reporting period, we 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.

Stakeholders

To support our governance and ethical structure, we engage with our key stakeholders, who are pivotal to our work and success. Our main stakeholders are customers, vendors/business partners, employees, shareholders, trade organizations, and the communities where we operate. Our selection of stakeholders is based on the extent to which each group impacts ModusLink's economic, ecological, and social performance, and on how ModusLink's economic, ecological, and social performance in turn significantly impacts stakeholders. These stakeholders therefore play a role in how we conduct business, how we satisfy our customers, and how we impact areas surrounding our operations.

To engage with these groups, we develop active relationships that foster communication and collaboration. For example, we regularly communicate with our customers, and provide customer satisfaction and feedback surveys and quarterly business reviews to maintain an open dialogue. Furthermore, our cooperative business partnerships with suppliers include regular audits to ensure compliance with ModusLink's policies and applicable laws. Employee engagement surveys conducted every two years help us glean valuable feedback from our employees on a biannual basis, and we engage with our shareholders through annual meetings and selected interactions with interested parties. Our memberships and engagement on specific issues with trade organizations help us maintain cutting-edge perspectives on industry innovations, and we engage with the neighbors of all company sites as issues arise to ensure community prosperity.

Management Approaches for Anti-Corruption, Fair Competition, and Compliance

ModusLink is dedicated to providing our customers with superior products and our employees with a safe and productive workplace. Our goal is to assure and enhance the integrity, people, processes, and assets needed by all stakeholders of ModusLink Corporation. 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 report 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. 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.



Serving Our Customers

Our services are the backbone of our business. They are highly integrated and supported by a single global technology infrastructure, helping our customers increase efficiency, enhance their sustainability strategies, and reduce costs across multiple logistics functions. The services we offer include:

Seamless Supply Chain: Our supply chain outsourcing solutions integrate with existing manufacturing operations, transportation partners, e-business systems, and customer service programs, becoming a seamless extension of our clients' global supply chains. We provide focused

solutions to meet specific market needs or scalable end-to-end solutions that help our clients with operational efficiency and cost reduction objectives, global market expansion strategies, new product introductions and demand planning optimization, corporate social responsibility and sustainability initiatives, and multichannel connectivity and process integration.

Value-Added Warehousing and Distribution: 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. We address the unique delivery requirements of multiple business-to-business (B2B) and business-to-customer (B2C) sales channels, as well as shipping direct to end customers. Furthermore, we can also help our clients streamline their processes, increase efficiency, and reduce costs across logistics functions with our transportation management tools.

Repair and Recovery: Our product remanufacturing and value recovery services are integrated with our Returns Management and Contact Center capabilities for a turnkey post-sale solution. We use proprietary tools to collect market data to inform recovery strategies that help customers select the right channels to not only gain the most value, but to also be environmentally responsible and protect their brand integrity in secondary markets.

Returns Management: Our Returns Management Solution simplifies the returns process for retailers and manufacturers that want to improve service parts management and maximize the value of returned assets. We manage the end-to-end process, including receipt, Return Materials Authorizations, sorting,

triage, credit processing, and ultimate disposition of the returned product. Our efficient system eliminates costly handoffs and decreases inventory processing time, leading to increased value recovery.

E-Commerce: Our cloud-based e-commerce platform removes the complexities and risks of a global web store, optimizing each stage of the online buying experience so that products can be quickly and easily purchased, serviced, and delivered anywhere in the world. ModusLink's end-to-end solution is fully integrated with global payment, Customer Relationship Management (CRM), and fulfillment systems, helping our customers quickly and easily expand into new regions and countries.

Poetic IOT: ModusLink has extended its cloud platform to offer Internet of Things (IoT) services, collecting service/usage data that can be turned into a valuable asset. This information helps improve consumer or B2B services by sharing detailed product usage or telemetry-based insights and generating revenue with auto replenishment and other offerings.

Contact Center: Our customers can maximize operational efficiency with our Contact Center, staffed by highly trained agents who have an in-depth understanding of our customers' brand value and products. With a focus on first-time resolution rather than call volume, ModusLink's Contact Center agents build customer loyalty and drive cost savings by preserving or increasing sales and minimizing order cancellations and returns.

Financial Management: ModusLink's Financial Management Solution helps merchants expand their global

footprint and find new opportunities by tackling country and industry-specific payment challenges, helping companies grow as their e-commerce strategy evolves. The advantage we offer customers goes beyond payment transaction basics to include robust financial management details, integrated with e-commerce and supply chain processes for an optimized approach to channel expansion.

Entitlement Management: Entitlements control what software keys get created to unlock new features, validate which customers can receive updates or support, and record who has installed our customers' software and on what devices. Our Entitlement Management service supports our customers in the management of their digital distribution channels.

Material Planning and Factory Supply: Our Material Planning and Factory Supply Chain Solutions are designed to reduce the complexity, lead times, and costs of inbound materials, supply chain procurement, and factory feed processes.

Subscription Services: Our proprietary Subscription Solution platform, combined with our award-winning supply chain management capabilities, allows businesses to leverage their customers' orders into a long-term, recurring revenue stream to maximize the value of each customer relationship. Together with ModusLink's Financial Management Services, our Subscription Solution helps customers build brand loyalty and generate a steady flow of new orders for products.

Management Approaches for Client Satisfaction and Customer Privacy

Our entire organization plays a role in managing client 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 client 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.

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 the efficacy of how we manage client 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.



Client Satisfaction

As we continue working toward our goal of creating value for our customers and enabling them in their success through our services, we prioritize client satisfaction as a motivating force for our actions. Our clients' satisfaction helps us both increase our sales and understand if they will continue doing business with us. Customer requests and feedback stimulates our innovations as we gain insight on opportunities to improve our products and services and learn ways we are conducting our business well. These interactions also increase our visibility within the industry, as our client relationships positively impact our reputation.

As a precursor to client 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 client 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. 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. For example, a current client works closely with us on the reverse logistics of their products. This service covers the deconstruction and recycling of materials from returned or discarded athletic watches. Through reverse logistics, the clients' parts are refurbished for new products or recycled for other uses. In these efforts, the client reduces its waste, supports the development and manufacturing of new products, protects the intellectual property of the product's technology, and supports a circular product life cycle, in turn furthering the clients' sustainability goals.

Responsible Sourcing

We recognize that our sourcing practices and the materials we use are important to our customers and to the success of our sustainability programs. We are committed to providing our clients and customers 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 also helps our clients source responsibly as well.

Therefore, we prioritize responsible sourcing as one of ModusLink's material topics. This topic also encompasses supplier assessments for labor practices, an additional business priority. We check, evaluate, and select suppliers against social criteria pertaining to labor practices in order to minimize the social impact in the supply chain. For example, in FY2017, 100% of our 680 suppliers were screened using social criteria

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680
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and health and
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such as labor practices, human rights, and health and safety aspects. We also require our suppliers to sign our Code of Business Conduct and Ethics and abide by our Supplier Handbook. 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.

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 Impact

The management and use of environmental resources is an inherent part of our business, however it is our objective to continuously improve the quality and efficiency of our operations by managing such resources effectively. ModusLink's efforts revolve around our consumption of energy and the emissions connected to that energy production, 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're 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 as a whole.

Our approach to environmental management is influenced by the ISO 14001 guidelines. As of the end of FY2017, 14 of our 21 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 con-

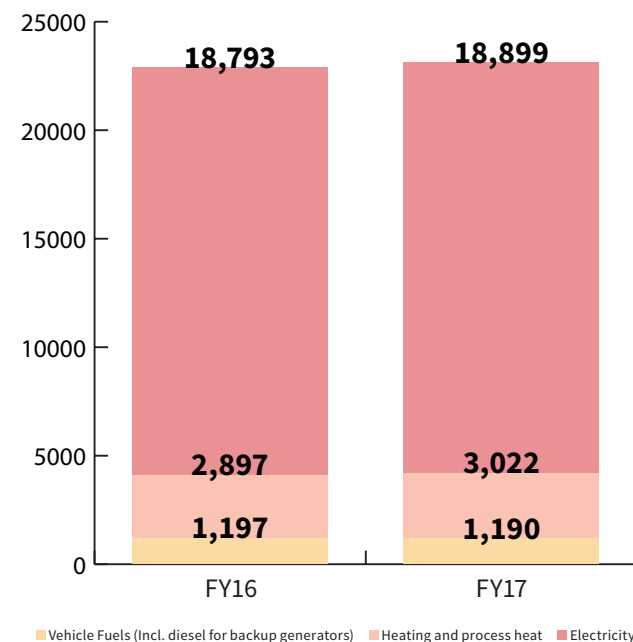
duct and reporting around social, environmental, and ethical issues as set forth by RBA and RBA's common Code of Conduct. The RBA standards, which are complementary and reinforce ISO 14001 guidelines, the UN Global Compact, and other international sustainability-related standards, represent our commitment to act responsibly in our day-to-day operations.

As a RBA member, we regularly communicate our environmental performance to our stakeholders. In addition, 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. In FY2016 and FY2017, ModusLink received a score of the "Awareness" level for CDP. This reflects our continued commitment to improving our transparency and disclosure regarding energy and greenhouse gas reporting and management.

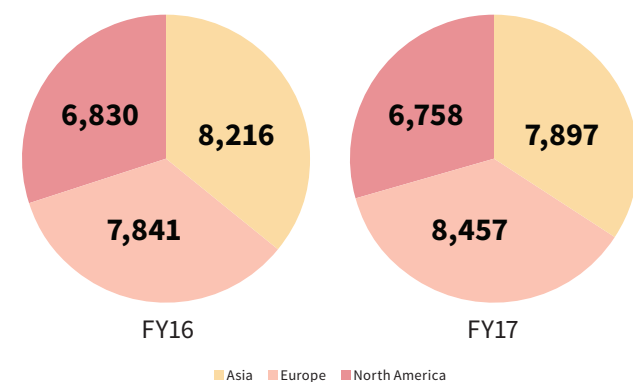
Energy and Emissions

As part of our operations, our facilities across the globe consume energy — which we monitor by regularly collecting data on our electricity usage and fuel consumption. In FY2017, our total energy consumption was ~23,000 MWh, which remained stable from the previous 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 eight sites that represent 30% of the floor area included in our annual environmental data collection analysis.

Energy Consumption by Source (MWh)



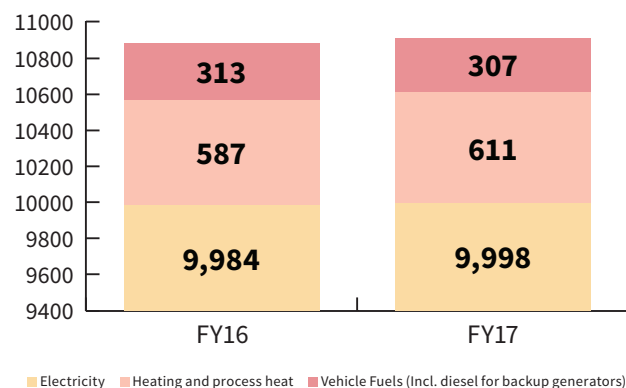
Energy Consumption by Region (MWh)



Regarding our use of vehicle fuels and energy consumption thereof, we replaced our diesel fleet with gasoline vehicles at several locations in FY2017 which reduced our overall consumption of diesel. Furthermore, forklifts that were previously liquefied petroleum (LPG)-powered were replaced with more efficient, electric options. These changes in energy sources enabled us to reduce our overall vehicle fuel consumption in FY2017.

Furthermore, to assess 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. Similar to our energy consumption in FY2017, our emissions remained stable from the previous year. In our analysis for 2017, we reviewed 20 of ModusLink's key facilities, which amounted to total GHG emissions of ~11,000 metric tons of CO₂ equivalent (MTCO₂e). Furthermore, as a reflection of the

GHG Emissions by Source (MTCO₂e)



Energy Consumption and Greenhouse Gas Emissions

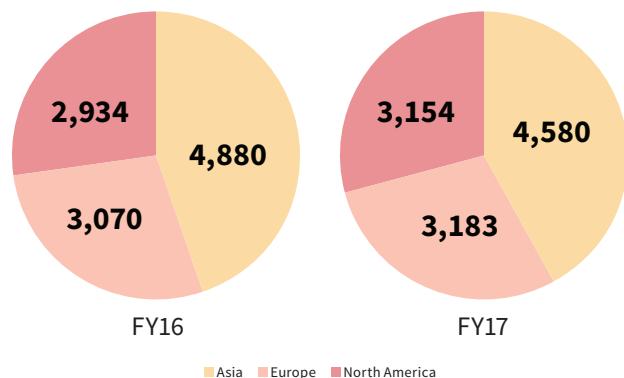
Energy Consumption (MWh)	FY16	FY17
Electricity		
Total Electricity Consumed	18,793	18,899
Heating Fuels		
Natural Gas	2,846	3,021
LPG/propane	51	0.2
Total Heating Fuels	2,897	3,022
Vehicle Fuels		
Diesel	783	497
Gasoline	401	673
Diesel for backup generators	13	20
Total Vehicle Fuels	1,197	1,190
Total Energy Consumption (MWh)	22,869	23,111
Greenhouse Gas Emissions (MtCO₂e)¹		
Direct Greenhouse Gas (GHG) Emissions (Scope 1)		
Heating and process heat	587	611
Vehicle fuels (incl. diesel for backup generators)	313	307
Total Direct GHG Emissions (Scope 1) ²	900	918
Indirect Greenhouse Gas (GHG) Emissions (Scope 2)		
Electricity ⁴	9,984	9,998
Total Indirect GHG Emissions (Scope 2) ³	9,984	9,998
Total Emissions MTCO₂e	10,884	10,916

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.

GHG Emissions by Region (MTCO₂e)

number and size of our facilities in Asia, our facilities in the Asia region produced the largest amount of GHG emissions.

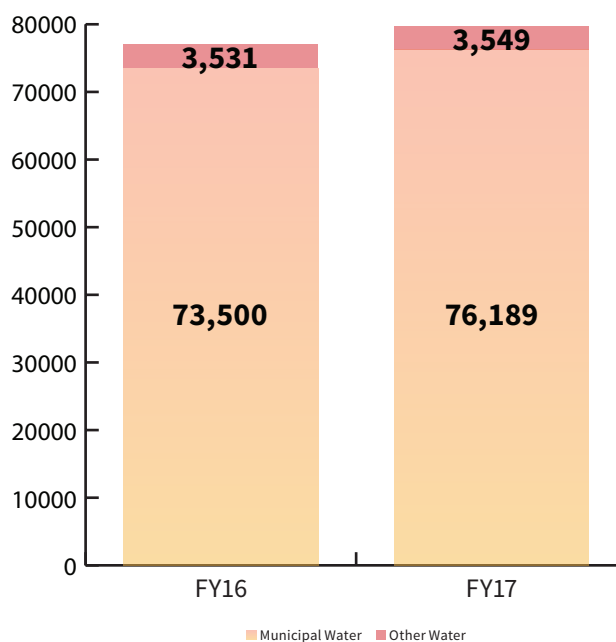
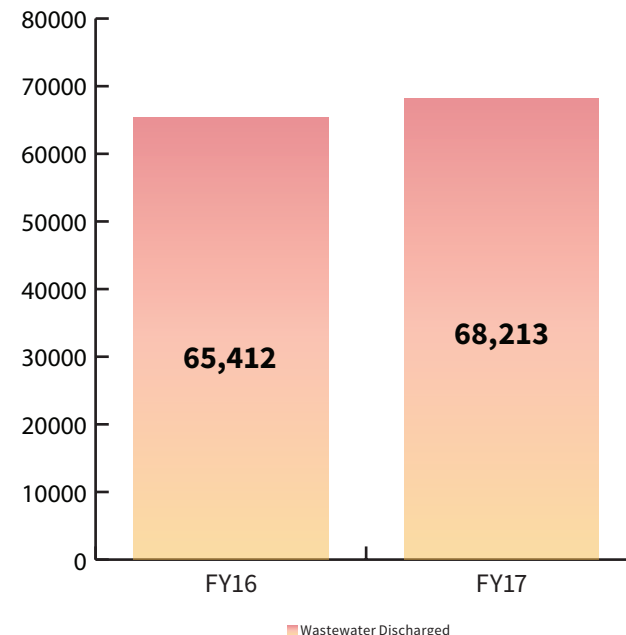
As part of our efforts to reduce our consumption of energy and generation of emissions, we focus on integrating key initiatives in our operations and internal practices that guide our behaviors. For example, in many of our sites we use motion sensitive lights, programmable thermostats, and use EnergyStar-rated equipment. We also encourage our employees to power down unused equipment upon completed use. Together with our change in source for vehicle fleets, these initiatives support our commitment to sustainability.

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 FY2017, our facilities consumed approximately

80,000 cubic meters of water, which primarily came from municipal sources. Our total water consumption is mainly attributable to human consumption and sanitation. The next most common consumption of water is for irrigation, heating, and cooling our facilities. In comparison to FY2016, our water consumption has increased by 4%.

However, we continue to prioritize water conserving practices to reduce our use of this finite resource. For example, in several 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 improve-

Water Consumption (M³)Wastewater Discharge (M³)

ment 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

Waste is an inherent component of operations. However, while producing waste is unavoidable, there are numerous opportunities to reduce the volume of waste that is discarded in landfills and to redirect additional waste to recycling facilities. In recognizing this, we are committed to eliminating 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 where applicable. In FY2017, we produced 768 tons of waste, consumed 63 tons of paper, and recycled 4,047 tons of product.

We also offer reverse logistics services, in which we help our client accomplish their sustainability goals by taking old product, disassembling it, and recycling all of the components. This achieves savings for the client whereby those components are resold and refurbished while also preserving the intellectual property of the products—particularly if they are electronics—and reducing the amount of waste sent to landfills. This supports our goal of creating value for our customers while creating value for ModusLink.

Furthermore, we focus on ways we can 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 wherever possible. We have already implemented cost saving measures to help our clients reduce the size of their parcels and consequently, pallets, and 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 is responsible for energy and water consumption and the reduction of effluents and waste. Our Environmental Health and Safety Policy dictates 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 guide our practices in reducing energy and water consumption and waste production and improving the overall efficiencies of our processes. These policies also support reductions in 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 relating to energy and emissions management, all ModusLink sites have been directed to establish meetings with local energy utilities to discuss options for energy conservation programs and availability of support for audit efforts. Energy usage and corresponding Scope 1, Scope 2, and Scope 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. In an effort to minimize the overall volume of water consumed, especially in its 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 waste streams attributable to their product lines can be reduced.

For energy emissions, water, and waste, we practice regular assessments that include 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 experience any non-conformance in the reporting period, therefore our certifications were upheld and we did not change our management approaches.



Who We Are

Our business model depends upon a core of approximately 2,000 highly trained, permanent employees who possess deep and wide-ranging knowledge regarding the needs of our clients and the tools that we have at our disposal to create value for them. These employees bring years of collective experience in logistics, quality management, fulfillment, and information technology (IT), and drive not only our core-business processes, but also our efforts to innovate and create new revenue opportunities.

To augment this workforce, we contract with local agencies that provide approximately 1,500 temporary workers to fill short-to-medium term needs that we have at our facilities worldwide for seasonal work or time-bound contracts. This model gives our team 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 high 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 abide by all locally applicable laws and regulations. These include issues related to child 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 currently participate in collective bargaining agreements. Our subsidiaries in Mexico, France, Ireland, and China are parties to several collective bargaining agreements and labor unions. In addition, our management teams monitor our Ethicspoint system for comments or grievances related to freedom of association or collective bargaining. We require that our suppliers also 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 in the reporting period.

Management Approaches for Freedom of Association and Collective Bargaining, Child and Forced Labor

Our Code of Business Conduct and Ethics highlights our insistence that the entire company and its employees comply with all laws, rules, and regulations applicable to the company wherever it does business. Therefore, given 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 units.

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 spotchecked 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.

Training and Education

Many locations provide annual awareness training on labor and ethics and environmental health and safety standards put forth by the Responsible Business Alliance (RBA), formerly known as EICC (Electronic Industry Citizenship Coalition). Security awareness, evacuation training, fire prevention, and first aid training are examples of training topics covered at many of our sites. 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 FY16 and FY17. 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 in several sites

Health and Safety

Ensuring that our employees stay safe on the job is central 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 keep these hazards in check, 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.

In FY2017, we maintained our schedule of regular health and safety inspections at ModusLink facilities. Despite this effort, we experienced an increase in the numbers of injuries and accidents between FY2016 and FY2017. This increase is currently being investigated to understand the root cause of the increase and to

Management Approaches for Employment and Training and Education

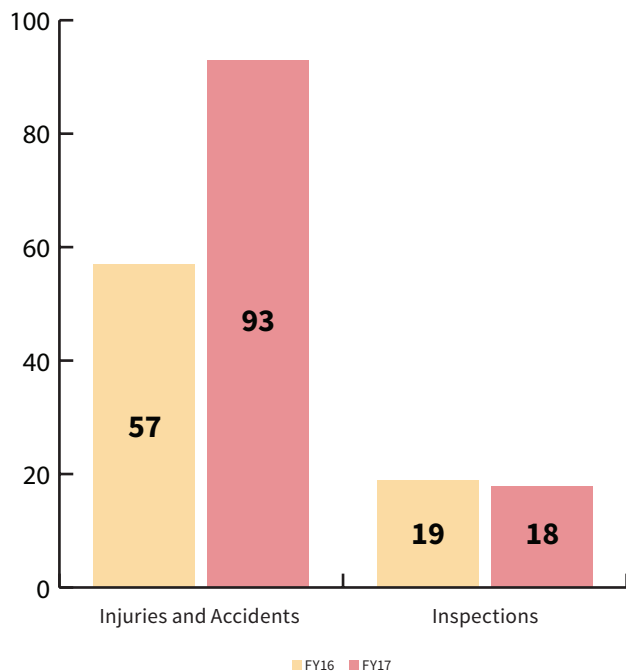
The conditions in which our employees work is important for their comfort and productivity. Similarly, the training and education we provide our employees allows them to support the company and grow professionally. Therefore, we deem these two topics as foundational to our company's proficiency.

ModusLink's corporate Human Resources function leads the oversight and management of staffing and employment related issues, as well as training and education programs. Each business unit and facility offers training programs suited to the needs of the individual facility, depending upon the type of work carried out at that location. We frequently engage with clients to assess the specific requirements of the work we are contracted to perform, and design training programs to develop those skills in the ModusLink teams.

We assess the efficacy of our efforts based upon internal gap assessments, satisfaction with our services from our customers, and other feedback based upon industry standards and norms.

ensure that the appropriate management mechanisms and oversight are in place to prevent future increases.

Health & Safety



Management Approach for Occupational Health and Safety

Our entire organization is focused on protecting the health and safety of our team, as this is central to their wellbeing and the efficacy of our operations.

Our commitment to environmental, health, and safety policies is led by the Director of Operations at ModusLink's facilities, 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 environmental, health, and safety 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, and
- 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.

EMPLOYEES BY CONTRACT TYPE

	FY 2016		FY 2017	
	MALES	FEMALES	MALES	FEMALES
Permanent Employees	988	1257	917	1097
Fixed Term / Temporary Employment Contract	1790		1460	

PERMANENT EMPLOYEES BY CATEGORY

	FY 2016		FY 2017	
	MALES	FEMALES	MALES	FEMALES
Line Employees (direct labor)	363	551	383	529
Management or Admin Employees (indirect labor)	625	706	534	568

PERMANENT EMPLOYEES BY WORK TYPE

	FY 2016		FY 2017	
	MALES	FEMALES	MALES	FEMALES
Full Time	976	1219	910	1059
Part Time	12	38	7	38

PERMANENT EMPLOYEES BY REGION

	FY 2016		FY 2017	
	MALES	FEMALES	MALES	FEMALES
Americas	202	154	183	151
Asia	390	670	374	574
Europe	396	433	360	372

PERMANENT EMPLOYEE TURNOVER – AMERICAS	FY 2016						FY 2017					
	Under 30 years old		30 – 50 years old		Over 50 years old		Under 30 years old		30 – 50 years old		Over 50 years old	
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES
Beginning of year headcount (August 1)	29	19	155	137	82	57	33	19	118	96	51	39
Employees leaving in fiscal year	21	15	61	66	49	25	14	17	37	32	26	11
Employees joining in fiscal year	29	27	26	21	13	3	16	23	29	27	13	6
End of year headcount (July 31)	37	29	119	90	46	35	35	26	111	90	37	35
PERMANENT EMPLOYEE TURNOVER – ASIA	FY 2016						FY 2017					
	Under 30 years old		30 – 50 years old		Over 50 years old		Under 30 years old		30 – 50 years old		Over 50 years old	
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES
Beginning of year headcount (August 1)	167	248	305	452	22	38	119	198	243	426	24	35
Employees leaving in fiscal year	108	102	108	106	3	3	62	98	69	101	5	8
Employees joining in fiscal year	75	88	43	59	0	0	84	69	40	58	3	3
End of year headcount (July 31)	132	232	239	403	19	35	141	169	212	376	21	29
PERMANENT EMPLOYEE TURNOVER – EUROPE	FY 2016						FY 2017					
	Under 30 years old		30 – 50 years old		Over 50 years old		Under 30 years old		30 – 50 years old		Over 50 years old	
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES
Beginning of year headcount (August 1)	106	87	264	281	54	66	87	84	246	273	56	62
Employees leaving in fiscal year	44	23	52	55	10	17	29	32	50	70	12	13
Employees joining in fiscal year	44	52	31	44	6	4	28	34	28	27	4	1
End of year headcount (July 31)	103	108	243	270	50	55	85	88	226	228	49	56



How We Innovate

At ModusLink, we define innovation as breakthrough improvements that increase quality, introduce new or differentiated services, or create efficiencies that surpass standard operating procedures. We are particularly interested in innovations that deliver on our vision of continuously optimizing our client's digital and physical supply chain — enabling our clients to meet their objectives more efficiently. For example, innovation may create faster fulfillment processes, offering our clients later cut-off times for e-commerce orders, or focused automation and robotics that lower cost and improve the quality of our clients' products.

One of our main tenets of innovation is to think on behalf of the client — to go beyond contractual agreements and focus on what the client is trying to achieve. In the short term, many of our innovation efforts revolve around lowering costs across the supply chain. In the longer term, these efforts are about enabling our clients to sell more, support their customers better, and grow their business. When our clients are successful, our business benefits.

Quality and Continuous Improvement

Our innovation-oriented mindset begins with our culture of continuous improvement and quality control. Using our Lean and Global Process Excellence programs as the foundation, we continuously seek better ways to serve the client, in physical operations, technology, and back-office functions. We actively benchmark our performance against the industry and identify gaps and improvement priorities. Any new approaches or technological innovations we propose must be consistent with our commitment to delivering high-quality products and services for our clients. We evangelize the concept of Lean, seeking opportunities to 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.

Sustainable Solutions

We use innovation to help us provide market differentiation and value-added services to our customers. For example, one core service we offer our customers is returns management. For us, this means we are not only providing logistics and material handling support,

but in many cases giving our customers the chance to realize new revenue streams from the returned devices. The devices can be offered as used or refurbished devices. Even on occasions where products cannot be repaired, there is still value to be obtained — 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 environmental waste.

There is also the opportunity to glean critical intelligence from every returned device and apply that knowledge on future product research and development (R&D), thus reducing a number of returns and waste in the future. Every return that makes its way back to the warehouse has some information attached to it regarding how it got there and why. By implementing a proper method for analyzing, documenting, and processing all of the data associated with each return, we offer clients the ability to accumulate a comprehensive database of information that can easily be used in the research and development process of products. Everything from the customer's initial complaint about the product, exactly which components of the product were damaged or malfunctioning, or even the geographical region of where the faulty product was originally sold could prove to be useful in the R&D process.

Similarly, we support clients with the provision and use of data they accumulate in their operational and production processes. This is achieved through the Internet of Things (IoT), which offers a variety of opportunities to bring new value to ModusLink's clients through its connectivity and communication capabilities. ModusLink offers a Poetic IoT service, which extends 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 be turned into valuable information. 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. Through our commitment to innovation, ModusLink is continually finding new ways to deliver value to our customers.

Our team has also developed other approaches to enhance the sustainability performance of our customers. Regional pack-out programs, where we procure products regionally and reconfigure them depending on the local demand, reduces freight costs and leaves the product in its original state as long as possible. This saves freight costs and helps to minimize resource consumption. Our facility in Brno in the Czech Republic is using 3D printing to produce parts for customers. These parts can be used in the final products, or can be used to test design and fit of critical parts.

In addition, ModusLink developed the industry-leading Four Minute Click-to-Ship concept. Through a heavy investment in new e-fulfillment operations, technology, and processes, ModusLink has strengthened its wide array of e-commerce solutions and developed a state-of-the-art solution to ensure that products remain in constant motion from the time the product is initially picked to its arrival at the shipping dock. From the time a customer submits an order, ModusLink can have a product moving to the customer within four minutes, a capability that no other provider can offer.

Management Approaches for Innovation and IT Infrastructure & Resilience

Innovation is core to our vision and an essential part of solving our client's problems not just today, but in the future. For ModusLink, innovation achieves cost reduction across the supply chain in the short term. In the long term, it helps clients sell more while supporting their customers better and growing business. Our efforts around IT infrastructure and resilience complement those efforts. Maintaining the physical hardware required to run and connect our systems around the world and 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 systems and technology to effectively and efficiently operate and run our business so ModusLink can support our clients and continue to innovate.

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

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



This program was officially launched in 2017.

Recently, a major electronics company asked ModusLink to help it optimize the packaging of its products by eliminating redundancies, waste, and extra materials. To do this, our team measured and analyzed the carbon footprint of the current packaging design and benchmarked the sustainability of the new design. We determined that the overriding cost concern with the current design was its overly large size and an outsized paper user's manual. The result was packaging that used too much material, added unnecessary weight, and it took up too much space, costing more to ship.

The first step in optimizing the packaging was to eliminate the unnecessary plastic. One of the issues was the use of a uniform 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 overall amount of plastic required for the devices.

Awards and Recognition

Our sustainability work has been a source of great motivation for many of our employees. When others recognize the work that we do, it has a great impact, and inspires us to continue to innovate on behalf of our clients.



In 2016, ModusLink was recognized as one of 26 companies receiving Intel Corporation's Preferred Quality Supplier (PQS) Award for our performance

in 2015 across the focus areas that Intel measures — quality, cost, availability, technology, customer service, labor and ethics systems and environmental sustainability. As part of our relationship with Intel, we provide the company with channel Core Processor Unit (CPU) boxing for Asia, China, and the Americas. America's channel product warehouse and distribution are deemed essential to Intel's success.



In late 2016, ModusLink was a recipient of Supply & Demand Chain Executive's 2016 Green Supply Chain Award, which recognizes companies that are making green initiatives or sustainability a core part of their supply chain strategy, and those assisting their customers in achieving measurable sustainability goals for their businesses. It was noted that ModusLink's key sustainability achievements included its implementation of lean processes and its reduction of GHG emissions through the redesign of its clients' product packaging and shipping processes, resulting in hundreds of thousands of dollars in savings on packaging materials.



In addition, ModusLink earned a Bronze Stevie® Award in the 2016 International Business Awards competition. ModusLink's Poetic® Service Cloud earned the distinction in the Best New Product or Service of the Year in the "Software – Supply Chain Management Solution" category. The International Business Awards are the world's premier business awards program, recognizing individuals and organizations worldwide.



Furthermore, in 2017, ModusLink's customer support team was named the winner of a Gold Stevie Award in the "Front-Line Customer Service Team of the Year – Business Services Industries" category.



Our passionate, dedicated team was also awarded in 2017: Nick Foy, our Chief Strategy Officer, was named the winner of a Bronze Stevie® Award in the Innovator of the Year category in The 14th Annual International Business Awards and ModusLink's Senior Vice President of Global Operations, John Heffernan, was named one of Supply & Demand Chain Executive's 2017 Pros to Know.

The Pros to Know Awards recognize executives and enterprises that are leading initiatives to help prepare supply chains for the significant challenges of today's business climate.



The Pros to Know Awards recognize executives and enterprises that are leading initiatives to help prepare supply chains for the significant challenges of today's business climate.

Our awards signify our dedication to innovation and the growth of our business as a whole. Through our thoughtful sustainability approach and our commitment to serving our customers, reducing our environmental impact, and supporting our workforce, we continuously enable our customers in their business and sustainability initiatives.



GRI Overview

The Global Reporting Initiative (GRI) provides the world's most widely used framework for sustainability reporting. The GRI Standards offer a structured format to coherently and comprehensively share information about material issues, performance metrics, and the management of sustainability-related issues within the organization. This report has been prepared in accordance with the GRI Standards: Core option. This report was prepared using the GRI Standards published in 2016. The reporting principles for defining report content and quality have been applied throughout the information collection and report development process. ModusLink publishes sustainability reports biannually, with ModusLink's last report released in 2015. ModusLink's Sustainability Report 2017 covers the reporting period of ModusLink's Fiscal Year 2017, August 1, 2016 – July 31, 2017. Data presented in the report represents all wholly owned ModusLink Global Solutions operations, including subsidiaries unless explicitly noted otherwise. Contact point for questions regarding the report is Doug Cutler of ModusLink Corporation, doug_cutler@moduslink.com. At this time, ModusLink has decided to not seek external assurance for the report.

GRI Content Index

GRI 101: Foundation 2016

GRI 102: General Disclosures 2016 Information

Organizational Profile

102-1	Name of the organization	Page 4
102-2	Activities, brands, products, and services	Page 5, 11
102-3	Location of the headquarters	ModusLink Global Solutions, Inc. 1601 Trapelo Road, Suite 170 Waltham, MA 02451 +1.781.663.5000
102-4	Location of operations	<ul style="list-style-type: none"> • United States • Australia • China • Czech Republic • Ireland • Japan • Malaysia • Mexico • Netherlands • Singapore
102-5	Ownership and legal form	Page 4
102-6	Markets served	<p>The geographic breakout of where ModusLink operates is in three main regions: the Americas, Europe, and Asia Pacific. Primary industries served are:</p> <ul style="list-style-type: none"> • Communications • Computing & Storage • Consumer & Electronics • Consumer Packaged Goods • Luxury Goods • Medical Devices • Retail • Software & Content

102-7	Scale of the organization	As of July 31, 2017, we employed approximately 1,990 persons on a full-time basis, 330 in the Americas, 940 in Asia and 720 in Europe. For the fiscal year ended July 31, 2017, 2016 and 2015, the Company's 10 largest clients accounted for approximately 70%, 71% and 76% of consolidated net revenue, respectively.
102-8	Information on employees and other workers	Page 22, 23
102-9	Supply chain	ModusLink's supply chain consists primarily of vendors of basic materials required to perform the services specified by customers. This includes packaging materials primarily, and limited amounts of peripheral supplies needed to maintain and administer the limited infrastructure we operate.
102-10	Significant changes to the organization and its supply chain	Changes to management teams, but no major investments or divestments
102-11	Precautionary Principle approach	The precautionary principle does not explicitly guide decisions made by ModusLink.
102-12	External initiatives	ModusLink supports the principles outlined in the Responsible Business Association (RBA), formerly known as the Electronics Industry Citizenship Coalition (EICC). This includes adherence to RBA's code of conduct around social, environmental, and ethical issues.
102-13	Membership of Associations	Responsible Business Association (RBA), formerly known as the Electronics Industry Citizenship Coalition (EICC); The Sustainable Packaging Coalition
Strategy		
102-14	Statement from senior decision-maker	Page 3
Ethics and Integrity		

102-16	Values, principles, standards, and norms of behavior	Page 7, 9
Governance		
102-18	Governance structure	Page 9
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 10
102-41	Collective bargaining agreements	Page 19
102-42	Identifying and selecting stakeholders	Page 10
102-43	Approach to stakeholder engagement	Page 10
102-44	Key topics and concerns raised	In FY2016 and 2017, ModusLink was engaged by several customers regarding the environmental impacts of the services that ModusLink provided on their behalf. This report, as well as ModusLink's direct responses to these customers addressed these issues.
Reporting Practice		
102-45	Entities included in the consolidated financial statements	All data presented in the report represents all wholly owned ModusLink Global Solutions operations, including subsidiaries unless explicitly noted otherwise.
102-46	Defining report content and topic boundaries	A comprehensive materiality process was led by an external expert to identify the relative relevancy and boundary of GRI Aspects. The coverage of Indicators categorized under those Aspects deemed relevant were reported to the fullest extent possible as data availability allowed.
102-47	List of material topics	Page 8
102-48	Restatements of information	Site closures led to a restatement of the fiscal 2015 figures for environmental data as reported in the 2017 sustainability report. This did not result in any substantial changes to the conclusions made in that report.

102-49	Changes in reporting	The boundaries for the report have not changed from previous years.
102-50	Reporting period	FY2017 (August 1, 2016–July 31, 2017)
102-51	Date of most recent report	2015 Corporate Social Responsibility Report
102-52	Reporting cycle	Biannual Reporting
102-53	Contact point for questions regarding the report	Doug Cutler ModusLink Corporation doug_cutler@moduslink.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	Page 27-30
102-56	External assurance	At this time, ModusLink has decided to not seek external assurance for the report.

Topic-Specific Disclosures Information

GRI 201: Economic Performance 2016

103-1/2/3	Management Approach 2016	Page 5
201-1	Direct economic value generated and distributed	Page 6

GRI 203: Anti-corruption 2016

103-1/2/3	Management Approach 2016	Page 10
205-1	Operations assessed for risks related to corruption	Page 9

GRI 206: Anti-competitive Behavior 2016

103-1/2/3	Management Approach 2016	Page 10
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Page 10

GRI 302: Energy 2016

103-1/2/3	Management Approach 2016	Page 18
302-1	Energy consumption within the organization	Page 16

GRI 303: Water 2016

103-1/2/3	Management Approach 2016	Page 18
303-1	Water withdrawal by source	Page 17

GRI 305: Emissions 2016

103-1/2/3	Management Approach 2016	Page 18
305-1	Direct GHG emissions (Scope 1)	Page 16
305-2	Energy-based indirect GHG emissions (Scope 2)	Page 16
305-3	Other indirect GHG emissions (Scope 3)	Page 16

GRI 306: Effluents and Waste 2016

103-1/2/3	Management Approach 2016	Page 18
306-1	Water discharge by quality and destination	Page 17
306-2	Waste by type and disposal method	Page 17

GRI 401: Employment 2016

103-1/2/3	Management Approach 2016	Page 20
401-1	New employee hires and employee turnover	Page 23

GRI 403: Occupational Health and Safety 2016

103-1/2/3	Management Approach 2016	Page 21
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403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 21
GRI 404: Training and Education 2016		
103-1/2/3	Management Approach 2016	Page 20
404-1	Average hours of training per year per employee	ModusLink does not collect this data. For information on ModusLink's training and education programs, see page 20.
GRI 407: Freedom of Association and Collective Bargaining 2016		
103-1/2/3	Management Approach 2016	Page 19
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 19
GRI 408: Child Labor 2016		
103	Management Approach 2016	Page 19
408-1	Operations and suppliers at significant risk for incidents of child labor	Page 19
GRI 409: Forced or Compulsory Labor 2016		
103	Management Approach 2016	Page 19
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 19
GRI 414: Supplier Social Assessment 2016		
103	Management Approach 2016	Page 14

414-1	New suppliers that were screened using social criteria	Page 13
GRI 418: Customer Privacy 2016		
103	Management Approach 2016	Page 12
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 13
GRI 419: Socioeconomic Compliance 2016		
103	Management Approach 2016	Page 10
419-1	Non-compliance with laws and regulations in the social and economic area	Page 9
Company-specific Topics		Information
Innovation		
Management Approach and Description		Page 24
IT Infrastructure and Resilience		
Management Approach and Description		Page 24
Responsible Sourcing		
Management Approach and Description		Page 14
Customer Satisfaction		
Management Approach and Description		Page 12



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About ModusLink's parent company, Steel Connect, Inc.

Steel Connect, Inc. is a publicly-traded diversified holding company (Nasdaq Global Select Market symbol "STCN") with two wholly-owned subsidiaries ModusLink Corporation and IWCO Direct that have market-leading positions in supply chain management and direct marketing.

ModusLink Corporation provides 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, the Company's solutions and services are designed to improve end-to-end supply chains in order to drive growth, lower costs, and improve profitability.

IWCO Direct is a leading provider of data-driven marketing solutions that help clients drive response across all marketing channels to create new and more loyal customers. It is the largest direct mail production provider in North America, with a full range of services including strategy, creative, and production for multichannel marketing campaigns, along with one of the industry's most sophisticated postal logistics strategies for direct mail.

For details on ModusLink Corporation's solutions visit www.moduslink.com, read the Company's [blog](#) for supply chain professionals, and follow on [LinkedIn](#), [Twitter](#), [Facebook](#) and [YouTube](#).

For details on IWCO Direct visit www.iwco.com, read the company's blog, "[Speaking Direct](#)," or follow on [LinkedIn](#), [Twitter](#), and [Google+](#).

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