



*A Better Future for Surplus*

# Environmental, Social and Governance Report 2021



# Forward-Looking Statements

This document contains forward-looking statements. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include but are not limited to the factors set forth in our Annual Report on Form 10-K for the year ended September 30, 2020, our quarterly report on Form 10-Q for the quarter ended December 31, 2020 and subsequent filings with the Securities and Exchange Commission. You can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continues” or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this document and are expressly qualified in their entirety by the cautionary statements included in this document. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date of this document or to reflect the occurrence of unanticipated events.

To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP measures of certain components of financial performance. These non-GAAP measures include earnings before interest, taxes, depreciation and amortization (EBITDA), Adjusted EBITDA and revenue excluding DoD contracts. These non-GAAP measures are provided to enhance investors’ overall understanding of our current financial performance and prospects for the future. We use these non-GAAP measures: (a) as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis as they do not reflect the impact of items not directly resulting from our core operations; (b) for planning purposes, including the preparation of our internal annual operating budget; (c) to allocate resources to enhance the financial performance of our business; (d) to evaluate the effectiveness of our operational strategies; and (e) to evaluate our capacity to fund capital expenditures and expand our business. We believe these non-GAAP measures provide useful information to both management and investors by excluding certain expenses that may not be indicative of our core operating measures. These measures should be considered in addition to financial information prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. A reconciliation of all non-GAAP measures included in this document to the most directly comparable GAAP measures is included in this document.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and the information contained in our Annual Report on Form 10-K for the annual fiscal period ended September 30, 2020 and our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2020.

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# Letter From Our CEO

## To Our Stakeholders,

Liquidity Services was founded in 1999 to revolutionize the inefficient and fragmented reverse supply chain market and in doing so benefit sellers, buyers and the planet. We are proud to say that we have built the world's largest B2B e-commerce marketplace for surplus goods and have played an integral role in our clients' zero-waste initiatives, diverting billions of pounds of used and scrap products from landfills. By extending the useful life of surplus assets we have played a foundational role in establishing and growing what is generally referred to as the Circular Economy<sup>1</sup>. At our inception, we committed ourselves to making a positive impact on the environment and the communities we serve. Our pursuit of these core values for the past 22 years was not driven by investing trends or a desire to earn accolades, but rather because it is simply the right thing to do.

## Powering the Circular Economy

Liquidity Services has built transparent, innovative and highly effective marketplaces and integrated services that have reliably connected buyers and sellers of surplus assets across the globe, supporting over \$8.5 billion of completed transactions. We serve the world's largest organizations in every major sector of the economy, including: BioPharma, Electronics, Energy, Industrial Manufacturing, Retail & Consumer Packaged Goods, Technology, Transportation and the Public Sector. Today, over 15,000 clients continue to trust us with the design and management of large scale, asset recovery programs that support important sustainability and financial recovery goals. Through our e-commerce marketplace platform, technology tools and services we have empowered global organizations to achieve zero waste solutions for

surplus and scrap items that have previously been discarded as waste, including both finished goods and capital equipment.

When we founded Liquidity Services, many organizations perceived sustainability programs as mainly an obligation. Today, however, we are helping organizations intelligently integrate sustainability initiatives into their core business, unlocking value through increased efficiency, reduced waste, and the creation of more loyal customers who value and appreciate improved stewardship of the environment.

Surplus management solutions don't just help our clients meet sustainability goals – they generate profits and cost savings. The same proven sales processes and marketing solutions that find new homes for our clients' surplus assets also generate valuable recovery for these items. Additionally, redeploying items within their organization saves tremendous capital by allowing them to avoid purchasing new.

Every surplus asset we sell in our marketplace is a win for the environment and for our customers. For example, in 2001 we were tasked with selling the USS Long Beach naval vessel, located at Puget Sound Naval Shipyard in Bremerton, WA. Our online marketplace successfully sold 7.35 million pounds of steel, aluminium, and copper wiring from this ship along with galley equipment, fixtures, and furnishings, which included tables, chairs, lockers, and bunks from this asset. This disposition project was one of the largest green and zero-waste initiatives ever executed by the Federal government and our marketplace made it happen. Our groundbreaking work in the area of e-commerce and sustainability has been recognized by multiple awards from the U.S. Department of Defense, Business Week, Forbes, Fortune, the National Retail Federation, the Washington Business Journal and The Washington Post among others.

## Supporting Small Business

Small businesses are the backbone of our global economy. During the past year it has never been more important to help small business customers get back on their feet to ensure local communities remain healthy both economically and socially. This past year Liquidity Services has extended its AllSurplus marketplace solution to small businesses on a preferred basis for listing and selling assets to enable these organizations to raise cash and meet their working capital needs. Moreover, given that in-person gatherings, such as live auctions, present a heightened public health risk, small businesses can rely on our online marketplace solutions to securely transact business on a global scale with minimal in-person contact and maximum flexibility. The embrace of our AllSurplus marketplace has been very positive and we have helped our small business customers raise critical funds through our e-commerce marketplace to help them to keep moving forward in the face of challenging circumstances during the pandemic.

## Our Commitment to Social Impact

Since our inception at Liquidity Services we have abided by the philosophy of “Doing Well and Doing Good” and have adopted this as a core value. As we grow and succeed, we also support positive social impact in our communities through our contribution of volunteer hours, supplies and financial resources to organizations that support diversity, childhood development, disaster relief, fighting homelessness and supporting those in service to our military. Our efforts have positively impacted the lives of tens of thousands of at-risk individuals in the communities we serve as

outlined in more detail on our corporate website.<sup>2</sup> For example, I have personally had the pleasure of serving on the Executive Committee of the Big Brothers Big Sisters organization of the National Capital Region (BBBS) for the past 14 years. Together with Liquidity Services, we have helped raise millions of dollars to support BBBS, one of the largest one-to-one mentoring organizations in the country, which empowers thousands of at risk youths from all facets of society to positively change the trajectory of their lives through mentorship and positive role models. This powerful program, in turn, raises the quality of life for all of those in their communities, especially the most marginalized.

Thank you for investing the time to learn more about Liquidity Services. We welcome you to partner with us to Build a Better Future For Surplus and, in the process, positively impact the environment, help small businesses and build valuable social impact in our communities.



**William P. Angrick, III**

CEO and Chairman  
of the Board of Directors



1. <https://www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy>  
2. <https://www.liquidityservices.com/company/social-responsibility/>

# Who We Are

Liquidity Services (NASDAQ: LQDT) operates the world’s largest B2B e-commerce marketplace platform for surplus assets with over \$8.5 billion of completed transactions, more than 3.8 million buyers and 15,000 corporate and government sellers. We support clients’ sustainability efforts by helping them extend the life of assets, prevent unnecessary waste and carbon emissions, and defer products from landfills. Through our vital mission of Building a Better Future For Surplus we’ve played an integral role in many of our clients’ zero-waste initiatives and worked with the corporate, federal and state governments to pioneer some of the largest green initiatives to date, deferring billions of pounds of surplus assets from landfills.

## To Power the Circular Economy, we:

**Manage, value, and sell** surplus across the globe in a broad range of asset categories and conditions

**Maximize return** with broad buyer base in an efficient global marketplace

**Optimize and execute** surplus management strategies to achieve client business goals



Raw materials



## The Industry Leader In the Reverse Supply Chain

**+15,000**  
Clients Worldwide

**+600 Asset**  
Categories

**+\$8.5 billion**  
Completed Transactions

**B2B/B2C**  
Proven Marketing

**+3.8 million**  
Registered Buyers

**+130 Global**  
Fortune 1000 Clients

**+500,000**  
Annual Transactions

**LQDT**  
NASDAQ



# Our Purpose

To build the world's leading marketplace for surplus assets to benefit sellers, buyers and the planet



## Our Sellers

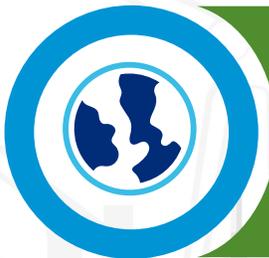
For enterprises with used, idle, or excess assets and inventory we provide:

- Expertise and intelligence that achieve high-performance results aligned to strategic goals
- Comprehensive and scalable solutions
- Superior people, processes, and systems to maximize return

## Our Buyers

For organizations and consumers looking to achieve business or personal goals we offer:

- Convenient access to a wide range of assets
- Accurate, comprehensive product information and fair market prices
- Helpful, responsive customer support when it is needed



## The Planet

For the planet's natural resources, environment, and beauty we:

- Extend life of assets and inventory and increase reuse and recycling
- Prevent unnecessary waste and defer assets from landfills
- Dispose of surplus in environmentally safe manner

# Value Proposition

Our Value Proposition to...	How we do it?
<p><b>Our Shareholders</b></p>	<p>Liquidity Services is transforming how businesses and government agencies manage, value and sell surplus assets in the \$100 billion reverse supply chain market. The continued growth of our B2B e-commerce marketplace platform unlocks value for buyers, sellers and the planet – and our investors.</p>
<p><b>Our Sellers</b></p>	<p>Liquidity Services provides sellers a trusted and effective marketplace and integrated services to maximize the value of surplus assets in every category and condition, including both self managed and fully managed solutions.</p>
<p><b>Our Buyers</b></p>	<p>Liquidity Services provides buyers a trusted and effective marketplace and integrated services to source valuable surplus assets in every category and condition, to save money and grow their business.</p>
<p><b>Our Planet</b></p>	<p>Liquidity Services is an engine for sustainability by empowering organizations to achieve zero waste solutions for surplus and scrap items that have previously been discarded as waste, including both finished goods and capital equipment.</p>
<p><b>Our Employees</b></p>	<p>Liquidity Services creates a rewarding place for our employees to learn, contribute and grow through our collaborative environment that fosters open communication, teamwork, mutual respect, and acknowledging our successes and failures.</p>
<p><b>Our Communities</b></p>	<p>Liquidity Services embraces the philosophy of “Doing Well and Doing Good.” As we grow and succeed, we also support positive social impact in our communities through our contribution of volunteer hours, supplies and financial resources to important causes.</p>

# Our Investors

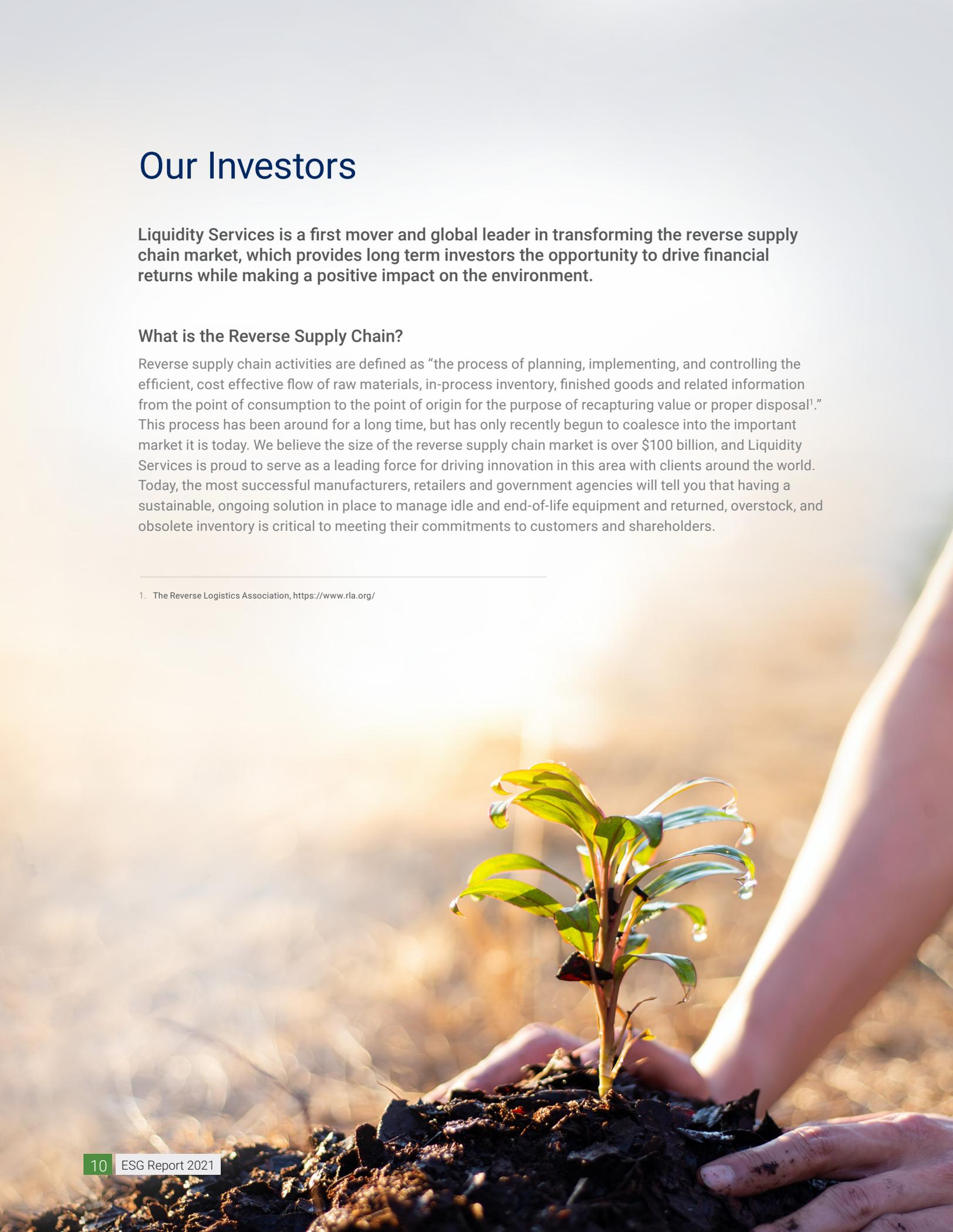
Liquidity Services is a first mover and global leader in transforming the reverse supply chain market, which provides long term investors the opportunity to drive financial returns while making a positive impact on the environment.

## What is the Reverse Supply Chain?

Reverse supply chain activities are defined as “the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal<sup>1</sup>.” This process has been around for a long time, but has only recently begun to coalesce into the important market it is today. We believe the size of the reverse supply chain market is over \$100 billion, and Liquidity Services is proud to serve as a leading force for driving innovation in this area with clients around the world. Today, the most successful manufacturers, retailers and government agencies will tell you that having a sustainable, ongoing solution in place to manage idle and end-of-life equipment and returned, overstock, and obsolete inventory is critical to meeting their commitments to customers and shareholders.

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1. The Reverse Logistics Association, <https://www.rla.org/>



## \$100 Billion Total Addressable Market



### Macro Trends Expanding Our Growth Opportunity

<p><b>Sustainability</b></p>	<ul style="list-style-type: none"> <li>• Environmental Sustainability key goal for commercial &amp; government sellers</li> <li>• Focus on Zero Waste</li> <li>• Environmental compliance requires sophisticated tools and reporting</li> <li>• Extending the useful life of assets of increasing importance</li> </ul>
<p><b>E-Commerce Growth</b></p>	<ul style="list-style-type: none"> <li>• Increased demand for digital, no-contact solutions driving more opportunities with sellers and buyers</li> <li>• Strong online growth in retail driving increased volume of consumer returns</li> <li>• Trending appetite for self-directed solutions</li> <li>• Increasing buyer need for discounted, refurbished &amp; secondary market assets</li> </ul>
<p><b>Technology Innovation</b></p>	<ul style="list-style-type: none"> <li>• Product obsolescence and shorter product life-cycles</li> <li>• Greater focus on compliance &amp; transparency</li> <li>• Higher adoption of digital marketplaces and no-contact sales channels among B2B buyers</li> <li>• Increasing need for faster disposition cycle</li> </ul>

# Our Sellers

With a deep commitment to superior service, we empower sellers to make informed, sustainable decisions, mitigate risks, and generate meaningful and measurable results. Through our reach, marketplace capabilities, and unparalleled scope of services, sellers simplify their operations and enhance productivity globally.



## Better Service

Superior levels of industry and asset expertise, responsiveness, intelligence, and analytics that achieve high-performance-results aligned to our sellers' goals.



## Better Scale

Comprehensive, modular, and scalable, solutions. Spanning all volumes, asset categories, conditions, sales channels, and locations worldwide.



## Better Results

Right combination of great people, best-in-class processes, and cutting edge systems to deliver maximum return today and into the future.



## Serving the Broadest Base of Industries

Liquidity Services works with clients to ensure surplus is intelligently transformed from a burden into a liquid opportunity that fuels the achievement of strategic goals. Our superior service, scale, and ability to deliver results enable us to forge trusted, long-term relationships with **over 15,000 clients**, including **Fortune 1000 and Global 500 organizations** small businesses and government agencies. With **over \$8.5 billion in completed transactions**, more than **3.8 million registered buyers**, and reach into **almost 200 countries and territories**, we are the proven market leader in delivering smart surplus solutions.



Aerospace & Defense



Electronic Manufacturing



Industrial Manufacturing



Automotive Manufacturing



Energy



Mining & Large Construction



Biopharma



Fast-Moving Consumer Goods



Retail



Consumer Brands & OEM's



Government

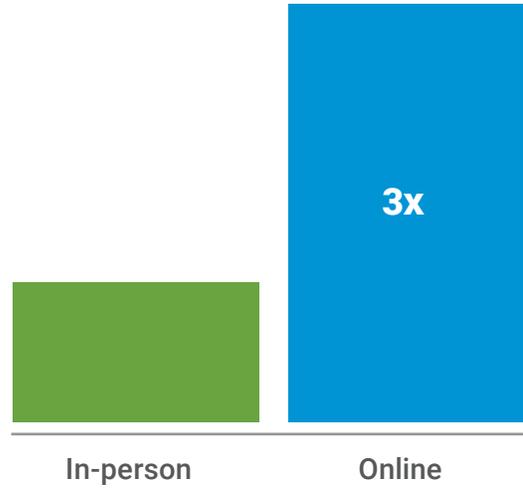


Transportation

# The Retail Return Challenge

The COVID-19 pandemic turned the world upside down, affecting how we live, how we work, how we shop, and how we interact. As more consumers turned to online shopping amidst lock downs that closed store fronts, the average share of customer interactions that were digital accelerated by 3 years.<sup>1</sup>

According to the National Retail Federation (NRF), 2020 online holiday sales amounted to \$209 billion. Based on the 30% return rate for online holiday sales, it's estimated that returns totaled \$63 billion.<sup>2</sup>



On average, e-commerce sales have return rates **3x** those of brick and mortar sales<sup>3</sup>



Liquidity Services helps retailers monetize returns and keep them out of landfills.

1. McKinsey, "How COVID-19 has pushed companies over the technology tipping point—and transformed business forever." 2020.  
2. Accenture, "Returns: The Value Conundrum." 2018.  
3. <https://nrf.com/media-center/press-releases/nrf-says-2020-holiday-sales-grew-83-percent-despite-pandemic>

# Our Buyers

Liquidity Services' marketplace platform is an incubator for entrepreneurs and small businesses seeking to save money through the re-use and recycling of surplus assets. We have been a catalyst for small businesses to safely and effectively conduct commerce throughout our history, which strengthens the communities they live in and serve.



## Superior Product Quality and Information

Large volumes and recurring flows of products; refurbishment services to enhance and ensure product quality; ability to view detailed product information, ask questions, and inspect items



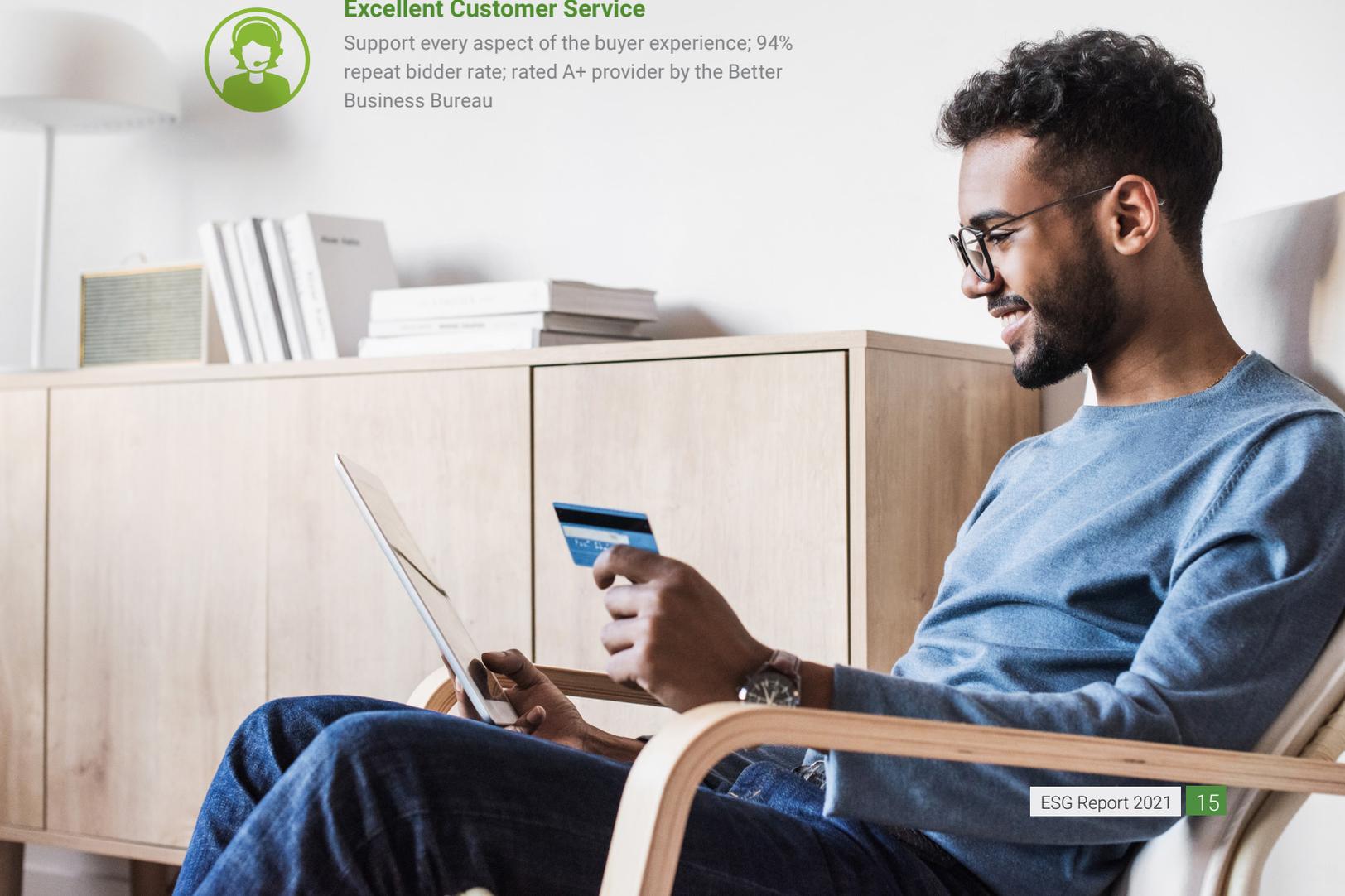
## Fair Prices

Auction format ensures assets are sold for fair market value; assets available all over the world, making it easy to keep shipping costs low or pick up items



## Excellent Customer Service

Support every aspect of the buyer experience; 94% repeat bidder rate; rated A+ provider by the Better Business Bureau



## Buyer Testimonials

### Reuse:

One of Bulgaria's largest manufacturers of bakery and confectionery products, Ziv, has purchased over 200 pieces of equipment on a Liquidity Services marketplace, saving between 50-75% compared with the cost of new equipment. Ziv also reduced their average sourcing time from 8 months to 2 months, allowing the company to win more sales as a result.



### Recycle:

Allied Alloys, a full-service steel, stainless and nickel recycling company, spent \$5.8 million on scrap metals on a Liquidity Services marketplace that they wouldn't have been able to access any other way. The profits they made from these purchases helped the organization become the #3 player in the industry.

# Our Impact

Each year, Liquidity Services plays an integral role in our clients' zero-waste initiatives, diverting billions of pounds of used and scrap products from landfills and helping companies and government agencies reduce their carbon footprint. In the past year, we completed over 150,000 surplus transactions which resulted in a positive impact to the environment.



## The Planet

We've played an integral role in many of our clients' zero-waste initiatives and worked with the federal government to pioneer one of the largest green initiatives to date, deferring over three billion pounds of scrap material from landfills.



## Our Communities

Community-focused organizations raise money to help cure diseases, build homes for impoverished families, and provide meals to the hungry. We support all of these causes and more, knowing that every effort makes a difference.



## Our Employees

By continuing to positively impact our clients and the environment, we make Liquidity Services a rewarding place to work. Each of our team members is part of our global initiative to make a difference in the communities where we live and work.



# The Planet

## Liquidity Services reduces waste and increases a large home improvement retailer's recovery on high value customer returned items by 40% over traditional liquidation sales channels.

One solution does not fit most returns management strategies. That's why, when they turned to Liquidity Services to help quickly drive recovery for retail returns, we implemented tools and platforms that were customized to fit the retailer's unique business needs. Our multi-channel and long-term approach drove sales to our B2C marketplaces and our own B2B marketplace, Liquidation.com. This higher recovery, high touch solution for near mint condition inventory works in parallel with recovering cash and avoiding landfill on incomplete and salvage condition items. Working closely with the retailer, Liquidity Services was able to seamlessly transition operations with minimal downtime and disruption to sales.

### Ongoing Successes Achieved by Partnering with Liquidity Services:

- Deploying a handheld device to sell and fulfill over 100,000 individual B2C items from both the retailer and Liquidity Services, own operations, covering a nationwide footprint.
- They routed over 3,000 truckloads to be sorted into pallet level sales for small business customers or sold by truckload in as-is condition to our small business buyers.
- Supporting peak season volume required a reliable and professional disposition outlet for merchandise, minimizing return center operations.
- Netting the retailer 40%+ more as a % of COGS (Cost of goods sold) on direct to consumer flows and avoiding 25,000 tons from landfill selling surplus via Liquidity Services, multiple channels for all liquidation flows.
- The retailer also collaborated with Liquidity Services on the List N Sell truckload auction solution, created for retailers that need a quick trailer sale from location solution.

“ In 2020, Liquidity Services was responsible for the recommerce of over 25,000 tons of product that would have otherwise needed to go to landfill. We are proud to partner with Liquidity Services in extending our planet's natural resources and protecting land and water from the impact of material disposal.



## “Green” Benefits of Online versus Live Auctions

Surplus vehicles no longer must be stored long-term which decreases the likelihood that oil and other fluids might leak from vehicles and seep into the ground.

Many assets that may have been considered unsellable via conventional auction methods can now be successfully sold online thereby reducing landfill loads and increasing revenue.

Emissions produced by transporting and staging vehicles and equipment at auction sites are eliminated as assets can be sold as-is from where they are located.

Emissions are further reduced by eliminating the necessity for potential bidders to travel to an auction site. Note: According to [www.fueleconomy.gov](http://www.fueleconomy.gov) a gallon of gasoline, when burned, produces 20 lbs of carbon dioxide. Diesel fuel produces 22 lbs per gallon when burned. Example: If 250 vehicles averaging 20 miles per gallon traveled an average of 50 miles round-trip to attend a live traditional auction, the carbon footprint impact would be estimated at 12,500 lbs (50/20 x 20 x 250).

According to a recent survey of GovDeals sellers 8% to 10% of vehicles that have been sold via our online auction site GovDeals ([www.govdeals.com](http://www.govdeals.com)) would have had to be taken to a landfill as there have typically been no buyers for these types of assets at local auctions and no way to transport them. These assets included wrecked or burned vehicles or vehicles that would have not been sellable via conventional local auctions. Prior to GovDeals, sellers would have incurred labor and fuel costs to move these vehicles as well as landfill charges. There was also the environmental impact of putting these vehicles in a landfill to consider. Now they can sell them for parts on GovDeals recovering costs instead of incurring them.

### In 2020

- GovDeals sold ~**47,000** (46,916) vehicles
- Eliminating an estimated **2.4 Million** pounds of CO<sub>2</sub> emissions
- Keeping an estimated **4,700** vehicles out of landfills





## Ditching Live Auctions - Better for Us, Better for the Environment - Circleville, OH

“Live auctions can be very limiting.” - Brenda Short, City of Circleville

How an agency disposes of its surplus vehicles and equipment should be considered not only from only a financial standpoint, but from an environmental one as well. Traditional methods of handling surplus goods, namely live auctions and landfill disposal, can have lasting negative effects on the environment. Liquidity Services' GovDeals virtual sales model offers its sellers the opportunity to reduce their carbon footprint and easily adapt to the ever-changing digital age. Utilizing the GovDeals online platform gives sellers the advantage of selling their vehicles in

place upon declaring the items surplus, whereas live auctions often require the vehicles to be transferred to another location for sale, resulting in additional CO<sub>2</sub> emissions emitted during travel. Additionally, forgoing live auctions allows sellers to sell at any time and avoid extended storing periods, which often results in depreciation of the assets. Oil and other fluids often leak from vehicles when they are stored for extended periods of time as well, so selling quickly also reduces the vehicles' carbon footprint.

The City of Circleville, OH, a new seller to the GovDeals platform, hosted their own live auctions for several years before joining the site. In February of 2020, the city made the change to eliminate live auctions altogether and sell all their declared surplus online through GovDeals. According to Brenda Short, an administrative assistant for the city, this was partly due to the finite reach of the former method: “Live auctions can be very limiting.”

With the live auctions, Circleville faced the demanding nature of coordinating and hosting the events, collecting and processing all payments, and promoting and advertising to their constituents. All the extra work with very little return on revenue contributed to the city’s decision to stop hosting live auctions altogether. As a result of signing on with GovDeals, Circleville now has a simplified auction process, saving them time and money.

To further reduce their carbon footprint, Circleville has elected to use GovDeals’ online billing system, which obviates the need to print and send paper checks or invoices. In the U.S., discarded paper accounts for over 12,500 tons of waste annually. Similarly, printer cartridges are produced by using natural resources such as oil and iron ore that contain volatile organic compounds (VOCs), which can cause damage to both humans and the natural environment according to Capital Business Systems, a printing

service company serving the Northwest U.S. Like Circleville, potential sellers looking for a process to make their businesses “greener” could reduce their carbon footprint by utilizing the GovDeals platform and switching to online auctions, as well as opting for electronic payment collection methods. Currently, waste management is one of the greatest environmental issues on the globe. By switching to GovDeals, governments are able to reduce their carbon footprint and help our environment thrive. Furthermore, online auctions are not limited to vehicles; a plethora of surplus assets can be sold on our marketplace and kept out of landfills, where they would serve no further purpose. By utilizing GovDeals and selling online, businesses can offer these items to a larger audience than they would find with a local auction. Selling virtually is mutually beneficial for cities like Circleville and their local environment.

Liquidity Services values the environment and is committed to aiding our sellers in doing their part to operate more sustainability and responsibly. Making the switch to online auctions gives our sellers the ability to avoid the environmental impact of non-degradable waste, leading us all to be good stewards of the environment.



“ Our goal is to get our waste down to only breakrooms, restrooms, and offices. ”

Brian Johnson SVP, Logistics

## Warehouse Operations Doing Well and Doing Good for the Environment!

For many companies, sustainability is about donating to the right organizations and making promises to “do better”. Here at Liquidity Services, sustainability is ingrained in the fabric of our company and has been the guiding principle for our business model since day one. We don’t just help our clients run their businesses more sustainably by redirecting their surplus; with every warehouse, transport truck, and office building, we have set in place processes which allow us to operate in the most sustainable and environmentally conscious manner possible.

**At Liquidity Services, sustainability is built into every facet of our business and is always the goal, never the by-product.**

The breadth of our clientele and nature of surplus management work results in many different types of material coming through our warehouses, varying from Styrofoam to

electronics motherboards. Our warehouse operations continuously strive to do more to reduce our waste, reuse wherever possible, and recycle anything and everything we can. Our dynamic sustainability processes have been developed over the last twenty years, and we are always working to stay on top of new techniques to increase our impact.

In the past, R2 and other third-party certifications were considered as part of an effort to improve and better guide our sustainability processes, but we found many of their standards to not be on par with our existing reuse and recycle requirements. For this reason, we have opted to work by our own rigorous standards and continue to modify our operations as new sustainability developments arise. We are proud to outline our recycling and reuse programs here.

## Electronics Recycling

Our Electronics Recycling Program consists of collecting and recycling electronic items that are unable to be wiped of data, and therefore cannot be refurbished and sold through our normal channels. Items such as phones, laptops, gaming consoles, cameras, and audio equipment are collected, sorted, and distributed to our partners at eSCO Processing and Recycling in Rogers, Arkansas. Rather than disposing of these items in landfills, our agreement with eSCO allows electronics to be processed sustainably, extracting precious materials such as gold and zinc and recycling the leftover product. Since the company wide agreement was established, we have been able to recycle in excess of 32,000 lbs of electronic items and generate over \$35,000 in revenue through eSCO's processing and recycling services.

It is estimated that only about 20% of electronics waste in the U.S. is recycled, with the remainder winding up in landfills or improperly disposed of. The danger of sending electronics to landfills is that most of these items release toxic chemicals such as mercury and lead, the latter of which is known to have detrimental health effects when leaked into local water supplies. By taking the extra step in establishing our Electronics Recycling Program, we have been able to greatly reduce the environmental impact of the electronics surplus we receive, while also extending the life of these items and finding new uses for them. As long as new electronics are being released, old ones will continue to be tossed out and dismissed as useless. Liquidity Services is committed to finding the most sustainable way to approach used electronics, and we will continue working to keep these items out of landfills.



Bare circuit boards



Batteries



Circuit boards shredded

In the last few years our Electronics Recycling Program has yielded:

- **32,201 lbs** of recycled material
- **\$35,000** in revenue



Recycling and reusing wooden pallets save us an average of \$26,000 each year and redirects more than 7,600 pallets away from landfills.

## Wood Pallet Reuse and Recycling

As part of our commitment to reducing general waste in our warehouses, we have undertaken the task of reusing and recycling the thousands of wood pallets that come through our doors every day. The surplus products we receive from our partners often come on wooden pallets, which results in a large amount of wood left over after these products are sold on our websites.

When pallets are received in a usable condition, we disperse them across our warehouses and reuse them instead of buying new ones, saving us an average of \$6,500 per warehouse each year and keeping thousands of perfectly good pallets out of landfills. In 2020, we were able to reduce the general waste in our Brampton, Ontario warehouse by 75%, a large portion of which was achieved simply by reusing our wooden pallets instead of throwing them away. On the other hand, some pallets arrive at our facilities in irreparable condition and cannot be immediately put to use again; for these situations, we have partnered with a pallet

supply company to recycle these pieces and dispose of them sustainably. Instead of being immediately thrown away, damaged pallets are separated and stored within our facilities, and later sent out in bulk to our pallet supply contacts at no cost to Liquidity Services. The damaged pallets are then broken apart and rebuilt into new pallets, or ground into wood chipping and repurposed as landscaping mulch. By opting for this method of disposal, we receive credit to purchase these restored pallets, saving money and extending the lifespan of these wood products.

Our wood pallet recycling process requires a few extra steps for our warehouses, but the positive financial and environmental impacts of this effort is well worth it. On average, we are able to recycle more than 7,600 pallets a year, which is equivalent to over 150 tons of material being repurposed and redirected away from landfills.

## Cardboard Reuse and Recycling

In the U.S. around 80% of all products sold and shipped are packaged in cardboard, resulting in around 850 million tons of the material being thrown away each year. Serving retail clients comes with the added task of receiving tons of cardboard each year, which we at Liquidity Services feel a responsibility to handle as sustainably as possible. Similar to our wood pallet process, we have set up systems in our warehouses to sort, reuse, and repurpose cardboard once our clients' transactions are complete.

Our reuse process was created at our Las Vegas warehouse, which sees some of the most activity out of all of our locations. The products we receive from our largest customer at this warehouse are almost always packaged in cardboard, which initially resulted in an excess of material left over each day after production was complete. With most of the cardboard in perfect condition, we could not fathom simply disposing of it in a landfill; the simplest and most sustainable solution was to continue allowing these cardboard boxes to serve their purpose by reusing them. Instead of being tossed, empty boxes were used to pack new orders, store products, and serve as transport vessels for products being shifted between warehouses.

As a result of reusing these cardboard boxes, our Las Vegas location saw a massive reduction in both waste and cardboard costs, totalling around \$40,000 in savings in a single year. After perfecting the process at our Las Vegas location, we implemented the program company-wide and began seeing results immediately. Our Brampton, Ontario location saw similar success, with the cardboard recycling contributing to its 75% waste reduction, as well as reducing waste costs by

\$10,000 over the last two years.

Furthermore, cardboard that cannot be repurposed in our warehouses is sold to local recycling centers to be processed and, often times, turned into more cardboard. We have found that taking measures to not throw away cardboard is actually more lucrative than disposing of it in a landfill, as our Brampton location has earned in excess of \$1,000 recycling unusable cardboard.

In total, we have been able to recycle and reuse around 250,000 lbs of cardboard boxes across all our warehouse locations. By implementing processes which allow us to keep using the boxes we receive, we are able to not only reduce costs, but also our environmental impact.



Our Cardboard Reuse and Recycling Program has saved:

- **\$40,000** in cardboard costs annually
- **250,000 lbs** of cardboard
- **\$10,000** in waste costs at our Brampton, Ontario warehouse alone



## Our Communities

Liquidity Services partners with community-focused organizations in the communities we serve to help cure diseases, build homes for impoverished families, and provide meals to the hungry. We support all of these causes and more, knowing that every effort makes a difference. Each of our team members are part of our global initiative to make a difference in the communities where we live and work by providing volunteer hours, materials and equipment and financial support. As we grow and succeed, we give back to our community as a company and as team members.

Liquidity Services has a long history of donating time and resources to our local communities. Since 2006 we have donated over \$350,000 in cash and countless volunteer hours.

### In 2020, we supported:

- ESTEEM Capstone Sponsorship
- In Memory of Bud York
- Home Depot Canada Give Hope Charity
- Network for Good
- Montgomery Area Food Bank
- Adopt a Family
- Adopt a Child
- Habitat for Humanity - Plainfield
- Salvation Army - Vegas
- Susan B. Komen
- Jonathan's Place
- American Cancer Society: Relay for Life
- Hurricane Relief

## Our employees donated to and volunteered at:



### Jonathan's Place

The mission of Jonathan's Place is to provide a safe place, loving homes, and promising futures for abused and neglected children, teens, and young adults.

As part of our company initiatives, we also support those less fortunate. Over the last five years, our Las Vegas team has been a part of making a positive impact on a number of organizations, including:

- **Adopt a Family at Christmas** - Each year, we adopt two families in need and set out to give them the Christmas they deserve. With support from the company and our staff, we provide each family with gifts and food for them to enjoy on Christmas Day.
- **Food Bank Donations** In collaboration with The Salvation Army, we regularly donate food to local food banks and work to end hunger in the Las Vegas community. Staff donations are supplemented by surplus food harvested from our production line.
- **Susan B. Komen** Our Las Vegas team has participated in the annual "Race for the Cure" for the last five years, along with donating to support the organization's mission to raise awareness for breast cancer and fund research to provide better treatments for it. 2020 was the first year in half a decade where we could not attend in-person.



Holiday Donations



Food Bank Donations



Susan B. Komen 2019



## Youth Mentoring and Access to Higher Education

- We're dedicated to supporting programs that help young people develop the life skills and education they need to succeed.
- Every child deserves a chance at success. We partner with various local and national organizations to support educational and developmental initiatives for disadvantaged children. Working with DonorsChoose.org, we help fund critical classroom projects across the U.S., and our work with Big Brothers Big Sisters has earned our Chairman & CEO Bill Angrick a Volunteer of the Year award.

## Secondipity

A portion of every sale on Secondipity.com, our marketplace for consumers, goes to help children in public schools learn to love the planet earth

- **6,032** Children Helped
- **57** Projects Completed
- **\$15,146** Donated



# Together We RISE



## Our Employees

Liquidity Services provides an entrepreneurial environment for problem solvers, innovators and technology evangelists to make a positive impact on the economy and the environment from day one. Our Core Values enable our employees to learn, contribute and grow through our collaborative environment that fosters open communication, teamwork, mutual respect, and acknowledging our successes and failures.

## Our Mission:

To develop the world's leading marketplace for surplus assets to benefit sellers, buyers, and the planet.

## Our Core Values



### Integrity

Our partners and colleagues know they can trust us to always keep our promises, be transparent, and adhere to the highest ethical standards.



### Customer Focus

Buyer and seller satisfaction are key to our continued success. We seek to exceed our customers' expectations every day.



### Relentless Improvement

We embrace change and are motivated to constantly improve our individual and collective performance.



### Innovation to Support Leadership

We continually seek out, develop, and implement new ideas to enhance our position as industry leader.



### Mutual Trust and Accountability

Our collaborative environment focuses on open communication, mutual respect, teamwork, and acknowledging our successes and failures.



### Shared Success

Everyone in our organization acts as leaders with a shared sense of pride in our accomplishments.



### Doing Well and Doing Good

By continuing to positively impact our clients and the environment, we make Liquidity Services a rewarding place to work.

Learn more at:  
[liquidityservices.com/company/core-values](https://liquidityservices.com/company/core-values)

## Together We RISE!

# R

### Recovery Maximization

Drive higher net recovery through technology and innovation that improves the buyer experience.

# I

### Increase Volume

Grow annualized volume transacted on our platform with flexible service offerings and pricing models to meet the needs of existing and new sellers.

# S

### Service Expansion

Grow services with recurring revenue characteristics that leverage our domain expertise, data and marketplace channels.

# E

### Expense Leverage

Improve operating expense leverage by controlling costs and through technology and innovation that increases productivity.

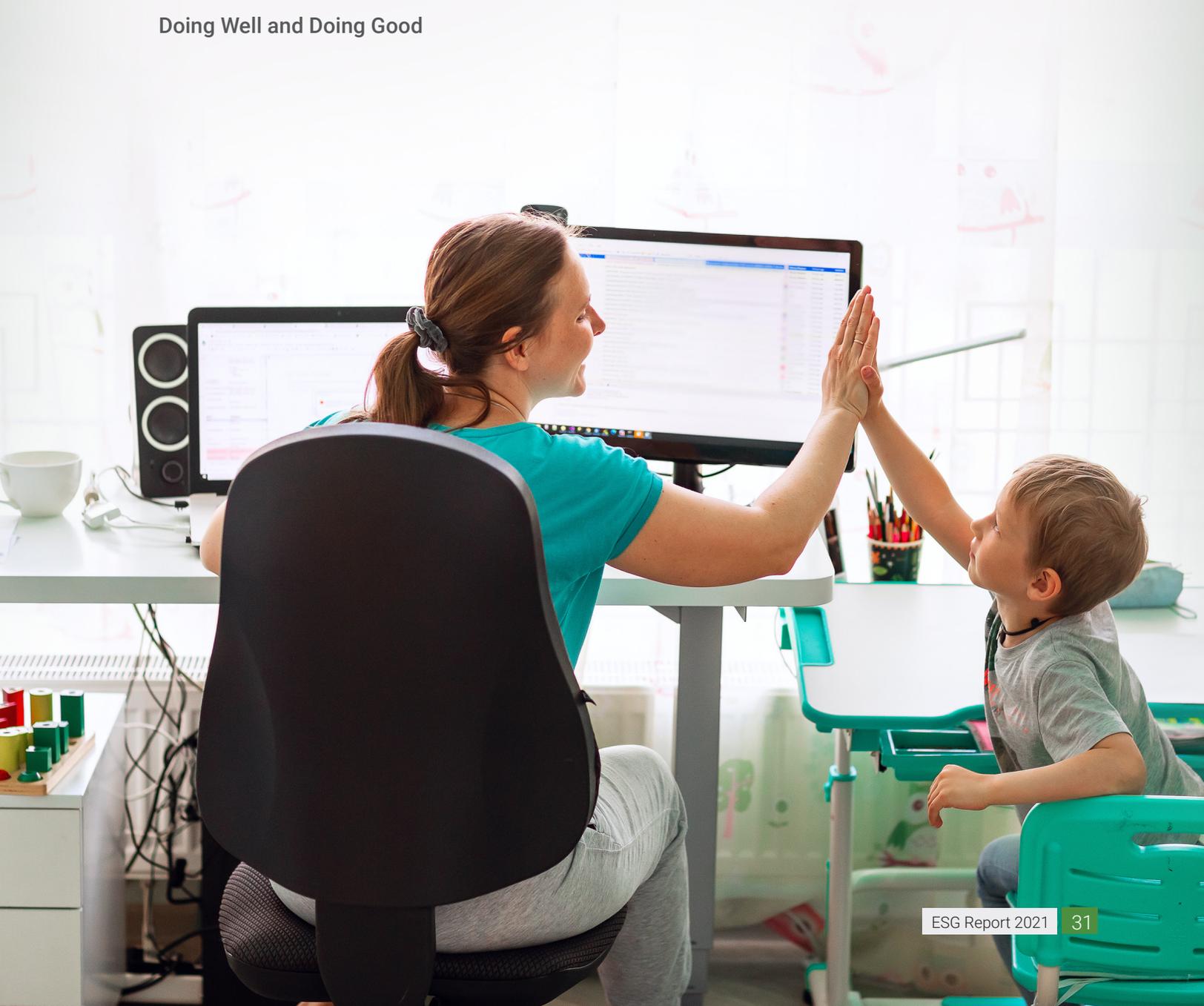
**15,000** sellers  
**3.8 million** registered buyers  
**\$8.5 billion** in GMV and counting...

Learn more at:  
[liquidityservices.com/solutions](https://liquidityservices.com/solutions)

## Changing how we work in a Global Pandemic led to long term office changes.

To serve our customers and the planet now and tomorrow, we remain highly focused on creating efficiencies and benefits for our sellers and our buyers by focusing on the platform services and support that will deliver optimal liquidity in the reverse supply chain and further enable our growth through an asset light, low-touch marketplace solution. Notwithstanding the COVID-19 pandemic, as e-commerce penetration continues to grow substantially for both consumers and B2B, our online platform and cloud-based solutions should become even more relevant and necessary for the evolving global economy.

### Doing Well and Doing Good





**15 Tons**

Removed, Recycled  
and Repurposed

**12,000 Lbs**

Recycled Steel

**247 Trillion**

Sheets of Paper Saved

## Scottsdale Setting the Standard for Sustainability

As the COVID-19 pandemic ushers in a “new normal”, Liquidity Services continues to find creative solutions for both our clients and employees to ensure the best possible experience. One particularly momentous aspect of the pandemic is how it has affected the workplace, as the safety and practicality of traditional office spaces are put into question. Though the decision to prioritize employee safety and transition to remote working was easy, the question of what to do with our old office spaces did not have a clear or simple

answer. Using innovation and staying true to our core values of Relentless Improvement and Doing Well and Doing Good, Liquidity Services was able to find a sustainable and efficient way to close out our Scottsdale office and re-establish operations virtually.

For nearly twenty years, our Scottsdale office was a major hub for employees across every department, spanning almost 12,000 square feet and serving as a central location for Liquidity Services operations. When COVID-19

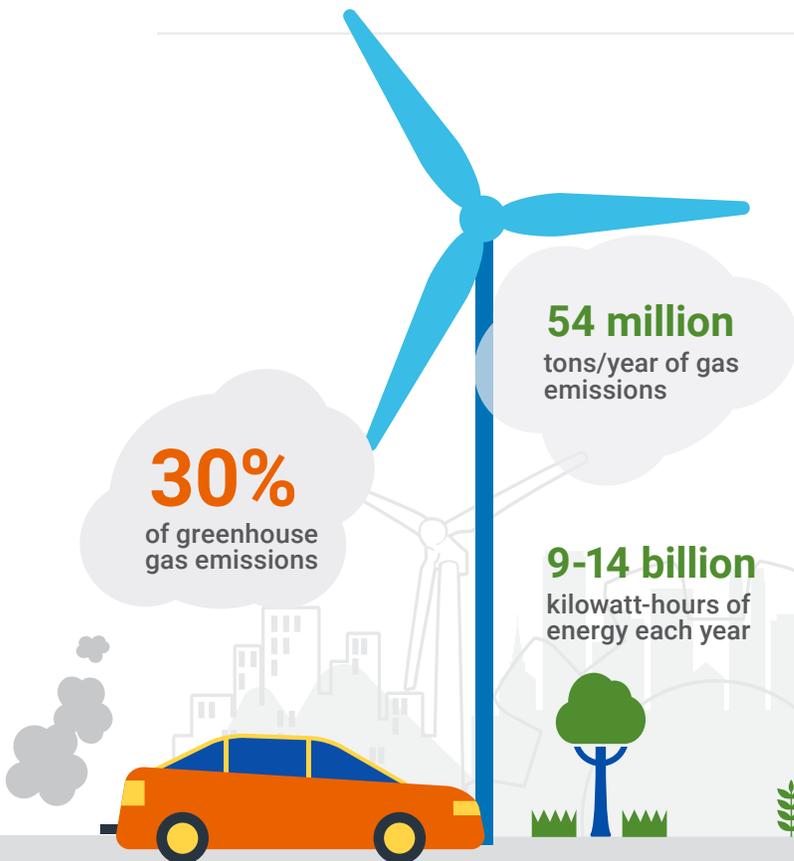
presented itself as a major threat to global safety in March of 2020, Liquidity Services responded quickly by transitioning all employees to remote work and temporarily closing all of its offices, including the Scottsdale location.

Though the shift to remote employment was meant to serve as a short-term solution to the safety issues brought on by the pandemic, it soon became apparent that this novel method of functioning actually offered more benefits than just avoiding rush hour. Productivity increased significantly in the first few months after the transition to remote work, and an employee survey revealed greater job satisfaction and higher morale company-wide. Moreover, switching to remote operations drastically reduced Liquidity Services' carbon emissions, energy consumption, and paper waste that

normally accompanied the traditional office setup. After assessing these revelations, it was decided that Liquidity Services would permanently implement the new changes and close out many of its physical offices, starting with Scottsdale.

“ Working from home has cut off almost 2 hours of driving per day so it has made a big impact personally. I have been more productive in both work and personal life as working from home has been saving me a lot of time. ”

Kirmi Patel, Help Desk Representative



## Estimated Annual Savings

- In 2018, the EPA reported that transportation was responsible for nearly 30% of greenhouse gas emissions, with work commutes comprising a large amount of that number.
- Global Workforce Analytics estimates that if everyone in the U.S. only worked half the week at their physical offices, greenhouse gas emissions could be reduced by 54 million tons/year.
- Consumer Electronics Association reported that telecommuting saves 9 to 14 billion kilowatt-hours of energy each year.

When choosing a course of action for closing out the Scottsdale office, sustainability was prioritized as the deciding factor for each step. In lieu of a large, national junk removal company, we sought out the services of Paradog Junk Hauling and Disposal Services, a veteran-run disposal company based locally in Arizona. With the help of Paradog's owner, retired U.S. Marine Michael Spykes, Liquidity Services was able to remove, recycle, and repurpose nearly 15 tons of office materials and equipment. Everything from cubicles to coffee machines were carefully assessed, and great care was taken to ensure that only those items which could not be resold, donated, or recycled were taken to a nearby landfill for disposal.

*"We had challenges we don't normally face, but we'd do it for Liquidity Services again."*

- Michael Spykes,  
Owner Paradog Junk Hauling and Disposal

In total, 12,000 lbs of steel were recycled, two 26 ft box trucks full of material were donated, and a small profit was earned through the sale of reusable items from the office. While avoiding landfill disposal altogether was not possible, our choice to take the extra time and effort to assess the reusability of each item in the Scottsdale office resulted in tons of material being redirected away from landfills. Though a mass disposal of Scottsdale's office materials might have been cheaper and faster, we challenged ourselves to create a solution that would reduce our environmental impact and serve as a paragon for sustainable transition to telecommuting.

The novel coronavirus has profoundly impacted the modern workplace, and Liquidity Services serves as proof that it is possible to embrace these changes ethically and sustainably, without having to sacrifice productivity. Our "new normal" never cuts corners, never forgoes the ethical route in favor of the easy one, and always prioritizes our employees and customers. Our values as a company guide our decisions, and Doing Well and Doing Good dictates that we continuously find solutions that benefit our employees, customers, and surrounding environment collectively.



Two 26 ft. box trucks full of material donated



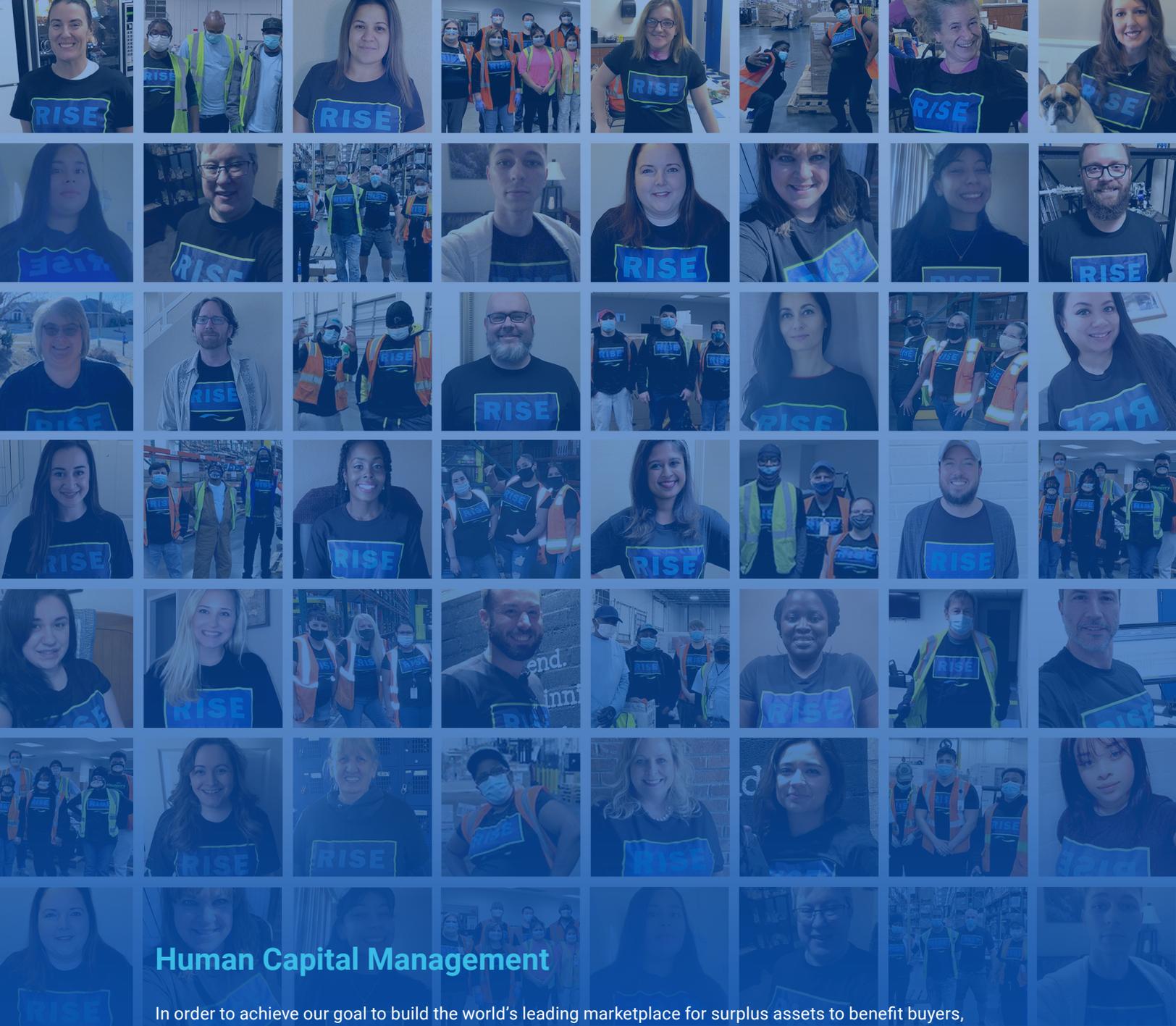
Before



During



After



## Human Capital Management

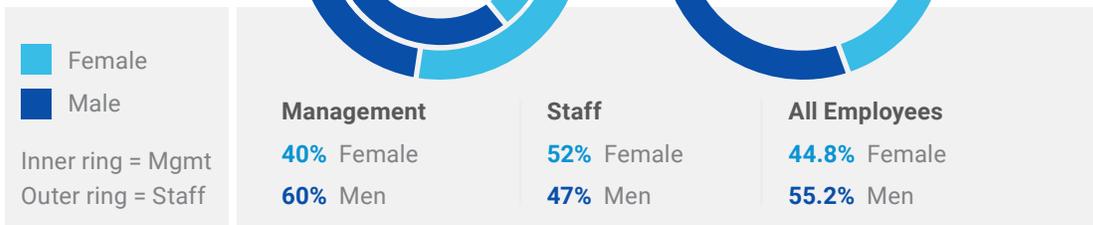
In order to achieve our goal to build the world's leading marketplace for surplus assets to benefit buyers, sellers, and the planet, it is crucial that we attract, develop and retain employees who deliver outstanding performance. To do so, we strive to make Liquidity Services a rewarding place to work and an environment where we promote diversity, equity and inclusion. As of September 30, 2020, we had 574 employees worldwide. We also utilize temporary workers to augment staffing during peak business cycles and to fill certain open positions on a temporary basis.

We believe our employees are key to achieving our business goals and growth strategy. We track and report internally on certain key metrics, such as employee engagement, employee net promoter score, turnover rate, workforce growth and internal mobility.

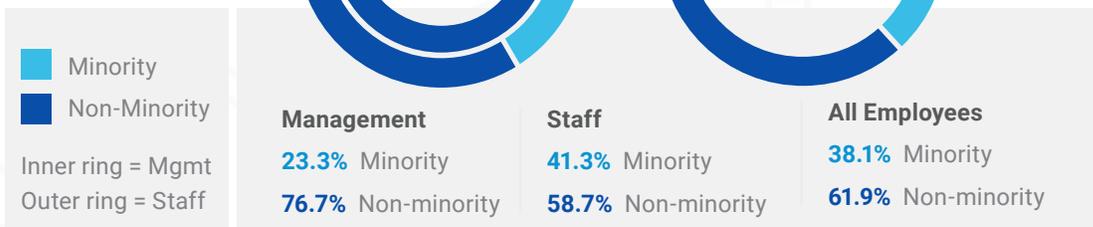
We embrace diversity, equity and inclusion. We actively recruit talent with a diversity of experiences, background and ideas. By doing so, we aim to leverage the variety of skills and perspectives inherent in a diverse workforce, improve our problem-solving abilities, and bring innovative solutions to a wider range of clients and customers.

# Diversity Equity and Inclusion

## Gender Diversity Management VS Staff

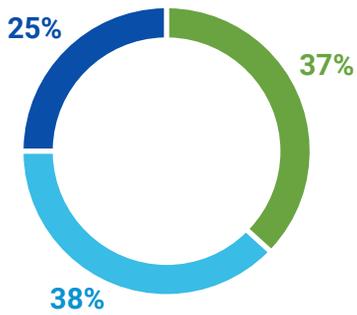


## Ethnic Diversity Management VS Staff



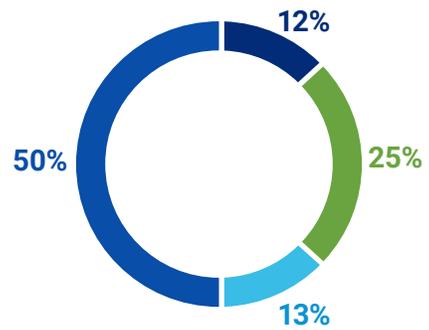
### Age Diversity of Directors

■ Age 50-58 ■ Age 60-69 ■ Age 70+



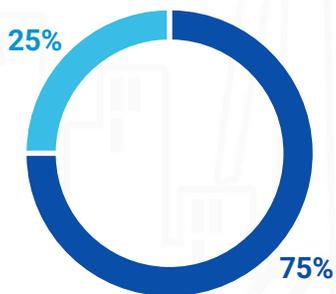
### Tenure Diversity of Directors

■ 0-5 Years ■ 5-10 Years ■ 10-15 Years ■ 15+ Years



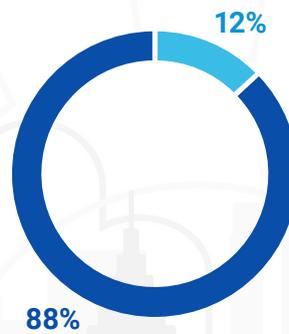
### Gender Diversity of Directors

■ Female ■ Male



### Racial/Ethnic Diversity of Directors

■ Minority ■ Non-Minority



## Liquidity Services

6931 Arlington Road, Ste. 200  
Bethesda, MD 20814

From the U.S.: 1-800-310-4604  
Internationally: +1-202-467-6868  
Fax: +1-202-558-6282

[InvestorRelations@LiquidityServicesinc.com](mailto:InvestorRelations@LiquidityServicesinc.com)

