



**ASX & MEDIA RELEASE**

**(ASX: SGM, USOTC: SMSMY)**

**10 November 2021**

### **Sims Limited 2021 Annual General Meeting**

Sims Limited is holding its Annual General Meeting (AGM) today. The meeting can be accessed at <https://meetings.linkgroup.com/SGM21>. Attached are copies of the addresses to shareholders to be delivered by the Chairman and the Group Chief Executive Officer at the AGM.

**Authorised for release by:** The Company Secretary

#### **About Sims Limited**

Founded in 1917, Sims Limited is a global leader in metal recycling and data centre IT circularity, and an emerging leader in municipal recycling and renewable energy. Our 4,000 employees operate from more than 200 facilities across 15 countries. The Company's ordinary shares are listed on the Australian Securities Exchange (ASX: SGM) and its American Depositary Shares are quoted on the Over-the-Counter market in the United States (USOTC: SMSMY). Our purpose, create a world without waste to preserve our planet, is what drives us to constantly innovate and offer new solutions in the circular economy for consumers, businesses, governments and communities around the world. For more information, visit [www.simsmm.com](http://www.simsmm.com).

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**Sims Limited 2021 Annual General Meeting**  
**Addresses by Geoffrey Brunsdon, Chair**  
**and**  
**Alistair Field, Group Chief Executive Officer & Managing Director**  
**10 November 2021**

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**Chairman's Address**

It is with great pleasure that I welcome you to the Sims Limited 2021 Annual General Meeting. Our Annual General Meeting is an important event for Sims, allowing us to engage directly with you, our shareholders. We appreciate your time, feedback, and support, and we value the opportunity to update you on the business. Thank you for joining us virtually today. It is our hope that we will be meeting in person next year.

I am pleased to report that despite the challenging operating conditions during the past year due to the continuing pandemic, the Company finished the year with an underlying EBIT of \$386.6 million – up 768 percent over the prior year. The Company made good progress on its strategic growth plan and delivered the best safety results since listing on ASX in November 1991.

**Strategic Growth Plan**

In fiscal year 2019, the Company shared its five-year strategic plan for growth within its core metal and cloud infrastructure recycling business divisions, as well as in adjacent businesses that will reduce waste and produce other valuable commodities. This past year, the Company advanced its plan to grow its core metal business through the acquisition of assets of Alumisource Corporation, a leading North American aluminium processor, as well as the acquisition of a purpose-built recycling facility in Southwest Sydney. Sims Lifecycle Services also continued to grow its market share by increasing the number of cloud units it refurbished for reuse.

Sims Resource Renewal continued progressing towards its ambition to create a truly closed loop in metals recycling by transforming what was waste material into new, useful products with commercial value.

Although there is still uncertainty about the trajectory of the COVID-19 pandemic, the Company is well-positioned with a strong balance sheet and lower fixed cost base as compared to FY19, and is ready to capitalise on opportunities, including the growing demand for recycled metal and cloud infrastructure repurposing. The Board is confident that our disciplined approach to the execution of our strategic plan will create significant value for our shareholders.

## **Capital Management and Dividends**

The Board will continue to strike a balance in the way shareholders enjoy returns from the Company both through dividends and accretion driven by share buybacks. We will also ensure there is adequate capital to invest in the business to achieve our strategic objectives with an appropriate return on investment. The Company paid a final dividend for 2021 of 30.0 cents per share, fifty percent franked. This takes the total dividend for FY21 to 42.0 cents per share, a payout ratio of 30% based on underlying earnings.

The payout ratio is lower than in recent years due to the Company's franking position. The Board is committed to ensuring returns to shareholders are delivered in an efficient manner whilst recognising the different objectives of shareholders. Given the relative increase in non-Australian sourced profits which do not attract franking credits, the Board approved a share repurchase programme that commenced on 6 September 2021. The Company has purchased approximately 2 per cent of our shares which will increase future EPS and dividends for remaining shares. The number and timing of shares purchased will continue to depend on the Company's share price and market conditions.

## **Safety**

Our first priority has been and will continue to be the safety of our employees, customers, suppliers and those in the communities where we operate. During the year, we continually assessed and improved health, safety, and wellness protocols designed to prevent employees from contracting COVID-19. Additionally, in many jurisdictions, the Company encouraged vaccinations by facilitating access to COVID-19 vaccines and provided our employees with incentives to do so.

While implementing these new COVID-19 protocols, our employees did not lose sight of day-to-day operational safety. In FY21, we continued to focus on reducing the risk of injury throughout the organisation. I am pleased to report that the Company experienced the lowest number of critical risk injuries, total recordable injuries and lost time injuries in its recorded history. Safety is paramount in all that we do, and we will continue to focus on sending our employees home safely each day.

## **Sustainability and Corporate Responsibility**

Sustainability remains at the core of the Company's business. As a key enabler of the circular economy, Sims diverts valuable resources from landfill, reduces demand for virgin raw materials and brings benefits to its value chain in a number of ways, including mitigating greenhouse gas emissions. Guided by its purpose, the Company continues to seek

innovative ways to keep resources in use at their highest value for as long as possible and assist its customers in increasing the sustainability of their own supply chains and reducing their carbon footprints.

The Board recognises the importance of transparency in reporting to shareholders. In May, the Company announced that it intends to put its climate reporting to a non-binding, advisory vote of shareholders at its 2022 Annual General Meeting. Sims has set clear short-, medium-, and long-term emissions reduction targets that are aligned with the Paris Agreement and follow the Science Based Targets initiative (SBTi) methodology. The Company committed to achieve a 23 percent reduction in Scope 1 and 2 carbon emissions in its operations by FY25 as compared to FY20, become carbon neutral by 2042, and achieve net zero by 2050. To this end, Sims has developed a pipeline of projects for carbon mitigation, reduction and elimination.

Sims also committed to adopt the Task Force on Climate-related Financial Disclosures recommendations (TCFD), and in October, the Company published its first Report.

We appreciate that shareholders are not only focused on their financial return on investment, but also on how that return is made. As we said when the Company announced its strategic plan in April 2019, Sims will innovate and invest in technologies that enable it to both achieve its purpose and generate appropriate financial returns. We are convinced that by so doing, Sims will continue to prosper for the benefit of its shareholders, employees, the communities where we operate, our suppliers and our customers.

## **Board Renewal**

I am delighted to introduce a new Director, Vicky Binns, who was appointed to the Board in October and is up for re-election at this meeting. Vicky brings many years of invaluable financial and organisational experience to the Board. You will hear more from Vicky when we get to her re-election. I also want to thank Jim Thompson, who is retiring from the Board today, for his guidance and dedication over the past 12 years. Jim has played a significant role in guiding the Company's strategy and improving our safety performance during his tenure; in particular, chairing the Safety, Health, Environment, Community and Sustainability Committee. Jim's sound judgement and extensive executive experience has been an important element in the Board's ability to navigate the many challenging times the Company faced over the last 12 years.

## **Diversity and Culture**

The Board values diversity of background and experience, and we firmly believe that a diverse workforce makes for a better company. The Directors strongly support the Company's goal to achieve 25 percent female representation across the globe. The Company continued to make strides to improve gender diversity in its workforce during FY21. This year, the Company again improved the diversity of its applicant pool; women comprised 30 percent of all job applicants; and new programs such as 'Women Leading at Sims' are investing in the development and retention of women at Sims. These actions resulted in the Company's female employee representation increasing to 22 percent of its total employee population at the end of FY21.

We will continue to work hard to ensure that Sims Limited and its portfolio of businesses are appealing for anyone who works here. The Company's approach to hiring is fair, its policies and working environment result in all employees feeling they are welcomed, valued and safe, and its remuneration is equal.

## **Thank you**

Thank you for your continued support as shareholders in the Company.

Geoff Brunsdon

Chairman

## **Group Chief Executive Officer & Managing Director**

Thank you, Mr Chairman.

Ladies and gentlemen,

### **Introduction**

While FY21 had its share of challenges for Sims, it was a year of significant achievement too. We started the year still feeling, experiencing, and living the ongoing effects of the global pandemic, and we ended the year in much of the same fashion. The mental, physical and emotional toll that COVID-19 has had on our team – and they are one of the best in the business – is immeasurable. But through collaboration, living our purpose, and adhering to our core values, we managed to end the year with several achievements.

After what was a very dramatic and challenging 2020, it was very pleasing to see the business bouncing back and performing so strongly in FY21. We delivered a very strong set of operational and financial results, which was largely driven by material improvement in market prices and excellent margin management. Not only did we deliver predominantly fixed cost savings of \$75 million as compared to FY19, but we also made substantial progress with advancing our strategic growth plan. The strong, sustained recovery we experienced in the second half of FY21 delivered significant margin growth. These combined efforts positioned Sims to respond to changing market conditions and capitalise on growth opportunities that we see now, and ahead of us.

### **Summary of FY21 Fiscal Outcomes**

The FY21 results demonstrate that Sims has emerged stronger from the pandemic across several fronts. What started off as a solid first half, still clouded by uncertainty, turned into an exceptional second half, delivering a record annual underlying EBIT of \$386.6 million, our strongest result in 13 years.

Each of our major business divisions showed strong earnings growth as a result of higher sales volumes, active margin management, and lower predominantly fixed costs. Sales revenue grew by 20.5 per cent to \$5,916.3 million in FY21, benefitting from average selling price driven by increased demand in many industrial sectors.

Sales volumes were 8.593 million tonnes in FY21, representing an increase of 5.4 per cent on the prior comparable period. Volumes were somewhat compressed by lower scrap availability due to COVID-19 impacts during much of the first half of the fiscal year. Higher commodity market prices, beginning in November 2020, persisted throughout the second

half of the fiscal year, driving an increase of 7.1 per cent in proprietary intake volumes for FY21. The average monthly proprietary intake volume in 2H21 was 96 per cent of the FY19 average levels, representing a sequential improvement from 85 per cent from 1H21.

Statutory NPAT in FY21 was \$229.4 million. Underlying NPAT was \$284.1 million in FY21, compared to a loss of \$58.1 million in FY20.

Regarding our strategy, we continued delivering on our plans. Our North America business acquired Alumisource, a leading aluminium processor and provider of furnace ready product for end use customers, supporting our ambition to grow non-ferrous volumes in North America.

SAR enhanced its growth profile with new businesses acquired in FY21.

Sims Lifecycle Services had a great year delivering on the strategy and EBIT uplift that had been promised to the market and increasing contribution to FY21 Group EBIT. This is a step forward in our ambition to make our group earnings less cyclical to the commodities cycle.

We also set volume growth targets for FY22 and FY25 as we continue developing with the exponentially growing cloud market.

I am very proud of our financial results and progress on strategy plans, but we are not resting on our laurels. We are maintaining a disciplined approach to capital management and controlling the costs that we can, to ensure our continued success, even during down cycles.

## **Employee Health and Safety**

The positive trend we saw in the second half of FY21 was not restricted to our financial health. Our purpose drives all that we do here at Sims, and we are committed to our core values – and our most important core value is safety. Our first priority is – and always will be – the safety of our employees, customers, suppliers and the community. The focus on safety continues to include enhanced measures to keep all employees safe and healthy.

Despite the challenges posed by the ongoing global pandemic, we achieved another performance record. We reported the lowest ever recordable injuries in our company history – this correlates to 24 per cent fewer recordable injuries in FY21 compared to FY20.

During FY21, the global pandemic was still a top concern, but we never relented our continuous improvement programs to address the critical risks across our operations. We took every opportunity to make our sites and offices as safe as possible. We identified

several thousand corrective actions, and all 96 per cent of corrective actions that were identified and closed this year, were an opportunity to make our sites and offices safe workplaces for all employees. These programs drove significant improvements, which resulted in the lowest number of critical risk incidents, the lowest number of recordable injuries, and the lowest number of lost-time cases.

We are getting closer and closer to achieving our zero harm safety goal, and with the dedication and commitment of each employee, leader, and member of the Board of Directors, I am confident that we will reach that milestone.

### **Commitment to Sustainability**

Turning now to sustainability. Sims is a unique business that delivers on its growth strategy by achieving strong environmental, social and governance (ESG) outcomes and profits. In our business, sustainability and long-term value are inextricably linked. Therefore, it makes sense for us to challenge ourselves by setting ambitious sustainability goals, like we do when setting our business goals.

In 1H FY21 we took a significant step forward and officially launched our FY25 and beyond sustainability goals. We are pleased with the progress we are making against these.

We worked with the World Business Council for Sustainable Development to create circularity metrics, solutions, and partnerships for circular electronics and plastics and packaging.

We are committed to operating a best-in-class business that is grounded in responsible and ethical business practices and in providing an inclusive work environment where our employees can thrive. We launched our first Ethics and Compliance Month to engage our employees on the principles of our core values as a way to reinforce the ethics and compliance obligations each employee has. We also launched our first unconscious bias training program this year to further bolster our inclusive culture. We look to minimise our impacts by decarbonising our business and closing our own material loops.

In FY21, we set goals to reduce our carbon emissions by 23 per cent by 2025 and be carbon neutral by 2042. We have already started to convert our electricity to renewable energy sources to power our plants and facilities. For example, we converted all of the electricity used in our facilities in the United Kingdom to come from renewable sources. As a result of using electricity from renewable sources, we achieved an 11 per cent reduction of our Scope 2 emissions compared to FY20.



We also presented our inaugural standalone report on the Task Force on Climate-Related Financial Disclosures, a testament to our ambition and commitment to climate action.

Sims Resource Renewal was also formally established during FY21. We were granted planning development approval by the Brisbane City Council and the Queensland government for the pilot facility at our existing metal recycling site in Rocklea, Queensland. The pilot facility is expected to be operational in the calendar year 2022. It will primarily focus on research and development to advance the technology we will use as we grow the Sims Resource Renewal business. As a next step, we lodged submissions with the Environmental Protection Agency and the Hume City Council in Victoria to move forward with the approvals of a facility to produce hydrogen for industrial use at Campbellfield, Victoria. With the release of the Victorian Waste to Energy Framework on 1 November 2021 and the establishment of the waste and recycling regulator in 2022 and the waste to energy cap we look forward to engaging with the regulator in 2022 and securing an allocation under the new cap in late 2022 to give certainty for us to invest in the development of this key facility.

It is rewarding to see that our work has not gone unnoticed. We are pleased that in FY21 Sims Limited was included in two Corporate Knights rankings: the Global 100 List of most sustainable corporations and the Carbon Clean 200 List. And just this month, Sims was one of 45 companies awarded His Royal Highness The Prince of Wales Terra Seal, which recognises global companies driving innovation and demonstrating their commitment to, and momentum toward, the creation of genuinely sustainable markets.

Before I turn to the trading update and outlook, let me sum up our achievements in FY21. To say we had a great year is an understatement.

We strengthened our leadership position in ESG, reporting the lowest ever recorded number of injuries, developing FY25 and beyond targets, increasing usage of electricity from renewable energy, and publishing the inaugural Taskforce on Climate-Related Financial Disclosures report.

We built strong momentum throughout the year with the delivery of \$75 million of cost savings, margin improvement in the core business, and achievement of the best underlying EBIT result in 13 years. Pleasingly, the 2H FY21 intake volumes were nearly at FY19 levels.

We achieved significant progress in our transformation journey, which started back in FY19. SLS went from strength to strength in FY21. It is becoming a meaningful contributor to the Group earnings, and we expect it to grow in line with the targets set for FY22 and FY25. We

progressed in the SAR growth acquisition strategy, achieved new milestones for Sims Resource Renewal, and acquired Alumisource.

Finally, we returned excess capital to our shareholders through dividends and a buyback programme, while continuing to invest in the business and maintain a conservative balance sheet.

### **Trading Update & Outlook**

Now, I would like to say a few words on our performance in the opening months of FY22 and outlook.

As previously communicated at our FY21 Financial results in August, FY22 started very well for us. The strong earnings momentum seen in the 2H of FY21 has, to date, continued into the 1H FY22. Unaudited underlying EBIT for 1H FY22 is expected to increase approximately sixfold on the prior comparable period, to be in the range of \$310 million to \$350 million. The North America businesses are forecasted to provide the leading contribution. However, all businesses are forecasting strong 1H FY22 margins in ferrous and non-ferrous products, achieved through a combination of good market prices and sound margin management. Partially offsetting the strong margins has been freight price volatility and the emergence of inflationary pressures on general business costs.

The most likely risks to the 1H FY22 forecasted result are: firstly, the timing of shipments towards the end of December and whether they are accounted, from a revenue recognition perspective, as December or January sales; secondly, volatility in market prices; and thirdly volatility in freight prices.

Proprietary intake volumes continued their strong recovery trajectory in the September Quarter 2022, increasing by over 10% on the prior comparable period. However, they were slightly below the FY19 average proprietary intake volumes, largely due to Covid-19 related lockdowns.

Regarding operating cash flow, the September Quarter 2022 result was solid, aided by a positive contribution from working capital movements. Operating cash flow for 1H FY22 and FY22 could be significantly positively or negatively impacted by the level of working capital in the business at that time, largely stemming from sales mix, commodity prices, and inventory levels.

Before I comment on each major business segment, I would like to start by saying that the recurring theme for all major businesses in 1Q FY22 was one of the strong margins.

Additionally, intake volumes increased in all our metal segments compared to 1Q FY21; this was with the exception of the UK Metal business.

North America Metal, in particular, delivered a very strong trading margin driven by a strong trading margin per tonne and good sales volumes. Intake volumes were up on both the prior comparable period and the FY19 average.

Australia & New Zealand Metal achieved a strong trading margin per tonne in 1Q FY22, partially offset by weaker sales volumes. Intake volumes were up on the prior comparable period but down on the FY19 average due to the impact of lockdowns.

UK Metal's strong trading margin per tonne result was particularly pleasing, given the pressures seen in ferrous products due to lower premium from the deep-sea market. Both sales and intake volumes were down on the prior comparable period due to a combination of yard closures and Covid-19 impacts.

SA Recycling delivered a very strong underlying EBIT contribution for 1Q FY22, driven by a strong trading margin per tonne and good sales volumes. The business achieved excellent progress on its growth strategy, acquiring four businesses to date in FY22, including the recently announced acquisition of PSC.

SLS, our business provider of circular solutions for technology, increased repurposed units and achieved double-digit growth in underlying EBIT in Q1 FY22 compared to the prior comparable period.

Looking further ahead into the macro-trends impacting the business in the medium and long term.

Our view is that cloud repurposing and recycling is an ever-growing opportunity that perfectly suits Sim's capabilities and sustainability credentials.

We expect to see the impact of stimulus spending to increase the demand for recycled metal, whether it be infrastructure spending or retail consumption.

Global decarbonisation is a multi-decade issue. Steel making and electricity generation are huge industries that must make significant contributions if we are to achieve a lower-carbon world. Recycled metal will play an essential role in achieving that outcome for both of these industries.

**Thank You**

Thank you for your continued confidence in me, the Board of Directors, and the entire Sims Limited Team.

To our employees: thank you is not enough to encompass the gratitude the executive leadership team and I feel for your continued dedication every single day to ensure the success of our Company.