



ASX & MEDIA RELEASE

(ASX: SGM, USOTC: SMSMY)

10 November 2020

Sims Limited 2020 Annual General Meeting

Sims Limited is holding its Annual General Meeting (AGM) today. The meeting can be accessed at <https://agmlive.link/SGM20>. 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 lodgement by: The Company Secretary

About Sims Limited

Founded in 1917, Sims Limited is a global leader in metal and electronics recycling, and an emerging leader in the municipal recycling and the renewable energy industries. Our nearly 4,000 employees operate from almost 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.simsltd.com.

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Sims Limited 2020 Annual General Meeting
Addresses by Geoffrey Brunsdon, Chair
and
Alistair Field, Group Chief Executive Officer & Managing Director
10 November 2020

Chairman's Address

Ladies and gentlemen,

It is with great pleasure that I welcome you to the Sims Limited 2020 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 Group business. Thank you for joining us virtually today.

The fact that we are meeting virtually this year shows just how much the world has changed in a brief period of time. The 2020 fiscal year certainly has been unlike any other in the Company's more than 100-year history. The COVID-19 pandemic has presented complex challenges for Sims, the industry in which we operate, and the global economy. As Chairman, I am proud of the leadership team's swift, disciplined response to this crisis to protect employees and keep the business running safely.

Financial Results and Capital Management

Put simply, FY20 was challenging. The Company experienced a difficult first half of the year with a steep drop in ferrous scrap prices in September combined with low Zorba prices throughout the six months. Ferrous scrap prices were improving at the start of the second half of the year, but the COVID-19 crisis and the efforts to slow the spread of the virus materially reduced intake volumes and sales prices.

As the scale of the COVID-19 crisis became apparent, the Company took quick action to reduce costs and preserve cash. The Company finished the year with a strong net cash position of \$110.4 million as at 30 June 2020.

Without doubt, the economic impact of COVID-19 will continue to be felt for a long time. As a result of restructuring and cost reduction measures, Sims is now better placed to manage through global market volatility, with a strong balance sheet and a lower cost base. As a result of the OneSims project the Company expects to realise \$70 million in largely fixed cost savings for the 2021 fiscal year as compared to the 2019 fiscal year and is well positioned to take advantage of global government infrastructure stimulus.

During FY20, the Company returned capital to shareholders in the form of dividends and share buybacks. The Company bought approximately \$17 million of shares and paid an interim dividend of six cents per share, fully franked. With the uncertainty about the pandemic and the economy, the Board determined that it was prudent to not pay a final dividend. I assure you that this was not a decision the Board took lightly.

Dividend Policy

Over the past few years the company has largely paid fully franked dividends. The Australian government recently announced COVID-19 taxation relief policies, including carry back of tax losses and the immediate write-off of capital expenditure. Assuming the company meets the eligibility criteria, it is highly likely that any dividends over the medium term will be substantially unfranked.

Executing on our Strategic Plan

Guided by the Sims purpose - create a world without waste to preserve our planet - and our integral role in the circular economy, in FY19, we announced an ambitious five-year strategic growth plan. This plan set Sims on a path to pursue opportunities for growth within its core metals and electronic recycling businesses, as well as in adjacent businesses that will reduce waste and produce renewable energy.

In FY20, Sims began executing on its strategy in earnest and, despite the impacts of the COVID-19 pandemic, is on track to achieve the milestones we set when we announced the strategy. We made progress with our resource renewal programme, commencing community consultation for the first facility to be built in Campbellfield, Victoria. Our goal is to divert one million tonnes of the material that remains after the metal recycling process, from landfill and turn it into useful products for society.

In addition, we made progress against our target to re-use, redeploy, and recycle 200,000 tonnes of cloud material by the end of FY25. Despite the impacts of the COVID-19 pandemic, Sims Lifecycle Services was able to grow its customer base and volumes during FY20.

We also took important steps during FY20 to advance Sims' business transformation, a plan to implement a number of productivity improvements and a single operating system. Significantly, we reorganised the management team and aligned the business by function rather than geography, which will reduce cost and enable the standardisation of best practices across the business. While we were unable to grow ferrous and non-ferrous volumes during FY20 due to the COVID-19 pandemic, we have structured the business to best position us to achieve our strategic goals.

Safety

The COVID-19 crisis has presented health and safety challenges not previously faced during the working lives of our leaders. Sims' first priority has been and will continue to be the safety of our employees, customers, suppliers and those in the communities where we operate. We will continue to maintain safe social distancing at our facilities and offices, execute enhanced cleaning protocols, and enable our employees to work from home where possible. Moreover, we will remain diligent in improving our protocols as risks are identified in the communities in which we operate around the world.

Although responding to the pandemic was our top priority during much of FY20, we also made significant improvements in employee safety during the year. Specifically, the Company made significant improvements to its safety management system, standardising operating practices and performance measures, streamlining, and simplifying safety programs, standards and training. I am pleased to report a significant decline in both the total recordable injury frequency rate and the lost time injury frequency rate as compared to the prior year.

Safety is paramount in all that we do and it is key to operating responsibly. We will continue to use this systematic approach to driving improvement in safety until we reach our goal of zero harm.

Diversity and Culture

The Board recognises the value of diversity both in terms of background and experience. In order to achieve Sims' purpose, a diverse workforce is essential to develop the innovative and creative solutions necessary to drive a profitable and sustainable future.

Sims' workforce is geographically diverse with operations in 15 countries. We still need to improve our gender balance, and the Board and management remain focused on achieving this objective across the entire workforce while creating a workplace that fosters diversity in the broadest sense. The Company continued to make strides to improve gender diversity in its workforce during FY20. This year, the Company improved the diversity of its applicant pool, with women comprising 25 per cent of all job applicants, and the Company's overall female new hires well outpaced the current female population. These actions resulted in the Company's female representation increasing to 21 per cent at the end of FY20 from 19.5 per cent in the prior year.

Our purpose clearly articulates our identity and will enable us to attract the best and brightest talent with the skills necessary to develop and implement our strategic growth plan. With a clear purpose and a talented workforce, Sims' future is bright, safe and secure.

Thank you

On behalf of my fellow directors, I would like to recognise the significant contributions and hard work of our management and employees over a challenging year. I would also like to thank you for your continued support as shareholders in the Company. I sincerely hope you, and your family and friends, remain safe and well.

Now, I would like to introduce our Company's Chief Executive Officer, Alistair Field, to present a more detailed account of last year's performance and the outlook for the industry.

Group Chief Executive Officer's Address

Thank you, Mr. Chairman.

Ladies and gentlemen,

Introduction

Fiscal year 2020 brought challenging conditions for our global business. First and foremost, we saw the decline of scrap prices at the start of the fiscal year, and then the coronavirus quickly spread from Asia to the rest of the world. It goes without saying that the global pandemic has had a substantial financial impact on every aspect of our international operation. However, we were able to progress key aspects of our strategic plan throughout the year and we will continue to deliver on this.

FY20 Financial Health

Within the context of widespread lockdowns to slow the spread of COVID-19, it is understandable that Sims Limited was not profitable. We closed FY20 with an underlying EBIT loss of \$57.9 million due to the tough market conditions that persisted throughout the year. Although we saw signs of improvement in early 2020, the unprecedented global health crisis during the second half of the fiscal year materially reduced intake volumes and sales prices, most notably in North America, the United Kingdom and New Zealand.

Sales revenue in FY20 was 26 percent lower than FY19 due to lower volumes and prices. That said, we were able to maintain a strong balance sheet throughout the pandemic with net cash as at 30 June 2020 of \$110.4 million.

The executive leadership team and I reviewed the structure of our global business to determine where we could experience greater efficiency. We removed \$70 million of largely fixed costs when comparing our budgeted FY21 outcome to FY19 actuals. Pleasingly these largely fixed cost reductions are being achieved.

An important part of our sustainable growth strategy includes having a disciplined approach to capital management and expenditures to ensure that we are appropriately balancing the need for shareholder value with strategic investments into our business and its operations. We sold the European compliance business for \$140 million and separately sold some underutilised land for a gain of \$20.4 million.

Strategic Initiatives

The foundation of our business operations, financial investments and cultural mindset is the Sims Purpose, create a world without waste to preserve our planet. I am pleased to share that we still believe this is the right focus for Sims Limited. While we did have to pause several key initiatives within our metal recycling business in FY20 during our initial response to the COVID-19 pandemic, we made great strides in implementing and living our purpose in our other business divisions.

We were able to start the community consultation process for our first resource renewal facility planned for Campbellfield, Victoria. Our aim for Sims Resource Renewal is to divert one million tonnes of auto shredder residue, the material that remains after the metal recycling process, from landfill and then turn it into useful products for society.

We also onboarded three significant data centre customers within our Sims Lifecycle Services business division, which allows us to further establish ourselves as a worldwide leader in cloud infrastructure reuse, redeployment and recycling. We also saw increased recycling volumes from this business despite logistics disruptions and other considerations due to COVID-19. However, in August we noted that, due to pandemic restrictions, we had issues obtaining good site access, and this was key to reaching our FY21 cloud material volume targets. This issue continues to persist, and we now expect cloud volumes to remain flat in FY21 at around 25,000 tonnes. The medium-term prospects remain the same and we are well positioned for strong growth in this business.

Sims Municipal Recycling bid for and won an additional municipal recycling contract for Palm Beach County in Florida. We brought that operation online in earnest using our sustainable recycling services. We continue to seek out additional opportunities to expand this business across the U.S.

As part of the review to uncover operational efficiencies, we are implementing a global technology system to better manage and track our inventory, logistics, sales and human resources functions. The programme remains on track and we look forward to implementing a global HR solution and sales and outbound logistics solution for Global Trade, the U.S. and the UK in the 2021 fiscal year.

Diversity, Equity and Inclusion

Respect is one of our core values and we educate our people and suppliers to live this through our culture and a good understanding of our policies. Following the social justice protests across the U.S and other parts of the globe we shared several anti-racism and social justice resources, perspectives and educational content to raise awareness around racial injustice, and we took the opportunity to restate our policy and stance on respect and inclusion.

Commitment to Safety and Sustainability

Our first priority will always be the safety of our employees, customers, suppliers and the community. Our head of Environment Health and Safety quickly stood up an international, cross-functional COVID-19 Response Team to ensure business continuity, as well as guide decisions to keep our employees, customers and visitors safe for the duration of the pandemic. As part of the business continuity process, we also wanted to ensure that we addressed other safety concerns in a values-based fashion that was aligned with our purpose.

As compared to the previous fiscal year, we've seen an improvement in our safety performance due largely in part to our new critical risk management programme. The goal of this programme was to allow us to identify and address the risks within our business that could potentially lead to a serious injury. We socialised this programme to all employees across the company, and our leaders have the added responsibility of conducting mini safety audits as a way of challenging our current controls and safety norms. These combined efforts have allowed us to make hundreds of improvements and several corrective actions to remove inefficient controls and processes. To share this progress and further embed this culture of safety throughout our organisation, we enhanced our safety communications via email, in person and on our intranet.

When it comes to sustainability, our path to achieving our purpose is clear: reduce waste and keep resources in use for as long as possible. Our environmental objective is inextricably linked to our multi-year growth strategy with the intent to drive scalable, sustainable growth throughout each of our business divisions. The sustainability strategy is built on three pillars: operate responsibly, close the loop, and partner for change.

These three pillars correlate to, and are in support of, three of the 17 United Nations Sustainable Development Goals (Decent Work and Economic Growth, Climate Action, and Responsible Consumption and Production). Supporting these global initiatives affords us with the opportunity to share the responsibility of living in a more sustainable world, while simultaneously sharing our growth and sustainability strategies with other like-minded organisations. This responsibility also rests with our employees, who are eager to change behaviours and ways of working as a means to demonstrate that they understand the role Sims Limited plays in the global circular economy, and how our work impacts the communities where we operate and do business.

Market

Since 1 November 2020 recycled non-ferrous that meets quality standards can be freely imported into China without quotas. Approximately 90 percent of our non-ferrous material can be imported into China, and we have already sold material to Chinese businesses under this new category, validating our investment in quality initiatives. Zorba pricing has recently strengthened to US\$1,300 per tonne due to increased demand from the global automotive industry and the ability to freely import Zorba/Twitch into China. The relaxing of quotas into China, combined with our diversified channels to other markets, puts us in a strong position to continue to grow the non-ferrous business.

The recycled ferrous market is recovering with increased steel demand in many industrial sectors. International steel mills have raised the price for ferrous scrap resulting in prices close to US\$290 in the Mediterranean and US\$320 in Pacific regions. China also announced that it is looking to allow the import of recycled ferrous subject to certain quality standards that are currently under development. The possible re-entry of China as an importer of ferrous scrap early next year would certainly tighten the supply, at least in the short run. That said, Germany and France have announced shutdowns of their economies to reduce the spread of COVID-19 and we need to be mindful of the effects on world steel demand and other aspects.

Outlook

Intake volumes for the September quarter remained at 85 percent of average FY19 intake volumes. However, we are more robustly structured and it is pleasing to see that the predominantly fixed cost savings are being achieved. Importantly, when volumes do recover our restructured footprint still has the capacity to exceed our FY19 intake volumes.

I'm pleased to say that our free cash flow for the September quarter was positive and all metal divisions and the group achieved a solid positive EBIT for the September quarter. There remains uncertainty regarding impacts of COVID-19, for example, the recently implemented social lockdowns in the UK. Furthermore, we will continue to monitor staffing considerations in the event of a material COVID-19 outbreak at a particular site.

The balance sheet remains strong, our costs are lower, we have structurally changed to better manage buy and sell risks, and in the medium term the ERP will enable us to manage the business in a more optimal way. We remain in a strong position to benefit from global government infrastructure stimulus.