

Sims Limited (SGM)

Whakarāpopototanga | Summary

SGM has one of the top five Tahito scores (7.2/10) and is in the top three for overall Te Tai o Rehua T & V scores. SGM has an 'AAA' MSCI ESG rating. SGM has a high TAHITO Taiao score indicating that their environment policies, practices and measures are of high standard. SGM also has good TAHITO Mana Whakahaere score indicating that their leadership, vision, values and purpose are strong and effective.

T Score
7.2

V Score
6.1

TAHITO Score Card - SGM (Out of 10)	Score
Te Taiao - Environment	9.2
Hapori - Social	6.4
Mana whakahaere - Governance	7.3
MSCI ESG Ratings (Out of 10)	AA
Climate change	10.0
Environmental pillar	10.0
Human capital development	7.5
Corporate governance theme	7.5

Te Whakaaturanga | Business Description

Sims Limited is a metals and electronics recycler. The Company is engaged in the buying, processing and selling of ferrous and non-ferrous recycled metals and the provision of solutions for the disposal of post-consumer electronic products, including information technology (IT) assets recycled for commercial customers. It operates through six segments: North America Metal (NAM), Australia/New Zealand Metal (ANZ), UK Metal (UK), Global Trading, Investment in SA Recycling (SAR) and Sims Lifecycle Services (SLS). The Company's product groups include ferrous secondary recycling, non-ferrous secondary recycling, recycling solutions, and secondary processing and other services. Its ferrous secondary recycling includes the collection, processing and trading of iron and steel secondary raw material. Its non-ferrous secondary recycling comprises the collection, processing and trading of other metal alloys and residues, principally aluminium, lead, copper, zinc and nickel-bearing materials.

Mana Whakahaere | Governance

Sims' purpose is to create a world without waste to preserve our planet. Three pillars serve as the foundation of their sustainability strategy.

1. Operate responsibly.
2. Close the loop.
3. Partner for change.

Each is aligned to a United Nations Sustainable Development Goal (UN SDG), being 8 – Decent Work and Economic Growth, 13 – Climate Action, and 12 – Responsible Consumption and Production respectively. Sims believe these are the areas they can most significantly have positive impact, and they have developed a corresponding set of sustainability goals which they plan to achieve by fiscal year 2025 (FY25).

Safety: Safety is stated as Sims' first priority. They believe that all injury incidents are preventable and are committed to a goal of zero injuries.

The Sims values are:

- **Integrity:** We conduct all business with integrity and adhere to the highest standard of ethical business conduct.
- **Respect:** We will treat each other, our customers, visitors and community members with respect and dignity.
- **Transparency:** We ensure a sense of appropriate transparency in everything we do.
- **Excellence:** We commit to excellence in everything we do and champion continuous improvement and sharing of best practices across the Company.
- **Social Responsibility:** We aim to be the world's safest and most sustainable recycling company.

Partner for Change: Sims appreciate that a sustainable future cannot be created by one entity alone and acknowledge that positive impact is far greater if done in collaboration with customers, suppliers, communities and governments. Sims has established business relationships and partnerships with like-minded organisations to ensure that they are best positioned to achieve their sustainable future purpose.

Renewable Energy: The Sims joint venture, LMS Energy, is a leader in landfill gas-to-renewable energy and an innovator in solar on landfill technology. In FY21, LMS expanded key sites in Victoria, commissioning a new project in Queensland and increasing its solar power installations in South Australia. With these additions, LMS now has a total of 30 landfill biogas-to-energy projects and 20 flaring projects in operation across Australia and New Zealand, generating more than 500,000 megawatt hours of baseload renewable electricity annually, which powers 90,000 homes per annum. Additionally, LMS now has six solar projects across Australia.

Sims Limited (SGM) - Continued

Te Pāpori | Social

SGM social capital efforts involve advancing their circular economy and supporting local economies by having nearly all of their spending done with local suppliers. Nearly 100 percent of Sims spending is on local suppliers, big and small. Sims aims to have a positive, long-term impact by investing in projects that enhance social, environmental and economic well-being. The Sims sites support a large number of community initiatives with financial donations and volunteering. Over the coming years, they plan to develop a more strategic approach to community investments to maximise their collective positive impact across their sites and businesses.

In Australia, SMG supports Reconciliation efforts to improve the economic, health and social opportunities for Aboriginal and Torres Strait Islander peoples and their communities. The Sims Metal's Reflect Reconciliation Action Plan (RAP) was developed with support from the RAP Working Group, representing employees from across Australia and facilitating a unified approach to their efforts. The SMG-endorsed RAP was published on the Reconciliation Australia website and shared on the Company's dedicated "Respect & Inclusion" page on My Sims. Information is also included in the region's new hire welcome pack.

Sims' business model requires its facilities to be located in or near large metropolitan areas and most of their employees, including the local senior management, are hired from the local community. Sims purchases valuable resources from the community to inject back into the circular economy. This spans contracts with companies for IT asset disposition to accepting cans, buckets and car loads from individual peddlers.

Sims operations bring economic benefits to the communities where they work by employing people, buying services and products and paying taxes. They focus on transparently engaging with their host communities and working openly with anyone who is impacted by their operations. Sims states a commitment to being a respected, responsible corporate citizen, which drives them to work constructively with communities and other stakeholders and ensure honest and ethical conduct in the way they conduct business.

Te Taiao | Environment

Sims states sustainability is at the core of what they do. Reducing waste and keeping resources in use for as long as possible is the

basis for developing their sustainability strategy. This past year Sims announced plans to achieve net zero emissions by 2050 in line with the Paris Climate Agreement and to become carbon neutral by 2042.

Sims Lifecycle Services (SLS) is a worldwide leader in IT asset and cloud infrastructure reuse, redeployment and recycling. SLS offers ITAD (IT asset disposition) and e-waste recycling solutions for businesses and plays a critical role in helping businesses and data centres manage the shift in how and where technology is managed. Their data centre division plays a hands-on role in decommissioning servers and blades, bulk hard drive destruction and repurposing data centre equipment. In business since 2002, SLS reflects how dramatically the industry has changed in the last 20 years. SLS drives circular economy initiatives with clients and ensure data safe solutions.

Sims Municipal Recycling processes and markets more than 600,000 tonnes of municipal curb side material annually for NYC, Palm Beach County, and portions of New Jersey, Long Island and Chicago. SMR offers high-quality post-consumer glass, plastic, and metal commodities for use in manufacturing and more.

Sims Resource Renewal is a leading circular business that operates in line with the waste hierarchy by using material left over from the metal recycling process to create new products. Some statistics: a) 2.1 million cloud storage units repurposed, b) 31% increase in repurposed cloud storage units entering secondary electronics markets, c) > 650k tonnes of municipal curb side recycling processed, d) 500k MWh of base-load renewable energy generated via LMS Energy (powers 90,000 homes per annum), e) 19% renewable electricity used across Sims facilities, f) 8.6m tonnes of secondary metals recycled.

Resource Renewal is part of Sims long-term growth strategy. They plan to expand the business offering to transform the leftover material following metals recycling (auto shredder residue (ASR), which currently is landfilled) into useful products for society. They will use proven, advanced plasma gasification technology, supported by continual improvement through research and development. The designs follow European emissions standards, which are the current global emissions benchmark. This line of business will allow Sims to close the loop on their own waste, save on landfill and energy costs, and develop a new revenue stream.

Te Pārongo Ahumoni | Financial Information

Ticker	Forward Dividend Yield	Forward P/E	Long Run Median P/E	Forward P/E rel LRM	Forecast EPS Growth (Yr 2&3)	Return on Capital	Total Debt / Total Capital
SGM AU	3.1%	8.3	14.6	0.6	-23%	17.2%	21%

The SGM share price is up 44% over the past year as it benefits from rising steel prices. The company is forecast to post earnings per share of AU\$2.67 for next year compared to AU\$1.14 last year.

Return On Capital Employed (ROCE) is a measure of a company's yearly pre-tax profit (its return), relative to the capital employed in the business. Sims has a ROCE of 9.5%, which is slightly better than the Metals and Mining industry average of 8.6%. While in absolute terms it isn't a high ROCE, it's promising to see that it has been

moving in the right direction. Over the last five years, returns on capital employed have risen substantially to 9.5%. The amount of capital employed has increased too, by 42%. This can indicate that there are plenty of opportunities to invest capital internally and at ever higher rates.