



Company	Sims Limited
Code	SGM
Meeting	AGM
Date	10 November, 2021
Venue	09:00am ONLINE
Monitors	Nick Bury and Elizabeth Fish

Number attendees at meeting	63, being shareholders, and 1 proxy holder and guests.
Number of holdings represented by ASA	68
Value of proxies	\$3,874.411M
Number of shares represented by ASA	267,734
Market capitalisation	\$2,936BN
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, by phone with Chairman Geoff Brunsdon, Remuneration Chair Heather Ridout and Ana Metelo, Group Director, Investor Relations

Sims managed its AGM as best it could in the given circumstance

The meeting was again conducted under the strictures that virtual meetings place on the effectiveness of a publicly listed company's AGM, but thankfully SGM will return to its normal status quo AGM in 2022, at which time normality will return. The scrutiny that public meetings afford shareholders to vet their company's operations has been missing during Covid, and the same is a vital ingredient of market transparency, as evidenced by the practical difficulties that online meetings impose on shareholders'/directors' discourse.

Chairman Geoff Brunsdon made several key points in his address. During the past year the company's plan to grow its core metal business had advanced with its purchase of Alumisource Corporation, its Lifecycle Services had increased the number of cloud units it refurbished for re-use, and it had 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.

Given that SGM's increase in non-Australian sourced profits don't attract franking credits, the Board had approved a share repurchase programme that commenced on 6 September 2021. The Company had purchased approximately 2 per cent of its shares, so as to increase future EPS and

dividends for remaining shareholders, and the number and timing of shares purchases would continue to depend on the Company's share price and market conditions.

He addressed sustainability and culture at some length and spoke of the company's plan for 25% of its employees to be female across the globe. ASX Shareholders generally seem to be hearing more about sustainability and culture and less about plans to generate profits, though as SGM is in the recycling business, sustainability forms an important part of its business operations.

CEO Alistair Field then delivered a strong trading update. He forecasted underlying EBIT of \$310 to \$350 million for SGM in 1H FY22 driven by its North America businesses, and strong trading margins in ferrous and non-ferrous products due to sustained strong market prices, and sound margin management across all their businesses. However, these strong margins had been partially offset by freight price volatility and the emergence of inflationary pressures on general business costs.

The most likely risks to the 1H FY22 forecasted result were timing of shipments towards the end of December 2021, and whether the same were accounted from a revenue recognition perspective, as either December or January 2022 sales, and volatility in market and freight prices.

Proprietary intake volumes for the September Quarter 2021-22 were up over 10% on the prior comparable period, but were slightly below the FY19 average proprietary intake volumes, largely due to Covid-19 related lockdowns. Operating cash flow for the September Quarter 2022 was solid, with 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 the sales mix of commodity prices, and inventory levels.

Technical difficulties on the day prevented one of the monitors from asking questions at the SGM Virtual Meeting, but the co-monitor Elizabeth Fish managed to ask one question. She asked the Chair to commit to SGM showing a reconciliation between its underlying profit and statutory results published in its annual report, to be preferably shown in its Remuneration section.

The reason for this question was that the ASA does not agree that underlying results should be used as a measure of performance, as shareholders stand to lose their investment value and income when assets have been written off that impact on the company's profitability and asset base. It follows that any applicable reconciliation should be clearly shown for all to see between statutory and underlying profit in these regards.

SGM Chairman Geoff Brunson was unsurprisingly re-elected with a 95% vote, and NED's M/s Georgia Nelson and M/s Victoria Binns were respectively re-elected and elected by margins of 97.68% and 99.68% of votes.

However, the Remuneration Report was passed with a much lower 79.15% vote, indicating substantive shareholder dissatisfaction with its content, and in a future non Covid affected era when related scrutiny might be greater, a like report could run the risk of being rejected. The ASA's objections to this report were previously enlarged upon in its VI's posted on its website prior to the AGM.

Conversely CEO Alistair Field's Remuneration package attracted a positive 94.2% favourable response, perhaps because he is perceived as having been a proficient CEO, who has helped to

make the best possible fist of the attendant Covid induced circumstances in which SGM found itself.