

Case Study

A noble purpose

Metal and electronics recycler Sims is a leader in the 'circular economy'.

By Domini Stuart

As far as business plans go, saving the world is difficult to fault. Yet, when Sims Metal Management (ASX: SGM) announced its purpose to create a world without waste to preserve our planet, the share price fell by one per cent to \$10.88.

Sims recycles metal and electronics and, as there happened to be pressure on recycled metal prices at the time, this no doubt flowed through to the stock price. The company had, however, also announced plans to drive growth through 2025 and the implementation of capital expenditure.

"We are aware of competing uses of capital but we believe the attractive investment profile warrants a focus on investment at this point in time," says Angela Catt, Sims' director of investor relations.

A global leader

Founded in 1917, Sims is now one of the largest recyclers in the world and a global leader in recycling metal and electronics.

"Every year we recycle around 10 million tonnes of scrap metal that would have otherwise gone to landfill," says Catt.

Currently, Sims' shredding process leaves it with 1.3 million tonnes of non-recyclable residue. The latest plan is to turn this residue into energy, using solutions based on gasification technologies, which are not traditional incineration.



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Over the next 10 years it aims to install and operate seven plants capable of reducing both waste disposal and energy costs to zero. Group CEO and managing director Alistair Field believes Sims is strongly positioned to become a global leader in the circular economy, which means it minimises waste and makes the most of resources currently in use.

"The new plan isn't such a departure from our core business – it's really an improvement in operating efficiency," says Catt. "The technology will help reduce our current \$100 million waste disposal costs. It will allow us to recover more metals and produce green energy, which provides both business and environmental benefits. We have also set very clear targets for our metals, e-recycling, municipal recycling and energy business units as well as waste-to-energy and we will be disclosing our progress against those targets in our yearly and half-yearly results."

Bringing investors onboard

Catt now has the task of convincing investors that being committed to sustainability and the health of the planet makes long-term financial sense.

"Sims is a unique company so it's very important to find investors aligned with who we are, our earnings profile and our purpose," says Catt. "We're seeing an increasing number of funds in Australia and offshore that are focused on environmental, social and governance (ESG) considerations and Sims is proud to meet and, in most cases, exceed their criteria."

Catt believes the most successful investor relationships are based on mutual respect and trust.

"It really helps that the management and governance teams have a genuine commitment to environmental issues," she says. "For example, our CEO is the founding sponsor of World Recycling Day and our chairman is a member of the Wentworth Group of Concerned Scientists, which has been the catalyst for a series of land and water reforms across Australia."

Catt also considers herself fortunate Sims' business leaders are all happy to spend time with investors.

"I have seen our chairman working with shareholders to ensure he understands their concerns, including those around ESG, so he can take this back to the board," she says.

Where possible, Catt responds to investors on the day they make contact.

"If I'm at my desk I'll get back to them within an hour," she says. "I want to provide them with answers that are helpful and insightful as well as transparent information."

She is also willing to take stakeholders' suggestions on board.

"An ESG investor in Australia recently took the time to talk to me and passed on some very helpful suggestions," she says.

"I took these back to our chief risk officer and we were able to incorporate them into our latest sustainability report. The organisation called me immediately to thank me for listening and being so quick to act. Sims and our stakeholders all have the same long-term aims so it's important for us to learn from each other where we can."