



Task Force on Climate-Related Financial Disclosures Report

October 2021

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We are pleased to present our inaugural stand-alone report on the Task Force on Climate-Related Financial Disclosures (TCFD), reflecting our ambition and commitment to climate action. We see climate action as a necessary and strategic driver for fulfilling Sims Limited's purpose: **create a world without waste to preserve our planet.**

Sims acknowledges climate change is a shared global challenge posing a pervasive risk to the environment, society and global economy. We accept the climate science that confirms the role of human influence is undisputed, and we support the Paris Agreement's goal of transitioning to net-zero emissions by 2050, keeping global warming well below 2°C, and pursuing efforts to limit it to 1.5°C. The recent [Intergovernmental Panel on Climate Change \(IPCC\) report](#) reinforces that climate change impacts are already being felt in every region on earth, and climate action in the coming decades will need to rapidly increase. [The UN Secretary-General, António Guterres](#) said the latest IPCC report was nothing less than "a code red for humanity." Climate change impacts are expected to change society, policy, investment decisions, consumer behaviour and beyond. This presents both risks and opportunities for Sims.

We believe Sims is well positioned to address the risks and opportunities presented by climate change. For 104 years, Sims has been eliminating waste and making resources available for future use. This report also details how we are already building resilience to climate change and how our strategy is positioned to take advantage of the transition to a low-carbon economy.

We are committed to staged Scope 1 and 2 greenhouse gas (GHG) emissions reductions targets for 2025 and 2042 on our pathway to net zero by 2050. These stages have been set in line with the Science Based Targets initiative (SBTi) methodology. We are already acting on this. For example, this year we moved 100 percent of our facilities in the United Kingdom to be powered by renewable electricity, reducing greenhouse gas emissions by 5,922 tonnes. Outside of decarbonisation, attention will be required on the mitigation of, and adaptation to, the risks presented by climate change to Sims' key infrastructure, supply routes and employee well-being. This is an opportunity to innovate – both within Sims and with our stakeholders – to create and to protect shared value. Our efforts do not go unrecognized. This fiscal year, we were included in two Corporate Knights rankings: the Global 100 List of most sustainable corporations and the Carbon Clean 200 List. This was the seventh year that we were included on the Global 100 List.

Research from the Ellen MacArthur Foundation¹ shows that while moving to renewables can address 55 percent of global GHG emissions to meet the UN climate goals, it will be essential to address the remaining 45 percent that comes from manufacturing everyday products, such as cars, clothing and food. The report highlights that by focussing on five key areas (steel, aluminium, plastics, cement and food), global emissions can be reduced by 9.3 billion tonnes – equivalent to eliminating current emissions from all forms of transport globally. By moving to a circular economy, where materials are reused and recycled, the demand for virgin materials is reduced, along with the emissions associated with their production. Also reduced are other environmental effects that can be associated with the extraction and production of raw materials, such as air pollution, water contamination and threats to biodiversity. Shifting to the circular economy is essential to both climate change action and the preservation of our planet. Enabling the circular economy is core to our business strategy. We divert valuable resources from landfill, bringing benefits, such as greenhouse gas mitigation and a reduction in demand for virgin raw materials. This past fiscal year, Sims Metal, our metal recycling business division, processed more than 8.5 million tonnes of material that would otherwise have been discarded. This recycled material has been reinjected into the economy, lowering the demand for virgin materials and lowering emissions from steel mills using recycled metal in their steel-making process. This is one example of how we're executing on our strategy to support our partners' sustainability agendas and help them transition to a global circular and low-carbon economy.

This report details our progress against the TCFD recommendations. For more on our broader sustainability commitments and progress, see our [2021 Sustainability Report](#) where you will find an explanation of our sustainability strategy and FY25 goals.

As part of our climate action journey and broader sustainability efforts, we are committed to continually improving our alignment with the recommendations of the TCFD. This year marks an important step forward as we performed a climate scenario analysis on our most significant climate-related financial risks and opportunities. We will look to utilise the results and implications of the scenario analysis for future risk management and strategic decision-making. This will help us mitigate the risks and seize the opportunities related to climate change, as well as help achieve our purpose.

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The Board of Directors is responsible for overseeing that there are adequate policies and strategies in place to understand and manage climate risk, whilst seizing the opportunities that climate change presents as part of our strategy. The Board sets the risk appetite for the Company, and senior management is responsible for operating within those parameters.

- The Safety, Health, Environment, Community and Sustainability (SHECS) Committee represents and oversees the directors' climate change responsibility and progress against our climate-related goals and targets.
- The Risk Committee reviews climate-related risk and is ultimately responsible for overseeing the embedding of climate risk into the Enterprise Risk Management (ERM) approach.
- All members of the Board participate in each committee meeting.

MANAGEMENT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

With support and input of the executive leadership team, our Chief Risk and Compliance Officer (CRCO) is responsible for providing and maintaining

the Enterprise Risk Management (ERM) framework in which climate change risk is considered. Executives are ultimately the risk owners and are accountable for identifying, managing and monitoring climate-related risks and opportunities within the ERM framework and risk appetite. Key risks are reported to the Board's Risk Committee at least quarterly. The CEO, CRCO and the rest of the executive leadership team are accountable for Sims' actions and commitments to embed climate change into Sims' risk management and business strategy.

EMPOWERING LEADERSHIP

The Board and management are equally responsible for continually upskilling themselves on the evolving requirements of climate change. In FY21, the Board and management separately participated in multiple climate change workshops to better understand the science, risks, opportunities and potential impacts on Sims. This also included discussions on where Sims can apply more strategic focus to mitigate and adapt to potential future impacts.

Overview of Governance Structure at Sims Limited

Board

Delegates its risk oversight responsibilities to the Risk Committee and general authority to the CEO to manage the business

Risk Committee

Responsible for climate risk oversight

SHECS Committee

Responsible for the publicly disclosed information on climate risks and opportunities

CEO

Ultimately responsible for the management of the business and its risks

Business Divisions and Corporate Functions

Own and manage risks

Risk Function

Oversight, advisory and monitoring role in managing risks

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We recognise that climate change impacts are already being felt and will increasingly influence our financial performance over time. In FY20, Sims officially launched its sustainability pillars: **operate responsibly**, **close the loop** and **partner for change**. Each pillar is aligned to one of the United Nations Sustainable Development Goals (UN SDGs). These pillars are the foundation of how we plan to execute our growth strategy and achieve our purpose. Underneath these pillars sits a corresponding set of sustainability goals that we plan to achieve by FY25. By connecting our corporate strategy, our purpose and the UN SDGs, we are able to make a larger, positive impact through our business initiatives. See the [2021 Sustainability Report](#) for more on this.

This year, we have progressed our approach to assessing climate risks and opportunities by performing climate scenario analysis to better understand the likelihood and magnitude of potential financial-related impacts. The results help further assess how resilient our business strategy is to climate change and inform future iterations of our strategy and climate action plans.

Sims' core business enables the global transition to a circular economy, and our strategic goals encompass the decarbonisation of our operations and value chain. We believe that the opportunities presented and captured in Sims' low-carbon, circular business strategy outweigh short-term climate-related risks, especially in the less than 2°C scenarios analysed. Please see the scenario analysis section of this report for more on how our strategy positions Sims for resilience to climate change and supports lower global emissions scenarios. The results also show that achieving lower global emissions as compared to higher global emissions is beneficial for Sims and all its stakeholders, and that organisations, cities, governments and institutions should strive to achieve this. This includes the acceleration of the global circular economy and supporting a transition to the low-carbon economy, including:

Our strategic efforts to create closed loops give waste second-life opportunities and minimise residual waste for both ourselves and our stakeholders. These efforts are consistent with a lower emissions scenario while also contributing to our business growth. Our services cover metal recycling, electronic lifecycle services, municipal recycling and resource renewal. For more on the nature and performance of these services, see our [2021 Sustainability Report](#).

Our strategic investments are helping our stakeholders' transition to the low-carbon economy. For instance, our joint venture, LMS Energy, is a leader in landfill gas-to-renewable energy and an innovator in solar on landfill technology. To date, LMS has achieved an estimated 40 million tonnes of carbon emissions reductions. See more in our [2021 Sustainability Report](#).

Our Scope 1 and 2 decarbonisation plan is consistent with the SBTi methodology for a lower emissions scenario. This plan will be further developed in FY22.

Examples in our scenario analysis results on the next page show how we are already responding to current physical hazards from extreme weather events. However, we recognise more will need to be done in the future as physical hazards from climate change increasingly unfold.



In informing our strategy, Sims has identified the below climate risks and opportunities over the short (2030), medium (2050) and long term (2070). This is across both physical and transition risks, consistent with TCFD recommendations. Please refer to the [Risk Management](#) section for how Sims identifies and manages these. This year we worked through a prioritisation and validation process to identify the most important climate risks and opportunities for climate scenario analysis, which are summarised below.

Climate Risks  / Opportunities 		Assessed in Scenario Analysis	Time Frame	Potential Impacts on Sims
PHYSICAL				
Acute				• Health and safety issues for employees (decreased productivity) • Inability to maintain standard operating hours (decreased profits) • Business disruptions (upstream, operations and downstream) • Disruption to reliable supply of electricity • Damage to assets and/or relocations of infrastructure (assets write-offs and decreased access to finance or insurance) • Changing supply chain routes
	Extreme temperatures (heat waves)		Short to long term	
	Extreme rain (flooding) and cyclones		Short to long term	
Chronic				
	Increasing temperatures		Long term	
	Rising sea levels		Long term	
TRANSITION				
Policy				
 	Greater climate change regulation (country net-zero targets, carbon taxes, cross-border carbon tariffs, etc.)		Short to medium	These could be a risk or opportunity if regulation changes are equally or otherwise equitably applied across the industry and regions. • Changing market competitiveness • Changing operating costs • Enhanced reporting and compliance obligations
 	Greater industry regulation (non-climate-specific local recycling industry and environmental compliance)		Short to medium	
Technology				
 	Investment to decarbonise operations		Short to medium	Investments may yield costs but also generate efficiencies and cost savings over time • Changing market competitiveness • Changing costs • Change to sales
	Development of electric arc furnaces to process recycled steel		Short to medium	• Increased demand for commercial quantities of recycled steel • Increased revenue and profits
Market				
	Increased demand for recycled products		Short to medium	• Disruption of carbon-intensive industries, creating circular economy opportunities • Increased revenue and profits • Asset investments and changes to cost of capital
Reputation				
	Increased investor action against organisations demonstrating insufficient climate action		Short to medium	• Increased shareholder resolutions • Changing market competitiveness
	Failure to meet stakeholder expectations of climate action		Short to medium	• Limited access to finance • Legal action and director liability • Reduced business opportunities
 	Alignment with employee values on climate change		Short to medium	• Higher productivity • Increased ability to retain and attract talent

APPROACH TO SCENARIO ANALYSIS

Scenarios are data-driven stories about the future that help decision-making in the present. They are not predictions about the future but rather hypotheses that describe a range of possibilities for the future. As per the [TCFD recommendations](#), in order to be a scenario, they need to be plausible, distinctly different and internally consistent. Scenarios provide a structured way of thinking through and making strategic choices despite the uncertainty. We have used both lower and higher emissions scenarios to understand the potential projected range of climate-related financial impacts.

Sims used information from the Representative Concentration Pathways (RCPs) adopted by the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (IPCC AR5) and Network for Greening the Financial System (NGFS) to describe different

possible futures and indicative economic and social impacts. The reference scenarios, which are briefly described in the table, are publicly available and indicate both physical and transition risks. Physical risks can be acute (e.g., cyclones or floods) or chronic (e.g., sustained higher temperatures that may lead to sea-level rise). Transition risks and opportunities encompass the impacts of policy, regulatory and market changes required to transition to a low-carbon economy.

For the TCFD analysis, we considered Sims operations across the U.S., UK and Australia. We considered physical risks at our 22 largest sites and at 36 strategic destination ports worldwide.

Climate Change Analysis Scope

		Risk or Opportunity Assessed	Metrics Considered	Time Frame	Reference Scenarios	Results & Impacts	Building Resilience
PHYSICAL RISKS	 Extreme Heat	Productivity (from workers and machinery) may decrease, resulting in a negative financial impact to Sims.	- Fraction of the year in locally defined hot days - Days above 33°C/90°F	2030 2050 2070	RCP4.5 emissions are curbed based on existing policies and announced commitments, including Nationally Determined Contributions, but fall short of meeting the Paris Agreement target. RCP8.5 baseline of how emissions would evolve if governments and markets make no changes to their existing policies and investments in low carbon.	By 2050 Sims locations may experience an additional 5% to 40% hot days in an year.	Sims Environment, Health and Safety (EHS) policy already covers heat stress. Scenario results will be used to inform further resilience activities including investigating any technology, process changes or structural alterations that may reduce exposure to heat.
	 Extreme Rain (Flooding and Cyclones)	Increased flooding risk may disrupt Sims value chain, impacting revenue.	- Wettest day rainfall - Cyclones/hurricanes - Mean sea-level-rise (2050 only) 1 in 100 year extreme sea-level rise (2050 only)		<i>*RCP 2.6 was also assessed where data was available</i>	The considered climate metrics are all expected to increase. We have identified key locations that are more exposed than others. Storm surges and sea level rise may cause significant regional damages.	We are already adapting to current extreme weather events such as recent hurricanes Sandy, Henri and Ida. The results of our scenario will be used to better inform future mitigation and adaptation plans for expected increased impacts. This extreme weather risk is not unique to Sims and can in part be avoided through stakeholder collaboration and collective action to accelerate decarbonisation.
TRANSITION RISKS & OPPORTUNITIES	 Greater Climate Change Regulation	Climate change may accelerate the rate and magnitude of change in environmental policy and regulations. This may change the costs of doing business for Sims operations and key suppliers.	- Carbon pricing policies and regulations - Cost of carbon - Recycling policies and regulations	2030 2050 2070	Network for Greening the Financial System (NGFS) scenarios: Orderly assumes climate policies are introduced and become gradually more stringent across the globe. (<1.5°C & <2°C) Disorderly assumes climate polices are not introduced until 2030 and action taken is late, limited and divergent across countries. (1.5-1.7°C) Hot House World assumes current policies are preserved that are insufficient to halt significant warming (>3°C). Severe and irreversible physical risks.	Sims may see the highest increase in costs if we do not take any climate action (disorderly scenario). This is because governments are assumed to introduce immediate but divergent climate-related policies.	Sims already keeps abreast changing regulation and legislation relevant to our business. This allows us to monitor and prepare for future changes. We are also steadily decarbonising our operations despite no legislative requirement. This positions us well for the low carbon future and expected increases in climate-driven legislation.
	 Increased Demand for Recycled Products	Action to limit climate change will likely accelerate the demand for recycled materials due to changing consumer and customer expectations as well as legislation. This would generate revenue for Sims.	- Steel demand (MT*) - Availability of scrap steel (MT) - Increase of available scrap steel (%) <i>*Million tonnes</i>	2030 2040 2050	NGFS: Orderly assumes climate policies are introduced and become gradually more stringent across the globe. (<1.5°C)	The availability of recycled steel and scrap supply are expected to continue increasing. Sims' processing demand under these scenarios are projected to double by 2050.	Achievement of global climate targets necessitates the transition to a more resource efficient and circular economy, which is already core to Sims' strategy and corporate purpose. See the Metrics and Targets section of this report and our 2021 Sustainability Report for more on our performance against our strategic goals to accelerate the circular economy to create a world without waste .
	 Investment to Decarbonise Operations	Sims will likely need to invest to achieve its 1.5°C commitments. Sims will need to monitor emerging technologies and solutions to make financially prudent investments.	- Energy generation - Energy storage - Modern transition fuels (e.g., biofuels)			For Sims to transition in line with a 1.5°C-aligned scenario ("Net Zero by 2050"), we will need to invest in projects that reduce fossil fuel use and increase the percentage of renewable energy used. This is consistent with our committed targets and strategy.	Sims has committed to becoming net zero by 2050 with staged goals at 2025 and 2042. Our Scope 1 and 2 targets are consistent with the SBTi methodology, and we are developing Scope 3 targets. We are continuing to define our decarbonisation roadmap in FY22.

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We identify risks in many ways. At a global level, we use a range of inputs in our risk assessment to monitor macro trends. This includes, for example, the World Economic Forum's Global Risk Review. We also analyse market and industry information to assess current and emerging risks and opportunities facing the Company.

CLIMATE-SPECIFIC RISK MANAGEMENT PROCESSES

Climate risk is managed through Sims Limited's Enterprise Risk Management (ERM) framework, which is designed to support each business unit in the effective management of risk. It enables a consistent approach to risk identification, management and monitoring through the use of a global risk taxonomy. In addition, capital expenditure over US\$5 million requires the impact of climate change to be considered as standard practice.

In FY21, we performed an uplift of our identified climate-related risks and opportunities. The process included:

- Gathering senior management perspectives across our enterprise on past and future climate change impacts, risks and opportunities through a survey.
- Showcasing and challenging the above results in an executive leadership workshop to validate and prioritise the most important climate change risks and opportunities for Sims. This also included selecting those for scenario analysis performed this year.
- Oversight of these results and processes by the Board, as is consistent with the [Governance](#) section. The Board was engaged through its own climate change workshops.

The ERM framework and risk appetite statement framework enables the management of Sims' risks. Both risks and opportunities associated with the mitigation and adaptation to climate change are being considered in our strategy.

Climate Impacts and Resilience: Extreme Weather Events

As a result of Hurricane Sandy, Sims experienced a multimillion-dollar negative profit impact from supply chain disruption due to heavy flooding in some southern U.S. states. More recently, Sims was impacted by Hurricanes Henri and Ida, experiencing infrastructure damage to ports and facility flooding, forcing closure for multiple weeks and damage to operational assets, with damages expected to exceed a million dollars.

While not all hurricanes and extreme weather are due to climate change, this cost is a clear indicator of possible increasing financial exposure due to extreme weather events.

EXAMPLE OF ADAPTATION PATHWAYS

The below are examples of our ability to adapt and be resilient to extreme climate events. Such activities will form part of our future climate change risk mitigation activity.

- Applied engineering solutions to build resilience to future flooding. The wharf, buildings, recycling and electrical gear were all elevated four feet above ground using 25,000 tonnes of material, including a recycled glass aggregate. As a result of this investment, the site remained unharmed during Hurricane Sandy, avoiding many potential negative financial and safety outcomes.
- Used alternative transport methods to move processed metals (trucks rather than barges).
- Redirection and cancellation of barges due to flooding and concerns of material erosion.

In response to the more recent hurricanes, Sims will look to:

- Conduct underwater and marine surveys of all remaining port and dock infrastructure impacted by the recent storm events across New Jersey, New York and Rhode Island.
- Review site preparedness plans, considering recent events, damage and learnings.
- Conduct a global assessment and identify sites that are vulnerable to climate change impacts such as storms (cyclones/hurricanes), flooding and extreme heat.
- Conduct risk/consequence assessment of those sites based on agreed climate change scenarios and assumptions.

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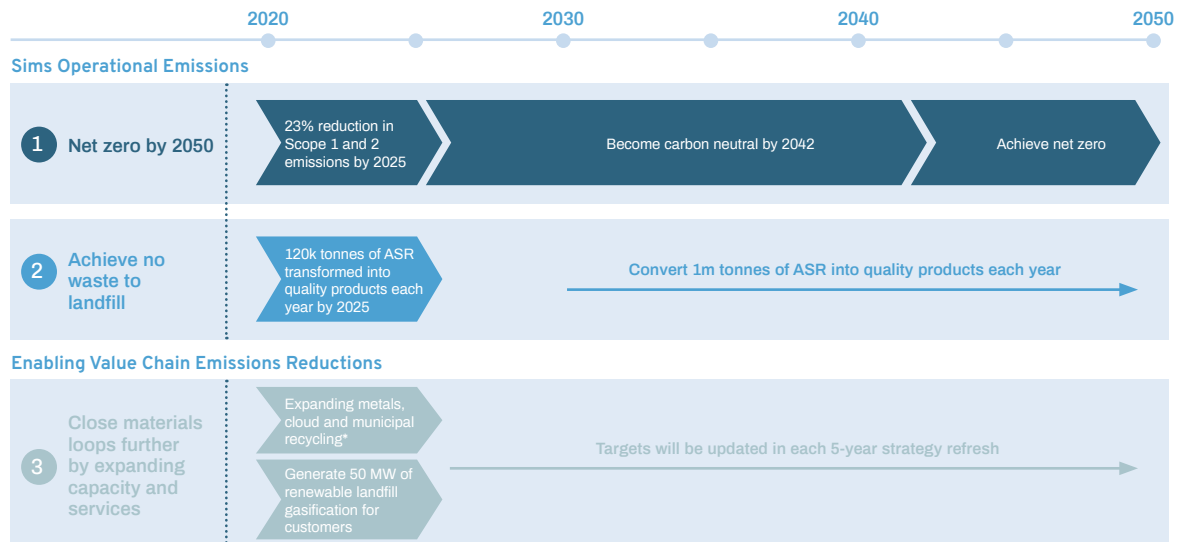
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* See 2021 Annual Report for more on strategic business growth targets

Greenhouse Gas Emissions (Location-Based)	FY21	FY20
Scope 1 (t CO ₂ e)	81,191	78,592
Scope 2 (t CO ₂ e)	74,340	73,562
Net Scope 2 Emissions (t CO ₂ e)*	65,402	73,562
% of electricity from renewable energy	18.7**	1.2**

* Location-based calculation less certified emissions reduction through contractual instruments

** Includes electricity generated onsite from renewable sources without renewable certification claimed by Sims

Our scenario analysis this year is another step forward in understanding what climate change impacts mean for Sims in terms of challenge, timeline, investment and opportunities. The implications of this scenario analysis will be further considered in our risk management processes and mitigation actions.

Sims' decarbonisation commitments are underpinned by our Company purpose and commitments to the circular economy, supporting the sustainability of our customers' and suppliers' value chains. For more on this, including our performance against other strategic sustainability goals, please refer to our [2021 Sustainability Report](#).

MOVING TOWARD OUR DECARBONISATION TARGETS

We have started to build out a decarbonisation roadmap exploring specific projects and timelines to enable us to achieve our net-zero commitment. We are currently focused on:

- Transitioning to renewable energy, particularly when renewing electricity contracts.
- Increasing operational and energy efficiency, alongside load optimisation of our plants.
- Exploring new and emerging technology to reduce, capture and eliminate emissions.
- Pursuing the electrification of our equipment and fleet. This includes creating an engineering centre of excellence for exploring decarbonisation of these assets.
- Centralising our emissions reporting for improved monitoring and efficiency. This year, we

implemented a utility bill management service, enabling a view of our Scope 1 and 2 emissions footprint at a site level and reducing reporting overhead. We also obtained assurance over our Scope 1 and 2 emissions to increase confidence in our monitoring.

- Developing a Scope 3 (value chain) emissions inventory during 2022 as part of our alignment with the SBTi methodology.
- Providing shareholders with a "Say on Climate" at the 2022 Annual General Meeting.

We continue to develop our roadmap for carbon mitigation, reduction and elimination as a key part of delivering on our purpose: **create a world without waste to preserve our planet.**

Our TCFD scenario analysis has given us confidence that Sims' business model as an enabler of the circular economy is well-positioned to assist customers to lower their carbon footprint as the world transitions to a low-carbon economy. Mitigating the financial risks and seizing the opportunities highlighted in the scenario analysis will further strengthen our resilience. We welcome your questions, comments and feedback. You may contact us at:

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