

NOTICE OF 2016 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (**MEETING**) OF THE SHAREHOLDERS (**SHAREHOLDERS**) OF SIMS METAL MANAGEMENT LIMITED (**COMPANY**) WILL BE HELD AT THE WESTIN – HERITAGE BALLROOM – 1 MARTIN PLACE, SYDNEY NSW ON WEDNESDAY, 9 NOVEMBER 2016 AT 10.00AM (SYDNEY TIME).

SIMS METAL MANAGEMENT LIMITED ACN 114 838 630

10 October 2016

Dear Shareholder

I have pleasure in inviting you to attend the 2016 Annual General Meeting of Sims Metal Management Limited to be held at The Westin, Heritage Ballroom, 1 Martin Place, Sydney NSW on Wednesday, 9 November 2016 at 10:00am (Sydney time).

Enclosed is the Notice of Annual General Meeting which sets out the items of business to be considered. If you are attending, please bring this letter with you to facilitate registration into the Meeting.

If you are unable to attend the Meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided so that it is received no later than 48 hours before the commencement of the Meeting. Alternatively, you may vote online at www.linkmarketservices.com.au.

Corporate shareholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's share registry.

A copy of the address to be given by each of the Chairman and Chief Executive Officer at the Meeting will be available for viewing and downloading from the Company's website at www.simsmm.com, following the Meeting. You may also request a copy from the Company.

I look forward to your attendance at the Meeting.

Yours sincerely



Frank Moratti

Company Secretary

BUSINESS

ACCOUNTS AND REPORTS

To receive and consider the financial statements of the Company and its controlled entities for the year ended 30 June 2016 and the related Directors' Report, Directors' Declaration and Auditor's Report.

RE-ELECTION OF DIRECTORS

MR ROBERT BASS

RESOLUTION 1

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Robert Bass, who retires by rotation at the Annual General Meeting in accordance with the Company's Constitution and the ASX Listing Rules and having offered himself for re-election and being eligible, be re-elected as a Director of the Company."

MR TOM SATO

RESOLUTION 2

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Tom Sato, who retires by rotation at the Annual General Meeting in accordance with the Company's Constitution and the ASX Listing Rules and having offered himself for re-election and being eligible, be re-elected as a Director of the Company."

APPROVAL OF AMENDMENTS TO CONSTITUTION

RESOLUTION 3

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the Constitution of the Company be amended in the manner outlined in the Explanatory Memorandum accompanying the Notice of Meeting convening this Meeting, and as set out in the amended Constitution tabled by the Chairman of the Meeting and signed for the purposes of identification."

RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS IN CONSTITUTION

RESOLUTION 4

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the proportional takeover provisions in clause 13 of the Constitution of the Company (whether or not the Constitution is amended in accordance with Resolution 3) be renewed and reinserted in the Constitution for a period of three years from the date of this Meeting."

REMUNERATION REPORT

RESOLUTION 5

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2016 (as set out in the Directors' Report) is adopted."

PARTICIPATION IN THE COMPANY'S LONG TERM INCENTIVE PLAN BY MR CLARO

RESOLUTION 6

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval is given for the purpose of ASX Listing Rule 10.14 and for all other purposes, for the Company to issue to Mr Galdino Claro, the Chief Executive Officer and Managing Director of the Company, a maximum of 766,274 Performance Rights and 423,827 Options under the terms of the Company's Long Term Incentive Plan, as more particularly described in the Explanatory Memorandum accompanying the Notice of Meeting convening this Meeting."

GRANT OF RSU AWARD TO MR CLARO

RESOLUTION 7

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval is given for the purposes of ASX Listing Rule 10.14 and for all other purposes, for the Company to grant to Mr Galdino Claro, 384,925 Restricted Stock Units (RSUs) under the Company's Long Term Incentive Plan, as more particularly described in the Explanatory Memorandum accompanying the Notice of Meeting convening this Meeting."

By order of the Board

Frank Moratti



Company Secretary
10 October 2016

INFORMATION FOR SHAREHOLDERS

VOTING ENTITLEMENTS

For the purpose of the Meeting, shares will be taken to be held by persons who are registered as Shareholders as at 7.00pm (Sydney time) on Monday, 7 November 2016. Accordingly, transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

PROXIES

A Shareholder who is entitled to attend and cast a vote at the Meeting has the right to appoint a proxy to attend and vote on behalf of the Shareholder. The proxy need not be a shareholder of the Company and may be an individual or a body corporate. If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the proxy appointments do not specify a proportion or number, each proxy may exercise half of the Shareholder's votes.

The Proxy Form must be signed by you or your attorney. Proxies given by corporations must be executed either in accordance with section 127 of the *Corporations Act 2001* (Cth) (**Corporations Act**) or under the hand of a duly authorised officer or attorney.

*Voting restrictions apply to members of the key management personnel for the Sims Metal Management Limited consolidated group whose remuneration details are included in the Remuneration Report (each a **KMP**) and their closely related parties, which affect proxy voting.*

The KMP (which includes, amongst others, each of the non-executive directors, the managing director and the chief financial officer) and their closely related parties will not be able to vote your proxy on Resolutions 5, 6 or 7 unless you direct them how to vote by marking the voting boxes for those items. The term "closely related party" is defined in the Corporations Act and includes the KMP's spouse, dependants and certain other close family members, as well as any companies controlled by the KMP, or the KMP's spouse, dependants and certain other close family members.

If you intend to appoint a KMP as your proxy, please ensure that you direct them how to vote on Resolutions 5, 6 and 7. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him to vote by marking the relevant boxes on the Proxy Form. If you sign and return your Proxy Form and do not provide any voting directions, you will be deemed to have expressly authorised the Chairman of the Meeting (where he is appointed your proxy or becomes your proxy by default) to cast your vote on each of Resolutions 5, 6 and 7 even though each of those Resolutions is connected with the remuneration of a KMP.

The Chairman of the Meeting intends to vote any undirected proxies held by him in favour of all items of business (subject to the requirements for voting directions noted above in relation to Resolutions 5, 6 and 7).

WHERE TO LODGE A PROXY

The Proxy Form and the power of attorney or other authority under which it is signed (if any), or a certified copy of the power of attorney or authority, must be:

- deposited at the share registry of the Company, Link Market Services Limited, located at Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138 (or by mail to Locked Bag A14, Sydney South NSW 1235);
- deposited at the Company's Registered Office, Sir Joseph Banks Corporate Park, Suite 3, Level 2, 32-34 Lord Street, Botany NSW 2019;
- sent to the Company by mail to PO Box 651, Botany NSW 1455; or
- sent by facsimile to Link on (02) 9287 0309 or to the Company on (02) 8113 1622.

ELECTRONIC PROXY

You may lodge an electronic proxy online at www.linkmarketservices.com.au. You will be required to enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and a postcode. You will be taken to have signed the Proxy Form if you lodge an electronic proxy online in accordance with the online instructions.

To be effective, proxies must be lodged by 10.00am (Sydney time) on Monday, 7 November 2016. Proxies lodged or received after that time will be invalid.

CORPORATE REPRESENTATIVES

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Meeting a properly executed letter or other document confirming their authority to act as the Shareholder's representative.

SHAREHOLDER QUESTIONS

If you would like a question to be put to the Chairman of the Meeting or the Auditor and you are not able to attend the Meeting, please email your question to the Company Secretary at frank.moratti@simsmm.com.

To allow time to collate questions and prepare answers, questions are to be received by the Company Secretary by 10.00am (Sydney time) on Monday, 7 November 2016.

Shareholders should read the Explanatory Memorandum accompanying, and forming part of, this Notice of Meeting (**Notice**) for more details on the resolutions to be voted on at the Meeting.

VOTING

The Board has resolved that each resolution to be put to the Meeting will be decided by a poll. The poll will be taken after the other business of the Meeting has been concluded. The Company's share registry will then collect all polling cards and calculate the results which will, in line with market practice, be subsequently announced to the ASX.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

BUSINESS OF THE MEETING

ACCOUNTS AND REPORT

The Financial Report, Directors' Report and the Auditor's Report for the financial year ended 30 June 2016 (**FY2016**) will be laid before the Meeting.

Together, the Financial Report, Directors' Report and the Auditor's Report constitute the Company's FY2016 Annual Report. Unless the Company's Share Registry has been notified otherwise, Shareholders will not be sent a hard copy of the Annual Report. All Shareholders can view the FY2016 Annual Report on the Company's website at www.simsmm.com.

Following the consideration of the Reports, the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Auditor's Report or the conduct of the audit. A list of written questions, if any, submitted by Shareholders will be made available at the start of the Meeting and any written answers tabled by the Auditor at the Meeting will be made available as soon as practicable after the Meeting.

RESOLUTION 1 – RE-ELECTION OF DIRECTOR – ROBERT BASS (AGE 67)

INDEPENDENT NON-EXECUTIVE DIRECTOR

The ASX Listing Rules require that the Company hold an election of Directors at least once per year. The Company's Constitution requires that at least one Director, excluding the Managing Director, must retire each year. The retiring Director is then eligible to offer themselves for re-election by Shareholders.

Mr Bass retires by rotation and, being eligible, offers himself for re-election as a Director.

Mr Bass was appointed as a director on 10 September 2013. He is Chairperson of the Risk, Audit & Compliance Committee, and is a member of the Nomination/Governance Committee and the Finance & Investment Committee. Mr Bass was formerly a partner at Deloitte & Touche from 1982, and Vice Chairman at Deloitte LLP from 2006, until his retirement in June 2012. He practiced at that firm for 39 years and was Lead Client Service Partner responsible for the development, planning, management, administration and delivery of services, including audits of consolidated financial statements to multinational clients in a variety of industries. Mr Bass is currently a director of Groupon Inc (since June 2012) and Apex Tool Group (since December 2014) and is Chairman of the Audit Committee of both companies and a member of the Compensation Committee of Groupon Inc. He is a graduate of Emory University and received an MBA from Columbia University. He is a Certified Public Accountant, New York and Connecticut, and a member of the American Institute of Certified Public Accountants and Connecticut State Society of Certified Public Accountants.

Mr Bass believes that his experience as an audit partner for 30 years with Deloitte has provided him with insights on best practices, an understanding of the issues facing a multinational company like Sims Metal Management and knowledge of the required solutions. Mr Bass' experience has also allowed him to fully appreciate the importance of the integrity of a company's financial statements. Mr Bass' other boards continue to provide him with additional acuity as to the best and most effective ways for a board member to perform. At the Company, Mr Bass has worked with management and the Board to upgrade the Company's Internal Audit function and its Risk Management process, along with the Company's finance group.

The Board considers Mr Bass to be an Independent Director.

Prior to submitting himself for re-election, Mr Bass acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company.

Board's recommendation

The Board, with Mr Bass absent and not voting, unanimously recommends you vote in favour of the re-election of Mr Bass.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – TAMOTSU (TOM) SATO (AGE 64)

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Sato retires by rotation and, being eligible, offers himself for re-election as a Director.

Mr Sato was appointed as a director in April 2013. He is Mitsui & Co., Ltd's nominated non-independent director. Mr Sato is a member of the Finance & Investment Committee and the Safety, Health, Environment, Community & Sustainability Committee. He joined Mitsui in 1975 and held various positions mainly in the steel making raw materials business within that company. These positions included Executive Director of Mitsui Coal Holdings (2002-2004) based in Brisbane, responsible for a number of strategic joint ventures with major global mining companies, Senior Vice President of Mitsui Singapore (2006-2009) responsible for its mineral and metal resources business which included iron ore, steel scrap, nickel, bauxite and others, covering the Asia Pacific region including China, India and the South East Asian countries and, from 2009 until his retirement in 2013, President & CEO of Mitsui Raw Materials Development based in New York.

Mr Sato has broad and extensive experience in the minerals and metal resource industry particularly as it relates to steel making raw materials for over 35 years, engaged in marketing, trading and investing activities in various coal mine projects in Australia and Canada. Mr Sato firmly believes that his international experience in global metals markets and supply chains brings additional perspective and dimension to the Company.

Mr Sato is not considered to be an Independent Director as a result of his association with Mitsui & Co., Ltd,

Prior to submitting himself for re-election, Mr Sato acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company.

Board's recommendation

The Board, with Mr Sato absent and not voting, unanimously recommends you vote in favour of the re-election of Mr Sato.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

RESOLUTION 3 – APPROVAL OF AMENDMENTS TO CONSTITUTION

The Board is proposing Special Resolution 3 to amend the Constitution of the Company in the manner outlined in this Explanatory Memorandum (including Annexure 1), and for the reasons explained below.

At the Company's 2007 Annual General Meeting, the Company's shareholders voted in favour of a special resolution to amend the Company's Constitution to provide for certain director nomination rights in favour of Mitsui & Co., Ltd and its related bodies corporate (together, the **Mitsui Group**). The Mitsui Group was granted certain rights to nominate two directors to the board of directors of the Company (at least one of whom was not an associate of the Mitsui Group) for as long as the Mitsui Group held at least 15% of the ordinary shares on issue in the Company or one director if it held between 5% and 15% of the Company's issued ordinary shares. At that time, the Mitsui Group held just under 20% of the Company's issued ordinary shares but as at the date of this Notice holds approximately 18% of the Company's issued ordinary shares. Mr Sato is the Mitsui Group's only nominated director on the board of the Company. Consistent with the size of its current shareholding, the Mitsui Group has indicated to the Company that it does not intend to nominate a second director on the board of the Company. Consequently, in order to formalise that position and to align same with current best corporate governance practice, the proposed amendments to clause 19.6A (which has been moved to clause 19.6 of the proposed amended Constitution) of the Company's Constitution varies the Mitsui Group's rights so that it is entitled to nominate only one director for as long as the Mitsui Group holds at least 5% of the ordinary shares on issue in the Company from time to time.

It is proposed that the Company also takes this opportunity to update its Constitution, including for a number of administrative and relatively minor matters. These additional amendments are proposed to reflect developments in the use of technology, changes in regulatory requirements and trends in corporate governance practices since the Constitution was last reviewed and amended in 2010.

The key amendments are summarised in Annexure 1 to this Explanatory Memorandum.

A full copy of the Constitution marked up to show all of the proposed amendments is available on the Company's website at www.simsmm.com. Shareholders may also request a copy of the proposed amended Constitution be sent to them by post or electronically (at no cost) by contacting the Company's share registry Link Market Services at Level 12, 680 George Street, Sydney NSW 2000; or by telephone: 1300 554 474 (outside Australia: +61 1300 554 474); or by facsimile: +61 2 9287 0303 or by email: registrars@linkmarketservices.com.au.

A copy of the proposed amended Constitution will also be available for inspection at the Meeting.

Voting requirements

Section 136(2) of the Corporations Act requires that an amendment to the constitution of a company be approved by a special resolution of the shareholders of the company. For Resolution 3 to be passed as a special resolution, at least 75% of the votes cast by Shareholders entitled to vote on Resolution 3 must be in favour of the resolution.

Board's recommendation

The Board, with Mr Sato absent and not voting, unanimously recommends you vote in favour of the proposed amendments to the Company's Constitution.

RESOLUTION 4 – RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS IN CONSTITUTION

The Corporations Act permits a company to include in its constitution, proportional takeover provisions prohibiting the registration of a transfer of securities resulting under a proportional takeover bid unless and until a resolution to approve the bid is passed in accordance with the provisions (**proportional takeover provisions**). A proportional takeover bid is an off-market bid under which an offer is made for only a proportion of each holder's holding of securities. Proportional takeover provisions are designed to assist shareholders to receive proper value for their shares if a proportional takeover bid is made for the company.

The Company's Constitution contained proportional takeover provisions in clause 13. Under the Corporations Act, these provisions must be renewed every 3 years by a special resolution of shareholders or else they cease to have effect. The provisions in clause 13 have not been renewed since the Company's Constitution was adopted on 21 October 2005 and therefore they ceased to have effect on 21 October 2008.

It is proposed that the proportional takeover provisions in the Constitution be renewed for 3 years from the date of this Meeting. If Resolution 3 to amend the Constitution is passed, the wording of the renewed proportional takeover provisions will be as amended by Resolution 3, which makes only minor amendments to clause 13. If Resolution 3 is not passed, the wording of the renewed proportional takeover provisions will be as set out in the current Constitution.

EFFECT OF PROPORTIONAL TAKEOVER PROVISIONS

If the proportional takeover provisions are renewed and a proportional takeover bid is made for Shares in the Company, the proportional takeover provisions require the Board to call a meeting of Shareholders who hold Shares in the class that the bid relates to, to vote on a resolution to approve the proportional takeover bid. The resolution will be passed if more than 50% of the votes cast on the resolution are in favour of the resolution. The bidder, and any associate of the bidder, will be excluded from voting.

If the resolution to approve the proportional takeover bid is not voted on as at the end of the day before the 14th day before the last day of the bid period under the takeover bid, the resolution will be taken to have been passed.

If a resolution to approve the proportional takeover bid is voted on and rejected, all unaccepted offers under the takeover bid are taken to be withdrawn and each binding takeover contract for the takeover bid must be rescinded by the bidder.

The proportional takeover provisions do not apply to full takeover bids (that is, a takeover bid for all of the securities in the class that the takeover bid relates to). If this Resolution 4 is passed, and therefore the proportional takeover provisions are renewed, the provisions will only apply until 8 November 2019 (being three years from the date of this Meeting), unless renewed again by Shareholders.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

REASONS FOR PROPORTIONAL TAKEOVER PROVISIONS

The Board considers that Shareholders should have the opportunity to vote on any proportional takeover bid for the Company. A proportional takeover bid may enable control of the Company to pass without Shareholders having an opportunity to sell all of their Shares to the bidder. Shareholders, therefore, may be exposed to the risk of being left as a minority shareholder in the Company and of the bidder being able to acquire control of the Company without payment of an adequate premium for all of their Shares.

The proportional takeover provisions lessen these risks as they allow Shareholders to decide whether a proportional takeover bid is acceptable and should be allowed to proceed.

NO AWARENESS OF ANY ACQUISITION PROPOSALS

As at the date of this Notice, no director of the Company is aware of any proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

POTENTIAL ADVANTAGES AND DISADVANTAGES OF PROPORTIONAL TAKEOVER PROVISIONS

The Board considers that the proportional takeover provisions have not had (while they were effective), and if renewed will not have, any potential advantages or potential disadvantages for the Directors, as the Directors are free to make whatever recommendations they consider appropriate on any proportional takeover bid that may be made.

The potential advantages of the proportional takeover provisions for Shareholders include:

1. they give Shareholders a say, by majority, in determining whether a proportional takeover bid should be allowed to proceed, which may assist in ensuring that any proportional takeover bid is attractive to a majority of Shareholders;
2. the Board is able to formally ascertain the views of Shareholders in respect of a proportional takeover bid;
3. they may help Shareholders to avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without payment of an adequate premium for control;
4. they increase Shareholders' bargaining power and may assist in ensuring any proportional takeover bid is adequately priced and is attractive to the majority of Shareholders; and
5. knowing the view of the majority of Shareholders may help each individual Shareholder to form an opinion on whether to accept or reject an offer under the bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

1. they may reduce the likelihood of a proportional takeover bid being successful and may therefore discourage the making of a proportional takeover bid; and
2. they may also reduce the opportunities which Shareholders have to sell their Shares in the Company.

REVIEW OF PROPORTIONAL TAKEOVER PROVISIONS

While the proportional takeover provisions have been in effect in the Constitution, no takeover bids for the Company (either proportional or full) have been made or announced. Therefore, there is no example against which the advantages or disadvantages of the proportional takeover provisions may be assessed. However, the Board is not aware of any potential bid that was discouraged by the proportional takeover provisions (while they were effective).

Voting requirements

Section 648G(4) of the Corporations Act requires that a renewal of proportional takeover provisions be approved by a special resolution of the shareholders of the company. For Resolution 4 to be passed as a special resolution, at least 75% of the votes cast by Shareholders entitled to vote on Resolution 4 must be in favour of the resolution.

Board's recommendation

The Board, having regard to the potential advantages and disadvantages of the proportional takeover provisions as referred to above, considers that it is in the interests of Shareholders to have the right to vote on a proportional takeover bid and therefore unanimously recommends you vote in favour of the renewal of the provisions.

RESOLUTION 5 - REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report of the Company's FY2016 Annual Report. The Report explains the Company's executive remuneration practices and the link between the remuneration of employees and the Company's performance and sets out remuneration details for each Director and for each named Executive.

The Corporations Act requires listed companies to put the Remuneration Report for each financial year to a resolution of members at their Annual General Meeting. Under section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast on Resolution 5 are against adoption of the Remuneration Report at this Meeting, and then again at the 2017 Annual General Meeting, the Company will be required to put to Shareholders at the 2017 Annual General Meeting a resolution proposing the calling of an extraordinary general meeting to consider a spill of the Board (**spill resolution**).

If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene the extraordinary general meeting (**spill meeting**) within 90 days of the 2017 Annual General Meeting. All of the Directors who were in office when the FY2017 Directors' Report was approved, other than the Managing Director, will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

Voting exclusion statement

The Company will disregard any votes cast on Resolution 5 by or on behalf of a KMP, or a closely related party of a KMP, in any capacity (including as proxy), unless the vote is cast as proxy for a person entitled to vote on Resolution 5:

- in accordance with a direction in the Proxy Form; or
- by the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP (please refer to the Proxy Form for this authorisation).

Board's recommendation

The Board unanimously recommends you vote in favour of adopting the Remuneration Report.

RESOLUTION 6 - PARTICIPATION IN THE COMPANY'S LONG TERM INCENTIVE PLAN (LTIP) BY MR CLARO

The Board (with Mr Claro absent and not voting) believes it is appropriate that the Group CEO, Mr Claro, be entitled to be granted Performance Rights (which are subject to the performance hurdles described below) and Options (collectively **Equity Rights**), under the LTIP.

The Board believes that the grant of the Equity Rights, more fully described below, pursuant to the LTIP which was introduced in 2007, is an important element of the Company's remuneration strategy for the Group CEO, which includes fixed remuneration and other benefits (**Total Fixed Remuneration or TFR**), a short-term incentive (**STI**) and a long-term incentive (**LTI**) as set out in the Company's FY2016 Annual Report.

Mr Claro's compensation comprises TFR of US\$1,375,000 per annum, an annual STI opportunity of 115% of TFR (target) and 230% of TFR (maximum), and an annual LTI award equal to 275% of TFR (target) and approximately 385% of TFR (maximum). Consequently, Mr Claro's LTI award for FY2017 (**FY2017 LTI Award**) has a value of US\$3,781,250 at the "target" performance hurdle. The FY2017 LTI Award has a maximum value of US\$5,293,750 if the "maximum" performance hurdle is achieved in respect of the ROIC Performance Rights as explained under paragraph (d) of the heading 'Key terms of FY2017 Performance Rights' described below.

Subject to this Resolution 6 being passed, Mr Claro will be entitled to the FY2017 LTI Award, comprising:

- (a) 306,306 Performance Rights with a relative Total Shareholder Return (**TSR**) performance hurdle set against a peer group of companies and vesting conditions based on this hurdle and on continued employment;
- (b) 459,968 Performance Rights with a return on invested capital (**ROIC**) hurdle, with vesting conditions based on this hurdle and on continued employment; and
- (c) 423,827 Options with a market price exercise price, with vesting conditions based on continued employment.

The Performance Rights referred to above will vest subject to the performance hurdles described below. The number of Performance Rights that actually vest will depend on the extent to which these performance hurdles are achieved. This means that the maximum number of Performance Rights (as referred to above) will vest only upon the achievement of the maximum performance hurdles in each of the two performance measures – TSR and ROIC.

DETAIL OF FY2017 LTI AWARD

If approved by Shareholders, Mr Claro will receive his FY2017 LTI Award in three components:

1. A grant of Performance Rights with a nil issue and exercise price, with automatic vesting based on the TSR of the Company relative to the performance of an international peer group of companies in the Company's sector (subject to a continued employment vesting condition described in more detail below) (**TSR Performance Rights**). The list of these comparators is in Annexure 2 to this Explanatory Memorandum. While performance hurdles for vesting are common in Australia, they are not as common in US plans. This grant would constitute approximately two-fifths of Mr Claro's FY2017 LTI Award.
2. A grant of Performance Rights with a nil issue and exercise price, with automatic vesting based on the ROIC achieved by the Company (subject to a continued employment vesting condition described in more detail below) (**ROIC Performance Rights**). This grant (at target) would constitute approximately two-fifths of Mr Claro's FY2017 LTI Award.
3. A grant of Options, with an exercise price based on the average of the closing prices of the ordinary shares of the Company (**Shares**) traded on ASX in the ordinary course of trade during the five trading days up to, but not including, the grant date (**FY2017 Options**). The FY2017 Options will vest automatically in three equal tranches on each of 31 August 2017, 31 August 2018 and 30 August 2019 (subject to a continued employment vesting condition described in more detail below). The vesting of any of the FY2017 Options is not subject to any performance hurdles. Whilst option grants without performance hurdles are uncommon in Australia, they are common practice in the US. Moreover, no gains will be available to Mr Claro unless the Share price of the Company increases above the exercise price for the FY2017 Options. This grant would constitute approximately one-fifth of Mr Claro's FY2017 LTI Award.

The grant of the FY2017 LTI Award will provide:

- a reward for strong performance relative to peers;
 - a reward for generating significantly improved returns for Shareholders, and
 - a reward for an absolute increase in the Company's Share price,
- with vesting based both on performance and on continued employment.

This LTI structure ensures that Mr Claro focuses on Shareholder value creation relative to companies within the Company's industry, as well as achievement of a return on invested capital target and absolute Share price growth.

Accordingly, the Board believes that the proposed grant of the FY2017 LTI Award to Mr Claro is an approach which will support both the business direction of the Company in accordance with its five-year strategic plan, and Shareholder expectations.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

KEY TERMS OF FY2017 PERFORMANCE RIGHTS

(a) A maximum of 766,274 Performance Rights (which comprise a maximum of 306,306 TSR Performance Rights and a maximum of 459,968 ROIC Performance Rights) (**FY2017 Performance Rights**) will be granted to Mr Claro under the LTIP Rules, conditional on obtaining Shareholder approval pursuant to Resolution 6. A Performance Right is the right to be issued a Share upon satisfaction of all applicable vesting conditions for a nil issue price. Under the LTIP Rules, the Company may, in its discretion, cause existing Shares to be transferred to Mr Claro in satisfaction of its obligation to issue Shares to him on exercise of his FY2017 Performance Rights.

(b) Performance Period:

The performance period in which the FY2017 Performance Rights will be tested is the three-year period commencing 1 July 2016 (**Start Date**) and ending 30 June 2019 (**Test Date**) (**Performance Period**).

The FY2017 Performance Rights will be tested for satisfaction of their vesting conditions at the Test Date. Any FY2017 Performance Rights which have not vested as at the Test Date will immediately lapse.

If the FY2017 Performance Rights vest, they will be automatically exercised (with no further action required on the part of Mr Claro) into Shares on 30 August 2019, being the last business day in August following the Test Date (**Rights Vesting Date**).

(c) TSR Performance Hurdle:

The TSR Performance Rights are subject to a vesting condition based on a TSR performance hurdle.

TSR measures the change over a particular period in the price of shares plus dividends notionally re-invested in shares.

The Company's TSR for the relevant Performance Period will be compared against an international peer group of 14 specified comparator companies in the Company's sector (**Comparators**). The list of the Comparators is in Annexure 2 to this Explanatory Memorandum. With the appointment of Voluntary Administrators to Arrium Limited in April 2016, that company, which was previously in the comparator group, was removed from the group in FY2017. Consequently, the Company took the opportunity to reassess how vesting should occur and resolved that it would be based on relative positioning of the Company compared to the Comparators (i.e. 15 positions in total including the Company).

In order for any of Mr Claro's TSR Performance Rights granted to him under the FY2017 LTI Award to vest, the Company's TSR for the relevant Performance Period must place the Company at the ninth position or higher compared to the Comparators.

Based on the Company's relative TSR performance over the Performance Period, Mr Claro's TSR Performance Rights will vest in accordance with the following table:

Position of the Company's TSR relative to TSRs of Comparators	Proportion of TSR Performance Rights vesting	Number of TSR Performance Rights vesting
10th position or lower	0%	0
9th position	45%	137,838
8th position	60%	183,784
7th position	75%	229,730
6th position	90%	275,675
5th position or higher	100%	306,306

TSR is calculated in each case on the following basis:

- dividends are re-invested on the ex-dividend date;
- Share prices are calculated as a volume weighted average sale price of Shares on the ASX for the three months preceding the Start Date and the three-month period up to and including the Test Date;
- local currencies are used for non-Australian comparator companies, so currency movements are ignored; and
- tax and any franking credits (or similar) will be ignored.

(d) ROIC Performance Hurdle:

The Board has chosen a return on invested capital (**ROIC**) performance hurdle as a component of Mr Claro's FY2017 LTI Award because:

- ROIC includes all operating cost and investment in the business;
- it balances the cyclical nature of commodity prices and the investment required to support working capital;
- it reinforces the Company's FY2018 five-year strategic plan goal to achieve a ROIC above the Company's cost of capital independently of external market and economic conditions; and
- it aligns management's long-term decision making with Shareholder interests.

The ROIC Performance Rights are subject to a vesting condition based on a ROIC performance hurdle. This hurdle measures the Company's ROIC at the end of the Performance Period.

ROIC is an acronym that means return on invested capital and is calculated as profit divided by invested capital:

- Profit in the numerator refers to earnings before interest and after taxes which the Board Remuneration Committee believes represents ordinary earnings within the influence of management (**Profit**).
- Invested capital in the denominator is the average capital employed by the Company during the test year (in this case FY2019) being total Shareholders' funds plus net debt (**Invested Capital**). It is a broader measure than Controlled Capital, which is used in the Company's STI Plan calculation, as it aligns with returns received by Shareholders and rewards efficient use of capital.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

The ROIC hurdle assesses the success of the business in generating an ROIC consistent with the Company's five-year strategic plan. In recognition that US LTI plans typically provide an upside opportunity relative to the target LTI grant opportunity for significant "out performance", this grant provides for a maximum vesting at 200% of the target for out-performance. Based on the Company's ROIC performance, Mr Claro's ROIC Performance Rights will vest in accordance with the table below:

ROIC of the Company for FY2019	Proportion of ROIC Performance Rights vesting	Number of ROIC Performance Rights vesting
Less than 8.0%	0%	0
8.0% (Threshold)	50%	114,992
Between 8.0% and 10.0%	Straight-line vesting between 50% and 100%	Straight-line vesting
10.0% (Target)	100%	229,984
Between 10.0% and 12.0%	Straight-line vesting between 100% and 200%	Straight-line vesting
12.0% (Maximum)	200%	459,968

The ROIC of the Company for FY2019 will be determined by taking the Profit of the Company for FY2019 and dividing it by the Invested Capital.

When determining the ROIC of the Company at the end of the Performance Period for this purpose, the Board has full discretion to include or exclude items, if appropriate, to better reflect Shareholder expectations or management performance. In particular, the Board retains the discretion to consider exceptional circumstances pertaining to the Company or to the industry in which the Company operates to ensure there is no material advantage or disadvantage due to factors outside management's control that materially affect the extent to which ROIC Performance Rights may vest. In exercising its discretion, the Board will not increase the number of ROIC Performance Rights which can be issued under this component of Mr Claro's FY2017 LTI Award.

(e) *Continued employment vesting condition:*

In addition to the Company meeting the applicable respective TSR and ROIC performance hurdles specified above, Mr Claro must also continue to be a full-time employee of the Company (or its subsidiary) at the Rights Vesting Date for the FY2017 Performance Rights to vest.

Unvested FY2017 Performance Rights lapse upon Mr Claro ceasing to be an employee, subject to his Executive Employment Agreement dated 7 October 2013 (as amended) which may allow continued vesting in certain circumstances (referred to as a **Qualifying Cessation**). A Qualifying Cessation allowing continued vesting of any unvested

FY2017 Performance Rights will occur in the following circumstances:

- (i) If Mr Claro's employment is terminated by the Company for convenience, unless the Board determines otherwise acting reasonably having regard to the performance of Mr Claro over the preceding years.
- (ii) If Mr Claro terminates his employment for good reason.
- (iii) If Mr Claro's employment is terminated on his death or permanent disablement, or in other circumstances determined at the discretion of the Board.

In the event of a Qualifying Cessation on or prior to the Test Date, Mr Claro's unvested FY2017 Performance Rights will not immediately lapse, but instead will be retained and tested for satisfaction of vesting conditions at the end of the Performance Period (that is, the Test Date).

Where there is a Qualifying Cessation after the Test Date but prior to the Rights Vesting Date, Mr Claro's vested FY2017 Performance Rights will, assuming they have satisfied the vesting conditions, not lapse but will instead be automatically exercised on the Rights Vesting Date.

All FY2017 Performance Rights will lapse and be immediately forfeited in cases of fraud, gross dishonesty or termination of Mr Claro's employment for cause.

(f) *Change of control:*

The Board has the discretion to immediately vest Mr Claro's unvested FY2017 Performance Rights if:

- a person who did not control the Company at the date of grant of the FY2017 Performance Rights gains control of the Company; or
- a takeover bid is recommended by the Board, or a scheme of arrangement which would have a similar effect to a full takeover bid is approved by the Company's Shareholders.

KEY TERMS OF FY2017 OPTIONS

- (a) 423,827 Options will be granted to Mr Claro under the FY2017 LTI Award, conditional on obtaining Shareholder approval to Resolution 6. An Option is a right to be issued a Share upon the applicable vesting conditions being met and payment of the exercise price. The FY2017 Options to be issued to Mr Claro will be issued at a nil issue price. Under the LTIP Rules, the Company may, in its discretion, cause existing Shares to be transferred to Mr Claro in satisfaction of its obligation to issue Shares to him on exercise of his FY2017 Options.
- (b) The exercise price of the FY2017 Options will be calculated using the average of the closing prices of the Shares traded on the ASX in the ordinary course of trade during the five trading days up to, but not including, the date of grant of the FY2017 Options. If Resolution 6 is passed, the FY2017 Options will be granted to Mr Claro on 10 November 2016.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

- (c) The FY2017 Options will vest, and become exercisable, in three equal tranches over approximately three years on 31 August 2017, 31 August 2018 and 30 August 2019 (**Options Vesting Date**) as set out below (**Vesting Schedule**):

Vesting Schedule		
	Number of FY2017 Options which will vest	Date
Tranche 1	141,275	31 August 2017
Tranche 2	141,276	31 August 2018
Tranche 3	141,276	30 August 2019

- (d) Once vested, the FY2017 Options can be exercised up until the date which is 7 years from the date of their grant, at which time all unexercised FY2017 Options will expire.

- (e) *Continued employment vesting condition:*

Mr Claro must continue to be a full-time employee of the Company (or its subsidiary) at the relevant Options Vesting Date for the relevant tranche of FY2017 Options to vest.

Unvested FY2017 Options lapse upon Mr Claro ceasing to be an employee, subject to his Executive Employment Agreement dated 7 October 2013 (as amended) which may allow continued vesting in certain circumstances (referred to as a **Qualifying Cessation**). These circumstances are detailed above in paragraph (e) under the heading 'Key terms of FY2017 Performance Rights'.

In the event of a Qualifying Cessation, Mr Claro's unvested FY2017 Options will not immediately lapse, but instead will vest in accordance with the original Vesting Schedule.

All FY2017 Options will lapse and be immediately forfeited in cases of fraud, gross dishonesty or termination of Mr Claro's employment for cause.

- (f) *Change of control:*

The Board has the discretion to immediately vest Mr Claro's unvested FY2017 Options if:

- a person who did not control the Company at the date of grant of the FY2017 Options gains control of the Company; or
- a takeover bid is recommended by the Board, or a scheme of arrangement which would have a similar effect to a full takeover bid is approved by Shareholders.

EQUITY RIGHTS GENERALLY

In relation to both Performance Rights and Options, the LTIP Rules:

- prohibit the executive from hedging unvested awards;
- allow the Company to settle awards in cash upon vesting at the Board's discretion;
- state that if, prior to their exercise, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash), the terms of the Equity Rights will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time to a reorganisation of capital at the time of the reorganisation; and

- state that the holder is not entitled to participate in a new issue of shares or other securities made by the Company to holders of its shares unless the Equity Rights are vested and exercised before the record date for the relevant issue.

ASX Listing Rules requirements

The following further information is provided for the purposes of the ASX Listing Rules:

- The approval sought under Resolution 6 is in relation to the grant of securities (being the Equity Rights under Mr Claro's FY2017 LTI Award) to Mr Claro, who is a director of the Company.
- Under Mr Claro's FY2017 LTI Award, the maximum number of FY2017 Performance Rights that will be granted to him is 766,274 and the maximum number of FY2017 Options that will be granted to him is 423,827. Each FY2017 Performance Right and FY2017 Option, on vesting, entitles Mr Claro to be issued one Share.
- No issue price is payable by Mr Claro for the grant of the FY2017 Performance Rights and FY2017 Options to him.

No exercise price is payable to exercise the FY2017 Performance Rights (subject to the vesting conditions being satisfied).

The exercise price of the FY2017 Options is based on the average of the closing prices of the Shares traded on the ASX in the ordinary course of trade during the five trading days up to, but not including, the grant date of the FY2017 Options.
- Since the date of the last Shareholder approval under ASX Listing Rule 10.14 (being 12 November 2015), grants of 554,090 Performance Rights and 343,650 Options were made to Mr Claro for nil consideration under the LTIP.
- All Directors are eligible under the terms of the LTIP to participate in the LTIP, although there is no intention to make awards to Non-Executive Directors.
- A voting exclusion statement for Resolution 6 is set out below.
- No loan is advanced to Mr Claro in relation to the proposed grant of the FY2017 Performance Rights and FY2017 Options to him.
- If Resolution 6 is passed, the FY2017 Performance Rights and FY2017 Options will be granted to Mr Claro on 10 November 2016.
- Under ASX Listing Rule 7.1, a listed entity has the ability to issue 15% of its issued capital without shareholder approval in a 12 month period. When an entity issues or agrees to issue securities under ASX Listing Rule 7.1 without shareholder approval, that issue or agreement to issue uses up part of the 15% capacity available under that rule. However, if approval is given by shareholders under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Equity Rights granted to Mr Claro and any Shares issued pursuant to this approval will not use up part of the 15% capacity under ASX Listing Rule 7.1.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

Voting exclusion statement

The Company will disregard any votes cast on Resolution 6:

- by or on behalf of any Director of the Company (and any of their associates); and
- by a KMP, or a closely related party of a KMP, as a proxy, unless the vote is cast as proxy for a person entitled to vote on Resolution 6:
- in accordance with a direction in the Proxy Form; or
- by the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP (please refer to the Proxy Form for this authorisation).

Board's recommendation

The Board, with Mr Claro absent and not voting, unanimously recommends you vote in favour of Resolution 6 which will complete the Company's remuneration strategy for Mr Claro for FY2017.

RESOLUTION 7 – GRANT OF RSU AWARD TO MR CLARO

The Board (with Mr Claro absent and not voting) believes it is appropriate that the Group CEO, Mr Claro be granted a one-off special discretionary award of 384,925 Restricted Stock Units (**RSUs**) under the Company's LTIP with a value of A\$3.5 million (**RSU Award**).

The RSU Award comprises 2 components:

The first component, with a value of A\$1.05 million, is an award of 109,489 RSUs that, if approved, would, subject to the Group CEO's continued employment, vest on 10 November 2017. This award is in recognition of the excellent progress made during FY2016 by the Group CEO (and in his direction of the Executive Leadership Team) in delivering on the Streamline and Optimise components of the Company's five-year strategic plan. This resulted in a continual reduction in costs and improving efficiency. Unfortunately, the collapse of prices in the metals recycling industry, particularly in the first half of the year, and the consequent impact on source material feedstocks, made operating conditions extremely challenging in FY2016 and precluded the Company's budget being achieved. This meant the Group CEO did not receive a cash reward under the Company's STI plan in FY2016. Notwithstanding, the Board Remuneration Committee (**Remco**) and the Board concluded it was appropriate to use their discretion to reflect the progress that had been made in circumstances where a reward under the STI plan would otherwise not have been achieved, while also aligning the Group CEO's interests with that of Shareholders by providing the reward by way of RSUs.

The second component, with a value of A\$2.45 million, is an award of 275,436 RSUs that, if approved, would, subject to the Group CEO's continued employment, vest as to 137,718 RSUs, on 11 November 2019 and, as to 137,718 RSUs, on 10 November 2020. This award is part of a wider retention incentive arrangement for the Group CEO and members of the Executive Leadership Team. It is increasingly difficult for the Company to attract and hold key talent in the global labour market, particularly in the US. The Board believes that the senior

management it has in place, under the leadership of the Group CEO, is an excellent team. Remco and the Board will take sensible steps, as far as possible, to ensure that the team is kept in place, not just for the delivery of the five-year strategic plan through to the end of FY2018, but beyond. Coupled with the fact that limited rewards have been achieved under the Company's LTIP, Remco and the Board were sufficiently concerned about the potential of losing members of the senior management team that they took steps to address this risk by implementing this second component of the RSU award. Again, the award of RSUs aligns the Group CEO's interests with that of Shareholders.

The number of RSUs to be granted under the RSU Award is 384,925. If approved by Shareholders, the RSU Award will be made on 10 November 2016.

If Shareholders do not approve Resolution 7, the proposed RSU Award will not be made to Mr Claro. This may impact the Company's ability to incentivise the Group CEO and align his interests with those of Shareholders.

KEY TERMS OF RSUs

- (a) Each RSU, on exercise, entitles Mr Claro to be issued with 1 Share for nil consideration. Under the rules of the LTIP (**LTIP Rules**), the Company may, in its discretion, cause existing Shares to be transferred to Mr Claro in satisfaction of its obligation to issue Shares to him on exercise of his RSUs.
- (b) The RSUs are not subject to any performance hurdles and will automatically vest, as to 109,489 RSUs, on 10 November 2017 and, as to 137,718 RSUs, on 11 November 2019 and, as to 137,718 RSUs, on 10 November 2020, provided that, subject to the terms of the RSU Invitation Letter, Mr Claro is still employed by the Group at each of those respective times (in respect of that particular number of RSUs) and otherwise subject to the terms of the LTIP.
- (c) Unvested RSUs lapse upon Mr Claro ceasing to be an employee, subject to his Executive Employment Agreement dated 7 October 2013 (as amended) which may allow continued vesting in certain circumstances (referred to as a **Qualifying Cessation**). These circumstances are detailed in the explanatory notes to Resolution 6 above, in paragraph (e) under the heading 'Key terms of FY2017 Performance Rights'. In the event of a Qualifying Cessation, Mr Claro's unvested RSUs will not immediately lapse, but instead will vest on the respective dates referred to above (notwithstanding that he is not employed at that time). All RSUs will lapse and be immediately forfeited in cases of fraud, gross dishonesty or termination of Mr Claro's employment for cause.
- (d) In addition, the Board has the discretion to immediately vest Mr Claro's unvested RSUs if:
 - a person who did not control the Company at the date of grant of the RSUs gains control of the Company; or
 - a takeover bid is recommended by the Board, or a scheme of arrangement which would have a similar effect to a full takeover bid is approved by Shareholders.

EXPLANATORY MEMORANDUM FOR THE 2016 ANNUAL GENERAL MEETING (MEETING)

RSUs GENERALLY

In relation to the RSUs, the LTIP Rules:

- (a) prohibit the executive from hedging unvested awards;
- (b) allow the Company to settle awards in cash upon vesting at the Board's discretion;
- (c) state that if, prior to their exercise, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash), the terms of the RSUs will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time to a reorganisation of capital at the time of the reorganisation; and
- (d) state that the holder is not entitled to participate in a new issue of shares or other securities made by the Company to holders of its shares unless the RSUs are vested and exercised before the record date for the relevant issue.

ASX Listing Rules requirements

The following information is provided for the purposes of the ASX Listing Rules:

- (a) The approval sought under Resolution 7 is in relation to the grant of securities (being RSUs) to Mr Claro, who is a director of the Company.
- (b) The maximum number of RSUs that will be granted to Mr Claro is 384,925, which entitles him to be issued, as to 109,489 RSUs, 109,489 Shares upon their vesting on 10 November 2017 and, as to 137,718 RSUs, 137,718 Shares upon their vesting on 11 November 2019 and, as to 137,718 RSUs, 137,718 Shares upon their vesting on 10 November 2020.
- (c) The RSUs have a value of A\$3.5 million. However, the grant of the RSUs is to assist in acting as a retention incentive for Mr Claro. No other consideration is payable by Mr Claro for the grant of the RSUs and no consideration is payable to acquire any Shares on exercise of the RSUs.
- (d) Since the date of the last Shareholder approval under ASX Listing Rule 10.14 (being 12 November 2015), grants of 554,090 Performance Rights and 343,650 Options were made to Mr Claro for nil consideration under the LTIP.
- (e) All Directors are eligible under the terms of the LTIP to participate in the LTIP, although there is no intention to make awards to Non-Executive Directors.
- (f) A voting exclusion statement for Resolution 7 is set out below.
- (g) No loan is advanced to Mr Claro in relation to the proposed grant of the RSUs to him.
- (h) If Resolution 7 is passed, the RSU Award will be made to Mr Claro on 10 November 2016.
- (i) Under ASX Listing Rule 7.1, a listed entity has the ability to issue 15% of its issued capital without shareholder approval in a 12 month period. When an entity issues or agrees to issue securities under ASX Listing Rule 7.1 without shareholder approval, that issue or agreement to issue uses up part of the 15% capacity available under that rule. However, if approval is given by shareholders under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the RSU Awards made to Mr Claro and any Shares issued on exercise of the RSU Awards made pursuant to this approval will not use up part of the 15% capacity under ASX Listing Rule 7.1.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 7:

- by or on behalf of any Director of the Company (and any of their associates); and
- by a KMP, or a closely related party of a KMP, as a proxy, unless the vote is cast as proxy for a person entitled to vote on Resolution 7:
- in accordance with a direction in the Proxy Form; or
- by the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP (please refer to the Proxy Form for this authorisation).

Board's recommendation

The Board, (with Mr Claro absent) considers that the grant of the RSUs is an appropriate mechanism to assist in the retention of the CEO, and the grant strengthens the alignment of the CEO's interests with that of Shareholders. The Board, with Mr Claro absent and not voting, therefore unanimously recommends that you vote in favour of Resolution 7.

ANNEXURE 1

SUMMARY OF KEY PROPOSED AMENDMENTS TO THE CONSTITUTION

Subject	Summary of amendment	Clause reference
Preference Shares	Under the Corporations Act, the Company can issue preference Shares only if rights attached to the preference Shares with respect to certain matters are set out in the Constitution or otherwise approved by a special resolution of Shareholders. The Constitution does not currently set out the rights of preference Shares with respect to all of these matters. As such, it is proposed to amend the Constitution to address these additional matters. The amendments provide that if the Company issues any preference Shares, the holders of the preference Shares will have the following rights (amongst others), unless a special resolution of Shareholders approves otherwise: - the right to receive a dividend at a rate or of the amount and on the conditions that the Directors resolve under the terms of issue. Such dividend will rank for payment in priority to ordinary Shares; - in addition to the rights to receive a dividend, the right to participate equally with the ordinary Shares in the distribution of profits if and on the basis the Directors resolve under the terms of issue; - if any dividend is cumulative, the right in a winding up, reduction of capital or redemption, to payment of the amount of any accrued but unpaid dividends; - if any dividend is non-cumulative, if the Directors resolve under the terms of issue, the right in a winding up, reduction of capital or redemption, to payment of the amount of any dividends accrued but unpaid for the period commencing on the most recent dividend payment date and ending on the date of winding up, reduction of capital or redemption; - the right in a winding up, reduction of capital or redemption to payment of any amount that the Directors resolve at the time of issue. Payment of such amount will rank for payment in priority to ordinary Shares unless the Directors resolve otherwise under the terms of issue; - the right to a bonus issue or capitalisation of profits in favour of holders of preference Shares if the Directors resolve under the terms of issue; and - the right to participate with the ordinary Shares in profits and assets of the Company, including on a winding up, if the Directors resolve under the terms of issue.	2.3
Registration of paper-based transfers	To reflect changes made to the ASX Listing Rules in 2011, an amendment is proposed to be made to permit the Company to charge a reasonable fee for registering paper-based transfers of Shares, unless it is not permitted to charge a fee by the ASX Listing Rules.	8.3
Notice of general meetings	Amendments are proposed to clarify that: - notice of a change of venue for, or postponement or cancellation of, a general meeting must be given to ASX but need not be given individually to Shareholders; - the non-receipt of notice of a general meeting by, or the accidental omission to give notice of a general meeting to, a person entitled to receive notice does not invalidate any resolution passed at the meeting; and - a person's attendance at a general meeting waives any objection that person may have to failure to give notice (unless the person objects to the holding of the meeting at the beginning of the meeting) and to the consideration of a particular matter at the meeting which is not stated in the notice of meeting (unless the person objects to considering the matter when it is presented).	15.8 to 15.10

ANNEXURES

Subject	Summary of amendment	Clause reference
Proceedings at general meetings	Some amendments are proposed to clarify certain procedural aspects of general meetings, including: • for the purposes of determining a quorum at a general meeting, if a Shareholder has appointed more than one proxy, attorney or representative, only one of them is to be counted, and if an individual is attending both as a Shareholder and as a proxy, attorney or representative, that individual is to be counted only once; • the Company may hold a general meeting at two or more venues using any technology that gives the Shareholders as a whole a reasonable opportunity to participate; and • a poll cannot be demanded on a resolution concerning the election of the chairperson of a meeting or the adjournment of a meeting. To reflect advancements in technology, it is proposed to insert a provision which allows the Directors to, subject to the Corporations Act, determine that Shareholders may vote at a general meeting by electronic direct voting or other forms of direct vote.	16 and 17
Maximum number of Directors	The current Constitution provides that the number of Directors must not be less than 6 or more than the number determined by the Directors from time to time. The Directors have not determined a maximum number of Directors. The Directors consider that it is appropriate for there to be a limit on the size of the Board and therefore it is proposed that the Constitution be amended to specify that the maximum number of Directors is 10. The Directors can only reduce this maximum number with the approval of Shareholders.	19.1
Notices to Shareholders	The notice provisions are proposed to be expanded to more expressly allow the Company to give notices to Shareholders electronically and by any other method which is permitted by the Corporations Act or other applicable legislation.	33
Distribution of surplus assets on a winding up	The current Constitution provides that in a winding up, the surplus assets of the Company will (subject to the rights of holders of Shares issued on special terms, the Constitution, the Corporations Act and the Listing Rules) be distributed amongst the Shareholders to return capital paid up on their Shares and distribute any surplus in proportion to the amount paid up on Shares held by them. It is proposed to amend this provision to align it with the practice amongst a number of publicly listed companies, so that any surplus assets on a winding up will (subject to the rights of holders of Shares issued on special terms, the Constitution, the Corporations Act and the Listing Rules) be distributed amongst Shareholders in proportion to the number of fully paid Shares held by them (and pro-rated for partly paid shares), irrespective of the amounts paid or credited as paid on the Shares.	34.1

ANNEXURE 2

COMPARATOR COMPANIES FOR TSR PERFORMANCE HURDLE

- AK Steel Holding Corporation
- Alcoa Inc.
- Allegheny Technologies Inc.
- ArcelorMittal S.A.
- BlueScope Steel Limited
- Commercial Metals Co.
- Gerdau S.A.
- Nucor Corporation
- POSCO
- Reliance Steel & Aluminum Co.
- Schnitzer Steel Industries Inc.
- Steel Dynamics Inc.
- Tokyo Steel MFG Co Ltd.
- United States Steel Corporation



**SIMS
METAL
MANAGEMENT**

Sims Metal Management Limited
ABN 69 114 838 630

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

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Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of Sims Metal Management Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am on Wednesday, 9 November 2016 at The Westin Hotel, Heritage Ballroom 1 Martin Place, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 5, 6 and 7: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 5, 6 and 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

1 Re-election of Director – Mr Robert Bass

For Against Abstain*

☐	☐	☐
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2 Re-election of Director – Mr Tamotsu Sato

☐	☐	☐
--------------------------	--------------------------	--------------------------

3 Approval of amendments to Constitution

☐	☐	☐
--------------------------	--------------------------	--------------------------

4 Renewal of Proportional Takeover provisions in Constitution

☐	☐	☐
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5 Remuneration Report

For Against Abstain*

☐	☐	☐
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6 Participation in the Company's Long Term Incentive Plan (LTIP) by Mr Galdino Claro

☐	☐	☐
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7 Grant of Restricted Stock Units (RSU) Award to Mr Galdino Claro

☐	☐	☐
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

SGM PRX1601C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Monday, 7 November 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Sims Metal Management Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**