QUEENSLAND SUGAR LIMITED

ABN 76 090 152 211

QSL

Your Trusted Partner

QSL SHARED POOL TERMS (2019 SEASON)

1 OVERVIEW

Where QSL markets Raw Sugar, the price it returns to the Participants which that Raw Sugar is attributable to is calculated in accordance with pooling arrangements, involving the sharing among Participants of costs incurred and revenues received by QSL.

The ***Net IPS Price*** to be paid by QSL to Participants for Raw Sugar allocated to a QSL Pricing Pool will consist of two elements:

(a) the ***Gross Price Element*** (being an AUD price per Tonne IPS for an individual QSL Pricing Pool determined in accordance with the Pricing Pool Terms for that QSL Pricing Pool); and

(b) the ***Shared Pool Element*** (being an AUD allocation of net costs or revenues per Tonne IPS applied to each Tonne IPS).

The Shared Pool Element for a Participant for each QSL Pricing Pool for the 2019 Season will be determined in accordance with these QSL Shared Pool Terms.

While the Shared Pool Element will typically be the same for all Pool Participants in a QSL Pricing Pool, the Shared Pool Element will vary between Participants:

- where there are Participant Specific Costs that only apply to some Participants; and
- where there is a Supplementary Commitment Premium that only applies to some Participants or applies to varying proportions of the Raw Sugar attributable to Participants.

To understand the way in which the price received for Raw Sugar delivered to QSL is calculated, it is important to read both these QSL Shared Pool Terms and the Pricing Pool Terms for each relevant QSL Pricing Pool.

2 CALCULATING THE SHARED POOL ELEMENT

2.1 OVERVIEW

The Shared Pool Element is calculated by allocations to each QSL Pricing Pool of the following:

(a) Marketing Revenue;

(b) Direct Marketing Costs;

(c) Additional Port Loading Rebate;

(d) Shared Costs; and

(e) Pool Specific Costs,

subject to the following additional allocations which may vary between Participants:

(f) Participant Specific Costs; and

(g) Supplementary Commitment Premium.

As QSL operates on a not-for-profit basis, there is never any retained profit or margin for QSL included in the calculation of the Shared Pool Element.

2.2 USD CONVERSION

The USD value of any revenues and Costs aggregated in the QSL Shared Pool will:

(a) for QSL Marketed Pools, be converted to AUD at the AUD/USD rate hedged by QSL in accordance with the guidelines provided in QSL's board approved policies from time to time; and

(b) for Supplier EI Pools, be converted to AUD at the AUD/USD rate hedged by QSL as instructed by the relevant RSSA Participant in writing in accordance with the procedures published by QSL provided that:

(i) all hedging of the QSL Shared Pool exposure of a Supplier EI Pool is to be completed by no later than 25 June in the following year (such that hedging for the 2019 Season is to be completed by 25 June 2020); and

(ii) if QSL does not receive instructions from the relevant RSSA Participant for sufficient hedging by the relevant 25 June, QSL will hedge any remaining exposure in accordance with the guidelines provided in QSL's board approved policies.

The procedures and guidelines referred to in section 2.2 must be provided to each RSSA Participant each time they are amended.

2.3 MARKETING REVENUE

(a) What is Marketing Revenue?

Marketing Revenue means each of the following (which between them are intended to capture revenue from premiums paid by customers, where a premium is a surcharge or additional amount above or below the ICE 11 or the ICE 16 price paid by export customers):

(i) ***CFR Premiums***, being the element of an export Raw Sugar invoice for a sale or purchase of Raw Sugar by QSL that covers the freight and or physical premium charged to the buyer of the Raw Sugar, basis 96 degrees polarisation for all In-Season sales or purchases;

(ii) ***Polarisation Premiums***, being the price adjustment on an invoice for the Bulk Export of Raw Sugar for a purchase or sale by QSL that represents the value of Raw Sugar above 96 degrees polarisation and any other price adjustment paid by the buyer specifically for the quality or type of Raw Sugar;

(iii) ***Futures Premiums***, means the total of:

(A) any Production Buffer Failure Adjustment, as allocated in clause 3;

(B) a QSL Pricing Pool's share of the futures gain or loss from rolling the long futures contracts from Raw Sugar customer invoice pricing to match QSL's Marketing Plan;

(C) a QSL Pricing Pool's share of the cost of lifting hedges to convert a fixed price sale to a customer to a sale that can be hedged on the ICE 11 or ICE 16 futures market. This cost will be determined by comparing the Invoice Base Price of a fixed price sale to the weighted average price of the futures contracts bought to allow the fixed price to be hedged on the ICE 11 or ICE 16 futures market; and

(D) The spread captured on the ICE 11 futures market from sales of Third Party Origin Sugar, which reflects the difference in the ICE11 futures price achieved for a QSL Pricing Pool sale of Australian Sugar that has been substituted with Third Party Origin Sugar (with the QSL Pricing Pool Raw Sugar being re-sold for shipment at a later date); and

(iv) ***Other Marketing Revenue***, means any balance of revenue on an export Raw Sugar invoice for the purchase or sale of Raw Sugar by QSL paid by the buyer that is not a CFR Premium, Polarisation Premium or the ***Invoice Base Price***. Invoice Base Price means the element of an export Raw Sugar invoice for a purchase or sale that is derived from the ICE 11, or ICE 16 futures market (or determined by QSL at the time of contract in the case of an LTC).

(b) Allocation of Marketing Revenue to a Pricing Pool

The allocation of Marketing Revenue to a QSL Pricing Pool is calculated as follows:

ICE 11 Pool	CFR Premiums, Polarisation Premiums and Other Marketing Revenue for all physical sales of Raw Sugar based on ICE 11 for the Season *less* CFR Premiums, Polarisation Premiums and Other Marketing Revenue for all purchases of Raw Sugar by QSL based on the ICE 11 for the Season *plus* Futures Premiums for all ICE 11 sales as defined in clause 2.3(a)(iii) above
US Quota Pool	CFR Premiums, Polarisation Premiums and Other Marketing Revenue from all US Quota physical sales of Raw Sugar for the Season *plus* Futures Premiums for all ICE 16 sales as defined in clause 2.3(a)(iii) above, including any allocation of any Production Buffer Failure Adjustment calculated in accordance with clause 3.
LTC Pool	CFR Premiums, Polarisation Premiums and Other Marketing Revenue for all physical sales of Raw Sugar for the relevant LTC for the Season *plus* Futures Premiums, being for LTC Pools only an allocation of any Production Buffer Failure Adjustment calculated in accordance with clause 3
Supplier EI Pool	any agreed premiums under the relevant RSSA FOB Sales Contract

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2.4 DIRECT MARKETING COSTS

(a) What are Direct Marketing Costs?

Direct Marketing Costs means each of the following categories of Costs (which between them are intended to capture the Costs incurred directly in selling and shipping Raw Sugar to customers, including the costs of acquiring Third Party Origin Sugar):

(i) ***Freight Costs***, being the Costs of transportation of Raw Sugar by sea or road (payable to the ship owner or transport company) to deliver Raw Sugar to the purchaser;

(ii) ***Banking and Execution Costs***, being sugar futures executing brokerage Costs, finance charges of export sales, bank fees associated with the opening of letters of credit, interest costs on the early payment of sales proceeds and any other Costs of executing a Raw Sugar sale or purchase contract;

(iii) ***Raw Sugar Quota Purchases***, being the Costs of QSL purchasing CQEs (being allocations occurring under any system for determining the amount of Raw Sugar that can be exported from Australia to the United States of America) from mill owners;

(iv) ***Other Direct Marketing Costs***, being all Costs incurred in connection with selling or purchasing Raw Sugar under physical sales contracts or associated with discharging activities at export destinations that are not Freight Costs, Banking and Execution Costs or Raw Sugar Quota Purchases. For example, Other Direct Marketing Costs includes Discharge Port Costs, marine and charterers liability insurances, sales brokerage, and sundry marketing Costs.

(b) Allocation of Direct Marketing Costs to a Pricing Pool

The allocation of Direct Marketing Costs to a QSL Pricing Pool is calculated as follows:

ICE 11 Pool	*ICE 11 DMC x Pool Tonnes IPS / Total ICE 11 Pools Tonnes IPS* where *ICE 11 DMC* means the Direct Marketing Costs for all ICE 11 sales and purchases *Pool Tonnes IPS* means the total Tonnes IPS in the relevant ICE 11 Pool *Total ICE 11 Pools Tonnes IPS* means the total Tonnes IPS in all QSL ICE 11 Pools
US Quota Pool	Direct Marketing Costs for all US Quota sales for the Season
LTC Pool	Direct Marketing Costs for the relevant LTC for the Season
Supplier EI Pool	Direct Marketing Costs for the relevant RSSA FOB Sales Contract

2.5 ADDITIONAL PORT LOADING REBATE

(a) What is the Additional Port Loading Rebate?

The stocks of raw sugar sold to QSL by Delivery Participants are managed together in a combined logistics system.

An Additional Port Loading Rebate is allocated to QSL Marketed Pools and Supplier EI Pools where a shipment of Raw Sugar allocated to such a Pool incurs additional costs (including stevedoring, port fees, supervision, weight and sampling and weighted average difference in Freight Costs caused) due to 'two port loading' a vessel, where that 'two port loading' occurs to manage stock levels in the bulk sugar terminals as part of the combined logistics system.

No Additional Port Loading Rebate will be allocated to a Supplier EI Pool where the relevant RSSA Participant:

(i) requests a two port load for the purposes of complying with the requirement in the RSSA to ship 'Vessel Size Restricted Port Tonnage'; or

(ii) otherwise voluntarily requests a two port load where not required by QSL (including where the 'Master Logistics Plan' applying under the RSSA, includes such shipping arrangements, if the reason for their inclusion is a decision or request by the RSSA Participant).

In any month where QSL determines that an Additional Port Loading Rebate applies to a shipment of Raw Sugar allocated to the Supplier EI Pool, it will provide the RSSA Participant, by no later than the end of the next month with the basis for the Additional Port Loading Rebate amount calculated for such shipment.

(b) Allocation of Additional Port Loading Rebate

The allocation of an Additional Port Loading Rebate to a QSL Pricing Pool is calculated as follows:

Each QSL Marketed Pool	$\textit{APLR for QMPS x } \frac{\textit{Total Tonnes Actual in the QSL Marketed Pool}}{\textit{Total Tonnes Actual in all QSL Marketed Pools}}$ where *APLR for QMPS* means the total Additional Port Loading Rebates allocated to shipments related to QSL Marketed Pools
Each Supplier EI Pool	The total Additional Port Loading Rebate for all shipments of Raw Sugar allocated to the relevant Supplier EI Pool

2.6 SHARED COSTS

(a) What are Shared Costs?

Shared Costs means the aggregate of the following Costs and levies (which between them are intended to capture the Costs of providing the services forming part of the pooling system which are used by all Participants):

(i) ***Handling and Storage Costs***, means the net Costs incurred by QSL in respect of handling and storage for Raw Sugar supplied to QSL under the RSSAs and OSAs, being the charges levied on it for the handling and storage services provided to QSL for such Raw Sugar;

(ii) ***Port Differential Levy***, being a charge levied by QSL to fund the Costs of paying Port Differential Rebates;

(iii) ***Additional Port Loading Levy***, means a charge levied in order to fund the aggregate Additional Port Loading Rebates (as described in clause 2.5(a)) and the Additional Port Loading Rebates applying to Supplier EI Pools under the RSSAs;

(iv) ***Harbour Dues***, means an allocation in respect of partial payment made by QSL of the harbour dues levied by the relevant port authorities at the port(s), where Delivery Participants deliver Raw Sugar to QSL under an OSA or RSSA, for the amount set out in the table below:

Port	Harbour Dues AUD/ Tonnes Actual (QSL contribution)
Cairns	0.20
Mourilyan	0.30
Lucinda	0.20
Townsville	0.20
Mackay	0.20
Bundaberg	0.20

The balance of actual harbour dues levied by the port authorities are paid by milling companies. For RSSA Participants this will occur by deducting from the RSSA Participant's final Pool payment for each Season the difference between:

(A) the harbour dues amount levied by the relevant port authority at the port(s) where the RSSA Participant delivered Raw Sugar to QSL; and

(B) the QSL contribution to such harbour dues amounts already allocated as Shared Costs based on the table above,

provided that:

(C) where more than one Delivery Participant delivers Raw Sugar to QSL at a port, harbour due Costs will be calculated in proportion to the Tonnes Actual delivered to the port by each Delivery Participant; and

(D) for Raw Sugar supplied at Lucinda, QSL will use the weighted average per Tonne Actual harbour dues amount levied on all Queensland ports used by Delivery Participants to calculate the deduction.

(v) ***Finance Facilities Charge***, means the fixed Costs of operating and maintaining QSL Banking and Finance Facilities, being those Costs which QSL incurs as a result of the QSL Banking and Finance Facilities, to fund the operations of the RSSAs and OSAs, irrespective of the level to which the QSL Banking and Finance Facilities are drawn upon (including certain facility and account fees), excluding any fixed Costs of operating and maintaining QSL Banking and Finance Facilities that solely relate to the provision of non-standard advances schemes;

(vi) ***QSL Shared Services Costs***, means Costs incurred by QSL in providing services common to all Participants in connection with all RSSAs and OSAs and independent of whether Raw Sugar is marketed by the Participant or by QSL and which do not fall under any other component of Shared Costs (including Direct Customer Quality Claims which the Quality Pricing Pool Terms provide to be a Shared Cost).

(b) Allocation of Shared Costs to a Pricing Pool

The allocation of Shared Costs to a QSL Pricing Pool is calculated as follows:

Each QSL Pricing Pool	$\dfrac{\textit{Total Shared Costs x Tonnes Actual in QSL Pricing Pool}}{\textit{Total Tonnes Actual for all QSL Marketed Pools and Supplier EI Pools}}$

2.7 POOL SPECIFIC COSTS

(a) What are Pool Specific Costs?

Pool Specific Costs are any Costs incurred by QSL that are specifically allocated to certain Pricing Pools only, as the Costs incurred relate specifically to those Pricing Pools rather than QSL's pooling arrangements more generally.

Pool Specific Costs may be allocated to Supplier EI Pools (offered under the RSSAs) only, to all QSL Marketed Pools only, or specific QSL Marketed Pools only.

(b) Pool Specific Costs applying to all QSL Pricing Pools

The Pool Specific Costs to be allocated to all QSL Pricing Pools are the following Costs:

(i) ***Brand Allowances***, being the total fees paid by QSL for a Season to Delivery Participants for the manufacture of brands of Raw Sugar other than Brand 1;

(ii) ***QSL Marketing Services Costs***, being the Costs of operating QSL's Brisbane office relating to marketing and associated support activities, strategic / market intelligence services and global alliance activities, excluding QSL Shared Services Costs.

(iii) ***Finance Charge***, being the net interest expense incurred by QSL in borrowing money to fund the operations of the RSSAs and OSAs, including the making of advance payments and funding ICE 11 and ICE 16 contract futures margins. For the avoidance of doubt, the Finance Charge excludes:

(A) any costs included in the Finance Facilities Charge (and therefore allocated as Shared Costs under clause 2.6); and

(B) any costs of funding non-standard advances schemes (which will be allocated as Participant Specific Costs to those Participants to which that non-standard advances scheme applies).

less:

(iv) ***Port Differential Rebate***, calculated for each shipment as QSL's assessed freight rate from the actual port of loading minus QSL's assessed freight rate from the lowest cost port of loading (including the relevant port costs and any additional steaming costs for the actual port of loading, and excluding in both cases any applicable Harbour Dues).

Under the combined logistics system, RSSA Participants marketing Raw Sugar allocated to Supplier EI Pools are not in control of which port their shipments are loaded from. The cost of freight differs for each port. The Port Differential Rebate is intended to make the Supplier EI Pools or the RSSA Participants and the QSL Marketed Pools indifferent to which port a shipment is loaded at, so the differences in freight are shared amongst all Participants. In any month where QSL determines that a Port Differential Rebate applies to shipments of Raw Sugar allocated to a Supplier EI Pool, QSL will provide the RSSA Participant, by no later than the end of the next month, with the basis for the Port Differential Rebate amount calculated for each such shipment.

The allocation of those Pool Specific Costs to each Pricing Pool is calculated as follows:

Each QSL Marketed Pool	$\frac{(BA + MSC + FC - PDR) \times \text{Tonnes IPS in QSL Pricing Pool}}{\text{Total Tonnes IPS allocated to all QSL Marketed Pools}}$ Where *BA* means total Brand Allowances *MSC* means the QSL Marketing Services Costs *FC* means the Finance Charge *PDR* means the aggregate Port Differential Rebate for all shipments of Raw Sugar allocated to QSL Marketed Pools for the Season
Each Supplier EI Pool	*FC – PDR* Where *FC* means the Finance Charge calculated by applying an interest rate equal to the weighted average effective interest rate on all of QSL's outstanding debt (in both AUD and USD) on the first Business Day of the relevant Month to the daily cash balance of the relevant Supplier EI Pool (for both AUD and USD balances, including margin calls, advances payments, settlements of OTC instruments less interest income and all other Costs and income directly connection with the Supplier EI Pool) *PDR* means the aggregate Port Differential Rebate for all shipments of Raw Sugar allocated to the relevant Supplier EI Pool for the Season

(c) Pool Specific Costs applying to particular QSL Marketed Pools

The Pool Specific Costs to be allocated to only some QSL Marketed Pools are the following Costs:

(i) ***Accounting Allocations*** being the specific QSL Marketed Pool's share of adjustments required under accounting standards for changes to the AUD valuation for items in QSL's balance sheet that are held in USD including those relating to timing differences between sales and foreign exchange hedging (as reasonably determined by QSL); and

(ii) ***QSL Supplementary Commitment Premium Costs*** means the total Costs of the Supplementary Commitment Premium allocations to eligible Participants (allocated between all eligible Participants on a per eligible Tonne IPS basis), which for the avoidance of doubt may be zero.

2.8 PARTICIPANT SPECIFIC COSTS

(a) What are Participant Specific Costs?

Participant Specific Costs are Costs or revenues which are allocated from the Shared Pool to a particular Participant, being:

(i) the Participant's share of the RSSA Quality Scheme Costs;

(ii) any Supplier Sugar Quality Allocation to the Participant in accordance with clause 2.8(c) (and the Quality Pricing Pool Terms); and

(iii) The amount of the QSL Shared Services Rebate allocated to the Participant in accordance with clause 2.8(d); and

(iv) The amount of the QSL Supplementary Commitment Premium allocated to the Participant in accordance with clause 2.8(e);

(v) The amount of the Incremental OSA Costs allocated to the Participant in accordance with clause 2.8(f);

(vi) Any funding costs of a non-standard advances profile received by a Participant allocated to the Participant in accordance with clause 2.8(g); and

(vii) Any other Costs incurred by QSL, or revenue received by QSL, that these Shared Pool Terms or the Pricing Pool Terms for the QSL Pricing Pools do not provide to be allocated to Participants, allocated in accordance with clause 2.8(h).

(b) QSL Raw Sugar Quality Scheme

OSA Participants do not participate in QSL's Raw Sugar quality scheme and therefore this allocation will be zero for OSA participants. Delivery Participants will remain responsible for any charges invoiced to them in relation to the sampling and analysis of the quality of Raw Sugar they deliver to the bulk sugar terminals, where the relevant sampling occurs prior to title to that Raw Sugar passing to QSL.

For RSSA Participants, ***RSSA Quality Scheme Costs*** means the Cost of analysing raw Sugar supplied to QSL under the relevant RSSA and the Costs of administering the quality scheme necessary to ensure that commingled sugar remains compliant with the brand specifications in the RSSA. This cost will be allocated pro-rata across all of the Pricing Pools for all RSSA Participants.

(c) Supplier Sugar Quality Allocation

The Supplier Sugar Quality Allocation for each Participant for which Raw Sugar attributable to it which is delivered by the relevant Delivery Participant is:

(i) Non-Standard Sugar; or

(ii) Raw Sugar with other quality issues,

that results in additional Costs (including additional costs to market or claims from customers) or price discounts relative to other Raw Sugar, is the amount determined in accordance with the Quality Pricing Pool Terms.

The Quality Pricing Pool Terms are confidential, but can be obtained from QSL by Bargaining Agents or any Grower who is not represented by a Bargaining Agent for the purposes of making decisions in relation to whether elections should be made to have GEI Sugar attributable to the relevant Grower(s) marketed by QSL, subject to entering into a confidentiality undertaking in the form provided by QSL.

(d) QSL Shared Services Rebate

QSL Shared Services Rebate is the net revenue derived from QSL's corporate activities outside of Raw Sugar (including, for the avoidance of doubt, any net revenue derived from the storage and handling arrangements for non-Raw Sugar products and deducting costs of QSL funding industry programs it reasonably assesses as being generally supported by participants in the Queensland sugar industry).

RSSA Participants will receive an allocation of the QSL Shared Services Rebate in each Season during the term of their RSSA.

Eligible Participant's share of the QSL Shared Services Rebate will be calculated as follows:

Each eligible RSSA or OSA Participant	$\frac{QSCR \times ET}{QRBT}$ where *QSCR* means total QSL Shared Services Rebate *ET* means the Eligible Tonnes IPS of the eligible Participant. *Eligible Tonnes IPS* means for: (a) an eligible Participant which is a RSSA Participant, 100% of the Tonnes IPS supplied to QSL; (b) an eligible OSA Participant which is a Delivery Participant, that proportion of the Tonnes IPS of GEI Sugar attributable to that OSA Participant being supplied under their OSA which Growers have nominated to be marketed by QSL for at least 3 seasons forward (the 2019-2021 Seasons); and (c) an eligible OSA Participant which is a Grower, that proportion of the Tonnes IPS of GEI Sugar attributable to that OSA Participant being supplied under the relevant OSA which that Participant has nominated to be marketed by QSL for at least 3 seasons forward (the 2019-2021 Seasons). *QRBT* means the total Eligible Tonnes IPS for all Participants.

(e) QSL Supplementary Commitment Premium

The ***QSL Supplementary Commitment Premium*** applies to:

(i) All RSSA Participants in each Season during the term of their RSSA;

(ii) Each OSA Participant which is a Delivery Participant, to the extent of the Tonnes IPS of GEI Sugar being supplied under the OSA which Growers have nominated to be marketed by QSL for at least 3 seasons forward (the 2019-2021 Seasons); and

(iii) Each OSA Participant which is a Grower, to the extent of the Tonnes IPS of GEI Sugar attributable to that OSA Participant being supplied under the relevant OSA which that Participant has nominated to be marketed by QSL for at least 3 seasons forward (the 2019-2021 Seasons).

The value of the Supplementary Commitment Premium shall be the Marginal Net Premium Value of Pre-Season ICE 11 Sales versus In-season ICE 11 Sales. If the Marginal Net Premium Value would be negative (i.e. a loss), the Marginal Net Premium Value will be deemed to be zero.

Pre-season ICE 11 Sales are those 2019 Season ICE 11 sales made prior to 1 March 2019.

In-season ICE 11 Sales are all 2019 Season ICE 11 sales that were made on or after 1 March 2019.

Eligible Participant's share of the ***QSL Supplementary Commitment Premium*** will be calculated as follows:

Each eligible RSSA or OSA Participant	$\frac{PICET \times Marginal\ Net\ Premium\ Value}{SCPT}$ where *PICET* means: (a) for an eligible Participant that is a RSSA Participant, the RSSA Participant's tonnes IPS allocated to all ICE 11 Pools; (b) for an eligible OSA Participant which is a Delivery Participant, means their eligible OSA Participant Tonnes IPS allocated to all ICE 11 Pools, being that proportion of the Tonnes IPS of GEI Sugar being supplied under their OSA which Growers have nominated to be marketed by QSL for at least 3 seasons forward (the 2019-2021 Seasons) and have been allocated to ICE 11 Pools; and (c) for an eligible OSA Participant which is a Grower, means their eligible OSA Participant Tonnes IPS allocated to all ICE 11 Pools, being that proportion of the Tonnes IPS of GEI Sugar attributable to that OSA Participant being supplied under the relevant OSA which that Participant has nominated to be marketed by QSL for at least 3 seasons forward (the 2019-2021 Seasons) and have been allocated to ICE 11 Pools. *SCPT* means the aggregate of PICET for all eligible RSSA Participants and OSA Participants. *Margin Net Premium Value* means: Average net premium of the Pre-Season ICE 11 Sales - Average Net Premium value of In-season ICE 11 Sales) * Tonnes Actual of Pre-season Sales *Average Net Premium of the Pre-Season ICE 11 sales*= (CFR Premiums of Pre-season ICE 11 sales less Direct Marketing Costs of Pre-season ICE 11 Sales + Third Party Origin Sugar profit made from Pre-season ICE 11 Sales with Omnibus Supply Options) / Tonnes Actual of Pre-season sales Average Net Premium of the In-Season ICE 11 sale = (CFR Premiums of In-season ICE 11 sales less Direct Marketing Costs of in-season ICE 11 sales + Third Party Origin Sugar profit made from In-season ICE 11 sales with omnibus supply options) / Tonnes Actual of In-season Sales

(f) Incremental OSA Costs

Where Costs arise from QSL undertaking activities for or in connection with an OSA or OSA Grower Agreement, QSL will allocate such Costs to the relevant OSA Participants where those Costs:

(i) arise from activities of a type for which:

(A) no substantially similar activity would be undertaken in performing its obligations under an RSSA had the volumes of Raw Sugar under the OSA been supplied by a RSSA Participant under an RSSA; and

(B) there is no substantially similar activity which QSL is, for the relevant Season, actually carrying out for the benefit of the RSSA Participants in connection with its obligations under the RSSA; or

(ii) are:

(A) incurred by QSL in connection with an OSA or OSA Grower Agreement or in performing obligations forming part of the terms of an OSA or OSA Grower Agreement; and

(B) wholly incremental to the Costs which QSL would have incurred had the volumes of Raw Sugar under the OSA been supplied by a RSSA Participant under an RSSA.

Any allocation of Costs made to OSA Participants under this clause 2.8(f) will be net of any revenue or other contributions that QSL receives:

- from the assets, operations or arrangements in relation to which the Costs were incurred; or
- under the relevant OSA or OSA Grower Agreement or related cane supply agreements where no equivalent revenue is paid or contribution is made by RSSA Participants,

provided the revenue or contribution is:

- by way of recovery, reimbursement of, or compensation for, such Costs; or

  revenue derived from licensing of the software and intellectual property in relation to QSL's grower related systems, subleasing of areas in QSL's regional offices in mill areas to which OSAs relate, or other revenue generated from the activities of persons employed as grower relations officers in mill areas to which OSAs relate.

(g) Non-standard advances schemes

Where Costs are incurred by QSL in providing a non-standard advances scheme, QSL will charge each Participant which participates in such a scheme an amount calculated in accordance with the terms of:

(i) for non-standard advances schemes that are applicable to a specific QSL Pricing Pool, the relevant Pricing Pool Terms applicable to that QSL Pricing Pool; or

(ii) for non-standard advances scheme where eligibility is not restricted to a specific QSL Pricing Pool, the non-standard advances scheme itself as published by QSL,

with, in each case, such amounts intended to reflect the funding costs of QSL providing the relevant non-standard advances scheme.

(h) QSL not to make a profit or loss - allocation of other Costs and revenues

Where Costs are incurred by QSL, or revenue is received by QSL, in performing its obligations under an RSSA, OSA, or OSA Grower Agreement or otherwise performing functions contemplated by these Pricing Pool Terms, that these Shared Pool Terms or the Pricing Pool Terms for the QSL Pricing Pools do not provide to be allocated to Participants, QSL can allocate as Participant Specific Costs the relevant Cost or revenue to the Participants (and in the proportions) to which, in the reasonable opinion of QSL, that Cost or revenue is attributable.

3 QSL HARVEST POOL - PRODUCTION BUFFER FAILURE

(a) What is a Production Buffer Failure?

A ***Production Buffer Failure*** occurs where QSL Harvest Pool Participants have delivered an insufficient amount of Raw Sugar, or had an insufficient amount of Raw Sugar delivered by the relevant Delivery Participant, to meet any sales and/or pricing completed by QSL in the Discretionary Tranche of the QSL Harvest Pool. That will be evidenced by the Production Buffer Tranche of the QSL Harvest Pool (as defined in the QSL Harvest Pool Pricing Pool Terms) becoming a negative amount.

Where the aggregate of the supply estimates provided by all Delivery Participants (in respect of QSL Harvest Pool Participants) declines from the aggregate supply estimates provided by Delivery Participants (in respect of QSL Harvest Pool Participants) on the Pricing Declaration Date, the decline is deducted from (in order of first reduction):

(i) the Discretionary Tranche (to the extent not already sold or priced); and

(ii) the Production Buffer Tranche.

The operation of the Discretionary Tranche and the Production Buffer Tranche are described in more detail in the QSL Harvest Pool Pricing Pool Terms.

For the avoidance of doubt, this clause 3 does not deal with failures by Self-Managed Harvest Pool Participants to deliver sufficient Raw Sugar to meet pricing completed by such Self-Managed Harvest Pool Participants in the Self-Managed Harvest Pool, which is instead dealt with in accordance with the terms of the Self-Managed Harvest Pool Pricing Pool Terms.

(b) What is the Production Buffer Failure Adjustment?

Where a Production Buffer Failure arises, subject to section 3(d) below, the ***Production Buffer Failure Adjustment*** incurred in returning the Production Buffer Tranche to zero (after individual Participants have borne the financial impact of any failure by the Participant, or where the Participant is a Grower the relevant Delivery Participant, to deliver Committed Sugar) will be calculated as follows:

Production Buffer Failure Adjustment = (ASVP – BFP) x LPBF x 1120

(with a positive number being a gain and a negative number being a loss),

where:

AVSP is the weighted average short futures price achieved by the Discretionary Tranche of the QSL Harvest Pool in US cents per pound.

BFP is the weighted average long futures price of the ICE 11 futures contracts bought by QSL in US cents per pound.

LPBF is the number of ICE 11 futures contracts bought by QSL to close out short positions for all ICE 11 Pools against the relevant futures position.

(c) Allocation of Production Buffer Failure Adjustment

In the event of a Production Buffer Failure Adjustment arising, subject to section 3(d) below, it will be allocated to QSL Harvest Pool Participants in respect of each QSL Marketed Pricing Pool they are a Pool Participant in as follows:

Adjustment to QSL Marketed Pricing Pool for QSL Harvest Pool Participants

= Production Buffer Failure Adjustment x IPS Tonnes of QSL Harvest Pool Participants in QSL Pricing Pool

Total IPS Tonnes of QSL Harvest Pool Participants in all QSL Marketed Pools

(d) Impact of roll-forward to 2020 Season

Where QSL determines that the surplus futures positions which resulted from the Production Buffer Failure will be 'rolled-forward' to the 2020 Season in accordance with section 7.2(b) of the QSL Harvest Pool Pricing Pool Terms (by closing out the surplus ICE 11 futures positions for the 2019 Season and acquiring an equivalent volume of ICE 11 futures positions in the 2020 Season), the futures gain or loss incurred in returning the Production Buffer Tranche to zero in that manner (after individual Participants have borne the financial impact of any failure by the Participant, or where the Participant is a Grower the relevant Delivery Participant, to deliver Committed Sugar) will be distributed to all QSL Harvest Pool Participants in the 2020 Season through the 2020 QSL Harvest Pool.

4 REPORTING POOL RESULTS

4.1 REPORTING TO RSSA PARTICIPANTS

QSL will report to each RSSA Participant in accordance with the terms of the relevant RSSA.

4.2 REPORTING TO OSA PARTICIPANTS

QSL will, in addition to any reporting obligations under the relevant OSA and OSA Agreement, provide OSA Participants with reporting on:

(a) the advances programme for that Participant in respect of each relevant QSL Pricing Pool (and the projected Net IPS Price, Gross Price Element and Shared Pool Element for each relevant QSL Pricing Pool for that Participant for that Season); and

(b) the final Net IPS Price, Gross Pool Elements and Shared Pool Element for that Participant for that Season.

4.3 REPORTING TO GROWERS

QSL will provide to any bargaining agent who evidences that they represent members who have taken action under an arrangement with a Participant to cause a Participant to allocate GEI Sugar to a QSL Pricing Pool (under a RSSA or an OSA) with reporting on:

(i) the advances programme of the relevant Participant in respect of each relevant QSL Pricing Pool (and the projected Net IPS Price, Gross Price Element and Shared Pool Element for each relevant QSL Pricing Pool for that Participant for that Season) before any non-QSL local adjustments have been applied;

(ii) the percentage of Raw Sugar which has been priced for each QSL Pricing Pool; and

(iii) the final Net IPS Price, Gross Price Element and Shared Pool Element for that Participant for that Season.

QSL will publish on its website the projected Net IPS Price, Gross Price Element and Shared Pool Element for all QSL Pricing Pools and the advances Programme for Participants for each QSL Pricing Pool prior to any non-QSL local adjustments.

5 GLOSSARY

Capitalised terms used in these QSL Shared Pool Terms have the meaning set out in the QSL Pool Terms Glossary.

6 WHO TO CONTACT?

If you have any queries in relation to these QSL Shared Pool Terms, please do not hesitate to contact the QSL Finance Team by emailing info@qsl.com.au or calling (07) 3004 4400.

Disclaimer: As described in this Pricing Pool Terms document (the **Terms**), you should not make a decision based on these Terms unless you have read and understood the other Pricing Pool Term documents referred to in the Terms. These Terms do not constitute financial, investment or product advice, a risk management strategy, or a recommendation to allocate Raw Sugar to any Pricing Pool described in the Terms. You should therefore seek your own financial advice before making any decisions in relation to the Pricing Pools.

FURTHER INFORMATION

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QSL
Your Trusted Partner

Current as of 4 October 2018.