

# QSL GROWER FLOOR PRICE CONTRACT PRICING POOL TERMS (EFFECTIVE FROM 2021 SEASON)

## 1 OVERVIEW

Where QSL markets Raw Sugar, the price it returns to the Participants which supplied that Raw Sugar 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 OSA Participants, SMA Participants and RSSA 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 Gross Price Element for a Participant for the QSL Grower Floor Price Contract for the applicable Season will be determined in accordance with these QSL Grower Floor Price Contract Pricing Pool Terms.

The total payment due to a Participant in respect of a QSL Pricing Pool is the Participant's Tonnes IPS Raw Sugar allocated to the QSL Pricing Pool multiplied by the Participant's Net IPS Price for the QSL Pricing Pool.

The Tonnes IPS in a QSL Pricing Pool is the sum of, for each Participant in that QSL Pricing Pool, the Tonnes Actual allocated to the QSL Pricing Pool multiplied by the Participant's IPS Conversion Factor.

Consequently, to understand the way in which the price received for Raw Sugar delivered to QSL and allocated to the QSL Grower Floor Price Contract is calculated, it is important to read each of these QSL Grower Floor Price Contract Pricing Pool Terms, the QSL Common Pool Terms and the QSL Shared Pool Terms.

## 2 QSL GROWER FLOOR PRICE CONTRACT

The QSL Grower Floor Price Contract aims to provide opportunities to Participants (and for non-Grower Participants, indirectly their Growers) to secure a known minimum price (the **Floor Price**) for the Gross

Price Element for a nominated tonnage if the market trades to a certain price ahead of the Season in which that Raw Sugar is produced, while enabling limited participation in price rises over the duration of the relevant Season should the market trade above the relevant Floor Price secured by a Participant for a Season (see clause 5 below).

The key features of the QSL Grower Floor Price Contract are:

- a) QSL Marketed Pool – QSL is responsible for marketing the Raw Sugar allocated to the QSL Grower Floor Price Contract;
- b) Forward Season Pool – Participants are able to price Raw Sugar allocated to the QSL Grower Floor Price Contract for up to 3 Seasons in advance up to 3pm on the Floor Completion Date. The Pricing Completion Date for a relevant Season shall be the 15th calendar day of the month in which the Pricing Declaration Date for that Season falls. Where the Floor Completion Date falls on a day that is not a Business Day, the Floor Completion Date for the relevant Season shall fall on the next Business Day.
- c) If QSL closes the QSL Grower Floor Price Contract (in accordance with the QSL Common Pool Terms), Participants will no longer be able to allocate further Raw Sugar to this QSL Grower Floor Price Contract, but it will continue to operate in respect of Raw Sugar which has already been priced (including in future Seasons) prior to it being closed;
- d) Committed Pool – such that:
  - (i) financial consequences relating to the unwinding of pricing positions or cancellation of sales will be passed on to a Participant for any failure to deliver Raw Sugar allocated to the QSL Grower Floor Price Contract (see the QSL Common Pool Terms for further details);
  - (ii) the Commitment Limit, which limits the total amount of Raw Sugar a Participant can allocate to Committed Pools (other than the US Quota Pool), may limit the allocation able to be made to the QSL Grower Floor Price Contract (see the QSL Common Pool Terms for further details);

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- e) A Pricing Platform Pool – such that the provisions of the QSL Common Pool Terms applicable to Pricing Platform Pools apply to allocations and pricing of Raw Sugar in the QSL Grower Floor Price Contract (including the 1:2:2:1 Fixed Pricing Exposure for ICE 11 Futures contracts or as determined in accordance with clause 3.6 of the QSL Common Pool Terms);
- f) An ICE 11 Pool – such that the Gross Price Element is determined by reference to USD revenue derived from the net results of buying and selling ICE 11 futures contracts;
- g) Minimum tonnage – Subject to clause 5.1 below, the minimum tonnage of Raw Sugar that can be nominated to the QSL Grower Floor Price Contract is 10 metric tonnes. Participants must specify the Raw Sugar allocated to the QSL Grower Floor Price Contract in whole multiples of 10 metric tonnes; and
- h) Advances – Participants will have the option of receiving the standard QSL advances program as per clause 7 of the QSL Common Pool Terms, or an accelerated advances profile.

For Participants selecting the accelerated advances profile for the QSL Grower Floor Price Contract, advances shall be payable in accordance with the following profile which is an advances program specific to the QSL Grower Floor Price Contract (in accordance with clause 7 of the QSL Common Pool Terms):

- (i) Participants will receive advance payments from QSL in the Season the Raw Sugar is delivered. Payments in the year of delivery from May in which the Season commences to November will be made in accordance with the advance payments profile as determined by the QSL board;
- (ii) In December of the relevant crushing Season the advance rate for the QSL Grower Floor Price Contract is guaranteed to be a minimum of 90% of the then-estimated Net IPS Price;
- (iii) No further payments will be made for this pool after that payment until the advance rate for all other QSL-managed pools exceeds 90%; and
- (iv) The additional finance cost of this accelerated advance payment profile will be reflected in a separate allocation in the Participant's Shared Pool result in accordance with clause 2.8 (g) of the QSL Shared Pool Terms.

### 3 COMPARISON OF RISK PROFILE TO PASSIVE MANAGEMENT BENCHMARK

Please refer to the QSL Grower Handbook for QSL's assessment of how the risk of the pricing strategy of the QSL Grower Floor Price Contract compares to the

Passive Management Benchmark (which assumes pricing is undertaken in a routine manner by following an evenly spread sales pattern, adjusted for applicable constraints such as infrastructure, storage and the time available to price).

### 4 GROSS PRICE ELEMENT

The Gross Price Element in the QSL Grower Floor Price Contract is determined based on the pricing conducted by ICE 11 Contracts executed on the ICE or in the OTC swap market for the Participant (see clause 5 below). As a result, the Gross Price Element may be different for each Participant which allocates Raw Sugar to the QSL Grower Floor Price Contract.

This USD revenue stream derived from the ICE 11 or swap contracts will be converted to AUD under the pricing policy applied by QSL to achieve the Floor Price set by the Participant.

### 5 QSL GROWER FLOOR PRICE CONTRACT PRICING

#### 5.1 SETTING THE FLOOR PRICE

Participants which allocate Raw Sugar to the QSL Grower Floor Price Contract set Floor Prices on an AUD/Tonne Actual basis for the Gross Price Element of the Pool return.

Floor Prices must be specified in \$25 AUD increments.

The AUD/Tonne Actual targets will be converted to an AUD/Tonne IPS target in accordance with the local pricing arrangements between the relevant Grower and Participant.

For RSSA Participants, Growers will set their own Floor Prices in accordance with their local pricing arrangements with the RSSA Participant (or the mill owner, which is a related body corporate).

For OSA Participants, the Floor Prices will be set based on the elections of the Grower which supplied the relevant GEI Sugar.

For SMA Participants, the Floor Prices will be set based on the elections of the Participant which allocated the relevant Raw Sugar to this Pool.

#### 5.2 SETTING A FLOOR PRICE TARGET

QSL will manage orders from Participants in the ICE 11 or OTC swap market and will secure the Floor Price for a nominated tonnage (a **Floor Price Order**) once the market reaches the Participant's Floor Price. QSL, at its sole discretion, may combine Floor Price Orders with pricing QSL is undertaking in other Pricing Pools it is the Risk Manager for in order to make wholesale parcels that can be marketed across ICE 11 Contract futures positions in the usual 1:2:2:1 ratio or as otherwise specified in accordance with clause 3.6 of the QSL Common Pool Terms.

QSL will price the tonnage in the relevant market on a 'best endeavours' basis, such that QSL will price as much allocated tonnage as market conditions will allow (i.e. as will meet market demand).

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Any tonnage priced on any given day will be shared amongst Participants who have unpriced tonnage for the same Floor Price and Season and this will be applied in the chronological order in which they were received by QSL.

### 5.3 VARYING ALLOCATIONS AND FLOOR PRICE ORDERS

Participants can (in the case of OSA Participants, on request of the relevant Grower, which has made the election to allocate the relevant GEI Sugar to the QSL Grower Floor Price Contract) amend tonnage allocations and Floor Price Orders prior to 3pm on any Business Day up to and including the Floor Completion Date.

Amendments to allocations and Floor Price Orders to the QSL Grower Floor Price Contract must occur in the increments as per the table below:

<b>Tully Sugar Growers</b>	1 ICE 11 futures lot (50.8025 tonnes)
<b>All Other Participants</b>	10 tonnes

### 5.4 PARTICIPATION IN MARKET PRICES AFTER THE TARGET FLOOR PRICE IS SECURED

Subject to the Floor Price for a Floor Price Order being achieved in clause 5.2 above for a Participant, each order for which a Floor Price has been achieved may accumulate extra value above the Floor Price during the Pricing Period for a Floor Price Order. The Pricing Period for each secured Floor Price Order will run from the first Business Day following the Floor Price for a Floor Price Order being achieved until the day the last ICE 11 futures position for the relevant Season specified in clause 3.6 of the QSL Common Pool Terms expires, which is typically the May ICE 11 position in the year after crushing commences.

Each day during the Pricing Period that the market trades below a Floor Price secured for a Floor Price Order, the tonnage priced that day will receive the secured Floor Price. Should the market trade above the Floor Price secured for a Floor Price Order, the tonnage priced that day will be priced at the mid-point between the actual market price and that Floor Price (i.e. the Floor Price Order only participates at 50% of the price achieved in excess of the secured Floor Price).

### 5.5 UNPRICED TONNAGE

Any tonnage where the Floor Price for a particular Season has not been secured at the end of each Business Day will be carried forward to be priced at the next market opportunity, provided that the Floor Price Order is not cancelled or withdrawn, up until the Floor Completion Date for that Season.

If a Participant's Floor Price for a Season has not been achieved by the Floor Completion Date, then the Floor Price Order shall automatically expire (i.e. it is automatically considered to be cancelled by QSL). Tonnage from expired orders will be available for allocation to another QSL Committed Pool (aside from the US Quota Pool) on the next Business Day up until the Pricing Declaration Date for that Season. Where no allocation is made, the tonnage from expired orders will automatically be allocated to the QSL Harvest Pool for the relevant Season.

## 6 POOL TERMS EFFECTIVENESS DATE

These QSL Grower Floor Price Contract Pricing Pool Terms are effective from 1 November 2020 (**Pool Term Effectiveness Date**) and shall apply to the 2021 Season and any subsequent Season, unless otherwise replaced.

## 7 TRANSITIONAL ISSUES AND INCLUSION IN POOL OF EXISTING PRICING

- Where a Participant has priced tonnage for a Season prior to the Pool Terms Effectiveness Date under a prior version of these QSL Grower Floor Price Contract Pricing Pool Terms, the tonnage will automatically be considered as having been priced under these QSL Grower Floor Price Contract Pricing Pool Terms.
- Unpriced tonnage for a Season which is covered by these QSL Grower Floor Price Contract Pricing Pool Terms which has been allocated to the QSL Grower Floor Price Contract prior to Pool Terms Effectiveness Date under a previous version of these Pricing Pool Terms will need to be priced in accordance with these QSL Grower Floor Price Contract Pricing Pool Terms, unless the nomination is cancelled by the Participant prior to the Floor Completion Date for the relevant Season.

## 8 QSL COMMON POOL TERMS

The QSL Common Pool Terms are a set of terms that apply to all QSL Pricing Pool Terms.

They form part of the terms of participating in the QSL Grower Floor Price Contract as if they were set out in full in these QSL Grower Floor Price Contract Pricing Pool Terms.

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### 9 GLOSSARY

Capitalised terms used in these QSL Grower Floor Price Contract Pricing Pool Terms have the meaning set out in the QSL Pool Terms Glossary.

### 10 WHO TO CONTACT

If you have any queries in relation to these QSL Grower Floor Price Contract Pricing Pool Terms, please do not hesitate to contact the QSL Finance Team by emailing [info@qsl.com.au](mailto: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

**For more information contact:**

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