13 December 2016

NEW LONG TERM TERMINAL OPERATING AGREEMENT WILL PROVIDE CERTAINTY FOR QUEENSLAND SUGAR INDUSTRY

The boards of Sugar Terminals Limited (STL) and Queensland Sugar Limited (QSL) have today agreed a term-sheet for an Operating Agreement that will underpin a new bulk sugar terminal operating model for Queensland's sugar industry.

STL Chairman Stuart Gregory said that all stakeholders will benefit from the agreement, which will be confirmed as soon as detailed legal binding documentation is finalised, executed and approved by the boards of STL and QSL.

"The new business model reflects the guiding principles established by STL and QSL more than 12 months ago. The benefits of the existing arrangement with QSL are largely preserved and concerns about potential conflicts of interest have been addressed. Importantly, STL intends to continue to provide open access to its terminals for all market participants while gaining increased oversight and control over its assets and strategic risks through the revised model," Mr Gregory said.

QSL Chairman Guy Cowan said the collaborative approach to negotiating the new arrangements was a credit to both parties and a terrific outcome for the industry.

"QSL has a long and successful history as operator of STL's bulk sugar terminals. Our experience perfectly positions us to continue operating the terminals for the benefit of the entire Queensland sugar industry as we enter a new era of marketing competition," Mr Cowan said.

STL Board capability to be expanded

To manage STL's changing role in a multi-user environment post 30 June 2017, STL plans to appoint two additional independent directors to bolster the Board's expertise before the start of the 2017 season. The appointments will be subject to shareholder approval of an increase in the director fee pool at a general meeting of the company to be held in early 2017. This will

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bring the total number of independent directors to three, complementing the two grower elected directors and two miller elected directors.

SUMMARY POINTS

- QSL will continue to operate the terminals for STL under a long term strategic Operating Agreement, that is proposed to commence 1 July 2017, ensuring no disruption to terminal operations.
- The Operating Agreement will have an initial five-year term with a three-year rolling term following that, providing the sugar industry with confidence and certainty.
- All marketers and terminal users, including QSL, will contract directly with STL for access to the company's bulk sugar terminals.
- Concerns about conflict of interest and confidentiality are addressed through:
  - QSL splitting its operations into two divisions, Marketing and Logistics;
  - QSL agreeing to "ring fencing" provisions in relation to the separate management and operation of these divisions, consistent with those provisions applied to similar structures in other industries; and
  - STL contracting directly with terminal users regarding terminal access via Storage and Handling Agreements.
- QSL and STL will continue to work closely and openly to maintain a high level of operational performance and optimal cost outcomes over the life of STL's strategic industry assets.
- STL will appoint two additional independent directors to bolster the Board, subject to shareholder approval, in early 2017.

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