9 August 2022

STL MESSAGE – STORAGE & HANDLING AGREEMENT UPDATE

As advised to the National Stock Exchange of Australia last month, a new Storage and Handling Agreement (SHA) came into effect from 1 July 2022. So far, five of our six customers have signed the new SHA, despite some of their claims not being met. The purpose of this communication to shareholders is to provide some further background on the new SHA.

There is **one agreement** for all customers, whether large or small, to ensure equitable treatment. Inevitably, this means that all parties (including STL) have had to make concessions to achieve this outcome.

The new SHA provides **additional benefits** for customers beyond the previous agreement, including increased limits of liability; ability to claim demurrage and port charges in some cases; and refund of availability charge in certain instances where services cannot be provided.

There have been questions about a few aspects of the new SHA. These are addressed below:

- **Term of the Agreement:** The term is for 3 years (with 2 options to extend by a year). This is a compromise between proposals for a longer period of 5 years or a shorter period of one year.
- **Asset Return:** This remains largely the same, with an adjustment to reduce the excess capital charge which benefits all customers. Pricing is competitive for customers, while ensuring a return that is fair to STL shareholders and continues to provide capital to invest in maintaining and upgrading these critical industry assets**.**
- **Domestic Storage:** STL has implemented a compromise solution to address the opposing views of customers who were unable to agree on the amount of space to be used for domestic sugar at Mackay Terminal only. There is no benefit to STL from these arrangements, and STL will consider any other allocation of space, should the parties be able to agree commercially.
- **Segregation:** The SHA allocates storage to customers in an equitable and transparent manner. STL's position since 2017 is that commingling of raw sugar and its associated risks and benefits is a decision for customers. Forcing customers to commingle would increase STL's exposure to risk. Through careful management the potential loss of storage from segregation can be reduced to less than 1% of capacity. STL is focused on providing more capacity. Through modest capital improvements and better storage practices, about 180,000 tonnes of additional volume has been progressively achieved. This more than offsets any segregation loss.
- **Sampling:** STL is applying the same arrangements that have been in effect for the past 5 years. The new SHA reduced the period for transfer of title of sugar from 5 days to 1 day. STL has no legal right to take samples without the approval of the owner of the sugar at the time of sampling.

Within the SHA framework, it remains open to customers with differing positions to reach commercial settlements with each other on some of these issues, should they wish to do so.

STL is now focused on its strategic priorities for the year ahead, including completion of new **common user infrastructure** at the Bundaberg terminal where we have and continue to work hard with customers to minimize any interruptions or delays to shipping during construction. We are also continuing to invest at all of our terminals.

In summary, STL remains committed to being a safe, reliable and efficient infrastructure owner for our customers and the broader sugar community. As such, it has a responsibility to balance the interests of competing customers, whose interests are often not aligned.

The previous SHA worked well in servicing the needs of our customers for the last five years. The new SHA delivers improvements to customers and provides a sound basis to move forward with renewed confidence to meet the challenges ahead.

Mark Gray
STL Chairman