

MSF Marketing – 2025 Shared Pool Terms

1 KEY FEATURES

1.1 Overview

- (i) All growers for whom MSF Marketing is the Pool Manager under their respective Grower Pricing Agreements and the mill owners whose sugar production is marketed by MSF Marketing (**Mill Owners**) will receive the same Shared Pool price.
- (ii) The price achieved in the Shared Pool for the 2025 Season will be a combination of the direct revenues and costs of the marketing program and indirect costs from the operation of and participation in the pooling system (Marketing System Revenues and Costs), converted where applicable from US dollars (USD) to an AUD return expressed on an AUD per Tonne IPS basis (Shared Pool Price).
- (iii) In respect of the 2025 Season, MSF Marketing will calculate a Shared Pool Price for ICE 11 Pricing Pools and non-ICE 11 Pricing Pools in accordance with paragraph 3.1.
- (iv) When applied to the Gross Pool Price for a Pricing Pool, the Shared Pool Price gives the Net Pool Price for that particular Pricing Pool.¹

1.2 Pool Manager

The Pool is managed by MSF Marketing. MSF Marketing is responsible for all of the management functions of the Pool.

1.3 Application of Pool Terms

These Pool Terms will apply to the 2025 season.

2 MANAGEMENT STRATEGY

2.1 Objective

- (i) The aim of the Shared Pool is to provide for all growers and the Mill Owner to receive an equitable share of the revenues (e.g. regional and polarisation premiums) and costs (e.g. shipping freight) associated with the physical sale of the raw sugar and of operating and participation in the pooling system (e.g. storage and handling charges), including associated risks.
- (ii) The conversion of net USD revenues into AUD must be in accordance with the Risk Management Policy².

2.2 Management parameters

- (i) The Pool Manager is able to use the following derivatives in managing the Pool: foreign exchange contracts.
- (ii) The conversion of net USD revenues into AUD must be in accordance with the Risk Management Policy.

3 KEY CHARACTERISTICS

3.1 Allocation of Marketing System Costs and Revenues

- (i) The direct marketing revenue and costs (including those referred to in paragraph 3.2) are allocated to Pricing Pools and the Mill Owners' Pool (see paragraph 4.2(iii) below) on the basis of how the Gross Pool Price for each Pricing Pool is derived. This occurs as follows:
 - a. Pricing Pools that have their Gross Pool Price derived from the ICE 11 futures market and the Mill Owners' Pool will receive a pro-rata share (based on the tonnage in each such Pool) of all the revenues and costs from sales of raw sugar that are based on the ICE 11 futures market; and
 - b. Pricing Pools that have their Gross Pool Price derived from non-ICE 11 futures markets such as the MSF US Quota Pool will receive revenues and costs from the sales made directly for those Pricing Pools only.
- (ii) The costs of operating and participation in the pooling system (including those referred to in paragraph 3.3) are allocated pro-rata to all ICE 11 Pools (including the Mill Owners' Pool) and non-ICE 11 Pools (based on the tonnage in each Pool).

3.2 Direct Marketing Revenue and Cost Components

- (i) Revenues

The marketing revenue that is directly earned in connection with selling raw sugar under physical sales contracts that is not derived from the ICE 11 futures market, including but not limited to:-

 - a. Regional and freight premiums (USD payments received from customers that are in addition to the ICE 11 component of the invoice price, as negotiated by MSF Marketing – includes a component to cover the cost of shipping from Australia to the customer);
 - b. Polarisation premiums (USD payments received from customers, in accordance with the Sugar Association of London rules, for sugar supplied having a polarisation above 96 degrees);
 - c. Gains (USD and/or AUD) associated with aligning ICE 11 pricing positions with the ICE 11 exposures arising from raw sugar sales; and
 - d. Gains associated with matching the timing of USD revenue receipts with foreign exchange contract maturities;
 - e. Revenues associated with participation in the pooling system that are not directly derived from the marketing activity, including but not limited to proceeds from the sale of US raw sugar quota entitlements.
- (ii) Costs

The marketing costs that are directly incurred in connection with selling raw sugar under physical sales contracts, including but not limited to:-

 - a. Shipping freight costs (e.g. costs of despatch (or demurrage), bunker adjustments);
 - b. Discharge port costs (e.g. costs of despatch (or demurrage), stevedoring and port fees, charges for supervision and other costs associated with the discharging activities at the discharge port that are not recoverable from the customer that purchases the raw sugar);
 - c. Marine and charterers liability insurances;
 - d. Sales brokerage;
 - e. Finance charges on export sales;
 - f. Banking and invoice execution costs (e.g. the cost of confirming letters of credit and other banking fees, futures brokerage and other commissions incurred);
 - g. Raw sugar quota entitlement purchase (e.g. the cost of acquiring US Quota from milling companies that do not supply raw sugar to MSF Marketing);
 - h. Legal costs directly incurred in making sales of raw sugar;
 - i. Losses (USD and/or AUD) associated with aligning existing ICE 11 pricing positions with ICE 11 exposures arising from raw sugar sales;
 - j. Losses associated with matching the timing of USD revenue receipts with foreign exchange contract maturities;
 - k. Sugar quality sampling and testing costs;
 - l. Customer related contract performance costs (e.g. quality claims);

¹ If a Pricing Pool's allocation of revenue is lower than the Pricing Pool's allocated share of expenses, then the Shared Pool Price for the Pricing Pool will be a negative value.

² The risk management policy adopted by MSF Marketing from time to time to manage price and other risks.

- m. Losses incurred in unwinding forward pricing and sales if tonnages are not received.

3.3 Indirect Pooling Operation and Participation Costs and Revenues

- (i) Costs
The costs of operating and participation in the pooling system (including associated risks) that are not directly derived from the marketing activity, including but not limited to:-
 - a. Sugar terminal storage and handling charges (e.g. receival and loading charges, insurance of raw sugar stocks);
 - b. Shared Services Costs;
 - c. MSF Marketing's (and its related entities') operating costs (e.g. market intelligence services, salaries and wages, promotional activities, rent, general office expenses, travel and accommodation);
 - d. Interest costs on the early payment for cane relative to the receival of raw sugar sale proceeds;
 - e. The cost of analysing raw sugar delivered to the sugar terminal;
 - f. Finance facilities and document confirmation costs; and
 - g. Interest on futures margin calls.

4 RISK PROFILE

4.1 Price risk

- (i) Given regional and freight premiums are only fixed (in USD terms) when an export sale is concluded with a customer, and other premiums such as polarisation are determined only when the polarisation of the sugar supplied is known, there remains a moderate amount of variability in the forecast marketing revenue in the Shared Pool until all of the raw sugar produced during the Season is sold and shipped. As such, growers can expect the Shared Pool price and therefore Net Pool Prices to remain volatile until this time.
- (ii) Price risk is managed in accordance with MSF Marketing's applicable Risk Management Policy.

4.2 Production Risk

- (i) The marketing revenue in the Shared Pool can fluctuate with raw sugar production levels. Except in rare circumstances, reductions in revenue should represent the opportunity cost of premium revenue foregone for sales that are not able to be made due to reductions in supply.
- (ii) If the supply of raw sugar falls below the quantity that has been priced and/or sold

in the Default Pool, which is currently the 2025 Late Season Pool, then, depending on the circumstances, there may be costs to correct the sales program to support the pricing undertaken for the actual raw sugar comprising the Default Pool. Default Pool production risk is managed in accordance with MSF Marketing's applicable Default Pool Price Risk Management Policy.

- (iii) Any production shortfall related costs remaining after financial compensation has been received from any growers who failed to deliver Committed Cane, mill owners who failed to deliver Mill Margin Sugar³ allocated to Committed ICE 11 Pools and mill owners who failed to deliver Mill Margin Sugar priced via an ICE 11 Pool comprising Mill Margin Sugar only (Mill Owners' Pool), would be passed to all growers and mill owners via an allocation from the Shared Pool (i.e. the Shared Pool element may be significantly negative, reducing Net Pool Prices).

4.3 Currency risk

- (i) The Shared Pool has a moderate amount of exposure to foreign exchange markets. Given raw sugar is sold to customers in USD, volatility in the AUD/USD exchange rate will affect the level of premiums achieved for raw sugar marketed by MSF Marketing.
- (ii) Growers can expect Net Pool Prices to remain volatile with movements in the AUD/USD exchange rate until the Shared Pool Price is finalised.
- (iii) Currency risk is managed in accordance with MSF Marketing's applicable Risk Management Policy.

5 AUDIT

The Shared Pool Price and MSF Marketing's adherence to the Risk Management Policy will be independently audited on the basis determined by MSF Marketing from time to time in consultation with a panel of growers established for the purpose of providing a single point of reference for such transparency related matters (**Grower Reference Panel**).

6 INTERPRETATION AND RELATED DOCUMENTS

6.1 This document is to be read in conjunction with the following documents:

- (i) The relevant grower's Grower Pricing Agreement;
- (ii) The relevant grower's Cane Supply Agreement; and
- (iii) Pricing Pool Terms for MSF Marketing Pricing Pools.

6.2 Capitalised terms not otherwise defined in these Shared Pool Terms have the same meaning as in the relevant grower's Grower Pricing Agreement.

6.3 A reference to Cane Pay Sugar is a reference to Cane Pay Sugar of all growers for whom MSF Marketing is the Pool Manager under their respective Grower Pricing Agreements unless the reference is to that of a specific grower only.



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³ Mill Margin Sugar is the difference between total raw sugar production for the 2025 Relevant Season less total Cane Pay Sugar of all growers.