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20 February 2023

Dear STL Shareholder

STL decision to insource Bulk Sugar Terminal Operations – Frequently Asked Questions

As you will recall, I wrote to you several weeks ago to advise you of STL's decision to bring the operations of its Bulk Sugar Terminals inhouse.

The purpose of this further correspondence is to provide you with our written responses to various questions that have been raised in a variety of forums since we first announced our insourcing decision on 30 January 2023. This is consistent with our commitment to keep all stakeholders informed about STL's decision.

Our direct engagement strategy with our stakeholders to explain the rationale for our decision is also well underway and we look forward to this continuing over the period ahead.

In the interim, if you have any further questions, please use the contact details provided in the attachment.

Yours sincerely

Mark Gray

Mark Gray
Chair
Sugar Terminals Limited

Attachment: *Frequently Asked Questions* dated 20 February 2023

STL INSOURCING OF OPERATIONS – FREQUENTLY ASKED QUESTIONS

1. Why did STL decide to insource sugar terminal operations?

- A simplified operating model will enable STL to remove duplication, reduce costs, eliminate a conflict of interest, and enable STL to more actively pursue diversification opportunities without compromising our services to the Sugar Industry.
- STL already pays all Operating Costs, all Maintenance Costs and funds all Capital Investment.

2. What do you mean when you say duplication?

- Under the current operating model, STL incurs QSL overhead costs as a result of having to pay a significant proportion of the costs associated with the QSL Board, the CEO, members of the Executive Team, as well as duplicated insurance costs and audit requirements to name just a few.
- Many of these duplicated corporate overhead costs will not be required with insourcing, delivering a cost saving for STL and therefore industry.

3. Why did you not consult with the Sugar Industry before you made this decision?

- STL has consulted widely with industry over recent times. During such consultation we received different views on a range of issues, including management of the terminals.
- Specific consultation on a decision to insource operations is subject to strict legal obligations regarding market sensitive information and these must be strictly adhered to by STL as a company listed on the NSX.
- STL has commenced an active program of engagement with all industry stakeholders to explain the reasons for our decision to insource operations. This will be ongoing.

4. Why did you not consult with QSL before you made this decision?

- There has been extensive confidential consultation with QSL, much of which is explicitly documented.
- STL has been engaging with QSL for several years on a strategic partnership, commercial arrangements, a performance framework, alternative operating structures and a review of the Operating Agreement. All of these discussions have proven to be unsatisfactory.

5. What gives STL the right to do this?

- This is a matter governed by the Operating Agreement signed by STL and QSL in 2017. Under this commercial contract both parties agreed to allow STL to insource operations.

6. What will happen with the employees?

- STL intends to offer employment to all site based operational employees on the same terms and conditions of employment, same rates of pay, recognising their prior service and all accrued entitlements.

7. When will the change take effect?

- Under the Operating Agreement, the formal termination date is 30 June 2026. STL believes this change could happen much sooner which means the Sugar Industry would see the benefits earlier.

8. Are you going to increase prices?

- The pricing model has been agreed with customers under the provisions of a Storage and Handling Agreement. STL has no discretion to change prices in a way which is inconsistent with this agreement.

9. What are your plans with dividends?

- STL has applied a consistent dividend policy in line with market practice for this type of business. There are no plans to change this long-standing policy.

20 February 2023

10. What operational experience does STL have?

- Day-to-day operations will not be affected. STL is simply bringing operations inhouse under a simplified and ultimately lower cost management structure. The expertise of existing site based operational employees is highly valued and they will be offered continuing employment on the same terms and conditions as at present.
- The STL Board and Executive also has extensive domestic and international experience in transport, logistics, shipping, supply chain management, operations, engineering, financial management and agriculture.

11. QSL has always operated the Terminals so why would you want to change this?

- Prior to 2000, the Bulk Sugar Terminals were owned by the Queensland Sugar Corporation with different operational arrangements. This highlights the fact that change has always been a feature of the Sugar Industry.

12. How will STL achieve cost savings?

- As indicated earlier, there is unnecessary and avoidable duplication in corporate overhead costs. This is just good business practice, especially as STL already meets all operating costs and funds all capital expenditure.

13. Won't STL simply reduce maintenance in order to increase profits?

- The sugar terminals are industry assets that sit on STLs Balance Sheet. There is absolutely no reason why STL would want to reduce maintenance on these assets as this would compromise the reliability of STL's service to the Sugar Industry and ultimately impact the value of STL. STL already meets all maintenance costs.

14. Is the Sugar Industry no longer your priority given STL has stated it wants to diversify?

- Servicing the needs of the Sugar Industry **WILL ALWAYS** be STLs top priority.
- Where we can find opportunities to use assets better without compromising the services provided to the Sugar Industry, we will give this consideration. The work STL is now undertaking in Bundaberg is an example of this.
- Without diversification in terminals such as Bundaberg, either costs will increase due to declining utilisation or profits will reduce due to asset write offs.

15. QSL is a Not for Profit (and has taxation concessions) so of course it can operate the terminals more cheaply than STL?

- Elimination of duplicated costs will fully offset the loss of tax concessions currently enjoyed by QSL. There is no need to pay another party to manage a business STL can manage itself.

16. As a Not for Profit, isn't QSL more transparent than STL?

- As a listed company, STL has far higher reporting obligations than QSL. For example, STL must disclose detailed cost breakdowns and also remuneration arrangements of key management personnel and the Board.
- This is further demonstrated by comparing the material presented in the Annual Reports for the two entities.

17. Won't the Millers control STL (the BSTs) without QSL operating the terminals?

- STL is a publicly listed Company governed by a Board of 7 Directors including 2 Grower nominated Directors, 2 Miller nominated Directors and 3 Independent Directors including the Chair. This structure has been designed to ensure no group can exercise control.
- STL applies strict protocols to manage potential conflicts of interest of all Directors.
- All Directors are fully aligned with STL's core function to maintain the quality of industry assets and ensure efficient terminal operations.

18. Where can I get more information?

Call STL on 1800 318 239, email: operations@sugarterminals.com.au or visit www.sugarterminals.com.au

20 February 2023