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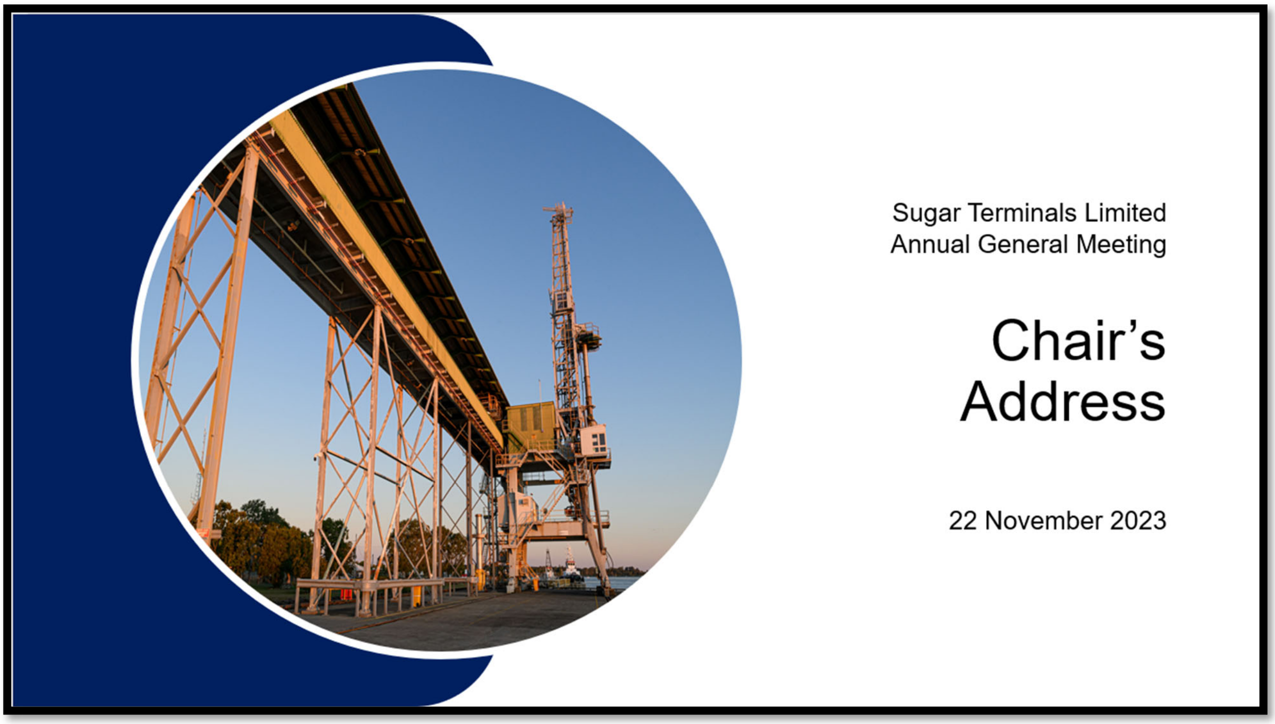
NSX Announcement

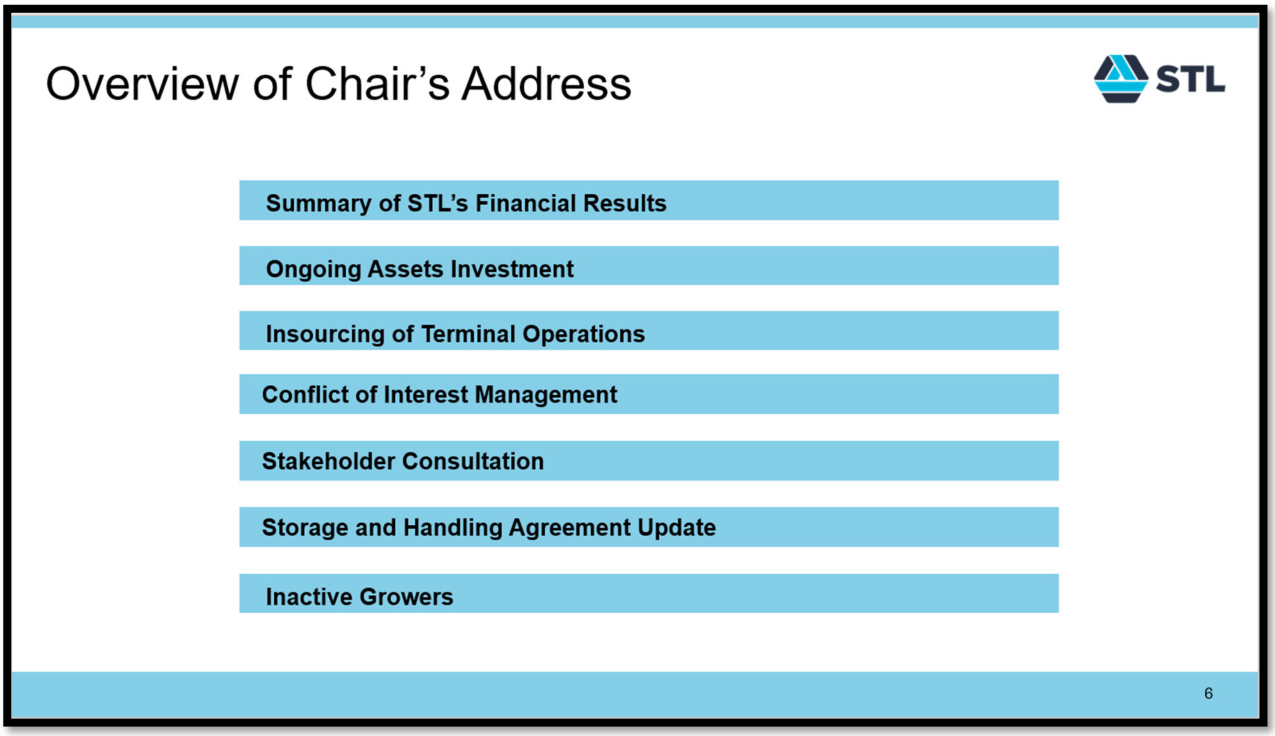
Chair's Address – 2023 Annual General Meeting

22 November 2023



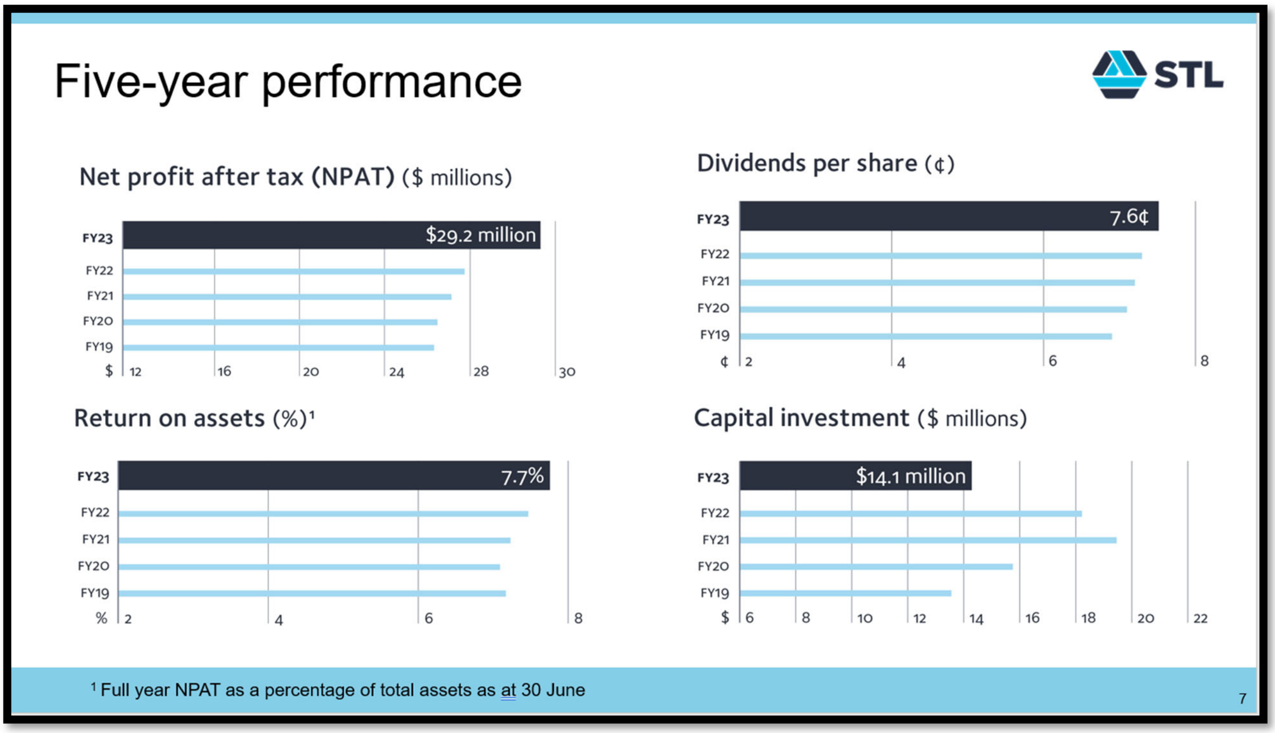
I'm pleased to report that STL has experienced another year of steady annual growth, to the benefit of customers, shareholders and other stakeholders.

Your Company has continued to deliver improved financial results year on year, while simultaneously managing complex asset upgrades, ensuring reliable storage and handling services to raw sugar customers and delivering on our strategic plan to secure a long term sustainable future.



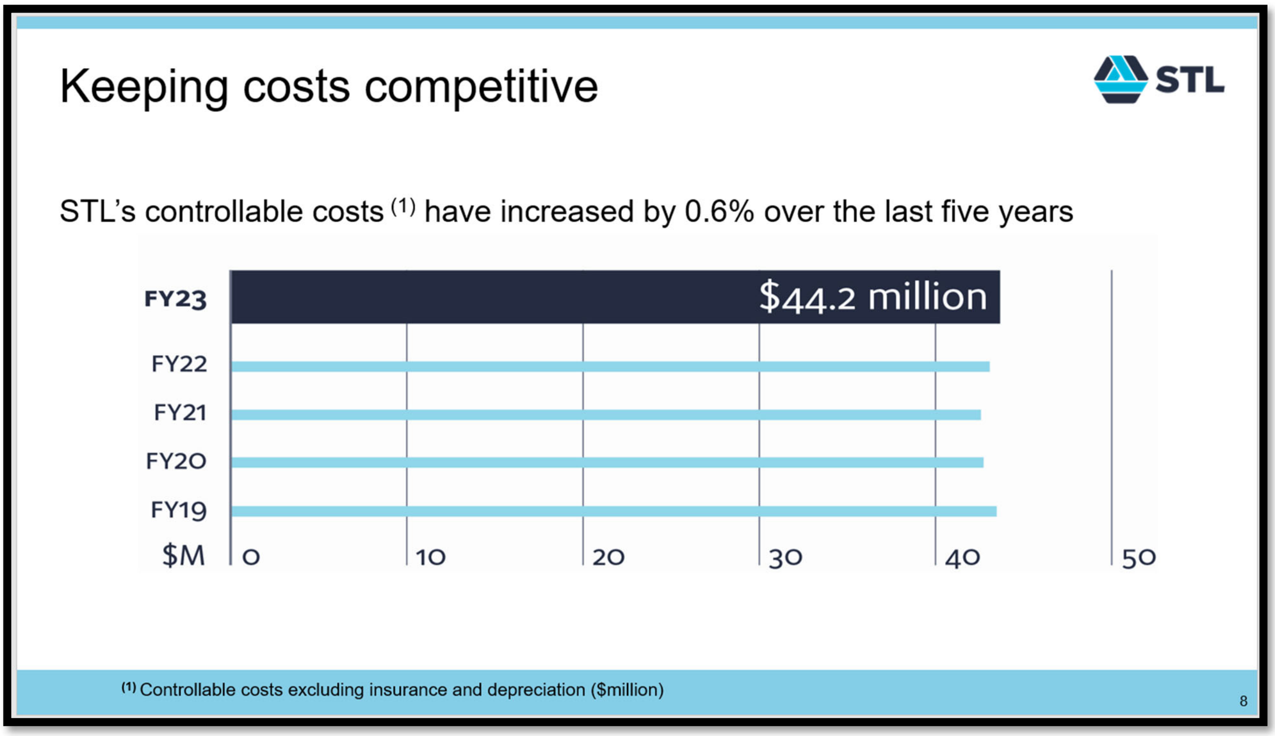
During my address, I’ll cover a variety of matters including:

- STL’s financial results for the past 12 months
- our ongoing investment in these critical industry assets
- STL’s decision to insource terminal operations
- managing conflicts of interests
- continued and ongoing consultation with stakeholders
- outstanding issues relating to the Storage and Handling Agreement; and
- ongoing efforts to address the issue of inactive growers.



Let me start with a brief overview of our key financial metrics over the past 12 months.
STL:

- achieved a Net Profit after Tax result of $29.2M for FY23 – an increase of 4.6% on the prior year
- delivered a Return on Assets of 7.7%, which is similar to previous years and a reasonable return consistent with regulated returns for infrastructure assets like this
- provided shareholders with a fully franked dividend of 7.6 cents for the full financial year
- invested a further $14.1M in the sugar terminal assets; and
- kept STL’s controllable costs to an increase of just 0.6% over the last 5 years, well below the level of inflation.



Most importantly all of this was done safely, without serious injury and in full compliance with our environmental obligations.

Disappointingly we did suffer one significant loading incident in Mackay in April 2023 which I will leave David Quinn, our CEO to further detail in his subsequent address.

Your Board continues to place considerable focus on ensuring we maintain prudent and targeted spending on our industry assets to ensure their longevity for decades to come.

Some highlights include:

- replacement of the final shed roof in Townsville. This completes the roof replacement program, with re-roofing of 12 sheds over the past 10 years. In total, this has been a $100M investment made by STL to extend the lives of these critical assets for a further 30-40 years;

- approval of the Lucinda Belt Replacement Project which will see the 12 km conveyor belt replaced. This project is already underway onsite. Timing of the shutdown dates were the subject of extensive consultation with impacted customers and we expect to see Lucinda back in full operations by mid December 2023; and

- practical completion of the $22 million investment in Common User Infrastructure in Bundaberg, delivered by STL on budget. STL secured over $17 million in government funding for this project, and Gladstone Ports Corporation will now deliver the associated stock yards resulting in the total capital value of the project being in the region of $30M.

I will again stress, as I have on many occasions, the handling of raw sugar at all our terminals is and will always be our top priority.

However, where the handling of another product will not impact our priority to sugar, where it will not degrade our assets and where commercially it makes sense to do so, we will responsibly consider opportunities for diversification. This is particularly the case at terminals such as Bundaberg, where sugar volumes are under pressure. STL is currently talking with a number of customers to use these new facilities for a commissioning shipment. We look forward to keeping you updated on progress.

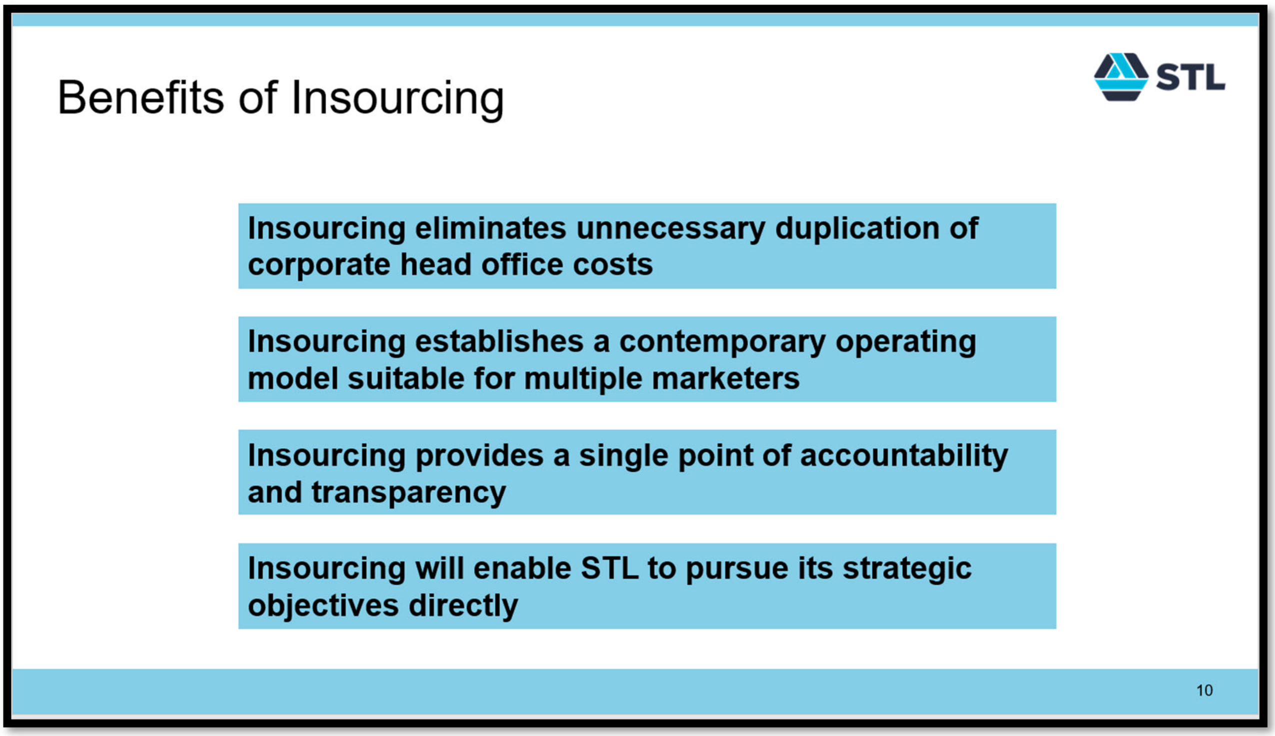
David Quinn will shortly discuss both these projects in greater detail, along with other initiatives that have been completed in the past year and our program of future works.

At the heart of STL's role is ensuring the longevity of the Sugar Terminal assets and their ability to safely, reliably and cost effectively handle raw sugar for decades to come.

Let me know move to our decision to insource terminal operations.

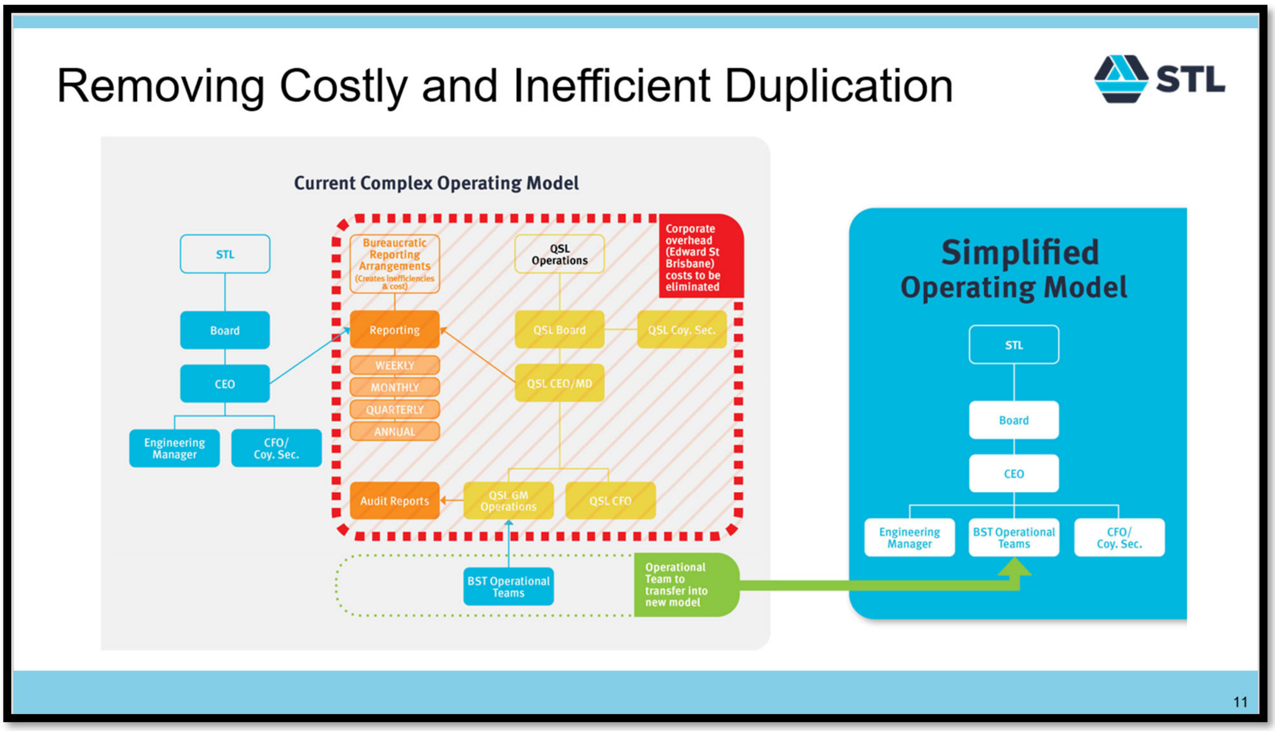
Shareholders will be aware that STL announced its decision to insource operations in January this year. Insourcing involves STL exercising its contractual rights to take over the operations of assets for which it is legally responsible.

This is in accordance with the provisions of the Operating Agreement entered into between STL and its sub-contracted operator, QSL, back in 2017. As a result, the current outsourced operations are to be terminated by 30 June 2026 at the latest. STL is steadily developing its transition plan and we are committed to implementing insourcing for the benefits of the entire sugar industry.



The benefits of insourcing are clear:

- Insourcing eliminates unnecessary duplication of corporate head office costs. The diagram on screen clearly shows the overlaps currently existing between STL and QSL, with a bureaucratic structure and significant duplication.



Currently there are two Boards, two CEOs, two CFOs, two Company Secretaries, two safety systems, two audit processes, two sets of insurances; two administrative systems and data bases. As well, there is double-handling of a myriad of other day-to-day issues which wastes time and money, and requires greater management oversight than would otherwise be the case.

In contrast, the simplified corporate structure on the right of the screen eliminates unnecessary duplication, and provides a lean and efficient structure with clear accountability for performance.

- Insourcing establishes a contemporary operating model more suitable for multiple marketers. This contrasts with the current model that was established when there was only one single desk marketer of raw sugar throughout Queensland.

- Insourcing establishes a single point of accountability with significantly improved transparency. Again, this contrasts with the current model which has a lack of transparency and blurred accountabilities across two organisations, with inevitable tensions and conflicts.

- Insourcing will enable STL to pursue its strategic objectives directly, rather than indirectly through a third party, and will allow QSL to pursue its marketing and related priorities. Clearly, there is a lack of alignment between the strategic priorities of STL and QSL.

I note that our insourcing decision has attracted a negative public campaign from certain stakeholders. From STL's perspective, much of that criticism has involved a fair amount of misrepresentation, incomplete information and unsubstantiated claims. In these circumstances, I consider it appropriate and necessary to take this opportunity to address a number of issues.

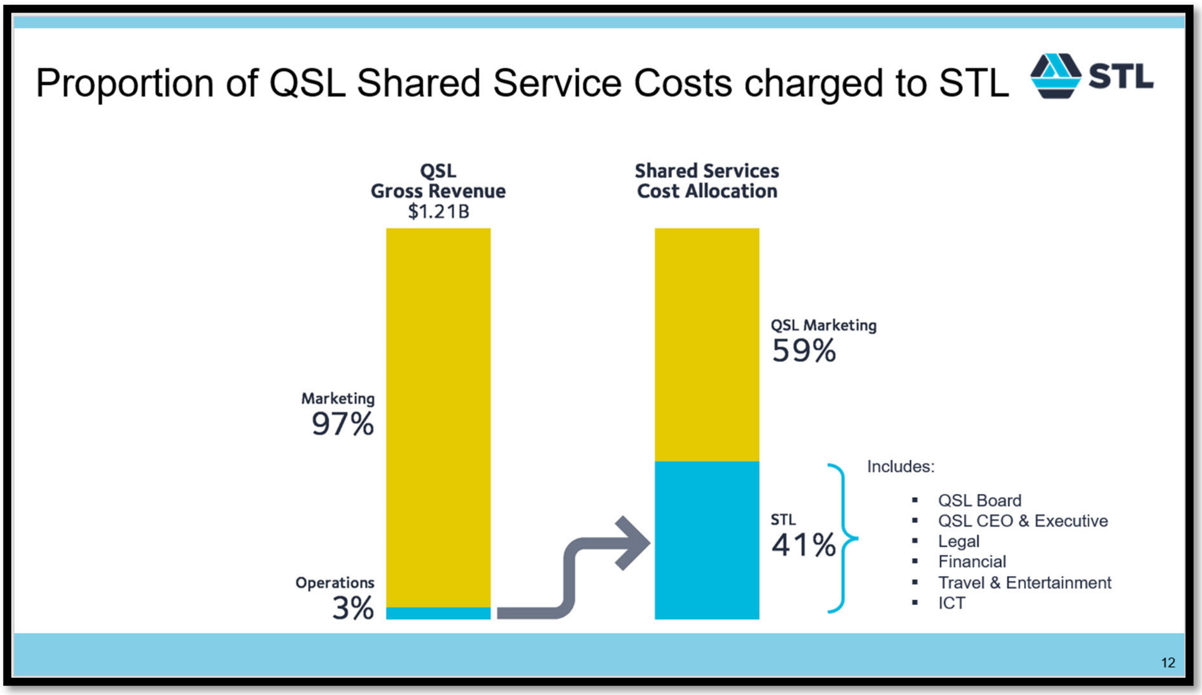
<u>Insourcing Business Case</u>

Let me start with the business case. The decision to insource is based on a rigorous business case developed over an extended period of time. It was subjected to comprehensive stress testing and sensitivity analysis, as you would expect.

The Business Case will not be released publicly, as it contains commercially sensitive information, particularly in relation to assumptions about the value of certain assets which may be transferred from QSL to STL as part of the transition process.

This is very standard commercial practice. However, I would note that most of the Business Case would be clear if QSL was to reveal the extent of shared services costs paid by STL, most of which are unnecessary and eliminated by insourcing.

It is acknowledged that STL will not benefit from tax concessions currently enjoyed by QSL as a not-for-profit entity, which are estimated to be around $1.2 million per annum. However, the cost savings through removal of duplication are a multiple of this amount.



It is also worth noting that, as shown in the QSL Annual Report, revenue from operating the terminals represents around 3% of total revenue for QSL. Despite this, STL contributes around 40% of shared services costs – that is, the corporate head office costs involved in their Board, senior executive and corporate support functions. (See Slide.)

Also, QSL admits they make no profit on the operations business. It therefore begs the question, why is QSL so desperate to hang on to the operations role? What are the hidden benefits that QSL won't reveal ? It is difficult not to be suspicious of what lies behind these figures.

We've also seen the spectacle of QSL Regional Marketing Officers out soliciting votes to protect its Operations business. Isn't their role to be out there marketing with the intent of getting the best price for your sugar ? Apart from being a dubious use of their time, one has to question what benefits the Marketing business derives from the operations function that QSL doesn't want anyone to know about.

There is no way of currently showing this, as QSL does not disclose the relevant information, but one might suggest that it feels like, it tastes like and it smells like cross-subsidisation of the marketing business by the operations business.

If this is the case, it is growers who don't market through QSL who are disadvantaged, because they are effectively subsidising growers who do market through QSL.

This is highly inequitable and hardly conducive to industry harmony.

STL

Insourcing Operating Model

STL already meets all operating costs, approves QSL's Budget, funds all capital expenditure, owns the assets and has ultimate legal responsibility for everything related to terminal operations. So it simply makes sense to bring operations inhouse.

This is just sound commercial practice, as it eliminates unnecessary duplication of corporate overhead costs. Currently, industry is paying twice for management functions that only need to be performed once.

It is in fact STL that is driving costs lower, including the 'flat budgets' achieved by QSL as a result of the scrutiny we have applied to their budget submissions over the last few years. I reiterate that it is STL that approves Budgets.

It is STL that initiated the first-ever comprehensive review of the condition of industry assets, to guide future investment decisions. This is essentially a comprehensive end-to-end audit of the condition of each individual piece of equipment or machinery at each terminal, with an assessment of how critical it is to the operation, when it was installed, when it may need to be refurbished or replaced, and what that will cost. This is a major piece of work that produces a risk profile, or "heat map" of the assets. Like a sinking fund analysis, it guides structured planning of maintenance and capital investment in these critical industry assets over the long term.

In 25 years of operating the terminals, this had never been done by QSL, despite the fact that this is considered to be good operating practice. All that existed were some reports and basic spreadsheets without any detailed analysis of what needs to be done, and when it needs to be done. It is STL that has developed a comprehensive asset database to inform a detailed long-term forecast of capital works that need to be undertaken, year by year.

It is STL that employed an Assets & Engineering Manager to drive this requirement for comprehensive information to enable the best possible outcome for long term capital planning to maintain the quality of these vital industry assets.

Along with insurances, this has been the only substantive increase in STL's own internal costs since 2017.

In our view, it is STL not QSL that is focussed on maintaining and enhancing the quality of the terminal assets that have been funded by industry and that sit on STL's balance sheet.

Legal Responsibilities cannot be Delegated

Examples of Legal Responsibilities that cannot be delegated to a 3rd Party Operator:

Industrial Manslaughter Legislation

Chain of Responsibility Legislation

Modern Slavery Legislation

Cyber Security Legislation

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Additionally, as the party legally responsible for the terminal assets, STL has a range of legal responsibilities that cannot be delegated, including chain of responsibility, cybersecurity, modern slavery, environmental obligations, industrial manslaughter, and other workplace health and safety obligations.

Many of these obligations are either new or much more onerous, with far greater sanctions since the creation of STL and QSL some 25 years ago.

It makes no sense and indeed adds unnecessary costs to delegate operations to a third party, as this creates a serious disconnect with our legal obligations, and serious risks as a consequence.

Ultimately, it will be the STL Board that is held responsible. It's becoming increasingly unsustainable for legal responsibility to be disconnected from operational responsibility, as the party with legal responsibility is unable to properly manage the risks involved.

For a grower, it's like being responsible for the actions of a contractor, for example in relation to crop or environmental damage, but with little ability to influence those actions.

To illustrate, STL - and therefore industry - will have to meet the seven figure cost of the recent shiploading incident in Mackay. STL has ultimate responsibility and its insurances will suffer as a result. Furthermore, two sets of lawyers are involved, for both STL and QSL, costs of which will be incurred by industry.

The greater risk going forward is that a more severe incident – such as a cyber security attack similar to that experienced recently by DP World (a major international port owner/operator) which could result in serious disruption of operations, along with lack of clarity as to responsibility, legal disputes, and duplication of costs which are entirely avoidable.

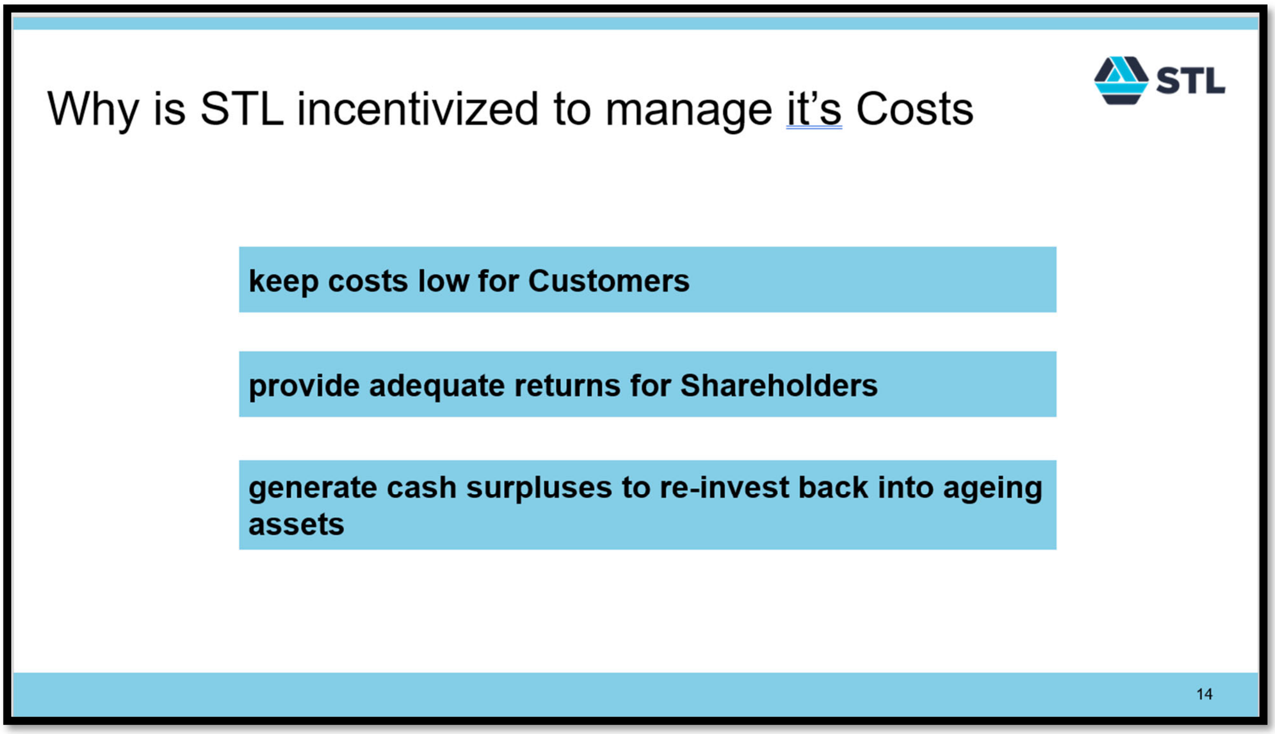
In short, the current model involves significant duplication and legal complexity unsuited to a world which has changed markedly since the model was first put in place 25 years ago.

Going forward, the party legally responsible for terminal assets is the party best placed, and most incentivised, to operate and manage these assets efficiently and effectively, with lower risks.

Cost Management

It has been argued that QSL's not-for-profit status drives cost efficiencies. STL considers this is not the case. Indeed, the current "cost pass-through" model readily breeds inefficiency. Any costs incurred by QSL are simply passed through to STL and in turn to industry.

There is no incentive to keep these costs low – they are simply passed through with no financial consequences for QSL, and no incentive (such as loss of profit) to reduce costs.



It is STL which has the greatest incentive for financial discipline, as it needs to strike the right balance between:

- keeping costs low for customers
- providing adequate returns for shareholders, and
- generating cash surpluses to reinvest in replacing and upgrading industry assets.

These are not matters which are the responsibility of an outsourced operator, who is simply interested in covering its own costs.

Infrastructure delivery models

There has been a lot of misinformed comment about an infrastructure owner-operator model.

This is a common and widely accepted model for many infrastructure businesses, not just in Australia but also overseas – such as ports, airports, water and electricity transmission and distribution. It usually doesn't make sense, and is not efficient, to have more than one piece of large-scale infrastructure in a particular location.

The notion that an outsourced operator can somehow provide a safeguard against the actions of an infrastructure owner is totally baseless and lacking in any substance. It simply has no powers or authority to do so. The protection against inappropriate pricing is provided by the pricing mechanism negotiated and agreed to individually by each customer as part of the Storage and Handling Agreement.

That protection exists now and will continue to exist in the future.

And there are legislative and regulatory safeguards that are also widely accepted, including through the Australian Consumer and Competition Commission (ACCC) and the Queensland Competition Authority (QCA).

Specifically, the threat of regulation is a powerful disincentive to any predatory practices. It is something which STL takes very seriously. To this end, STL runs a shadow regulatory pricing model, and has also had its pricing practices reviewed by independent regulatory experts. This ensures that our pricing and returns are well within accepted regulatory settings for an infrastructure business like STL.

As a former CEO of the QCA, I can assure you that STL has no fear of regulation. For those of you who advocate regulation of STL, I say merely "be careful what you wish for". The process is complex and costly, and may well end up with the regulator allowing us to charge more for the services we provide.

This is an outcome that is not in anybody's best interests, and not something that STL would ever pursue.

As I have explained, an owner-operator model is common practice.

What is far less common is a marketer-operator model where there are multiple marketers competing directly with each other. And the safeguards are much more limited in such circumstances. The marketer-operator model is a relic of a bygone era of single desk marketing. Things have changed, and the model needs to change.

In a world of grower choice and multiple marketers, there is no place for one marketer to have a privileged position of providing terminal services to other marketers who are its competitors. In STL's view, this is highly inequitable, riddled with conflicts and no longer fit for purpose.

It bestows privilege on a party and is out of step with contemporary governance standards. It would seem that this is this privileged position that QSL is trying to protect.

<u>Operational Performance</u>

On the face of it, the operational performance of our outsourced contractor is sound. Certainly, we don't have any major concerns about front-line services, which we intend to bring 'in house' with insourcing.

However, we do take issue with a number of factors at a corporate head office level which have impacted, or have the potential to impact, operational performance.

I have already made passing reference to the problems with loading of a sugar vessel at Mackay earlier this year. This was not disclosed in QSL's Annual Report where it declared itself to be "world class". It seems also that QSL has a practice of not disclosing anything that detracts from its carefully cultivated image of excellence in operations. Here are just a sample of other things QSL has not disclosed:

- QSL has not disclosed the water damage to sugar during ship loading in Townsville in August.

- QSL has not disclosed that its shared services costs have increased at double the rate of inflation, paradoxically making STL's Business Case for insourcing even stronger.

- QSL has not disclosed that they unilaterally removed over $1 million of expenditure from the agreed maintenance plan for FY23 primarily to address an overspend in their Corporate (Head Office) Shared Services budget.

  As a general rule, growers will appreciate that skimping on maintenance is false economy. It can potentially result in the build-up of a maintenance deficit which can lead to failures at critical times and is often even more expensive to repair at a later time.
- QSL has not disclosed that they have failed to fully deliver capital expenditure plans in each of the last 5 years, meaning assets are not being replaced or upgraded in a timely fashion.

  The impact is hidden, because the work is simply carried over into the following year's program, and no one in industry is any the wiser. But it pushes out the timing of other planned capital works, to the detriment of the assets involved.

- QSL has not disclosed capital projects that have run significantly over budget and over time such as the upgrading of electricity sub-stations. Again, this is just hidden in cash flows, but detracts from funding of other planned capital works.

Now, some of these problems are not unusual and indeed are to be expected in operations from time to time. We won't be perfect either when we take over operations. We'll make mistakes. But we won't pretend to be perfect when we're not, and we'll be transparent about our operational performance.

We'll be upfront with industry and won't be sweeping bad news under the carpet.

This brings me to the issues of transparency and accountability.

<u>Transparency and Accountability</u>

As a listed entity, STL has to comply with ASX/NSX standards of transparency, including publication of detailed financial results, as well as a Remuneration Report for Key Management Personnel.

QSL has no such legal requirements, and chooses not to voluntarily disclose any cost information or basic remuneration information for Key Management Personnel. This is despite the fact that many peer not-for-profit organisations voluntarily choose to disclose information such as remuneration details to meet community expectations.

This is highlighted on the screen, which shows the remuneration information disclosed by STL and what information is currently available from QSL.

Transparency and Accountability

Remuneration: Key Management Personnel FY 2023

Position	STL $	QSL $
Chair	109,331	??
Non-executive Director	65,599	??
Board Committee Chair Allowance	5,301	??
CEO/Managing Director	572,294	??
Chief Financial Officer	291,148	??
Company Secretary	Not applicable*	??

Source: STL Annual Report 2022-2023

*Note: At STL the CFO & Company Secretary roles are combined

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Again, you have to question why QSL chooses not to disclose the full details of their remuneration.

More broadly, STL considers the separation of ownership and operations functions creates a confusion and blurring of responsibilities as illustrated by the Mackay shiploading incident which I've already mentioned.

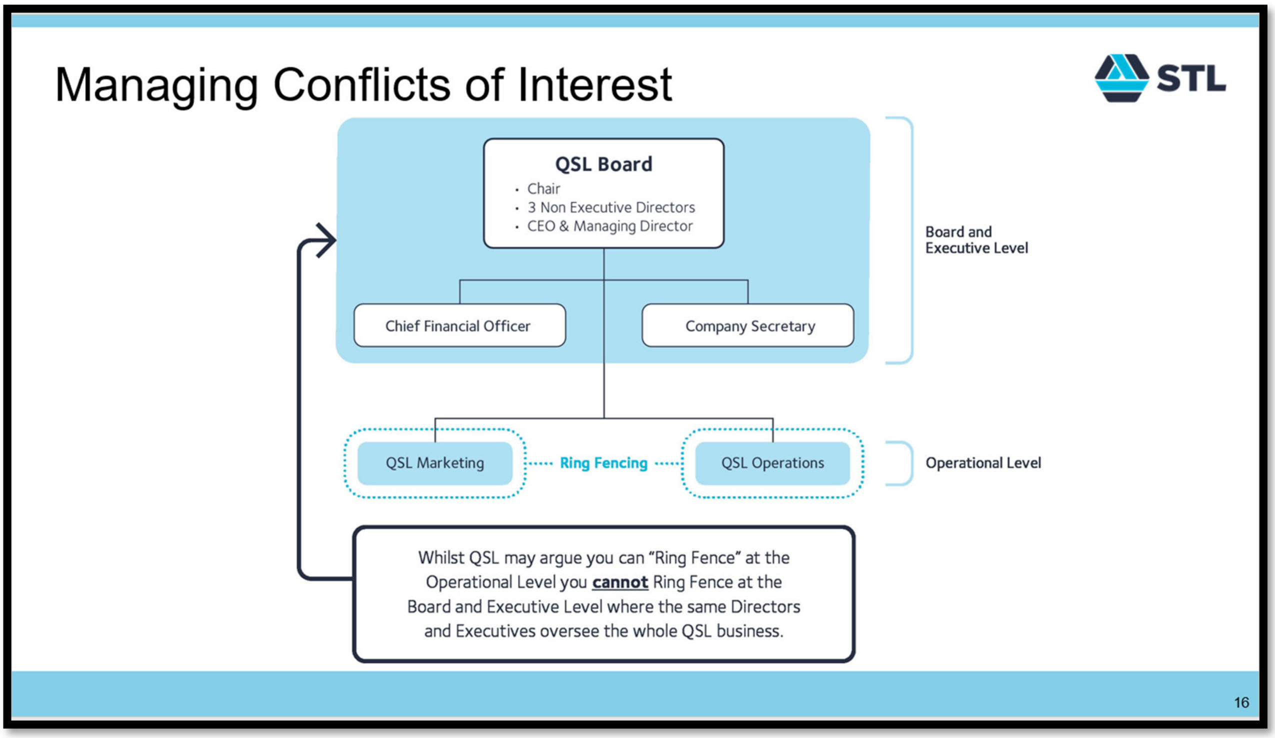
Industry has never seen any detail on QSL costs and has never been able to judge whether its costs are reasonable or not. Certainly, the fact that QSL was able to hold costs flat for several years in response to the pressure from STL suggests that there was "fat" in its cost structure.

Once STL assumes responsibility for operations, we will look to provide much greater transparency around items like:

- Publication of quarterly progress reports on maintenance spending compared with Budget
- Updates on capital works expenditure compared with Budget.
- More granular delay reporting (receival or shipping)
- Enhanced safety reporting including Near Miss Reporting, First Aid injuries,
- Product contamination incidents
- Income diversification activities by Terminal
- Sustainability objectives focussed around energy, fuel and water consumption
- Staff turnover

Overall, insourcing will ensure much greater transparency, and a single transparent point of accountability, in contrast with the dual and blurred accountabilities that currently exist.

Managing Conflicts of Interest



There has been a lot of ill-informed comment about conflicts of interest.

Contemporary governance standards identify three types of conflicts:

1. Actual
2. Perceived
3. Potential

Each of these conflicts needs to be managed in accordance with good governance principles.

A conflict of interest in a Boardroom setting is where there is any actual or perceived or potential risk that a person's independence could in any way be compromised through a personal gain for themselves or related parties.

It is opportune to explain to our shareholders precisely how STL manages such circumstances and to question how QSL deals with conflicts.

My fellow Directors and I take our responsibilities to manage conflicts very seriously. All STL Directors are required to list any conflicts of interest on a Register in accordance with STL's policy. At the commencement of every Board Meeting, Directors are required to disclose any changes to their Conflicts Register which is duly noted and updated accordingly.

During the course of a meeting, Directors are also required to disclose at any time where they feel a conflict may arise and excuse themselves from such discussions, which means leaving the Boardroom.

This also extends to Directors being able to challenge other Directors as to whether a conflict exists and if so, what action is necessary to avoid the conflict.

These situations do arise in the STL Boardroom where, for instance, Miller Directors are required to leave the room and not be involved in any discussions or decisions on the Storage and Handling Agreement, due to perceived or possible conflicts.

In fact, during negotiations on the Storage and Handling Agreement last year, Grower Director, Tony Bartolo chose to remove himself from deliberations in response to representations from QSL, alleging a perceived conflict as a supplier to QCS and former Director of Mackay Sugar.

Where conflicts arise, the relevant Directors receive redacted copies of the Minutes and relevant Board Papers are quarantined so that only non-conflicted Directors are able to view such materials.

These are the standards that STL Directors apply to themselves.

STL's management of conflicts in the Boardroom are consistent with best practice governance principles widely applied in Boardrooms across Australian industry. The bar has been set very high for managing conflicts.

It is interesting on the other to speculate as to how QSL manages conflicts around its Boardroom table. It would seem not possible for the Board to "unthink" marketing issues when deliberating on operations matters and vice versa, even if the conflict is only perceived. And the test here is how a "reasonable person" would view the situation.

As shown on the Conflict of Interest slide, while ring-fencing may well apply below the line at an operations level in QSL to manage conflicts, at the strategic decision-making levels of Board and Executive Management, there is no separation of marketing and operations roles through ring fencing or Chinese Walls.

To illustrate, we had the farcical situation recently where the CEO of QSL Operations had to write to the CEO of QSL Marketing (ie the same person) to inform him that, in the context of outstanding matters relating to the Storage and Handling Agreement, access to sample tests were being suspended until QSL Marketing paid all outstanding invoices.

In short, STL conflicts of interest can be managed successfully through best practice governance standards. In STL's view, QSL conflicts cannot.

This is why a marketer-operator model is not sustainable where there are multiple marketers in competition with each other, each striving to gain a competitive advantage over each other.

<u>Consultation with QSL</u>

There have been widespread claims that STL failed to consult with QSL and that the insourcing decision came as a complete surprise.

This is simply not the case.

If STL had wanted to proceed with insourcing unilaterally and without consultation with QSL, we could have given notice to terminate the Operating Agreement on 30 June 2019 and, with the 3 year notice period, we would be operating the terminals by now.

Why did we not do that ?

We didn't do that because we spent 3 years attempting to have meaningful and constructive consultation with QSL on workable compromises on a range of matters, including:

- development of a more robust and comprehensive performance framework
- a comprehensive review of the Operating Agreement (as provided for in the Agreement)
- a joint and orderly integration of operations functions into STL.

In response, we were met with a complete lack of willingness to engage in any meaningful way.

In relation to the performance framework, QSL claims a corporate performance bonus each year for operating the terminals. However, QSL refuses to consult with STL on a framework for determining this bonus. QSL sets its own KPIs, self-assesses, ignores any problems, and claims a maximum bonus each year, while rejecting or ignoring any input from STL.

This is unacceptable commercial practice that would not be tolerated elsewhere.

On insourcing, I personally initiated a meeting between the independent Directors of the STL Board and the non-executive Directors of the QSL Board to discuss a joint approach to the issue. The meeting occurred on 24 March 2022 and was followed by some exchanges of email correspondence between the Chair of QSL and me.

The upshot of this consultation was that QSL refused to even sign a Non-Disclosure Agreement to enable further discussions and an exchange of information to proceed.

In case there remains any doubt about this, let me quote from an email of 30 March 2022 from the Chair of QSL to me:

“To recap, as we understand, your preferred outcome is to give notice on the contract with the intention of STL running the terminals directly”.

To be completely clear, QSL was fully aware of, and took part in discussions on, the insourcing option in March 2022, some 10 months before we made the so-called “surprise” decision.

<u>Engagement with stakeholders</u>

Since joining the Board in 2017, I have made it a personal mission to raise STL's profile and level of engagement with shareholders and other stakeholders.

Pre-COVID, the Board made a commitment to hold a Board meeting at each operational site every two years. This practice resumed in 2021 and has expanded to include face-to-face meetings between Directors and a wide range of stakeholders in each cane growing region.

The relationships developed in all regions have provided valuable input to STL's Board and management team and have allowed us to have frank and fearless discussions about a range of topics.

This has included the topic of operation of the terminals – on which there has been a diverse range of unsolicited views from growers, ranging from STL as the natural and obvious operator of the terminals through to continuation of the *status quo*, with QSL as the operator.

We knew clearly where various parties stood on this contentious issue when we made our decision, and this has been confirmed by the various responses since then.

There are times when a decision needs to be made because it is right for industry, even if it may be unpopular with some stakeholders and results in hostile reactions, especially from parties with strong vested interests.

This is one of those times, and the entire Board stands steadfastly behind that decision.

The Board, individual Directors and our CEO have spent countless hours engaging with our shareholders and other stakeholders in their meeting rooms, farm sheds and backyards.

We'll be continuing this into the year ahead.

I would add that our industry consultation over an extended period of time did throw up an issue on which there was widespread and almost universal support – the need to keep our costs low without compromising service or asset quality. If industry is genuinely concerned about costs, it should be genuinely concerned about the costs of duplication.

It is somewhat ironic that when we take a major initiative to reduce costs by insourcing operations, the protection of QSL's privileged position suddenly is more important than keeping costs low.

Storage and Handling Agreement

I'll now make some brief high level comments around the Storage & Handling Agreement (SHA).

As you may be aware, the Storage and Handling Agreement is an agreement between STL and its 6 customers for the provision of storage and handling services.

It is important to note that over 98% of STL's revenues are in fact generated from the Storage and Handling Agreement. This is an identical agreement for all 6 customers.

There are no sweetheart deals, no side deals, no favourites. There is no difference whether you are the biggest or the smallest customer. Every customer must be treated equally.

A new Storage and Handling Agreement was negotiated during FY22 and took effect from 1 July 2022. Five customers signed the Agreement, but QSL did not.

Despite this, STL has continued to receive, store and ship their sugar and has provided all contracted services over the past 17 months despite QSL's refusal to even acknowledge the existence of the agreement.

This further demonstrates STL's commitment to the entire sugar industry, something of which we are extremely proud.

It is entirely QSL's right as a customer not to sign the Agreement. However, it is simply unacceptable for a party that will not sign the SHA to expect to administer the SHA as an outsourced operator on behalf of STL for other customers who are its competitors.

This again highlights the problems of a marketer-operator model where there are multiple marketers.

David Quinn our CEO will comment further on the outstanding issues with QSL on the Storage and Handling Agreement in his Report.

Inactive Growers

STL recognises the challenges associated with inactive growers or dry shareholders on our share register. There is a diversity of views on this issue, with some parties advocating "*once a grower, always a grower*", while other parties have advocated for stronger action against inactive growers.

Regardless, STL acknowledges our obligations under the Constitution, and we are further examining these provisions to determine how they may be better applied. As referenced in the latest Annual Report, STL engaged an external consultancy with expertise in this area to identify possible solutions.

Shareholders will have noted a further letter recently dispatched by STL to all shareholders reminding them of their obligations. Similar commentary appeared in the Annual Report as well as other written correspondence reminding 'dry' shareholders of their obligations to divest of such shares as soon as practicable.

Having inactive shareholders divest of their shares is the first challenge.

The bigger issue is how a re-distribution of shares could occur to ensure they go into the hands of active growers on an equitable basis, whilst at the same time avoiding further concentration of shareholdings on our Register.

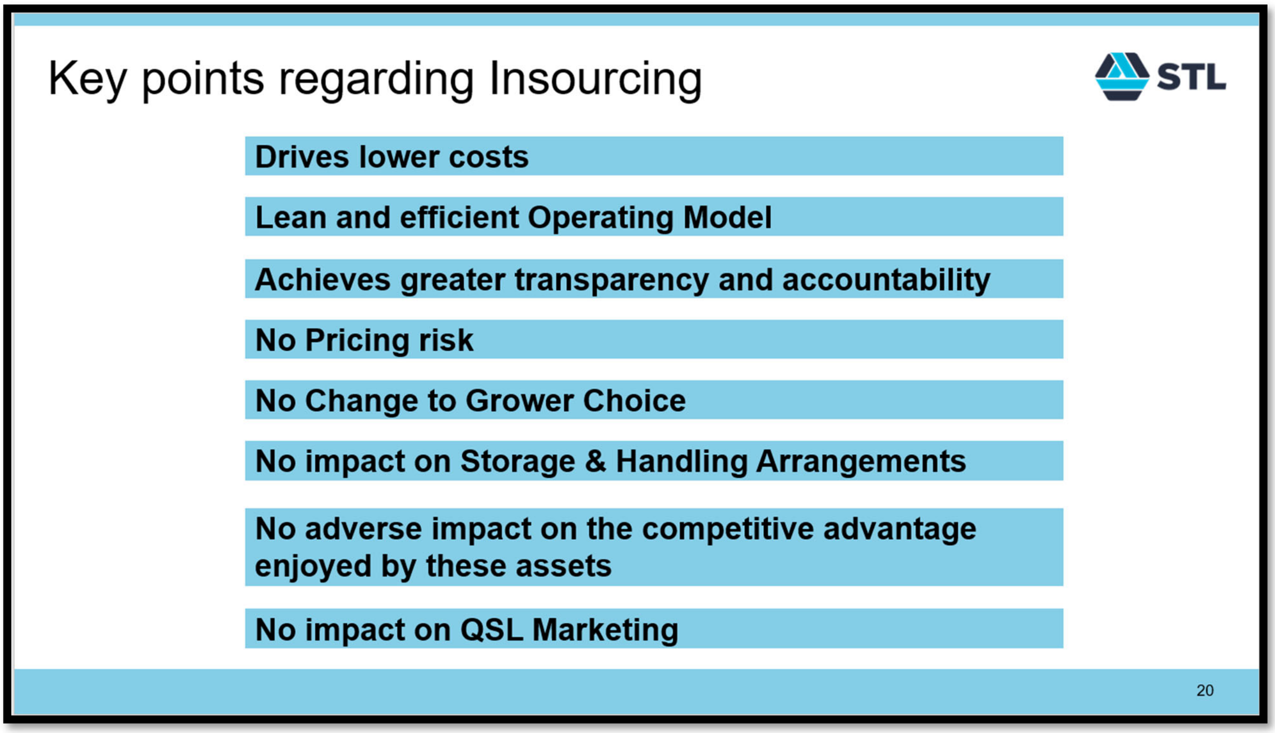
To this end, next year, we will be undertaking a more intensive exercise to obtain up-to-date contact details for all individuals on our share register and better identify inactive growers. In turn, this may provide a better basis to address this going forward.

We look forward to the support of all shareholders in this process.

In short, we continue to work actively on this issue, recognising the difficulties of securing constitutional change, and the need to comply with legal requirements in relation to matters such as privacy, confidentiality and procedural fairness.

I would however highlight that our exploration and ultimate resolution on this issue can and will progress in parallel with the transition to insourcing.

Concluding comments



In summary, let me reiterate some key points regarding insourcing:

- It will drive lower costs by eliminating QSL corporate Head Office (Edward St) costs, without impacting the quality or standard of front-line services
- It will establish a lean and efficient operating model reflective of a commercial multi-marketer environment involving vigorous competition between marketers
- It will provide greater transparency and accountability for performance
- There is no pricing risk, as there are significant customer and legal frameworks to prevent this.
- There is no change to grower choice in any way
- There is no impact on the storage and handling arrangements for marketers at any of the terminals.
- The decision to insource operations will have NO adverse impact on the competitive advantage enjoyed by these industry assets
- There is no impact on QSL Marketing and its ability to market your sugar – unless QSL is gaining some unfair and undisclosed marketing advantage by virtue of its current role as sub-contracted operator of the terminals.

Under the Operating Agreement, the formal date for completion of the transition process, and commencement of operations by STL is 1 July 2026. There is no sound commercial reason why the transition process cannot be completed in 12 months, so that the benefits of lower costs for industry can be realised sooner.

Under the pricing mechanism in the Storage and Handling Agreement, all the benefits of lower costs flow through to customers and hence to industry in the form of lower storage and handling charges. They do not flow to STL's bottom line, and hence to shareholders.

Given the changes in industry structure and legal obligations that have occurred in recent years, the division of responsibilities between STL and QSL is no longer fit for purpose, or sustainable into the future.

For the reasons I have outlined, STL considers that insourcing operations will ensure that storage and handling charges are more internationally competitive in a rapidly changing and increasingly challenging world.

STL remains steadfast in its decision, and we look forward to keeping shareholders informed as we progressively move towards the commencement date of 30 June 2026 or earlier as STL would like to see industry enjoy the benefits sooner.

With the careful planning that is already well underway, the transition to insourced operations will be achieved seamlessly and disruption free for our customers and growers.

Our business plan going forward is simple and straightforward:

- Keep costs as low as possible, without compromising service or asset quality
- Invest in the maintenance, upgrading and replacement of industry assets in accordance with a long term capital investment plan
- Ensure greater transparency and accountability for performance
- Maintain storage and handling of sugar as the top priority
- Pursue diversification opportunities, especially at terminals where sugar volumes are under pressure, provided they do not compromise our commitment to the sugar industry in any way.

In relation to costs, given the difficulties at Mossman Mill and the closure of Mils that have occurred in recent years I would have thought keeping costs low and ensuring industry viability should be of the utmost importance.

In conclusion, I'd like to thank STL's non-executive directors for their tireless dedication to the business.

On behalf of my fellow Directors, I'd also like to recognise the efforts of STL's team, led by David Quinn. Year on year, this small group exceeds our expectations and has earned a reputation for hard work, fairness and striving to raise the bar.

I'd also like to acknowledge the ongoing support and loyalty of our shareholders.

That concludes my formal address and I will now handover to our CEO David Quinn for his Report on operational and related matters.

Mark Gray
Chair

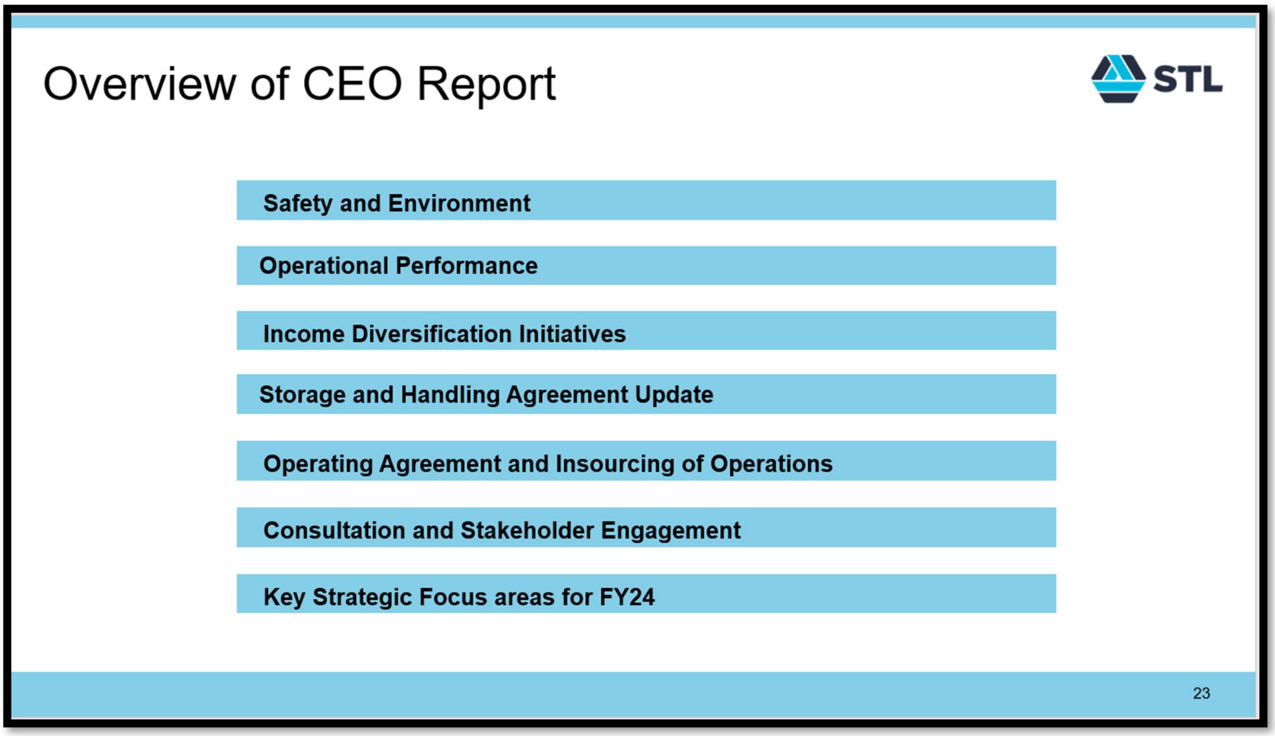
Brisbane | 22 November 2023

CEO’s Report – 2023 Annual General Meeting

22 November 2023

Thank you Mark for the introduction and also my thanks to those shareholders who have taken the time to attend this AGM either in person or online.

As Mark has already foreshadowed, there are a number of matters which he raised during his speech that I will provide further detail on during the course of my report today.

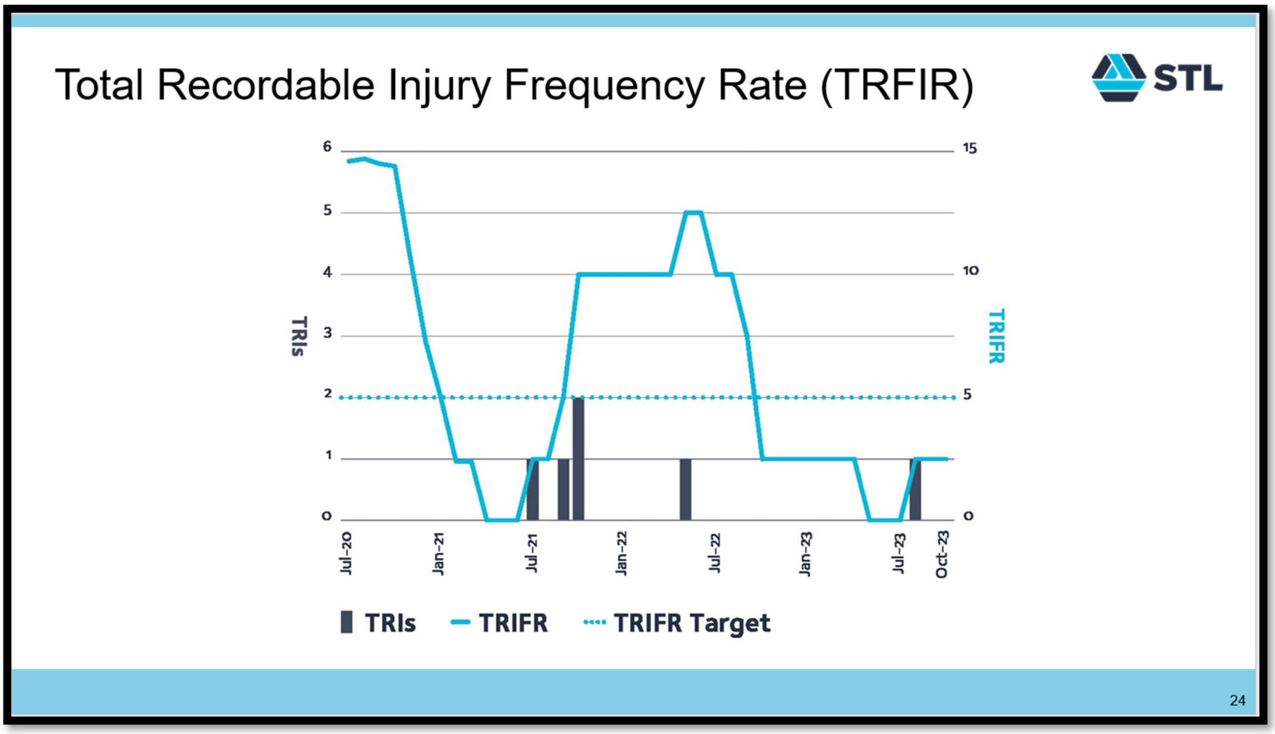


In summary however, the main items I would like to cover will include:

- Safety and the Environment
- Overview of operational performance
- Income Diversification Initiatives
- Storage and Handling Agreement Update
- Operating Agreement & Insourcing of Operations
- Consultation and Stakeholder Engagement
- Key Strategic Focus areas for FY24

Let’s start with safety.

<u>Safety Performance</u>



As you can see illustrated on the screen, the good news is that in the 12 months to 30 June 2023 STL and its Operations Contractor sustained zero lost time injuries.

This has been a great performance as there is no more important task in an operational business than ensuring that all your people go home at the end of their shift in the same state in which they arrived.

I do however remain very aware of the challenges we face noting that:

- we have an ageing workforce
- 24 x 7 operations often in adverse weather conditions
- working from heights, ascending / descending stairways
- significant interaction with mobile plant and equipment at all sites.

STL continues to invest actively in measures designed to enhance the safety of employees, contractors and visitors as displayed onscreen.

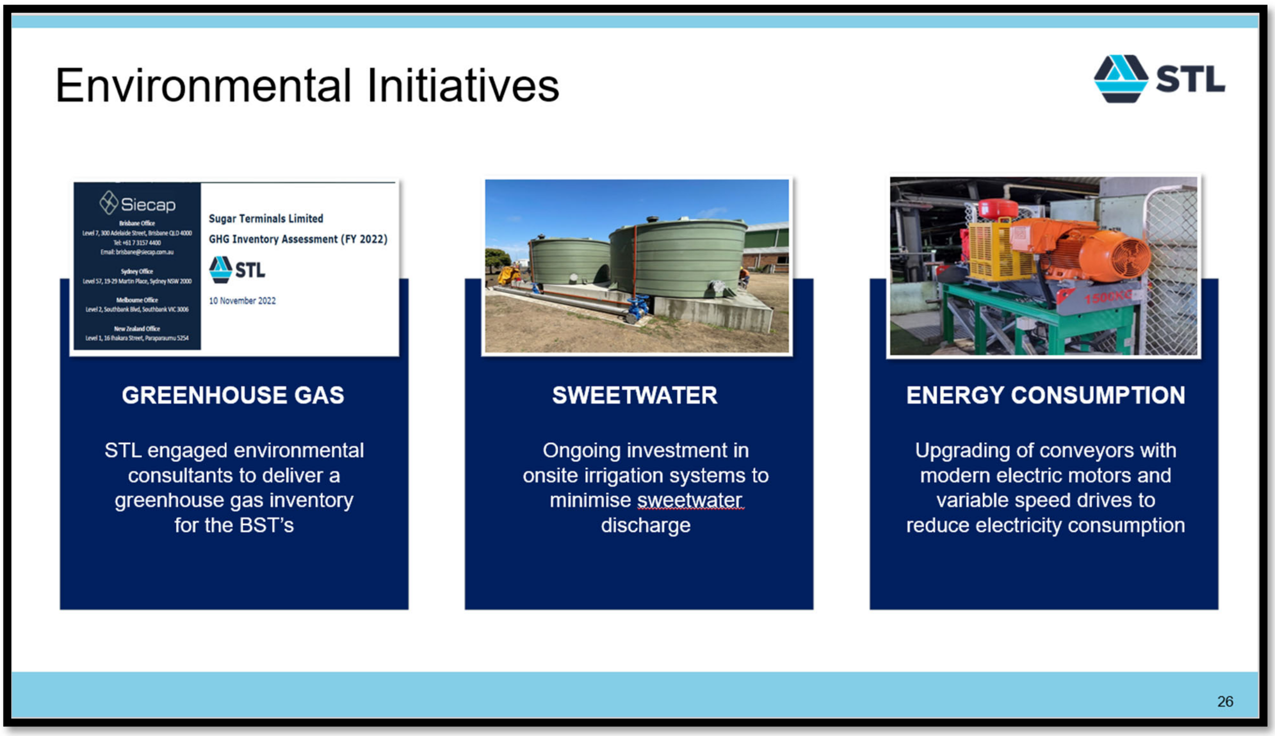
Unfortunately despite all of this good work the operations group did sustain a Lost Time Injury in August 2023. It was as simple as an employee slipping on a set of concrete steps. Again simple factors like returning to the work site after a meal break, late afternoon so natural light transitioning to artificial light and a lack of edge protection on the stairs are just some of the contributing factors.

Pleasingly the employee has since returned to work but it again reinforces that the simplest task can lead to injury.

It is for this reason that STL invests so heavily in these facilities to always find ways to ‘lift the bar’.

As we can all appreciate, safety is a journey. It’s a journey where you will never reach the destination, you should never be satisfied.

I will now move on to address our continued focus on our environmental responsibilities.



Like all businesses and the community in general we must all look for ways that we can reduce our impact on the environment.

Not only does it make community sense, it also makes good business sense.

Therefore, to ensure our shareholders have an understanding of just some of the environmental initiatives we have already completed or are underway, I would like to briefly outline 3 examples detailed on screen:

1. Firstly, we commissioned a report by an Independent Advisory Firm who undertook an audit of our greenhouse gas emissions so that we established a base line to give us an appreciation of the size of the challenge we faced and to allow us to start developing strategies to reduce emissions.

   Such options could include the purchasing of green energy, solar panel suitability on some shed roofs and looking at possible electric or hydrogen powered mobile plant in the medium to longer term.

   Any transition will of course be done in a commercially responsible way, but the reality is we cannot sit still.

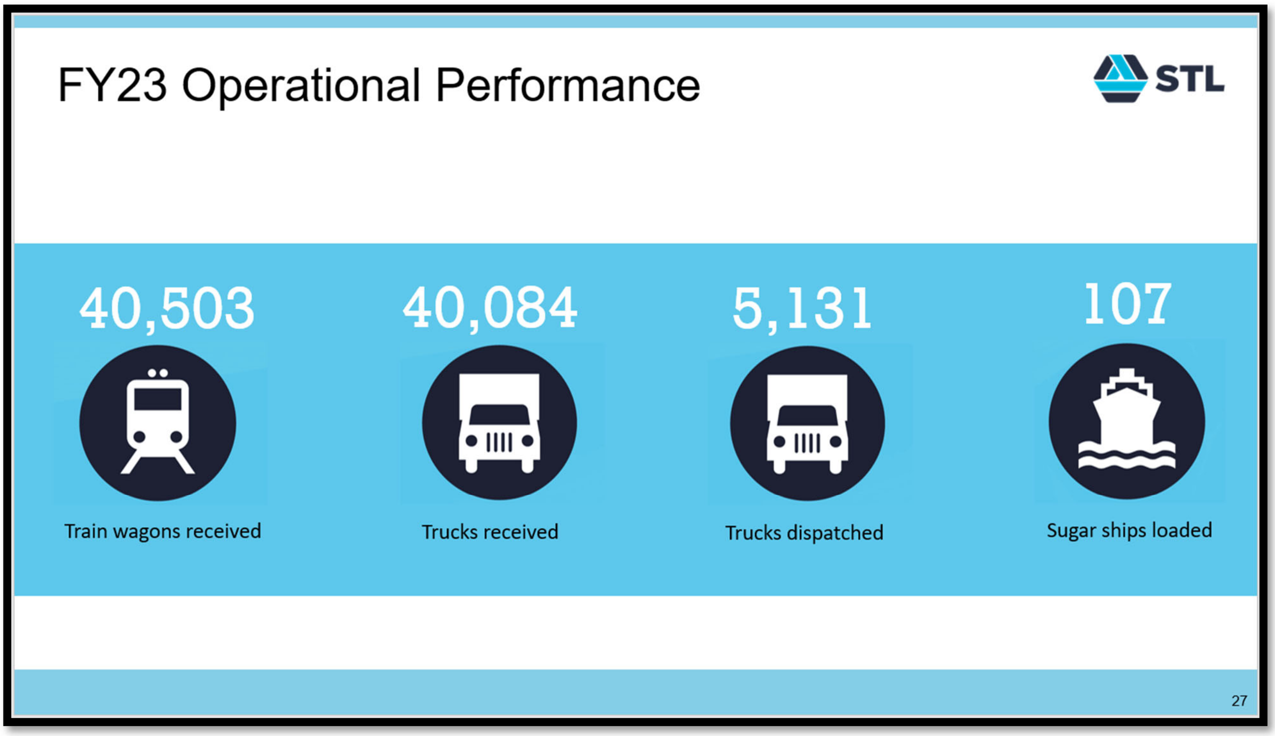
2. Another initiative focusses on ways we can reduce the level of sweetwater generated at our sites, how it is collected and ultimately how it is disposed of.

The image on the slide is in fact the Bundaberg Terminal where STL has recently invested over $180,000 on new tanks, pumps and irrigation as another positive step in seeking to 'lighten our footprint' on the local environment.

3. The final example is part of our ongoing program of funding changeouts to more energy efficient and better quality LED lighting and variable speed drive motors.

   These initiatives will help STL to reduce our energy consumption which ultimately, satisfies both our financial and environmental objectives.

I will now discuss operational performance and highlights.



As I often say when engaging with any of our stakeholders the role of STL is pretty simple, we Receive, we Store, we Ship.

I don't make this comment to undervalue the complexity of the task, but it simply captures our key responsibilities.

What I have found during my various engagements particularly over the last 6 months is that at times there is a misunderstanding of precisely what role STL performs. Maybe its best I start with what we don't do:

- STL has no role in marketing sugar
- STL has no role in chartering ships
- STL has effectively no role in dealing with Overseas Customers.

All of these tasks and many more are managed by the 6 sugar marketers who in turn are my 6 customers.

In many respects my Customers dictate my activities. They tell me when they want to store and they tell me when they want to ship.

Despite a challenging and prolonged crush in 2022, it was pleasing that we still managed to:

- achieved terminal throughout of 7.2 million tonnes
- loaded a total of 107 sugar ships
- received over 40,000 rail wagons and trucks
- loaded over 5,000 trucks for Refinery returns.

As many of you in this room can attest, last season was particularly challenging due to a wide variety of factors, with our last receival occurring in the 1st week of February 2023.

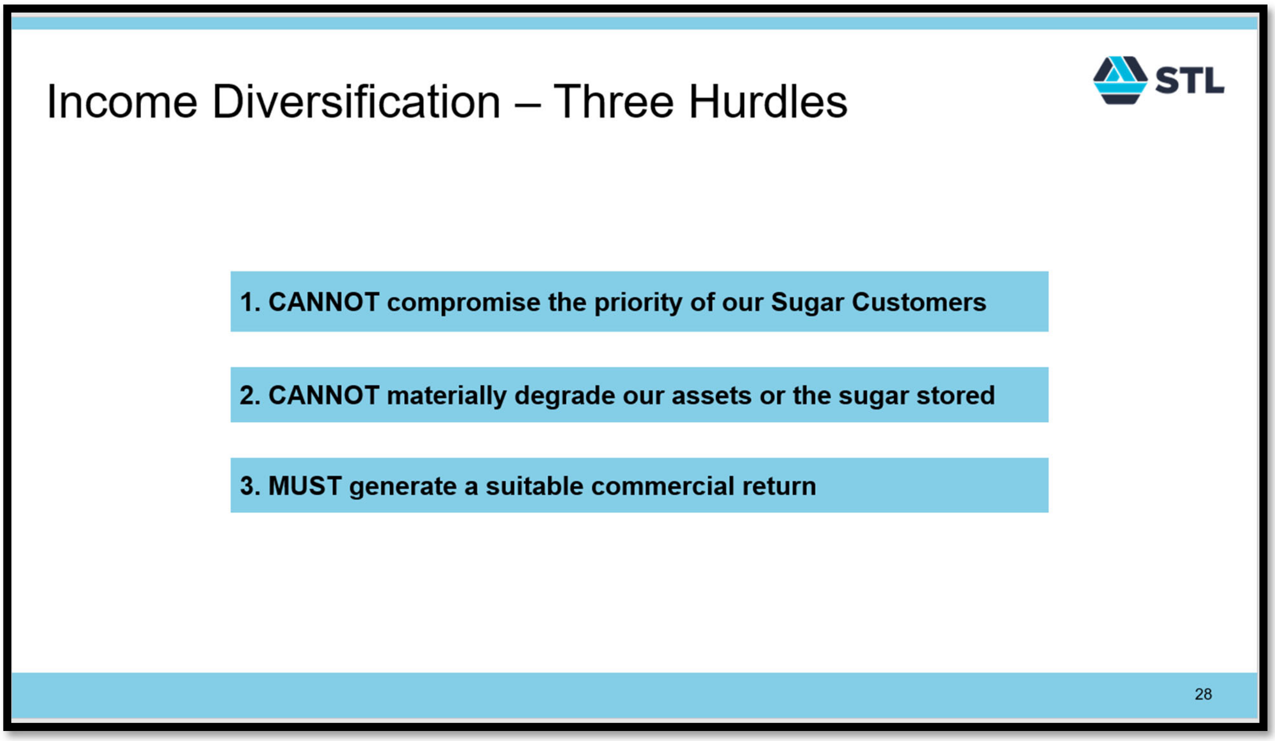
It was however, a good demonstration that despite the challenges STL, its assets and operations were there to support the industry.

This season has also had its own challenges. With pricing the way it is at present we are optimistic the entire crop will be harvested with some Mills having already stopped crushing.

The shining light is of course the remarkably robust sugar price but I recognise that input costs have materially increased and ultimately you can only sell it if it's harvested and crushed.

We are committed to ensuring we meet our end of that bargain.

Let's now move onto income diversification.



STL is and will remain focussed on servicing the needs of the Sugar Industry.

The Chair has already reiterated that as part of his speech and I can only endorse that commitment. Our commitment to seeing this continue cannot be questioned.

Whilst there would be nothing I would like to do more than simply service the Sugar Industry, this is not realistic as we all acknowledge we are facing diminishing volumes in certain regions and uncertainty around Mills.

Whilst the Chair referenced the priority of sugar let me develop this a bit further. Before we even consider any diversification opportunity it must at the outset satisfy the following criteria:

1. Firstly it cannot compromise the priority to our Sugar Customers
2. It cannot materially degrade our assets or the sugar stored at our facilities
3. It must generate a suitable commercial return to ultimately offset operating costs incurred by the Sugar Industry

If we satisfy these 3 steps it would seem simply good business practice to at least consider such opportunities. It also has the added benefit of securing employment at our sites and providing new opportunities for staff to keep them engaged in the business.

Whilst the Sugar Terminals have handled and continue to handle a variety of other cargoes over the years, there is the need to more actively explore this particularly in Bundaberg and Cairns where significant pressures are already being experienced.

In respect of Bundaberg, it was very pleasing to recently achieve practical completion on the Common User Infrastructure Project at the Port of Bundaberg.

The Project was funded jointly by the Federal Government, State Government and STL and the capital cost was approximately $22M of which STL contributed around $3M.

STL resources in fact managed the commercial negotiations with the Government, took the Project out to Tender, selected the Preferred Contractors, project managed its delivery and will now have responsibility for marketing this facility.

Importantly despite a very challenging construction market, it was delivered by STL on budget.

The images you see displayed behind me hopefully give you some appreciation for the piece of infrastructure that STL has delivered. We look forward to providing further updates.

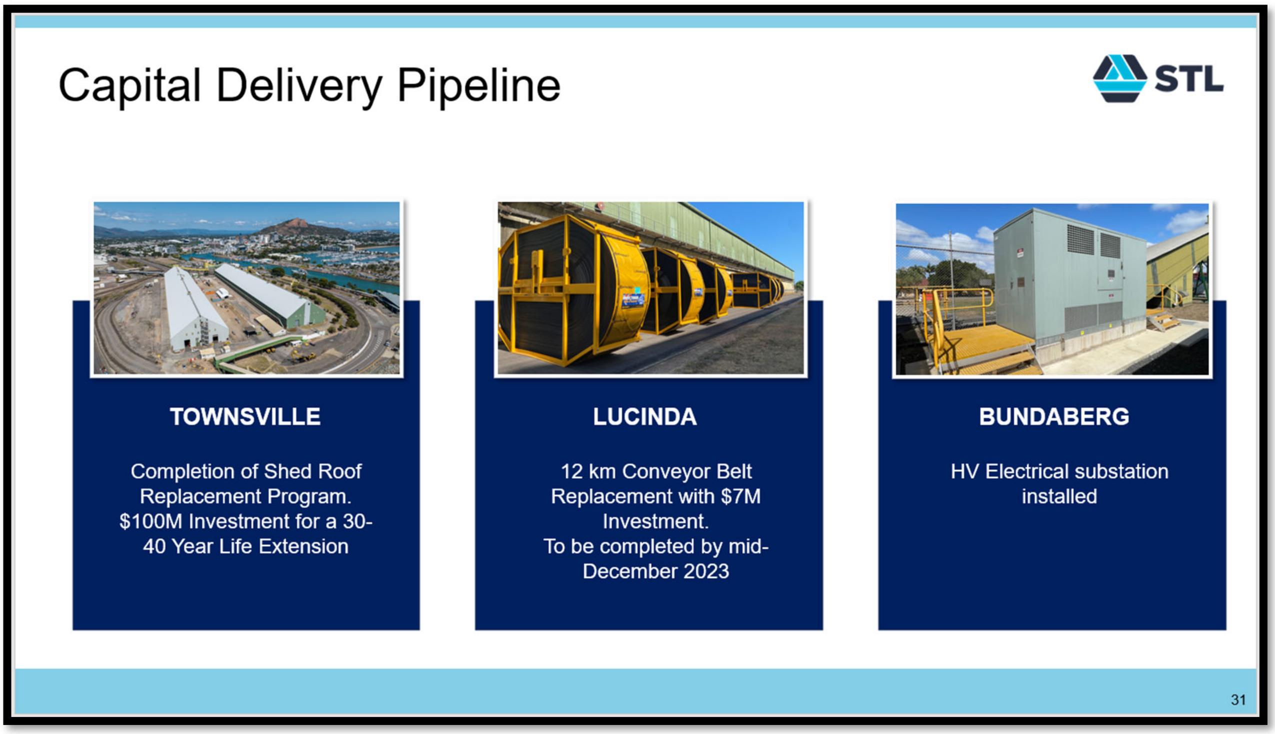
The Cairns Terminal remains a vital facility in our suite of assets and we recognise its importance to the local Sugar Industry in the far north Region.

We continue to invest in this Facility and in the last 6 months the new Shiploader Cabin has been added to further improve safety and operational efficiency during loading operations at this terminal.

STL is engaging actively with the Department of Defence around the ongoing use of the Sugar Wharf when not being used for Sugar Vessels.

In the case of Ports North and the State Government’s consideration of a Marine Precinct to build and repair ships, STL remains actively engaged in that discussion and of course are advocating strongly for the Sugar Industry.

In conclusion, STL will, subject to the hurdles outlined continue to explore appropriate income diversification activities.



With the decade-long $100 million reroofing project completed in September 2022 on time and on budget, we have now turned our attention to delivering vital capital works right across our portfolio.

As I speak, work is already underway to replace the 12-kilometre-long conveyor belt for the Lucinda Jetty. In fact over the last weekend the first splice of the new belt was completed.

The new belt was manufactured in Melbourne and was delivered to site in recent weeks.

Whilst there were options to procure cheaper overseas belts, noting the criticality of the Lucinda Terminal and its support of the broader sugar industry in that Region, we were not prepared to take the risk.

Additionally, having a local manufacturer also provides a better level of after sales support.

Other STL funded capital projects completed or committed this year include:

- Upgrades of the main electrical substations at Lucinda and Townsville at a combined cost of $5 million
- Shiploader safety upgrades to fit anti-collision systems at five of our six sites
- $1.8 million to maintain and upgrade fire systems at all terminals
- A multitude of smaller but equally critical capital projects being undertaken across all sites.

Let’s now move away from these key operational issues to some of the broader strategic matters that we have and continue to face.

Firstly lets consider the Storage and Handling Agreement, STL's key commercial contract.

As the Chair indicated the Agreement came into effect on 1 July 2022. It replaced the former agreement that had been in place since 2018.

Can I stress that the need to have such an agreement was an outcome of Grower Choice.

This 2022 version of the Agreement was negotiated over almost 8 months individually with each of the 6 customers.

Suggestions that as the "infrastructure owner" we can simply impose pricing and commercial arrangements onto users, simply underestimates the ability of customers to negotiate aggressively to achieve outcomes.

Due to the very competitive nature of Sugar Marketing and the requirements of competition law, STL conducts individual one on one negotiations with each customer with the ultimate aim of reaching a consensus position.

So after 8 months of negotiations, 5 progressively updated drafts of the new Agreement and countless meetings in Brisbane and the Regions, on 30 June 2022, 5 of 6 customers signed the new agreement.

I would also like to respond to commentary from some quarters around statements like "…*holding the industry to ransom*…" or similar.

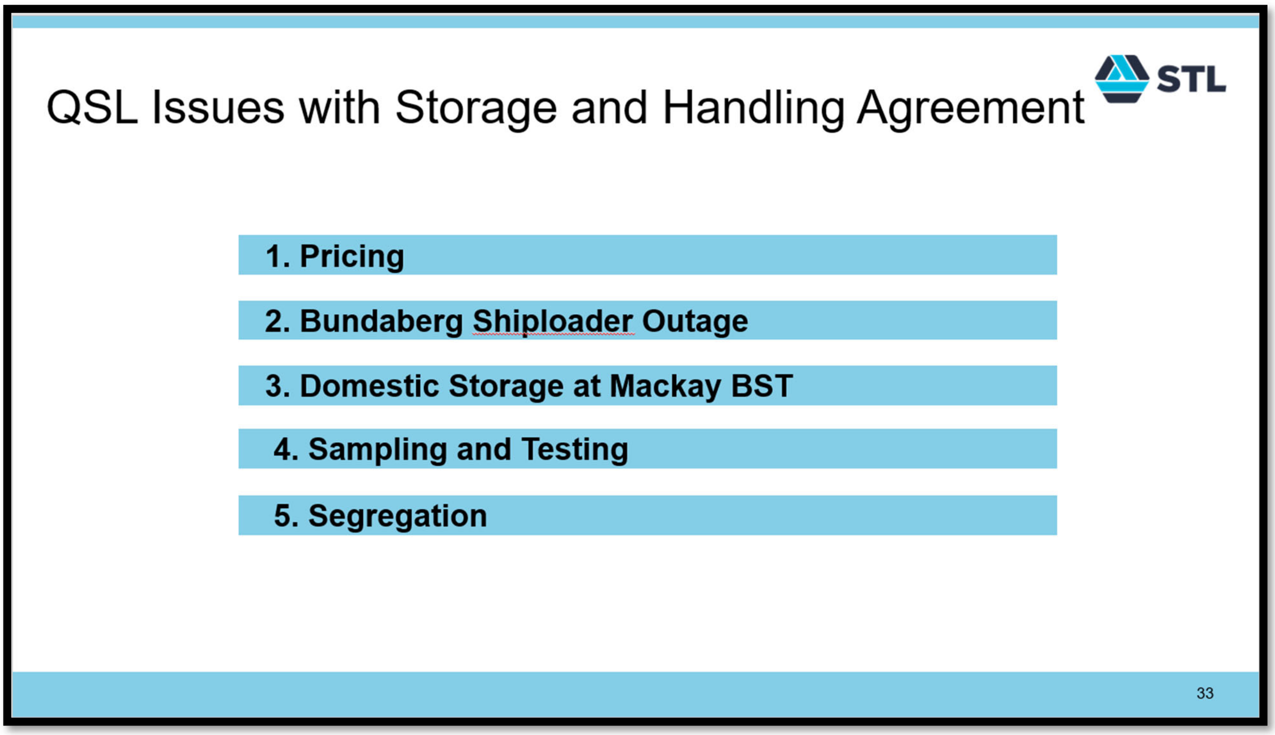
This is simply not the case.

We advised all 6 customers before the old agreement expired that on 1 July 2022, regardless of who had or hadn't signed the new Agreement, STL would continue to receive, store and ship every grain of raw sugar we received.

And that is exactly what we have done despite QSL not signing the agreement and not even being prepared to acknowledge its existence almost 18 months later.

I think STL's actions demonstrate our level of commitment to the Industry and to all of our customers.

So lets now look at the 5 reasons why QSL has openly communicated as to why it has not signed the Storage and Handling Agreement.



<u>Pricing</u>

The overhead lists the 5 items but we will start with Pricing.

I would point out that the Pricing Model that determines what we charge our customers and which forms a key part of the current Storage and Handling Agreement is the same Pricing Model that was in the previous 2018 – 2022 Agreement.

The only change was the material concessions made by STL as part of the most recent negotiations which in fact make it commercially less attractive to STL but better for <u>ALL</u> Customers.

When QSL expressed concerns around pricing, STL initially provided documentation to further explain the Model. STL also highlighted how our pricing had been benchmarked against sugar terminals in Brazil and coal and grain terminals throughout Australia.

As this didn't satisfy QSL, we then had to go to the expense of engaging external industry experts to conduct a review.

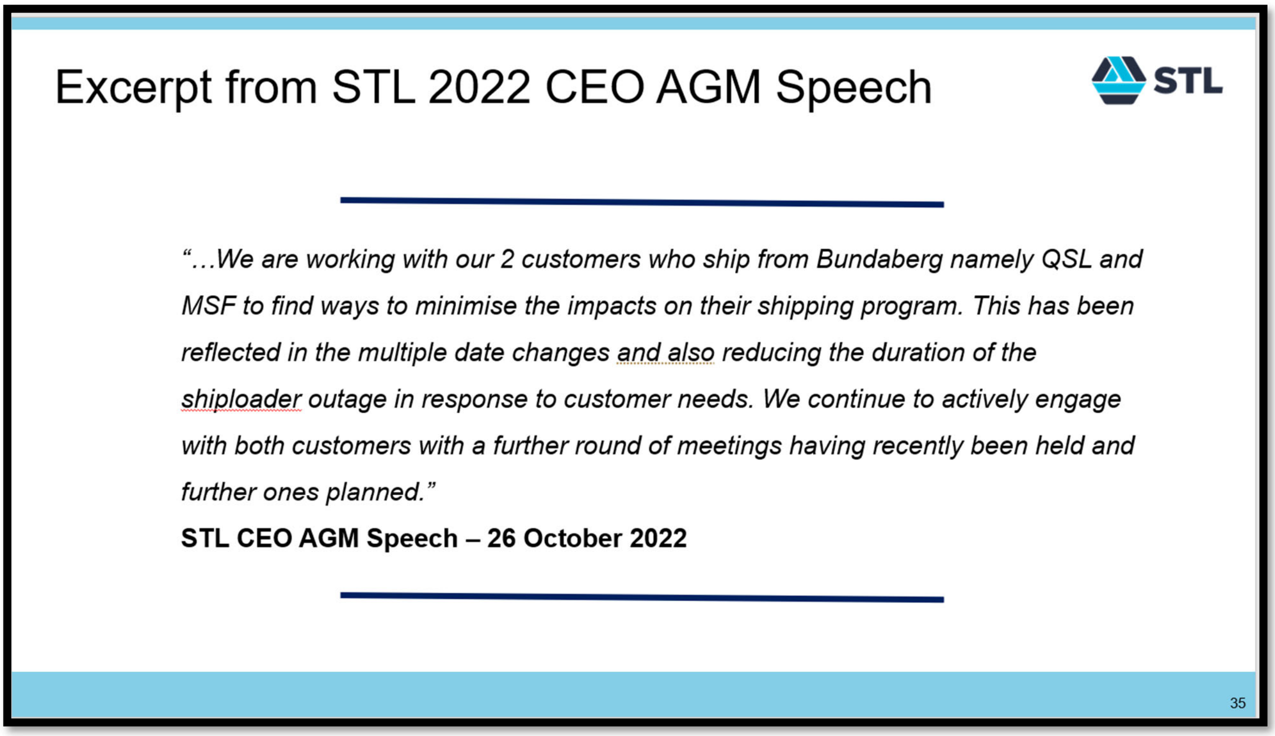
We engaged a consultancy who specialises in this area called Synergies who have also previously been engaged by QCGO. Their report ran for over 100 pages.

Despite QSL advising us that they had referred the materials off to global accounting firm KPMG to do a review, STL never received a response.

Its interesting that pricing is one of the items that QSL has continually promoted as to why its against insourcing of operations.

<u>Bundaberg Shiploader Outage</u>

Lets now deal with the 2nd issue which QSL is disputing, the Bundaberg Shiploader Outage



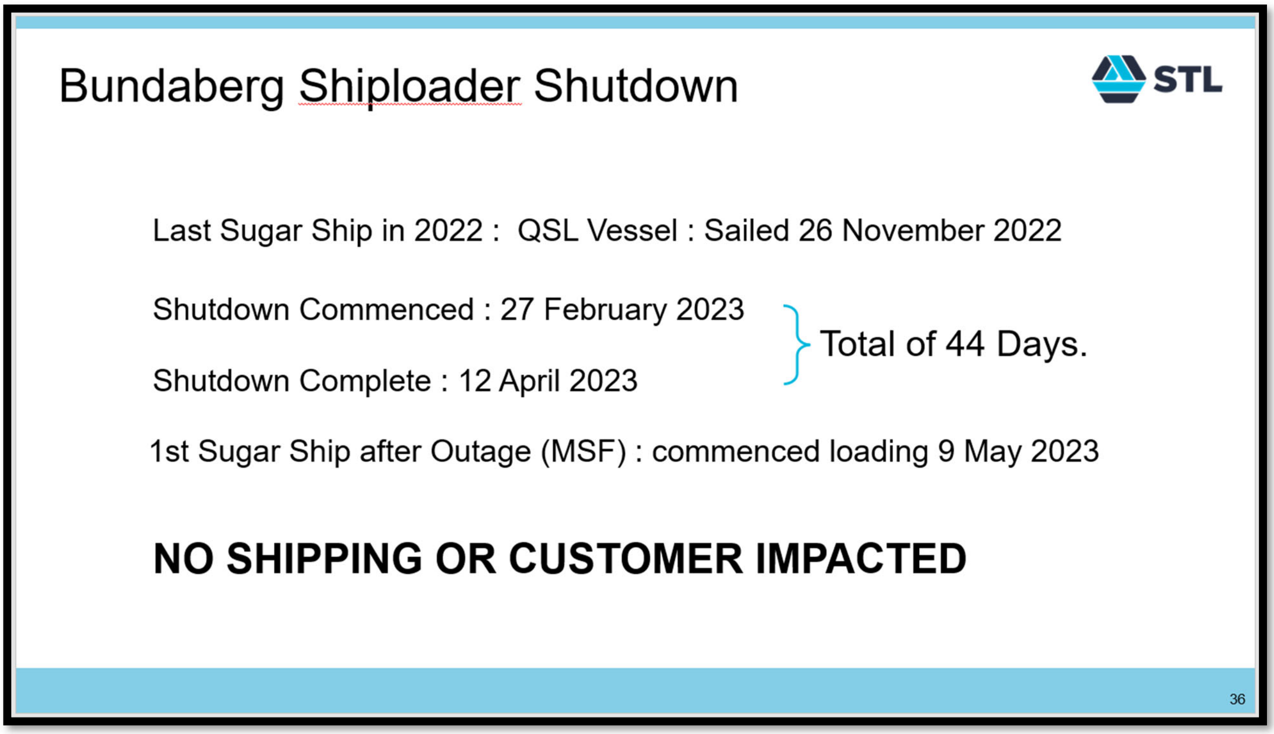
Both the Chair and I have, I believe, explained very clearly why we are looking to diversify at Bundaberg. There is simply no option to 'do nothing'.

Noting QSL's commentary around 3 month "lock outs", I will simply deal with the facts and quote directly from the speech that I gave at last years AGM:

> *"…We are working with our 2 customers who ship from Bundaberg namely QSL and MSF to find ways to minimise the impacts on their shipping program. This has been reflected in the multiple date changes and also reducing the duration of the shiploader outage in response to customer needs. We continue to actively engage with both customers with a further round of meetings having recently been held and further ones planned."*
>
> **STL CEO AGM Speech – 26 October 2022**

A copy of the speech from 2022 can be found on our website.

So let's deal with the facts on screen:



And the facts as you can see show not a Single Ship or Customer was adversely impacted.

I would also highlight that we moved the shutdown 3 times to suit our customers all at STL's expense.

Can I also draw a simple parallel, we are doing exactly the same thing right now in Lucinda with the belt replacement which also involved significant consultation with both impacted customers at that Terminal.

Domestic Storage Allocation

The 3rd issue for consideration is the Domestic Storage Allocation at Mackay Terminal.

There has been a long standing practice of the Queensland Sugar Industry of supporting the local sugar refineries.

As a result, storage space has traditionally been made available at both the Mackay and Bundaberg Terminals for sugar that is subsequently returned to the Refinery outside of the Crushing Season.

As part of the Storage and Handling Agreement negotiations, QSL wanted all domestic storage capacity eliminated at Mackay Terminal. Needless to say the "Other Customer" whose domestic allocation was to be impacted vehemently opposed any reduction to the domestic storage footprint.

Ultimately after extensive negotiation the domestic storage footprint was reduced by almost 25%. By any measure that is a very material change noting QSL wanted it totally eliminated and the Other Customer wanted no reduction at all.

We also implemented a series of financial penalties that would be imposed on the Other Customer if they used the domestic storage for any other purpose. Any proceeds of imposing such penalties would be distributed to the other customers at the Mackay Terminal. STL would not receive a single cent.

Can I highlight that neither QSL nor the Other Customer were happy with the outcome which again demonstrates our focus on treating customers equally.

Sampling & Testing

Just so everyone is fully aware, STL at NO STAGE ever owns a single grain of sugar at any Terminal.

ALL SUGAR at all times is owned by the respective Millers or Marketers.

One of STL's obligations is to sample and test all Sugar on receival and sample all Sugar on Shipping.

STL has and continues to perform this task. This task is done at cost i.e. STL does not make a single dollar in profit. The way we test and get paid for these tests is identical to what has been occurring for the 4 years leading up until 30 June 2022. During this period QSL has paid the bill for such tests.

Since 1 July 2022 QSL has not paid the bill for testing. The amount outstanding since 1 July 2022 is now well in excess of $600K.

The reason why QSL refuses to pay the bill is because STL will not provide the physical sample to QSL.

So noting my earlier commentary that at NO STAGE does STL have title to any Sugar, STL simply has no legal right to hand over something that it doesn't own to a 3rd party.

Surely this is a well established legal principle ?

In order to resolve this issue STL has repeatedly encouraged QSL to talk with the respective Millers. As QSL continued to express a lack of interest in doing this, STL has tried to facilitate discussions between the parties for over 12 months.

In fact in May of this year, STL achieved an agreed position with the Millers whereby QSL would be provided with all the physical samples for the entire 2023 Crushing Season after title had transferred. STL also gave a commitment to see if we could extend this for the 2024 season.

QSL ultimately rejected this offer. We are not clear why.

Despite this we continue to meet with QSL and the other 3 Millers and, as late as this week, we continue to explore options with the Millers and QSL to try and find an acceptable compromise.

Segregation

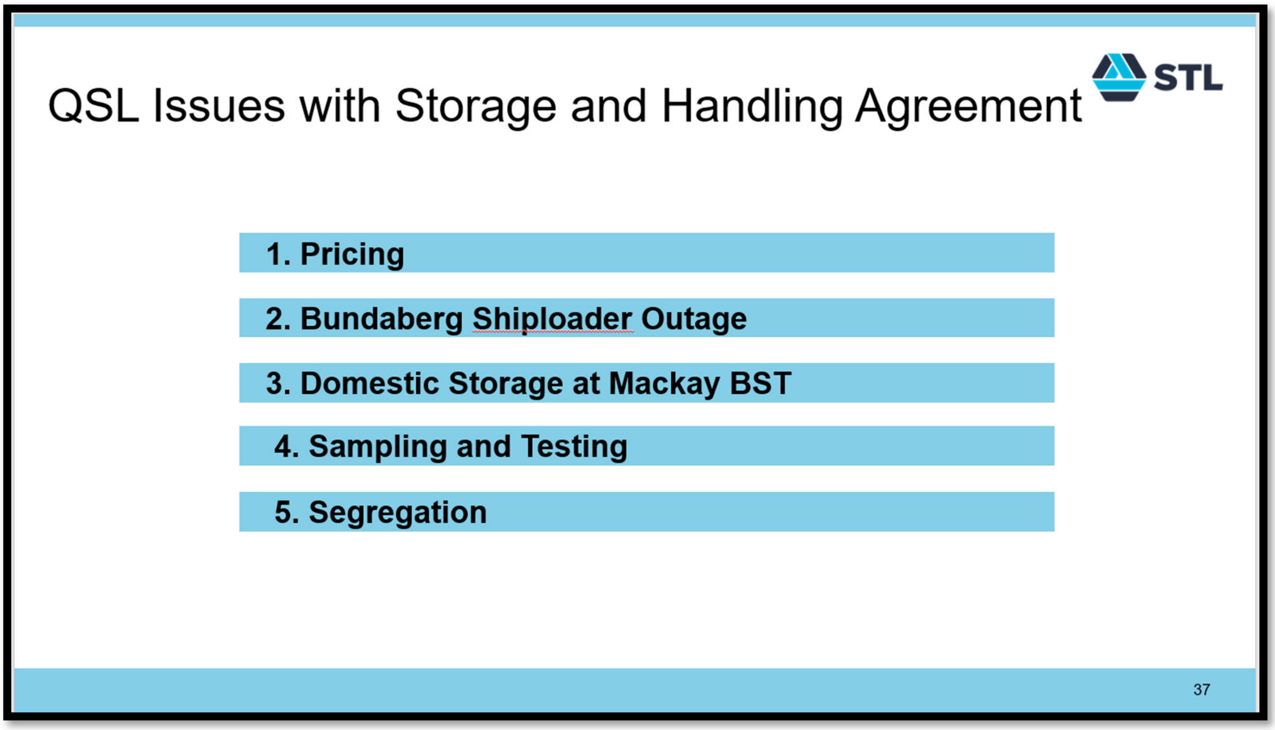
STL has no rights under the Storage and Handling Agreement to force any customer to co-mingle their Sugar. The only location where Sugar must be co-mingled is Mourilyan due to the fact there is only 1 shed.

At all other locations Customers have a right to segregate their Sugar. Whilst STL can encourage, we cannot enforce.

I should also point out that the loss of storage capacity is somewhat theoretical as it depends on whether Marketers elect to carry sugar.

This did not occur last year, it will not occur this year and there is every likelihood that due to pricing will not occur next year which by then, we will be back negotiating a new Storage and Handling Agreement.

Even in seasons where the Marketers elect to carry sugar, they have in prior years entered into swap agreements at the various Terminals and as a result the loss due to segregation is as little as 15,000t or less than 1% of STL's total available storage capacity through modest capital investment and storage practices.



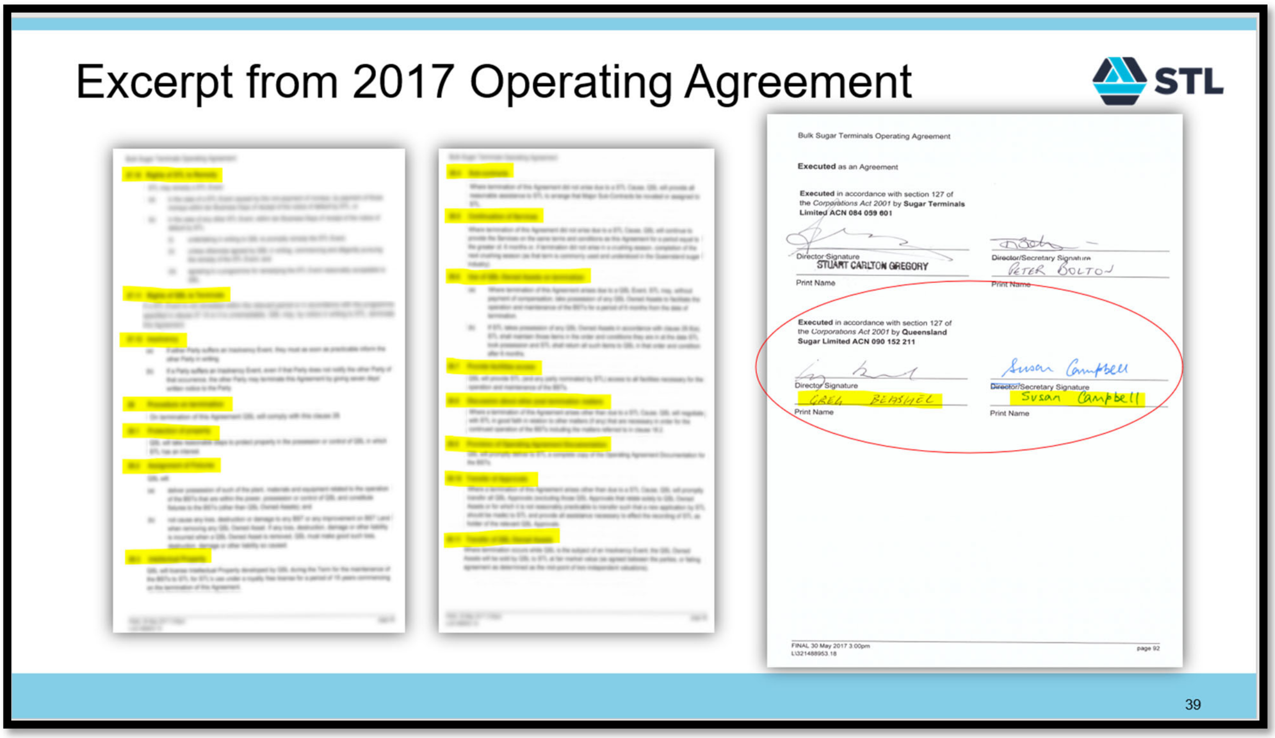
So in conclusion and noting these 5 items discussed, I would suggest that STL has made and continues to make very genuine attempts to find a resolution.

The actions of QSL to date would suggest they have little appetite to find a solution and actively promote that they have not signed the Storage and Handling Agreement.

I will start my commentary by endorsing the views of the Chair that operational performance is sound and having visited the Terminals on a regular basis over the past 12 months, I have enjoyed engaging with the Operations Team and have appreciated their support.

The Operating Agreement is a legally binding agreement entered into by QSL and STL in 2017.

This Agreement remains in full force and effect on both parties.



The contractual right and the process of transitioning from QSL operations to STL Operations is captured within 12 clauses running over 2 pages in the Operating Agreement.

Due to confidentiality obligations, I have had to obscure the text but you will note that Greg Beashel and Susan Campbell executed it on behalf of QSL.

STL has now simply exercised it rights in compliance with this Agreement and we are now serving out the Notice Period.

This is not a complex transition and could be completed very successfully without risk to the Sugar Industry in less than 12 months.

The idea and process of insourcing operations is also a very common occurrence in businesses. We are not breaking new ground here !

To give you further confidence that insourcing was always contemplated when the Operating Agreement was negotiated, the agreement addresses specific items like:

- novation or assignment of key Sub Contracts
- supply of all Operating Agreement documentation
- assistance by QSL to facilitate the transfer of approvals
- the transfer of relevant assets owned by QSL
- and many others

In the interim, STL still has an Operating Agreement to administer.

So whilst the Operating Agreement remains in effect, STL has seen decisions made at a QSL Head Office level over the past 3 years that have caused us considerable concern.

In the interests of time I will simply take you through a snap shot of some of these 'Edward St' decisions since the start of this calendar year, basically since we made the decision to insource operations.

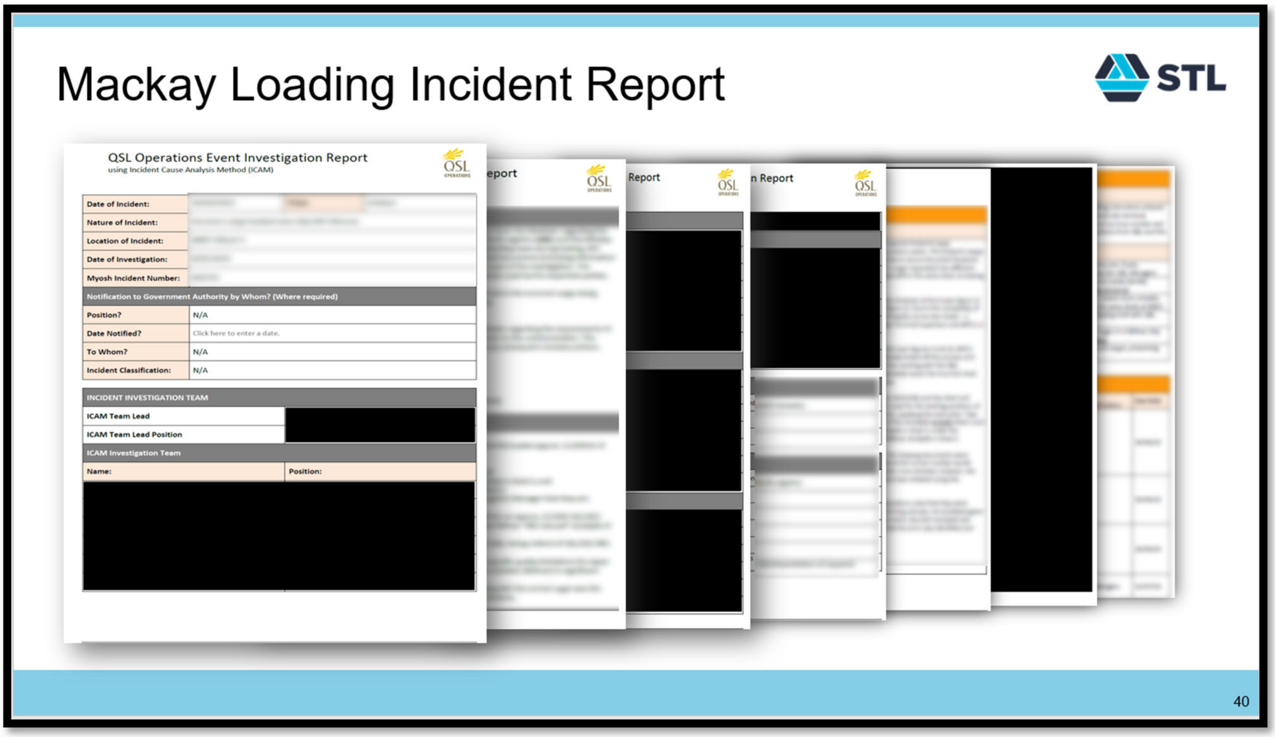
<u>Loading Incident in Mackay</u>

As the Chair has already mentioned we were very surprised that in neither QSL's Annual Report nor at the recent QSL AGM was there any mention of this loading incident in Mackay.

This incident is now STL's responsibility because:

1. Ultimately the customer relationship is held by STL
2. The insurance policy is held by and paid for by STL
3. The Operating Agreement provides that all costs of rectification are simply charged by QSL back to STL
4. The current operating model means that we have no recourse against QSL, whatever mistakes are made, whatever costs are incurred they simply required to be paid by STL.

Whilst these points are matters of fact, STL struggled to understand why when we asked for a copy of the Investigation Report (suitably de-identified to ensure that no individual is named as we have no interest in that detail) QSL were only prepared to provide a redacted version to STL.



You can see that in the image behind me right now.

This is despite the fact that:

- the Insurance Company received a complete copy
- the Insurance Broker that QSL and STL share can obtain a complete copy
- the Loss Adjuster who has been engaged by the Insurance Company has received a complete copy

QSL still refuses to supply STL with a complete copy.

Ultimately STL simply wants transparency so that:

- we are satisfied that a thorough investigation has been undertaken
- all corrective actions have been identified
- and that the corrective cations are closed out across all Terminals.

Despite this incident, the QSL Performance Scorecard which drives the performance bonus paid by STL to QSL at 30 June 2023 still assessed QSL’s performance against this metric as “Outstanding”.

Lets now move onto Major Maintenance

It is QSL’s responsibility to identify maintenance activities, prepare the associated budget and ultimately seek approval from STL on each years Maintenance Budget.

The Maintenance Budget for last Financial Year was approved by STL without material change or delay.

Yet in December 2022, QSL advised STL that because of concerns around costs, they had re-assessed 3 major maintenance activities and had decided not to progress them. These 3 projects accounted for well over 10% of the annual budget i.e. a 7 figure number.

QSL's assessment at the time was that costing were either too high or that the activity could be delayed.

I think we all understand that the cutting of maintenance can create even bigger (and more expensive) issues into the future.

Unfortunately it is hard not to cynically think that this decision was made purely to enable QSL to promote at its recent AGM "…*another year of flat budgets*…" which in turn again drives the Performance Bonus.

I note also the material over spend in the Corporate Shared Services Edward St budget at the same time which was no doubt offset by this reduction in maintenance.

My cynicism is further heightened by the fact that all these projects were simply rolled straight into the maintenance plan for the current financial year.

<u>Office Relocation</u>

Anyone that has visited the STL Offices in Edward St will know that STL and QSL Operations used to share a portion of the floor at that office block.

This was efficient and effective as it enabled a close professional relationship to be formed and obviously it enabled efficient sharing of information.

On the day STL announced its decision to provide Notice under the Operating Agreement, all Brisbane based operational staff were directed by QSL Corporate to immediately leave the office and to work from home until directed otherwise.

When this was queried, STL was advised that "..*as this was a hostile act it was no longer appropriate for QSL staff to operate in this environment*…". This was despite the fact that 30 June 2026 was almost 3.5 years away.

Is this normal business practice, certainly not in any business I have been a part of.

I understand all QSL Staff then worked from home for a number of months and during this time QSL executed a 6 year lease on another level in the Edward St building. All costs of the relocation and lease costs are simply invoiced straight back to STL and ultimately for Customers to pay.

I assume it is QSL's expectation that when STL takes operational control any break costs associated with lease termination should also be charged to STL ?

<u>Operational KPI Performance Metric</u>

I have made mention on a number of occasions around the Performance Bonus payable by STL to QSL Operations.

It's a very unusual model in that:

- QSL sets the Performance Measures
- QSL assesses its performance against each Performance Measure
- QSL invoices STL every month 1/12th of what it thinks it will achieve at the end of the financial year.

STL has effectively no visibility around the achievement or otherwise of each metric other than what we are told by QSL despite repeated requests.

Another key metric that QSL made specific reference to at their recent AGM was a “Cost Saving” initiative.

It’s captured under a Key Performance Indicator called “Innovation & Improvement”.

QSL stated at their AGM that $650K of savings had been found over the last 12 months.

Despite the fact that STL is obligated to pay the monies associated with the Bonus in July, we received no detail on these cost savings until 20 September despite repeated requests.

So lets explore a few of the “savings”:

- QSL engaged an external Electricity Consultant to advise them which tariff to select and achieved a saving of $70K ? STL of course is required to pay the Consultants Fee. In fact it was STL’s suggestion a number of years ago to explore this option.

- $210K through holding off recruiting positions. Whilst STL queried whether this drove additional overtime, use of casual employees or consultants, QSL refused to disclose any detail.

- Rail Maintenance tendering at Mackay BST. QSL claimed that the difference between the highest tender and lowest tender was $119K so that was the saving.

  Do you pocket $119K or simply select the most cost effective option ?

  Is this really a saving or a clear demonstration of “Innovation and Improvement” or simply standard business practice that every one of us does every day of the week?

These 3 examples alone account for $400K of the supposed $650K savings.

Unfortunately, the same thing happened last year.

Last year however STL wrote to the QSL Board querying the savings and were told that they were satisfied the criteria had been met and effectively no further discussion would be entered into.

Can I conclude by saying that the examples I have just provided are simply a snapshot of incidents over the last 6 months.

One part of my role that I particularly enjoy is getting out of the Office and into the Regions to engage directly with Growers, Millers, Terminal Staff and Contractors.

The past 10 months in particular has involved travelling the length of this State and meeting with many of you in this room whether at your property, at a Boardroom table, in a coffee shop or at the side of the paddock.

Throughout this time I have enjoyed the support of the STL Directors and the broader STL Team.

As we approach the start of 2024, I see this commitment increasing even further as it's critical that we hear about your issues or take the opportunity to explain the STL position on various matters first hand.

To assist in communicating across Industry, earlier this year we launched the "STL Newsletter" which we produce inhouse and which is designed to provide a short sharp update on activities at STL.

I encourage you to subscribe and of course welcome the feedback.

Now let's briefly discuss some Key Strategic Focus Areas for the balance of this Financial Year.

These focus areas will include:

- the safe and successful installation and commissioning of the new Lucinda Conveyor Belt
- commence commercial operation of the CUI Project in Bundaberg
- ongoing Industry Consultation across the State
- planning for Transition to the Insourced Operating Model.
- preparations for the upcoming Storage & Handling Agreement negotiations.
- engagement and monitoring of BST Performance.

Finally, can I take this opportunity to express my genuine appreciation to the STL Board and the small STL Team for all of their support, guidance and efforts over the past 12 months.

This thanks also extends to our Operations Contractor, key contractors, suppliers, business partners, neighbours, authorities and local communities.

Let me also thank the STL team who have organised today's meeting and to the team at Clayton Utz who have provided their valuable support throughout the year.

Thanks also to our new auditors BDO and to Link Market Services who manage our share register.

I will now hand back to our Chair Mark Gray.

David Quinn
Chief Executive Officer
| Brisbane | 22 November 2023