



Make a *Difference*

Paddy Pricing Policy

December 2019



1. BACKGROUND

1.1 Purpose of this Policy

The purpose of this Policy is to document the policies and procedures applied by the Board in connection with:

- (a) SunRice's commitment to purchase all Riverina Rice offered to it by Growers;
- (b) the provision by SunRice of support services to Growers; and
- (c) the setting of Paddy Prices payable by SunRice to Growers.

1.2 Importance of Growers

SunRice maintains a close relationship with Growers and a commitment to ensuring a sustainable rice industry in the Riverina Region.

SunRice requires a reliable supply of Riverina grown rice to support its business. In particular, a sustainable supply of Riverina Rice is a central part of the SunRice Group strategy for the following reasons:

- (a) SunRice's ability to supply high quality Australian grown rice underpins the strength of many of its brands and the company's reputation, including in export markets;
- (b) Riverina Rice is recognized for its quality, taste and texture and these attributes, combined with the provenance of Australian grown rice, are central to the prices that SunRice is able to achieve in many markets;
- (c) SunRice has invested significantly in rice storage, milling and packaging assets in the Riverina Region and a sustainable supply of Riverina Rice is required to utilise and cover the costs of those assets; and
- (d) Under-utilisation of these storage, milling and packaging assets could result in a material impairment of their book value.

A key competency of SunRice has been its understanding of and support for its Growers. In particular, SunRice's understanding of the agricultural issues faced by Growers and its expertise within Australian and international rice markets has enabled it to provide Paddy Prices that support long term, sustainable rice farming operations.

SunRice also understands that Growers often have choices of how to use the land and irrigation water available in their farming businesses and that these choices are primarily driven by commercial considerations, including the prevailing prices payable for farm produce. Accordingly, SunRice needs to offer Paddy Prices that incentivise Growers to produce the quantity of Australian grown rice required by SunRice. This is particularly relevant in periods of drought when the availability of irrigation water is low and water is expensive to acquire.

1.3 Markets and operations

When a reasonable supply of irrigation water is available, around 400,000 - 800,000 tonnes of Paddy would ordinarily be produced by farmers in the Riverina Region, made up of Japonica medium and short grain varieties and a range of specialty varieties. In those circumstances, a majority of the rice

supplied to SunRice by Growers is exported to markets in Asia, the Middle East and the Pacific region. In addition to its export markets, SunRice produces milled rice and a variety of rice based products for the Australian market. SunRice also owns a number of subsidiaries and complementary businesses, including CopRice, Riviana Foods Pty Ltd, Trukai Industries Ltd, RRAPL, SunFoods LLC and AGS.

1.4 Sole and Exclusive Export Agreement

Rice grown in New South Wales is subject to the regulatory requirements of the Rice Marketing Act. Under the Rice Marketing Act, the RMB is created, a Proclamation of the Governor has been issued to Vest all rice grown in New South Wales in RMB and RMB is given the power to appoint Authorised Buyers of rice produced in New South Wales. There is an exemption from Vesting for rice sold to Authorised Buyers.

SunRice is one of a number of Authorised Buyers and the terms of its appointment confer on SunRice the exclusive right to export rice grown in New South Wales. This exclusive export right, which sets up the “single export desk” for New South Wales rice, is confirmed in the Sole and Exclusive Export Agreement.

The Sole and Exclusive Export Agreement also obliges SunRice to purchase all rice produced in New South Wales that is offered to it by producers and, subject to certain qualifications, to operate an equitable crop marketing and payment scheme, as if section 64 of the Rice Marketing Act applied to SunRice. This obligation to act as the “buyer of last resort” is consistent with SunRice’s role as the main purchaser of rice produced in New South Wales. Section 64 of the Rice Marketing Act sets out a broad scheme for determining the price payable by the RMB for rice Vested in it. The Paddy Pricing mechanisms set out in this Policy are consistent with these obligations of SunRice.

1.5 Commercial basis of Paddy Price

Decisions of SunRice in relation to Paddy Prices for Riverina Rice are made in the context of the commercial realities of the SunRice business and international rice markets. This means that Paddy Prices will ultimately be driven by commercial factors such as the volume of Australian rice required in the SunRice business, the returns earned by SunRice from sales of Riverina Rice and international rice prices.

1.6 Farming Conditions

As noted above, farming conditions and the availability and trading price of irrigation water will also influence the price that SunRice needs to pay to provide the necessary commercial incentive to Growers to supply the quantity of Australia grown rice required in its business.

1.7 Rice Produced outside of the Riverina Region

The Riverina Region is the principal rice production area within Australia and this Policy has been formulated to apply to Riverina Rice. While the Policy does not apply to Paddy produced in other areas, SunRice will comply with its obligations under the Rice Marketing Act and the Sole and Exclusive Export Agreement in relation to all Paddy grown in New South Wales.

2. ACQUISITION OF PADDY AND PRICING

2.1 Purchase Commitment

In accordance with the requirements of the Sole and Exclusive Export Agreement, SunRice will purchase all Paddy of merchantable quality that is offered to it by Growers. This obligation will cease to have effect if the Sole and Exclusive Export Agreement is terminated or is amended to remove that obligation.

2.2 Riverina Rice Pool Calculation

SunRice will conduct a Rice Pool Calculation in relation to Riverina Rice delivered to SunRice in a Crop.

For this purpose, Rice Pool Calculation means a calculation of the net proceeds attributed to the sale of all Riverina Rice delivered to SunRice in a Crop after taking account of the costs allocated by SunRice in respect of the receipt, storage, processing, marketing and sale of that Riverina Rice, including costs relating to SunRice's role as an Authorised Buyer, administration and overhead costs and the cost of Grower Services. For illustrative purposes only, a more detailed model setting out the current guidelines for the revenue that may be included and for the costs and expenses that may be deducted in the aggregate pool calculation, is set out in the Schedule. The particulars of this model may be modified by the Board from time to time.

2.3 Determination of Paddy Prices

The Board will determine Paddy Price payable for Riverina Rice at its discretion in accordance with this Policy. Without limitation, the Board may:

- (a) Establish one or more Pools and determine the rules applicable to participation in those Pools;
- (b) Set a fixed or minimum price for all or set volume of Riverina Rice in order to encourage production of the optimum quantity of Riverina Rice;
- (c) Determine premium or discount amounts payable for particular varieties of Riverina Rice; and
- (d) Offer different Paddy Price payment options.

2.4 SunRice Procedures

SunRice will apply processes to ensure that its decision making in relation to Paddy Prices is conducted in a rigorous, commercially focused manner that ensures that the needs of the SunRice business are the principal consideration and any conflict of interest on the part of directors who are also Growers is carefully managed.

The following procedures will be applied by SunRice in relation to the setting of Paddy Prices for Riverina Rice:

- (a) The process under which Paddy Prices for Riverina Rice will be determined in respect of a Crop will commence by SunRice management preparing reports for the Board in relation to SunRice's proposed acquisition of Riverina Rice in the Crop. This will include forecasts in relation to SunRice's anticipated requirement for Australian rice, current and forecast international rice prices, anticipated growing conditions and a recommendation on the manner in which Paddy Prices will be determined.

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- (b) Subject to the requirements of clause 2.4(c) (which only apply to Modified Paddy Prices) and the requirements of the Sole and Exclusive Export Agreement, the Board may formulate the manner in which Paddy Prices for Riverina Rice will be determined at its discretion. Without limitation, the Board may establish one or more Pools, set the rules under which Pools will operate, set minimum or fixed Paddy Prices and offer payment options to Growers.
- (c) If the Board intends to set a Modified Paddy Price for Riverina Rice in a Crop Year the Board will delegate the task of formulating the Modified Paddy Price to the Paddy Supply Committee. If the Paddy Supply Committee agrees that SunRice should pay a Modified Paddy Price, the Paddy Supply Committee will formulate the Modified Paddy Price and present it to the Board for adoption. The Board will retain the discretion as to whether or not to adopt the Modified Paddy Price. However, the Board will only adopt the Modified Paddy Price if it has first:
 - (i) Obtained an Expert's opinion as to the reasonableness of the assumptions underlying, and the methodology applied in formulating, the Modified Paddy Price; and
 - (ii) Given due consideration to the Expert's opinion.
- (d) If the Board adopts a Modified Paddy Price, SunRice will, as soon as practicable, provide a summary of the material features of the Modified Paddy Price to Growers and SunRice shareholders. Subject to any legal obligations of SunRice, this notification can be provided by SunRice making that summary available on its website.

2.5 Assurance over the Rice Pool Calculation

The Board will engage SunRice's external auditors to:

- (a) assess SunRice's Rice Pool Calculation in respect of each Crop year (**except** where the entire Crop is guaranteed by Fixed Price Contracts and a pool is not run); and
- (b) provide an assurance opinion to be made available on SunRice's website, as to whether the Rice Pool Calculation has been determined in accordance with Schedule 1 of the Policy.

3. SUPPLY AND PAYMENT ARRANGEMENTS

3.1 Pure Seed

SunRice requires all Riverina Rice delivered to it to be grown from seed that has been produced in a manner that ensures its genetic integrity and quality. This requirement seeks to ensure the quality of the rice sold by SunRice.

3.2 Grower Contracts

Rice farmers have a choice as to whether they supply their Paddy to SunRice. This election is usually made at the time Growers purchase seed by signing a Grower Contract. The content of Grower Contracts will be tailored to reflect the arrangements under which Paddy will be sold to and purchased by SunRice, including the way in which the Paddy Price will be set. For example, if the Board decides to set a minimum or fixed Paddy Price, the terms of Grower Contracts will reflect this.

The provisions of this Policy do not constitute express or implied terms of Grower Contracts or make any representation with regard to Paddy Prices.

All Paddy supplied to SunRice must comply with SunRice's quality specifications. The price payable for Paddy may be reduced if it does not comply with those quality specifications, and Paddy that is not of merchantable quality may be rejected.

3.3 Delivery of Paddy

SunRice and its subsidiary AGS operate a series of receival depots and storage facilities. All Riverina Rice sold to SunRice must be delivered by the Grower to a depot designated by SunRice. The location of receival depots for specific varieties will be communicated to Growers prior to harvest. Growers must ensure that they comply with all laws applicable to the transportation of Paddy as well as all policies and procedures applicable to the receival depot. Title to Riverina Rice passes from the Grower to SunRice upon delivery at the receival depot.

3.4 Payment Arrangements

SunRice typically pays the Paddy Price for Riverina Rice in a series of instalments that are made through a period of approximately 14 months following harvest and the delivery of the Riverina Rice to SunRice, unless otherwise determined by the Board. However, SunRice may offer a range of payment options that vary from the standard payment instalments, including a payment option that provides advance payments. Details of these payment options are provided in respect of each Crop. Growers make an election as to their payment option in conjunction with their Grower Contract for the relevant Crop.

The following is an indicative calendar of annual events in connection with Grower Services and Paddy Pricing for a Crop. The events start in the year preceding harvest of the relevant Crop and the process of determining the actual Paddy Price for the Crop Year continues for a period of approximately twelve months following harvest as sales of Paddy, being the period in which Paddy from that Crop is sold.

- (a) July (prior to planting) – Consideration by Board and management of supply and growing conditions as well as demand and market outlook. This includes pure seed availability, determination of the anticipated demand for the various rice varieties and determination of any premiums to encourage production of particular varieties.
- (b) July to October (prior to and at the time of planting) – Ongoing consideration of supply and demand conditions and the confirmation of a range of factors that will apply to the growing of pure seed and commercial Paddy in the Crop by Board and Management.
- (c) January to March (before harvest) – Confirmation of arrangements relating to the harvest and receival of Paddy and the formulation by management of preliminary crop budget, including a recommendation on the interim first payment of the Paddy Price for the Crop.
- (d) March and April (at the time of harvest) – Management provides the Board with the final Crop budget and estimate of the Paddy Price for the Crop.
- (e) May onwards – Management monitors and keeps the Board updated on the performance of the SunRice business and other matters relevant to the Paddy Price. (Note: this process continues through to finalisation of the Paddy Price at the end of the following May/June).

3.5 Paddy Price Instalments

The timing of the payment by SunRice of Paddy Price instalments will be determined by the Board, having regard to commercial considerations, including SunRice's cash flows from the sale of Paddy.

3.6 Updating Growers on Pool Paddy Prices

If SunRice is in a position to provide a reliable and material update to the anticipated Paddy Price for a Crop determined under a Pool, it will make that update available to Growers as soon as practical. SunRice can fulfil this obligation by making the Paddy Price update available on its website.

Without limiting this clause, where a Paddy Price is determined under a Pool, SunRice will provide the following Paddy Price announcements to Growers as a minimum:

- (a) an interim, estimated Paddy Price during the period referred to in clause 3.4(d);
- (b) two further updates on the estimated Paddy Price during the period referred to in clause 3.4(e);
- (c) the final Paddy Price by the end of the period referred to in clause 3.4(e).

4. GROWER SERVICES

4.1 Support for Growers and Rice Industry

SunRice will support Growers and reward their loyalty through the provision of general support for rice industry development, support for rice research and extension services and various services relating to Growers' farming activities. These services include the services set out in clauses 4.2, 4.3 and 4.4.

4.2 RGA

At the discretion of the Board, SunRice will provide financial and in-kind support to RGA to assist in policy and human resource development to ensure industry sustainability. Support provided to RGA under this clause will be consistent with the past practices of SunRice.

4.3 Research and Development

- (a) SunRice will carry out research and development to benefit the rice farming system carried out by Growers. This research and development will include rice breeding and grain quality improvement, rice and complementary crop agronomy, sustainable farming systems, production of pure seed.
- (b) SunRice will support the development of improved rice varieties through participation, when appropriate, in arrangements with the New South Wales Department of Primary Industries, Rural Research and Development Corporation and other governmental agencies.
- (c) SunRice will carry out research and development to develop new value added rice food products.

4.4 Farm Related Services

- (a) SunRice will operate a pure seed program to produce high quality rice seed. Pure seed will be priced on commercial terms but Growers who contract to supply rice to SunRice will be

eligible to purchase at a rebated price determined by SunRice. Supply arrangements for pure seed are subject to the matters referred to clause 3.1.

- (b) SunRice will provide, or procure that AGS provides, facilities through which Growers can pick up pure seed and deliver harvested Paddy in a reliable and efficient manner.
- (c) SunRice Grower Services will provide Growers with a communication service to convey information about rice production and SunRice. This service will be provided through a range of formats including but not limited to, a direct contact telephone call centre through a 1800 number; electronic communication (including fax and email) and mail service.
- (d) SunRice will communicate information to Growers about SunRice's requirements for Paddy in a Crop and how to order seed and enter into a contract to supply Paddy to the SunRice.
- (e) SunRice may undertake the merchandising of rice crop inputs to Growers who contract to supply Paddy to SunRice if the merchandising activity provides a benefit to Growers and conforms to SunRice's financial and risk policies.
- (f) SunRice will maintain accurate records of a Grower's Paddy deliveries and other transactions with SunRice. These records will be made available to the Grower through an on-line service that can be accessed with the Grower's password and in line with the SunRice's privacy policy.
- (g) SunRice will provide Growers with a facility to enable suppliers of goods and services to the Grower to have payment made to them as a deduction from payments due to the Grower, subject to both parties signing the required Grower Deduction Authority.
- (h) SunRice will offer Growers a number of options for Paddy Price payments that will be set out in the Grower Contract. One of the options will include a facility for the Grower to access certain payments at a discount at an earlier time than scheduled payments.
- (i) SunRice, including its CopRice division, may from time to time offer to purchase non-rice grain. When applicable, Growers will be advised of offers made by AGS and SunRice to acquire non-rice grain.

5. SUSPENSION, TERMINATION OR VARIATION OF THE POLICY

5.1 Board's Power

Subject to clause 5.2, this Policy may be changed, suspended or terminated by resolution of the Board.

5.2 Approval by Paddy Supply Committee

Except in the circumstances referred to in clause 5.3, the Board will not make any material change to, or suspend or remove this Policy, unless the Paddy Supply Committee has approved the change, removal or suspension.

5.3 Board's right to Suspend, Terminate or Vary the Policy in Certain Events

SunRice may suspend, terminate or change this Policy by resolution of the Board in the following circumstances:

- (a) SunRice ceases to be an Authorised Buyer;
- (b) Vesting ceases;
- (c) the Sole and Exclusive Export Agreement expires or is terminated;
- (d) SunRice ceases to have the exclusive right to export rice under the Rice Marketing Act and the Sole and Exclusive Export Agreement; or
- (e) a Force Majeure Event, which affects any of the matters dealt with by this Policy, occurs.

5.4 Notification of Variation, Suspension or Termination

The Board will notify Growers and SunRice shareholders of any material change to, or the suspension or termination of, the Policy. This notification may be given by way of publication on the SunRice website.

6. DEFINED TERMS AND INTERPRETATION

- 6.1 Schedule 1 sets out a more detailed description of the way in which the Rice Pool “Paddy Price” Calculation will be conducted.

The division of the SunRice business that relates to the receipt, storage, processing and transportation and sale of Riverina Rice is referred to as Australian Rice Milling and Marketing.

- 6.2 The identification of the relevant activities, revenues and costs associated with the receipt, storage, processing, marketing and selling (including overhead and indirect costs) of Riverina Rice (and processed rice derived from Riverina Rice) will be determined by the Board in conjunction with SunRice management. This process will be assisted by SunRice’s business management software, which has been structured to enable revenue and costs to be allocated to particular profit centres or business units within the company.

- 6.3 Australian Rice Milling and Marketing has access to assets of the SunRice Group, including but not limited to:

- (a) the SunRice trade marks, which are used on packaging in which milled Australian rice is sold; and
- (b) the storage sheds and rice mills, which are used to store and process rice.

Australian Rice Milling and Marketing also utilises the services of SunRice management personnel.

It is appropriate that Australian Rice Milling and Marketing be charged for the use of these assets and personnel. The manner in which these charges are allocated in the Rice Pool Calculation is dealt with in more detail in the Expenses section of Schedule 1.

7. DEFINED TERMS AND INTERPRETATION

In this Policy, unless the context otherwise requires:

AGS means Australian Grain Storage Pty Ltd ACN 000 333 648.

Rice Pool Calculation has the meaning set out in clause 2.2

Authorised Buyer means an authorised buyer appointed by RMB under the Rice Marketing Act.

Board means the board of SunRice.

Crop means a Riverina Rice crop, as identified by the year in which harvest of the crop takes place.

Expert means a person who has appropriate qualifications and expertise relevant to the matter to be determined.

Force Majeure Event means any act, occurrence or event not within the control of SunRice, including without limitation, fire, flood, lightning, storm and tempest, drought, unavailability of irrigation water or the decision of any entity involved in irrigation, strikes, lockouts or other industrial disputes, acts of war, terrorism, the mobilisation of armed forces, civil commotion or riots, explosion and acts of a government, government department or regulatory body (including RMB).

Grower means a farmer who produces and supplies Riverina Rice to SunRice.

Grower Contract means a contract in a form prescribed by SunRice from time to time under which a Grower supplies Paddy to SunRice.

Grower Services means the services that SunRice provides to Growers, as summarised in clause 4 of this Policy.

Grower Services Committee means a committee of the Board, employees and relevant advisors.

Modified Paddy Price means a Paddy Price payable by SunRice for all or some of the Riverina Rice in a Crop that will result, or the Board determines may reasonably result, in the aggregate Paddy Price payable by SunRice for all Riverina Rice in that Crop exceeding or being below the Rice Pool Calculation.

OECD meaning Organisation for Economic Co-operation and Development.

Paddy means rice in the form that it is harvested, prior to any milling.

Paddy Price means the price payable by SunRice to Growers for Paddy.

Paddy Supply Committee means a committee of the Board that does not include any directors who are Growers or representatives of Growers. The Paddy Supply Committee may include the CEO/Managing Director.

Policy means this Paddy Pricing Policy.

Pool means an arrangement under which Paddy delivered to SunRice is grouped together for the purposes of determining the net proceeds of sale of the Paddy (including milled rice derived from the Paddy) after deducting costs associated with receipt, storage, processing, marketing and selling of the Paddy (including milled rice derived from the Paddy).

Rice Marketing Act means the Rice Marketing Act 1983 (NSW).

Rice Seed Order Form means an order form for rice seed, in a form prescribed by SunRice from time to time.

Riverina Region means the geographic region in or around the Riverina district of New South Wales and such other rice growing areas within Australia as the Board may determine from time to time.

Riverina Rice means Paddy produced in the Riverina Region.

RGA means the Ricegrowers' Association of Australia Inc.

RMB means the Rice Marketing Board for the State of New South Wales.

RRAPL means Rice Research Australia Pty Ltd.

Sole and Exclusive Export Agreement means the Sole and Exclusive Export Agreement between SunRice, AGS and RMB dated 28 June 2007 (which amended and replaced the earlier Sole and Exclusive Export Agreement dated 30 June 2006).

SRFG means Speciality Rice Foods Group, a division of Ricegrowers Limited.

STO means stock transport order.

SunRice means Ricegrowers Limited ABN 55 007 481 156.

SunRice Group means SunRice and its subsidiaries (where subsidiaries are those entities over which SunRice has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights).

Trukai means Trukai Industries Limited, a Papua New Guinea subsidiary of Ricegrowers Limited.

Vesting means the vesting of rice in RMB under the Rice Marketing Act and **Vest** has a corresponding meaning.

Authorised Buyer means an authorised buyer appointed by RMB under the Rice Marketing Act.

Board means the board of SunRice.

Crop means a Riverina Rice crop, as identified by the year in which harvest of the crop takes place.

Expert means a person who has appropriate qualifications and expertise relevant to the matter to be determined.

Force Majeure Event means any act, occurrence or event not within the control of SunRice, including without limitation, fire, flood, lightning, storm and tempest, drought, unavailability of irrigation water or the decision of any entity involved in irrigation, strikes, lockouts or other industrial disputes, acts of war, terrorism, the mobilisation of armed forces, civil commotion or riots, explosion and acts of a government, government department or regulatory body (including RMB).

Grower means a farmer who produces and supplies Riverina Rice to SunRice.

Grower Contract means a contract in a form prescribed by SunRice from time to time under which a Grower supplies Paddy to SunRice.

Grower Services means the services that SunRice provides to Growers, as summarised in clause 4 of this Policy.

Grower Services Committee means a committee of the Board, employees and relevant advisors.

Modified Paddy Price means a Paddy Price payable by SunRice for all or some of the Riverina Rice in a Crop that will result, or the Board determines may reasonably result, in the aggregate Paddy Price payable by SunRice for all Riverina Rice in that Crop exceeding or being below the Rice Pool Calculation.

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Trukai means Trukai Industries Limited, a Papua New Guinea subsidiary of Ricegrowers Limited.

Vesting means the vesting of rice in RMB under the Rice Marketing Act and **Vest** has a corresponding meaning.

SCHEDULE 1

1. Revenue
 - 1.1 Revenue is derived from sales of Paddy and milled rice products produced from Paddy to both domestic and export customers. Revenues are assigned to the Pool based on the actual sales, including sales to SunRice's subsidiaries and other divisions.
 - 1.2 Where sales are made in a foreign currency, these are translated at the budget foreign exchange rate. Foreign exchange gains or losses are allocated to the business units based on the foreign exchange denominated revenues and expenses in the business unit in respect of

the relevant Crop. These gains or losses represent the difference of the actual foreign exchange contracts entered into for the Pool compared to the budget foreign exchange rate.

- 1.3 Other revenues derived from pool related activities, mainly comprise of seed sales.
- 1.4 Any other revenues identified by the Board in conjunction with SunRice management in accordance with Clause 6.2 of the policy.

2. Expenses

2.1 The following expenses are generally included in a Pool:

- (a) Expenses incurred in the production of rice products that includes:
 - (i) Direct expenses such as manufacturing expenses and sourced materials as consumed from inventory holdings, such as packaging material, customs charges, quality inspection costs, and other inputs;
 - (ii) Indirect expenses, which are comprised of general operations management, general logistics management, quality, supply chain, planning, engineering, IS recharges, micro laboratory, health & safety, SRFG shared expenses and other indirect expenses. These expenses are allocated based on either inventory SKU volumes, net sales value (NSV), headcount, shipping volumes, proportionate use of assets and time spent based formulas of operations management. The allocations are based on either budget or actual information;
- (b) Paddy handling expenses, as incurred in receiving and storing of Paddy, Paddy transport/movements, harvest expenses and aeration, as charged by AGS at arms length rates;
- (c) Paddy varietal premiums and discounts that are charged to Pools in which those varieties are included. The varietal premiums are reviewed and approved annually by the Grower Services Committee;
- (d) Cost of processing at Aqaba Processing Company (APC), being the cost of storing, sorting and packing Paddy and finished product at APC sold in the Middle East markets;
- (e) Distribution expenses, which includes:
 - (i) Direct expenses as incurred in transporting rice products from the manufacturing facility to the domestic or export customer;
 - (ii) Indirect expenses, which are comprised of distribution overheads, STO freight on imports and other indirect expenses. These expenses are allocated based on either inventory SKU volume, shipping volumes or proportionate of use of assets. The allocations are based on either budget or actual information
- (f) Paddy carryover in accordance with SunRice's Carry-over and Carry-in Policy;
- (g) Sales and marketing expenses, which includes:
 - (i) Direct expenses such as advertising, promotional spend, employee and other costs associated with sales of rice products;

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- (ii) Indirect sales & marketing expense, IS recharges and other indirect expenses, which are allocated based on revenue and headcount. The allocations are based on either budget or actual information;
- (h) Admin expenses, which includes:
 - (i) Direct expenses such as Grower Services operating expenses, RMB fee, RGA support, RRAPL research and development contribution and Rural Industries Research Development Corporation levy as defined in clause 5.1;
 - (ii) Indirect expenses such as business support services, finance support services, Corporate & Director costs, Information Services, Research & Development, Specific Projects, Office costs and other indirect expenses. These expenses are allocated based on either net sales value (NSV), shipping volumes, headcount, number of computers, number of SAP licenses and time spent based formulas. The allocations are based on either budget or actual information;
- (i) Sole and exclusive export charge, being the amortised costs of SunRice maintaining its single desk export rights, including amounts payable to the RMB;
- (j) An Asset Financing Charge, calculated on the net assets (excluding cash and borrowings) including AGS non-current assets (net of bank borrowings) used by the Rice Pool at the cost of equity, which is calculated using widely available market indices and is approved annually by the Board.
- (k) A Seasonal Debt cost recharge, calculated based on the Pool's proportionate usage of the Seasonal Debt facility. The amount the Pool requires is deemed to be (Pool Inventory - Grower Payable) / Seasonal Debt.
- (l) Other income or expenses such as:
 - (i) AGS management fee (income or expense) that is the excess profit/(loss) from the AGS P&L over and above their portion of the asset finance charge, amortised into the corresponding crop year;
 - (ii) Trukai franchise fee that is a royalty charged on in-market branded sales;
- (m) Trade mark use charge or "Brand Charge", being a charge for the use of trade marks on packaging for rice products, at rates determined by the Board with reference to the investment required in the trade mark, its strength and the relevant market;
- (n) Impairment, and the reversal of any previous impairment, of the inventory or fixed assets of Australian Rice Milling and Marketing;
- (o) Irrigation water procurement for rice production, as incurred for the production of Paddy; and
- (p) Any other expenses identified by the Board in conjunction with SunRice management in accordance with Clause 6.2 of the policy.



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3. Transfer Prices within SunRice

3.1 The following transfer prices apply to Paddy and rice products supplied to, or sourced from, other business units within SunRice by the Australian Milling and Marketing:

- (a) Rice by-products or downgraded rice products may be consumed by CopRice. The transfer prices of these products supplied by the Pool to CopRice are benchmarked annually to the wheat price. This is set in March of each year.
- (b) Broken rice supplied by the Pool for flour milling is benchmarked annually to the Creed Rice Index or market price for broken. This is set in March of each year.
- (c) Rice products supplied by Australian Milling and Marketing to be used in rice cakes or retort products are at SunRice's Paddy Price for the relevant Crop.
- (d) Goods & other services to other related parties within the SunRice group comply with the arm's length principle as set out in transfer pricing guidance issued by OECD.

4. Final Paddy Price

4.1 In accordance with Clause 2.4c of the policy, the Board determines the final Paddy price and, if in the best interests of the business, has discretion and the ability to override to Rice Pool "Paddy Price" Calculation detailed in this schedule.