

## NSX Announcement

### Chairman's Address - 2021 Annual General Meeting

20 October 2021



Ladies and Gentlemen,

Thank you for joining us today at STL's Annual General Meeting (AGM) for 2021.

Whether you are here in person or joining via webcast, we thank you for your investment in the company and your interest in this meeting.

It's important to us to maintain regular dialogue with our investors and industry more generally to update you on our activities and better understand your expectations of STL.

We value your insights and we're keen to improve the frequency and quality of communication you have with us.

Our purpose is to be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.

[SUGARTERMINALS.COM.AU](http://SUGARTERMINALS.COM.AU)

## Site visits resumed



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While COVID temporarily halted our practice of travelling to our sugar terminals, the Board was pleased to be able to resume face-to-face meetings with shareholders this year.

During visits to Mourilyan, Mackay and Cairns in recent months, we have met with industry representatives as well as local community members.

As I said in my letter to shareholders earlier this month, I encourage you all to contact us directly with any questions you have about STL.

On that note: I would like to remind everyone that today's meeting is an opportunity for interaction.

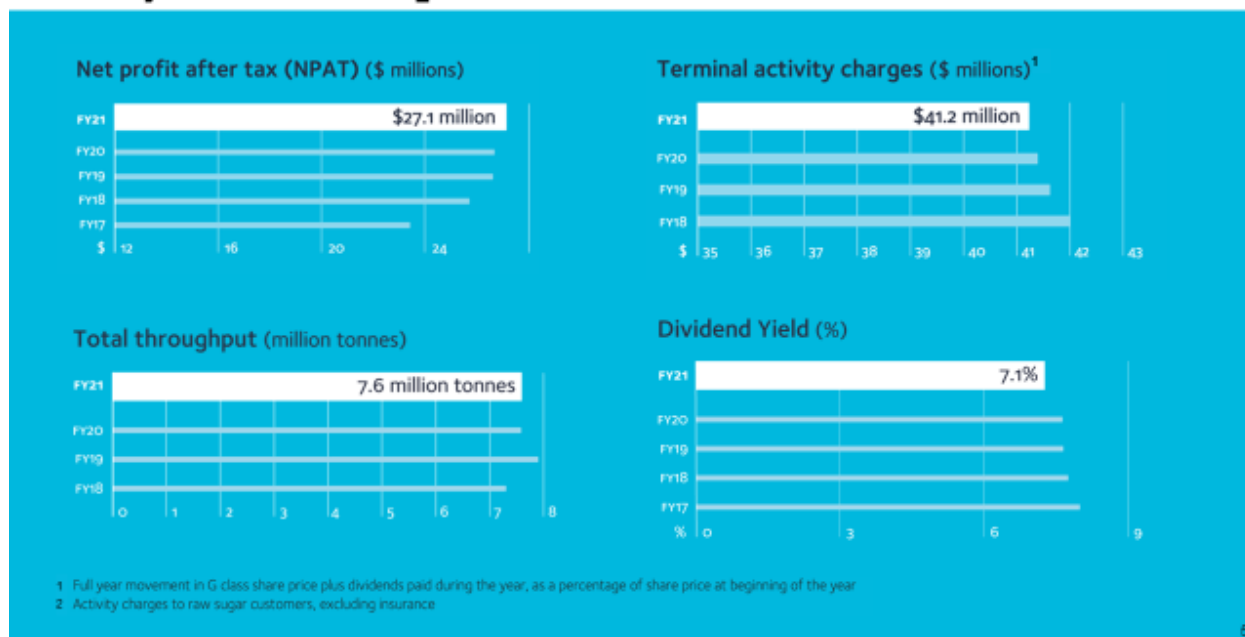
After the formal part of proceedings ends, you will have an opportunity to ask questions of any of the STL representatives here today, either by raising your hand, or by submitting a question via the online platform.

I'll remind online participants about the process a little later.



For now, let me share with you a brief summary of our performance over the last financial year and an update on progress with some of our key initiatives.

## Steady and reliable performance



Key markets in the global sugar industry were negatively impacted by the COVID-19 pandemic and a number of extreme weather events.

Despite this, Australia – and Queensland in particular – fared very well on the back of high sugar prices and our State's strong measures to halt the spread of the virus.

For its part, STL delivered a steady performance across a range of metrics as you can see in the slide:

- Raw sugar throughput was up by 0.1% to 7.6 million tonnes
- Activity charges to customers decreased by 0.4% (excluding insurance)
- Net profit after tax was marginally up at \$27.1 million
- Dividends paid to shareholders increased by 1.4% to 7.2 cents per share
- STL's G Class share price closed at \$1.025 for the year, an increase of 1.5%

## Long-life assets



**In 2020, Mourilyan celebrated 60 years of service.**

Current and former workers gathered to remember the site's long history.

Guests included George "Splinter" Bale (centre, front row), who retired in 1999 after 39 years of service.



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As you will be aware, much of our key storage and handling infrastructure has been supporting the sugar industry since the 1960s and 1970s.

Indeed, this time last year, our Mourilyan terminal celebrated 60 years of service to Queensland's sugar industry.

It was an impressive milestone and an important reminder of the size and scale of our operational footprint – not just in terms of geography and asset valuations, but also over time.

Your Directors are acutely conscious that these assets are owned by the sugar industry for the long-term benefit of the industry.

We are responsible custodians of these assets on your behalf.

Given this, we are singularly focused on ensuring these crucial assets continue to service our customers and the industry for decades to come.





A great example of that focus is our roof replacement program, which continued unabated throughout the year and is nearing completion after a decade of effort.

The Mackay reroofing project was successfully delivered in 2020.

We then turned our focus to Townsville – the largest terminal of our portfolio and the last two sheds to be given a new lease of life as part of the reroofing project.

In February this year, we appointed BESIX Watpac to undertake the \$22 million project.

By May (after the end of the 2021 cyclone season), work had begun with 50 people employed to remove the old roof sheeting and replace it with more than 130 tonnes of aluminium sheeting over an area of 35,000 square metres.

That's over three times the size of the playing surface at the new Townsville stadium – with the majority of work taking place at height.



You get a sense of the scale of the task in the timelapse photography and drone footage.

By mid-September, the work on Shed 2 had been completed safely, on time and on-budget.

The BESIX Watpac team is now preparing for the final assault on Shed 1 at Townsville.

This is the last of 12 sheds to be re-roofed as part of our \$100 million project and is scheduled to be completed in September 2022.

The entire project has extended the working life of the storage sheds across our terminals by at least 40 years.

As such, they're likely to outlast many of us involved in this meeting!

We respect the great history of our assets, and their contribution over many years to the export of one of Queensland's leading agricultural products.

This drives our focus on the future, which brings me to our strategic priorities.

## Addressing future challenges



**Our purpose** is to be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.



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STL's purpose is to be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.

This purpose has been shaped by a strategic analysis of future scenarios for our business.

That analysis highlighted several long term challenges, of which I am sure you are well aware, including:

- the prospect of declining sugarcane production and mill closures in some regions as growers move to higher value commodities
- the industry's ageing workforce and our ageing assets and
- the increasing prevalence of extreme weather events.

Our purpose drives the entire team at STL and demands that we continually lift performance to ensure the long-term future of our assets.

As I described earlier, FY21 was a good year for STL and the sugar industry.



Notwithstanding the solid operational, financial and safety results, your Board feels strongly there is no room for complacency.

We simply can't afford to rest on our laurels.

We need to continually find better ways to operate.

In 5 years' time, we can't still be operating the same way as we are now.

The challenges we face as an industry are considerable.

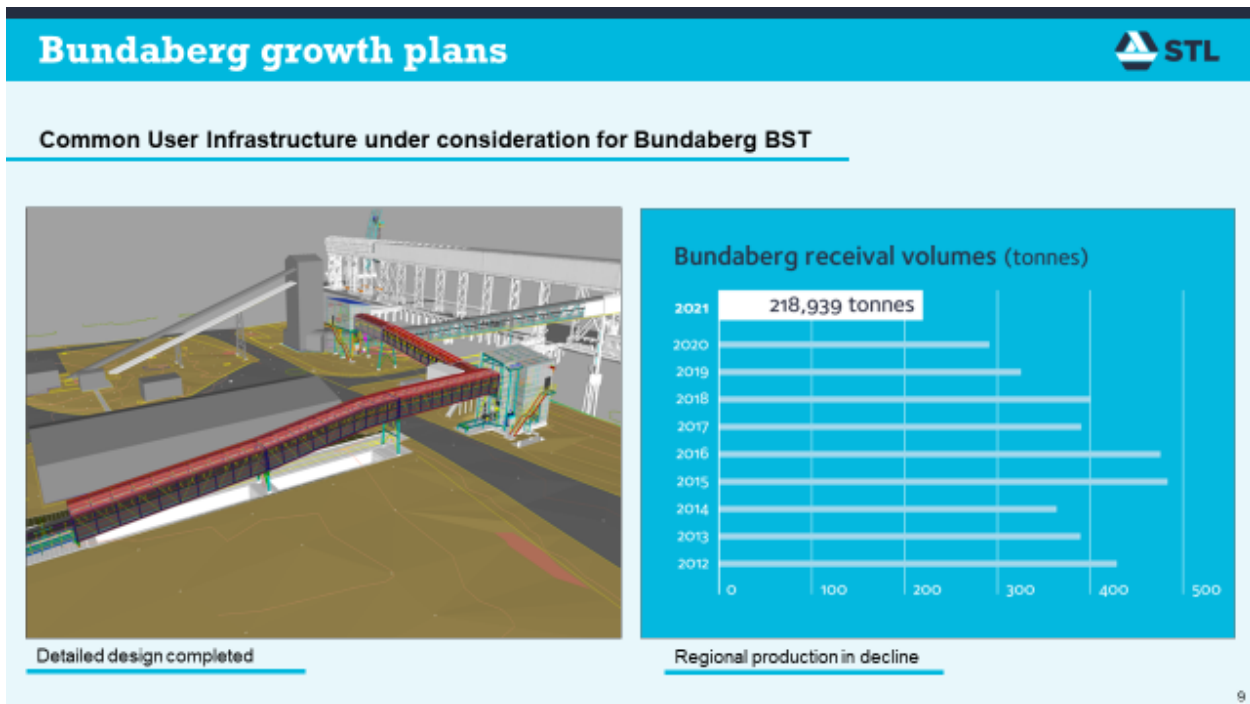
As we all know, the international sugar market is fiercely competitive.

We therefore need to strive continuously to ensure we can provide you with the most cost effective, efficient service possible.

This means adopting contemporary best practice commercial operating and maintenance standards.

Anything less is simply not acceptable.





As an example of the challenges ahead, let's consider our operations in Bundaberg, where declining sugar production has led us to prioritise business development in order to expand and future-proof our operations.

In 2019, STL signed a Memorandum of Understanding with the Gladstone Ports Corporation to investigate ways to improve asset utilisation at our Bundaberg terminal.

Just before our last AGM, the Federal and State Governments approved \$10 million in funding to develop a Common User Infrastructure Project at the Port.

On that back of this funding, STL began detailed design for the new infrastructure, and the Board expects to make a decision about the project in coming months.

Why is this so important?

Apart from boosting the local economy and creating new jobs, this project will help STL to diversify our service capabilities, make better use of our existing assets and build our customer base in Bundaberg.

Next, let's look at the broader area of competitiveness across all terminals – as it relates to the STL's ability to face the challenges I discussed earlier.



Since our new operating model was introduced in 2017, your Board has worked hard to identify ways to deliver better value for our customers, our shareholders and the industry.

In recent years, we have successfully kept costs flat in nominal terms by driving productivity and efficiency improvements across the business.

This covers overall operating costs and also STL's own direct overhead costs, especially legal and consulting costs.



The only exception is insurance, where difficult market conditions have made large increases unavoidable, not just for STL but in fact for most businesses in all sectors of the economy.

We have a clear responsibility for the prudent and careful management of costs, and close scrutiny of the costs of our operations contractor, in the best interests of industry.

These are deadweight costs, as they are passed straight through in availability and activity charges. .

Every dollar saved – without compromising the quality of our service – is an extra dollar that can contribute to lower activity charges, higher capital investment or higher dividends for you, our shareholders.

This relentless focus on business improvement is critical for STL and for the sugar industry.

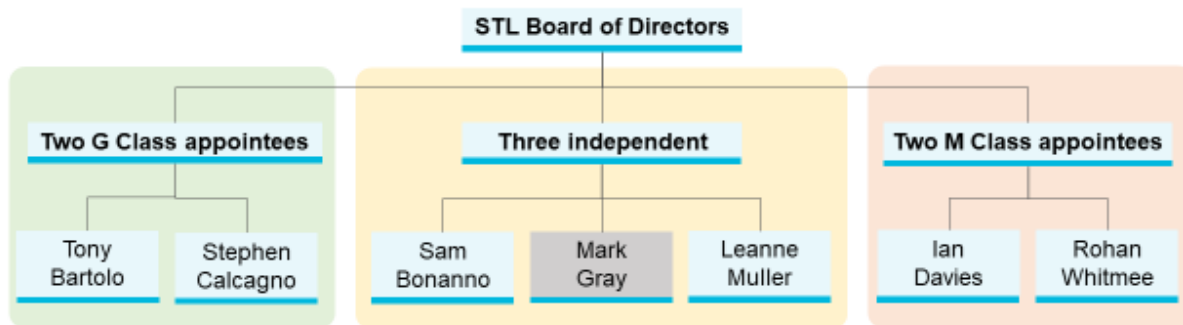
We must keep raising the bar if we are to address the challenges I have outlined, and continue to provide a competitive service into the future.

Our CEO David Quinn joined us 12 months ago and has travelled to all sites to understand the specific issues we face in each region.

He's spoken directly with many people to better understand their concerns and identify ways of doing things better.

He will address you shortly share his observations and provide an overview of upcoming capital expenditure requirements and an update on progress with the new Storage and Handling Agreement.

## Governance at STL



### Where conflicts of interest arise:

- Relevant Directors are excluded from meetings and decision making.
- For example, Miller Directors are excluded from meetings where customer issues are considered.

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I want to touch briefly on governance issues.

As you know, the STL Board comprises two Grower Elected Directors, two Miller Elected Directors and three independent Directors.

You will soon be voting on some of these positions.

Given this composition, it's not surprising that there can be differing perceptions as to the way the Board is governed.

In particular, there is significant potential for conflicts of interest to arise.

In these circumstances, relevant Directors are excluded from the meeting and the decision-making process.

For example, where there are customer issues being considered – such as the renegotiation of the Storage and Handling Agreement – Directors from customer

organisations are routinely excluded from all deliberations and do not receive relevant Board papers.

Let me assure you that your Directors act solely in the best interests of the company at all times, and the highest standards of corporate governance apply.



Before concluding my address, I'd like to thank STL's small but effective team and my fellow Board Directors for their tireless efforts throughout the last year.

Their dedication and hard work is greatly appreciated as we navigate the challenges of an industry under pressure and a pandemic-afflicted world.

I'd also like to welcome our two newest Directors:

- Stephen Calcagno – appointed by G Class shareholders at last year's AGM; and
- Rohan Whitmee – appointed by M Class shareholders in June this year, following the departure of Rees Fleming.





They've both made impressive contributions and added new perspectives to the workings of our Board.



Finally, I would like to thank you – our shareholders – both those here in person and those joining online – for your ongoing support of STL.

A recording of this AGM presentation will be uploaded to the STL website in coming days.

I encourage you to share it among your networks, including your fellow shareholders who may not have been able to attend today's meeting with the crush in progress.

Thank you.

That concludes the formal address.

A handwritten signature in black ink that reads 'Mark Gray'.

Mark Gray  
Chairman | Brisbane | 20 October 2021



## **CEO's Address - 2021 Annual General Meeting**

20 October 2021

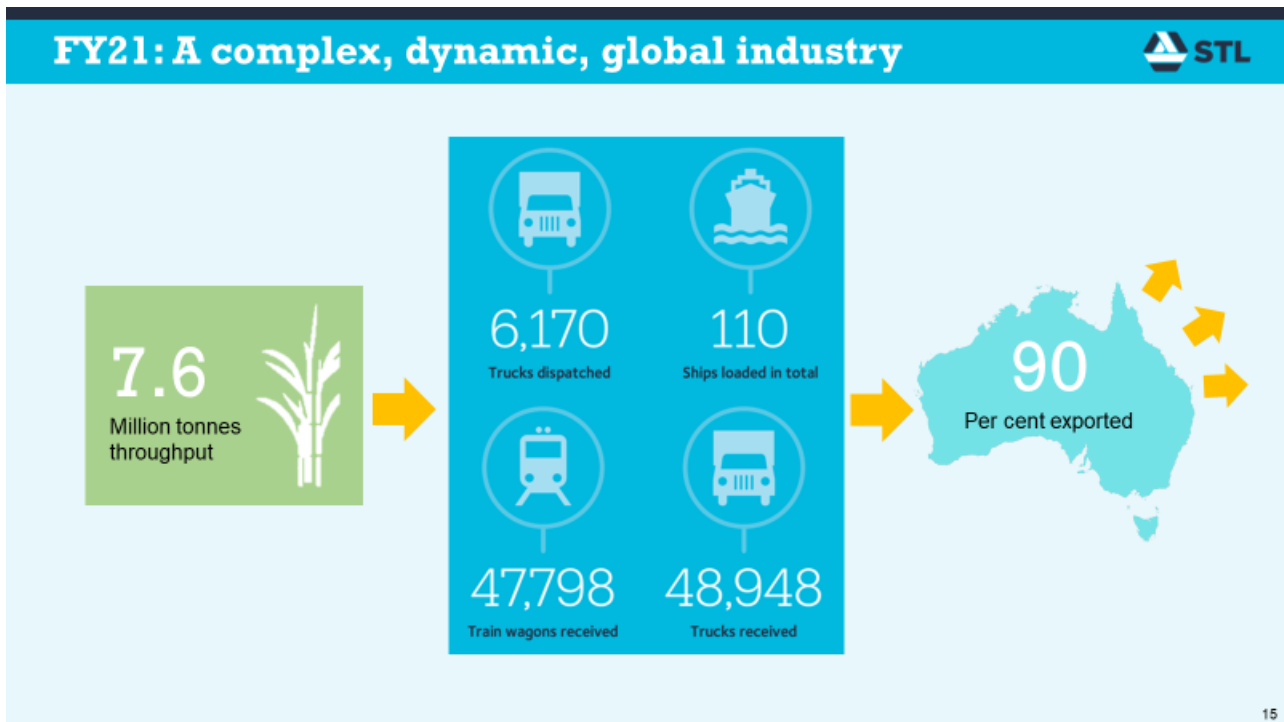


Good morning and thank you Mark for the introduction,

The past 12 months have been both rewarding and challenging as I have sought to broaden my understanding of the Queensland sugar industry and the key service that STL provides.

I have met with many cane farmers, industry groups, millers and advisors over the past year and I would like to thank each and every one for their generous support and assistance.

I would also like to acknowledge the commitment and dedication of the teams who operate our sugar terminals.



During FY21, throughput at our terminals totaled 7.6 million tonnes of raw sugar and 110 vessels were loaded.

This means that over 90% of the product that STL received during the period was exported.

As you all know, the global market for sugar is highly competitive, with production growing from Brazil, India and Thailand and in many cases targeting our traditional markets.

That is why efficient supply chains and globally competitive sugar terminal operations are critical to maintaining Australia's export industry.

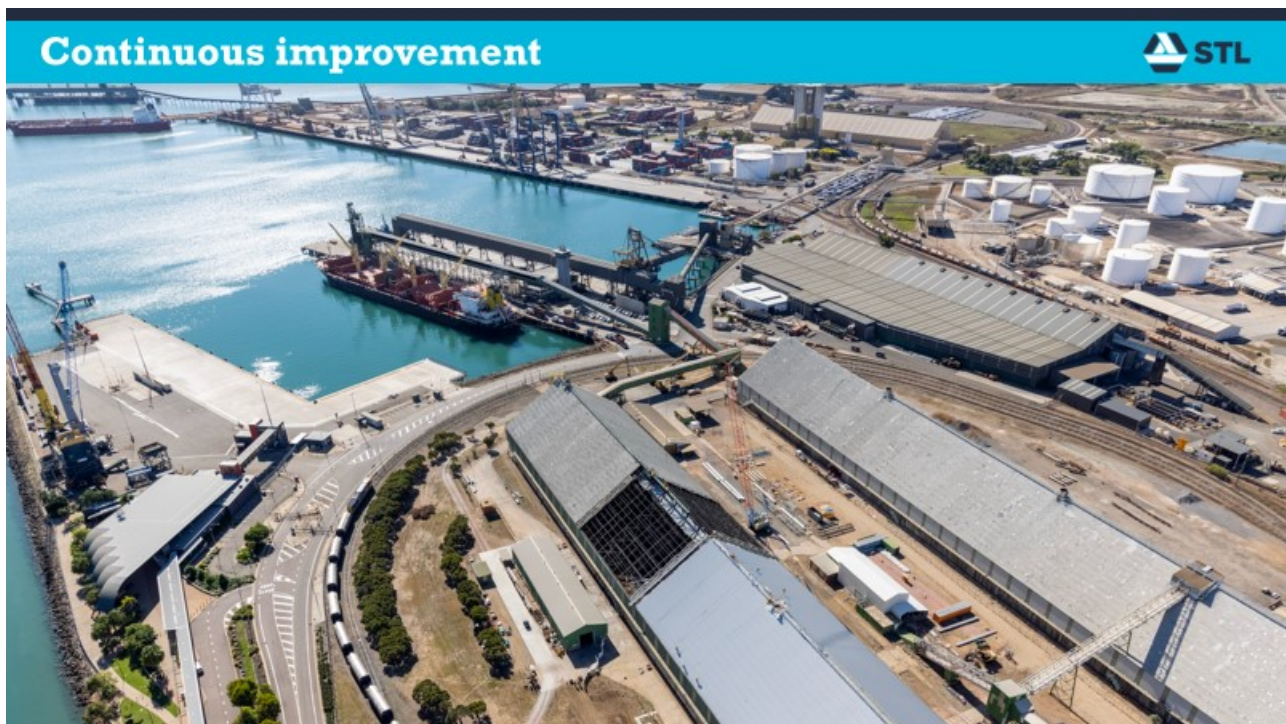
As the Chairman mentioned earlier, we have been fortunate that COVID-19 has had minimal impact on the Australian sugar industry.

Comparatively speaking, we have also experienced a relatively benign wet season and a period of strong raw sugar prices.



A number of our international competitors have not been so fortunate with failed wet seasons in Thailand, frosts in Brazil and COVID-19 significantly impacting both India and Brazil. We are as they often say, the Lucky Country!

We'll all watch with interest to see what the year ahead brings, but STL will remain responsive to change and focused on serving the best interests of the entire sugar industry.



Over the last year, STL has kept its broader team safe, with zero lost time injuries and no positive COVID cases recorded among our staff or any of the operators at our six sugar terminals.

We have also remained fully compliant with all of our environmental obligations which is critical, particularly when you take into account the sensitive environments within which we operate.



At the same time, we have maintained our track record for high service levels to customers, sustaining only one delay of greater than six hours during shiploading operations and one delay of a similar duration during receiving operations.

Whilst these are solid results we need to and we will continue to 'lift the bar' and strive for ongoing and sustained operational performance improvement.

This I would stress, is not unique to STL.

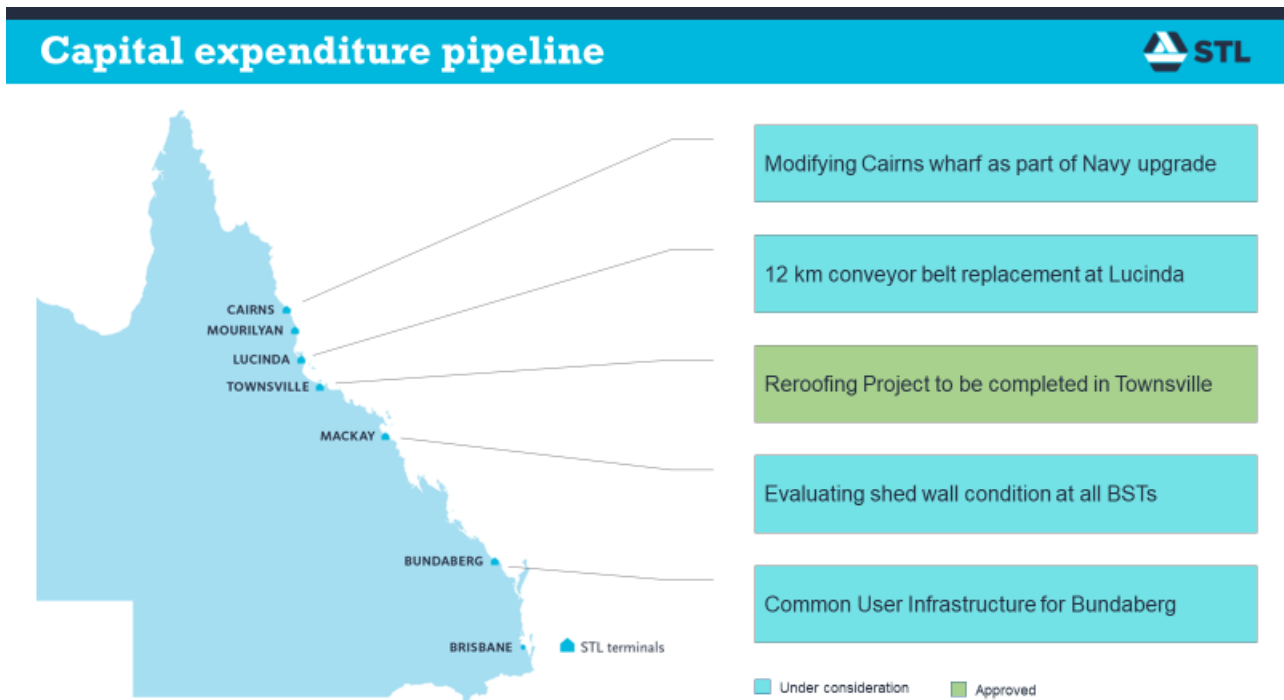
Every business is doing this every day of the week, regardless of their size, if they plan to have a long term sustainable operation into the future.

We cannot and we will not be complacent.

STL will continue to focus on our costs, and those of our operations contractor, to achieve the best value for money for our shareholders.

We will do this without compromising the safety of our people, the environment within which we operate, the reliability of our assets or our performance obligations to our customers.





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STL is very fortunate to have world-class raw sugar storage and loading infrastructure.

These assets give us an advantage over our international competitors and this makes it even more critical that we prudently invest in them to secure their long term future.

Here are just some of these investments that are either underway or are being planned:

In Townsville this year, we continued our 10 year reroofing project, with work on Shed 1, the final shed to be reroofed scheduled to be completed in September 2022.

This project has been very successful to date with the activities completed on time and on budget in a challenging environment.

At Lucinda, we have begun planning for the replacement of the 12 kilometre-long continuous conveyor belt that takes raw sugar along the jetty.



As the current belt has been in place since 1977, I think it's earned the right to be retired from service.

At Bundaberg, as the Chairman outlined, we are close to making an investment decision regarding the construction of common user infrastructure to improve asset utilisation without compromising our services to the sugar industry.

In Cairns, we are working with the Royal Australian Navy to modify our wharf infrastructure as part of their plans to upgrade their facilities.

As with our planned work in Bundaberg, we are confident this initiative will not compromise our service offering to our sugar customers in the Far North.

We are also undertaking an evaluation of the condition of all of our shed walls to identify any remediation works that may be required to ensure their long term integrity.

The examples I have just outlined are but a snapshot of the activities that are underway to maintain these vital assets.

By prudently investing in our assets we are also helping to ensure our shareholders continue to benefit from stable returns over the long term.

One of our key challenges will always be to ensure that STL has the capital available to fund these investments without increasing costs to the industry or impacting on our operations.

Capital is a scarce commodity.

That is why STL will always require a strong justification before making such investments.

**Storage and Handling Agreement**

**Indicative process and timeline**

STEP	PROCESS	INDICATIVE DATE
1.	Initial round of customer meetings	By 15 October
2.	Customers provide final advice of SHA issues to STL	By 5 November
3.	Second round of customer meetings	By 10 December
4.	STL to provide all customers consolidated issues list	By 20 December
5.	STL to provide all customers first draft of SHA and briefing paper	By end January



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As we are all aware STL's primary income stream is achieved by providing cost effective and reliable storage and handling services to the sugar industry.

The key commercial agreement that underpins this revenue is the Storage and Handling Agreement which is entered into with our six raw sugar marketing customers.

The current agreement has provided stability and certainty for the industry has been in place since 2018.

It will expire on 30 June 2022.

STL has been proactive in reaching out to its customers and establishing a timetable for its re-negotiation in advance of the 2022 crushing season.

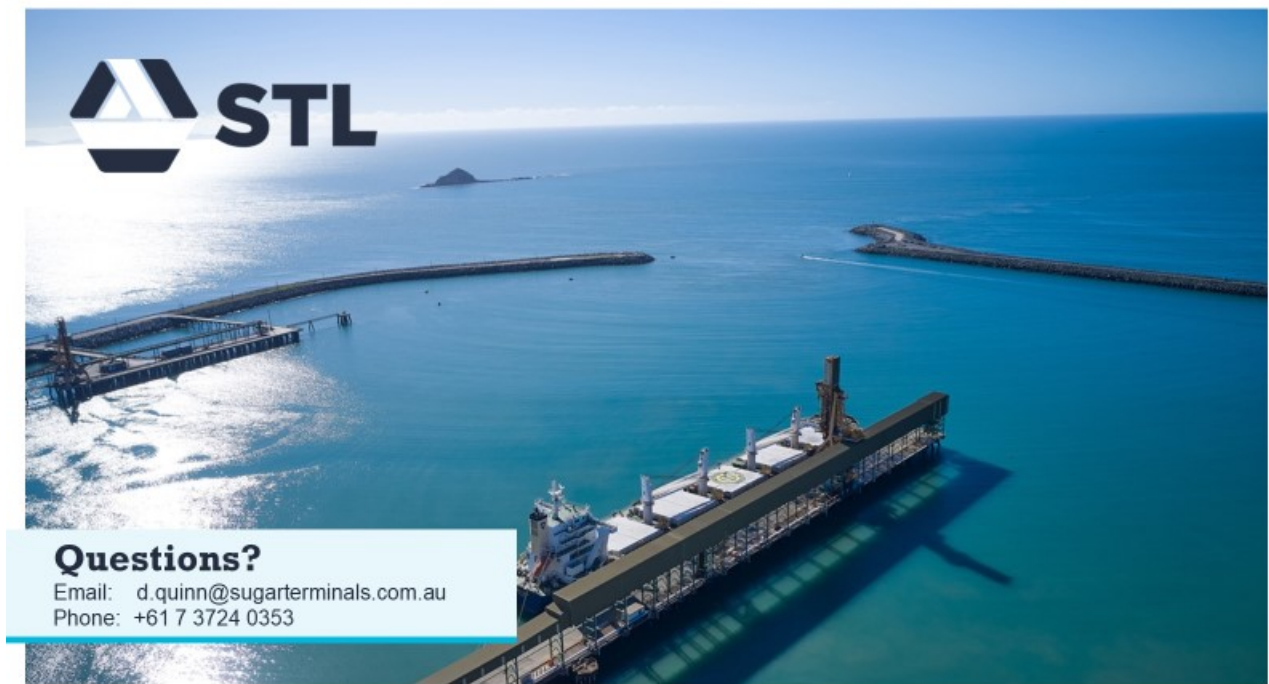
As you can see on the slide, the timetable also allows our customers with milling interests to complete the important 2021 crush without being distracted by these negotiations.



STL has indicated to its customers that it is seeking another longer term agreement to build upon the stability already achieved.

Like any customer-facing organisation, we will continue to engage constructively with all of our customers to navigate a path that achieves an outcome that is acceptable to all parties.

We will, of course, continue to update the market as these discussions progress.



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In conclusion, let me reinforce that STL appreciates the opportunity to engage with its shareholders at all times, so please do not hesitate to contact me directly if you have any suggestions or feedback on how we can improve.

Let me also acknowledge the support that I have received from the Chair and Board of STL who have provided me with wise counsel.



I must also thank my team at STL whose commitment and dedication to achieving the best outcomes for our shareholders cannot be questioned.

Thank you for providing me with this opportunity to speak today.

I look forward to our ongoing discussions into the future.

That concludes the formal address.

A handwritten signature in blue ink, appearing to read "D. Quinn", with a horizontal line extending to the right.

David Quinn  
CEO | Brisbane | 20 October 2021