



**OPERATIONAL POLICIES AND PROCEDURES OF THE NATIONAL POOL
TRADING IN OTHER ORIGIN WHEAT
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TRADING IN OTHER ORIGIN WHEAT

1. POLICY

1.1 AWB Geneva

AWB Geneva is established to facilitate and enhance the international grain trading operations of the AWB Group, including the operations of AWBI. These functions are carried out through the International Trading division of AWB Geneva.

AWB Geneva provides marketing services to AWBL under a services agreement between AWBL and AWB Geneva. AWBL on-provides those services to AWBI under the Services Agreement. The services provided by International Trading include identifying markets and customers, preparing and assisting in the execution of sales contracts and performing sales contract obligations, managing customer relationships and developing market and country strategies. The purchase of Other Origin Wheat for AWBI for the purpose of Optional Origin Wheat Sales is an additional service that International Trading provides to AWBI for a fee.

International Trading enhances AWBI's international grain trading operations by giving AWBI access to information, market knowledge, new or enhanced relationships with international customers (including in European and emerging markets) as well as time zone advantages.

1.2 Other Origin Wheat transactions of the AWB Group

AWBI and International Trading enter into the following transactions to buy and sell Other Origin Wheat.

- (a) AWBI enters into Optional Origin Wheat Sales. AWBI may need to buy Other Origin Wheat to deliver under an Optional Origin Wheat Sale contract, and this is managed by International Trading (see sections 1.4 and 2).
- (b) International Trading conducts Other Origin Wheat Trading on its own account (see sections 1.5 and 2.2).

1.3 International Trading's National Pool Wheat Sales

International Trading sells National Pool Wheat on behalf of AWBI under the Service Level Agreement (and for no additional commission) in the following circumstances:

- (a) where AWBI vetoes Other Origin Wheat Trading by International Trading and requests International Trading to sell National Pool Wheat instead of Other Origin Wheat (AWBI may elect not to engage International Trading to act on its behalf and itself sell National Pool Wheat instead of Other Origin Wheat) (see section 2.3(b))
- (b) where International Trading sells both Other Origin Wheat and National Pool Wheat to an international customer (see section 1.5)
- (c) where AWBI requests International Trading to do so, because AWBI wishes to take advantage of International Trading's existing customer relationships or knowledge of international markets

- (d) where International Trading identifies an opportunity for AWBI to sell National Pool Wheat to an international customer. If AWBI elects not to sell direct to the customer because of the credit risk or required credit terms of the customer, International Trading may purchase National Pool Wheat from AWBI on AWBI's standard payment and credit terms and on-sell that Wheat to that customer for a margin that compensates International Trading for the additional risk.

The procedures for International Trading's National Pool Wheat transactions are set out in section 2.3.

1.4 AWBI's Optional Origin Wheat Sales

(a) **Why does AWBI enter Optional Origin Wheat Sales?**

Under an Optional Origin Wheat Sale, AWBI agrees to deliver Wheat of a particular quality (but which, at AWBI's option, may be either National Pool Wheat or Other Origin Wheat). Thus, if AWBI is unable to deliver National Pool Wheat of the required quality (eg. because of a drought or, in the case of a contract to sell FEED Wheat, a shortage of FEED Wheat during a bumper Australian harvest), it can deliver Other Origin Wheat.

By entry into Optional Origin Wheat Sales, AWBI is able to hedge its supply and price risk while still offering a reliable, valuable product to its international customers.

(b) **Restrictions on AWBI entering Optional Origin Wheat Sales**

AWBI will only enter into an Optional Origin Wheat Sale (and buy Other Origin Wheat so that it can deliver under the Optional Origin Wheat Sale):

- (i) to manage risk associated with the National Pool or increase the overall return for the National Pool
- (ii) if the transaction will not:
 - (A) displace sales of National Pool Wheat (unless that National Pool Wheat could be sold for a higher price to another customer)
 - (B) undermine the price premiums that might be obtained for National Pool Wheat
 - (C) hinder AWBI in securing, developing or maintaining markets for National Pool Wheat
- (iii) if the transaction will not potentially injure or cause detriment to AWBI in its business as exporter of National Pool Wheat.

The procedure for AWBI to enter into an Optional Origin Wheat Sale is set out in section 2.1.

1.5 **International Trading's Other Origin Wheat Trading**

(a) **Why does International Trading enter into Other Origin Wheat Trading transactions?**

International Trading undertakes Other Origin Wheat Trading as principal:

- (i) to complement sales by AWBI, by buying Other Origin Wheat and selling it with National Pool Wheat to international customers. This enhances AWBI's ability to attract international customers because the AWB Group can offer a full product range or "grist" to international customers. For example, international customers may wish to purchase the following, in addition to National Pool Wheat:
 - (A) lower quality Other Origin Wheat to blend with National Pool Wheat
 - (B) Other Origin Wheat under foreign government backed export programs (such as "GSM Credit") because of the attractive finance terms.
- (ii) to develop and maintain relationships with international customers, providing increased opportunities for marketing of National Pool Wheat.

(b) **Restrictions on Other Origin Wheat Trading**

International Trading may only conduct any Other Origin Wheat Trading if International Trading has notified AWBI of the potential sale and AWBI has approved the transaction.

AWBI will not approve a transaction proposed by International Trading if AWBI considers that the transaction will:

- (i) displace sales of National Pool Wheat (unless that National Pool Wheat could be sold for a higher price to another customer)
- (ii) undermine the price premiums that might be obtained for National Pool Wheat
- (iii) hinder AWBI in securing, developing or maintaining markets for National Pool Wheat
- (iv) potentially injure or cause detriment to AWBI in its business as exporter of National Pool Wheat.

(c) **Factors to be considered by AWBI**

AWBI will take into account the following when deciding whether to approve a transaction proposed by International Trading:

- (i) whether AWBI has National Pool Wheat available to be delivered instead of the Other Origin Wheat on the proposed delivery date for the other Origin Wheat Trading transaction

- (ii) whether the Other Origin Wheat proposed to be sold is lower quality than National Pool Wheat, and therefore the National Pool Wheat is not substitutable
- (iii) whether the Other Origin Wheat is offered under a foreign government backed export incentives (such as GSM credit) which is required by the customer (and unable to be replicated by AWBI)
- (iv) AWBI will approve a sale of Other Origin Wheat by International Trading where they are unable to provide an equivalent grade of National Pool Wheat on substantially equivalent terms (including price) unless such a sale would have any of the effects in Section 1.5(b)(i) – (iv) above.

(d) **AWBI and other Origin Wheat Trading**

AWBI does not conduct other Origin Wheat Trading (other than buying Other Origin Wheat so that it can deliver under Optional Origin Wheat Sales).

1.6 **Authorities**

Pool Pricing is responsible for all transactions on behalf of AWBI. The Pool Manager and the Pricing Manager have authority to approve or veto any Other Origin Wheat Trading transaction involving International Trading in accordance with the AWB Group Authorisations Policy (AWBI Authorised Officer).

1.7 **Information Sharing**

Arrangements for information sharing between International Trading and AWBI are governed by the Pool Information Access Policy.

2. **PROCEDURE**

2.1 **AWBI's Optional Origin Wheat Sales**

(a) **Description of transactions**

An Optional Origin Wheat Sale involves two transactions:

- (i) AWBI has an option to sell the Other Origin Wheat to another international Counterparty under the Optional Origin Wheat Sale
- (ii) International Trading agrees to buy Other Origin Wheat from an international Counterparty on AWBI's behalf.

(b) **Entry into Optional Origin Wheat Sale**

(i) **Proposal to enter into Optional Origin Wheat Sale**

Pool Pricing sends a proposal by e-mail to the Pool Pricing Manager setting out the following:

- (A) the proposed terms of the Optional Origin Sale (including Wheat to be sold, Bin Grade, tonnage and timing)
- (B) the reasons for the Optional Origin Sale

- (C) the Other Origin Wheat that would need to be acquired to deliver under the Optional Origin Sale.

The AWBI Authorised Officer may approve the proposed transaction if it complies with section 1.4 of this policy.

(ii) **Entry into Optional Origin Wheat Sale**

After the AWBI Authorised Officer approves the proposed transaction, AWBI negotiates and enters into an Optional Origin Wheat Sale contract including the following terms:

- (A) AWBI agrees to sell wheat of a particular quality and tonnage to the international Counterparty at a future date
- (B) AWBI has the option (exercisable before the delivery date) to deliver National Pool Wheat or Other Origin Wheat.

(iii) **Exercise of option**

AWBI will only exercise its option to sell Other Origin Wheat if the AWBI Authorised Officer is satisfied that to do so complies with section 1.4 of this policy.

(c) **AWBI purchases Other Origin Wheat**

(i) **Timing of Other Origin Wheat purchase**

AWBI may agree to purchase Other Origin Wheat to deliver under the Optional Origin Wheat Sale contract in advance or after exercise of its option under the Optional Origin Sale contract.

(ii) **Request for offer from International Trading**

Pool Pricing sends an e-mail to International Trading's Marketing Manager containing all specifications for the Other Origin Wheat AWBI wishes to purchase including documentary requirements, weight requirements, Bin Grade, acceptable price range (which may be market price on the day of agreement) and the time at which delivery of the Other Origin Wheat is required.

As agent of AWBI, International Trading's Marketing Manager seeks offers from Counterparties to sell Other Origin Wheat on the terms contained in Pool Pricing's e-mail.

International Trading advises the Pool Pricing Manager by e-mail of the terms and conditions of any offer to sell Other Origin Wheat (or, if it is the case, advises that International Trading is not able to satisfy AWBI's request).

(iii) **AWBI may accept or reject offer from International Trading**

The Pool Pricing Manager or other AWBI Authorised Officer may accept the offer (if satisfied that it complies with section 1.4 of this policy).

Otherwise, AWBI may reject the offer and instruct International Trading to seek alternative offers to sell Other Origin Wheat to AWBI.

(iv) **AWBI and International Counterparty enter into contract**

On the Business Day International Trading receives an acceptance under section 2.1(c)(iii), International Trading's Marketing Manager sends Pool Pricing a grain purchase contract from the International Counterparty. AWBI is the principal with the International Counterparty. In the event that AWBI and the International Counterparty cannot agree terms, International Trading may step in as principal on the transaction.

(v) **International Trading will manage payment and delivery**

International Trading will arrange for:

- (A) the international Counterparty to supply all relevant documents (such as shipping and title transfer documents) to AWBI and deliver Other Origin Wheat to the place nominated in the contract with the international Counterparty
- (B) AWBI to pay the international Counterparty in accordance with the terms of its contract with the international Counterparty.

2.2 International Trading conducting Other Origin Wheat Trading

(a) **Regular Updates**

At least twice per week (and more often as reasonably requested by AWBI), prior to close of business (in Geneva), International Trading's Marketing Manager e-mails a daily update entitled "Geneva Evening News" to the Global Marketing Strategy Analyst in ISM for inclusion in the "Daily Trading Wire". The "Geneva Evening News" contains the following information in respect of each Other Origin Wheat Trading transaction that International Trading proposes to enter into (as principal or on behalf of AWBI or Trading) including updated information about any incomplete transactions included in a previous e-mail:

- (i) price (or forecast price)
- (ii) quantity
- (iii) quality
- (iv) shipping period
- (v) market
- (vi) origin of wheat.

Each day the Global Marketing Strategy Analyst in ISM sends the "Daily Trading Wire" (including the above information from International Trading in respect of Other Origin Wheat Trading transactions, where applicable) to the AWBI General Manager, Pool

Manager, Pool Pricing Manger, Pool Pricing, International Trading, AWB Portland, Trading General Manager, the Riskassist group and ISM.

The Global Marketing Strategy Analyst files the "Daily Trading Wire" in date order in the "L:/Global Marketing Strategy/Daily Wires)" public folder in the AWB Group's network. A hard copy of the "Daily Trading Wire" is filed by the Global Marketing Strategy Analyst in ISM. Pool Pricing also files a hard copy when the Pool has added comments to the "Daily Trading Wire" (see section 2.2(b) below).

(b) **AWBI response**

(i) **Response to Daily Trading Wire**

Before close of business (in Melbourne) on each day that it receives a "Daily Trading Wire" with Other Origin Wheat transaction details, Pool Pricing completes the "Pool Comments" section of the "Daily Trading Wire" by stating the following in relation to each proposed Other Origin Wheat Trading transaction:

- (A) whether AWBI approves the transaction in accordance with section 1.5(b) (and, if AWBI does not do so, International Trading may not enter into the transaction on its own behalf)
- (B) if the transaction is a sale, whether AWBI wants to enter into the proposed transaction selling National Pool Wheat and engage International Trading to do so (and if so, section 2.3 applies) or sell the National Pool Wheat to that customer itself.

Pool Pricing e-mails the "Daily Trading Wire" with "Pool Comments" completed to the distribution list of the "Daily Trading Wire".

Pool Pricing files a hard copy of the "Daily Trading Wire" on completion of adding the "Pool Comments".

(ii) **24 Hour response**

AWBI provides International Trading with a roster of contacts in Pool Pricing to allow International Trading to seek after-hours approval for Other Origin Wheat Trading transactions.

International Trading will only seek after-hours approval if an Other Origin Wheat Trading transaction opportunity needs to be agreed before the "Daily Trading Wire" is sent (or responded to).

If International Trading seeks an after-hours approval it must inform the rostered Pool Pricing contact of all the information set out in section 2.2(a)(iii). The Pool Pricing contact will approve or veto the proposed transaction in accordance with sections 2.2(b) (i)(A) and (B) and section 1.6.

International Trading's Marketing Manager must e-mail Pool Pricing with all the details of the after-hours application and the Other Origin Wheat Trading transaction by the next Business Day.

(c) **International Trading may enter into transaction**

If AWBI approves an Other Origin Wheat Trading transaction and does not give notice that it wants to enter into the proposed transaction, International Trading may enter into the transaction on its own account.

International Trading keeps records (including correspondence with Counterparties, title contracts, and shipping documents) of every transaction it enters into, and supplies a copy of those records to AWBI upon request.

2.3 **International Trading's National Pool Wheat Sales**

(a) **International Trading sale proposal**

International Trading may propose that AWBI sell National Pool Wheat to an international customer by International Trading's Marketing Manager sending an e-mail to the Pool Pricing Manager setting out the following:

- (i) Bin Grade
- (ii) tonnage
- (iii) price
- (iv) customer
- (v) payment and delivery terms
- (vi) if the National Pool Wheat is to be sold with Other Origin Wheat, details of the Other Origin Wheat to be sold.

(b) **AWBI response**

After receiving a sale proposal from International Trading, AWBI may either:

- (i) accept the proposal by the Pool Pricing Manager or other AWBI Authorised Officer sending International Trading's Marketing Manager an e-mail containing the information set out in section 2.3(c). International Trading's Marketing Manager will then negotiate the sale on AWBI's behalf in accordance with section 2.3(d); or
- (ii) reject the proposal by the Pool Pricing Manager or other AWBI Authorised Officer sending International Trading's Marketing Manager an e-mail stating its reasons (which may include that the payment and credit terms are unacceptable).

(c) **AWBI sale proposal**

If AWBI wants International Trading to sell National Pool Wheat on its behalf, the Pool Pricing Manager or other AWBI Authorised Officer will e-mail International Trading's Marketing Manager a sale proposal setting out the following information:

- (i) Bin Grade it wishes to sell

- (ii) tonnage
- (iii) acceptable price range
- (iv) preferred customers (if any).

All sales by AWBI will be in accordance with AWBI's standard terms and conditions (including payment and credit terms).

(d) **Negotiating sale**

If AWBI accepts a sale proposal from International Trading in accordance with section 2.3(b) or International Trading accepts a sale proposal from AWBI in accordance with section 2.3(c), International Trading will act as AWBI's agent in negotiating the sale of National Pool Wheat to an international customer on the terms contained in the proposal.

International Trading must obtain the approval of the Pool Pricing Manager or other AWBI Authorised Officer to make a counter-offer to the international customer or vary the terms from those contained in the Pool Pricing Manager's email.

After International Trading (as AWBI's agent) and an international customer agree on the terms of the sale of National Pool Wheat, International Trading arranges for the international customer and AWBI to execute AWBI's standard grain sale contract. International Trading also manages payment and delivery.

(e) **International Trading purchasing National Pool Wheat**

If AWBI rejects a sale proposal given to it by International Trading because the payment or credit terms are not in accordance with AWBI's standard payment and credit terms, International Trading may offer to purchase the National Pool Wheat from AWBI on AWBI's standard payment and credit terms. (The price for this transaction will be lower than for the proposed sale to the international customer, reflecting the reduced credit risk to AWBI.)

If AWBI accepts International Trading's offer, International Trading and AWBI enter into AWBI's standard grain sale contract. International Trading may then on-sell that National Pool Wheat to the international customer for the price set out in its original proposal to AWBI.