

The Water Trading Policy sets out how Sunwater intends to conduct its Water Trading activities in order to meet its objectives of supporting increased utilisation of available allocations throughout Queensland while maximising the commercial return from allocations held.

This policy applies to all trading of Sunwater and subsidiary-owned water allocations and includes:

- Temporary Transfers
- Permanent Transfers, and
- Term Allocations.

All Sunwater business groups, employees and contractors are required to comply with this policy and the Water Trading Framework.

Through the implementation of its Water Trading Framework, Sunwater aims to:

- Maximise the economic return to regional economies associated with permanent and temporary transfer of Sunwater-held allocations
- Maximise the commercial return of allocations held by Sunwater
- Develop and encourage the transfer of water to its highest and best use
- Encourage and support the development of an active water trading market in Queensland
- Provide for an accountable and transparent process for the trading of Sunwater’s own water allocation
- Ensure appropriate governance and internal controls in its Water Trading activities
- Manage the risks associated with Water Trading including:
  - I. market risk
  - II. regulatory risk
  - III. financial risk
  - IV. operational risk
  - V. settlement risk, and
  - VI. credit risk.

Sunwater Water Trading Policy positions:

**Temporary Trading**

- Sunwater will make all announced allocations held by Sunwater in trading accounts available on the temporary trading market each year, subject to minor exceptions such as volumes reserved for operational requirements, or if conditions arise where it is not operationally possible to transfer water to customer offtakes.
- All temporary trading will be undertaken via a publicly accessible online platform where any customer may purchase water within the constraints of the relevant Water Supply Scheme water sharing and trading rules. The platform is a key initiative supporting visibility of trading in the market and enabling better utilisation of existing resources.
- Where there is a high level of demand for Sunwater-held announced allocations, this water will be traded using the auction function of the online trading platform. This is to ensure an equal opportunity to all parties to obtain this water.

**Permanent Transfers and Term Allocations, Medium Priority (MP)**

- Sunwater will make all medium priority allocations that it holds available to the market for either sale or term allocation, to maximise the economic value of the entitlements on a long-term basis.
- Medium priority allocation sales will be taken to the market progressively as needs are identified and interest is expressed by customers.

- Where there is known to be excess demand for available allocations, MP allocations will be sold via online auction or public tender process. This method provides maximum transparency and equal opportunity for customers to participate.
- Direct sales of MP allocation to individual irrigation customers will be undertaken via the Water Broker in accordance with the Ringfencing Guidelines. In accordance with the Water Trading Code of Conduct, Sunwater may choose to use the broker for sales to urban and industrial customers or undertake negotiations directly.

#### Permanent Transfers and Term Allocations, High Priority (HP)

- Sunwater will provide term allocations to customers for access to high priority allocations in favour of permanent transfer. Offers from customers to purchase HP water will be considered on a case-by-case basis where there are sound commercial reasons for Sunwater to consider the offer. Exceptions may be made for urban customers if it helps to meet their long-term water security needs, which supports the principle of maximising economic return to regional economies.
- Sunwater will negotiate directly with industrial, mining, and urban customers, because commercial terms of agreements with these customers may vary by necessity and impact the contract negotiation process. Small transactions using standard form contracts may be progressed via the Broker. The Broker will be used for any HP transfers to irrigation customers in accordance with the Ringfencing Guidelines.
- Sunwater Acquiring Allocations
- Sunwater will not purchase allocations from the market for the purpose of supporting trading activities. Taking water out of the market on this basis does not support the principle of maximising regional economic benefits, which flow from sustained use of allocations for productive purposes.
- Sunwater does not support the surrender of water allocations but will consider surrender in exceptional circumstances.

#### Leases

- All fixed-term agreements for access to water allocations will be provided in the form of term allocations rather than leases, except where an existing lease contains an option to extend.

In undertaking its Water Trading activities Sunwater will:

- Be bound by the Code of Conduct
- Ringfence the activities of the Water Trader
- Operate its Water Trading Activities in accordance with its Portfolio Strategy that is approved annually by the Board of Directors.
- Engage an independent third party to undertake audits every three years of its compliance with the Code of Conduct.
- Submit three-yearly audit reports to Sunwater's Chief Executive, Board of Directors and the Shareholding Ministers.

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