

Sunwater

Report on Sunwater's compliance with the Water Trading Code of Conduct for the period July 2022 to June 2025

October 2025



PRIVATE AND CONFIDENTIAL

To: Julie Tealby, Company Secretary
CC: Sunwater Audit & Risk Committee (via Audit & Risk Committee papers)
Glenn Stockton, CEO
Erin Strang, Chief Financial Officer
Natalie Bain, Acting EGM Customer & Stakeholder Relations
Rachel Rice, General Manager Commercial Customers and Analysis

17 October 2025

Dear Julie,

Sunwater - Compliance with the Water Trading Code of Conduct

Please find attached our report following completion of the independent audit undertaken for Sunwater over Water Trading Code of Conduct compliance during the period July 2022 to June 2025.

If you require any further information, please contact me on (07) 3859 4385.

Yours faithfully



BDO Services Pty Ltd

Anand Raniga

Partner



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Executive summary

Background

The 2006 *National Water Initiative Water Trading Study* conducted for the Department of the Prime Minister and Cabinet assessed the need for market supervision and the enforcement of trading rules in the emerging water market in Australia.

The study recommended that:

- Processes for managing trades and the entitlement registers should be subject to a regular audit program to ensure the internal controls around these processes are adequate to achieve ongoing compliance with trading and entitlement rules. For example, arrangements should be introduced to ensure the operational staff who manage trades are appropriately ‘ring-fenced’ from decisions that are likely to impact market process and are unable to use any ‘inside information’ for personal gain
- Tools that govern the conduct of market intermediaries, such as codes of conduct, accreditation or licensing in the sector, were not required at the time. However, there was a requirement to review the need for such tools periodically.

In January 2007, Sunwater issued a Water Trading Code of Conduct to give buyers confidence that it is acting with integrity and thereby helping to ensure an effective water market, including in relation to its own water allocations. Further revisions were made in 2010, 2014 and 2020, and the latest version was issued in December 2024.

Section 6 of the Code of Conduct requires Sunwater to establish and maintain appropriate internal procedures to ensure compliance with the Code of Conduct and to demonstrate the adequacy of these procedures. Sunwater commissioned BDO Services Pty Ltd to carry out an independent review (termed an ‘audit’) of its water trading activities, to examine the effectiveness of internal mechanisms associated with the protection of confidential information, disclosure of market information and measures taken to implement Sunwater’s Water Trading Code of Conduct.

In 2021, the Department of Regional Development, Manufacturing and Water (DRDMW), now known as the Department of Local Government, Water and Volunteers (DLGWV) worked with stakeholders to develop the Queensland Water Market Optimisation (QWMO) action plan. The plan outlines a coordinated set of actions to improve the function of Queensland’s water markets and is intended to provide a pathway towards efficient water trading markets that deliver economic benefits while protecting rivers and streams.

The QWMO comprises the following first steps to getting water markets working effectively in Queensland:

- Encourage holders of underutilised water to use the temporary trading market
- Provide information that water markets need to develop and grow
- Help water users connect with brokerage
- Help investors find water for development or expansion.

This plan demonstrates the commitment of the DLGWV to work with stakeholders toward ongoing governance and improvement in water market activities.

Objective and scope

The key objective of the audit was to assess the adequacy of the ring-fencing arrangements for Sunwater’s sale of water allocations, including mechanisms relating to the disclosure of confidential information by Sunwater, and to determine whether Sunwater is complying with the Water Trading Code of Conduct.

Specifically, the scope of the audit included:

- An assessment of the current internal mechanisms associated with the:
 - Protection of confidential information
 - Disclosure of market information
 - Implementation of Sunwater's Ring-fencing Undertaking
- An assessment of the non-discriminatory approval of water trades
- The provision of recommendations on areas in which Sunwater's internal mechanisms and procedures can be improved.

The scope of the review covered the period July 2022 to June 2025.

Approach

To meet the scope of this review, the audit adopted the following approach:

- Reviewed the publicly available information on the websites of Sunwater (including the Water Trader pages) and DLGWV (including the Resource Operations Plan (ROP), Resource Operation Licences (ROL) or Interim Resource Operations Licence (IROL))
- Reviewed the annual reports of the Water Trader
- Identified the nature and details of water trades carried out during the past financial years
- Inquired whether any disputes had been notified to Sunwater, Queensland Competition Authority or Queensland Treasury
- Through interviews with Sunwater representatives, gained an understanding of:
 - Sunwater's processes for releasing information to the market and for protecting confidential information
 - The nature of information Sunwater provides to the Water Trader
 - The nature of information the Water Trader shares and their contacts with particular areas of Sunwater.
- Assessed the appropriateness of how market-sensitive information is released
- Assessed the scope and appropriateness of market-sensitive information being provided to the Water Trader
- Assessed the adequacy of the ring-fencing arrangements and Sunwater's compliance with the Ring-fencing Undertaking
- Reviewed water trade approvals and documentation to identify any evidence of price discrimination
- Reviewed management's actions during the past financial year addressing previous audit findings.

Exclusions / limitations

Our report has been prepared for Sunwater, solely for the purpose of meeting this objective. It is not to be used for any other purpose. The review was not a financial audit, and relied on the accuracy, completeness and validity of information provided by Sunwater and other parties.

Our procedures consisted primarily of making enquiries and observations of documentation. The areas noted in the scope were reviewed. No other processes/areas were included in this current scope of work.

Overall conclusions, key findings and recommended actions

Overall, no major findings were noted in relation to Sunwater's implementation of its Water Trading Code of Conduct and accompanying guidelines. Further, controls related to managing the risk of double trades on the same water allocation were found to be functioning appropriately, with reconciliation and review procedures in place to ensure only unsold water is available for trading.

Detailed review

Code of Conduct

The December 2024 version of the Sunwater Water Trading Code of Conduct, available from the Sunwater website, was reviewed.

The objectives of the Code of Conduct are to:

- Ensure open and transparent access in the water market for participants seeking to purchase or lease water from Sunwater
- Demonstrate to market participants the approach Sunwater will use to trade its water allocations
- Provide an auditable process and policies to enable market participants to have confidence that Sunwater is complying with its Code.

The Code's key features and associated requirements are:

- Market facilitation and education:
 - Provision of timely and relevant information on allocations, new or augmented infrastructure, volumes and prices, through the Sunwater website or their online water exchange platform
- Transparent trading processes:
 - Publication of the volume and timing of water allocations that Sunwater will trade and whether they will be released by permanent transfer, term allocation or temporary transfer
- Sale pricing:
 - Trading can take place through a public exchange, by tender or auction or through direct negotiation with customers through the Sunwater broker unless negotiating with industrial or urban customers
 - No price discrimination for the same product delivered at the same time
- Approval of trades - for seasonal assignments:
 - No discrimination between those involving customers and Sunwater
 - Approved in accordance with criteria in temporary trade application forms on Sunwater's website
- Disclosure - standard water delivery and trading contracts to be on Sunwater's website
- Compliance:
 - Sunwater to maintain procedures to ensure compliance with the Code
 - A three (3) yearly audit by an independent external party to report on Sunwater's compliance.
- Ring-fencing - ensuring the Water Trader only has access to market information that is available to every other market participant
- Dispute resolution - customer access to a binding process
- Breaches - to be reported immediately to Queensland Treasury, investigated by an independent body, and, if the Code has been breached, the nature and resolution of the breach to be disclosed in Sunwater's annual report.

A copy of the current Code of Conduct, which was in effect for the 2024 - 2025 financial year, is available in Appendix 1.

Water trading

In Queensland, there are three (3) types of water trading:

- Permanent trades of water allocations and interim water allocations
- Leases and Term Allocations of water allocations (Sunwater prefers to Term Allocate rather than Lease with standard terms between 5 and 20 years)
- Seasonal assignments of water available under a water entitlement (also called temporary allocations or trades).

While Sunwater engages in the aforementioned three (3) different types of trading, Sunwater also has a further role in relation to the third trading category (i.e., seasonal assignments), in enabling their customers to seasonally assign to each other through a water trading board available on Sunwater’s website.

Sunwater’s approval process involves checking and processing an Application for Temporary Transfer form signed by the buyer and the seller (including, where relevant, the Water Trader on behalf of Sunwater).

Since July 2019, Sunwater has contracted with Water Exchange (WEX) as a subsidiary of Ruralco Holdings (Ruralco) to sell its seasonal assignments of water and to encourage water trading generally. Ruralco acts as a broker and does not buy or sell water in its own right. One of the main benefits of engaging Ruralco as the Water Trader is the online platform facility (WEX) that publicly makes information available for customers on the volume of allocations, the reserved price for the year (either a “sticker price” or starting bid price if an auction), and also the process, such as an auction.

The below chart demonstrates the volumes traded (megalitre (ML)) and value of temporary trades per financial year for the period 2015 - 2025:

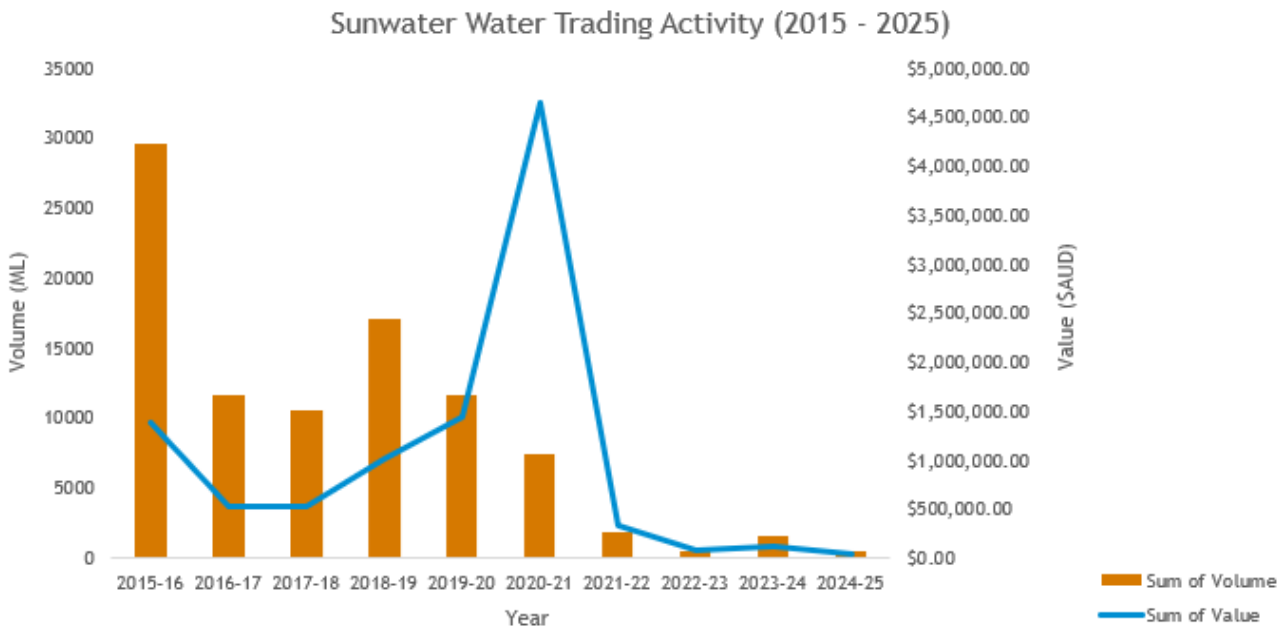


Figure 1: Volume of trades, by financial year

Water trading roles and procedures

Announcement of allocations

Sunwater's process for announcing allocations involved the:

- Billing and Compliance team and/or Water Resources and Dam Safety team:
 - Initiating or reviewing announced allocations
 - Calculating announced allocations in accordance with the water sharing rules in the relevant Operations Manual, ROP, or IROL by reviewing the storage level data in WIN (hydrographic software) and usage data in Orion (the water accounting system). Quarterly meter reading is undertaken by the regional offices.
- Billing and Compliance team and/or Water Resources and Dam Safety team:
 - Auditing the announced allocation calculations
 - Communicating the announced allocation (by SMS or email) to customers and to the DLGWV in a Notification and Operations Report in accordance with the relevant ROP or ROL and publishing to the Sunwater website.

The announcement of allocations occurs at the start of the water year (typically July). If less than 100% is allocated at the start of the year, the percentage is reviewed later in the year, as required by the ROP or IROL for that scheme. Depending on the scheme, the review and any new announced allocation is made either monthly, quarterly or within ten days of a major inflow.

Water broker role

Sunwater's contract with Ruralco specifies that the broker has the following roles:

- To sell rights to annual water use for Sunwater-held allocations as seasonal assignments
- To develop an Annual Water Trading Plan with Sunwater's Water Trading Manager, ensuring that it is consistent with Sunwater's Scheme Water Trading Strategies (which in turn are based on its Annual Portfolio Strategy). The Plan is to contain:
 - Location of trades (water exchange, direct negotiations, auction or tender)
 - Volumes to be traded
 - Trading frequency and timing
 - Predicted reserve prices
 - KPIs agreed with Sunwater
- To report:
 - A monthly trust account reconciliation
 - Quarterly reports
 - An annual report
- To have accounts with Sunwater for each scheme (and each zone within a scheme) within which water can be traded. Sunwater is to transfer to these accounts all volumes that are announced in the Scheme Trading Strategies or that become available
- To provide access to the process and systems for itself to facilitate the annual water trading audit
- To be paid:
 - A sales commission
 - An annual fee for trading plans, marketing and reporting
 - The reimbursement of approved expenses
 - An incentive of a proportion of the excess of sales revenue over marketing costs and Sunwater's minimum prices.

Following Sunwater's announcement of allocations, the broker's exchange shows Sunwater's allocations in the same manner as other sell orders.

Sunwater's approval process

When a temporary trade occurs (either through the broker or directly between customers), Sunwater's approval process is for the Customer Support team to check that the:

- Temporary transfer forms have been signed by both the seller and the buyer
- Specified volume of water is available in the seller's account
- Seller's and buyer's accounts are not in arrears
- Transfer is within the same scheme and within volume cap compliance
- Transfer will not result in a significant water loss (or if it does, approving it to occur at a future time when there are sufficient flows to minimise loss).

Provided these criteria are met, the transfer is approved. The timeliness of the approval process is subject to a performance measure agreed by Council of Australian Governments (COAG) - namely, 90% of trades to be approved within five business days of a fully completed form being received.

For permanent trades, a similar reconciliation process is conducted to ensure requested amounts are available for sale and have not been allocated to another customer. A request to execute contract form is prepared and approved by a senior member of the Sunwater team (depending on sales value and relevant delegations of authority). Once performed, transfer documents (including a sales contract) are prepared. There is also a submission to Titles Queensland. Upon completion of all required steps, a completion notice is issued to the buyer to finalise the transfer. Lastly, the transfer between the relevant accounts is processed in Orion.

Conflict of interest management

Sunwater's roles in operating water infrastructure, determining announced allocations and approving temporary trades create a potential for conflicts of interest in relation to its access to market-sensitive and confidential information.

Information on intended announced allocations, and hence the supply of water available for sale in a scheme or sub-scheme would generally be a major determinant of its price, together with knowledge of bids for the purchase of water from other potential buyers, and of the sale of water by competing allocation holders.

In practice, potential buyers can estimate the volume of water to be allocated by:

- Reference to the water sharing formula in the ROP, ROL or IROL for the scheme or sub-scheme
- Observation of inflows, and of the water level in the system
- Reference to the Start of Water Year Announced Allocation Prediction Graph on Sunwater's website.

In relation to the confidential information on bids by buyers and competing sellers, Sunwater has not had access to this information since the outsourcing of the Water Trader function and the decommissioning of its online Exchange. Sunwater does have access to market information which is publicly available to others (i.e., buyers, sellers, the water broker, etc.). This includes permanent trade sale data published on the Business Queensland website and seasonable assignment prices published on Sunwater's website. Sunwater's ROL requires that this information be published.

Hence, the current arrangements generally overcome the risk of a conflict of interest between Sunwater's roles in trading water.



Complaints

Desktop research, and queries submitted to Sunwater did not show any complaints being made about Sunwater's compliance with the Code of Conduct. No information was available that Queensland Competition Authority or the DLGWV had any complaints about Sunwater's compliance with the Code of Conduct during the past financial years.

Sunwater has advised it is not aware of any complaints about its compliance with the Code of Conduct during the audit period and has not reported any in its 2022 - 2023, 2023 - 2024 and 2024 - 2025 annual reports.

1. Purpose and Scope

A Water Trading Code of Conduct ensures lawful, consistent and fair dealings between a water holder/trader and its customers. The purpose of this Code of Conduct is to set out how Sunwater, as a holder of tradeable water allocations, will carry out its water trading activities within the portfolio strategy and scheme trading strategies approved by the Sunwater Board. These activities comprise Sunwater’s water trading through permanent and temporary transfers, and leases.

This Code of Conduct details the rules for Sunwater to govern the way it trades water that is transparent and provides clarity to market participants. It is also used to address real or perceived conflicts of interest

2. Objectives

The objectives of this Code are to:

- ensure open and transparent access in the water market for participants seeking to purchase or lease water from Sunwater
- demonstrate to market participants the approach Sunwater will use to trade its water allocations
- provide an auditable process and policies to enable market participants to have confidence that Sunwater is complying with its Code

3. Code Undertakings

3.1. Market Facilitation and Education

Sunwater will make relevant market information publicly available through its website or Sunwater’s online water exchange platform. This information will include:

- up-to-date announced allocations for each scheme
- development proposals for new, or for augmentation of, water infrastructure in each scheme
- details for making Sunwater’s water available (permanent, temporary and via lease)
- Sunwater’s trading intentions
- Sunwater’s volume available to trade in each water supply scheme at the beginning of the water year and direction to the online water exchange platform where current volumes of water are available for sale
- historic information on water use via the annual report
- historic information on trades, volumes and prices which can be located on the water exchange web site
- regulated pricing information and, where available, commercial delivery pricing fees and charges
- storage levels, and
- historic rainfall.

Where Sunwater is not the custodian of all market information, it will provide links to the relevant websites, such as those of the Queensland Government and any relevant water brokers used.

3.2. Transparent Trading Processes

Sunwater will publish, for all its Water Supply Schemes where it holds any water allocations available for trade, information including the water products available and the process for releasing water for permanent sale, lease, or temporary transfer (seasonal water assignment).

This information will include:

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- the volume of water to be made available by product (i.e. permanent, lease, seasonal assignment, priority and zone)
- the timing of volumes to be made available.

Information about Sunwater's available products will be published on Sunwater's website annually and if a broker is used, refer to that broker and its services.

3.3. Sale Pricing

Sunwater will operate within normal market mechanisms when it trades its allocations. This may take the form of offering its products through:

- an online water exchange platform
- a tender or auction process outside of any public exchange, or
- direct negotiation with customers, generally via the Sunwater broker unless negotiating with industrial or urban customers.

3.4. Non-Discriminatory Pricing

Sunwater will not discriminate in its purchase prices between different customers within the same segment (e.g. industrial, urban and agricultural) where the same product is being made available in the market at the same point in time.

4. Sunwater's role in the Water Market

4.1. Approval of Seasonal Water Assignments (Temporary Trades)

In performing its function of approving temporary trades between customers, Sunwater will decide approvals in accordance with the published criteria [provide link to relevant Sunwater and external water trade documents] and conditions applying to the trade. Specifically, Sunwater will:

- ensure seasonal assignments between customers and those involving Sunwater are processed impartially
- decide approvals in accordance with published temporary trade criteria contained in temporary trade application forms published on the Sunwater website
- ensure consistency with section 12.38 of the Murray-Darling basin plan i.e. for each trade, Sunwater will publish the following including:
 - if it approved the trade
 - if it was a party to the trade
 - the type of water access right
 - the volume of the water access right traded
 - the number of days elapsed between lodgement and approval, and
 - the price of the trade
- Confirm its commitment to complying with the Council of Australian Governments (CoAG) water trade approval service standards.

4.2. Permanent Trades

Sunwater does not have a role in Permanent Trade approvals.

4.2.1. Interim Water Allocations (IWA)

Permanent trades of IWA will be approved by the Queensland Government in accordance with the relevant Interim Resource Operations Licence (IROL) published on the government's website.

4.2.2. Water Allocation

Where relevant, permanent trades of water allocation are approved by the Queensland Government, with all permanent trade dealings taking effect when registered on the

Water Allocations Register following lodgement at the Titles Office. Sunwater will not discriminate between trades involving customers and those involving Sunwater.

4.3. Term Allocations and Leases

To create an interest at law, leases are registered on the Water Allocations Register following lodgement at the Titles Office.

In making Term Allocations and Leases available to the market, Sunwater will:

- issue a notice of the existence of a supply contract to enable registration of a lease
- not discriminate between leases between customers and those involving Sunwater, and
- decide applications for supply contracts in accordance with the relevant scheme Resource Operation Licences (ROL), Operations Manual (formerly known as Resource Operations Plan (ROP) or Interim Resource Operations Licence (IROL) published on the [Queensland Government website](#).

4.4. Supply Contracts

As part of Sunwater's role in dealings involving seasonal water assignment approval, term allocations, leases and permanent trades, Sunwater will:

- decide applications for supply contracts in accordance with the relevant scheme Resource Operation Licences (ROL), Operations Manual (formerly known as Resource Operations Plan (ROP) or Interim Resource Operations Licence (IROL) published on [the Queensland Government website](#), and
- issue a notice of the existence of a supply contract to enable registration of a lease and permanent trade.

5. Disclosure of Contract Details

Sunwater's standard water supply delivery contracts will be made available on its website.

6. Compliance

Sunwater will establish and maintain appropriate internal procedures to ensure that it complies with the undertakings within this Code of Conduct.

Sunwater will demonstrate the adequacy of these procedures through:

- an independent external audit of Sunwater's compliance with the Code every three years and through spot audits of compliance with the Code as directed and deemed necessary by the Sunwater Board
- spot audits of compliance with the code as directed and deemed necessary by the Sunwater Board
- spot audits of compliance with the Code as directed on occasion by Shareholding Ministers

In each case, an unredacted copy of any audit report will be submitted to Sunwater's shareholding Ministers within three months of the conclusion of the audit. A redacted version of the report, with commercially sensitive information removed, will be published on Sunwater's website by the end of the November after the water trading period audit.

7. Ringfencing

To assist in promoting competition and assuring integrity in water trading in schemes owned by Sunwater, Sunwater will put in place systems and procedures through its ring-fencing arrangements to ensure its water trader only has access to market information that is available to every other market participant. The ringfencing arrangements are documented in the "Ringfencing Guidelines". Sunwater will utilise the services of an out-sourced external trader as a broker or external electronic trading platform for all temporary trades of water available under water allocations held by Sunwater.

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8. Binding Dispute Resolution

All customers and prospective customers will have access to a binding dispute resolution process for complaints in respect to Sunwater’s compliance with this Code that cannot be resolved through negotiation.

A copy of Sunwater’s dispute resolution process will be made available on Sunwater’s website.

9. Breaches of Sunwater’s Water Trading Code of Conduct

Immediately upon becoming aware that the breach has occurred, Sunwater will provide a report of any breach of any of its commitments under this Code of Conduct to shareholding Ministers.

Potential breaches of the Code will be investigated by an independent body agreed between both parties. The final report of the investigation will be provided to Shareholding Ministers.

Where it has been found that Sunwater has committed a breach of Code, the nature and resolution of the breach will be publicly reported in Sunwater’s Annual Report.

10. Reviews of, and revisions to, the Code of Conduct

This code is to be reviewed by Sunwater in conjunction with shareholding Minister departments immediately following the publication of each three-year audit.

Revisions to this Code of Conduct will be approved by shareholding Ministers prior to implementation and will be published on the Sunwater website.

11. References

Water Trading Policy

12. Definitions

Defined Term	Explanation
Lease	Agreement to access a water entitlement for a defined period of time. The leaseholder’s interest in the allocation is recorded on the Register of Water Allocations maintained by DNRME.
Interim Water Allocation (IWA)	Interim water allocation (IWA) is required to take water supplied by an interim resource operation licence (IROL) holder or a resource operations licence (ROL) holder. It is an interim authority that will remain in place until water trading is established in the area via a water resource plan and resource operations plan.
Seasonal Water Assignment or Temporary Trade	Temporary arrangement for the duration of a water year where some or all of the water that can be taken under a water entitlement is assigned to another person or place.
Term Allocation	Agreement to access a water entitlement for a defined period of time where the interest in the allocation is not registered on the Register of Water Allocations
Water Allocation	Authority to take water from a supplemented Water Supply Scheme the Water Act, and an entitlement to a share of the available water resource in a catchment.
Water Supply Scheme	A water supply scheme for which a resource operations licence or interim resource operations licence has been issued.

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13. Approval and Review Details

Owner:	Board	Issue Date:	December 2024	Document No:	2546674.v3
SME:	GM Commercial Customers and Analysis	Next Revision Date:	December 2025	Reference No:	CORP POL 26

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Appendix 2 - Exclusions / Limitations

Restricted use

This report has been prepared for use by intended users for the purpose of assessing Sunwater's compliance with the Water Trading Code of Conduct. We disclaim any assumption of responsibility for any reliance on this report to any person other than intended users, or for any other purpose other than that for which it was prepared.

This Report is addressed to and intended solely for the information of the addressee only in connection with the procedures undertaken over Sunwater's compliance with the Water Trading Code of Conduct. This report is not to be referred to or quoted, in whole or in part, in any other context and may not be used by any other person or entity without our prior knowledge and express written consent, other than by direction at law.

Exclusions

As part of this engagement, please note that:

- The services specified above have been performed by BDO Services Pty Ltd
- BDO Services Pty Ltd will not make any managerial decisions on behalf of Sunwater
- Sunwater was, and continues to be responsible for agreeing to the detailed scope of work performed by BDO Services Pty Ltd
- Our report is for Sunwater's use only and is only intended for the purposes set out in the proposal to perform this engagement
- This Report was prepared in accordance with the terms of the proposal agreed between us
- This Report is based on the information made available to us as at the completion of our work at the time of reporting and we accept no responsibility to update it for events that take place after the date of its issue
- Where relevant, Sunwater is responsible for evaluating our report findings or issues noted, and for any actions taken based on Sunwater's evaluation of our report
- Sunwater is responsible for reporting the findings and any issues noted in our report to the appropriate level of management.

Limitations

Our procedures consisted primarily of making enquiries, namely of persons responsible for Sunwater's Water Trading activities, applying analytical and other procedures, and examination of evidence for a limited sample of transactions or events.

As part of this engagement, please note that:

- We prepared this Report from information supplied by, and from discussions with, representatives from Sunwater. We have not verified the accuracy, reliability or completeness of the information supplied, beyond the requirements of specific procedures, as agreed and outlined in this report
- Sampling has been performed on a judgemental basis. Due to inherent limitations of sample testing, matters of error, anomaly or non-compliance may not be selected for testing and therefore, may go undetected by our procedures
- We emphasise that our procedures and enquiries would not necessarily disclose all matters of significance relating to Sunwater's compliance with the Water Trading Code of Conduct
- Our engagement does not provide any legal, valuation, taxation or accounting services



- Our work does not include procedures to detect fraud or other illegal activities
- The report only relates to the elements, accounts, items, financial and non-financial information specified, and it does not extend to any financial reports of Sunwater.

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