

# **CBH Grain Commodity Swaption Information Memorandum**

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# 1 Important Information

## 1.1 Issuer information

This Information Memorandum (“**IM**”) has been prepared by CBH Grain Pty Ltd ABN 39 089 394 883 (“**CBH Grain**”).

CBH Grain is a member of the Western Australian based CBH Group which stores, handles and markets grain to over 30 export destinations and with a total storage capacity in excess of 16.5 million tonnes.

CBH Grain, the marketing and trading division of CBH Group, is one of Australia's leading grain marketing and trading entities, marketing more than six million tonnes of grain annually.

Further background information concerning the CBH Group and CBH Grain can be found at [www.cbh.com.au](http://www.cbh.com.au).

### **Confidentiality**

The contents of this Information Memorandum are confidential and must not be copied, disseminated or used in any way except by the recipient for the purpose of evaluating the Swaption.

### **General Information**

This Information Memorandum has been prepared and issued by CBH Grain in respect of Swaption transactions.

CBH Grain or its directors, employees or any other person who may be taken to have been involved in the preparation of this Information Memorandum do not represent or warrant that the information contained in this Information Memorandum, referred to in this Information Memorandum or provided either orally or in writing to a recipient in the course of its evaluation of a Swaption transaction or the matters contained in this Information Memorandum, is accurate or complete. No responsibility for any errors or omissions from this Information Memorandum whether arising out of negligence or otherwise is accepted. Any person contemplating a Swaption transaction should make their own decision as to the sufficiency and relevance for its purposes of the information contained in this Information Memorandum after taking all appropriate advice from qualified professional persons.

This Information Memorandum may contain various opinions, estimates, financial objectives and forecasts with respect to the anticipated future performance of a Swaption. These opinions, estimates and forecasts are based upon assumptions. These assumptions may not prove to be correct or appropriate. CBH Grain does not make representations or warranties as to the validity, certainty or completeness of any of the assumptions or the accuracy of the opinions, estimates, financial objectives or forecasts contained in this Information Memorandum. The opinions, estimates, financial objectives or forecasts are in no way guaranteed. Decisions should not be based solely on the opinions, estimates, financial objectives or forecasts.

### **Limited Nature of the Offer**

The provision of the Information Memorandum to any person is made only on the basis that the person is a 'wholesale client' under the Corporations Act 2001 (Cth). Any offer or invitation to enter into a Swaption will only be extended to a person if the person has first satisfied CBH Grain that the person is a 'wholesale client'.

This Information Memorandum is not a Product Disclosure Statement nor is it a prospectus and will not be lodged with the Australian Securities and Investments Commission. It is not required to, and may not contain all the information which would be required in a Product Disclosure Statement or a prospectus.

### **Investment Risk Warning**

Swaption transactions are subject to risk, including the possibility of transactional losses and delays in payments of income earned. Neither CBH Grain nor any other service providers named in this Information Memorandum or any of their associates or directors nor any other person guarantees the performance of Swaptions, the underlying assets, or the payment of a particular capital or income return to you.

Considered in isolation, a Swaption transaction should be regarded as speculative. It is not a suitable transaction for persons unable to sustain a loss or who require certain or predictable income flows. Some of the risks of a Swaption transaction are described in this Information Memorandum.

The information contained in this Information Memorandum is general information only and does not take into account your individual objectives, financial situation or needs. A Swaption transaction may not be appropriate for all persons or entities. Any person or entity intending to transact in Swaptions should carefully consider the risks in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, financial adviser and legal adviser before deciding to transact in Swaptions.

## **1.2 Purpose of this Information Memorandum**

This IM contains important information about the CBH Grain Commodity Swaption Contract ("**Swaption**"), including its terms and conditions and a number of the key risks, benefits and costs of entering into such a contract.

As this IM is an important document, it should be read thoroughly and carefully in order for you to make an informed opinion before you decide whether to enter into a Swaption.

A Swaption is a sophisticated financial product requiring a good understanding of how commodity markets work. You should read and consider all sections of this IM, as well as the documents described in section 1.4, before deciding if this product is suitable for you.

This IM is current as at the date on the first page of this IM. Information in this IM may be updated or changed by CBH Grain (in its absolute discretion), by uploading an updated or changed IM to the CBH Group website. You may access the CBH Group website by visiting [www.cbh.com.au](http://www.cbh.com.au). CBH Grain will also provide on request a paper copy of the updated or changed IM without charge.

This IM is intended for distribution in Australia only. Distribution of this IM in jurisdictions outside Australia may be restricted by law, and persons who come into possession of it who are not in Australia, should seek advice.

### 1.3 Executive summary

Overview	<p>A Swaption is designed to assist you in reducing your commodity price risk by providing for you to make or receive payments calculated by reference to one or more Reference Swaps. Under a Reference Swap, a floating price is swapped for a fixed price for a commodity.</p> <p>See section 2.2 of this IM for more information</p>
Significant Benefits	<p>A Swaption provides you with cash-flow certainty by protecting you against unfavourable commodity price movements. Discounted spreads may be available to those customers who settle their obligations under the Swaption as a bundled transaction for that volume and quality of grain sold under any CBH Grain cash or pool product.</p> <p>See section 2.3 of this IM for more information.</p>
Significant Risks	<p>There may be some basis risk, price risk, production risk, transactional risk, authorised person risk, foreign exchange risk, credit risk and operational risk. You may not receive the benefit of favourable commodity price movements.</p> <p>See section 2.4 of this IM for more information.</p>
Costs	<p>There are no up-front costs, stand-alone fees or charges for entering into a Swaption but CBH Grain may derive a financial benefit by incorporating a margin into the Fixed Prices, the CRP or any Early Closure Price (as applicable) quoted in respect of a Reference Swap.</p> <p>See section 2.5 of this IM for more information.</p>
Minimum exercise amount	50 metric tonnes
Payment Date	<p>Following an exercise of the Swaption, a payment is due under the Swaption which is calculated by reference to the Reference Swap. The payment is required to be made on the day which is 3 Business Days after the Calculation Date (or, in the case of early payment, on the Early Payment Date). No physical delivery of the underlying commodity occurs.</p>

### 1.4 Further information

There are a number of documents you need to carefully read and understand before entering into a Swaption.

- **Swaption General Terms**– the document containing the majority of terms and conditions which govern a Swaption.
- **Swaption Application**– the form which sets out your personal details and production estimates, and which is required to be completed by you in order for CBH Grain to decide whether to provide a Swaption Offer Letter to you.
- **Swaption Offer Letter** – the letter that will be provided to you by CBH Grain upon approval of your Swaption Application , as an offer to enter into a Swaption. This must be accepted by you in writing at which point CBH Grain enters into a Swaption with you, subject to any conditions in the Swaption Offer Letter.
- **Reference Swap Confirmation** – the confirmation provided to you by CBH Grain in respect of a Reference Swap in respect of any exercise of your Swaption.
- **Early Close Out Advice** – the confirmation provided by CBH Grain to You, as at the Early Calculation Date, confirming the details used to calculate a Cash Settlement Amount in respect of a Reference Swap following a change to the Calculation Date of that Reference Swap.

The Swaption comprises the Swaption General Terms, the Swaption Application (and the Swaption Offer Letter (signed by you), as well as:

- any Reference Swap Confirmation, if your Swaption is exercised; and
- any Early Close Out Advice.

It is extremely important that you carefully read each of these documents in their entirety and understand them before deciding whether or not it is appropriate for you to enter into a Swaption or exercise your Swaption. These documents govern the relationship between you and CBH Grain and set out the terms and conditions that apply to the Swaption. The Swaption does not comprise this IM and therefore nothing in this IM governs the relationship between you and CBH Grain in connection with the Swaption. If you do not understand any aspect of the documents, you should obtain independent advice.

Each of the above documents is available upon request from CBH Grain. Further information on how to enter into a Swaption is set out in section 3.1.

## 1.5 General information only

The information in this IM is general in nature and does not take into account your individual objectives, financial situation and needs and risk management strategy. The information is not and is not intended to be personal advice. Because of this, you should, before acting on the information in this IM, consider the appropriateness of the Swaption having regard to the information in the documents that comprise the Swaption and your own circumstances. If you are in any doubt as to whether a Swaption is suitable for you, you should obtain independent professional advice. You should also promptly tell us if at any time you experience any financial difficulty.

## **1.6 No cooling off period**

There is no cooling off period once you have entered into a Swaption. However, the Swaption gives you the right, but not the obligation, to exercise the Swaption.

## **1.7 Customer information and privacy**

Information about you is collected for the purposes of entry into a Swaption, as well as providing grain storage, handling, transport, marketing and accumulations services to you. The information may be provided to CBH Grain's related bodies corporate (including Co-operative Bulk Handling Limited). Your contact details may also be used to communicate issues that could be of interest to you as a member of Co-operative Bulk Handling Limited.

In entering into a Swaption, you consent to the use and transmission of your personal information. For more information about CBH and your privacy, including a copy of our privacy policy, please visit <http://www.cbh.com.au/privacy-policy>. Our privacy policy contains information about the purposes for which we collect your personal information, how we might use that information, to whom your personal information might be disclosed and how you can gain access to or seek correction of personal information that we hold about you. It also contains information about how you may make a privacy complaint and how we will deal with it.

CBH Grain is required by law to report certain details to an authorised data repository (currently DTCC), which may contain personal information relating to your use of the Swaption product. That personal information may be on transmitted by the data repository in accordance with its data protection policy and privacy policy (currently <https://www.dtcc.com/privacy>).

## 2 Key information

### 2.1 Main purpose

With grain growers facing ever tightening margins, there is a need for you to have more alternatives in order to take control of pricing your agricultural commodities.

The Swaption is designed to assist you, the grain grower, in managing the risk of commodity price movements. Swaptions are appropriate when movements in the price of a commodity correlate with movements in reference futures exchange prices.

By taking positive steps to control the price that you receive for your commodity, you can minimise existing commercial risks associated with exposure to adverse movements in the price of your commodity.

### 2.2 Key features

A Swaption is an agreement between you (as a grain grower) and CBH Grain that gives you the right (but not the obligation) to exercise all or part of your unexercised Notional Amount (which is an amount of a particular type of grain expressed in metric tonnes) of your Swaption at any time during the life of your Swaption.

You can exercise your Swaption multiple times over the life of the Swaption, up to the amount of your total Notional Amount. Each time you exercise the Swaption, a cash-settled Reference Swap is determined to swap a floating price (“**Commodity Reference Price**” or “**CRP**”) for a fixed price (“**fixed swap price**”) for the portion of the Notional Amount that you have exercised (“**Commodity Amount**”) on a future date (“**Calculation Date**”). Following your exercise of the Swaption, there is a payment obligation due under the Swaption which is calculated by reference to the relevant Reference Swap.

You may choose to exercise the Swaption in respect of the current season, and any approved future seasons, subject to the terms of your Swaption Offer Letter, and the Swaption General Terms.

CBH Grain will offer you a Notional Amount for a particular Swaption by reference to:

- your expected production for the relevant season(s); and
- applying any appropriate discounts as determined by CBH.

You may request, and CBH Grain may give you, the right to exercise the Swaption in respect of another commodity type other than the grain type in which the Notional Amount is expressed, up to a certain limit.

The CRP is determined by reference to the price quoted for each contract month for the Relevant Future on the Relevant Futures Exchange, as identified on your Reference Swap Confirmation, converted into Australian Dollar terms via the application of an appropriate foreign exchange rate (as set out in section 4.3).

The Fixed Prices prevailing at any point in time are determined by CBH Grain. CBH Grain will provide indicative bid and offer Fixed Prices for each of those Contract Months.



If you have further questions about the CRP or Fixed Price element or how to use a Swaption to protect your exposure to commodity price risk, please contact your professional advisor.

You may elect to bring forward the Calculation Date for a particular payment obligation under the Swaption by using an “**Early Closure Price**” agreed with CBH Grain based on current market values. If agreed, the Fixed Price used to determine the Reference Swap for that payment obligation is compared against the Early Closure Price and the difference will be multiplied by the Commodity Amount and be payable by either CBH Grain or you as follows.

If on the Early Calculation Date:

- the Fixed Price is greater than the Early Closure Price, then CBH Grain will pay the Cash Settlement Amount to you;
- the Fixed Price is less than the Early Closure Price, then you will pay CBH Grain the Cash Settlement Amount;
- the Fixed Price is equal to the Early Closure Price, no amount is payable between the parties.

The Cash Settlement Amount is due on the Payment Date, or as described further in section 5.

The examples set out in section 9 illustrate the operation of the Swaption and the Reference Swaps that could be determined under the Swaption.

The terms of payment are set out in clause 5 of the Swaption General Terms.

## **2.3 Significant benefits**

The main benefit of a Swaption is that it can provide you with protection against the financial risk of adverse commodity price movements. If a Reference Swap is determined under your Swaption and your physical commodity price moves adversely, the financial loss may be offset in part or in whole by the change in the market value of the Reference Swap. This can assist you in managing your commodity exposure, and assist you with cash flow planning/forecasting.

A Swaption enables you to utilise a Commodity Amount and period to match the level of commodity price protection that you require.

As the Reference Swap is denominated in AUD, it eliminates your need to manage foreign currency risk separately on a particular Reference Swap.

You will be kept regularly informed of your “mark-to-market” position for all Reference Swaps determined for the purpose of your Swaption. On a regular basis, a position statement will be sent to you summarising your overall position and your mark-to-market position as per the date on the statement.

Discounted spreads may be available to those customers who settle their obligations under the Swaption as a bundled transaction for that volume and quality of grain sold under any CBH Grain cash or pool product. Further information on CBH Grain products is available from CBH Grain on request or at <https://www.cbh.com.au>

## 2.4 Significant risks

When considering the suitability of a Swaption for your business, it is important that you are aware of the risks of doing so and take responsibility to monitor any risks associated with exercising a Swaption. A Swaption should only be entered into if it is consistent with your financial situation and risk management strategy and after consultation with your independent professional advisor.

The key risks when using this product to form part of a marketing / hedging strategy include:

### a) Basis Risk

Basis risk is the risk that movements in the CRP are not identical to movements in the value of your agreed commodity in respect of a Reference Swap. This may be caused by the grade/quality of your commodity, supply and demand for that commodity, transportation costs and the impact of exchange rates on the conversion of the CRP to AUD. You should also closely consider the appropriateness of the Calculation Date which you choose for the exercise of the Swaption.

### b) Price Risk

This is the risk that you will not receive any benefit as a result of exercising your Swaption. This risk arises if price movements for your agreed commodity mean that the CRP quoted on the Calculation Date is higher than the Fixed Price in respect of your Reference Swap, so that you do not receive any financial benefit upon exercise of the Swaption and may be required to pay a cash amount to CBH Grain on the Payment Date.

### c) Production Risk

Production risk is the risk that you will not be able to produce for sale a physical amount equal to the Commodity Amount under a Reference Swap. Whilst no physical delivery of the underlying commodity is made upon the exercise of a Swaption, its use as a hedging tool will be most effective whilst you have an equivalent volume of uncommitted physical production of that commodity to offset the Commodity Amount used to determine the Reference Swap.

Production failure can be caused by a number of events, including the failure to plant a crop, spray drift, fire, and damage to a crop caused by hail, insects or disease, floods and drought. If your physical production changes in quantity or quality, you may wish to consider varying or bringing forward the Calculation Date for a payment obligation due under the Swaption.

### d) Transactional Risk

There may be certain circumstances in which you are unable to exercise your Swaption - for example, where a Knock-out Event has occurred and is continuing at the time you propose to exercise your Swaption. While CBH Grain will attempt to contact you to discuss your request and rectify these issues, your request to exercise your Swaption is not confirmed until you have received written or verbal confirmation.

Once a Swaption has been entered into, it is important to note that there is no cooling off period.

**e) Authorised Person Risk**

The authorised person risk is the risk that CBH Grain may act upon instructions which come from a person who you have advised CBH Grain is authorised by you (or has been deemed to be authorised by you), or appear to come from you, but which are in fact, unauthorised.

**f) Foreign exchange risk**

The determination of a Reference Swap involves a foreign currency futures price converted into AUD terms. As such, the determination of a Reference Swap is impacted by the underlying foreign exchange rate. You bear the risk that after exercising the Swaption, exchange rates move in a way that becomes less favourable to you.

**g) Credit risk**

Credit risk is common to all financial markets products that you may enter into. In this case, you are reliant on the ability of CBH Grain as the counterparty to meet its obligations owed to you under the terms of the Swaption.

You can view additional information about CBH Group, including financial statements and annual reports, at [www.cbh.com.au](http://www.cbh.com.au).

**h) Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed operational processes, where CBH Grain is dependent on the reliability of those processes to price and settle any payments under the Swaption in a timely and accurate manner.

## **2.5 Cost**

While there are no up-front costs, stand-alone fees or charges for entering into a Swaption, CBH Grain still may derive a financial benefit. That benefit is obtained by incorporating a margin into the Fixed Prices, the CRP or any Early Closure Price used for determining the Reference Swap. All of CBH Grain's transaction costs and risk margins are factored into the Fixed Prices and (where relevant) as an adjustment to the prevailing CRP or Early Closure Price.

Section 4 contains further detail as to transaction costs and how your price elements are fixed.

## 3 Additional Information

### 3.1 Your rights under the Swaption

#### a) Entering into the Swaption

CBH Grain will only enter a Swaption with growers who qualify as 'wholesale' for the purposes of the Corporations Act. You can express your interest to enter into a Swaption by completing and returning to CBH Grain the Swaption Application.

Acceptance by CBH Grain of your application is subject to assessment of your financial position for credit approval purposes in accordance with CBH Grain's credit evaluation and approval process. If your application is successful, CBH Grain will issue to you a Swaption Offer Letter setting out the terms on which you are approved to enter into a Swaption. This offer must be accepted by you by returning a signed copy of the Swaption Offer Letter to CBH Grain within the period of time stated in the Swaption Option Letter (or if no period is stated, within 7 days of the date of the Swaption Offer Letter). The Swaption is entered into when you accept the offer in the Swaption Offer Letter.

As part of this application you will also need to confirm that you agree to be treated as a 'wholesale' client for purposes of the Corporations Act and CBH Grain's Australian Financial Services Licence (AFS Licence 269743).

For more information on whether you might qualify, and how to apply for limits, contact your local Business Relationship Manager.

#### b) Exercising the Swaption

Provided you have accepted the offer in the Swaption Offer Letter and therefore entered into a Swaption with CBH Grain, you can exercise the Swaption on any day on which commercial banks are open for business in Perth, in the period between the commencement date of the Swaption and the Maturity Date of the Swaption. You can exercise your Swaption multiple times over the life of the Swaption, up to the amount of your total Notional Amount. Exercise of the Swaption is subject to the "restrictions on exercise of the Swaption" described in section 3.1(c) below.

You may indicate that you wish to exercise your Swaption by calling a CBH Grain Swaption Representative on free-call 1800 199 083 and indicating to CBH that you wish to exercise your Swaption.

All conversations between you and a Swaption Representative may be recorded. You will need to advise our Swaption Representative if you do not wish to be recorded.

You must indicate to CBH Grain the following details:

- the Commodity Amount;
- the commodity type, for the purpose of calculating the CRP (eg wheat or canola); and
- the Contract Month and year.

CBH Grain will confirm the relevant Fixed Price that will be used for determining the Reference Swap. If CBH Grain presents a Fixed Price which you accept (which can be done verbally via a Swaption Representative), the Swaption will be exercised on the terms

agreed and you are taken to exercise a portion of the unexercised Notional Amount that is equal to the Commodity Amount used for determining that Reference Swap.

Once the exercise of the Swaption has been recorded in the CBH Grain system, a Reference Swap Confirmation will be sent to you outlining the commercial terms of the Reference Swap. You will need to check the Reference Swap Confirmation to ensure that it accurately records the terms agreed by you and CBH Grain, and contact a Swaption Representative in the case of any discrepancy.

### c) Restrictions on exercise of the Swaption

There are certain circumstances in which you will not be able to exercise your Swaption. These circumstances arise where you indicate to CBH Grain that you wish to exercise your Swaption in respect of a Commodity Amount which:

- exceeds your Notional Amount (including in respect of the grain type or season) or;  
or
- is less than the Minimum Exercise Amount specified in your Swaption.

Your right to exercise the Swaption is also conditional upon a “Knock-out Event” not having occurred, and is continuing, at the time of such exercise. At the time you indicate to CBH Grain that you wish to exercise your Swaption, a Knock-out Event will occur if CBH Grain determines that:

- you have exceeded your Credit Limit;
- you have defaulted, and such default is continuing; or
- permitting you to exercise your Swaption will expose CBH Grain to an unacceptable level of risk, having regard to the market conditions (including volatility) in respect of the relevant commodity type.

### d) Early Calculation Date

The Calculation Date of a payment obligation due under the Swaption may be brought forward if:

- you ask your Swaption Representative on free-call 1800 199 083 that you wish to bring forward a Calculation Date in respect of a particular payment obligation due under the Swaption, in which case:
  - the “**Early Calculation Date**” is the day you accept the Early Closure Price; and
  - the “**Early Closure Price**” for the purpose of the Reference Swap is an amount offered by CBH Grain and accepted by you; or
- CBH Grain elects to bring forward the Calculation Date, having regard to legal or credit risk management purposes, or in the event of a default, in which case:
  - the “**Early Calculation Date**” is the date which CBH Grain notifies you; and
  - the “**Early Closure Price**” for the purpose of the Reference Swap is an amount determined by CBH Grain and notified to you.

On the Early Calculation Date, for the purpose of the Reference Swap, the Fixed Price is compared to the Early Closure Price to determine the “**Cash Settlement Amount**” which

will be payable under the Swaption by either CBH Grain or you. The Cash Settlement Amount will be calculated on the basis described below:

**Cash Settlement Amount** = (Fixed Price – Early Closure Price) x Commodity Amount

No physical delivery of the commodity is required – any third party agreement you have for the physical delivery of your commodity is separate from any Swaption you have entered into with CBH Grain.

As described in section 4.4, for the purpose of the Reference Swap, the Early Closure Price will incorporate a transaction cost. Should you enter into a physical contract with CBH Grain for an equivalent tonnage of the equivalent commodity on the same date as a payment under the Swaption is due, the transaction cost will be waived by CBH Grain.

If on the Early Calculation Date:

- the Cash Settlement Amount is positive, then CBH Grain will pay the Cash Settlement Amount to you;
- the Cash Settlement Amount is negative, then you will pay to CBH Grain the Cash Settlement Amount;
- the Cash Settlement Amount is zero, no amount is payable between the parties.

#### e) Early Payment Date

If the Calculation Date is brought forward to the Early Calculation Date, you will have an “**Early Payment Date**”, the Early Payment Date occurs:

- in the case of you making a payment to CBH Grain, 30 days after; and
- in the case of CBH Grain making a payment to you, 7 days after,

the earlier of:

- any Early Payment Date requested by you;
- the Calculation Date;
- 28 February after the Early Calculation Date; and
- the date determined by CBH Grain at any time and notified to you if CBH Grain elects to do so having regard to its analysis of legal or credit risk management purposes in connection with the relevant Reference Swap, if you exceed your Credit Limit), in the event of a Default Event; or
- if a right to terminate otherwise arises under any provision of the Swaption Contract.

and in both cases the Discount will be applied as follows for the purpose of the Reference Swap:

**Cash Settlement Amount** = (Fixed Price – Early Closure Price) x Commodity Amount + Discount

By the Early Payment Date:

- if the Cash Settlement Amount is payable by CBH Grain to you, CBH Grain will credit an account held in your name with that amount; and

- if the Cash Settlement Amount is payable by you to CBH Grain, CBH Grain will issue to you an invoice for the Cash Settlement Amount and that amount must be paid by you to CBH Grain.

Any payment by you must be by transferred funds from a domestic or foreign currency account or deposit as appropriate.

If you have provided authority to CBH Grain to directly debit any bank account held by you, CBH Grain will apply such authority to settle the payable amount.

The examples in section 9 illustrate the operation of the exercise of the Swaption.

#### **f) Calculation Date**

If you do not choose to bring forward the Calculation Date of a payment obligation due under the Swaption, CBH Grain will determine the Cash Settlement Amount in respect of a Reference Swap on the Calculation Date.

For the purpose of that Reference Swap, on the Calculation Date, the Fixed Price is compared to the CRP. An amount equal to the Cash Settlement Amount will be payable by either CBH Grain or you. The CRP will incorporate a transaction cost and will be calculated on the basis described in section 4.3 below. Should you enter into a physical contract with CBH Grain for an equivalent tonnage of the equivalent commodity on the same date as a payment under the Swaption becomes due and payable, the transaction cost will be waived by CBH Grain.

No physical delivery of the commodity is required – any third party agreement you have for the physical delivery of your commodity is separate from any Swaption you have entered into with CBH Grain.

If on the Calculation Date:

- the Fixed Price is greater than the CRP, then CBH Grain will pay the Cash Settlement Amount to you;
- the Fixed Price is less than the CRP, then you will pay to CBH Grain the Cash Settlement Amount; and
- the Fixed Price is equal to the CRP, no amount is payable between the parties.

By the Payment Date:

- if the Cash Settlement Amount is payable by CBH Grain to you, CBH Grain will credit an account held in your name with that amount; and
- if the Cash Settlement Amount is payable by you to CBH Grain, CBH Grain will issue to you an invoice for the Cash Settlement Amount and that amount must be paid by you to CBH Grain by the Payment Date.

Any payment by you must be by transferred funds from a domestic or foreign currency account or deposit as appropriate.

If you have provided authority to CBH Grain to directly debit any bank account held by you, CBH Grain will apply such authority to settle the payable amount.

The examples in section 9 illustrate the operation of the exercise of the Swaption.

**g) Default**

We will manage credit risk by reviewing mark to market positions daily. If:

- your overall position exceeds your Credit Limit; or
- you do not pay an amount owed by you to CBH Grain when due,

CBH Grain may bring forward the Calculation Date or Early Calculation Date for any payment obligation that is due under your Swaption with CBH.

Please refer to clause 5 and 6 of the Swaption General Terms for more information on default events and consequences.



## **4 Prices and costs**

### **4.1 Indicative fixed price**

Indicative bid and offer prices for various Contract Months will be distributed daily to growers with an active Swaption. These prices provide an indication of the daily fixed prices, but will be subject to intraday changes due to fluctuating market values.

### **4.2 Fixed price**

If you indicate to CBH Grain that you wish to exercise the Swaption, CBH Grain will indicate the Fixed Price for a Reference Swap. CBH Grain will determine the Fixed Price for the Reference Swap by taking the following factors into account:

- the live price quoted on the Relevant Futures Exchange for the Relevant Future;
- the current forward foreign exchange rate for the Calculation Date;
- market volatility and supply and demand at the time of calculating the Fixed Price;
- the cost of the provision of CBH Grain's services to you and other administration and brokerage costs incurred by CBH Grain;
- the Reference Swap period; and
- CBH Grain's risk margin.

### **4.3 CRP (Commodity Reference Price)**

The CRP is a reference price based on the Relevant Future on the Relevant Futures Exchange and converted to an AUD per metric tonne equivalent. The CRP is used to revalue your open position on a daily basis.

The CRP is calculated with reference to the previous night's settlement rate of the Relevant Future on the Relevant Futures Exchange. For the purposes of calculating the CRP, where an exchange rate is required to convert a foreign currency value to AUD, we will use the Hedge Settlement Rate Australian Fix 10am (HSRA) for the relevant currency, displayed daily on the Reuters Page HSRA at 10am Australian Eastern Standard Time on that day. A transaction cost will also be incorporated into the CRP when the Reference Swap is determined.

### **4.4 Early Closure Price**

The Early Closure Price is based on the prices quoted for the Relevant Future on the Relevant Futures Exchange and converted to an AUD per metric tonne equivalent.

For the purposes of calculating the Early Closure Price, where an exchange rate is required to convert a foreign currency value to AUD, we will use the appropriate forward foreign exchange rate for the Calculation Date.

CBH Grain will determine the Early Closure Price of the Reference Swap by taking the following factors into account:

- the live CRP for the relevant commodity;

- market volatility and liquidity at the time of calculating the Early Closure Price; and
- the cost of the provision of CBH Grain's services to you and other administration and brokerage costs incurred by CBH Grain.

## **5 Significant Taxation Implications**

The taxation implications of a Swaption are complex and will vary depending on your circumstances. We recommend you obtain independent tax advice.

## 6 Dispute Resolution Process

As our client, you may want to enquire into, or complain about, the Swaption. We value your feedback, and endeavour to resolve any complaints in a timely and courteous manner.

CBH Grain has a complaints procedure which has been designed to ensure customer complaints are addressed promptly and effectively, and the underlying causes are investigated and addressed to avoid further occurrences. All staff are trained consistently to pursue a speedy and objective resolution of customer complaints.

If you have an inquiry or complaint regarding the Swaption, please telephone us on free-call 1800 199 083 or write to us. A CBH Grain representative should acknowledge your inquiry or complaint within one business day of receiving it and advise you about our complaint handling procedure.

A decision about the complaint should be made as soon as possible, and in almost all cases within 30 days of CBH Grain receiving the complaint. At the conclusion of the internal dispute resolution process you will be provided with a written communication informing you of the outcome of your complaint.

Even though you will be treated as a wholesale client for the purposes of the Swaption, if we are unable to resolve your complaint to your satisfaction, CBH Grain agrees to you referring the complaint to the Australian Financial Complaints Authority (“**AFCA**”), an independent external dispute resolution service provider of which CBH Grain is a member. While CBH Grain is not required to be a member of AFCA as the Swaption is provided to wholesale clients only, it has chosen to be a member of AFCA to provide clients with access to an independent external dispute resolution service. Further, CBH Grain agrees to you using the AFCA service free of charge.

AFCA can be contacted at:

Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)  
Free call: 1800 931 678  
Mail: GPO BOX 3, Melbourne VIC 3001

## 7 Information

"**Customer information**" is information about a customer. It includes personal information.

The law requires us to identify customers. We do this by collecting and verifying information about you. We may also collect and verify information about persons who act on your behalf. The collection and verification of information helps to protect against identity theft, money-laundering and other illegal activities.

We use your customer information to manage our relationship with you and provide you with the goods and services you request. If you have given us your electronic contact details, we may provide marketing information to you electronically.

The collection and verification of customer information may be carried out in different ways and we will advise you of the most acceptable methods of doing this. We may disclose your personal information in carrying out verification - e.g., we may refer to public records to verify information and documentation, or we may verify with an employer that the information you have given us is accurate.

Depending on whether you are an individual or an organisation, the information we collect will vary. For instance, if you are an individual, the type of information we may collect and verify includes your full name, date of birth, and residential address. If you are commonly known by 2 or more different names, you must give us full details of your other name or names.

If you are a company we may collect and verify company incorporation and registration details, as well as details on the company's officers and its major shareholders.

If you are acting as a trustee, we may ask you for information on the beneficiaries of the trust.

If you are a partnership, we may require evidence of the fact that the partnership exists, as well as the full name of the partnership, the names of the partners and any business name owned by the partnership.

For other organisations, the kind of information we collect and verify will depend on the type of organisation you are.

In addition, during your relationship with us, we may also ask for and collect further information about you and about your dealings with us.

If you provide CBH Grain with incomplete or inaccurate information, CBH Grain may not be able to provide you with the products or services you are seeking.

Please be advised that in order for CBH Grain to meet its regulatory and compliance obligations relating to anti-money laundering and counter terrorism financing, we may monitor transactions relating to a Swaption.

You should be aware that:

- transactions may be delayed, blocked or refused where we have reasonable grounds to believe that they breach Australian law or the law of any other country;

- where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies.

Upon entering into a Swaption with CBH Grain, you agree:

- you are not and will not enter into any agreement with CBH Grain under an assumed name;
- any funds used by you to enter into an agreement with CBH Grain have not been derived from or related to any criminal activities;
- any payments received from CBH Grain will not be used in relation to any criminal activities;
- if we ask, you will provide us with additional information we reasonably require from you; and
- we may obtain information about you or any beneficial owner of an interest in an agreement with CBH Grain from third parties if we believe this is necessary to comply with CBH Group's legal, regulatory and internal policy requirements.

## 8 Definitions

“**AUD**” is the Australian Dollar.

“**Calculation Date**” means the date for calculation of the Cash Settlement Amount.

“**Cash Settlement Amount**” means the amount payable by one party to the Swaption to the other, based on the difference between the Fixed Price and the CRP or Early Closure Price for the underlying commodity (as applicable) in respect of a Reference Swap.

“**CBH Grain**”, “**we**”, “**us**” or “**our**” is CBH Grain Pty Ltd ABN 39 089 394 883.

“**Commodity Amount**” means the portion of the Notional Amount that You exercise under the Swaption, which is used in respect of a Reference Swap.

“**Contract Month**” means the month which is to be used for the purposes of determining key events upon exercise of the Swaption.

“**Credit Limit**” means:

- (a) the amount prescribed by CBH Grain as Your credit limit in the Swaption Offer Letter; or
- (b) any other amount which CBH Grain notifies You during the term of the Swaption.

“**CRP**” or Commodity Reference Price is the price that will be used to determine a Reference Swap, determined by reference to the prices quoted for the Relevant Future on the Relevant Futures Exchange and converted to an AUD price, as further described in section 4.3.

“**Discount**” means an amount calculated by CBH Grain acting reasonably in its sole discretion, which is based on the number of days between the Early Payment Date and the Payment Date determined for that Reference Swap, and the discount rate reasonably determined by CBH Grain.

“**Early Calculation Date**” means:

- (a) if you ask to bring forward the Calculation Date, the date on which you accept the Early Closure Price; or
- (b) if CBH elects to bring forward the Calculation Date, the date which CBH notifies you.

“**Early Closure Price**” means the agreed price that will be used to calculate the Cash Settlement Amount in respect of an Early Calculation Date for a particular Reference Swap, as further described in section 4.4 of this IM.

“**Early Payment Date**” means:

- (a) if you are making a payment to CBH Grain, 30 days after; or
  - (b) if CBH Grain making a payment to you, 7 days after;
- the earlier of:
- (c) any Early Payment Date requested by you;
  - (d) the Calculation Date;

- (e) 28 February after the Early Calculation Date; and
- (f) the date determined by CBH Grain at any time and notified to you if CBH Grain elects to do so:
  - (i) having regard to its analysis of legal or credit risk management purposes in connection with the relevant Reference Swap;
  - (ii) if You exceed your Credit Limit;
  - (iii) in the event of a Default Event; or
  - (iv) if a right to terminate otherwise arises under any provision of the Swaption Contract.

“**IM**” means this Information Memorandum.

“**Knock-out Event**” means an event for which CBH determines that:

- (a) you have exceeded your Credit Limit;
- (b) you are the party in respect of which a default has occurred, and such default is continuing; or
- (c) permitting you to exercise your Swaption will expose CBH Grain to an unacceptable level of risk, having regard to the market conditions (including volatility) in respect of the relevant commodity type.

“**Mark-to-market**” means the position generated when a Reference Swap is valued against current market rates to calculate any potential profit or loss on close out.

“**Maturity Date**” means the last date by which you can exercise your Swaption, as notified by CBH Grain to you and confirmed in the Swaption Offer Letter, subject to extension if agreed by the parties.

“**Minimum Exercise Amount**” is a minimum tonnage amount for which you may exercise part of the Notional Amount of the Swaption.

“**Notional Amount**” of the Swaption means the amount in metric tonnes of a particular grain that is specified as the Notional Amount in the Swaption Offer Letter.

“**Payment Date**” means the date that is 3 Business Days after the Calculation Date specified in the relevant Reference Swap Confirmation, unless otherwise agreed.

“**Reference Swap**” means the reference swap that is determined when You exercise the Swaption.

“**Relevant Future**” means:

- (a) in the case of wheat, exchange traded Chicago soft red winter wheat; and
- (b) in the case of canola, canola futures contracts.

“**Relevant Futures Exchange**” means:

- (c) in the case of wheat, the Chicago Board of Trade (commonly referred to as ‘CBOT’); and



(d) in the case of canola, either the Intercontinental Exchange (commonly referred to as 'ICE') or Marché à Terme International de France (more commonly referred to as 'MATIF') as specified by you when indicating to CBH that you wish to exercise your Swaption and confirmed in the Reference Swap Confirmation.

**"Swaption"** is described in section 1.3 of this IM.

**"Swaption Application"** has the meaning given to it in section 1.4 of this IM.

**"Swaption Offer Letter"** has the meaning given to it in section 1.4 of this IM.

**"Swaption Representative"** is a CBH Grain representative who acts as your prime contact point for purposes of entering into or exercising a Swaption.

**"Swaption General Terms"** has the meaning given to it in section 1.4 of this IM.

**"You"** is the grain grower who is a party to a Swaption.

## 9 Examples

### Examples of how the Swaption works.

Please note that examples are used for illustrative purposes only and do not reflect current market prices or outcomes or CBH Grain's view on future matters, nor do they suggest an appropriate use of the Swaption.

#### Example 1:

A wheat grower wishes to hedge 10%, or 500mt of their expected production for the **upcoming** harvest. In this example, on the exercise of the Swaption, the Cash Settlement Amount is calculated on the Calculation Date.

Swaption exercise date	Pricing Information	
15 April 2019	<p>Grower contacts CBH Grain seeking to exercise their Swaption for 500mt wheat for Contract Month December 2019.</p> <p>The requested Commodity Amount is less than the grower's unexercised Notional Amount and the unexercised sub-limit, but more than the Minimum Exercise Amount. Further, no Knock-Out Event has occurred or is continuing. CBH Grain therefore provides a Fixed Price of AUD \$240 per tonne for a December 2019 wheat Reference Swap.</p> <p>The grower elects to exercise their Swaption and CBH Grain determines a Reference Swap for 500mt wheat with a December 2019 Contract Month at the Fixed Price of AUD \$240 per tonne. The Reference Swap has a Calculation Date of 26 November 2019 and a Payment Date of 29 November 2019.</p>	
Calculation Date	Scenario 1 – Prices Lower	Scenario 2 – Prices Higher
26 November 2019	<p>The calculated Commodity Reference Price (CRP) for the December 2019 wheat Reference Swap on the Calculation Date is AUD 225/mt.</p> <p><b>Settlement</b></p> <p>On the Payment Date the grower receives from CBH Grain the difference between the CRP and the Fixed Price as the CRP is less than the Fixed Price.</p> <p><b>CRP value:</b></p> <p>500mt x AUD225 = AUD112,500</p> <p><b>Fixed Price value:</b></p> <p>500mt x AUD240 = AUD120,000</p> <p>Payment to grower = AUD7,500</p> <p>In this scenario, it is possible the grower will receive a lower price for the sale of physical grain than the price which was available in April.</p>	<p>The calculated CRP for the December 2019 wheat Reference Swap on the Calculation Date is AUD 260/mt.</p> <p><b>Settlement</b></p> <p>On the Payment Date the grower pays CBH Grain the difference between the CRP and the Fixed Price as the CRP is greater than the Fixed Price.</p> <p><b>CRP value:</b></p> <p>500mt x AUD260 = AUD130,000</p> <p><b>Fixed Price value:</b></p> <p>500mt x AUD240 = AUD120,000</p> <p>Payment to CBH Grain = AUD10,000</p> <p>In this scenario, it is possible the grower will receive a higher price for the sale of physical grain than the price which was available in April.</p>

	The payment under the Swaption compensates the grower for the lower physical price received.	The payment under the Swaption offsets the higher physical price received.
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**Example 2:**

A wheat grower wishes to hedge 20%, or 1,000mt of their expected production for the **upcoming** harvest. In this case the grower asks for and accepts an Early Closure Price so the Calculation Date of the Reference Swap is brought forward. The grower also requests an Early Payment Date, so the Cash Settlement Amount incorporates a discount.

Swaption exercise date	Pricing Information
15 April 2019	<p>Grower contacts CBH Grain seeking to exercise their Swaption for 1,000mt wheat for Contract Month December 2019.</p> <p>The requested Commodity Amount is less than the grower's unexercised Notional Amount and the unexercised sub-limit, but more than the Minimum Exercise Amount. Further, no Knock-Out Event has occurred or is continuing. CBH Grain therefore provides a Fixed Price of AUD \$240 per tonne for a December 2019 wheat Reference Swap.</p> <p>The grower elects to exercise their Swaption and CBH Grain determines a Reference Swap for 1,000mt wheat with a December 2019 Contract Month at the Fixed Price of AUD \$240 per tonne. The Reference Swap has a Calculation Date of 26 November 2019 and a Payment Date of 29 November 2019.</p>

Early Calculation Date	Scenario 1 – Prices Lower	Scenario 2 – Prices Higher
27 September 2019	<p>Grower asks to bring forward the Calculation Date in respect of the Reference Swap and accepts the Early Closure Price of AUD \$225 per tonne offered by CBH Grain.</p> <p><b>Settlement</b></p> <p>Rather than receiving payment on the Payment Date, the grower requests to receive the Cash Settlement Amount on 4 October 2019 (this date being the Early Payment Date). The Cash Settlement Amount incorporates a discount to reflect the Early Payment Date.</p> <p><b>Early Closure Price value:</b> 1,000mt x AUD225 = AUD225,000</p> <p><b>Fixed Price value:</b> 1,000mt x AUD240 = AUD 240,000</p> <p>Cash Settlement Amount due to grower on Early Payment Date (excluding discount) = AUD\$15,000</p> <p>Cash Settlement Amount due to grower on Early Payment Date (including discount) = AUD \$14,930 (for example).</p> <p>The payment under the Swaption compensates the grower for potentially lower physical prices.</p>	<p>Grower asks to bring forward the Calculation Date in respect of the Reference Swap and accepts the Early Closure Price of AUD \$260 per tonne offered by CBH Grain.</p> <p><b>Settlement</b></p> <p>Rather than making payment on the Payment Date, the grower requests to pay the Cash Settlement Amount on 26 October 2019 (this date being the Early Payment Date). The Cash Settlement Amount incorporates a discount to reflect the Early Payment Date.</p> <p><b>Early Closure Price value:</b> 1,000mt x AUD260 = AUD260,000</p> <p><b>Fixed Price value:</b> 1,000mt x AUD240 = AUD240,000</p> <p>Cash Settlement Amount due to CBH Grain on the Early Payment Date (excluding discount) = AUD20,000</p> <p>Cash Settlement Amount due to CBH Grain on Early Payment Date (including discount) = AUD 19,860 (for example).</p> <p>The payment under the Swaption offsets the potentially higher physical prices.</p>

\*\* Note for this example, if the Cash Settlement Amount was due to CBH Grain, then CBH Grain can also enforce an Early Payment Date per the General Terms, whereby the Cash Settlement Amount also incorporates a discount to reflect the Early Payment Date.