

Pricing Methodology

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Methodology

Methodology overview

Sugaronline produces price assessments which are intended to be reliable and representative indicators of sugar market values in specific markets.

In the sugar markets, Sugaronline publishes physical cash market prices as laid out in the Methodology and specifications Guide.

Sugaronline uses the trading period deemed by Sugaronline management to be the most appropriate, in consultation with industry stakeholders, to make its assessments.

Sugaronline price assessments will be based wherever practicable on completed spot market transactions for prompt delivery of physical sugar involving at least one industrial party ie a sugar producer, processor or consumer at prices which are deemed to be properly representative of prevailing supply/demand conditions within the relevant market and which are free from any other influence including specifically are without connection to any other transaction and are not influenced by any privileged relationship between the counterparties.

Sugaronline will seek to confirm transaction details with both parties to a reported trade and will at its sole discretion from time to time require one or both parties to submit promptly the relevant transaction contracts for its scrutiny, verification and confirmation. If in such instances contracts are not provided for verification in a timely manner the reported transaction may be excluded from the price assessment process at the sole discretion of Sugaronline.

Physical transactions concluded between trade intermediaries will be taken into consideration for price assessment but particular care will be taken to establish that the price indicated by such transactions would have been available to industrial participants on the same basis and at the same level and would likely have been accepted as a valid

trading level by those industrial entities given the prevailing supply/demand conditions at the time in the relevant market.

Where transaction volumes are low, an assessment of bid/offer levels prevailing in the market may be taken into consideration by Sugaronline price assessors in order to ensure that material price movement in thin or illiquid market conditions continues to be reasonably and properly reflected in its reported prices.

In order to be included in the assessment process, transactions must meet the minimum volume, delivery, timing and specification requirements laid out in this methodology. In illiquid markets and in other cases where deemed appropriate Sugaronline assesses the range within which products could have traded by applying a strict process outlined later in this methodology.

Survey process

Sugaronline price assessments are created from information received from a wide cross-section of market participants, including producers, consumers and intermediaries and market analysts. These market participants are selected by Sugaronline to contribute regularly.

Sugaronline pricing reporters engage with the industry by proactively polling participants for market data. Sugaronline will contact and accept market transaction data from all credible market sources. Sugaronline will also receive market data from electronic trading platforms and directly from the offices of market participants. Sugaronline will accept market data by telephone, instant message, email or other means.

Sugaronline encourages all sources of market data to submit all market data to which they are a party that falls within the Sugaronline stated methodological criteria for the relevant assessment. Sugaronline encourages all sources of market data to submit transaction data from back office functions.

Throughout all markets, Sugaronline is constantly seeking to increase the number of companies willing to provide market data. The number of entities providing market data can vary significantly from day to day based on market conditions.

For certain price assessments identified by local management, if more than 50% of the market data involved in arriving at a price assessment is sourced from a single party the supervising editor will engage in an analysis of the market data with the primary reporter to ensure that the quality and integrity of the assessment has not been affected.

Market data usage

In each market, Sugaronline uses the methodological approach deemed to be the most reliable and representative for that market. Sugaronline will utilise various types of market data in its methodologies, to include:

- Transactions
- Bids and offers from active participants
- Other market information, to include contract prices, official list, established premia for certain regions, prices and other data.

Sugaronline will assign a higher importance to transactions over bids and offers, and a higher importance to bids and offers over other market information. Certain markets however will exist occasionally for which such a hierarchy could produce unreliable and non-representative price assessments, and so the methodology must assign a different relative importance in order to ensure the quality and integrity of the price assessment. And even in markets for which the hierarchy normally applies, certain market situations will at times emerge for which the strict hierarchy would produce non-representative prices, requiring Sugaronline to adapt in order to publish representative prices.

Verification of transaction data

Reporters carefully analyse all data submitted to the price assessment process. These data include transactions, bids, offers, volumes, counterparties, specifications and any other information that contributes materially to the determination of price. This high level of care described applies regardless of the methodology employed. Specific to transactions, bids, and offers, reporters seek to verify the price, the volume, the specifications, location basis, and counterparty. In some transactional average methodologies, reporters also examine the full array of transactions to match counterparties and can arrive at a list of unique transactions.

Several tests are applied by reporters in all markets to transactional data to determine if it should be subjected to further scrutiny. Should this process determine that a transaction should be excluded from the price assessment process, the supervising editor will initiate a review.

Reasons why submitted data may be excluded by reporters

- Transactions not transacted at arm's length, including deals between related parties or affiliates.
- Transaction prices that deviate significantly from the mean of all transactions submitted for that day.
- Transaction prices that fall outside of the generally observed lows and highs that operated throughout the trading day.
- Transactions that are suspected to be a leg of another transaction or in some way contingent on an unknown transaction.
- Single deal volumes that significantly exceed the typical transaction volume for that market.
- Transaction details that are identified by other market participants as being for any reason potentially anomalous and perceived by Sugaronline to be as

such. Transaction details that are reported by one counterparty differently than the other counterparty.

- Any transaction details that appear to the reporter to be illogical or to stray from the norms of trading behaviour. This could include but is not limited to divergent specifications, unusual delivery location and counterparties not typically seen.
- Transactions that involve the same counterparties, the same price and delivery dates are checked to see that they are separate deals, and not one deal duplicated in error through the reporting process.
- The impact of linkage of the deal to possible other transactions such as contingent legs, exchanges, options, swaps, or other derivative instruments. This will include a review of transactions in markets that are not part of Sugaronline’s assessments.
- The nature of disagreements between counterparties on transactional details.
- The possibility that a deal is directly linked to an offsetting transaction that is not publicly known, for example a “wash trade” which has the purpose of influencing the published price.
- The impact of some market factors affecting price or volume, including distressed delivery, credit issues, scheduling issues, demurrage, or containment.

Source tests

- The credibility of the explanation provided for the outlying nature of the transaction.
- The track record of the source. Sources will be deemed more credible if they:
 - Regularly provide transaction data with few issues.
 - Provide data by Sugaronline’s established deadline.

- Quickly respond to queries from Sugaronline reporters.
- Have staff designated to respond to such queries.
- How close the information receipt is to the deadline for information, and the impact of that proximity on the validation process.

Assessment guidelines

When insufficient, inadequate, or no transaction information exists, or when Sugaronline concludes that a transaction-based methodology will not produce representative prices, Sugaronline reporters will make an assessment of market value by applying intelligent judgment based on a broad array of factual market information. Reporters must use a high degree of care in gathering and validating all market data used in determining price assessments, a degree of care equal to that applying to gathering and validating transactions. The information used to form an assessment could include deals done, bids, offers, tenders, spread trades, exchange trades, fundamental supply and demand information and other inputs.

The assessment process employing judgment is rigorous, replicable, and uses widely accepted valuation metrics. These valuation metrics mirror the process used by physical commodity traders to internally assess value prior to entering the market with a bid or offer. Applying these valuation metrics along with sound judgment significantly narrows the band within which a commodity can be assessed, and greatly increases the accuracy and consistency of the price series. The application of judgment is conducted jointly with the supervising editor, in order to be sure that guidelines below are being followed. Valuation metrics include the following:

Relative value transactions

Frequently transactions occur which instead of being an outright purchase or sale of a single commodity, are instead exchanges of commodities. Such transactions allow reporters to value less liquid markets against

more liquid ones and establish a strong basis for the exercise of judgment.

- Exchange one commodity for a different commodity in the same market at a negotiated value.
- Exchange delivery dates for the same commodity at a negotiated value.
- Exchange a commodity in one location for the same commodity at another location at a negotiated value.

Bids and offers

If a sufficient number of bids and offers populate the market, then in most cases the highest bid and the lowest offer may be assumed to define the boundaries between which a deal could be transacted.

Comparative metrics

The relative values between compared commodities are readily discussed in the market and can be discovered through dialogue with market participants. These discussions are the precursor to negotiation and conclusion of transactions.

- Comparison to the same commodity in another market centre.
- Comparison to a more actively traded but slightly different specification commodity in the same market centre.
- Comparison to the same commodity traded for a different delivery timing.
- Comparison to the commodity's primary feedstock or primary derived product(s).
- Comparison to trade in the same commodity but in a different total volume.

Volume minimums and transaction data thresholds

Sugaronline typically does not establish thresholds strictly on the basis of a count of transactions, as this could lead to unreliable and non-representative assessments and because of the varying transportation

infrastructure found in all commodity markets. Instead, minimum volumes are typically established which may apply to each transaction accepted, to the aggregate of transactions, to transactions which set a low or high assessment or to other volumetrically relevant parameters.

These thresholds will often reflect the minimum volumes necessary to produce a transaction-based methodology but may also establish minimum deal parameters for use by a methodology that is based primarily on judgment.

Should no transaction threshold exist or should submitted data fall below this methodology's stated transaction data threshold for any reason, Sugaronline will follow the procedures outlined elsewhere in this document regarding the exercise of judgment in the price assessment process.

Transparency

Sugaronline values transparency in its markets. As a result, where available, we will publish redacted details of deals in our news and reports that include price, basis, counterparty and volume information. This editorial content will allow subscribers to cross-check and verify the deals against the prices. Sugaronline feels transparency and openness is vital to developing growing confidence in the price assessment process.

Publications and price data

Sugaronline sugar prices are published twice-weekly (Tuesdays and Fridays at 11am London time – GMT or BST as appropriate). Subsets of these prices may appear in other Sugaronline market reports and newsletters in various forms.

The Sugaronline website also provides access to prices, reports and news with various web-based tools. All Sugaronline prices are kept in a historical database and available for purchase. Contact Sugaronline for more information.

All information is available at <https://www.sugaronline.com>

Corrections to assessments

Sugaronline will on occasion publish corrections to price assessments after the publication date. We will correct errors that arise from any errors, or from discovery of misinformation which has been fed into our assessments. Sugaronline will not retroactively assess markets based on new information learned after the assessments are published. We make our best effort to assess markets based on the information we gather during the trading day assessed.

Sugaronline reserves the right to sanction market participants who have been found to have deliberately fed misinformation into the Sugaronline pricing assessment data. Sanctions can include removal of that contact from future price assessments and/or suspension of a subscription.

Ethics and compliance

Sugaronline operates according to the best practices in the publishing field and maintains thorough compliance procedures throughout the firm. We want to be seen as a preferred provider by our subscribers, who are held to equally high standards, while at the same time maintaining our editorial integrity and independence.

Sugaronline has a strict ethics policy that applies to all staff. Included in this policy are restrictions against staff trading in sugar markets or in related stocks, and strict anti-bribery provisions covering the acceptance of gifts or any other form of proffered inducement. Sugaronline also has strict policies regarding central archiving of email and instant message communication, maintenance and archiving of notes, and archiving of spreadsheets and deal lists used in the price assessment process. Sugaronline publishes prices that report and reflect prevailing levels for open-market arm's length transactions.

Consistency in the assessment process

Sugaronline recognises the need to have judgment consistently applied by reporters covering separate markets, and by new reporters replacing existing reporters in the assessment process. In order to ensure this consistency, Sugaronline has developed a programme of training and oversight of reporters including:

- Cross-training of staff between markets to ensure proper holiday and sick leave backup.
- Experienced editors overseeing reporting teams are involved in mentoring and assisting in the application of judgment for any illiquid markets.
- Editors are required to sign-off on all price assessments for each reporting period, thus ensuring the consistent application of judgment.

Review of methodology

The overriding objective of any methodology is to produce price assessments which are reliable and representative indicators of market values and are free from distortion. As a result, Sugaronline editors and reporters are regularly examining our methodologies and are in regular dialogue with the industry in order to ensure that the methodologies are representative of the market being assessed. This process is integral with reporting on a given market. In addition to this ongoing review of methodology, Sugaronline conducts reviews of all of its methodologies and methodology documents on at least an annual basis.

Sugaronline market report editors and management will periodically and as merited initiate reviews of market coverage based on a qualitative analysis that includes measurements of liquidity, visibility of market data, consistency of market data, quality of market data and industry usage of the assessments. Report editors will review:

- Appropriateness of the methodology of existing assessments
- Termination of existing assessments
- Initiation of new assessments.

The report editor will initiate an informal process to examine viability. This process includes:

- Informal discussions with market participants
- Informal discussions with other stakeholders
- Internal review of market data

Should changes, terminations, or initiations be merited, the report editor will submit an internal proposal to management for review and approval. Should changes or terminations of existing assessments be approved, then formal procedures for external consultation are begun.

Changes to methodology

Formal proposals to change methodologies typically emerge out of the ongoing process of internal and external review of the methodologies. Formal procedures for external consultation regarding material changes to existing methodologies will be initiated with an announcement of the proposed change published in the relevant Sugaronline report. This announcement will include:

- Details on the proposed change and the rationale
- Method for submitting comments with a deadline for submissions
- For prices used in derivatives, notice that all formal comments will be published after the given consultation period unless submitter requests confidentiality

Sugaronline will provide reasonable opportunity for stakeholders to analyse and comment on changes but will not allow the time needed to follow these procedures to create a situation wherein unrepresentative or

false prices are published, markets are disrupted, or market participants are put at unnecessary risk. Sugaronline will engage with industry throughout this process in order to gain acceptance of proposed changes to methodology. Sugaronline cannot however guarantee universal acceptance and will act for the good order of the market and ensure the continued integrity of its price assessments as an overriding objective. Following the consultation period, Sugaronline management will commence an internal review and decide on the methodology change. This will be followed by an announcement of the decision, which will be published in the relevant Sugaronline report and include a date for implementation.

The markets

Sugaronline publishes price assessments for the international sugar markets twice-weekly; with prices published most Tuesdays and Fridays, at 11am London time – GMT or BST as appropriate.

Assessments are based on a volume-weighted average of deals done and on a survey of active market participants. In the absence of fresh transactions, the assessment can, as a last resort, be based on the market survey and the most relevant bids and lowest offers received, but as yet this last resort option has not been necessary. In this scenario bids and offers must be deemed to be representative of the market price for the full pricing period being assessed.

In the absence of both transactions and representative bids and offers, the assessment will be based on the market survey.

To merit inclusion in the Sugaronline assessment process, transactions and survey responses must meet standard specification guidelines.

Transactions

Deals conducted on electronic trading platforms and through broking houses are included, provided they meet all relevant criteria for physical sugar.

Deals with exchange of futures for physical (EFP) are included in assessments provided a fixed physical price is agreed before the trade is broken into its two parts.

At times of credit restrictions in the market, buyers and sellers may transact through a third party in the form of a sleeve. In a sleeve, the third party assumes no price risk, and the sleeving costs may be borne by either buyer or seller or be shared. If buyers and sellers transact via a sleeve and the trade is relevant to a Sugaronline assessment, the trade is verified with all counterparties including the sleeving party and included as one trade in the price assessment process. If the sleeving costs are not split evenly, or if one counterparty pays all of the sleeving costs, the trade is still verified with all counterparties. This practice is in line with Sugaronline methodology in verifying transactions.

Market survey

Sugaronline surveys a wide cross section of sugar market participants via telephone, e-mail, instant message and other means of communication.

A balance is maintained between sellers of physical sugar, buyers and trading companies and intermediaries (where these organisations play a significant role in the market).

European Prices

Prices are assessed in three regions of Europe (as identified by the European Commission) with one overall weighted average compiled from those prices.

All prices are ex-works or ex-warehouse, € per metric tonne for homogeneous granulated white sugar crystal, standard qualities, in bulk or large bags.

- Region 1: (Austria, Czech Republic, Denmark, Finland, Hungary, Lithuania, Poland, Sweden, Slovakia)
- Region 2: (Belgium, Germany, France, Netherlands)
- Region 3: (Bulgaria, Spain, Croatia, Italy, Portugal, Romania)

- Weighted average price of these regions (including long-term contract tonnages) to produce a benchmark price for the industry.
- UK
- UK monthly average of cash market transactions

African Prices

Prices are currently assessed in one region of Africa, with a total of three pricing locations.

All prices are ex-works or ex-warehouse, US\$ per metric tonne for homogeneous granulated white sugar crystal, standard qualities, in bulk or large bags.

- **East Africa**
 - Nairobi
 - Mombasa
 - Kampala (both white and brown sugars)
- **South Africa**
 - Durban
 - Cape Town
 - Johannesburg
- **West Africa**
 - Abidjan
 - Nouakchott
 - Cotonou

Mexican Prices

Prices are currently assessed in three pricing locations.

All prices are ex-works or ex-warehouse, Mexican pesos per metric tonne for homogeneous granulated white sugar crystal, standard qualities, in bulk or large bags.

- **Mexico**
 - Monterrey (Noreste)
 - Guadalajara (Occidente)
 - CDMX (Centro)