



## Creating a sustainable Riverland wine industry

### Term sheet

If CCW members vote in support of this package, they would be agreeing that CCW can terminate its existing contract with Accolade in favour of the proposed new contract, to place the industry on a sustainable footing for the future.

The key terms of Accolade Wines' proposal to CCW are as follows:

### Select buy-out of red grapes

- Active CCW members wishing to opt-out part (or all) of their red grape production from CCW's arrangement with Accolade will be able to apply to have their production "bought out" by Accolade.
- The buy-out process will be open to red varieties only and priority varieties for participation will be identified by Accolade prior to the process commencing.
- Process:
  - An application form would be supplied when the offer opens.
  - Participating growers would use the form to nominate the hectares and red varieties they are submitting for consideration.
  - Accolade and CCW will assess applications based on the varieties identified as a priority for removal.
  - Applicants would be notified at the conclusion of this assessment process.
- Accolade will pay \$4000/ha to participating growers for approved hectares.
- Capped at 1000 ha (assumed there is 23T/ha).
- Going forward, those participating growers would be relieved of their contractual obligations to CCW for the approved varieties
- Accolade would no longer be required to take the fruit bought out under this arrangement.
- Growers will maintain full flexibility about what to do with the approved hectares removed under this arrangement. They can:
  - Remove the vines if they choose, and use the land for other purposes
  - Sell the grapes to another party
  - Mothball the vines
  - Replant with other varieties



## Bulk wine contract relief

- Under the new contract, Accolade would buy out CCW's "Direct contract" bulk wine deal, reducing the cost burden on the cooperative.
- Red grape production covered by this contract would be bought out consistent with the arrangements outlined above.
- White grape varieties subject to AW approval would be rolled into the 150,000t Accolade purchases from CCW each year.

## Contract term

- 10 years, with the option of two additional terms of 5 years each by mutual agreement.
- Accolade will provide advance notice of intentions to take the first 5 year extension option with a notice of 2.5 years prior to the expiry of the 10-year term.
- During both of the 2.5 year extension terms, Accolade would also provide 2.5 years' advance notice of its intentions to either renew for the second 5 year term, or further extend the contract.




## Tonnage

- Tonnage will be capped at 150,000 tonnes with the ability to flex up (see below).
- This is a binding floor figure – cannot be flexed down.
- Accolade to provide a rolling 3 year varietal forecast for security.

## Pricing

- The new contract would improve the current pricing process, which relies on an external expert to make a binding determination if negotiations between Accolade and CCW are unsuccessful.
- The new process is substantially more transparent:
  - Accolade will nominate a price by variety by 10 December, based on an agreed Fair Market Price definition.
  - Post vintage, there would be a reconciliation process, whereby the above price will "true-up" or "true-down" if the negotiated price is more than +/- 3% of the weighted district average (WDA) as disclosed by Wine Australia.
  - A full price adjustment from the WDA would be paid.
  - If Accolade is required to "true-up", then it will do so in the final vintage payment in September.
  - If CCW is required to "true-down", then it would be rectified in Accolade's first grape payment of the following vintage.
  - CCW fruit supplied to Accolade would be excluded from the WDA, to ensure the negotiated price does not influence the result.
  - Where the variance exceeds 3%, there will be an adjustment which will be calculated as the full price adjustment (i.e. not the difference from the 3% variance)



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## Additional elements to contract

- Flex-up provision:
  - 150,000 tonnes is the standard cap under the new contract, however there is flexibility if market conditions allow to flex up and take additional grapes if there is a varietal that is needed. This is voluntary for CCW and Growers, in that Accolade can ask for further tonnage but it is not mandatory for CCW and Growers to provide.
- Changes to varietal requirements:
  - To assist in planning, Accolade would provide advance notice by June 30 each year on changes varietal requirements for the following 3 year period
  - Variances would only apply to that 3 year period.
  - Where increases in tonnage intake are not available from CCW growers, and contracts are required to fulfil the requirements, any shortfall in contracted tonnages on any variety must be compensated for by an increase in the allocation to other varieties
- New varietals:
  - If Accolade needs varietals that are currently not in the CCW universe - CCW can ask if any member wishes to plant the varietal.
  - For those growers who take up the offer to plant, Accolade would provide a guaranteed commitment for any new plantings for 5 years from first delivery date (included in the 150kt cap).
  - The contract price per tonne for the 5 year period would be provided upfront.

Please note that this term sheet is subject to change between now and the issuing of the CCW AGM notice. This does not constitute an offer to growers, all proposals have been made to CCW directly. This is an educational resource only to consider your options at a vote at the CCW AGM.

This term sheet is non-binding and subject to contract.