

Minutes of Meeting on 8 November 2022

Item 4a, GDT Events Oversight Board Meeting, UTC 24 April 2023



Members in Attendance

In-person: Bill Shields (Chairman), Thomas Carstensen (Arla Foods AMBA), Liam Fenton (StoneX Group Inc.), Nick Morris (SGX Limited), Bruno Spire (alternate for Kimberly Fisk, Nestrade S.A.), Bruce Turner (Fonterra Co-operative Group Limited), Rushikesh Ved (Majan Food Industries LLC)
Via Teams: Jessica Lee Hiu Sun (Zhongshan Right On Trading CO. LTD), Mike McIntyre (Jarden Securities Limited), Patricia Smith (DairyAmerica Inc.)

Operational Attendees

Eric Hansen (Market Administrator, GlobalDairyTrade Holdings Limited)

Note: Under Clause 4.4 of the GDT Events Oversight Board Charter, GDT and CRA are not formal members of the Oversight Board. They are present to provide specific comment or information regarding their respective functions and roles in respect of the auction platform.

Secretary

Eric Hansen (GDT)

Meeting opened at 9:30am Dubai

Chairman Bill Shields opened the meeting by welcoming Mike McIntyre as representing new member Jarden Securities and Bruno Spire as alternate for Kimberly Fisk as Nestrade representative.

Chairman noted that the agenda and papers had been circulated in advance of the meeting and would be taken as read.

Item 1: Apologies and Agenda

No apologies were received. The agenda was re-ordered to enable the papers on GDT strategy, CEO report and Operations report to be considered together, followed by the Compliance report.

Item 2: Minutes and Matters Arising from previous meeting

Chairman noted that the Minutes of the previous meeting had been signed as final and published on the GDT website.

GDT strategy, CEO report and Operations report (Items 2a, 3a and 3b)

Members discussed the forthcoming need to review and update the GDT Governance Principles prior to completion of GDT's strategic plan through to mid-2025, including whether it would be appropriate for GDT to become a registered entity under the IOSCO framework.

Members discussed the performance of GDT Pulse since launch in August 2022 and the ways in which more frequent price discovery may facilitate or hinder the development of liquidity in the derivatives market, covering matters such as the additional buyer and potentially seller interest from the momentum created by additional auctions and price data points, possible negative impacts on basis risk and potential disruptions to trading activity, the role of other initiatives such as education and training about dairy derivative markets, and the impact if settlement prices were eventually amended to include GDT Pulse prices.

Members discussed the role that strategic initiatives such as allowing bidders to resell their GDT contracts and enabling greater participation by financial market participants (referred to as 'financialisation') could play in helping to grow liquidity, provided sufficient controls are in place to mitigate manipulation risk and that supply chain and

documentation requirements can be managed. The absence of harmonised documentation and regulatory requirements across countries (and even within some countries) was identified as a key impediment to developing liquidity. Members expressed general support for the high level concepts set out in the GDT Strategy to 2025, but considered that some initiatives face significant hurdles that would need to be overcome to make progress.

Regarding the European supply initiative, members commented that the various reference prices currently available for Europe vary considerably in their level of credibility, and that while an auction mechanism is an attractive proposition, there remains significant work to be done to be successful in attracting European participants.

On the confidential initiative for goal 3, members were comfortable that the initiative would not undermine the credibility of GDT and the price discovery process.

Members endorsed GDT's intention to develop and execute a series of three-year strategic plans to further the development of GDT in line with its Guiding Principles.

Resolved:

- NOTED that the GDT strategy will require the GDT Governance Principles to be updated;
- NOTED GDT's view that the GDT strategy is consistent with the Oversight Board's objective of ensuring the trading platform is operated and developed in accordance with the Guiding Principles;
- NOTED that Jarden Securities Limited was elected unanimously to the Oversight Board and has subsequently appointed Mike McIntyre as its representative;
- NOTED that the GDT Board of Directors comprises Kathryn Jaggard (NZX), Graham Law (NZX), Wolfgang von Rintelen (EEX), Chris Rowe (Fonterra), Tobias Paulun (EEX) and Bruce Turner (Fonterra);
- NOTED that GDT is ramping up sales activity across the major supply regions of Europe, USA, Australasia and Latin America;
- NOTED that GDT Pulse has completed six auctions with positive performance outcomes relative to business case targets
- NOTED GDT's judgement that GDT Events continues to provide a good basis for price outcomes to reflect the balancing of demand and supply conditions.

Actions:

- Include the review of Governance Principles in the review of compliance framework (action from May 2022 meeting), with the review to consider the merits of GDT becoming an IOSCO registered entity;
- GDT to arrange a Teams meeting for late February / early March 2023 to discuss the performance of GDT Pulse over the first six months of the trial, with updated performance metrics to be provided in advance
- Continue to provide quarterly updates to members of the Oversight Board on strategic initiatives and operational developments of GDT's businesses.

Compliance Report (Item 2b)

Chairman referred members to the paper "Compliance Report" and noted that one of the recommendations seeks the Oversight Board's endorsement, while the remainder were for noting.

Members discussed the Compliance Report page by page, with actions noted regarding the publication of the new Confidentiality Protocols, enhancing the cross-referencing of compliance issues that might arise into the Market Surveillance Report where appropriate, and a discussion of processes that GDT follows when a potential breach of the rules is notified to them.

Resolved:

- ENDORSED GDT's proposal to replace the existing Confidentiality Deed with new Confidentiality Protocols as provided in Annex 2, for the primary purpose of aligning better with the new ownership structure;
- NOTED that GDT has given notice of a potential change to the Trading Manager role; [Note: underlined words to be redacted from published version of minutes to protect confidentiality and credibility of the published reference prices]
- NOTED that the Market Surveillance Report identifies no significant changes from the previous report in

November 2021;

- NOTED that GDT has prepared its Conflicts of Interest Statement on the basis that it was a wholly-owned subsidiary of Fonterra during the majority of the reporting period;
- NOTED that the Confidentiality Deed Compliance Review identified several matters of interpretation that are proposed to be clarified in the new Confidentiality Protocols;
- NOTED that the Anti-Trust Compliance Review did not identify any internal conduct, processes, or occurrences that would materially increase GDT's Commerce Act 1986 ("Commerce Act") competition law risk profile;
- NOTED the exceptions identified in the Governance Principles Agreed Upon Procedures audits covering the 12 months to 30 June 2021 and 2022, respectively;
- NOTED that the Anti-Trust review (of changes in anti-trust laws and implications for GDT's protocols, policies and procedures) is in-progress and is proposed to be provided to the next meeting.

Actions:

- GDT to consider publishing the new Confidentiality Protocols on its website
- GDT to follow up with a member who raised a question of whether a breach of confidentiality may have occurred, with the facts and any appropriate next steps to be considered by GDT's internal Compliance Committee.

General Business

Members agreed that the two scheduled in-person meetings for 2023 should be planned for the ADPI Conference in Chicago in April and the NZX-SGX Global Dairy Seminar in Singapore in late October or early November.

Meeting concluded at 12:21pm Dubai

Signed as True & Correct



Bill Shields
Chairperson

24 November 2022