

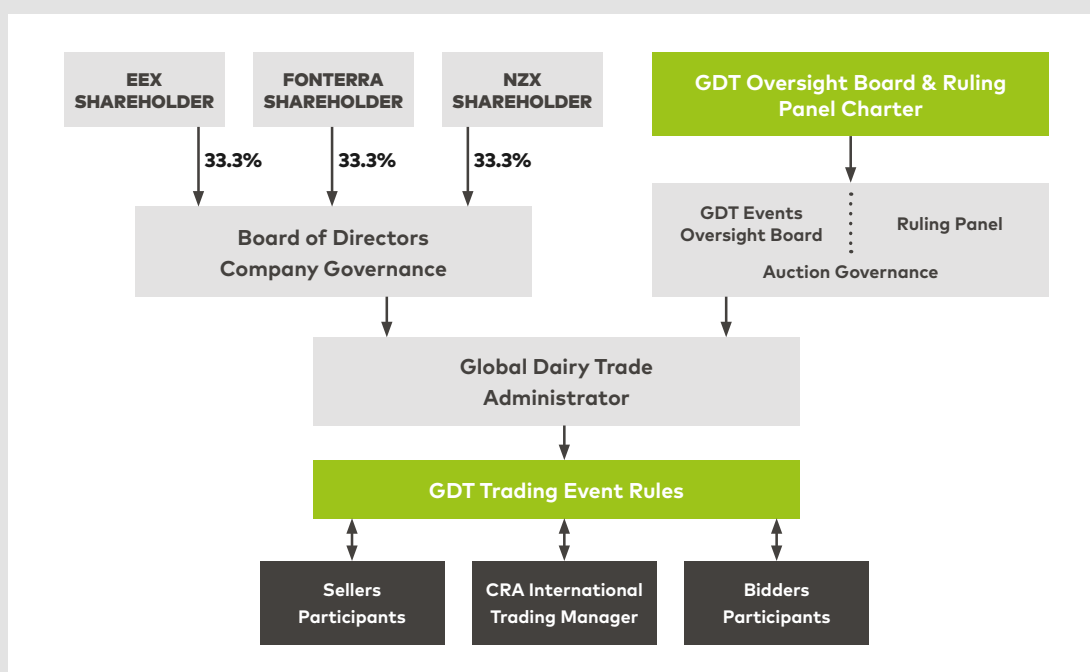
INTRODUCTION

1. This paper outlines key aspects of the GDT Events trading system, including the role of Global Dairy Trade (GDT) as Market Administrator
2. It outlines the key parties involved in GDT Events and summarises the platform's operations, including compliance considerations.

OVERVIEW OF KEY PARTIES AND RELATIONSHIPS

3. As illustrated in the diagram below, GDT works with a wide range of parties and interested stakeholders to fulfil its role in discovering and publishing market-based reference prices for internationally traded dairy commodities.

Figure 1: Structure of GDT Stakeholder Relationships



4. The GDT Trading Event Rules is the key document governing the relationship between the parties:
 - a) Part A – defines the basis on which parties may be accepted as a bidder or a seller;
 - b) Part B – defines the governance practices of the Trading Platform and the role of the GDT Events Oversight Board, the Rulings Panel, the Market Administrator and the Trading Manager;
 - c) Part C – sets out the operation of the Trading Events;
 - d) Part D – specifies the rules relating to multi-seller pools where product from a group of sellers is pooled together as a single offer;
 - e) Part E – provides definitions
5. **GDT Sellers** and **GDT Bidders** are participants on the trading platform and each has signed the Participation Agreement agreeing to be governed by the GDT Trading Event Rules.
6. The **GDT Events Oversight Board** is an independent oversight body that ensures the trading platform is

operated and developed in accordance with the Guiding Principles. The Oversight Board is governed by the Charter for the GDT Events Oversight Board and Rulings Panel and has two key roles:

- a) Monitor GDT's compliance with the GDT Governance Principles;
 - b) Approve proposed changes to the GDT Trading Event Rules.
7. A **Rulings Panel** can be convened to determine complaints from participants of the platform, or from GDT itself. If a complaint is raised, the Oversight Board Chairperson will convene a rulings panel and appoint two independent persons to form a rulings panel of three to hear and determine the complaint. This forum is only for alleged breaches of the GDT Trading Event Rules by participants and is not available to dispute any act or omission of GDT or any issues arising between participants under a supply agreement.
8. **GDT** is the market administrator of the trading platform. GDT is a wholly owned subsidiary of Fonterra Co-operative Group Limited, New Zealand's largest company and the world's largest exporter of dairy products. The GDT Director reports to the Fonterra CFO for business management and financial reporting purposes. Fonterra is also a seller on the GDT platform and this role is managed by Fonterra under the same rules as other sellers on the platform.
9. The **Trading Manager**, CRA International Inc., is an independent party contracted to GDT, who operates each trading event in accordance with the GDT Trading Event Rules. The use of an independent trading manager means that each trading event is run independently from all participants, thus maintaining the integrity of the platform.

PLATFORM OPERATIONS

10. A number of protections have been built into the structure and processes of the platform and GDT itself to protect confidential information and the operational independence and integrity of the GDT platform. These include:
- a) The running of the auction is outsourced to an independent trading manager (CRA International);
 - b) The GDT Trading Event Rules, along with operational and technical controls, include restrictions in relation to the timing and extent of the disclosure of information from Participants to CRA, GDT, other Participants and the public. This includes restrictions with respect to seller forecasts, offer volumes and starting prices;
 - c) Certain information is transferred from Participants through GDT's systems to CRA with controls in place to restrict GDT's ability to access the data until that information is released to bidders prior to commencement of a Trading Event;
 - d) GDT is a separately incorporated company from Fonterra, located at a separate building, and uses a separate IT system and security infrastructure;
 - e) GDT's staff are subject to internal information restrictions to prevent inappropriate information disclosure between competitors, including with respect to Fonterra. Staff are required to sign a Confidentiality Deed, undergo annual compliance training, and an annual external compliance audit takes place;
 - f) GDT has an internal Compliance Committee, with participation by legal counsel, to monitor its own compliance with the GDT Trading Event Rules and internal policies, and to ensure it remains vigilant to potential competition law issues;
 - g) The Oversight Board ensures GDT Trading Event Rule changes are implemented in an agreed and objective manner.
11. GDT's view is that the compliance risks are appropriately managed and any relevant changes to applicable laws are actively monitored.

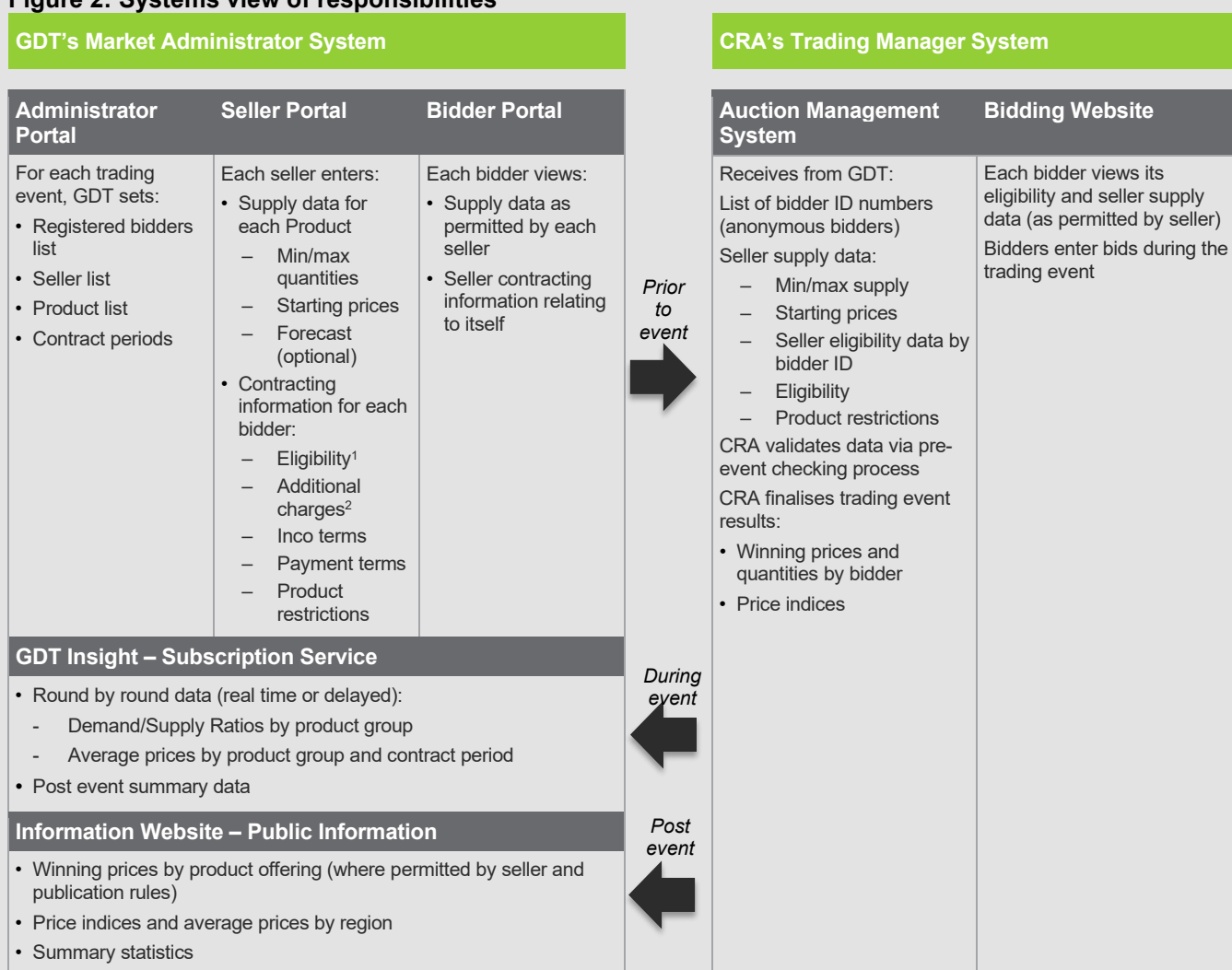
Division of responsibilities

12. There is a clear division of responsibilities between GDT as the Market Administrator and CRA as the Trading Manager. GDT and CRA are responsible for operating and maintaining their respective systems as illustrated in Figure 2 over page.
13. GDT is the central coordinator, monitoring that event information flows efficiently and in compliance with the GDT Trading Event Rules.
14. GDT is responsible for setting the operational parameters of trading events, such as the date and starting time,

and managing the Seller and Bidder Portals. In regard to the Seller Portal, user access controls are in place to restrict GDT's ability to edit or view data entered by sellers before it is made available to all bidders.

15. During the Trading Event, GDT has view access only to the Bidding Website and does not communicate with CRA unless there is an emergency.
16. Subscribers to GDT Insight, the data subscription service, are able to view aggregated round by round trading event data as the event unfolds or with a delay of 10 minutes.
17. On completion of the Trading Event, GDT is responsible for publishing the results on the Information Website (www.globaldairytrade.info) and making post event summary data available in GDT Insight.
18. GDT is also responsible for providing relevant pre-and post-event data to NZX.
19. CRA is a contracted service provider exclusively responsible for running the trading events and the Bidding Website (which differs from the Bidder Portal operated by GDT).
20. CRA is responsible for processing and validating sellers' pre-event data before making it available for bidders and GDT to view five days prior to the Trading Event.
21. CRA confirms the final winning prices and quantities from the Trading Event.

Figure 2: Systems view of responsibilities

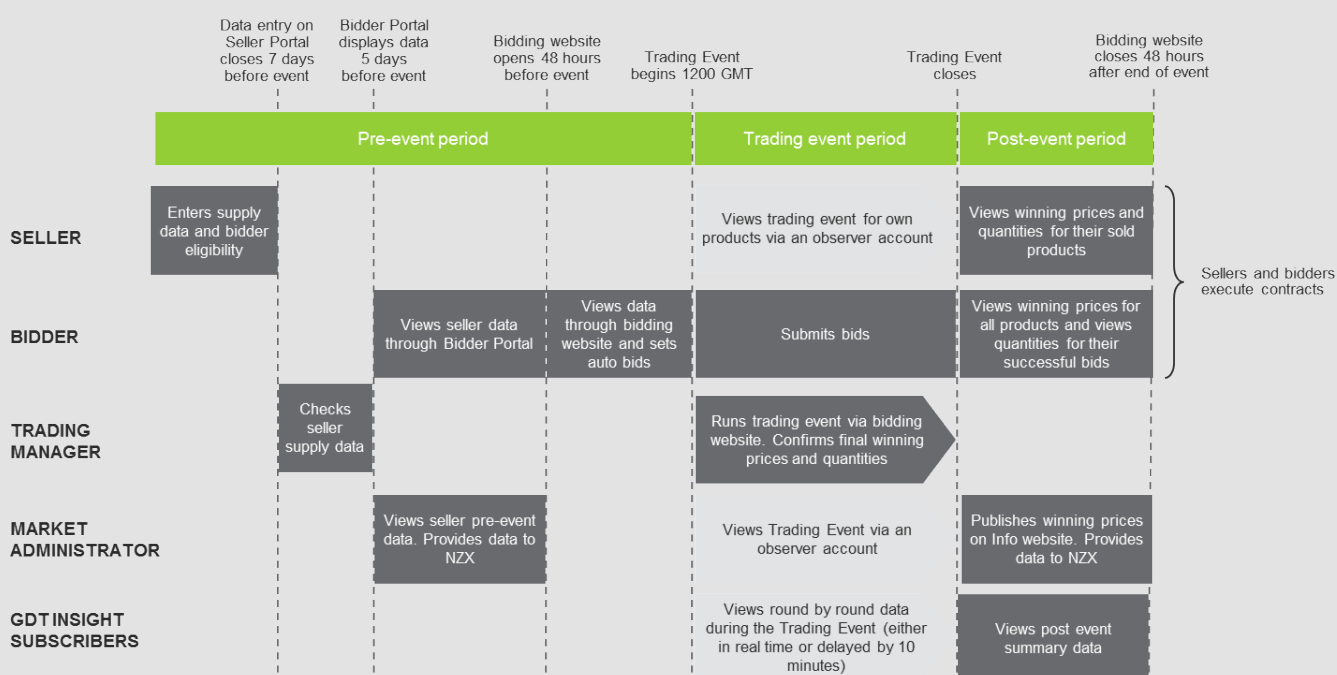


¹ Also referred to as Contract Period Bid Limits ² Example: freight and insurance charges, additional testing charges

Timing of information flows for each Trading Event

22. The key information flows and parties involved are illustrated in Figure 3.
23. Seven days prior to each trading event, sellers enter pre-event supply and bidder eligibility data into the Seller Portal. This data is transferred to CRA with GDT staff members restricted from viewing this data.
24. CRA process the data and complete a series of validations to ensure logical errors are excluded from the Bidding Website. This data is then made available to GDT and bidders via the Bidder Portal five days prior to the start of the trading event (every bidder can see all sellers' data except where a seller has restricted access through Bidder Product Restrictions).
25. NZX receive Fonterra-only pre-event data, **and** make this available via their Dairy Futures website in order to provide transparency to the financial market.
26. Once bidders can access the "pre-event" data via the Bidder Portal, they can confirm their eligibility and plan their purchasing strategies. Forty-eight hours prior to the Trading Event, bidders can access the Bidding Website. Auto bids may be set up from this time.
27. The Trading Event itself is conducted via the Bidding Website by the Trading Manager, CRA.
28. GDT receive the results of the Trading Event, make summary data available in GDT Insight, publish the publicly available data on the Information Website, update each bidder's results on the Bidder Portal and provide sellers' results via reports on the Seller Portal. All winning prices are also provided to NZX who publish to the financial market the prices relating to their dairy derivative contracts.

Figure 3: Key information flows for each Trading Event



TECHNOLOGY, SECURITY AND DISASTER RECOVERY

29. GDT applies industry standard security measures in the design, acquisition, build and operation of all its technology. GDT operates its own Information Security Committee, overseen by an independent security officer, which provides ongoing governance over GDT security. Regular external security reviews are commissioned to ensure all standards are as expected.
30. The GDT trading system operates from multiple data centres to provide resilient failover for disaster recovery situations. GDT also maintains a Business Continuity Plan which outlines protocols for dealing with any severe interruption to normal operations. These protocols are tested and reviewed at least annually either through potential disaster scenarios or as part of incidents that occur.