

Members in Attendance

Bill Shields (Chairman), Nigel Brunel (Jarden Securities Limited), Thomas Carstensen (Arla Foods AMBA), Gilbert Chow (Inner Mongolia Mengniu Dairy (Group) Co. Limited), Mike Lynch (alternate for Vince Curtin, Burt Lewis Ingredients LLC), Kimberly Fisk (Nestrade S.A.), Jayen Mehta (Gujarat Co-operative Milk Marketing Federation Limited), Nick Morris (NZX Limited), Bruce Turner (Fonterra Co-operative Group Limited)

Operational Attendees

Eric Hansen (Market Administrator, GlobalDairyTrade Holdings Limited)

Jared McConachie (Market Administrator, GlobalDairyTrade Holdings Limited) for item 3a

Brad Miller (Trading Manager, CRA International Inc.)

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 9:03am NZT

Chairman Bill Shields opened the meeting and noted that the Agenda and all relevant papers had been circulated in advance of the meeting and would be taken as read. Chairman also noted the Guiding Principles and anti-trust compliance requirements attached to the Agenda.

Item 1: Apologies and Agenda

Apology received from Liam Fenton, StoneX Group Inc.

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.

Chairman noted that all Matters Arising had been completed.

Item 3a: More Frequent Price Discovery

Chairman referred members to the paper "More Frequent Price Discovery (MFPD)" which was taken as read.

Jared McConachie gave a brief introduction highlighting the key aspects of the proposal. Members were in broad agreement on the expected positive benefit of this initiative for development of the physical and financial dairy markets, and agreed that the initiative should be viewed as part of a long-term development path similar to the historical development of other advanced commodity markets.

Members discussed aspects of the trial period, including the likelihood that it may take more than six months to observe tangible benefits in some areas and therefore whether all success criteria would need to be met before moving to the mature solution and/or moving from weekly to daily auctions. It was noted that any assessment of

the trial period would need to take account of the overall effectiveness of MFPD in advancing price discovery in dairy markets. Members noted the potential for the MFPD initiative to attract new buyer and seller participants, and the longer-term possibility that multiple versions of MFPD could be operated to meet different customer and regional market needs.

Members discussed the potential for the additional pricing data arising from MFPD eventually being included in the NZX dairy derivative settlement price, noting that this will be a decision for NZX (and SGX under the NZX-SGX partnership). Nick Morris noted that NZX would need advance notice on the final naming of the new service to ensure appropriate exclusion from their existing derivative contract documents.

Resolved:

- ENDORSED the business case provided by GDT;
- NOTED the rule changes proposed by GDT to enable the establishment and operation of more frequent price discovery;
- AGREED that the rule changes proposed in paragraphs 11 – 24 of the paper be published for public consultation in early 2022.

Jared McConachie left the meeting at 9:39am NZT.

Item 3b: Governance Principles

Chairman referred members to the paper “Governance Principles”, which was taken as read, and noted that the paper is aimed at improving the clarity of what is to be audited, thereby improving the efficiency of the audit process and relevance of auditor comments to GDT and the Oversight Board.

Eric Hansen commented that, compared to the Minutes of the previous meeting, the scope of the paper was limited to exclude any changes to Management Comments as these are adequately reviewed during the audit process.

Resolved:

- AGREED to change the wording of Governance Principle 1.1(c) as follows: (i) Ensureing appropriate transparency over significant decisions affecting the discovery of winning prices; (ii) Ensure including contingency measures are in place in the event that insufficient or incorrect data, market stress or disruption, failure of critical infrastructure, or other relevant factors mean that one or more winning prices cannot be discovered or cannot be published;
- AGREED to change the wording of Governance Principle 3.1(d) as follows: Adequate review and sign-off by authorised or qualified employees of GDT or the Trading Manager for the systems under their respective control prior to releasing into production any changes to the software systems relating to price discovery, data transfer and publishing of winning prices;
- AGREED to a minor correction to Governance Principle 5.1(c) as follows: Documentation of policies for the use of expert judgement in circumstances where the exercise of such judgement involves altering one or more price increments for use in a subsequent auction round, and the information that must be recorded in such cases pursuant to Governance Principle 11.3b (“Expert Judgement Policy”).

Item 3c: NZX/GDT Information Sharing Agreement

Chairman referred members to the paper “NZX/GDT Information Sharing Agreement”, which was taken as read, and noted that the paper has arisen due to the NZX/SGX partnership whereby it would no longer be possible for NZX to provide information to GDT as required under the agreement, rendering the agreement void.

Resolved:

- ENDORSED GDT’s intention to terminate the NZX/GDT Information Sharing Agreement once the relevant dairy derivatives contracts have ceased trading on NZX.

Item 4a: Director’s Report and Item 4c Operations Report

Chairman referred members to the papers “Director’s Report” and “Operations Report” which would be considered together.

Eric Hansen commented briefly on the trading environment, launch of the refreshed platform and sales activity relating to new seller prospects (without revealing names or other identifying details).

Chairman noted that the term of the current board ends on 31 December and commented that, while the emergency provisions to enable a further 12 month rollover of the current board could be deployed, his view is that it is appropriate to revert to the more normal process outlined in the Oversight Board Charter for a new board to be appointed for a three year term. Members agreed with this approach.

Resolved:

- NOTED the contents of the Directors Report;
- NOTED that the key performance indicators show some variation between the June and September quarters, but an overall healthy trading environment;
- 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.

Item 4c: Compliance Report

Chairman referred members to the paper "Compliance Report" which was taken as read.

Chairman drew members attention to the discussion in the Compliance Report leading to GDT's conclusion that an in-depth review of GDT's price credibility is not needed.

Eric Hansen also commented on discussion in the report on Confidentiality Deed compliance review and noted that the appropriate treatment of external contractors is being reviewed and may result in a further paper to the Oversight Board.

Resolved:

- NOTED the Market Surveillance Report;
- NOTED the Conflicts of Interest Statement;
- NOTED the summary of findings from the Confidentiality Deed Compliance Review;
- NOTED the summary of findings from the Anti-Trust Compliance Review;
- NOTED GDT's conclusion that changes observed in the relevant dairy markets do not warrant a Price Credibility Review being undertaken

Item 5: General Business

Chairman noted the intention for a meeting of the appointed members of the new Oversight Board in late January 2022 to elect the members subject to election, and that the first full meeting is currently planned for late April 2022.

Meeting concluded at 10:11am NZT

Signed as True & Correct



Bill Shields
Chairperson

19 November 2021