

Minutes of GDT Events Oversight Board Meeting

Tuesday 16 May 2018, Shanghai



Members in Attendance

Bill Shields (Chairman), Nigel Brunel (OM Financial Limited), Thomas Carstensen (Arla Foods AMBA), Robert Chesler (INTL FCStone Inc.), Vince Curtin (Burt Lewis Ingredients LLC), Kishore Jhala (Gujarat Co-operative Milk Marketing Federation Limited), Joshua Sigmund (Fonterra Co-operative Group Limited), Yong Zhang (Inner Mongolia Mengniu Dairy (Group) Co. Limited)

Operational Attendees

Eric Hansen (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, but 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 1:30pm

Chairman Bill Shields opened the meeting and welcomed Vince Curtin and Yong Zhang as new members.

Item 1: Apologies and Anti-trust Briefing

Apologies were received from Hafid Brahma (Falait SPA), Nick Morris (NZX Limited).

Members noted the summary of anti-trust obligations attached to the Agenda.

Item 2: Minutes and Matters Arising from previous meeting

Chairman noted the minutes from the previous meeting had been signed off as final and provided to the Oversight Board Members.

No matters arising.

Item 3: Director's Report

Chairman referred members to the paper "Director's Report", which was circulated in advance of the meeting, taken as read and invited Eric Hansen to highlight key points.

Matters discussed included:

- GDT revised purpose statement – noted that members can assist in contributing to confidence by raising issues warranting attention and providing guidance to GDT on its future development;
- Platform upgrade – discussed the positive step forward achieved by CRA with their new generic platform and the scope of the forthcoming GDT Release 1 and 2;
- EU initiative – members commented on the benefit of the collaboration with EEX and the positive outcomes achieved thus far. Eric Hansen briefed members on GDT's preliminary planning for how it would develop and launch a new European platform within a relatively short period if the parties decide to proceed;

- SMP UHT review – members commented that the review of SMP UHT outcomes in Trading Event 207 was well received in the market and has been positive for GDT’s credibility. With the overall framework established, the announcement and completion of such reviews can occur more quickly in future.

Resolved:

- NOTED the contents of the Directors’ Report.

Item 4: Operations Report

Chairman referred members to the paper “Operations Report” which was circulated in advance of the meeting, taken as read and opened for questions and discussion.

Members commented on the re-emergence of offer quantities on contract period 6 in recent Trading Events, recognising that such decisions are at the seller’s discretion.

Resolved:

- NOTED that the performance indicators show a modest uplift in traded quantity and buyer and seller participation over the December and March quarters, but a slight decline in average clearance rate over the period;
- 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 5: Risk Report

Chairman referred members to the paper “Risk Report”, which was circulated in advance of the meeting, taken as read and commented on the approach adopted in the Report being consistent with Australian & New Zealand Audit Standards.

Matters discussed included:

- Risk ratings – members commented on the risk ratings being consistent with their view that failure of a single Trading Event may have a major impact but would not be catastrophic;
- Partner failure – members commented on the options for GDT to achieve sufficient training of backup personnel in the event of vendor insolvency. Eric Hansen also responded to questions from a member regarding the nature of GDT’s IP rights and the process GDT followed in confirming CRA as the preferred vendor for the GDT Events platform;
- IT systems – members discussed the heightened risk of cyber security attacks and asked that future reports to include explicit reference to cyber security issues. Eric Hansen commented that an independent review of cyber security risks had been completed recently and made recommendations that GDT had agreed to implement. The new European regulation known as GDPR was also discussed.

Resolved:

- NOTED GDT’s assessment that the highest residual risks facing GDT are the risk of insufficient value proposition, risk of being capital constrained, risk of regulatory breach or anti-trust action, and risk of partner failure;
- NOTED that GDT is working on a vendor insolvency contingency plan for each of the relevant service providers and will confirm their completion to a future Oversight Board meeting;
- AGREED that the Risk Report be updated and provided to the Oversight Board annually, with any exceptions reported as they arise. The next Risk Report to also include explicit reference to cyber security risk.

Item 6: Compliance Report

Chairman referred members to the covering paper “Compliance Reports” and following reports, which were circulated in advance of the meeting, taken as read and opened for questions and discussion.

Resolved:

- a. NOTED the notifications on the two additions to the conflicts of interest register, possible rule changes

relating to the US lactose pool, re-introduction of Whey Powder products, and possible change in financial market disclosures;

- b. NOTED that GDT has submitted the Governance Principles compliance audit, as required by Governance Principle 11.2(a);
- c. NOTED KPMG's audit conclusion is that they did not become aware of any matter that would lead them to believe that GDT has not adhered to the Governance Principles;
- d. NOTE that the next external audit of GDT's compliance with the Governance Principles is scheduled for November 2020;
- e. NOTE that GDT will report a self-assessment for each year between the external audits, the first of which to be provided in October 2019.

Item 7: General Business

Chairman referred members to the paper "General Business" which was circulated in advance of the meeting, taken as read and suggested that the Board's next meeting be held on Tuesday 23 October 2018 during the SIAL Paris Exhibition.

Members discussed the proposed schedule of future meetings, concluding that:

- The best approach may be to have one or two anchor venues for the first meeting of the year, while leaving the second meeting to be determined as best suits the focus at the time;
- The first meeting of the year to alternate between ADPI Chicago and FI China, with ADPI confirmed for 2019;
- For the second meeting of the year, one option is to alternate between SIAL Paris and Anuga Colonge but with flexibility to be determined year by year.

In discussing the above approach, it was noted that future GDT Buyer Conferences are likely to rotate around a wider range of venues to ensure that all major buyer and seller regions are covered over time.

Meeting concluded at 2:41pm Shanghai

Signed as True & Correct

Bill Shields
Chairperson