AGM Minutes
The meeting was held at the Northern Design Centre, Baltic Business Quarter, Abbott's Hill, Gateshead, NE8 3DF commencing at 10.30 AM on the 9th March 2018.

Mary Coyle, Chair of the Board, moderated this meeting and welcomed 84 members plus their guests and other staff (who are not members of the Society) to the meeting.

Patricia Alexander, Managing Director together with Regional Managers, Rachel Ngondo, Paul Sablich and Andrew Ridley alongside Shared Interest Foundation Programme Manager, Kodzo Korkortsi, presented a report on the Society's activities during 2016/17. Tim Morgan, Finance Director, gave a presentation on the financial results for the year and then, along with members of the Society's Staff Team and Directors, responded to questions from members.

<u>AGM Q&As</u>

Question: Is there a danger that the increasing population undermines good work in the developing world? Should we be more involved in issues like birth control?

A: Martin Kyndt: There is widespread evidence that as people lift themselves out of poverty, they make life choices and change their family size. In poverty, there are no safety nets; families only have each other to look after themselves. Shared Interest plays a role in stabilising a vulnerable situation and people have to lift themselves out of poverty. Shared Interest is giving more choice and control to producers.

Comment from another member at the meeting: Firstly, I endorse Martin's comment and saw this in Mozambique. There is a familial effect; if resources are targeted at women, people have more control over their own lives and it enriches the entire community. For this reason, I would like to see Shared Interest commit to directing 50% of its lending to women.

Question: What is it that the Co-operative Bank could not do for Shared Interest?

A: Tim Morgan: There were two things: The scale of money we needed to borrow, because Share Capital is invested in sterling, but we lend mostly USD and Euros. We need to borrow against the Share Capital – most of which we deposit with the Bank. Our borrowing facility could not provide the level we needed. Since closing our account, we have found out that we were the second largest customer the Co-operative Bank had at the point of leaving (the largest being the Co-operative Group itself). The second factor was that the Co-operative Bank was struggling with the complexity of our international payments.

Question: Has Shared Interest been impacted by Sainsbury's decision on Fairtrade?

A: Patricia Alexander: It has been a challenging year for Fairtrade. Earlier this week the ASA (Advertising Standards Agency) told Sainsbury's to remove their 'Fairly Traded' advertising: We don't think it will change their view. Fairtrade has to make itself more relevant. Supermarkets will always be more commercial than ethical. So far, Sainsbury's has only converted tea and the campaigning appears to have halted, or at least slowed, further product conversions. That said we still think they are likely to come eventually. There have been some positive outcomes in that Waitrose, The Co-op, and Greggs have since become even bigger supporters of Fairtrade. Some of you may have seen in the press that Greggs opened a Share Account during Fairtrade Fortnight and we are delighted to welcome a local company on-board. There are still opportunities in the lower price supermarkets like Lidl and Aldi starting to stock Fairtrade products. They are comparatively smaller in scale but we are seeing them grow fast.

Question: Do you collaborate with similar, likeminded organisations?

A: Malcolm Curtis: Do we work together as a group of lenders? Yes, and we refer to this group as CSAF (Council on Smallholder Agricultural Finance). Root Capital and Oikocredit, who Tim mentioned in the Finance presentation, are also members of CSAF. We have been meeting on a six-monthly basis for about the last four years. We ask what we can do to grow the sector together, even though we are - in a sense - competitors. It is about finding a way to deliver finance that works for farmers. There is a massive need for finance and we want to grow as organisations but we also want to support farmers and producers.

A: Kerrey Baker: In the UK, we work with other likeminded organisations like Rathbone Greenbank and Triodos; organising joint events. We also have a strong relationship with media partners such as the Big Issue, Amnesty International and Ethical Consumer. We are also members of Social Enterprise UK. In addition to this, we place reciprocal campaigns with titles such as Practical Action.

A: Paul Chandler: I would like to re-emphasise that we fill the gap in the market between micro loans and large facility lenders. Other lending organisations do not generally offer facilities worth less than half a million US dollars. We are meeting the needs of SMEs, and this means we are making an important contribution to the sector.

Question: Bearing in mind how many countries are classed as 'poor', why are we lending to companies in the USA?

A: Patricia Alexander: When we lend to organisations like Ten Thousand Villages, we are giving these buyers the facility to get pre-finance to producers. The money goes to the producer and the debt goes to the buyer.

Question: Due to the cost of borrowing in dollars, should we be expanding our base to those countries who have dollars as their currency?

A: Tim Morgan: We would be interested in taking investment in USD and Euros to reduce costs but there are complexities involved. Legal red tape in the USA makes it more expensive than borrowing the USD here. This question is one of the themes involved in our current strategic review because we currently have to pass on increases in base rates to our customers.

Question: When and how do we decide to write off a debt?

A: Tim Morgan: The cost figure in the accounts is not usually a write-off – rather it is a provision in case we cannot recover the balance. We make an assessment of which loans may be unrecoverable and hold this provision, in some cases for many years. Only when there is no chance of recovering the money do we write off debts. There is a lot of work done to try to recover funds before this point is reached. This process may include a formal insolvency process, (in countries like the US and UK there are clear insolvency procedures but this is not the case in many countries where we lend). Sometimes we work to assist the customer trade out of difficulty with further advances or restructuring. If all fails and there is clear evidence that the business has ceased without assets we will finally make the decision to write-off. In summary, there is a difference between writing off and making a provision. And it is rare that we write a figure off for good.

Question: I can see we have £4-5million in provisions against bad debts, which is significant. How much emphasis is on trying to collect those debts? Is there a member of staff focused on this?

A: Tim Morgan: That £4.5 million is a cumulative figure over a number of years. We have a Risk Manager dedicated to carrying out this role. Credit risk is the Society's largest risk as explained in the financial statements. The Risk Manager works with colleagues in regional teams, speaking to Paul and Rachel and their colleagues, working hard behind the scenes at all times. Our ways of managing these situations and recovering debt may be unconventional as previously mentioned. At times, it involves lending more money depending on the situation of the customer. Each case is different. We use legal processes where we can and the question has been raised of whether we should take security in more cases. We are considering this in our strategic review.

A: Paul Chandler: If a customer has facilities with multiple social lenders, sometimes we can jointly come up with a package to help the organisation trade out of their situation.

Member: This question also relates to debt. Are the cases evenly spread geographically? Are some areas more prone than others?

A: Tim Morgan: We do see different trends at different times. Rachel touched upon macro-economics for example where the government of a country changes the rules. The biggest losses generally come from buyers as they are using larger value facilities in Western Europe and North America. Currently we have a very small number of these accounts in arrears but as Andrew mentioned, when one goes, you feel the impact because of the scale of the loan. There is no obvious trend in where bad debts happen but early on in our relationship, each customer is assessed and then graded on risk. It is not always the smallest and most vulnerable organisation that fails and there is no easy categorisation. That is why we have a series of prudential limits to give spread and balance. We always try to learn from any negative experiences.

A: Keith Sadler: There is a school of thought that if we are not losing money on some loans/facilities, then we are not trying hard enough. We will however continue to lose money, as that is the nature of the business. The important thing is not to make the same mistakes. As well as setting prudential limits, every bad debt is forensically examined and learning shared.

Question: How much more investment is needed to meet the demand for lending?

A: Patricia Alexander: That is like asking, "how long is a piece of string"! If we doubled investment in a year, we would not have the capacity to lend it out. We need to grow but in a way where we can cope with that growth without demand outstripping supply. There are only 33 members of staff working across the world. We would aim for around a 10% - 15% increase per year. According to Dalberg, there is a greater than 400 billion dollar gap in financing for smallholder agriculture so there is plenty of scope for growth, but we cannot grow too fast or we could not utilise the additional investment. We currently lend out your investment approximately 1.6 times. People would remove investment if we did not use it. We need to lend money sensibly and in line with prudential limits.

Question: I am interested in who has the lead role in marketing strategy and social media.

A: Kerrey Baker: We do use social media and have 8,000 followers on Twitter, plus a presence on Facebook and Instagram. Our ambassadors are very important as word of mouth continues to be the most effective way of attracting new members. People need to hear of us an average of three to four times before they invest. The current trend is to invest a small sum and then increase. We introduced an online application form, which has also helped us attract a new and slightly younger audience. Our network of volunteers – 78 in total – attend talks and events across the UK. We also work with likeminded organisations and do what we can with a small resource.

Question: We were told the average age of members is 63. What about distribution of members across the country, especially London?

A: Patricia Alexander: While we do have members locally, the majority are in fact, based in the South and South East – London, Bristol, and Brighton being hot-spots. We are not so well represented in Northern Ireland where we have only a handful of members. Kerrey and her team have been there recently to raise our profile in this area. Apart from that, we have a reasonable geographic spread.

Question: To what extent do you see your role in pioneering activity in poorer countries? Your work in Malawi, Swaziland and Rwanda is excellent, is there any chance of replicating this in for example Chad or Burkina Faso?

A: Patricia Alexander: These activities were carried out by Shared Interest Foundation. The limiting factor is funds. Comic Relief do not currently have any funding streams open to us. We would like to do more work as we can clearly see the impact. Please speak to Kodzo if you have ideas of where we can secure funds.

<u>Voting and Resolutions</u>

Mary Coyle drew the question session to a close and asked Tim Morgan, as Secretary, to conduct the voting on resolutions and report the outcome of the postal ballots. Resolutions were approved as follows (where applicable the proxy votes were also reported and in each case were also strongly in favour of the resolutions):

1 to receive the Society's Accounts for the year ended 30 September 2017 and the reports of the Directors and the Auditor; (For 83, Abstain 1, Against 0) [Proxy votes: For 1044, Against 3]

2 to receive the Society's Social Accounts for the year ended 30 September 2017 and the report of the Social Audit Panel; (For 84, Abstain 0, Against 0) [Proxy votes: For 1041, Against 2]

3 to indicate satisfaction with the arrangements for determining the pay of Executive Directors that are the subject of the report by the Remuneration Committee in the Directors' report; (For 82, Abstain 2, Against 0) [Proxy votes: For 953, Against 39]

4 to re-appoint the firm of PricewaterhouseCoopers LLP as the Auditor of the Society and to authorise the Directors to fix the remuneration of the Auditor for the year ending 30 September 2018; (For 80, Abstain 4, Against 0) [Proxy votes: For 968, Against 60]

Report from Council

Ashley Wyatt, Joint Moderator of Council presented a report from the Council.

"The role of Council is to ensure that decisions made by the Management Team and Board incorporate the perspectives of all the members of Shared Interest. I can report on good communication between the Board and Council - with one member of each group normally attending the meetings of the other Group, and one shared meeting each year.

In the next five minutes I will share with you some of the highlights, from my perspective, of the experience of being on Council, as well as recounting a couple of encounters with 'ordinary' members, or potential members, of Shared Interest.

I would like to start with one of last year's Regional meetings. I attended the Leeds event as the Council rep. I bumped into an acquaintance I hadn't seen for a few years. He described himself as a 'sleeping member' of Shared Interest. He had never attended an event before. He said to me at the end of the day that on the strength of what he had heard he was going straight home to top up his investment. Those of us who attend events, and hear about the work of Shared interest on a regular basis, can underestimate the power of the message that it communicates. To know that one's investment is used on average1.6 times a year to change the lives of producers and their families in the developing world, and to be able to see videos about some of those producers on the website – that moved my acquaintance, and it was really good for me to be reminded of the power of our message.

The next experience I will share concerns the Strategic review process that is underway at the moment. In January, as members of Council we were able to read all the reports drawn up from Shared Interest's three regions, and from different groups of staff based in the UK and overseas; and then to have a proper discussion about them. All the dilemmas, and opportunities, had been set out clearly. In my view, only healthy and forward-looking organisations have a root and branch strategic review as regularly as Shared Interest does - and involve so many stakeholders. All of you today can participate in that consultation process, if you wish to, at the end of this event.

Council are also able to witness the incredibly thorough work of staff in the Regional Offices and here in Newcastle. At the last Council meeting, we discussed two applications for loans that had been approved by the Board. The sheer range of information gathered together was very impressive. Through documents of that sort, we can see the delicate balance between not taking undue risks, but also the extraordinary opportunities of lending to producers who may not meet the very strict criteria of in-country banks or other social lenders. There are no easy answers to striking the right risk balance - but as Council, we can try to give the Board and management a flavour of investors' views. I want to raise now two challenging current issues.

The first concerns changes around the Fairtrade Label and how Shared Interest should respond to these. Council had an opportunity to discuss the wording of the questions on the recent Member Survey that covered possible changes to the criteria for lending that Shared Interest might use in the future. As a member of the Leeds Fairtrade Steering Group I have also had an opportunity of talking with our local Sainsbury's manager in Leeds - and getting his perspective on why Sainsbury's are going their own way with their own fair trade label. Shared Interest is having to be pro-active in adapting to changes that will affect us, and affect the producers we work with.

The second concerns the as yet unknown implications of Brexit, and the already apparent effects of climate change. Both of these make it even more important that Shared Interest investors continue to invest, and that the organisation finds new investors. Climate change is already having serious effects on producers. Brexit may make the terms of trade more difficult for some developing countries. To me one crucial role of the Council is to have open discussions about how we can continue to expand as an organisation and help mitigate the effects of both these factors. In other words - how can we help all investors to spread the message to their friends about what Shared Interest is achieving?

Both of these challenging areas, as well as other more technical issues, are likely to require Shared Interest to take some hard decisions in the near future, and the Strategic Review process will crystallise those directions. It is the responsibility of Council to ensure that the Board and Senior Management take those decisions, and then implement them, and we will be doing that over the next year.

But I wish to finish by coming back to the need for new investors and telling you about a cup of tea I had a couple of months ago. (A Fairtrade cup of tea of course, but that isn't what I want to tell you.)

Two friends had visited the Shared Interest stall at an ethical shopper conference in London, and they told me this, as they knew I was involved. My wife and I had them round for a cuppa and showed them the 25th anniversary Shared Interest film, and answered their questions. Like the acquaintance I met at the Regional meeting, they were really struck by what they saw and heard, and I hope by now they have started to invest. I have, of course, been too polite to ask them whether they have or not!

If Members of Council can help the process of enabling more investors to have a Shared Interest 'cuppa' with one of their friends, and therefore increase the pool of investors, then I think we are fulfilling one important aspect of our role. Thank you."

Election of Candidates for Board and Council

Public declarations of support for the Society's Object from all candidates for election were received. The results of the postal ballot for the election of the following members of the Society as directors for the year were announced as follows:

Name	For	Against
David Bowman	1,221	27
Mary Coyle	1,198	41

The results of the postal ballot for the elections of the following members of the Society as members of Council for the year were announced as follows:

Name	For	Against
Rod Gilpin	1,151	42
Andy Normandale	1,138	48
Martin Canning	1,243	22

Andy Normandale was elected to serve on Council. Rod Gilpin and Martin Canning were re-elected to serve on Council.

The formal AGM closed at 12.35pm followed by a short speech of thanks from Mary Coyle, Chair of the Board.