

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 8th March 2019.

Mary Coyle, Chair of the Board, moderated this meeting and welcomed 74 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, Paul Sablich and Andrew Ridley alongside Lending Manager, West Africa, John Dossou and Shared Interest Foundation Programme Manager, Kodzo Korkortsi, presented a report on the Society's activities during 2017/18. 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.

AGM Question & Answers

Question: Why does Shared Interest borrow US Dollars, why don't you buy USD? It seems more expensive to borrow them.

A: Tim Morgan: If we bought \$ or € we would be taking a huge risk on the exchange rate when we convert back to £. Borrowing currency means that we have an asset, matched directly with a liability. We are currently trialling using forward exchange deals: buying \$/€ at a fixed price for a fixed term.

Question: Have the recent challenges at Traidcraft affected any of Shared Interest's producers and what is the role of Shared Interest Foundation in supporting these producers?

A: Patricia Alexander: We have all been saddened by the news at Traidcraft and we know several Shared Interest customers have been affected. It has been the handcraft producers based in Asia that have been most affected and we do not lend funds directly in this area. Traidcraft Exchange and Oxfam are working hard to support producers affected.

Question: I can understand the logic of raising investment in US Dollars and Euros but what are the practicalities of doing this?

A: Tim Morgan: We have not gone too far down the route yet. We wanted members to vote on the principle first and the vote on this proposal will be coming later. We might be able to raise Euros from the Republic of Ireland. Some members have said they have access to \$ and € and would be prepared to invest them in Shared Interest. We are very unlikely to consider, for example, opening "Shared Interest USA" as this would be very complicated with US tax rules. There may also be other organisations we can work with, who have these currencies and would be prepared to lend/invest.

Question: What is Shared Interest's relationship with Oikocredit, could they help raise Euros for Shared Interest?

A: Tim Morgan: Our relationship with Oikocredit goes back a long time. They have now stopped raising investment in the UK. There may be a chance to collaborate with them in the future. We do work together in the informal alliance called "CSAF" – the Council on Smallholder Agricultural Finance – a group of social lenders worldwide who are working in the same market as Shared Interest.

Question: The cumulative effect of provisions for bad debts means there is now £5.5million set aside for this. Does the Board have a view on having a maximum value for this cumulative provision?

A: Tim Morgan: There is no set limit. The scale of the number is a reflection of the size of our Balance Sheet and debt book now. Ultimately, we want to try and recover the monies, and help the organisations get back on their feet. This is more of an accounting issue and our auditors did comment on this during the audit this year. In other words does it give a true and fair view to have a

high number of loans where no income is taken to the profit & loss account (Statement of comprehensive income) each year, and we simply increase the cumulative provision by this income, to reflect the fact that it has been added to the customer account but we can't be sure of ever receiving it? The Board was comfortable that we have adopted an appropriate treatment but will keep this under review.

A: David Bowman: Provisioning is a key issue for the Audit Committee and we look at it annually along with our auditors. The focus is on individual risks and therefore it is not appropriate to have a top limit to which we should be constrained. The levels of risk are subjective but each one is looked at thoroughly. We are confident that we have accumulated the overall balance robustly.

Question: Thank you for the interesting and positive stories. The Strategic Review led to six emerging themes for Shared Interest, how did you come to focus on two for now and how and when will the remaining four be addressed?

A: Patricia Alexander: The Strategic Review sets our priorities for the next five years and we don't have the resources to do everything in the first year. We know that currency raising will take time and that there are changes required to the Rules, so we prioritised that. The environment is the number one issue facing our customers so that is the second focus. We are looking at the others but have started with the two areas, which will take the longest and involved a lot of learning to implement them effectively. We have an implementation plan but those are our priorities.

Comment/Question: As a trustee for the North East Humanists, I appreciate the change to the Preamble in the Rules. While visiting Kenya last year, I was surprised at the low level of understanding of fair trade among the Kenyan students and also the audiences I spoke to. Are you satisfied that you are reaching the right market and is there any gap in knowledge we could address?

A: Patricia Alexander: The places where most Fairtrade products are grown often do not have good outlets for the sale of those products. Those who know about Fairtrade tend to be the co-operatives and farmers who are looking for markets to sell their Fairtrade products. Small holders not involved in a co-operative may not know about Fairtrade. Fairtrade Africa is working hard to raise awareness.

A: John Dossou: Fairtrade Africa are aware of the situation and are developing a local Fairtrade market and have also implemented a number of education programmes. They are trying to influence policy makers too. I attended an event which was also attended by the Trade Minister of Ghana who had no idea about Fairtrade. Fairtrade Africa is also working hard to increase awareness about Fairtrade at universities and schools.

Question: Looking at the age of the membership what is being done to reduce this further? Millennials are demonstrating an interest in ethical investment and there is growing concern about these sorts of issues among that age group.

Mary Coyle: This is certainly something we are addressing. 4 years ago when I joined the Board the average age was 67 and now it is 63.

A: Kerrey Baker: We are conscious of this and are trying to encourage investment among a younger audience. Currently, under-16's cannot invest and for those who do have accounts, say through their grandparents, we have no direct communication with them but we are keen to change this. We have worked with universities to bring in more volunteers and this raises awareness of who we are and what we do. Unfortunately, this age group have less money to invest but when they do have money to invest, hopefully they will remember us. We also find that our very young members do not invest as much or for as long.

A: Patricia Alexander: Young people don't always have money to invest. They may have student fees to repay, mortgages etc. and therefore have limited spare money at that point. However, if we can attract 50 – 55 year olds when people are more likely to have spare money, that all helps to reduce our age profile.

Question: Given it is international Women's Day, the percentage of women reached through our lending looks quite low. Is this due to the link between land ownership and membership of a co-operative where they favour men?

A: Patricia Alexander: 39% of those we reached last year were women. It is difficult to influence the makeup of co-operatives. If we increase our lending to cocoa or coffee, we are not likely to reach more women. However, Fairtrade Foundation and Fairtrade International are doing much to promote women in co-operatives. This Fairtrade Fortnight has focussed on female cocoa producers from the Ivory Coast. We cannot pre-judge potential customers based on the number of women involved but we do look at how, if, we can, help this balance.

This afternoon we will be looking at some examples of where women are being supported. Shared Interest Foundation can provide support focussed on women just as they are doing through the Bees for Business project.

Laws must change for land ownership to change but, internationally, only 23% of representatives in government are women. Governments change laws.

Comment/Question: In my observation, men own the farms but it is women who are the 'bright sparks'. Going back to encouraging a younger audience, one of the statistics I always find very interesting is how many times our investment is used during the year.

A: Patricia Alexander: Last year thanks to your investment we made payments of 1.6 times the average share capital.

Question: I have really, really enjoyed this presentation, which has been very helpful. I am 90 years old and have been an investor since Shared Interest began. I am amazed at the expertise of the organisation. I invested having returned from working in Zambia for 20 years with a desire to support development differently. Is Zambia ever going to appear in the countries you support?

A: Patricia Alexander: There are some differences in financial regulation between countries, which can prevent us from lending in some areas.

A: Malcolm Curtis: We have lots of experience within the Lending team. We have not lent directly to Zambia, we did have a link a number of years ago. We have not quite spread that far and there are not a great deal of Fairtrade products there. We try not to spread ourselves too thinly.

Member (who asked the question): I can wait!

Question: Raising investment in USD and Euros. Would it help if current members converted their investments into these currencies?

A: Tim Morgan: Yes indeed – especially USD – but members do need to be aware that you would then be carrying the currency risk.

Report from Council

Martin Canning, Joint Moderator of Council presented a report from the Council.

“Has this been a challenging year? In terms of the environment in which Shared Interest works, I don't think there's any doubt. As Council, representing a cross-section of the membership of the Society, we have been greatly impressed by the way the staff, management and the Board have not only produced a positive financial outcome for the year, but also put in the significant amount of work necessary to support a strategic review. They have produced another very readable set of Social Accounts, whilst continuing to offer a variety of lending products to customers. Council members had the opportunity to review the research papers compiled by staff from across the society, to participate in some of the workshops during the strategy review process and comment on the papers before the final version was submitted to the Board for approval. We value these opportunities, as well as the interchange between Council and Board at our regular meetings and in

our annual joint meeting. We are keen to keep in touch with the Strategic Review objectives and will be seeking regular updates on progress on your behalf.

In the realm of Fairtrade, two things always surprise me a little – the limited knowledge of Shared Interest and its work amongst those who support and buy Fairtrade products, and the relatively low numbers of members who participate at the AGM or the member days. There's perhaps a temptation to say they're doing alright with my money – they haven't lost it yet – and as long as I know it's working, that's all I need to know. This clearly doesn't apply to the audience today, as you have demonstrated your interest in hearing more about the performance of the Society by taking the time to be here. Encouraging another member or potential member to participate in one of the Regional days would certainly expand the level of direct engagement.

The issue of spreading the word about Shared Interest is something we challenged ourselves on at one of our Council meetings last year, and its importance has been underlined by the troubles Traidcraft have experienced. It's also interesting to hear the view expressed, as I certainly have over the last few months, that Fairtrade and Traidcraft are one and the same or that Shared Interest is directly linked to Traidcraft. As members of Council, we challenged ourselves to make a commitment to talk to at least one friend or family member about the society and encourage them to become an investor. If we were all to do that, we could make a significant positive impact on our member numbers. From the member survey responses, it was clear that the vast majority of respondents are keen to see a broadening of the accepted range of certifications. This indicates a fairly sophisticated understanding amongst members of the Fairtrade landscape. However, that's not the case in the generality of Fairtrade supporters and customers.

The Social Accounts are not just about how good the society is at what it does, but it's also a management tool that helps the organisation continue to improve. This attitude of continually looking for ways to improve the Society, how it works and the level of impact it has on customers is impressive. It's also a very useful tool to assist those conversations we're all going to have with friends and family. Nothing stands still in this environment, particularly the retail environment, which emphasises the need for all of us to pass on the good story of what Shared Interest is doing and its impact. Equally, the global environment doesn't stand still either, and we need to be aware of the impact of climate change on our customers and support their climate adaptation and other mitigations where we can, for the benefit of future generations as well as the current one.

Two of the key changes included in this AGM's rule change proposals will open up the field for potential new investments, and Council encourages you to vote for this broadening of the Society's appeal. There is also a small change in size and composition of Council. We do want to encourage more people to put themselves forward as candidates for election to Council or to be willing to accept the invitation from Tim to one of the randomly selected slots. There's a regular turnover of members as we are only allowed to serve two 3-year terms. It's important for us to be representative, and although we are mostly in the right age range to represent the current average member, we may not always reflect the demographic profile of the membership as a whole.

Thanks are due to members who are completing their terms this year – to Liz Murphy, who brought her experience of working in Uganda, plus Rod Gilpin, whose energetic analysis of the numbers has always betrayed his maths teacher background. Both of them have completed six years on Council. In addition, Ben Quashie has found himself unable to stand for a second term, although continues in the role of an ambassador. Our thanks and best wishes to them all for their service to the Society and its membership”.

Voting and Resolutions

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 2018 and the reports of the Directors and the Auditor; (For 74, Abstain 0, Against 0) [Proxy votes: For 1153, Against 3]

2 to receive the Society's Social Accounts for the year ended 30 September 2018 and the report of the Social Audit Panel; (For 74, Abstain 0, Against 0) [Proxy votes: For 1144, Against 3]

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 74, Abstain 0, Against 0) [Proxy votes: For 1090, Against 33]

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 74, Abstain 0, Against 0) [Proxy votes: For 1081, Against 59]

As explained in the supporting AGM documentation, the Directors of the Society proposed 22 changes to the Rules in order to modernise the language and to give the Society the ability raise share capital in currencies other than Pound Sterling.

The first 20 Rule changes were approved unanimously by members at the meeting (For 74, Abstain 0, Against 0) and had been strongly backed by those unable to attend but who had given their proxy to the Chair (average support for each change from proxy votes was over 90). The last two proposed Rule changes relate to the Board composition and impose an upper limit of 12 to the size of the Board as well as introducing normal lengths of service for directors of two, three-year terms, extendable by exception for a further three-year term. In the days before the AGM, we became aware that the drafting of these two Rule changes was not accurate because the Executive directors had inadvertently been brought into the retirement by rotation and fixed term length of service, which was not the intention. The Board therefore asked members to vote against these two final changes, which they did unanimously. (For 0, Abstain 0, Against 74)

As it would require a further General meeting of members to amend the Rules as intended in regards to the Board, we will therefore proceed to register only the first 20 Rule changes but will operate the Board as intended in terms of size and length of service. Registering a Rule change with the Financial Conduct Authority is a complicated matter. We will therefore hold making formal Rule changes in relation to the Board until such time as we feel it is appropriate or necessary to make other, further changes to our registered Rules.

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
Paul Chandler	1,171	45
Pauline Radcliffe	1,190	33

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
John Rose	1,072	84
Stephen Thomas	1,181	37

Closing remarks were made by Mary Coyle as Chair, who thanked all members for attending and also offered particular thanks to departing Council members, Ben Quashie, Liz Murphy and Rod Gilpin. The meeting concluded with lunch at 12.40PM.