

AGM Minutes 2023

AGM Minutes

Shared Interest Society's 33rd Annual General Meeting (AGM) was held virtually via "Zoom" at 2pm on Friday 17th March 2023. Mary Coyle, Chair of the Board, moderated this meeting and welcomed 145 members plus their guests and other staff (who are not members of the Society) to the meeting. Patricia Alexander, Managing Director presented a report on the Society's activities during 2021/22. Tim Morgan, Finance Director, gave a presentation on the financial results for the year and this was followed by the Directors responding to questions from members.

Q&A

Can you give background to long-term relationship with Traidcraft and has their sad closure had any financial impact on Shared Interest producers?

DPA: I am sure many of you are aware that Shared Interest evolved out of Traidcraft to offer pre-payment to their suppliers to fulfil orders. They commissioned a piece of work that led to the creation of Shared Interest and we are based on the same Christian principles of love, justice and stewardship however have always been entirely independent organisations. Traidcraft was our first customer and we worked with them for many years. They have had a huge impact on the UK fair trade sector and were responsible for the founding of Fairtrade Foundation. It was pre-Covid when Traidcraft announced that they were contracting their business and as a result they did not need our finance and we therefore stopped working directly with them. At this time, they stopped purchasing directly from producers, buying instead from third party fair trade businesses in the UK. They became more about providing access to market than continuing their direct work with producers. There has been work carried out amongst Fair Trade Leaders to maintain that access to market. Oxfam has been very supportive in offering a web platform for 100% fair trade businesses to sell their products. Transform Trade (formerly Traidcraft Exchange) is raising funds to help with short-term loss of market access. It is very sad to see the name and the history of Traidcraft coming to an end however their legacy in fair trade will continue to make an impact.

What has been the main driver for the unusually high level of bad debt?

TDM: The real difference this year was that we experienced two insolvencies in our customer base. We always expect to have an underlying level of bad debt – that is the nature of our business. We are Shared Interest – we are sharing risk and we expect to have some customers unable to repay in full. Unfortunately, that is what happens when you lend to vulnerable producers in the developing world. However, over and above that, we had these two insolvencies. If you delve deeper, there are layers: on top of climate change, we had Brexit, then Covid, add to this, high inflation, the impact of shipping container shortages, the war in Ukraine and finally higher interest and fluctuating exchange rates. The perfect storm! The two businesses that folded were well established and were customers for a long time. They looked like very good businesses but in the end there was a "straw on the camel's back" and the combination of all these factors led to their demise.

Where there any singular bad debtors over £50k and which geographical areas were the bad debts the worst?

TDM: I don't think that any one region was worse. We had bad debts across all of the key areas where we operate; Latin America, East and West Africa and Europe. And yes, some of the individual provisions were greater than £50,000.

Is the bad debt likely to be recouped?

TDM: That's a great point and thank you for raising the question. It is important to say that, other than the accounts that have closed, the rest of those provisions are just that: they are the setting aside of some money to represent what we think we will not get back. There are some very busy colleagues throughout the organisation trying constantly to recover funds owed to us; even when we have made a provision against them. For example, this year we have recovered hundreds of thousands of pounds from such balances. We never give up trying. This autumn two producers who we had been patiently working with made repayments after five years. Will it all be recouped? No, that is very unlikely, but we will certainly be trying very hard to recover everything we can.

What is the difference between microfinance and the Shared Interest loans?

TDM: Organisations offering microfinance are ultimately providing money to individuals and generally on a very small-scale loan size. Whereas, we are lending to businesses, such as co-operatives and other corporate structures.

What is sphagnum moss used for?

PS: It is considered an excellent product for orchid production, due to its capacity to retain water. It can be used for any crops that are highly demanding of moisture. It is also considered to have excellent plant anti-bacterial properties and is in high demand for organic crops. More recently, it has also been discovered that it can also absorb heavy metals. As a result, Inka Moss have started to explore its ability to purify water and the potential for natural water treatment plants, providing clean water for the population.

MC2: Added that in the UK it is mainly used in hanging baskets

Given the surprising slowdown in investors, the ageing investor profile and the fall in investment growth over recent years, where does investor recruitment and average investment growth figure in the strategic goals?

YG: Members are right to raise this question because it is vital for the Society that we continue to bring in new members, and for existing members, where possible, to boost the amount they are able to invest. It is something that the Board focuses on at every meeting. So what have we been doing? We recently took the cover wrap on the Big Issue magazine – so getting it front and centre on high streets and in newsagents. We placed advertising in Amnesty International, Green Parent and The Guardian. We selected these publications because they matched the typical profile of those who see the value of working with Shared Interest. We have also moved to more digital platforms, using social media and placing digital adverts. Investors can now become members through the website and then they can manage their Share Account online. And finally, we have a team of people whose job it is to look for growth opportunities. I am sure Kerrey, Head of our Member Engagement Team would be absolutely delighted to hear from any members on how they might be able to support through volunteering or perhaps if they have other ideas.

Is there likely to ever be consideration of partnerships with growers or craft producers in Gaza or the occupied Palestinian Territories? They face more and more difficulty exporting products, due to Israeli Government policies.....

DPA: Interesting question. I think it is a real challenge for anybody to work in this region. We must think about the safety of our team at all times. I think from a financial regulation perspective it could be difficult for us to get money to the areas where it is really needed. I know that we have worked with an olive grower organisation called Canaan in the past. But we have not worked in that region for quite some time and we don't have any members of our team based in that area. Zaytoun are doing a fantastic job in bringing products to the UK from that region and I would encourage everyone to support them.

When promoting Shared Interest at an event or a talk, what is the best message to give in terms of the value of becoming a member versus the value of giving donations to Shared Interest Foundation?

MD: Hello to everybody. I am actually sitting in Mexico where I have come to visit some fair trade producers. I have had some fantastic discussions with producers who are producing honey for example. So the difference between the Foundation and the Society. I would say the first thing is that when you are out there promoting Shared Interest, the best message is why you joined and support Shared Interest. Sharing your own motivation is the best way to engage with other people. When you have a question around whether to put your money into Shared Interest Society or donate to Shared Interest Foundation, there are two different things happening. The money invested into the Society is being used to lend and when that money is repaid it will be reloaned again. For the Foundation, it is a charity so that funding is going to be used for project work. When we receive donations to the Foundation, they are generally not restricted. That means that the team can find the projects with the greatest impact and decide how to use that funding. Of course, the Foundation is always looking for external fundraising as well but that tends to be very specific and restricted. So any time a member can give a straight donation to support the Foundation then that is very welcome because it allows them the freedom to shape and structure the projects that really make a difference.

How will you avoid the high level of bad debt? Does it require closer intelligence on the ground about the companies you are lending to or other actions? Another £450k next year would leave our reserves in serious jeopardy.

TDM: We have been trying for a number of years to reduce the risk from our lending. As I said a few moments ago, our lending is inherently risky as we are supporting very vulnerable producers. You (*our members*) keep telling us in our strategic review consultations that you want us to take that risk. We also test – and it is not the easiest thing to do – members' risk appetite, every two years. We do a member survey and make sure that we are staying within the parameters of what you think we should be doing. In terms of risk, we have strengthened our risk and compliance capabilities in-house. We now have a dedicated Head of Risk and Compliance role as part of the senior team. We have also started taking security where we can. Not all of the businesses we work with can give security and that is part of the reason we exist; to work with those businesses. However, where there is security available it sometimes makes sense for us to take it, even if we never actually execute it as it gives us a seat at the table where we can discuss and try to resolve the situation, or at the very least, get some level of return. Can we have more people on the ground? I'm not sure that we need to do that. We obviously need to continue to improve our underwriting skills. Optimally, we want to do lending that is socially impactful but where possible, less financially risky. We are looking at adding external intelligence to our own using a local expert, who

can also in some cases link us to credit insurance. With some established buyer customers typically in the European portfolio, we are investigating whether it would be possible to insure the debt and that would be a price worth paying to reduce the risk of substantial defaults. So, yes we are doing a number of things as you are quite right, having another loss of that scale would be serious so we are doing our absolute best to avoid that.

Can members leave their investments to the Society in their wills?

DPA: Yes, they can certainly do that. If you have up to £5k in your Share Account and want to leave it to the Society or Foundation, you can complete a legacy form, which we can provide. We do send out Legacy Booklets every couple of years with our quarterly magazine. If you would like to leave a legacy of more than £5k then you must put a clause in your Will. We are so very grateful to everybody who does donate to the Foundation as it has allowed us to carry out a great many projects.

What level of USD and Euro investments do we currently enjoy?

TDM: Until we changed the Rules in 2019, you could only invest in Sterling but then we opened up the capacity for members to invest in these two currencies. This provides a natural hedge for our lending, as we would not need to borrow those currencies for that amount of lending. The short answer is not very much at the minute, unfortunately. It is some tens of thousands of Euros and even less than that in Dollars. We haven't really found a way of tapping into this yet. We did an extensive piece of work to enable us to offer our Share Account in the Republic of Ireland - as the nearest source of Euros in an English-speaking country but unfortunately the Bank of Ireland closed this avenue for us.

Are we seeing a higher return on our bank deposits this year following the rise in interest rates?

YG: I am going to say yes and no. Yes, we do hold money in interest bearing deposit accounts but our primary objective is to put the money to good use – i.e. lend it out to the producer groups and the buyer groups. We try not to hold too much. The objective is to push it out to the co-operatives and businesses who need it. The other complication in this is that, because we lend in Euros and Dollars, the money that we hold often acts as security against that, to keep down the cost of borrowing in Euros and Dollars. So yes, although we are enjoying a little bit of an improvement because of the bank deposit rate. Really it may not be as much as members assume as it is put to good use.

Can the Foundation make use of foreign or even out of date foreign currencies?

DPA: I don't think so. That would be very complicated for us to manage. It would be too much of a challenge.

In what ways can you redress the losses?

TDM: By generating future surpluses, which we do by realistically managing down that bad debt charge. There is obviously a fine balance between increasing the costs to our customers with increased interest rates and deterring customers from borrowing but in reality we also do not want to charge a higher interest rate than we absolutely need to. You saw from the earlier figures, our general running costs and our income have been pretty static over the last five years. The main thing that has changed is the bad debt. Therefore, that is the big game changer. If we could reduce that, we would then make a surplus, which would be carried forward to build reserves.

The organisations that you refer to – were they expected to collapse?

TDM: No is the short answer. As we said before, we worked with the organisations for a number of years. One was a very substantial business, which was also borrowing from other organisations. The other had been around for a very long time. So neither were expected.

What is the interest rate to borrowers?

PS: It varies due to several different factors but usually we lend at between 9 to 12% per annum.

REPORT FROM COUNCIL:

Stephen Thomas, Joint Moderator of Council presented a report from the Council.

“I wish to start by reflecting on the composition of our 8-member Council. As customary at an Annual General Meeting we say farewell to certain Council members who have come to the end of their terms of office. On this occasion, it is Katarina Diss and Geoff Shearn whom we thank for 6 years of creative service apiece. May I once more express my appreciation for the support of all members of the Council over this past year, and in particular that of my fellow Moderator Katherine Wyatt. Pending confirmation of the results of this round of elections, we look forward to welcoming back Anjum Misbahuddin for another term on the Council and to working alongside two new Council members in Kathleen Hall and Neville Hallam.

130 Shared Interest members took part in the organisation’s Strategic Review consultation just over a year ago. That involvement formed an integral part of the process that led to the Society’s revised strategic objectives. The strong message from members was that Shared Interest should stay true to its basic purpose and concentrate on supporting smaller and more disadvantaged customers. That clarity has assisted us greatly at Council during the past year in ensuring a continued alignment between members’ interests and the Society’s strategy. And, it is good to see the fruits of this evolving approach coming through, such as in the creation of a first Partnership Manager at the Society. The concept of ‘partnership in practice’ is clearly important to many of the Society’s members, for whom motivations for their membership are broader than merely setting aside money to invest, or buying Fairtrade products.

Council receives reports from various sections within Shared Interest each year. It is pleasing to see projects funded by Shared Interest Foundation charity increase two-fold over the past period - much of that expansion made possible by higher donations from Shared Interest members. And, on the sterling work the Member Engagement Team does on our behalf, Council was impressed with the Society’s social media presence and improvements made to the member portal. Most recently, Council approved of the introduction of a new written policy for dealing with vulnerable persons from amongst our membership and donors.

We heard earlier at this meeting of the effects that cost of living pressures, hikes in inflation and global economic challenges for producers have had on the Society - both on a slowing down of investment in Shared Interest, and in the significant increase in bad debt provisions. None of that however detracts from the underlying fact that Shared Interest members are loyal, generous and engaged - facts, which I hope we successfully convey in our role on the Council. This is why short-term financial difficulties such as these should not overshadow the importance of getting an overarching, longer-term strategy and business plan in place. That is something (as noted earlier) that the Society has indeed achieved in the Council’s view.

In summary, all of this goes to show what a supportive community we are collectively, and I hope that you as individual members feel that to be the case. We as Council representatives

certainly do, and intend to continue reflecting that community as best we can in our relations with the Society's management, staff and Board members. May I finish by conveying in turn the Council's thanks to Mary Coyle as she retires from her role as Chair of the Board. It has been clear to us that she has embodied this sense of community admirably in that position, which she has held with distinction over the past 8 years."

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 2022 and the reports of the Directors and the Auditor: (For 105, Abstain 2, Against 0) [Proxy votes: For 706, Against 0]
2. to receive the Society's Social Accounts for the year ended 30 September 2022 and the report of the Social Audit Panel; (For 108, Abstain 1, Against 0) [Proxy votes: For 701, Against 0]
3. to re-appoint the firm of Armstrong Watson as the Auditor of the Society to authorise the Directors to fix the remuneration of the Auditor for the year ending 30 September 2023; (For 108, Abstain 2, Against) [Proxy votes: For 695, Against 13]
4. to increase the remuneration for the Non-Executive directors from £3,420 to £3,600 and for the Chair from £5,400 to £5,688 with effect from 1 October 2022; (For 102, Abstain 5, Against 2) [Proxy votes: For 681, Against 20]

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 below. Dr Yvonne Gale was re-elected and Jameson (Jamie) Miller was elected by members for the first time having been co-opted to the Board in December 2022, following a recruitment and recommendation from the Shared Interest Nomination Committee:

Name	For	Against
Dr Yvonne Gale	938	11
Jameson (Jamie) Miller	849	65

The results of the postal ballot for the uncontested elections for the members of Council were announced and Kathleen Hall and Neville Hallam were appointed. The results were as follows:

Name	For	Against
Kathleen Hall	891	29
Neville Hallam	894	30

The results of the postal ballot for the re-election of Anjum Misbahuddin as member of Council for the year were announced as follows:

Name	For	Against
Anjum Misbahuddin	924	15

Mary Coyle, who stands down after eight years as Chair, thanked all members for attending and also offered particular thanks to departing Council members Katarina Diss and Geoff Shearn. Incoming Chair, Dr Yvonne Gale then thanked Mary for her service as the longest serving Chair of Shared Interest Society. She concluded by saying:

“First, I want to give a special thanks to Mary for her role as Chair in steering us through many challenges and successes. It is a delight to take up the role for such an unusual and unique organisation; a real exemplar in social justice, financing unserved parts of the world.”

The meeting concluded at 4pm.