AGM Minutes

Shared Interest Society's 34^{th} Annual General Meeting (AGM) was held virtually via "Zoom" at 2pm on Friday 15^{th} March 2024. Yvonne Gale, Chair of the Board, moderated this meeting and welcomed 115 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 2022/23. 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

Have the Board considered increasing the team for the Foundation or maybe restructuring it so that they have a more independent board and an independent focus?

DPA: In addition to the two full time members of the team, many more people contribute to the running of the Foundation. As well as sharing a Board, the Society supports the Foundation in HR, Finance, Marketing and Technology. Our Lending team also helps to identify potential projects in their region. We are also in the process of increasing the Foundation team by recruiting a Grant and Trusts Fundraiser. Kerrey Baker, who was recently co-opted onto the Board has additional responsibility for the Foundation, and this brings the voice of the Foundation to the Board table. We do hold a separate Trustees meeting, and we are committed to ensuring the charity receives appropriate time from the Trustees. We have reflected on having a separate Board of Trustees many times, and the challenge we face is to be able to attract the calibre of individuals that we have currently on our Board. As the Foundation was set up to complement the work of the Society, it would be very difficult if a separate board were steering the Foundation as it is essential we keep in line with the strategy of the Society. We do, however, reflect on this decision bi-ennially and discuss if it is still the right approach to take. At the moment, we do feel this approach is the right one.

I am sure all the Trustees and Council members are highly competent, but they appear to be overwhelmingly white. Staff members do appear to be more diverse. Is this lack of diversity in the senior management team deemed to be an issue?

YG: In our Membership Survey three themes emerged, they were access to finance, sustainability and gender equality, and those three themes underpin the discussions that we have. We have a comprehensive recruitment and promotion process, which is based on skills and experience as well as personal motivations. Each appointment is obviously based on individual merit, and sometimes, finding the right people is difficult. However, I am very pleased to report that our efforts on gender equality are reflected in our executive team.

DPA: All members of our Board and Council must be Society members. They are also representative of the current make up of our membership base. With the support of our regional team, we have included producer committees in our governance structure to enable us to bring the producer voice to the Board table. The Shared Interest team as a whole is very diverse. Our Head of Lending is based in Peru and our Foundation Manager is based in Ghana.

Are any new projects in the pipeline to increase diversification and combat climate change impacts?

KB: The Foundation successfully delivered 14 projects last year and we currently have eight projects underway at the moment. Each project aligns with one or more of our key themes: developing sustainable businesses, empowering women and youth, and building climate resilience. We ensure that these themes are integrated into our project development. Currently, we have a number of projects focussed on building climate resilience, including the Soilless Farming project and the Bees for Business project. We continuously look for new funding streams and maintain a pipeline of projects. Our lending team, operating on the ground play a crucial role in identifying a project need, and we identify funding to meet these needs, with climate resilience being a key focus.

Bad debts used to be very much smaller (if I remember correctly). Is this a change of policy?

TDM: No, there is not a change in our credit policy or our lending criteria nor in how we provision for bad and doubtful debt. However, in the past six or seven years we have faced some really quite extraordinary headwinds such as climate change and the pandemic. These factors are substantially impacting our customers and their ability to repay us, which is reflected in the absolute charge for bad debts. Of course, factors such as changes with exchange rate also have an effect. If you go back ten years ago, the pound to dollar calculation was nearly two dollars to the pound, whereas at the end of 2022 it was 1.115, almost doubling the bad debt charge when converted. Therefore, fluctuations in exchange rates and organisational scale contribute to changes in the absolute charge, but there has been no change in policy.

What support do we offer to borrowers who are heading towards financial difficulties? We need to avoid the risk of default. Do you need to firm up criteria for lending to reduce the exposure to bad debt, or find other means of helping the bad debtors?

TDM: We have several measures in place, primarily centred around maintaining regular contact with customers through our team. A third of our team are based in country, working very closely with the producers that we are lending to on a day-to-day, week-to-week, month-by-month basis. They are often the first point of contact for customers facing difficulties allowing us to identify issues early on and then open dialogue. We also have an annual review process, which is more formal. When a customer encounters financial difficulty then there is a conversation to understand the cause. Unlike some commercial lenders, our approach is not always to immediately cease the finance. Instead, we explore alternatives such as deferring payments, or it could be providing additional capital and we can work with other social lenders for that. We look at whether we have security of some sort, but we are always very careful about how we use that. It is more about having a conversation than exercising that security. Our priority is to support borrowers through their challenges. Can we help them to recover because that is the best way of us having an ongoing relationship? That does not always work, communication can be difficult and that's when it gets harder. It is then that we have to look at recovery techniques. We always approach from the angle of maintaining a relationship. The last thing we want is to be a contributor to a business closure.

How do we ensure that we avoid exposure to bad debts?

DPA: If we had no bad debt, then we are not being true to our mission. Our purpose is to reach the small and disadvantaged, and to do risky lending. So, if we are doing very safe lending and avoiding bad debt then we are not really delivering on our mission or the impact our members really want us to make with their investment. We have a very substantial due diligence process when we onboard new customers. Our lending team visit, they talk to farmers, and the people within the co-operative. They also talk to the General Manager and the finance team. We collect a lot of data on the finances and social impact. However, over time, challenges occur. We saw this with Traidcraft who had been in business for over 40 years but sadly went into administration for a variety of reasons. You have heard many of them already from myself and Tim and we know the pandemic and climate have had profound impacts. For a whole variety of reasons organisations can get into difficulty, some will have been trading for many, many years. Our due diligence process takes place before we offer a facility. We have some really successful organisations such as CAYAT that I touched on during the presentation. I think it is an inevitable consequence of the business we are in and the fact that we have grown over the years. We will continue to encounter and must accept that we will have bad debts. As long as we can cover those with our reserves, then I think we should not be too concerned.

TDM: Our risk and compliance colleagues continue to try and recover our bad and doubtful debts. It is only when we know a business has ceased trading that we take the decision to write off that debt as unrecoverable.

What are we doing to grow the membership (numbers and investment)?

KB: Last year was actually one of the first where we have seen a reduction in membership. What we are doing to try and combat this? We are focusing our attention on bringing in new members from diverse audiences that we may have not tapped into before. There is a significant programme of investment in activities to find new members underway. Members may have seen the recent cover wrap for the Big Issue or advertising in Amnesty International, Green Parent and Guardian. We are also doing quite a number of events this year, and we are present at two gardening events. A particular drive has been upgrading our presence online and new investors can join the Society via our website and members can manage their Share Account online. We are also trying to recruit more volunteers. We have about 100 volunteers at the moment and many go out and speak about Shared Interest to their networks. We really need more volunteers like this to be active in their communities. If any of our members are interested and would be like more information, please get in touch. We know that word of mouth is one of the best ways to attract new members as existing members can talk knowledgeably about what we do. It can be a hard concept for people to understand. If each person here attracts one additional member then that will go along way to help build back our membership.

Do bad debts arise because of a few co-operatives which have borrowed large sums, or are there many with small loans?

TDM: It's a combination. The bad debt charge for the year typically comprises provisions against numerous accounts, reflecting the challenges faced by several borrowers, particularly those struggling to recover from the pandemic. This pattern involves a broader range of borrowers rather than being limited to one or two. However, there are instances, as observed in 2022 and 2016, where the charge for the year is significantly impacted by a couple of exceptionally large bad debts. Although uncommon, when it occurs, it has a notable effect. Our portfolio encompasses account balances ranging from under 100,000USD to over 1m USD. While larger co-operatives generally possess greater financial strength, the repercussions of their default are more substantial. Typically, the bad debt charge is driven by a widespread occurrence of smaller balances, occasionally supplemented by one or two exceptional cases.

Is the plateau in membership and investments over the last two years now a likely trend, and if so what implications does that have for the current 'business model'? What strategies are you hoping to introduce to increase the number of share accounts and the total of funds held?

DPA: I do not think membership has plateaued over the last two years, in 2022 our investment increased by 3%, so it is only in 2023 that it has actually fallen by 1.3%. It is not currently a trend, but if it becomes a trend that would be very concerning and we would have to consider what needed to be done to reverse that or even reshape the business if it continued. We feel that we are in the middle of a perfect storm with the cost of living crisis, high interest rates, higher inflation and lots of pressures on people's finances. We saw a large inflow of funds during the pandemic which we hadn't really anticipated and maybe this is just a rebalancing of that as people start to spend on things they had put off. Any support we can get from our members we would be very grateful of, such as spreading the word about Shared Interest. At the moment we have enough funds to support the lending we are forecasting for the current year.

REPORT FROM COUNCIL:

Shelagh Baird-Smith, Joint Moderator of Council presented the report.

“I am writing this at the end of my first year as joint moderator of Council, alongside Stephen Thomas.

It has been a year of change and turmoil around the world. Climate change is causing great disruption and uncertainty as seasonal patterns can no longer be relied upon and extreme weather events become more frequent. Increasing conflict in so many places is also impacting communities and individuals. Much of this has been bad news for Fairtrade as a movement, as well as for all the people directly affected.

For farmers and artisans involved, Fairtrade is more important than ever. Not only because of the stability provided by fair levels of income and reliable trading partners and networks, but also because of the training and resourcing that is available to them. The role of Shared Interest in facilitating the funding of the Fairtrade movement is crucial to so many people.

In our joint meeting of Council and Board we heard expert input from board members on the current status and future of Fairtrade. This was sobering in the light of the failure of Traidcraft and the challenges faced by fair trade in general, but Council was encouraged by the sense of positivity in spite of the difficulties being faced.

The work of Shared Interest Foundation in resourcing, training and empowering farmers and artisans to deal with all the challenges they face has been exceptional this year. Council is delighted that the Foundation continues to attract support and donations from so many members and elsewhere.

The role of Council is to seek to understand the decision making and governance of the Society and to reflect into that process the views of the general membership - not as agents, but as a representative sample.

So, this year we have had input on areas including credit risk management and the taking of security on loans. Council were reassured to know that security is taken to make sure that Shared Interest has some leverage in case of a default and that it is used carefully and responsibly.

We also had interesting presentations on cyber risk and AI and the steps being taken to protect Shared Interest and its members from scammers (and some great tips on individual passwords). Council was also impressed by the work being done on partnership development, to actively connect with other organisations with a similar ethos to our own with a view to mutual co-operation and support.

Council members were pleased to support the member face to face events last year, where a good number of supporters came together. We were privileged to represent Shared Interest from the Council side and the meetings were greatly enjoyed by everyone. It was especially encouraging to hear input from staff around the world, via the internet. We look forward to three more exciting meetings this year, in Manchester, Durham and Bristol.

Two council members retire at this meeting, David Fellows and Katherine Wyatt, and I wish to thank them both for their input, especially Katherine for her time as joint Moderator. We look forward to welcoming Ian Stewart and Denise Smith to Council, subject to ratification by this meeting.

Council has also been impressed by the succession planning taking place within the leadership of Shared Interest, and were pleased to see Kerry Baker joining the board as an executive director, subject to ratification by this AGM. As you will have seen in Quarterly Return, Tim Morgan is planning to retire after fifteen years with Shared Interest. Council would like to take this opportunity to appreciate all his work, not only in administering Council meetings, but also of course his sound financial oversight. I am personally grateful for his ability to communicate complicated areas clearly in a way lay people can understand."

Voting and Resolutions

Yvonne Gale 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 2023 and the reports of the Directors and the Auditor: (For 79, Abstain 0, Against 0) [Proxy votes: For 607, Against 2]

2. to receive the Society's Social Accounts for the year ended 30 September 2023 and the report of the Social Audit Panel; (For 81, Abstain 1, Against 0) [Proxy votes: For 605, Against 2]

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 2024; (For 80, Abstain 2, Against) [Proxy votes: For 595, Against 11]

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. Richard Anderson and Cristina Talens were re-elected and Kerrey Baker was elected by members for the first time having been co-opted to the Board in October 2023, following a recruitment and recommendation from the Shared Interest Nomination Committee:

Name	**For**	**Against**
Richard Anderson	750	37
Kerrey Baker	817	18
Cristina Talens	836	7

The results of the postal ballot for the uncontested elections for the members of Council were announced and Denise Smith and Ian Stewart were appointed. The results were as follows:

Name	**For**	**Against**
Denise Smith	819	16
Ian Stewart	831	11

Yvonne Gale, thanked all members for attending and also offered particular thanks to departing Council members David Fellows and Katherine Wyatt.

The meeting concluded at 4pm.