

SCOTWEST CREDIT UNION LTD

MINUTES OF THE 29th ANNUAL GENERAL MEETING

Held at Scotwest Credit Union, 13 Elmbank Street, Glasgow, G2 4PB
on 25 November 2019 at 6.30 pm.

CHAIRPERSON'S OPENING REMARKS

The Chairperson, David McRiner, opened the meeting by welcoming everyone to the AGM of Scotwest Credit Union.

1. ASCERTAINMENT OF QUORUM

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|--------------------|----------------|-------------------|
| Jackie Alexander | John Magill | Frances McCann |
| Neil Godsman | Gilbert Ramsay | James Gibson |
| Eilidh Mannion | Tamar Lewis | Eleanor Gibson |
| Caroline McMichael | Kenny McLeod | Mhairi McLeod |
| David McRiner | Ian Turner | Gordon Keenan |
| Brian Davidson | Paul McGowan | John Begg |
| Charles Sim | Stephen Wood | Scott Craig |
| Cathy Jamieson | Sian McKinnon | Andrea Maguire |
| Daniel Salah | Ashley McCrone | Jacqui McGlinchey |

In attendance: Jennifer Alexander (JA) from Scott-Moncrieff, Chartered Accountants

Apologies were received from Alex Ibe.

The Chairperson, David McRiner (DM) introduced himself and announced that as the quorum of 15 had been met, the Meeting could continue. He also introduced Frances McCann (FM) as the acting CEO and Jennifer Alexander (JA) from Scott-Moncrieff, Chartered Accountants (Internal Auditors). DM announced that the Meeting was being streamed live on Facebook and reminded members who have a Facebook account, to take the time to "like" us on Facebook and follow us on Twitter, where you can keep up to date with all our latest news.

2. MINUTE OF PREVIOUS ANNUAL GENERAL MEETING (26 November 2018)

The minute of the previous Annual General Meeting was included in the papers distributed to members prior to the Meeting and had been available on the website for two weeks prior to the AGM. There were no matters arising from the minute, and it was proposed by Caroline McMichael, seconded by Ann Welsh and approved by the meeting.

3. CHAIRPERSON'S REPORT

The Chairperson's Report was included in the AGM pack available on the website and at the meeting.

David McRiner (DM) highlighted some proposed Rule Book changes which are designed to strengthen the business and allow the Nominations Committee to have more scope and flexibility going forward. Under

the current rules, Directors can remain on the Board for a maximum of 2/3 years and once they vacate, they should not be involved with any aspect of running the business for 12 months. We feel that it is sensible to offer departing Directors, if the business so requires, the opportunity to remain on the Board for a further 1 year, and also invite former Directors to participate and assist in Directors' training.

DM advised that we currently have five vacancies on the Board and the Nominations Committee is putting forward four excellent candidates, Cathy Jamieson (CJ), Caroline McMichael, John Begg (JB) and Ian Turner (IT). The remaining vacancy will be filled on a casual basis, in accordance with Rule 40.7, Casual Vacancies, when the Nominations Committee find a suitable candidate. DM asked members to consider joining the Directors' Training Academy and to encourage relatives to consider joining. This is a great opportunity to learn new skills, meet new people and enhance CV's. He also invited members, who are unsure as to what the role involves, to engage with any of the current Directors for their advice. DM announced that after three years, we have sadly lost Scott Frame as a Director. This was due to change of job and thanked him for all his hard work over the past three years and wished him all the best for the future.

Delegated Authority Policy

The Board has made an amendment to the **SCU-DA Delegated Authority Policy** and, in accordance with Rule 50.1, the Board is required to report any changes it makes to this policy.

Having recognised a gap, the Board has added the following point to the undernoted section of the Delegated Authority Policy:

Out with the Rule Book, the Board of Directors have reserved the following matters:

- Appointment of the Chief Executive Officer;
- **Management of the Chief Executive Officer including performance and attendance;**
- Appointment of the internal auditor;
- Decisions on attendance of Board members at events, conferences, etc.;
- Approval of the annual strategic plan, business plan and financial budget;
- The remuneration of the Chief Executive Officer;
- Approval of capital expenditure in excess of £25,000.

Strategy and Business Plan

DM reported that the Board was delighted to have had Robin Feith, CEO of the BSA, facilitate at the Scotwest Strategy Day held in August.

The Board's strategic plan for the next three years focuses on prudential objectives, IT development and social responsibility.

The Board's key prudential objective is to maintain and manage the prudential balance between savings, loans and dividends whilst maintaining an appropriate Capital to Assets Ratio above the minimum regulatory requirement.

The development of our IT systems is vital in order to continue to provide the services our members want and in the right way. Our IT Development Roadmap is built into our strategic business plan and sets out our digital development, including:

- Implementation of Faster Payments
- Development and implementation of a new Digital Platform (online and mobile banking)

We are proud to say that we have agreed to develop our own Social Responsibility Charter. Developing this charter will help promote a vision of our accountability to a wide range of stakeholders and is aimed at ensuring our business model has a positive impact on society.

Social responsibility is also closely linked with the concept of sustainability and requires consideration of the social and environmental consequences of any decision, in addition to the financial and economic dimensions. Organisations can no longer act as isolated economic entities operating in detachment from broader society.

As a credit union, Scotwest is already by its very nature, an ethical organisation. The Board has therefore agreed that Scotwest should now focus on and articulate its impact on the environment, the community and people. Please look out for more information on this in 2020.

Regulatory Compliance

Scotwest, like all credit unions in the UK, is dual regulated by the Financial Conduct Authority and the Prudential Regulation Authority (PRA). The PRA requires that each credit union's governing body will report to the members at the annual general meeting in respect of compliance as follows:

Depositor Protection

Scotwest members are protected by the Financial Services Compensation Scheme. This means we are required to comply with various regulatory requirements in respect of the deposits we hold. In accordance with the PRA Credit Union Rule Book Part 10.1 we can confirm that we are compliant with the requirements of Depositor Protection 11 and 49 to 51.

Policy of Insurance

The PRA Credit Union Rule Book Part 2.10 requires us to maintain insurance to protect against any loss suffered or liability incurred by reason of the fraud or other dishonesty of any of our officers or employees. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we have complied with those requirements.

Additional Activities

The PRA Credit Union Rule Book Part 4 allows a credit union to carry out "additional activities" and provides additional compliance requirements. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we have carried out the additional activities of "additional investments", "additional lending" and "mortgages" and that we are compliant with the additional requirements thereon.

Summary

DM summarised that although we are living in uncertain times, Scotwest members continue to borrow and save in record numbers. Lending is up by 15%, sitting at £41m and savings are up by 6%, sitting at over £65m. He encouraged members to spread the word to family, friends and colleagues.

On behalf of the Board, SM thanked the staff and volunteers for their hard work and commitment over the past year. He also thanked the members for their continued engagement and support of Scotwest Credit Union.

DM informed everyone that global credit union membership currently sits at £274m. Whilst this is a substantial number, it could be better and again encouraged everyone to keep up the good work and spread the word.

4. CHIEF EXECUTIVE'S REPORT

The Chief Executive's Report had been tabled prior to the meeting on the website and copies were available at the meeting in the AGM pack.

FM confirmed that members are continuing to save and use Scotwest for their borrowing needs. She stated that she was pleased to see that we are continuing to break records with savings having reached over £65m and the lending book has increased by £5.5m, which is the highest level it has ever been.

FM highlighted that the Christmas savings account this year was over £2.7m and was paid out to members in November. This is an increase of 300 new members which proves that not only are we helping members with their daily needs, we are also helping them prepare and plan for big occasions like Christmas. She echoed DM's thanks to the team who provide an excellent service to members and stated that the Board is really proud of the service and dedication that they provide. Over the past year, staff have taken 100,000 telephone calls which is over 6,000 more than last year and have processed 16,500 loan applications, which again is a massive increase on last year.

FM acknowledged that there is an issue with insolvency at the moment and highlighted that some people are genuinely struggling with their finances. She advised that, in Scotland, there has been a disproportionate increase in the use of protected trust deeds. FM said that she was pleased to report that Scotwest has been working collaboratively with other credit unions and trade bodies within the sector. We have been lobbying MPs, working with the AiB and replying to consultations and calls for evidence around the regulation of insolvency practitioners. FM advised that the Economy, Energy and Fair Work Committee recently announced that it is carrying out a protected trust deed enquiry to ascertain if they are fit for purpose. They will be calling for the views of all stakeholders and the credit union sector intends to voice its view, which is that they are not fit for purpose. Hopefully we will see a change coming soon.

FM advised that although Jennifer Alexander will speak to the accounts later in the meeting, she would like to provide the following information on the CEO Report for clarity:-

- Operating surplus has increased by £163,000
- Bad debt write-offs have gone up by £129,000
- It has been a hugely successful year and we have made a profit, transferred money to reserves and paid out dividends

FM asked that members continue to borrow and save with Scotwest.

5. ELECTION OF DIRECTORS

DM explained that there are four Directors up for re-election

DM asked for a show of hands and Cathy Jamieson, Ian Turner, Caroline McMichael and John Begg were all re-elected unanimously.

All four Directors were asked to stand to allow members of the meeting to identify them and DM advised that there was information on the Directors on the website and FM said that leaflets were available at the meeting as well.

6. QUESTIONS FROM THE MEETING ON CHAIRPERSON'S AND CEO'S REPORT

DM asked if there were any questions in respect of either the Chair's Report or the CEO's Report.

Q Sian McKinnon – Do we have money held in stocks and shares and if so, are they invested with organisations that are involved with the fossil fuel industry?

A FM stated that we use Brown Shipley Investment Bank to manage our investment portfolio and we have strict parameters around what we can invest in. We are allowed to invest in authorised UK deposit takers and we are currently unaware of any involvement with fossil fuels. DM added that it is a diverse portfolio of investments with banks and the only bank that we are aware of, that does not invest in fossil fuels, is The Cooperative Bank. DM stated that it would be unwise to invest all our money with The Cooperative Bank and highlighted that we do invest with large banks.

Q Gordon Keenan - Do we need a vote or is the Board going to give a commitment to investigate and come back with a clear answer, as this is an important issue which affects the legacy we are leaving for our children? GK asked that the Board commits to investigating whether we do invest in fossil fuels and if we do, what percentage does this represent? This would provide a full and proper answer that would allow members to make their own decision next year.

A DM reiterated that it is the UK deposit taking banks who decide who they invest with and is out with our control. For treasury purposes, as a Board, we need to make sure that the money is spread thinly for the protection of the business. DM advised that we are an ethical business and we choose to try to deposit money in the most diverse way possible and do not invest directly in companies who invest in fossil fuels. Our investments are solely with UK deposit taking banks.

Q In fairness to the members, can you ask the banks what percentage of investments are in fossil fuels and come back with informed information and let the members make their own decisions.

A DM advised that he is aware that only two UK banks, The Cooperative Bank and Triodos Investment Management do not invest in fossil fuels and stated that it would be imprudent to put our whole investment into these two banks. DM stated that he cannot give any guarantee that we will be divesting with banks that do invest in fossil fuels. We have very little scope within the UK banking sector to deposit money and currently, under credit union rules, we are very limited as to who we can deposit money with.

FM added that responsibility for investments is delegated to the Board of Directors and is not a member decision. She stated that she does not have an issue in finding out this information but it would not be feasible to write to every bank that we hold investments with. Our portfolio is truly delegated and managed by Brown Shipley. FM stated that she has noted this with a view to coming back to the members with further information.

DM emphasised that under item 30.5, it states that we need to deal with items on the agenda and advised that there is an option under rule 30.4, A Methodology for holding a Special General Meeting, if members are unhappy. He stated that members vote in Directors to make decisions on their behalf. DM also acknowledged that whilst some members are unhappy with investing in fossil fuels, some members may not be unhappy and are looking for the best return on the investments. This is where the Directors need to find a fair balance.

Q Gordon Keenan – Regarding the Directors’ Training Academy – what are the number of members coming forward?

A DM stated that we had a last minute vacancy due to the departure of Scott Frame. Scott was due to stand for re-election but due to his change in job, he was unable to do so.

FM confirmed that we do have a few candidates at different stages of training but there is no one ready to stand at short notice. Once we have a candidate sufficiently trained, we will put them forward for co-opt to the Board and we will bring them back for election at the AGM. We do have people volunteering for the Directors’ Training Academy and put them through various training modules. We currently have two candidates studying and have had other people volunteer who have subsequently decided not to go forward.

Q Can we have a commitment to raise numbers?

A DM stated that we would always look to increase the numbers and are always asking members to engage with the Directors’ Training Academy.

There were no other questions from the meeting or internet.

4. FINANCIAL STATEMENTS and AUDITORS’ REPORT

The Financial Statements were included in the AGM pack available on the website and at the meeting.

JA took the meeting through the papers and drew attention to the following points:

Scott Moncrieff has audited the accounts for the last 12 months and as part of the audit responsibility, must ensure that we are fully compliant with auditing legislation and accounting standards.

Page 1 of the accounts details the directors’ responsibilities and as these have not changed since last year, she is happy that the results show a true and fair view of Scotwest for the past 12 months. She must also ensure that figures and relevant all accounting records have been retained, including satisfactory answers and evidence to any questions asked by the audit team. She also looks at whether the business is considered a going concern and must be happy that Scotwest will be in operational existence on 12 months from the date of signing. In addition, she must be happy that there is nothing that she, as auditor, is not aware of that has not been included in the accounts. The audit opinion is included on pages 3–5 and shows a clean unqualified audit opinion and the accounts are showing a true and fair view of Scotwest.

JA expressed her thanks to the Finance Team and everyone involved in the audit for their time and assistance and stated that their support helped her and her team to perform the audit in a more efficient manner.

JA commented that overall the results are very positive and asked if there were any questions.

No questions were raised on the Financial Statements or the Auditors’ Report.

8. QUESTIONS ON THE FINANCIAL STATEMENTS

Those present at the meeting accepted the accounts.

9. APPOINTMENT OF AUDITORS

DM explained that Scot Moncrieff was moving away from auditing credit unions going forward and asked JA to explain.

JA advised that Scott Moncrieff, together with Campbell Dallas, merged with Cogital Group in May 2019 and have decided not to perform audits for listed companies and credit unions. She explained that this decision was out with her control and she would be resigning as Scotwest's auditor and that the audit contract would therefore require to be put out to tender. It is a legal requirement to have an auditor in place at the AGM and therefore Scotwest must re-appoint Scott Moncrieff, following which the members will be asked to give their approval for the audit to go back out to tender. Once the new external auditor has been appointed, JA is required to give her professional clearance before they can commence work and advised that this will be a clean opinion.

DM asked for approval from members to tender for new external auditors and this was approved by the meeting.

10. RULE BOOK – Proposed changes to Scotwest Rule Book

The Rule Book amendments were included in the AGM pack available on the website and at the meeting.

FM summarised the following:

- Amendments to our Common Bond in terms of named employers – some additions, deletions and name changes noted in the pack.
- Proposal to give the Nominations Committee the flexibility and exceptional circumstances to allow them to appoint departing Directors to serve two terms of three years and then re-appoint them for a further one year. The Nominations Committee would be required to recommend this to the Board and once approved, take the proposal to the AGM for members' approval.
- Due to the enormous amount of experience amassed by the Directors, we are proposing for departing Directors to help with the Directors' Training Academy.
- Under our new Social Responsibility Charter, we are proposing to start off with the introduction of paperless statements. Members can still receive paper statements if they go on-line and opt in.

There were no questions and the amendments were approved by the meeting.

11. CLOSE OF MEETING

The Chairperson thanked all members for attending and there being no further business, the meeting closed at 7.10pm.