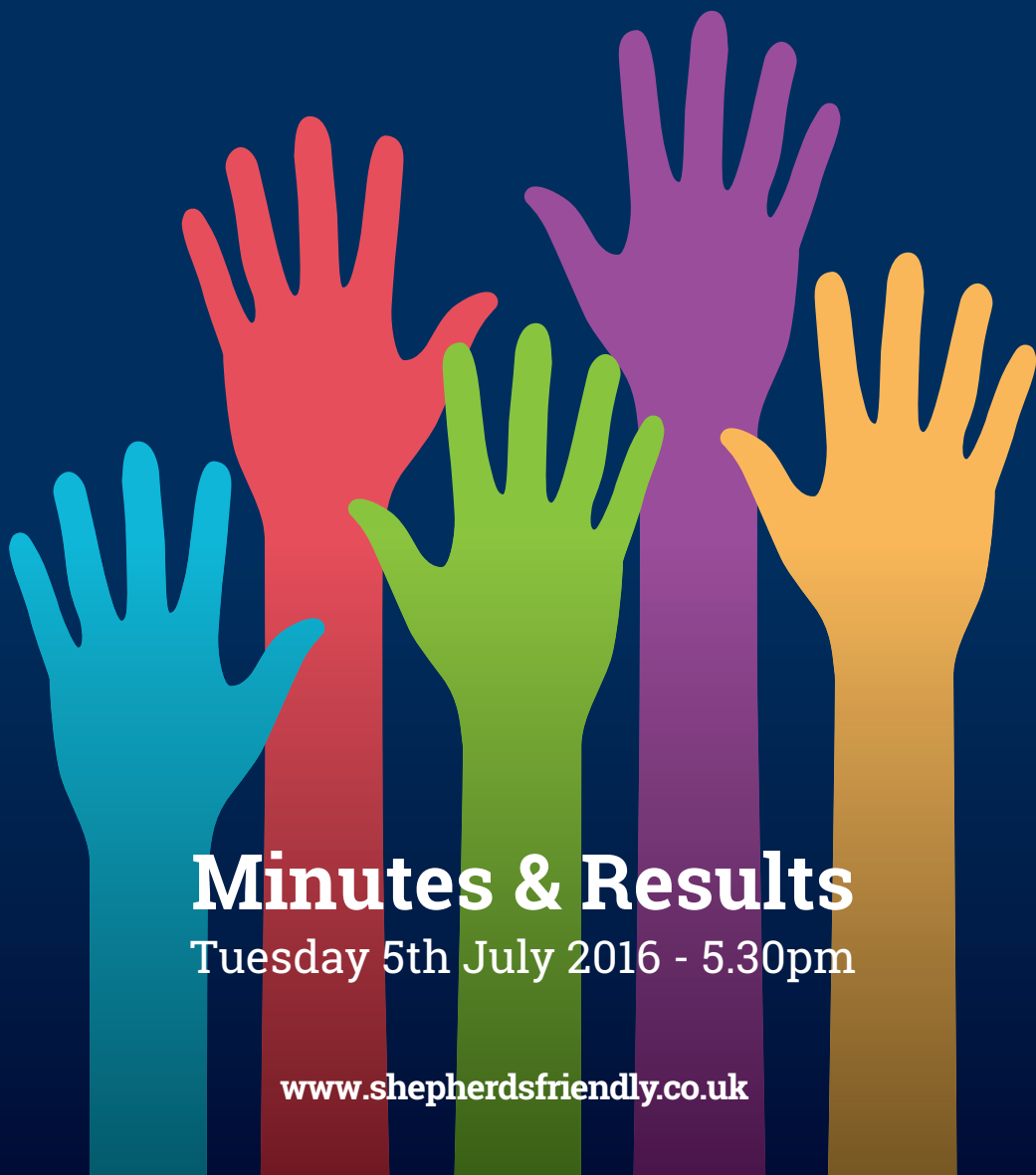


**Shepherds
Friendly**

Your modern mutual

Annual General Meeting 2016



Minutes & Results

Tuesday 5th July 2016 - 5.30pm

www.shepherdsfriendly.co.uk

Attendees from Shepherds Board of Management

Joanne Hindle (Chairman)

Ann-Marie O'Dea

Kim Harris

Geoff Ross

Nemone Wynn-Evans

Justine Morrissey

Tim Robertson (Company Secretary)

The meeting was quorate.

(There were 3 members in attendance)





The Chairman welcomed everyone to the 190th Annual General Meeting of the Shepherds Friendly Society.

The meeting notice was read by the Company Secretary.

Before proceeding to give her review of 2015, the Chairman addressed the audience with the following;

On Thursday 23rd June 2016, the British public voted to leave the European Union (EU) in a historic referendum. As you are aware we are a successful Mutual founded in 1826 and have a wealth of experience in managing financial products. We are confident that this experience and expertise means we are strong enough to ride out any volatility in the Markets as a result of the vote, and protect our Members' interests.

The Board of Shepherds Friendly has for some time been undertaking contingency planning for either result, a process that has also involved our professional advisers, for example our Actuaries and Investment Managers. These plans have already been implemented on our Members' behalf, and we have a solid Capital buffer in place to protect us from Stock Market drops, and we continue to monitor the position very carefully. Additionally as our operations are based solely in the UK, we do not expect the result to impact on our products or operational processes.

I now turn to my review of 2015.

2015 was a landmark year in the United Kingdom insurance industry because it was the final year for preparations to switch to an entirely new regulatory regime, transposed into UK law as a result of the European Union's Solvency II Directive. This came into force on 1st January 2016. This change has been seven years in the making and has been the response by European Governments to issues that were seen as the root causes of the 2007 financial crisis which was so damaging to many countries. As such, and notwithstanding the substantial costs of implementing it, we welcome its arrival and the contribution it makes to the protection of consumers and policyholders going forwards. Later in my report I will highlight some of the major changes resulting from the Directive and how they will affect the Society.

In my report last year, I identified as threats to global recovery the weakening economy in China, the collapse in oil prices, the emergence of so-called Islamic State, and the threat to the Eurozone from Greece exiting the Euro. Other than the temporary resolution of the Greek problem, the others have worsened, and been added to by the European migrant crisis and the potential exit of the United Kingdom from the European Union. As a consequence, investment markets suffered a turbulent year which is likely to continue into 2016.

Against the above backdrop the markets did not give attractive returns in 2015 and the FTSE 100 index ended the year 4.9% down on the 2014 year end.

The Shepherd's long term insurance fund is invested across a range of asset classes. The fund as a whole achieved a return of 4.39%, a pleasing result which is in-line with the Sector average.



Despite the huge amount of management time spent on regulatory compliance we have had an excellent year in new business growth and the retention of existing Members. Almost 4,000 new Plans were written, an increase of 9% over 2014. New annual premium equivalent was 10% higher than 2014 and enabled us to generate sufficient allowances to exceed operational costs comfortably. This gave a total operational surplus 15% higher than budget.

The generation and preservation of value for our Members will only be achieved if there is sound leadership in the business and so the final area I wish to cover is how this is achieved, and how we satisfy ourselves that we have in place an effective Board. Linked to this is how we have prepared for the implementation, from 1st January 2016, of the Solvency II Directive, an activity that has placed great demands on our Board throughout 2015.

It is my responsibility to lead both the non-executive directors and the executive directors in a way that ensures the Members interests are always the first consideration when determining strategy and subsequently implementing it. The Solvency II Directive has led to the implementation by the UK Regulators of a new approach to the approval and control of those responsible for running financial service businesses. This, in our case, is known as the Senior Insurance Managers' Regime. The fundamental difference to what has gone before is that Senior Managers and other key function holders will be subject to personal regulatory or legal punishment, should they be found guilty of knowingly behaving irresponsibly in managing the business.

We fully prepared in 2015 for the implementation of this regime, from the 1st January 2016, and all of the Society's Board of Management now comply with a defined set of conduct standards. They are also individually personally accountable for delivering the responsibilities apportioned to them.

The Society has continued to make good progress over the past twelve months, when investment conditions have remained challenging. This has meant that we have been able to award Members an annual bonus for the thirteenth consecutive year.

We are here to be at the heart of Members issues and to ensure we address any issues if you have areas of concern. We aim to gain a thorough understanding of what matters the most to our Members and we promise to do this through regular Member communication via our website, Member Focus Groups and being available when you need to raise any issues.

The Chairman then moved to the formal business of the day, and thanked the independent Scrutineer Mr Barry Smith. Barry Smith had attended the Registered Office, and had witnessed and verified the opening and recording of individual and proxy votes.



Resolution 1:

To receive the Annual Accounts for the financial year ended 31st December 2015, the Report of the Board of Management and the Auditors' Report.

Proposed by G Ross

Seconded by A-M O'Dea

With no questions on the Report and Accounts coming from the floor, the Chairman asked for a formal vote on the acceptance of resolution number 1.

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	262	10
Show of hands	3	0
TOTAL	981	10
Votes withheld	14	

The Chairman declared resolution 1 carried by **971** votes.

Resolution 2: Appointment of Auditors

To re-appoint Moore Stephens as Auditors of the Society until the conclusion of the next Annual General Meeting.

Proposed by A-M O'Dea

Seconded by G Ross

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	233	30
Show of hands	3	0
TOTAL	952	30
Votes withheld	23	

The Chairman declared resolution 2 carried by **922** votes.

Before moving to Board appointments, the Chairman confirmed that the Society had moved to re-electing its Non-Executive Directors on an annual basis, rather than a three yearly cycle. In doing so it ensures we were following best practice, as set out in the Corporate Governance Code for Mutual Insurers, to which the Society subscribes.



Resolution 3: Board Appointment

That Mrs Joanne Hindle be re-elected as a Non-Executive Director of the Society.

Proposed by N Wynn-Evans

Seconded by K Harris

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	230	36
Show of hands	3	0
TOTAL	949	36
Votes withheld	20	

The Chairman declared resolution 3 carried by **913** votes.

Resolution 4: Board Appointment

That Mr Geoffrey Ross be re-elected as a Non- Executive Director of the Society.

Proposed by J Hindle

Seconded by A-M O'Dea

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	222	36
Show of hands	3	0
TOTAL	941	36
Votes withheld	28	

The Chairman declared resolution 4 carried by **905** votes.

Resolution 5: Board Appointment

That Mrs Nemone Wynn-Evans be re-elected as a Non- Executive Director of the Society.

Proposed by G Ross

Seconded by J Hindle

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	229	33
Show of hands	3	0
TOTAL	948	33
Votes withheld	24	

The Chairman declared resolution 5 carried by **915** votes.

Resolution 6: Board Appointment

That Mr Simon Pashby be elected as a Non- Executive Director of the Society.

The Chairman confirmed that Simon has a career history which the Board are satisfied will enable him to perform the role of Non –Executive Director to the benefit of our members. The position is subject to Prudential Regulation Authority authorisation.

Proposed by N Wynn-Evans

Seconded by G Ross

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	226	36
Show of hands	3	0
TOTAL	942	36
Votes withheld	24	

The Chairman declared resolution 6 carried by **906** votes.



Resolution 7: Board Appointment

That Mr Roger Turner be elected as an Executive Director of the Society.

The Chairman confirmed that Roger has a career history which the Board are satisfied will enable him to perform the role of Non – Executive Director to the benefit of our members. The position is subject to Prudential Regulation Authority authorisation.

Proposed by J Hindle

Seconded by K Harris

The result of the voting was:

	FOR	AGAINST
Chairman's Proxy	716	0
Members votes received	230	29
Show of hands	3	0
TOTAL	949	29
Votes withheld	27	

The Chairman declared resolution 7 carried by **920** votes.

On the conclusion of the voting on the Resolutions, the Chairman asked if there were any other issues or questions?

Following a question from the floor, the Chairman confirmed that the business of the meeting was concluded and declared the meeting closed.

The Chairman thanked the Members for their attendance.



www.shepherdsfriendly.co.uk



to make members
feel valued

to remain mutual
when in our
members interests

to provide simple,
value for money
financial solutions

to be a place
where people
want to work

We believe that mutuality is the best way of providing maximum benefit to our members and at the heart of the Society we have the mutual core values of trust, mutual benefit and ownership. We ensure that the money you invest with us is treated in a responsible and sensible manner to give as good a return on your investment as possible.

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The Head office and Registered office of The Shepherds Friendly Society is based in the United Kingdom.