

AFM Conference and AGM 2018

15–16 October 2018



Conference Programme,
produced in association with

Schroders



THE LOYAL COMPANY

#loyalcompany

This year the conference promises to be more practical and relevant than ever.

The theme, The Loyal Company, will be evident throughout the programme, with panel discussions, guest speakers and breakout sessions briefed to focus on this new concept, which we are introducing at the event. Instead of presuming that customers and employees are loyal to your organisation, we explore instead what you are doing to demonstrate you are a loyal company, and how you seek evidence to show you are loyal, to your customers, your members, your employees, your partners and to the communities in which you operate.

We will be exploring case studies, such as widening the appeal of mutuals to 21st century consumers, demonstrating the benefits of being loyal to members, how members are investing in their workforce, the value of building worthwhile partnership, and showing how you support the communities you work with and provide a sustainable business model. Insight from the regulators and from other sectors will help inform that.

We think The Loyal Company is a concept that will resonate with members, and look forward to taking it forward beyond the conference. There is a brochure in your joining pack that explores the theme further.

Welcome to the conference and Annual General Meeting of the Association of Financial Mutuals for 2018. Thank you for joining us this year.

This programme provides everything you need to know about the conference, with the full itinerary of events, details of the exhibitors and sponsors, and a flavour of what's to come.

AFM is enormously grateful to all our exhibitors and sponsors, in helping to ensure there is a lively atmosphere with plenty of chance to learn new things, and in supporting the funding of the event. Please try to visit as many of the exhibitor stands as you can, and speak to our kind sponsors - details of which are in this programme.

All in all, the 2018 conference promises to be an outstanding event. I hope you enjoy it.

Martin Shaw, Chief Executive
Association of Financial Mutuals



**Thank you for attending this year's AFM Conference and AGM.
To participate on Twitter, please use the hashtags #AFM2018 and #loyalcompany.**

For questions and queries during the event, please contact either the AFM team: Martin (0788 754 7195), or Tamasin (07741 656605); or Sara at Trinity Events Solutions (07769 176444)

As usual after the event we will be asking attendees to provide feedback, to help us plan for next year's conference.

Association of Financial Mutuals
7 Castle Hill
Caistor
Lincolnshire
LN7 6QL

**www.financialmutuals.org
01472 852800**

AFM Conference 2018, Programme

Sunday, 14 October

For delegates staying the night before the conference there will be chance to join us for a special trip to Warwick Castle, for an exclusive 'ghost tour' of this famous Madame Tussauds venue. We will transport you to the Castle by coach at 5.30, and on our return, dinner will be provided in the hotel restaurant.

Monday, 15 October

09.30 The exhibition opens in The Grange, within the Conference centre, alongside the Kenilworth Suite, where our main plenary sessions take place.

10.30 **Chairman's introduction**

Andy Chapman, AFM Chair and Group Chief Executive, The Exeter

10.45 **Plenary session 1: Re-envisioning the appeal of the sector to consumers**

Chaired by Andy Chapman, The Exeter
Bob Andrews, Benenden Health
Richard Marshall, Willis Towers Watson
Hugh Karp, Nexus Mutual

12.00 **Lunch, served in the exhibition hall**

12.55 **Plenary session 2: Governance as a springboard to success**

Chaired by Jane Nelson, The Oddfellows
Andrew Dyer, PRA
Christopher Critchlow, OAC and Iain Clark, British Friendly
Martin Shaw, AFM

14.00 **Guest Speaker: Rob Forkan, Gandy**

14.40 **Breakout session: Hamlet**

PRA session for Accelerate and Stepping Up delegates
Andrew Dyer and Grace Panti-Amoa, PRA

Breakout session: Othello

A quick guide to managing Mental Health at work
Antony Brown and Clare Price, CBT Clinics

Breakout session: Kenilworth

Investments Panel: "50 shades of green"
Chaired by Dick Rae, BMO
Simy Prakash, EY
Nancy Kilpatrick, LGIM
Michael Gibb, Fidelity

15.20 **Tea and coffee, provided in the exhibition hall**

15.45 **Plenary session 3: Culture and a commitment to the right working environment**

Chaired by Richard Bisiker, BHSF
David Blunt, FCA
Paul Harwood, Holloway Friendly
Ian Hitt and Kate Nicholls, Agile Human and Nasrin Hossain, Shepherds Friendly

16.55 **Day 1 Conference closes**

17.00 **AFM**

Annual General Meeting

Breakout session: Hamlet

Accelerate/Stepping Up

AFM Conference 2018, Programme

Monday, 15 October, evening

19.15 Pre-dinner drinks

Served in the Pine Bar, and sponsored by SDA LLP

20.00 Gala Dinner

Served in the main conference hall (The Kenilworth Suite)
Followed by our evening guest entertainment

11.00 Post-dinner drinks

Served in the main hotel bar, sponsored by Hotelogical

Tuesday, 16 October

09.00 Chairman's introduction

09.05 Guest Speaker: Iona Bain, Young Money Agency

09.45 Plenary session 4: The wider operating environment

Chaired by Kevin Rogers, Paycare
Matt Christensen, AXA IM
David Webster, Douglas MacMillan Hospice

10.45 Tea and coffee, provided in the exhibition hall

11.15 Breakout session

Health and Protection
Christopher Critchlow, OAC

Breakout session

With profits- market activity
and strategic actions
**Kevin Gill and
Loic Bellettre, EY**

Breakout session

Comparative expenses
ratios for AFM members
**Kathryn Moore and
Steve Dixon, SDA**

12.00 Plenary session 5: Adding value by working with partners

Chaired by Martin Shaw, AFM
Steve Dixon, SDA LLP
Mike Perry, PG Mutual
Georgia d'Esterre, Holloway Friendly
Sally Waterfield, Foresters Friendly

13.00 Conference ends

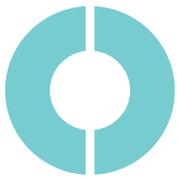
**13.45–
15.45 AFM Board in the
Directors' Suite**

**Optional workshop
from Agile Human
Hamlet**

**Origos breakout
session
Othello**

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Sustainable Investing for Financial Mutuals

Public awareness around sustainability has grown, and continues to do so. As a result, consumers are becoming more educated on the impact they can have on the world around them, and are altering their buying decisions accordingly. This article explores the investment strategies that can be used by financial mutuals, to ensure they are providing their members with investment products that fulfil their increasing desire to invest more responsibly.

A natural fit for mutuals

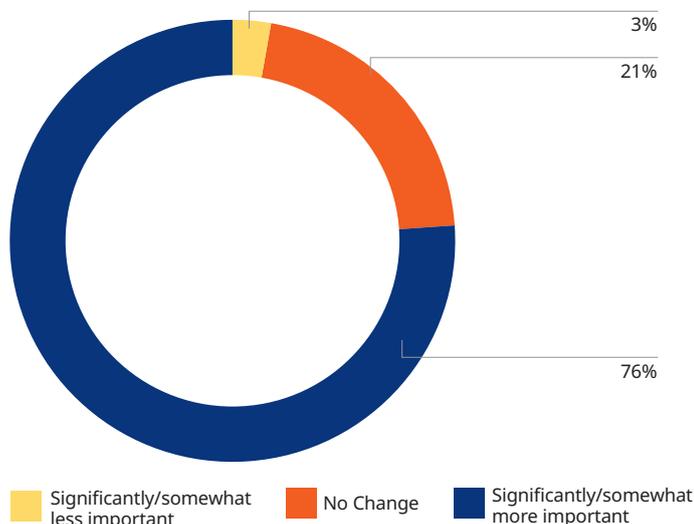
Financial mutuals have a long history. One of the reasons for their popularity has been their values, which differentiate them from other financial services firms. For example, a consumer survey found that mutual insurers topped a list of financial service providers for having leadership that behaves in a responsible way¹.

In addition, mutuals are set up to benefit their policyholders in the long term. Many other investors struggle to understand the benefits of focusing on issues such as sustainability, as they have a short-term outlook. The purpose of a mutual insurer, to benefit their members in the long-term, is a natural fit for a sustainable investment approach and has the additional benefit of allowing investors to contribute positively to wider society.

¹ AFM, Customer Research Report 2015

Figure 1. Sustainability is increasingly important to investors

Results from Schroders 2018 Global Investor Study



Policyholders care too

Schroders' 2018 Global Investor Study found that three-quarters of people feel sustainable investing has become more important to them in the past five years. This is driven by younger generations, with 83% of those between 18 and 44 reporting an increase in importance².

This trend has translated into action, with 64% of people globally increasing their allocation to sustainable investments over the past 5 years. An emphasis on sustainable investing may be one way for financial mutuals to continue to increase their appeal, particularly to younger demographics.

Investors are taking a number of approaches to investing sustainably, a few of which are outlined below.

Response One: Screening

When trying to invest more sustainably, a common response of investors is to screen out investments that do not align with their values, for example divesting from fossil fuel or tobacco companies.

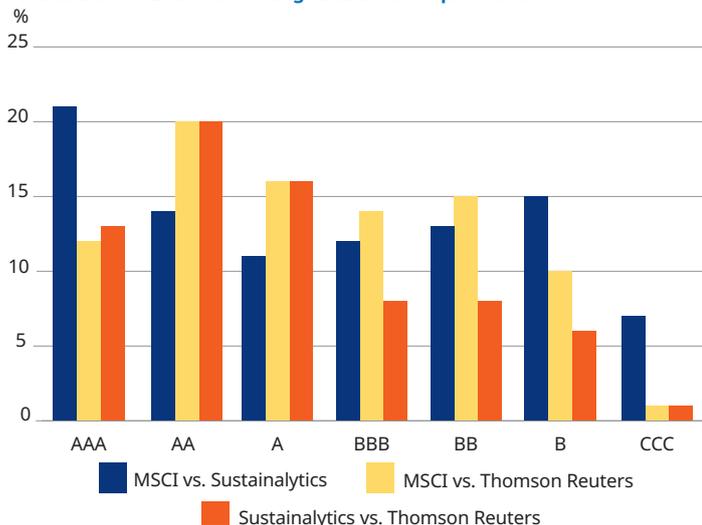
However, there are drawbacks to this approach. Whilst reducing access to capital for these companies may appear to be a powerful lever, we would argue that divestment offers only limited leverage as few of the industries targeted rely on equity capital to fund growth. Additionally, although industries targeted for exclusion do have long-term challenges to profitability these are typically well understood and recognised in valuations.

We agree that the choice to screen investments is a valid one, however we believe that it should not be the only tool investors use to incorporate sustainability into their investment process.

² Schroders 2018 Global Investor Study, conducted between 20 March – 23 April 2018, surveyed over 22,000 people in 30 countries around the world.

Figure 2. ESG Scores: Not a definitive answer

Probabilities of ESG scores being similar across providers



Response Two: Passive Strategies

The number of passive strategies using ESG measures and exclusions as standalone investment criteria has tripled in number to 70 over the last 3 years, with assets growing at a similar rate³.

When constructing index-based ESG strategies, asset managers typically seek out ESG ratings from one of a handful of data providers. As shown in Figure 2, each of these represents one view of ESG performance, not a definitive answer.

Despite the perception of transparency, many passive products disclose surprisingly little about how they actually implement ESG factors. The majority of them rely on a single third party ESG rating provider. Their rating methodologies typically emphasise tick-the-box policies and disclosure levels, data points unrelated to investment performance and/or backward-looking negative events with little predictive power.

Response Three: Integration and Stewardship

In order to avoid the problems of simplistic analysis outlined above, it is necessary to have a forward-looking, active investment approach. This means understanding how a company interacts with society and its environment, as well as analysing its profit lines. At Schroders we have a specialist investment team who focus on analysing ESG issues. This team researches the sustainability impacts of investments across asset classes and geographies, integrating it across the business.

As active owners in the companies in which we invest, Schroders will engage and vote on any issue affecting the long-term sustainable value of a company in which it is invested.

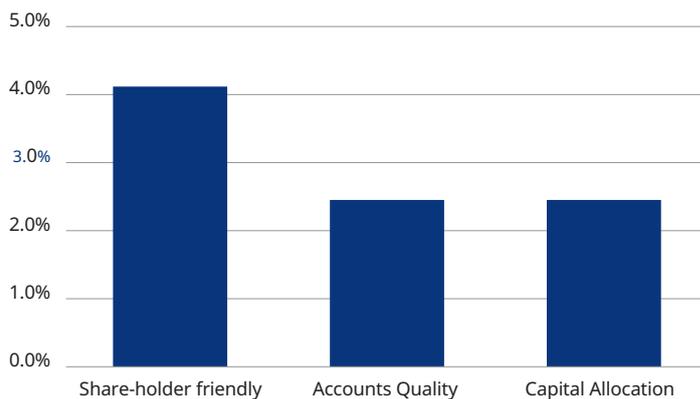
We firmly believe that companies which are well governed and operate transparently, will have the culture and transparency to support the long-term health of the organisation and increase shareholder value. This is shown in Figure 3.

³ Schroders data set, February 2018

Figure 3. Governance: assessing the agency problem

Well-managed companies more likely to outperform

Difference in annual returns between top/bottom 10% of companies on each metric



Source: Schroders, Bloomberg, for the period January 2010 – July 2018. Shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Conclusion

Responsible investment will be an increasingly important theme for financial mutuals over the next few years. Although there are a number of ways to begin incorporating this into an investment portfolio, we suggest that the best way to do so is through stewardship of companies and integration of ESG analysis into the investment process.

For more information on sustainability generally, or any thought-pieces on particular areas of interest, please visit our stand in the exhibition area or visit www.schroders.com/sustainability

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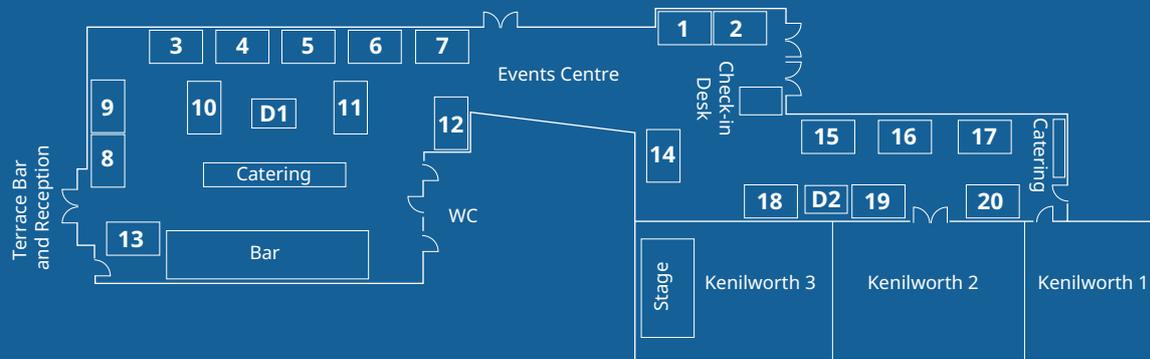
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Our conference map and exhibitors

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| 1 | Spark Data System | 11 | LGT Vestra LLP |
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| 3 | TriLine GRC | 13 | OAC |
| 4 | River and Mercantile Solutions (P-Solve) | 14 | New England Asset Management |
| 5 | Legal & General Investment Management | 15 | APT Solutions Ltd |
| 6 | Barnett Waddingham LLP | 16 | Investec Wealth & Investment Limited |
| 7 | Fidelity International | 17 | Exaxe |
| 8 | TPT Retirement Solutions | 18 | Milliman LLP |
| 9 | Rathbone Investment Management | 19 | AXA Investment Managers |
| 10 | Schroders | 20 | Honey Group |
| D1 | London & Capital | D2 | Ai-London |



Thanks to all our exhibitors, as well as to the following sponsors:

| | |
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| OAC | Lanyards |
| Fidelity International | Conference Signage |
| SDA LLP | Delegate Notebook |
| The Oddfellows/ Unity Mutual | Welcome Registration Desk and Refreshments |
| Barnett Waddingham LLP | Bedroom gift drop |
| SDA LLP | Drinks Reception, Monday evening |
| SDA LLP | Lunch menu, Monday |
| Hotelogical | After dinner drinks, Monday |
| CBT Clinics, Origos, and Willis Towers Watson | Additional leaflets |