Ecology
Building Society

# Annual Review 2020







## Building a greener society

# Welcome to your Annual Review 2020

This booklet summarises the progress we have made over the previous year.

You can find a glossary of some of the financial terms used in this booklet on page 19.

## What's inside your Annual Review?



## About Ecology in 2020

**£2,000** (including £1,000 matched funding) raised by the Ecology team for Mind and the Canal and River Trust

We're the first building society to report on the **carbon impact** of our lending

**£226.0m** total assets

**1,339** (16.15%) eligible members voted in our 2020 AGM. More than half of voting members voted online

We're **powered** by over **10,000** members

We provided lending for 230 sustainable properties and projects


**£555** raised for Trees for Cities as a result of AGM voting

**37** employees based in our eco-build offices in Silsden, West Yorkshire

We have a policy that no basic salary will exceed a maximum of 8 times the lowest full grade available

**Cover images, rows from top to bottom, left to right:** A new home at Bunker Housing Co-op, Brighton, built with Ecology funding; Ecology-backed 'House at Wildcat Corner' – an energy efficient self-build in Scotland; gardener, Pippa, planting the living walls of Ecology's new meeting room; Ecology-backed 'House at Wildcat Corner'; Bunker Housing Co-op founder, Martyn Holmes; affordable homes at Broadhempston CLT, Devon, refinanced by Ecology; affordable homes being constructed by Mull and Iona Community Trust; residents outside their Ecology-backed Passivhaus-standard home in Closeburn, Dumfries and Galloway (credit: Tom Manley); Angle House, award winning (best SIP) low-energy self-build home financed by Ecology (credit: Agnese Sanvito).

# Chair's statement

**Tackling the climate and ecological emergency remains the defining challenge of the decade and it has never been more relevant and important for Ecology to provide a progressive force for positive environmental change. Your Society is well placed to be at the heart of efforts to deliver a truly sustainable and inclusive green recovery, determining the kind of planet we live on for generations to come.**

While we are not immune from the effects of the pandemic and found ourselves navigating the uncharted waters of the lockdown and a closed housing market for part of the year, I am pleased to report that we maintained our support for sustainable building projects. This has resulted in a strong and resilient financial performance underpinned by a solid set of environmental lending throughout the year.

I was especially proud of the agile and rapid transition to home working for the majority of the Ecology team as well as their continued commitment to maintaining services to members.

A highlight of our calendar, our AGM is an opportunity for members to meet the Ecology team and hear how we're building a sustainable future. However, due to the social distancing requirements, the 2020 event was a very different, scaled-down meeting. I would like to thank all our members who took the opportunity to vote and submit questions to the Board.

The ongoing Covid-19 uncertainty and restrictions means that it will not be possible for members to attend the 2021 AGM in person. We anticipate members will be able to view a live stream and submit questions during the meeting.

During 2021 we will also be celebrating our 40-year anniversary. Throughout

our 40 years we have remained true to our ecological mission, demonstrating how finance can benefit people and planet, and I am immensely proud of our achievements leading the way on providing finance for energy efficient building projects and community housing solutions.

As we look forward to the future, the successful issue of the Core Capital Deferred Shares (CCDS) marks the beginning of an exciting and transformational era in the Society's history. The additional capital will enable us to invest in innovation, accelerating our lending and amplifying our voice so that we can play an even more significant role in the climate and ecological challenge that impacts us all.

I am thrilled that we were shortlisted for a prestigious Ashden Award for our commitment to sustainable buildings and that our support for energy efficient self-build and renovation was also recognised by Build-It magazine.

Later this year the delayed UK-hosted COP26 is due to set out the key steps required to deliver on the Paris Agreement and ensure the world's nations can meet the net-zero ambition required. Our members expect us to be a leading agitator, pressurising policy makers and other lenders to tackle the climate and ecological emergency, especially as we approach COP26.

Retrofitting 28 million homes in the UK is critical to achieve the target of net zero by 2050. We joined the call for a National Retrofit Strategy and participated in the work of the Green Finance Institute to develop innovative financial solutions. During the year we also joined the Bankers for NetZero Initiative which has been set up to find positive solutions for advancing progress to net zero, supporting our international efforts working with the Global Alliance for Banking on Values and the UNEP Finance Institute.

I'm proud that we are the first building society in the UK to report the carbon emissions arising from our lending. We continue to champion the sustainable built environment and welcomed the UK Government placing greener buildings at the heart of the economic recovery, as well as contributing to discussions on key initiatives requiring lenders to disclose details of the energy performance of their mortgage books. The outcome of these discussions is important in the run-up to COP26.

Whilst this year has brought unprecedented challenges to us all, this remains an exciting time for the Society as we accelerate our role in the sustainable recovery. The Board will continue to scrutinise and provide critical challenge to the Executive whilst upholding Ecology's ecological mission and focusing on members' needs.

On a personal note, it is with great sadness that we lost our CEO's wife, Hazel, after a long illness. Many of our members will have met Hazel over the past 36 years as she has attended many of our events and been an inspirational supporter of both Ecology and Paul; she will be missed by us all.

Finally, I would like to sincerely thank the Board and the Ecology team for their continued commitment and hard work throughout these uncertain times.

**Steve Round**
*Chair*
5 March 2021

# Chief Executive's review

**Throughout our 40-year history we have seen a growing awareness of the existential ecological crisis. Today, we are more determined than ever to achieve positive impact through our environment-conscious lending programme and to agitate for change in the financial system to serve the needs of people and planet.**

This has undoubtedly been an extraordinary year, with deep and lasting impacts on society. The pandemic has caused a devastating global public health crisis, with wide-reaching social, cultural, economic, and political consequences. Our thoughts are with the many people who have been personally affected by the Covid-19 pandemic, particularly those members who have lost loved ones. We've all had to make substantial changes to our daily lives, and our focus has been on supporting our colleagues whilst continuing to serve our members. Like many lenders, we provided an opportunity for borrowers to defer mortgage payments and we saw many members take up this facility. I sincerely thank the Ecology team for quickly adapting to new approaches of working from home and within the office.

The far-reaching shocks experienced in 2020 highlight the importance of preparedness and cooperation in response to global threats. And, as we bore witness to record wildfires and polar ice loss, we were also reminded of how crucial green space and nature are to our wellbeing, reinforcing the need for urgent action to safeguard the future health of our planet.

As we emerge from the disruption of the pandemic, central banks and governments must fully target their emergency finance measures to support the transition to a green and fair economy and society.

The critical importance of the collective role of the financial sector to avert climate breakdown and ecological collapse was emphasised by former Bank of England Governor, Mark Carney, at the launch of the new private finance strategy for COP26 where he, along with David Attenborough, called on us all to 'ensure that every financial decision takes climate change into account', and to set targets and plans to reach net-zero emissions. Targets are essential, but it is critical that these translate into urgent large-scale action. The next decade must see global emissions cut in half if we are to stay within the realms of 'safe' global temperatures.

As the UK looks forward to hosting COP26 in Glasgow later this year, clear and consistent climate leadership is vital. The UK Government's Ten Point Plan in November, set out high-level ambitions for a green recovery, creating green jobs and supporting new technologies, which will help our energy supply, transport and heavy industries to decarbonise. The Government's plans to support greener homes need to go much further if our housing stock is to be on track to meet net-zero targets. As a priority, we need a national retrofit programme to bring all existing properties up to modern standards, simultaneously creating green jobs.

Ecology was the first building society to sign the United Nations Environment Programme Finance Initiative (UNEP FI) 'Principles for Responsible Banking'. By signing the Principles, we hold ourselves to account whilst also creating pressure for others to sign and align their banking activities with the Sustainable Development Goals and the Paris Agreement. Our first report under the UNEP FI framework illustrates the progress we are making.

We believe all financial institutions have a responsibility to report and reduce the 'financed emissions' arising from their lending. This year we have reported the carbon emissions arising from the residential properties in our mortgage book. We have used the new Partnership for Carbon Accounting Financials (PCAF) Reporting Standard and joined the PCAF UK group, where we are collaborating with partner banks to improve the accuracy of carbon accounting methods and will report on this at COP26.

In 2021 we mark the Society's 40-year anniversary, which provides a moment to reflect on what has been achieved during that time. There have been so many successes over the years: we broke the traditional rules of mortgage pricing with our C-Change discounts, which incentivise borrowers to improve the environmental performance of their home; our eco-build office in Silsden, West Yorkshire, was recognised as one of the 10 most sustainable 'bank' headquarters in Europe; as founding members of the Passivhaus Trust we helped drive the uptake of the Passivhaus low-energy standard in the UK; we were told by a leading commentator that our lending was instrumental in kick-starting the demand for green building projects in the UK; we were recognised for our climate leadership in the Finance for the Future awards; and Kevin McCloud even indicated that he wouldn't have had a television programme without Ecology!

## Financial overview

The Society has demonstrated its resilience during these challenging times, achieving an increase in mortgage assets in 2020 of 9.43% to £158.69m against the backdrop of a wider economic slowdown and the effective closure of the property market during the first lockdown.

In response to the pandemic, the Bank of England's base rate fell to an unprecedented low level of 0.10%. The Society was faced with difficult interest rate decisions to ensure that the inflows of savers' deposits were maintained at levels which continue to support the demand for our lending whilst managing liquidity at a sustainable level.

Despite this, the inflow of funds has remained strong as rates continued to reduce across the market, and new members, who are attracted to our values, have joined. We ended the year with an increase in savings balances of 13.55% to £210.3m. The low interest rate environment is anticipated to continue for some time to come, which will be unwelcome news for our savers, and we need to remain cognisant of balancing the needs of savers whilst pursuing our mission through lending activity and ensuring our financial stability.

In September, the Society secured a £3m investment through the issue of Core Capital Deferred Shares (CCDS). This marked the beginning of a new era in our history, underpinning our growth prospects and strengthening our commitment to ethical saving and ecological lending whilst we continue to invest in innovation.

The strong inflow of funds alongside the CCDS investment contributed to liquidity levels ending the year at 30.82% of share and deposit liabilities. For comparison, excluding CCDS, liquidity would be 29.45% (2019: 26.67%).

Increased levels of savers' funds led to a 14.13% growth in assets to £226.0m, taking us over £200m for the first time.

I am also pleased to report that, whilst impacted by the low interest rate environment and higher impairment provisions, profits were above expectation at £0.524m, reflecting our focus on resilience and underpinned by a solid set of environmental lending. The profit further adds to our capital base, supporting the growth of our loan book.

## Lending highlights

During the year we supported 230 sustainable properties and projects with £39.3m of new lending. Among these, we have supported five new community-led housing projects in London, South Wales, Lancashire, Leeds and Devon, creating energy efficient and affordable homes for local families.

## Our colleagues

We are pleased to report that we have not furloughed any of our colleagues as a result of Covid-19, nor made any redundancies or pay cuts.

We are very fortunate to have a strong body of colleagues who are committed to the Society's social and environmental goals, and to providing a friendly, responsive service to our members. During the year we appointed Sarah Kemp to our Executive Team in the newly created role of Head of Risk and Compliance. This new role reflects the Society's continued investment in our capabilities to ensure we are well placed to respond to the changing needs of our members and the regulatory environment. Alison Vipond joined us as our Sustainability Lead, helping us to measure and manage our environmental and social impacts. Alison's appointment will ensure we set and deliver ambitious targets, in line with our mission.

Despite lockdowns, our Social and Charity Committee continued their fundraising efforts, enabling donations of £1,000 each to Mind Bradford and The Canal and River Trust.

## Future developments

Macroeconomic uncertainty will undoubtedly continue for some time to come. However, the Society remains financially strong, resilient, and well placed to accelerate our programme of investment, strengthening our digital and operational capabilities.

This investment is expected to contribute to lower profits in 2021. However, it will help create the platform for a solid future for the Society, enabling us to meet the needs of our current and future members while doing more to achieve our ecological mission.

We are committed to delivering enhanced services to our members, with online savings applications a key priority for 2021.

Throughout our 40-year history, we have always supported innovation in sustainable building methods and materials. Construction is going through a period of rapid evolution, embracing digital technologies and off-site manufacture termed Modern Methods of Construction. In 2021 we will expand our range of mortgages to cover properties constructed using Modern Methods, which can reduce waste, construction time and emissions. We start the year with a record pipeline of sustainable lending prospects, supported by strong inflow of funds and membership growth generated by the increasing awareness of climate and ecological issues. We can look forward to 2021 with confidence.

I would like to thank all members for your support throughout the year. It is through your membership that we can create change, either through saving with us so your personal capital can create positive impact or borrowing from us to fund an ecological and social project. We are always grateful for your feedback as we act on your behalf, and value your continuing support to build a greener society.

**Paul Ellis**
*Chief Executive*
5 March 2021

# Business review

## Our purpose

As stated in the Memorandum adopted in 1998, the Society's principal purpose is making loans which are secured on residential property and are funded substantially by its members.

The advances shall be made in those cases which, in the opinion of the Board, are most likely to promote, encourage or support:

- the saving of non-renewable energy or other scarce resources
- the growth of a sustainable housing stock
- the development of building practices, ways of living or uses of land which have a low ecological impact.

The Memorandum also states that, in carrying out its business, the Society will promote ecological policies designed to protect or enhance the environment in accordance with the principles of sustainable development.

In relation to its lending activities, the Society requires any borrower applying for a loan to demonstrate that the purposes for which it is required are consistent with the ecological policies approved by the Board of Directors. This approach to lending is fully in keeping with the original objectives laid down by the Society when it was established in 1981.

The Chief Executive's Review on pages 4 to 5 provides an overview of the Society's performance during 2020 which should be read in conjunction with this report.

The Board uses a number of Key Performance Indicators (KPIs) to measure the performance and position of the Society on a regular basis. This section provides more detail on these KPIs and the table below provides the actual position as at the end of the current and preceding two years.

## Key Performance Indicators

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| **Total assets** | **£226.0m** | £198.0m | £177.9m |
| **Mortgage asset growth** | **9.43%** | 14.61% | 10.59% |
| **Mortgage lending** | **£39.3m** | £43.5m | £38.4m |
| **Savings balances** | **£210.3m** | £185.3m | £166.0m |
| **Liquid assets as a % of shares and borrowings** | **30.82%** | 26.67% | 28.82% |
| **Management expenses as a % of mean total assets** | **1.57%** | 1.69% | 1.54% |
| **Net profit** | **£0.524m** | £1.073m | £1.022m |
| **Profit after taxation as a % of mean total assets** | **0.25%** | 0.57% | 0.57% |
| **Core Tier 1 capital** | **£14.997m** | £11.677m | £10.578m |
| **AGM – voting turnout** | **16.15%** | 19.78% | 15.62% |

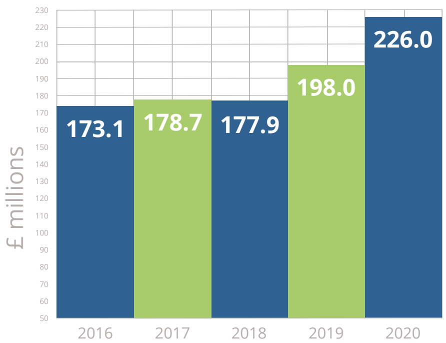
As outlined above the Society has achieved a resilient performance despite the ongoing backdrop of uncertainty during the year due to the Covid-19 pandemic, Brexit negotiations and potential contraction of UK growth.

## Asset growth

During 2020 the Society's total assets increased by £28.0m to £226.0m (2019: £198.0m), 14.13% (2019: 11.35%), primarily driven by the strong increase in savings balances alongside the £3m CCDS issuance that are required to support future lending.

**The Society views asset growth as a sign of our success in meeting the needs of our savers and supporting our borrowers to build, renovate or buy sustainable properties.**

Total Assets (£m)




## Mortgages

Against the backdrop of a wider economic slowdown and the effective closure of the property market during the first lockdown the Society has continued to build the pipeline of new mortgages generating solid growth in gross lending of £39.3m (2019: £43.5m). Redemption activity has remained stable with overall growth in mortgage assets which represents gross lending less redemptions, repayments, and effective interest rate adjustments of 9.43% (2019: 14.61%).

The interest rates offered by the Society enable it to provide support for more projects which deliver a positive environmental and social benefit and provide good value for borrowers seeking to build or renovate sustainable and energy efficient properties. The Society launched an updated renovation and retrofit product in November 2020.

**The proportion of loans benefiting from one of our C-Change mortgages, which reward work undertaken on the property to help combat climate change, has increased steadily to 40% (2019: 39%). A reduction to the interest rate is applied following confirmation of the energy rating achieved.**

The Society continues to ensure that mortgage growth is delivered in a controlled and measured way. Our personalised approach to underwriting enables each case to be individually assessed to ensure we maintain a high-quality loan book.

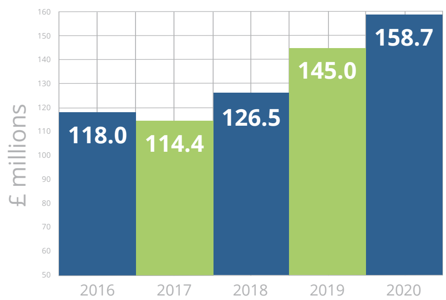
Overall arrears levels remain low despite the difficulties some members have experienced since the onset of the pandemic. As at 31 December 2020, there were no cases in possession, or 12 months or more in arrears (2019: nil).

As a direct result of the pandemic the number of payment deferral requests through the Government's temporary payment holiday scheme increased significantly during the year. However, the substantial majority have subsequently returned to full contractual repayments.

As at 31 December 2020, there were 33 cases (2019: 15) under forbearance with total balances of £5.988m (2019: £2.451m) and arrears totalling £7.6k (2019: £0).

The Society continues to exercise forbearance measures to assist borrowers who are experiencing financial difficulty, agreeing to interest-only payments on a temporary basis. In each case an individual assessment is made to ensure that it is in the best interests of the borrower and the Society. It is expected that the borrowers will resume normal payments once they are able to.

Mortgage Assets (£m)




The Society's Risk, Audit, Compliance and Ethics Committee assesses the impact of forbearance and monitors whether there is a possibility of loss, in which case an impairment provision is made in accordance with the Society's policies. A total of 5 (2019: 4) individual impairment provisions were required in those cases where the Society's model indicated a potential shortfall compared to the outstanding balance resulting in an increase in the individual provision to £361k (2019: £384k). Of these, provisions continue to be held for two cases which are not in arrears but where the Society is working with our borrowers to navigate difficult operating conditions.

As outlined in accounting policy 1.5 the Society also maintains a provision for collective impairment, which assesses loan cases for potential loss. In determining the level of impairment provision, the Society has considered the statistical modelling of historical trends alongside a deterioration in economic conditions during the current financial period in relation to the ongoing impact of the pandemic. The total collective provision has increased to £268k (2019: £183k).

## Savings and liquidity

Savings balances consist of shares, and amounts owed to other customers. The Society aims to attract a level of savings balances that supports demand for mortgage lending, prudent levels of liquidity and provides a fair return to members relative to its peers. In February 2020, the Society closed the 90-Day Notice account to all but existing members. Total savings balances held at the end of the year are £210.3m (2019: £185.3m) an increase of 13.55%.

In September 2020, the Society secured £3m of investment through the issuance of Core Capital Deferred Shares to accelerate our future growth prospects.

The strong inflow of funds alongside the CCDS investment contributed to liquidity ending the year at 30.82% of share and deposit liabilities. On a like-for-like comparison (excluding CCDS) liquidity was 29.45% (2019: 26.67%).

**We aim to manage the amount of funding that is not lent out to ensure that the majority of savers' funds are creating value in the real economy. We see our role as providing a savings service for those who wish to invest in pursuit of social and environmental goals, preferring where possible to source our funds for lending direct from individuals and community groups supportive of our mission, rather than taking in wholesale money from other financial institutions.**

## Management expenses

The increase in the Society's cost base was lower than expected at 4.40% to £3.32m (2019: £3.18m) due to the timing of recruitment activity and the deferral of some expenditure because of the pandemic. This resulted in a favourable impact on the Costs to Mean Assets Ratio which reduced to 1.57% from 1.69% in 2019.

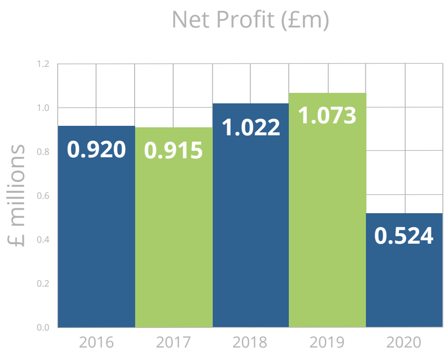
The Society plans to accelerate its investment in digital strategy, operational capacity, and capability in 2021 which will enable us to deliver on our objectives from a solid operational base.

**Wherever possible, we use the most sustainable and ethical option when purchasing goods and services, in some cases resulting in us paying more than the less sustainable option.**

## Profit and capital

The Society seeks to make sufficient profits in order to invest and grow this business for the benefit of its current and future members.

Net profit for the year amounting to £0.524m (2019: £1.073m) was added to general reserves. In accordance with accounting policy 1.5 the Society has assessed whether there is objective evidence that investments not carried at fair value through profit or loss are impaired and has recognised an impairment provision of £180k (2019: £45k).




Considering the cumulative 0.65% fall in the Bank of England base rate to 0.10%, which reduced net interest income during the year, and the overall unprecedented social and economic environment that beset the UK during the year, the Board is satisfied with the level of profitability.

During 2020 the Society increased its capital resources by £3m with the issuance of Core Capital Deferred Shares (CCDS). This is a perpetual capital instrument with a discretionary distribution. Each CCDS investor holds a single vote, preserving the Society's mutual status.

The issuance of CCDS during the year further enhanced the Society's capital strength which now totals £15.11m (2019: £11.69m).

As at 31 December 2020, the ratio of gross capital as a percentage of total share and deposit liabilities was 7.18% (2019: 6.29%) and free capital was 6.65% (2019: 5.68%). The increase in the ratio is primarily driven by the CCDS issuance.

The Board complies with the Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital through an Internal Capital Adequacy Assessment Process (ICAAP). Scenario analysis and stress testing is performed on key business risks to assist the Board in assessing whether the Society could survive a severe economic downturn and other severe business shocks.

Through the ICAAP, the Board is satisfied that the Society holds sufficient capital to meet the CRD's Pillar 1 minimum capital requirements and to cover those risks that the Board has identified under Pillar 2. The Board approves the ICAAP on an annual basis, and it is reviewed by the Society's regulator in setting the Total Capital Requirement (TCR).

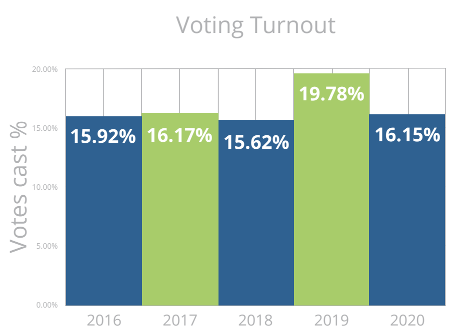
Further details of the Society's approach to risk management, including the Pillar 2A percentage and value, required by the Capital Requirements Directive can be found in the Pillar 3 disclosures available on the Society's website: **ecology.co.uk**.

The Society must maintain sufficient capital to cover its risk weighted assets, which is measured by the Core Tier 1 solvency ratio. This is determined by the standardised approach to credit risk set out in the CRD. As at 31 December 2020 the risk-weighted Core Tier 1 ratio was 18.09% (2019: 15.54%).

The leverage ratio expresses Tier 1 capital as a percentage of total assets plus mortgage impairments and a proportion of mortgage pipeline commitments. The leverage ratio increased by 0.68% to 6.23% (2019: 5.55%) as a result of the increase in capital resources during the year. Capital amounts and ratios remained comfortably above regulatory requirements throughout the year.

## Member relations

Voting turnout at our 2020 AGM was 16.15%, with our AGM being a scaled-back affair due to the restrictions of the Covid-19 pandemic. Despite the challenges of the pandemic restrictions, voting turnout was significantly higher than the sector average of 7.2%.



# Summary financial statement

This financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available at **ecology.co.uk** or free of charge to members and depositors on request from the head office after 31 March 2021.

### Summary Directors' Report

The Business review for 2020 is discussed on pages 6 to 8.

### Summary Financial Statement for the year ended 31 December 2020

| **Results for the year** | **2020** | **2019** |
|---|---|---|
| | **£000** | **£000** |
| Net interest income | 4,323 | 4,466 |
| Other income and charges | (74) | (15) |
| Administration expenses | (3,320) | (3,177) |
| Impairment losses on loans and advances | (98) | 82 |
| Impairment losses on investments | (180) | (45) |
| Provision for liabilities | (3) | – |
| Profit before taxation | 648 | 1,311 |
| Tax expense | (124) | (238) |
| **Total comprehensive income for the year** | **524** | **1,073** |
| **Financial position at end of year** | **2020** | **2019** |
| **Assets** | | |
| Liquid assets | 64,830 | 49,535 |
| Mortgages | 158,689 | 145,014 |
| Fixed and other assets | 2,510 | 3,489 |
| **Total assets** | **226,029** | **198,038** |
| **Liabilities** | | |
| Shares | 200,335 | 175,321 |
| Amounts to other credit institutions | – | 503 |
| Borrowings | 10,013 | 9,931 |
| Other liabilities | 576 | 593 |
| Subordinated liabilities | – | – |
| Reserves | 15,105 | 11,690 |
| **Total liabilities** | **226,029** | **198,038** |
| **Summary of key financial ratios** | **2020** | **2019** |
| | % | % |
| Gross capital as a percentage of shares and borrowings | 7.18 | 6.29 |
| Liquid assets as a percentage of shares and borrowings | 30.82 | 26.67 |
| Profit for the year as a percentage of mean total assets | 0.25 | 0.57 |
| Management expenses as a percentage of mean total assets | 1.57 | 1.69 |

**Gross capital** represents the general reserves and subordinated liabilities as shown in the statement of financial position.
**Liquid assets** are taken from the items so named in the statement of financial position.
The **profit after taxation** is the profit for the year as shown in the statement of comprehensive income.
**Management expenses** are the administrative expenses plus depreciation and amortisation for the year as shown in the statement of comprehensive income.
**Mean total assets** are the average of the 2020 and 2019 total assets.
**Approved by the Board of Directors on 5 March 2021 and signed on its behalf** by S. Round, Chair; P.C. Ellis, Director and Chief Executive; A.L. Chambers, Finance Director.

# Independent auditor's statement to the members and depositors of Ecology Building Society

## Opinion

We have examined the summary financial statement of Ecology Building Society ('the Society') for the year ended 31 December 2020 which comprises the Results for the year, the Financial Position at end of the year, together with the summary Directors' Report and Annual Business Statement.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Basis for opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020.

We also read the other information contained in the Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's full annual accounts is unqualified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

## Directors' responsibilities

The Directors are responsible for preparing the summary financial statement within the Summary Financial Statement, in accordance with applicable United Kingdom law.

## Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

**Daniel Taylor** (Senior Statutory Auditor)
**For and on behalf of BDO LLP, Statutory Auditor**
London
United Kingdom
5 March 2021

# Directors' remuneration report

## Introduction

The purpose of this report is to inform members of the Society about the policy for the remuneration of Executive and Non-Executive Directors. It provides details of the elements of Directors' remuneration and explains the process for setting them.

The Society adheres to the FCA Remuneration Code which sets out the standards that building societies have to meet when setting pay and bonus awards for their staff. The Code requires disclosure of the fixed and variable remuneration of senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them in to the same remuneration bracket as senior management and risk takers whose professional activities have a material impact on the Society's risk profile. These disclosures are published annually in the Society's Pillar 3 Statement.

## Role and composition of the Remuneration Committee

The Committee's responsibility is to determine the salaries and contractual arrangements of the Chair of the Board, the Executive Directors and executive management. It is also responsible for making recommendations to the Board on the level of remuneration for Non-Executive Directors, based on information provided by the Executive Directors. In addition, it reviews general salary levels.

The Committee is comprised of three Non-Executive Directors. At the invitation of the Chair of the Committee, the Chair, Chief Executive, the Finance Director, and the HR Manager attend meetings as required. The Chief Executive as well as the Finance Director take no part in the discussion concerning their individual remuneration. The Committee held two meetings during 2020 at which all members of the Committee were in attendance. The Committee reviews supporting evidence, including external professional advice if appropriate, on comparative remuneration packages.

In line with good governance expectations no Director is involved in setting their own salary.

The terms of reference for the Remuneration Committee are available on the Society's website at **ecology.co.uk**

> ***"The Society is committed to paying the Living Wage and has received accreditation for this from the Living Wage Foundation."***

## Remuneration policy

### Non-Executive Directors

Non-Executive Directors receive a fee for their services that reflects the time commitment for their duties. There are no performance related pay schemes for Non-Executive Directors, and they do not qualify for pensions or other benefits.

Non-Executive Directors do not have service contracts but serve under letters of appointment. The contribution of each Non-Executive Director is appraised by the Chair annually.

### Executive Directors

Remuneration of the Executive Directors comprises: basic salary, contributions to the Society's personal pension scheme and other benefits. The Chair appraises Executive Directors annually.

All fees earned by Executive Directors serving on external boards are paid to the Society.

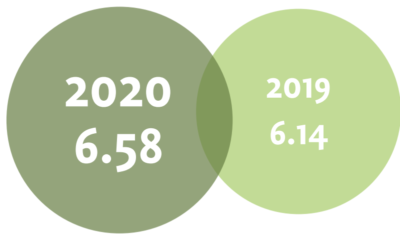
### Basic salary

The Society's policy is for all employees (including Executive Directors) to be remunerated in relation to their expertise, experience, overall contribution and the general market place. The Society is committed to paying the Living Wage and has received accreditation for this from the Living Wage Foundation.

The Society falls outside of the mandatory requirements to disclose the ratio of the CEO's pay to the average pay of all employees. However, the Society has a long-established fair pay policy which limits the ratio between the highest and the lowest basic salary. Following consultation with the Society's Ethics Panel this was set at a multiple of eight times the lowest full grade with effect from January 2017.

## Ratio of highest basic salary to lowest full grade available

as at 31 December 2020




### Performance related pay

This is an annual scheme that provides non-pensionable rewards directly linked to the achievement of key performance objectives aimed at personal and professional development.

The overall objective is to improve Society performance whilst maintaining the financial strength of the Society for the long-term benefit of its members. Effective from 1 April 2019 Executive Directors no longer participate in this scheme.

## Pensions

The Society makes contributions equivalent to 8% of basic salary for each member of staff, including Executive Directors, to the Society's group personal pension plan after an initial service period of three months. In 2018 the Society introduced a salary sacrifice option permitting staff to increase personal pension contributions by taking a reduction of up to 12% of basic salary. A death in service scheme is operated which pays a lump sum of four times basic salary. These arrangements apply equally to all qualifying staff, with no enhanced arrangements for Executive Directors or senior management.

The Society meets the requirement of the July 2018 Corporate Governance Code in that the pension contribution rates for the Executive Directors are aligned to those available to all colleagues.

## Benefits

Prior to 2012 Executive Directors could participate in the Society's staff mortgage scheme subject to a maximum of £33,000. The scheme was closed to new applications in February 2012. The Chief Executive is also provided with a hybrid company car.

## Contractual terms

None of the Society's Non-Executive Directors have service contracts. Paul Ellis, Chief Executive, has a service contract entered into on 30 July 2018. The service contract with Amanda Chambers was entered into on 4 November 2019. All contracts are terminable by either party giving six months' notice.


*Angle House, an Ecology-backed low-energy home built on a brownfield site in London (credit: Agnese Sanvito)*

## Non-Executive Directors' remuneration

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Andrew Gold**[1] | **27.3** | 27 |
| **Kerry Mashford** | **14.2** | – |
| **Tim Morgan** | **18.2** | 18 |
| **Chris Newman** | **15.8** | 16 |
| **Louise Pryor** | **14.2** | – |
| **Steve Round** | **22.5** | 22 |
| **Vincent Smith** | **15.4** | 14 |
| **Alison Vipond** | **3.5** | 14 |
| **Totals** | **131.1** | 111 |

[1] *Includes additional remuneration of £12,662 (2019: £12,384) in relation to assigned senior management regime responsibilities for oversight of the risk function.*

## Executive Directors' remuneration

| **2020** | Salary £000 | Performance related pay £000 | Taxable benefits £000 | Contributions to pension scheme £000 | Total £000 |
|---|---|---|---|---|---|
| **Paul Ellis (Chief Executive)** | **114** | **–** | **5** | **9** | **128** |
| **Pam Waring (Deputy Chief Executive and Finance Director) (leave date 31.5.2020)** | **43** | **–** | **–** | **3** | **46** |
| **Amanda Chambers (Finance Director)** | **98** | **–** | **–** | **7** | **105** |
| **Totals** | **255** | **–** | **5** | **19** | **279** |
| 2019 | | | | | |
| Paul Ellis (Chief Executive) | 105 | 5 | 4 | 9 | 123 |
| Pam Waring (Deputy Chief Executive and Finance Director) | 97 | 5 | – | 7 | 109 |
| **Totals** | **202** | **10** | **4** | **16** | **232** |

On behalf of the Board

**Andrew Gold**
*Chair of the Remuneration Committee*
5 March 2021

**Ecology's activities are guided by its mission to build a greener society, through enabling the transformative power of finance to benefit society and the environment. The need for positive impact has never been greater. Here, we provide a snapshot of our progress in 2020.**

## The journey to net zero

Net zero is achieved when there is a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere, either by technological or natural solutions. Many countries and organisations have committed to achieve net zero, most with a target date of 2050. However, the coming decade will be a critical time for action.

Given all financial institutions have a responsibility to reduce the emissions arising from their activities, including their loans and investments, we are a signatory of the GABV Climate Change Commitment and of the UNEP Finance Initiative Collective Commitment to Climate Action, supporting the transition to a net-zero economy by 2050.

> ***"In accordance with the Paris Agreement, we commit to align our portfolios to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well below 2 degrees Celsius, striving for 1.5"***

*Our operational emissions*

Since 2012, we have reported the carbon footprint from our business operations and supply chains, and have offset all our operational emissions since our creation in 1981. Our energy-efficient office has electric vehicle charging points, solar thermal and photovoltaic panels, a sedum roof, rainwater harvesting and a mechanical ventilation with heat recovery system. In 2020, emissions decreased to 275 tonnes, partly due to the reduction in colleague commuting. The 2020 footprint includes 4.9 tonnes of carbon emissions arising from electricity and heating use by colleagues working from home.

*Emissions arising from our lending*

Ecology is the first building society to report our carbon accounts – the carbon emissions arising from our lending. We have calculated the emissions from Ecology mortgaged properties arising from their heating and electricity use. In general, Ecology mortgages enable homes to achieve a much higher energy efficiency, and lower carbon emissions, than the UK average. However, if we are to play our part in achieving the goals of the Paris Agreement, we know that emissions must be further reduced in the coming decade. Guided by science-based methods, emission reductions will be achieved through combinations of high levels of energy efficiency through insulation, low-carbon heating, domestic renewables and potential natural solutions to absorb emissions.

We have used the new Global Greenhouse Gas Accounting and Reporting Standard launched in November 2020 by the Partnership for Carbon Accounting Financials (PCAF). Ecology became one of the first members of the PCAF UK group when it formed in October 2020.

PCAF
Partnership for Carbon Accounting Financials

Energy Performance Certificates (EPCs) are currently the best available information on property emissions, calculated using a property's fabric and heating system. At the end of 2020, 48% of Ecology mortgages secured on property had an EPC. Some properties do not have an EPC, either because their purchase pre-dates the requirement for one, or an EPC assessment has not yet been carried out since works were completed, or the property is still under construction. We have used known EPC data to estimate emissions for the properties where works are complete but their EPC is not yet available.

## Carbon emissions arising from the Society's business operations and staff commuting

Total CO2 (tonnes)

| 2020 | 2019 | 2018 |
|---|---|---|
| 275.3 | 338.7 | 299.8 |

The annual emissions from the completed properties in our mortgage portfolio at the end of 2020 were 1785 tonnes. In line with recommendations of PCAF, we have calculated the emission intensity, the emissions from the mortgage properties per £ of lending. The average emission intensity of our mortgage portfolio is 0.015 kg CO2 per £ of lending. We will continue to develop our carbon accounts, improving data quality and methods.

Our EPC data for 2020 show 67% of Ecology properties achieve an energy efficiency rating of A or B, well above the average rating of EPC D from the English Housing Survey 2019-20. Our EPC data show 10% of Ecology properties are rated E, F or G. These ratings reflect the fact that Ecology mortgages enable renovation of properties which start off in a deteriorated or derelict condition. When renovation works are completed, these properties will achieve a higher energy efficiency rating.

We are collaborating with PCAF UK to test and develop these carbon accounting methods in the run up to COP26. Our carbon accounts provide the basis for setting science-based targets to meet the goals of the Paris Agreement.

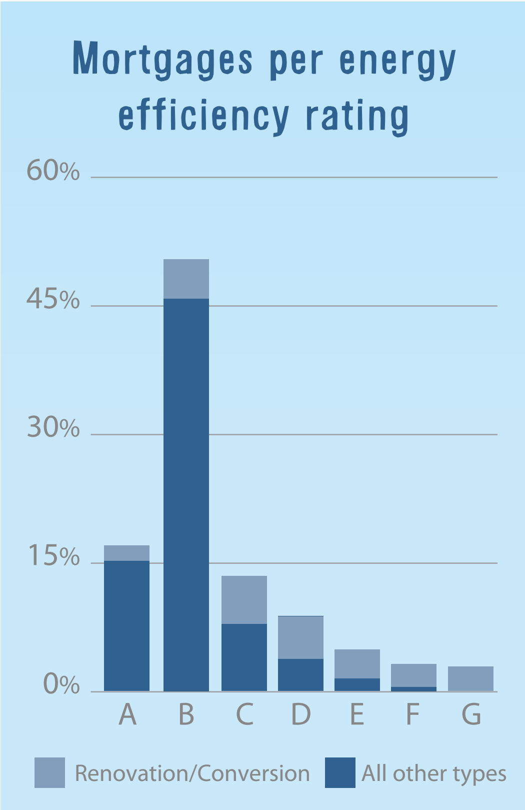
## Principles for Responsible Banking

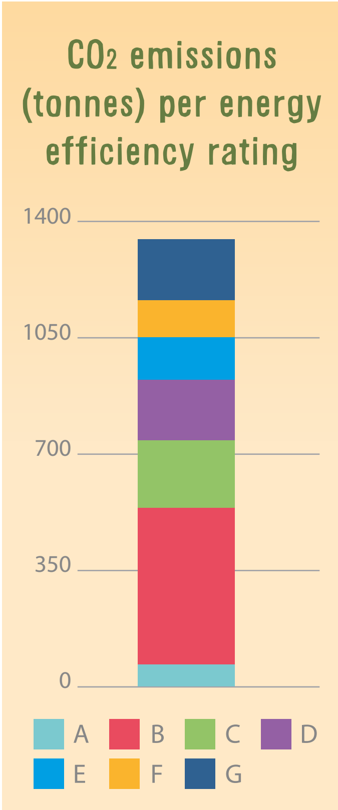
FINANCE
UNEP INITIATIVE

In September 2019, Ecology became the first building society to sign the first global sustainability framework for the banking industry: the United Nations Environment Programme Finance Initiative (UNEP FI) 'Principles for Responsible Banking'. Signatories commit to align their business strategy

# Annual emissions from mortgage portfolio

| **Properties with an EPC (48% of Ecology mortgages)**<br>Emission data quality score 3, based on PCAF Standard | | |
|---|---|---|
| | **Outstanding balance £000** | **Attributed CO2 tonnes** |
| Self-build | 43,481 | 384.5 |
| Renovation and conversion | 21,760 | 583.7 |
| Other new build | 13,850 | 238.1 |
| Community housing | 1,708 | 56.3 |
| Commercial | 1,059 | 88.6 |
| *Sub-total* | *81,858* | *1,351.2* |
| **Properties where works are completed but no EPC yet available**<br>(24% of Ecology mortgages) Emission data quality score 5, based on PCAF Standard | | |
| *Sub-total, all types* | *33,910* | *433.9* |
| **Total** | **115,768** | **1,785** |




The graphs show information on the EPC rating and carbon emissions for properties with an EPC available.

and practice with the Sustainable Development Goals and the goals of the Paris Climate Agreement. In line with UNEP's reporting requirements, we are publishing our first progress report, showing how we are implementing the principles.

## Innovation in sustainable housing

The UK needs to retrofit a million homes a year with energy efficiency measures to reach the UK Government's goal of net-zero emissions by 2050. As well as providing sustainable lending for renovation projects, we continue to participate in policy initiatives to deliver mechanisms to deliver mass retrofit at scale, including joining calls for a national retrofit programme and participating in innovative financial solutions to inform national decarbonisation of housing in Wales. We are partnering on a collaborative innovation project to transform local supply chains for zero-carbon, affordable homes, using modern methods of construction (MMC). This involves standardised components which are fabricated offsite from sustainable materials and then transported and assembled on site. This approach will transform the way new homes are built, reducing costs, emissions and construction time.

## Leading the field

The Society has achieved widespread recognition for its work in 2020. We were awarded 'Best Self-Build Lender' in the 2020 Build It Awards. The award recognises Ecology's role as a leading supporter of self- and custom-build in the UK for nearly 40 years. We also won 'Mortgage Provider of the Year' for the second year running at the Yorkshire Financial Awards, as well as being shortlisted for the 2020 Ashden Awards, which recognise the organisations playing their part in the global effort to tackle the climate crisis. We also came 'highly commended' at the latest What Mortgage Awards for our shared ownership mortgage. These 2020 awards, together with endorsements including the renewal of our Ethical Consumer Best Buy accreditation for our savings and mortgages, stand as a testament to Ecology's ongoing commitment to building a financial system that benefits people and planet.

## Changing finance

We have added our voice to the call for financial institutions to set net-zero targets for no later than 2050 through our support of the Bankers for NetZero initiative.

Ecology also continues to participate in the work of the Green Finance Institute's Coalition for the Energy Efficiency of Buildings (CEEB), which is exploring new mechanisms to support the financing of energy efficient homes including the development of the Green Home Retrofit Finance Principles, which are designed to provide a recognisable standard for green retrofit projects. Ecology was one of the first lenders to sign up to the Principles.

Recognising that the transition to a low-carbon economy needs to be approached in a way that benefits everyone, Ecology participated in the advisory group for the London School of Economics' Grantham Institute's report on 'Banking on a Just Transition'. The report sets out a route map for banking providers to deliver a sustainable, fair and inclusive future and, since then, the Society has become a founder member of the Financing a Just Transition Alliance, which is implementing the findings of the report.

## Paying responsibly

We make sure that we reward our colleagues fairly. Ecology is an accredited Living Wage employer. This means all Ecology staff members, including contractors who work on our premises, are paid a fair wage. We stipulate that no basic salary will exceed eight times the lowest full grade salary, with our actual ratio for 2020 standing at 6.58:1.

In 2016 we announced that Ecology had become the first UK building society to be awarded the Fair Tax Mark showing we take a responsible approach to paying our taxes. Our re-accreditation each year, demonstrates our genuine commitment to doing the right thing when it comes to taxes.

## Sponsorship and charitable giving

We were pleased to sponsor the 10th anniversary event of the Passivhaus Trust, of which Ecology was a founding member.

Despite the social distancing restrictions, a number of colleagues continued to volunteer their own time to a range of community organisations including local foodbanks, a local health and wellbeing charity, various sports groups and a local community trust.

In addition we made £550 of donations to our charity partner, Trees for Cities, as a result of members' AGM voting.

## Enabling people-powered housing

In 2020, Ecology supported five new community-led housing projects across the UK: in London, South Wales, Lancashire, Leeds, and Devon. Amongst these is Bradley Big Local CLT, a community land trust in Nelson which provided four affordable, EPC B rated new-build homes for local families this year. We also began supporting Chapeltown Cohousing (ChaCo), a Leeds-based housing co-operative and cohousing project, on the development of 29 affordable dwellings in one of the most deprived neighbourhoods in England. Broadhempston CLT in Devon refinanced to us on their project of six self-built eco-homes for local families. Ecology was also pleased to support Quaggy Mutual Home Ownership Society in London with its vision to create a shared, mutually owned home for its members, and Golem Housing Co-operative in South Wales, on the purchase and retrofit of its second property for affordable housing.

# Climate and ecological emergency plan

In 2019 Ecology made a climate emergency declaration. Our climate and ecological emergency plan includes the actions we are taking to accelerate efforts to ensure that the planet does not exceed 1.5 degrees Celsius of heating and preserves and restores natural habitat. The actions are summarised here:

### Our current and future members

- Ensure our savings and lending activities are fully focused on addressing the climate and ecological emergency.
- Deliver members' events, engaging experts and practitioners to share new knowledge.
- Support members to participate in our campaigning activities.
- Provide vegetarian or vegan catering at our members' events.

### Our lending

- Ensure our mortgages continue to incentivise greater energy efficiency.
- Increase support for innovative sustainable construction techniques and low-impact materials.
- Connect borrowers with resources to increase knowledge of innovation in sustainable building and low-carbon heating.
- Invest in zero-carbon, renewable energy generation projects.
- Support adaptation to the physical impacts of climate change.
- Measure and report the 'financed emissions' from our loans and investments so they can be fully aligned with the Paris Climate Agreement.

### Our activism

- Campaign for rapid, meaningful action to avert a climate and ecological catastrophe.
- Use our voice and influence to share and rapidly scale up impactful solutions.
- Continue to advocate for rapid and far-reaching positive change in the financial sector.

### Our colleagues

- Coordinate, Green Team, activities for colleagues to engage and be inspired to reduce carbon emissions and protect nature.
- Promote sustainable modes of transport, including cycling and electric vehicles.
- Provide free electric vehicle charging at our office for colleagues and visitors.
- Support home working.

### Our local community

- Participate in community tree-planting activities and other nature conservation activities.
- Support educational and cultural initiatives that build understanding and action to address the emergency.

### Our premises

- Maintain the high environmental performance standards of our offices.
- Evaluate potential zero-carbon heating systems for our premises.
- Continue to offset all carbon emissions from business operations and travel.
- Expand our carbon offsetting schemes to include peatland restoration.
- Maintain our gardens and green roof using organic, permaculture principles.

### Our supply chains

- Use suppliers (local where possible) with good environmental performance.
- Work proactively with our suppliers to reduce the carbon and ecological footprint of the supplies and services we use.

# 2020 member stories

## Angle House, London

Reflecting its unique design, architects Sophia and Andrea named their self-built, low-energy home in London 'Angle House'. The land they purchased was an awkwardly shaped old builder's yard, nested between two rows of terraced housing and a road. Its positioning and shape, along with various planning constraints, proved an interesting challenge for the couple during the design phase.

*Angle House*

> ***"...the house's heating demand is approximately 85% lower than the UK average..."***

After two years of work and with an Ecology mortgage, they managed to make the most of the space available and created a beautiful, low-carbon home that maximises natural light and solar gain.

External insulation and a mechanical ventilation heat recovery system mean that the house's heating demand is approximately 85% lower than the UK average, allowing Sophia and Andrea to enjoy a comfortable indoor temperature year round. Additionally, some of their electricity is generated onsite through solar PVs, reducing their overall energy bills.

The inside of the house is bright and spacious whilst maintaining privacy from neighbours thanks to the open plan layout, skylights, and large sliding doors onto the rear garden. An oak-slat staircase with smart storage below also allows light to span across both floors, reducing the need for artificial lighting.

*Andrea & Sophia*

The couple's design was recognised in the New London Awards 2020, where they won the Dwelling Prize for having created an incredible energy-efficient home on such a difficult site.

## Ulva Ferry affordable housing, Isle of Mull, Scotland

*New homes going up at Ulva Ferry*

With the support of an Ecology mortgage, construction is now well under way on four affordable homes at Ulva Ferry on the Isle of Mull. This follows three years' dedicated work by Mull and Iona Community Trust (MICT) to secure land and funding for the project, which will create homes for long-term rent to those in housing need.

The homes are being constructed by The Wee House Company in response to the area's need for affordable smaller houses for young people and older members of the community. The Wee House Company is at the forefront of modular construction in Scotland. Homes are 90% complete before leaving their Ayrshire factory and are delivered to site ready-fitted with kitchens, bathrooms, plumbing and electrics, meaning they can be completed and occupied far quicker than traditional builds. Factory conditions help reduce waste and improve quality control, whilst eliminating the effects of inclement weather.

This ambitious project will see the houses constructed on two plots of land at Ulva Ferry – one purchased via the Scottish Land Fund, and one donated by a local landowner. The homes will be offered with secure tenancies to those in housing need, with a locally agreed allocation policy being used to prioritise applications. Rents will be set at levels in line with existing social housing on Mull which, in combination with the excellent levels of energy efficiency, will help to ensure the homes' ongoing affordability.

*Future residents visit the construction site*

# Glossary

## Broadhempston CLT, Devon

Broadhempston CLT delivers affordable, quality eco-housing for local people in housing need. The 'Easterways' development is now home to six families with a long-standing connection to the area who had struggled to find suitable housing.

Every household committed a minimum of 20 hours' labour per week to the build, securing 25% of their home's equity, with the opportunity to purchase a further 50% over time. To cover this, the families pay rent to the CLT at a rate that is 20-25% below the area's open market value. The remaining equity is retained by the CLT on behalf of the community.

*Affordable homes at Broadhempston*

Each with a garden and access to their own community orchard and playground, the timber-framed builds are insulated with straw and internally rendered with lime plaster. The homes are fitted with a glazed south-facing sunroom, reducing the need for additional heating.

*Broadhempston CLT resident, Hugo*

Ecology's loan of just under £1 million has enabled the CLT to refinance their original development loan from Resonance, a social impact investment company. Our loan will enable Resonance to invest their funds back into more new community-led housing projects.

**Some of the financial terms we use in this Annual Review are explained below:**

### Advance
Money loaned ('advanced') to a borrower.

### Amortisation
The process of gradually writing off the value of something to reflect a reduction in its value over time. It is the same as depreciation, but is usually used for intangible assets such as goodwill. For Ecology it relates to purchased capital (subordinated debt). The amount purchased remains the same, but the amount that can be classed as capital is reduced over a period of time.

### Assets
Something belonging to the business that has value – for Ecology, this means liquid assets, mortgage assets and fixed assets.

### Capital
Profit retained by Ecology to act as a buffer against losses.

### Counterparties
The banks, building societies and money market funds that hold Ecology's liquid assets.

### Depreciation
Depreciation is both the gradual writing down of the value of an asset and the allocation of the cost of the asset over the period of time that it is used.

### Fixed assets
Assets such as the head office, furniture, machinery and IT equipment that the Society owns and uses, and does not buy and sell as part of its regular trade.

### Forbearance
A special agreement between a lender and a borrower which aims to prevent repossession.

### Gross capital
Reserves and subordinated liabilities.

### Gross Capital Ratio
Gross capital as a percentage of shares and borrowing.

### Gross lending
New advances made in the year.

### Inflow
The flow of money into the Society from savers' deposits and mortgage repayments.

### Liabilities
Something the business is legally responsible to repay to others – for Ecology this means our members' savings, our reserves, and debt we owe to other organisations.

### Liquid assets
Cash or assets that can be converted into cash (such as bonds).

### Liquidity
The availability of liquid assets to Ecology.

### Management expenses
Administrative expenses plus depreciation.

### Management Expenses Ratio
The proportion of management expenses to the average of total assets during the year.

### Mortgage assets
The value of mortgage loans less provisions.

### Net lending
New advances made in the year less redemptions.

### Net profit
Profit less tax.

### Provisions
Money set aside to cover potential losses on loans.

### Redemptions
When borrowers pay back their mortgage loan.

### Reserves
For Ecology, this is the same as capital.

### Shares
For Ecology (like other building societies) shares refer to money deposited by members, who have a 'share' in the business should it be wound down.

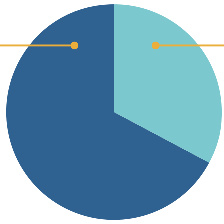
### Subordinated debt
Debt that has a lower ranking than other forms of debt – if Ecology were to be wound down, subordinated debt would only be repaid after other claims on the business had been repaid.

### Write-back
When the value of a provision is subsequently restored ("written back") to the balance sheet.

# 2020 Our lending in focus

**£39.3 million** lent across **230** sustainable properties and projects

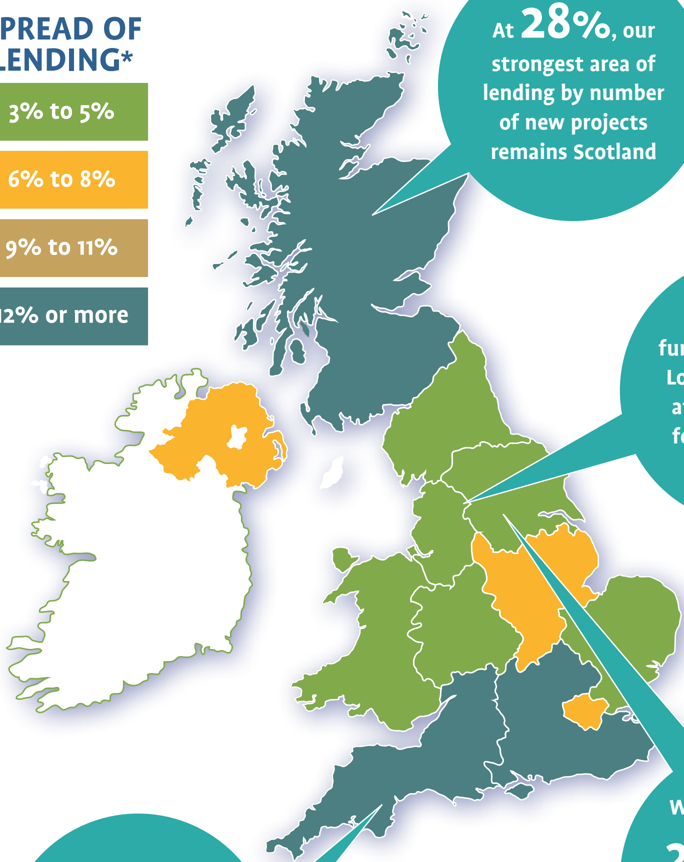
**67%** to residential properties (including sustainable new build, renovation and conversion)



**33%** to commercial, community gain and non-residential properties (including woodland, housing co-operatives, buy-to-let and shared ownership)

## SPREAD OF LENDING*

- 3% to 5%
- 6% to 8%
- 9% to 11%
- 12% or more



At **28%**, our strongest area of lending by number of new projects remains Scotland

We provided funds to Bradley Big Local CLT, creating affordable homes for people in east Lancashire

We supported the building of **2** new Passivhaus homes in Oakenshaw, Bradford

Our lending in Devon included Broadhempston CLT (see page 18)

*% of new properties/projects by count, as rounded to nearest whole percentage.

## *Our new loans included:*

- **141** SUSTAINABLE NEW BUILDS (including self- and custom-build, and community-led housing)
- **27** CONVERSIONS
- **12** SHARED OWNERSHIP
- **23** RENOVATIONS
- **3** HOUSING CO-OPERATIVES
- **2** COMMUNITY LAND TRUSTS
- **6** WOODLANDS
- **2** COMMUNITY GAIN PROJECTS

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