Ecology
Building Society

Annual Review 2021






Building a greener society

Welcome to your Annual Review 2021

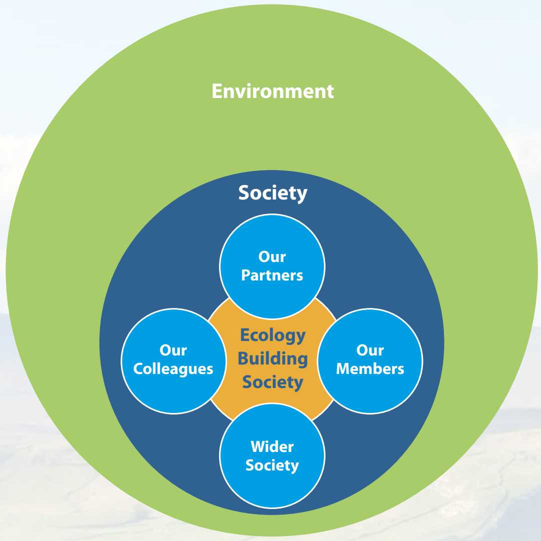
Our Purpose

Our Vision
"A fair society in a sustainable world"

Our Mission
"A member organisation dedicated to improving the environment and society by enabling sustainable building and communities"

Values
Fairness, Openness, Responsibility, Co-operation and Activism

System Value – We seek to create holistic value for society and the environment



This booklet summarises the progress we have made during the year.

You can find a glossary of some of the financial terms used in this booklet on page 23.

What's inside your Annual Review?

Our progress in 2021

Our members

Powered by more than **12,000 members**

1,529 (16.9%) eligible members voted in our 2021 AGM – more than two thirds voted online

Over **750** members participated in our member consultation

96% of members trust us to create positive environmental and social impact

Our premises

Initiated evaluation of low-carbon heating options

100% renewable electricity, 39% of which is generated onsite

Maintained Investors in Environment Green Award (highest category)

Our local community

Litter picking with Plastic Free Silsden

Team took part in charity run, raising funds for Sue Ryder Manorlands Hospice

£650 raised for Trees for Cities as a result of members' AGM voting

Our activism

Launched Our 2030 Strategy co-developed with members

Founding signatory of Net-Zero Banking Alliance

Co-chaired PCAF* UK and reported during COP26

Contributed to UK Government policy deliberations and Bankers for NetZero report on retrofits

Participated in events in Glasgow during COP26

Our colleagues

Introduced 'Giki Zero' colleague sustainability programme

Launched electric vehicle leasing scheme

Complimentary onsite electric vehicle charging

Investors in Environment Overall Outstanding Achiever (SME) Award

Our supply chains

Review underway of environmental performance of our suppliers

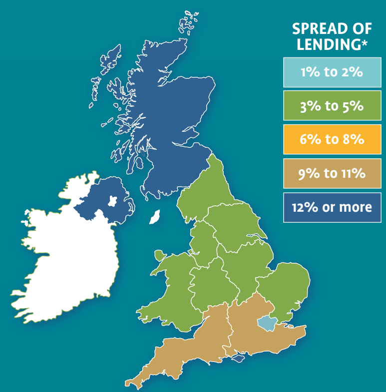
Our lending

77% increase in new lending to **£69.4 million** across **371** sustainable properties and projects

142% increase in new lending for renovations and conversions

New loans include:

- **39** conversions
- **52** renovations
- **246** new builds, including self and custom builds
- **5** shared ownership properties
- **6** housing co-operatives
- **5** community land trusts
- **4** woodlands
- **1** community gain project



Our carbon emissions

276.8 tonnes: total carbon footprint of our business of which **21%** comes from office heating, business travel, commuting and working from home

1,563 tonnes: financed emissions** from our mortgage lending

12.4 $kgCO_2$/£000 average financed emission** intensity and

23.6 $kgCO_2/m^2$ average physical emission intensity of our lending

We are working on our net zero plan and targets for business operations and lending, and will report on these during 2022

* PCAF UK: Partnership for Carbon Accounting Financials UK

** Based on carbon emissions from regulated energy use for space and water heating, and lighting

Your Board of Directors

Steve Round
Non-Executive Director and Chair

Steve is an entrepreneur who believes passionately that we can use financial services to create a fairer society. Having worked with a range of major financial institutions as well as start-ups both in the UK and Internationally Steve launched the first cloud-based banking platform in the UK – the change account in 2015 – giving individuals who were homeless and financially excluded access to a first-class bank product.

He founded SaaScada which offers both existing and new banks Internationally 'banking as a service' delivering a cloud-based banking solution. He is a director at FinComEo – which provides a unique ecosystem of finance to benefit farmers in Africa and Centenary Bank in Uganda a member of the Global Alliance Banking on Values.

He was previously Chair of The Big Issue Foundation and director at Unity Trust Bank.

Andrew Gold
Non-Executive Director

Andrew is a qualified chartered accountant and also holds a treasury qualification. He has spent most of his career working in retail financial services, primarily building societies. He had his first direct involvement with the Society in 1996 and was appointed to the Board in 2014.

In addition, Andrew is the Chair of the Airedale NHS Foundation Trust.

Chris Newman
Non-Executive Director

Chris' concerns about climate change, energy resources and fuel poverty brought him to the sustainable building sector. As a director of Parity Projects, which develops retrofit investment strategies for housing providers and private individuals, he brings expert knowledge in improving homes' energy efficiency.

He has previously worked as a consultant at a large accountancy firm and in internal audit and compliance for an investment bank.

Paul Ellis
Chief Executive

Paul has been involved in the Society since 1981. He joined the Board in 1984 and has been Chief Executive since 1995.

He has a long-held commitment to environmental and social issues, and is active in a number of community environmental initiatives. He has also served on the board of the International Association of Investors in the Social Economy (INAISE), the Association for Environment Conscious Building (AECB); and the Passivhaus Trust, which the Society helped to establish.

Kerry Mashford OBE
Non-Executive Director

Kerry is a Chartered mechanical engineer and has worked for many years in sustainable manufacturing and construction, energy transition and the circular economy. She initiated and led Innovate UK's Building Performance Evaluation programme and is a member of its Transforming Construction advisory group.

Kerry recently led and co-authored BS 40101, a new British Standard on Building Performance Evaluation of buildings in-use. She is a non-executive director of the Active Building Centre Ltd and chairs the energy strategy group of Worcestershire LEP. She was awarded an OBE in 2017 and is currently planning her next self-build home.

Louise Pryor
Non-Executive Director and Chair designate

Louise is a climate change actuary and risk specialist with 30 years of experience in actuarial consulting, software development and academia.

Louise is President of the Institute and Faculty of Actuaries, and Chair of the London Climate Change Partnership.

Amanda Chambers
Finance Director

Amanda joined the Society in 2019 and was appointed to the Board in February 2020. She is a chartered management accountant with over 20 years of experience in financial services, having held senior roles in both mutual and plc businesses.

As a keen hiker, Amanda is embracing life in the Yorkshire Dales, while her passion for music sees her performing in amateur community musical theatre shows and playing the piano.

Tim Morgan
Non-Executive Director

Tim is a Chartered Accountant and Secretary who has worked in the social impact sector for the last 27 years. He is also Finance Director and Secretary of the fair trade lender Shared Interest, a financial mutual with a social purpose.

Tim has worked with a number of leading fair trade organisations such as Traidcraft and Cafedirect, and was previously a director in the NHS.

Vince Smith
Non-Executive Director

Vince joined the Board in 2017 after a 29 year career in corporate treasury, where he held senior roles in FTSE 100 and 250 companies, including in the building materials, construction and services sectors.

He holds an environmental degree and is a volunteer for nature conservation organisations, serving as a trustee of Staffordshire Wildlife Trust for 21 years, including eight as Chair.

We would all like to express our gratitude to Steve Round as he departs his role as Chair. Since joining the Board in 2010, Steve has brought his immense experience and passion to help the Society drive forward on its ecological mission. We have appreciated our working together, and Steve will be missed as we continue our journey.

Chair's statement

When Ecology began four decades ago, did our founders envision the global challenges amidst which we would celebrate our 40th anniversary? Some may well have; they certainly recognised that the financial system was, in many respects, failing to serve the needs of people and planet.

As is the case today, many of the era's environmental and social ills may have appeared insurmountable. Thankfully, our founders – non-conformist in outlook and practical in approach – weren't the types to take a back seat. Instead, they joined forces to help build a more sustainable future and here we are, four decades later, with thousands of sustainable properties and projects standing as testament to their optimism.

We had hoped our 40th anniversary AGM would be a convivial, celebratory affair, but for the second year running it was a scaled-back virtual event. This time, we converted our strawbale meeting room into a makeshift studio, enabling us to broadcast live and respond to members' questions. We are greatly looking forward to our 2022 event, when we hope to welcome members to London's Mildmay Club where our loan is funding essential repairs and a partial conversion to help secure the future of this iconic venue, which has been at the heart of the Stoke Newington community for over a century.

The team have continued to be steadfast in their commitment to maintaining the highest standards of service. Their efforts, alongside Ecology's tenacity in pushing for change, were recognised via a series of accolades during 2021, including being named 'Best Ethical Financial Provider' and 'Treating Customers Fairly Champion' at the British Bank Awards following members' voting and overwhelmingly positive feedback. We also enjoyed wins at the MoneyAge Awards and Yorkshire Post Awards. I am particularly pleased that Paul Ellis' lifetime contribution to

the sector was rightly recognised in the Mortgage Finance Gazette Awards.

Such recognition is always welcome, but it's the extent to which we're achieving our mission that is the true yardstick of our performance. Despite some disruptions to the building materials supply chain, the year has borne a multitude of innovative, sustainable projects, including affordable rural homes, inner-city regeneration initiatives and energy-saving renovations. Our willingness to look beyond a tick-box approach and to adapt to the needs of our borrowers has made all this possible.

We looked forward to seeing action following international commitments at COP26. We know our members expect us to be a leading voice in pushing for change, so we were there in Glasgow, spreading the word about sustainable finance and keeping a keen eye on negotiations. Certainly, there were some disappointments in the detail (or lack thereof) behind the bold statements, but the momentum and ambition at the event were undeniable. Leaders cannot hide from the reality that the eyes of the world are upon them.

At Ecology, we've never been short of motivation to play our part in building a better future. But we know that this alone isn't enough – we also need a cohesive plan to set out our ambitions for a sustainable future. *Our 2030 Strategy,* which we launched in November with the input of many members, defines the vision we are working towards and how we will get there, as well as reinforcing our role as an agitator to respond to the climate and ecological crisis. Our role is to boldly advocate, innovate and demonstrate new ideas so others may follow. I'd like to offer my thanks to all who contributed. We are now focusing on delivering the ambitions we've set out.

As we look ahead, we also mark the end of an era. Paul Ellis will be stepping down as CEO in 2022. Paul has been a constant presence since Ecology first began and has served as our Chief Executive for the last 26 years, making him the longest serving CEO in the building society sector. He has steered the Society with unswerving commitment, overseeing an increase in assets from £18m to £256m at the end of 2021 and empowering us to have the courage to do things differently. I would like to extend my heartfelt thanks to Paul for his extraordinary contributions to the Society, as well as to the wider areas of green finance and sustainable building.

I would also like to express my gratitude to all who have helped in the preparations for the handover to Ecology's next Chief Executive, who we look forward to welcoming to help lead the next chapter in the life of the Society.

In 2022, I will be departing from my role as Chair of the Board after an incredibly rewarding seven years. I will pass the baton on to Chair designate Louise Pryor, an existing Ecology Director, who brings over 30 years' risk and actuarial experience to the role. Louise currently serves as Chair of the London Climate Change Partnership, President of the Institute and Faculty of Actuaries, and is a Fellow of the Institute of Environmental Management and Assessment.

Finally, my thanks go to the Board, the Ecology team and all our members for enabling us to achieve another remarkably successful year as we continue to play a leading role in building a greener society and I look forward to being an actively engaged member of the Society in the future.

Steve Round
Chair
4 March 2022

Chief Executive's review

We have never taken the numbers on our balance sheet to be the sole marker of Ecology's success. Rather, it is the impact in the real world that these numbers point to that represents our true value. Looking back to when we began in 1981, there is so much to demonstrate this – from the community-led projects and low-energy homes that we've supported, to our influence in the world of finance as we've striven for a more equitable financial system that acts in service to people and planet.

It was with this in mind that we brought members together in autumn 2021 to help us in defining our 2030 strategy – our 40th anniversary serving as a fitting point at which to pause and reflect on all we have achieved and what remains to be done. Of course, the answer to the latter is 'a lot'; there is so much for us to do if we're to emerge from this pivotal decade at a place where we can look to the future with optimism at its potential. To get there, Ecology needs a clear roadmap, underpinned by a shared understanding of the key areas in which we will focus our efforts, and, as a mutual organisation, it is vital that this reflects our members' values. So, I was delighted that more than 750 members took part in our virtual member consultation, which will serve as an essential guide over the remainder of this decade to ensure we remain on track in our ecological mission.

The year brought welcome recognition of the vital role that housing and finance have to play in achieving the Government's Net Zero Strategy. The Heat and Buildings Strategy published in October rightly emphasised the importance of low-carbon energy,

pointing to heat pumps as an essential technology in decarbonising our homes' heating. At Ecology, we believe that the installation of these technologies must go hand-in-hand with good levels of insulation and ventilation, to create low-carbon, healthy homes. Overall, this was a missed opportunity to deliver what we need to make our homes fit for the future – a co-ordinated national retrofit programme addressing the fragmented energy-efficiency supply chain and skills shortages.

October also saw the release of the Government's Green Finance Roadmap. We hope that its focus on sustainability reporting standards will reduce the capacity for greenwash within finance and, in due course, result in the further growth of green mortgages to help reach the Government's goal of net zero emissions by 2050. I'm proud to report that – as usual – Ecology is well ahead of the curve on this and, in 2021, became the first building society to publish the carbon footprint of its residential lending, calculated in accordance with standards developed by the Partnership for Carbon Accounting Financials (PCAF), of which we are a founding member of the UK group.

Much of 2021 was occupied with COP26, whether in anticipation or in post-event analysis. Bold statements and soundbites ricocheted enthusiastically from podiums, but was meaningful progress made towards setting the world on a more sustainable trajectory? Certainly, there were some positive outcomes; we witnessed a reignition of determination and momentum to a degree that has been lacking since the Paris Agreement in 2015, with the major Co_2 emitters – China and the US – committing to collaborate on climate issues. However, details were thin on the ground as to how this will be achieved and, with dismay, we saw the final text of the Glasgow Climate Pact watered down so that phasing 'out' coal became phasing 'down'.

It's hard to witness some of our top leaders and policymakers failing to grasp the urgency with which we need to act at this critical time. I firmly believe that the only way we can respond (and preserve our sanity) is to take positive, practical actions within our own homes, communities and workplaces. Our borrowers who are insulating their homes to make them more energy efficient or are collaborating on a new community-led initiative; our savers who are choosing to invest their money in support of environmentally and socially oriented projects; our colleagues who turn up each day to answer the emails and the phone calls – these might sound insignificant in isolation, but together form a groundswell of action that represents real progress.

In the face of increasingly volatile energy prices and hikes in the overall cost of living, many of these actions also make sense – indeed, they are crucial – if households are to be able to afford to heat and power their homes. Our mortgages are continuing to support people in this by enabling them to retrofit existing properties, as well as to build energy-efficient new homes. I'm thrilled that our impact in this space has once again been formally acknowledged this year in the form of multiple industry awards – welcome recognition of the outstanding work of the whole Ecology team.

Financial overview

The Society has once again demonstrated resilience against a backdrop of economic and societal uncertainty. The property market remained open and active throughout 2021, buoyant demand being fuelled by the stamp duty tax break and homeowners' shifting priorities. I am pleased to report a record level of lending at £69.4m, a 76.84% increase on 2020, bringing an increase of our total mortgage assets to £194.1m. This lending has been enabled by our savers' deposits and our capital resources, which were bolstered in 2020 following the issuance of £3m in Core Capital Deferred Shares (CCDS).

In response to the economic shocks of COVID-19, the Bank of England's base rate has remained subdued. Following almost two years at a historically low rate, the base rate nudged upwards from 0.10% to 0.25% in December 2021, and further in February 2022, in response to high inflation – the predominant driver of which has been the increasing price of fuel and energy. We acknowledge the unfolding events in Ukraine with its tragic consequences for the people of that country, and whilst we do not have any exposure outside of the UK there is some uncertainty as to how this may impact the wider UK economy.

We have continued to monitor our own interest rates closely to ensure that we are balancing the needs of both our savers and borrowers. Our inflow of savings funds has remained strong, with savers favouring Ecology on the merits of our mission-led approach and being reassured by our fair and transparent stance on rates and we were pleased to be able to re-open our popular 90-day Notice account. During the year, we also took the necessary action to restrict the inflow of new funds to our historic guaranteed accounts, ending the year with a savings balance of £239.5m, an increase of 13.84%. The steadying inflow of funds has contributed to a reduction in our liquidity rates to 24.96% (2020: 30.82%).

Buoyed by this strong inflow and continued unprecedented demand for our mortgages, we end the year at a 13.37% increase in our total assets, which now stand at £256.3m, taking us over the £250m mark for the first time in Ecology's history. Our profits have also performed well, coming in at £1.019m despite the ongoing low interest rate environment and wider economic uncertainty. This stands us in excellent stead for expanding our loan book in 2022, supporting as many sustainable projects as we can.

Lending highlights

During the year we supported 371 new sustainable properties and projects with a record £69.4m of new lending. Highlights have included a major new loan to Bristol CoHousing, residents moving into Ecology-backed affordable homes renovated by the Peninsula Trust in Cornwall, and helping to pioneer the application of the co-operative housing model to student housing, in partnership with Brighton and Hove Community Land Trust. We're also providing a mortgage to Whitby Wildlife Sanctuary, which has enabled significant improvements to their facilities, including the construction of a 60-foot-long aviary for convalescing owls.

Looking ahead

Bank of England base rates show signs of a gradual ticking upwards from the ultra-low level we saw at the height of the COVID crisis. Ecology's robust performance during a period of such disruption stands as testament to the unfailing support of our members, the dedication of our team, and the true value of our long-term mission, which gives us clear purpose and direction as we navigate uncertain times.

As we grow, it is essential that we invest wisely in our Society, focusing on strengthening our capacity and capability. We've made significant progress on this, including the recent launch of our online savings applications, enhancements to our mortgage range for retrofits, and the introduction of stronger energy-efficiency standards for our new build mortgages. While we must certainly celebrate these successes, it is essential that we maintain momentum so that we continue to meet the needs of all our members.

In 2021, I announced that I will soon be stepping down, so this is my final opportunity as CEO to update you on our progress. I have been involved with the Society since it first opened its doors in 1981 and, in the 40 years since, have had the good fortune to work for an organisation whose principles I passionately support and to demonstrate how balance sheet dynamics can be constructed to pursue the provision of sustainable finance. Nothing would have been possible without our members, our friends in the green building community and the steadfast dedication of the Ecology team; some of my most precious memories from Ecology reflect those times we have come together, each with our own story to tell but united in our hopes for humanity and the planet. I depart well-assured that I will be leaving Ecology in the very capable hands of those who are determined to build on the Society's legacy as a leading example of the transformative power of ethical finance.

All that remains is for me to extend my sincere thanks to our members, colleagues and supporters. This is your Society and you make it possible for us to turn our vision into a reality as we continue to work towards a better future for all.

Paul Ellis
Chief Executive
4 March 2022

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 6 to 7 provides an overview of the Society's performance during 2021 and 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

	2021	2020	2019
Total assets	**£256.3m**	£226.0m	£198.0m
Mortgage asset growth	**22.30%**	9.43%	14.61%
Mortgage lending	**£69.4m**	£39.3m	£43.5m
Savings balances	**£239.5m**	£210.3m	£185.3m
Liquid assets as a % of shares and borrowings	**24.96%**	30.82%	26.67%
Management expenses as a % of mean total assets	**1.59%**	1.57%	1.69%
Net profit	**£1.019m**	£0.524m	£1.073m
Profit after taxation as a % of mean total assets	**0.42%**	0.25%	0.57%
Core Tier 1 capital	**£15.698m**	£14.997m	£11.677m
AGM – voting turnout	**16.94%**	16.15%	19.78%

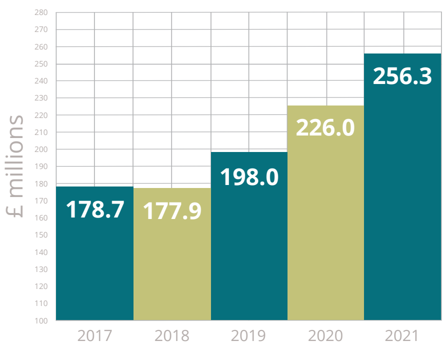
As outlined above, the Society has achieved a strong performance against a backdrop of economic and societal uncertainty during the year resulting from the COVID-19 pandemic and the UK transition from the EU.

Asset growth

During 2021, the Society's total assets increased by £30.2m (13.37%) to £256.3m (2020: £226.0m), reflecting a record lending performance, supported by a strong increase in savings balances alongside the £3m CCDS issuance in 2020.

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)

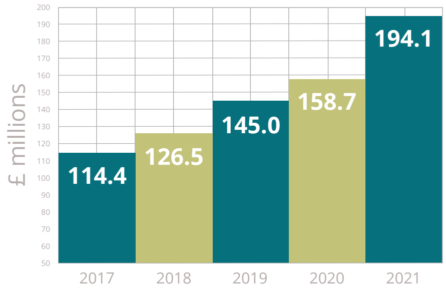


Mortgages

Lending application volumes were exceptional in the first quarter of 2021, partly due to the release of latent demand from the three lockdown periods during 2020, borrowers seeking to take advantage of the stamp duty incentive and the changing needs of homeowners. This surge in activity drove a record level of gross lending at £69.4m (2020: £39.3m). This new lending contributed to overall growth in mortgage assets of 22.30% (2020: 9.43%).

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 has continued to support renovation projects through the redesigned retrofit mortgage launched in November 2020.

Mortgage Assets (£m)



The proportion of loans benefiting from one of our C-Change mortgages, which reward work undertaken on the property to help combat climate change by offering a reduction to the interest rate applied following confirmation of the energy rating achieved, remained relatively stable at 37% (2020: 40%) with building sector supply chain issues impacting project completion times.

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

Overall arrears levels remain low despite the difficulties some members have experienced since the onset of the pandemic. As at 31 December 2021, there were no cases in possession, or 12 months or more in arrears (2020: nil).

As at 31 December 2021, there were 10 cases (2020: 33) under forbearance with total balances of £2.504m (2020: £5.988m) and arrears totalling £6.6k (2020: £7.6k).

The Society continues to exercise forbearance measures to assist borrowers who are experiencing financial difficulty in a number of ways. In each case an individual assessment is made to ensure that it is in the best interests of the borrower and the Society.

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 3 (2020: 5) individual impairment provisions were required in those cases where the Society's model indicated a potential shortfall compared to the outstanding balance resulting in a decrease in the individual provision to £305k (2020: £361k).

All 3 cases were not in arrears but the Society is working with our borrowers to navigate difficult circumstances.

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 the impact of a deterioration in economic conditions during the current financial period in relation to the ongoing impact of the pandemic. The total collective provision has decreased to £222k (2020: £268k), reflecting the improvement in house price indices during the year.

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.

During the year, the Society took the necessary action to restrict the inflow of new funds to our historic guaranteed accounts and in October 2021 re-opened the popular 90-Day Notice account to all applicants. Total savings balances held at the end of the year are £239.5m (2020: £210.3m).

The steadying of inflow alongside the exceptional levels of lending activity delivered a reduction in liquidity, ending the year at 24.96% (2020: 30.82%)of share and deposit liabilities.

We aim to manage the amount of funding that is not lent out to ensure that our 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 Society's on-going investment in digital strategy and operational capability drove an increase in cost base to £3.84m (2020: £3.32m) resulting in a Costs to Mean Assets Ratio of 1.59% (2020: 1.57%).

The Society plans to continue this investment in 2022 alongside additional marketing and communications activity, which will enable us to deliver on *Our 2030 Strategy* 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 for the less sustainable option.

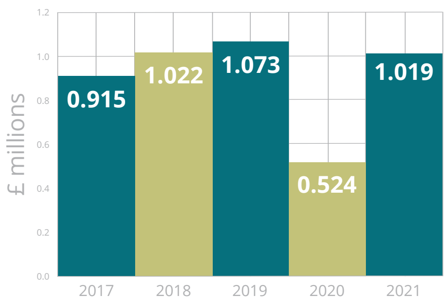
Profit and capital

Net profit for the year of £1.019m (2020: £0.524m) was added to reserves, reflecting the exceptional lending performance. In accordance with accounting policy 1.5, a restructuring of one of the Society's investments in renewable energy has resulted in the conversion of the original debt investment into equity shares and amounts owed to the Society under a Company Voluntary Agreement (CVA) with the change in valuation being reflected in the Statement of Comprehensive Income. The impairment provision held against this asset has been released with no impact on the Society's financial performance for the year.

The Society continues to assess whether there is evidence that investments not carried at fair value through profit and loss are impaired and has recognised an impairment provision of £35k (2020:£180k).

Against a backdrop of the ultra-low Bank of England base rate of 0.10% for the majority of 2021 combined with the continued economic and social uncertainty surrounding the pandemic, the Board is delighted with the level of profitability as this enables the Society to continue to invest and grow for the benefit of its current and future members.

Net Profit (£m)



The Society's capital strength has been maintained with total reserves as at 31 December of £15.80m (2020: £15.11m).

As at 31 December 2021, the ratio of gross capital as a percentage of total share and deposit liabilities was 6.60% (2020: 7.18%) and free capital was 6.14% (2020: 6.65%).

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**.

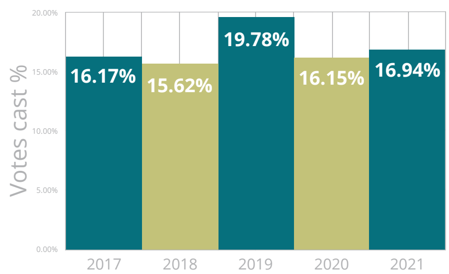
The Society must maintain sufficient capital to cover its risk weighted assets, which is measured by the Core Tier 1 solvency ratio. This is determined by the standardised approach to credit risk set out in the CRD. As at 31 December 2021, the risk-weighted Core Tier 1 ratio was 15.4% (2020: 18.09%), the reduction being driven by the exceptional lending performance.

The leverage ratio expresses Tier 1 capital as a percentage of total assets plus mortgage impairments and a proportion of mortgage pipeline commitments. The Society's capital resources, alongside savers' deposits, supported the record lending performance during the year resulting in a 0.57% reduction in the leverage ratio to 5.66% (2020: 6.23%). Capital amounts and ratios remained comfortably above regulatory requirements throughout the year.

Member relations

Voting turnout at our 2021 AGM was 16.94%, with our AGM being a scaled-back virtual event due to COVID-19 restrictions. Despite these challenges, voting turnout was significantly higher than the sector average of 7.4%.

Voting Turnout



We invited members to take part in a consultation to help develop *Our 2030 Strategy*. More than 750 members took part, pushing us to be ambitious and innovative by sharing valuable and diverse insights and ideas to shape our vision and strategy for the remainder of the decade ahead.

Members' voting and positive feedback resulted in the Society being named 'Best Ethical Financial Provider' and 'Treating Customers Fairly Champion' in the Smart Money People British Bank Awards 2021.

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 2022.

Summary Directors' Report

The Business review for 2021 is discussed on pages 8 to 10.

Summary Financial Statement for the year ended 31 December 2021

Results for the year	**2021**	**2020**
	£000	**£000**
Net interest income	5,171	4,323
Other income and charges	(81)	(74)
Administration expenses	(3,835)	(3,320)
Provisions for impairment release/(charge) on loans and advances	102	(98)
Provisions for impairment release/(charge) on investments	190	(180)
Losses on conversion of investments	(265)	–
Provision for liabilities	(1)	(3)
Profit before taxation	1,281	648
Tax expense	(262)	(124)
Total comprehensive income for the year	**1,019**	**524**
Financial position at end of year	**2021**	**2020**
Assets		
Liquid assets	59,781	64,830
Mortgages	194,069	158,689
Fixed and other assets	2,404	2,510
Total assets	**256,254**	**226,029**
Liabilities		
Shares	228,960	200,335
Amounts to other credit institutions	–	–
Borrowings	10,510	10,013
Other liabilities	986	576
Subordinated liabilities	–	–
Reserves	15,798	15,105
Total liabilities	**256,254**	**226,029**
Summary of key financial ratios	**2021**	**2020**
	%	%
Gross capital as a percentage of shares and borrowings	6.60	7.18
Liquid assets as a percentage of shares and borrowings	24.96	30.82
Profit for the year as a percentage of mean total assets	0.42	0.25
Management expenses as a percentage of mean total assets	1.59	1.57

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 2021 and 2020 total assets.
Approved by the Board of Directors on 4 March 2022 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 2021 which comprise the Results for the year and Financial position at the end of the year, together with the summary Directors' report.

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 2021 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 2021, 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 2021.

We also read the other information contained in the Annual Review 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 unmodified 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 Annual Review 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 Annual Review 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
4 March 2022

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 Financial Conduct Authority (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 into 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 comprises three Non-Executive Directors. At the invitation of the Chair of the Committee, the Chair, Chief Executive, Finance Director and HR Manager attend meetings as required. The Chief Executive and Finance Director take no part in the discussion concerning their individual remuneration. The Committee held three meetings during 2021, 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 has a long-established fair pay policy which limits the ratio between the highest and the lowest basic salary."*

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.

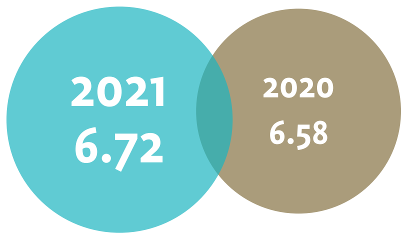
Basic salary

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 2021



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. Paul Ellis' contractual notice period expired in January 2022, following his resignation in July 2021, and he has agreed a leaving date of 30 April 2022 with the Board.

Timber framed self-build under construction in the Shetland Islands

Non-Executive Directors' remuneration

	2021 £000	2020 £000
Steve Round	**22.7**	22.5
Andrew Gold[1]	**27.3**	27.3
Kerry Mashford	**14.4**	14.2
Tim Morgan	**18.4**	18.2
Chris Newman	**15.9**	15.8
Louise Pryor	**14.6**	14.2
Vincent Smith	**15.6**	15.4
Alison Vipond	**–**	3.6
Totals	**128.9**	131.1

[1] *Includes additional remuneration of £12,790 (2020: £12,662) in relation to assigned senior management regime responsibilities for oversight of the risk function. There are no pension or other benefits paid to the non-executive directors.*

Executive Directors' remuneration

2021	**Salary £000**	**Performance related pay £000**	**Taxable benefits £000**	**Contributions to pension scheme £000**	**Total £000**
Paul Ellis (Chief Executive)	**116**	**–**	**4**	**9**	**129**
Amanda Chambers (Finance Director)	**100**	**–**	**–**	**8**	**108**
Totals	**216**	**–**	**4**	**17**	**237**

2020					
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**

The Executive Directors' renumeration above represents their gross contractual salary and does not take into consideration any salary sacrifice that has been made.

On behalf of the Board

Louise Pryor
Chair of the Remuneration Committee
4 March 2022

Tackling climate change

This decade, particularly the next few years, is the critical window of opportunity to take action to avert climate breakdown. The planet is already perilously close to reaching the internationally agreed global warming threshold of 1.5°C above preindustrial levels. Addressing the climate emergency is central to Ecology's mission and strategy to enable sustainable building practices and communities.

The physical impacts of climate change are increasingly apparent, with extreme weather events leading to heatwaves, droughts, flooding, storms, hurricanes and wildfires, and the melting of glacial ice. Climate models predict that such physical impacts will increase. By how much, and where, will depend on how the world responds to the existential threat of climate change.

A rapid whole economy transition is needed, with major progress this decade, phasing out fossil fuels and dramatically scaling up clean, renewable energy infrastructure. All businesses, including financial institutions, must be part of the solution – helping to reduce emissions and adapt to climate change. The pace and scale required is unprecedented bringing a range of risks and opportunities.

It is essential that information on future risks and opportunities is used to inform decisions in the present, to help reduce emissions and to adapt to future climate change impacts. Financial institutions are exposed to climate-related risks and opportunities through their lending and other financial intermediary activities as well as through their own operations.

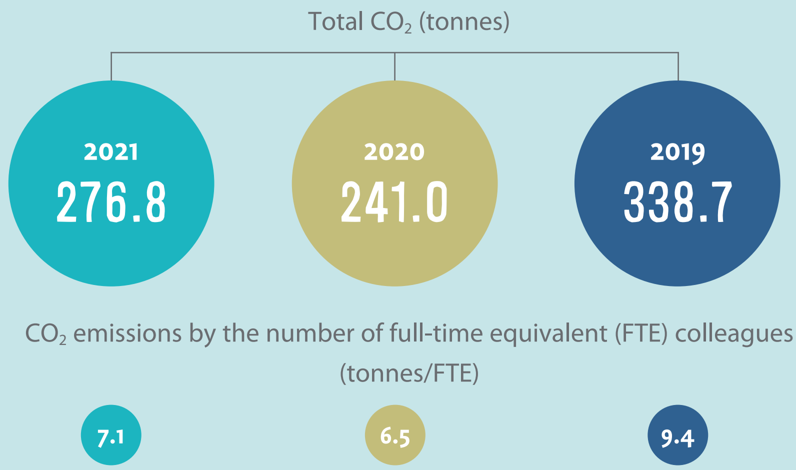
Our 2021 Annual Report and Accounts contain comprehensive climate-related disclosures following guidance from the Task Force on Climate-related Financial Disclosures (TCFD). The report describes Ecology's impact on climate change, the climate change impacts that could affect Ecology and our members, how we are managing risks and what opportunities we are taking to be part of the solution. Here, we provide an overview of key information.

Carbon emissions from our business operations

We have reported the carbon footprint of our business operations since 2012. Emissions in 2021 were 276.8 tonnes CO_2. This is a 15% increase on our emissions in 2020 (241 tonnes, updated to reflect best available data), which had decreased considerably from the previous year due to the pandemic (338.7 tonnes in 2019). In 2021, our business activity has increased substantially, with new mortgage lending increasing by 77% and savings account numbers increasing by 16%.

In 2020, the pandemic led to an increase in working from home, leading to a substantial reduction in commuting emissions and business travel. As pandemic restrictions were lifted, we have implemented a hybrid-working policy. We acknowledge that, at present, we are unable to eradicate our dependence on fossil fuels, especially relating to our suppliers, commuting and business travel. We therefore have a policy to use accredited carbon offset schemes, to plant trees to absorb the amount of carbon equivalent to the total carbon emissions from our business operations, supply chains, colleague commuting and working from home. Nevertheless, we do not seek to rely on offsets and are working to reduce our actual emissions.

Carbon emissions arising from the Society's business operations, commuting and supply chains



Our day-to-day business activities, as well as projects and new initiatives, are targeted at minimising our use of fossil fuels and hence carbon emissions. For example, technology for heating buildings is now developing at a rapid rate and we are currently reviewing low-carbon heating options for our offices. We generate around a third of our electricity through onsite solar energy generation and purchase the rest through a green tariff with Ecotricity. We have a sustainable travel plan to encourage and enable colleagues and visitors to take more active, healthy and environmentally friendly decisions when making travel and transport choices, including eliminating unnecessary travel.

Carbon emissions from our mortgage lending

Energy Performance Certificates (EPCs) are currently the best available information on property emissions, and consider a property's fabric and heating system. At the end of 2021, 47% 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 the EPC is not yet available.

In 2021, we were the first building society to use the Greenhouse Gas Global Accounting and Reporting Standard for the Finance Industry (the PCAF Global Standard) to prepare our 'carbon accounts', showing the financed emissions arising from our mortgage lending.

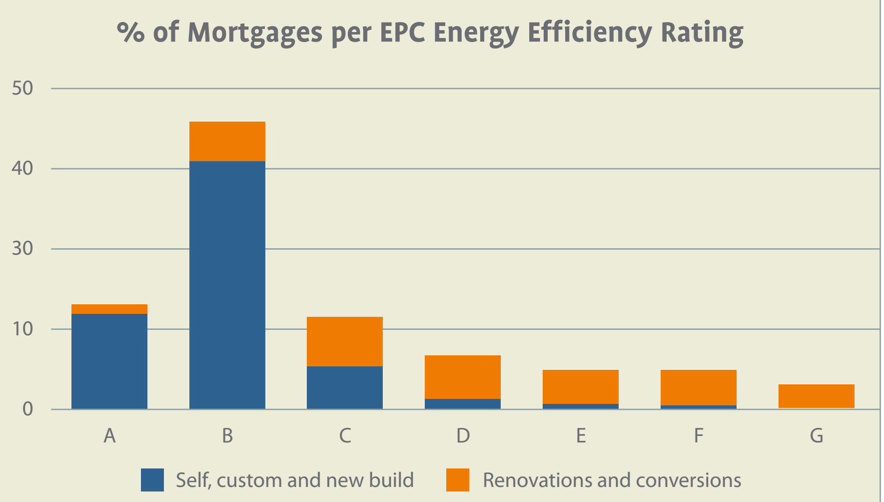
The PCAF Global Standard states that emissions arising from all energy use consumed by the building occupants should be reported. There are two elements to carbon emissions from a residential property:

- Regulated emissions from fossil fuels used to provide energy for space and water heating, and lighting (taken from each property's Energy Performance Certificate, where available)
- Unregulated emissions from fossil fuels used to provide energy for other uses, such as appliances and chargers

While combining regulated and unregulated emissions gives a complete picture of the emissions, some UK financial institutions have chosen to report only financed regulated emissions, as they are directly influenced by the mortgaged aspects, i.e. the fabric, heating technology and lighting of the property.

Scope 3 – Mortgages: financed emissions			
Emissions from properties with an EPC (47% of Ecology mortgages)			
	Outstanding balance (£000)	**Financed regulated CO_2 emissions (tonnes)**	**Financed total CO_2 emissions (tonnes)**
Self, custom and new build (where construction is complete)	56,444	375	510
Renovations and conversion (includes all properties where works are complete or ongoing	34,385	749	824
Sub total	90,829	1,124	1,334
Emissions from properties which are completed but do not have an EPC (24% of Ecology mortgages)			
Sub total, all types	41,840	439	541
Emissions from all new properties where construction works are complete, and all renovation and conversion properties where works are complete or ongoing (76% of Ecology mortgages).			
Total	132,669	1,563	1,875

Emissions for 2020 recalculated using our latest refined methodology and updated information on unregulated emissions: financed regulated emissions were 1603 tonnes; financed total emissions were 1899 tonnes.



The graph shows information on EPC rating and carbon emissions for the properties with an EPC available.

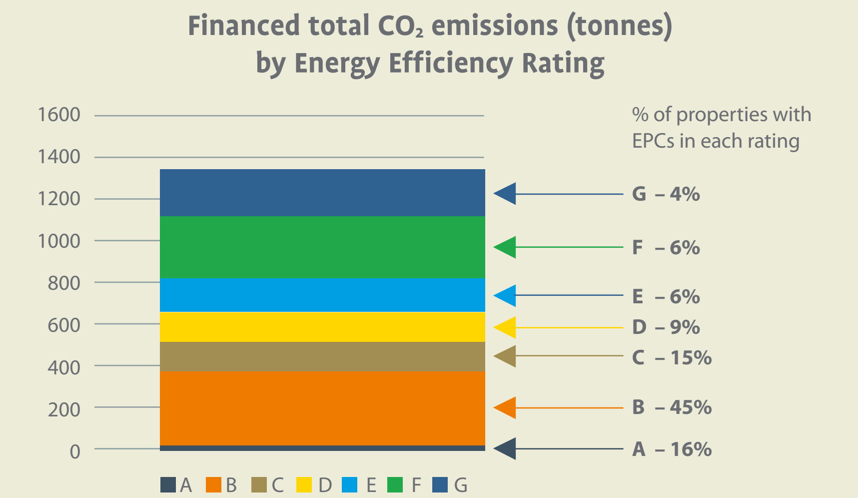
Our carbon accounts report both:

- financed total emissions (regulated and unregulated) in line with the PCAF Global Standard
- financed regulated emissions for consistency with our peers

Between 2021 and 2020, our financed regulated emissions decreased by 3% (2021: 1563 tonnes; 2020: 1603 tonnes). This was despite an increase in the number of mortgage properties in our portfolio.

Measuring the financed emissions intensity in $kgCO_2$ per £1000 of lending, permits a comparison by normalising for the amount of lending in a given year. In 2020, the financed regulated emission intensity for properties with an EPC was 14.7 $kgCO_2$/£000, and this decreased to 12.4 $kgCO_2$/£000 in 2021.

Our EPC data for 2021 show 61% of Ecology funded properties achieve an energy efficiency rating of A or B but only contribute 29% of the carbon emissions. At the lower end, 16% of Ecology properties are rated E, F or G contributing 51% of the carbon emissions. This demonstrates the significant difference in carbon emissions between properties with higher and lower energy efficiency ratings, which underpins our commitment to target our renovation lending at improving poorer performing properties.



The graph shows information on EPC rating and carbon emissions for the properties with an EPC available.

The spread of ratings for our lending portfolio reflects the fact that Ecology mortgages enable renovation of some properties which start off in a deteriorated condition. At any given time, our portfolio is made of up properties that have been built or renovated to a good standard as well as properties with ratings in the lower EPC bands where Ecology is supporting their improvement through our renovation lending. When renovation works are completed, these properties will achieve a higher energy efficiency rating. We are currently working to identify methods to measure the improvement in terms of carbon emissions that have been avoided as a result of renovation.

Based on all the EPCs currently available for properties in our mortgage portfolio, the average SAP score was 75, equivalent to an energy efficiency rating of C. SAP points are calculated in the Standard Assessment Procedure model to work out a property's energy efficiency. You can read more about what we are doing to improve energy efficiency in the sustainable homes section on page 19.

We have calculated the physical carbon intensity of the properties in our mortgage portfolio, in terms of carbon emissions per square metre of floor area, where the floor area is taken from the EPC. The average physical carbon intensity based on regulated emissions across all mortgaged properties was 23.6 $kgCO_2/m^2$ compared with 25.3 $kgCO_2/m^2$ in 2020.

Physical risks of climate change

Although we are hopeful that the Paris Climate Agreement will succeed in limiting global temperature rise, we cannot rule out future climate disruption. Indeed the world is already experiencing more extreme weather events, which will worsen in future.

During 2021, we have commissioned third party consultants with expertise in physical climate risk modelling to carry out an analysis of our mortgage book under a range of future climate change scenarios. The physical risks tested are flooding, subsidence and coastal erosion. Given climate change impacts take time to materialise, the models assess the physical risks over several decades. The results show that the exposure of Ecology's current mortgage portfolio to future risk of flooding, subsidence and coastal erosion is low.

The Society's full climate-related disclosures can be found in pages 11 to 32 of the 2021 Annual Report and Accounts available on our website.

Our positive impact

Achieving positive impacts for people and the environment underpins everything we do. Ecology's activities are guided by our mission to build a greener society, through enabling the positive power of finance.

Engaging our members

Ecology is owned by and run for the benefit of our members.

In 2021, we invited members to take part in our consultation to help develop *Our 2030 Strategy*. We were delighted that more than 750 members took part. We particularly wish to thank members for sharing their valuable and diverse insights and ideas to shape our vision and strategy for 2030, and for pushing us to be ambitious and innovative.

Members were asked to choose areas that were most important to them. The top four issues identified were 'addressing climate change', 'protecting nature', 'reducing inequalities' and 'low-impact living'.

As a member-led organisation, it is very important for us to share the strategy and our thinking behind it and to hear direct feedback from our members. We were delighted that members joined us at our launch event held online in December, posing an excellent range of questions. Our members' questions and feedback really help to guide us and keep us accountable.

Sustainable homes

In June, we increased the entry criteria for our range of sustainable mortgages for self- and custom-build in a drive to encourage and accelerate the construction of energy efficient homes to help meet the UK's net zero ambitions. The minimum energy rating level was raised from 85 to 88 SAP points, meaning the build needs to achieve a higher level of energy efficiency when completed. By increasing the minimum requirements, we're continuing to lead the way in supporting construction of the most energy efficient buildings, which is critical if we are to tackle the climate and ecological crisis.

In November, we added the Association for Environment Conscious Building (AECB)'s Retrofit Standard to the range of C-Change discount qualifying standards. Retrofitted properties that achieve this standard qualify for 0.75% discount on our Renovation mortgage rate. The Retrofit Standard is designed to prioritise the retrofitting of existing buildings at scale to achieve 2050 net zero targets.

As a member of Bankers for NetZero, an initiative to investigate how banks can best support key sectors of the UK economy in transition to net zero, we contributed to the *Retrofit Revolution* report published in March 2021, setting out what is needed in terms of policy and regulation to enable retrofit to happen rapidly at scale. At COP26, we joined in events with Architects Climate Action Network (ACAN) and the UK Green Building Council (UKGBC) on the urgent need for retrofit, the recognition of embodied carbon (the emissions associated with materials and construction) and achieving net zero in the built environment.

Enabling people-powered housing

In 2021, Ecology supported 16 new community-led housing projects across the UK – in Scotland, Bristol, Cornwall, Brighton and Liverpool. Amongst these are two projects with the Peninsula Trust – a community land trust in Millbrook, Cornwall, which is retrofitting three former coastguard cottages and two flats for affordable rent as well as a community hub and small business offices. We also provided mortgages for six affordable rented homes with the Turner award winning Granby4Streets CLT in Toxteth, Liverpool, and also supported Brighton and Hove Community Land Trust to retrofit a home for affordable rent to a student housing co-op (SEASALT) with eight resident members.

In Bristol, we supported CoHousing Bristol on the renovation of living space for a tenant housing co-op and new build units for eight families, and one Mutual Home Ownership Society (MHOS).

In Scotland, we supported the Mull and Iona Community Trust to build four affordable homes for families on the Isle of Mull as well as the retrofit of a former school house for affordable rent. Ecology also worked with a self-build co-operative in Rothiemurchus, near Aviemore, to create four new homes under the Rural Housing Burden scheme. In order to continue to increase our social impact, we aim to grow our new lending in community-led projects by 100% by 2025.

Changing finance

We seek to catalyse change in the financial system for a fair and sustainable future. One of the ways we do this is by contributing our voice and expertise to national and international alliances to harness the flow of finance to create benefits for people and the environment.

Ecology is a member of the Global Alliance for Banking on Values (GABV), a group of 66 member financial institutions around the world, committed to making the banking system more transparent and supporting positive economic, social and environmental change. During 2021, we worked with the GABV to develop the way financial institutions measure the social impact of their lending. We also took part in the GABV's Banking on Values Day, a global campaign to transform finance to create a fairer economy.

Ecology was the first building society to sign the United Nations Environment Programme Finance Initiative (UNEP FI) 'Principles for Responsible Banking' framework in 2019, a movement that is growing and now has over 250 member banks. Signatories commit to align their business strategy and practice with the Sustainable Development Goals and the goals of the Paris Climate Agreement. Our most recent progress report on how we are implementing the principles is available on our website **ecology.co.uk**. In tandem with co-developing *Our 2030 Strategy*, we have identified the areas where Ecology can make a difference and are currently working on collecting data to evidence our impact, which we will report on during 2022.

Ecology's work contributes to the Sustainable Development Goals

During 2021, we co-chaired the UK Residential Lending Group, a group of leading financial institutions working to improve the measurement of carbon emissions from mortgage property, within PCAF UK. Our aims for co-chairing the group are to build knowledge and capability for mortgage lenders to measure and report the carbon emissions of their loan books, as well as to review new research and innovation to improve the data and methods used to calculate emissions. The first report of the group was published in November 2021, to coincide with the focus on finance at COP26. Mark Carney, leading the COP26 Private Finance Hub, recognised the efforts of the group. He said, "*PCAF's work to standardise the approach to measuring financed emissions in this sector is vital to ensure that every financial decision takes climate change into account.*" Looking ahead, we will work to build knowledge and capacity for mortgage lenders to establish net zero targets and plans for mortgage lending.

Leading the field

The Society continues to receive accolades for our sustainable lending model and commitment to maintaining the highest standards of service. During 2021, we were nominated as finalists in an unprecedented six categories of the British Bank Awards and following members' voting and positive feedback we were named 'Best Ethical Financial Provider' and 'Treating Customers Fairly Champion'. Our pioneering approach to ethical finance was also recognised in the MoneyAge Awards and Savings Champion Awards and we also received the Yorkshire Post's Excellence award for Environmental Sustainability. Investors in the Environment (iiE), which audits our environmental performance also named Ecology as the 'Overall Outstanding Achiever (SME)' in their annual awards in addition to us continuing to receive their Green Award, the highest possible, for our commitment to sustainability.

Ecology's role as a leading supporter of self- and custom-build was recognised by Mortgage Finance Gazette, which also recognised the outstanding contribution made by Paul Ellis in the Lifetime Achievement category. Paul was also the recipient of the first ever Passivhaus Pioneer award by the Passivhaus Trust which stands testament to his far-sighted involvement in helping to establish the Passivhaus standard in the UK as well as to his long-standing commitment to support the sustainable building movement and the growth of green finance. Paul also received life membership of the Passivhaus Trust and the AECB.

In addition, the Society was once again recognised with a Good Egg award by ethical finance website, Good with Money.

We were delighted to be invited by the Institute of Chartered Accountants in England and Wales (ICAEW) to be on the judging panel for the prestigious Finance for the Future awards, having received two awards in 2019.

Responsible business

Ecology is a responsible business, committed to addressing the climate and ecological emergency through everything that we do. We are guided by our climate and ecological emergency plan, published last year. Page 3 provides an overview of our activity this year.

In 2021, we partnered with social enterprise Giki, which stands for Get Informed, Know your Impact, to bring their sustainability programme to Ecology colleagues. The Giki Zero online platform enables colleagues to work out their carbon footprint, build their knowledge on sustainable living and identify steps to take to reduce their carbon footprint.

Ecology is a member of Investors in the Environment (iiE), helping us to improve the environmental performance of our business operations. We measure our energy and resource use and implement initiatives under six action areas – Carbon, People and Culture, Infrastructure, Resources and Waste, Travel and Nature. We shared our approach to improving the environmental performance of our business at industry events hosted by the Building Societies Association, Business Green and the National Credit Union Foundation.

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 2021 standing at 6.72:1.

We were re-accredited with the Fair Tax Mark, demonstrating our commitment to doing the right thing when it comes to taxes.

Sponsorship and charitable giving

We were pleased to support the Good Homes Alliance conference series, which explored the policy, planning, design and building performance considerations for net zero building. Ecology also made a donation to support the work of London Energy Transformation Initiative (LETI), which brings together built environment professionals to put the UK on the path to a zero carbon future.

During COP26, we co-sponsored the UKGBC's (UK Green Building Council) virtual pavilion and partnered with ACAN (Architects Climate Action Network) to sponsor their presence in Glasgow. We also supported the International Passive House Association's programme of visits during the summit.

Colleagues continued to volunteer their own time to a range of community organisations including local foodbanks, various sports groups and a local community trust.

In addition, we made £650 of donations to our charity partner, Trees for Cities, as a result of members' AGM voting.

Ecology Building Society colleagues raising funds for Sue Ryder in the Summer Solstice charity run, Bolton Abbey, North Yorkshire

Tackling rural depopulation on the Isle of Skye

Six new affordable homes have been built in a part of Skye in Scotland that has suffered years of depopulation. The Taighean a' Chaiseil development, led by the Staffin Community Trust (SCT) and its partners, the Communities Housing Trust (CHT) and Lochalsh and Skye Housing Association (LSHA), includes a new health centre and two business premises.

The community has suffered population decline in the last two decades, with a shortage of accommodation for younger people and families and an over-heated property market, which is out of reach for many. SCT is hopeful the homes will help increase the local school roll and ensure the community's long-term sustainability.

Newly built Staffin health centre

> *"I love the wee community feeling between all the residents."*
>
> Karen Hutchison

Ecology is supporting the project along with a number of other funders including the Scottish Government's Rural Housing Fund.

The Trust purchased the land from the Scottish Ministers and, keen to avoid the loss of better quality in-by croft land, the new homes have been built on peaty, agriculturally poor 'common grazings' ground.

Construction began in summer 2020 and the families moved into the homes in February 2021.

New resident Paul Young said,

"...it's in the perfect location for families, giving the children more independence with being able to walk to school and play with their friends. The houses are very cosy and enjoy an amazing view...."

Residents move into affordable homes at Staffin

Pioneering Brighton student housing co-operative

SEASALT members celebrate signing the lease at Preston Park, Brighton

Students moved into Brighton's first student housing co-operative scheme with the support of a loan from Ecology.

The project is being run by the Brighton and Hove Community Land Trust, in partnership with SEASALT (South-East Students Autonomously Living Together) housing co-op.

SEASALT is the fifth project in the UK to establish a co-operative model of homes for students, collectively managed and at affordable rents. The student housing co-op movement aims to offer an alternative to the private rental market, with lower rents and better-quality accommodation. They are designed to allow tenants to pool their resources to create community-style homes where everyone collaborates for mutual benefit. The rent paid is only used to cover the upkeep of the house (lease, bills, repairs, etc.) and not to enrich landlords.

In addition to the Ecology mortgage, the property was funded by a successful community share offer with over 140 investors. The plan is to buy a second property in two to three years, creating more homes that will be out of private ownership and affordable, secure and sustainable in the long term.

Ecology has pioneered innovative 40-year mortgages for housing co-operatives, helping to maintain rents at affordable levels. We're pleased to be part of this ground-breaking project to deliver affordable, energy efficient and quality rental accommodation for students. We hope that this scheme will pave the way for many more co-operative student housing schemes throughout the UK.

The SEASALT student housing co-op property in Preston Park, Brighton

Glossary

Sustainable, retrofitted Victorian terrace

This inspiring project shows that with research and imagination, it is possible to navigate the challenges of improving and upgrading traditional older properties to create a comfortable, energy-efficient and sustainable home.

Jan and Stuart's renovated home

With the support of an Ecology mortgage, Jan and Stuart transformed their cosy Victorian terraced home in Lancaster from an EPC level D to an anticipated level B, comparing favourably with the England and Wales average EPC D.

Internal wall insulation, an air source heat pump, integrated roof top solar photo-voltaic panels and battery storage, combined with the installation of new radiators and pipework, allows the couple to enjoy a comfortable indoor temperature throughout their home. Additionally, any surplus electricity generated via the solar panels is stored in the battery, helping to reduce their overall energy bill.

Over time, Jan and Stuart expect that they will reap the benefits of the cost savings resulting from the improved energy efficiency of their home.

Jan and Stuart enjoying a cuppa

In the meantime, Jan in particular is looking forward to devoting her time to her organic garden and vegetable patch.

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.

What our members say...

Members' voting and positive feedback resulted in the Society being named **'Best Ethical Financial Provider'** and **'Treating Customers Fairly Champion'** in the Smart Money People British Bank Awards 2021.

Here's some examples of what our members said:

"A game-changer. Without our loan from Ecology Building Society, we would never have got our community-led housing project off the ground."

Bill, Chapeltown Cohousing, Borrower

"Ethical Savings. I love the ethos of the Ecology Building Society and I feel confident that my savings are supporting initiatives that I agree with."

Sue and Max, Savers

"We have invested with the Ecology Building Society for decades particularly because of their ethical and sustainable work. We need more banking companies with this ethos."

Shiona, Saver

"Ecology provided us with a mortgage when no one else would. It was a risky project but one true to Ecology's principles and a zero carbon future. Ecology look at the big picture and support those of us working for a better, greener future."

Helen, Borrower

"Supports my principles. Great ethical organisations with which to save. Knowing my money is invested in projects, such as housing, that make a difference is important to me."

Rosemary, Saver

"Simply outstanding. A brighter, greener future to mortgage finance."

Charlotte, Borrower

"We are delighted to have our mortgage with Ecology. We know that our money is doing good in the community and that social responsibility and ethics are taken very seriously. Without Ecology, many socially responsible eco-housing projects across the UK would not have been possible. Their newsletter is very positive and inspiring...."

Christine, Borrower

You can see these and many more at **smartmoneypeople.com**

Smart Money People

Our Customers Love Us

4.94 stars from 560 reviews

BEST ETHICAL FINANCIAL PROVIDER
WINNER
British Bank Awards 2021
Ecology Building Society

TREATING CUSTOMERS FAIRLY CHAMPION
WINNER
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Cover images, rows from top to bottom, left to right: Two Ecology supported energy-efficient homes built by Pure Haus in Oakenshaw, West Yorkshire; Jeremy and Katy Kidwell and family move into their newly renovated home; Self-build home in the Shetland Islands, Credit: Lowrie Simpson, L A Simpson Chartered Surveyors; Ecology colleagues in front of our energy-efficient offices in Silsden, West Yorkshire; Ecology supported development of three energy-efficient homes in Cirencester, Gloucestershire built by CBuild; Affordable homes near Millbrook, Cornwall renovated by the Peninsula Trust with funding from Ecology.

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