



Second Progress Report

Principles for Responsible Banking



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PRINCIPLES FOR
RESPONSIBLE
BANKING

Building a greener society

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Principles for Responsible Banking Report

Ecology Building Society is a founding signatory of the Principles for Responsible Banking, launched by the United Nations Environment Programme (UNEP) Finance Initiative in September 2019. The Principles provide a framework for a sustainable banking system, by signatories demonstrating how their strategies and activities support the UN Sustainable Development Goals and the Paris Climate Agreement.

The Principles are a natural fit for Ecology. We have been dedicated to sustainable development throughout our forty-year history, and we are more committed than ever to our mission to build a greener society. Our motivation for signing the Principles extends far beyond organisational and lending activity considerations particular to Ecology Building Society. By signing the Principles, we are adding our weight to global efforts to transform the financial system, creating a growing movement that more banks are signing up to.

This is our second annual report indicating our progress in implementing the Principles.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/relevant information
<p>Principle 1: Alignment</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>As a building society, Ecology makes loans which are secured on residential property. Ecology is owned by, accountable to, and run cognisant of the wider interests of our members – the people who borrow and save with us. Ecology operates across the UK. Our main customer segments are individuals (savers and borrowers), community groups, small scale developers, social enterprises and charities. We lend predominantly on the construction of new build properties to a high standard of energy efficiency, on the renovation or conversion of dilapidated or deteriorated properties to bring them back into use, and on community-led housing projects to create affordable residential properties and sustainable community infrastructure.</p>	<p>Ecology Building Society First Progress Report Principles for Responsible Banking Page 3</p>
<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Ecology has been dedicated to sustainable development throughout its forty-year history. Ecology's purpose is enshrined in its Memorandum: The primary purpose is making loans which are secured on residential property and are funded substantially by its members, promoting ecological policies designed to protect or enhance the environment in accordance with the principles for sustainable development.</p> <p>During 2021, we co-developed our 2030 Strategy with board, colleagues, members and key partners, setting out our plans for a decade of action on sustainable development, motivated by the climate and ecological emergency and the need to provide high quality affordable homes in places people need to live.</p>	<p>Our 2030 Strategy Page 4, 11-17</p> <p>Ecology Building Society First Progress Report Principles for Responsible Banking Page 5-11</p>

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

a) **Scope:** The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

b) **Scale of Exposure:** In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.

c) **Context & Relevance:** Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

d) **Scale and intensity/salience of impact:** In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

Ecology has a relatively simple lending portfolio, with mortgage lending for the construction or renovation of residential properties, including community housing, and a small investment portfolio mainly in renewable energy infrastructure. All lending and investments have been assessed against the UN Sustainable Development Goals, with most impacts associated with SDGs 7, 11, 12, 13.

The two most significant impacts have been identified as

- **Environmental impact: Climate change is mitigated through reduction in carbon emissions from residential properties**
- **Social and environmental impact: People have access to high quality affordable homes in places they need to live**

Collectively these two impacts are relevant to all of Ecology's mortgage lending, and relate to the whole UK geography where Ecology lends. We understand the context and relevance of our impacts through our work with partners in the areas of sustainable homes and communities, such as the National Community Land Trust Network, Passivhaus Trust and Association for Environment Conscious Building (see section 4 below).

Ecology has an ecological lending policy. We support the construction of new-build properties which achieve high standards of energy efficiency and renovations and conversions (of non-residential properties) which result in the improvement of the property's energy performance. Therefore, although many properties emit carbon dioxide emissions from fossil fuel use for heating, Ecology mortgages are fully targeted at reducing these emissions.

Ecology has used the Partnership for Carbon Accounting Financials (PCAF) Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry to calculate carbon emissions from the mortgage portfolio, and disclosed the emissions and emission intensity in our Annual Report and Accounts. We are the first UK building society to publish our financed emissions using the Standard.

Our 2030 Strategy sets out the issues, challenges and opportunities to create positive impact in this decisive decade. It identifies our priority areas that build on where we are today, provide opportunities for us to innovate, and enable us to maximise the shared value that we create for people and the environment.

We will deliver these priorities by continuing to provide impact-led products and services, increasing the opportunities for our members to collaborate and share knowledge within the member community and with expert partners, and by agitating for change in the wider community.

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[Pages 11 – 14](#)

[Our 2030 Strategy](#)
[Page 6](#)

[Ecology Building Society Annual Report and Accounts 2021](#)
[Pages 29 and 36](#)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We have undertaken our impact analysis and identified the significant impacts that are associated with our lending portfolio. We have disclosed our financed emissions. Our 2030 Strategy is fully focussed on delivering our ecological mission and creating positive outcomes for people and the environment, while enabling Ecology to continue as a successful, ethical business, owned by and accountable to its members.

2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Environmental impact: carbon emission intensity

Contributing to Sustainable Development Goals 7, 12, 13

All Ecology mortgages generate an ecological benefit, in terms of saving energy or other scarce resources, which is currently assessed using the environmental performance data from Energy Performance Certificates.

Ecology has committed to achieve net zero in our lending by 2050 or sooner, as part of the Net Zero Banking Alliance and the GABV Commitment on Climate Change. We measure and report the carbon emissions associated with our mortgage lending, and use the average emission intensity as an indicator of progress. We are currently carrying out research to establish carbon emission intensity targets for our mortgage portfolio to achieve by 2030 as interim targets on the path to net zero.

Social impact: community-led housing

Contributing to Sustainable Development Goal: 11

Our lending also funds community-led housing projects including co-housing, community land trusts, housing associations and housing co-ops, that promote social well-being, economic resilience and environmental sustainability. We currently use the value of lending on community-led housing as an indicator of social impact. We are committed to continuing to grow our lending in community-led housing, in order to enable more people to live in places they need to live through access to affordable, energy-efficient housing. We aim to double the value of new lending in community-led projects between 2021 and 2025. We are also working on other metrics for measuring social impact.

[Our 2030 Strategy](#)

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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

We have two targets relating to the social and environmental impact of our mortgage lending, which collectively relate to all our mortgage lending.

2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

Our 2030 Strategy sets out how we will deliver our positive vision through providing impact-led products and services, enabling collaboration and knowledge share to help our members, and agitating for change in wider society to address the climate emergency. Our annual corporate planning defines more specific plans, deliverables and milestones for each area.

Impact monitoring:

Environmental impact: carbon emission intensity

We currently record the energy ratings and carbon emissions from the property's Energy Performance Certificate. We report the annual carbon emissions of our mortgage portfolio. We are working to establish carbon emission intensity targets for our mortgage portfolios of new and existing properties to achieve by 2030 as interim targets on the path to net zero.

Social and environmental impact: community-led housing

We use the financial value of mortgages in community-led housing as an indicator of social impact which we closely monitor and report as part of our management information. We measure and report the annual growth in the financial value of lending in community-led housing. We are working to develop additional social impact metrics.

We are currently carrying out an assessment of further suitable metrics and available data in order to inform the development of other targets relating to the priorities set out in our strategy.

[Our 2030 Strategy](#)
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

Our 2030 Strategy is fully focussed on tackling the climate and ecological emergency and reducing social inequalities. We have committed to achieve net zero in our lending by 2050 and are currently working on developing interim targets in terms of emission intensity of our residential mortgage lending, to be achieved by 2030, on the journey to net zero. Given our lending policy is fully focussed on creating environmental and social benefit, we have established data collection and internal reporting to track the energy ratings (from Energy Performance Certificates) and the community-led category. We are working to improve the breadth and accuracy of the impact data we collect to enable more comprehensive impact reporting against our 2030 Strategy.

2.4 Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

Our 2030 Strategy was published in November 2021. We will report on progress on delivering the strategy and our targets in our next report.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

The co-development of our 2030 Strategy with members, colleagues and key partners has clarified Ecology's priorities for impact. We are making good progress in setting targets and collecting impact data and will update on this in our next report. A priority for 2022 is to establish science-based emission intensity targets for our lending for 2030, to be achieved on the journey to net zero by 2050. We will draw on considerable research taking place in the built environment sector to inform our target setting.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 *Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.*

As a building society, Ecology is owned by our members, who are our customers. Ecology's mandate is derived from the membership, with the primary purpose of Ecology expressed in the Memorandum and Articles. In line with the UK Building Societies Act, Ecology operates on a one-member one-vote basis. Members have a significant input into the approach taken by Ecology, for example guiding us through our Ethics Panel, through member surveys, our Member's Meet-ups, and voting at our Annual General Meeting. In 2021, we carried out a Member Consultation to inform development of Our 2030 Strategy. More than 750 members took part, providing invaluable information to guide our strategy.

In all its activities, Ecology is committed to ethical behaviour towards all of its stakeholders, including members, potential members, colleagues, directors, partners and suppliers. The Society is a frequent recipient of external recognition for its ethical performance through accreditations and awards. Ecology has an Ethics Policy and Framework to ensure that good outcomes are considered and monitored in all our activities. Ecology regularly communicates with members, for example, sharing case studies in our newsletters, so that our members are aware of the positive impact they are creating.

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3.2 *Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.*

Ecology seeks to incentivise people to build, buy or renovate sustainably. We specify entry-level energy efficiency standards to be achieved through our lending. We reward borrowers whose properties are more energy efficient with our range of award winning 'C-Change' discounts on our mortgage products.

In 2021, we increased the entry-level energy efficiency rating for our self-build and custom build mortgages. We also incorporated the Association for Environment Conscious Building (AECB) retrofit standard into our C-Change discount on our renovation mortgage. We work with partners to support events and resources that will be of benefit to our members and wider society.

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Pages 5, 7, 9, 15, 16

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Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 *Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.*

Activism is one of Ecology's five key values. It is through working with stakeholders and partners that Ecology can create positive impacts that are beyond the remit of its lending activities.

Ecology engages with a range of partners, to advance its mission, across three main themes: *Ethical finance; Sustainable homes and communities; and Addressing the climate and ecological emergency.* For example, Ecology is helping to expand community-led housing in the UK, through knowledge exchange in partnership with the National Community-led Housing Network and UK Cohousing.

Ecology seeks to work in partnership with other organisations and groups who share our beliefs and with whom there is a synergy of interests or activities. Working with our partners ensures we are grounded in the communities we serve. Many of our partnerships are longstanding, but we also constantly review and refresh our partnerships as the delivery of our ecological mission continues to evolve.

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Pages 16-19

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

Ecology Building Society is a member-owned mutual. Ecology's purpose is enshrined in its Memorandum, and its mandate comes from the membership. The Board of Directors is responsible for the governance of Ecology, on behalf of the members. To ensure the Board and its Committees have the appropriate balance of skills, experience and knowledge, Ecology uses a Board skills matrix. The matrix includes industry or sector experience in sustainable development, charities and co-operatives. Ecology has a long-established fair pay policy.

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[Pages 3, 4, 20, 21](#)

5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

Ecology invests in training and support of colleagues to ensure job progression and satisfaction, but also to increase understanding of Ecology's ethical and environmental nature, including the Certificate in Green and Sustainable Finance of the Chartered Banker Institute, and taking part in training provided by the Institute for Social Banking, which supports employee development of social banking institutions across Europe. Ecology has a colleague Green Team, Social and Charity Committee and Gardening Club, creating an inspiring, inclusive and knowledge sharing community to enact sustainable development principles. Our newsletter regularly covers colleague stories, and colleagues are encouraged to share news on impactful activities on the intranet and external blog. All colleagues have three paid days to volunteer on charitable activities. All staff are paid a fair wage (we are accredited by the Living Wage Foundation, including contractors working on our premises). We have a maximum limit of the pay ratio between the highest and lowest basic salary. This limit was agreed by the members and demonstrates our commitment to fair pay.

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[Pages 20, 21](#)

5.3 Governance structure for implementation of the Principles

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

The Board is responsible for ensuring Ecology adheres to its mission, and is held to account by the members, through the building society model of one member, one vote.

The Management Forum, consisting of the Executive colleagues and senior managers, regularly discusses sustainability matters, underpinning the visibility and importance of Ecology's mission.

These Board and Management Committees regularly receive and review data on the board approved and monitored targets.

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Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Ecology has the culture and governance structures in place to implement the Principles for Responsible Banking. Since its formation, Ecology has been mission-led and values-based. The Principles for Responsible Banking are therefore a natural fit for Ecology. We will continue to further evolve our governance and culture, as we accelerate our progress towards our ecological mission, supported by the Principles for Responsible Banking.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 *Progress on Implementing the Principles for Responsible Banking*

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

During 2021, the process of collaborative development of our 2030 Strategy, involving members, colleagues and key partners, as well as the strategy itself, have continued to demonstrate and underline our commitment to the principles: Alignment, Clients and Customers, Stakeholders, Governance and Culture and Transparency and Accountability.

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 the UK group of the Partnership for Carbon Accounting Financials (PCAF UK). We led the preparation of the year 1 progress report for PCAF UK which was launched at the time of COP26. Our aims for co-chairing the group were to build knowledge and capability for mortgage lenders to measure and report the carbon emissions of their loan books, as well as review new research and innovation to improve the data and methods used to calculate emissions.

During 2021, we became a founding signatory of Net Zero Banking Alliance, co-developed Collective Commitment on Climate Change Guidelines for Climate Change Target Setting for Banks and joined COP26 Race to Zero. Our 2030 strategy sets out our high-level targets on net zero, and we are currently working on our interim targets and plan, as part of our journey to net zero.

We have continued to keep abreast of international good practice. We are an active member of the Global Alliance for Banking on Values, and as part of the Community of Practice on Metrics, we have contributed to work to inform the development of social impact metrics in 2021. This work is contributing to the development of the social impact taxonomy on the EU.

[Our 2030 Strategy](#)
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[Pages 10 and 17](#)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

Ecology has been fully focussed on sustainable development throughout its forty-year history. We believe the Principles for Responsible Banking are a natural fit for Ecology. An area of current focus, guided by the Principles, is for us to enhance the measuring impact and the setting and implementing of targets. In 2021, our 2030 Strategy has been co-developed through an open and transparent process, with our colleagues, members and key partners, underpinned by the Principles for Responsible Banking.

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