

APPROVED Minutes of the 2021 Ecology Building Society Annual General Meeting

28/04/2021 | 10:00 - 11:30

Online Annual General Meeting (AGM) presented and recorded from the Ecology Board Room and via video platform.

Attendees – Board Members (* Denotes remote attendance via Teams)

Chair: Steve Round (SJR)

Amanda Chambers (ALC); Paul Charles Ellis (PCE); Andrew Gold (AG); Kerry Mashford (KJM)*;
Tim Morgan (TM) * ; Chris Newman (CN)*; Louise Pryor (LMP)*; Vincent Smith (VS).

Secretary: Denise Davies (DSD)

1. Welcome and Chair's opening comments

The Society's Chair, Mr Steve Round (SJR), opened the 40th Annual General Meeting of Ecology Building Society. In addition to SJR, those present representing the Society in the Board Room for the AGM were Paul Ellis (PCE) the Chief Executive, Amanda Chambers (ALC) the Finance Director, Andrew Gold (AG) Non-Executive Director, Vincent Smith (VS) Non-Executive Director and Denise Davies (DSD) Company Secretary and Human Resource Manager. All other Directors were attending virtually and SJR introduced each one with a brief description of their role within the Society and areas of expertise.

SJR explained that due to Covid restrictions and the Society's desire to keep members and colleagues safe, the AGM was being held remotely with members invited to join online. The quorum present and required for the meeting to proceed, consisted of 20 colleague members entitled to vote at the AGM. The event was presented from the Board Room at the Society's office in Silsden, and a recording would be placed on the Society's website as soon as practicable after the meeting. All members' votes had been cast in advance of the AGM.

Members had been encouraged to submit questions to the Directors ahead of the AGM and the Chair invited any additional questions on the day to be submitted via the speech bubble icon visible on screen. Although it would not be possible to respond to all questions on the day, answers to the most common questions would be published on the Society's website.

The Chair presented the agenda to members and briefly ran through the running order before handing over to PCE for Review of the Year 2020.

2. Review of the Year

PCE gave his review of 2020 with the headline being the Covid-19 pandemic and its ongoing repercussions across the world, which had overshadowed the Society's activities on every level. Despite this, the Society's balance sheet experienced solid growth and maintained profit, or surplus, at a reasonable level despite emergency action from the Bank of England cutting interest rates and the disruption in the housing market.

PCE stated the Society is nothing without excellent colleagues dedicated to its members and the mission, who have provided outstanding service in very trying circumstances, on which there has been a lot of great feedback from members. All colleagues had risen to the challenge of remote working, with adjustments in systems and working patterns enabling the Society to deliver a full service remotely to members, with PCE expressing particular thanks to the IT Team for making that possible. The benefits of remote and flexible working, not least in carbon emissions from the reduction in colleagues' daily commute to the office, will continue in future with only a part-time return to the office on a rota basis.

The pandemic has not slowed down investment in the Society's infrastructure and also the colleague body and, for the first time, a Sustainability, Research and Innovation Lead role has been recruited to ensure there is a solid theoretical basis for our pronouncements, our policy asks of Government, and maintaining our leadership role in response to the climate crisis, not least in the form of lending solutions on offer which form the main basis of our interventions and positive impact.

PCE was pleased to report that lending levels not only held up, but the year finished with a strong pipeline of new cases fully aligned to mission. The launch of our new offering to support renovation has been well received and is changing the balance of lending, which meets a key objective to improve the efficiency of existing housing stock, contributing to national targets on net zero. These higher lending levels are expected to continue as, in large part, they are a product of personal reflections and changed mindsets across society, with greater awareness on environmental issues as a result of the disruption brought on by the pandemic. There is a deeper understanding that climate is one inter-linked aspect of a wider ecological crisis: crashing biodiversity, loss of pollinators, unsustainable agriculture and destruction of soil fertility, the poisoning of ecosystems by particulates and micro-plastics, destruction of the rainforests, continued air pollution, to name just a few of the facets of the damage conventional economic activity is resulting in.

The Society is focussed on a green recovery which suggests a rapid move to a circular economy, with the creation of green jobs and accelerating the move to renewable energy, with the institution of a national retrofit strategy to systematically overhaul national housing stock, mobilising all parts of the supply chain, including sympathetic finance from lenders. This requires strong and consistent leadership over and above the Government's well-stated intentions which have lacked the capability to deliver, such as was seen with the Green Homes Grant.

With the aim of providing some leadership, Ecology has become the first building society to report annual carbon emissions arising from the residential mortgage lending portfolio, by committing to using the new Global Greenhouse Gas Accounting and Reporting Standard together with international commitments to ensure financed emissions remain compatible with the Paris Climate Agreement. Ecology recently became partners in the GABV Climate Change Commitment, one of 43 founding signatories to the new Net Zero Banking Alliance, initiated by Mark Carney amongst others. The Society has also signed up to the Principles of Responsible Banking of the United Nations Environment Programme Finance Initiative which requires demonstration of business strategy and practice alignment with the Sustainable Development Goals. Such steps not only hold the Society to account but create pressure on other financial institutions to follow suit. More on this can be viewed in the Members Annual Review (pages 14 to 17) which details how these commitments are being developed and measuring the positive impact.

Looking ahead, Ecology aims to provide a strong presence at COP26 later in 2021, to be held in Glasgow. Creation of the Society's 2030 Strategy is underway which will seek members' views via a survey. The Society's strengthened capital base, achieved through core capital deferred shares as permitted by the Building Societies Act, will enable growth in the lending book, investment in digital and operational capabilities, together with additional recruitment to meet the rise in demand for our products. Sound financial performance is required to deliver on these objectives and PCE handed over to ALC to present the 2020 finance review.

3. Resolution 1: Approval of the Annual Report and Accounts

ALC presented the Society's financial performance review for the year-ended 31.12.2020 to the AGM, starting with the key components of the balance sheet.

BALANCE SHEET:

Against the backdrop of the wider economic slowdown and effective closure of the property market during the first lockdown, the Society continued to build a strong pipeline of new mortgages which generated solid growth in gross lending of £39.3 million.

Redemption activity remained stable with overall mortgage asset growth of 9.43% compared to 14.61% in 2019, taking total mortgage assets to £158.7 million.

The Society continues to attract a strong level of savings balances that supports demand for mortgage lending, prudent levels of liquidity and provides a fair return to members relative to our peers. Savings balances, which consist of shares and amounts owed to other customers, at the end of the year grew to £210.3 million, an increase of 13.55% from £185.3 in 2019. In September 2020, the Society secured £3 million of investment through the issuance of Core Capital Deferred Shares enabling us to accelerate our

future growth prospects. The strong inflow of funds alongside the CCDS investment contributed to an increase in liquid assets of £15.3 million with liquidity ending the year at 30.82% of share and deposit liabilities. On a like-for-like comparison (excluding CCDS), liquidity was 29.45% compared to 26.67% in 2019.

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. During 2020 the Society's total assets increased by £28.0 million, taking us to over £200 million for the first time, at £226.0 million.

INCOME STATEMENT:

ALC presented the key elements of the Income Statement, more formally referred to as the statement of comprehensive income. The 0.65% cumulative fall in the Bank of England base rate to 0.10% reduced net interest income during the year to £4.3 million, compared to £4.5 million in 2019. The level of interest payable has remained relatively stable at £2.1 million, resulting in a reduction in overall net margin. As a direct result of the pandemic and the continued economic uncertainty, the Society has taken a prudent approach to assessing the possibility of loss arising on the loan portfolio, together with a review of indicators of deterioration in the value of financial assets, resulting in an increase in overall provisions of £98,000 and £180,000, respectively. The 4.40% increase in the Society's administration expenses to £3.22 million was lower than expected due to the timing of recruitment activity and the deferral of some expenditure because of the pandemic. This resulted in a favourable impact on the Costs to Mean Assets Ratio which reduced to 1.57% from 1.69% in 2019. Whilst impacted by the combination of the unprecedented low interest rate environment and higher provisions referred to previously, the Society continued to invest in digital and operational capability with profits above expectation at £0.524 million. With plans to accelerate investment in digital and operational capacity and capability during 2021, streamlining of processes and delivery to members strategy, this enables us to continue to deliver on our mission from a solid operational base.

RESERVES:

ALC concluded with a summary of the Society's reserve position, which has grown over the years through sustained profitability. With reference to the orange block shown on the slide, the issuance of the Core Capital Deferred Shares (CCDS) has further enhanced the Society's capital strength, which now totals £15.11 million, compared to £11.69 million in 2019, enabling investment in innovation, accelerated lending, amplifying the Society's voice. The CCDS is a specific type of capital instrument with an entirely discretionary distribution with each investor holding a single vote, preserving the Society's mutual status.

Resolution 1 On behalf of the Board, ALC therefore commends the Annual Report and Account for approval by members.

4. Resolution 2: Re-appointment of auditors

Tim Morgan (TM), as Non-Executive Director and Chair of the Risk, Audit, Compliance and Ethics Committee (RACE) with responsibility for recommendation of the Society's auditors, presented details to members regarding the annual re-appointment process.

BDO LLP had been appointed as the Society's new auditors last year, with a resolution passed at the 2020 AGM.

Resolution 2 On behalf of the Board, TM therefore asks members to authorise the re-appointment of BDO LLP, who now have a strong sense of the Society's values having completed a thorough and rigorous first audit.

5. Resolution 3: Approval of the Directors' Remuneration Report

AG, as Non-Executive Director and Chair of the Society's Remuneration Committee, presented details of the Directors' Remuneration Report, which recognises the importance of directors' remuneration and, as an ethical values based financial services provider, shares the ongoing commitment to fair pay and full transparency around decisions made in that regard.

This year there are no material changes to the policy, which:

- remains fully committed to fair pay;
- ensures the *highest to lowest* pay limit of 8:1 is maintained and on 31 December 2020 the pay ratio was 6:58:1;
- includes Executive Directors do not have variable pay;
- continues to be mindful of gender pay; and
- confirms the accredited *Living Wage Employer* status has been retained.

Resolution 3 On behalf of the Board, AG therefore asks members to approve the Directors' Remuneration Report.

6. Resolution 4: Proposed amendments to the Society's Rules

PCE presented details of the Special Resolution proposed, to update the Society's 2014 Rules which would:

- allow members' meetings to be held electronically and/or in more than one physical location;
- clarify the procedures for adjourned meetings;
- clarify the quorum requirements for meetings;

- improve the requirements regarding giving notice of meetings in the event of disruption to postal services; and
- reflect the requirements of The Mental Health (Discrimination) Act 2013.

Resolution 4 On behalf of the Board, PCE therefore asks members to approve the amendment to the Society's Rules.

7. Resolution 5: Re-election of Directors

PCE presented details of the three Directors seeking re-election this year:

- **Resolution 5.1 seeks the re-election of Andrew John Gold;**
- **Resolution 5.2 seeks the re-election of Steven John Round; and**
- **Resolution 5.3 seeks the re-election of Vincent Damian Smith.**

On behalf of the Board, PCE recommended the three Directors to the members for re-election.

8. Voting Results

DSD, as the Society's Company Secretary, advised that members' AGM voting had raised **£650** for the environmental charity **Trees for Cities** and presented the voting results as follows:

Resolution 1: To receive the Annual Report and Accounts for year ended 31.12.2020

For 1,482 / Against 12 / Withheld/spoilt 22.

Resolution 1 was therefore carried.

Resolution 2: To re-appoint BDO LLP as the Society's auditors

For 1,407 / Against 54 / Withheld/spoilt 53

Resolution 2 was therefore carried.

Resolution 3: To approve the Directors' Remuneration Report for year ended 31.12.2020

For 1,379 / Against 76 / Withheld/spoilt 62

Resolution 3 was therefore carried.

Resolution 4: To approve the amendments to the Rules of the Society

For 1,397 / Against 46 / Withheld/spoilt 58

Resolution 4 was therefore carried.

Resolution 5.1: To re-elect Andrew John Gold as Non-Executive Director

For 1,416 / Against 49 / Withheld/spoilt 46

Resolution 5.1 was therefore carried.

Resolution 5.2: To re-elect Steven John Round as Non-Executive Director

For 1,412 / Against 57 / Withheld/spoilt 44

Resolution 5.2 was therefore carried.

Resolution 5.3: To re-elect Vincent Damian Smith as Non-Executive Director

For 1,413 / Against 51 / Withheld/spoilt 48

Resolution 5.3 was therefore carried.

DSD confirmed a copy of the voting results will be published on the Society's website.

9. Any Other Business and closing comments

Having concluded the formal business of the AGM, the Chair thanked members for submitting questions to the Directors and advised that although there would be insufficient time to answer all questions submitted today, Q&As will be responded to following the AGM and published on the Society's website.

The Chair remarked that as the Society enters its 40th year in business, the strong financial position achieved enables the Society to grow the business and amplify its activism in the climate change arena, leading the drive for change in the financial services sector which has a vital role to play in supporting net zero.

SJR thanked his fellow Board members and all colleagues of the Society, of which he is proud to be Chair, in delivering excellent results in a challenging time, also appreciating the ongoing support and engagement of all members.

A recording of today's AGM will be available to view on the Society's website.