

Ecology AGM 2022

Ask the Directors

- What is an entry level SAP rating and why is 88 better than 85?
- What would the Passivhaus standard be on the SAP scale?
- Given that SAP is known to over-estimate the insulation levels of houses is 88 enough?

The Standard Assessment Procedure (SAP) is the methodology used by the government to assess and compare the energy and environmental performance of dwellings. Its purpose is to provide assessments of building energy performance. The assessment is graded from 0 – 100 with 100 being the best and translates into a band which is similar to what is seen on domestic appliances. A score in the 80s would give an energy efficiency band B and anything over 90 would be an A rating.

We have increased the minimum entry-level criteria for our new build mortgages from 85 to 88 (a high B). The reason why the entry level SAP has been increased is to encourage borrowers to improve the target energy efficiency standard of the property being built or renovated.

Passivhaus is a very high standard that has a particular requirement to validate performance after construction. We would expect a Passivhaus standard to have a SAP rating of above 90. For more information about Passivhaus please visit <https://www.passivhaustrust.org.uk/>.

Increasing the minimum entry level SAP rating was an important step to ensure that we continue to enable our borrowers to build to high energy efficiency standards. We will keep the minimum entry-level SAP rating under review and, as more and more people achieve that or more, there may be scope for this to rise further.

- Is there a gender pay gap within Ecology?

Given our size (with less than 250 employees – we have 46) Ecology does not fall within the category of mandatory gender pay gap reporting.

We don't believe that the current methodology used for the mandatory reporting approach is particularly meaningful and can be problematic for small organisations such as Ecology, where even one change of gender in a single role could have a significant impact on the figures due to the small sample size.

We do have pay scales in place within the Society and roles are benchmarked and paid against this framework irrespective of the gender of the role holder.

In line with our commitment to openness and transparency, we're currently exploring a range of more meaningful metrics with appropriate supporting narratives to reflect our diversity and will update further in due course.

- Could the directors talk about their experience of retrofitting skills found in the marketplace - at the Future Build conference it was stated that in the UK there are twice as many people training in gas fitting than there are in

retrofitting - please talk about what you find by way of skills for retrofitting and is it anywhere near getting systematic rather than enthusiastic?

Ecology does not do any retrofitting itself but we recognise that the lack of skills will be major barrier for the supply chain in the future. Based on our discussions with partners such as the UK Green Building Council, there are skills shortages in retrofit, heat pump engineers and people who can install solid wall insulation. Ecology is working with coalitions of partners calling for National Retrofit Strategy which would include measures to support the development of skills in the retrofit supply chain.

▪ What is Ecology's policy on lending to housing co-operatives?

Ecology has lent to housing co-operatives since the Society was established in 1981- the first two loans granted were to housing cooperatives and we have continued to lend to housing co-operatives. In 20xx we increased the maximum term of such loans from 30 to 40 years which helped improve the affordability of the housing co-operative model. The Society is very positive about lending to housing co-operatives and will continue this in the future.

▪ Do directors see the high demand for mortgage lending being maintained in 2022 and, if so, how easy will it be to attract the deposits to fund the lending?

Our plans for 2022 and beyond are based on the continued growth of our sustainable lending. We're currently getting the level of inflow of savings funds that is required to support the lending and do not anticipate any challenges going forward in this respect. In the event we need to do so there are a range of options we can undertake to increase the inflow of savings funds.

▪ Given the skills shortage, is there a role for Ecology to set up some training courses, set up in conjunction with others?

The Society has previously been asked to set up additional initiatives such as this, and the challenge is that with limited numbers of colleagues within the Society we are constrained with what we can do. However, there is an opportunity to work with partners on ideas such as this and we are exploring ways in which we can provide information to help members to help them complete their retrofit or energy efficient build.

▪ Not enough homes are being built, but often the property "market" is for second houses, buy-to-let, or buy-to-leave, etc. Does the Society restrict lending for second homes?

We specifically do not lend on second homes and have a policy of providing support for communities who are affected by an increased number of second homes in the locality.

▪ Have the Directors of Ecology Building Society considered launching a series of small loan products for households to install solar panels, heat pumps, battery energy storage systems and insulation, as opposed to full-scale renovation mortgages?

We continually review options to support the development of more sustainable housing improvements. Currently all of our lending is secured 'first charge' lending on a property or properties, usually a home. Alternative types of finance such as small loans would require a very different approach with different regulatory, legal and capital requirements as well as significant operational changes which need to be balanced with the need to serve our current members appropriately.

- Have the Director's yet exhausted all avenues to persuade the government to insulate existing homes through loans and grants that can make it affordable by those most affected by the price of fuel? I would love Ecology to be even more campaigning!

Retrofitting the UK's ageing housing stock will be critical if the UK is to meet our net zero targets. We continue to campaign and agitate for the UK government, devolved governments and other policy makers for a National Retrofit Strategy to address the issue of the UK's ageing housing stock which would include a range of measures including grants, for those that need them, capacity building for the supply chain, building regulations and fiscal measures such as stamp duty reform.

Our strategy to 2030 which we launched last year reinforces our role as an agitator for change and we are continuing to develop our campaigning activities on a range of key issues.

- Were quotations from other firms of Auditors considered before proposing a re-appointment of BDO LLP?
- What are the ethical and 'green' policies and merits of BDO that made them the right choice for Ecology? Why were they chosen in preference to perhaps more modest firms who would no doubt cost less and be a far better fit to the ethos of Ecology?
- BDO LLP seems to be committed to ESG performance. Can you please explain in a future publication/document how much this statement can be verified by the published annual review of the company and how this company compares with other auditing companies in terms of ESG performance.

In 2019 an extensive tender process was carried out. As part of the process the Society took account of members' views that it would be good to work with a firm outside the 'Big Four' if possible. Given the regulated nature of the work of building societies, there are very few audit firms with the required specialist skills to choose from. Under regulations implemented in 2016, the Society must tender for a new auditor every 10 years and change our auditor after a maximum period of 20 years. At the 2020 AGM we recommended that BDO were appointed by our members as the Society's new auditors.

BDO LLP is not one of the Big Four firms but is classified as a Tier 2 firm. It provides tax, audit and assurance, advisory and business outsourcing services to companies across all sectors of the economy. At the time of the appointment BDO was an external auditor to seven building societies, including both mid- and small-sized societies.

The selection panel was impressed with BDO's enthusiasm for both the building society sector and the Ecology business model. The panel also considered the firm's ethical and sustainability credentials, especially as compared to other firms involved in the tender process.

BDO carried out a very rigorous audit and worked very constructively with the Ecology team.

Therefore, their reappointment was recommended and approved by the members this year.

Information on BDO UK's Sustainability and Governance is found here: <https://www.bdo.co.uk/en-gb/unifying-culture/priorities/citizenship/esg>.

- Could any charity money raised within the Ecology building society be donated to moorland restoration as it directly contributes to carbon capture and the area around the headquarters of the Society?

The Society and its colleagues support a range of charities through fundraising, donations and other support such as volunteering. Our current AGM voting charity is Trees for Cities which was chosen by a member vote in 2018 and our colleague's fundraising activity is focused on charities chosen by the colleagues themselves.

However, we recognise the importance of moorlands as a nature-based solution for climate adaptation and continue to look at ways of raising awareness of and supporting moorland restoration both in Yorkshire and beyond.

- Is it possible to increase the £125 000 maximum holding?

Our maximum holding limits are set based on a range of factors including the Financial Services Compensation Scheme (FSCS) limit (currently £85 000) and liquidity. While we continue to keep our limits under review, we don't currently have any plans to change the maximum holding.

- Please can you aim to adjust interest rates up for savers sooner after BoE changes

Our interest rates are based on a range of factors which include the Bank of England base rate and general rates for similar types of savings accounts in the marketplace including other ethical savings providers.

When considering interest rates, we always seek to balance the needs of our saving and borrowing members to deliver on our ecological mission and maximise our sustainable lending.

- Does the board see further a move in interest rates and if to where?

The Bank of England is forecasting that the base rate may need to continue to increase depending on what happens in the wider economy. They are particularly watching closely what is likely to happen to the rate of inflation over the next year or two.

This is mirrored by a range of other economic forecasts which expect interest rates to continue to rise in 2022 and 2023.

- Are mortgages available on commercial properties where the intention is to convert to residential? Or on commercial properties in general now?

Yes, we offer mortgages for conversions to residential such as for barns and other agricultural or industrial buildings.

We also offer mortgages which are often secured on commercial property for sustainable and community businesses.

- Can the diversity of the board be increased with wider representation from BME groups?
- I am concerned about the apparent absence of cultural diversity on the board of Ecology. What is being done to improve this and that of the organisation generally.
- Could the diversity of the board be increased?

The Society's Board Diversity Policy requires that all Board appointments follow a robust and thorough recruitment process and are made on merit and based on objective criteria reflecting the skills, knowledge, experience, regulatory and business environment experience needed to ensure a rounded and effective Board.

Subject to the considerations above the Board endeavours to maintain a female representation of at least 33% of its composition and this is currently the case with three female directors out of nine.

We continue to seek to improve the diversity of both our Board and our employees, and in line with our commitment to openness and transparency, are currently developing a range of more meaningful metrics with appropriate supporting narratives to reflect our approach to diversity and will update further in due course.

- Do the current directors see any value in having an ordinary society member on the board to provide a layman's/customer perspective to the day to day running of the society?

We always welcome applications from our membership when recruiting for non-executive directors to join our board. A number of Ecology directors were members of the Society prior to their appointment and subsequent election.

Vacancies for non-executive directors are promoted widely using a range of channels including on our website and on social media, which will be visible to members. We are continuing to look at new ways to promote non-executive director opportunities to members including spotlighting some of the types of skills we would usually be looking for.

- Could the AGM be held in the North of England again and the time and date published well in advance to facilitate the purchase of advance tickets?
- Why choose to hold the AGM in London? London is not the geographical centre of the UK, and I would have thought there would be less travelling for those wishing to attend if it was held elsewhere. The Ecology Building Society is based in Yorkshire after all.

While Ecology is based in Yorkshire our members live throughout the UK. So, each year we move our AGM and Members' Meet-up around the country to enable as many members as possible to attend. Our 2019 AGM (the last time we held a face-to-face AGM prior to the pandemic) was held at our offices in Silsden, West Yorkshire. Prior to that the AGM was held in Birmingham, Bristol and Silsden respectively.

We always aim to let members know the details of the meeting as soon as possible to allow time to plan attendance. Unfortunately, we didn't confirm this year's date and time until later than usual as a result of uncertainty regarding Covid.

- Is there any way Ecology could change who they use to bank with? Since the Co-op bank is now owned by American hedge funds and the like I no longer have confidence in it as I used to.

Ecology uses The Co-operative Bank for our day-to-day banking needs, such as receiving deposits and making withdrawal payments (this is called 'clearing'). The Co-operative Bank acts as a channel for the money, rather than an investment fund. We keep these holdings as small as possible, so that as much of your money as possible is actively lent out for sustainable projects.

Not all banks offer a clearing service such as that provided by The Co-operative Bank for us. Since the change in ownership in 2013, Ethical Consumer magazine, has continued to rate The Co-operative Bank as a 'recommended buy' and in their latest review of current accounts (in 2020) they say that they have maintained '*a crystal-clear ethical stance across a number of issues*'.

Ethical Consumer is a leading alternative consumer organisation which researches and records the social and environmental records of organisations and publish the results online and in their magazine. Ethical Consumer rates Ecology's savings and mortgages as an ethical 'best buy'. For more information on Ethical Consumer please visit <https://www.ethicalconsumer.org/>.