

## Minutes for Meeting Book - 2022 Annual General Meeting

30/04/2022 | 10:00 – 11:15

Mildmay Club, 33-34 Newington Green, London, N16 9PR

### Attendees

**Chair:** Steve Round

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

**Invited colleague attendees:** Denise Davies (DSD); Grieg Moran (GM); Martin Sims (MS)

### 1. Welcome and Chair's opening comments

The Society's Chair, Steve Round (SJR), opened the 41st Annual General Meeting of Ecology Building Society and all Directors introduced themselves to the members present both in the room and online.

The Chair presented the agenda to members and briefly ran through the running order before handing over to Paul Ellis (PCE) for his CEO Review of the Year 2021.

### 2. Review of the year

CEO Paul Ellis presented to members a review of 2021 highlighting:

- colleagues had experienced a gradual return to the office as a hub, taking some of the innovations of working from home.
- The ability to open savings accounts online had been implemented.
- A new cloud-based telephone system had been installed to improve efficiency.
- Cyber security enhancements had been implemented to protect Society systems and member data.
- a full re-opening of savings account products to new and existing members.
- the Society published its first climate risk disclosures, following guidelines from the Taskforce for Climate Related Financial Disclosures (TCFD).
- the publication of the Society's 2030 strategy, following extensive consultation including with colleagues and members.
- Strategy published to coincide with COP26 where the Society had a strong presence with the UK Green Building Council and the Architects for Climate Action Network.

In terms of lending and impact during 2021 the Society had:

- increased the entry level SAP rating for new build from 85 to 88.
- experienced a 300% increase in retrofit lending.
- achieved a 70% uplift in lending to support community led organisations including examples such as the Peninsula Trust in Cornwall supporting local residents and Ulva Ferry CLT providing accommodation for local families.

PCE shared with members a variety of great examples of projects which have been enabled with the help of mortgage funding provided by the Society.

PCE highlighted a number of industry awards that the Society had been presented with during 2021 including:

- British Bank Awards - the Treating Customers Fairly Champion and Best Ethical Finance Provider awards.
- Investors in the Environment - an overall rating of outstanding in the accreditation process.
- Money Age Awards - Ethical Financial Services Provider of the year
- Mortgage Finance Gazette - best self-build lender award and a lifetime achievement award for Paul Ellis.
- Yorkshire Business Awards - Environmental Sustainability award
- Passivhaus Trust Pioneer awarded to Paul Ellis

PCE noted that the awards from the British Bank Award were of significant note as the awards were made based on member feedback.

### **3. Resolution 1: To receive the Annual Report and Accounts for the year ended 31.12.2021**

Finance Director, Amanda Chambers (ALC) presented the Society's financial performance review for the year-ended 31 December noting that against a backdrop of economic and societal uncertainty the Society has once again demonstrated its resilience.

Key balance sheet financial highlights included:

- the Society had achieved a record level of gross lending at £69.4m which contributed to the overall growth in Mortgage Assets of 22.3% to £194.1m.
- Savings balances grew in 2021 to £239.5m from £210.3m in 2020 an increase of 13.8% compared to a 13.5% increase in 2020.

- the Society's total assets increased by £30m (13.3%) to over £250m for the first time, supported by the strong increase in savings balances alongside the £3m CCDS issuance in 2020.

In presenting the key elements of the income statement, ALC highlighted:

- the overall growth in Mortgage Assets in recent years alongside the record levels of new lending during 2021 resulted in an increase in interest receivable to £7.0m and net interest income to £5.2m.
- the Bank of England base rate remained subdued at 10 basis points for the majority of 2021 only nudging upwards in December 2021. This is reflected in the reduction in the level of interest payable during the year to £1.9m (2020: £ 2.1m)
- ongoing investment in digital and operational capacity and capability resulted in the Society's administration expenses increasing to £3.8m and a marginal increase in the Costs to Mean Assets Ratio to 1.59% from 1.57% in 2020.
- Despite the low interest rate environment and the wider economic uncertainty our strong environmental lending performance underpinned our profitability, with Net Profit increasing to £1.0m.

ALC concluded with a summary of the Society's reserve position which has grown over the years through sustained profitability.

- the issuance of the Core Capital Deferred Shares (CCDS) in 2020 further enhanced the Society's capital strength which now totals £15.8m (2020: £15.1m) and has enabled the Society to invest in innovation, accelerate lending and amplify its voice.
- A distribution of £326k was made to the holders of the CCDS during the year, in line with the distribution policy.
- The overall level of reserves stands the Society in excellent stead for expanding its loan book in 2022.

ALC, on behalf of the Board recommended to members the approval of the Annual Report and Accounts for the year ended 31 December 2021 - Resolution 1.

#### **4. Resolution 2: Re-appointment of Auditors**

Chair of the Audit Committee, Tim Morgan presented Resolution 2 - Re-appointment of Auditors to the members, highlighting:

- The Society asks members to authorise the re-appointment or selection of a new auditor each year, at the AGM.
- The Audit Committee leads on recommending the auditor.

- Having taken into consideration members views, BDO who are a medium sized firm became the Society's auditors for the first time in 2020 and have continued to work very constructively with the Ecology team during 2021.

He explained that there is a very small pool of firms which can undertake the audit of a financial services organisation, such as Ecology Building Society, which is a "public interest entity". Also that it is simply not feasible to go through the careful process of a tender and change of auditor every two years. He reassured members that the Society would continue to monitor the performance and independence of BDO and conduct a formal review of audit provision periodically.

TM, on behalf of the Board recommended to members the reappointment of BDO LLP as the Society's Auditors for the 2022 year - Resolution 2.

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

Chair of the Remuneration Committee, Louise Pryor presented Resolution 3 - to approve the Directors Remuneration Report for the year ended 2021, highlighting:

- The Society's continuous commitment to fair pay.
- In 2021 the pay ratio was 6.72:1 well within the member agreed highest to lowest pay ratio maximum of 8:1 maintained.
- Executive Directors do not have variable pay.
- The Society's remuneration policy continues to be mindful of gender pay.
- The Society retained its living wage employer status during the year.

LMP, on behalf of the Board recommended to members the approval of the Directors' Remuneration Report for the year ended 2021.

### **6. Ask the Directors**

Whilst the electoral scrutineers counted the final votes cast, members were invited to pose questions to the Directors; a full Q&A summary will be published on the Society's website in due course.

Member questions and answers included:

- What is an entry level SAP rating and why is 88 better than 85?
  - CN explained that SAP stands for the Standard Assessment Procedure which is a grade from 0 to 100 with 100 being the best. Buildings have an energy performance certificate and that score translates into an energy band similar to what you see on domestic appliances. A score in the 80s would give an energy efficiency band B and anything over 90 would be an A rating. The reason Ecology's entry level SAP has been increased is to

encourage borrowers to improve the target energy efficiency standard of the properties being built or renovated.

- What would the Passivhaus standard be on the SAP scale?
  - KJM explained that Passivhaus is a very high standard that has a particular requirement to validate performance after construction. SAP and Passivhaus are similar but different ways of calculating the energy performance of a building. CN added that we would expect a Passivhaus standard to have a SAP rating of above 90.
- Is there a gender pay gap within Ecology?
  - LMP explained there is not currently a significant gender pay gap but is something that is constantly under review.
- 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?
  - CN explained that Ecology does not do any retrofitting itself but from his professional background observed it will be a major barrier for the supply chain in the future. There are skills shortages in retrofit, heat pump engineers and people who can install solid wall insulation. CN added that in his view there is no where near enough skill in this area in the UK and this is being highlighted to policy makers and further education colleges.
- Given that SAP is known to over-estimate the insulation levels of houses is 88 enough?
  - CN replied that we will continue to review that measure and if we continue, through our lending, to find more and more people achieving that, then we will review it and potentially put it higher.
- Do Ecology have any policies or plans to improve diversity and inclusion both within Ecology, the Board and within the membership?
  - LMP explained that this is a really important issue. Looking at the current Board there is evidence of diversity - a third of the Board are women; there is diversity in our backgrounds, in our professional careers which brings diversity of thought. What we don't have is a great deal of ethnic diversity on the Board or in our membership. This is a common issue throughout the financial services industry and also common in the environmental sector. This is unfortunate as it is known that many of those who will be worst affected by the effects of climate change are the least privileged, which could be for a number of reasons, including what is referred to in the UK as ethnic minorities but taking a worldwide perspective are not in a minority. We would very much like to have more visible diversity among our membership, executive and board. We need to think how we can extend the range of applicants for positions and how we can improve the

diversity within our membership She invited members to share ideas on how this could be achieved.

- What is Ecology's policy on lending to housing cooperatives?
  - PCE explained that the Society has lent to housing cooperatives since the very early days - the first two loans granted were to housing cooperatives and we have continued to lend in that space. A few years back we increased the maximum term of such loans from 30 to 40 years as that fitted better with the housing cooperative model. The Society is very positive about lending to housing cooperatives 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 for additional growth in the lending. At the moment we are 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. If we do find we are in a position that we need additional inflow of funds then there are measures that can be taken to attract funds. PCE added that April 2022 had been a record month for new savings accounts and inflow from members has never been an issue for the Society. However there are options, such as issuing 1 year bonds, that the Society could consider, but has no immediate plans to do so.
- Given the skills shortage, is there a role for Ecology to set up some training courses, set up in conjunction with others?
  - TM reflected that the Society has been asked before to set up additional initiatives such as this, and the challenge is that with only 40 heads within the Society we are limited with what we can do, but the opportunity is there to work with partners on ideas such as this. VS expanded that there are plans to build an Ecology hub - a resource to help members and direct them to resources/ suppliers etc that will help them complete their retrofit or build.

SJR summarised that everyone can do something, however small and Ecology can lead the way and change the way that people think and act.

## **7. Voting results**

Elliot Roberts, Associate Director of Civica Election Services presented to members the results of the member voting as follows:

Resolution 1 - to receive the Annual Report and Accounts for the year ended 31 December 2021

For 1511 (99.47%) ; Against 8 (0.53%) ; Spoilt 0; withheld 12

Total votes 1531

Resolution 2 - to re-appoint BDO LLP as the Society's Auditors  
For 1429 (96.23%) ; Against 56 (3.77%) ; Spoilt 0; withheld 46  
Total votes 1531

Resolution 3 - to approve the Director's Remuneration Report for the year ended 31 December 2021  
For 1431 (95.66%) ; Against 65 (4.34%) ; Spoilt 0; withheld 35  
Total votes 1531

Voting turnout was 14.84% which is again amongst the higher turnouts for building societies.

## **8. Any other business and closing comments**

Chair of the Board, SJR formally announced that at the end of this AGM both he and Paul Ellis will both step down.

SJR expressed thanks to Paul on behalf of the membership, the Board and colleagues recognising that Paul has been central to the success of Ecology as a mission and values based organisation. Paul has led the Society through significant change. He has been a custodian, and has always had the members' interests at heart. Paul leaves the Society with thanks and best wishes.

Paul thanked colleagues, members and directors past and present for the warm wishes.

LMP expressed thanks to Steve on behalf of the membership, the Board and colleagues, for being Ecology's Chair for the last six years. LMP recognised the efforts Steve had made during his tenure at the Society. LMP added that both Steve and Paul leave the Society in a strong position both financially and reputationally and the efforts of them both in the past, leave the Society well positioned to continue its work in the future. Steve leaves the Society with thanks and best wishes.

Steve thanked colleagues, members and directors for their warm wishes.

LMP introduced Gareth Griffiths to the members as the incoming CEO.

There being no further business, the AGM closed at 11:15am.