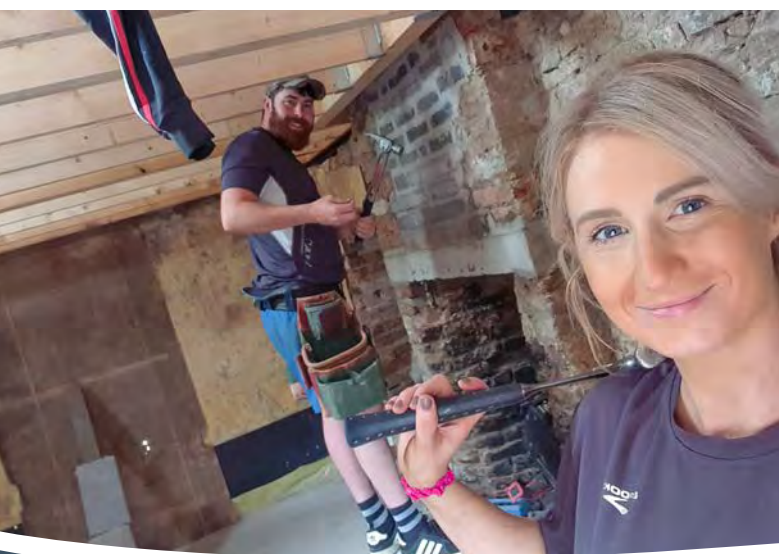




Annual Review 2022



Welcome to your Annual Review 2022

Our Purpose

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?

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Our progress in 2022

Our Members



Powered by nearly

16,000 Members
(increase of 22.6%)

1,531
(14.8%)

eligible Members voted in our 2022 AGM with more than two thirds voting online

Over **200** Members participated in our series of Member Meet-ups

Our lending

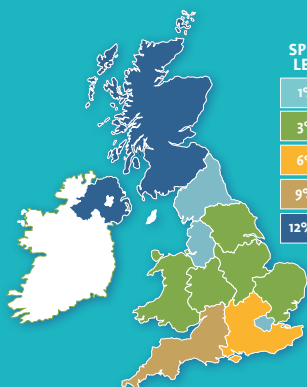


12.9%

increase in total mortgage lending to **£218 million**

New loans include:

- 19** conversions
- 28** renovations
- 258** new builds, including self- and custom-builds
- 12** shared ownership properties
- 8** housing co-operatives
- 3** community land trusts
- 7** woodlands
- 2** community gain projects



Our financial performance



Record:

- Lending
- Total assets
- Profit

Second successive year of new lending of nearly **£70 million** across **340** sustainable properties and projects

Total assets increase by **18.6%** to more than **£300 million** for the first time

Net profit increased by **55.5%** to **£1.585 million**

Our colleagues



Initiated transformation programme to invest in our people and the culture that will support the growth of the Society, including:

- ✓ Our flagship leadership academy
- ✓ Our colleague-wide development programme
- ✓ The rhythm and routine of colleague communications
- ✓ Signed up to becoming an accredited menopause-friendly workplace and supporting a men's mental wellbeing group
- ✓ Continued 'Giki Zero' colleague sustainability programme

Our local community



Planted nearly **1,400** trees with Forest of Bradford

Co-sponsored the installation of a community public access defibrillator near to our offices

Ecology team took part in and sponsored a local charity run, raising funds for Sue Ryder Manorlands Hospice

- ✓ Our sponsorship enabled the removal of single-use plastic bottles from the event

£675

raised for Trees for Cities as a result of Members' AGM voting

Our premises



Installation of new solar panel array to increase our onsite energy generation capacity

Office powered by renewable electricity

100%

Redesigned office space to accommodate our expanding/growing team

Office re-design focused on creation of a collaborative environment, supporting Member services, future developments and colleague wellbeing

Maintained Investors in Environment Green Award (highest category)

Our carbon emissions

425.9 tonnes: total carbon footprint of our business, of which:

19% comes from office heating, business travel, commuting and working from home

1,414 tonnes: financed emissions** from our mortgage lending

10.8 kgCO₂/£000 average financed emission** intensity and

22.9 kgCO₂/m² average physical emission intensity of our lending

We have published our net zero plans and targets for business operations and lending and continue to report on these.

* 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



Louise Pryor
Non-Executive Director
and Chair

Louise is a climate change actuary and risk specialist with 30 years of

experience in actuarial consulting, software development and academia, having worked with a variety of clients in the public and private sectors.

Louise has just completed her term as President of the Institute and Faculty of Actuaries, and is Chair of the London Climate Change Partnership and an Honorary Professor in the Bartlett School of Sustainable Construction.



Giovanni D'Alessio
Non-Executive Director

Giovanni was co-opted to the Board in September 2022 and is standing for election at the AGM. He is

an IT professional with over 25 years' industry experience.

Giovanni spent his early career as a management consultant – initially in the USA, before relocating to the UK. He has worked in a variety of industries, including retail, manufacturing, telecoms and energy. Giovanni has been the CEO of Doosan Digital Innovation Europe since 2014, a company delivering digital and cybersecurity services.



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 Cafédirect, and was previously a director in the NHS.



Andrew Gold
Non-Executive Director
and Deputy Chair

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.



Jaedon Green
Non-Executive Director

Jaedon was co-opted to the Board in March 2023 and is standing for election at the AGM.

He has spent much of his career working in financial services, most recently as Chief Customer Officer at Leeds Building Society.

Supporting the national housing agenda, Jaedon brings extensive experience in consumer regulated industries, housing, and financial services. He is routinely consulted as an independent adviser to the Bank of England, the Government, developers, and trade bodies. He is also Non-Executive Director at Leeds Federated Housing Association and Deputy Chair of his local allotment community interest company.



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.



Gareth Griffiths
Chief Executive

Gareth joined Ecology in June 2022 and was co-opted onto the Ecology Board. Gareth is standing

for election at the AGM. He was previously Head of Retail Banking at Triodos Bank and also held leadership roles at RAC and HSBC.

His aim is that the Society plays an even greater part in addressing the climate crisis, and responding to deepening financial inequalities and inefficient UK housing stock to create a sustainable future, while supporting the Ecology team to continue to deliver award-winning service for Members.



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 was a member of its Transforming Construction advisory group.

Kerry is a Non-Executive Director of the Active Building Centre Ltd and chairs Trust Electric Heating Ltd and the Energy Strategy Group of Worcestershire LEP. She was awarded an OBE in 2017, and is currently planning her next self-build home.



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.

Chair's statement

As a mutual, Ecology exists to serve its Members. This means delivering products and services that meet the needs of both our savers and borrowers as well as ensuring that our work is contributing to a flourishing planet. The last year has seen us deliver strongly on both counts, innovating and expanding in order to secure record profits in support of our ecological mission. I am thrilled to take over as Chair at a moment of such exciting potential for the Society.

Against the backdrop of a challenging economic environment in which we continue to carefully balance the interests of all our Members, 2022 was another hugely successful year for the Society in terms of our impact as well as our financial position. Our strong performance reflects the growing demand for Ecology's savings accounts, as more people come to recognise the truly transformative potential of finance in achieving a future that is healthy and equitable. During the year, we welcomed an exceptional number of new Members, whose deposits will be used to directly fund community housing initiatives, affordable housing, low-impact renovations and other sustainable projects. This growth, combined with the dedication of our Members and colleagues, has enabled us to achieve a record-breaking profit of £1.6m; money that will enable more sustainable projects to become a reality.

As the environmental and social challenges that we face continue to evolve, so must we. Our new Chief Executive, Gareth Griffiths, joined us in June, marking the beginning of an exciting new chapter for the Society. Gareth's work builds on the remarkable legacy of Paul Ellis's 26-year tenure as Chief Executive, during which time Ecology grew to become an influential and trusted voice in the global sustainable finance movement. There have also been changes to our Board



that have seen us welcoming Giovanni D'Alessio and Jaedon Green as well as bidding farewell to my predecessor, Steve Round, after his seven-year tenure as Chair. We are grateful for the hard work of those who have come before us and look with determination to the Society's future.

During the year a governance review was undertaken to ensure the Society is fit for the future, as a result the Committee structure will be changing from 2023.

While many new faces have joined the Ecology team this year, we remain steadfast in our longstanding commitment to our Members. It was with great pleasure that I met Members in the autumn as part of our series of regional Member Meet-ups. Hosted at mission-led venues in Bristol, London, Leeds and Edinburgh, the meet ups were a chance for Members to meet with Gareth, the other Directors and myself to share their views about the Society's work. It was heartening to be able to meet so many Members face-to-face and to hear from some of our borrowers about their inspiring projects. We also had a virtual meet-up to ensure that as many people were able to take part as possible, resulting in more than 200 Members participating across all the events.

The next big event in the Ecology calendar is our 2023 AGM and Members' Meet-up which will take place in Manchester. Following on from our well-attended AGM in London last year, we will once again be inviting Members to join us for expert-led discussions and lively debate. I do hope that you can join us to have your say in the future of your Society.

Embracing Ecology's position as a thought leader and expert when it comes to harnessing the positive power of finance, we have continued to amplify our voice and agitate for change over the last 12 months. Positioning Ecology at the heart of these conversations means that we can continue to raise the profile of our work. For example, I was pleased to be able to speak at the Ecology-sponsored Parliamentary reception hosted in May by the National Custom and Self Build Association (NaCSBA), which marked the launch of their inaugural annual market report and brought together key figures from across the housing sector. Our leadership position is enhanced by the innovations we are making to our products, such as the recent enhancements to our C-Change mortgage discounts, the introduction of cashback for heat pumps and our pioneering new mortgages for off-site construction, which will all help to accelerate the construction of the most energy-efficient homes – an essential part of the UK's journey to net zero.

I am proud to be Chair of an organisation that is changing the world for the better. With the support of its Members, colleagues and partners, Ecology has come a long way since we began over 42 years ago. As we grow, it is vital that we do not become complacent. From the social and financial impacts of the cost-of-living crisis to the global destruction wrought by fossil-fuel intensive economies, the collective challenges that we face demand that we are focussed and prepared if we are to continue delivering against our ambitions. We are therefore investing in the Society's capabilities to ensure that we are set firmly on track to fulfil our 2030 Strategy, which centres upon our unwavering commitment to building sustainable communities and a fair, resilient economy that is grounded in the true value of our planet's resources.

Louise Pryor

Chair

7 March 2023

Chief Executive's review

It gives me great pleasure to be writing my first annual review of the Society's performance. Having joined the Society in June as your new Chief Executive Officer, it has been a privilege to meet so many passionate and enthusiastic Members, particularly at the series of Member Meet-ups in the autumn.

It has also been a pleasure to pick up where my predecessor, Paul Ellis, left off. The strong foundations of the Society we have in place today are a direct result of Paul and many others' hard work and dedication. As a Society, we have weathered the storm of what was a difficult operating environment in 2022, a year defined by the Collins Dictionary with its word of the year, *permacrisis*: "an extended period of insecurity and instability". Since joining, 'permacrisis' hasn't been something which I have thus far experienced at Ecology, whereby the team continue to be dedicated to 'doing' better for our Members as we grow.

The last 12 months have shown that we operate in turbulent market conditions, which show no signs of abating in the year ahead. The exceptionally low interest rate environment in which we have been operating has changed rapidly in order to balance the ravages of the inflationary environment driven by increased costs of wholesale gas, largely borne out of events in Ukraine. The interconnected nature of the financial ecosystem in which we operate should act as a good metaphor and reminder for us all of the delicate nature of the environmental cause and effect that we are wreaking on our planet, and why to that point Ecology's mission and purpose have never been so relevant.



As the cost of living crisis grabbed the headlines, it also started to have an impact on our Members, and we saw higher levels of savings withdrawals and Members re-mortgaging away from Ecology to secure the last of what were low fixed rates in the autumn.

Speaking with Members, and listening to feedback as to why people may have left us, it was clear that, in these difficult times, conscious compromises were needing to be made. Ecology is here to support its Members in both the good times and the bad, and to that end we have set about investing in our colleague and in Member infrastructure to ensure that we have the foundations to grow as an organisation.

As the price of wholesale gas starts to resume some normality and conversations about 'energy security' stop being used as buzz words on Sunday morning chat shows, I am encouraged by Chris Skidmore MP's report highlighting the changes which are required to ensure that the UK is more ambitiously seizing the opportunity that exists around the net zero transition. However, when all said and done, the UK's independent Climate Change Committee was explicit in 2022 that "progress was lagging behind policy ambition", and that the UK Government was behind the legally-mandated curve required to meet net zero commitments.

It is clear that more needs to be done to stop extractive fossil fuel practices and really drive the benefits of a net zero

approach. From that perspective, I wait with hope to see what can come from the Net Zero Performance Certificate; a potential successor to the Energy Performance Certificate.

What has emerged from the economic volatility is Ecology's commitment to ensure we create a fair society in a sustainable world. And so we spent a good deal of time in H2 ensuring that we delivered on our systemic commitments and responsibilities to our regulators and that the overall governance of the organisation was updated to better manage risks and opportunities.

Our pricing principles ensure that we treat all new and existing Members in an egalitarian way, ensuring the balance of offering competitive returns for savers, who trust us to deploy their savings responsibly, whilst offering attractive rates to our borrowers where we have the mainstay of our impact.

It was pleasing to see that, in a market where housing sales have begun to slow, and property prices retrench to pre-COVID levels, RICS have highlighted that well-built, fabric-first, energy-efficient homes have intrinsically more value. This is not just from a financial perspective, reflecting the reality that Ecology's Members subscribe to the idea that we have to do something with our inefficient and ageing housing stock.

During the volatility of the last quarter of the year, we saw a number of new savings Members join the Society. This was predominately due to a mention from a high-profile national media source. My sincere welcome to our new Members who joined us in 2022. Be reassured that your savings are helping Ecology achieve the impact that I hope you'll enjoy reading about in this document, your first Annual Review.

My last point to close out 2022 on is that you will see from the Annual Report and Accounts, that the Society experienced a record year of profitability and the Society's total assets surpassed £300m, which was down to the significant work and effort from the team in the preceding years.

This is important as it means two significant things. Firstly, it directly translates into impact: this year we helped 340 borrowers to achieve their goals and ambitions of living in a more sustainable way.

Secondly, as a triple bottom line organisation, profit is a healthy part of the ecosystem, where we balance the dynamics of people, planet, and profit. 2022's profit allows the Society to invest further in its colleagues, ensure that we challenge the market to provide strong rates for Members and, most importantly, keep driving our capital growth to deliver impact over even more projects in the future.

Future Impact

As we look forward to that future impact, I am excited about bringing Ecology's 2030 Strategy to life through the day-to-day operations of the Society. In 2022, we introduced a new Head of Product & Marketing; someone who is

tasked with challenging the norm and driving the innovation of new, exemplar products.

We will also be taking a much more proactive stance in our PR; trying to help shift the consumer mindset to a more sustainable future.

At the core of what we do is an absolute commitment to enabling our savers to use their money as a force for good, so that the people we lend to can live in homes which are good for the environment and their communities.

As we grow as an organisation, there are other questions we need to ask, such as:

- How can we continue to be relevant for a generation of people who are struggling to get onto the property ladder?
- How can we use our knowledge and experience to try and help overcome social issues which exist in the housing system, such as discrimination and biases in credit facilities and help families on low income for the cohesion and health of their family unit?

We have to recognise that as a small, mutual organisation we only inevitably have so much reach. But we have endless ambition, which has stood the test of time for 40 years, and which will continue to stand us in good stead for many more years to come.

As I enter my first full year as your CEO, I am as always keen to hear from Members new and less new on things we can do better, or, (as have been a pleasure to read), your exciting stories of projects bounding into life. You can reach me by emailing ceo@ecology.co.uk.

Lastly, my thanks must go to the team at Ecology who have not only openly welcomed me to the Society, but have also embraced the Society's dedication to serving Members.

As we embark on the next stages of operationalising the strategy, it brings me great hope that we will continue to diversify our Member base and who we serve. I very much look forward to offering more Member Meet-up dates later on in the year where I will be delighted to tell you about the Society's net zero progress, products innovation and the continued impact we are having. These sessions will be interactive, bringing our community together with our mutual values and vision, allowing Members to play a bigger role in influencing the Society's future.

Gareth Griffiths

Chief Executive Officer

7 March 2023

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 2022 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



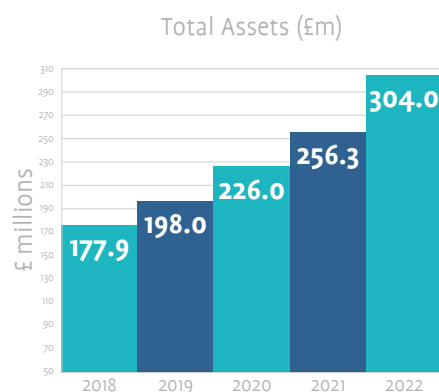
	2022	2021
Total assets	£304.0m	£256.3m
Mortgage asset growth	12.19%	22.30%
Mortgage lending	£69.6m	£69.4m
Savings balances	£285.5m	£239.5m
Liquid assets as a % of shares and borrowings	29.44%	24.96%
Management expenses as a % of mean total assets	1.80%	1.59%
Net profit	£1.585m	£1.019m
Profit after taxation as a % of mean total assets	0.57%	0.42%
Core Tier 1 capital	£17.094m	£15.698m
AGM – voting turnout	14.84%	16.94%

As outlined above, the Society has achieved a strong performance against a backdrop of economic and societal uncertainty during the year resulting from the cost of living crises and macroeconomic uncertainty environment.

Asset growth

Against the backdrop of a challenging economic environment in which we continue to carefully balance the needs of our savers and borrowers, the Society's total assets increased by £47.7m (18.65%) (2021: £30.2m) to £304.0m in 2022 (2021: £256.3m), reflecting a solid lending performance, supported by a strong increase in savings balances.

The Society views asset growth as a sign of success in meeting the needs of our savers and supporting our borrowers to build, renovate or buy sustainable properties.



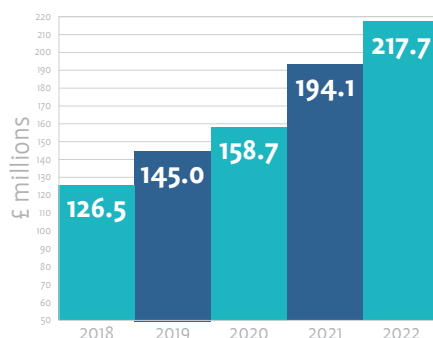
Mortgages

The opening pipeline and consistent flow of lending application volumes drove another record level of gross lending at £69.6m (2021: £69.4m). This new lending contributed to overall growth in mortgage assets of 12.19% (2021: 22.30%).

The Society continues to harness the positive power of finance by supporting the construction of the most energy-efficient homes. During the year we launched an enhancement to our C-Change mortgage discounts and introduced cashback for heat pumps. New loans approved in 2022 were 75% self-build, 8% renovation and 5% affordable or community housing.

The interest rates offered by the Society enable us 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.

Mortgage Assets (£m)



The proportion of loans benefiting from one of our C-Change mortgage discounts, 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 36% (2021: 37%).

The Society's personalised approach to underwriting enables each case to be individually assessed to ensure that 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 cost of living crisis. As at 31 December 2022, there were no cases in possession and no cases 12 months or more in arrears (2021: nil).

As at 31 December 2022, there were 16 cases (2021: 10) under forbearance with total balances of £2.983m (2021: £2.504m) and arrears totalling £2.9k (2021: £6.6k).

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 Credit Risk Committee will analyse the Society's Credit Risk performance, ensuring that Credit Risk is within the appetite set by the Board.

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 two (2021: 3) 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 £91k (2021: £305k).

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 combined impact of the COVID-19 pandemic, the cost of living crisis (largely precipitated by the war in Ukraine) and the exceptionally low interest rate environment in which we have been operating, which has changed rapidly in order to balance the ravages of the inflationary environment. The total collective provision has increased to £478k (2021: £222k), reflecting the publicised anticipation of house price decline.

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 continued to restrict the inflow of new funds to our historic guaranteed accounts and took the necessary action, considering the turbulent market conditions to ensure we treated our Members fairly. As the cost of living crisis started to have an impact on our Members, leading to a higher level of savings withdrawals, we increased interest rates, particularly on the popular 90-Day Notice account and ISA. This resulted in an exceptional number of new Members, whose deposits will be used to directly fund community housing initiatives, affordable housing, low-impact renovations, and other sustainable projects over the coming years.

Total savings balances held at the end of the year are £285.5m (2021: £239.5m), with liquidity ending the year at 29.44% (2021: 24.96%) 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 that are supportive of our mission, rather than wholesale money from other financial institutions.

Management expenses

Ecology is here to support its Members in both the good times and the bad, and we have invested in our colleagues to ensure that we have the foundations to grow. The Society's ongoing investment in operational capability drove an increase in cost base to £5.05m (2021: £3.84m) resulting in Management expenses of 1.80% as a % of mean total assets (2021: 1.59%).

In order to achieve the Society's 2030 Strategy, further investment in digitalisation is needed in 2023 to be able to serve our Members and remain relevant, alongside additional marketing and communications activity and increasing regulatory and compliance requirements.

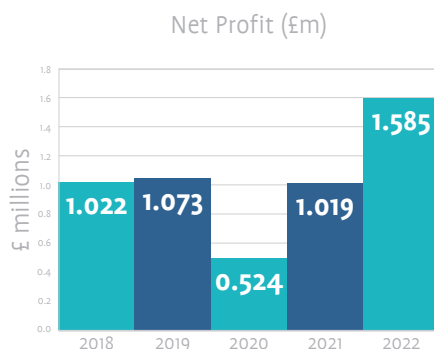
Wherever possible, we use the most sustainable and ethical option when purchasing goods and services. In some cases, this means that we pay more than we might have done for equivalent, but less sustainable options.

Profit and capital

Net profit for the year of £1.585m (2021: 1.019m) was added to reserves, a record year of profitability for the Society reflecting the current and preceding years' lending performance.

The Society continues to assess whether there was evidence that external investments not carried at fair value through profit and loss are impaired and has recognised an impairment provision of £47k (2021: £35k). In addition, the Mortgage assets were assessed for probability of default, the collective and individual provision increased by a combined £42k (2021: decrease £102k).

Against a backdrop of turbulent market conditions for the majority of 2022, combined with the continued economic and social uncertainty surrounding the cost of living crisis, 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 and for the wider society and environment.



The Society's capital strength has been maintained, with total reserves as at 31 December 2022 of £17.1m (2021: £15.8m).

As at 31 December 2022, the ratio of gross capital as a percentage of total share and deposit liabilities was 5.99% (2021: 6.60%) and free capital was 5.72% (2021: 6.14%).

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).

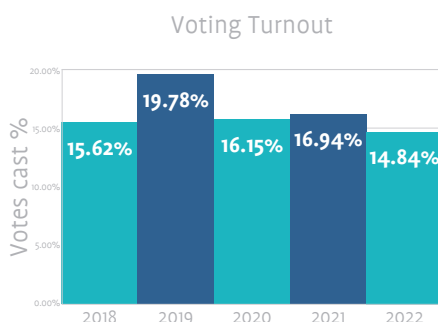
Further details of the Society's approach to risk management, including the Pillar 2A percentage and value, required by the Capital Requirements Directive, can be found in the Pillar 3 disclosures available on the Society's website: ecology.co.uk/about/corporate.

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 2022, the risk-weighted Core Tier 1 ratio was 14.7% (2021: 15.4%); 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 0.39% reduction in the leverage ratio to 5.27% (2021: 5.66%). Capital amounts and ratios remained comfortably above regulatory requirements throughout the year.

Member relations

Voting turnout at our 2022 AGM was 14.84%. Our AGM took place at the Mildmay Club in Stoke Newington, London. Despite a slight reduction, voting turnout was significantly higher than the sector average of 9.1%. The AGM was an opportunity for Members to hear from a line-up of experts about the challenge of meeting the UK's net zero targets and the importance of creating sustainable housing whilst giving them the chance to meet other Members and the Ecology team.



In autumn, we invited Members to our Member Meet-ups, which were held at unique venues across the UK and online. These events were an opportunity for our Members to hear Gareth Griffiths, our new Chief Executive, share his vision for Ecology's future and ask the Directors questions. There were also talks from some of our Members who have been involved in inspirational projects to build greener homes and communities.

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 2023.

Summary Directors' Report

The Business review for 2022 is detailed on pages 8 to 10.

Summary financial statement for the year ended 31 December 2022

Results for the year	2022 £000	2021 £000
Net interest income	7,213	5,171
Other income and charges	(22)	(81)
Administration expenses	(5,050)	(3,835)
Provisions for impairment release/(charge) on loans and advances	(42)	102
Provisions for impairment release/(charge) on investments	(12)	190
Losses on conversion of investments	–	(265)
Provisions for impairments of intangible assets	(134)	–
Provision for liabilities	5	(1)
Profit before taxation	1,958	1,281
Tax expense	(373)	(262)
Total comprehensive income for the year	1,585	1,019
Financial position at end of year	2022	2021
Assets		
Liquid assets	84,059	59,781
Mortgages	217,716	194,069
Fixed and other assets	2,265	2,404
Total assets	304,040	256,254
Liabilities		
Shares	275,379	228,960
Amounts to other credit institutions	–	–
Borrowings	10,128	10,510
Other liabilities	1,439	986
Subordinated liabilities	–	–
Reserves	17,094	15,798
Total liabilities	304,040	256,254
Summary of key financial ratios	2022	2021
	%	%
Gross capital as a percentage of shares and borrowings	5.99	6.60
Liquid assets as a percentage of shares and borrowings	29.44	24.96
Profit for the year as a percentage of mean total assets	0.57	0.42
Management expenses as a percentage of mean total assets	1.80	1.59

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 2022 and 2021 total assets.

Approved by the Board of Directors on 7 March 2023 and signed on its behalf by

L. Pryor, Chair;

G. Griffiths, Director and Chief Executive;

A. Gold, Non-Executive Director and Deputy Chair.

Independent auditor's statement to the Members and depositors of Ecology Building Society

Opinion on the summary financial statement

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 2022 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We have examined the summary financial statement of Ecology Building Society ('the Society') for the year ended 31 December 2022 which comprise the Results for the year and Financial position at the end of the year, together with the summary Directors' report.

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 2022, 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 2022.

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 unqualified 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
7 March 2023

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, along with any 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 and the Executive Directors. 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 Chief People Officer attend meetings as required. The Chief Executive and Finance Director take no part in the discussion concerning their individual remuneration. The Committee held five meetings during 2022,

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/about/corporate

“We supported colleagues with the cost of living by providing an additional monthly supplement to help with their bills.”

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

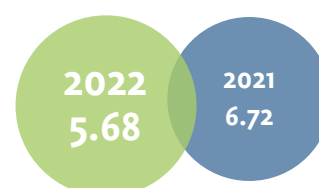
The Society's policy is for all employees (including Executive Directors) to be remunerated in relation to their expertise,

experience, overall contribution and the general marketplace. The Society is committed to paying the Living Wage and has received accreditation for this from the Living Wage Foundation. We give an extra flat sum payment to all colleagues for cost of living crisis support.

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, excluding benefits and other contractual payments. 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. The reduction in the ratio is as a result of the decision to increase entry level salaries to reflect the challenges our lower paid colleagues face into with the cost of living crisis and our external benchmarking of the market.

Ratio of highest basic salary to lowest full grade available

as at 31 December 2022



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. Executive Directors do not 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. The Society operates a salary exchange option enabling colleagues 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

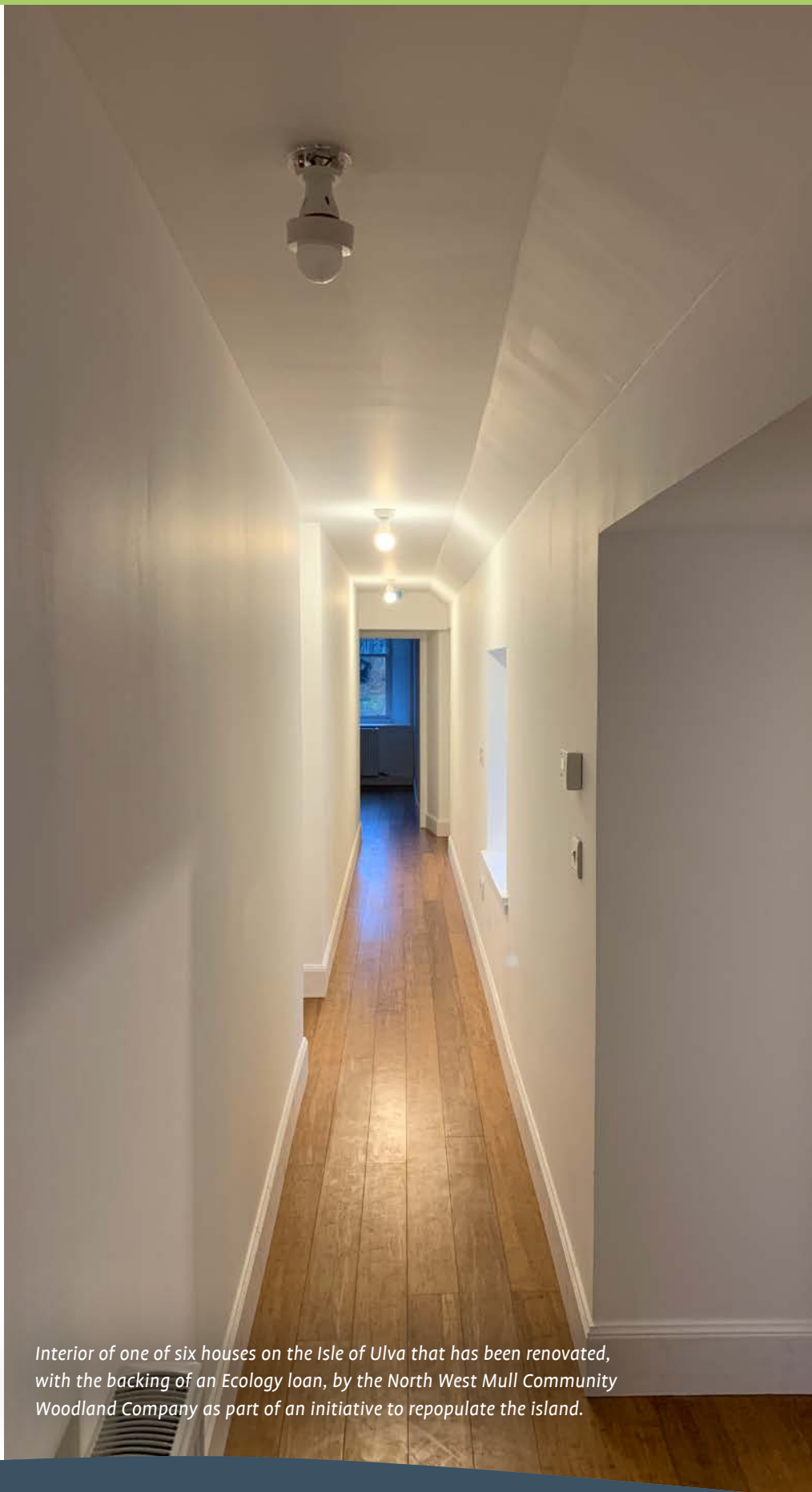
The Chief Executive is provided with an Electric Vehicle as a Company Car. The Society introduced an Electric vehicle salary exchange scheme open to all colleagues in 2022.

Contractual terms

None of the Society's Non-Executive Directors have service contracts. The Chief Executive Officer has a service contract entered into on 30 March 2022 for service commencing on 1 June 2022 and the contract is terminable by either party giving six months' notice.

Payments for loss of office

Amanda Chambers left her position as the Society's Finance Director on 31 August 2022. In line with her contractual arrangements, she received pay in lieu of her contractual notice period of six months amounting to £52,000 and compensation for loss of office of £20,750.



Interior of one of six houses on the Isle of Ulva that has been renovated, with the backing of an Ecology loan, by the North West Mull Community Woodland Company as part of an initiative to repopulate the island.

Non-Executive Directors' remuneration

	2022 £000	2021 £000
Louise Pryor	20.8	14.6
Andrew Gold ¹	18.3	27.3
Kerry Mashford	14.8	14.4
Tim Morgan	18.9	18.4
Chris Newman	16.5	15.9
Vincent Smith	16.0	15.6
Giovanni D'Alessio (from 30.09.2022)	3.7	–
Steve Round (to 30.04.2022)	7.7	22.7
Totals	116.7	128.9

¹ Includes additional remuneration of £3,054 (2021: £12,790) in relation to assigned senior management regime responsibilities for oversight of the risk function.

Executive Directors' remuneration

	Salary £000	Other related pay £000	Taxable benefits £000	Contributions to pension scheme £000	Total £000
2022					
Paul Ellis (Chief Executive to 30.4.22)	37	–	–	3	40
Gareth Griffiths (Chief Executive from 1.6.22)	67	–	3	5	75
Amanda Chambers (Finance Director) to 31.8.22)	79	73	–	6	158
Totals	183	73	3	14	273

2021					
Paul Ellis (Chief Executive)	116	–	4	9	129
Amanda Chambers (Finance Director)	100	–	–	8	108
Totals	216	–	4	17	237

The Executive Directors' remuneration above represents their gross contractual salary and does not take into consideration any salary.

On behalf of the Board

Andrew Gold

Chair of the Remuneration Committee

7 March 2023

Tackling climate change

For the planet to remain safe and liveable, widespread economic, societal and policy change is needed, and this decade is the critical window of opportunity for action. Ecology's role is to be part of the solution to climate change. We have committed to net zero in our business operations by 2030 and net zero in our lending by 2050 or sooner.

Net zero is achieved when greenhouse gas emissions are reduced as much as possible and the remaining amount is removed from the atmosphere by technological or natural solutions.

When Ecology was created in 1981, the founders were motivated by concerns over environmental degradation and consumerism. 40 years on, climate change, ecological collapse, deepening social inequalities and a global pandemic are the defining issues. In 2021, our Members, colleagues, Board and key partners co-developed *Our 2030 Strategy*, setting out our vision for 2030 and how we will address the climate and ecological emergency in this pivotal decade. In 2022, we published our intermediate targets for our lending and continued implementation of our

plans to achieve net zero in our business operations and our lending.

Unlike traditional businesses that aim to maximise shareholder value while identifying some examples of doing good, our priority is to create holistic system value, maximising positive economic, social and environmental impact on the social system we are part of, while taking action to mitigate the negatives.

Our 2022 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.

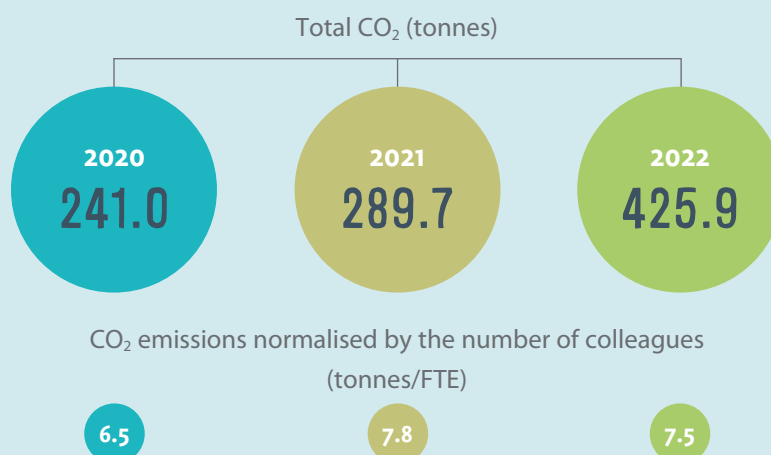
Carbon emissions from our business operations

We have reported the carbon footprint of our business operations since 2012. Emissions in 2022 were 425.9 tonnes CO₂. This is a 47% increase in our emissions

in 2021 (289.7 tonnes, updated to reflect best available data), which had increased considerably from the previous year due to the pandemic (241 tonnes in 2020). In 2022, our business activity has increased with another year of record new lending and the number of savings accounts increasing by 22.6%.

In 2020, the pandemic led to an increase in working from home, leading to a substantial reduction in commuting emissions and business travel. We adapted our measurement of the carbon footprint to include emissions from colleagues working from home as well as commuting, which continued into 2021. 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 fuel use, especially from our suppliers, commuting and business travel. We therefore have a policy to use accredited carbon offset schemes, which plant trees to absorb the amount of carbon equivalent to our total carbon footprint. 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 ultimately minimising our use of fossil fuels and hence carbon emissions. 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 make more active, healthy and environmentally-friendly transport decisions, including eliminating unnecessary travel.

Carbon emissions from our mortgage lending

In 2021, we were the first building society to report our carbon accounts, which show the financed emissions arising

from our mortgage lending. Previously, we had reported the average energy efficiency rating for properties in our portfolio using EPC ratings. We use the new Global Greenhouse Gas Accounting and Reporting Standard for the Finance Industry (the PCAF Global Standard) developed by PCAF. Ecology became one of the first members of the PCAF UK when it formed in October 2020 and, during 2021, co-chaired their Residential Lending Working Group to share and improve best practice on measuring and reporting carbon emissions from residential property, culminating in a report launched during COP26.

The PCAF Global Standard states that emissions arising from all energy use consumed by the buildings' occupants should be reported.

There are two elements to carbon emissions from a residential property:

- Regulated emissions from use of fossil fuels to provide energy for space and water heating, and lighting (taken from the EPC, where available)

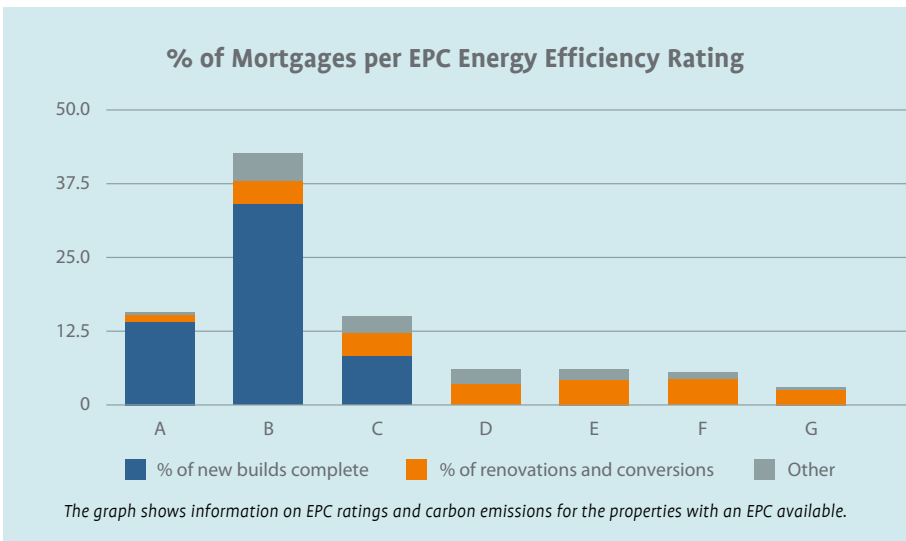
- Unregulated emissions from use of fossil fuels to provide energy for other uses, such as appliances and chargers.

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

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

- financed regulated emissions for consistency with our peers

Scope 3 – Mortgages: financed emissions			
Emissions from properties with an EPC (52% 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)	56,801	318	427
Renovations and conversion (where the works are complete)	18,214	297	330
Renovations and conversion (where the works are ongoing)	10,135	296	314
Other	16,236	181	207
Sub total	101,386	1,092	1,278
Emissions from properties which are completed but do not have an EPC (23% of Ecology mortgages)			
Sub total, all types	47,353	322	402
Emissions from all new properties where construction works are complete, and all renovation and conversion properties where works are complete or ongoing (75% of Ecology mortgages).			
Total	148,739	1,414	1,680



Based on all the EPCs currently available for properties in our mortgage portfolio, the average SAP score was 74, 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.

Properties that are undergoing renovation and conversion generally achieve a lower energy rating (and higher emissions) after completion of the works than a new build property, reflecting the challenges in retrofitting an existing

property compared with building in energy performance from the outset.

The financed emissions and spread of energy ratings across our mortgage book is dynamic, reflecting the balance of new and existing properties and the transition of poorly performing properties undergoing retrofit to reduce their emissions. We seek to continue to increase our lending on renovation and conversion, which is predicated on environmental improvements being made to the property.



Members of the Ecology team helping to plant nearly 1,400 trees in Wilsden

Physical risks of climate change

We have used market-leading consultants in climate risk to assess the exposure of our mortgage book at the end of 2022 to the physical risks of flooding, subsidence and coastal erosion.

Although we are hopeful that the Paris Climate Agreement will succeed in limiting global temperature rise, we cannot rule out future climate disruption. Therefore, we have selected the more pessimistic RCP6.0 scenario for our assessment, rather than the more optimistic Paris-aligned scenario RCP2.6. For subsidence risk, the climate risk model currently only covers RCP8.5 – the worst case scenario. Physical risks take time to materialise and get worse over time. We have chosen to report on the results for the 2050s, given the typical mortgage term is up to 30 years. Our assessment will evolve over time to take account of property-specific and local adaptation mitigation.

The Society's full climate-related disclosures can be found in pages 11 to 34 of the 2022 Annual Report and Accounts available on our website at: ecology.co.uk/about/corporate

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. Since our inception, we have been fully committed to ethical finance, enabling our Members to harness money to create good environmental and social outcomes, as well as fair financial returns.

In 2022, we welcomed more than 200 Members to a series of five events, held across the UK and online, at which they had the opportunity to hear the Chief Executive and other Board Directors share their vision for the Society's future. At each event, Members also heard from Ecology borrowers who are putting our sustainable lending into practice. We particularly wish to thank Members for sharing their valuable and diverse ideas to shape how we implement our strategy for 2030, and for pushing us to be ambitious and innovative.

As a member-led organisation, engaging and hearing from our Members is essential 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 building 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 July, we expanded our range of C-Change discounts to increase the interest rate reward for borrowers building to the highest energy standards. Our C-Change Passivhaus discount increased from 1.25% to 1.50% to incentive more homes to be built to the highest Passivhaus standard. We also increased our SAP range and introduced new discounts for Sap A+ (rating 100 – 109) and Sap A++ (rating 110+) to offer increased discounts of either 1.00% or 1.25% under our C-Change discount range.

■ In October, we launched our first cashback incentive to contribute to the cost of installing either a ground or air source heat pump to a home. The cashback is available across our entire residential product range and is a drive towards changing the behaviours from fossil fuels to low carbon, renewable heating technologies.

■ In January 2023, we launched a new off-site construction mortgage range and teamed up with leading modular manufacturers to launch our new range of mortgages to support the growth of off-site, modular housing. Our innovative approach enables lending to be secured on the modular panels before they arrive on site, ensuring that finance is available for different types of self-builders. We are the first UK lender to bring together modular construction manufacturers with a dedicated mortgage solution (including an advanced payment option), making it easier to access mortgage finance for this type of self-build.

As a member of Bankers for Net Zero, an initiative to investigate how banks can best support key sectors of the UK economy in transition to net zero, we

contributed to their *Retrofit Revolution* report published in March. This sets out what is needed for policy and regulation to enable retrofitting to happen rapidly at scale.

Enabling people-powered housing

In 2022, Ecology supported 19 community-led housing projects across the UK. Once completed, these projects will deliver 147 energy efficient homes for local people within a range of intentional housing communities. These include cohousing, housing co-operatives, community land trusts and mutual home ownership societies. Most of the homes we have supported offer a range of benefits to the occupiers, including affordable rent, shared ownership options, or are priced at a discount in perpetuity compared to open market prices.

As well as delivering affordable, energy efficient homes, some of our lending to community groups is delivering added benefits to their local communities. These include a new health centre at Staffin on the Isle of Skye and new business units for local, small enterprises at Ettrick and Yarrow in the Scottish Borders.

Often these projects are in fragile, rural communities and help sustain other services, such as schools and shops. Others are in more urban settings and are adversely impacted by high property prices, second home ownership, private landlords and holiday lets, which further restricts the ability of local people, including key workers, to afford their own home. As well as supporting community groups, the Society remains committed not to lend to second homeowners or to holiday lets in areas of high tourism.

Amongst the projects supported in 2022 is a loan to East Cambridgeshire. CLT to help them to buy 15 retrofitted former Ministry of Defence homes at Ely in Cambridgeshire to offer help to local people under a Shared Ownership scheme in partnership with the local council.

Another innovative project is on the Island of Ulva, where the Northwest Mull Community Woodland Company are bringing 6 abandoned properties back to full occupancy and repopulating the community-owned Island. Each property requires significant retrofit work, but the project will house 6 families and a restaurant / café when completed and help sustain the local school at Ulva Ferry, across the bay on Mull.

Our lending to community groups extends beyond housing. In 2022, we supported The Leeds Library, one of the city's oldest institutions, to expand by buying a neighbouring city centre property. This will create new spaces for events, house a growing and historically important collection of works, and provide a lift to enable greater accessibility for all into what is an iconic listed building.

Overall, our lending to community-led housing organisations is one of the Society's fastest growing areas of activity, and we remain on track to deliver a 100% increase in lending to community-led housing groups between 2020 and 2025.

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 2022, we worked with the GABV to help share our approach to climate action through our lending, with banks in the Asia Pacific region. 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. We published our second progress report on how we are implementing the principles in 2022. Our most recent progress report is now available on our website at ecology.co.uk/about/corporate. We have participated in peer knowledge sharing sessions with the Principles for Responsible Banking members. A focus of our work this year has been target setting – for our 2030 intermediate

climate targets for our lending, and our social impact targets in terms of our support for community-led housing.

The financial sector has a critical role to play in steering financial flows towards activities that decarbonise our economy.

During 2022, we co-chaired the Partnership for Carbon Accounting Financials, 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 were 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.



Ecology's work contributes to the Sustainable Development Goals

Responsible business

Ecology is a responsible business, committed to addressing the climate and ecological emergency through everything we do. We are guided by our climate and ecological emergency plan, published last year.

Since 2021, we've been partnering 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 they can take to reduce their carbon footprint.

Investors in the Environment (iIE) helps 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.

The Green Register provided training for all colleagues on sustainable building and retrofit, refreshing knowledge of our existing colleagues and providing an introduction for new colleagues. We also continued our Green Induction for all new starters.

As part of our commitment to being an inclusive employer that takes the wellbeing of our colleagues seriously and provides an environment where all colleagues can thrive, we signed up to becoming an accredited menopause-friendly workplace.

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 2022 standing at 5.68:1.

We were re-accredited with the Fair Tax Mark in 2022, demonstrating our commitment to doing the right thing when it comes to taxes.

Sponsorship and charitable giving

We were pleased to sponsor the Passivhaus Trust's conference in Exeter, continuing our long history of support for the exemplary standard.

Over the year, the Society supported a range of activities helping to advance the shift to net zero, including:

- Sponsoring Ethical Consumer's second Climate Gap report, which tracks the gap between our current combined consumption emissions and where they need to be by 2030. The report highlighted the need to cut emissions from heating by 23%, showing the urgent need for action on retrofit.

- Co-supporting an independent report commissioned by Ed Miliband MP, former Secretary of State for Energy and Climate Change, to create a proposal for a ten-year programme to 'future-fit' UK homes to tackle the long-term causes of the cost of living crisis, bring economic prosperity, improve quality of life, and address climate change.

- Supporting open homes events in Cambridge, organised by Cambridge Carbon Footprint to inspire a new generation of people wishing to improve the energy efficiency of their homes.

As part of our support for the local community in Yorkshire, where Ecology is based, we also sponsored a charity run to raise funds for the local hospice. We worked with the organisers to remove single-use plastic bottles from the event and this will now be an ongoing feature of future events. In partnership with other local businesses, the Society also helped to fund the installation of a defibrillator located near to our offices in Silsden.

Colleagues continued to volunteer their own time to a range of community organisations, including local foodbanks, various sports groups, girl guiding UK and the refill shop in Silsden.

In addition, we made £675 of donations to our charity partner, Trees for Cities, as a result of Members' AGM voting.

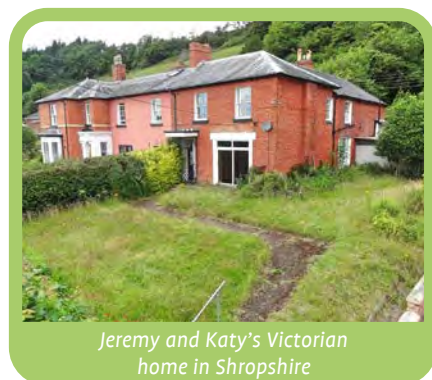


Team Ecology moments before the run

2022 Member stories

Katie and Jeremy's story: a high-tech Victorian home

After months of building works, Katie and Jeremy moved their family into their newly-renovated Victorian home in Shropshire. During the project's early stages, progress often felt hard-won, with the focus being on repairing and improving the fabric of the building and installing low-energy heating and lighting. Now that many of the less obvious, but essential, works



Jeremy and Katy's Victorian home in Shropshire

are complete, Katie and Jeremy are enjoying the more immediate rewards of decorating, installing new cabinetry and planting their vegetable garden.

Their approach throughout the project has been to combine historically sympathetic materials, including lime plaster walls and solid wood flooring, with the latest energy-saving technologies. Sensors track humidity, air flow and water leaks, while a monitoring system enables the family to see how much energy each appliance is using in real time. Keen to reduce their reliance on fossil fuels, Katie and Jeremy have switched their home to 100% electric power, which heats the radiators via an air source heat pump and charges their electric car. While they are currently sourcing their energy from a 100% renewables provider, they are keen to become more self-reliant

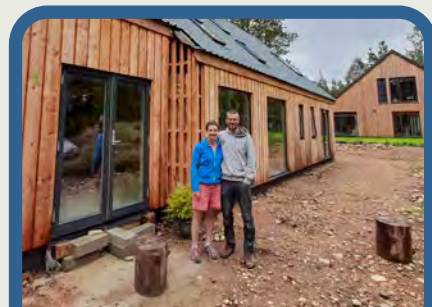


Jeremy and Katy Kidwell and family move into their newly renovated home

and are preparing to install their own photovoltaic array.

The transformation of their home has been hugely rewarding, but not without its challenges. Reflecting on the process so far, Jeremy comments, "Now that we're making the finishing touches inside, it's really starting to feel like home."

Affordable homes in the Cairngorms



Self-build residents Iain Cornfoot and Justine Stewart

(Credit: Communities Housing Trust (CHT))

A new affordable development near Aviemore in the Cairngorms National Park is providing homes for local families who were struggling to find suitable properties, due to the region's housing shortage. Using locally sourced timber and boasting high energy-efficiency, the self-builds are the result of a collaboration between members of the local community, the Rothiemurchus

Estate, and the Communities Housing Trust, who have come together to tackle rural depopulation in the area.

All of the four families took out Ecology mortgages to become owners of their self-build homes. The homes all have a legal title condition which ensures that they remain permanently affordable and prioritises the local community in future sales; an essential need in an area with a high rate of second- and holiday-home ownership.

Each house has been built to individual specifications and reflects the local vernacular, incorporating larch cladding and tin roofing. Excellent levels of air tightness, insulation and air source heat pumps, mean the buildings also have low ongoing running costs, particular when it comes to heating – an important consideration given the harsh winter climate.

Providing a successful model for the creation of affordable housing within the national park, it is hoped that the development will inspire other rural communities across Scotland to adopt a similar approach, enabling more people to remain in the places they call home.



Self-build resident Lesley McKenna

Glossary

The Mildmay Club: restoring London's living heritage

Standing proud in the heart of Hackney, The Mildmay Club has faced many challenges throughout its 135-year history. In 2014, the social club faced, arguably, the greatest yet when members were called to decide whether to pursue a potentially lucrative offer with a developer wanting to buy their clubhouse. Despite a perilous financial situation, members voted against the sale, uniting in their determination to save their club.



Main Hall at the Mildmay Club

With the support of an Ecology mortgage and the hard work of its members, the Club's prospects are looking brighter, following years of decline. Our loan has enabled a complete renovation of the Grade II listed building's slate roof, which, having had no major work since 1900, had fallen into severe disrepair. Alongside the roof repairs, there has been an overhaul of the building's electrics and renovation of the interior. The funds are also supporting the sympathetic conversion of the top floor, which has lain unused for over 20 years, to create three residential flats. Once finished, these will offer reliable income for the club, as well as providing good quality homes in an area where many struggle to find rental accommodation.

Now supported by over 1,000 members, Mildmay is once again a leading light in the Newington Green social scene. The renovations to the building's unique interior, distinctive for its late-Victorian baroque styling, have also secured its reputation as a desirable filming location, now an important source of additional revenue.

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...



In the autumn, we welcomed more than 200 Members to a series of events held across the UK and online to help shape the next phase of our Mission.

Members heard Gareth Griffiths, Ecology's Chief Executive, and other Board Directors share their vision for our future, as well as having the opportunity to quiz the Directors about our progress and plans.

Here are some examples of what our Members said about the events:

“It was far too short! So many interesting questions to ask and debate. Well done for taking the Society to us in this way. I came away thinking that you must do everything to meet the challenge of expanding in a fast but measured way.”

Member, London event

“I found the Meet-up very inspiring, and was especially impressed by the Chapeltown Housing speaker and his commitment to housing people at the lower end of the scale in terms of affordability.”

Member, Online event

“Your event made me think about where our money is, about making sure we follow our values, about making space to consider things. I am proud that we have money invested with you.”

Member, Online event

“Going to places that you are lending to is bringing them to life for others. It completes the circle of where our savings are actually going.”

Member, Leeds event

“I was glad to hear that Ecology wants to work for policy and legal changes at a national level, and to encourage other organisations to adopt the methods it pioneers. Also to hear Louise say, ‘We want to change the world’, indicating that Ecology is a means to an end and not an end in itself.”

Member, Leeds event

Cover images, rows from top to bottom, left to right: Ecology-backed Chapeltown Cohousing (Chaco) homes built to the AECB Building Standard; Ecology colleagues at an offsite 'Town Hall' meeting held at Nell Bank outdoor learning centre, Ilkley; Richard and Max's timber-framed self-build, Isle of Skye; The Bevington family, who moved into Pennyghael Schoolhouse, renovated with the support of an Ecology loan by Mull and Iona Community Trust (MICT) to provide an affordable home to rent in 2022; Avril and Damien renovating their nineteenth century cottage, Enniskillen, Northern Ireland; The Chapeltown Cohousing team on-site during the build.

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