

## Ecology AGM 2023

### Ask the directors

#### 1. Governance

- Regarding the Governance Review in the Chair's statement, it states "fit for the future". This sounds good – but what needs changing and why?

Over the past year, our Society has grown significantly with changes to our leadership, board members and an increase in the workforce. Additionally, Ecology has had to navigate shifts in the business landscape as well as changes in regulatory requirements.

So, it was vital to make sure Ecology was 'fit for the future'. The first step was to carry out an extensive governance review. It must be pointed out that the governance of the Society had not been reviewed for several years. The areas highlighted were governance structure, policies and procedures, reporting and accountability.

The main outcomes include:

- developing a decision-making structure at management level. This will support managers in making decisions quickly and with independence.
- Splitting Risk, Audit, Compliance and Ethics Committee (RACE) into two specialist committees, Risk & Conduct committee and Audit & Compliance committees to provide additional focus on these key functions.

These changes will help our Society to adapt quickly and more effectively in the future. They support our position in the business and regulatory environments, its endeavours in the ecological space, whilst keeping Members at the heart of everything we do.

- How long do you think you should keep the same auditors?

An ideal time for an organisation to review their auditors is between three to five years. The review can cover different things, including changing auditors, reviewing the alternatives, or running a tender.

Ecology has used BDO LLP as external auditor.

#### 2. Impact

- In the Annual Review, it mentions Ecology planting 1,400 trees with Forest of Bradford. What arrangements are being made for their after care?

Forest of Bradford is a local enterprise and part of the Bradford Environmental Action Trust. Their aim is to plant and care for 1 million trees in the area.

As well as planting trees and scrubs, the project also offers advice and practical help with existing woodland management. So, we're confident that our tree planting will be properly followed up and managed by a responsible organisation.

Ecology is an enthusiastic supporter of Forest of Bradford. We provide colleague volunteers and funding towards the ongoing maintenance of the programme.

- **What do you make of Doughald Hind's new book, "At work in the ruins"?**

Thank you for bringing this book to our attention. Looking at the reviews, this book comes with considerable thought and high praise.

"One of the most perceptive and thought-provoking books yet written about the multiple intersecting crises that are now upending our once-familiar world. . . Essential reading for these turbulent times." Amitav Ghosh, author of *The Great Derangement*

"A book of rare originality and depth—profound, far-reaching, mind-altering stuff." Helen Jukes, author of *A Honeybee Heart has Five Openings*

We haven't had chance to read it yet, but it's on the reading list in our book club. We do have high expectations.

- **To help reverse the catastrophic decline of UK biodiversity, will the Society please consider:**
  1. **Introducing performance measures supporting actions to reverse the catastrophic decline of UK biodiversity.**
  2. **Requesting key 'Biodiversity Metric' data from mortgage applicants that have developments with a mandatory Biodiversity Net Gain requirement.**
  3. **Reporting on the Society's biodiversity performance in the next Annual Review.**

The Society is very aware of the decline in biodiversity and recognises the value of biodiversity in the management and maintenance of the grounds surrounding the office building.

We constantly review our metrics to identify developments and enhancements to the way we measure the positive impacts of our activities on the environment. We will certainly consider these suggestions as we continue to progress with our plans for even greater impact in the future. For more information about our impact, please see our Annual Report 2022 (Pages 16 – 18).

- Solar panels play an extremely important role in the decarbonization of power supply in the UK (as well as globally). However, all too often this is at the expense of arable land. In the UK at least, this is a very live and increasingly toxic issue, with many thousands of acres of productive arable land given over to 'solar parks' as this is cheaper than installing panels on buildings. There is a very similar situation to building on greenfield sites instead of reclaiming brownfield sites. This practice allows the large corporations often behind these operations to greenwash their image.
  - a) What is the stance of Ecology Building Society on the above issue?
  - b) Whether CEO, Mr Griffiths can comment on any concerns about it within the wider 'green investing' environment, and
  - c) What can be done to address it?

Ecology does not engage in investments such as large-scale ground-mounted solar panels on arable land. And it is not for us to comment on specific individual projects that are not in our control.

Ecology's impact is driven almost exclusively through lending to support buildings constructed using sustainable materials and/or built to high standards. This is so that the consumption of energy and resources is minimised.

We also support community initiatives that deliver low impact homes. These initiatives must have a social or community benefit; and they often utilise and improve existing structures.

Ecology is more generally aware that some banking organisations engage in activities that commentators may describe as "green washing". We engage with trade bodies and other organisations including government to lobby for financial institutions to be transparent. We believe this is an opportunity to raise standards and to deliver a sustainable future for all.

- Can you reassure the Members that Ecology's offset schemes are paying to support projects for which you can measure realistic climate-positive results? For example, too many schemes involve planting the wrong species of tree in the wrong places.

The Society takes care to make sure that any carbon offset schemes stick to high standards and are independently validated.

Our recent site is an extension to an existing woodland and planted on ground, previously used for agriculture. There are many species in the mixed woodland and the anticipated carbon sequestration values have been independently verified. Carbon sequestration is the process of capturing and storing atmospheric carbon dioxide. This certification process also includes sustainable forest management, climate change, biodiversity and water conservation.

Our offsetting partners are currently Forest Carbon ([www.forestcarbon.co.uk/about](http://www.forestcarbon.co.uk/about)) who are accredited under the Woodland Carbon Code. They assist us in selecting appropriate projects to support within the UK. In choosing these projects, we try to consider the wider benefits of the projects, including biodiversity and community benefit.

Here's a quote from Steve Prior at Forest carbon:

*"Nature-based climate projects in the UK are subject to thorough regulation and review. The woodland creation projects supported by Ecology Building Society meet the UK Forest Standard - covering requirements as wide ranging as species diversity, hydrological features and landscape, through to health and safety in planting the woodland.*

*They are also required to gain planting permission from the Forestry Commission, in the process demonstrating that planting encompasses the right tree in the right place for the right reason, and consultation on design with stakeholders. Finally, a project is subject to Woodland Carbon Code certification audit, where carbon claims and additionality are assessed. UK nature-based climate projects are well designed, well managed, and monitored; they create real and additional benefits. "*

Please find below a list of all the Projects we have supported over the years:

**2016 -2020:** 1403 tonnes CO2 offset

- Project at Wester Deans in Scotland [www.forestcarbon.co.uk/our-partners/ecology-building-society/wester-deans](http://www.forestcarbon.co.uk/our-partners/ecology-building-society/wester-deans)
  - This included a mix of species and flood mitigation.
  - Species planted: Alder, Aspen, Birch, Cherry, Hazel, Oak, Rowan & Other Broad Leaf

**For 2021:** 320 tonnes CO2 offset

- Project at Corriechullie in Scottish Highlands [www.forestcarbon.co.uk/our-partners/forest-carbon/corriechullie](http://www.forestcarbon.co.uk/our-partners/forest-carbon/corriechullie)
  - Native woodland for conservation and biodiversity, with suitability for an endangered species of bird.
  - Species planted: Scots Pine, Alder, Aspen, Birch & Rowan

**For 2022:** 407 tonnes CO2 offset

- Our colleagues selected Sarah's Wood in Northumberland [www.forestcarbon.co.uk/our-partners/forest-carbon/sarahs-wood](http://www.forestcarbon.co.uk/our-partners/forest-carbon/sarahs-wood)
  - Habitat beneficial for red squirrels and various birds
  - It also provides amenity value to the local community
  - Species planted were Alder, Birch Oak, Sycamore & Willow

- We are still affected by net-zero greenwashing when relating to accounts. How do we make sure that we "keep all the oil in the ground"?

We've talked about achieving net-zero and we've highlighted the offsets, but we know much more is needed. The world needs to reduce production and the use of fossil fuels, and consequently emissions. In fact, we need to get actual emissions from fossil fuels to zero as soon as possible.

At Ecology, we're use 100% renewable electricity in our headquarters building, and we are doing all we can to encourage our borrowers to move away from natural gas. Sadly, the government policies are not as advanced on this as we would like. But we are doing our best to make sure that we, as lenders, are trying to encourage the reduction of fossil fuel use through lending.

### 3. Product/Price

- As house prices rocket, embryonic housing co-ops are finding it difficult to purchase. I'd be interested to know what Ecology Building Society and Triodos are doing in providing partial mortgages for this market?

We're always open to affordable and social housing requests. We've a variety of mechanisms in our products that can help.

- We offer mortgage terms of up to 40 years to help with longer term affordability in social housing and a range of flexible options to help these organisations to establish and mature.
  - We recently increased our maximum loan to allow us to support co-operatives and other worthy projects.
  - We support co-operatives taking out loan stock with organisations like Radical Routes. This is with the aim to support with property purchase and affordability costs.
  - Where borrowing is beyond our upper lending limits, or there are other material benefits, we can collaborate with other like-minded ethical lenders. We can offer joint-funding initiatives to community-based projects, subject to affordability and project viability.
- Can the current investment limit be increased beyond £125,000? I would much rather invest in the Ecology Building Society than other building societies which seem to have investment limits up to £2 million.

Our maximum holding limits are set based on a range of factors including the protections provided to Members by the Financial Services Compensation Scheme (FSCS) limit (currently £85,000) which guarantees Members savings.

We also need to manage our funding requirements, as this is how we support our impact-led lending. We recognise that some Members prefer to invest larger sums with Ecology. We continue to keep our limits under review, although we have no immediate plans to change the maximum holding. Members may choose to open multiple savings products with us if they wish to broaden their holdings with the Society.

- Do the directors plan to reflect the rise in interest rate through a rise in savings rates?

Following the Base Rate change in March, we have increased rates on all our Savings accounts (0.25% for non-ISAs and 0.20% for ISAs). Should there be any future changes in Base Rate, we always review our rates. We base our decisions on the same principles as any product and pricing decision, which is to offer long term value to our Members and continue to pursue our mission.

- I'll be attending the AGM both as a "customer/saver" and as a Member of Radical Routes. Will you be able to report on the relationship between the two organisations?

Whilst no formal relationship exists between Radical Routes and Ecology Building Society, both are mutual organisations committed to supporting the UK housing co-operative sector to grow and flourish.

Ecology encourages our housing co-operative borrowers to use Radical Routes' financial modelling tools. These tools help us to assess their proposals. We also regularly discuss strategy and support mechanisms to help develop our mutual understanding of the sector.

For example, Radical Routes were a key source of data and feedback when we reviewed our lending terms for housing co-op borrowers to an extended term of 40 years (from 30 years). We continue to enjoy a collaborative working relationship, and we are often co-lenders to projects in the sector.

- Why not let Members know whether interest rates are likely to go up? I have been better informed by other societies - and better recompensed.

When the Bank of England make any decisions on Base Rate changes, we hear about it at the same time as the public. It does take time to make an informed and rounded decision on the best course of action.

There are many areas that need to be considered. We always announce the relevant information on our website. Where mortgage rates go up, we always send a personal message with full details of the individual impact on payments.

As savings rates have risen, it has not always been possible to contact each savings account holder with a personalised message. This is due to the work involved in producing these communications and the frequency with which rates have changed in the past year. We are working hard to enhance the frequency and content of Member communications. If savings rates were to be reduced each saver would receive a personalised communication.

- Would a watch be kept on the Society for the Protection of Ancient Buildings (SPAB) approach to upgrading existing buildings?

We have worked and supported SPAB over the years and provided many mortgages on listed buildings.

Our renovation mortgage is specially designed to support the renovation and restoration of listed, redundant, or run-down old buildings. We also make sure that these properties are brought back into use to an energy-efficient standard.

We can also offer lower interest rates on these buildings depending on the level of energy improvement work undertaken.

- Is the Ecology Building Society involved in the provision of affordable, green housing for the homeless in the United Kingdom? If not, could the Ecology Building Society help to set up cooperative supported housing and living for the homeless in different parts of the country?

As part of our support for community-led housing, Ecology has worked with some charitable organisations that specifically deliver housing to people in acute housing need (e.g., [LATCH](#)).

This issue remains a challenge, and we are in discussions with the National CLT Network and their partners. We're seeking to deliver a joined-up approach to better serve this part of the community-led housing sector.

This includes the possibility of unlocking public funding to help reduce the debt on groups seeking to deliver affordable properties for those in most need.

- Is there a way that we can ensure that we don't provide mortgages to people who then become landlords?

At Ecology, we check and monitor the 'purpose' of every property we lend on. We value the importance of individual underwriting, which also includes regular property re-inspections and valuer reports.

We also build into our Mortgage Contracts, a clause that insists that borrowers must come to us to seek permission to rent their property. And, in our terms and conditions, we have included the rights and obligations around what we can do if we find Members who are renting their property without our permission.

We do offer a very limited buy-to-let mortgage and only where landlords are seeking to renovate and improve the quality and energy efficiency of their property.

- Given the current affordable housing market prices, what steps is the Society doing to help young people get on the ladder? What can you do to increase the percentage of this type of housing stock?

The limited level of housing stock and high market prices is a national issue, and it is important to highlight that we're not the ultimate solution to fixing this complex problem.

We work closely with groups such as housing co-operatives and community land trusts (CLTs). They are heavily involved in providing UK's affordable housing stock as well as civic buildings, pubs, shops etc. It is vital that we continue to build these close relationships. We're particularly proud to support and provide mortgages for permanently affordable housing.

Take one of our commercial borrowers, London CLT - they have taken an innovative approach and have 'pegged' the market price of property to local wages. This represents a significant step forward. We can also pave the way and support the idea that 'restrictive covenant lending' based on local wage inflation is possible.

Frankly, mainstream lenders are reluctant to get involved in restrictive covenant lending such as the London CLT example, but Ecology is showing that it can be done. We're using finance as a force for good.

- Why there are fewer loans in the North West than in other areas?

It is a question on where Ecology needs to acknowledge the function of the Society. It's about defining where we market, focus our resources and efforts in areas like the North West. We do need to make sure that we're getting our brand recognised, so that we are the first choice for people who have a need for the type of finance support that we can deliver in that market.

There is an interesting link between where our lending is located, available land, its price per square metre and local planning priorities. Our lending is focused on where land is available, good value and planners will support our borrowers' ambitions.

- The question is that we talk in our annual report about cases under forbearance. And the question is what is that please?

Forbearance is where we may make a different payment arrangement with the borrower (e.g., waiver any interest etc.). Usually this is to help the borrower in times where they are struggling to meet their payments. This is depending on the borrower's own individual circumstances, and we look at their situation to find a positive outcome. We try to help get the borrower on track when they fall into arrears.

- In 2022, the Society's management expense ratio was 1.80%. This is an increase from an average of 1.37% in the 10 years to 2015 and about 0.2 percentage points higher than typical comparably sized building societies. The report says, "an increase is to be expected in 2023". Shouldn't the Society be achieving greater control over costs and providing better value to savers and borrowers?

The Society is investing in people, systems, service, risk management, products and Member communications. These are part of the reason for the growth in the Society's cost base over the last few years.

There is also constantly growing cost associated with ongoing compliance with increasing levels of regulation leading to the need for investment in our internal risk and compliance function and capacity. In addition, our external costs for functions such as audit have grown very substantially due to similar increases in regulatory oversight of the activities of audit firms.

Furthermore, we will continue to invest to enhance services including digital capability to support the ever-changing behaviours and needs of Members in the modern digital world. We also invest significantly to protect the Society and its Members against the perils of cyber and identity theft crime. These investments are planned to deliver long term value and a better experience for Members for what continue to be rapidly changing requirements and expectations.

#### 4. Member Experience

- Have you thought about having an 'Open Day' at your Head Office? It is worth seeing? and does it 'sell' the Building Society?

Absolutely. We last had an open day with our Members in 2019 when the AGM was held at our home in Silsden. Since then, we have been restricted by events, particularly the pandemic. We always enjoy showing



Members around the site and especially our beautiful permaculture garden and woodland. We've recently refurbished the interior of our office to accommodate our new ways of working and to improve the buildings energy efficiency. We would welcome sharing our working environment with Members. We're looking to plan this in for 2024.

- **Members asked about how we will arrange future AGM to increase accessibility**

There have been lots of questions about running a hybrid AGM. We're planning a very different AGM for 2024 to make sure it is accessible for as many Members as possible.

We want to make sure it's at a time and day that would allow more Members to join and participate. We livestreamed the AGM in 2022, but very few Members joined remotely. We're hoping that will be different next year.

- **In these very difficult times for nearly everyone, what if anything is the society going to do to assist the Members?**

The Society recognises the challenges facing Members and colleagues through these difficult times.

Since the end of 2021 when interest rates began to rise, we've increased these rates for savers by a larger amount than those for borrowers.

We recognise the need for savers to achieve a better return on their savings accounts, whilst also containing the impact of increased costs on borrowers. This reinforces our commitment to supporting borrowers to deliver high-quality, low-impact homes for the future.

The Society has improved the mortgage discounts for the most energy-efficient homes. This is by way of developing two additional discounts and an incentive for borrowers in installing a heat pump as part of their project.

We also take great care regarding situations where borrowers may find themselves in financial difficulty because of the current cost of living challenges.

- **The regional meetings in 2022 were very useful. Are you planning consultations like that again? So much better than on-line experiences. If you live in Scotland, the time taken to attend most meetings in England is lengthy even when travelling by train or coach. Come to us, please!**

We loved meeting our Members when we visited Edinburgh in 2022. And we want to be meeting and hearing from Members as often as we can. We're planning more meet ups for later this year. The feedback we received last year was invaluable and has certainly steered our direction in 2023.

We're conscious of our carbon footprint and want to talk to as many Members as possible. We're still considering how we'll manage the meet-ups, but we'll keep Members posted.

- You offer an online service. Are you working on a mobile application? If so, how is the development progressing, and do you have any potential timeframe for when it may be introduced at this stage?

Investment in digital service enhancements and process improvements, is firmly in our 2023 plans.

We know from Member feedback that a mobile application is an essential tool to help Members to interact with the society. We will let Members know of any progress made as soon as possible.

- How much extra costs are needed to deal with things like regulation etc.? Is it more to do with the increase in people? Or new systems or computers? Are we still going to be in a situation where we're dealing with people rather than robots?

We're passionate about being and remaining a people-powered business.

We pride ourselves on providing a personal service and strive to build a stronger relationship with our Members. You can be sure that, there are no plans to replace our dedicated employees with robots.

## 5. **Remuneration**

- Members asked for more information regarding directors' remuneration and the change of Finance Director in the year.

Remuneration Committee are responsible for all aspects of executive director remuneration. It makes recommendations to the Board for approval. Executive directors are not involved in matters concerning their salary.

Some Members may have seen the remuneration due to Ecology's former Finance Director in 2022. This is a contractual matter, made after careful consideration of advice. It reflects Ecology's commitment to be a responsible and decent employer with a commitment to fairness in its pay policy at all levels. There are matters personal to Amanda in this which cannot be divulged. Amanda left on good terms and remains a friend of the Society.

A new Chief Finance Officer has been appointed and will take up the role in September. This is subject to regulatory approval. As soon as we can share more details we will.

## 6. **People/Diversity**

- Members asked for more information about our plans to increase the Board's diversity within the Society.

The Society's Board Diversity Policy requires that all Board appointments follow a robust and thorough recruitment process. All appointments are made on merit and based on objective criteria. This criterion

considers areas such as reflecting the skills, knowledge, regulatory and business experience. We aim to have a Society with a well-versed and effective Board.

As highlighted above, the Board strives to maintain a female representation of at least a third. This is currently the case with three female directors out of nine.

In line with our commitment to openness and transparency, we continue to improve the diversity of both our Board and our employees. At present, the Senior Leadership Team represents 50% male, and 50% female and employees make up of 62% female and 38% male.

We are currently developing a range of more meaningful metrics, with supporting narratives to reflect our approach to diversity. We will update Members on further developments soon.

- Would you like to tell us about your working practices – do you work remotely, or in the office?
- Are you considering a 4-day week, or 80% work for 100% pay for your staff? This has benefits for wellbeing, for the environment and particularly benefits marginalised groups including women, those with caring responsibilities and disabilities.

Ecology operates flexible and hybrid working arrangements. They help provide significant flexibility for colleagues. We find that they can adapt their work around their lifestyles easily.

Additionally, as part of the office refurb, we've also introduced an open space concept with modern technology. We can collaborate easily with colleagues who can be either in the office or at home.

These working arrangements has had a positive result on the Society providing continuity of service to our Members.

- Please can you explain more about your reward policy.

Our colleagues are driven by our mission 'A Member organisation dedicated to improving the environment and society by enabling sustainable building and communities.'

We're reviewing how we take and interpret the 2030 strategy for our colleagues. Achieving this strategy will be rewarded in their salary.

- With reference to the Annual Review 2022, can you describe what you mean by 'the cost-of-living support for staff'?

We were concerned about the cost-of-living crisis over the past year. So, after careful consideration, there was a proposal put in place - an additional monthly payment of £100 per colleague. This was open to all colleagues (but not non-executive directors).

Colleagues had the option to waive this payment and, instead, donate to a charity (which aligned with our vision, the mission, and the values). The benefit finished on 31 March 2023.

- Does the EV salary exchange scheme for Ecology Building Society colleagues include E-cargo bikes, and electric bicycles generally? The request is for the Society to consider including e-cargo bikes and e-bikes in the benefits scheme for Ecology Building Society colleagues, and to make the offer explicit in the benefits publicity.

Yes. Ecology provides a benefit scheme that helps colleagues who wish to use electric battery-operated bikes.