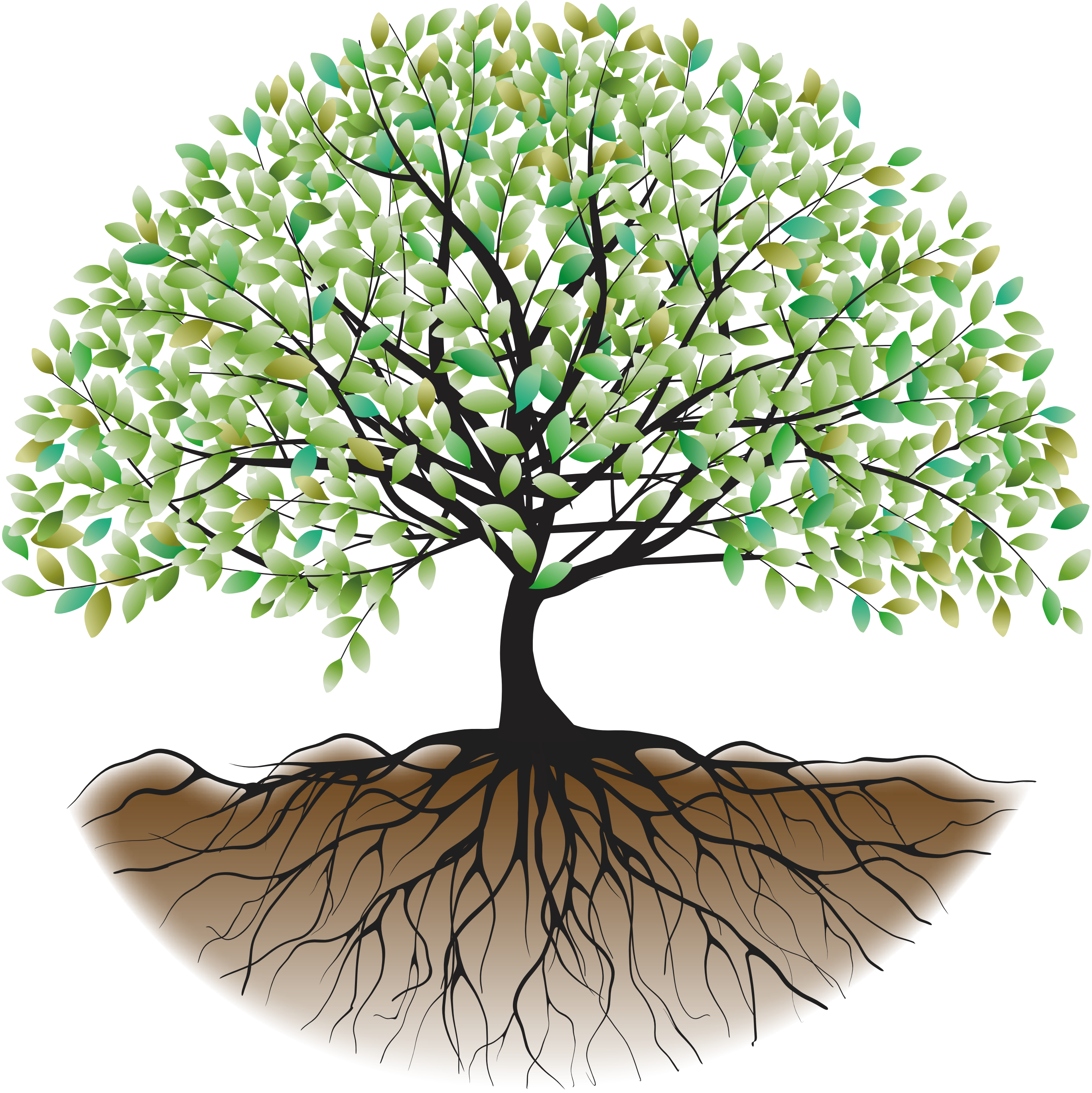
Ecology Building Society



Annual Report & Accounts

31 December 2024 | Building a greener society

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2024 Highlights – part 1

Our Members

Powered by more than

15,000

Members including over 1,400 mortgage customers

1,537

(10.93%)

eligible Members voted in our AGM with most voting online.

The Society is planning Member Meet-ups in 2025 to engage further with our Members.

Our colleagues

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

- ✓ Leadership development
- ✓ Strong rhythm and routine of colleague communications and shared information
- ✓ We are training our people leaders about the importance of mental health, with the majority already accredited as mental health first aid champions
- ✓ Continued 'Giki Zero' colleague sustainability programme

Our premises

Our Office is 100% powered by renewable electricity in partnership with **Ecotricity**

20%

energy generated on-site by our solar panel arrays

59%

reduction in gas use since 2019

Our local community

Over £5,500

value donated to our local community, including

131

hours volunteered

£1,598

raised for charities by Ecology colleagues

“To this day, Ecology remains committed to creating a greener society. As we evolve and modernise, our objective is to spread our message and increase our influence and impact.

Louise Pryor, Chair, Ecology Building Society”

Chair’s Statement

As many of you know, Ecology was created to meet the financial services needs of people who care about the planet and their impact upon it – a view that was far from mainstream back in 1981.

Since then, although the world has been catching up with our founders’ farsightedness, politicians and business leaders have delayed and dismissed actions to address climate change, as misinformation has echoed across traditional and social media.

Recently the United States has withdrawn from the Paris Climate Agreement and pledged to accelerate fossil fuel extraction, even while suffering extreme weather events following the warmest year on record in 2024.

However, research repeatedly shows such wilful denial is out of step with the public mood and a clear desire worldwide for stronger climate action.

To this day, Ecology remains committed to creating a greener society.

As we evolve and modernise, our objective is to spread our message and increase our influence and impact.

To achieve this, Ecology must have solid financial foundations to continue to operate successfully and attract and retain Members, our lifeblood as a building society.

That’s why we’re investing in our future, despite the inevitable short-term effect on costs, in order to deliver significant longer-term benefits for our Members, their communities and the planet.

To continue driving positive change in our sector, we remain an active member of campaigning groups including B4NZ (previously Bankers for Net Zero) and the National Retrofit Hub.

Ecology was the first building society to publish its financed emissions and we have products designed to help Members reduce their carbon footprint – our C-Change discount rewards borrowers with a lower mortgage rate for doing so.

As a mortgage lender, helping to reduce our Members’ financed emissions is essential – they comprise nearly 80% of our total, despite the care we take over the projects we fund. We believe all financial services businesses must show responsibility and stop funding activities which jeopardise all our futures.

We also press for change beyond our own industry. The new Labour Government promised a more progressive climate agenda but we want stronger action and swifter legislation, including the Climate and Nature Bill, which Ecology supports.

As we show leadership in this changing world, having the right people with us is important.

At the 2024 AGM, you elected new Non-Executive Directors to further strengthen the skills and experience of your Board. At the 2025 AGM we will say goodbye to Andrew Gold – I thank him for his significant contribution during his long service in multiple Ecology Board roles.

Having restated our Purpose in 2024, we remain mindful of our heritage and our connection with Members. I look forward to meeting more of you at our AGM and other events during 2025.

Globally the outlook remains worrying and unpredictable but, as ever, the commitment and belief of those working with us gives me room for hope for the future.

Louise Pryor
Chair
11 March 2025

2024 Highlights – part 2

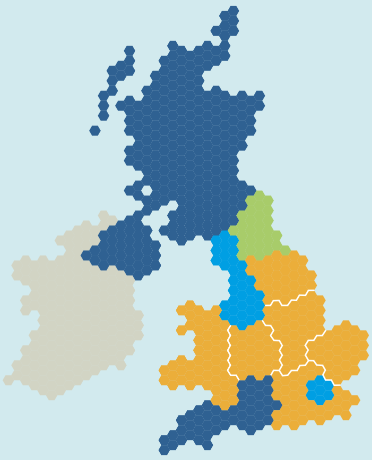
Our lending

3.8% increase in mortgage assets to

£250 million

New loans include:

- **17 conversions**
- **28 renovations**
- **138 new builds, including self- and custom-builds**
- **6 shared ownership properties**
- **3 community land trusts**
- **3 commercial**
- **4 woodlands**
- **2 community gain projects**



Spread of lending

1% to 2% | 3% to 5% | 6% to 8% | 9% or more

Our financial performance

Successful year of new lending in 2024 of nearly

£54 million

across 201 properties and projects

Total assets increased by 8.72% to £337 million

Profit after tax decreased in the year to

£0.32 million (2023: £1.02m)

as the Society invested in key projects and delivering against our long term strategy

Our carbon emissions

566.87 Total greenhouse gas emissions from our business operations (tCO_{2e})

52% reduction in business travel since 2019

1,949 tCO_{2e} Financed emissions from our mortgage lending

25.6 $kgCO_2/m^2$ average physical emission intensity of our lending

15.4% reduction in financed emissions intensity since 2019 baseline year

Recognition

Achieved iiE Green accreditation once again for our commitment to sustainability

Chief Executive Officer's Review

The past 12 months have been another significant year for Ecology, as we've moved forward together to transform the Society and ensure we're fit for the future.

In 2024 we restated our Purpose and throughout the year made good progress with our journey to modernise the business so we can give better service to our Members and grow our future impact.

This modernisation is three-fold:

1) To update our IT systems to offer new digital functionality, make our processes slicker and simpler for Members and colleagues alike, and lay the foundations for further improvements;

2) Continue to develop our risk and governance processes so we can pre-empt and respond to the evolving regulatory environment; and

3) Modernise our business model to ensure our products are designed to meet our Members' needs while aligning with our principles for sustainability, helping us to stay relevant as a trailblazer in green finance.

Progress with upgrading our IT systems continued throughout 2024 and Members have already been seeing the benefits of changes we've made, such as Confirmation of Payee to enhance security.

Work to date will lay the foundations for future services on our new core banking platform, such as our App, and I'm excited to confirm we will launch this later in 2025.

Completing the ongoing modernisation of Ecology will ensure we remain responsive, resilient and can succeed as a triple bottom line business for generations to come.

Investing in our future

As well as upgrading our technology, we've invested in our people, bringing in the skills the Society needs and strengthening our senior leadership team. Our colleagues' expertise and dedication are key to our continuing success.

During this period of change and reorganisation, I'm grateful to the whole team for moving forward together to meet the challenges with confidence, purpose and unwavering commitment.

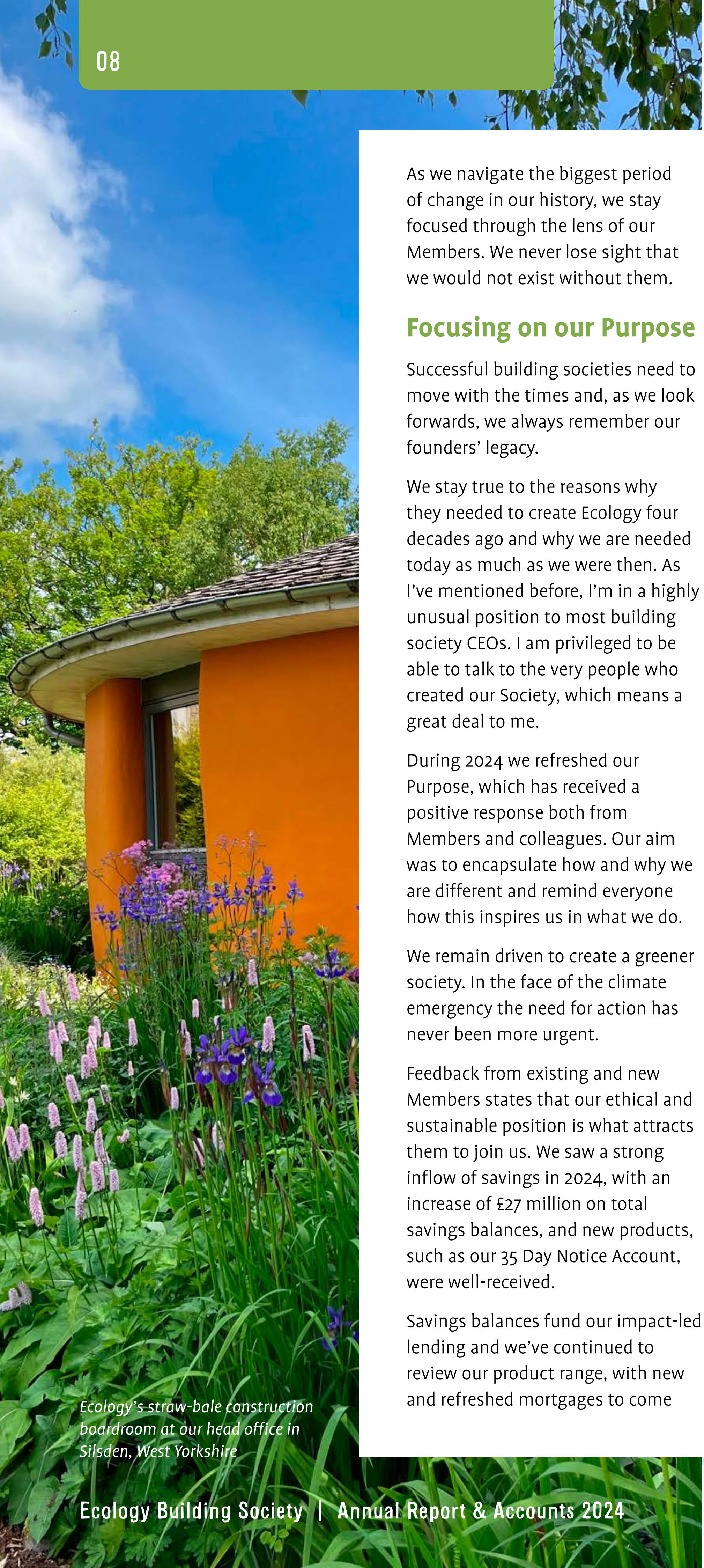
The modernisation of the business is a substantial ongoing investment in our future, and the costs and resources for this have been carefully planned and budgeted. I'm pleased to report that all this work has been proceeding on time and on budget.

Our investment means we will be able to deliver on our ambitions to grow our membership in 2025 and beyond. We can then achieve greater positive impact to deliver on our Purpose.

Due to our investment, in 2024 our costs went up and are likely to remain higher in the short term. While higher costs mean lower profits this year, we forecast a return to higher levels of profitability in 2026. Excluding one-off costs, our underlying profits remain consistently strong.

We continue to work hard to offer good long-term value to all our Members, whether savers or borrowers, such as keeping our savings rates as high as possible for as long as possible despite cuts to Bank Base Rate. We always manage Ecology to balance the needs of our membership as a whole.

> "Completing the ongoing modernisation of Ecology will ensure we remain responsive, resilient and can succeed as a triple bottom line business for generations to come."
>
> **Gareth Griffiths, CEO,**
> **Ecology Building Society**



Ecology's straw-bale construction boardroom at our head office in Silsden, West Yorkshire

As we navigate the biggest period of change in our history, we stay focused through the lens of our Members. We never lose sight that we would not exist without them.

Focusing on our Purpose

Successful building societies need to move with the times and, as we look forwards, we always remember our founders' legacy.

We stay true to the reasons why they needed to create Ecology four decades ago and why we are needed today as much as we were then. As I've mentioned before, I'm in a highly unusual position to most building society CEOs. I am privileged to be able to talk to the very people who created our Society, which means a great deal to me.

During 2024 we refreshed our Purpose, which has received a positive response both from Members and colleagues. Our aim was to encapsulate how and why we are different and remind everyone how this inspires us in what we do.

We remain driven to create a greener society. In the face of the climate emergency the need for action has never been more urgent.

Feedback from existing and new Members states that our ethical and sustainable position is what attracts them to join us. We saw a strong inflow of savings in 2024, with an increase of £27 million on total savings balances, and new products, such as our 35 Day Notice Account, were well-received.

Savings balances fund our impact-led lending and we've continued to review our product range, with new and refreshed mortgages to come to market in 2025. A key focus in the coming year will be building on our relationships with mortgage brokers as we continue to grow our lending through intermediaries.

In 2024 we lent to more borrowers with the lowest-rated energy efficiency, leading to an increase in our financed emissions over the year. These Ecology mortgages are enabling our borrowers to bring up their properties to a higher standard, a reminder of the impact our lending can deliver and the reason we were created.

Leading by example

Our own transition to net zero demonstrates how we live our values and lead by example to show our sector that there can be other ways to do business.

We've been talking to Members about their own net zero journeys as we explore how we can share and support our own community through what we've been learning.

Much of this feedback has been gathered through events, including our AGM and Member Meet-ups, where we've spoken and listened to hundreds of Members about how Ecology is performing, what we mean to them and what they'd like to see from us now and in the future.

I'm looking forward to hearing Members' views in 2025 about all the changes we have been making. You can reach me at any time, about this or any other matters, by emailing **ceo@ecology.co.uk**.

Gareth Griffiths
Chief Executive Officer
11 March 2025

Strategic Report

Ecology's ethos is underpinned by the Memorandum we adopted in 1998, that we exist to make loans which are secured on residential property and are funded substantially by our Members. Our restated Purpose – on page 10 – aligns with this original principle.

The Memorandum states that mortgage 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 Officer's review on pages 7 to 8 provides an overview of the Society's performance during 2024 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 year.

Key Performance (and Other) Indicators

	2024	2023
Total assets	**£336.7m**	£309.7m
Mortgage asset growth	**3.84%**	10.73%
Mortgage lending	**£53.6m**	£64.6m
Savings balances	**£316.4m**	£289.9m
Liquid assets as a % of shares and borrowings	**26.28%**	22.66%
Management expenses as a % of mean total assets	**2.34%**	2.20%
Cost to Income	**95.53%**	82.93%
Net profit	**£0.32m**	£1.02m
Profit after taxation as a % of mean total assets	**0.10%**	0.33%
Core Tier 1 capital	**£17.7m**	£17.7m
AGM – voting turnout	**10.93%**	11.52%

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 crisis and macroeconomic environment.

Our Purpose

In a world that doesn't add up...

In a climate and ecological emergency, the decisions we make – and that others make on our behalf – must be the right ones to restore a future we can thrive in. We'll continue to fight decisions that don't make sense, campaigning for sustainable finance, homes and communities, agitating for positive change, and being transparent with our efforts to inspire change in others around us.

Daring to be different is our calling...

At Ecology, we've always dared to be different. Starting from a decision to create a building society to lend on properties others wouldn't touch, but which had the potential to show the way forward for eco-friendly homes. As we move from start-up to upstart, we'll keep on daring to be different, offering unique products and services that make a positive impact in our communities and to the world around us.

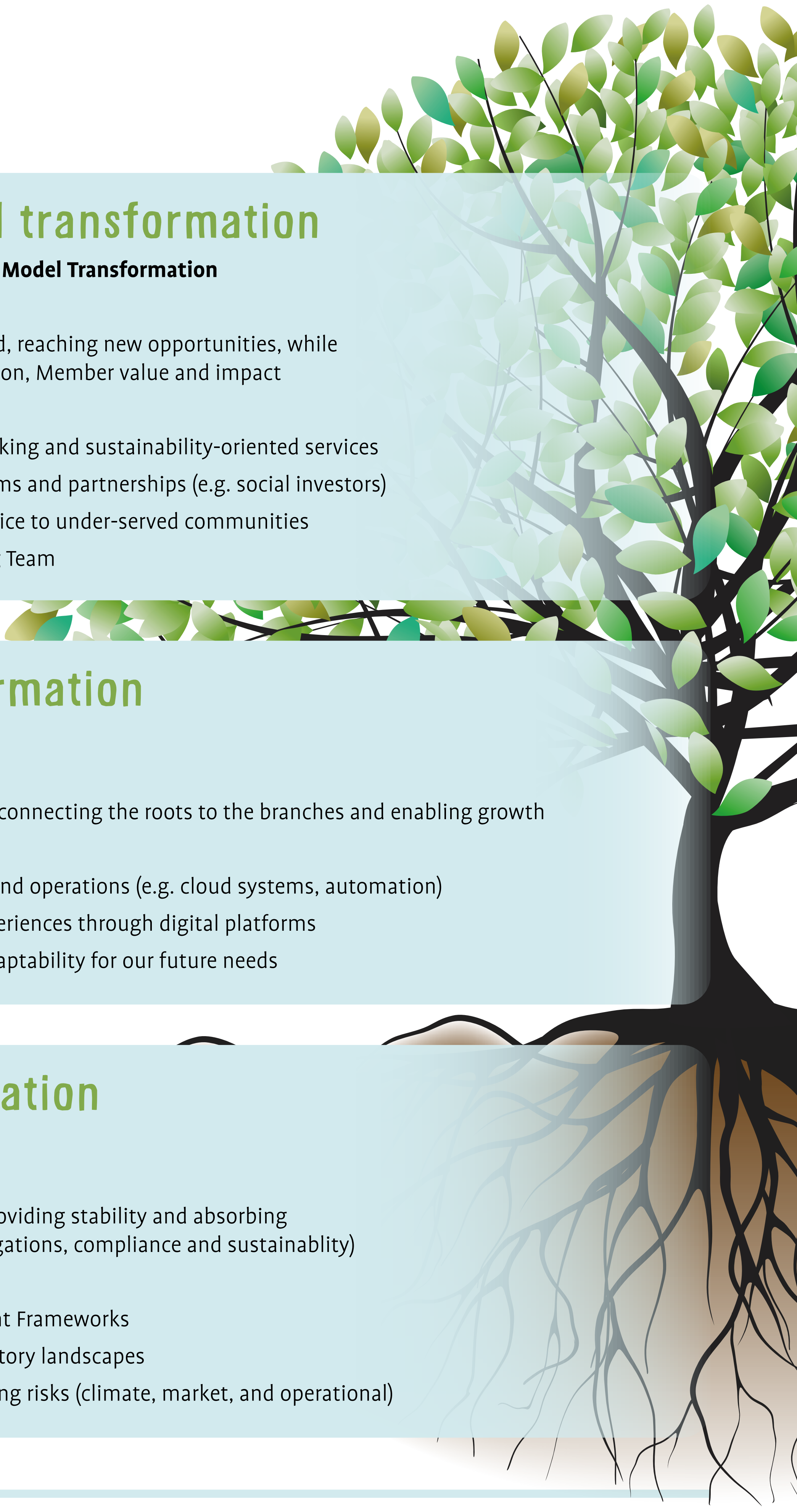
Lending our power...

Our strength comes from our Members. And through their commitment, we can lend our power by funding innovative products and initiatives. From community-led housing and energy-efficient home renovations to renewable energy developments and sustainable community initiatives. We also lend our power in how we fight for a better future. Galvanising others, speaking up, and making sure Ecology – and those that support us – have the might to make a difference.

So everyone's story gets a chance to thrive

Since our very first days, we've been creating stories of undeniable success. Stories such as helping to save treasured local institutions, or financing community projects that provide support for those in need. Stories that shine a light on effective eco-friendly housing. Stories that end in happiness for Members who create their ideal energy-efficient home. We'll continue to create amazing stories and give them a platform to thrive, so others see the way forward, and realise there is another way, so they too can make a difference.

2025 plan



Business model transformation

Branches and Leaves: Business Model Transformation

Symbolism:

- The branches extend outward, reaching new opportunities, while the leaves represent innovation, Member value and impact

Key Elements to Highlight:

- Focusing on community banking and sustainability-oriented services
- Exploring new revenue streams and partnerships (e.g. social investors)
- Delivering extraordinary service to under-served communities
- Delivering a High Performing Team

Digital transformation

Trunk: IT Transformation

Symbolism:

- The trunk supports the tree, connecting the roots to the branches and enabling growth

Key Elements to Highlight:

- Modernising infrastructure and operations (e.g. cloud systems, automation)
- Enabling better Member experiences through digital platforms
- Improving scalability and adaptability for our future needs

Risk transformation

Roots: Risk Transformation

Symbolism:

- The roots anchor the tree, providing stability and absorbing nutrients (insights, risk mitigations, compliance and sustainablity)

Key Elements to Highlight:

- Embedding Risk Management Frameworks
- Adapting to changing regulatory landscapes
- Building resilience to emerging risks (climate, market, and operational)

Chief Financial Officer's Review

Executive Summary

The Society has, in 2024, focused on transformation of its core banking system to modernise our Member offering and customer experience. While this means the Society has recorded a reduced profit before tax for the year at £445k (2023: £1,338k) our underlying profit, removing one-off transformation costs, remains strong at £1,383k (2023: £1,843k). The expenditure on the core system transformation project has been carefully planned, managed and monitored. Costs in 2024 were in line with the Society's financial planning and the project is progressing in line with our expectations.

The Society's total assets increased to over £336.7m (2023: £309.7m), successfully growing our balance sheet by 8.7% in the year (2023: 2.2%). This growth was driven by an increase of nearly 10% in our savings book in the year to £316.4m (2023: £289.9m). Our mortgage book also grew by £9.3m (2023: £23.4m), taking mortgage assets to over £250.3m (2023: £241.1m).

The Society maintained its Tier 1 capital (general reserves) at £15.0m (2023: £14.9m). We balanced our asset and capital growth carefully through the year to ensure our regulatory total capital ratio remained stable ending the year at 15.3% (2023: 15.3%).

> "Our focus on transforming Ecology's systems to support Member experience has reduced our reported profit in 2024 but underlying performance remains strong.
>
> **Christopher White, CFO, Ecology Building Society**"

Society Performance

Interest on Mortgages and Savings
Two reductions in the UK Bank Base Rate (BBR) were seen in 2024, one in August and one in November. In both cases the Bank of England reduced the rate by 0.25%, meaning the rate moved from 5.25%, at the beginning of the year down to 4.75%. Through these reductions to BBR and the consequential changes to market conditions, we have looked to balance the needs of our savings and borrowing Members.

The Society looked to support its savings Members by protecting the rates of its savings products where this was possible. While the change to BBR in August led to reductions in many rates available to savers in the UK retail market, the Society protected the rates offered to our savings Members until the end of the year. In December 2024 the Society did need to respond to changes in market conditions. However, we ensured we passed on only part of the overall reduction in Bank Base Rate to Members (passing on only 0.40% of the total 0.50% movement in BBR).

The Society maintained its residential standard variable rate (SVR) at 6.29% through 2024. As BBR increased in 2021 and 2022, we minimised any increases to SVR to protect our borrowers from rising mortgage costs. As a result of this approach, the Society continues to offer a very competitive SVR, when compared to other UK mortgage lenders.

Through carefully managing the rates we offered on mortgage and savings products, the Society was able to maintain a stable Net Interest Income through the year (2024: £7,908k, 2023: £8,147k).

Profitability

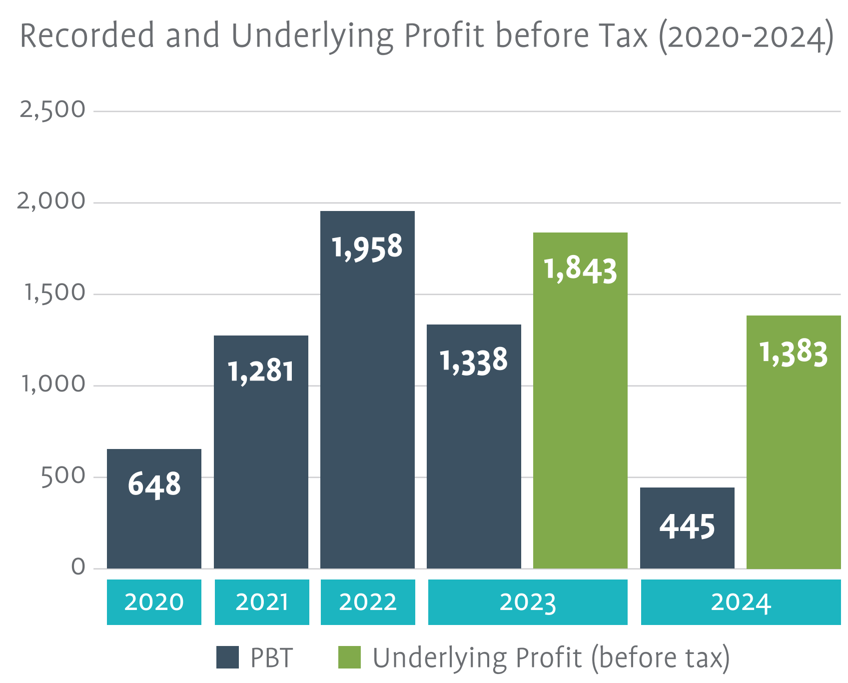
The Society committed significant effort and resources to work on transformation activities in 2024 and, as a result, recorded a lower profit before tax result for the year of £445k (2023: £1,338k). While the recorded profit has reduced in the year, the underlying profit, once the costs of one-off transformation costs were removed, remained in line with prior year profitability.

As a result of the investment expenditure, management expenses increased to £7,395k (2023: £6,625k). The increases resulted in our management expenses ratio (as a % of mean total assets) increasing to 2.34% (2023: 2.20%). As already highlighted, the costs associated with the transformation project have been carefully controlled and remain in line with our financial projections.

The Society will continue to work on delivery of its core system transformation project through 2025 and therefore expects our profit to be materially suppressed in the current year. Importantly, underlying profitability is expected to remain strong in 2025. Moving forwards, the Society's financial forecasts show that, as we leverage the new technology platform, Ecology grows, key cost ratios improve, and revenue growth supports increased profitability and capital strength.

Underlying Profit	2023 £000	2024 £000
Profit before Tax	**1,338**	**445**
Exceptional adjustment		
Risk Transformation	–	250
Core System Transformation	505	582
Business Model Transformation	–	106
Sub Total	505	938
Underlying Profit	**1,843**	**1,383**

The recorded and underlying profit are shown on the graph (below) and reconciled in the table (above).



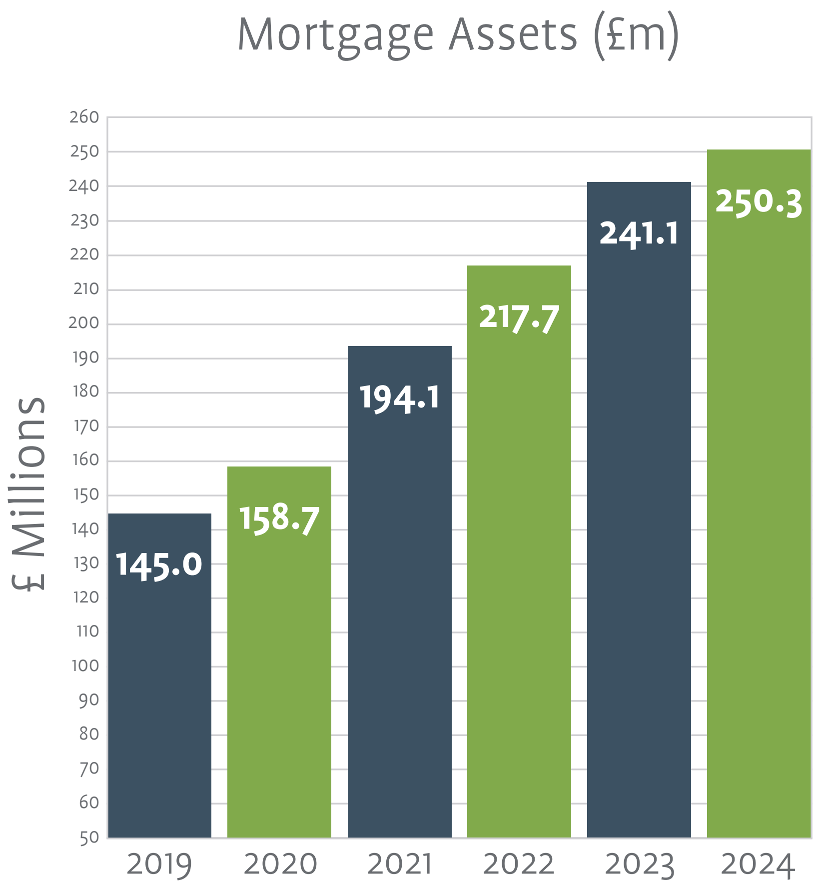
Capital

The Society's capital position remained stable in the year, with total capital as at 31 December 2024 of £17.9m (2023: £17.8m).
Our regulatory capital metrics remained stable with leverage ratio being 6.44% at December 2024 (2023: 6.43%) and our regulatory total capital ratio reducing marginally to 15.27% at the 2024 year end (2023:15.28%). Capital levels and ratios remained comfortably above regulatory requirements throughout the year. The Society previously successfully raised £3.0m of core capital deferred shares (CCDS) and in 2025 will explore raising additional external capital to support our strategy and future balance sheet growth.

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 the Society holds sufficient capital to meet the CRD's Pillar 1 minimum capital requirements.

Balance Sheet

The Society's total assets increased to £336.7m (2023: £309.7m), which represented an increase of £27.0m or 8.7% (2023: £5.7m, 1.9%).



Mortgages

The Society increased its mortgage assets by 3.8% to over £250.3m (2023: 12.0%, £241.1m). The Society has looked to moderate the level of lending it completes while it undertakes transformation of its core banking system, meaning mortgage book growth has been lower in 2024 compared to previous years. Furthermore, we reduced the amount of self-build mortgages we completed in part of 2024, a core product area for the Society, to adhere to regulatory agreed limits.

Arrears, Forbearance and Impairment

The Society continues to use a number of forbearance measures to support borrowers who are experiencing financial difficulty. While we will work sympathetically with a borrower in each individual case, we must ensure we balance this with our broader responsibility to all of our Members.

The Society continued through 2024 to have low numbers of cases where arrears or forbearance were needed. As at 31 December 2024, there were no cases in possession (2023: nil) and no cases were taken into possession during the year (2023: nil). The Society has nine cases with arrears of three months or more (2023: 7) with a total balance of £2.26m (2023: £1.53m). There were 18 cases (2023: 27) under forbearance with total balances of £3.41m (2023: £5.8m) and arrears totalling £16.3k (2023: £7.0k).

The Society has updated its provisioning model and the assumptions in 2024 to ensure it remains in line with industry best practice and relevant to the credit risk within our mortgage book. The Society continually assesses whether there is any evidence that individual mortgage assets are impaired and would therefore require a provision set against them.

The Society has, in 2024, seen a reduction in the provisions it holds for potential loan losses, to a balance of £378k (2023: £596k). The movement was primarily driven by revising our assumptions regarding the valuation of the security against which loans are secured. Concerns around house prices at the prior year end did not emerge with a generally positive movement seen through 2024. We therefore updated our assumptions in this area to recognise that, in the Society's view, the risk around UK house prices has reduced over the past 12 months.

> "Ecology's capital position remained stable in 2024 as the Society balanced growth with transformation activities. In 2025 we will explore raising additional capital to support future growth.
>
> **Christopher White, CFO, Ecology Building Society**"

Investments

The Society holds a number of investments in green energy and sustainable projects. Further detail on these investments is given in note 14. There has been a significant reduction in the carrying value of these assets in 2024 for a number of reasons:

- Some of the investments have been sold. The Society re-appraises its view of individual projects on an ongoing basis and has disinvested where our strategy is not to hold an investment for the longer term. All of the sales in 2024 were sold at par or above.
- A full review of the fair value of all investments was completed at year end and has decided to make an impairment of £126k against one investment, due to concerns around its carrying value.

The Society has also, for a number of years, held an investment in its current core banking platform provider. Given the Society's project to move to a new provider, we sold this investment, at par, in the year.

Following the review of our investments at the year end the Society believes the carrying value of these assets to be appropriate and fully recoverable.

Savings and Liquidity

The Society saw a 9.1% increase in the overall balance of its savings book in the year to £316.4m at year end (2023: £289.9m). This growth allowed the Society to support more Members to save ethically while gaining a fair return on their funds.

The Society increased its liquidity in 2024, to £83.4m (2023: £65.7m), also increasing the overall proportion of funds held as liquid assets to 26.4% (from 22.7% at the end of 2023). Our liquidity position remains strong, sufficient to meet customer and business needs and significantly in excess of regulatory requirements. The Society's Liquidity Coverage ratio stood at 536% at year end (2023: 299%) against a regulatory limit of 100%.

Christopher White

Chief Financial Officer

11 March 2025

Our Positive Impact

Ecology's activities are guided by our mission to build a greener society, through enabling the positive power of finance.

People – Members

Directors of Oxford Community Land Trust, which created new affordable homes on the edge of the city

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.

As a Member-led organisation, engaging with and hearing from our Members is essential to guide us and keep us accountable.

In 2024, we held our AGM at Cloth Hall Court in Leeds and the voting turnout was 10.93% (2023: 11.52%).

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. Like our other in-person events, the AGM brought Members together to meet each other and the Ecology team, and ask the Directors questions.

The 2025 AGM will be held at 4pm on 24 April at Silsden Town Hall. We would love to welcome as many Members as possible to this event, to hear an update on our performance in 2024, learn more about our plans and progress this year, and ask any questions you have for the Society.

Over the past three years, in addition to our AGM event each spring, we have invited our savers and borrowers to Member Meet-ups, held at unique venues across the UK as well as online.

These events were an opportunity for our Members to hear Gareth Griffiths, our Chief Executive Officer, share his vision for Ecology's future. Members also had time to chat together and with Ecology colleagues. The Society is currently planning similar events for 2025 and will share more details in due course with Members about when and where these will take place.

A business update at our Member Meet-up at The Leeds Library

During our events Members have shared their stories of inspirational projects to build greener homes and communities, offering ideas, support and advice across our membership community.

Our inspiring and innovative Members help Ecology to demonstrate our positive impact to the wider world and show how we are different to our peers. Their stories bring to life what Ecology does and why, and show how our Purpose drives our business as an impact-led lender and provider of sustainable savings products.

This input from Members sharing their knowledge and experience, in collaboration with colleagues and Ecology's long-term partners, also helps us in our work to influence public policy and professional behaviour in our sector and beyond across the UK.

Our Positive Impact

Our Member Services colleagues are the first point of contact by telephone

The Ecology team is ambitious, dynamic and driven by our vision to build a greener future. As an organisation we set robust objectives and colleagues are supported in setting individual objectives so that every member of the team contributes to the achievement of Ecology's Strategic Priorities, which are reviewed and supported during our colleagues' monthly one-to-one meetings.

Every voice is important at Ecology. We run weekly Team Time sessions, quarterly Town Hall meetings, which are attended by all colleagues, and this year we also started our Sounding Board.

Thorough our transformation programme, we've continued to invest in our people and the culture that will support the growth of the Society. This is delivered through our internal Leadership development programme, investing in career development and progression within the organisation, a strong rhythm and routine of colleague communications and shared information, and deeply and actively listening to colleague feedback and input as we evolve and grow. The majority of our people leaders are accredited Mental Health Champions, and we were able to extend access to this training to local participants from People First Keighley & Craven, Nell Bank and Yorkshire Housing as well. We continue our journey to becoming an accredited menopause-friendly workplace.

Our Green & Ethical Champions support and empower colleagues to take sustainable action in all aspects of their lives. We encourage colleagues to enjoy our Ecology garden and to help care for and harvest the fruit and vegetables that we grow. We have an online noticeboard for Recycling and Selling unwanted items and we have recently donated old IT equipment to a local charity.

People – Communities

Team Ecology at the Solstice Saunter, an annual charity run at Bolton Abbey in aid of our local Sue Ryder hospice

We are proud to support our colleagues in giving back to the community.

During 2024 colleagues volunteered at Nell Bank summer camps and more than 20 colleagues attended the Bolton Abbey Solstice Saunter as runners, walkers or volunteers. This has inspired the creation of our 'Scrambled Legs' running club.

The Charity & Social Committee has raised funds for Dementia Forward and Yorkshire Wildlife Trust, with a variety of fundraising activities, including a Bonfire Pie Lunch and an auction of decommissioned IT equipment.

Representatives of Dementia Forward have visited our premises and presented to all colleagues at our weekly Team Time meeting.

As part of our support for our communities, every Ecology colleague benefits from three paid volunteering days each year.

Altogether through community sponsorship, fundraising, use of volunteering days and in-kind value, colleagues have donated £5,574 in value to our local community in 2024 (£395 in direct donations by Ecology).

Our Positive Impact

Planet

Ecology is a responsible business, committed to addressing the climate and ecological emergency through how we operate as well as our products.

We declared a Climate and Ecological Emergency in 2019, and published our first climate and ecological emergency plan, which has evolved into the Net Zero Transition Plan we're sharing this year on pages 50 to 74.

The plan describes how we are making a difference on climate change. It also sets out the expected climate change impacts that will influence Ecology in the short, medium and long term and what we are doing to manage the risks, as well as taking opportunities to accelerate the transition to a low-carbon future.

EV charging at our Head Office

Our permaculture garden at Head Office is managed to support biodiversity and local wildlife

Our Positive Impact

Products

Sustainable homes

In January 2023, we teamed up with leading modular manufacturers to launch our new and unique range of mortgages to support the growth of off-site, manufactured homes.

During 2024 we extended these partnerships to cover nine manufacturers. Our innovative approach enables lending to be secured on the modular panels before they arrive on site, ensuring that finance is available for the more than 50% of self-builders who use off-site construction. 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.

Enabling people-powered housing

Ecology's commercial mortgages support homes which 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. Once completed, these homes will deliver energy-efficient homes for local people within a range of intentional housing communities.

Often these projects are in fragile, rural communities and help sustain other services, such as schools and shops. Others are in more urban settings impacted by high property prices, second home ownership, private landlords and holiday lets, which further restrict 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.

In 2024, we recruited a new Business Development Manager. Ecology continued to support community-led housing projects across the UK in partnerships with Community Land Trusts, Development Trusts and housing co-operatives with the provision or improvement of over 50 homes, as well as lending for community gain projects.

These included:

- Retrofit of 39 homes to bring them up to a more environmentally-friendly standard and to reduce tenants' energy costs
- Building of new permanently affordable homes
- Purchase of newly-completed affordable homes into Community Land Trust ownership
- Conversion of commercial property space into quality affordable living space for tenants

We are looking forward to supporting more in 2025.

A new self-build home under construction

Energy-efficient home renovations

Sustainable savings

Following the traditional building society model, our impact-led lending to our borrowers is funded by the deposits we attract from our savers.

Our savings Members can be reassured that cash deposited with Ecology is not invested in industries such as fossil fuels or deforestation – it works hard to create positive change beyond financial returns. Every pound saved with Ecology makes a difference by contributing to innovative, eco-friendly projects which have a lasting impact.

By saving ethically, our Members directly support efforts to create sustainable communities and a healthier planet.

Ecology's savings accounts are designed to offer a fair return and be simple and straightforward to understand. Our range offers different types of products to meet savers' needs and goals. Last year we launched a new 35 Day Notice account in response to customer need.

As part of our commitment to transparency, in 2024 we updated our Terms and Conditions to be simpler and more clear and savers can see on our website where their money goes, showing the real-world impact of our lending in communities across the UK.

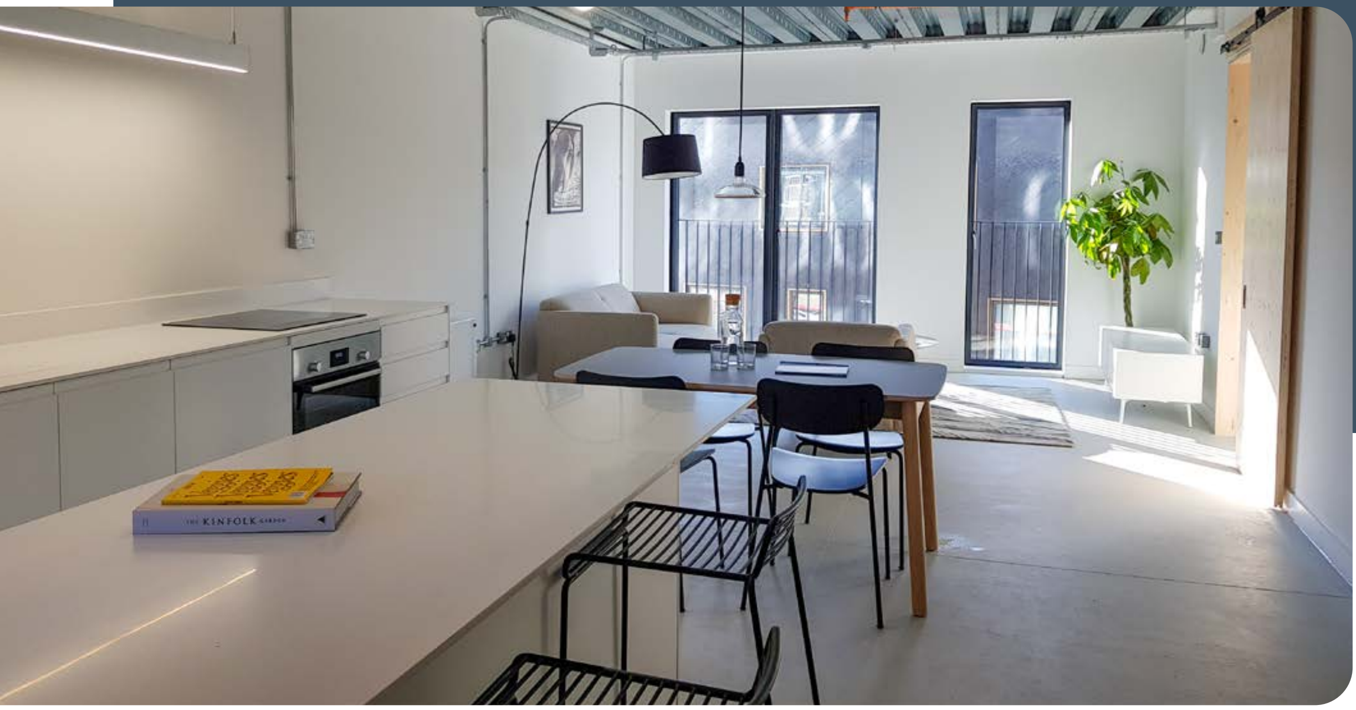
We also improved how we operate our Ecology Cash ISA, which is our most popular savings product, to accept electronic payments and transfers in from previous tax years' ISAs held elsewhere.

Case study: Leeds Community Homes

Ecology's loan of £390,000 to Leeds Community Homes has enabled the society to realise its long-term plans to acquire nine affordable homes at the Climate Innovation District in Leeds. These homes comprise six social rented flats for local people in housing need and three shared ownership homes for first time buyers struggling to get onto the first rung of the property ladder, as part of this innovative and highly sustainable development on the banks of the River Aire. The homes are built to Passivhaus standards and provide affordable, desirable accommodation in a beautiful setting and in easy reach of Leeds City Centre.

The scheme has a strong community element, with the freehold being in control of a Community Interest Company (CIC) in which the residents are shareholders and thus empowering the community to be able to control the long-term management and maintenance decisions and importantly, future service charges. The CIC also has benefit of site wide community Photovoltaic electricity generation and a private wire power network allowing the community to enjoy reduced energy bills.

Leeds Community Homes project on the banks of the River Aire



Living space in a new social rented flat in the Leeds Community Homes scheme in Leeds city centre

Corporate Governance Report

Your Board of Directors

Louise Pryor

Appointed: February 2020 | **Non-Executive Director and Chair**

Committee membership
Chair of the Board and the Nominations and Governance Committee, and member of the Environment and Society Impact Committee.

Background
Louise is an 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. Her recent experience is in climate risk and sustainability, with a focus on the role of the financial services sector. Louise is a past President of the Institute and Faculty of Actuaries and an Honorary Professor in the Bartlett School of Sustainable Construction.

Giovanni D'Alessio

Appointed: September 2022 | **Non-Executive Director**

Committee membership
Member of the Board Risk Committee, the People Remuneration and Culture Committee, and the IT Transformation Committee.

Background
Giovanni is an IT professional with over 25 years' industry experience and 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 CEO of Doosan Digital Innovation Europe since 2014, a company delivering Digital and Cybersecurity services to customers in a variety of sectors.

Andrew Gold

Appointed: May 2014 | **Non-Executive Director, Deputy Chair (until 31 December 2024) and Senior Independent Director**

Committee membership
Chair of the Audit and Compliance Committee (until 31 December 2024) and member of the Nominations and Governance Committee.

Background
Andrew is a qualified chartered accountant and also holds a treasury qualification. He has spent most of his Executive career working in retail financial services, primarily building societies. His first direct involvement with Ecology was in 1996 and he was appointed to the Board as a Non-Executive Director (NED) in 2014. An experienced NED, Andrew served as chair of Airedale NHS Foundation Trust from January 2018 until September 2024, and is a NED of Ramble Worldwide, the trading name for Ramblers Walking Holidays. Andrew's long service on the Ecology Board ends at the AGM in April 2025.

Jaedon Green

Appointed: March 2023 | **Non-Executive Director, Deputy Chair (from 1 January 2025)**

Committee membership
Chair of the Board Risk Committee and the People, Remuneration and Culture Committee. Member of the Environment and Society Impact Committee.

Background
Supporting the national housing agenda, Jaedon brings extensive experience in consumer regulated industries, housing and financial services. Prior to becoming a Non-Executive Director (NED), Jaedon was Chief Customer Officer at Leeds Building Society, routinely consulted by Government and the Bank of England as an independent subject matter expert. Jaedon is also a NED at Community Housing Group Ltd and at Castles & Coasts Housing Association Ltd, as well as an Independent Member of the Audit & Risk Committee at Yorkshire Housing Ltd. He served as a NED at Leeds Federated Housing Association until September 2024.

Gareth Griffiths

Appointed: June 2022 | **Chief Executive Officer**

Committee membership
Member of the Nominations and Governance Committee. Chair of the Society's Core Management Committee.

Background
Gareth joined Ecology in June 2022 and was elected to the Board in April 2023. He was previously Head of Retail Banking at Triodos Bank and also held leadership roles at RAC and HSBC. Gareth sees Ecology being able to 'challenge the norm' and highlight to a broken financial system that there is a better way to do business, with Members and colleagues at the forefront. Gareth is a Chartered Banker and has a passion to try and achieve change.

Christopher White

Appointed: September 2023 | **Chief Financial Officer**

Committee membership
Chair of the Society's Asset and Liabilities Committee.

Background
Christopher was co-opted to the Ecology Board in September 2023 as Chief Financial Officer (CFO) and elected in April 2024. He brings over 15 years' experience working within financial services and building societies, having previously been CFO at Darlington and Beverley building societies. Prior to this he worked at PwC, providing assurance services to financial institutions. Christopher is also a Non-Executive Director at Believe Housing Limited, a housing association providing affordable homes across the North East.

Kellie-Ann Hargraves

Appointed: April 2024 | **Non-Executive Director**

Committee membership
Chair of the Environment and Society Impact Committee and member of the Board Risk and People Remuneration and Culture Committees.

Background
Kellie has over 24 years' experience in global regulations and risk management within the financial services industry. She served as a NED on Quoted Company Alliance (UK) during 2024 and is the founder of a consultancy that advises start-ups, SMEs and listed companies on financial, risk and sustainability standards. She helps businesses build efficient operating models, secure funding, obtain licences and navigate change, with a focus on purpose-led and social impact businesses. Outside work, Kellie volunteers with a charity which provides coaching, mentoring and advice to disadvantaged 12 to 14 year olds, helping them to progress through education so they can understand and work towards their career aspirations.

Andrew Mulligan

Appointed: April 2024 | **Non-Executive Director**

Committee membership
Member of Audit and Compliance, Board Risk and Nominations and Governance Committees. Chair of Audit and Compliance Committee (from 1 January 2025).

Background
Andy is an experienced board member with more than 30 years in finance and business. He brings relevant experience to the Society including being Chief Finance Officer at Hampden & Co, a growing small independent bank, safely driving it from inception to profitability. A Fellow of the Institute of Chartered Accountants England & Wales, Andy also supports a number of community groups in his local area.

Sameera Khaliq*

Sameera Khaliq is standing for election at the 2025 AGM.

Background
Sameera is a qualified accountant and has worked in the mutual sector for almost 20 years, latterly as Director of Financial Strategy and Business Partnering with Skipton Building Society. Sameera's expertise spans across several financial and strategic disciplines, including financial planning, stress testing, business partnering, strategic costs, procurement and commercial strategy, within a complex regulated environment. Beyond Ecology, Sameera served as a Non-Executive Director of Leeds Credit Union until November 2024 and chairs Beckfoot Allerton School Trust, in her local West Yorkshire community.

*Subject to election in 2025. The 2024 indicative vote to elect has been declared invalid, as clause 13(1)(d) of the Society's rules was not fulfilled at the time of election. See further detail within the Directors' Report on page 29.

Corporate Governance Overview and Committees

The Board of Directors is responsible for the governance of the Society on behalf of its Members and is committed to best practice in corporate governance. The Society's approach to corporate governance is underpinned by the principles of the UK Corporate Governance Code (the Code). While the Code does not directly apply to mutual organisations, the Board has due regard to its principles.

The role of the Board and Board Committees

The Society recognises that an effective Board is fundamental to Ecology's long-term success. The Board works with the Core Management Committee (CMC) to set the Society's strategic and policy direction, acting in the best interests of Members, both financially and ethically.

The Board directs the business of the Society, paying particular attention to strategy, risk, ethics and environmental impact. This is supported by strong governance procedures, which are essential to ensuring the Society runs smoothly. The Board reviews business performance and ensures that the necessary systems, procedures, controls and resources are in place for the management of risk, to safeguard Members' interests. At least once a year, the Non-Executive Directors meet without the Executives present, to discuss the performance of the CMC.

Specific matters are reserved for Board decision-making, supported by specialist Board sub-committees with delegated powers. The Board met 15 times during 2024.

Board Risk Committee

In addition to protecting the independence of the risk function, this Committee provides oversight of risk management across the Society. The Committee focuses on current and emerging risks to the Society's business model (macroeconomic, commercial, conduct and regulatory), while supporting continued development of risk management capability, aligned to the Society's needs and aspirations.

The Committee chaired by Jaedon Green met on 11 occasions during 2024.

Audit and Compliance Committee

This Committee considers the Society's external financial reporting and oversees external audit of that reporting. Its remit also includes oversight of second and third lines of defence and it receives independent assurance over the Society's internal controls from risk-based compliance monitoring and internal audit activity.

Further detail on the purpose, membership and activities of the Committee in 2024 are set out in the 'Annual Report of the Audit and Compliance Committee' section on pages 32 to 33. The Board is satisfied the Committee has appropriate recent and relevant financial experience to carry out its duties effectively.

The Committee chaired by Andrew Gold met on six occasions during 2024.

People, Remuneration and Culture Committee

Aligned to the Society's values, this Committee provides oversight of people-related issues, including equality, diversity and inclusion. The Committee focuses on culture, remuneration of the leadership team and human risks that naturally emerge in any people-based business. The Directors' Remuneration Report is on pages 37 to 40.

The Committee chaired by Jaedon Green met on five occasions during 2024.

Nominations and Governance Committee

This Committee leads the process for appointments, ensures plans are in place for orderly succession both to Board and senior management positions, and oversees the development of a diverse pipeline for succession. The Committee is also responsible for reviewing Board governance arrangements and making recommendations to the Board to ensure governance arrangements are effective and consistent with best practice.

The Committee chaired by Louise Pryor met on five occasions during 2024.

Environment and Society Impact Committee
This Committee conducts oversight of the Society's environmental and social impact strategy, targets and practices to ensure a positive impact on people and nature consistent with the Society's mission.

The Committee chaired by Kellie Hargraves met on two occasions during 2024.

Division of responsibilities

The roles of Chair and Chief Executive Officer are held by different individuals with a clear division of responsibilities.

Chair
The Chair is responsible for leadership of the Board and ensuring it acts effectively. The Chair sets the culture and direction of the Board, facilitating and encouraging effective contribution, challenge and communication between Board members. The Chair ensures constructive relationships are maintained between the Non-Executive and Executive Directors.

Deputy Chair and Senior Independent Director
The Deputy Chair acts as a sounding board for the Chair and will stand in for the Chair if they are unable to attend a meeting or perform their duties.

The Senior Independent Director is available to Members if they have concerns regarding the Society membership, where contact through the normal channels of either the Chair or Executive Directors has failed to resolve the matter, or is considered inappropriate.

Chief Executive Officer (CEO)
The Chief Executive Officer has overall responsibility for managing the Society on a day-to-day basis. The CEO is accountable to the Board for the financial and operational performance of the Society and for the formulation of a corporate plan to achieve the strategic objectives set and agreed by the Board.

Non-Executive Directors (NED)
The Non-Executive Director role is to provide leadership of the Society within a framework of prudent and effective controls. The NEDs constructively challenge and help develop proposals on strategy, ensuring the necessary financial and human resources are in place for the Society to meet its objectives.

The Society's NEDs are recruited from a wide range of backgrounds to bring the necessary skills and experience to the Board to provide oversight of the Society's performance.

Composition of the Board

The Board and its committees require the appropriate balance of skills, experience, independence and knowledge of the Society to enable them to discharge their respective duties and responsibilities effectively.

The Board comprises six NEDs and two Executive Directors. All NEDs are considered by the Board to be independent. All Directors must meet the test of fitness and propriety, as laid down by the Regulators, to fulfil their roles.

Clause 13(1)(d) of the Society's rules requires all Non-Executive Directors to hold a minimum of £500 in a savings account with the Society at their time of election and during their period of service on the Board.

At the time of the 2024 AGM, due to an error this condition had not yet been met for Sameera Khaliq, so the indicative vote to elect her was declared invalid.

The Board very much values the significant positive contribution Sameera has made since she first began work for the Society in 2024.

She will stand for election to the Board in 2025.

Appointments to the Board

The Nominations and Governance Committee leads the process for Director appointments to the Board, and follows a formal, rigorous and transparent process. Particular attention is given to the skills and experience required under the Succession Plan and Board Skills Matrix. Each Director appointed must obtain the required regulatory approvals and meet the fitness and propriety standards required to fulfil their role. The Board considers equality and diversity on the Board, while observing the principle that appointments should be made on merit. Vacancies are advertised widely to ensure opportunities are accessible to under-represented groups.

Within prudential constraints, the Board aims at diversity in its NED membership, particularly gender diversity and age diversity. At 31 December 2024, two of the six (33%) non-executive Board members were female.

Re-election

The Board has considered the recommendation within the Code that NEDs stand down after a maximum of nine years' service. By exception, to retain skills for an additional short period the Society allows annual election for a Director beyond the nine-year period to ensure it is able to appoint a replacement candidate with a particular skill set.

Andrew Gold's tenure as a NED was extended by 12 months beyond the nine-year maximum, as the Society recruited a new Chair of Audit and Compliance Committee and handed over the responsibilities of that role to his successor.

These terms are subject to ongoing performance evaluations and, since 1 January 2024, to annual re-election by Members of the Society at the AGM.

The Society's Rules require all Directors are submitted for election at the AGM following their appointment to the Board. Where the appointment occurs in the period between the end of the Society's financial year and the AGM itself, they must seek election at the next possible AGM unless exceptional circumstances prevent them from doing so.

Commitment

When considering the effectiveness of the Directors, the Board takes into account other demands on Directors' time. Directors are required to declare any significant commitments with an indication of the time involved. This applies to existing and prospective NEDs.

Development

The skills and knowledge of each Director were assessed during 2024 and the Board Skills Matrix was updated to reflect the current, and future, skills requirements of the Board. This informs development activity and recruitment focus.

All Directors are encouraged to attend industry events, seminars and training courses to maintain an up-to-date knowledge of the industry, regulatory framework and environmental issues.

Information and support

The Chair ensures the Board and sub-committee members receive sufficient information to enable them to discharge their duties. The CMC ensures that information is delivered in accordance with Board requests. Board members have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Evaluation

Each year, Directors are subject to a formal appraisal at which their contribution to the Board's performance is assessed. This assessment includes training, development and attendance. The Chair carries out the Chief Executive's appraisal and the Chair is appraised by the Senior Independent Director. All other NED appraisals are undertaken by the Chair.

The Board undertakes a formal annual evaluation of its performance and that of its committees. In accordance with the Code, which recommends an external evaluation of the Board every three years, an external effectiveness review was carried out in 2023.

Directors' interests

Biographies of the Directors are included on pages 26 to 27. None of the Directors holds any shares in, or debentures of, any associated body of the Society.

Committee Membership and Attendance Record (schedule meetings)

Director	Board	BRC	ACC	NOMS	PRCC	ESIC
Pryor, Louise	10/10	X	X	4/4	X	2/2
Gold, Andrew	10/10	1/1	5/5	4/4	1/1	X
D'Alessio, Gio	10/10	6/6	X	X	3/4	X
Green, Jaedon	9/10	6/6	2/2	X	4/4	2/2
Griffiths, Gareth	10/10	X	X	3/4	3/4	2/2
Hargraves, Kellie	7/7	5/5	X	X	3/3	2/2
Mulligan, Andy	7/7	5/5	3/3	3/3	X	X
White, Christopher	9/10	6/6	5/5	X	X	X
Mashford, Kerry	4/4	X	2/2	1/1	X	X
Smith, Vince	4/4	1/1	X	X	1/1	X
Khaliq, Sameera [1]	6/7	X	3/3	3/3	2/3	X

Attendance Record (extra meetings)

Director	Board	BRC	ACC	NOMS	PRCC	ESIC
Pryor, Louise	5/5	X	X	1/1	X	X
Gold, Andrew	3/5	2/2	1/1	1/1	1/1	X
D'Alessio, Gio	5/5	5/5	X	X	1/1	X
Green, Jaedon	5/5	5/5	X	X	1/1	X
Griffiths, Gareth	5/5	5/5	1/1	1/1	1/1	X
Hargraves, Kellie	3/4	2/3	X	X	X	X
Mulligan, Andy	4/4	3/3	1/1	X	X	X
White, Christopher	4/5	5/5	1/1	X	X	X
Mashford, Kerry	0/1	X	X	1/1	X	X
Smith, Vince	1/1	2/2	X	X	1/1	X
Khaliq, Sameera [1]	3/4	X	1/1	X	X	X

X *Denotes not a member of this committee*

[1] *The 2024 indicative vote to elect has been declared invalid, as clause 13(1)(d) of the Society's rules was not fulfilled at the time of election. Sameera Khaliq is therefore standing for election at the 2025 AGM. See further detail within the Corporate Governance Report on page 29.*

Changes which took place in 2024

Kerry Mashford and Vince Smith retired from the Board in April 2024.

Kellie Hargraves and Andy Mulligan joined the Board in April 2024. Kellie became a member of Board Risk, People Remuneration and Culture, and Environmental and Society Impact Committees; and Andy a member of Board Risk, Audit and Compliance and Nominations and Governance Committees.

All NEDs are invited to attend meetings of committees of which they are not a member, as part of their ongoing development.

Annual Report of the Audit and Compliance Committee

The Audit and Compliance Committee (ACC) was established in 2023 with the primary purpose of providing oversight of:

- the financial reporting and the associated external audit processes and relationship with the external auditors;
- the Society's system of internal controls and the associated third line of defence activity, notably the internal audit process and relationship with the internal auditors; and
- oversight of compliance with laws and regulations, through the activity of the Compliance function in respect of their horizon scanning and ongoing monitoring of compliance, notably through the second line of defence compliance monitoring activity.

Committee membership

The ACC comprises three Non-Executive Directors and has been chaired in 2024 by Andrew Gold, who has been a member of the committee since it was formed.

The ACC membership includes at least one member of the Board Risk Committee, to ensure regular consultation between the two committees.

Members of the ACC are appointed by the Board on the recommendation of the chair of Nominations and Governance Committee and in consultation with the chair of ACC. The ACC chair is appointed by the Board.

The composition and effectiveness of the Committee is reviewed annually by the Board.

As Andrew Gold retires from the Board at the 2025 AGM, he will step down as the Chair of the ACC. Andrew Mulligan will take over the position from the beginning of 2025.

The Board is satisfied that the Committee has appropriate recent and relevant financial experience to carry out its duties effectively.

Committee meetings

The Committee meets at least four times a year and met six times during 2024.

At the invitation of the chair of the Committee, the Chief Finance Officer and Chief Risk Officer attend the meetings. Where appropriate and relevant, other Society colleagues are also invited to attend and present to ACC to provide insight and enhance the Committee's awareness in key areas.

Representatives from both the Society's internal auditors and external auditors are invited, when appropriate, to meetings of the Committee. The Committee receives regular reports from both the external and internal auditors.

A report of each ACC meeting is provided to the Board by the chair of the Committee.

The Committee meets at least once a year with the external and internal auditors, without management being present, to discuss matters such as the auditor's remit and any issues arising.

Committee activity in 2024

The activities undertaken by ACC to fulfil its responsibilities, in relation to 2024, are outlined below:

Financial reporting

- At the beginning of 2024 the Society reviewed the integrity and appropriateness of the Annual Report and Accounts for the year ended 31 December 2023, as well as their compliance with relevant accounting standards and governance requirements.
- The Committee reviewed other external disclosures such as the Annual Review (including summary financial statements) and Pillar 3 document.

- The Committee's focus in reviewing the Society's Financial Statements is aligned to key areas of judgement and risk such as the Society's loan loss provisioning and the carrying value of investments. The Committee also concluded on the appropriateness of presenting the accounts under a going-concern basis as well as reviewing the appropriateness of the Society's accounting policies.

- The Committee also reviewed the findings of the Society's external auditors, BDO, in relation to the Society's financial disclosures.

- The Committee also considered the approach and accounting treatment for how the Society's new core operating system would be recognised and measured within the Society's financial and accounting records

External Audit

BDO remains our external auditors having first been appointed for the 2020 year-end. In 2024 the Committee reviewed the external auditors' plan to audit the Society's Annual Report & Accounts as well as their assessment of key risks.Further details on BDO's assessment and work completed can be found in the Independent Auditor's Report to the Members of Ecology Building Society on pages 75 to 83.

The ACC reviewed update reports from the external auditors as well as their final report and findings on the Society's Annual Report & Accounts.

ACC is also responsible for reviewing the independence of the external audit firm as well as their effectiveness on an annual basis. There were no non-audit services provided by BDO in 2024.

Internal Audit

The Committee, supported by the Society's internal auditors (RSM), designed and implemented a robust internal audit plan (the Plan) to evaluate the Society's internal control framework in 2024. The Plan enables the Society's internal audit function to provide independent assurance of the effectiveness of the system of internal controls.

The Plan takes a risk-based approach to determine areas of focus in any given year while ensuring all material areas are evaluated on a rolling cycle. In 2024 the Plan focused on reviewing:

- The Society's governance arrangements including the systems of control in place and the Society's compliance with the Senior Manager Regime;

- The control framework around the administration of savings account and Member payments;

- The Society's approach to Risk Management including the Society's Risk Management Strategy, Risk Taxonomy and Enterprise Risk Management Framework;

- The process for approving new lending and the Society approach to responsible lending and mortgage underwriting.

The Society's internal auditors have also completed reviews of the governance and approach to the Society's Transformation Project, its progress and approach to applying Consumer Duty and Operational Resilience regulations. The outcomes of these reports are to be considered by ACC in early 2025.

The Committee considers the themes and issues identified by internal audit, as well as an overview of the overall control framework findings in the year.

In line with the Society's policy, ACC also completes an annual review of auditor appointments and effectiveness.

Compliance Monitoring

The Committee oversees horizon scanning to determine future assurance requirements. The Committee also approves the Society's Compliance Monitoring Plan and receives reports from that activity.

Directors' Report

The Directors have pleasure in presenting their Annual Report, together with the Annual Accounts and Annual Business Statement of the Society for the year ended 31 December 2024. The Directors' Report should be read in conjunction with the Chair's Statement, the Chief Executive Officer's Review and the Strategic Report.

Statement of Directors' responsibilities

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' report and Annual Accounts:

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 (the Act) requires the Directors to prepare Annual Accounts for each financial year. Under that law, they have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing these Annual Accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts.
- Assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they intend to liquidate the Society, cease operations, or have no realistic alternative but to do so.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

Directors

The Directors who served during the year were:

Chair:
Louise Pryor
Deputy Chair and Senior Independent Director:
Andrew Gold
Executive Directors:
Gareth Griffiths
Christopher White
Non-Executive Directors:
Giovanni D'Alessio
Jaedon Green
Kerry Mashford (retired April 2024)
Vincent Smith (retired April 2024)
Andrew Mulligan (appointed April 2024)
Kellie Hargraves (appointed April 2024)

All Directors are members of the Society and have a minimum £500 savings balance at the Society.

Directors' responsibilities for accounting records and internal control

The Directors are responsible for ensuring that the Society:

- Keeps proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Society, in accordance with the Act.
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Information presented in other sections

Certain information required to be included in a Directors' Report can be found in other sections of the Annual Report & Accounts as described below. All the information provided in these sections is deemed to form part of this report:

- Information on the business objectives and activities of the Society is detailed in the Strategic Report on page 9.
- A review of the Society's financial performance is given on pages 84 to 115 and Key Performance Indicators are shown on page 9.
- Directors' interests are detailed within the Corporate Governance Report on pages 26 to 27.
- The Society outlines Key Risks and its Risk management framework, objectives and policies on pages 41 to 49.
- Free Capital and Gross Capital percentages are included within the Annual Business Statement on page 116.
- Information regarding mortgage arrears is included within the Chief Financial Officer's Review on page 14.

Charitable donations

During the year, the Society made charitable donations amounting to £395 (2023: £2,927). No contributions were made to political parties.

Land and buildings

The head office building was developed to reflect the ecological business practices of the Society. Where possible, recycled and reclaimed materials have been used and energy reduction techniques and practices utilised. Further details on the current valuation are provided in note 13.

Supplier payment policy and practice

All suppliers are requested to provide the Society with a copy of their environmental policy, and the quality of the policies received forms part of the approval process.

The Society's policy concerning the payment of its trade creditors is:

- The Society agrees the terms of payment at the start of trading with a new supplier.
- All supplier payments are paid within the agreed terms of payment.

The number of trade creditor days as at 31 December 2024 was 47 days (2023:82 days). This comprises of accruals totaling £86k of which £21k relates to the 2024 professional service fees which have yet to be invoiced.

Tax policy

The Society is committed to paying all the taxes that it owes in accordance with the spirit of all tax laws that apply to our operations.

The Society has adopted a Tax Compliance Policy Statement which is reviewed regularly by Risk and Conduct Committee and the Board. A copy is available on our website at **ecology.co.uk/about/corporate**.

In 2015, the Society received the Fair Tax Mark, which confirms that, as a good corporate citizen, we actively welcome paying our fair share of tax. We were again reaccredited with the Fair Tax Mark in 2024, our ninth consecutive year, demonstrating our commitment to doing the right thing when it comes to taxes.

The disclosure made in this Annual Report & Accounts complies with commitments made in the Tax Compliance policy statement.

Management and staff

The Society's policy is to not discriminate in any way regarding recruitment, career development and training opportunities. Furthermore, the Society considers diversity in our recruitment decisions while keeping business needs to the fore.

A comprehensive programme of staff training and development has been delivered during the year enabling staff to continue to develop relevant skills and knowledge and ensuring that we maintain an excellent level of service to our Members.

The Society has a commitment to fair remuneration practices. The Directors would like to record their appreciation of the loyalty and commitment of management and all colleagues. Their support and contribution in a challenging environment is the backbone of the continuing success of the Society.

Going concern and Viability Statement

The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from date of approval of these financial statements. In line with the UK Corporate Governance Code (2018) the Society and its Board have considered the outlook and prospects of the Society over a period longer than the 12 months required by the going concern statement.

The Directors have prepared forecasts to consider the effect on the Society's business, financial position, capital, and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to the outlook for interest rates, inflationary and other macroeconomic pressures.

The resultant forecasts and projections showed that the Society will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The Notes to the Accounts on page 88 contain details of the assessment undertaken by the Directors. Accordingly, the accounts continue to be prepared on a going concern basis.

Furthermore, based on the reviews completed, the Board remains confident that the Society is viable over the medium term. The Group determines its viability over a five year horizon to 31 December 2030. This period is considered to be reasonable and appropriate given the current market, economic and regulatory environment. It is also aligned to the Society's financial planning horizon within its annual financial forecasting process.

Independent Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that:

- So far as they are each aware, there is no relevant audit information of which the Society's auditor is unaware.
- Each Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

The Society's External Auditors, BDO LLP, who were appointed at the 2020 AGM, have expressed their willingness to continue in office, and, in accordance with Section 77 of the Building Societies Act 1986, a resolution to this effect will be proposed at the 2025 AGM.

Louise Pryor
Chair
11 March 2025

2024 Directors' Remuneration Report

Introduction from the Chair of People, Remuneration and Culture Committee

I am pleased to present this year's Remuneration Committee report, which includes a summary of our remuneration approach, together with any material changes made in the year.

The focus of the Committee is to maintain and apply an appropriate remuneration policy, which aligns to our values and adheres to the Financial Conduct Authority (FCA) Remuneration Code. As you would expect, our Remuneration Policy consistently promotes sound risk management, thereby ensuring our processes and practices do not introduce risk of detriment to our Members or consumers more widely.

The Committee comprises at least three Non-Executive Directors. The Society's Chair, Chief Executive Officer (CEO) and other members of the senior management team may attend meetings as required, but Executives may not participate in any discussion which could impact their remuneration.

The Committee met on five occasions in 2024 and the terms of reference are published on the Society's website at **https://www.ecology.co.uk/corporate-information/**

Material Changes in 2024

In the spirit of our ongoing commitment to openness and transparency, we have introduced a new section in this report, which will be used annually to highlight any material changes.

The Society operates a 'performance-related pay' scheme which, subject to performance, is payable in addition to basic salary. Having previously excluded Executive Directors from the scheme, we have taken action to include them moving forwards, aligning to our value of 'fairness'.

The Executive Directors have forgone any bonus for 2024.

Ecology's home in Silsden, West Yorkshire

While colleague salaries are benchmarked annually, the equivalent process for the CEO is typically every few years. The CEO annual salary has increased by £15,000, or 10.34%, in 2024. This includes a cost of living increase of 4.5%. Executive salaries are always a contentious subject, but it is equally important to recognise that the resulting salary remains one of the lowest of any UK building society CEO.

For a number of years, we have reported a 'salary multiple', highlighting the relationship between the highest paid colleague (Chief Executive Officer) and entry level salaries, typically the lowest paid. Mindful of the increasing use of other benefits to enhance executive pay elsewhere across many industries, the Society engaged Members and, based on their feedback, we are evolving our approach. With effect from 2024, our reported ratio will be based on 'total reward' – basic salary, performance-related rewards plus pension contributions.

We will consider how this change requires us to evolve our use of the salary limit used in previous years.

Our total reward ratio for the financial year 2024 is 7.4:1, Based on the published annual report and accounts for 2023, we estimate comparable sized building societies operate with a ratio of 10 to 15:1.

The Society has previously tracked this ratio using the ratio between the highest and lowest level of basic salary. In 2024, the basic salary ratio was 7.3:1 (2023: 7.2:1).

Gender Pay Reporting

In direct response to Member feedback, we have introduced gender pay gap reporting for 2024 and committed to inclusion of the ethnicity pay gap from 2025. To aid transparency, the gap is presented by salary band, albeit excluding apprentices and the executive team. Executive salaries are presented elsewhere in this section of the Annual Report & Accounts.

Apprentices have been excluded from the Gender Pay Reporting calculations as they sit outside the main salary scale. Ecology pays apprentices at an enhanced rate compared with the Government published rates.

Pay Range	Men	Women	Variance
£0 – £24,999	£22,497.50	£22,746.67	£249.17 in favour of women
£25,000 – £49,999	£34,977.90	£35,907.68	£929.78 in favour of women
£50,000 – £74,999	£63,645.00	£64,327.82	£682.82 in favour of women

Remuneration Structure

The following table summarises the components of total remuneration for Executive Directors.

Fixed remuneration	**Basic Salary**	All colleagues (including Executive Directors) are remunerated in relation to their expertise, experience, overall contribution and the general marketplace, supporting our ability to attract and retain colleagues with the necessary skills. We are committed to paying the Living Wage with accreditation from the Living Wage Foundation.
	Pension	All colleagues (including Executive Directors) are eligible to join the Society's defined contribution pension scheme after three months, with an employer contribution of 8% of basic salary upon auto enrolment. Colleagues have the option to make additional contributions up to 12% using salary sacrifice.
	Benefits	Death in Service (four x basic salary) benefit is available to all qualifying colleagues (including Executive Directors). The Society operates an electric vehicle salary exchange scheme which is open to all colleagues. Within this scheme, the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Member Officer also receive a car allowance, which is included in the breakdown of their remuneration.
Variable remuneration	**Performance-related pay (core scheme)**	All colleagues (including Executive Directors) benefit from an element of performance-related pay. Reward is directly linked to the achievement of key objectives aligned to sustainability of the Society and the service it provides. Payments awarded under the scheme in 2024 are limited to a maximum of £3,750 and are not pensionable.
	Performance-related pay (SMF)	A specific leadership scheme was introduced from 1 January 2025 for colleagues who hold a Senior Management Function (SMF) role (including Executive Directors). Complementing the core scheme, it provides balance, rewarding delivery of key 'strategic stepping stones', each of which helps to secure the longer term success of the Society. Aligned to our values, the average payout is contained and proportional; expected to be circa £5,000 after tax and national insurance.

Remuneration policy Non-Executive Directors

Non-Executive Directors receive a fee for their services that reflects the time commitment for their duties. They do not participate in any performance-related pay schemes, nor do they qualify for pensions or other benefits.

Non-Executive Directors do not have service contracts. Each Non-Executive Director serves under a letter of appointment and their contribution is appraised annually by the Chair.

Contractual Terms

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 at least six months' notice. The Chief Finance Officer has a service contract, entered into on 27 March 2023 for service commencing on 4 September 2023, and the contract is terminable by either party giving at least six months' notice.

Non-Executive Directors' remuneration

Non-Executive Directors	Days Paid 2024	Paid 2024 £	Paid 2023 £
Louise Pryor	62	26,784	25,352
Andrew Gold	47	20,079	19,063
Jaedon Green (from March 2023)	50	21,523	14,558
Kerry Mashford (to April 2024)	13	5,496	16,368
Vincent Smith (to April 2024)	13	5,721	17,651
Giovanni D'Alessio	37	16,071	15,396
Kellie Hargraves (from April 2024)	31	13,357	–
Andy Mulligan (from April 2024)	29	12,434	–
Tim Morgan (to April 2023)	–	–	6,368
Chris Newman (to April 2023)	–	–	5,537
Non-Executive Directors' remuneration	**282**	**121,465**	120,293
Sameera Khaliq (from April 2024)*	29	12,434	–
Totals	**311**	**133,899**	120,293

*The 2024 indicative vote to elect has been declared invalid, as clause 13(1)(d) of the Society's rules was not fulfilled at the time of election. This payment has therefore been agreed as an attendance allowance rather than as a fee payable to Non-Executive Directors. See further detail within the Corporate Governance Report on page 29.
Note, the amounts detailed in the table have been subject to external audit review.

Executive Directors' Remuneration

The table below outlines the total reward for Executive Directors.

Executive Directors: Total Reward

Role	Base Salary £	Car Allowance £	Pension 8%	2024 Total £	2023 Total £
Chief Executive Officer	156,484	6,000	12,519	175,003	154,500
Chief Financial Officer*	139,556	6,000	11,164	156,720	48,665

*Appointed September 2023.
Note, the amounts detailed in the table have been subject to external audit review.

Looking ahead

Looking ahead to 2025, the Committee will ensure our reward structures (1) enable the Society to attract/retain relevant capability and skill sets, (2) maintain appropriate focus on service delivery balanced with strategic development, all the while (3) fostering our ecological principles, mutual culture and ethical values.

Aligned to our ethical values, your Chief Executive Officer, Chair and Non-Executive Directors have opted to forgo their annual cost of living increase in 2025. This feels appropriate because, despite the Society's underlying business model remaining profitable, the required investment in technology to better serve our Members is expected to continue to materially suppress profitability in 2025.

For the avoidance of doubt, this means the day-rate payable to the Chair and Non-Executive Directors will remain unchanged. However, the actual number of days expected of them can and does vary in accordance with the needs of the organisation.

Other colleagues will receive an annual cost of living increase in 2025, recognising their contribution and helping protect family budgets against the pressures of inflation.

Finally, the People, Remuneration and Culture Committee recommends members vote to accept the 2024 Directors' Remuneration Report.

Jaedon Green
Chair of People, Remuneration and Culture Committee
11 March 2025

Risk Management Report

Risk Management objectives and policies

Ecology recognises effective risk management is essential for the Society to successfully achieve its commercial and impact aspirations, deliver good outcomes to Members and meet our regulatory expectations. The Society's Board and Executive Team is committed to ensuring risk management is embedded across the business: Risk Transformation remains one of the Society's four strategic priorities for 2025, building capability for the future.

The Risk Transformation programme is a key enabler to deliver our three other strategic priorities: Digital Transformation, Business Model Transformation and Cultural Transformation.

Throughout 2024, the Society invested heavily in upgrading its risk management capabilities and has in place a clearly defined Risk Strategy and Enterprise Risk Management Framework. The ongoing embedding of the individual components of the Enterprise Risk Management Framework remains a key focus for the Society in 2025.

Key improvement areas in 2024 included, but were not limited to:

- Development of a Risk Strategy, aligned to the Society's Strategy and Purpose
- The rollout of an enhanced Enterprise Risk Management Framework, which clarifies risk responsibilities across the business and enable a strong risk culture
- A comprehensive review of, and update to, our Risk Policies
- Improved risk and control identification, assessment, and reporting
- Enhanced regulatory horizon scanning reporting
- Improvements to the Society's Risk Taxonomy, to reflect the Society's growth aspirations
- An enhanced approach to risk oversight and governance
- Rollout of a clearly defined Risk Assessment & Control Assurance Cycle
- Strengthening our people risk capabilities by both investing in colleagues' learning and awareness, and recruiting risk talent into both first and second line teams.

Activity to further embed risk activities will enable and facilitate the safe delivery of our growth aspirations, protect our Members and deliver good outcomes, while maintaining strong and credible relationships with our Regulators and key stakeholders.

Our risk frameworks and policies are reviewed, and updated, at least annually to reflect any changes to the Society's Strategy, Regulation, applicable laws, corporate governance, and industry best practice. In doing so, the Society can demonstrate it meets its responsibilities to its Members, colleagues, partners, key stakeholders and regulators.

All colleagues are responsible for risk management, making it integral to their day-to-day activities, and are supported by the Board. Our approach to risk management is aligned to the 'Three Lines' Model, which is standard practice within the Building Society sector. The Society's governance practices, including the individual accountabilities under the 'Senior Managers and Certification Regime', support the Society to take "reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems".

The 'Three Lines Model' seeks to differentiate those with risk management responsibilities across the Society. The table below outlines the key responsibilities for each line.

First Line	Second Line	Third Line
Risk Ownership and Control Implementation **All Business Functions**	**Risk Oversight, Monitoring, Challenge and Reporting** **Risk & Compliance Team**	**Society's Internal Audit**
Day to day responsibilities for owning specific risks and responsible for understanding and managing risks. Own and maintain Risk & Control Matrices and develop plans to ensure risks are being managed within risk appetite. Responsible for the implementation, and execution, of controls to mitigate risks in their area. Responsible for evaluating control effectiveness and managing actions where controls are deemed effective. Subject matter experts.	Owns the Society's Enterprise Risk Management Framework. Oversees, supports and challenges First Line to ensure risk responsibilities are executed effectively, in line with the Enterprise Risk Management Framework. Monitors the Society's risk profile and provides risk reporting to the Senior Leadership Team, Board Risk Committee and the Board. Maintains relationships with Regulators.	Provides assurance over the effectiveness of the Society's Enterprise Risk Management Framework. Provides assurance over the effectiveness of the internal controls' environment. Provides independent and timely assurance to the Board and Audit and Compliance Committee.
The Society is also subject to external audit by an independent firm.		

Risk Management Overview and Governance

The Board is ultimately responsible for the effective management of risk. The Enterprise Risk Management Framework, Tier 1 Policies and Risk Appetite are some of the risk matters reserved for the Board for approval.

Risk governance is the mechanism through which the Board delegates risk management to Committees, and individuals, to manage the business activities of the Society.

The Board is supported by the Board Risk Committee and Audit and Compliance Committee. The Board Risk Committee provides oversight of the risk management systems and controls in place and monitoring of the Society's risks relative to the Board-approved Risk Appetite.

The Audit and Compliance Committee oversees the financial reporting process and associated external audit process, the Society's third line activity, and oversight of compliance with laws and regulations through horizon scanning and delivery of the Second Line Oversight Plan. Both Committees present their findings to the Board.

The governance framework incorporates management-level committees, each have a specific principal risk focus. The Enterprise Risk Management Framework details the governance of risk management and how the key risk exposures are identified, assessed and managed to ensure the Society's risk exposure does not exceed its Board's approved Risk Appetite.

Risk Management Strategy and Oversight

The Board has ultimate responsibility for identifying the key business risks and approving the Risk Management Strategy through the setting of risk appetite. The Risk Appetite Statement defines the amount of risk the Society is prepared to take in pursuit of its strategic objectives and takes into consideration both internal and external influences.

The Society has qualitative Risk Appetite Statements and classifications and has developed quantitative key risk indicators. These are reported at a management committee level, the Board Risk Committee and the Board. For each of the four principal risk categories, in addition to assigning an appetite classification, the Society has 'We Will' and 'We Will Not' Statements which align to our Vision, Mission and Values and provide further guidance to colleagues in relation to risk management decision making.

The appetite classifications assigned by the Society to the Risk Taxonomy are subject to continuous review to ensure they accurately reflect both internal and external considerations, such as the impact of changes in the economic cycle. The table below provides an overview of the Society's Risk Appetite classifications.

Classification	Philosophy and Approach
We are **Open** to taking risk	■ Willing to take risks ■ Will choose option with highest return; accepting possibility of failure ■ Fully anticipate uncertainty ■ For example, creating new innovative products that reflect our Mission to improve the environment and society
We have a **Balanced** view about taking risk	■ Willing to take risks under the right conditions ■ Will choose options with risk attached but will manage the impact ■ Expect some uncertainty ■ For example, only engaging with new third parties within agreed frameworks
We are **Cautious** about taking risk	■ Prefers to avoid risk ■ Will choose safe / conservative option – with risk only if heavily outweighed by benefits ■ Expect limited degree of uncertainty – preference for safe options ■ For example, delivering a programme of continuous improvement in a test and learn environment to achieve good outcomes for Members and colleagues
We are **Averse** to taking risk	■ Will not take risk ■ Will always select the lowest risk option ■ Expect very little uncertainty – avoidance of risk is primary focus ■ We will ensure our obligations to the Regulators are always fully met

Risk Culture

Embedding a robust risk culture is an essential component of the Society's Enterprise Risk Management Framework. Risk culture relates to the behaviour and attitudes of all colleagues in making risk-based decisions and is integral to effective risk management. The Board and Executive Team are committed to embedding a strong risk aware culture in which all colleagues understand the Society's approach to risk, follow risk management policies and practices, and take individual responsibility and accountability for managing risk in their business areas.

During 2024, there was significant focus on strengthening our people risk capabilities by both investing in colleagues' learning and awareness and recruiting risk talent into both first and second line teams.

Principal Risk Categories

A comprehensive review and update to the Society's Risk Taxonomy was undertaken in 2024 and approved by the Board. In pursuit of its Strategy, the Society is naturally exposed to risk. Aligning with the UK Corporate Governance Code, the Society has performed an annual assessment to determine the nature and extent of its principal risks. Our principal risks and risk profile evolve as the Society moves through the economic cycle. The Society has an ongoing process for identifying, evaluating and managing the principal risks we face. This process is monitored and reported through Management Committee up to the Board. Work to further enhance our approach to setting, and monitoring, Risk Appetite is a focus area for 2025.

The table below provides an overview of the Society's principal risk categories and risk mitigation activities.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
Strategic Risk (Balanced) Ecology fails to plan or execute in a way that sufficiently considers each aspect of the triple bottom line (People, Planet, Profit) resulting in a risk to our ability to deliver against our Strategic Priorities, Vision and Mission, with subsequent damage to our reputation with our Regulators and other key stakeholders.	**Key themes** Since being founded in 1981, the Society has been agitating for change in the financial system. There is a risk that other Financial Services firms proactively take a greater stance than they currently do based on issues aligned to Ecology's core business model and the evolving regulatory requirements, from the PRA and FCA in relation to climate risk, leading to competitive market conditions. The Society's Mission is to be dedicated to improving the environment and society by enabling sustainable building and communities and is central to our Strategy and Vision. Our operations and lending seek to be part of the solution to the climate crisis, ensuring housing is built to a high ecological standard and supporting renovation and retrofit to reduce energy demands. As such, Climate Risk is a key consideration within all four of the Society's principal risks and must be considered within each of the functional Risk and Control Matrices. Full disclosure of our approach to managing climate risks and opportunities can be found on pages 50 to 74. **Mitigating Actions** The Society has a Board approved Medium Term Plan, which builds on the 2030 Strategy and highlights the business activities required to deliver the business strategy. The Society has four clearly defined strategic priorities together with detailed plans, which have been designed to support the successful and safe delivery of each of the four strategic priorities.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
Prudential Risk (Cautious) Prudential risks are the risks associated with the Society not being able to meet its regulatory requirements, or deliver on its strategic plans, due to an inability to raise and maintain sufficient capital and liquidity and deliver profitable growth.	**Key themes** **Liquidity and funding risk** is the risk the Society is unable to meet its obligations as they fall due or can only do so at excessive cost. While the Society saw a reduction in liquidity in the early part of 2024 due to the competitive retail market, effective management action resulted in a much-improved position in the second half of the year. The Society continues to maintain adequate liquid resources to cover cashflow requirements and fluctuations in funding to retain full public confidence in the solvency of the Society. **Interest Rate risk** is the risk the Society is exposed to in relation to movements in interest rates and the impacts this could have on the Society's net earnings and the value of its assets and liabilities. 2024 saw two Bank of England base rate reductions from 5.25% to 4.75%. On 6 February 2025 the Bank of England reduced its interest rate to 4.5%. Further reductions expected in 2025 will require the Society to carefully manage its Net Interest Margin. **Capital Risk** is the risk the Society fails to access and maintain sufficient capital to absorb any potential losses and meet regulatory requirements. **The Board is satisfied through both the Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP), the Society has adequate levels of liquidity and capital, in line with Regulatory requirements.** **Credit Risk** is the risk of financial loss due to Members or organisations failing to meet their responsibilities. The risk of loss arising from retail mortgages and commercial lending remained heightened in 2024. Activity to further strengthen credit risk controls across the whole lifecycle of loans, including third parties such as valuers and conveyancing, was carried out in 2024. The Society has not been exposed to any material credit risk losses in 2024. While reductions to interest rates and inflation were seen in 2024, inflation remains above the Government target of 2%. As a result, the pressure on household budgets because of the effect of rising costs is likely to remain, especially for low-income households. In January 2025, UK Finance published its Housing and Mortgage Market Forecasts for 2025 and 2026. Key highlights include: "With rate and cost pressures continuing to ease, the outlook for 2025 is for a gradual improvement in mortgage affordability, feeding into market growth. As interest rates tick down, we expect arrears to continue to fall, with tailored forbearance helping those who need it." The Society's arrears rates have remained low and better than the industry. Our Arrears Policy and surrounding processes were reviewed and updated in 2024, which incorporated the FCA Policy Statement: Strengthening protections for borrowers in financial difficulty. The early adoption of the rules has resulted in both improved support for Members facing financial difficulty and a further reduction in reported arrears. Further details of the Society's approach to prudential risk management, including the Pillar 2A percentage and value required by the Regulator, can be found in the Pillar 3 disclosure available on the Society's website: **ecology.co.uk/about/corporate**

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
Prudential Risk (Cautious) – continued	**Mitigating Actions** Liquidity & Funding Risk, Interest Rate Risk and Capital Risk are overseen by the Society's Asset and Liabilities Committee (ALCO). Scenario analysis, stress testing, and reverse stress testing, are performed on key business risks to ultimately assist the Board in assessing whether the Society could survive a severe economic downturn and other severe business shocks. Detailed management information (MI), including sustainability metrics and key risk indicators, is presented to ALCO each month. The Society's Chief Finance Officer chairs this Committee. There is a clearly-defined governance escalation process to enable effective risk appetite monitoring and oversight, including the outputs from forward looking sustainability metrics. **Liquidity & Funding Risk:** The Society's approach to liquidity and funding risk is documented in its individual Liquidity Adequacy Assessment Process Policy. This is reviewed annually, and adherence is overseen by ALCO. **Interest Rate Risk:** The Society's Risk Appetite for interest rate risk is documented in its Financial Risk Management Policy (FRMP). The Society's ALCO monitors a range of interest rate scenarios to assess and measure potential impacts against limits. In addition, ALCO oversees the effectiveness of management actions, including those actions designed to mitigate interest rate risk in a downward interest rate environment. **Capital Risk:** The Society's approach to capital risk is documented within its individual Capital Adequacy Assessment Process Policy. This is reviewed annually and adherence to the policy is overseen by ALCO. The Society is exploring raising additional external capital in 2025 to support its future growth ambitions. The Society has engaged with a number of third party firms to provide professional advice and guidance around the capital raise process, and legal and regulatory requirements. The Society is one of a few lenders with demonstrable evidence of successfully raising capital (Core Capital Deferred Shares (CCDS)) to increase its levels of Common Equity Tier 1 Capital (CET1). **Credit Risk:** The Credit and Conduct Risk Committee provides risk oversight of the Society's Retail and Commercial Lending Policies and supporting Lending Criteria documents. Asset quality management information and key credit risk KRIs, including concentration risks arising from large exposures, are monitored monthly to identify trends and enable timely management action to support adherence to Risk Appetite. The Committee is chaired by the Society's Chief Risk Officer. In 2024, the Society appointed an experienced Head of Credit Risk and Underwriting, who has strengthened the Society's credit risk capabilities in updating the Society's Retail and Commercial Lending and Arrears Policies and supporting processes and guides, developed insightful MI and enhanced colleague training. Further improvements are planned for 2025.
Conduct and Compliance (Cautious) Conduct and Compliance risks are the risks of conducting business in a way that leads to Member harm or poor outcomes and/or a failure to meet its regulatory and legal requirements.	**Key Themes** The Society was not exposed to any material conduct or compliance breaches in 2024, and the Society remained within its Conduct and Compliance Risk Appetite. Adherence to the Society's Conduct and Compliance Risk Appetite is overseen by the Society's Credit and Conduct Risk Committee. The Committee is chaired by the Chief Risk Officer. The Committee meets monthly and reviews key risk indicators to enable effective risk appetite monitoring and oversight. There is a clearly- defined governance escalation route up to Board level. **Consumer Duty:** Culturally, the Society has continued to emphasise the importance of placing Members at the heart of everything we do and taking their financial needs into consideration. Throughout 2024, embedding Consumer Duty was a high priority for the Society and remains a key focus area for 2025 as we further develop our data and reporting capabilities.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
Conduct and Compliance (Cautious) – continued	**Financial Crime:** The Society's Board, Executive Team and all colleagues are committed to minimising the risk of the Society being exploited to facilitate financial crime in all its guises, including, but not limited to, money laundering, terrorist financing and both internal and external fraud. The Society's Financial Crime Policy, tools, processes, monitoring and controls were further strengthened in 2024 and will continue to be subject to continuous improvements in 2025 and thereafter. **Data:** The Society's Data Policy and supporting documents were updated in 2024. A programme to further strengthen data management, across the whole data lifecycle, is progressing. **Operational Resilience:** The Society has made significant progress to evolve our Operational Resilience Framework and testing of our Important Business Services, in readiness to comply with the upcoming Operational Resilience Regulations, which will come into effect in March 2025. **Mitigating Actions** All our Compliance policies have been reviewed, updated and rolled out across the Society. The Society has invested in strengthening its compliance and conduct capability, both through the provision of colleague training, to ensure the updated policies are understood and adhered to, and the recruitment of experienced and technically-skilled new colleagues. An enhanced approach to Regulatory Horizon Scanning has been rolled out, which is supported through the provision of a second line Compliance Lead, who provides technical support and guidance to first line colleagues.
Operational Risk (Balanced) Operational Risk is the risk of direct or indirect loss resulting from failed / poorly designed controls relating to our internal processes, people or systems, or from external events.	**Key Themes** The Society was not exposed to any material operational loss events or operational disruption in 2024 and remained within its Operational Risk Appetite. Adherence to the Society's Operational Risk Appetite is overseen by the Society's Operational and Resilience Risk Committee. The Committee is chaired by the Head of Operations. There is a clearly-defined governance escalation route up to Board level. **Mitigating Actions** In conjunction with the Board approval of the Society's Annual Operating Plan, a detailed implementation plan was developed to mitigate execution risk. The Risk and Control section of the Enterprise Risk Management Framework sets out how colleagues are expected to identify, assess, monitor, manage and report their operational risks. The rollout of the Society's improved approach to risk and control identification, assessment, and reporting will further strengthen the Society's operational risk capabilities as this embeds throughout 2025. Senior Managers and their Chief Officers must regularly attest to the effectiveness of their controls and, where necessary, develop and deliver improvement action plans for the areas they are responsible for. **Operational Resilience:** Operational Resilience is a key Regulatory priority with new rules coming into effect in March 2025. The Society has made significant progress to evolve and embed our Operational Resilience Framework and the testing of our Important Business Services. The Society has a comprehensive list of stressed scenarios to enable us to test the ongoing availability of our Important Business Services. Those scenarios that present the most risk leading to potential Member disruption have been tested successfully, these include the testing of multiple points of failure. The remaining stress tests are scheduled to be completed by June 2025. In addition, work to define and execute the Society's revised stress tests for our Important Business Services to reflect the new Core Banking System is on track.. **IT and Cyber security** is subject to continuous monitoring (both internal and external), with regular updates reported to management committees and periodic updates to Board Risk Committee and the Board.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
Operational Risk (Balanced) – continued	**Disaster Recovery and Business Continuity:** The Society has continued to refine existing arrangements for business continuity, disaster recovery and incident management, and has augmented these considerations with our defined Important Business Services that are needed to meet our Members' needs. **People Risk:** Activity to continue to attract new, and retain existing, colleagues is a focus area for 2025. A revised 2025 colleague bonus scheme, which supports colleague equity, has been developed by the Society's People, Remuneration and Culture Committee and approved by the Board. To support the revised bonus scheme, our new Behaviours Framework has been updated, together with the rollout of Society-wide collective objectives. Our colleagues have played a key role contributing to these new tools, which have been designed to support the successful delivery of our Strategy and Purpose, while also supporting good colleague and Member outcomes and meeting Regulatory expectations. A review and update to the People Risk Appetite Statement and supporting metrics has begun as part of the wider Risk Appetite Setting activity.
Core Banking Transformation (Cautious) A failure to effectively identify, manage and govern the risks associated with the IT Transformation Programme poses significant risk to the Society. IT change programmes introduce cross cutting risks and all four of the Society's principal risks are impacted.	**Key Themes** Both the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) have issued significant fines to firms who have failed to deliver effective risk management and governance, including the management of outsourcing risk, in relation to IT change programmes. **Mitigating Actions** As part of initial planning, the Society engaged KPMG to support with the development of its formal Change Governance Framework. The Society's approved Change Governance Framework is aligned with industry best practice. The approval, and effective rollout of this framework, was a key milestone to enable a successful change programme. Specific workstreams, and governance, in line with the agreed Change Governance Framework, are in place to continuously monitor the delivery of the programme. Comprehensive project documentation is maintained across all workstreams and governance meetings, specifically in relation to identified risks and programme decisions made, to enable a transparent view of the programme status. Close and continuous oversight, and reporting, of our IT Transformation Programme, both internally and using technically-experienced independent third parties, is in place. This oversight also assesses adherence to the approved Change Governance Framework as well as providing assurance over system design and testing. The Society has a clearly defined governance escalation route to support efficient and effective decision making. Milestone updates, together with a summary of risks and mitigants are reported to the IT Transformation Steering Committees, Board Risk Committee and the Board. Intrusive and continuous oversight will continue until the IT change programme has been delivered successfully. The Society has included an independent third-line review, which is being led by IT change experts, to provide added assurance to the Board. This audit review will "assess the governance controls to manage the Core Banking Transformation work to ensure the project is set up for success and will deliver the expected benefits to stakeholders".

Key upcoming regulations which the Society will be impacted by are summarised below:

Regulatory Change

The new Labour government is setting the groundwork for regulators to be more focused on their competition objectives. In spring 2025, the UK Government will publish its first Financial Services Growth and Competitiveness Agenda, focusing on five priorities – Sustainable Finance, FinTech, Asset Management, Insurance, and Capital Markets, with the aim of stimulating growth in these areas.

Operational Resilience continues to be a key priority for the regulators, with the deadline for identifying and setting tolerances for Important Business Standards approaching on 31 March 2025.

The regulators are continuing their focus in this space and are consulting on reporting requirements for operation incidents, including for third parties. There will also be a combined consultation from the FCA and the PRA into the management of Information Communication Technology and Cyber risk.

Capital: The implementation of the Basel 3.1 capital standards has been delayed to 2027. Firms are expected to continue to consider the implications and possible capital impacts of the new regime, including if they should take part in the newly-proposed Strong and Simple regime for smaller domestic deposit taker firms.

Consumer Duty: Requirements are now all expected to be implemented, and the FCA is expected to continue its high focus work in this area. During Q1 the FCA will publish its review into businesses' consideration of vulnerable customers, and of findings relating to a review into the customer support outcome. H1 will see the findings from how firms have implemented the Consumer Duty for closed products.

Payments: Following the implementation of Confirmation of Payee technology and a requirement to fully reimburse customers who have fallen victim to scams, there will be a 12-month review from the Payment System Regulator. There will be further work through the New Payments Vision which sets the strategy for UK payments. This looks at payments infrastructure, fraud, digital identity, and the regulatory framework.

Sustainability: Reporting and disclosures remain a key priority for the regulators in 2025. The UK government is consulting on introducing a green taxonomy that will set a common framework to set clear definitions of the economic activities and investments that can be defined as environmentally sustainable.

Elsewhere: The PRA will be consulting on updating its approach to managing the financial risks from climate change.

Our Net Zero Transition Plan

Ambition

Ecology are signatories to:

and members of:

What we've done

From first declaring a climate and ecological emergency in 2019, we've updated annually on our climate plans, established our climate risk appetite and set net zero carbon targets, and been recognised externally for our transparency.

We have published our climate ambition and approach to understanding and managing climate risk since 2021.

We were an active contributor to developing a measure for emissions from residential mortgages and the first building society to publish our financed emissions using the PCAF Global Standard.

What we're doing

We're implementing Our 2030 Strategy, focusing first on opportunities where we can have the most impact with our resources today, and looking ahead to emerging opportunities.

We're mapping how we can embed the transition planning cycle throughout Ecology's governance.

We're continuing to publicly report our progress on the Principles for Responsible Banking, and to the Net Zero Banking Alliance and GABV annually.

What we will do

We'll continue to review and evolve credit risk appetites in the light of ongoing assessment of climate risks. We'll move to a more quantitative approach to our climate risk appetite, from the current qualitative measures.

We'll review our targets at the point that we achieve them, with any significant updates to UK climate or reporting legislation relevant to Ecology, or updated science published by the IPCC. At a minimum, we will review our targets every five years, in line with our commitment to the Net Zero Banking Alliance.

We'll update on progress against our Net Zero Transition Plan each year in our Annual Report & Accounts, any material changes to the business will prompt a review of the Plan to encompass the changes.

What is a Net Zero Transition Plan?

"An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions."

– International Financial Reporting Standards

We published our first 'Climate and Ecological Emergency Plan' in our *2020 Annual Report and Accounts,* followed by *Our 2030 Strategy* in 2021 and our *Financing the Net Zero Transition Report in 2022.*

In 2024, geospatial data providers Kamma Climate ranked Ecology second among 85 UK lenders of all sizes for its publicly available climate plans and actions in their report "The State of the Climate Transition for UK Mortgage Lenders in 2024".

This plan outlines our progress since we declared a Climate and Ecological Emergency in 2019, what we're currently working on and what we aim to do in the future. It supports delivery of ambitions set out in Our 2030 Strategy. It includes how we understand and mitigate climate-related financial risks – the risks which may materialise in the future because of decisions taken today. It's informed by the Transition Plan Disclosure Framework owned by the International Financial Reporting Standards, and takes into account the recommendations of an advisory group chaired by Bankers for Net Zero, 'Considerations on SMEs and transition plans'.

Ecology has always aimed to lead the way by being transparent about our impact, and taking action to reduce it. As a small building society, we keep track of international standards and UK regulations which apply to larger organisations in our sector, and voluntarily translate this best practice proportionately to our business. Our approach to disclosure will continue to evolve in line with emerging standards and regulation.

Our strategic ambition

Our climate change ambition statement

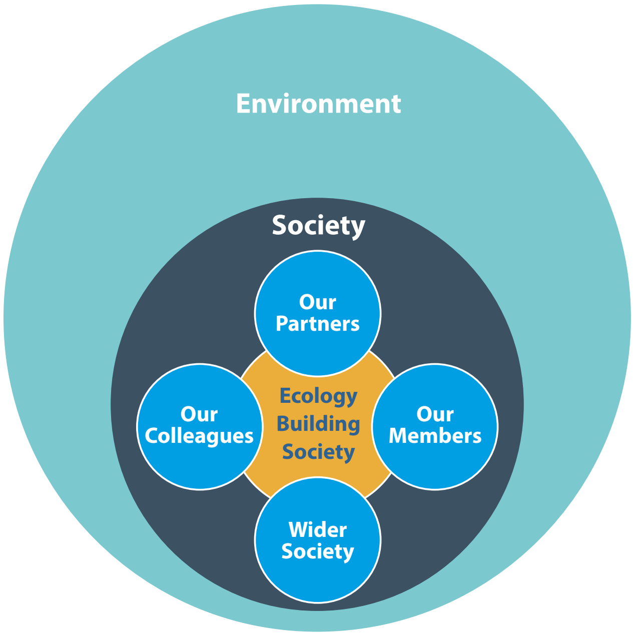
Addressing the climate emergency is central to our mission and strategy. We will achieve net zero in our business operations and lending by 2050, or well before. We will do this through the provision of impact-led products and services, the sharing of knowledge, and agitation for wider system change. In all our activities, we seek to minimise the impact of physical and transition climate risks on the Society, our Members and wider society.

Tackling the climate and ecological emergency

When Ecology was created in 1981, the founders were motivated by concerns over environmental degradation and consumerism. Forty-four years on, climate change, ecological collapse, deepening social inequalities, political division and armed conflict overseas are the defining issues. Our Members, colleagues, Board and key partners co-developed Our 2030 Strategy, setting out our vision for the future and how we will address the climate and ecological emergency in this pivotal decade.

Unlike traditional businesses which 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. How the Society looks to achieve these outcomes is outlined in the diagram on page 52.

System Value



Creating holistic value for society and the environment

Ecology's work is focused on six strategic Ecology outcomes, which all seek to mitigate climate change:

- **Our lending funds ecological buildings that are better for people and the environment**
- **Our lending and business activities promote responsible management of resources and materials**
- **Our lending creates community-led housing and sustainable communities**
- **Our lending increases innovation in sustainable design, retrofit, construction and materials**
- **Our inclusive community of Members creates positive impact**
- **Our activities catalyse change in the financial system for a fair and sustainable future**

We will achieve these outcomes through:

Impact-led products and services

Providing impact-led products and services designed to reduce carbon emissions, increase resilience and support the transition to a low-carbon economy.

Collaboration and knowledge share

Enabling collaboration and knowledge sharing to help our Members and their communities make their homes more energy-efficient, live sustainably and adapt to climate change.

Agitation for change

Agitating for change in wider society to address the climate emergency, including thought leadership and taking action on ecological homes and sustainable finance.

Ecology's net zero targets

In 2021 and 2022, Ecology set targets for achieving net zero in our operations and our lending, respectively, at a pace that supported keeping global heating within 1.5°C in line with the Paris Agreement and UK Climate Change Act 2008 (2050 Target Amendment) Order 2019. As founding signatories, we followed the Net Zero Banking Alliance Guidelines for Climate Target Setting for Banks.

'Net zero' is achieved when greenhouse gas emissions are reduced by at least 90% and the remaining amount is removed from the atmosphere by technological or natural solutions.

In 2024, Ecology's Board reviewed and approved an update to our net zero targets, to make them more specific about what they cover, be clear about the year we are comparing to, and to raise the ambition in areas we have full control over. We have standardised a baseline year of 2019 across all targets, which was the most recent year of full data when the targets were set in which lending and construction happened as usual, before the Covid-19 pandemic disruption over 2020 and 2021.

The Board's approval acknowledged the limited control we have over supply chain emissions (i.e. those related to our suppliers and our colleagues). We consider it important that our targets are in line with current climate science, but we cannot guarantee the target is achievable ourselves. We will therefore take all the measures within our gift within the business and influencing others towards achieving it, and we will report transparently about the barriers.

Ecology's updated net zero targets are:

- We will achieve zero greenhouse gas emissions from the electricity and heating of our headquarters by the end of 2025.
- We will halve emissions from our suppliers and colleagues against a 2019 baseline by 2030.
- We will achieve net zero greenhouse gas emissions in our lending by 2050 or sooner (by physical intensity in $kgCO_2e/m^2$ against a 2019 baseline), with an interim target to halve emissions by 2030.

Our business model and value chain

As a building society, Ecology is owned by, accountable to, and run for the benefit of our Members. Ecology's mission, enshrined in our Memorandum, is making loans which are secured on residential property that are funded substantially by our Members, promoting ecological policies designed to protect or enhance the environment in accordance with the principles of sustainable development.

The Society has a relatively simple business model of savings (deposit taking) and lending (mortgages for sustainable buildings, community developments and finance for sustainable developments). The Society exists to mediate the flow of finance from savers who wish to achieve positive environmental and social impact, to borrowers who wish to build or renovate energy-efficient properties and community-oriented buildings. Further information can be found in the Strategic Report on page 9.

As we work on our ecological mission of helping others to live more sustainably, we must also lead by example. Our Sustainability at Ecology Plan focuses on six areas to drive continual environmental improvement: carbon, people and culture, infrastructure, resources and waste, travel and nature.

We have a small number of investments in renewable energy and co-operative and community finance. Our investment decisions are made in full alignment with our mission and values. We do not seek to maximise profit through an extractive model, but rather to maximise the creation of environmental and social value while generating a fair economic return. We recognise that, as well as enabling individual projects, our investments can help to demonstrate support for new areas, which in turn attracts other investors. This was a key factor, together with the voice of our Members, in making our investments in small-scale renewable energy projects.

Responding to strategic risks and opportunities

Climate risk: definitions and appetite

The Society's definition of climate risk is "The risk that our strategy, financial planning and business activities fail to mitigate the impact of climate change."

The Society's climate risk appetite is "The Society will actively address the impact of Ecology's activities on climate change and the impact of climate change on Ecology by managing and mitigating current and future physical and transition risks and agitating for positive change."

To support the agreed risk appetite, the Society has developed what 'we will' and 'we will not' statements for Climate Risk:

We will

- Achieve net zero greenhouse gas emissions in the electricity and heating of our headquarters by the end of 2025, and halve emissions from our supply chain and lending by 2030.
- Incentivise and reward borrowers for improving the energy efficiencies of their properties and reducing their greenhouse gas footprint.
- Ensure key suppliers and counterparties are developing climate change resilience plans and their path to net zero.
- Accelerate the use of our collective voice to agitate for positive change to address the climate emergency.
- Enhance our impact-led mortgage products to increase innovation in sustainable design, retrofit, construction and materials.

We will not

- Engage in activities that have a negative impact environmentally on our business operations and increase our greenhouse gas footprint.
- Engage with key suppliers and counterparties who are not committed to responsible management of resources and materials and achieving net zero.
- Provide mortgage funding which increases greenhouse gas emissions.
- Enter into partnerships with those who do not share our commitment to our ecological mission.
- Create products that do not have a benefit in terms of saving energy or resources, or supporting sustainable communities.

A range of physical and economic risks are expected as a result of climate change, affecting individuals, businesses, governments and economies. Adapting to and addressing the changing climate also creates opportunities for Ecology. We have been an advocate for sustainable lending throughout our 44-year history, but we recognise that much more needs to be done. There is a limited window for action before the remaining carbon budget is used up and global temperatures reach catastrophic levels. Humanity must dramatically reduce our use of fossil fuels and move to clean, renewable energy, while adapting to the impacts of climate change that are already happening. The need to respond urgently to the climate emergency presents Ecology with both its greatest strategic risk and strategic opportunity, requiring us to be innovative, agile and responsive in a changing environment.

Information about how we plan financially for climate risks can be found on page 58, and on how we govern climate risk on page 67. The potential impacts of climate change that may affect Ecology and our strategic response are detailed on pages 69 to 72.

The green and sustainable mortgage market

We welcome growing collective action to tackle greenhouse gas emissions from domestic properties and to make our homes fit for the future. This awakening has spurred an increase in the number of lenders developing 'green' mortgage products, together with new disclosure requirements causing firms to engage with sustainability in a way that they have not previously. However, though green intentions and disclosures are always welcome, what is needed is rapid translation into meaningful, rapidly scaling impact.

We expect the mortgage market to evolve rapidly to promote energy efficiency for all properties, a development we have long been campaigning for. Although this could be seen to pose a risk to Ecology in terms of increased competition, the growing green finance market creates considerable opportunities, which we are responding to in implementing Our 2030 Strategy.

Ecology is unique among UK lenders in being fully focused on its mission to support sustainable buildings and communities. We describe Ecology mortgages as 'sustainable mortgages' rather than green mortgages. Our whole balance sheet is mobilised to provide lending for environmental and social gain, with funding from savers who seek impact and are aligned to our lending policy, with each mortgage transaction aiming for a positive outcome for social and the planet.

Our offer, therefore, has always been different from the mainstream lenders. This will continue even as others pivot in response to climate risks, regulatory requirements and customer preferences. We will continue to evolve and adapt to meet the needs of our current and future Members while demonstrating authenticity and coherence across all our activities, in line with our ecological mission and values. We will continue our main business channels of residential self-build, conversion and renovation, community housing and small-scale development finance for the construction and renovation of homes, workspaces and community spaces. We recognise the enormous scope for innovation in renovation and construction which will open up new lending opportunities. Our tailored approach of considering each project individually to understand its environmental and social merit, engaging with our borrowers and innovators at an early stage, staying engaged through the project, and being open to considering unusual and innovative projects, will stand us in good stead to support new forms of ecological housing. We will work closely with our borrowers, partners, supply chains (designers, energy assessors and manufacturers), policy-makers and other financial institutions, to pave the way for high performance, cost-effective, energy-efficient housing that is fit for the future.

Despite our relatively small size, our commitment to our mission has meant that we can use our credibility and reputation to be a vocal advocate for improvements to housing standards and national infrastructure and for adaptation to climate change. We will use our voice to stand out, to reach potential borrowers, and to continue our agitation for change to address environmental and social challenges.

Our Members

Engagement with our Members, including in our AGM, consistently shows that addressing the climate emergency is a top priority and a major motivation for their membership of the Society. In 2023 we commissioned a broader, nationwide consumer research programme in partnership with Censuswide which shows that nearly three quarters (74%) of savers would like their money to have a positive impact on the environment and society.

We share case studies of our lending to inform and inspire our existing and future Members. We will continue to actively engage with our Members throughout 2025 and beyond to help us guide our strategies both now and in the future.

Key assumptions and external factors

Our targets are based on reasonable and credible assumptions about the road ahead, in line with the UK Government's Heat and Buildings Strategy and Net Zero Strategy published in 2021:

- By 2050, the national energy supply will be decarbonised.
- Electricity prices will be harmonised, so that the cost of running a heat pump is no more expensive than running a gas boiler.
- Building regulations will stimulate necessary standards of insulation, ventilation and energy use intensity.
- There will be widespread uptake of heat pumps to electrify domestic heat
- Heat pumps will be widely available and more affordable to install. Heat pump technology will continue to improve and have good Co-efficient of Performance (>2.5).
- Skilled installers and supply chains will meet demand stimulated by increased public awareness, thanks to national campaigns and advice.

Action

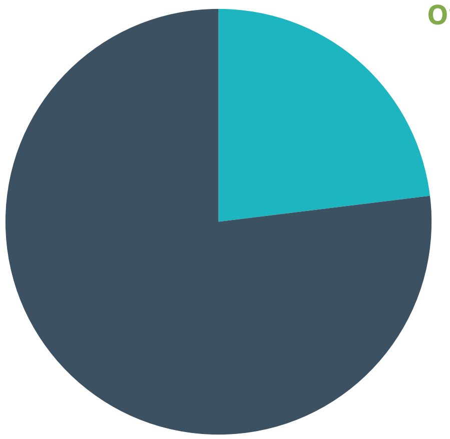
What we've done	What we're doing	What we will do
Implementation		
We've retained Investors in the Environment (iiE) 'Green' certification for our environmental management since 2017. Our HQ runs on 100% renewable electricity, and we've reduced emissions from our boiler by almost 59% since 2019 through efficiency savings.	We're engaging partners to replace our gas boiler with a zero-carbon heating system and implementing improved supplier due diligence and reporting so we can monitor and engage our suppliers on net zero progress. We've enhanced our annual financial stress tests to take account of future climate change scenarios.	We'll explore all avenues within our control to reduce emissions from suppliers, waste, business travel and colleagues' commuting and home-working. We'll continue to evolve and enhance our impact-led mortgage and savings products.
Engagement – value chain, industry, gov & communities		
We joined Business Declares and declared a climate and ecological emergency in 2019. We've actively participated in alliances to help the financial sector respond to climate change, such as the 'Principles for Responsible Banking' and B4NZ (Previously Bankers for Net Zero). We've sponsored industry collaboration towards more energy-efficient housing, including the National Retrofit Hub, and the Building Performance Network Resource Hub to understand and improve building performance. We used our voice and example to advocate for the phasing out of fossil fuel financing, no slowing down in climate ambition and a commitment to removing gas grid connections through the Future Homes Standard.	We're collaborating with the National Retrofit Hub and B4NZ to call for changes to Energy Performance Certificates (EPCs) We're incorporating climate risk into operational resilience processes, including new, detailed supplier due diligence and refreshed sustainable procurement guidance. We continue to annually assess potential future physical impacts on our mortgage portfolio under a range of climate change scenarios. We're working with the Building Societies Association and Centre for Greening Finance and Investment to develop communication tools to translate complex climate data into actionable insights for both Members and colleagues, towards assessing properties' future climate risk at mortgage application stage.	We'll ensure key suppliers and counterparties are developing climate change resilience plans and monitor their path to net zero. We'll accelerate the use of our collective voice to agitate for policy and regulatory change to address the climate emergency and transition to a low-carbon economy in a socially just and equitable way. We'll increase activity to equip our Members with knowledge and expert advice to support their transition to net zero, and adaptation and increased resilience to climate change. We'll continue working collaboratively nationally and internationally to develop and evolve standards and frameworks which embed sustainable development and net zero into the finance system.

Implementation

Less than 1% of our emissions come from our building, where we have full control over operations and decisions. 22% come from our suppliers and our colleagues, enabling our business to run. The majority at 77% comes from the impact of our lending, and the emissions generated by our Members in the homes we lend on.

We've prioritised the actions we'll take towards decarbonisation according to our level of control, and the impact on our overall emissions.

Figure 1
Our greenhouse gas footprint



- Gas (Scope 1)*
- Purchased electricity (Scope 2)*
- Suppliers and colleagues (Upstream Scope 3)
- Mortgage lending (Downstream Scope 3)

**Less than 1% of emissions, not visible.*

Our building, suppliers and colleagues

This year, we are prioritising replacing Ecology's Head Office heating system, to eliminate the last of the direct emissions from our office energy. We will also be using improved supplier due diligence to monitor and engage key suppliers on their net zero targets and progress. We'll use our business transformation to give us better data to quantitively factor environment and society into decision-making and our reporting.

We are a member of Investors in the Environment (iiE), which carries out an annual green audit of our business operations. We have re-secured their highest level 'Green' certification for our environmental management. During 2024, we continued to partner with social enterprise, Giki, to provide colleagues with a personalised programme to understand how to reduce their greenhouse gas footprints and protect the environment together.

We have reported our annual operational greenhouse gas footprint since 2012 and we take steps to mitigate emissions we haven't cut yet through Gold Standard Verified Emissions Reductions (VER) paired with support for UK tree-planting schemes certified by the Woodland Carbon Code. We report our progress against our targets from page 62.

Our lending

Ecology's mortgages are focused on generating an environmental or social benefit, in terms of saving energy or other scarce resources, or supporting sustainable communities. Our mortgages fund the purchase or construction of new homes and community buildings built to high standards of energy performance, and the renovation or conversion of existing buildings to improve their energy efficiency, reduce emissions and therefore minimise exposure to the transition risk of higher fuel bills. We also seek to support use of low-impact materials and construction methods, as well as adaptation and resilience to the physical impacts of climate change, such as over-heating.

- We reward energy efficiency through our C-Change discounts applied to the mortgage interest rate. We use data from Energy Performance Certificates (EPC) and verified standards such as Passivhaus and AECB Standards to award a greater C-Change discount to mortgages of homes with a higher energy performance.

- We offer a cashback incentive to contribute to the cost of installing either a ground or air source heat pump, to reward borrowers for moving away from heating their homes with fossil fuels to low carbon, renewable heating technologies.

- We offer an off-site construction mortgage range in conjunction with leading modular manufacturers to support the growth of off-site constructed, modular housing.

Construction

We support the construction of new homes and community buildings that meet our ecological criteria. We specify an entry-level energy efficiency standard of 88 SAP points for new homes, and welcome non-standard construction types and materials. Through our bespoke approach to lending, we proactively support new building techniques, provided they meet our sustainability criteria, including the off-site manufacture of components, kits and modules that are then transported and erected on site.

Retrofit

Retrofit refers to upgrading existing properties to improve their energy efficiency (e.g. through improving insulation) and reducing greenhouse gas emissions (e.g. through upgrading heating systems). Currently, about 20% of the UK's total greenhouse gas emissions come directly from homes, mostly from boilers burning natural gas for hot water and space heating. Around 80% of the homes that will exist in 2050 are houses that people are currently living in. A high proportion will need to be retrofitted to meet the UK's target for net zero by 2050.

We take care to make our retrofit lending products suitable for 'hard to treat' properties, recognising the value in retaining existing buildings rather than demolishing them. We favour lending on properties that start off with poor standards of energy efficiency, recognising that their high demand for heating exposes occupants to rising fuel prices and emits more greenhouse gases. Our mortgage lending funds improvements to the property and its energy efficiency, while reducing fuel use.

Mortgage payments are released in stages as property improvements are made. We take a bespoke approach to assessing planned improvements, considering any constraints posed by the nature of the property, and require evidence that planned improvements lead to energy performance increasing the property's Energy Efficiency Rating.

The absolute greenhouse gas footprint of our mortgage book will increase as we increase our lending on retrofit projects, due to these properties having relatively high emissions before retrofit improvements. We expect the greenhouse gas footprint of our mortgage portfolio to fluctuate, reflecting the status of renovation properties in our mortgage portfolio. As retrofit works are carried out, properties will transition from poor to good energy efficiency.

Our policies

Our *Corporate Responsibility Statement* sets out our strategic approach to being a responsible business, implemented through our Enterprise Risk Management Framework, Environment Policy, Travel and Expenses Policy, Outsourcing and Third-Party Risk Management Policy and our Lending Policies.

Financial planning and climate-related financial risks

The magnitude and nature of future climate risks will be determined by actions taken today, so it is essential that information on future risks is used to inform present-day decisions. The financial services industry is exposed to climate-related risks and opportunities through lending and other financial intermediary activities, as well as through its own operational activities.

Achieving the strategic ambition of our transition plan through ongoing operational decarbonisation, supply chain engagement and our lending is funded through usual annual operational and capital expenditure, in line with the Society's approach to environmental management throughout its existence. Where business grants or partnerships could enable us to accelerate progress, we will explore these.

Our lending is focused on reducing the greenhouse gas footprint of homes and community buildings, which will help to smooth the transition to a low-carbon economy. However, climate change poses a wide range of risks that may materialise in the short (1-5 years), medium (5-15 years) and long (15+ years) terms, and it is imperative that we continue to assess and manage these risks as part of our business strategy. There are two main categories of climate-related risk: physical risk and transition risk.

- **Physical risks:** These arise from the increasing severity and frequency of extreme weather events, such as flooding, coastal erosion, subsidence, wind and storm damage or over-heating, and from sea level rise. These impacts can cause damage to assets, changes in individuals' health and incomes, and business disruption, driving financial losses and impaired asset values. For example, properties at future risk of flooding because of more intense rainfall may be subject to increased insurance premiums, may be inaccessible or unusable for periods of time and their value may decrease.

- **Transition risks:** This is the risk associated with the process of adjustment towards a low-carbon economy, where greenhouse gas emissions are reduced, and measures implemented to remove excess emissions from the atmosphere. The responses from governments, industries and citizens to climate change are likely to result in societal and economic changes. Many of these changes are rapid or unpredictable, such as abrupt changes in the cost of energy and raw materials, higher fuel bills, changes in customer preferences, disruption to business models, job losses in specific sectors and regulatory changes to drive down emissions.

When evaluating new mortgage applications, we take account of the risk of flooding, subsidence and coastal erosion to inform the potential impact on future property values. We do not lend on properties that would be unable to obtain insurance under standard conditions at the present time. We continue to work towards embedding an assessment of future physical risks of climate change into our credit assessment process. We also require evidence of the planned or expected Energy Performance Rating of the property once works are complete before a mortgage will be approved, incorporating a form of transition risk assessment at the point of lending.

We annually assess our full portfolio for selected physical climate risks under a range of scenarios, and monitor the breakdown of energy performance ratings as an indicator of transition climate risk. This informs our Internal Capital Adequacy Assessment Process (ICAAP), and our financial provisioning approach includes provisioning for future physical climate risks. We have not made additional capital provision for transition risks as our mortgages fund energy performance improvements; this position is reviewed annually. The results of our climate risk assessment are presented on page 66.

Engagement

Ecology exists to serve our Members and deliver on our ecological mission, guided by our values of Fairness, Openness, Responsibility, Co-operation and Activism. Since our inception, we have been an active participant in the environmental movement, seeking ways to build a fair and sustainable society. We ‘agitate for change’ in society by:

- **Advocating**, and innovating to create new ideas
- **Incubating** ideas into genuinely impactful solutions
- **Demonstrating** solutions that others may adopt, helping to scale up system change.

To ensure we maximise our impact, we prioritise opportunities based on whether they are within our control or influence, the impact they will have on our strategic objectives and the timeliness of the opportunity to lead to meaningful change. A successful transition relies on suitable policy frameworks, technology and infrastructure and the availability of materials, suppliers and skills. We engage with partners and alliances where we can have an influence, to facilitate removing barriers to change.

Value chain

Our lending is designed to support and drive improvements in energy efficiency, and our award-winning C-change discount progressively rewards customers according to the energy-efficiency standards they achieve.

In 2024 we began using FSQS, the Financial Services Qualification System provided by Hellios, to complete due diligence on our suppliers, including collecting a wider range of sustainability information. The questionnaire is shared across financial services, meaning that we benefit from the influence of multiple financial organisations asking for the same information, and can conduct more in-depth due diligence.

The platform will allow us to begin tracking the percentage of key suppliers with a net zero target in place. We will also continue incorporating data from those who report their greenhouse gas emissions in our own emissions reporting, improving the accuracy of our calculations compared to using sector average emissions. We’ll use this information to inform our supplier engagement strategy, focusing first on suppliers responsible for the most emissions or carbon-intensive products and services. In 2024, purchased goods and services, including capital goods, accounted for 81% of our operational emissions (those from our building, suppliers and colleagues).

Industry

Collaboration between businesses is essential to make real progress towards net zero and help the UK and global society meet its binding international commitments.

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. The financial sector has a critical role to play in steering financial flows towards activities that decarbonise our 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 345 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 fourth progress report on how we are implementing the principles in 2024. A focus of our work this year has been developing our transition plan for achieving our climate targets, and in the coming year we'll be reviewing our social impact and developing further targets.

Ecology is in its 11th year as a member of the Global Alliance for Banking on Values (GABV), a group of 70 member financial institutions around the world, committed to making the banking system more transparent and supporting positive economic, social and environmental change. GABV facilitate knowledge-sharing between values-based banks, and also collect a detailed scorecard from their members every three years. This is used to benchmark performance against others in the network and mainstream finance, highlighting best practice lessons from all over the world. We submitted our latest scorecard to GABV in 2024, and their feedback will push us to continually improve how we understand and deliver our social and environmental impact for, and with, our Members.

As a member of the global Net Zero Banking Alliance, we continue to explore how finance can best support key sectors of the UK economy in transition to net zero, and encourage the financial sector to phase out financing of fossil fuels. Participating in these alliances gives us an equal voice with other members to contribute to and influence the debate, in spite of our different scale. A small number of GABV members are members of the Net Zero Banking Alliance, where we collaborate to call for higher standards and ambitious advocacy positions.

We continue to be a signatory to the Partnership for Carbon Accounting Financials, a group of leading financial institutions working to improve the measurement and understanding of greenhouse gas emissions from finance, including mortgaged property.

Sustainable building

Minimising energy demand and achieving net zero emissions from residential properties is an urgent issue requiring a determined, collaborative effort. Energy-efficiency contributes to energy security and more affordable heating bills, and requires less energy to be generated, therefore reducing the infrastructure investment needed for energy-generation and distribution. We also recognise the growing risk of overheating in homes due to more frequent heat waves and poor ventilation. Although the nature of our lending (to achieve high energy efficiency standards) would generally mitigate over-heating under present weather conditions, climate models indicate growing heatwave frequency in coming years.

Ecology are proud sponsors of the National Retrofit Hub, which convenes representatives from across every part of the retrofit industry from architects to product suppliers and finance to consumer champions. Over the course of 2024, together with B4NZ, the National Retrofit Hub held a series of working groups to shape recommendations for Energy Performance Certificate (EPC) reform. Ecology has championed making it easier to understand how 'future ready' a home is, including what householders can do transition to zero-carbon, improve their home's energy efficiency, keep it cool in hot weather and resilient from flooding.

We've highlighted the difficulty in accessing a single source of EPC data for all four countries of the UK, and that EPCs are valid for 10 years so may not actually reflect the current performance of the property. We're calling for a system that makes it easier to update EPCs when upgrades are made to homes, connect to energy use data and better reflect residents' experience of comfort and bills in the energy-efficiency measure. As a lender, this would help us create innovative financial products to even better incentivise energy efficiency for our customers. Finally, we want to see the embodied carbon of building materials to be measured in the property's EPC.

Future climate risks continue to be challenging to predict and to communicate in tangible ways. We're working with the Building Societies Association and Centre for Greening Finance and Investment to develop communication tools to translate complex climate data into actionable insights for both Members and colleagues, towards assessing properties' future climate risk at mortgage application stage. Ecology is one of four building societies on the project's Steering Group, also representing the voice of other small building societies.

Government, public sector and civil society

We collaborate through our finance and sustainable buildings partnerships, as well as with other civil society organisations, to advocate for policy change.

In 2024, we:

- Responded to the Financial Conduct Authority consultation on greenwashing guidance, calling for clearer guidance from the regulator around retail products, such as mortgages and savings which many more people hold, rather than solely focusing examples on investment funds.
- Responded to the UK Government consultation on the Future Homes and Buildings Standard, calling for the highest standards of energy efficiency, requirements for new homes to generate electricity on-site and the consideration in building regulations of embodied carbon from the materials used in construction.
- Signed the Stop Ecocide business and finance open letter, calling on our government to support the recognition of ecocide at the International Criminal Court and, where relevant, in national and regional legislation, and to positively engage in the growing global conversation to make this a reality.
- Wrote to the new Prime Minister congratulating him on his election win and again 100 days later, inviting him to look to Ecology's borrowers to see what "high-quality, well-designed, and sustainable homes and creating places that increase climate resilience and promote nature recovery" already look like. We urged him and his ministers to also look beyond the 'new' and make sure the homes we already have can be fit for the future.
- With other Business Declares member businesses, helped pay for a full-page Financial Times advert encouraging businesses to join the Restore Nature Now march and be part of the largest show of support for the natural world the UK has ever seen.

A critical dependency of our impact is the appetite of potential borrowers to build or renovate their homes to a high standard of energy efficiency and to adopt low-carbon heating. We also aim to collaborate to facilitate, inspire and inform our current and future borrowers as much as possible.

We sponsored Ethical Consumer's fourth Climate Gap report, an annual report on progress towards sustainable consumer lifestyles in the UK. This year's report concludes there's encouraging pace across four of the 12 areas assessed, but highlights significant gaps between where UK society is and where it needs to be in other areas.

Accountability

What we've done	What we're doing	What we will do
We've established climate risk governance, with senior management and Board-level engagement, including an Environment and Society Impact Committee. We've embedded sustainability induction training for all new starters, and routine sustainability updates throughout the year. We've reported the greenhouse gas footprint of our business operations since 2012 and our lending since 2021, and changed the way we report this year to show our progress year-on-year.	We're continuing to embed our approach to climate risk, in line with the Society's Enterprise Risk Management Framework, particularly using the detailed assessments of physical climate risks under a range of scenarios to inform our lending policy and underwriting processes. We're improving the accuracy with which we estimate supplier emissions, so we can better track reductions in future. We assess the physical risks to our mortgage book (flooding, subsidence and coastal erosion) under future climate change scenarios annually.	We'll further develop the Board's and Board Committees' schedule for oversight on transition planning and climate-related risks and opportunities. We'll explore ongoing training and knowledge share for all colleagues. We'll continue to seek new indicators of physical climate risks, such as over-heating, including engaging with research and innovation in data and modelling tools. We'll move from annual assessment to more dynamic management information on our emissions and climate risks.

Our progress against our targets

We use a range of metrics to demonstrate the impact of Ecology on climate change (greenhouse gas emissions) and the potential future impact of climate change on Ecology (physical and transition risk assessments).

In 2024 we have calculated a new baseline year for our financed emissions in line with the updates to our climate targets approved by our Board, and improved the way that we calculate emissions from our suppliers. We've also changed the way we present our emissions breakdown so that the categories are now in line with the Greenhouse Gas Protocol Corporate Standards, which international reporting standards require businesses to use. This means Ecology's emissions reporting can be more easily compared with peers. Full data tables showing our emissions from 2019 to 2024, with notes highlighting the reasons for restated figures, are available on page 73 and 74.

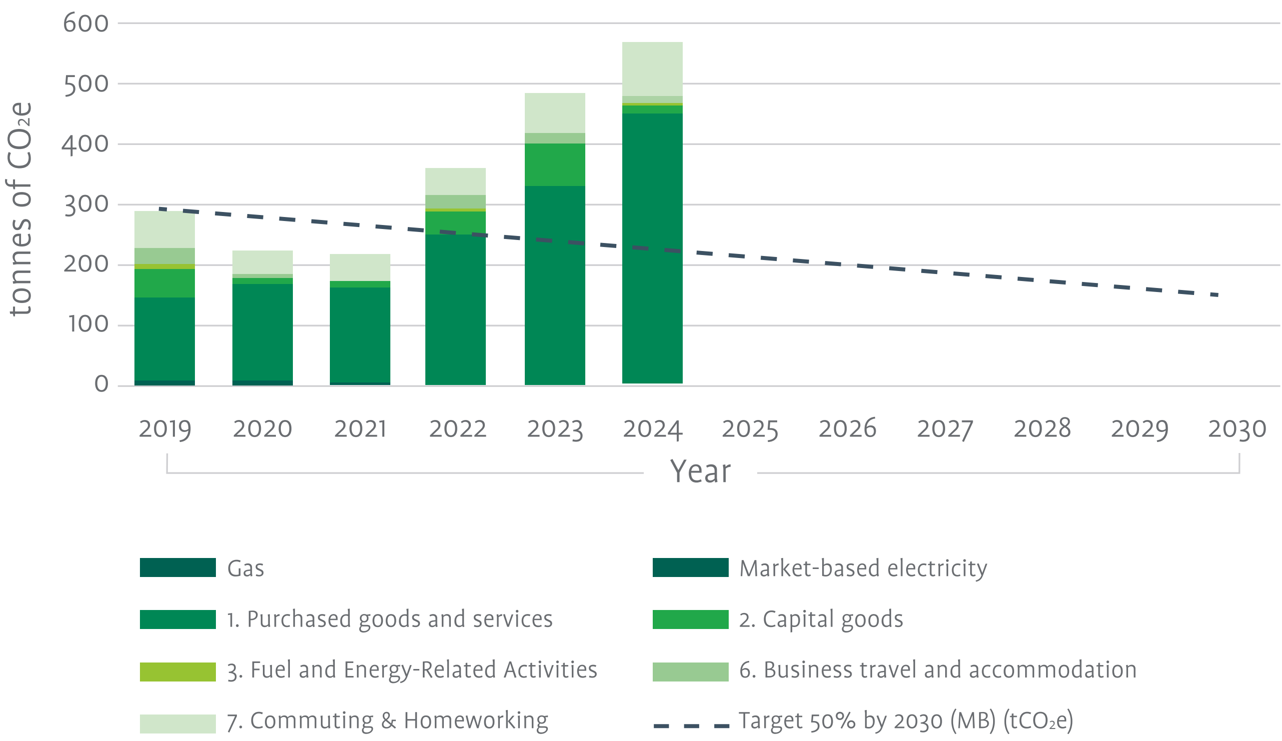
Our building, suppliers and colleagues

Targets:

- We will achieve zero greenhouse gas emissions from the electricity and heating of our headquarters by the end of 2025.
- We will halve emissions from our suppliers and colleagues against a 2019 baseline by 2030.

Since 2019, we've now reduced the gas use for heating our headquarters by almost 60% through efficiency measures, and business travel by 52%. In 2024, we generated 20% of our electricity through on-site solar energy generation and purchased the rest through a 100% renewable tariff with Ecotricity. This was a slight decrease on last year's proportion, as a higher number of our colleagues are making use of electric vehicle charging on-site, helping to mitigate higher commuting emissions from the rise in our colleague numbers. We have a sustainable travel plan to encourage and enable colleagues and visitors to make more active, healthy and environmentally-friendly decisions for travel and transport, including eliminating unnecessary travel. We continue to operate a hybrid working policy and report home-working as well as commuting emissions.

Greenhouse gas emissions from our operations: our progress

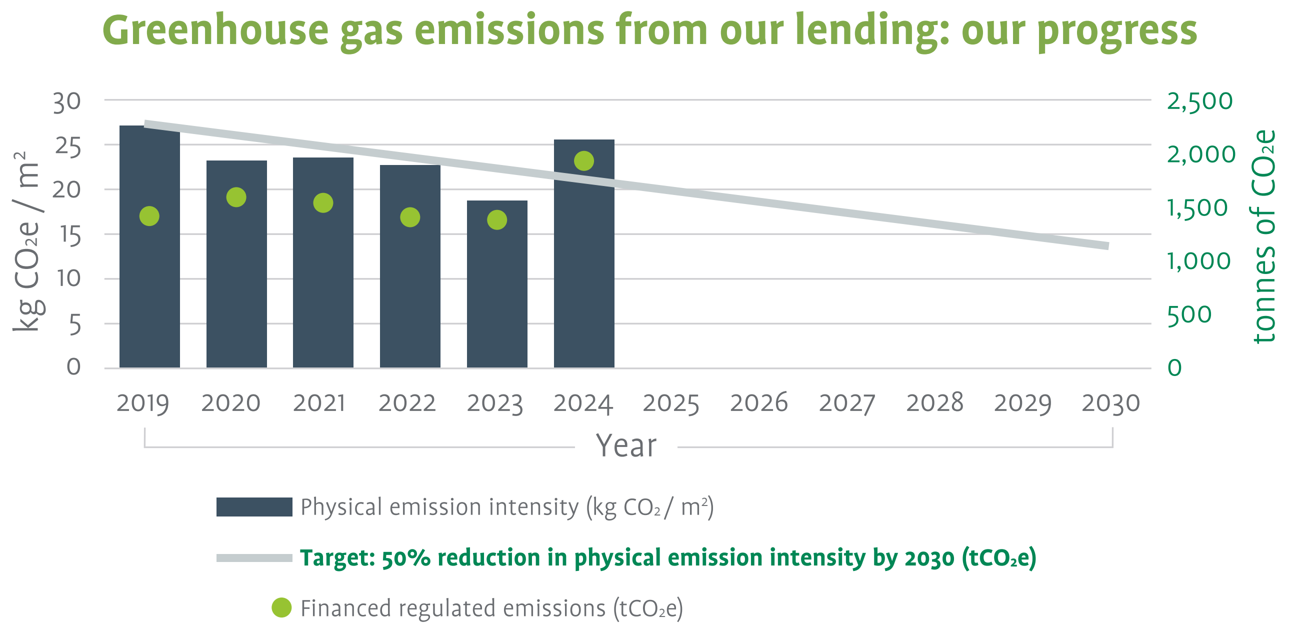


However, as we invest in our business transformation and larger team of colleagues, overall emissions from suppliers and colleagues have risen. This reflects our current higher spend with suppliers particularly around our transformation and more colleagues travelling and working from home. As a small company we have limited influence over other businesses, and wider societal travel and home energy infrastructure. We'll continue evolving our approach to tackling these emissions where we can have an influence, and reporting transparently on our progress and the barriers.

Operational emissions in 2024 were 566.86 tonnes CO2e, a 18% increase in our emissions from 2023 (482.1 tCO2e), and a 100% increase in emissions since our baseline year of 2019. However, this is only a 10% rise in emissions intensity based on our turnover, compared to 2019. Emissions from suppliers are estimated based on spend and an emissions intensity factor, so rises in spending are reflected through higher reported emissions. Reductions are dependent on suppliers taking action and reporting progress, and engaging their own supply chains. To better understand and reduce our supplier emissions where we can influence them, we have changed our calculation methodology to more accurately map suppliers and transactions to industry sector, and to incorporate supplier's publicly reported emissions intensity figures, where available. This updated calculation approach will help us prioritise suppliers for engagement.

Purchasing carbon credits

Our strategy focuses on emissions reductions first but we aim to take responsible action on the emissions from our operations, commuting, business travel and suppliers that we can't eliminate yet. We therefore use accredited greenhouse gas abatement schemes, to purchase carbon credits equivalent to our unavoidable emissions each year. We also support accredited UK tree-planting schemes, towards future carbon absorption.



Our lending

Target:
We will halve greenhouse gas emissions in our lending by 2030, and will achieve net zero greenhouse gas emissions in our lending by 2050 or sooner.

Our lending (financed emissions, also known as Scope 3, category 15) targets are expressed in terms of greenhouse gas emissions from fossil fuels used to provide regulated energy (for space and water heating, lighting and ventilation) when the home is in use. The target is by physical intensity in $kgCO_2e/m^2$, a measure that indicates whether we are improving energy efficiency and emissions reduction in spite of changes to the total floor area of properties we lend on as the number of properties changes.

Because our target is an intensity measure, we also report absolute emissions for transparency, as well as a weighted average by £000 of lending. This permits a comparison by normalising for the amount of lending in a given year.

To calculate our financed emissions, we use the Global Greenhouse Gas Accounting and Reporting Standard for the Finance Industry (the PCAF Global Standard) developed by the Partnership for Carbon Accounting Financials (PCAF). 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 greenhouse gas emissions from a residential property:

- **Regulated emissions** from fossil fuels used to provide energy for space and water heating and lighting (taken from the EPC, where available).
- **Unregulated emissions** from fossil fuels used to provide energy for other uses, such as appliances and chargers.

While our target refers to regulated emissions, combining regulated and unregulated emissions gives a complete picture of the emissions. UK financial institutions have in general chosen to report only financed regulated emissions, as they are directly influenced by the mortgaged aspects of the property, i.e. the fabric, heating technology and lighting. We choose to report both regulated emissions as per our target, and total regulated and unregulated emissions, to reflect a more realistic picture of properties' impact. Full data tables showing the emissions from our lending from 2019-2024 can be found on page 74.

Between 2023 and 2024, the average physical greenhouse gas intensity based on regulated emissions across all mortgaged properties with an EPC was 25.6 $kgCO_2e/m^2$ compared with 18.7 $kgCO_2e/m^2$ in 2023. Our absolute financed regulated emissions increased by 39.4% (2024: 1,949 tCO2e; 2023: 1,403 tCO_2e).
Our financed regulated emission intensity has also risen by 34.7% to 13.2 $kgCO_2e$/£000, compared to 9.8 $kgCO_2e$/£000 in 2023. This is still a decrease of 15.4% against our updated baseline year of 2019.

The rise is due to an increase in the proportion of D-G EPC-rated properties we're lending on, which are currently undergoing renovation or conversion. Our mortgages are designed to support this and reward our members progressively for greater improvements, so we expect temporary rises in our total emissions, knowing our lending is enabling future emissions savings.

At any given time, our portfolio is made up of properties that have been built or renovated to a good standard, plus properties with ratings in the lower EPC bands where Ecology is supporting their improvement, and those who've completed improvements. We've also seen a continued rise in the number of properties achieving A and B EPC ratings in 2024, which are responsible for a far smaller proportion of emissions per property. Page 66 shows the breakdown of EPCs across our portfolio from 2019 to present, showing this changing distribution year on year.

80% of the homes we'll be living in by 2050 already exist today, so retrofitting of existing buildings is critical in the transition to a low-carbon economy. However, our increased lending towards low-efficiency properties undertaking these renovations has had a short-term impact on our performance against our net zero target, while being the right thing to do to maximise emissions reductions. In future, we aim to measure and publish the total emissions reductions achieved by Ecology-mortgaged renovations each year. PCAF has recently published new draft guidance for financial institutions on reporting avoided emissions, where no standard previously existed.
As ways to quantify emissions reductions improve, we'll consider whether our target requires updating to ensuring we're tracking the most appropriate outcomes.

> "Our own transition to net zero demonstrates how we live our values and lead by example."
>
> **Gareth Griffiths, CEO, Ecology Building Society**

Our head office in Silsden, West Yorkshire

Climate risk scenario analysis

By assessing different scenarios, we are able to explore the resilience and vulnerability of our business model and strategy against a range of outcomes.

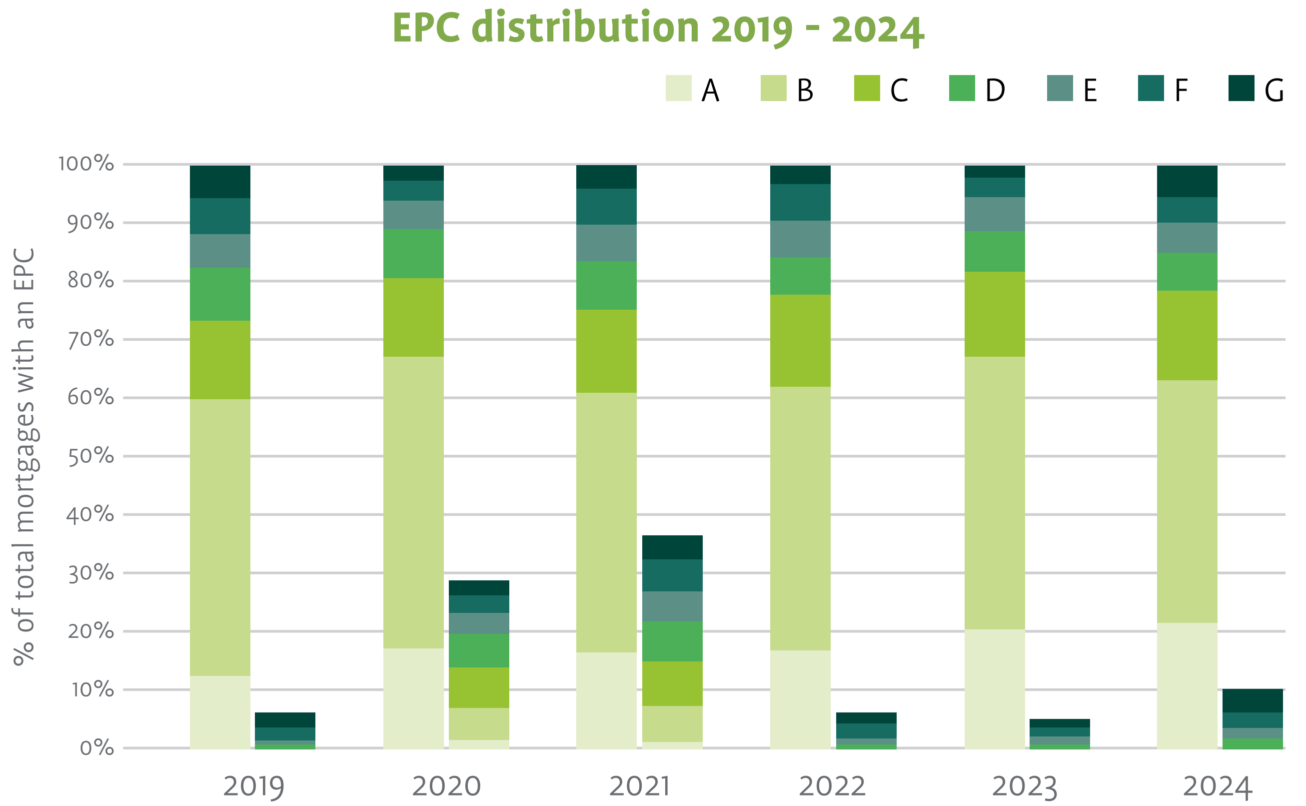
Transition risk assessment

The stress testing we carry out to inform our regulatory requirements (ILAAP and ICAAP) provides reassurance of Ecology's resilience to macroeconomic pressures (cost of living / war in Europe and the Middle East), employment changes and property values, which map onto potential transition risks. This is an area for further work in 2025. We will continue to evolve our scenario testing, informed by the Bank of England's regulatory guidance.

At a property level, as well as emitting high amounts of carbon dioxide, properties that have poor levels of insulation are at greater risk of higher fuel bills when energy prices increase. Properties that have an energy efficiency rating in the lowest bands (F or G) would be considered at greater transition risk than higher-rated properties.

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 have a number of properties that start their mortgage term with an F or G rating, but the nature of our mortgage lending is targeted at improving the energy efficiency rating of these properties, and so mitigating the risk of higher emissions and fuel bills. We seek to continue to increase our lending on renovation and conversion.

Based on all the EPCs currently available for properties in our mortgage portfolio, the average SAP score in 2024 was 77, 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.



Left hand column for each year shows all property types, compared to the right hand column, which shows only renovations and conversions where works are ongoing (in 2020 and 2021, complete and ongoing renovations are grouped). In 2024 we've lent on more than double the number of ongoing projects than in 2019.

Physical risk assessment

We commission third-party consultants to carry out an analysis of our mortgage book under a range of future climate change scenarios for flooding, subsidence and coastal erosion risks. For properties in Northern Ireland, the analysis only includes flooding, as no datasets are available for the other two risk categories. Given climate change impacts take time to materialise, the models assess the physical risks over several decades. The models also take account of planned interventions, such as flood defences and shoreline management plans.

To enable some commonality and benchmarking of scenario assessment, the Intergovernmental Panel on Climate Change (IPCC) has developed a set of representative concentration pathways (RCPs) for a range of future emissions of greenhouse gases at the global level. The Met Office and other agencies have modelled future UK climate using the RCP scenarios. We have assessed the future flood and coastal erosion risks under three RCPs:

- RCP2.6 is representative of a scenario that aims to keep global heating below 2°C, and requires emissions to be reduced in line with the Paris Climate Agreement, with net zero being achieved in 2050.
- RCP6.0 is described as a medium, intermediate scenario with some constraints on emissions, but with emissions not achieving net zero until 2100.
- RCP8.5 is a business-as-usual scenario, with emissions continuing to rise, leading to very dangerous global heating in coming decades.

We use RCP6.0 to inform our risk management approach; as global emissions and temperatures continue to rise this decade, we cannot rule out future climate disruption. We have selected the 2050s as the time frame for our assessment of physical risks, given the typical mortgage term is up to 30 years.

Using intermediate climate change scenarios, models show that in 2050, only a small proportion of the mortgage portfolio would be considered at high risk of flooding or subsidence, and no properties would be considered at risk of coastal erosion. We make provision for this within our Internal Capital Adequacy Assessment Process (ICAAP). We intend for our assessment to evolve over time to take account of property-specific and local adaptation mitigation, data permitting.

Flooding

Under the medium emission scenario (RCP6.0), in the 2050s, taking account of current and planned flood defences, 8.04% of Ecology mortgaged properties in the UK may be at high risk of flooding (impacted by one in 30-year flood events or by less frequent, but more severe, flood events, such as one in 75 years). From this assessment, we conclude exposure of Ecology's mortgage portfolio to future flood risk is low.

Coastal erosion

Under the medium emission scenario (RCP6.0), taking into account planned shoreline management plans, we assessed the potential for coastal erosion to affect Ecology mortgaged properties in Great Britain.

No properties in the analysis were at risk from coastal erosion before the end of their mortgage term. The climate model for coastal erosion does not yet include Northern Ireland. In 2024, 17% of Ecology's mortgaged properties were in Northern Ireland.

Subsidence

Under the medium emission scenario (RCP6.0, available for the first time in 2024), in the 2050s, 8.45% of Ecology mortgaged properties in Great Britain could experience an increase of 10% or more in their subsidence risk. We do not yet have data to be able to assess subsidence risk for properties in Northern Ireland. We continue to assess the exposure of our mortgage book to future subsidence risk as a result of climate change is low.

Governance

Board and Board Committees

The Board oversees the Society's response to climate risk through defined governance and oversight which is embedded in the articles of association. The Environment and Society Impact Committee (ESIC) assists the Board in articulating and developing Ecology's Environmental and Social Impact (ESI) strategy and overseeing Ecology ESI targets and practices. ESIC works in conjunction with the Board Risk Committee to advise the Board on the Society's risk appetite and tolerance with respect to environmental and social risk, to identify material ESI related risks and to ensure these are appropriately captured in Ecology's risk management framework.

The Board Skills Matrix has been clarified so that environmental awareness includes fundamental understanding of climate change and the associated physical and transition risks. Two of the Non-Executive Directors have specific skills on climate risk. Board members regularly attend externally-provided seminars, including on regulatory requirements.

The Board ensures that the Management Team takes full account of climate risk in its decision-making and assesses the materiality of climate-related risks over the short, medium and longer term, and opportunities on an ongoing basis. The Board ensures that the organisation's actions and responses are proportionate to the materiality of climate risks.

Senior Leadership Team

The Chief Executive Officer (CEO) is responsible for ensuring that climate risk is embedded across the Society. The CEO is supported by the Senior Leadership Team, who have combined responsibility for keeping abreast of external developments and opportunities relating to science, policy and innovation, where Ecology can drive forward on its environmental and social mission. All members of the Senior Leadership Team are responsible for ensuring the Board is provided with appropriate high-quality relevant management information, to enable Board members to assess climate risks, materiality and opportunities. The CFO is the executive sponsor overseeing climate-related disclosures.

Key Areas of controls

The demonstration and understanding of climate change is woven into our mission and it is essential we consider all climate-related risks, whether financial or not, as material to our business model and strategy. Climate risk is therefore considered cross-cutting and impacts on all of the Society's four risk categories: strategy, financial, credit, conduct and operational. As an embedded risk, climate risk is managed as part of the Society's broader Enterprise Risk Management Framework, through policies, procedures and risk and control matrices.

Strategy risk was a key consideration informing the development of Our 2030 Strategy and this Net Zero Transition Plan, which set out how we will address the climate and ecological emergency, while continuing to differentiate ourselves from our competitors and to be commercially successful.

Information on how climate change could impact our risks, expected time horizons and the potential impact on the business and our Members is set out in the table on pages 69 to 72. The table also highlights the aspects of Our 2030 Strategy which are designed to respond to, and mitigate, these risks.

Horizon scanning is important to inform strategic risk management. In addition to scanning competitors' positioning and products, we have enhanced our activities to engage in public policy discourse and development and to carry out research and thought leadership, in order to assist with product development and the offer to our Members.

Incentives and remuneration

Through Ecology's collective objectives, all colleagues have sustainability-linked objectives, supported by a set of behaviours through which sustainability is also embedded. Delivery of these objectives and behaviours is recognised through our performance framework.

Culture and skills, competencies and training

Ecology's culture is reinforced through our purpose-built HQ and day-to-day environment. All colleagues have benefitted from access to the Giki app to calculate their personal carbon footprint and find impactful environmental actions that suit their personal lives. All new starters, including new Non-Executive Directors, receive a dedicated sustainability induction, and we intend to further explore ongoing training and knowledge share for all colleagues in 2025 and 2026.

Information and data tables

Climate-related risks:

The potential impacts of climate change that may affect Ecology and our strategic response.

Climate-related risk category	Examples of the potential impact caused by climate change	Time horizon [Note 1]	Potential risk indicator [Note 2]	Our 2030 Strategy response [Note 3]
Strategic risk				
Transition	**Mission and business model – growth in green finance market** Increased competition from other green finance providers on savings and lending products may affect our financial performance. New market entrants provide range of attractive alternative green financing options. Introduction of minimum energy standards for private-owner-occupied property drives lenders to accelerate innovation in green mortgage products. Enhanced building regulations for energy efficiency drives other lenders to accelerate innovation in green mortgage products.	Short-medium	High	Impact-led products and services Collaboration and knowledge share Agitation for change [Note 4]
	Reputation Commitments to achieve net zero in lending or business operations may be hindered by inadequate government policies and regulation failing to improve building regulations and renewable energy provision or by fragmented supply chains that cannot meet demand for net zero homes.	Short-medium	High	
	Policy and regulation Failure of government to invest in national energy infrastructure to transition fully from fossil fuels to clean, renewable energy means properties will be unable to achieve net zero emissions. Failure of government to incentivise renovation and construction of net zero-ready properties (through improved building regulations and appropriate incentives) affects demand for energy-efficient homes. Political attention being diverted or derailed resulting in a loss of momentum on net zero policy and investment.	Short-medium	High	
	Economy Increased cost of raw materials, as the economy shifts away from fossil fuels, increases construction and renovation costs for mortgage borrowers, as well as fragmentation in the supply chain. Failure of policies to enable a smooth transition to curtail climate change impacts may cause an economic downturn and job losses, limiting new deposits or mortgage applications.	Medium	High	

Climate-related risk category	Examples of the potential impact caused by climate change	Time horizon [Note 1]	Potential climate risk indicator [Note 2]	Our 2030 Strategy response [Note 3]
Strategic risk (continued)				
Physical	Increased severity and frequency of extreme weather events causing flooding, coastal erosion, subsidence and over-heating, and damage to local and national infrastructure, leading to economic impacts and interest rate changes impacting Members' behaviour in relation to savings and mortgages. Changes in precipitation patterns and extreme variability in weather patterns affects food production, freshwater availability, living environment, heating and cooling demand, and local infrastructure, disrupting and diverting our activities away from delivering our strategy. Rising temperatures affect living conditions, working conditions and local infrastructure, disrupting and diverting our activity away from delivering our strategy.	Medium-long	Medium	Collaboration and knowledge share
Prudential risk				
Transition and physical	The potential financial impacts of the risks associated with climate change may result in a material change in capital requirements or capital holding. Decrease in savings balances may arise due to: 1. Economic distress of existing and future Members. 2. Loss in confidence in Ecology as a result of reputational damage on approach to addressing climate change. Widespread market repricing in response to policy and regulation. Value or net income from assets and liabilities may be affected by interest rate movements in response to economic impacts of climate change. Increased financial impacts may arise from: 1. Increase in business costs to demonstrate compliance. 2. Increase in costs from suppliers in order to achieve our net zero commitments. 3. Increase in competition from other lenders providing green finance products. 4. Changes to regulations which may affect the accounting treatment of innovative products.	Medium-long	Medium	Impact-led products and services Collaboration and knowledge share Agitation for change

Climate-related risk category	Examples of the potential impact caused by climate change	Time horizon [Note 1]	Potential climate risk indicator [Note 2]	Our 2030 Strategy response [Note 3]
Prudential risk (continued)				
Transition	The creditworthiness of borrowers may be affected, leading to default, for example, due to abrupt and unexpected shifts in energy costs, increased cost of living and changes in job market. The value of properties that do not meet energy standards may diminish. The value of properties with existing (fossil fuel) technology may diminish. Meeting new building regulations for new or retrofit property may prove challenging for borrowers' budgets. A failed transition will lead to contraction of the economy, affecting borrower confidence, reducing demand for new mortgage lending. Increased cost of raw materials may deter the retrofit or construction of new homes, including reduction in self-build projects.	Medium	High	Impact-led products and services Collaboration and knowledge share Agitation for change
Physical	Current or future physical climate risks may give rise to: 1. Diminished value of mortgaged property. 2. Increased insurance costs. 3. Increased demand for products for property adaptation (e.g. flood defence, cooling). Disruption of supply chains affects construction and retrofit activity.	Medium	Medium-high	Agitation for change
Conduct and Compliance risk				
Transition	Members may be disproportionately impacted if transition to a low-carbon economy is not fair and just. The drive to address climate-related risk could threaten our adherence to mission causing an imbalance in our lending away from wider societal benefit and failure to agitate for positive societal change. A failure to embed a culture aligned with our core values could result in poor outcomes for Members and an inability to achieve our mission, e.g.: – The best interests of our Members are not recognised within our decision-making process or policies and procedures. – Our product design and innovation does not respond effectively to meet the needs of our Members as climate change evolves. – The benefits and risks of our products are not clearly articulated to our Members to enable them to make informed decisions.	Medium	Medium	Impact-led products and services Collaboration and knowledge share Agitation for change

Climate-related risk category	Examples of the potential impact caused by climate change	Time horizon [Note 1]	Potential climate risk indicator [Note 2]	Our 2030 Strategy response [Note 3]
Conduct and Compliance risk (continued)				
Physical	Members may be disproportionately impacted by the physical impacts of climate change depending on the location, energy efficiency and climate resilience of their homes. Members need information to understand how their property may be affected under future climate risk scenarios to make informed decisions. Members require help to build their resilience and adapt their homes and communities to climate change.	Medium-long	High	Impact-led products and services Collaboration and knowledge share Agitation for change
Operational risk				
Transition and physical	Costs associated with reporting in order to demonstrate our sustainability credentials and differentiate our offer against a growing tide of greenwash may increase. Enhanced emissions-reporting obligations. Increased costs associated with regulatory changes. Increased costs to respond to climate risks may divert investments to other areas of operational infrastructure and strategic change. Increased demand for talent from other green finance providers may affect our ability to recruit and retain high calibre colleagues with the necessary skills and experience and who are aligned to our mission and values. Increased costs for appropriate and relevant training for all colleagues. Increased costs or lack of availability of suitable suppliers aligned to our mission.	Short-medium	Medium	Impact-led products and services Collaboration and knowledge share Agitation for change
Physical	Physical impacts such as flooding or storm damage may result in: 1. Damage to office or loss of systems or key data. 2. Colleagues unable to access key systems and data. 3. Failure of third parties to deliver goods and services. Increased Member communication activity in response to physical event.	Medium - long	Medium	Agitation for change

Note 1 Time horizon – short - (1-5 years), medium - (5-15 years) and long term - (15+ years).

Note 2 The potential climate risk indicator illustrates the magnitude of impact on Ecology as a business, or on Ecology's Members, where high indicates substantial disruption and/or financial impact.

Note 3 Areas of our 2030 Strategy that address climate risks and opportunities. See Strategy section for a description of our 2030 Strategy priorities.

Note 4 See Risk Management section for more detailed discussion on key strategic risks and how we propose to mitigate them.

Greenhouse gas emissions

Emissions arising from Ecology's business operations, commuting and supply chains [1, 2]

	2019 (Baseline year)	2020	2021	2022	2023	2024	2024 % change from baseline
Scope 1 (tCO_2e)							
Gas	**9.13**	7.35	6.83	5.12	4.64	**3.70**	-59%
Scope 2 (tCO_2e)							
Market-based	**0.00**	0.00	0.00	0.00	0.00	**0.00**	
Location-based	**7.26**	3.62	3.70	6.65†	7.85	**9.07**	25%
Total Scopes 1 & 2 (Market-based)	**9.13**	**7.35**	**6.83**	**5.12**	**4.64**	**3.70**	**-59%**
Total Scopes 1 & 2 (Location-based)	**16.39**	**10.97**	**10.53**	**11.77**	**12.49**	**12.77**	**-22%**
Upstream Scope 3 (tCO_2e)							
1. Purchased goods and services	**137.26***	164.80*	158.85*	248.78*	326.46*	**448.43**	227%
2. Capital Goods	**51.74***	8.59*	7.64*	37.36*	69.65*	**12.08**	-77%
3. Fuel and Energy-Related Activities	**4.16***	2.45*	2.48*	3.05*	3.57*	**3.80**	-9%
6. Business travel and accommodation	**28.10***	3.12*	1.99*	23.52*	11.99*	**13.51**	-52%
7. Commuting & Homeworking	**62.17***	39.71*	43.94*	45.85*	70.45*	**89.05**	43%
Total Upstream Scope 3	**283.43***	**218.67***	**214.90***	**358.56***	**482.12***	**566.87**	**100%**
Total Scope 1, 2 and 3 (market-based)	**292.56***	**226.02***	**221.73***	**363.68***	**486.76***	**570.57**	**95%**
Emissions per £000 turnover (tCO_2e/£000)	**0.066**	**0.052**	**0.043**	**0.050**	**0.060**	**0.072**	**10%**

Notes

[1] *Scopes 1, 2 and Upstream Scope 3 emissions are calculated in line with the Greenhouse Gas Protocol Corporate Standard and Corporate Value Chain (Scope 3) Standard. Emissions are calculated for Ecology by Small World Consulting.*

[2] *† denotes a figure which has been restated due to a calculation error.*

** denotes a figure which has been restated as part of alignment with the Greenhouse Gas Protocol Scope 3 categories and improvements to the calculation methodology for Categories 1 and 2. This includes alignment of hybrid (UK Government and Small World Consulting proprietary Extended Economic Input-Output model) emissions factors with the reporting year across Scope 3 categories by Small World Consulting. This restatement has resulted in a reduction in reported emissions for all years compared to historically published numbers, which reflects improvement to the estimation's accuracy.*

Emissions arising from Ecology's lending [1, 2]

	2019 (Baseline*)	2020	2021	2022	2023	2024
Emissions from properties with an EPC [3]						
% properties with an EPC	**65%**	67%	66%	68%	68%	**65%**
Physical carbon intensity ($kgCO_2e/m^2$)	**27.2**	23.3	23.6	22.9	18.7	**25.6**
Outstanding balance (£000)	**64,697**	81,679	90,829	101,386	108,051	**115,067**
Financed regulated emissions (tCO_2e) [4, 6]	**1,010**	1,047	1,124	1,092	1,053	**1,524**
Financed total emissions (tCO_2e) [5, 6]	**1,222**	1,319	1,334	1,278	1,228	**1,726**
Financed regulated emissions intensity (kg CO_2e/£000) [7]	**15.6**	12.8	12.4	10.8	9.8	**13.2**
Financed total emissions intensity (kg CO_2e/£000) [7]	**18.9**	16.2	14.7	12.6	11.4	**15.0**
Emissions from properties without an EPC [8]						
% properties without an EPC	**35%**	33%	34%	32%	32%	**35%**
Outstanding balance (£000)	**36,545**	31,948	41,840	47,353	54,164	**66,359**
Financed regulated emissions intensity (tCO_2e) [4, 6]	**414**	555	439	322	350	**425**
Financed total emissions intensity (tCO_2e) [5, 6]	**518**	580	541	402	428	**526**
Total (all in-scope properties) [9]						
Outstanding balance (£000)	**101,242**	113,627	132,669	148,739	162,215	**181,426**
Financed regulated emissions (tCO_2e) [4, 6]	**1,424**	1,603	1,563	1,414	1,403	**1,949**
Financed total emissions (tCO_2e) [5, 6]	**1,740**	1,899	1,875	1,680	1,656	**2,252**
Weighted emissions data quality score [3]	**3.7**	3.6†	3.6†	3.6	3.7	**3.8**

Notes

[1] *Downstream Scope 3 Category 15 – Investments are calculated in line with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard and the Global Greenhouse Gas Accounting and Reporting Standard for the Finance Industry (the PCAF Global Standard).*

[2] † *denotes a figure which has been restated due to a calculation error.*

* *denotes figures which are being newly stated as part of aligning the baseline year for Ecology's updated net zero targets across all scopes.*

[3] *The PCAF Global Standard gives guidance on scoring data quality from highest quality data where emissions are based on actual fuel consumption (1) through to lower quality data where emissions are estimated (5). We rate emissions from EPCs as 3, as they are estimated through the SAP model using details about the property's form, fabric and technology, and estimates made in the absence of EPCs as 5. A weighted data quality score is calculated and reported for the total.*

[4] *Regulated emissions (for space and water heating and lighting) come from the EPC for each property where available. A recognised limitation of EPCs is that the greenhouse gas emissions are not automatically updated to reflect the changing carbon intensity of the grid, over-estimating actual emissions.*

[5] *Total emissions include regulated emissions from the EPC and an estimate of emissions from other (unregulated) energy use. Property-specific information is not available, therefore we apply an average to all properties, calculated from the latest Ofgem typical consumption value and the UK Government's greenhouse gas conversion factors for the grid plus transmission and distribution. Unregulated energy varies over time, partly due to occupant behaviour (for example, the move to electric cars, will result in more charging at the property) and partly due to the carbon intensity of the national electricity supply, which is gradually decreasing.*

[6] *Financed emissions are calculated by multiplying the property emissions by the ratio of loan to value. The PCAF Global Standard recommends using the valuation at origination. However, the majority of Ecology mortgages involve the release of funds as the property is built or renovated and its valuation increases, in which case the loan to value ratio for each property was calculated based on the latest valuation, rather than the valuation at origination. The latest valuation may include an adjustment to the last physical valuation based on the regional house price index for each mortgaged property.*

[7] *Financed emission intensity is a Weighted Average Carbon Intensity (WACI) based greenhouse gas emissions from annual energy use at all properties with an EPC, per thousand pounds of lending. This allows equivalent comparisons across different product types and portfolios.*

[8] *A proportion of properties do not have an EPC, either because their purchase pre-dates the requirement for one or because an EPC assessment has not yet been carried out since works have been completed. We estimate emissions for properties where works are complete, but their EPC is not yet available. Ecology's lending criteria mean that our mortgages are different from UK averages, or similar neighbouring properties. Therefore rather than model missing EPCs based on generalisations of UK housing stock, we use an trimmed average of EPCs of the same property type within our portfolio, excluding outliers. We give these estimates a data quality score of 5.*

[9] *Our 2030 intermediate targets cover 100% of our lending portfolio. However, as we finance properties under construction, in any given year there will be a proportion of incomplete properties yet to produce operational emissions. These are excluded from reporting until completed.*

Independent Auditor's Report to the Members of Ecology Building Society

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2024 and of the Society's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Ecology Building Society (the 'Society') for the year ended 31 December 2024 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of Changes in members' interests, the Cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Compliance Committee.

Independence

We were first appointed by the Board of Directors on 29 September 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 31 December 2020 to 31 December 2024. We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Directors' assessment of going concern including supporting financial forecasts through comparing historical financials with forecast financial performance to ensure the management is not over-optimistic.
- Reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal liquidity adequacy assessment process (ILAAP) and regulatory capital and liquidity requirements with the assistance of our internal regulatory experts;
- Assessing the appropriateness of the assumptions and judgements made in the base forecast and stress-tested forecasts, including reverse stress test scenarios. In doing so we agreed key assumptions such as forecast growth to historic actuals, relevant market data and considered the worst case scenario of the Directors' forecasts;

- Assessing how the Directors' have factored in key external factors expected to affect the Society such as the decline in interest rates, house prices, climate change, inflation and their corresponding economic impact, checking these had been appropriately considered as part of the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2024	2023
Key audit matters	Revenue Recognition	✓	✓
	Impairment losses on loans and advances	✓	✓
Materiality	Materiality used on Society financial statements as a whole: £223k (2023: £179k) based on 1.25% (2023: 1%) of Net assets (2023: Net assets)		

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Society's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Society's transactions and balances which were most likely to give risk to a material misstatement.

Climate change
The disclosure of the Directors' consideration of the impact of climate change on the operations of the Society is included in the Strategic Report and forms part of the Statutory "Other information".

Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities as set out in the "Other information" section of our audit report below.

In note 1, the Directors have explained how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. These disclosures also explain the uncertainty regarding effects arising from climate change including the impact on accounting judgments and estimates for the current period under the requirements of accounting standards.

We have performed our own quantitative and qualitative risk assessment of the impact of climate change on the Society, taking into consideration the sector in which the Society operates and how climate change affects this particular sector. We reviewed the minutes of the Audit and Compliance Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Society's commitment may affect the financial statements and our audit.

Based on our procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – effective interest rate adjustment *The Society's accounting policies are disclosed in note 1.2 "Interest" and Note 1.11 "Assumptions and estimation uncertainties".*	The loans and advances held at amortised cost presented in Note 11 to the financial statements contain prepaid application fees as well as accrued interest income which are spread over the behavioural life of the loans using the Effective Interest Rate ("EIR") method in accordance with the requirements of FRS 102 Section 11. This method involves adjusting fee and interest income to ensure it complies with the EIR method. The model used to achieve this are complex and reliant on the completeness and accuracy of input data. The key assumptions in the EIR model are the directly attributable fees and costs and the expected behavioural life and redemption profiles of the mortgages.	We obtained an understanding of the design and operating effectiveness of the Society's controls over the application of the effective interest rate method, including key reconciliations and processes to ensure complete and accurate capture of fees, interest charges, customer payments and balances. We assessed the reasonableness of the loan behavioural life assumptions used by management considering historical experience of loan behavioural lives based on customer behaviour, product type, market factors where applicable. We tested the completeness and accuracy of data and key model inputs feeding into the EIR model, on a sample basis, agreeing these back to source data, such as loan contracts. We assessed the types of fees and costs being included and spread within the effective interest rate model versus the requirements of the applicable financial reporting standards. Through inspection of contractual terms we challenged the fees and costs included or excluded from the effective interest rate estimates, including early redemption charges. We verified the arithmetic accuracy of the EIR model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the EIR model and recalculated the model output.

Key audit matter (continued)		How the scope of our audit addressed the key audit matter
Revenue recognition – effective interest rate adjustment *The Society's accounting policies are disclosed in note 1.2 "Interest" and Note 1.11 "Assumptions and estimation uncertainties".*	We have determined that error or bias within the behavioural life assumption included within the EIR model as most likely to result in the material misstatement of revenue. As such this was considered to be a fraud risk and key audit matter.	We assessed the reasonableness of the model for its sensitivities to changes by considering different profiles of behavioural life. We reviewed the relevant interest income and effective interest rate disclosures made by management for compliance with accounting standards and agreed the disclosures to supporting evidence. **Key observations:** We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Society's mortgage portfolio, historic behaviours and current economic and market conditions.

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment losses on loans and advances *The Society's accounting policies are detailed in note 1.5 "Financial instruments" with detail about judgements in applying accounting* *policies and critical accounting estimates on note 1.11 "Assumptions and estimation uncertainties".* *As disclosed in Note 12, the total impairment provision at year-end is £378k (2023: £596k).*	The Society accounts for the impairment of loans and advances to customers using an incurred loss model. In accordance with applicable accounting standards, management has calculated two types of provisions: (i) A specific provision is calculated for loans where there is an observable loss event. (ii) A collective provision is recognised for loans which are impaired as at the year-end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans. The collective and specific provision is sensitive to key judgements and assumptions in respect to the underlying value of collateral held including house price valuations and forced sale discounts.	We obtained an understanding of the design and operating effectiveness of the Society's controls across the process relevant for impairment loss on loans and advances. We tested the operating effectiveness of the loan management system control that identifies loans in arrears. We reconciled the loan balances in the impairment models to the loan book to test whether the relevant loan populations were being considered for impairment. We have independently assessed the valuation of collateral using an independent index applied to the book and have considered the impact of area specific indexes in the loan loss model. We have tested a sample of loans, including performing loans for impairment indicators including arrears and high loan to values to identify individual loans, which may have impairments not identified by management to challenge the completeness and accuracy of management's impairment provision estimate.

Key audit matter (continued)		How the scope of our audit addressed the key audit matter
Impairment losses on loans and advances *The Society's accounting policies are detailed in note 1.5 "Financial instruments" with detail about judgements in applying accounting policies and critical accounting estimates on note 1.11 "Assumptions and estimation uncertainties".* *As disclosed in Note 12, the total impairment provision at year-end is £378k (2023: £596k).*	As a result of the significant judgement required in determining the provisions we considered this to be a key audit matter.	For the specific and collective impairment provision, we evaluated and challenged management key assumptions in the model. The assumptions challenged primarily focused on the House Price Index (HPI) and forced sales discount. These were challenged with reference to historic Society experience, the reasonableness of external data points used, and the level of the overall collective impairment provision to comparable peer organisations. We assessed the collective and specific impairment provision for sensitivity to changes in key inputs including comparing the total provision coverage against comparable lenders. This was compared to plausible stress scenarios obtained from credible and independent sources. We assessed the adequacy of the Society's disclosures in respect of loan loss provisioning and of the degree of estimation involved in arriving at the provision. **Key observations:** We have not identified any indicators to suggest that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made or that the related disclosures are not appropriate

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2024 £	2023 £
Materiality	£223,000	£179,000
Basis for determining materiality	1.25% of Net assets	1% of Net assets
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. Net assets is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits. We used 1.25% of Net Assets for 2024, constituting an increase of 0.25% as a result of our increased understanding of the Society and our underlying risk assessment factors.	
Performance materiality	£167,250	£134,000
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience. On the basis of our risk assessment together with our assessment of the Society's overall control environment and expected total value of known and likely misstatements, based on past experience, our judgment was that overall performance materiality for the Society should be 75% of materiality.	

Reporting threshold
We agreed with the Audit and Compliance Committee that we would report to them all individual audit differences in excess of £11k (2023:£9k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Building Societies Act 1986 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

Annual business statement and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ■ The annual business statement and the Directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986; ■ The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ■ The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given. In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion: ■ adequate accounting records have not been kept by the Society; or ■ the Society financial statements are not in agreement with the accounting records; or ■ we have not received all the information and explanations we require for our audit.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in Note 26 for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Society and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Society's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be the Building Societies Act 1986 and tax legislation.

The Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of legal correspondence and correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

Irregularities including fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Society's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and

Conducting a review of correspondence with and reports from the regulators, including the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and in relation to accounting estimates such as the EIR and loan loss provisioning.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report 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, for our audit work, for this report, or for the opinions we have formed.

James Billingham
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

11 March 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

for the year ended 31 December 2024

	Notes	**2024 £000**	2023 £000
Interest receivable and similar income	2	**18,751**	17,202
Interest payable and similar charges	3	**(10,843)**	(9,055)
Net interest		**7,908**	8,147
Income from investments		**50**	61
Fees and commissions receivable		**6**	4
Fees and commissions payable		**(104)**	(101)
Other operating income		**51**	42
Net (loss)/gain from other financial instruments	14	**–**	(3)
Total net income		**7,911**	8,150
Administrative expenses	4	**(7,395)**	(6,625)
Depreciation and amortisation	13 & 15	**(163)**	(135)
Operating profit before impairment losses and provisions		**353**	1,390
Provisions for impairment (charge) on loans and advances	12	**218**	(27)
Provisions for impairment charge on investments	14	**(126)**	(25)
Profit before tax		**445**	1,338
Tax expense	7	**(121)**	(318)
Profit for the financial year		**324**	1,020
Other comprehensive income		**–**	–
Total comprehensive income for the year		**324**	1,020

Statement of financial position

at 31 December 2024

	Notes	2024 £000	2023 £000
Assets			
Liquid assets			
Cash in hand and with the Bank of England	8	**75,661**	54,474
Treasury bills and similar securities	10	**991**	5,425
Loans and advances to credit institutions	9	**6,773**	5,811
Loans and advances to customers	11	**250,342**	241,081
Tangible fixed assets	13	**1,300**	1,350
Investments	14	**325**	640
Intangible assets	15	**160**	224
Other debtors	16	**1,157**	700
Total assets		**336,709**	309,705
Liabilities			
Shares	17	**307,085**	280,154
Amounts owed to credit institutions	18	**1,018**	–
Amounts owed to other customers	18	**9,296**	9,813
Corporation tax payable	19	**125**	292
Other liabilities	20	**979**	1,329
Accruals		**258**	199
Deferred tax liability	21	**89**	93
Total liabilities		**318,850**	291,880
Reserves			
General reserves		**14,968**	14,934
Core Capital Deferred Shares	24	**2,891**	2,891
Total reserves attributable to Members of the Society		**17,859**	17,825
Total reserves and liabilities		**336,709**	309,705

These accounts were approved by the Board of Directors on 11 March 2025 and were signed on its behalf by:

Louise Pryor
Chair

Gareth Griffiths
Chief Executive Officer

Christopher White
Chief Financial Officer

Statement of changes in Members' interests

as of 31 December 2024

	General reserve 2024 £000	**Core Capital Deferred Shares 2024 £000**	**Total 2024 £000**	General reserve 2023 £000	Core Capital Deferred Shares 2023 £000	Total 2023 £000
Balance at 1 January	**14,934**	**2,891**	**17,825**	14,203	2,891	17,094
Total comprehensive income for the period						
Profit for the year	**324**	**–**	**324**	1,020	–	1,020
Sub total	**324**	**–**	**324**	1,020	–	1,020
Distribution to the holders of Core Capital Deferred Shares	**(290)**	**–**	**(290)**	(289)	–	(289)
Balance at 31 December	**14,968**	**2,891**	**17,859**	14,934	2,891	17,825

Cash flow statement

for the year ended 31 December 2024	Notes	**2024 £000**	2023 £000
Cash flows from operating activities			
Profit before tax		**445**	1,338
Adjustments for			
Depreciation, impairment and amortisation	13 & 15	**163**	135
Movement in investment fair value, conversion loss and impairment	14	**126**	28
Loss on disposal of tangible assets value		**–**	2
(Decrease)/Increase in impairment of loans and advances	12	**(218)**	27
Sub total		**516**	1,530
Changes in operating assets and liabilities			
Increase in prepayments, accrued income and other assets		**(457)**	(383)
Decrease/(Increase) in accrued interest treasury bills and debt securities		**56**	(21)
Increase/(Decrease) in accruals, deferred income and other liabilities		**60**	(69)
Increase in loans and advances to customers		**(9,043)**	(23,392)
(Increase)/Decrease in loans and advances to credit institutions		**(8)**	498
Increase in shares		**26,931**	4,775
Increase in amounts owed to credit institutions		**1,018**	–
(Decrease) in amounts owed to other customers	18	**(517)**	(315)
Decrease/Increase in other creditors		**(350)**	597
Taxation paid		**(292)**	(372)
Net cash generated/(utilised) by operating activities		**17,914**	(17,152)
Cash flow from investing activities			
Purchase of debt securities	10	**–**	–
Disposal of debt securities	10	**–**	1,000
Purchase of treasury bills	10	**(3,414)**	(16,415)
Disposal of treasury bills	10	**7,791**	18,942
Repayment/Disposal of investments	14	**189**	27
Purchase of tangible fixed assets	13	**(49)**	(201)
Purchase of intangible fixed assets	15	**–**	(256)
Net cash generated by investing activities		**4,517**	3,097
Cash flows from financing activities			
Distribution to holders of Core Capital Deferred Share		**(290)**	(289)
Net cash (utilised) by financing activities		**(290)**	(289)
Net (decrease)/increase in cash and cash equivalents		**22,141**	(14,344)
Cash and cash equivalents at 01 January		**60,281**	74,625
Cash and cash equivalents at 31 December	8	**82,422**	60,281

In line with the disclosure requirements of FRS 102, interest received was £18.453m (2023: £16.859m) and interest paid was £7.889m (2023:£6.598m).

Notes to the Accounts

1. Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

1.1 Basis of preparation

Ecology Building Society (the "Society") has prepared these annual accounts:

- In accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, The Financial Reporting Standard, applicable in the UK and Republic of Ireland ("FRS 102") as issued in January 2022. The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.
- On the historical cost basis, except in the case of Financial Instruments which are measured in line with FRS 102 (sections 11 and 12) and treated as either basic or non-basic. Basic instruments are measured at amortised cost and non-basic instruments are stated at their fair value. As per Note 14, certain non-basic financial instruments are carried at cost less impairment, due to the absence of suitable inputs to fair value methodology.

Going Concern

The financial statements have been prepared on the going concern. The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from date of approval of these financial statements. In line with the UK Corporate Governance Code (2018) the Society and its Board have considered the outlook and prospects of the Society over a period longer than the 12 months required by the going concern statement.

In making the assessment of going concern and viability, the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period. The Directors have also prepared forecasts which consider the effect of operating under stressed, but plausible, events that would impact on the Society's business, financial position, capital and liquidity. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to the outlook for interest rates, inflationary and other macroeconomic pressures.

Furthermore, the Society is required to review, annually, our Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), which include the requirement to stress test our capital and liquidity positions respectively over a range of severe, but plausible, scenarios. The stress tests model the impact of changes to various factors, including residential house prices, borrowers' propensity to default, interest rates and circumstances that may give rise to funding outflows.

The going concern assessment has also considered the current and predicted impacts of climate-change on the Society. This includes considerations of the markets in which the Society conducts business, the Society's operations and any potential impact on the Society's assets. The accounting judgments and estimates made consider physical and transition risks on credit risk and asset values whilst recognising many of the effects arising from climate change will be longer term in nature.

After considering all this information, the Directors' knowledge and experience of the Society and the markets in which it operates, the Directors are satisfied that the Society has adequate resources to continue in business for a period of at least 12 months from the date of signing the financial statements and should therefore present the Annual Report and Accounts on a going concern basis.

1.2 Interest

Interest income and expense are recognised in profit or loss using the amortised cost effective interest method. The 'effective interest rate' (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

The calculation of the effective interest rate includes transaction costs and fees and commissions paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the Statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

1.3 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.2).

Other fees and commission income – including account servicing fees and introducers' commission on house insurance – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to introducer fees specific to the Society's revenue generating activities (excluding EIR already covered by 1.2).

1.4 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.5 Financial instruments

Recognition

The Society initially recognises loans and advances and deposits on the date on which they are originated.

All other financial instruments are recognised on the trade date which is the date on which the Society becomes a party to the contractual provisions of the instrument.

Upon initial recognition, the classification of a financial instrument takes into account the contractual terms of the instrument including those relating to future variations. Re-assessment is only required subsequently when there has been a modification of relevant contractual terms.

Classification

The Society classifies its financial assets and liabilities under FRS102 into one of the following categories:

- Equity

The Society classifies all investments in non-derivative financial instruments that are the equity of the issuer (e.g. ordinary shares) as basic equity instruments.

Basic equity instruments are measured at fair value, with fair value changes recognised immediately in profit or loss.

- Debt

Basic

Basic debt instruments are financial assets where the contractual return is a fixed amount and/or a positive variable rate. This includes all loans and advances and certain investments (as detailed in Note 14).

Basic debt instruments are initially measured at transaction price plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Interest income is recognised in profit or loss using the effective interest method (see 1.2).

Non-Basic

The Society classifies Investments as non-basic debt instruments where the contractual return is based upon the underlying performance of the entity and therefore not determined by a positive fixed or variable rate.

Non-Basic debt instruments are measured at fair value, with fair value changes recognised immediately in profit or loss.

If a reliable measure of fair value is no longer available, the Society measures the asset at amortised cost less impairment until a reliable measure becomes available.

Fair value measurement

'Fair value' is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

When available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If a reliable measure of fair value is not available, the Society measures the asset at amortised cost less impairment until a reliable measure becomes available.

Derecognition

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between: (i) the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other comprehensive income (OCI) is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

During the year ending 31 December 2024, the Society has not transferred any financial assets to another party that did not qualify for derecognition.

Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer.
- Default or delinquency by a borrower.
- The restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise.
- Indications that a borrower or issuer will enter bankruptcy.
- The disappearance of an active market for a security or other signs a wholesale investment market or counterparty may be distressed.
- Observable data relating to a group of assets, such as adverse changes in the payment status of borrowers.

The Society considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment.

A range of factors will be considered to determine whether a specific provision is required to be held against a loan including if the loan is in arrears or possession. Further qualitative factors may also be taken into account. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the Society uses statistical modelling of historical trends of the default rate, the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. The impact of continued turbulent economic conditions during the current financial period in relation to the ongoing combined effects of the cost of living crisis and high interest rate and inflation environment in which we have been operating have been considered in sensitivity analysis.

Default rates, loss rates and the expected timing of recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate along with using external data to inform assumptions. However, due to the continued macro-economic and political uncertainty a post model adjustment (PMA) has been added to the overall mortgage provisioning to reflect the challenges in the current environment. The PMA reflects the heightened risk of borrower distress within the Society's current mortgage book (i.e. borrowers showing triggers for impairment that, as yet, have not been observed by the Society).

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset, based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date, using the original effective interest rate of the existing financial asset.

A range of forbearance options are available to support customers who are in financial difficulty. The Society has reviewed the forbearance options it offers members in light of 'The Mortgage Charter', which was signed by the Ecology Building Society when launched by the UK Government in 2023. The Society is satisfied it meets the expectations of the Charter including:

- Communication with members on options available when experiencing payment difficulties,
- Ensuring customers' homes would not be repossessed within 12 months of defaulted payments and
- The availability to customers of options such as interest-only payment periods, mortgage term extensions and temporary payment deferrals to support them in difficult periods.

The purpose of forbearance is to support borrowers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- Interest-only payments
- Payment deferral
- Mortgage term extensions

Borrowers requesting a forbearance option may need to provide information to support the request. If the forbearance request is granted, the account is monitored in accordance with our policy and procedures. At the appropriate time, the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is restored.

Loans that are subject to restructuring may only be classified as restructured and up-to-date once a specified number and/ or amount of qualifying payments (i.e. a full contractual payment) have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment going forward. Typically, the receipt of six months of qualifying payments is required.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

Interest on the impaired assets continues to accrue. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss. Assets will only be written off where the Society believes there is no reasonable expectation the value of the assets is recoverable.

1.6 Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents comprises cash in hand and unrestricted loans and advances to credit institutions. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

The Statements of Cash Flows have been prepared using the indirect method.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets; for example, land is treated separately from buildings.

The Society assesses, at each reporting date, whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings – 50 years
- plant and machinery – 10 years
- fixtures and fittings – 4 to 10 years
- motor vehicles – 4 years
- computer, hardware and associated software – 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

1.8 Intangible assets

Intangible assets are recognised when identified, have a probable flow of economic benefits, their cost can be reliably measured, and the Society controls the asset. This differentiates them from the treatment of SaaS arrangements described separately.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 of FRS 102 Impairment of Assets when there is an indication that an intangible asset may be impaired.

1.9 Software as a service

The Society treats software acquired through a SaaS arrangement as a service contract. These contracts provide the Society the right to access and use software hosted by a third party over a specified period. The SaaS arrangement does not result in the recognition of an intangible asset, as the Society does not have control of a separate identifiable asset. Therefore, no asset is recorded on the statement of financial position.

Expenses incurred in relation to software, including subscription fees and implementation costs, are included in operating expenses either at the point the costs are incurred or spread over the life of the contract, depending on the nature of the costs.

Recognition and Measurement

Costs Expensed as incurred include:

- Implementation Costs: Costs incurred to set up and configure the software are expensed as incurred. These costs do not create a separate intangible asset as the Society does not control the software.
- Other Implementation Costs: These costs to support the implementation of the software, such as data conversion, training, and testing, are expensed as incurred (i.e. when the service is delivered).

Costs Spread over the life of the contract include:

- Customisation and configuration Implementation Costs: These costs, are expensed across the life of the contract with the SaaS provider as they are 'not distinct' (i.e. they are not separately identifiable from the Society's right to receive access to the software) and
- Subscription Fees: Subscription fees paid for the software is recognised as an expense over the period of the service on a straight-line basis.

1.10 Provisions

A provision is recognised in the balance sheet when the Society has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.11 Equity instruments

Issued financial instruments are classified as equity instruments where the contractual arrangement with the holder does not result in the Society having a present obligation to deliver cash or to transfer any other value. Accordingly, the Society's Core Capital Deferred Shares are treated as equity instruments, while Shares held by Individuals are classified as liabilities due to the obligation.

The proceeds of issuing equity instruments are recognised within equity, net of directly attributable costs and tax.

Distributions to holders of equity instruments are recognised directly in equity when they are paid as a deduction from the General Reserve.

1.12 Critical accounting judgments and estimates

Certain asset and liability amounts reported in the accounts are based on management judgements and assumptions. There is, therefore, a risk of changes to the carrying amounts of these assets and liabilities within the next financial year.

Impairment losses on loans and advances to customers

The determination of impairment provisions for mortgages is inherently uncertain, requiring significant judgement and estimation. In undertaking this assessment, the Society makes judgments on whether there is evidence that could indicate the default rate, timing of recoveries and the amount of loss incurred on a particular loan portfolio. The Society is fortunate to have low arrears and possession experience, and, due to the size and nature of the book, is able to utilise its specific knowledge of individual cases and arrears management when assessing the assumptions to use. For example:

- The incurred loss on loans and advances, as a result of the potential movement in house prices.
- The default rate.
- The likely discount on the sale of properties in possession and
- The length of time to disposal.

Whilst the Society acknowledges that it could purchase statistics to provide data on which to model its provisioning, it considers that, due to the uniqueness of its loan book, it is more appropriate to use its own losses and arrears experience. The Directors believe that the time to sale period and forced sale discount used in previous years addresses the risk of the current challenging macroeconomics.

This year the Society has removed the adjustments of -5% for house price defection assumed in 2023 to reflect the improving macroeconomics and more positive house price inflation assumptions. Although these adjustments are based upon credible data statistics, they are nevertheless subjective. If house price deflation was in fact -2.5%, then the impairment provision would be increased by approximately £92k.

Effective interest rate (EIR) applied to loans and advances to customers

The impact of mortgage fees on the EIR included in the Statement of comprehensive income is £122k (2023: £97k) with an EIR asset included in the Statement of financial position of £276k (2023: £349k). The most significant component of the application of the EIR method in the measurement of mortgages and the recognition of mortgage fees is the determination of the expected life of the Society's mortgages, which forms the basis of the period over which fee income is spread. Estimates of behavioral expected life are based on the Society's mortgage redemption experience over the previous five-year period and are reviewed on a quarterly basis to ensure they remain appropriate. A period of 5 years is considered a reasonable period over which to assess mortgage redemption experience to ensure cyclicality in market conditions is incorporated within the Society's estimate in this area. Any changes to the average life will create an adjustment to the loan balance in the Statement of financial position with a corresponding adjustment to interest receivable in the Statement of comprehensive income.

Should the actual average life of a mortgage increase/decrease by 10% from that assumed, interest income for 2024 would increase/(decrease) by approximately £27k/(£27k) (2023: increase/(decrease) by approximately £11k/(£9k).

Recognition and measurement of software as a service

The Society treats software acquired through a SaaS arrangement as a service contract. These contracts provide the Society the right to access and use software hosted by a third party over a specified period. The SaaS arrangement does not result in the recognition of an intangible asset, as the Society does not have control of a separate identifiable asset. Therefore, no asset is recorded on the statement of financial position.

Expenses incurred in relation to software, including subscription fees and implementation costs, are included in operating expenses either at the point the costs are incurred or spread over the life of the contract, depending on the nature of the costs.

Investments

In accordance with accounting policy 1.5, at each reporting date the Society assesses whether there is evidence that financial assets not carried at fair value through profit or loss are impaired. The determination of an impairment provision requires judgement and estimation. In undertaking this assessment, the Society makes judgments on whether an impairment indicator exists, and the extent of any impairment recognised, based on available performance data and knowledge of the individual investments.

Financial instruments

Information about other assumptions, judgements and estimation uncertainties that have a significant risk of resulting in a material adjustment in relation to the determination of fair value of Financial instruments for the year ending 31 December 2024 are described in accounting policy 1.5.

2. Interest receivable and similar income

	2024 £000	2023 £000
On loans fully secured on residential property	**14,736**	12,829
On other loans	**829**	741
On debt securities	**–**	47
On treasury bills at fixed rate interest	**223**	432
On other liquid assets	**2,963**	3,153
	18,751	17,202

3. Interest payable and similar charges

	2024 £000	2023 £000
On shares held by individuals	**10,536**	8,801
On deposits and other borrowings	**307**	254
	10,843	9,055

4. Administrative expenses

	2024 £000	2023 £000
Wages and salaries	3,056	2,632
Social security costs	**333**	295
Other pension costs	**381**	257
Sub Total	**3,770**	3,184
Other administrative expenses	**3,625**	3,441
	7,395	6,625

The remuneration of the External Auditor, which is included within administrative costs above, is set out below (excluding VAT):

	2024 £000	2023 £000
Audit of these annual accounts	**279**	188

5. Employee numbers

The average number of persons employed by the Society (including Directors) during the year, analysed by category, was as follows:

	2024	2023
Full-time	**57**	49
Part-time	**6**	5
	63	54

6. Directors' remuneration

Total remuneration amounted to £453.2k (2023: £323.5k). Full details are given in the table within the Remuneration report on page 40. The amounts detailed in the table have been subject to external audit.

7. Taxation

	2024 £000	2023 £000
Current tax		
Current tax on income for the period	**126**	292
Adjustments in respect of prior periods	**(1)**	(5)
Total current tax	**125**	287
Deferred tax see note 21		
Origination and reversal of timing differences	**(4)**	28
Adjustment in respect of previous periods	**–**	1
Change in tax rate	**–**	2
Total deferred tax	**(4)**	31
Total current and deferred tax	**121**	318

Analysis of current tax recognised in profit and loss

	2024 £000	2023 £000
Profit for the year	**324**	1,020
Total tax expense	**121**	318
Profit excluding taxation	**445**	1,338
Tax using UK corporation tax rate of 25.00% (2023: 23.52%)	**111**	314
Community investment relief	**(1)**	(6)
Income not taxable	**(1)**	-
Change in tax rate on deferred tax balance	**-**	2
Non-deductible expenses	**12**	8
Total tax expense included in profit or loss	**121**	318

The effective tax rate for the 12-month period ended 31 December 2024 is 25.00% (2023: 23.52%).

Adjustments to tax charges in earlier years arise because the tax charge in the financial statements is estimated before the detailed corporation tax calculations are prepared. Additionally, HM Revenue & Customs may not agree with the tax return that was submitted for a year and the tax liability for a previous year may be adjusted as a result.

Some expenses incurred by the Society may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Society's tax liability. The most significant example of this is accounting depreciation or losses incurred on assets that do not qualify for capital allowances (generally land and buildings). Other examples include some legal expenses and some repair costs.

8. Cash and cash equivalents

	2024 £000	2023 £000
Cash in hand and balances with the Bank of England	**75,661**	54,474
Loans and advances to credit institutions	**6,761**	5,807
Cash and cash equivalents per cash flow statements	**82,422**	60,281

9. Loans and advances to credit institutions

	2024 £000	2023 £000
Accrued interest	**12**	4
Repayable on demand	**6,261**	4,307
In not more than three months	**500**	1,500
In more than 3 months but not more than one year	**–**	–
Total loans and advances to credit institutions	**6,773**	5,811

10. Treasury bills and similar securities

	2024 £000	2023 £000
Treasury bills	**991**	5,425
Certificates of deposit	**–**	–
	991	5,425

Debt securities have remaining maturity as follows:		
In not more than one year	**991**	5,425
Transferable debt securities comprise:		
Unlisted	**991**	5,425

Movements in debt securities during the year (excluding accrued interest) are summarised as follows:

	2024 £000	2023 £000
At 1 January	**5,354**	8,881
Additions	**3,414**	16,415
Disposals and maturities	**(7,791)**	(19,942)
At 31 December	**977**	5,354

11. Loans and advances to customers

	2024 £000	2023 £000
Loans fully secured on residential properties	**240,621**	230,896
Loans fully secured on land	**9,721**	10,185
	250,342	241,081

The remaining maturity of loans and advances to customers from the reporting date is as follows:

	2024 £000	2023 £000
In not more than three months	**2,193**	3,609
In more than three months but not more than one year	**5,549**	6,935
In more than one year but not more than five years	**35,320**	36,106
In more than five years	**207,658**	195,027
Sub Total	**250,720**	241,677
Less: allowance for impairment (note 12)	**(378)**	(596)
Total	**250,342**	241,081

The maturity analysis above is based on contractual maturity.

12. Allowance for impairment

	Loans fully secured on residential property £000	Other loans £000	Total £000
Provision for impairment on loans and advances			
At 1 January 2024			
Individual impairment	54	14	68
Collective impairment	490	38	528
Total impairment	**544**	**52**	**596**
Statement of comprehensive income			
Impairment losses on loans and advances			
Individual impairment	133	26	159
Collective impairment	(347)	(30)	(377)
Charge/(credit) for the year	**(214)**	**(4)**	**(218)**
At 31 December 2023			
Individual impairment	**187**	**40**	**227**
Collective impairment	**143**	**8**	**151**
Total impairment	**330**	**48**	**378**

	Loans fully secured on residential property £000	Other loans £000	Total £000
Provision for impairment on loans and advances			
At 1 January 2023			
Individual impairment	17	74	91
Collective impairment	433	45	478
Total impairment	450	119	569
Statement of comprehensive income			
Impairment losses on loans and advances			
Individual impairment	37	(60)	(23)
Collective impairment	57	(7)	50
Charge/(credit) for the year	**94**	**(67)**	**27**
At 31 December 2023			
Individual impairment	**54**	**14**	**68**
Collective impairment	**490**	**38**	**528**
	544	**52**	**596**

13. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & computer equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 January 2024	1,494	147	579	–	2,220
Additions	17	–	32	–	49
Disposals	–	–	(11)	–	(11)
Balance at 31 December 2024	1,511	147	600	–	2,258
Depreciation					
Balance at beginning of the year	472	119	279	–	870
Depreciation charge for the year	27	6	66	–	99
Disposals	–	–	(11)	–	(11)
Balance at 31 December 2024	499	125	334	–	958
Net book value					
At 1 January 2024	1,022	28	300	–	1,350
At 31 December 2024	**1,012**	**22**	**266**	**–**	**1,300**

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & computer equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 January 2023	1,467	177	519	27	2,190
Additions	27	–	174	–	201
Disposals	–	(30)	(114)	(27)	(171)
Balance at 31 December 2023	1,494	147	579	–	2,220
Depreciation					
Balance at beginning of the year	445	142	326	24	937
Depreciation charge for the year	27	7	66	3	103
Disposals	–	(30)	(113)	(27)	(170)
Balance at 31 December 2023	472	119	279	–	870
Net book value					
At 1 January 2023	1,022	35	193	3	1,253
At 31 December 2023	**1,022**	**28**	**300**	**–**	**1,350**

Items disposed of during the year were decommissioned assets.

Freehold land and buildings, which are included in the balance sheet at cost less depreciation, amounted to £1.012m at 31 December 2024 (2023: £1.022m). A valuation of the Head Office carried out by WBW Surveyors Ltd in 2023 valued the freehold land and buildings on an investment method basis at an open market value of £1.7m.

The Society occupies 100% of the freehold land and buildings for its own purposes.

14. Investments

	2024 opening carrying value £000	Additions £000	Disposal/ Conversion £000	Repayment of capital £000	Movement in fair value £000	Movement in impairment £000	2024 closing carrying value £000
Equity							
Basic	115	–	(112)	–	–	–	**3**
Debt Investments							
Basic	366	–	(49)	(13)	–	(126)	**178**
Non-Basic	159	–	–	(15)	–	–	**144**
Total	**640**	**–**	**(161)**	**(28)**	**–**	**(126)**	**325**

	2023 opening carrying value £000	Additions £000	Disposal/ Conversion £000	Repayment of capital £000	Movement in fair value £000	Movement in impairment £000	2023 closing carrying value £000
Equity							
Basic	118	–	–	–	(3)	–	**115**
Debt Investments							
Basic	404	–	–	(13)	–	(25)	**366**
Non-Basic	173	–	–	(14)	–	–	**159**
Total	**695**	**–**	**–**	**(27)**	**(3)**	**(25)**	**640**

The Society has invested directly in renewable energy, and to support other co-operative ventures, with all loans interest bearing. In accordance with accounting policy 1.5, at each reporting date the Society assesses whether there is evidence that financial assets not carried at fair value through profit or loss are impaired. Basic instruments are measured at amortised cost and non-basic instruments are stated at their fair value, where possible. Certain non-basic financial instruments are carried at cost less impairment, due to the absence of suitable inputs to fair value methodology.

15. Intangible assets

	Purchased software/ Software in development 2024 £000	Purchased software/ Software in development 2023 £000
Cost		
Balance at January	**439**	317
Additions	**–**	256
Disposals	**(4)**	(134)
Balance at 31 December	**435**	439
Amortisation		
Balance at January	**215**	317
Amortisation for the year	**64**	32
Impairments/(release of impairment on disposed assets)	**–**	(134)
Disposals	**(4)**	–
Balance at 31 December	**275**	215
Net book value		
At January	**224**	–
At 31 December	**160**	224

The disposal during the year represents expired software licenses that were fully depreciated.

16. Other debtors

	2024 £000	2023 £000
Prepayments	**1,147**	687
Accrued income	**10**	13
Total	**1,157**	700

Debtors include prepayments and accrued income of £472,917 (2023: £6,780) for the Society that are expected to be recognized as expenses after 1 year. This is due to the accounting treatment of the Transformation costs, SaS account is detailed in section 1.9 of Note 1.

17. Shares

	2024 £000	2023 £000
Held by individuals	**307,085**	280,154

Shares are repayable with remaining maturities from the balance sheet date as follows:

Accrued interest	**2,954**	2,457
On demand	**207,682**	201,122
In not more than three months	**84,290**	76,575
In more than three months	**12,159**	–
Total	**307,085**	280,154

18. Amounts owed to credit institutions and other customers

	2024 £000	2023 £000
In not more than three months	**1,018**	–
Repayable on demand	**9,296**	9,813

19. Corporation tax payable

	2024 £000	2023 £000
Corporation tax falling due within one year	**125**	292

20. Other liabilities

	2024 £000	2023 £000
Other creditors	**979**	1,329

21. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**–**	–	**89**	98	**89**	98
FRS 102 transitional adjustments	**–**	(3)	**–**	–	**–**	(3)
Other timing differences	**–**	(2)	**–**	–	**–**	(2)
Tax (assets)/liabilities	**–**	(5)	**89**	98	**89**	93

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, a tax relief provided in law.

This difference between the rates of depreciation and capital allowances means that there is a difference between the taxable profit for accounting and taxation purposes and this year the Society was able to claim more tax relief than the accounting charge for depreciation. There are no key estimate judgements required.

The Society has assumed the availability of future taxable profits against which any carried forward losses can be used.

22. Financial instruments

The Society uses financial instruments to invest liquid asset balances and raise wholesale funding.

The Society does not run a trading book.

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. Note 1.5 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets by financial classification:

Carrying values by category **31 December 2024**	Held at amortised cost £000	Held at fair value £000	Non-financial Instruments	Total £000
Financial assets				
Cash in hand and balances with the Bank of England	75,661	–	–	75,661
Treasury Bills and similar securities	991	–	–	991
Loans and advances to credit institutions	6,773	–	–	6,773
Debt securities	–	–	–	–
Loans and advances to customers	250,342	–	–	250,342
Fixed asset investments	178	147	–	325
Other debtors	–	–	–	–
Total financial assets	**333,945**	**147**	**–**	**334,092**
Non-financial assets	–	–	2,617	2,617
Total assets	**333,945**	**147**	**2,617**	**336,709**
Financial liabilities				
Shares	307,085	–	–	307,085
Amounts owed to credit institutions	1,018	–	–	1,018
Amounts owed to other customers	9,296	–	–	9,296
Subordinated liabilities	–	–	–	–
Other liabilities	882	–	–	882
Accruals	258	–	–	258
Other provisions	–	–	–	–
Total financial liabilities	**318,539**	**–**	**–**	**318,539**
Non-financial liabilities	–	–	311	311
Total liabilities	**318,539**	**–**	**311**	**318,850**
General reserves and other reserves	–	–	17,859	17,859
Total reserves and liabilities	**318,539**	**–**	**18,170**	**336,709**

22. Financial instruments (continued)

Carrying values by category 31 December 2023	Held at amortised cost £000	Held at fair value £000	Non-financial Instruments	Total £000
Financial assets				
Cash in hand and balances with the Bank of England	54,474	–	–	54,474
Treasury Bills and similar securities	5,425	–	–	5,425
Loans and advances to credit institutions	5,811	–	–	5,811
Debt Securities	–	–	–	–
Loans and advances to customers	241,081	–	–	241,081
Fixed asset investments	366	274	–	640
Other debtors	–	–	–	–
Total financial assets	**307,157**	**274**	**–**	**307,431**
Non-financial assets	–	–	2,274	2,274
Total assets	**307,157**	**274**	**2,274**	**309,705**
Financial liabilities				
Shares	280,154	–	–	280,154
Amounts owed to credit institutions	–	–	–	–
Amounts owed to other customers	9,813	–	–	9,813
Subordinated liabilities	–	–	–	–
Other liabilities	1,241	–	–	1,241
Accruals	199	–	–	199
Other provisions	–	–	–	–
Total financial liabilities	**291,407**	**–**	**–**	**291,407**
Non-financial liabilities	–	–	473	473
Total liabilities	**291,407**	**–**	**473**	**291,880**
General reserves and other reserves	–	–	17,825	17,825
Total reserves and liabilities	**291,407**	**–**	**18,298**	**309,705**

Note: Other debtors disclosed as financial instruments in 2023 have been reassigned to non-financial assets as they represented accrued income. Also as non-financial assets and non-financial liabilities are not financial instruments and therefore should not be include as 'amortised cost' they have been reclassified and included in a separate column.

At 31 December 2024, the Society has off balance sheet exposure – mortgage commitments of £33.8m (2023: £48.0m).

a) Valuation of financial instruments carried at fair value

The Society holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1 The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 portfolio comprises one financial fixed asset investment for which traded prices are readily available.

Level 2 These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets.

Level 3 These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models.

22. Financial instruments (continued)

The table below summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Society to derive the financial instruments' fair value:

31 December 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Equity – Basic				
Fair value through profit and loss	3	–	–	3
	3	**–**	**–**	**3**

31 December 2023				
Financial assets				
Equity – Basic				
Fair value through profit and loss	3	–	–	3
	3	**–**	**–**	**3**

Note: The Society's accounting framework FRS102 outlines that these investments should be measured at fair value, where a reliable measurement is available. However, £144k of non basic debt investments are carried at cost less impairment because fair value can't be reliably measured.

b) Credit risk

Credit risk is the risk that a borrower or counterparty of the Society will cause a financial loss for the Society by failing to discharge their contractual obligation.

Changes in the credit quality and the recoverability of loans and amounts due from counterparties influence the Society's exposure to credit risk. The Society maintains a cautious approach to credit risk and new lending. All loan applications are assessed with reference to the Society's Lending Policy.

Changes to the Policy are approved by the Board and the approval of loan applications is mandated. The Board is responsible for approving treasury counterparties.

Adverse changes in the credit quality of counterparties, deterioration in the wider economy, including rising unemployment, changes in interest rates, deterioration in household finances and any contraction in the UK property market leading to falling property values, could affect the recoverability and value of the Society's assets and impact its financial performance. An economic downturn and fall in house prices would affect the level of impairment losses.

Credit risk arising from lending activity is managed through a comprehensive analysis of both the creditworthiness of the borrower and the proposed security. Following completion, the performance of all mortgages and commercial loans is monitored closely and action is taken to manage the collection and recovery process.

The risk posed by counterparties is controlled by restricting the amount of lending to institutions without an external credit rating. This control also applies to counterparties with credit ratings below A-. The Assets and Liabilities Committee (ALCO), the Product Governance Committee and the Core Management Committee provide oversight to the effectiveness of the Society's credit management and the controls in place ensure lending is within the Board approved credit risk appetite.

22. Financial instruments (continued)

The Society's maximum credit risk exposure, gross of any provisions for impairment, is detailed in the table below:

	2024 £000	2023 £000
Cash with Bank of England	**75,661**	54,474
Loans and advances to credit institutions	**6,773**	5,811
Debt Securities	**-**	-
Treasury Bills and similar securities	**991**	5,425
Debt investments	**523**	551
Loans and advances to customers (note 11)	**250,720**	241,677
Total Statement of financial position exposure	**334,668**	307,938
Off balance sheet exposure – mortgage commitments	**33,936**	47,992
	368,604	355,930

The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

22. Financial instruments (continued)

Credit quality analysis of loans and advances to customers

The table below sets out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets.

	2024 Loans fully secured on residential property £000	**Loans fully secured on land £000**	**Total loans £000**	2023 Loans fully secured on residential property £000	Loans fully secured on land £000	Total loans £000
Neither past due nor impaired	**236,160**	**9,691**	**245,851**	228,368	10,018	238,386
Past due but not impaired						
1-2 months	**1,114**	**78**	**1,192**	1,340	–	1,340
2-3 months	**331**	**–**	**331**	176	73	249
Greater than 3 months	**2,104**	**–**	**2,104**	1,026	146	1,172
	3,549	**78**	**3,627**	2,542	219	2,761
Individually impaired						
Not past due	**–**	**–**	**–**	–	–	–
1-2 months	**1,087**	**–**	**1,087**	239	–	239
2-3 months	**–**	**–**	**–**	–	–	–
Greater than 3 months	**155**	**–**	**155**	291	–	291
	1,242	**–**	**1,242**	530	-	530
Total balances gross of provision	**240,951**	**9,769**	**250,720**	231,440	10,237	241,677
Allowance for impairment						
Individual	**(187)**	**(40)**	**(227)**	(54)	(14)	(68)
Collective	**(143)**	**(8)**	**(151)**	(490)	(38)	(528)
Total allowance for impairment	**(330)**	**(48)**	**(378)**	(544)	(52)	(596)
Total balances net of provisions	**240,621**	**9,721**	**250,342**	230,896	10,185	241,081

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example, when loans are past due) or the property is in possession, or where fraud, negligence or the borrower has significant financial difficulties has been identified. Further consideration is given in accounting policy 1.5 to the accounts.

No geographical analysis is presented because all of the Society's activities are conducted within the UK.

22. Financial instruments (continued)

The table below stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The table represents the gross value of mortgage loans and therefore excludes any allowance for impairment and EIR.

The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination, updated based on changes in house price indices.

	2024 **£000**	2023 £000
LTV ratio		
Less than or equal to 50%	**102,193**	81,679
Greater than 50% but less than or equal to 70%	**93,854**	80,659
Greater than 70% but less than or equal to 90%	**53,857**	74,116
Greater than 90% but less than or equal to 100%	**906**	3,614
Greater than 100%	**185**	1,959
Sub Total	**250,995**	242,027
Accounting Adjustments for Effective Interest Rate	**(653)**	(946)
Loans and Advances (note 11)	**250,342**	241,081

c) Forbearance

The Society exercises forbearance to assist borrowers who, due to personal and financial circumstances, are experiencing difficulty in meeting their contractual repayments. The Society, wherever possible, arranges for a concession to be put in place by way of a payment holiday, or repayment of interest only, for an agreed period of time. Consideration is also given to borrowers in arrears, and appropriate arrangements are agreed to underpay, or overpay, the arrears within an agreed timeframe. When a borrower enters into a forbearance arrangement, regular monitoring of the account is undertaken and consideration is given to the ongoing potential risk to the Society and the suitability of the arrangement for the borrower. An individual provision is made against any loan that is considered to be impaired. Once the agreement has been successfully concluded, the case is no longer considered to be impaired but continues to be monitored.

The table below analyses residential mortgage balances with renegotiated terms at the year end:

	2024 **£000**	2023 £000
Payment holiday	**891**	489
Interest only	**1,316**	4,661
Arrears overpayment	**1,208**	604
	3,415	5,754

There was a total of 18 accounts in forbearance at 31 December 2024 (2023: 27).

22. Financial instruments (continued)

d) Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due under normal business conditions or a stressed environment. The Society's Liquidity Policy requires that a significant amount of its assets are carried in the form of on-call and other readily available assets in order to:

- Meet day-to-day business needs
- Meet any unexpected funding stress scenario
- Ensure maturity mismatches are provided for

Balance sheet and liquidity limits (including counterparty limits) are set to support this risk appetite within the Society's Financial Risk Policy.

Monitoring of liquidity is performed daily. Compliance with policy is reported to every ALCO and, subsequently, the Board.

The Society's Liquidity Policy is designed to ensure that the Society has sufficient liquid resources to withstand a range of scenarios. A series of liquidity stresses have been developed as part of the Society's ILAAP. They include scenarios that fulfil the specific requirements of the Prudential Regulation Authority (PRA), the Society specific, market-wide and a combination of both scenarios. The stress tests are performed periodically and reported to ALCO to confirm that the liquidity policy remains appropriate.

The Society's liquid resources comprise of high quality liquid assets, including Bank of England Reserve Accounts, term deposit accounts, or debt securities and treasury bills that are capable of being sold at short notice to meet unexpected adverse cash flows.

Maturity analysis

The tables below set out a maturity analysis for financial liabilities that shows the remaining contractual maturities.
The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates for the average period until maturity, on the amounts outstanding at 31 December.

31 December 2024	**On demand £000**	**Not more than three months £000**	**More than three months but not more than one year £000**	**More than one year but not more than five years £000**	**More than five years £000**	**Total £000**
Shares	210,635	84,982	12,435	–	–	308,052
Amounts owed to Credit Institutions	–	1,025	–	–	–	1,025
Amounts owed to other customers	9,296	–	–	–	–	9,296
Other liabilities	–	882	–	–	–	882
Accruals	–	258	–	–	–	258
Total	**219,931**	**87,147**	**12,435**	**–**	**–**	**319,513**

22. Financial instruments (continued)

31 December 2023	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
Shares	203,579	77,355	–	–	–	280,934
Amounts owed to other customers	9,813	–	–	–	–	9,813
Other liabilities	–	1,241	–	–	–	1,241
Accruals	–	199	–	–	–	199
Total	**213,392**	**78,795**	**–**	**–**	**–**	**292,187**

e) Market risk

Market risk is the risk that the value of, or income arising from, the Society's assets and liabilities changes as a result of changes in market prices, the principal elements being interest rate risk, foreign currency risk and equity price risk.

As the Society only deals with products in sterling, it is not exposed to foreign currency risk. The Society's products are also only interest orientated products, so are not exposed to other pricing risks. As disclosed in Note 14, the Society's equity price risk exposure amounts to £3k (2023: £115k). This level of equity price risk is not considered significant to the Society.

The Society monitors interest rate risk exposure against limits by determining the effect on the Society's current net notional value of assets and liabilities for a parallel shift in interest rates equivalent to 200 basis points (bps) or 2% for all maturities, in line with regulatory requirements. The results are measured against the risk appetite for market risk, which is currently set at a maximum of 15% of reserves. Results are reported to ALCO and the Board on a bi-monthly basis.

The following table provides an analysis of the Society's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

	200bp parallel increase £000	200bp parallel decrease £000
Sensitivity of reported equity to interest rate movements		
2024		
At 31 December		
Average for the period	**98**	**101**
Maximum for the period	**153**	**158**
Minimum for the period	**55**	**55**
2023		
At 31 December		
Average for the period	139	143
Maximum for the period	183	192
Minimum for the period	73	75

22. Financial instruments (continued)

f) Capital

The Society's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain future development of the business. The formal ICAAP process assists the Society with its management of capital. The Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its Total Capital Requirement (TCR).

The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements, which includes monitoring of:

- **Lending decisions** – The Society maintains a comprehensive set of sectoral limits on an overall and 12-month rolling basis to manage credit risk appetite. Individual property valuations are monitored against House Price Index (HPI) data and updated quarterly.

- **Concentration risk** – The design of lending products takes into account the overall mix of the loan portfolio to manage exposure to risks arising from the property market and other markets the Society is active in.

- **Counterparty risk** – Wholesale lending is only carried out with approved counterparties in line with the Society's lending criteria (including ethical considerations) and is subject to a range of limits that reflect the risk appetite of the Society.

Stress tests are used as part of the process of managing capital requirements.

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA). During 2024, the Society has continued to comply with the EU Capital Requirements Regulation and Directive (Basel III) as amended by the PRA. Further details of the Society's approach to Risk Management are given in the Risk Management Report.

Regulatory capital is analysed into two tiers:

- **Tier 1 capital** – which is comprised of retained earnings and the Core Capital Deferred Shares.

- **Tier 2 capital** – which includes collective provisions.

The level of capital is matched against risk-weighted assets which are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

There were no reported breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year.

	Note	**2024 £000**	2023 £000
Tier 1 capital			
General reserves		**14,968**	14,934
Less intangibles		**(120)**	(169)
Core Capital Deferred Shares	24	**2,891**	2,891
Total Tier 1 capital		**17,739**	17,656
Tier 2 capital			
Collective provision	12	**151**	528
Total Tier 2 capital		**151**	528
Total Regulatory Capital		**17,890**	18,184

23. Related parties

Transactions with key management personnel

Key management personnel consists of the Executive Directors and Non-Executive Directors who are responsible for ensuring that the Society meets its strategic and operational objectives. In the normal course of business, key management personnel, and their close family members, transacted with the Society. The balances of transactions with key management personnel, and their close family members, are as follows:

	Number of key management personnel and their close family members 2024	**Amounts in respect of key management personnel and their close family members 2024 £000**	Number of key management personnel and their close family members 2023	Amounts in respect of key management personnel and their close family members 2023 £000
Loans and advances to customers	**–**	**–**	1	30
Deposits and share accounts	**8**	**171**	10	192

Directors' loans and transactions

At 31 December 2024, there was no mortgage loans (2023: 1) made in the ordinary course of the Society's business to Directors and connected persons amounting.

A register is maintained by the Society containing details of transactions and agreements made between the Society and the Directors and their connected persons. A register of loans to Directors and connected persons is maintained under Section 68 of the Building Societies Act 1986 at the Society's head office. This is available for inspection during normal office hours for a period of 15 days prior to, and at, the Society's Annual General Meeting.

Directors' remuneration

Full details of the Directors' remuneration can be found in the Directors' remuneration report on pages 37 to 40.

24. Core capital deferred shares

	Number of shares	Core Capital Deferred Shares £000	Core Capital Deferred Shares–issue costs £000	Share premium £000	Total £000
Balance at 1 January 2024	3,000,000	3,000	(109)	–	2,891
Balance as at 31 December 2024	**3,000,000**	**3,000**	**(109)**	**–**	**2,891**
Balance at 1 January 2023	3,000,000	3,000	(109)	–	2,891
Balance as at 31 December 2023	**3,000,000**	**3,000**	**(109)**	**–**	**2,891**

CCDS are a form of Common Equity Tier 1 (CET 1) capital, developed to enable the Society to raise capital from external investors.

CCDS are perpetual instruments which rank pari passu to each other and are junior to claims against the Society of all depositors and creditors. Each holder of CCDS has one vote, regardless of the number of shares held. In the event of a winding up or dissolution of the Society, the extent to which each holder of CCDS may participate in the division of the remaining assets of the Society will be limited in proportion to their contribution to the Society's capital over time.

Distributions to the holders of CCDS are at the sole and absolute discretion (subject to applicable law and regulation) of the Board of Directors, save that the amount that can be paid to the holders of CCDS in any financial year is subject to the cap on Distributions under the Society's Rules.

25. Country-by-country reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The purpose of these regulations is to provide clarity on the Society's income and the locations of its operations.

UK Activity for the year ended 31 December 2024:

- The Society's principal activities are mortgage lender and provider of savings accounts
- The Society's turnover (defined as net interest receivable) was £7.908m (2023: £8.147m). Profit before tax £0.445m (2023: £1.338m), all of which arose from UK-based activity
- Number of employees was 63 (2023: 54)
- Corporation tax of £0.292m (2023: £0.372m) was paid in the year and is within the UK tax jurisdiction
- No public subsidies were received in the year

Annual Business Statement

Year ended 31 December 2024

1 Statutory percentages

	Statutory limit %	**At 31 December 2024 %**	At 31 December 2023 %
Lending limit	25.00	**4.46**	4.77
Funding limit	50.00	**2.15**	2.01

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are as prescribed by the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by Members.

2 Other percentages

	2024 %	2023 %
Gross capital as a percentage of shares and borrowings	**5.63**	6.16
Free capital as a percentage of shares and borrowings	**5.21**	5.80
Liquid assets as a percentage of shares and borrowings	**26.28**	22.66
Profit after taxation as a percentage of mean total assets	**0.10**	0.33
Management expenses as a percentage of mean total assets	**2.34**	2.20

Gross capital represents the General reserves plus Core Capital Deferred Shares as shown in the Statement of financial position. Free capital is the gross capital plus the collective impairment for losses on loans less tangible and intangible fixed assets. Shares and borrowings are the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers including accrued interest.

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 2024 and 2023 total assets.

3 Information relating to Directors at 31 December 2024

Name / Date of birth	Occupation / Date of appointment to the Board	Other Directorships
Louise Margaret PRYOR (20.04.1960)	Actuary (28.02.2020)	Callund Consulting Limited
Gareth GRIFFITHS (25.11.1982)	Building Society Chief Executive Officer (01.06.2022)	Mynd I Nofio Limited
Andrew John GOLD (30.12.1969)	Director / Risk, Audit and Compliance Professional (30.05.2014)	RWH Travel Limited Ramblers Holiday Group Limited Ramblers Travel Agency Limited
Giovanni D'ALESSIO (09.07.1973)	Chief Executive Officer / Chief Information Officer (30.09.2022)	Doosan Digital Innovation Europe Limited
(Karl) Jaedon GREEN (08.08.1970)	Portfolio Non-Executive Director (03.03.2023)	Community Housing Group Limited Castles & Coasts Housing Association Limited Yorkshire Housing Limited
Christopher WHITE (21.12.1978)	Building Society Chief Finance Officer (co-opted 29.09.2023)	Believe Housing Limited
Andrew MULLIGAN (04.02.1964)	Director (25.04.2024)	None
Sameera KHALIQ (17.10.1982)	Standing for election at the 2025 AGM	None
Kellie HARGRAVES (09.11.1974)	Director (25.04.2024)	Inviktus Limited

Gareth Griffiths and Christopher White have service contracts (with six month notice period), details of which can be found in the Directors' remuneration report on pages 38 to 40.

Our environmentally-friendly Head Office is a welcoming, modern space

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