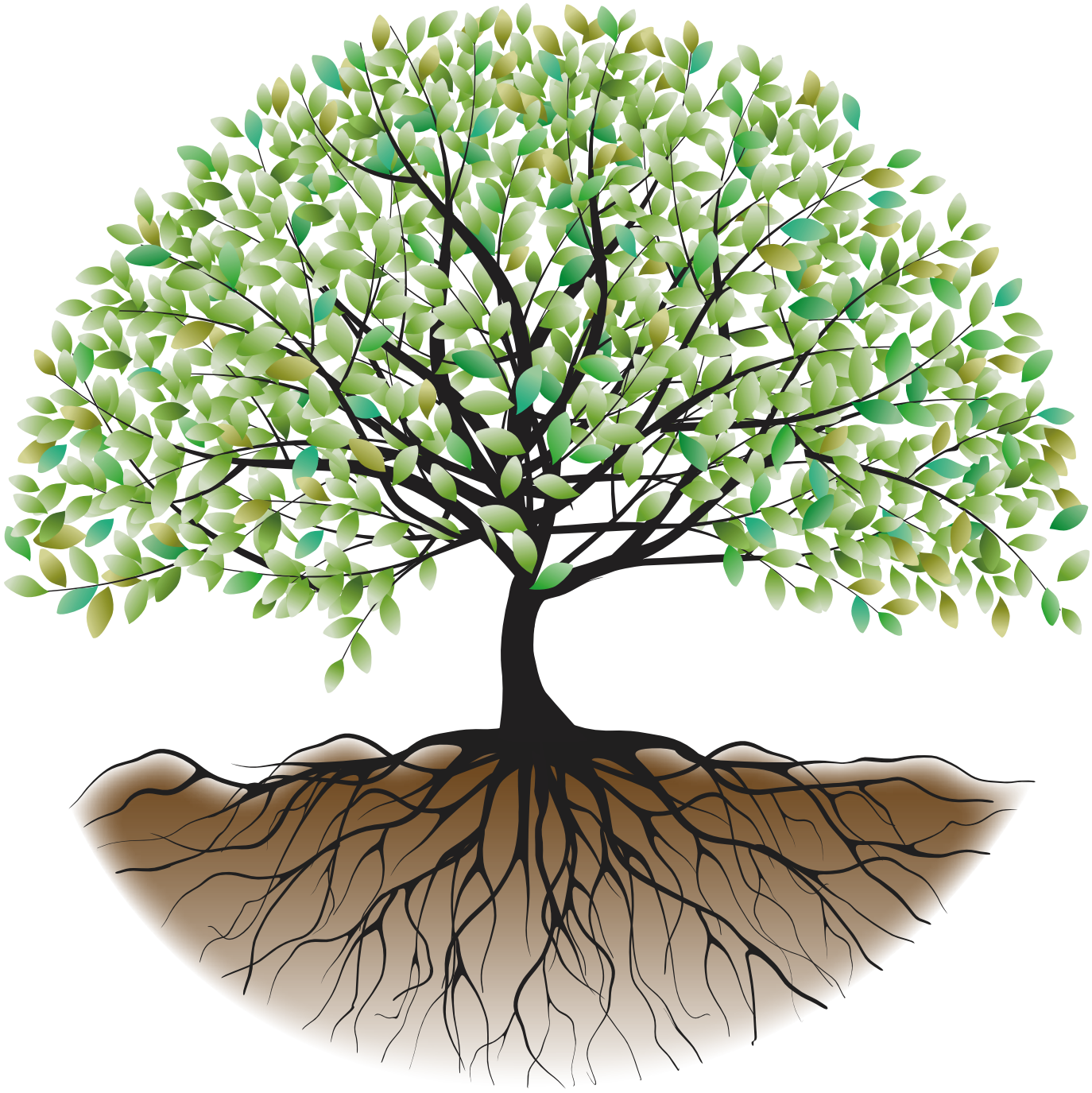
Ecology
Building Society



Our Net Zero Transition Plan

Building a greener society

Contents

Our Net Zero Transition Plan

Ambition

Ecology are signatories to:

and members of:

What we've done	What we're doing	What we will do
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.	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.	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

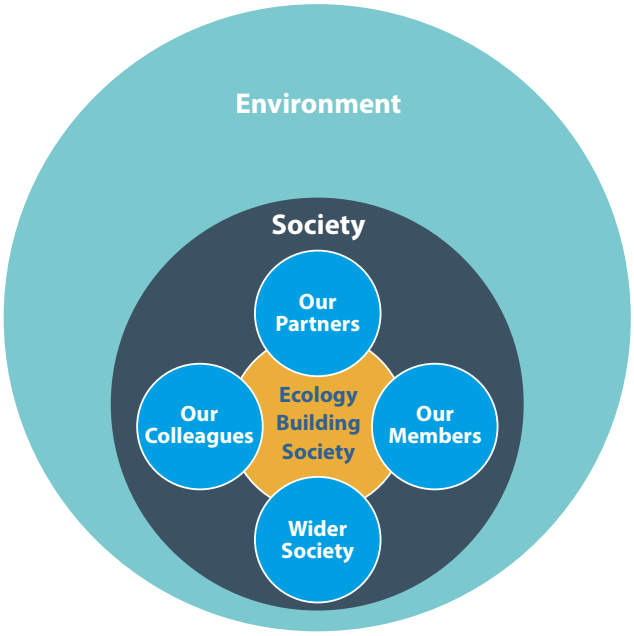
Addressing the climate emergency is central to our mission and strategy. We will achieve net zero in our business operations and lending by 2050, or well before. We will do this through the provision of impact-led products and services, the sharing of knowledge, and agitation for wider system change. 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.

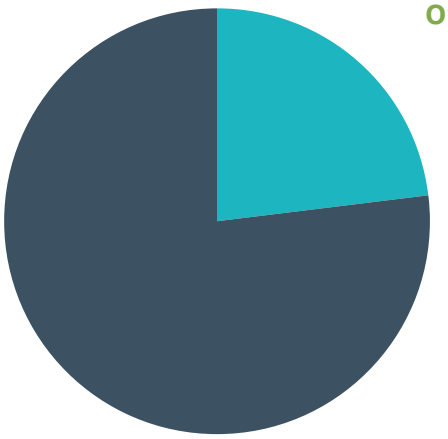
We've prioritised the actions we'll take towards decarbonisation according to our level of control, and the impact on our overall emissions.

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.

Figure 1
Our greenhouse gas footprint



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

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.

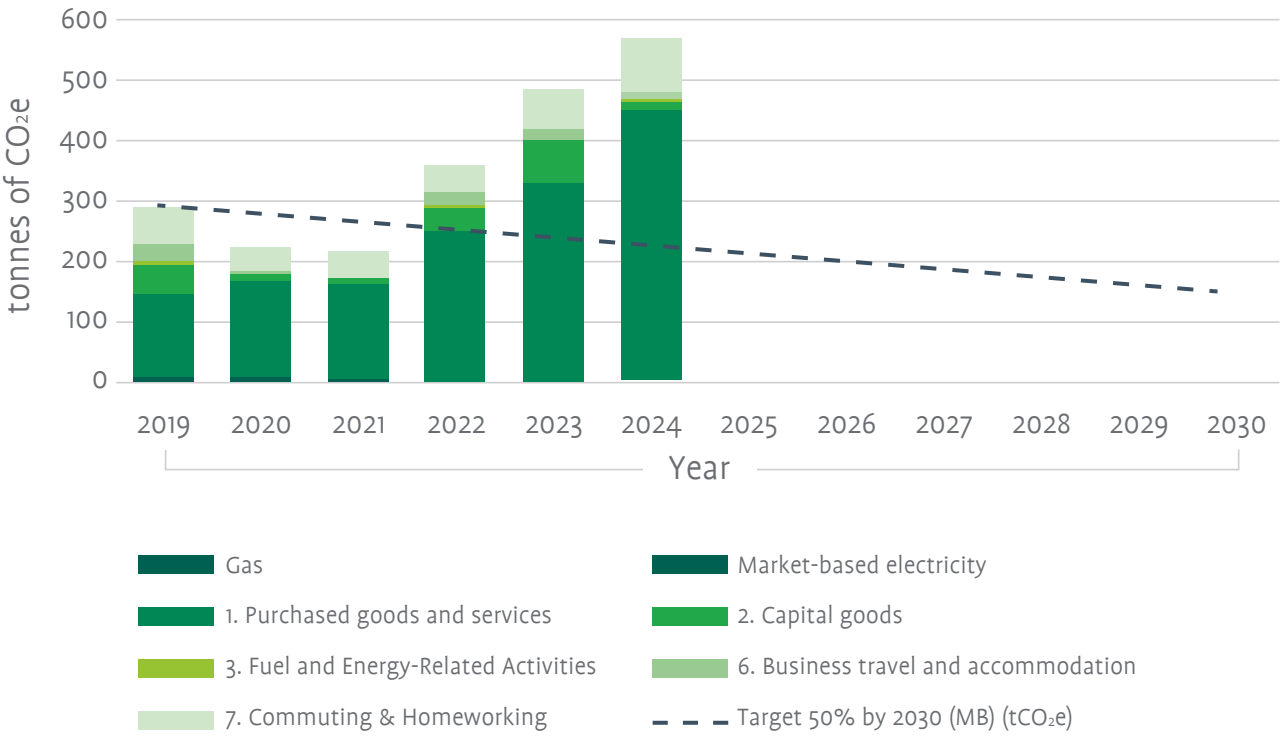
Our building, suppliers and colleagues

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



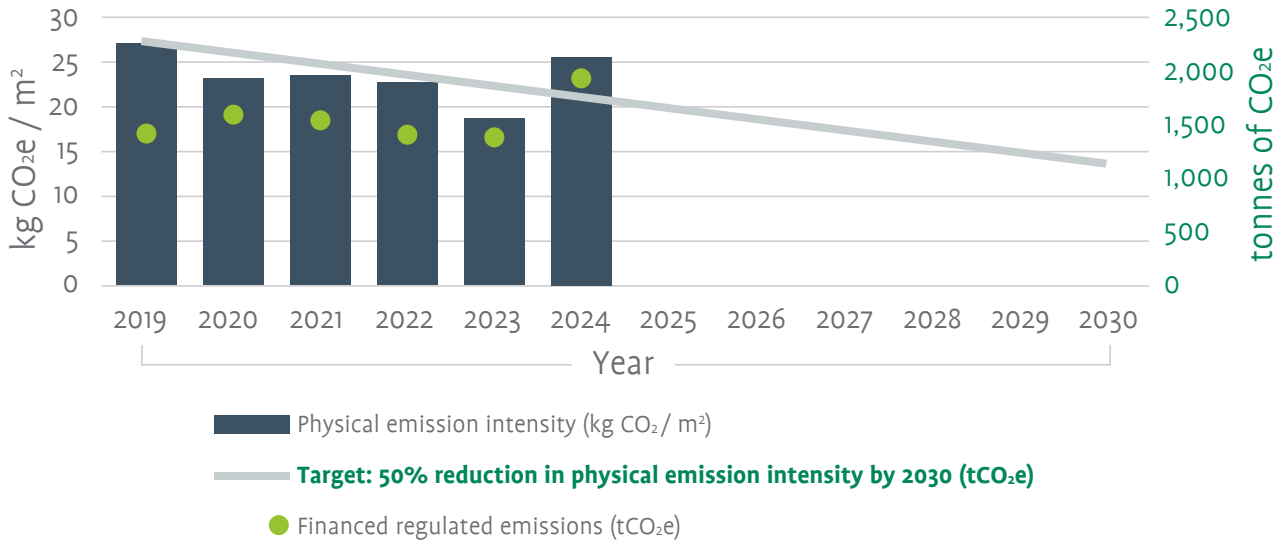
However, as we invest in our business transformation and larger team of colleagues, overall emissions from suppliers and colleagues have risen. This reflects our current higher spend with suppliers particularly around our transformation and more colleagues travelling and working from home. As a small 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.

Greenhouse gas emissions from our lending: our progress



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

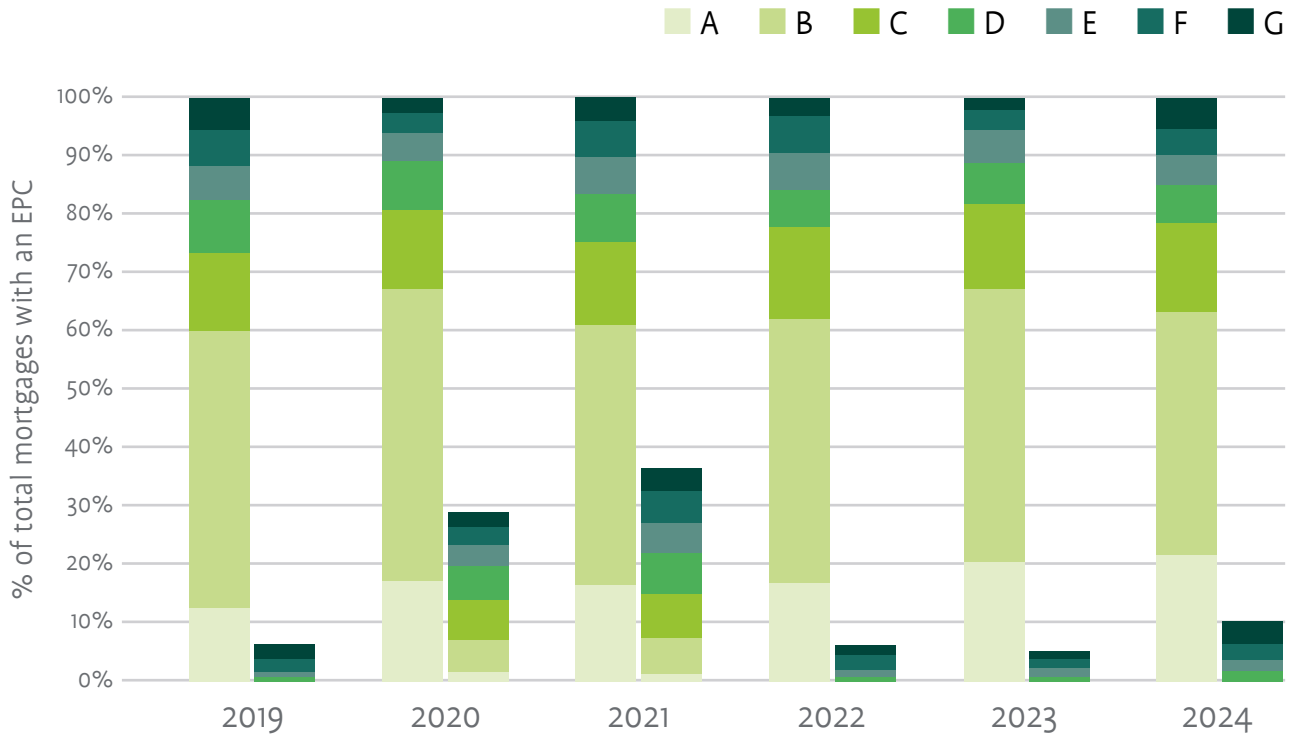
The stress testing we carry out to inform our regulatory requirements (ILAAP and ICAAP) provides reassurance of Ecology's resilience to macroeconomic pressures (cost of living / war in Europe and the Middle East), employment changes and property values, which map onto potential transition risks. This 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.

EPC distribution 2019 - 2024



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
	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	Agitation for change [Note 4]
	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.*

Ecology Building Society, Ellis House, 7 Belton Road, Silsden, Keighley, West Yorkshire BD20 0EE

T **01535 650 770** E **info@ecology.co.uk** W **ecology.co.uk**