UBS’s
Environmental and Social Sustainability Performance

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1. INTRODUCTION

As Stuart L. Hart (2007) illustrated in his book, contributing towards global sustainability not only presents lucrative business opportunities for companies, but is also a crucial step to remain competitive in the market. UBS AG, one of the world’s leading financial firms with over 50 offices and 80’000 employees worldwide, acknowledged the growing importance of contributing towards environmental and social sustainability since the late 1970s (UBS Environmental Report 2007). Since then, the company has induced several initiatives to ameliorate their engagement in these areas. In the following pages, UBS AG will be evaluated in terms of its environmental and social sustainability. A framework integrating the works of Stuart L. Hart (2007) and Thomas Bieker (2003) will be used to describe and analyze the current performance of the company. This analysis and evaluation will serve as a stepping-stone to discuss possible suggestions as to how the company can improve its performance and monitor its progress over time.

2. CHOOSING A FRAMEWORK – AN INTEGRATED APPROACH

UBS’s environmental policy was established in 1993, with the purpose of identifying and managing environmental risks, seeking environmental-friendly opportunities and improving continuously their environmental performance (UBS Environmental Report 2007). To ensure the implementation of their environmental policy, the company has established an environmental management system based on the deming cycle “Plan-Do-Check-Act”. Further, as a way of controlling and monitoring their sustainability performance, UBS has been using the Global Reporting Initiative (GRI) Guidelines G3.

Even though UBS uses the GRI G3 Guidelines, there are other useful frameworks to consider when evaluating their environmental and social sustainability performance. Asides from the Sustainable Value Portfolio framework presented by Stuart L. Hart (2007), Dr. Thomas Bieker (2003), a professor at the University of St. Gallen in Switzerland, also developed a valuable tool: the Sustainability Balanced Scorecard (SBSC). Like the Sustainable Value Portfolio, the SBSC model is also structured in a 2x2 Matrix (Bieker, 2003, p. 9), however, the main difference between the two lies in the classification of their axes. Instead of diving the vertical and horizontal axes in “today vs. tomorrow” and “internal vs. external”, the SBSC model classifies these dimensions as “reactive vs. proactive” and “market vs. public” (Bieker, 2003, p. 9). In spite of these differences, the axes and strategies of the
SBSC model do incorporate similar concepts to that of the Sustainable Value Portfolio Framework. While a reactive approach to improve the status quo can create short-term results, in order to create the long-term results of tomorrow, a more proactive approach is needed; one that induces creative destruction (Hart, 2007, pp. 88-93). In the same way, while the “public” and “external” dimensions reflect the need to infuse the voices of outside stakeholders into the firm, the “market” and “internal” dimensions capture the need to build internal capabilities to better respond to the demands of the market. The resulting four strategies of the SBSC model are the following: efficient, credible, innovative and transformative (Bieker, 2003, p. 9).

Considering the similarities in concepts illustrated among the two models, both will be adapted and integrated into one framework to evaluate the company’s environmental and social sustainability performance as shown in the diagrams below:

Using the scale presented by Stuart L. Hart (2007) each quadrant will then be classified as 1: nonexistent, 2: emerging, 3: established or 4: institutionalized. After completing the evaluation, suggestions will presented as to how the company can improve and monitor its performance over time.

3. ENVIRONMENTAL SUSTAINABILITY

3.1. Description, analysis and evaluation of current performance

In terms of pollution prevention, UBS has done well in reducing its environmental footprint by inducing greening initiatives in the areas of energy efficiency, renewable energy usage, business travel, paper, waste and recycling. In the energy efficiency side, the company was able to save 20 GWh in a year by providing Swiss offices with newer air-conditioning technology (UBS Environmental Report, 2007). In addition, by introducing touch-free eco-friendly towels, the Park Avenue UBS New York building was able to increase its usage of recycled towels (UBS Environmental Report, 2007). Apart from the reduction in waste
consumption, the company also introduced initiatives to reduce paper consumption. For example, by spreading the Multi-Function Device Technology, that apart from having a low use of toner, has paper and energy saving features, the company was able to reduce a 17.5% of paper consumption in the Sydney office in the year 2007 (UBS Environmental Report, 2007). Considering that UBS has a long track record in managing environmental risks, and the company has since the 1970s induced pollution prevention initiatives, this quadrant can be categorized as “established”.

Apart from the substantial efforts made to minimize pollution from its in-house operations, UBS has also done very well in terms of product stewardship. Over the past years the company has gained public recognition for the environmental investment products it has been promoting. In addition, the fact that the company was certified against ISO 14001 standards and formed part of the FTSE4Good and Dow Jones Sustainability Group Indexes (DJSGI), all contributed to gaining a wider public appreciation for their greening efforts (UBS Environmental Report, 2007). Other ways in which they increased legitimacy and enhanced their reputation among their stakeholders were: the engagement with suppliers who made significant efforts to improve the environmental conditions in countries where corporate gifts were being produced, and in only accepting partnership with catering companies that had been certified against the ISO 14001 standards (UBS Environmental Report, 2007). All of these examples demonstrate how UBS was able to gain recognition over time for their greening strategies; which is why this quadrant can be rated as “established”.

Throughout the past years, UBS has invested a significant amount of funds to promote the development of disruptive clean technologies. For example, the UBS (Lux) Equity Fund – Global Innovators was created in 2005 with the purpose of supporting companies in developing sustainable disruptive technologies (UBS Environmental Report, 2005). Instead of introducing disruptive technologies themselves, most of the time, UBS has taken more of a passive role in providing research and funds to companies for clean technology innovations. For this reason, this quadrant can be closest classified as “emerging” and there is room for improvement.

UBS induced some initiatives that serviced the unmet needs at the base of the pyramid. The development of hydropower can be highly beneficial to most countries, and especially to the low-income communities. By offsetting a project in the year 2007 comprising of three small hydro power plants in the southern part of Brazil, UBS did not only contribute to investing in an untapped market with the possibility of introducing a source of clean energy to the low-income communities, but through this initiative, the communities
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were also able to benefit from the increase in jobs (UBS Environmental Report, 2007). Asides from the UBS Environmental Fund Equities aiming to capture investor’s interests, direct investments in base of the pyramid projects have been fairly new; which is why this quadrant deserves to be classified as “emerging” (UBS Environmental Report, 2007).

3.2. Improvement and monitoring suggestions

Overall, although in the Environmental Sustainable Value Framework there is a balance between the internal and the external axis, there is a moderate imbalance in managing today’s and tomorrow’s businesses. Therefore, in order for the left-upper quadrant to move from being an “emerging” sector to a more “established” one, UBS is advised to take the lead in proactively seeking disruptive solutions. One of their requirements to pass the re-certification audit of the ISO 14001 standards is the reduction of paper and waste (UBS Environmental Report, 2007). A way to achieve their 2009 targets would be to embrace the usage of e-book readers with the goal of substantially reducing the consumption of paper and energy. This initiative would not only help diminish their carbon footprint but would lead the company to having a competitive advantage by being among the first to adopt this breakthrough technology for business. Although this initiative appears to be costly at first, in that e-readers have to be bought, the investment would certainly pay-off in the long run. Considering that they will need to establish a deployment plan, the company could appoint a team of IT and controlling experts to report on a quarterly basis the reduction of paper consumption and the profitability of the e-reader innovation. In this way, senior management will be able to monitor progress over time.

In terms of improving the upper-right quadrant of the Sustainable Value Portfolio, UBS could spread economic opportunity on the base of the pyramid markets by adopting the eucalyptus planting strategy of ABN AMRO REAL Bank (Kanter & Pinho, 2007, pp. 6-7). The project consisted in financing, together with interested customers, USD 30 Million to the small farmers in an impoverished region for planting eucalyptus. 40% of the land was for the eucalyptus production, and the remainder, was used in replanting native forests and for subsistence agriculture (Kanter & Pinho, 2007, pp. 6-7). Through this initiative, they were able to lift the local economy without harming nature. In order to monitor progress over time, the bank is encouraged to send a team to the region to not only keep track of the production and profitability indicators, but also to get a one-on-one feedback as to how the farmers are responding to this change initiative. In this way, they will be able to get a more realistic feel as to where the business is heading.
4. SOCIAL SUSTAINABILITY

4.1. Description, analysis and evaluation of current performance

In terms of its socio-efficiency, UBS has made significant efforts to promote initiatives within its workforce to enhance productivity and employee satisfaction. For example, the company has induced a three-day wellness weekend at 20% of the original price for employees to enjoy fun recreational times (UBS Environmental Report, 2007). In addition, employees enjoy discounts in several stores and family benefits (UBS Environmental Report, 2007). Despite numerous employee benefits, the financial performance of the company has caused a high annual turnover and a high employee discontent. Therefore this quadrant can be classified as “established” although caution needs to be drawn that this sector is in need of improvement.

In adopting the ten UN Global Principles as well as other memberships covering the areas of human rights, labor standards, environment and corruption, UBS has demonstrated its engagement in building alliances with others. Not only did these memberships support the company in enhancing their reputation against outside stakeholders, but it also has helped them increase their credibility and legitimacy towards their workforce (UBS Environmental Report, 2007). Considering their history of external recognition, this quadrant can be classified as “established”.

Of equal importance is also creating societal value through disruptive innovation. In the past years, UBS has achieved making incremental improvements to its existing business operations systems. For example, in the last year the anti-money laundering tool in the private banking division was significantly improved, and client advisors were able to track more efficiently and effectively unusual business transactions (UBS Environmental Report, 2007). In spite of these efforts, UBS track record for introducing disruptive innovations has been little to non-existent. Therefore the upper-left quadrant will be classified as “emerging”.

In terms of spreading economic opportunity to the base of the pyramid markets, UBS has been extensively involved in providing the poor with education. For example, the UBS Optimus Foundation, a non-profit organization, is aimed at giving clients the opportunity to invest in providing education and health care solutions to the poor children (UBS Environmental Report, 2007). Aside from the non-profit organization, UBS has induced several other initiatives, such as the Tsunami Relief Fund aimed at dedicating the funds to provide medium to long term rehabilitation efforts in the areas affected by the disaster (UBS
Environmental Report, 2007). Considering their numerous initiatives and a track history in contributing to the poor, the upper-right quadrant can be classified as being "established".

4.2. Improvement and Monitoring Suggestions

After a thorough analysis of the social sustainability performance of UBS, the only imbalance appears to be in the upper-left quadrant of the Sustainability Value Portfolio Framework. The company is therefore encouraged to seek new opportunities in order to create disruptive innovation. For example, the company could financially support the M2Z, a company aimed at providing free internet access to over 90% of the continental United States (M2Z Networks, 2007). As a result, 100 Million Americans that do not have access to the internet will be provided with this service for free (M2Z Networks, 2007). Therefore, UBS can create societal value through this disruptive technology, and once institutionalized, they can expand their support to other countries. As a way of monitoring the progress of this initiative, UBS is advised to check quarterly with the Federal Communications Commission (FCC) to track the growth of the business.

5. CONCLUSION

After analyzing the environmental and social sustainability performance of the company, it can be concluded, that UBS clearly should focus on creating disruptive innovation to remain competitive in the future. In terms of its environmental sustainability performance, the company should further explore possibilities to spread economic opportunities to the poor. With the left-upper quadrant being the only imbalance in the Social Sustainable Value Framework, it can further be concluded, that the company did better in maintaining its balance in the social compartment than in the environmental one. In any case, the company should explore the possibility of adopting the whole systems thinking approach introduced by Stuart L. Hart (2007) to create more value and change their “emerging” status in the quadrants mentioned to a more “established” one (pp-100-103). Although an effort has been made to evaluate the company in terms of its social and environmental sustainability performance, the model has its drawbacks. One of them is the inability to see the dynamics of the changes a company has experienced over time in each of the quadrants. Nevertheless, the model presents a valuable tool for evaluating environmental and social sustainability performance
and gives guidance to companies in the areas they should improve. Companies can greatly contribute to make a better place for humanity and the environment. As Gandhi once maintained; "You must be the change you wish to see in the world."
BIBLIOGRAPHY


