

**VALUE
REPORTING
FOUNDATION**
INTEGRATED
THINKING
PRINCIPLES



Integrated thinking in action

A spotlight on UBS

Case study



Case studies from the Value Reporting Foundation

The Integrated Thinking & Strategy Group (a special interest group of the Value Reporting Foundation's Business Network) brings together some of the world's most innovative companies so that they can collaborate, learn from each other, challenge each other's thinking and share leading practices between themselves and those who follow them.

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization's strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which the Value Reporting Foundation refers to as 'capitals' in the International <IR> Framework – that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:

- What led the organization to embed integrated thinking
- How they used integrated thinking to shape their strategy
- How integrated thinking has helped them deploy their strategy
- What the benefits have been.





INTEGRATED THINKING PRINCIPLES

Overview

30-second snapshot into integrated thinking at UBS

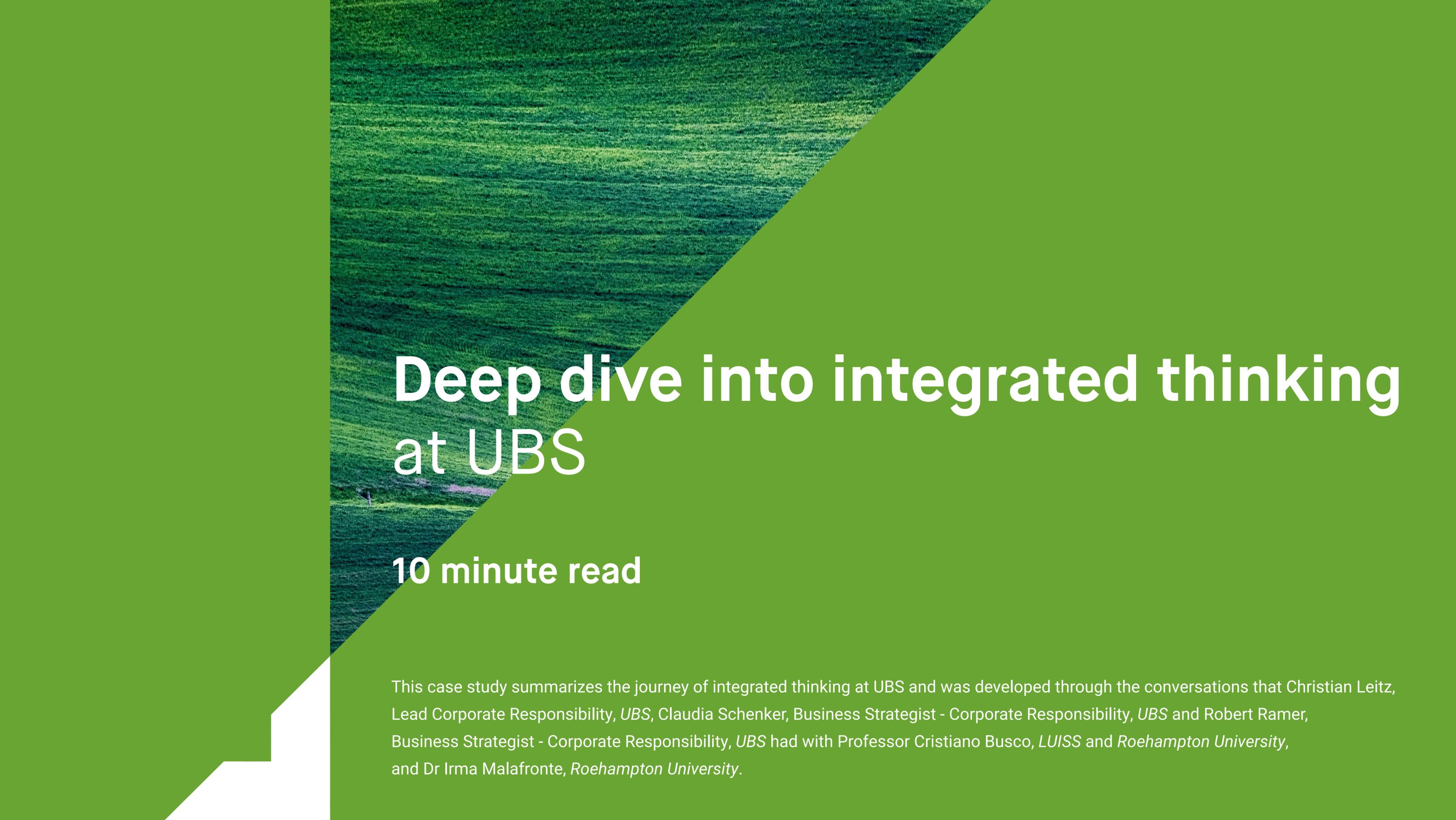
UBS provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. Headquartered in Zurich, Switzerland, the firm is present in many major financial centers worldwide.

UBS aims to be a sustainability leader. With a long-term focus, it targets sustainable profit growth and responsible resource deployment, while striving to balance growth opportunities with cost and capital efficiency. In this way, it seeks drive attractive risk-adjusted returns and sustainable performance.

These intertwined concepts of sustainability and long-term value creation are well-established in its culture and understanding and are a fundamental part of the integrated thinking journey.

In 2021, UBS defined its purpose as *Reimagining the power of investing. Connecting people for a better world*, underscoring its commitment to integrating sustainability into its DNA and helping clients transition towards a more sustainable future.





Deep dive into integrated thinking at UBS

10 minute read

This case study summarizes the journey of integrated thinking at UBS and was developed through the conversations that Christian Leitz, Lead Corporate Responsibility, *UBS*, Claudia Schenker, Business Strategist - Corporate Responsibility, *UBS* and Robert Ramer, Business Strategist - Corporate Responsibility, *UBS* had with Professor Cristiano Busco, *LUISS* and *Roehampton University*, and Dr Irma Malafrente, *Roehampton University*.



Deep dive

What led UBS to embed integrated thinking?

The concepts of sustainability and long-term value creation have long been part of UBS's culture and ways of working. In the wake of the financial crisis, the board and executive management team took a conscious decision to embed long-term thinking as one of the core principles underpinning the way UBS would operate.

Acting as one team and overcoming siloed thinking is also a prerequisite for successfully implementing the sustainability agenda and ensuring a strong business performance over the long term.

As Axel A. Weber, Chairman of the Board of Directors, pointed out in 2021:



We adopted sustainable thinking early on and have, for many years, been committed to creating long-term value for clients, employees, investors and society”

Axel A. Weber, Chairman of the Board of Directors



What led UBS to embed integrated thinking?

As a financial institution, UBS has a clear opportunity to create positive impact by providing sustainable investment and financing opportunities. Indeed, it is now expected by many clients, investors and regulators. Both the opportunity and expectation have steadily gathered pace over the past few years:



We have been working with many clients in the sustainability space for decades. As awareness has grown, especially in the past few years, it has become ever more important from both a business and client perspective. Because of that experience, we are a leader in this area. We also know that we can't stand still if we are to remain relevant for clients and ensure future profitability. That means continuing to expand our client offering to provide them with the solutions they need to meet their sustainability goals, and proactively supporting them in their transition toward sustainable ways of doing business.”

Ralph A. J. G. Hamers, Group Chief Executive Officer



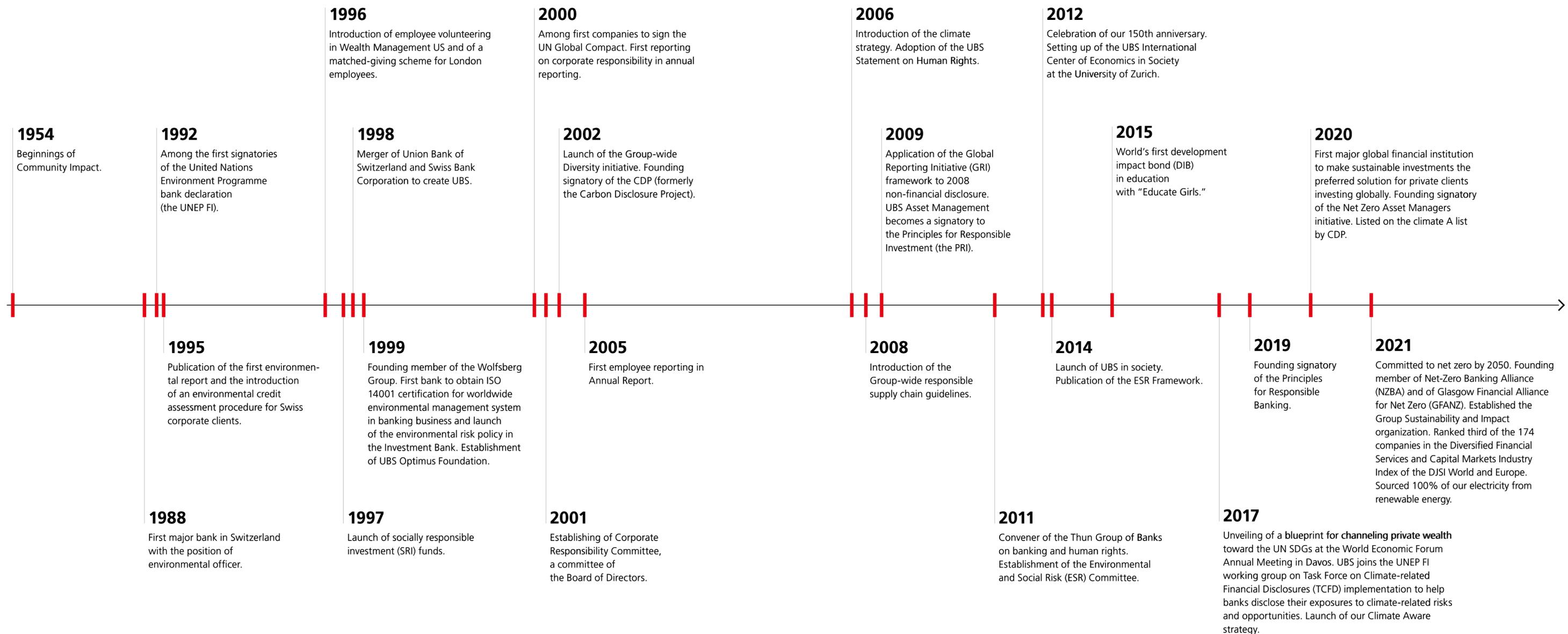
How did UBS approach integrated thinking?

UBS first embarked on sustainability reporting in 1995 with the publication of an environmental report. In 2000, when it became a founding signatory of the UN Global Compact, UBS established a committee at Board of Directors' level which, as per the committee's original charter, came with the clear goal "to determine the company's policy with respect to corporate responsibility and sustainable development".

The committee thus became a pivot for advancing integrated thinking across the firm and it has been considering all key topics pertaining to long-term value creation ever since, including the way in which the firm reports on its sustainability strategy and achievements.

Five years later, in 2005, UBS augmented its reporting with the inclusion of its first employee reporting in the annual report, stressing the crucial role of employees in achieving the firm's organizational goals. For a few years UBS also published a standalone integrated report. In 2008 it applied the Global Reporting Initiative (GRI) framework to its sustainability reporting for the first time and had those disclosures externally assured, something it has continued to do ever since. Today, the reporting structure includes an annual report, a sustainability report, and a climate report (integrated in the sustainability report and also a stand-alone document).





› Refer to ubs.com/history for information about the history of UBS

Figure 1
For a detailed view of the model please consult pages 16-17 of [UBS Sustainability Report 2021](#)



How has integrated thinking helped UBS articulate its strategy?

Developing a strategy always means considering different perspectives. And to do that, various experts and stakeholders from within the organization, and outside, need to be heard and understood. At UBS, long-term success is highly dependent on client satisfaction, so naturally they are placed at the forefront of our purpose, *Reimagining the power of investing. Connecting people for a better world*, and sit at the heart of our strategy.

Whether a client is a wealthy individual, a retail client, a corporate or an institution, UBS aims to bring them the best of its capabilities from across the firm to help them meet their financial goals.

By acting as one firm, with a shared culture, UBS aims to be successful through its business activities in its four business divisions (Global Wealth Management, Asset Management, the Investment Bank and Personal & Corporate Banking). Achieving these ambitions directly impacts investors, clients and employees, as well as society and the environment by delivering a great client experience, for instance, providing a positive work environment for employees, or by contributing to society as a taxpayer and attractive employer.



How has integrated thinking helped UBS articulate its strategy?

When it comes to helping clients realize their sustainability ambitions, UBS wants to be the financial provider of choice for clients who wish to mobilize capital toward the achievement of the 17 UN Sustainable Development Goals and the orderly transition to a low-carbon economy. This commitment to sustainability is central to UBS's purpose. It is all about making an impact, so to amplify that impact the firm focuses its efforts on the *planet, people and partnerships*.

While clients are a key focus of UBS's strategy, there are a number of other highly significant stakeholders, not least the firm's shareholders. Pursuing longer-term, sustainable returns for clients also has the potential to enhance UBS's own returns, thereby driving better outcomes for the firm's own shareholders. Alongside this sustainable growth agenda, UBS also aims to improve shareholder returns by growing and leveraging its unique, integrated, and complementary business portfolio and geographic footprint.

The end result is a clear strategy that provides direction for the entire organization: maintaining a sustainable business model, aiming for continuous success as an industry leader and at the same time ensuring everyone within the organization understands and lives up to the purpose statement.



Our approach to long-term value creation

As of or for the year ended 31 December 2021

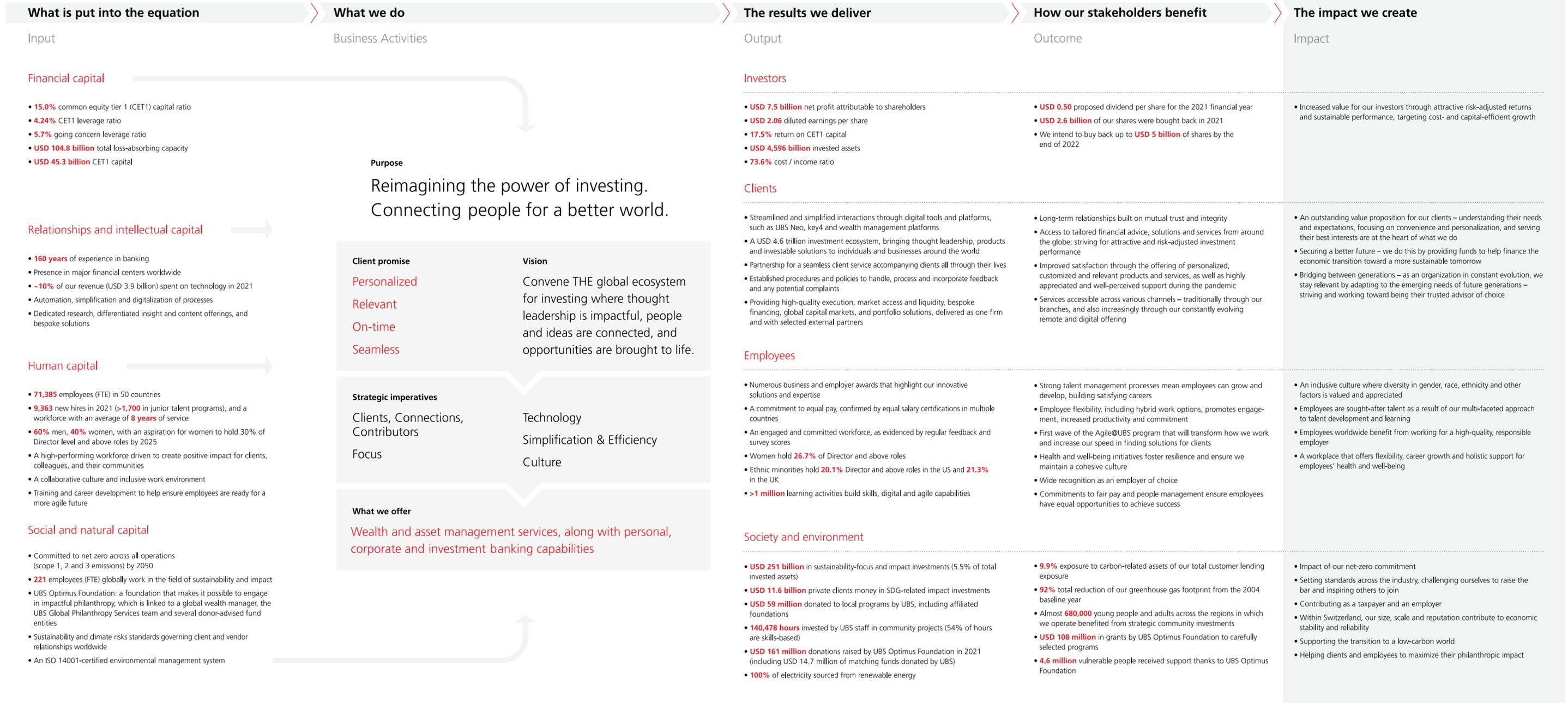


Figure 2
For a detailed view of the model please consult pages 4, 5 and 6 of [UBS Annual Report 2021](#)





Our purpose is the starting point for everything we do”

Ralph Hamers, Group CEO

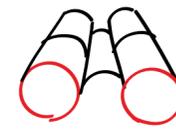
How has integrated thinking helped UBS deploy its strategy?

As highlighted above, the bank’s purpose sits at the centre of its business strategy.

To bring UBS’s purpose to life, fulfill its promise (to clients and other stakeholders) and achieve its vision, there are five clear imperatives for the bank. Each one is underpinned by clear strategic initiatives that have been developed to address industry trends, build on strengths, overcome challenges, and create a unique space to grow. They are:



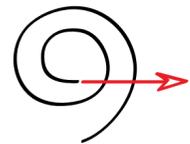
Client, connections, contributors – delivering the power of investing



Focus – play where we are positioned to win



Technology – make technology our differentiator



Simplification and efficiency – increase ease of doing businesses and enable our journey



Culture – mobilize employees behind our future vision and act as one firm



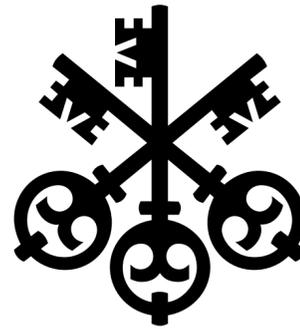
How has integrated thinking helped UBS deploy its strategy?

UBS's purpose was defined in 2021 applying a bottom-up approach, which was kicked off in November 2020 by its new CEO, Ralph Hamers. It was his ambition to identify the purpose of UBS and he played a crucial role in mobilizing the organization to find the right words. A firm-wide survey was conducted, giving everyone an opportunity to participate and express themselves on issues such as what UBS stands for, what is really important, as well as what critical skills and capabilities does the organization need? The bank also explored and researched, and listened to experts, thought leaders and employees. It collected over 400 pages of interview transcripts, 20,000+ comments from employees and 50,000+ answers to surveys. It also looked at trends and competitors. These significant efforts had positive consequences:

- 1 A feeling of belonging for many of those employees who were involved and integrated in this process
- 2 Tangible leadership by the bank's new CEO during a period of widespread uncertainty precipitated by the pandemic
- 3 A clear purpose helped significantly in defining the strategy and providing clear guidance for all stakeholders.



How has integrated thinking helped UBS deploy its strategy?



Our Pillars

What we're built on.

Capital strength

A balance sheet for all seasons

Simplification and efficiency

Make it easy to do business

Risk management

Anticipate and handle risks effectively

Our Principles

What we stand for.

Client centricity

Clients are at the heart of everything we do

Connectivity

Create success by connecting people, ideas and opportunities

Sustainable impact

Act today with tomorrow in mind

Our Behaviors

How we do it.

Accountability with integrity

Take ownership

Collaboration

Work as one UBS

Innovation

Improve every day

At UBS, a diverse workforce, inclusive culture and equitable practices, are all crucial to long-term success. Employees are respected and valued for their differences. UBS's strong and inclusive culture is grounded in the firm's three keys to success: Pillars, Principles, and Behaviors. They articulate *what we're built on*, *what we stand for* and *how we do it*, demonstrating the integrated way in which UBS looks at its core activities, principles and actions, taking a holistic approach, rather than looking at each of these as separate silos or boxes. Another aspect of UBS's approach towards integrated thinking is its Board of Directors' Corporate Culture and Responsibility Committee (the CCRC), which ensures that topics related to corporate culture, responsibility and sustainability are considered in an integrated way. For example, the announcement of the firm's net zero commitment on climate, and beyond, in April 2021, which integrated not just our laser-focus on climate but also topics related to diversity, equity and inclusion. At management level, integrated thinking is fostered through the firm's sustainability and impact strategy. Oversight and responsibility for these topics is delegated by the Group CEO to the Group Executive Board lead for sustainability and impact, Suni Harford. She is responsible for setting and driving the consistent implementation of the firm's sustainability and impact strategy with the business divisions and group functions.

To foster stakeholder engagement, several initiatives are in place for the different stakeholder groups (clients, investors, employees, society) around stakeholder needs, value proposition, key topics discussed and engagement.



How we create value for our stakeholders

Stakeholder group	Stakeholder needs: what our stakeholders expect from us	Value proposition: how we create value for our stakeholders	Key topics discussed: what was important to our stakeholders in 2021	Stakeholder engagement: how we engage with our stakeholders
Clients	<p>Advice on a broad range of products and services from trusted advisors</p> <p>A mix of personal interaction with our advisors in combination with digital service anywhere and anytime (convenient, seamless digital banking is the expectation)</p> <p>Top-quality solutions and the highest standards in terms of asset safety, data and information security, confidentiality, and privacy</p> <p>A combination of global reach and local capabilities targeting positive investment outcomes</p> <p>Competitively priced products and services, risk management, and liquidity</p>	<p>Delivering tailored advice and customized solutions, using our intellectual capital and digital platforms</p> <p>Building long-term personalized relationships with our clients</p> <p>Developing new products, solutions and strategic partnerships in response to clients' evolving needs, including in the digital age</p> <p>Providing access to global capital markets and bespoke financing solutions</p> <p>Meeting increasing sustainable investment and private markets demand from clients</p>	<p>Investment performance in light of the continued low-interest-rate environment coupled with the threat of rising inflation</p> <p>Holistic goal-based financial planning</p> <p>Sustainable finance and investing opportunities</p> <p>Data privacy and security</p> <p>Products and services, including those around digital banking</p> <p>The need for even more personal advice following the start of the COVID-19 pandemic</p>	<p>Individualized client meetings</p> <p>Requests for regular client feedback, feedback monitoring and complaint handling</p> <p>Primarily virtual client events and conferences, including information on key developments and opportunities</p> <p>Client satisfaction surveys</p> <p>Increasing levels of digital interaction with clients</p>
Investors	<p>Disciplined execution of our strategy leading to attractive capital returns through dividends and share repurchases</p> <p>Comprehensive and clear disclosures on quantitative and qualitative data necessary to make informed investment decisions</p> <p>Recognizing and proactively addressing strategic opportunities and challenges</p>	<p>Executing our strategy with discipline and agility as the external environment evolves, while aiming to deliver cost- and capital-efficient growth</p> <p>Providing transparent, timely and reliable public disclosures</p>	<p>Strategic plans and updated targets following the change of CEO in late 2020</p> <p>Structural growth in and return potential of our businesses</p> <p>Cost efficiency and ability to generate positive operating leverage</p> <p>Ability to protect or even grow revenues in a low-for-longer interest rate environment</p> <p>Incorporation of ESG factors into the business model, compensation and risk management</p>	<p>Financial reports, investor and analyst conference calls, and webcasts, as well as media updates on our performance or other disclosures</p> <p>General meetings of shareholders</p> <p>Investor and analyst meetings</p> <p>Digital interactions with investors as a result of COVID-19 pandemic restrictions, with limited impact on pre-pandemic meeting schedules and participation, given reliable virtual solutions; the 2021 Annual General Meeting was held virtually</p>
Employees	<p>A global, world-class employer, with the expertise and breadth of opportunity to empower people to develop successful careers</p> <p>A collaborative, engaging, supportive and inclusive workplace culture</p> <p>An environment that provides a sense of belonging and the opportunities to positively impact clients, shareholders and society</p> <p>Skill and career development opportunities, including future-skills development, and rewards for performance and impact</p>	<p>Hiring great talent and investing in development, now and for the future</p> <p>Effective, fair people management and compensation policies and practices</p> <p>A strong workplace culture that aligns with our purpose and values, enabling employees to develop their careers and unlock their full potential</p> <p>Holistic support, including health and well-being initiatives, that empowers employees and fosters resilience</p> <p>Comprehensive workforce data analytics enable making better and faster decisions to meet business needs</p>	<p>Our corporate culture, aligned to purpose and enabled by our three keys to success</p> <p>A clear commitment to fair pay</p> <p>A performance management process that supports our strategic priorities</p> <p>Hybrid working options for employees</p> <p>Strategic focus on diversity, equity and inclusion</p> <p>A more agile future; accelerating new ways of working</p>	<p>Regular CEO and GEB communications and events, along with senior leadership, regional and functional sessions with employees</p> <p>Employee surveys and other virtual employee engagement activities</p> <p>Group Franchise Awards and the Kudos peer-to-peer recognition program</p> <p>Health and well-being offerings, employee volunteering and network opportunities, flexible and hybrid-working arrangements</p>
Society	<p>Facilitation of economic development that is sustainable for the planet and humankind</p> <p>Maximization of our positive effects and minimization of any negative effects on society and the environment</p> <p>Proactive management of the environmental and societal impacts of our businesses</p>	<p>Promoting significant and lasting improvements to the well-being of communities in which we operate</p> <p>Taking an active role in the transition of our economy toward environmentally and socially sustainable solutions</p> <p>Advising clients to align their business models with ESG parameters and the UN Sustainable Development Goals</p>	<p>Sustainable finance</p> <p>Our climate strategy</p> <p>Our client and corporate philanthropy efforts</p> <p>Reducing inequalities in our local communities</p>	<p>Community investments and partnerships with social institutions</p> <p>Interaction with NGOs</p> <p>Participation in forums and round tables, as well as industry-, sector- and topic-specific debates</p> <p>Dialogues with regulators and governments</p> <p>Support of COVID-19-related aid projects across our communities</p>

Figure 3

For a detailed view of the model please consult page 38 of [UBS Annual Report 2021](#)



How has UBS benefited from integrated thinking?

For UBS, embedding sustainability cannot work without embedding integrated thinking, as the two are inextricably linked. The process only works if the different parts of the organization are connected and thinking happens in an integrated manner.

It helps foster long-term thinking as a natural direction of the business. It adds value, both in the long term and the short term. Integrated thinking favours an agile way of working that means the firm is set up, not in silos, but rather with different teams working together and ensuring that the necessary capabilities are available when needed.

The main challenge to such an approach appears to be the need to balance these intrinsic objectives with certain external imperatives. Regulatory requirements that may sometimes create obstacles to integration, especially in a highly regulated industry like banking, are a case in point. Moreover, integrated thinking requires an investment in the organizational culture, to ensure the various parts of the organization move in lock-step, so that people do not feel as if they are at different stages in the journey.





VALUE REPORTING FOUNDATION INTEGRATED REPORTING FRAMEWORK

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value — how it is created, preserved or eroded over time. The resources — including Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.

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