

SOVEREIGN BANK

SUSTAINABILITY PLAN

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I. Client Background

Headquartered in Wyomissing, PA, Sovereign is one of the largest banking institutions in the Northeastern United States, with 750 branches, and more than 2,300 ATMs. Sovereign Bancorp, Inc., the parent company of Sovereign Bank, is a financial institution with principal markets in the Northeast United States. Sovereign offers a broad array of financial services and products including retail banking, business and corporate banking, cash management, capital markets, wealth management, and insurance. Sovereign Bank's roots reach as far back as 1902, when the bank began as a Wyomissing, PA building and loan association created to help textile workers become homeowners. The Bank officially took the name "Sovereign" in 1986, and a year later formed the parent company, Sovereign Bancorp, Inc. In July 2000, Sovereign completed its largest acquisition: approximately \$12 billion in deposits, \$8.1 billion in loans, 281 Community Banking Offices, and 550 ATMs from FleetBoston Financial. At the time, it was the largest branch acquisition in banking history¹. Santander is one of the largest banks in the world, and they've recently agreed to acquire Sovereign Bank. By joining Santander, Sovereign will be able to offer even better service and more innovative products tailored to the needs of our customers. Santander has Recently named the "Best Bank in the World" and consists of 13,000 branches, more than any other international bank in the world, and more than 35,000 ATMs².

With Sovereign being acquired and now being such a large bank it is more important now than ever that Sovereign puts emphasis on their responsibility to the environment. Recent surveys have shown that consumers are now looking at a company's environmental policy when deciding between services and products. This project is concentrated on the Carver,

¹ Sovereign Bank Website – www.sovereignbank.com

² Santander Website – www.santander.com

Massachusetts Branch of the bank, but should be implemented bank-wide when the company sees the benefits. There are a few immediate changes that Sovereign Bank should look into and also future changes, which are larger projects and may need more resources than what is currently available.

II. Credit Suisse Bank Model

In researching Sovereign Bank's requirements many banking models were reviewed. Credit Suisse was one of the more impressive models that could help Sovereign understand the importance of acting on their environmental responsibility. Credit Suisse is based in Zurich, Switzerland and is active in over 50 countries and employs 50,000 people from 100 different nations. As a global bank, they strive to create an open, respectful workplace that encourages people to work together to deliver superior products, services, and results to support the success and prosperity of all their stakeholders. They believe that responsibility toward the environment and society is a key factor in driving long-term success.

In times of significant environmental and social challenges, it is vital for Credit Suisse to consider all the different aspects of its activities and their implications. They consistently strive to comply with the highest standards in terms of ethics, integrity, and responsible content. Credit Suisse's environmental accomplishments include:

- The first bank worldwide to achieve ISO 14001 certification for its environmental management system.
- One of the first companies to sign up for the Equator Principles and the United Nations Global Compact.

(Equator Principles: A set of environmental and social benchmarks adopted by financial

institutions in 2003 to ensure that the projects financed are developed in a manner that is socially responsible and reflect sound environmental management practices).

- In 2006 Credit Suisse became the first major company to achieve greenhouse neutrality in Switzerland.
- Striving to become carbon-neutral globally in 2009.

Credit Suisse continues to develop structured products with a focus on environmental and social themes and uses their financial expertise to create innovative offerings in areas such as alternative energies and carbon emissions trading.

Credit Suisse's corporate citizenship report illustrates the principles and standards that support their actions, as well as the way they address environmental and social challenges in daily business activities. Credit Suisse regularly receives excellent ratings in the area of sustainability as confirmed by rating agencies and index providers such as the Dow Jones Sustainability Index and the Global Reporting Initiative (GRI).

Credit Suisse has achieved greenhouse gas neutrality in Switzerland and wants to realize this goal for all its operations worldwide. It has therefore developed an internal strategy based on four different approaches:

1. Optimizing the operations of their premises
2. Capital expenditure to install energy-efficient technologies in their infrastructure
3. Substitution of energy types
4. Compensation of the remaining emissions with emission reduction certificates

Operational Optimization:

Operational environmental management focuses primarily on ensuring the quality of the workplace and on reducing emissions resulting from energy consumption and operations. Energy efficiency, electricity from renewable sources, and recycling are key issues in this context. Energy consumption is by far the largest direct cause of greenhouse emissions at Credit Suisse. Operational optimization is therefore an important component of their environmental strategy. They consistently use materials with high levels of insulation, energy-saving construction techniques, and energy efficient IT technology when renovating premises or constructing new buildings. Credit Suisse uses newly developed software that records, documents, and analyzes the consumption of energy and resources. It is then possible to specify individual energy efficiency targets and actively monitor trends to take prompt action where necessary. Recycling efforts remain a key topic and a top priority. Credit Suisse uses Forest Stewardship Council (FSC) and ISO 14001 certified suppliers for paper needs. Double side printing and photocopying are but two small steps in an ongoing employee awareness program.

Capital Expenditure:

The renovation of existing premises and the construction of new buildings create excellent opportunities to implement energy-efficient technologies lowering operating costs and protecting valuable resources. The refurbishment of bank premises that have come to the end of their technical lifetime offer the opportunity for even greater savings. Thanks to new technologies in energy standards, Credit Suisse can increase energy efficiency by up to 50% by using materials with high levels of insulation for the building envelope or by fitting heat recovery installations. Energy efficient IT technologies also play an important role in saving energy. One project in this area is running in New York City, where new software was installed that optimizes server capacity and reduces energy consumption at the same time. The IT division

set itself the goal of disposal of 2000 servers. By the end of the year, a total of 2,800 - about 12% of all the Credit Suisse servers installed worldwide - had been switched off.

Substitution:

Substitution is the continuation of normal business processes based on a more climate-friendly approach. Examples include:

- Energy Consumption: Favor renewable sources such as hydropower, solar power, and wind power. In 2007, Credit Suisse purchased around 200 million kWh of electricity from renewable sources – accounting for 34% of their global energy consumption. In Switzerland, this figure stood at 64%, making them one of the largest purchasers of “green electricity”.
- The use of vehicle technologies such as hybrid or biogas systems as alternate forms of fuel is a criterion, which is applied by Credit Suisse when evaluating new vehicles and when purchasing external transportation services.
- The use of electronic communication means such as telephone and video conferencing instead of business travel is a substitution measure that also reduces costs and safeguards resources.

Compensation:

The offsetting of greenhouse gas emissions is a key element of Credit Suisse's strategy to achieve greenhouse gas neutrality globally in 2009. However, emissions reduction certificates must meet stringent quality criteria.

Credit Suisse's multi-level strategy to achieve greenhouse gas neutrality for all its operations globally sets out measures to reduce emissions including the improvement of operations and maintenance, the use of strict energy standards when constructing or renovating buildings for the bank's own use, and the purchase of a greater proportion of "green electricity". These steps will enable them to reduce greenhouse gas emissions in the area of operations over time.³

III. Triple Bottom Line

Triple bottom line (TBL) is also known as "People, Planet and Profit". TBL is a comprehensive disclosure of corporate performance to include the environmental, social and economic dimension of an entity's activity. A triple bottom line enterprise seeks to benefit all constituencies, not exploit or endanger any group of them.

TBL needs to incorporate one or more of the following elements:

- Environmental
- Social
- Economic

TBL has little value to its company or stakeholders if it's not aligned to a company's overall business strategy. Also, senior management endorsement is needed of TBL and major

³ For more information on Credit Suisse visit their website @ www.credit-suisse.com/us/en/

resource applications. TBL demands that a company's responsibility be the "Stakeholders" rather than "Shareholders." A "Stakeholder" is anyone who is directly or indirectly influenced by the actions of a firm.

Benefits of Triple Bottom Line

- Enhancement of the reputation of the brand
- Attracting and retention of high caliber employees
- Identification of potential cost savings
- Reduce high risk profile⁴

IV. Client Requirements and Phase I Initiatives

Working with Sovereign Bank to understand their needs and requirements the following list of initiatives was created for what Sovereign would pursue as Phase I of their plan:

- Recycling
- Paper Use Reduction
- Reducing Greenhouse Gas Emissions

Recycling:

Today Sovereign Bank utilizes recycling bins behind the counters for the tellers to use to recycle. This idea now will be brought out to the customer. Recycling bins will be placed in the lobby of the bank. While customers are filling out withdrawal or deposit slips there are plenty of

⁴ *"The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success -- and How You Can Too"* - Dr. Marvin Shaffer and Karl Weber

opportunities for errors to be made. Currently all non-usable slips are just placed in the closest trash bucket. Recycling services are cheaper than trash disposal services. Paper is the largest portion of the waste stream in a banking branch. By separating paper from the trash Sovereign will save money in trash disposal costs. Reducing the amount of waste sent to landfills and incinerators will enhance Sovereign's image.

Paper Use Reduction:

It is estimated that 44% of banks offer paperless statements⁵. There are many benefits to both Sovereign and its clients to going to electronic statements. It is estimated that each paper statement produced cost approximately \$0.80 to produce and mail. The Carver Branch could potentially save \$20,000 a year if all of its clients stopped paper statements. The cost savings could increase to over \$1,000,000 if all of Sovereign's clients in all the branches made this choice. This change may also produce new clients. With only 44% of current banks offering the electronic statement option the competition is still minimal and clients may actually leave a bank that does not offer electronic statement to a bank that does. The clients will benefit from making this change in various ways. The first being that it will reduce their clutter, they will be able to view statements online for past months and be able to view cleared checks online. The biggest personal benefit for the clients is that electronic statements will decrease the possibility of mail fraud and identity theft. Along with the personal benefits there are also environmental benefits that will come with Sovereign Bank eliminating paper statements. Switching to electronic

⁵ CUNA council website - <http://thepoint.cuna.org/>

statements can reduce paper consumption by 6 pounds – per person, per year. Each person that will switch to electronic statements may potentially save up to 7 square feet of forest⁶.

This will need to remain as an option, with paper statements still available. Most likely there will be clients who do not want to change their ways and want to keep receiving paper statements. Sovereign will need to offer an incentive for clients to stop the paper statements. Sovereign is currently offering customers a \$100 cash back for opening an account⁷. A similar incentive should be offered for current clients to switch to paperless statements. Most banks have offered a one time cash rebate or a set amount deposited into the clients account when each electronic statement is sent out.

Reducing Greenhouse Gas Emissions:

It makes business sense to choose the most energy-efficient computer equipment possible. Energy-efficient computer equipment uses less energy than conventional computer equipment saving energy and money, as well as aiding in reducing greenhouse gas emissions. When it comes to computer monitors, liquid crystal display (LCD) monitors are the energy-efficient choice. Their energy efficiency, combined with their other advantages, makes them a better long-term investment. There are two types of computer monitors: CRT (cathode-ray tube) and LCD. CRT monitors are the traditional monitors we have used for years and are typically heavy and bulky in size. A CRT monitor uses cathode-ray technology found in televisions. A cathode shoots electron beams through a vacuum tube, exciting phosphors, which create a glow

⁶ Citizen's Bank Website - www.citizensbank.com/greensense/why.aspx

⁷ Sovereign Bank Website – www.sovereignbank.com

at the front of the screen. As a continuous source of energy is needed to activate the phosphors, the electricity consumption of a CRT monitor remains steady.

A typical LCD monitor is thin, compact, lightweight, and sometimes referred to as a flat-panel display screen. LCD monitors use similar technology to that of digital watches. An LCD monitor uses less electricity than a CRT monitor because it needs no energy, other than the fluorescent light source, to produce the white background that makes up most screen images.

Benefits of LCD Monitors:

- **Energy savings** – At 25 watts, an LCD monitor uses about one-third the energy of a 75-watt CRT monitor.
- **Longer lifespan** – LCD monitors last twice as long as CRT monitors, reducing the need for periodic replacement. Replacing your LCD screen's backlight is an economic way to prolong the life of the display.
- **Reduced heat output** – Decreased cooling loads result in decreased cooling costs.
- **Space-saving benefits** – With their slimmer profile and lighter weight, LCD monitors take up to 75 percent less desk space than CRT monitors. They work well with laptops and can also be wall-mounted.
- **Health benefits** – LCD monitors are flicker-free, anti-static, anti-glare and produce no electromagnetic radiation.
- **Better total cost of ownership** – Although LCD monitors are more expensive than CRT monitors, prices have decreased, making them more affordable. Considering the advantages of longer lifespan and greater energy efficiency, LCD monitors provide a

better long-term investment. See exhibit 1 for a break down of potential savings in the Carver, MA Sovereign Bank Branch⁸.

V. Change Management

Sovereign will need to establish a champion who will train regional management in order to spread the mission of the program, not only to employees but also to all Sovereign Bank stakeholders. The champion will be directly responsible for the communication and success of the program. A competent corporate employee, who is aware of Sovereign Banks structure, will be appointed, to allow for ease of implementation. The following will be necessary:

- The champion will be responsible for a detailed statement of work that will outline all aspects of the Sustainability Program. This will be produced and rolled out prior to any of the following are implemented.
- Rollout mandatory training schedule for all Sovereign branch Managers. (“talking points”)
- It will be necessary to spread the word to get people on board with the program before implementing program. This will prevent the perception that the program is being forced upon its employees; rather employees will be aware and supportive of the program.
- Look for volunteers or College interns to assist in program. They can help run the training programs and help rollout program guidelines.

Corporate Sustainability Strategy Planning, Development and Implementation

Sovereign bank will need to work closely with sustainability champions and teams but first the

⁸ BC Hydro Website - www.bchydro.com

following must be established:

- Needs analysis and identification of opportunities, risks, issues and challenges
- Management briefings on the value of, and business case for sustainability
- Internal and external stakeholder engagement and dialogue (communication)
- Establishing sustainability vision and goals
- Assessment of existing environmental and social initiatives and performance
- Identification, prioritization and implementation of sustainability initiatives
- Identifying enhancements to existing initiatives
- Training employees on integrating a sustainability mindset into day-to-day activities
- Establishing performance measures and tracking progress toward targets
- Reporting of achievements and progress towards sustainability goals

Stakeholder and Community Engagement Workshops

Customers, employees, investors, financial institutions, suppliers, the local community NGOs, and regulators are all key players in the success of Sovereign Bank. Stakeholder workshops will include the following:

- Identify stakeholders impacting and impacted by the company's activities
- Encourage sharing and understanding of diverse needs and interests

- Establish alignment and a common understanding of the drivers, needs and values
- Develop a shared vision and strategy for achieving sustainability
- Identify specific goals and initiatives to achieve the strategic vision
- Recommendations for implementation of the sustainability strategy.

VI. Cost-Benefit Analysis

It is important for Sovereign Bank to consider the business context and economic cost and benefits that will make the new proposed initiatives successful. Some of this analysis is simple to perform. Please see exhibit 1 for a cost analysis for the potential savings associated with replacing the current CRT desktop computer monitors with LCD monitors. It is also estimated that each paper statement costs approximately \$0.80 to produce and mail. That would be an annual savings of $\$0.80 \times \text{the \# of statements sent out} \times 12 \text{ months}$. Stopping paper statements will also help with eliminating household waste as well as save trees.

The less tangible benefits will be the enthusiasm of the employees and the customers. It has recently been shown that employees are excited to work for companies who strive to do well for the environmental and that a company's environmental policy is may play an important role in a potential customer's mind when deciding where to do their business.

VII. Performance Metrics and Reporting

The most important metric will be customer feedback. This can be measured by how many customers change to paperless statements. It is also important for Sovereign to be able to report how many new clients they gain once initiating these changes. Sovereign should plan to send out customer surveys via email (recommend using www.surveymonkey.com) after a set amount of time to receive feedback from the customers. This way Sovereign can gauge how the new system is working and the customers will have a chance to voice their opinions. Sovereign can then act on the recommendations from the customers and make changes. This will help keep customers happy as well as help Sovereign retain their clients.

VIII. Future Initiatives

What benefits will come with future sustainability efforts:

- Attracting and retaining top talent;
- Increasing employee productivity and satisfaction;
- Proactive management and response to current and emerging business risks;
- Increasing market share and new markets via product and service differentiation;
- Reducing operating and production costs; and
- Enhancing image, reputation, and brand recognition.

Sovereign Bank has chosen to adopt the “Strike Zone” framework in order to evaluate sustainability efforts. Bank of America successfully implemented Strike Zone in efforts to reduce their Environmental Footprint. The following are used to rate where the efforts will fall in the Strike Zone analysis:

- High or low impact on reducing environmental footprint.
- Ability of the company to implement the proposed effort with current corporate structure and capabilities.

Strategies for future Sustainability efforts:

Transportation Initiatives- Studies have shown that transportation can account for up to 20% of corporation's GHG emissions. Sovereign Bank will implement an employee reimbursement program for purchasing hybrid vehicles. Sovereign will seek press coverage in efforts to better reputation and as a source of free advertising. This rebate will be offered only to employees who travel an excess of 40 miles on a given work day (a.k.a. an outside salesman may have a 5 mile commute to the office but may travel an average of 50 miles a day, this person would be eligible for rebate). Hybrid vehicle savings will increase fuel efficiency 40%.

HVAC- Upgrading the efficiency of heating and cooling equipment. Increases efficiency 30-35%/ GHG 1-7%.

Lighting- Upgrade efficiency of lamps, ballasts, and fixtures; make better use of daylight. Increases efficiency 20-60%/ GHG 2.1-6.3%.⁹

⁹ *Measuring Environmental Footprint: A Financial Services Industry Case Study*. 2008. Center for Sustainable Enterprise, Kenan-Flagler Business School, University of North Carolina, Chapel Hill, U.S.A.

EXHIBIT 1

Sovereign Bank (Carver, MA Branch)	
Hours of use per year per computer	3,900
LCD energy usage (@ 25 W)	97.5 kWh
CRT energy usage (@ 75 W)	292.5 kWh
Savings offered by LCD monitors (demand reduction 50 W)	195 kWh
Annual electricity cost savings per LCD monitor *	\$9.75
Annual electricity cost savings for the Entire Office (based on LCD monitors)	\$97.50

* Based on an electrical rate of \$0.05 per kilowatt hour

Exhibit 1 – BC Hydro for generations website - www.bchydro.com

ENDNOTES AND REFERENCES:

^{1 & 7} Sovereign Bank Website – www.sovereignbank.com

² Santander Website – www.santander.com

³ For more information on Credit Suisse visit their website @ www.credit-suisse.com/us/en/

⁴ “*The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success -- and How You Can Too*” - Dr. Marvin Shaffer and Karl Weber

⁵ CUNA council website - <http://thepoint.cuna.org/>

⁶ Citizen’s Bank Website - www.citizensbank.com/greensense/why.aspx

⁸ BC Hydro Website - www.bchydro.com

⁹ *Measuring Environmental Footprint: A Financial Services Industry Case Study*. 2008. Center for Sustainable Enterprise, Kenan-Flagler Business School, University of North Carolina, Chapel Hill, U.S.A.

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