

The Sustainable Auto Report

Analyzing the automotive sector's reporting quality

Deloitte Touche Tohmatsu evaluated the current status of Environmental and Sustainability Reporting in the automotive industry during the year 2001. Analyzing more than 20 reports from major automobile manufacturers, the survey provides a composite of the sector's reporting practice of today and progress made over time.

The study was based on the **Deloitte Sustainability Reporting Scorecard**. This tool measures sustainability reporting quality and effectiveness with respect to key success drivers. It focuses on relevance and on those principles and characteristics that make reporting effective and reported information credible. The study also covers aspects that are pre-eminent in today's debate on Sustainability Reporting, such as the development of social indicators and the integration of sustainability into business processes. When evaluating the result of the analysis of the automotive reports, we applied our solid experience in the international environmental and sustainability reporting field.

Benchmarking reports for improvement

With this study, Deloitte Touche Tohmatsu aims to give automobile manufacturers an overview of the reporting practice in their industry and to provide helpful guidance for further improvement. In addition to the overall results described in this brief, Deloitte Touche Tohmatsu is offering individual companies a detailed discussion of the specific results for their report, benchmarked against sector average and best practice. The **Deloitte Sustainability Reporting Scorecard** provides valuable information about 30 success drivers in reporting and enables discussion of suggested recommendations for report improvements based on individual scoring.

The value of Sustainability Reporting to the automotive industry

Mobility and the automobile are indeed of central importance to today's economic, societal and environmental developments around the globe. This places on the automotive industry a primary responsibility to develop a vision for sustainable mobility and implement strategies and actions toward improved solutions for mobility needs.

Accepting this responsibility includes actively engaging with stakeholders, conducting open dialogue, and exchanging information about commitments, objectives and performance. Such transparency and communication can help create the trust and credibility necessary in the industry for the companies' societal "license to operate, innovate and grow", and as a result will help address the evident sustainability challenges.

Sustainability Reporting is an important instrument for the automotive industry; one which can add great value. Not reporting - on the other hand - may inhibit credibility and justify prejudice.

**Do automotive companies make the best use of
Sustainability Reporting?**

Reporting quality above average, but

We think that the automotive industry delivers above-average quality reports, compared to other industry sectors. The reports published demonstrate that Sustainability Reporting is beginning to command attention and resource allocation in the automotive industry.

Automotive companies already have significant reporting experience from publishing predominantly environmental reports on a regular basis for several years. However, improvements from year to year and adaptation to further needs and new trends appear rather modest.

⇒ Surely but slowly toward Sustainability

While five automotive companies intend to report fully on sustainability, nine others mainly focus on environmental issues, providing minimal information in social and economic areas. We believe that there are some gaps between reporting practice and users' expectations. Linkages between the three pillars of sustainability, particularly to economic implications and the multi-dimensional nature of sustainability, are not really addressed in automotive reports.

⇒ Early on the e-Reporting learning curve

The reports of all but two automotive companies are printed and distributed as hardcopies. They are also available as pdf-files from the corporate web pages. Two companies provide real web-based reports together with a printed executive summary, while two others offer additional content on their web sites that is not included in the report. Flexibility of structure and sequence and options to obtain additional information through interaction are moderate, and where provided, they are not easy to navigate. Internet-based reporting remains a major challenge to both report providers and report users.

⇒ More like books than brochures

10 out of the 21 automotive reports analyzed exceed 80 pages. The length results in difficulty of comprehension. Most reports provide a high level of technical detail. For those particularly interested, such detail may be a means to learn and better understand, while others may soon tire of the wealth of information and put the books down.

The automobile companies generally provide attractive and visually appealing reports. Focused ideas assist the reader in navigating through the reports and understanding complicated language and technical charts.

⇒ Reporting is getting global, too!

Most automotive companies are operating globally. Some years ago, automotive reports were still focused on headquarters and provided information mainly on home-country operations. Ultimately, the environmental and sustainability reporting gets global, too. Automotive companies are implementing global reporting strategies, including e.g. high-quality regional reports, or have subsidiary brands publishing their own reports as well.

⇒ GRI adoption pays

Several automotive companies are involved in some form or fashion in the Global Reporting Initiative (GRI). Seven are aiming to adopt the GRI Sustainability Reporting Guidelines. There are indeed indications that those reports, which follow the GRI Guidelines, outperform the others. They achieved - in average - a 20% higher scoring compared to the others.

⇒ What's the matter with verification?

An unexpected result of the survey is the limited use of assurance related services in the automotive industry. Few reports are verified with an independent statement from assurance professionals. Four out of 16 companies include a 3rd party verification statement in their reports, and four more at least offer some commentary on the issue of assurance.

Strengths

Commitments and management quality well described

The automotive industry's top management seems to be honestly committed to the environment and to sustainability. The CEO statements illustrate this, and automotive companies are engaged in important global forums. They have developed corporate charters, policies and ambitious action plans and targets. They are under way to implement and maintain comprehensive management structures and procedures for their operations and business activities.

Entire life cycle covered

The entire life cycle of the automobile is covered in all the reports analyzed. Companies talk not only about production, but also about product design & development, distribution, product use, and vehicle end of life. Taking the relative importance of these phases into account, they may consider reducing the amount of detail in describing the manufacturing phase.

Innovation, technological options very comprehensive?

All reports provide much detail about product design and development. Technical innovations for environmental improvements are explained in great detail. On the search for the "ultimate eco-car", reports describe various options for improvements on the most pressing environmental problems such as material use, recycling, noise, exhaust emissions and - probably most important - climate change.

Operational eco-efficiency improvements demonstrated

Automotive reports provide a good description of operational performance with manifold input and output indicators. Development over time of operational environmental data allows the reader to understand that the industry contributes its part to operational efficiency and environmental performance improvements. This is, however, less clearly demonstrated for supply chain and distribution channels.

Weaknesses

Some important issues missing

Only few reports attempt to systematically identify and describe the relevant sustainability issues of the automotive sector. Pressing issues related to mobility, in particular to car-based private transportation and impacts in developing countries, are not well captured in the reports.

Stakeholders partially addressed

The stakeholders affected by the business of the automotive industry are not always identified, and target audiences for the reports are not clear. Reports do not demonstrate much engagement with external stakeholders. Most often, reports only show interaction with employees or with neighboring communities. Reports give little evidence of external stakeholders' involvement in the process of report development.

Social aspects still fragmented

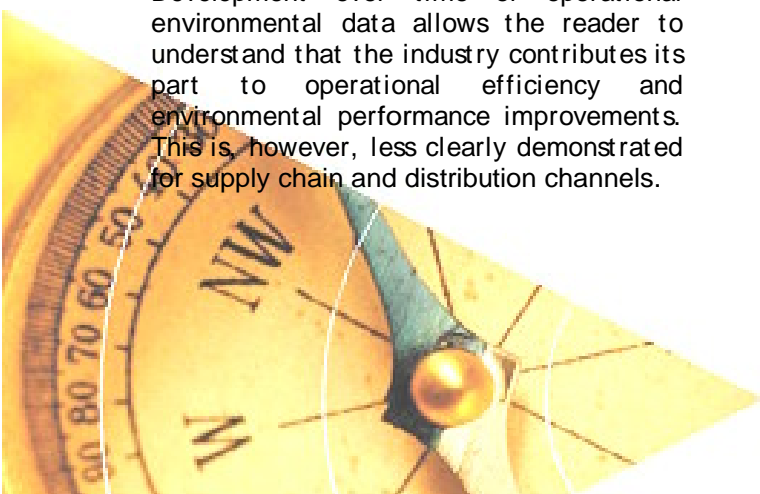
Social impacts are still rather fragmentally described in reports of the automotive industry. They are most often limited to philanthropic contributions, employee education & training, and operational health & safety.

Financial implications not demonstrated

There is limited discussion of matters that have or could have a bearing - both risks and opportunities - on the organization's short- or long-term financial performance, as well as an impact on the surrounding economy. More than half of the reports score low (0 or 1) on the description of financial implications of environmental or social issues.

Interpretation and benchmarking limited

90% of reports received a low scoring on interpretation and benchmarking of quantified performance information. Providing context together with the data and interpretation and rationale definitely assists report users in understanding the performance achieved. The ability to compare the indicators used and to benchmark results with peers are additional instrument that report users have for their decision-making.



Recommendations on some emerging questions

Do automotive companies report what their audiences want to know?

There is some concern that the automotive companies' communication does not reach the necessary audiences. For many users, the reports might be too thick and too technical. Engaging with stakeholders to identify what is of relevance to them, involving them in the development of the reports, and addressing specified target audiences, are suitable measures that help make sure reports tell the right story and are read and considered by the audiences interested.

What are the relevant issues?

The reports do not provide compelling analysis of the relevant sustainability issues related to the automotive business. While addressing many things, the reports do not capture how the automotive companies intend to help mobility become sustainable overall. We think that it is useful to report users when the relevant sustainability issues are identified and described in the report and when the company's management and performance reporting systems deal with those issues.

Can the "box on four wheels" finally become sustainable?

Automotive companies appear very confident that they can design and build an all emissions- and impact-free automobile some time in the future. Several stakeholder groups may well put some question marks behind this assumption, seeing a need for changed mobility and living patterns as well. Seven leading automotive companies have started engaging with stakeholders to develop a vision for "Sustainable Mobility 2030". The expectations of that process go much beyond the "box" of the automobile, including all modes of transport and not only technological but also behavioral innovation. Such expectations also include creative business solutions from the automotive industry.

How well do the reports build trust and credibility?

Automotive companies need to continue engaging with their stakeholders and demonstrating their commitment to accountability and honest and transparent communication. The reports could also be better in telling a credible story with a "red thread" from identifying the relevant issues all the way to concrete actions for change, quantified targets, and achieved performance. Additional essential means to achieve more credibility are assuring that the information presented in the report is realistic, complete and balanced, and that the information presented and the reporting procedures used are verified.

Scope of the survey

This reporting study includes the latest reports published in 2000 and 2001 from 14 automobile brands and two of their regional organizations (see box).

In five cases, the reports of two subsequent reporting periods were evaluated in order to trend information on improvements and developments over time.

Deloitte Touche Tohmatsu will continue to analyze sustainability reports with a view to develop a growing database on the quality of sustainability reports and to compare enterprises' reporting practices with the multi-stakeholder debate on accountability and sustainability reporting.

BMW Group	Sustainable Value Report 2000/2001
DaimlerChrysler	Environmental Report 2001
Fiat Group	Environmental Report 2000
Ford Motor Company	2000 Corporate Citizenship Report
General Motors	Sustainability Reports 1999-2000 and 00-01
Honda	Environmental Report 2000
Nissan	Environmental Reports 1999 and 2000
Opel	Environmental Report 2000/2001
PSA Peugeot Citroën	Environmental Report 2001
Renault Group	2000 Environmental Report
Toyota Motor Corporation	Environmental Reports 2000 and 2001
Toyota in North America	Environmental Report 2000
Toyota in Europe	European Environmental Report 2001
Vauxhall Motors	Env. Report 1999 and Sustainability Report 2000
Volkswagen	Environmental Reports 1999/2000 and 2001/2002
Volvo Car Corporation	Corporate Citizenship 2000