



# **GRI Automotive Sector Supplement**

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## **Preface**

GRI is pleased to release the pilot version of the Automotive Sector Supplement for use in conjunction with the GRI 2002 Sustainability Reporting Guidelines (the Guidelines).

In 2001, GRI launched its supplement programme in response to consistent feedback on the importance of sector-specific guidelines built on the foundation of the Guidelines. GRI supplements capture issues essential to sustainability reporting in a specific sector, but which may not appear in the Guidelines since they are relevant primarily for a specific range of reporting organisations or sectors. By developing both the Guidelines and sectoral supplements, the GRI framework supports the comparison of reporting organisations both across within and across sectors.

The conditions for 'in accordance' with the 2002 Guidelines remain unchanged and are independent of whether or not supplements are applied. Over the longer term, the GRI Board of Directors will pursue the continued integration of GRI products in a manner that maximises utility and the efficiency for users of the GRI reporting framework.

In keeping with the GRI due process, this supplement is released as a pilot version. The typical development of a GRI framework documents involves three phases. First, draft versions prepared by working groups are released as working drafts for public consultation and testing. Next, when the document has reached an advance stage of maturity, (typically, following nearly a year of working drafts, consultation, and testing), the documents is reviewed for release as pilot version. Such a release signifies that a document has passed a serious review of its technical merits (both content and the process of development), and is ready for use by reporting organisations.

Following the release of a pilot version, the GRI will establish a structured feedback process under the supervision of its Technical Advisory Council. This process will engage reporters and users in the broader marketplace to provide feedback resulting from use of the supplement. Based on feedback, the Technical Advisory Council will present its recommendations to the GRI Board of Directors as to whether further refinement and consultation is needed prior to release under the title of Final Version.

This process is based on common practice used for setting international standards and reflects the basic steps applied to the development of the GRI Guidelines since 1999. It should be noted, however, that even 'final' versions will continue to follow the cycle of review, testing and improvement that is required of all GRI framework documents, including the Guidelines. GRI recognises the need

for stability and predictability and will ensure that these objectives are properly balanced with the expectation of continued innovation.

GRI strongly encourages the uptake and use of this pilot supplement. Learning by doing has been the key force driving the continued improvement in the GRI reporting framework, and the supplements will be no exception. This document represents the best thinking to date, developed through the GRI multi-stakeholder process, on sustainability performance indicators for the automotive sector, and the culmination of almost two years of work by the UNEP Mobility Forum and its many collaborators.

The working group did not reach a full consensus on social indicators in supplement in the areas of employee wages, working hours, and freedom of association and collective bargaining. The most significant differences related to whether to report on employee wages in terms of amounts paid or in terms of purchasing power enabled by wages. For indicators on working hours and freedom of association, there was agreement on creating indicators measuring unionization within first tier suppliers and the length of working hours, including hours. However, differences existed over whether the indicators should require greater detail and segmentation of data on these topics, such as reporting broken down by country, including all first suppliers, and including a wider range of employees in the overtime measures.

In the course of piloting this supplement, these issues should be explored further so that they can be resolved prior to finalization of the supplement. In addition, this piloting will also provide the opportunity to take into account further updates of the 2002 Guidelines and development of additional GRI technical protocols.

GRI expresses its deep appreciation to the working group members who participated in the development of this supplement. The GRI looks forward to continued engagement with the participants in this process and welcomes new opportunities for developing supplements in other sectors.

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## **Background**

### **Reporting Using the GRI Framework**

The GRI reporting framework comprises three sets of documents. Together, this family of documents represents a comprehensive framework for measuring and reporting on economic, environmental, and social reporting at an organisational level. The GRI Reporting Framework includes:

- The GRI Sustainability Reporting Guidelines (the “Guidelines”);
- Sector supplements; and
- Technical protocols.

The Guidelines represent the foundation upon which all other GRI reporting documents are based, and outline core content that is broadly relevant to all organisations regardless of size, sector, or location. All organisations seeking to report using the GRI framework should use the Guidelines as the basis for their report, supported by the other GRI documents as applicable.

In addition to the Guidelines, the GRI family of documents also includes a growing number of sector supplements. While GRI believes that establishing a core set of Guidelines is essential to consistent and comparable reporting across diverse organisations, GRI also recognises that a generic set of indicators may fail to capture aspects of sustainability performance that are unique and crucial to a given industry sector (e.g., mining, automotive, pharmaceuticals). The sector supplements provide indicators for use in conjunction with the Guidelines that highlight the specific issues that characterise a given industry sector.

Lastly, GRI is also drafting technical protocols that offer specific guidance on various technical aspects of reporting within the GRI framework, including expectations related to measurement of specific indicators.

For more information on GRI or to obtain a copy of the 2002 GRI Guidelines or other GRI documents, please visit the GRI website at: [www.globalreporting.org](http://www.globalreporting.org). Use of the GRI framework is voluntary.

### **Applicability of this Supplement**

This document provides economic, environmental, and social performance indicators specific to the automotive sector to supplement the GRI 2002 Sustainability Reporting Guidelines. The supplement is for use in conjunction with the 2002 Guidelines and is not intended as a substitute.

**The Process for Developing This Supplement**

The supplement was developed by a multi-stakeholder working group, convened by the GRI and UNEP Mobility Forum. The group began its work in May 2002 and held its final meeting December 2003. The working group included participants from a range of different constituencies including business, advocacy groups, trade unions, and investors. In addition, its participants come from a range of different geographical regions, including Europe, North America, East Asia, and South America. See Annex 1 for the list of working group members.

The first full group meeting was held in Paris, France in May 2002 to identify issues of specific relevance to the automotive sector. The group also agreed upon two co-chairs, one industry and one non-industry participant, to ensure that all perspectives were given equal weighting in the working processes.

Over the course two further meetings (January 2003 and May 2003), the working group developed a draft set of indicators which was released for public comment in August 2003. Between August and November, nearly 30 organisations submitted comments on the draft document. These comments were reviewed at a final meeting in December 2003 by the working group and further revisions were made to the document. At the conclusion of the meeting, the working group agreed that the document was ready for release for a piloting period.

**About GRI & UNEP Mobility Forum**

GRI is an independent global institution with the mission of developing a generally accepted framework for sustainability reporting that covers economic, environmental, and social performance. Recognised by the recent UN World Summit on Sustainable Development, GRI is based in Amsterdam, the Netherlands.

UNEP Mobility Forum is a voluntary initiative of 13 automotive manufacturers from Europe, Asia, and the United States. These companies are working together with the United Nations Environment Programme (UNEP) to protect the environment while maintaining healthy and profitable businesses operating within the framework of sustainable development.

## Supplement Content

### **Background to the Auto Sector**

At the outset of the process, the working group discussed the attributes and impacts of the industry that are significant and/or unique, and thereby may require supplementation of the reporting elements and performance indicators in the 2002 Guidelines. These were a few of the points raised that provided context:

- The auto sector plays a significant role in the global economy and is an economic barometer in most national economies.
- The auto sector has a complex value chain.
- For the majority of industries, the most significant sustainability impacts are usually associated with the manufacturing of the product. In the auto sector, product use also has significant impacts.
- Mobility is a strategic issue in both developed and emerging economies.

Many of the characteristics of this industry sector are outlined in the 2002 report entitled *Industry as a Partner for Sustainable Development/ Automotive* developed through a multi-stakeholder process facilitated by UNEP and involving the International Automotive Manufacturers.

### **How to Read this Section**

This supplement is for use in conjunction with the GRI 2002 Guidelines, which are available at [www.globalreporting.org](http://www.globalreporting.org). The guidance is organized into three sections:

- 1) Context framing and highlighting issues that are relevant for discussion in an automotive report, but for which the group has not yet identified specific and meaningful performance indicators;
- 2) Commentary on existing GRI performance indicators to highlight details specific to the automotive industry; and
- 3) New performance indicators specific to the automotive sector.

In keeping with the GRI reporting framework, reporting information is structured in a hierarchy of: category – aspect – indicator. “Categories” represent broad areas of information, “aspects” more narrow subsets of issues within a category, and “indicators” are the specific measures of performance.

## **Section One: Requirements for Placing the Auto Sector in Context**

The working group agreed that a sustainability report for an auto company should provide narrative text on the unique nature of the reporting organization, its activities, and its relationship to the larger economic, environmental systems in which it operates. In particular, the working group identified two themes that underpin these disclosures:

- **Business model in the value chain;** and
- **Major sustainable mobility challenges.**

Both of these themes provide the context against which other individual elements and performance indicators can be understood. The following sections explain these themes in more detail. The description of the “business model in the value chain” should inform the preparation of the company’s Profile, as required in Part C of the 2002 GRI Guidelines. The group also included a section on major sustainable mobility challenges to ensure that reports include the identified issues in Vision and Strategy as described in Part C Section 1 of the GRI Guidelines 2002 and Governance Structure and Management Systems in Part C Section 3. In addition, it shall provide guidance to define and describe the company’s share of responsibility in addressing the major sustainable mobility challenges.

The working group agreed that these two topics could best be addressed holistically through the commentary connected to the reporting elements listed above in addition to specific performance indicators. This section on placing the automotive sector in context offers guidance on content of a report, but is not meant to recommend or require the specific structure of a sustainability report.

### **Business model in the value chain**

The working group agreed that the automotive industry is characterised by a very complex value chain, with tremendous diversity among companies in the extent of their vertical integration. In addition, companies differ in their business model, geographic reach, product portfolio, and impacts.

Stakeholders are interested in understanding the current and proposed changes to the business model of the reporting company, as well as its involvement in and influence over the economic, environmental, and social performance of its suppliers and business partners. The following text describes the stages in the auto value chain where companies vary in their involvement and which should therefore be covered in a report to help readers understand the differences between companies.

A simple definition of the stage is provided, followed by a list of “topics of special interest” to the stakeholders in the working group. These topics are given as illustrations and reporting companies should engage their stakeholders to

determine their specific priorities. Some of topics overlap with the performance indicators of the GRI Guidelines 2002, but are repeated here for purposes of providing a more holistic picture.

### **Research (R&D)**

#### **• Definition**

Investigation of new technologies, processes, and social/economic trends, leading to their application in the development of mobility products and services.

#### **• Topics of special interest**

Life Cycle Assessment (LCA); Design-for-Environment (DfE); Ergonomic, health and safety issues; Portfolio of environmentally-sound technologies, investments, and research partnerships

### **Product Development**

#### **• Definition**

Commercialisation of product ideas and concepts

#### **• Topics of special interest**

LCA; Ergonomic, health and safety issues; Involvement of suppliers in product development; Selection of materials (e.g., avoiding hazardous materials); Time horizon for commercialisation of various technologies (short term, medium term, long term)

### **Suppliers**

#### **• Definition**

Relationships with businesses that provide components, products, and services.

#### **• Topics of special interest**

Policies towards suppliers; commitments (esp. social and environmental standards) relating to suppliers; performance monitoring of suppliers; etc.

### **Manufacturing**

#### **• Definition**

Production of parts, components, and vehicles.

#### **• Topics of special interest**

Manner in which production is managed sustainably (e.g., different aspects of resource efficiency).

### **Logistics**

#### **• Definition**

Transportation/distribution system for materials and products – also includes employees' commuting & business travel.

#### **• Topics of special interest**

Modes of transport; follow-up on associated impact.

### **Marketing and Sales**

#### **• Definition**

Spectrum of means to market or sell products and services. Strategy and physical process for sales transactions and dealer involvement.

• **Topics of special interest**

Communication of environmental and safety issues; Programs and training for dealers.

**Service and maintenance**

• **Definition**

All services provided to customers related to vehicles and mobility, including the overall approach to customer relationship management.

• **Topics of special interest**

Driver training (especially training related to safety and eco-driving); Training of mechanics to support vehicle maintenance initiatives/schemes/programs; Re-call process and complaint management.

**End-of-life of Products**

• **Definition**

Take back systems for reuse, recovery, recycling, and proper disposal of vehicles (including components or parts)

• **Topics of special interest**

Linkage between end-of-life systems and product development and research (“design-for-disassembly”/“design-for-recycling”).

**Sustainable mobility / challenges**

“The worldwide production of motor vehicles has been running at record levels. Progressive globalisation and economic growth have led to increasing mobility and motorisation. Mobility is a basic human desire and an essential facilitator of economic development and quality of life. Access to mobility, especially in the developing world, means access to employment, education, and health care. Not surprisingly, the emerging markets show the highest growth rates of newly registered vehicles...

Personal travel and goods transport are still a factor in the pollution and congestion of urban areas. The issue of safety, including pedestrian safety, is an increasing concern - especially in the developing world. Additionally, carbon dioxide (CO<sub>2</sub>) emissions, which are directly correlated to the consumption of fossil fuels, contribute to the greenhouse gas effect and thus have a global impact. Vehicle manufacturers will need to satisfy global customer demands while minimising environmental and social impact to the greatest extent possible.” Excerpted from Industry as a Partner for Sustainable Development/ Automotive Report, UNEP and International Automobile Manufacturers, 2002.

The working group agreed that finding solutions to sustainable development challenges of transport and mobility in developed and developing economies are the “shared responsibility” of companies and others such as customers (drivers), dealers, fuel producers, auto maintenance/service businesses, and governments. A sustainability report should include a discussion of the company’s engagement with the issues noted below. These issues have emerged through the discussions of the working group and the comments received.

**Issues Checklist:**

- Greenhouse Gas Emissions/Climate change
- Air quality
- Noise
- Safety aspects
- Congestion
- Infrastructure
- Access to mobility
- Emerging markets
- Product & services
- Contribution to local welfare

Other relevant issues may arise through discussion with stakeholders. Discussion of these issues should be incorporated as part of the report’s responses to the elements in the sections of the GRI Guidelines on Vision and Strategy and Governance Structure and Management Systems (Part C, Sections 1 & 3). The report should explain:

- Priority of issue
- Positions advanced in public policy process and other venues
- Partnerships
- Action plans, including targets and resource commitments

## Performance Indicators: Commentary on GRI

The commentaries in this section identify additional auto specific details to include when responding to the GRI indicator. This section is divided into three tables: Economic, Environmental, and Social.

During the process, stakeholders have identified a number of indicators on social topics as of particular interest to the sector due to its global presence and prominent size. These issues indicate the need for breakdowns by country/region related to topics such as payment, training, work hours, and others. This supplement recommends that reporters using the GRI Guidelines offer such breakdowns to provide a better overview of the organization’s approach to sustainable development.

Wherever possible, a report should provide data to show past trends. The GRI expectation is to offer trend data for 3 years when available (see GRI Guidelines, pg.34). However, as product cycles in the automotive industry are longer than in other sectors, longer trend data should apply where possible.

### Category: Economic

Aspect	GRI Indicator	Commentary
Employees	EC5. Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.	When responding to EC5, also provide segmentation by country or region of the following: <ul style="list-style-type: none"> <li>• Wages for company’s lowest-compensated and median-compensated full time equivalent employees; and</li> <li>• National minimum wage.</li> </ul>

### Category: Environmental

Aspect	GRI Indicator	Commentary
Emissions, Effluents, and Waste	EN10. NOx, SOx and other significant air emissions by type.  <i>Note: This GRI indicator refers to emissions from operations and not product use.</i>	Response to this indicator should include VOC emissions.

<p>Products and Services</p>	<p>EN15. Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed. "Reclaimable" refers to either the recycling or reuse of the product materials or components.</p>	<p>In the automotive sector "reclaiming" refers to reusing and recovering materials as well as recovering energy. These three categories of reclaiming should be reported on separately. The automotive industry typically does not perform the actual reclaiming of materials from its products.</p>
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**Category: Social**

<b>Aspect</b>	<b>GRI Indicator</b>	<b>Commentary</b>
<p>Customer health and safety</p>	<p>PR1. Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue including monitoring systems and results of monitoring.</p>	<p>Key customer health and safety issues in the auto industry relate to approaches to active safety, passive safety, and security. Active safety can be understood as features to avoid accidents such as ergonomic design or braking systems. Passive safety refers to features to avoid personal injuries to vehicle occupants in case of accident such as safety belts. Safety measures protect not only vehicle occupants, but also other road users. Security relates to the security of the product (theft of/from the product) and personal security. These ideas should form the basis for discussing PR1.</p>
	<p>PR5. Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.</p>	<p>This indicator was also identified as a useful quantitative measure for reporting on customer health and safety related to automotive products.</p>
<p>Training and education</p>	<p>LA9. Average hours of training per year per employee by category of employee.</p>	<p>Automotive companies should provide qualitative information on whether investments in training and education are for skills development or lifelong learning</p>

		(including third parties).
Employment	LA1. Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships).	Companies should provide the occupational distribution of their workforce.

## New Indicators

### Category: Social

Aspect	Indicator
Working Time	A1. Specify stipulated work hours per week and average hours worked overtime in production.
	A2. Percentage of employees not managed on an hourly basis with overtime compensation schemes.
Freedom of Association and collective bargaining	A3. Percentage of major first-tier supplier facilities with independent trade union organisations or other bona fide employee representatives. <i>State amount of purchases from these suppliers as a percentage of overall purchases.</i>

*Note on the above: Although working time and employee compensation are issues for many sectors, the 2002 GRI Guidelines recommend that they be addressed in the context of sector supplements. Also note that the GRI Guidelines indicator HR3 is a qualitative indicator relating to human rights performance in the supply chain.*

### Category: Products

Aspect	Indicator
Product and Fleet Characteristics (see note below)	A4. Numbers of vehicles sold, broken down by type, fuels, power train technologies, and region. <i>Explain definition used for different vehicle types.</i>
	A5. Breakdown by region/country of the compliance of vehicles sold with the respective existing and next defined emissions standards.
Fuel efficiency	A6. Average fuel economy by type of vehicle* broken down by region, as applicable. <i>Explain definition used for different vehicle types (apply same definitions as used in indicator P1).</i>  * For manufacturers of commercial vehicles “type of vehicle” refers to vehicle “segment.”
External impacts (see note below)	A7. Average carbon dioxide emissions by type of vehicle* broken down by region, as applicable. <i>Explain definition used for different vehicle types (apply same definitions as used in indicator P1).</i>  * For manufacturers of commercial vehicles “ type of vehicle” refers to segments.
	A8. Breakdown by region/country of compliance of vehicles sold with the respective existing and next defined noise

	standard.
	A9. The subgroup agreed that GRI indicator EN34 was a relevant indicator for addressing external impacts associated with logistics. (“EN34. Significant environmental impacts of transportation used for logistical purposes.”)
Material content	A10. Weight of vehicle and percentage breakdown of generic, recycle, and renewable material of a best selling vehicle

Note on indicators P2 & P5: Standards vary in different parts of the world. Similarly, new standards are often defined and announced several years in advance. Under these indicators, a company might report that 70% of the vehicles sold in a given region meet existing standards (i.e., Euro3) and 30% already meet the next standard (i.e., Euro4). This could be shown in a table or other formats.

**Product Use**

The actual impacts associated with product use formed a significant part of the discussion during the working group process. Stakeholders recognized that product use was a shared responsibility, but remained interested in having measurements. The group agreed that fuel economy can offer some basis for estimates when combined with average miles travelled and average life of a vehicle.

## **Automotive Working Group**

The GRI and UNEP would like to thank all of the working members who contributed in an individual capacity for providing their time, energy, and expertise to the process of developing this pilot version.

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\*\* - Preceded in working group by other colleagues from IMF.