

GLOBAL ESG MONITOR 2024: AUTOMOTIVE INDUSTRY MUST CATCH UP ON SUSTAINABILITY REPORTING – QUALITY VARIES WIDELY

- **Material bottlenecks and supply chain management: Significant quality differences in reporting on the sustainable and socially just procurement of critical raw materials such as lithium and cobalt.**
- **Resource use and circular economy: Positive approaches in reporting on efficient and reusable resource use, but often a lack of details.**
- **ESRS compliance: A lot of work is needed to meet the new European sustainability standards. With an average compliance rate of 45 percent, more transparency is required.**

Wiesbaden, 4 November 2024 – There are still significant differences in the transparency and quality of sustainability reporting in the automotive industry, with which companies report on central topics such as sustainable raw material procurement and the use of resources. This is shown by the Global ESG Monitor (GEM) 2024, which analyzed the reports of 17 leading car manufacturers and suppliers from a sample of 194 companies. Already factored into the analysis are the new European Sustainability Reporting Standards (ESRS). The automotive sector's sustainability reporting must therefore pick up speed again significantly for the next reports. However, with an average reporting quality of 50 out of 100 points, the GEM 2024 sees OEMs and suppliers in a promising starting position for the extended reporting requirements in the coming reporting period.

The current GEM results reveal a strong midfield in the industry. These companies show good reporting approaches and can benefit from the best practices of the frontrunners, who have achieved up to 69 out of 100 points. In addition, the automotive industry is 5 points above the average of all companies surveyed (n = 194), which is 45 points.

Ariane Hofstetter, co-founder of GEM, comments on the results: "The automotive industry in particular is under enormous pressure to make its sustainability efforts transparent due to its central economic role and close ties to industries such as raw

material extraction, electronics and chemicals. Actors both from within the market and civil society expect clear answers to questions of resource responsibility.”

Reporting engine for resource consumption and circular economy is still running well below its target speed

Although almost all of the automotive companies analyzed consider resource consumption and the circular economy to be material, many efforts seem to be running on empty: the industry average here is only 37 out of a possible 100 points (best-in-class 72 points, last-in-class 8 points). This shrinks the lead of the sector over the overall sample to a minimum. The automotive industry only maintains a noticeable lead in specific subtopics such as resource consumption in production (39 points compared to 30 points) and in guidelines and self-commitments (45 points compared to 39 points). However, the overall quality level is still at a level that is not yet satisfactory.

Reporting on value chains and labor as a key industry challenge

76 percent of the companies in the sample emphasize their commitment to the UN Sustainable Development Goal 8 (SDG 8) “Decent Work and Economic Growth.” However, a closer look at the reporting on workers in the value chain shows that aspiration and reality are not yet aligned. With an average reporting quality of only 41 out of 100 points, reporting falls short of expectations. Particularly striking: 38 percent of companies provide no information at all about which groups of people are potentially affected by negative impacts.

Child and forced labor is another example of an issue where companies can still improve. 63 percent report on explicit company policies to curb human trafficking, child labor, and forced labor. However, 56 percent of our sample still do not provide any information on possible facilities or locations with a risk of child labor. Similarly, 81 percent do not provide information on compensation programs in the event of child or forced labor. Overall, the quality gap here is still wide, with a best-in-class score of 70 points and a bottom score of 13 points.

By contrast, the automotive sector has a good grasp of the description of the value chain itself. Here it is 20 percentage points ahead of the overall sample with 71 points. At 88 and 82 percent, the overwhelming majority report on upstream and downstream activities in detail, and supplier relationships are also generally disclosed

in a clear manner. However, the level of detail in various due diligence processes, such as sustainability assessments, could be even higher. In some cases, information on the process, regularity or contractually agreed targets is still missing.

Major action required in the race for ESRS compliance

With regard to the European Sustainability Reporting Standards (ESRS), companies still need to shift to a higher gear. So far, they have only achieved a degree of fulfillment of 45 percent. The study results make it clear that automotive companies must not only become more transparent in terms of resource consumption, but also in the entire reporting process, and set themselves more comprehensible goals.

As part of the ESG webinar series (Impact Challenger Days), you will next learn more about reporting trends and best practices in the banking and insurance sectors. (Registration for participation free of charge: [here](#)). Further information on the Global ESG Monitor 2024 is available at www.globalESGmonitor.com.

About the Global ESG Monitor

The Global ESG Monitor (GEM) is an independent think tank dedicated to analyzing and comparing the quality of sustainability reports. Since its foundation in 2020, the GEM has analyzed over 1,300 reports from more than 500 companies worldwide. The operationalization of quality (transparency & context) is based on the GEM ASSAYTM methodology, which integrates the principles and criteria of the European Sustainability Reporting Standards (ESRS), the Global Reporting Initiative (GRI), IFRS (IFRS S1 and S2), the Task Force on Climate-related Financial Disclosures (TCFD), the United Nations Global Compact (UNGC) and the German Supply Chain Sustainability Act (LkSG). In addition, findings from the dialogue with relevant stakeholder groups are incorporated into the methodology. To ensure very high data quality, each company report is analyzed three times. The results of the analyses are published by the GEM Academy and the Impact Challenger Days. Interested companies can access detailed, individual analyses to improve their own sustainability reporting. The GEM thus offers companies a second opinion on their reporting and helps them to continuously develop their sustainability communication through peer group comparisons and benchmark analyses. Further information can be found at www.globalESGmonitor.com.

About the Integrity Star Award

The Integrity Star Award (ISA) recognizes the best sustainability reports from the DAX®, MDAX®, SDAX® and an international sample. The award makes best practices publicly accessible and provides comparative data and benchmarking opportunities. The aim is to provide companies with a data-based foundation for improving their sustainability reporting so that they can fulfil the high expectations of stakeholders and regulatory authorities. The assessment is not carried out by artificial intelligence or a jury, but by an experienced team of analysts who analyze the reports using the sound, objective methodology of the GEM ASSAY™. At the same time, the companies are shown how their reports could be perceived by stakeholders. The Integrity Star Award is based on the evaluation of the current sustainability reports before the expected changes by the ESRS and can serve as a basis for future progress measurements.

About the Impact Challenger Days

The Impact Challenger Days (ICD) are dedicated to the topic of sustainability reporting in all its facets. The focus is on ESRS and CSRD, materiality, environmental issues and social and governance topics. In addition, the ICD will present sector-specific findings and, thanks to the cooperation with IR24, webinars that take a closer look at the topic of sustainability from a capital market perspective. Take part in the ESG webinar series free of charge: [here](#).

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