

# SUSTAINABILITY REPORTING TRENDS IN AUTOMOTIVE

Disclosures by North  
America's top 100  
companies

ESG research series by industry

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## Table of contents

Overview	3
Executive summary	4
The growing importance of ESG and sustainability	5
ESG and sustainability in the automotive industry	7
Top 100 automotive and parts companies: 12 key insights	10
Leadership practices and industry challenges	12
Sustainability assurance	13
References	15



# Overview

This white paper provides automotive and parts manufacturers and brands with insights into two key areas of sustainability reporting:

- 1) Priority criteria identified by global frameworks, standards and rating agencies.
- 2) Actual reporting behavior of the top 100 automotive and parts organizations in North America.

This paper leverages publicly disclosed data from the top 100 companies in the automotive and parts industry by revenue doing business in the United States and Canada per ZoomInfo<sup>1</sup> (February 15, 2024). SGS's experience in delivering sustainability assurance solutions also informs this content. Other sources are listed as references. Organizations were not contacted directly while gathering the findings of this paper.

## YOU WILL GAIN AN UNDERSTANDING OF:

- How sustainability and environmental, social and governance (ESG) reporting evolved to become a key business focus across all industries, globally
- How material ESG initiatives are fundamentally tied to achieving sustainability outcomes
- The five key business drivers of ESG and sustainability programs and performance in the North American automotive industry
- The priority material ESG and sustainability topics, with key performance indicators (KPIs), for the North American automotive industry as defined by international frameworks, standards and rating agencies
- The leading material ESG and sustainability topics of the top 100 North American automotive and parts organizations, based on actual reporting behaviors
- The importance of building a robust ESG and sustainability program supported by third-party assurance





## Executive summary

The global automotive industry is responsible for producing over ten percent of annual carbon dioxide (CO<sub>2</sub>) emissions through its production of approximately 80 million vehicles per year.<sup>2</sup> With growing concerns about the negative impacts of climate change on the global economy, sustainability and ESG reporting have become a strategic priority for the automotive industry.

In North America, regulation has come into effect to minimize the carbon footprint of stakeholders across the automotive supply chain. It, therefore, makes sense why ESG reporting in the automotive industry is very high, with 88% of automotive and parts organizations publicly disclosing ESG and sustainability performance data. Regulations are also mandating large emitters to disclose their carbon output, leading to greenhouse gas (GHG) emissions being both a top ESG reporting environmental topic and target within the industry.

The majority (88%) of organizations in the industry are reporting on both environmental and social topics. The most common environmental topics reported, in order of frequency, are GHG emissions, energy management and waste management. The top social topics reported are occupational health and safety, product safety and quality and diversity and equal opportunity.

A best practice for industry comparison and achieving positive ESG outcomes is alignment with a globally accepted reporting framework or standard. In the automotive industry, the most common frameworks being followed are the Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Project (CDP), the United Nations Sustainable Development Goals (UN SDGs) and the Task Force on Climate-Related Financial Disclosures (TCFD) Framework. 74% of the top 100 automotive organizations are aligning their reporting with more than one of these forms of guidance and the majority of

reporting organizations (84%) are disclosing ESG and sustainability data through the publication of a comprehensive stand-alone report. When indexed to relevant reporting frameworks and standards, this best practice optimizes the ease with which stakeholders can find comparable information.

Just over three-quarters (77%) of reporting organizations have a senior governance committee in place to oversee and manage their ESG programs; three-quarters (75%) of these committees also have Board-level oversight. This implies a positive outlook when it comes to ESG maturity in the automotive sector since not only are a large majority of organizations governing their ESG programs through dedicated committees, but the programs and performance of these committees are being actively overseen by Boards. The top priority of investor-driven frameworks, standards and rating agencies is that ESG programs be managed from the top-down, with 'real-life' actions and 'governance and ethics' being critical to their success. Although the majority of leading automotive organizations are carrying out and reporting on initiatives – a gap still exists since 23% have yet to establish senior-level bodies to manage ESG programs and performance. Moreover, 25% of existing committees lack Board-level oversight.

Finally, our research shows that only 31% of North America's top automotive organizations are disclosing third-party assurance of their reported ESG and sustainability data – the majority at a limited level of assurance. This presents a significant reporting gap, where a large room for improvement exists. The criticality of this gap is demonstrated through a recent survey of global investors, which indicated that 87% of respondents believed that corporate reporting contains unsupported sustainability claims. 75% of these respondents also said they would have greater confidence in sustainability reporting if it was accompanied by an independent, reasonable assurance report.<sup>3</sup>





# The growing importance of ESG and sustainability

## Climate change becomes top global economic risk

ESG is an acronym for three categories of non-financial reporting: environmental, social and governance. “Non-financial” refers to any disclosures material to an organization’s bottom line, yet not measured in currency. For this reason, they are also referred to as “extra-financial” to remind us that they do, in fact, have real financial implications.

After the global economic collapse in 1929, the financial sector spent 50 years on reform to protect investors and the economy. Instead of historical cost accounting for accuracy, the focus became decision-useful data and context regarding future performance (e.g. discounted cash flows). In the 1970s, finance professionals first identified two major types of non-financial data deemed material to organizational performance: environmental externalities and social goals. In 1980, this led to the US adding a Management Discussion & Analysis section in the annual reports of publicly traded companies, resulting in the term environmental, social and governance (ESG).

It took another 30 years to develop the sustainability reporting frameworks, standards and rating agencies for businesses that we have today. In 1975, 83% of the S&P 500 market value was in tangible assets, such as buildings, equipment, vehicles and inventory. By 2020, that completely flipped to 90% of the S&P 500 market value held as intangible assets, such as intellectual property, brand value and goodwill. Intangibles can change more quickly than tangibles, and therefore, carry more inherent risk from poor ESG performance.

ESG reporting is driven by financial materiality. It focuses on impacts that environmental and social issues pose on the financial performance of an organization in the short, medium and long terms. In the 2022 World Economic Forum’s Global Risks Report, nearly 1,000 global leaders in business, government and civil society voted climate change (environmental) as the number one economic risk in the world.

### So, why the controversy?

When people point to a conflict between financial performance and protecting the planet or people, they are referring to the impacts of an organization on the environment, society or impact materiality. The term “double materiality” is often associated with “sustainability”, which refers to an organization considering both financial and impact materiality when defining material topics to measure and manage – to maximize profit while limiting social and environmental harm. This aligns with voluntary standards, like the Global Reporting Initiative (GRI), the UN Sustainable Development Goals (SDGs) and regulatory schemes, like the EU’s Corporate Sustainability Reporting Directive (CSRD). Successful programs addressing financially material ESG topics are the foundation for effective sustainability programs addressing broader issues.

*Climate action failure is considered the most critical threat to the world in both the medium term (2-5 years) and long term (5-10 years), with the highest potential to severely damage societies, economies and the planet.*  
– World Economic Forum Global Risk Report (2022)





## ESG: a key framework within core business strategy

ESG is a lens into how organizations measure and manage environmental and social topics that financially impact them. It is directly tied to the core business strategies of leading organizations across industries. There has never been more alignment in reporting frameworks, standards and rating agencies than today.

The most trusted and utilized investor-driven reporting guidances include:

- Integrated Reporting (IR) Framework
- Sustainability Accounting Standards Board (SASB) Standards
- Task Force on Climate-Related Financial Disclosures (TCFD) Framework
- International Financial Reporting Standards (IFRS) S1 & S2 Sustainability Standards
- European Union Corporate Sustainability Reporting Directive (CSRD)

The first three were combined under the Value Reporting Foundation (VRF) and absorbed into the IFRS Foundation.

IFRS guidance is followed by the majority of jurisdictions worldwide, excluding the US, where Generally Accepted Accounting Principles (GAAP) are still in use. IFRS released its S1 and S2 sustainability standards in June 2023. These now form the best starting point for any organization wanting to identify and report on material ESG topics, including industry-specific disclosures.

*There have never been more business tools, frameworks and standards for businesses to implement ESG initiatives and to gather information on ESG performance.*



# ESG and sustainability in the automotive industry

## Top 5 drivers of adoption and growth

### 1) Regulation



Regulation is leading the way in North America. Particularly, participation in the Greenhouse Gas Reporting Program (GHGRP) is mandatory for organizations that operate facilities emitting 10 kilotonnes or more of GHGs. In Canada, the IFRS S2 climate-related standard came into effect in January 2024. Large industrial emitters, large federal suppliers and federally regulated financial institutions are subject to climate disclosure rules.

In the US, rules also exist or have been proposed for large industrial emitters, large federal suppliers, large publicly traded companies and large companies doing business in California (where SB 253 & SB 261 climate disclosure rules will take effect for 2026 reporting). Broader ESG and sustainability disclosure is required for publicly traded and larger North American companies doing business overseas due to international regulations, including the IFRS S1 and S2 Sustainability Standards and the EU's CSRD.

### 2) Sustainability scores



ESG rating agencies continue to score publicly traded companies against their peers, driving organizations to act given their use in decision-making for lenders and investors. The most reputable rating agencies include the: Dow Jones

Sustainability Indices (DJSI), Morgan Stanley Capital International (MSCI) ESG, Institutional Shareholder Services (ISS) ESG and Sustainalytics. These sustainability scores are increasingly used by investors, banks and other financial institutions when making buy, sell or lend decisions. Higher ESG scores are often associated with lower costs of capital.

### 3) Supply chain pressure



ESG rating agencies' sustainability scores of publicly traded companies are impacted by transparency and performance in their supply chain. To manage this, organizations have rapidly increased surveys and requests for suppliers to disclose

sustainability data – often on accepted platforms, like CDP for climate-related disclosures and EcoVadis for broader ESG and sustainability disclosures. This provides transparency in the organization's supply chain. Scores are increasingly used to support whether a supplier can meet minimum requirements or achieve preferred status.



**accelerate  
initiative**  
powered by ecovadis

The Accelerate Initiative aims to design a socially, economically and environmentally sustainable future through responsible procurement in the mobility and vehicle sector. Founded in 2023, the initiative is focused on the adoption of environmental, social and governance topics that are most important to the sector. This includes the creation of synergies in the industry's approach to both vertical and horizontal supply chain partners to enable the achievement of goals on vital topics faster, while monitoring other important environmental, labor and human rights and ethical risks. [Learn more.](#)





#### 4) Consumer demand



Lifestyles of Health and Sustainability (LOHAS) consumers are a USD 546 billion global market, with 23% market share in the US – with anticipated 10% year-over-year growth. One of the six LOHAS market segments is ‘alternative transportation’, which includes hybrids, diesel vehicles, electric vehicles and car-sharing.<sup>4</sup>

According to the PwC 2024 Voice of the Consumer survey, consumers are increasingly prioritizing sustainability in their

consumption practices, with 85% experiencing the disruptive impacts of climate change in their lives. 46% say they are buying more sustainable products as a way to reduce their impact on the environment.

In addition, a 2024 Pew Research Center survey of US adults revealed that among those who would consider purchasing an electric vehicle, the primary reason is to help the environment, while saving money on gas is the second most important reason. A small share of respondents cite keeping up with the latest trends in vehicles as a key reason.<sup>5</sup>

#### 5) Recruitment and retention



A wider pool of top talent is available to organizations that can brand themselves as an environmentally-responsible place to work. According to IBM’s 2022 Institute for Business Value survey of 16,000 employees across 10 countries, 67% of job applicants

are more willing to apply for and accept positions with companies they feel are sustainable.

In the UK, a Unily survey of office employees showed that 83% felt their employer was not doing enough to tackle sustainability and climate change, while 65% would prefer to work for a company with stronger environmental policies.<sup>6</sup>



# ESG priorities based on global frameworks, standards and ratings

Let us have a look at the priority ESG material topics with related disclosures and KPIs for the automotive industry that have been identified by global frameworks, standards and rating agencies through multi-stakeholder approaches – including investors and industry professionals.

## 1. Governance & ethics



- Senior governance structure for managing and reporting on material ESG topics
- Names and qualifications of ESG governance leaders
- Stakeholder engagement process to identify ESG risks and opportunities
- List, description and management approach of material ESG topics
- Certify to a governance standard (e.g. ISO/IEC 27001, ISO 37000)
- Tier 1 suppliers certified to a governance standard, by type

## 4. Carbon footprint



### Environmental

- Product carbon footprint (Life cycle assessment)
- Scope 1, 2 and 3 greenhouse gas (GHG) emissions
- Certification to a climate standard (e.g. ISO 14064-1, ISO 14067, CDP)
- Tier 1 suppliers certified to a climate standard, by type
- Energy consumed from grid and renewables

## 2. Product safety & quality



### Social

- Certification to a safety and quality standard (e.g. TISAX, IATF 16949, ISO 26262, ISO/SAE 21434, ENX VCS)
- Tier 1 suppliers certified to a safety standard, by type
- Five-star rated vehicle models by NCAP programs
- Safety related defect complaints
- Recalled vehicles or units of product

## 5. Fuel efficiency



### Environmental

- Sales-weighted average passenger fleet fuel economy
- Zero emission, hybrid and plug-in hybrid vehicles sold
- Strategy for managing fleet fuel economy risks and opportunities
- Revenue from products to improve fuel efficiency

## 3. Labor management



### Social

- Workforce covered under collective bargaining agreements
- Work stoppages and days idle
- Certification to a social standard (e.g. ISO 45001)
- Tier 1 suppliers certified to a social standard, by type

## 6. Material sourcing



### Environmental

- Critical materials risk management
- Waste and recycling from manufacturing
- End-of-life material recovered and recycled
- Recyclability of vehicles and products sold
- Hazardous waste from manufacturing
- Input materials from recycled or re-manufactured content



# Top 100 automotive companies: 12 key insights

Now let us look at the actual ESG and sustainability reporting behavior of the top 100 automotive and parts companies doing business in the US and Canada, based on revenue.

## Disclosure

1) Have businesses publicly disclosed ESG and sustainability performance data?

**88% – Yes    12% – No**

2) What are the most common reporting frameworks?

## Environmental

3) Of reporting businesses, have they disclosed environmental performance data?

**88% – Yes    12% – No**

4) What are their three most commonly disclosed material environmental topics?

1. **GHG emissions**
2. **Energy management**
3. **Waste management**

5) Which environmental topics most commonly have improvement targets?

1. **GHG emissions**
2. **Energy management**
3. **Material sourcing**

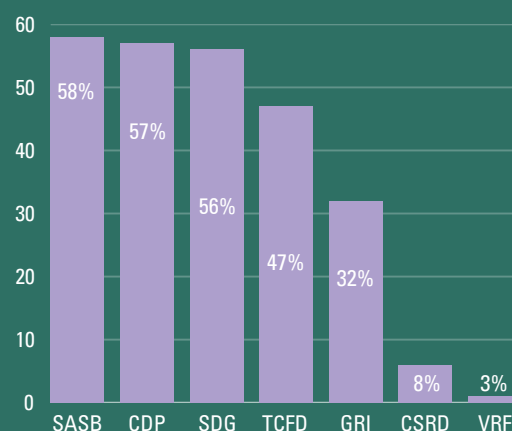
### Data disclosure



### Avenue of disclosure



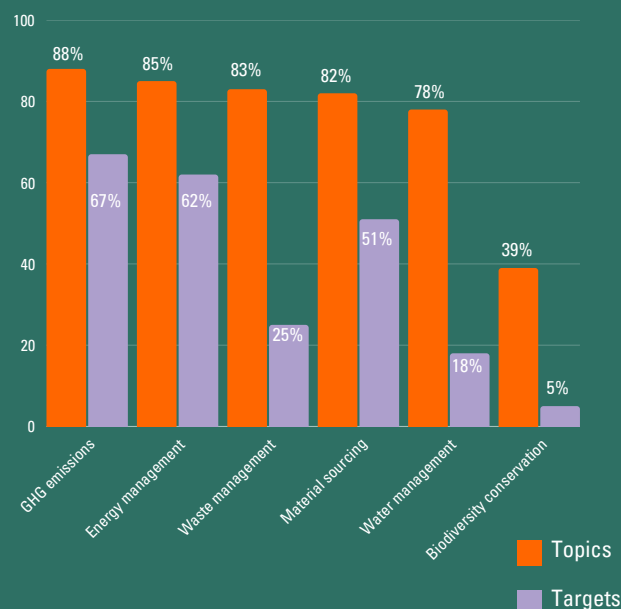
### Frameworks



### Environmental data disclosure



### Material environmental topics and targets





## Social

6) Of reporting businesses, have they disclosed social performance data?

**88% – Yes    12% – No**

7) What are their three most commonly disclosed material social topics?

- 1) Occupational health and safety
- 2) Product safety and quality
- 3) Diversity and equal opportunity

8) Which social topics most commonly have improvement targets?

- 1) Occupational health and safety
- 2) Product safety and quality
- 3) Diversity and equal opportunity

## Governance

9) Have businesses established a senior-level governance body to manage ESG and sustainability risk and performance?

**77% – Yes    23% – No**

10) How many (of those) governance bodies have Board-level oversight?

**75% – Yes    25% – No**

## Third-party assurance

11) Have reporting businesses had their ESG and sustainability performance data assured by an independent third-party?

**31% – Yes    69% – No**

12) What level of assurance was sought for ESG and sustainability performance data?

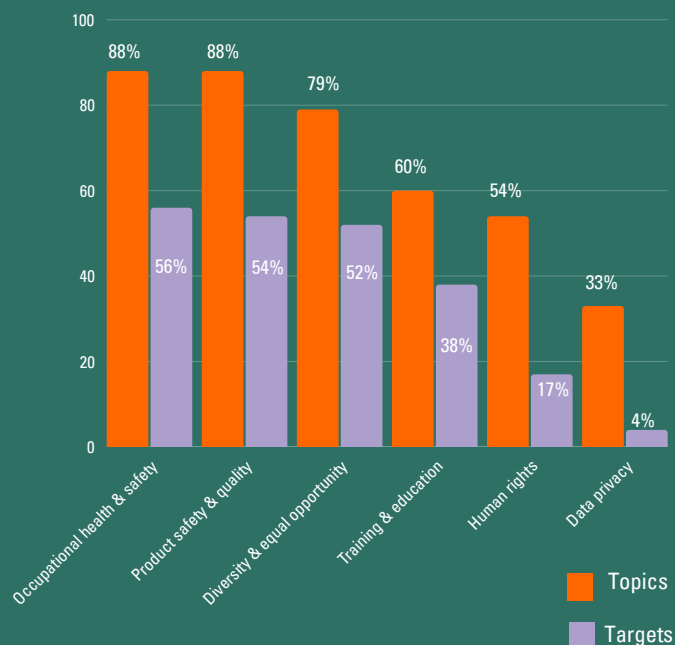
**7% – Reasonable    93% – Limited**

Companies disclosed an average of four KPIs, with the most common standard for delivering assurance being limited. 11% of these earned full report assurance.

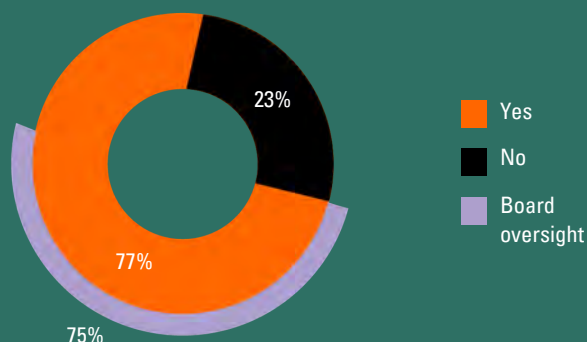
### Social data disclosure



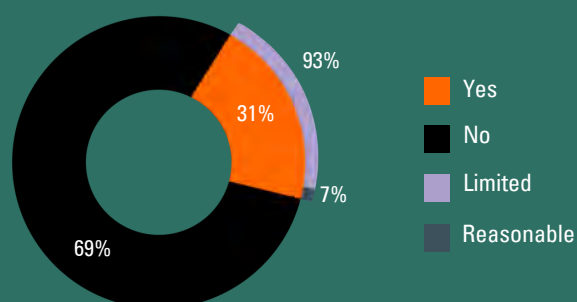
### Material social topics and targets



### ESG governance body



### Third-party assurance







# Leadership practices and industry challenges

## Leadership practices

According to the data, your business can take a leadership position in the North American automotive industry by adopting the following practices that are most commonly pursued by industry leaders. These can mature your sustainability and ESG program, mitigate risk for your business, save costs and enhance stakeholder and customer satisfaction.

First, you can publicly disclose data about your organization's environmental and social performance using an international framework, like the SASB, CDP, UN SDGs and/or TCFD. Second, you can report KPIs related to common environmental topics, such as GHG emissions, energy management and waste management, while setting improvement targets in emissions, energy management and material sourcing. Finally, you can report KPIs and set improvement targets related to priority social topics, beginning with occupational health and safety, product safety and quality and diversity and equal opportunity.

## Industry challenges

The 12% of top automotive and parts organizations that are not yet publicly disclosing ESG and sustainability performance data should do so immediately since this is a baseline industry practice.

Of the majority that are publicly disclosing data (88%), approximately 15% are disclosing via their corporate websites, often resulting in poor or unclear coverage of data indexed to reporting frameworks or standards. A stand-alone report would resolve these discrepancies.

Although a majority of organizations (77%) have already established a senior governance committee to manage ESG programs, less than one-fourth have not (23%). This is also a leading industry practice that should be put into place without delay. Of the organizations that have established a senior governance body, 25% of these are without Board oversight. This highlights a discrepancy in the industry since investor-driven frameworks, standards and rating agencies place senior governance oversight as the top 'governance and ethics' priority.

Importantly, the majority of organizations (69%) are not yet disclosing third-party assurance of their reported ESG and sustainability data. Particularly in North America, GHG emissions reporting has become mandatory for organizations that operate facilities emitting 10 kilotonnes or more. Organizations that sit beneath this threshold would also benefit from seeking third-party assurance of their Scope 1, 2 and 3 emissions reporting.

In addition, legislation has come into effect that encompasses measures to prevent greenwashing and inaccurate ESG and sustainability claims. These include:

- US FTC Green Guides
- Canada's Bill C-59
- EU Green Claims Directive

Gaining third-party assurance to ensure legal compliance is, therefore, a critical area needing attention for organizations in the automotive industry.

*It is strongly recommended that third-party assurance be sought for a minimum number of KPIs, at a limited level, to strengthen sustainability reporting.*





## Sustainability assurance

Across industries, businesses are under stakeholder and regulatory pressure to have their ESG and sustainability reporting independently assured by a qualified third party. This includes ad hoc verification of individual KPIs (e.g. GHG emissions verification) and assurance of full compliance with ESG reporting frameworks, standards and regulations – such as the SASB, GRI, TCFD or EU's CSRD. New and proposed climate disclosure regulations in the US and Canada will require assurance, and this trend is growing globally. It is highly recommended that organizations consider pre-assurance and limited assurance for a minimum number of material KPIs to prepare for these regulations. A qualified, independent third party can validate the completeness and accuracy of public disclosures and provide a statement of opinion for publication.

SGS provides expert education and assurance for your ESG and sustainability program, including accredited statements of opinion that confirm the accuracy and reliability of your claims.

For more information contact:  
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### How we can help

Are you an automotive company that needs support with your ESG and sustainability journey? Our expert auditors and trainers are available across North America. We can help you build your ESG and sustainability program from the ground up or rectify gaps within your existing program.

#### WE OFFER:

- GHG Training
- GHG Gap Analysis
- GHG Verification
- CDP Rating Boost
- ESG Pre-Assurance
- ESG KPI Assurance
- Sustainability Report Assurance
- ESG Training
- EcoVadis Rating Boost





## SGS: a global leader in sustainability and ESG assurance

We are the world's leading testing, inspection and certification (TIC) company, and have been a global leader in delivering ESG and sustainability assurance services for over 30 years. Our teams also contribute to the development and auditing of international industry standards.

In 2024, **TIME Magazine** and **Statista** ranked **SGS the sixth most sustainable company in the world**. We ranked first in the TIC sector. This high ranking was supported by our decarbonization target of achieving net-zero emissions by 2050, as verified by the Science Based Targets initiative. Additional factors included our implementation of energy efficiency projects, use of renewable energy for 97% of our total consumption, adherence to the UN Global Compact, inclusion in the S&P Global Sustainability Yearbook and recognition by CDP as a leading company. Our commitment to diversity also contributed to earning this ranking, with 31.9% of leadership positions held by women.

We continue to be recognized and ranked highly by every respected ESG rating agency, by which our clients are also being scored.



**GOLD**

Industry rating

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

**LEADER**

10 consecutive years



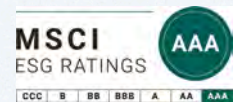
**A-**

PRIME rating



**A-**

Leadership position



**AAA**

Rating



*"Our Strategy 2027 includes ambitious corporate sustainability targets and we aim to continue to lead by example by implementing the best practices for maximum sustainable impact."*

– Géraldine Picaud, CEO, SGS





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