

62% of auto organizations have a comprehensive sustainability strategy, but implementation is still fragmented: finds new Capgemini report

Realizing the true potential of electric vehicles and circular economy is critical to driving maximum sustainability impact for auto organizations

Paris, March 5, 2020 – Sustainability has become a strategic issue for the automotive sector to take collective responsibility for meeting consumer expectations, according to a new study from [The Capgemini Research Institute](#). The survey also highlights that the automotive sector is ahead of other industries in meeting global sustainability standards. However, out of 74% of automotive OEMs who have an electric vehicle strategy, only 56% have it as part of their sustainability strategy. In addition, the investment and implementation levels along with governance of sustainability are still lagging, to keep pace with Paris Agreement targets.

[The Automotive Industry in the Era of Sustainability](#) report states that the auto industry must meet a 20% shortfall in its current investments in order to meet the defined international targets. It also found that only 9% of the 500 auto companies analyzed can be classed as 'high-performing sustainability leaders', with 91% yet to reach maturity, 26% of whom can be regarded as 'laggards'.

Key points of the new report include:

Automotive firms are making steady progress on their sustainability strategies

Sustainability has gained prominence in the automotive industry as both a conversation topic and business priority. A comfortable majority (62%) of auto firms surveyed said they have a 'comprehensive sustainability strategy with well-defined goals and target timelines', compared to just 8% who are still developing one. Sustainability experts generally credit the industry as being either ahead of other industries (46%) or in-line (19%) with them on ensuring global sustainability. Investor events of the automotive industry that featured sustainability topics more than doubled from 142 in 2015 to 320 last year. At a country level, there are significant variations in the sustainability initiatives deployed. Germany and US are leading in most priorities, such as 'supporting and promoting a circular economy'¹ and 'sustainable manufacturing' while other countries are lagging in several of them such as 'mobility and digital services', 'environmentally responsible sourcing of metals, materials and products' or 'sustainability in IT'.

But many are lacking a holistic and well-managed approach

While the industry has made progress, there are some shortfalls in its approach to improving sustainability. The report analyzed automotive industry's progress on 14 unique initiatives covering all parts of the automotive value chain, from 'sustainable R&D and product development' to 'supporting and promoting a circular economy'. The focus across different initiatives is uneven, with 52% of firms working on circular economy programs, but just 8% on sustainability in IT. There are also gaps in governance, with only 44% of firms having a central body dedicated to overseeing sustainability objectives, and 45% giving dedicated targets to key executives. Overall, only 19% have at least four quantifiable targets aligned with areas identified as having maximum impact on sustainability performance (such as recycling of waste, use of fresh

¹ Circular economy is an industrial or economic system that maximizes the utilization of resources by being restorative and regenerative by design and intention. It favors reuse of materials instead of the traditional manufacturing cycle of 'take-make-use-dispose'.



water and ethical labor guidelines). Also, currently, there is an existing \$50bn gap between what auto companies are spending on environmental protection (excluding investments in R&D and manufacture of electric vehicles and mobility services), required to meet international sustainability targets.

The report also investigates two key sustainability programs of the automotive sector – electric vehicles (EVs) and circular economy – and what is needed to get them right.

More emphasis on sustainability is needed for the pivot to electric vehicles

A critical area for automotive industry's sustainability programs is reducing Greenhouse Gas (GHG) emissions. EVs have a sizeable positive impact on this front. To drive this impact over the lifetime of EVs, it is essential that they are powered by a renewable energy grid. Yet only 15% of automotive OEMs according to the Capgemini research plan to deploy charging infrastructure aimed at powering EVs by renewables. A couple of additional factors: a) battery production's greater CO2 footprint compared to production of fossil fuels; and b) a limited supply of lithium and rare-earth metals, require organizations to build their EVs with a renewed emphasis on sustainability. Circular economy that aids longer lifespans of vehicles and parts, and new business models will be critical enablers for EVs to deliver on their sustainability potential.

Automotive firms should increase participation in a circular economy

One of the most effective ways automotive firms can become more sustainable is by embracing a circular economy. This touches upon many key areas of sustainability, from supply chain to recycling, procurement and after-sales. Prominent automotive brands have demonstrated the efficacy of this approach, from Michelin² which reuses 85% of old tires by rethreading them at its UK factory (saving 60kg of carbon emissions per tire) to GM³, which has generated \$1 billion from the sale of recyclable waste.

However, automotive companies still have a long way to go to become fully invested in a circular economy according to the report. Those that Capgemini surveyed said only 32% of their supply chain currently contributes to the circular economy, with this share expected to rise to 51% in the next five years. There is also a significant gap between the most popular circular economy initiatives (75% are recycling 'a significant amount' of industrial waste and scrap and 71% incentivizing end-users to use refurbished parts and components) and the least: only 51% are investing in the infrastructure and skills to salvage/reuse old components or scrap, and 36% implementing partnerships to provide a second life for electric vehicle batteries.

"The automotive industry has made steady progress on sustainability, but a more rapid acceleration towards a systemic approach is now needed," said Markus Winkler, Global Head of the Automotive Sector at Capgemini. *"To catch up and become a more environment-friendly industry, auto companies need to have a clearer focus on two key priorities: the need for them to more closely link their sustainability and electric vehicle strategies, and to increase investment in circular economy initiatives."*

"It's also critical for companies to make senior executives accountable for results in this area, make use of intelligent technology solutions across the whole value chain, and take a collaborative, partnership-based approach to developing more sustainability processes and standards as an industry," he further added.

The report concludes with the following recommendations based on actions of leading automotive organizations who are at the forefront of sustainability:

- Demonstrate tangible progress on sustainability by reporting to a standardized set of metrics
- Pursue sustainability as an organization-wide mission

² The society of motor manufacturers and traders, "2018 UK Automotive Sustainability Report", 2018

³ New York Times, "Carmakers Try to Keep Waste Out of the Ground as Well as the Air", December 2017



- Make business executives accountable for sustainability and invest in robust governance
- Envision and spread sustainability initiatives across the automotive value chain
- Use technology to improve sustainability of operations
- Strengthen alliances and partnerships for greater impact

To read a full copy of the report, please click [here](#).

Research Methodology

During November-December 2019, Capgemini surveyed 503 automotive organizations along with conducting 11 in-depth interviews of executives working on sustainability. Capgemini also surveyed 317 sustainability experts including NGOs, academia and regulators. Capgemini supported this with 9 in-depth interviews.

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