Towards Sustainability

The Automotive Sector

Second Annual Report

The Global Reporting Initiative

This 2nd annual sustainability report follows the format of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting; the format has been adapted for a sector level approach rather than the corporate level, for which the Guidelines are designed. The Global Reporting Initiative is a multi-stakeholder collaboration convened by the Coalition of Environmentally Responsible Economies (CERES), the United Nations Environment Programme and many other organisations. The Guidelines attempt to create a standard framework for sustainability reporting and globally, several companies have piloted and/or used the GRI guidelines. The full guidelines can be obtained from www.globalreporting.org.

Stakeholder quotes

The quotes from stakeholders shown in the boxes throughout the Report are paraphrased from notes taken in stakeholder meetings convened in August 2001.

Report Coverage

Unless otherwise stated:

- the data in this report relates to the 2000 calendar year
- sector data relates to the UK automotive sector
- signatory data relates to the 17 signatories that reported in 2000 and 10 signatories that reported in 1999

Signatory List

1. BMW Group Ltd
2. ERF Ltd
3. Dunlop Tyres Ltd
4. Ford Motor Company Ltd
5. GKN Automotive Ltd
6. Honda of the UK Manufacturing Ltd
7. Jaguar Cars Ltd
8. Land Rover Business - UK
9. MG Rover Group
10. Nissan Motor Manufacturing (UK) Ltd
11. Perkins Engines Company Ltd
12. Rolls Royce & Bentley Motor Cars Ltd
13. Tennex Europe Ltd
14. Toyota (GB) Plc and Toyota Motor Manufacturing UK Ltd
15. Unipart Group of Companies
16. Vauxhall Motors Ltd
17. Volex Wiring Systems
18. Volvo Car UK Ltd

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1. CHIEF EXECUTIVE STATEMENT

Welcome to the Automotive Sector's 2nd Annual Sustainability Report.

We are proud to present the UK automotive sector's second annual report outlining the industry's economic, environmental and social performance. The report contains data from 17 of our 18 signatories, which represents almost 50 per cent of the sector's total turnover. The automotive sector was the first to establish sectoral reporting and this year's report builds not only on last year's but also looks to the future and how we, as a sector, can use sustainability reporting to guide us towards achieving sustainable development.

The report includes data from the major industry players and is key to helping us meet our commitment to balance economic progress with environmental care and social responsibility. We are also committed to extending our strategic vision and approach throughout the sector's supply chain.

Following the first Annual Report, we addressed the need for a more meaningful and inclusive reporting methodology. A research programme has been implemented in co-operation with the Department of Trade and Industry (DTI). It aimed at developing best practice in sectoral sustainability reporting and involved extensive stakeholder consultation. Combined with participation in important initiatives such as the DTI's sectoral sustainability strategy Pioneers' Group, we will continue to employ leading reporting methods. You will find evidence of this in this year's report which has been prepared in accordance with the principles outlined in the Global Reporting Initiative's Guidelines for Sustainability Reporting.

The industry continues to work closely with Government on a number of key challenges such as climate change, vehicle recycling and cleaner technology as well as responsible product use, details of which you will find in the report.

Last year, over £1.2 billion of R&D investments were made by the 18 signatories. This enabled them to continue research in key areas such as vehicle and engine technology. Along with wider initiatives in areas such as improvements in vehicle safety and security, intelligent traffic control, and encouraging responsible product use, the significant investments in R&D will continue to drive us towards our goal of sustainable development.

This report is another critical step on our sector's journey towards sustainable development. It contains further commitments that will guide us in advancing our sector's sustainability reporting. We have also determined a work programme for next year to ensure on-going co-operation with our stakeholders as we continue to improve our performance across the triple bottom line. We therefore welcome any feedback from our readers.

Christopher Macgowan
Chief Executive SMMT

2. SECTOR PROFILE

2.1 Context

In 2000, the UK vehicle and component manufacturing industry generated £45 billion of annual sales, and accounted for 5.3 per cent of GDP. The automotive industry is extremely competitive and UK-based companies have to take important decisions to assure their competitiveness. The UK has more than 60 producers of cars, vans, trucks and buses and some 7,000 suppliers of automotive components. The UK has the two most productive car plants in Europe. There are currently 27.2 million cars and 3.2 million commercial vehicles (CVs) in use in the UK. It is estimated that the number of cars in use will rise to 28.1 million by 2010 and 31.4 million by 2020.

Around 850,000 jobs are involved in vehicle manufacturing, distribution and maintenance. This figure includes about 307,000 jobs in vehicle and component production and manufacturing. In 2000, exports totalled £19.8 billion, greater than both the oil industry and aerospace sectors. Taxes paid by the industry and the road transport industry amount to 11 per cent of the Government's total revenue from taxation.

Since 1902 the Society of Motor Manufacturers and Traders Limited (SMMT) has represented the automotive industry in the UK. With over 600 members, the society has a huge range of member companies, from small components suppliers to some of the UK's best-known brands including those of commercial vehicles, bus and coach manufacturers and suppliers.

2.2 Major Trends and Driving Forces

The UK motor industry has changed significantly due to increased global competition improving quality, safety and environmental performance of vehicles. International competition is strong, especially within Europe where over-capacity is high. UK companies must therefore remain competitive through:

- partnerships and industry-led programmes to improve efficiency in the supply chain
- design processes – collaborative projects in computer technology
- flexible workforce practices to enhance productivity
- investment in jobs to maintain competitiveness
- cost savings through elimination of production waste

Quality in research and development is also a clear factor driving competitiveness. The UK design engineering sector is globally respected, with over half of its work coming from overseas customers.

The components industry in the UK supplies the bulk of domestic commercial vehicle requirements and has a growing export business. Original equipment suppliers (OEMs) are agglomerating in order to provide first class, cost effective and competitive delivery of sub-assembled components.

➔ Economic performance, Section 7

Since the fall in new car registrations in the early 1990s there has been steady growth reflecting the improved economy. Despite cutbacks at some plants, long-term production prospects have been boosted by increased investments. In 2000, 1.64 million new cars were produced in the UK. Commercial vehicle, bus and articulated truck production is healthy and strong in the UK, and the European market share is robust.

2.3 Sector Fact-sheet

	2000
Total sector turnover	£45bn
Total net capital expenditure by the sector	£1.8bn
Total investment by the sector	£3.3bn
Total earnings by the sector	£446m
Contribution to total UK manufacturing turnover (total assets)	9.6%
Employment dependent on the sector (number of employees)	850,000
Value of exports (percentage of total UK export)	£19.8bn (10.5%)
Contribution to UK GDP	5.3%
UK sector share of global passenger car production	4%
Number of volume passenger car manufacturers in UK	9
Number of UK CV manufacturers	10
Number of cars and CVs produced in 2000	1.8m
Cars and light CVs (<3500kg) on road in the UK end 2000	27.2m, 2.7m

Number of vehicles on the road as at 31 December 2000
The following table gives an at-a-glance view of vehicles on the roads, by type, at the start of 2001. It is estimated that, by 2020, the total number of cars in the UK will have risen to around 31-32 million.

Vehicle category	Number of vehicles on the road
Cars	27,184,607
Light CVs (under 3500kg)	2,723,092
Heavy CVs (over 3500kg)	542,426
Buses and coaches	95,455
Taxis	39,718
Two- and three-wheelers	1,184,919
Agricultural and special purpose	405,807

3. EXECUTIVE SUMMARY AND KEY INDICATORS

3.1 Executive Summary

Few industrial sectors in the modern world comprise such acute commercial competition, such significant environmental impacts, and such employment impacts as the automotive sector. At the same time the year 2000 in the UK witnessed changing corporate strategies, massive restructuring, and impressive technological innovation in an expanding global marketplace. This, the 2nd Annual Sector Level Report on Sustainable Development, presents evidence of the automotive sector's role in creating prosperity and providing environmental care and social responsibility.

> *'None of the auto companies have yet fully understood the profound change in their product mix necessary to move towards serious commitment to sustainable and corporate citizenship. With growing leadership from trade organisations such as the SMMT in the UK, which recently produced a Sustainability Strategy, this could now be about to change'*
>
> UNEP et al, 2000, The Global Reporters, SustainAbility Limited

This report presents signatory and sector data to permit comparison, as well as trend data as far as possible. It explains what is being done to establish a sectoral level vision of where the industry is heading, how it could deal with market place changes, legislative developments, as well as accountability to stakeholder pressures.

The sector's environmental performance has improved in many areas, for example product pollutant emissions, vehicle recycling, the numbers of signatory companies producing environmental reports, and coverage of environmental management systems in company operations. A new indicator is added this year covering environmental management in the supply chain, an area on which SMMT's reporting is increasingly focused.

Product performance has improved markedly, with reductions in fleet-average CO_2 emissions and improved fuel economy demonstrated. Communications on environmental performance, noise and safety have increased. The industry is working to develop a vision of sustainable mobility and investing in Intelligent Transport Systems to help reduce congestion. However, the benefits of technical improvements in vehicle design will in time be offset by the growth in car volume and usage. SMMT and the sector is working to address these issues with stakeholders.

The signatories' economic performance remained robust in 2000 despite the major restructuring the sector implemented as well as a reduction in the sector's total annual turnover. Several of the signatories made significant restructuring commitments which took place amongst the intense pressure on manufacturing caused by the strength of sterling compared to the Euro. Despite this, the data for 2000 continues to show that the sector is a major UK employer making a significant contribution to the UK economy through exports, production volumes and taxation.

Social performance shows some good progress at both sector and signatory level. Employee development measures have been realised through innovative ideas at company level, particularly through Industry Forum activities. Signatories remain committed to their communities, with more and more of them participating in local community development programmes.

A notable feature of this 2nd Annual Report is the comprehensive focus on stakeholder engagement. SMMT has made great progress in including many stakeholders in its preparations for the report. Faced with the enormously complex task of driving forward the agenda for improved sustainability performance, SMMT has engaged with stakeholders with the aim of being accountable, inclusive and transparent.

Almost all figures listed in the table show a positive trend in environmental, economic and social performance. In relation to environmental performance, it should be noted that in order to allow meaningful comparisons, the aggregated data only includes that of 10 signatories who reported both in 1999 and 2000. Total aggregated data for all signatories are summarised in Section 6 of this report. The performance trend between the two data sets is negative, which is due to the addition of seven new signatories in 2000 as well as restructuring and changing circumstances of some existing signatories. This therefore does not allow direct comparison with 1999 figures. However, as the sustainability report and strategy develops in coming years, this data will be able to show more accurately the trends in the sector's environmental performance.

3.2 Key Performance Indicators

	Indicator	Coverage	1999 (11 signatories)	2000 (18 signatories)
Environmental (see explanatory note p4)	CO_2 emissions from vehicles (g/km)	Sector	184.9	180.9
	CO_2 emissions from plants (Mt)	Signatories	1.821	1.518
	Energy consumption M (KW/hr)	Signatories	6,110	4,738
	Total water use ('000 m^3)	Signatories	–	7,843
	VOC (tonnes)	Signatories	3,923	2,289
	Waste to landfill (tonnes)	Signatories	52,000	61,901
	Packaging waste for recycling (tonnes)	Signatories	1,757	2,675
	Percentage of signatory manufacturing sites with EMS	Signatories	90%	100%
Economic	Turnover (£m)	Sector Signatories	46,000 20,111	45,000 21,035
	Combined total number of employees of reporting signatories	Signatories	95,214	100,036
	Total No. of sites concerned	Signatories	9	44
	R&D investment (£m)	Signatories	–	1,280
	Number of reporting signatories operating supplier development networks	Signatories	8	13
Social	Percentage of reporting signatories engaging with external stakeholders	Signatories	60%	63%
	Participation in local community development programmes	Signatories	7	15
	Percentage of reporting signatories achieving Investor In People status	Signatories	70%	82%
	Staff turnover	Signatories	–	10%

3.3 Progress on 'Next Steps' in 1999 Report

The SMMT concluded its First Annual Report on Sustainability with the following "next steps":

First Annual Report's Next Steps	Progress	This report
To promote the Strategy in the automotive sector, and develop the level of understanding of the principles of sustainability within member companies.	SMMT's communications on environmental best practice are ongoing inside and outside of the SMMT membership.	➔ Stakeholder Relations (Section 5)
To add new signatories to the Sustainability Strategy, and provide more comprehensive data and analysis of the sector's progress towards sustainable development.	SMMT has recruited 7 more signatory companies. There are new indicators, including: staff turnover, number of reporting signatories applying minimum environmental standards to UK-based suppliers (including EMS), and R&D annual investments.	➔ Economic Performance (Section 7) and Social Performance (Section 8)
To develop our techniques for stakeholder engagement, improve dialogue processes and build a more inclusive approach to commitment, indicator and target setting.	A major feature of this year's reporting is SMMT and sector level accountability and inclusivity through improved stakeholder consultation.	➔ Stakeholder Relationships (Section 5)
To build upon the experience and knowledge gained in producing the first annual report, and develop the reporting structure and methodology in line with the principles outlined in the Global Reporting Initiative.	A Gap Analysis was conducted against the GRI guidelines and the report has been developed with extensive consideration of GRI structure and indicators.	➔ Inside front cover and the Chief Executive's Statements (Section 1)
To develop more formalised systems for the collection and validation of data presented in the sustainability annual reports.	This is an ongoing process which will be modified along with the selection of different data recognising the new stakeholder requirements identified. A new procedural refinement was introduced along with new indicators.	➔ Stakeholder Relationships (Section 5)
To continue to review and develop the sustainability indicators in order to provide a more accurate picture of the sector's performance in environmental, economic and social terms, and identify suitable targets.	Three new indicators added. Signatory sustainability targets have not been set in this year's report. This is an area that is recognised as being an important demonstration of commitment to improve performance. SMMT will consider introducing targets in 2002.	➔ Economic and Social Performance (Section 7 and Section 8)
To work with stakeholders to develop a clearer vision and understanding of the role of the motor vehicle in sustainable mobility.	Additional contributions from the stakeholder dialogue in Summer 2001 helped shape the Vision & Strategy development.	➔ Stakeholder Relationships (Section 5) and Vision & Strategy (Section 4)

4. VISION AND STRATEGY

The UK automotive industry recognises that its long-term success depends on its ability to work towards a sustainable future by balancing economic progress with environmental care and social responsibility. SMMT intends to take a central role in addressing the significant challenges that lie ahead at a time when the industry is facing economic and environmental pressures on an unprecedented scale. SMMT will continue to promote guidance of best practice and engage with other stakeholders to develop a clear vision of sustainable mobility[1].

4.1 SMMT Stewardship

The automotive sector, through SMMT, is committed to reporting publicly each year on its progress and performance. The sector aims to improve the reporting process by incorporating evolving expectations of sectoral sustainability reporting.

SMMT, through the Sustainability Strategy, provides member companies with a strategic framework for a wider adoption of sustainable development principles as well as a platform for engagement and reporting. Furthermore, many of the issues of concern to stakeholders are sectoral issues which are beyond the direct control of individual companies. The sectoral approach provides a medium through which individual companies and their stakeholders can engage on such sectoral issues. SMMT provides the infrastructure and resources to address key issues, to ensure hands-on stakeholder engagement, to improve on its commitments, indicators and reporting as well as to develop and promote best practice through guidance in addressing key issues.

SMMT launched the Sustainability Strategy Towards Sustainability in March 2000 with 11 founding signatories. In its second year, the number of signatories rose to 18 and now includes almost all the volume passenger car manufacturers. SMMT will endeavour to increase the number of companies reporting across environmental, economic and social performance year-on-year.

4.2 The Way Forward

On our journey towards sustainable mobility the UK automotive industry is working to address the challenges that reflect economic, environmental and societal pressures as well as technological and regulatory developments. SMMT is working in partnership with Government and other stakeholders to ensure the industry responds responsibly to these key challenges:

- Climate change: the industry is committed to continue reducing CO_2 emissions from both the manufacturing and usage of its products. The UK Government has committed itself to reduce CO_2 emissions by 20 per cent on the 1990 baseline as part of its commitments to meeting the Kyoto Protocol. This crucial step in moving the UK towards the low-carbon transport system of the future is being met by on-going commitments by the automotive industry. SMMT's response to climate change is not UK-centric, and reflects the global actions that need to be taken to address this global problem. Many SMMT members are signatories to the voluntary agreement that the European automotive industry has entered into with the European Commission to reduce average new car CO_2 emissions by 25 per cent between 1995 and 2008. This agreement provides for the largest single reduction of greenhouse gases in meeting Europe's Kyoto target. In 1999 the automotive sector also introduced a voluntary environmental label for new cars showing fuel economy and CO_2 emissions, in an effort to help consumers make more informed decisions. SMMT's collaborations with stakeholders will endeavour to keep the auto sector at the heart of Europe's combined action on climate change.

- Product stewardship: the industry is committed to designing and manufacturing products in a sustainable manner to minimise the environmental impacts of the design, manufacture, usage and disposal stages of a product's life cycle. SMMT has responded to the European Commission's plans for an integrated product policy and will continue to promote a constructive dialogue.

- Sustainable manufacturing: the industry is working to ensure that its manufacturing processes use resources in a sustainable manner, with a focus on sourcing renewable and recycled materials. Automotive manufacturing is becoming increasingly sustainable by ensuring that clean technology and environmental management systems are in place, as well as by minimising greenhouse gas and noise emissions. It is working to maintain its pivotal role in a sustainable economy by ensuring that sites and processes remain productive and profitable.

- Stakeholder engagement: the industry will continue to engage in constructive dialogue, involving several means of engagement and will identify specific issues where closer collaboration is required.

1 Sustainable Mobility is the ability to meet the needs of society to move freely, gain access, communicate, trade, and establish relationships without sacrificing other essential human or ecological values today or in the future. (WBCSD, 2001)

This process enables SMMT to develop a responsive and holistic vision of sustainable development and mobility.

- Safety: the industry will continue to ensure that its products conform to the highest safety and quality standards and will continue to work with other industries and Government to improve environmental and social care standards. SMMT will continue to work with European colleagues and Government to secure the implementation of the draft Negotiated Agreement on pedestrian protection which will bring benefits to consumers sooner than the traditional regulatory route. SMMT will promote the use of the highest standards it believes are achievable. The sector will also ensure that it offers safe and secure working environments for employees and that manufacturing activities do not impose negative impacts on local communities.

- Integrated transport: SMMT has an on-going role in the integrated transport debate and will promote sustainable mobility within an integrated transport system. Road transport is central to the UK's transport system and will remain so in the future. A reliable network is needed to enhance the competitive advantage of UK businesses. Decades of under-investment in the transport infrastructure have to be reversed if the UK is to have an effective, integrated transport system that supports a sustainable economy and provides access to personal mobility with least impact on the environment. An integrated transport system offers a central means of managing the conflicting pressures of demand and capacity that have led to congestion on our roads. The Government must do more to ensure the inter-operability of transport modes and exploit the technological solutions available to help private and business travellers switch easily between different transport modes on their journey.

Addressing these key challenges will allow us to develop a sectoral vision for sustainable development and mobility. An important step in implementing this vision will be the identification and use of more meaningful indicators and targets against which performance can be measured.

4.3 Further Commitments

Indicators

SMMT recognises the need to review existing commitments and indicators. This process will be partly driven by suggestions that come from the stakeholder engagement process, and will be determined in conjunction with our existing and potential signatories for future reports. SMMT will be looking at adding indicators across the following areas to help us develop and implement a sectoral vision of sustainable development and mobility.

- product (e.g. alternative fuel and hybrid vehicle sales and uptake of new cleaner technologies)
- manufacturing environment (e.g. renewable energy use and transport and logistics)
- supply chain (e.g. local sourcing of supplies, suppliers adopting the ISO/TS16949 standard)
- safety & security (e.g. safety of vehicle occupants and other vulnerable road users, anti-theft security and health and safety performance)
- social performance (e.g. investment in training, community investment and social exclusion)
- responsible product use

SMMT work programme 2002 on sector level reporting

SMMT is committed to working closely with its members to improve the reporting methodology and the assessment of the sector's environmental, economic and social performance and will introduce the following elements into its work programme in 2002:

- stakeholder relationships: SMMT aims to widen the stakeholder groupings and use novel ways to approach stakeholders, such as a focal point or forum, as well as conduct multi-stakeholder consultation over single issues
- signatory development: SMMT will increase the number of signatories to the strategy by developing the business case for sustainability
- supply chain best practice: SMMT intends to develop best practice guidelines on sustainability principles for the automotive supply chain
- strategy development: SMMT will review the sustainability strategy 'Towards Sustainability'
- sustainable mobility: SMMT will continue to develop a vision of sustainable mobility.

5. STAKEHOLDER RELATIONSHIPS

5.1 Stakeholder Engagement Process

During its stakeholder programme SMMT has engaged in discussions on public policy, consensus-building, decision-making and practical solutions to the many challenges the sector faces.

> *'Business as usual, Government as usual, and perhaps even protest as usual are not giving us the progress needed to achieve sustainable development. Let's see if we can't work together to find better paths forward* Hohnen 2001, Introduction to Multi-Stakeholder Processes, UNED, cited at UNED Seminar 28-19 April 2001

Why stakeholder engagement?

The automotive industry faces a series of sustainability challenges, including the environmental impacts of vehicle manufacturing and use, the health impacts related to road accidents and air pollution, as well as challenges to its own financial viability as evidenced by recent rationalisation within the UK. Other factors that influence a sustainability strategy, both from SMMT members and non-members, are:

- increasingly stringent EU-driven legislation across the whole vehicle lifecycle
- the UK Government's Sustainable Development Strategy, which promotes sector strategies
- initiatives such as the UK's Integrated Transport Policy and climate change strategy
- a recognition that industry-wide sustainability could present opinion formers with an alternative view of the industry: an integral part of a sustainable economy rather than a sunset industry
- a growing perception amongst SMMT signatory companies that a sectoral sustainability initiative could help manage economic, environmental and social risk and presents the opportunity to work together on common issues

Even a sector the size of the automotive industry cannot address these challenges on its own. Addressing sustainable development requires concerted and co-operative action by all. The sector can best understand its role through engaging with others and working with them to find new ways to communicate, new ways to identify solutions, and – where possible – new ways to support them. SMMT strives towards equity and accountability in its communication with stakeholders, respecting democratic principles of transparency and participation.

Building on initial stakeholder consultation, as part of the development of the Towards Sustainability Strategy in 2000, SMMT embarked on a series of stakeholder engagement events in 2001.

Stakeholder engagement, Section 8

The engagement process

SMMT surveyed its stakeholders for the inaugural report in 2000 and they were keen to be consulted again in 2001. They felt their views had been represented in the first Sustainability Report although some were sceptical that this had led to major changes. So it was crucial that SMMT established a two-way dialogue that was more sensitive to the wide range of stakeholders and issues. Building on the experience and trust gained in 2000, SMMT is now ready to enter a more constructive phase of long-term dialogue with all stakeholders in areas like future fuels and sustainable mobility.

Working with sustainability consultants, SMMT developed a meaningful and efficient process for initiating stakeholder engagement. SMMT identified a group of close-range stakeholders with significant direct interest in the automotive industry and sustainable development.

Stakeholder Groups	Stakeholders Targeted
Motoring	Organisations representing motorists and consumers
Environment	Environmental NGOs and organisations with a specific transport remit
Consumer	National consumer associations
Government	Department of Trade and Industry (DTI) and the Department of the Environment, Food and Rural Affairs (DEFRA)
Corporate Accountability	Organisations which advise on and promote sustainable development and to make companies accountable to the public and shareholders
Financial	Fund managers and financial houses with an interest in socially responsible investment and sustainable development
Trade Unions	Employee's organisations
Members	SMMT's Sustainability Working Group

These stakeholders were then invited to a series of single-group events with an open agenda and with a commitment from the SMMT to respond to issues raised during the consultations. Following an analysis of the GRI guidelines and of company environmental and sustainability reports, a questionnaire on sustainability issues was developed. This quantified the importance of issues to stakeholders and provided a framework for discussions.

The positive and lively meetings between signatory companies, the SMMT and stakeholders, were recorded and outputs agreed. Stakeholders helped refine the questionnaire, which was subsequently sent to a wider set of 90 additional individuals and organisations for quantitative feedback on key issues.

5.2 Qualitative Outcome from Stakeholder Meetings

The stakeholder meetings identified a set of key issues for each stakeholder group. In developing this report, SMMT endeavoured to address many of the issues identified – and is committed to addressing any omissions. Engagement is an on-going process and further commitments will be developed as dialogue continues.

The following is a summary of stakeholders' key issues, requirements and expectations:

1. Scope of the Annual Report

Stakeholders asked that SMMT clearly states its objectives and scope at the beginning of its annual reports. Measures to address sustainable development and a description of how the Society intends to develop a vision of sustainable mobility should also be clearly defined. SMMT was encouraged to acknowledge sources that have contributed to the development of the report, such as GRI guidelines.

2. Data, Trends and Indicators

- It was suggested that reporting on environmental performance should be separated into two distinct sections to cover company operational performance and product performance
- Stakeholders suggested that data collected for the sustainability reports should be related to wider sustainable development and legislative issues, and that signatory performances should be compared with that of the entire sector. Stakeholders also suggested that the reporting methodology could be improved by showing cross-cutting links between the three areas of economic, social and environmental performance and by identifying key challenges
- Stakeholders would also like to see performance data for the sector and signatories presented in such a way as to allow comparison with national targets or Government headline indicators
- It was suggested that the above could be enhanced by including an industry 'factsheet' summarising the sector's main characteristics and performances

3. Tackling Key Issues and Public Policy

The stakeholders felt that SMMT's reporting was at times too remote and that it could be improved by identifying the key issues the sector faces and how SMMT is responding to them. These key issues included the following:

- end of life vehicles
- urban issues, such as roads and provision of urban transport
- safety, including vulnerable road users, active and passive safety of vehicle occupants
- climate change
- corporate social responsibility
- future fuels and road vehicle engine technology

It was also suggested that the sector could report on major sustainable development themes to help show how the sector is promoting sustainable development, and what the impact will be on the industry from working towards sustainable development. Stakeholders would also like to see case studies of how the industry is working to address sustainable development, and what policy positions SMMT has adopted on these issues on behalf of the sector.

4. The Supply Chain and Indirect Impacts

- Given the significance and size of the automotive supply chain in the UK, stakeholders wanted to see SMMT focus on how the sustainability strategy will be fed down the supply chain, and what steps will be taken to ensure that the supply chain is targeted for new signatories
- Stakeholders suggested that SMMT should consider reporting on the issues over which it may not have direct influence and identify how the sector is addressing them (e.g. the sector's progress in improving pedestrian safety)
- Similarly, given the recognition that there are many impacts which arise from vehicle manufacture and use of vehicles, stakeholders think that SMMT should highlight the barriers that exist which may hinder the sector from achieving its aims in promoting sustainable development. SMMT's reporting could conclude how this might affect the achievement of its objectives

5. Verification

It was suggested that external verification could add value and credibility to the report. As the majority of stakeholders generally trust SMMT's data, such verification could be in the form of external comments,

suggestions or challenges. Alternatively, since corporate reports are usually externally verified, SMMT could refer to its signatories' external report verification.

5.3 Quantitative Results from Wider Stakeholder Consultation

Following discussions, SMMT refined the questionnaire using initial group feedback. This was then sent to about 90 additional stakeholders. Stakeholder groups included Government, motorists, environment, corporate accountability, financial, academic and allied industries. The results from the 20 stakeholders who responded have been averaged and an overall analysis has been made. No single stakeholder group was large enough to warrant a sub-set analysis. The top 20 indicators that were considered to be very important in sustainability reporting by the sector are shown below.

The stakeholders' preferred indicators proved to be vehicle environmental performance (including fuel consumption), the use of non-renewable resources, climate change, and pedestrian safety. SMMT currently has no formal indicators in its sustainability reporting which cover alternative energy sources or pedestrian safety. The table shows which of the top 20 indicators from the stakeholder analysis are covered by the 2nd Sustainability Report. More than half of the sector's stakeholder expectations are already included.

Rank	Indicator (including relevant section number)	Average (5=max)	In 2nd Annual Report?
1	4-2-1 Product Performance – Vehicle env Perf: CO_2	4.7	✓
2	4-2-1 Product Performance – Fuel consumption	4.7	✓
3	4-1-1 Natural Resource Use – Fossil fuel use	4.7	✘
4	4-1-1 Emissions and Waste – Greenhouse gas releases	4.7	✓ (CO_2)
5	3-2-1 Consumers – Pedestrian safety	4.6	✘
6	4-1-1 Emissions and Waste – Emissions to air	4.6	✓
7	4-2-1 Product Performance – Cleaner and Alternative fuels	4.6	✓
8	3-2-1 Consumers – Vehicle driver and passenger safety	4.6	✓
9	4-1-1 Natural Resource Use – Use of renewable power sources	4.5	✘
10	4-1-1 Emissions and Waste – Effluents to water	4.5	✘
11	4-1-1 Natural Resource Use – Electricity consumption	4.5	✓
12	4-1-1 Emissions and Waste – Hazardous waste disposal	4.5	✘
13	4-2-1 Product Performance – Use of Recycled Materials	4.4	✓
14	4-1-1 Emissions and Waste – Waste disposal	4.4	✓
15	4-1-1 Emissions and Waste – Recycling and recovery of waste	4.3	✓ (ELVs)
16	4-1-1 Local Nuisance – Noise from sites & related transport	4.3	✘
17	4-1-1 Legal compliance – Accidental releases	4.3	✘
18	2-1 Financial Information – Profit	4.3	✘
19	3-3-1 Employees – Investment in training and development	4.3	✘
20	4-1-1 Natural Resource Use – Water use	4.3	✓

Stakeholders' ranking of Reporting Issues

Section One of the questionnaire asked stakeholders to rank their priority reporting issues. Issues ranked most important are shown below (expressed as a percentage of those stakeholders who submitted a ranked preference of 1, 2, 3 or 4 from a list of 10 issues).

In the eyes of the sector's stakeholders in 2001, reporting on crucial issues, setting out the sustainability vision and challenges for the sector, and conducting and assessing the actions to promote sustainable mobility take priority over reporting verification, promotion, publicity and benchmarking.

Environmental Indicators

The indicators which achieved the highest average scores were fossil fuel use, greenhouse gas releases from company operations, CO_2 emissions from vehicles, and fuel consumption. Background analysis showed that 95 percent of all respondents think it is important or very important to report on the use of renewable sources of power and greenhouse gas releases. Of all stakeholders, 100 percent think it is important or very important to report on fuel consumption. Alternative fuels and hazardous waste disposal are also considered very important indicators for reporting.

Issue (section one of questionnaire)	Percentage of stakeholders ranking the issue as... Top priority	Priority 2 and above	Priority 3 and above	Priority 4 and above
Sectoral vision of sustainable mobility	36	55	55	64
The sector's key sustainability challenges	9	27	36	45
Actions to promote sustainable mobility	18	18	36	45
Actions to engage with stakeholders	0	0	18	45
Target-setting		18	36	45
Independent critique of performance	9	27	27	27
Use of indicators	9	18	36	55
Promoting entrepreneurship and competitiveness	0	0	9	9
Measures to enhance general awareness	9	9	9	18
Ensure the report can be used as a benchmark	0	9	9	18

Economic Indicators

Stakeholders responded with a view that profit and turnover are the two most important indicators of economic success. The sector's overall contribution to the economy is the next highest average scoring economic indicator.

Social Indicators

Consumer indicators dominated the stakeholders' responses to the social section of the questionnaire. Vehicle occupant safety and pedestrian safety were the most important indicators for the purpose of reporting. Stakeholders believe that investment in training and workplace health and safety are also very important, as are indicators of equal opportunities, green transport plans, workforce satisfaction and adherence to international human rights standards. Stakeholders consider supply chain indicators important in sector level reporting: including adherence to training investment, workplace health and safety, international human rights standards, workforce satisfaction, and equal opportunities in the supply chain. Transport infrastructure investment dialogue with community partners and capital investment in the community are considered important community indicators.

5.4 Future Engagement

SMMT found the engagement process positive and constructive and is committed to building on the trust already developed. Whilst areas of disagreement are bound to arise, SMMT considers it vital to build further consensus on the industry's role in promoting sustainable development.

SMMT and the sustainability strategy's signatories will continue the dialogue. Please see section 4 for more on SMMT's commitments and work programme for 2002.

Vision and Strategy, Section 4

On-going participation and achievements by the signatories against the commitments outlined in the Strategy will be crucial to the success of all sector level stakeholder consultations. Visibility and engagement alone are not enough and the industry remains focused on improving performance to contribute to a more sustainable future.

6.1 Product – Fuel Economy and Carbon Dioxide (CO_2) Emissions

Commitment

Strategy commitment: continue to improve new vehicle fuel efficiency

The industry has also committed to reducing CO_2 emissions by 25 per cent between 1995 and 2008 across the whole of Europe.

Performance

Sector Level

Indicators:

- *'Average fuel economy per new car sold (2 wheel drive petrol car)[2]'*
- *'Average carbon dioxide (CO_2) emissions per new car sold[3]'*

Fuel economy figures for 2000 are not yet available. However, average fuel economy has increased by over 15 percent over the past 20 years. This is the result of significant improvement in vehicle design and technology. New vehicles CO_2 emissions have fallen down as a result; down 4.6 percent in the last 4 years, 2.2 percent from 1999-2000 alone.

Commentary

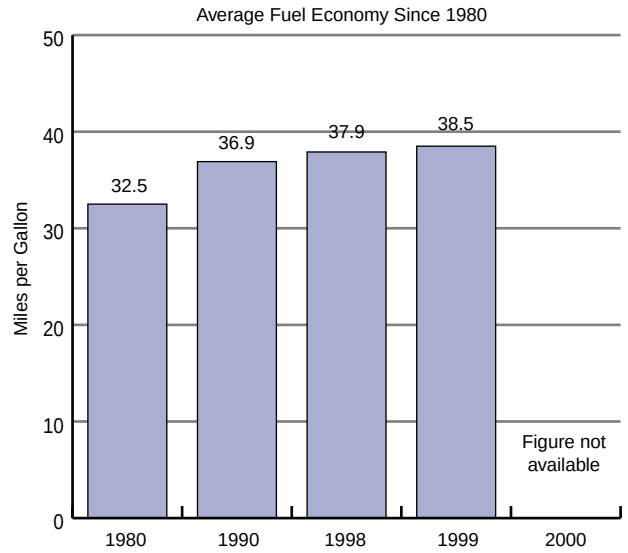
An important aim for sustainable development is reducing the use of fossil fuels and the CO_2 emissions they create through combustion. In the short term this is being realised through better fuel efficiency; in the longer term this will be achieved by continuing to improve efficiency and by alternatives to fossil fuels. Significant progress in engine technology, aerodynamics, lightweight materials, and fuel quality has been made by the sector to increase fuel efficiency and reduce emissions.

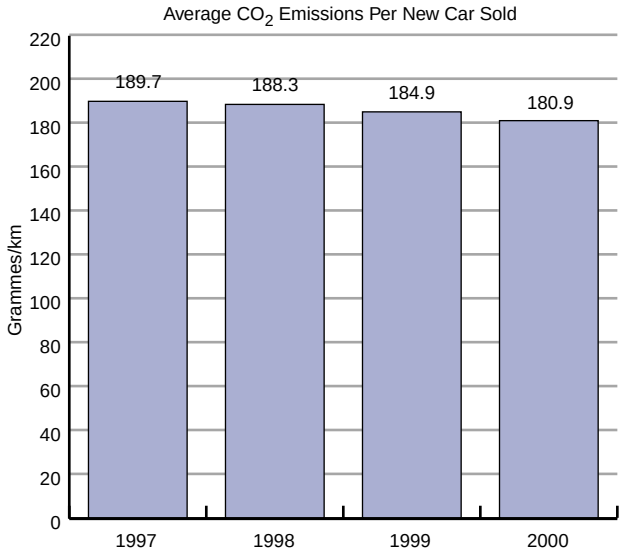
➔ Exhaust emissions, Section 6.3

Road transport contributes approximately 20 percent of total man-made CO_2 emissions in the UK. CO_2 emissions from road transport fell by 1.7 percent in 2000 on 1999 levels. These improvements have come despite larger growth in the vehicle parc and distance travelled. Overall emissions from road transport have fallen in each of the past three years, but in 2000 emissions were still 3.3 percent above 1990 levels[4].

The industry is continuing to invest heavily in engine technologies to help reduce fuel consumption and CO_2 emissions. These technologies include:

Figure 6.1 Average fuel economy and CO_2 emissions



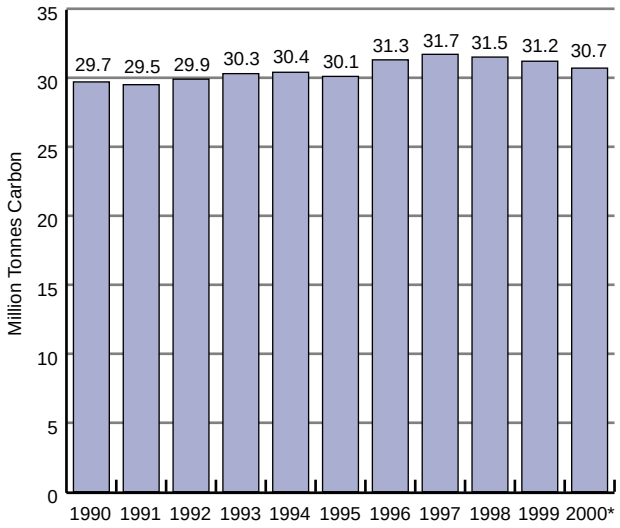


'It is vitally important to report on product eco-performance'
Environment group stakeholder

- Petrol Direct Injection (GDI) and Direct Diesels Injection (DDI) – see below)
- Alternative Fuel Vehicles ➔ cleaner technologies, Section 6.2
- Hybrid Vehicles ➔ cleaner technologies, Section 6.2
- Fuel Cells ➔ cleaner technologies, Section 6.2

2 source DTLR 2001
3 source SMMT
4 CO_2 levels form the Government baseline for CO2 targets

Figure 6.2 CO_2 Emissions from road transport (1990-2000)



*Provisional Government figure

GDI/DDI

In order to increase fuel economy and reduce CO_2 emissions, more development activity is being invested in direct injection technology known as Gasoline Direct Injection (GDI) and Diesel Direct Injection (DDI). Direct injection makes an engine more economical through more efficient combustion and offers low CO_2 emissions while maintaining driveability and performance. It involves injecting fuel directly into the cylinder at extremely high pressure, which ensures good atomisation and can allow engines to run on lower quality fuels. However, better quality fuels are needed to ensure that lower emission standards, such as Euro IV, are met. This is primarily because special catalytic converters are needed, which will only work with fuels containing very low levels of sulphur and other impurities. The SMMT and its members are working with fuel companies and the Government to speed up the introduction of higher quality fuels.

The European motor industry, through the EU's Auto Oil Programme, has entered into a voluntary agreement with the European Commission to cut new car CO_2 emissions by 25 percent by 2008, to an average of 140 grams per kilometre. In 2010 this would equate to saving 15 million tonnes of CO_2 . The potential for reaching this target is due for review by the European Commission in 2003.

GDI: The main difference to conventional indirect injection systems is that the fuel is injected directly into the combustion chamber above the piston (as opposed to the intake manifold in front of the inlet valve). By injecting gasoline directly into the cylinder, more effective knock control allows use of higher compression ratios. The use of GDI technology improves the speed and quality of combustion (ultra-lean burn operation), reduces pumping losses and enables increased fuel economy by up to 15 percent.

DDI: As in GDI, the diesel fuel is injected directly into the main combustion chambers reducing pumping losses and improving thermal efficiency. However, in order to avoid the emission of black smoke at low speed as well as diesel knock, direct diesel injection technology relies on efficient fuel and air mixing. This can be achieved through high-pressure injection where the injection nozzle is positioned vertically in the middle of the cylinder for improved atomisation.

Emissions from air conditioning

The motor industry is also helping the reduction of other greenhouse gases that come from refrigerants used in air-conditioning equipment. SMMT is a signatory to the UK Automotive Air Conditioning Industry Declaration of Intent on the Use of Hydrofluorocarbons (HFCs). This agreement commits the industry to follow guidelines, investigate alternative refrigerants with lower global warming potential (GWP), and to use HFCs with short atmospheric lifetimes and low GWPs.

6.2 Product – Cleaner Technologies Expansion

Commitment

Strategy commitment: continue to research, develop and bring cleaner technologies to market

Performance

Sector

Indicators:

- *'Alternative fuel and hybrid vehicle sales'*
- *'Statement of progress'*

Sales of alternative fuel vehicles are increasing. In 2000, sales of electric cars and LCVs have increased from 1999 by 17 percent and 55 percent respectively. Sales of petrol/gas vehicles which can run on LPG or CNG as well as petrol have increased by 23 percent for cars and a massive 205 percent for LCV's.

Table 6.1 Alternative fuel car and LCV sales in the UK (year of first registration)

Car	1998	1999	2000	% change 99-00	% of all UK vehicles sold, 2000
Petrol/Gas	3501	3743	4604	+23%	0.17%
Gas	161	97	52	-46%	0.002%
Electric	46	42	49	+17%	0.002%
LCV	1998	1999	2000	% change 99-00	% of all UK vehicles sold, 2000
Petrol/Gas	65	131	400	+205%	0.015%
Electric	29	65	101	+55%	0.004%
Gas	33	12	8	-33%	–

Commentary

During 2000 there was a significant increase in sales of new petrol/gas vehicles able to use LPG and petrol. The year also saw the launch of the first hybrid vehicles, which reduce fuel consumption, CO2 and other pollutant exhaust emissions. The industry is also making progress in developing fuel cell vehicles, which have been the focus of a significant proportion of manufacturers' research and development budgets. The technology has advanced considerably in the past year with three major launches of road-going fuel cell vehicles involving major volume manufacturers in the UK.

Future Fuels

The automotive industry has a central role in the development and introduction of alternative and cleaner conventional fuels. Many SMMT members have already introduced new alternative fuel vehicles (AFVs).

SMMT's Future Fuels Strategy Group (FFSG) is currently developing a pan-industry vision of the long-term future of automotive fuels. Motor industry fuel experts on the FFSG are identifying measures to encourage the development of clean fuels and low carbon vehicle technology. These will include the build-up of mainstream markets and the necessary fuels infrastructure. The Group will outline measures that could be exploited to establish the UK as a leader in the development of clean fuel vehicle technology. The FFSG will report on its vision later in 2001 with suggestions on how the Government could support the transition to future fuels.

There is consensus among vehicle manufacturers and their partners that hydrogen made from renewable energy sources represents the most promising long-term future fuel. Hydrogen combines with oxygen to generate power with no CO_2 emissions at the tailpipe. Many manufacturers are investing heavily in hydrogen-based fuel cell technology. Others have developed conventional engines and fuel storage systems that use hydrogen directly as a fuel instead of petrol. Current technologies and fuels are also being considered as part of the vision, for instance:

- GDI technology, catalysts and particulate filters for conventional gasoline/diesel vehicles
- biodiesel is used as an alternative diesel fuel
- electric powered vehicles are increasingly available
- hybrid vehicles that combine a conventional engine with an electric drive
- vehicles running on Liquid Petroleum Gas (LPG) or Compressed Natural Gas (CNG), either as the only fuel or in tandem with petrol.

6.3 Product – Exhaust emissions

Commitment

Strategy commitment: continue to improve tailpipe emissions standards

Performance

Sector Level

Cars

Extensive progress has been made over the last two decades in improving engine technology and fuel quality, resulting in significant reductions in tailpipe and evaporative emissions from new vehicles.

In 1992, exhaust emission limits, known as Euro I, were introduced for new cars which resulted in the fitting of advanced emission control techniques such as the catalytic converter. After the introduction of more stringent emissions limits (Euro II) in 1997/1998, Euro III

Figure 6.3(a) Percentages emissions reductions from Euro limits for petrol engines

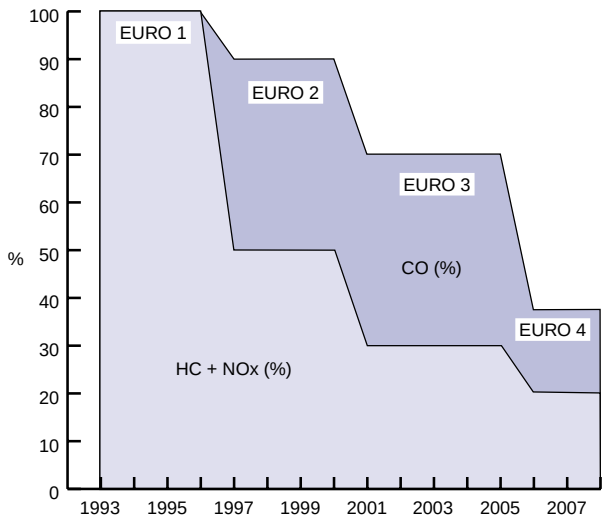
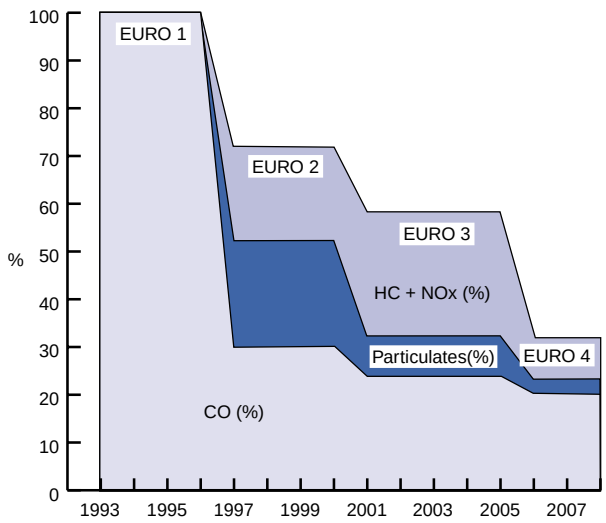


Figure 6.3(b) Percentages emissions reductions from Euro limits for diesel engines



was introduced with effect from 1 January 2000. Euro IV takes effect from 1 January 2005 and will be fully in force by 2007. Many vehicles on sale now already meet the Euro IV limits. The percentage emissions reductions according to the Euro limits are illustrated below.

- More than nine million cars on the road are now fitted with catalytic converters
- The main vehicle emissions affecting local air quality have fallen by up to 45% during the last decade
- Models meeting Euro III tailpipe emission standards were available a full year ahead of the legislated introduction date. Furthermore, many new petrol vehicles being sold already meet Euro IV standards 4/5 years before required by law
- One new car manufactured in 1976 produced the same level of regulated emissions as fifty new cars made in 2000. By 2005 the figure will have risen to 75 cars. According to recent findings by the AA, car engine and fuel technology advances have been so successful in reducing exhaust emissions that 100 modern cars now produce less toxic fumes than from one petrol lawnmower

Figure 6.4 shows the rate of penetration of Euro standards for both petrol cars and diesel cars.

Commercial Vehicles

Air pollutant emissions from heavy duty diesel engines (those powering large commercial vehicles such as buses and trucks) have fallen significantly since 1995. The greatest reductions in the sector occurred in the early 1990s, and future projections are shown on the graph below. EU Directive 98/96/EC truck and bus exhaust emissions reduced the permitted emissions of carbon monoxide, oxides of nitrogen, hydrocarbons and particulates from truck and bus engines by 30 percent by the end of 2000. A further 30 percent reduction in hydrocarbons and carbon monoxide emissions will be required by 2005 as well a 60 percent reduction in emissions of oxides of nitrogen by 2008.

Figure 6.4(a) Penetration of Euro standards into the car parc for petrol cars

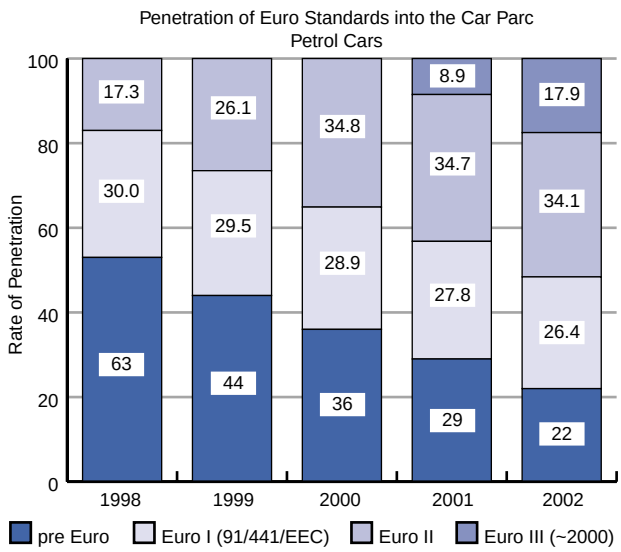
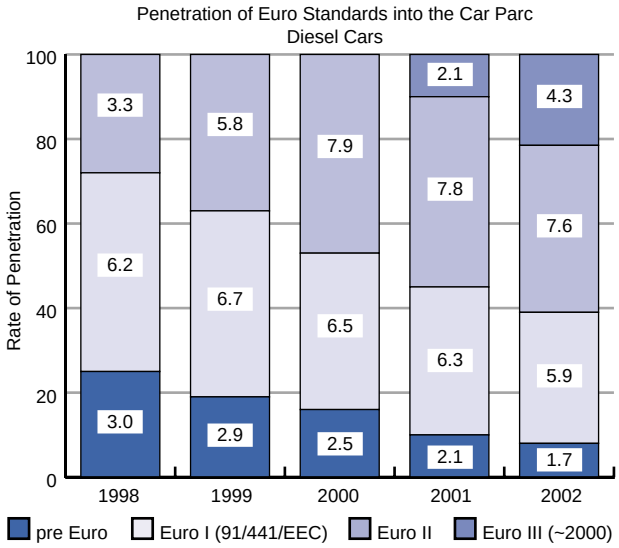


Figure 6.4(b) Penetration of Euro standards into the car parc for diesel cars

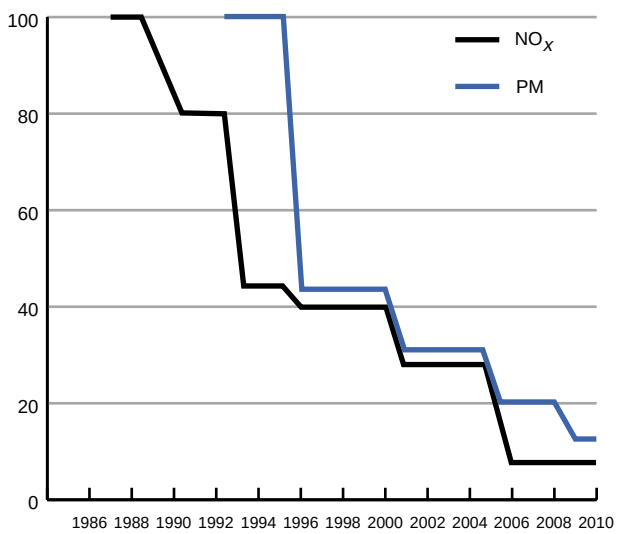


Commentary

The automotive industry has been working with the European Commission and the oil industry for over a decade to develop achievable and ambitious exhaust emission standards (the Auto Oil programme). The fruits of this collaboration have been a consistent reduction in emissions from new vehicles. From 1990-1999, oxides of nitrogen fell by up to 43 percent, carbon monoxide by up to 45 percent, benzene emissions by up to 57 percent, lead by almost 100 percent and particulates by almost 50 percent. The industry is also working to reduce emissions by encouraging owners to use their vehicles responsibly.

Future fuels, Section 6.2

Figure 6.5 Heavy Duty Diesel Engines – percentage reductions since 1986



6.4 Product – Vehicle Recycling

Commitment
Strategy commitment: continue to improve level of material recovery from End-of-Life Vehicles

Performance

Sector
Indicator:

- *'Statement of progress on estimated per cent recycled'*

In 2000 the sector continued to improve material recovery and recycling. In 1999 the average recovery rate was 77 percent, while in 2000 this figure, is expected to reach 80 percent[5]. This performance is particularly encouraging in a recycling market which has deteriorated over the same period.[6]

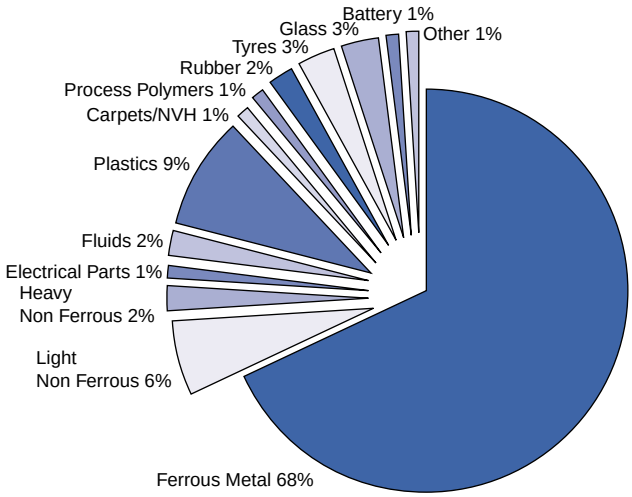
Commentary

The Automotive Consortium On Recycling and Disposal (ACORD) voluntary agreement was launched in the UK in 1997 by the automotive sector and its partners in order to improve the recovery of materials from vehicles which have reached the end of their service lives (End-of-Life Vehicles or ELVs). The European Directive on ELV, which was mandated in 2000, sets a recyclability rate of 85 percent within a re-use and recovery rate of 95 percent for new cars from 2005. In order to meet this the sector must increase the recycling and recovery of non-metallic materials, such as plastics, glass and rubber, which make up an increasing proportion of the overall vehicle weight. Virtually all metal materials have been recycled for many years, but as manufacturers work to reduce vehicle weight, while still increasing vehicle safety and durability, plastics increasingly become the material of choice. Structural plastics used in bodywork, for instance, can provide 40 times more resistance to damage than steel for half the weight.

ACORD, together with the vehicle manufacturer funded CARE project, have initiated a series of R&D programmes intended to maintain progress in tackling these challenges:

– One project with Brighton University has demonstrated that pyrolysis of shredder residue can recover material for recycling that would previously have gone to landfill. Another is investigating the recovery of steel and carbon from used tyres.

Figure 6.6 Average material breakdown of motor vehicles for 1999



– A separate project is testing automotive glass as a replacement for aggregate in construction projects. The DTI is also funding a research programme with Leeds University, PERA, the SMMT and industry, investigating techniques for the recycling of composite plastic materials.

The automotive industry is also involved in developing standard calculation methods to enable manufacturers to predict the future recyclability of new cars.

Vehicle manufacturers have dedicated technical centres working on future model programmes. Recyclability has been a core objective for some time, where design focuses on assessment of the materials employed and the ease of disassembly and separation into clean material recovery streams. Manufacturers have been co-operating by marking all plastic parts with international symbols for easy identification, which aids the recycling process. Components are also marked with their material content and dismantling manuals are provided. Vehicle component engineers are increasingly specifying plastic parts with a recycled content, which helps to stimulate the market for recycled plastics and therefore recycling rates for ELVs. Typical examples are engine compartment plastic, heater ducts and air intake grills. When implementing the ELV Directive it is essential that the UK legislation ensures that efficiency and innovation are encouraged in the existing treatment and reprocessing routes.

5 SMMT 2001
6 For further information on the sector's performance please see the ACORD Interim Report 2000, www.smmt.co.uk.

6.5 Company Operational Environmental Performance

Commitment

Strategy commitment: continue to control and reduce the environmental impact of company operations

Performance

Signatories

The environmental performance of signatories for the year 2000 is shown in the tables below. 17 of the 18 signatories were able to provide data. Table 6.3 below shows resources/emission data for the 10 signatories who reported both in 1999 and 2000. Table 6.4 shows both absolute data as well as eco-efficiency data (where the resources used and emissions produced are related to the total employees and turnover of the signatories) for all signatories.

It is important to note that, due to the addition of seven new signatories in 2000, absolute figures (especially for resource/emission indicators) are not directly comparable with 1999 data. Furthermore, the year 2000 was marked by significant restructuring amongst key players and the changing circumstances of some existing signatories renders direct comparisons between 1999 performance and 2000 performance somewhat difficult. This section includes both years in the interests of transparency and it is anticipated that, as the sustainability report and strategy develops in coming years, this data will show more accurate trends in the sector's environmental performance. However, in order to allow meaningful comparisons, a comparative analysis has been made for those signatories who reported both in 1999 and 2000.

Table 6.2 Environmental Management Indicators[7]

Indicator	1999	2000
Total No. of Manufacturing sites covered by Environmental Management System (EMS) (ISO and others)	26	41 (93%)
No. of reporting signatories applying minimum environmental standard to UK-based suppliers	–	11 (65%)
No. of reporting signatories requiring UK-based suppliers to have an EMS	–	7 (39%)
No. reporting signatories operating supplier development networks	8 (80%)	13 (76%)
No. of signatory companies producing a company environmental report	6 (60%)	13 (76%)

Table 6.3 Resource/Emission Indicators (10 signatories who reported both in 1999 and 2000)[8]

Indicator	1999	2000
Inputs		
Energy Usage (kWh)	6,110	4,738
Water Use ('000 m^3)	–	7,843
Outputs		
CO_2 Equivalents (tonnes)	1,821,585	1,518,524
VOC (kg)	3,923,251	2,289,445
Waste to landfill (tonnes)	52,000	61,910
Packaging waste for recovery (tonnes)	10,723	11,707
Packaging waste for recycling (tonnes)	1,757	2,675

7 This data, unless otherwise stated, includes information from 17 of the 18 signatories and percentages relate to the 17 signatories that reported. 1999 data includes 10 of the 11 signatories and percentages relate to the 10 signatories that reported in 1999.

8 In order to allow meaningful comparisons, this table lists the aggregated performances of 10 signatories who reported both in 1999 and 2000.

Table 6.4 Resource/Emission Indicators (totals for all signatories)[7]

Indicator		1999	2000
Inputs			
Energy	Energy usage (GWh)	6,110	7,013
	Energy Usage(kWh)/employee	64,175	70,108
	Energy Usage(kWh)/£1M turnover	303,828	309,717[a]
Water	Water use ('000 m^3)[b]	–[b]	9,620
	Water use (m^3)/employee[b]	–[b]	96.2
	Water use ('000 m^3)/£1M turnover[b]	–[b]	0.457
Outputs			
CO_2	CO_2 Equivalent (tonnes)	1,821,586	2,182,926
	CO_2(tonnes)/employee	19.13	21.82
	CO_2(tonnes)/£1M turnover	90.57	95.26[a]
VOC	VOC (kilogram)	4,018,951	4,948,173
	VOC kg/employee	42.2	49.46
	VOC kg/£1M turnover	199.8	235.21[a]
Waste	Waste to landfill (tonnes)	54,954	80,399[a]
	Waste to landfill (tonnes)/employee	0.58	0.8[a]
	Waste to landfill (tonnes)/£1M turnover	2.73	3.67[a]

Notes: (a) Includes data from 16 out of 18 signatories.
(b) Due to a calculation error, the data capture in 1999 does not allow a comparison.

Commentary

Environmental Management

As stated in the Sustainability Strategy, the sector had already made significant progress in implementing Environmental Management Systems (EMS) prior to the launch of the strategy in 1999 and had also extended the responsibility for sound environmental performance through supply chains. In 1999, the signatory companies operated 26 manufacturing sites in the UK certified to ISO14001 or EMAS and in 2000 this figure rose to 41, covering 93 percent of all sites. The majority (67 percent) of manufacturing sites have implemented a recognised environmental management system.

In line with the sector's commitment to sustainability reporting, the proportion of signatory companies producing an environmental report has increased to 76 percent from 60 percent. This compares favourably with the reporting of top UK firms. According to the Salterbaxter[9] survey, 52 percent of the FTSE 200 have produced environmental and/or sustainability reports in full or in their Annual Reports.

Resources and Emissions

Energy

The total reported energy use has increased by 15% as more companies joined the sustainability strategy as signatories. This means that energy use per employee and per £1million turnover has increased by 9.2 percent and 1.9 percent respectively. However, by comparing the results for the 10 signatories who reported in both 1999 and 2000, a substantial 22.5 percent reduction in energy used can be seen. The signatories are generally well versed in energy management techniques. Savings have been realised from process improvements right through to energy efficient lighting in offices.

> Energy efficiency best practice
> During 2000 a major component manufacturer achieved savings of £67,399 on electricity costs following the installation of more light sensors and timers in a warehouse; cost savings from reduced gas usage following work carried out over the past three years were sustained in 2000.

Water

Due to a calculation error in 1999, the data capture for total water consumption does not permit a comparison with 2000 data.

CO_2 equivalent

Carbon dioxide emissions are calculated from the amount of energy, including electricity, used to power operations. Total CO_2 emissions have increased from 1.8m tonnes from 10 signatories in 1999 to 2.2m tonnes from 17 signatories in 2000. However, data from the signatories who reported in both 1999 and 2000 shows a downward trend. Emissions of CO_2 equivalent have fallen by about 16 percent between 1999 and 2000. The automotive sector has a strong record on reducing site-based carbon dioxide emissions. Government figures indicate that between

9 Salterbaxter 2001 *Directions in Environment and CSR Reporting 2000/01*

1990 and 2000 the sector reduced carbon emissions from its production facilities by 27 percent, despite significant increases in output of 16 percent.

Product CO_2 emissions, Section 6.3

Several SMMT members, including signatories, are assessing the feasibility of installing combined heat and power (CHP) systems in their facilities as a means of helping to reduce both emissions and consumption levels and to enhance overall process efficiency. CHP systems are already established at several manufacturing plants and other companies are committed, as part of their Climate Change Levy agreements, to looking at the viability of CHP at their facilities.

Manufacturer's Climate Change Target

During 2000, a Climate Change Levy agreement was successfully negotiated by SMMT on behalf of 11 vehicle manufacturers in the UK. Participants are eligible for an 80 percent discount on the Government's levy in return for meeting challenging energy reduction targets in production processes. The 11 companies are committed to a combined CO_2 reduction of 12 percent per vehicle produced between 1995 and 2010. This reduction target relates to large installations, such as boiler houses, which are governed by Integrated Pollution Prevention and Control (IPPC)[10] regulations.

VOCs

Volatile organic compound (VOC) emissions arise mainly from vehicle manufacturers who use solvent intensive processes in vehicle painting operations. The sector has invested heavily in solvent emissions control on-site and many companies have developed procedures satisfying the requirements of IPPC. Manufacturers are also making increasing use of water-borne paints, which reduce solvent emissions during the painting process. Whilst total figures show a slight increase due to a rise in the total number of signatories, a comparison between the 10 signatories who reported on both years show a reduction in VOC emissions of 41percent between 1999 and 2000.

Waste management

Total waste to landfill increased from 54,954 tonnes from 10 signatories in 1999 to 80,399 tonnes from 17 signatories in 2000. One of the main sources of waste is packaging for transporting components within the industry. Many companies have made great strides in replacing disposable packaging with reusable containers that eliminate this form of waste production completely. The packaging waste data for the 10 signatories who reported in 1999 and 2000 shows a positive trend with an increase in packaging waste recovery of eight percent and an increase in packaging waste recycling of 34 percent.

vehicle recycling, Section 6.4

Waste reduction achievements

There has been a continuing uptake of ultrasonic weld testing to avoid wasting perfect car body parts that would otherwise be ruined through destructive safety testing. During 2000 one major manufacturers saved £470,000 with one plant preventing the loss of up to 97 doors per week. As a result of this and other waste minimisation initiatives the company reduced total waste to landfill by 14 percent in 2000 and recycled a total of 85 percent of all waste produced.

10 European Directive EC 96/61

7. ECONOMIC PERFORMANCE

7.1 Commercial Competition

Commitment

Strategy commitment: continue to seek economic growth and to secure competitiveness in the global environment[11]

Performance

Sector Level

Indicator: Total production and new registrations (cars and commercial vehicles (CV))

Figures 7.1 and 7.2 show that, while production of both cars and CV's fell slightly between 1999 and 2000, registrations increased by 1.1 percent for cars and 3.4 percent for CVs.

Figure 7.1 Car registration and production (1990-2000)

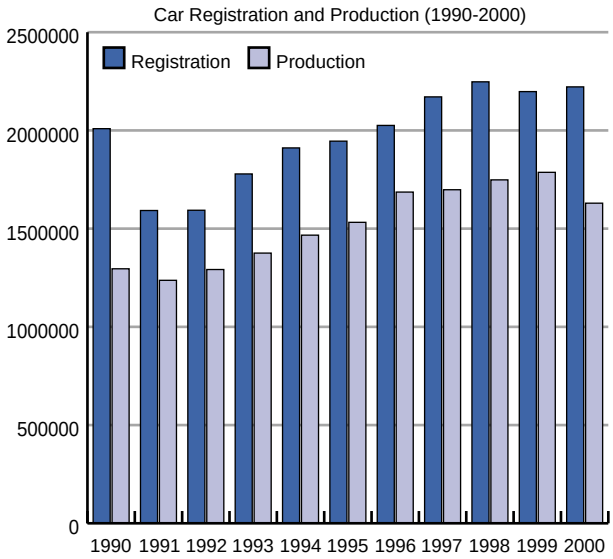
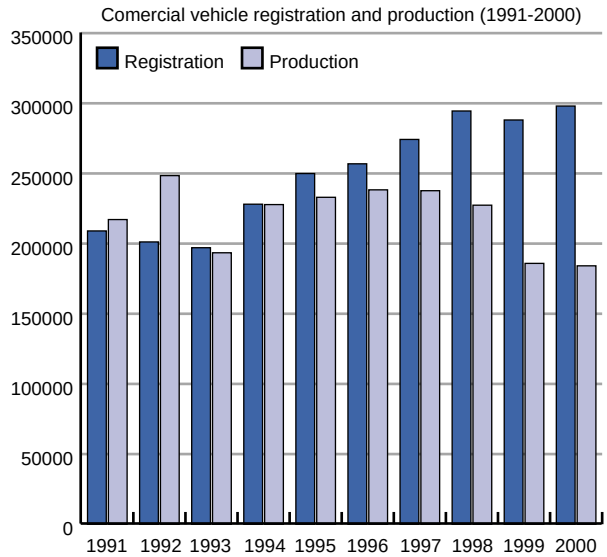


Figure 7.2 Commercial vehicle registration and production (1991-2000)



Signatories

Indicator: 'Combined total annual turnover'

Commentary

Economic prosperity

The SMMT supports enhanced commercial competitiveness, economic sustainability and quality of life through a commitment to responsible economic growth and competitiveness in the global commercial environment.

Table 7.1 Economic Indicators

Economic indicator	1999	2000[12]	2001 forecast	2002 forecast	Comment
Total number of new car registrations	2,197,615	2,221,647	2,380,000	2,220,000	January-June 2001 saw an increase of 3% from 2000
Total number of new CV registrations	288,100	297,693	304,750	309,900	January-June 2001 saw an increase of 3% from 2000
Total number of new cars produced	1,786,626	1,641,317	1,480,000	1,630,000	January-April 2001 saw production down 18% from 2000[13]
Total of new CVs produced (including assembly)	185,907	175,808	–	–	
UK automotive sector turnover	£46bn	£45bn	–	–	Equates to almost 10% of manufacturing turnover in the UK

11 Signatory level commitment from last year 'to support Industry Forum and its work to enhance supply chain efficiency' is shown later in this section.

12 Sources for 2000 data and 2001/2002 forecasts: SMMT, and www.autoindustry.co.uk.

13 Meeting the Challenge – Managing Change, SMMT, June 2001.

To remain truly competitive, a long term perspective is essential. Economic success is dependent on a wide range of factors, from the means of production such as employees, assets and natural resources to wider factors, such as national, regional and local economies and public infrastructure. SMMT has identified four key strategies contributing to enhanced productivity and thus economic development:

- supply chain efficiency – SMMT Industry Forum: partnerships and industry-led programmes are improving the efficiency of the supply chain
- improvements in product design – collaborative projects and advancements in computer technology to improve the product design process
- capital investments – attracting inward investment
- improvements in workforce practices – further investments and flexibility in workforce practices to lead to the creation of jobs

Industry Forum

Registrations and production

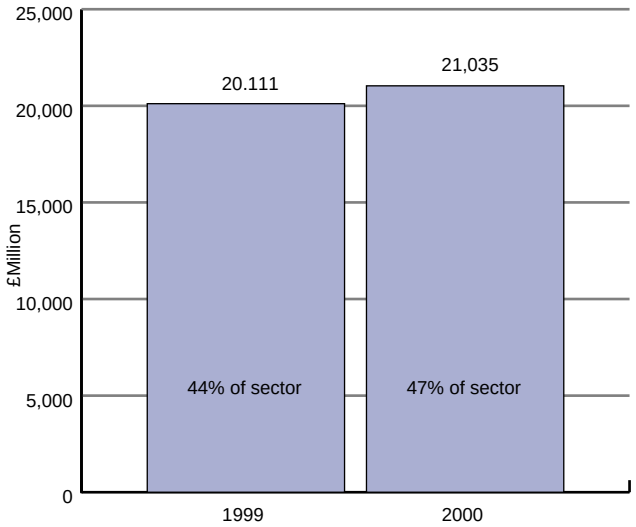
Registrations

The new car market has remained around the 2.2 million unit mark for the past few years – a historically high level. Intense competition between manufacturers has not only boosted sales but led to a more diverse market structure. Much of the growth in recent years has been from niche vehicles, such as MPVs and 4x4s, and also the success of small cars. The total new car market in 2001 appears on course to reach an all time record high of almost 2.4 million units boosted by strong demand from private buyers. CV demand has also proved robust in recent years and ended 2000 at almost 300,000 units. Truck and articulated tractor unit demand has improved, but overall growth stems from sales of heavy vans due to increased demand for home delivery services.

Production

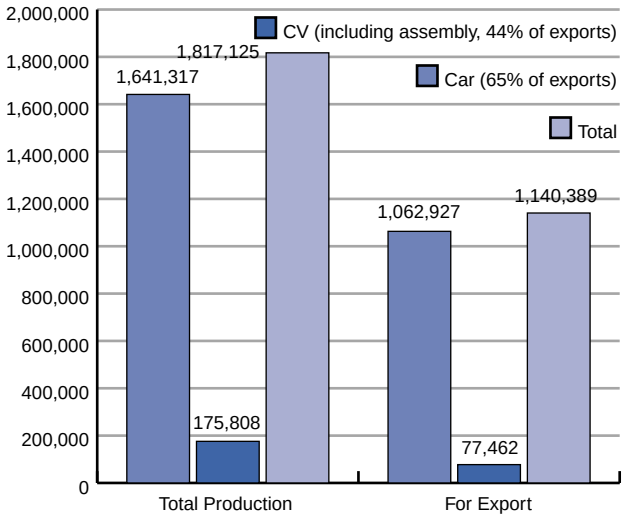
Car production rose to its highest level in 27 years in 1999. However major restructuring in the sector has affected work at several UK plants in 2000 and 2001 has led to a decline in volumes. Output is expected to recover in 2002 and 2003 as new plants and new models appear. Production is becoming more export focused and shifting towards higher value products. CV output declined during the late 1990s and into 2000 as UK based manufacturers struggled against the tough competitive constraints of a strong pound. Output fell to a 50 year low in 2000 of 172,442 units. Recovery is underway and output should climb back above 220,000 units in 2001 due to increased sales in the heavy van market.

Figure 7.3 Combined annual turnover for reporting signatories



Note: includes data from 10 out of 11 signatories in 1999 and 17 out of 18 in 2000

Figure 7.4 New vehicle production and exports



Component manufacturing

There are approximately 7,300 component manufacturing sites in the UK. Since many of these small manufacturing concerns supply more than one sector, it is difficult to estimate their automotive related output. The economic value of this very fragmented sector is estimated at £12bn, up from £9bn in 1998; this sector employed 150,000 people in 2000, up from 103,000 in 1998.

Sector and signatory initiatives

Industry Forum

SMMT Industry Forum (IF), launched in 1994 and located in Birmingham is an industry-led initiative supported by the DTI, designed to enhance the future competitiveness of the UK components industry through continuous improvements in quality, cost, delivery and partnership. Engineers trained by experts from global vehicle manufacturers lead the Forum's shop-floor *Process and Supply chain* improvement programmes. An objective is to train more British engineers in these techniques through practical 'learning by doing' training. Production cost reductions of around 30% are achieved regularly as a result.

➔ Supply Chain, Section 7.4 and Employee Training, Section 8.3

The IF also provides update training for the Automotive Quality Standard ISO/TS16949, published by ISO and IATF in 1999; this was developed for OEMs and goes beyond ISO 9001/2 adding sector-specific requirements. Orders for IF training have doubled from 2000 to 2001. In 2000 Industry Forum started work with 116 companies of which 58 were automotive, and as an endorsement of its success, the DTI has committed further funding into 2003[14]. The IF model is being replicated across a number of other industry sectors.

Foresight Programme

The Foresight Vehicle Programme[15] supports collaborative research to enhance competitiveness in the sector by evolving the technology for delivery to market for 2020. SMMT participates in the Steering Group of this UK Automotive R&D programme together with representatives drawn from Government, academia and industry. The programme focuses on Powertrain, structures and materials, electronics, telematics, hybrid and alternative power technologies, safety and manufacturing efficiency through a series of thematic groups or network. The Programme will not only contribute to enhanced economic performance of the sector by anticipating and defining technologies that will be demanded by future automotive markets, but will also address the social and environmental concerns associated with continued personal safety and reduced emissions and congestion.

MSc in Sustainable Competitiveness

To enhance and adapt the quality of education and training of the workforce, in 1999 the sector initiated the MSc in Sustainable Competitiveness at Liverpool John Moores University; progress has been made through 2000 with the University on the development of its content and on delivery plans.

7.2 Contribution to UK economy

Commitment

To continue to contribute to economic infrastructure, export growth and research and development investment

Performance

Sector

Indicator: 'levels of exports and investments'

Commentary

The automotive sector makes a valuable contribution to the UK economy. It is estimated that 5.3 percent of GDP[16] comes from vehicle and component manufacturing. The value of exports in 2000 totalled £19.8bn and the auto sector generated employment for about 850,000 people.

➔ Employment, Section 7.3

Table 7.2 Exports and Investments

Indicators	Coverage	2000
Exports by the sector (£bn)	Sector	19.8
Inward Direct Investment (£bn)	Sector	3.3
Sector R&D (percentage of sector turnover)	Signatories	1.2
Combined UK R&D annual investments (£ million)	Signatories	1,280
R&D (as % of signatories' combined turnover)	Signatories	8.9

14 Meeting the Challenge – Managing Change, SMMT booklet, June 2001
15 See www.foresight.org.uk
16 www.autoindustry.co.uk

Research & Development (R&D) activities

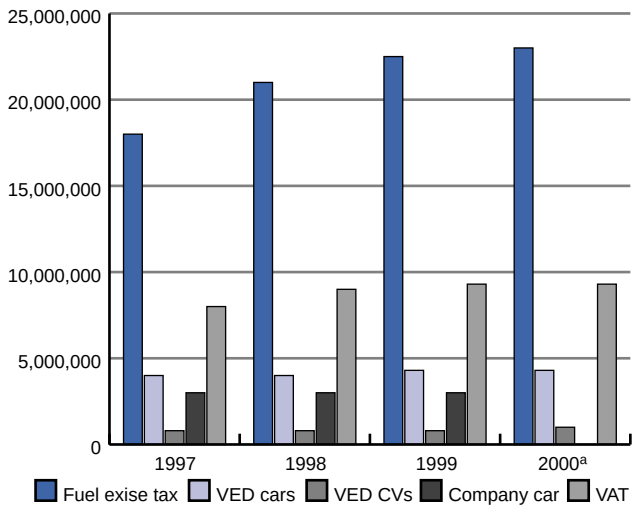
In 1998 the DTI estimated that the UK automotive sector spent £650m on R&D. In 2000, our 18 signatories alone spent £1,260m. Such investments help assure UK competitiveness in future vehicle markets. Continuous improvement in vehicle quality has given tangible benefits to the UK economy, including a stronger vehicle and components manufacturing base.

The design-engineering sector has an annual turnover of approximately £500m. An estimated 50 percent of its work is for overseas clients. The UK is a central player in the global design-engineering market. Latest estimates for the auto manufacturing sector show that about 87.5 percent of current R&D expenditure is on experimental research and 12 percent on applied research (for all UK manufacturing the figures are 59 percent and 37 percent respectively).

Investment in the UK

The most recent total net capital expenditure figure for the sector is estimated at £1.8 billion (1999[17]); in 1999 total investment was £3,301m and total earnings in the sector were £446m. Total assets of the sector were £5,901m, which represented 10.1 percent of total UK manufacturing assets for 1999.

Figure 7.5 Taxation contribution derived from vehicle usage in the UK



a Anticipated figures for 2000

A significant proportion of R&D goes directly towards environmentally and socially beneficial developments. Principal areas of R&D are materials technologies, fuel economy, recyclability, safety, transport management, Intelligent Transport Systems, and alternative fuel technology such as fuel cells.

➔ Cleaner Technology, Section 6.2

"SMMT should aim to promote British best practice in economic development, technology, innovation and partnership with Government"
Environment group stakeholder

Taxation

Taxes paid by the motor industry and road transport account for about 11 percent of the Government's entire revenue from taxation. The most recent data available is from 1999.

- the expected yield from taxation in 2000 is approximately £40.5 billion, including:
  - £23 billion from fuel duty
  - £5 billion in vehicle excise duty (£4.2 billion from private and light goods vehicles; commercial vehicle operators can pay up to £5,750 per vehicle per year in road tax);
  - £9.4 billion in VAT
  - taxation on the private use of company cars and fuel nets the Government £2.9 billion

17 Source: Office for National Statistics (ONS). 1999 is the last year for which the ONS has statistics available.

7.3 Employment

Commitment
Strategy commitment: to secure and enhance employment opportunities where appropriate

Performance

Sector
Indicator: 'Employment levels'

Table 7.3 Total employees of reporting signatories

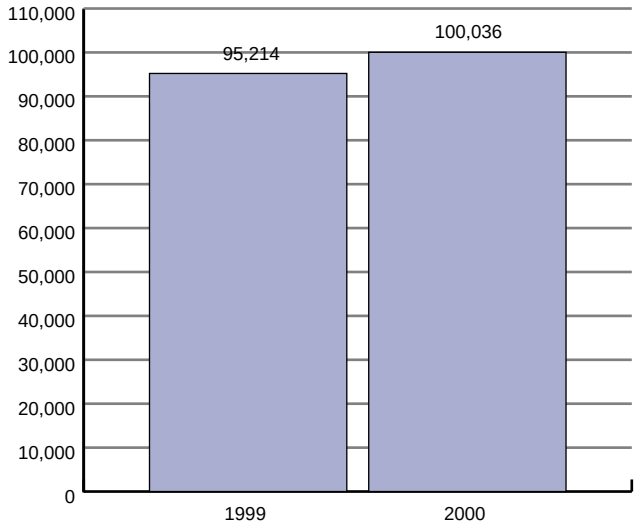
Indicators	2000
Number of jobs dependent on the sector, including:	850,000
– manufacture of motor vehicles, parts and trailers SIC Code 34	207,000
– related component sub-sector	100,000
– sales/aftermarket, and fuel sales	330,000
– maintenance and repair	190,000
– rental, finance, and related sectors	8,000

Signatories
Indicator: 'Combined total number of employees of reporting signatories'

Commentary

Employment throughout the manufacturing sector fell in 1999/2000. The strength of Sterling against the Euro has contributed even further to the economic pressures on the sector, forcing some manufacturers to turn increasingly to non-UK markets for component sourcing in a bid to cut cost. However, employment amongst reporting signatories increased by almost 5 percent. Total employment in the automotive sector is almost 3 percent of the total UK workforce.

Figure 7.6 Total employees of reporting signatories



Note: comprises data from 10 out of 11 signatories in 1999 and 17 out of 18 signatories in 2000

7.4 Supply chain management

Commitment

Strategy commitment: to support Industry Forum and work to enhance supply chain efficiency

Performance

Signatories

Indicator: 'Number of reporting signatories involved in Industry Forum programs'

Indicators	1999	2000
Number of reporting signatories involved in Industry Forum programmes	4	9
No. reporting signatories operating supplier development networks	8	13

Commentary

The number of signatories participating in the Industry Forum in 2000 was nine, up from four in 1999. The number of reporting signatories operating supplier development networks – a new indicator this year – has increased from eight in 1999 to 13 in 2000.

"SMMT also has a role in introducing the sustainability strategy down the supply chain"
Environment group stakeholder

"Report on supply chain recycling levels"
Motorist group stakeholder

Industry Forum – Supply Chain Management

One signatory has been working with Industry Forum since 1999 on a multi-phase programme to improve partnership in the supply chain. The signatory has worked with a number of different suppliers from the second tier of the automotive supply chain to reduce lead-times, integrate delivery systems and achieve 100 percent on-time delivery. Working with Industry Forum the four firms who participated in the first phase of the programme held supplier workshops to reduce lead-times. Firms also introduced re-usable and dedicated packaging to reduce damage and handling time. The programme also encouraged firms to implement a demand pull system to ensure that orders were placed strictly according to consumption, to minimise lead-times.

Signatory examples

Supplier development activities

Working with the manufacturing plants of a major supplier, development activities include:

- regular communications including the Annual Business Meeting
- product preparation support using multi-functional company teams visiting suppliers and their toolmakers to assure new product introduction
- specific supplier support to introduce the company production system into their current and future production lines
- support to European company Supplier Association activities
- specific suppliers support for quality/process improvement

Supplier initiative

One major manufacturer has set up a website for all suppliers; it broadcasts various data, including a special 'Environmental section'. Information covers:

- developments such as the End-of-Life vehicles directive and implications for the suppliers
- restricted substances & materials reporting requirements on IMDS
- EMS (ISO14001) targets and requirements
- training courses for ISO14001 awareness and assessment preparation

Supplier relationship building programme

To put into practice the commitment to continuous improvement one major component manufacturer developed through 2000 a supplier initiative designed to:

- provide a medium for agreeing performance against formalised objectives
- remove ambiguity from expectations and facilitate objective measurement free from bias and assumptions
- promote an enduring commitment to Continuous Improvement and to provide a vehicle which legitimises constructive criticism by all parties concerned

8. SOCIAL PERFORMANCE

8.1 Stakeholder Engagement

Commitment
Strategy commitment: continue to engage positively with external stakeholders

Performance

Signatories

Indicator	1999	% signatories	2000	% signatories
No. of reporting signatories engaging with external stakeholders	6	60	9	53

Note: comprises data from 10 out of 11 signatories in 1999 and 17 out of 18 signatories in 2000

Commentary

Over the past year SMMT has made good progress in fulfilling one of the next steps outlined in the 1999 report: "to work with stakeholders to develop a clearer vision and understanding of the role of the motor vehicle in sustainable mobility". Stakeholder engagement continued in 2000 with specific consultation on the Sustainability Strategy and on the first annual report. This was developed further in 2001 through especially arranged dialogue with key stakeholders. The process and its results are described in Section 5 – Stakeholder Relations. In addition to this specific sustainability activity, the industry, through SMMT, continued to work with a wide range of groups and organisations on issues related to sustainable development, as described below.

- The Cleaner Vehicles Task Force, a multi-stakeholder initiative, encourages motorists to buy cleaner, greener vehicles.

➔ Responsible Product Use, Section 9

- The Automotive Innovation and Growth Team (AIGT) is the first IGT to be initiated by the DTI. AIGTs represent a new way of working with Government and others in sectors to formulate and deliver policy. The main role of the AIGT is to identify factors affecting competitiveness and growth, and to establish a vision for a future automotive sector in Britain that enables the UK to make the most of its opportunities as the global industry restructures and develops. The AIGT also intends to ensure a continuing dialogue between industry, government and other stakeholders, such as consumer groups, to ensure that the future policy making process is as efficient as possible. Recommendations from this important partnership between Government and industry should be available early next year.

'Social performance in general is not simply a technical issue of achieving specific goals, but is about culture and values. The only general rule is that stakeholders and their representatives or advocates need play a key role in designing and selecting indicators. The design of indicators cannot be completed except through stakeholder dialogue.. Indicators need to reflect an evolving set of differences in views and priorities among those involved and affected'

Gonella et al. 1999, GRI Sustainability Reporting Guidelines: Draft Technical Note on Social Indicators, New Economics Foundation.

"Consumers are the most important [stakeholder] for the sector and a detailed narrative section aimed at how their needs are being met should be included in the report. This could include case studies"
Motorist group stakeholder

"Public policy is a key issue to report on…[such as] 'eco-driving', safety issues and fuels policy"
Environment group stakeholder

- DTI Pioneers' Group. The DTI established the sectoral sustainability Pioneers Group in 2001. SMMT is a leading member of the group that brings together trade associations from an extensive range of major sectors in the UK. The Pioneers' Group provides a forum to exchange experiences and develop forward thinking approaches in the promotion of best practice in sectoral sustainability reporting. This represents another key area of stakeholder engagement with industry, Government and Non-Governmental Organisations.

- SMMT participates in the Commission for Integrated Transport alongside DEFRA, the Highways Agency and the Institute for European Environmental Policy. Engagement with stakeholders on environmental, health, and public policy issues is a key role for SMMT.

- The Motorist's Forum is an integrated transport consultation activity which advises Government on issues arising from the implementation of the Government's Integrated Transport policy and the UK Sustainable Development Strategy[18]. The aim of the Forum is to ensure that the use of the car continues to develop in a manner which respects the environment, safety and social inclusion, and that the interests of car users are reflected in the development of Government transport policies. In 2000 the SMMT participated in debates including the 10 year plan for transport, road safety strategy, vehicle crime reduction, roadside emission testing, and intelligent speed adaptation.

- SMMT and many of its members sponsor RoadSafe (formerly the Prince Michael Road Safety Awards), devised to encourage careful behaviour and enhance road safety. SMMT is also a co-opted member of the Royal Society for the Prevention of Accidents National Road Safety Committee. The role of this Committee is to identify, debate and lobby for policies, strategies and projects that will contribute to reducing the number and severity of road accidents.

8.2 Vehicle Safety & Security

Commitment
Strategy commitment: continue to enhance the safety and security of passengers and other road users

Commentary

Sector Level

Road safety
The automotive industry has a responsibility to ensure the safety of passengers and other road users. With its members and other stakeholders, SMMT strives to ensure that motor vehicles are used responsibly and to encourage safer driving.

➔ Responsible Product Use, Section 9

Every year, around 3,500 people are killed on Britain's roads and 40,000 are seriously injured. In the last 15 years road casualties in Britain have fallen despite growth in traffic. Today, there are over 27 million vehicles on its roads, but fewer casualties. Road deaths have fallen by 39 per cent and serious injuries by 45 per cent since 1985. However, there has not been a sharp decline in the number of accidents, nor in the number of slight injuries, although improvements in vehicle design have helped to reduce the severity of injuries to car occupants. Improvements in vehicle safety have contributed significantly to reducing road deaths and injuries and will continue to do so.

Source: DETR

Vehicle manufacturers also invest a great deal of resources to ensure that the vehicles they produce provide the highest possible levels of safety performance to vehicle occupants and other road users. Results from the European New Car Assessment Programme (NCAP) [www.euro-ncap], which assesses comparative crash-worthiness within vehicle sub-classes, demonstrate the increased levels of safety offered by modern vehicle designs. Manufacturers continue to develop other active and passive safety systems that will contribute to further improvements in road safety.

Pedestrian protection – Draft Voluntary Agreement
The industry recognises that vehicle design is one factor influencing the safety of other road users – in particular pedestrians – and has recently made proposals to speed up the mandatory introduction of such design features. The European Commission announced in June 2001 its support for the agreement reached with European carmakers (through ACEA) to improve pedestrian protection. The Negotiated Agreement would commit volume car manufacturers to introduce, by 2005, design measures to improve pedestrian crash protection. This approach could see measures introduced three years earlier than a Directive and offers more flexibility than the regulatory approach. A parallel joint research programme would lead to defining additional measures to be introduced from 2010. Further proposed measures include banning rigid bull bars on new cars from 2002, introducing daytime running lights on all new cars from 2002 and anti-lock braking in all new cars from 2003.

18 Available at http://www.dtlr.gov.uk/itwp/index.htm#itp

Product security

The Vehicle Crime Reduction Action Team (VCRAT)[19], formed by the Home Office, aims to reduce vehicle crime figures by 30 percent over a five year period. Car crime in the UK has fallen for some time but more progress is required to combat this costly social problem. VCRAT, chaired by the sector, plays a significant role in the development of ideas and policies. Recommendations in 2000 from VCRAT include improved security features on new and used cars, improved car park security and measures to stop stolen vehicles being given another vehicle's identity.

Employee Health and Safety

For the transport equipment manufacturing sector, which includes the automotive sector along with other related industries, days lost per 1,000 employees involved in stoppages were 74 in 1994, 131 in 1997 and 138 in 1999. Good safety is recognised as being good business. A number of companies are renewing their health and safety management systems in 'partnership' with employees. Working with the Health and Safety Executive, UK manufacturers have set up the Motor Industry Safety Group and the Motor Vehicle Repair Health and Safety Forum to improve machinery safety, reduce slips and falls, manual handling, noise and the use of solvents.

> *"Emphasise safety reporting (sites and product)"*
> Financial group stakeholder

Health and Safety best practice – industry case study

The health and safety of its employees is of prime importance to automotive manufacturers. By focusing on training and communication of risk to employees, one major manufacturer almost halved the number of accidents requiring first aid – down by nearly 2,000 in a year. The company has met its target to reduce first aid incidents by 50 per cent by 2001 a year ahead of schedule. On lost time accidents, a company record was set at one of its plants; no accidents leading to lost time were recorded since June 1999. Along with substantial reductions at other sites, this was a key factor in reducing the company's overall lost time accident rate by 19.6 per cent.

8.3 Employee development

Commitment

Strategy commitment: continue to improve the skills, facilities and opportunities available for employees

Performance

Signatories

Indicator: 'Summary of training programmes, investment in employment facilities, internal communications process'

Commentary

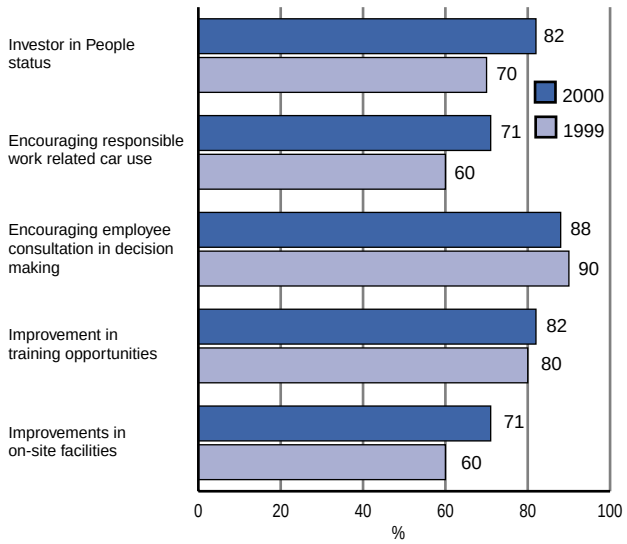
Sector

The sector and the SMMT encourage progressive action and monitoring of issues such as:

- workforce skills
- equal opportunities
- remuneration
- health & safety
- diversity
- freedom of association
- and pensions
- standards such as Investors in People

Many companies are adopting Investors in People (IIP), investing in training programmes and employee facilities and offering non-job related training to improve employees' life skills.

Figure 8.1 Proportion of reporting signatories operating employee improvement measures



> *"'Soft issues' and intangibles are becoming more important than reporting on so-called 'hard' issues. Safety and quality of life should be key issues. [We expect to see reporting on the] number of signatories to international codes of human rights. [Also,] report on investment in training."*
> **Government group stakeholder**

19 Information is available at www.secureyourmotor.gov.uk

Signatories

The number of signatories implementing improved employee conditions has increased since the last report. For each indicator the proportion of signatory companies which implemented improvements in 2000 has risen – averaging seven percent overall. A new indicator in 2000, average staff turnover was 10 percent (data from 12 signatories).

Examples of employee consultation in decision-making include shop floor suggestion schemes, an employee representative council, informal meetings twice-monthly with the managing director, environmental and safety representatives committees, *Our Contribution Counts* (OCC) circles, and *business improvement* forums.

Examples of on-site improvements include free internet cafés for all employees, on-site Citizen's Advice Bureaux free to all employees, Green Travel Plans, lifts for disabled people, bicycle sheds renewal, better staff rooms with new water boilers and kitchen equipment, gym, squash and badminton courts and an aerobic studio and linking sites to the National Cycle Network.

Industry Forum – Team Leader Training

Working under the Industry Forum's Team Leader Training Programme one first tier supplier of automotive components has achieved an increase of £500,000 in productivity, and has made £80,000 in other savings. The firm has also increased their utilisation of floor space by 20%, and improved delivery schedule performance by 14%. Similar improvements, established over a two year period, from 1998 to 2000, have reduced labour turnover by 55% and absenteeism by 45%. These step change improvements have occurred under an Industry Forum programme that cost the manufacturer £30,000 in training to improve people skills and £62,000 for team leader training.

Case Example

Once a month, one major manufacturer, operates a "congestion challenge day" promoting car-shares and alternative means to get to work. The company is in partnership with a University to design a company sustainable transport plan.

Case example: Corporate values under real economic pressure

When economic pressures require operational and commercial restructuring, automotive sector manufacturers aim to behave responsibly, demonstrating the values of good corporate citizenship.

One UK based company had to reorganise its operations in 2000, resulting in more than 1000 job losses. However, the company set aside £8.2 million (in addition to voluntary redundancy costs) to assist employees affected by the changes. A joint advisory board was set up, including company officials, unions, and external government bodies, to oversee the implementation of retraining, pre-retirement courses, assistance with relocation and advice for employees who wish to become self-employed or start up their own business. The company is working in partnership with the Employment Service and local government agencies to improve opportunities for the local community. For example, it is building a new educational campus to develop a highly trained, flexible and skilled workforce for the company and the community, including IT training and a local *community learning village network*. Various local regeneration initiatives are planned, including light industrial development, education, sport, as well as environmental and access projects such as a lake restoration with 10,000 trees. The company also offers skills and health related learning, from university degrees to brick-laying. New courses include Visual Basic, Garden Design, Photography, Makeup & Manicure, Psychology, Greek and Digital Editing. Approximately 34 percent of all company employees participated in the assistance programmes.

Green Travel Plans

Signatories are acknowledging their responsibility to the local environment by adopting green travel plans and promoting alternative forms of travel. Examples of projects include:

- Promotion of car sharing – lift sharing advertised on company notice boards, lift share database
- On-site facilities for cyclists including safe cycle sheds, showers and wet weather gear drying areas
- Green Commuter Plans for company sites
- Bus transfer service from local car parks
- Staggered starting times to avoid congestion
- Company run bus service
- Re-routing of local bus services to stop at sites.

8.4 Community involvement

Commitment
Strategy commitment: continue to demonstrate commitments to the local community

Performance

Signatories

Commentary

Sector Level

Statement Of Progress
This section has been included separately as a result of stakeholder engagement reporting. SMMT recognises that there is currently limited reporting on this area and will endeavour to provide more information on performance and commitments in future reports.

As shown in the Sustainability Strategy, the sector aims to be accountable for its social impacts and put something back into the community while maintaining positive, open relations. For example, the motor industry benevolent fund, known as *BEN*, currently has 10,000 beneficiaries. BEN is funded through charity events organised through the year.

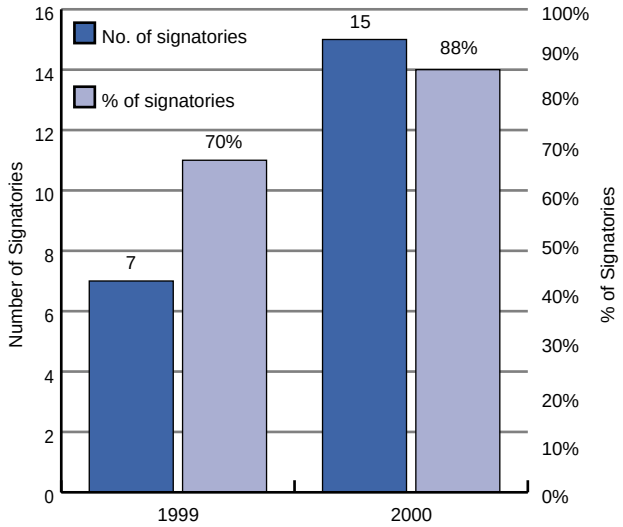
The sector encourages involvement with community groups to increase social cohesion. Access to affordable and reliable transport is a basic civil right. For those who do not have the means to own and run a car, a viable alternative is required to ensure this right is respected. The sector understands the long term aim of identifying solutions which make this possible. The sector intends to contribute to these solutions.

Signatories

A growing number of companies in the automotive sector are investing in and working with their local communities on a variety of projects both automotive and non-automotive projects. These vary in their depth and scope, but work to ensure that automotive companies play a positive role in the communities in which they are based, improving quality of life for all.

Examples of ongoing community involvement:
- Providing IT training to local schools
- Providing work experience for children in schools as part of curriculum
- Provision of family learning for employees and their children
- Master Class programme encouraging students to pursue a career in engineering
- Schemes to introduce young women into engineering
- Partnership with multi-cultural groups to further promote understanding of cultural differences;

Figure 8.3 Number of signatories participating in local community development programs



"How does reporting on the sector's interaction with their Communities add to the [wider sector] strategy? If you report in this way, you have to define "community". A more qualitative and wider approach to social indicators may be more appropriate."
Corporate Accountability group stakeholder

Addressing Social Exclusion – Case study
The issue of rural transport is high on the Government agenda, and one manufacturer has supported this through an ongoing project with a County Council and a bus operator. The project will provide community transport to remote villages using an MPV, owned by the local parish council, and operated by them to carry local residents to an access point on the bus network. The company assists in servicing and maintenance of two MPVs while the local County Council pays for the vehicles. The bus company will supply their management and training expertise.

- Support for Red Cross Children's Hospice
- Employees act as mentors for ethnic minority group undergraduates at Liverpool and Manchester Universities: helping develop interview skills, business acumen and academic support for their degrees
- Establishment of a motorbility centre for the provision of advice and support for the disabled
- Sponsorship of a chair at Cambridge University initially for ten years, as a millennium project
- Tag Rugby – a non-contact rugby program with the UK's 4 home rugby unions, targeted at primary school children of both sexes. Sponsorship provides the equipment and kit needed, with training given by the RFU.

9. RESPONSIBLE PRODUCT USE

Motor vehicles have made some important contributions to society. The car is a primary enabler of personal mobility, which many people regard as an essential personal right. However, the industry recognises that there are limits to its use, and that alternative forms of mobility, or indeed alternative solutions to the need for mobility itself, can contribute to a more sustainable future. This area of reporting was not specified in the Sustainability Strategy in March 2000, and the sector has made rapid progress in addressing the issues, and much of this focus complements the expectations of the sector's stakeholders.

➔ Stakeholder relations, Section 5

Most of the environmental impact of vehicles comes about during their working life, rather than during manufacture and disposal. Estimates suggest that vehicle use represents 80-90 percent of overall impact and that the manufacture and disposal just 10-20 percent. For this reason, the industry is continuously developing new vehicles that provide reduced levels of climate changing and pollutant emissions, with a long-term goal of zero tailpipe emissions. It is equally important that motorists are encouraged to purchase the cleanest models available and to use these responsibly – driving carefully and avoiding unnecessary journeys.

➔ Exhaust and CO_2 emissions, Section 6.3
➔ Cleaner technology, Section 6.2

> *"Does [the sector] provide a service or a product?"*
>
> Corporate Accountability group stakeholder

The benefits of responsible use cuts across many areas of sustainable development and they include:

- Safety of vehicle occupants and other vulnerable road users
- CO_2 and toxic exhaust emission reductions
- Fuel cost savings in commercial haulage
- Local environmental benefits such as noise reduction
- Reduced congestion through car-sharing

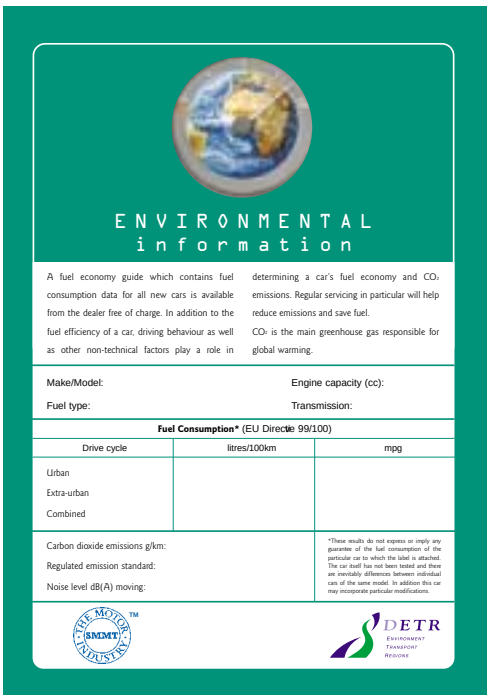
> *"Through its stewardship of a number of special projects designed to promote responsible car use, the industry has demonstrated its commitment to sustainable mobility and it is likely that such involvement will continue next year"*
>
> First Annual Report, 2000 (p21)

Initiatives to advocate responsible product use

Environmental labels

Facing up to the challenge of climate change and local air quality, the automotive industry along with the CVTF and the Government began to present consumers with clear information on the environmental performance of new passenger cars. Many new vehicles sold in the UK now exhibit an environmental label giving consumers information on CO_2 emissions, fuel consumption, exhaust emissions and noise levels. Each vehicle model has a data-specific environmental label. This label, introduced in franchised dealerships in the UK from March 2000 will enable motorists to make a fuller decision, accounting for environmental impacts, when buying a vehicle. SMMT accepts that certain shifts in purchase habits, infrastructures, and public policy will need to take place if sustainable mobility is to be realised; the sector is committed to an ongoing programme of information provision for consumers.

The industry acknowledges the need to develop the environmental label over time. As consumer understanding of the issues develop, there is scope to adopt more detailed approaches, with improved supporting guidance.



ENVIRONMENTAL information

A fuel economy guide which contains fuel consumption data for all new cars is available from the dealer free of charge. In addition to the fuel efficiency of a car, driving behaviour as well as other non-technical factors play a role in determining a car's fuel economy and CO_2 emissions. Regular servicing in particular will help reduce emissions and save fuel.

CO_2 is the main greenhouse gas responsible for global warming.

Make/Model: Engine capacity (cc):

Fuel type: Transmission:

Fuel Consumption* (EU Directive 99/100)

Drive cycle	litres/100km	mpg
Urban		
Extra-urban		
Combined		

Carbon dioxide emissions g/km:

Regulated emission standard:

Noise level dB(A) moving:

*These results do not express or imply any guarantee of the fuel consumption of the particular car to which the label is attached. The car itself has not been tested and there are inevitably differences between individual cars of the same model. In addition this car may incorporate particular modifications.

THE MOTOR INDUSTRY SMMT

DETR Environment Transport Regions

Road safety and pedestrian protection

Road safety is a key issue for the sector; the SMMT and its members participate in diverse initiatives designed to influence safer and more responsible use of motor vehicles such as the Motorists Forum, and the Royal Society for the Prevention of Accidents National Road Safety Committee.

➔ Vehicle Safety, Section 8.2

Cleaner Vehicles Task Force (CVTF)

The CVTF was set up in 1997 with the aim of providing analysis and advice on actions that could be taken to encourage motorists to buy and drive vehicles with improved environmental performance. As such it provides an opportunity to influence beyond the point-of-sale and encourage responsible use of motor vehicles. Expert working groups have focused on the following areas; forecourt emissions testing, guidance for fleet purchasers, alternative fuels, information and labelling, and technology and testing. The CVTF published its final report in July 2000 and SMMT is continuing to work with the group to implement its recommendations.

Product use and congestion

SMMT and the industry are working to develop a vision of sustainable mobility. The sector believes that mobility need not be unsustainable, but that the dominance of road transport is often a result of inadequate alternatives.

> *"Is it possible to measure consumer knowledge about their products and the impacts their usage has? Manufacturers must see that they can influence the market."*
>
> Corporate Accountability stakeholder

The automotive sector continues to invest in telematics and Intelligent Transport Systems (ITS) to help optimise transport movements for improved environmental performance. The European Commission recognises that a CO_2 emission reduction of between five and 15 percent can be realised through improved traffic flow measures. Some traffic information systems have been standard equipment in selected model ranges for a number of years. SMMT has actively participated in the integrated transport debate in the UK and has represented industry opinion on many issues including congestion charging. SMMT is collaborating with ACEA and engaging with stakeholders over how to improve inter-modality – combining different transport means for a practical, sustainable, cost-effective solution.

Comments

The SMMT and the automotive sector in the UK is committed to the development of sustainable mobility solutions for the future. We hope that you have found the information in this year's report useful and informative.

If you wish to comment or be involved in the future development of the Sustainability Report, please contact us at sustainability@smmt.co.uk or alternatively contact our Sustainability Unit on 020 7344 9200.

Sustainability Advisors

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