

2014 AIAG Global Automotive Corporate Responsibility Survey

April 9, 2014



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Overview



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- This inaugural **2014 AIAG Global Automotive Corporate Responsibility Survey** is designed to measure opinions, action and opportunities on key corporate responsibility (CR) issues facing the automotive industry and related sectors.
- The results are based on **responses from 554 professionals in 40 countries working on corporate responsibility in automotive, manufacturing and other industries.** They represent companies large and small—primarily OEMs and suppliers—about half of which are AIAG members. (See the Methodology section for more details.)
- The results are released in conjunction with the **2014 AIAG Corporate Responsibility Summit**, an annual gathering of CR and sustainability professionals in AIAG’s membership and beyond.



Executive Summary



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- **Corporate responsibility is seen as a significant priority for the majority of companies.**
 - **Business ethics** is viewed as the most significant priority for corporate responsibility in the next 12 months, followed by **energy use/conservation, environmental emissions, corporate responsibility reporting** and **supply chain transparency**. The least significant priority is **climate change**.
- **Integrating corporate responsibility into core business does not seem to face significant barriers.**
 - Nonetheless, the top barriers cited were “insufficient resources” (by 41% of companies), followed by “lack of understanding about the business relevance” and “not seen as contributing to the bottom line” (28% each).
 - Aside from “insufficient resources,” all other choices were more likely to be seen as “not a barrier” than “a significant barrier.”

- **Conflict minerals reporting is the most significant issue affecting the industry, but more action is needed to ensure companies meet the first May 31, 2014 reporting deadline.**
 - By a wide margin, respondents cited **conflict minerals reporting** as the most significant development or news in the industry, in both the past 12 months and next 12 months.
 - Just under half of companies have a policy in place to comply with conflict minerals reporting requirements of Dodd-Frank Section 1502, though AIAG members are more likely to have such a policy.
 - Among all companies with a policy in place, only half said they will meet the SEC's May 31, 2014 deadline to file a Conflict Minerals Report. Of the AIAG member companies with a policy in place, nearly two thirds said they will meet the deadline.

- **Energy use and waste are the most important areas for companies to meet reduction goals.**
 - The majority of companies have sufficient data to benchmark their operations in energy use and waste, and more than a third of companies have met or exceeded their goals in these areas.
 - However, greenhouse gas (GHG) emissions are an important area of opportunity: less than half of companies said they have sufficient data to benchmark operations, and only 19% have met GHG reduction goals.
- **The role of Chief Sustainability Officer is not yet established at most companies.**
 - Less than four in 10 companies (37%) say they have a Chief Sustainability Officer or similar executive level position, while another 8% plan to have one soon.

- **The majority of companies have practices in place to ensure responsible working conditions, and no forced labor, in the supply chain. Yet one third don't know if they can demonstrate no use of forced or trafficked labor.**
 - Seventy-eight percent of companies have a policy or expectations for responsible working conditions, and most (61%) have already communicated it to their suppliers, while another 5% plan to do so.
 - While more than half of companies (57%) can demonstrate, if mandated, that there is no use of forced or trafficked labor in their supply chain, one third say they don't know if they can.

- **Though the benefits of corporate responsibility reporting are recognized, there is opportunity to make reporting more common and rigorous.**
 - Only 30% of companies produce a corporate responsibility report, or plan do so (8%), whereas more than four in 10 respondents don't know if their company produces a corporate responsibility report.
 - Of the companies that do produce a corporate responsibility report, only 23% use the GRI Framework for reporting. The majority (67%) don't know if the GRI Framework is used.
 - The most common benefits cited by those who do report are increased employee engagement, increased stakeholder engagement and enhanced company brand image.



Detailed Findings



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Corporate Responsibility Priorities



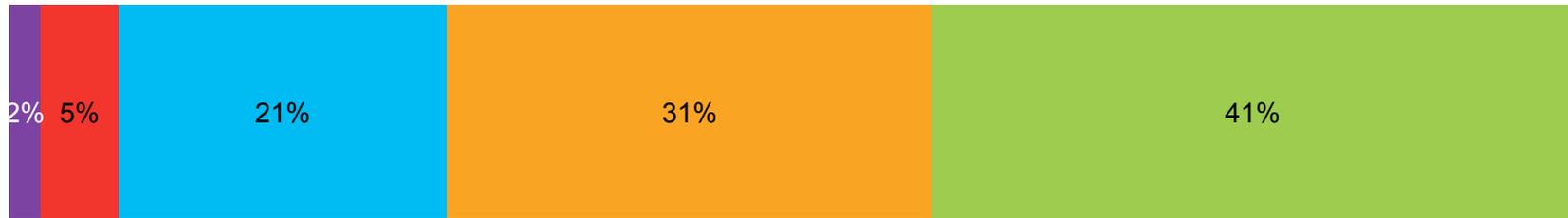
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Corporate responsibility is a significant priority for nearly three-quarters of companies.



Priority of Corporate Responsibility



■ Not at all a priority (1) ■ (2) ■ (3) ■ (4) ■ A very significant priority (5)

The more revenue a company generates, the more significant the priority is: Corporate responsibility is a significant priority for 62% of companies with revenue less than \$500M, 74% of companies with revenue between \$500M-\$5B and 86% of companies with revenue of \$5B or more.

In your opinion, how much of a priority is corporate responsibility at your company? (5-point scale where 1 is “not at all a priority” and 5 is “a very significant priority.”)

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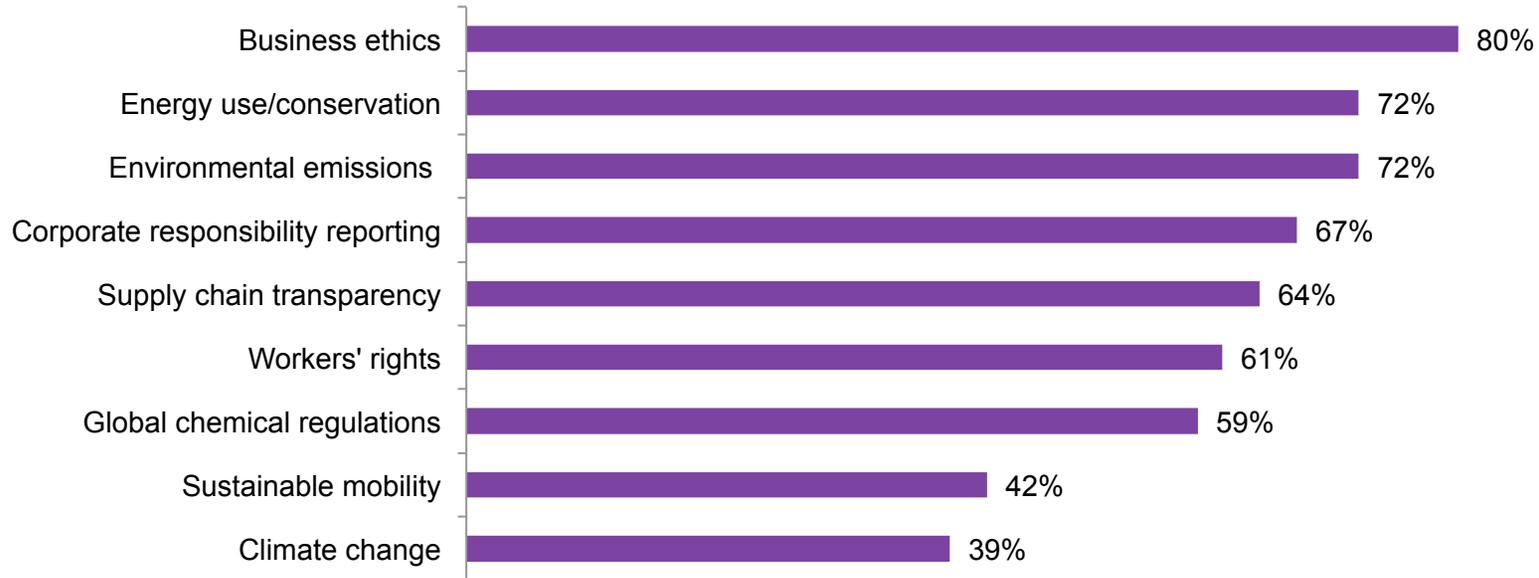


The highest priority issues are business ethics, energy use/conservation and environmental emissions.



Corporate Responsibility Priorities Over the Next 12 Months

Percentage of respondents identifying an issue as a “significant priority”*



With the exception of workers' rights, all issues are a higher priority for companies with revenue of \$500M or more, compared to companies with revenue of less than \$500M.

Corporate responsibility priorities differ for companies headquartered inside the U.S. vs. outside, as energy use/conservation, environmental emissions, workers' rights and climate change are more significant priorities for companies with headquarters outside the U.S.

* Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “not at all a priority” and 5 is “a very significant priority.”

In the next 12 months, how much of a priority are each of the following issues for your company's corporate responsibility efforts?

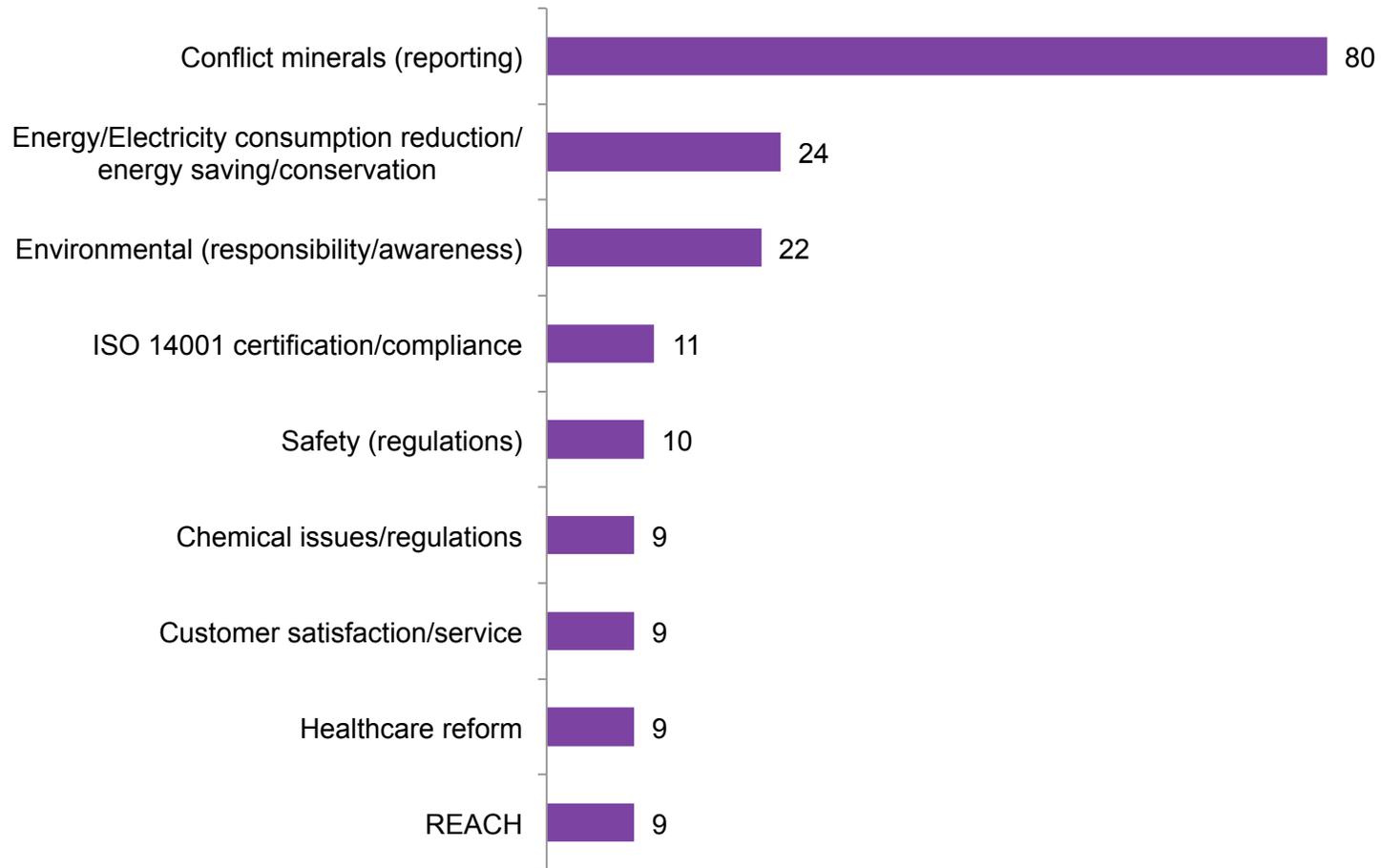
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Conflict minerals reporting is by far the most cited significant development over the past 12 months.



Significant Events Over the Past 12 Months*



*Respondents provided an open-ended response that was then coded into categories. Figures indicate number of respondents.

Over the past 12 months, what has been the most significant development, event, or other news in the corporate responsibility field to affect your company?

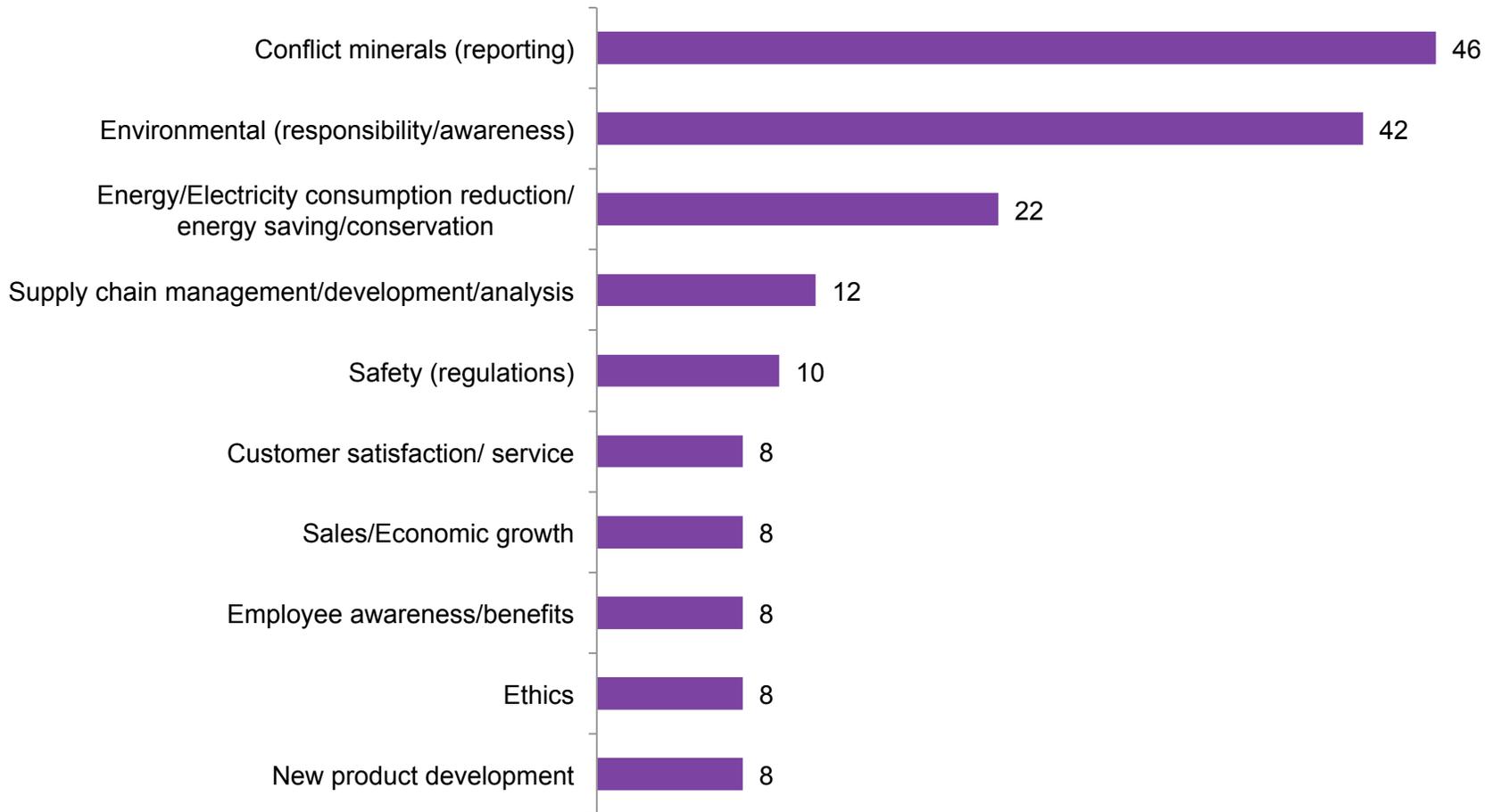
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Conflict minerals reporting is expected to remain a significant development in the next 12 months, followed closely by environmental responsibility and awareness.



Significant Developments Anticipated in the Next 12 Months*



*Respondents provided an open-ended response that was then coded into categories. Figures indicate number of respondents.

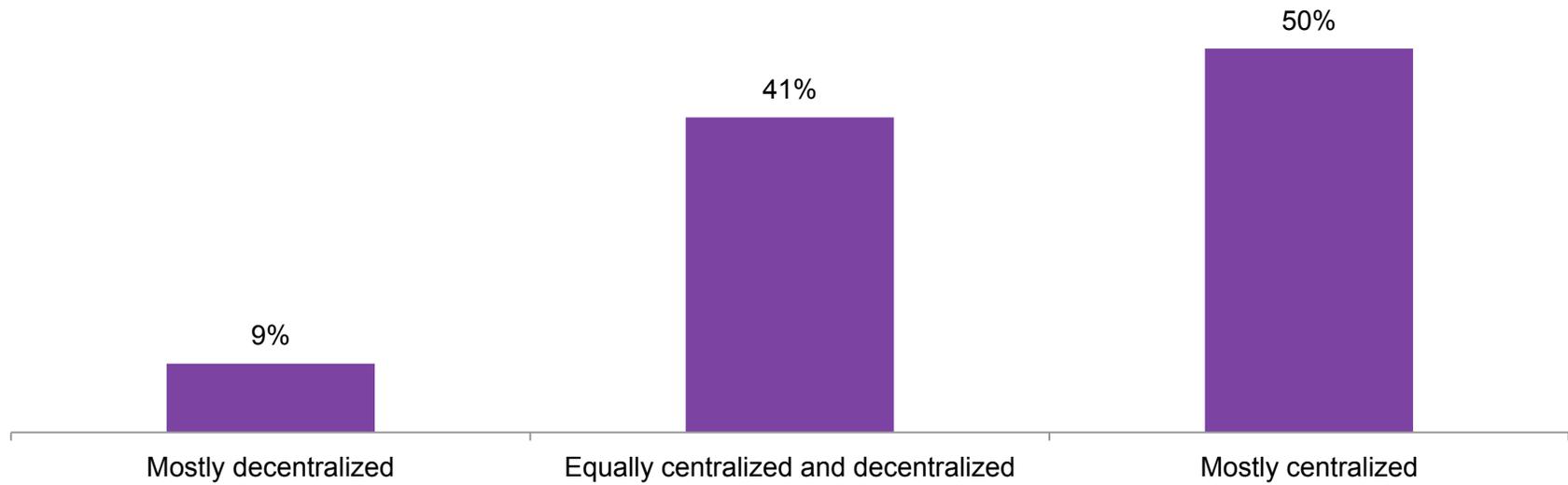
Over the next 12 months, what do you think will be the most significant development in the corporate responsibility field to affect your company?



Management of corporate responsibility is mostly or equally centralized in more than 90% of companies.



Centralization of Current Management of Corporate Responsibility



Companies with revenue of less than \$500M are more likely to have mostly centralized management, while companies with revenue between \$500M and \$5B are more likely to have management that is equally centralized and decentralized.

In your company, how centralized or decentralized is the current management of corporate responsibility?

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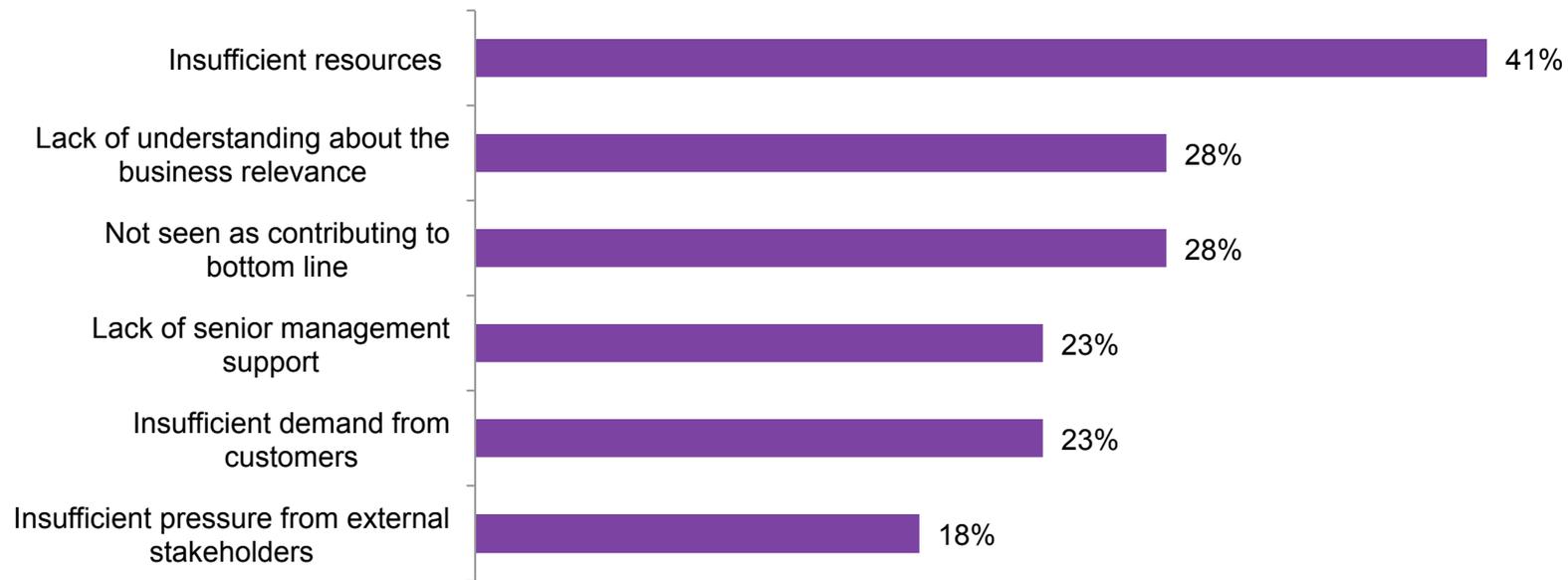


Though none of the barriers to integrating CR into core business appear significant (all are below 50%), insufficient resources is the biggest barrier.



Barriers to Integrating Corporate Responsibility into Core Business

Percentage of respondents identifying an issue as “a significant barrier”*



* Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “not at all a barrier” and 5 is “a very significant barrier.”

To what degree are each of the following a barrier to integrating corporate responsibility into the core of your business? (5-point scale where 1 is “not at all a barrier” and 5 is “a very significant barrier.”)

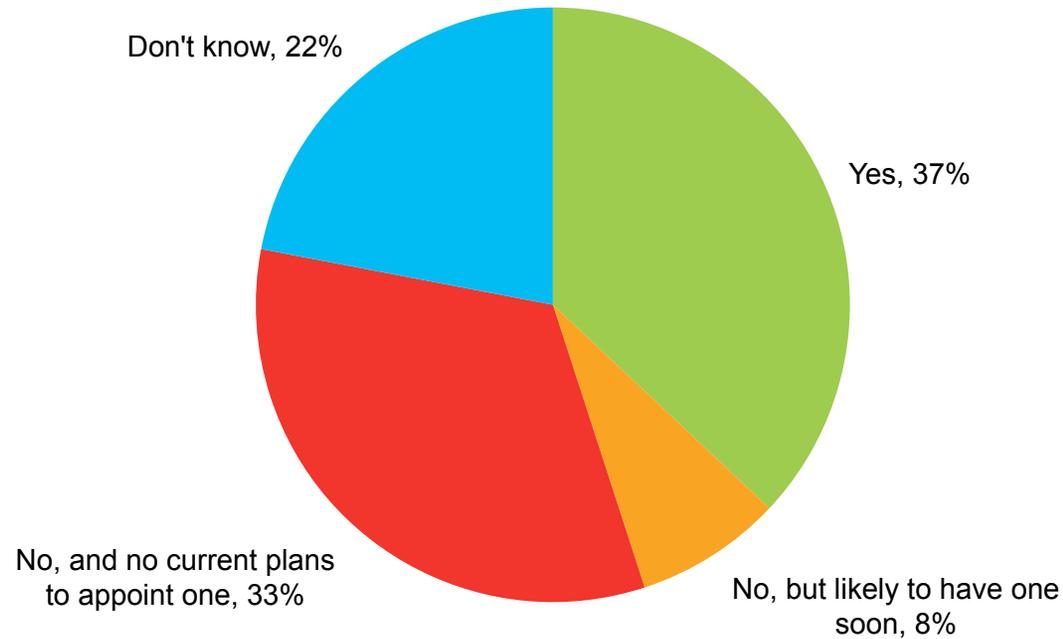
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Less than half of companies have a Chief Sustainability Officer or similar executive position, or plan to have one.



Chief Sustainability Officer



Companies with revenue of \$5B or more are more likely to have a CSO, while companies with revenue of less than \$500M are more likely to not have a CSO with no current plans to appoint someone.

Differences also emerge across types of companies. OEMs are more likely to have a CSO, while suppliers are more likely to not have a CSO with no current plans to appoint one.

Is there a chief sustainability officer or similar executive level position at your company? (select one)

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Environmental Sustainability



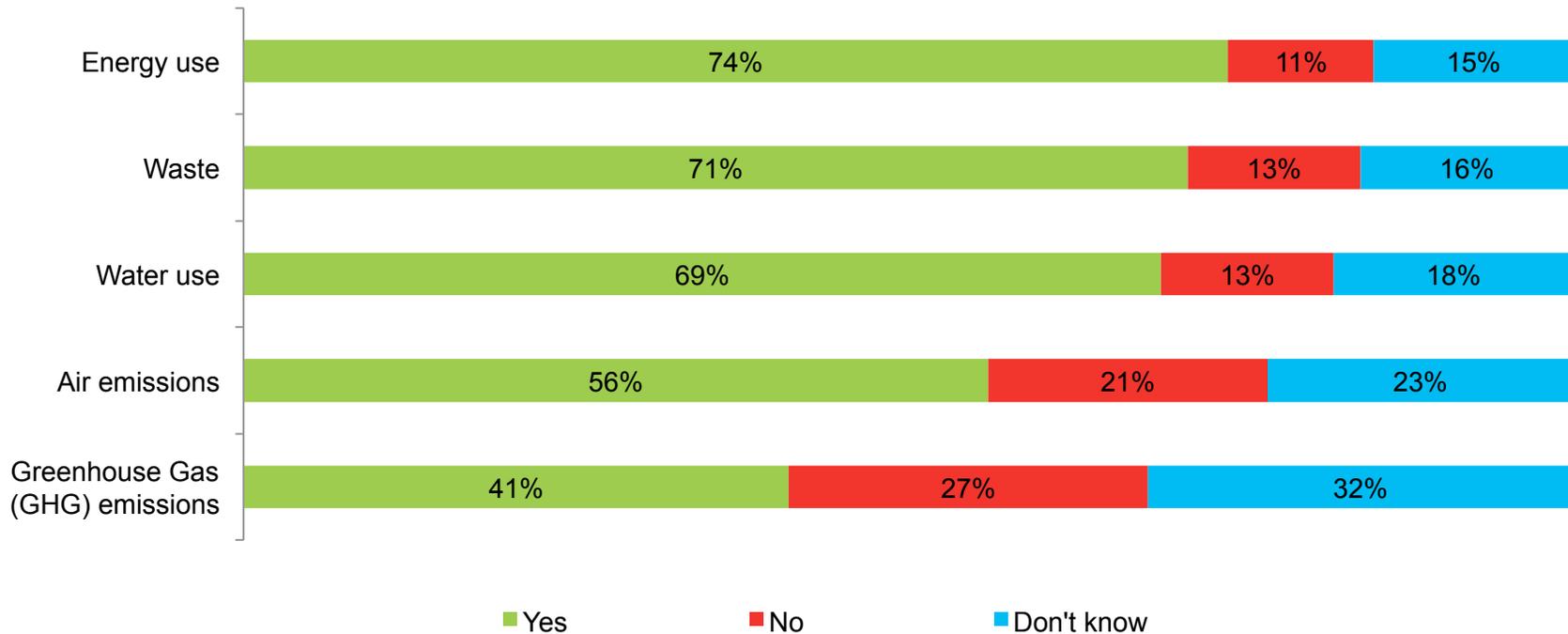
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Most companies have sufficient data to benchmark operations in energy use, waste, water use and air emissions, but not in GHG emissions.



Sufficient Data to Benchmark Operations



Companies with revenues of \$500M or more are more likely to have sufficient data to benchmark air emissions and GHG emissions, compared to companies with revenues of less than \$500M.

OEMs are more likely to have sufficient data to benchmark operations for air emissions and GHG emissions compared to suppliers.

Does your company have sufficient data to benchmark your operations in the following areas?

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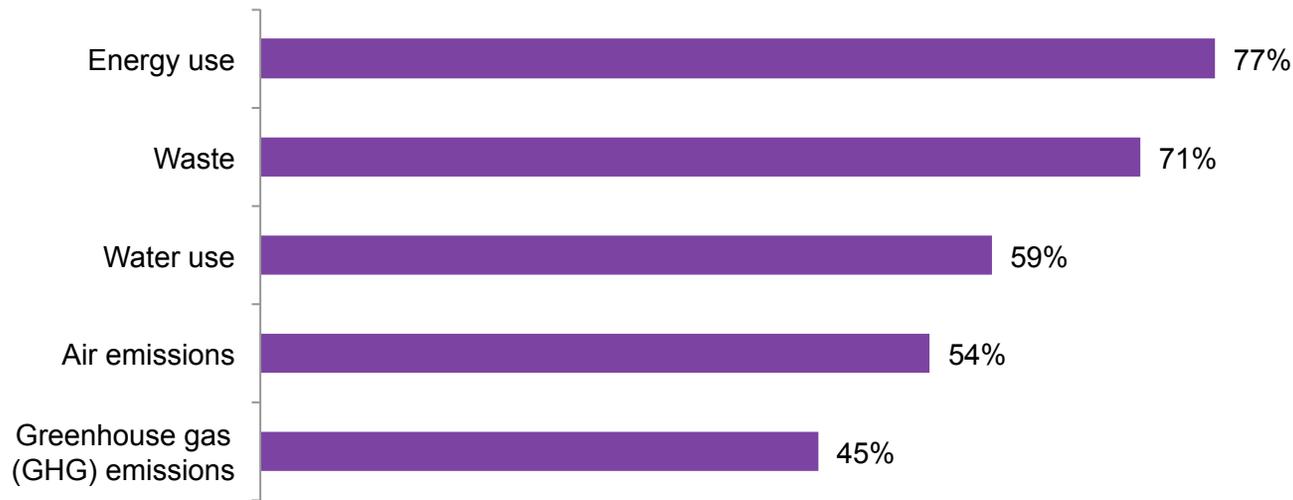


Companies say it is most important to meet reduction goals in energy use and waste.



Importance of Meeting Reduction Goals

Percentage of respondents identifying an area as “important”*



Meeting reduction goals for energy use, water use and air emissions are more important for companies with headquarters outside the U.S. compared to companies headquartered in the U.S.

Reduction goals are also more important for OEMs compared to Tier 1 and Tier 2 or below suppliers.

Waste, water use, air emissions and GHG emissions are more important for AIAG members compared to non-members.

* Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “not at all important” and 5 is “very important.”

How important is it to your company to meet reduction goals in each of the following areas? (5-point scale where 1 is “not at all important” and 5 is “very important.”)

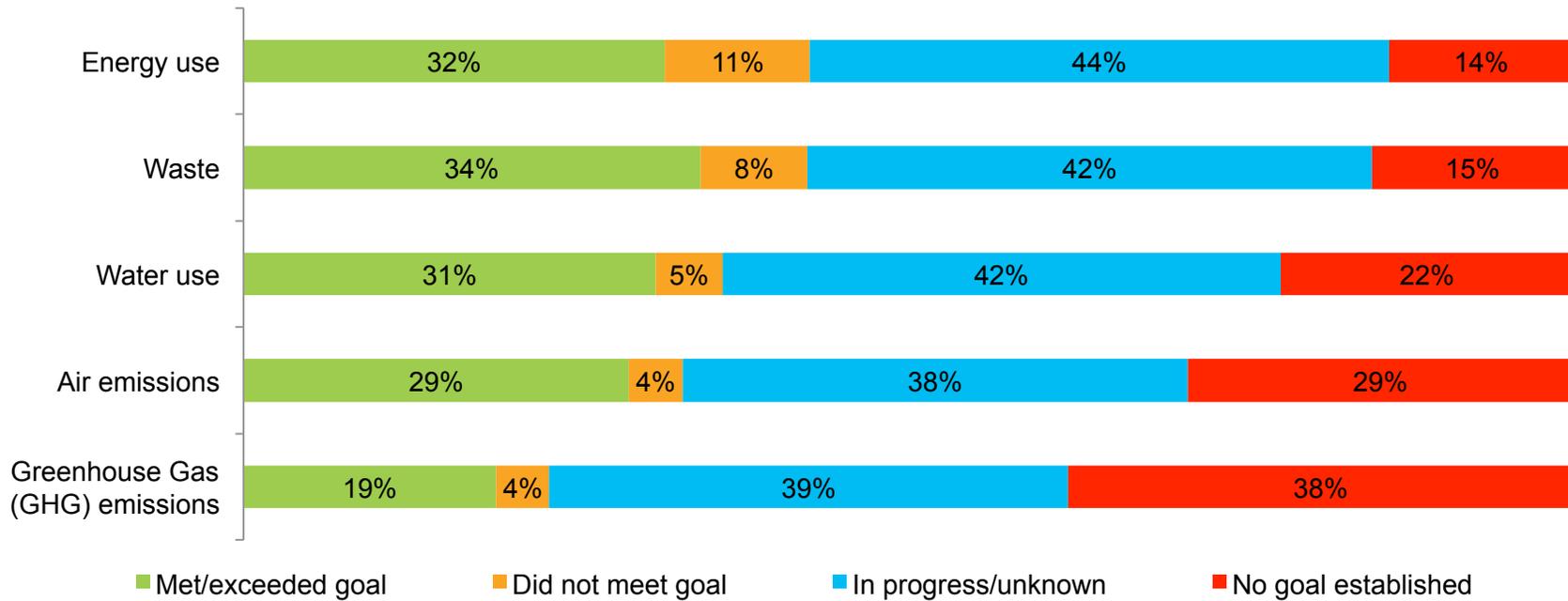
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One-third of companies have met or exceeded reduction goals for energy use and waste, the two most important goals.



Performance Against Reduction Goals



AIAG members are more likely to have met reduction goals for waste and air emissions, compared to non-members. A higher proportion of non-members also report having no goal established for all areas.

For the most recent point at which you measured progress, how did your company perform against your reduction goals in each of the following areas?

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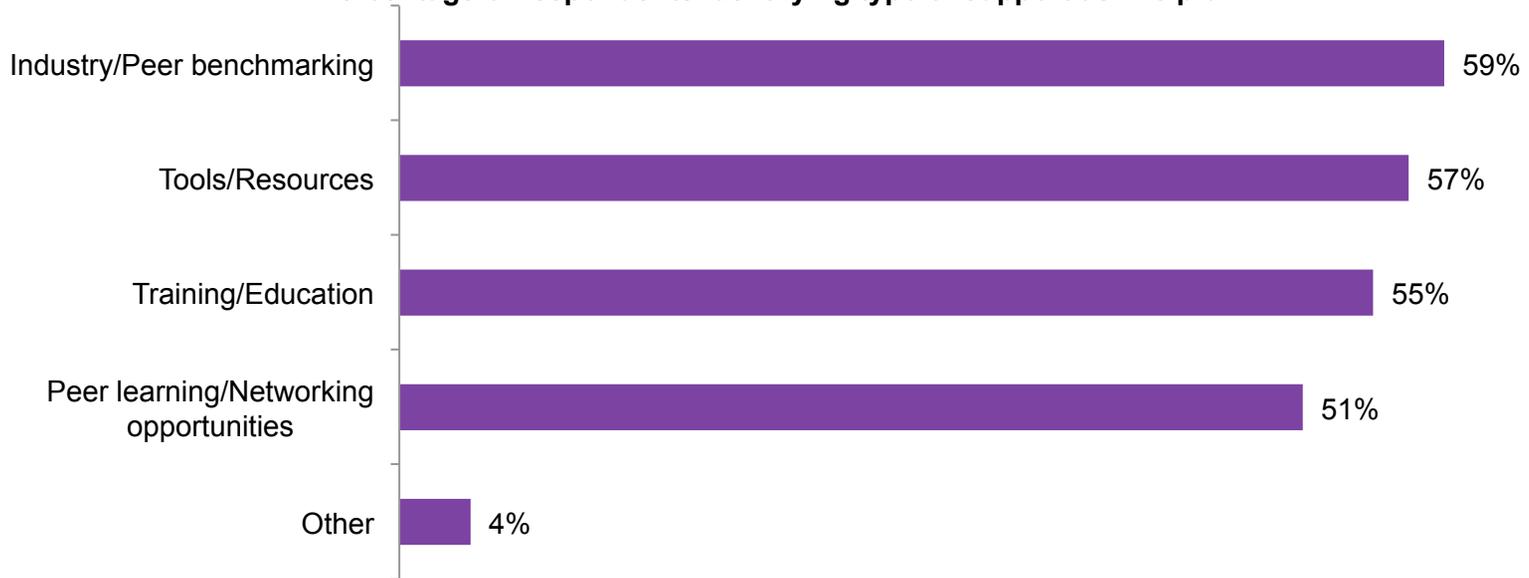


More than half perceive all available support options as helpful, led by industry/peer benchmarking.



Helpfulness of Support from AIAG to Meet Environmental Sustainability Goals

Percentage of respondents identifying type of support as “helpful”*



* Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “not at all helpful” and 5 is “very helpful.”

In meeting your company’s *environmental sustainability* goals, how helpful is it, or would it be, to have the following support from AIAG? (5-point scale where 1 is “not at all helpful” and 5 is “very helpful.”)





Social Responsibility



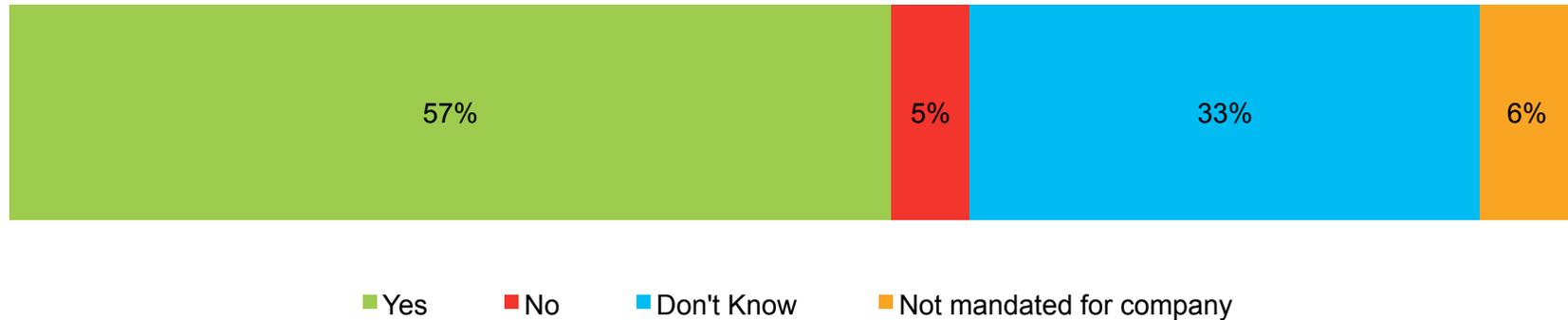
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If mandated, more than half of companies can demonstrate that there is no use of forced or trafficked labor in their supply chain.



Ability to Demonstrate No Use of Forced Labor in Supply Chain



Companies with revenues of less than \$500M are more likely to be able to demonstrate this, compared to companies with revenue of \$5B or more.

If mandated, can your company demonstrate that there is no use of forced labor or trafficked labor in your supply chain? (select one)

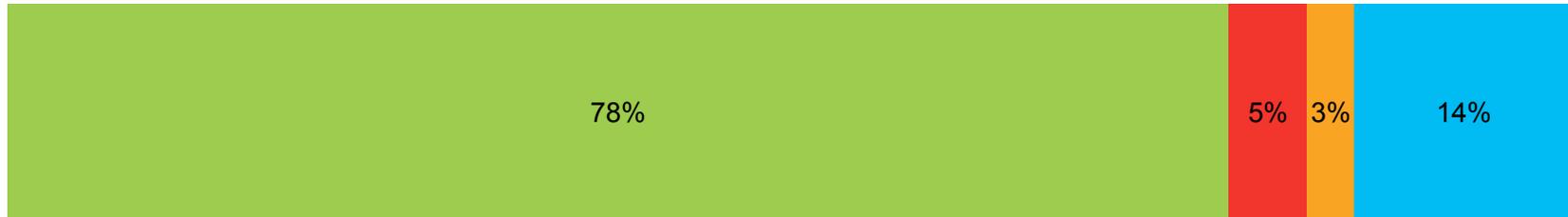
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The vast majority of companies have policies or expectations on responsible working conditions.



Policy/Expectation Regarding Responsible Working Conditions



■ Yes ■ No, and no plans to develop ■ No, but planning to develop ■ Don't know

Companies with revenues of \$500M or more are more likely to have such policies, compared to companies with revenues of less than \$500M.

Do you have a policy/expectations regarding responsible working conditions? (Select one)

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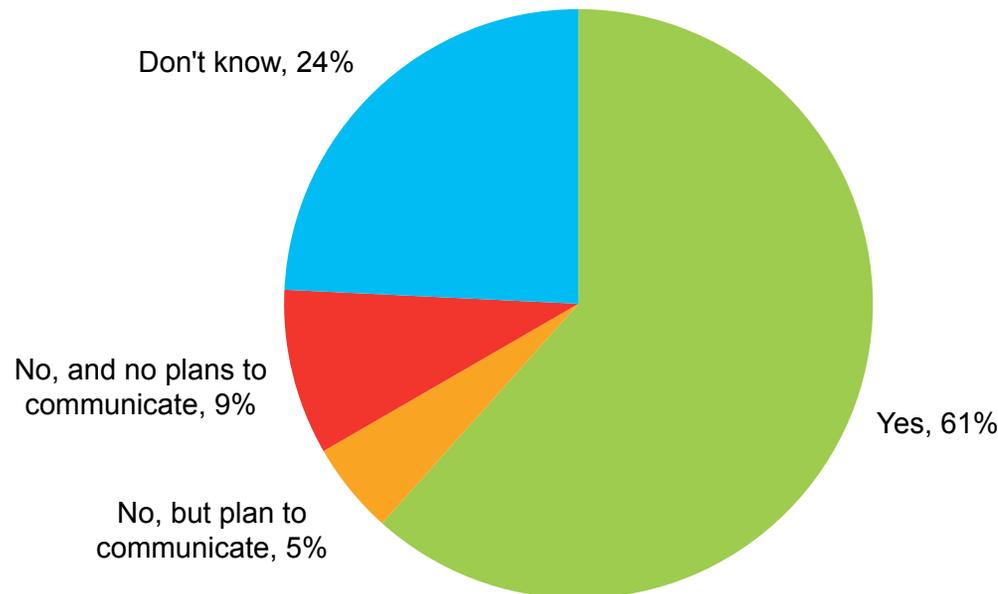


Of companies with responsible working conditions policies, more than half have communicated them to their suppliers.



Policies and Expectations for Responsible Working Conditions Communicated to Tier 1 Suppliers and Below

Companies who have a policy/expectation regarding responsible working conditions (n=432)



Companies with higher revenues are more likely to communicate these policies/expectations.

OEMs are also more likely to communicate these policies/expectations, compared to suppliers.

Has your company communicated, to your Tier 1 suppliers and below, its policies and expectations for responsible working conditions? (select one)

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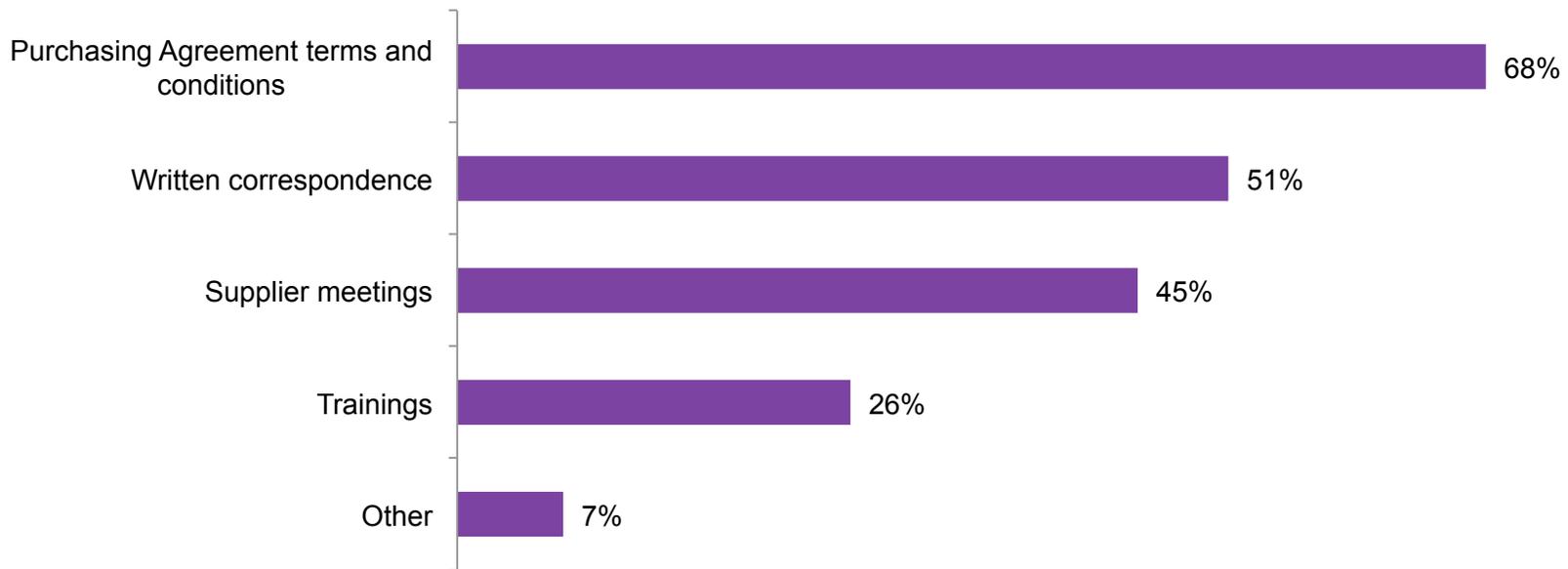


The most common means of communicating these policies is via purchasing agreement terms & conditions, and by written correspondence.



Methods of Communicating Information

Companies who have a policy/expectation regarding responsible working conditions and have communicated with suppliers (n=265)



Higher revenue companies are more likely than lower revenue companies to communicate this information via purchasing agreement terms and conditions.

How was this information communicated? (check all that apply)

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Benchmarking, tools/resources and training/education are the most helpful support AIAG can provide for meeting social responsibility goals.



Helpfulness of Support from AIAG to Meet Social Responsibility Goals

Percentage of respondents identifying type of support as “helpful”*



Companies with revenue of \$5B or more are more likely to find peer learning/networking opportunities more helpful.

* Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “not at all helpful” and 5 is “very helpful.”

In meeting your company’s *social responsibility* goals, how helpful is it, or would it be, to have the following support from AIAG? (5-point scale where 1 is “not at all helpful” and 5 is “very helpful.”)

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Conflict Minerals



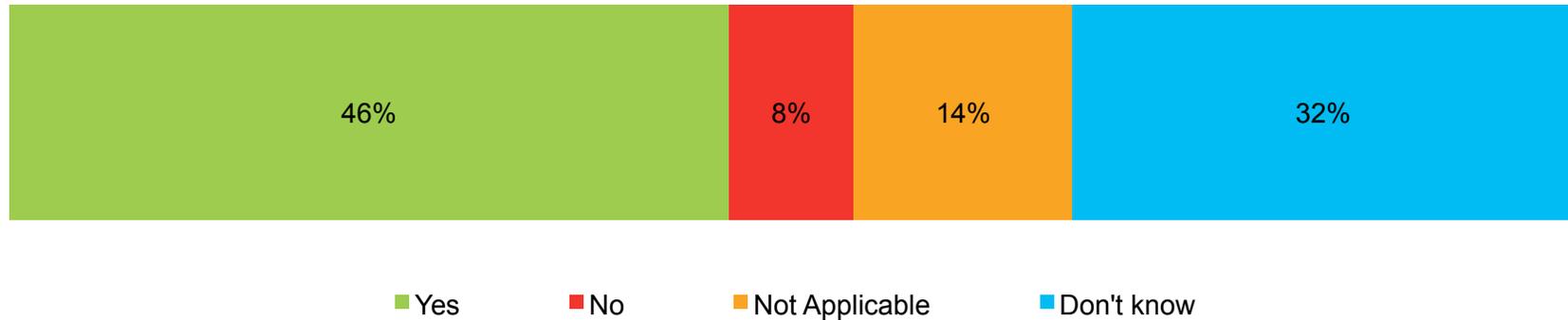
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Less than half of companies have a policy or process in place to comply with new conflict minerals reporting requirements.



Policy or Process to Comply with Conflict Minerals Reporting Requirements



AIAG members are more likely than non-members to have a policy or process to comply with conflict minerals reporting requirements.

Does your company have a policy or process to comply with the conflict minerals reporting requirements of the Dodd-Frank Act Section 1502 and/or related customer requests? (select one)

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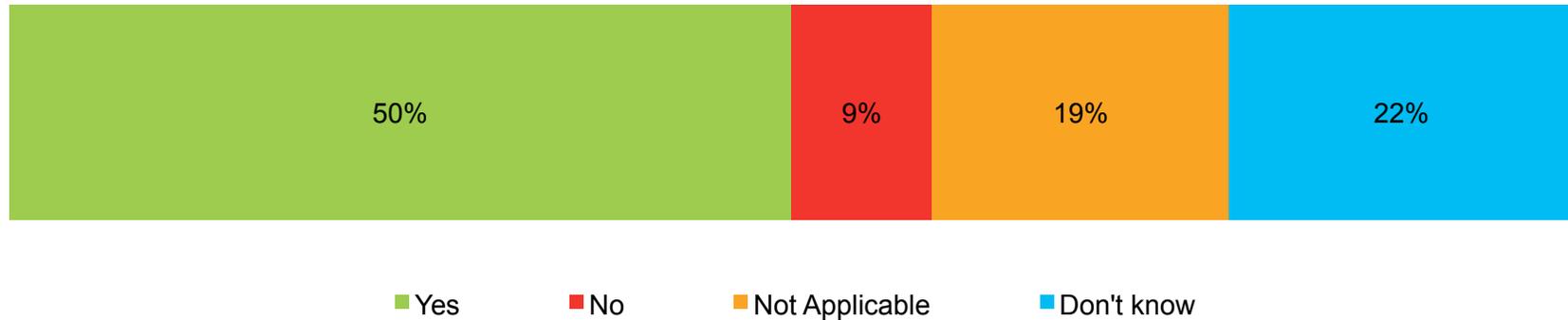


Of the companies that have a policy in place, only half expect to meet the May 31, 2014 deadline to file a Conflict Minerals Report with the SEC.



Meet SEC Deadline to File Conflict Minerals Report

Companies who have a policy or process to comply with conflict minerals reporting requirements (n=256)



Two-thirds of AIG members will meet the SEC deadline, significantly more than the 38% of non-members that will meet the deadline.

If your company is required to file a Conflict Minerals Report with the SEC by May 31, 2014, will your company meet the deadline? (select one)

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Corporate Responsibility Reporting



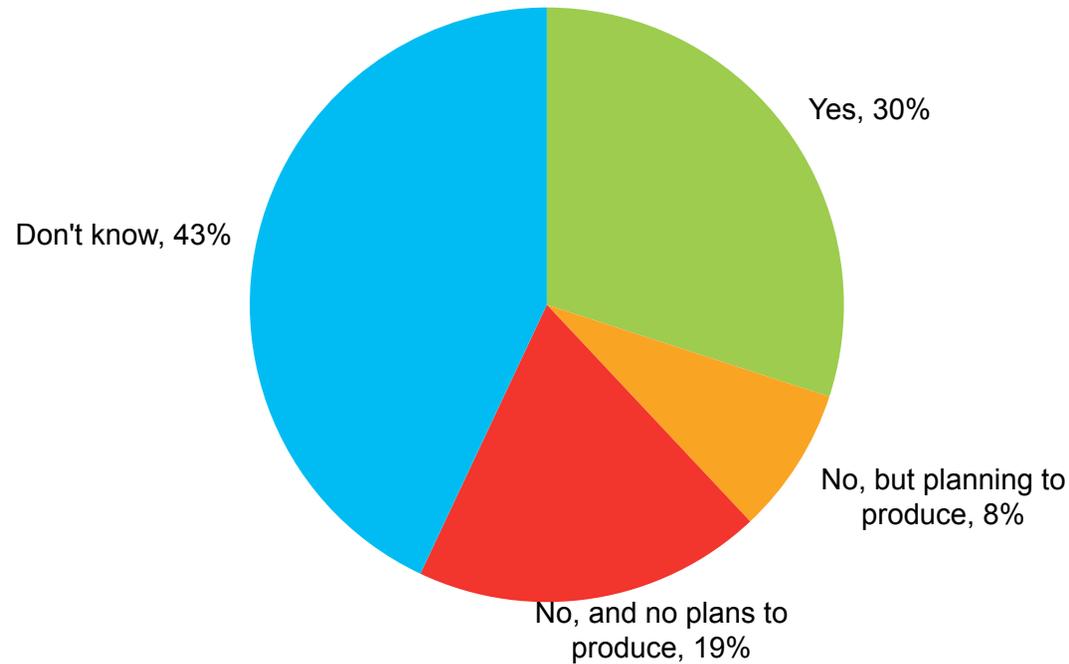
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Only three in 10 say their company produces a corporate responsibility report, while more than four in 10 don't know.



Produce Corporate Responsibility Report



Significantly more AIAG members than non-members produce a corporate sustainability report (43% vs. 20%).

As company revenue rises, the likelihood of producing corporate responsibility reports increases.

OEMs are more likely than suppliers to produce a report.

Does your company produce a corporate responsibility report?

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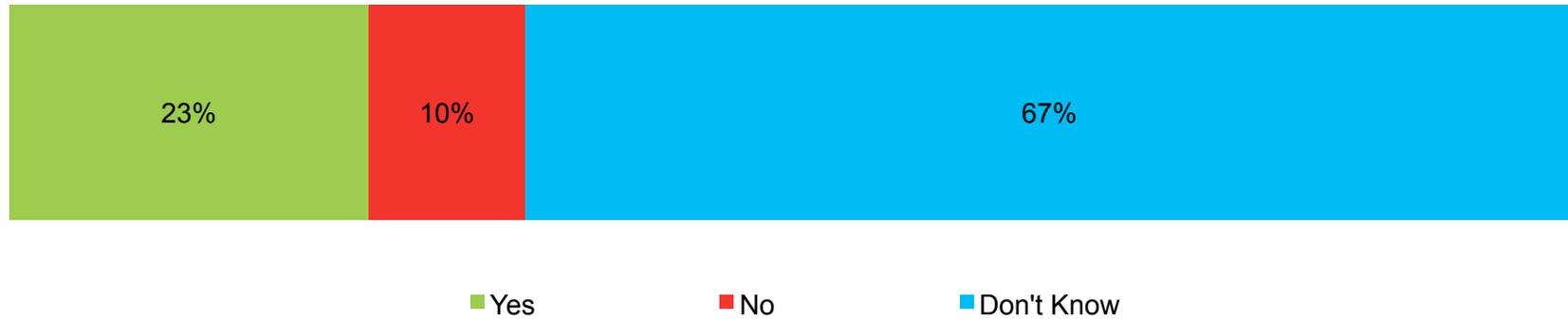


Only 23% of companies that report use the GRI Framework, while 67% don't know.



Use GRI Framework

Companies who produce a corporate sustainability report (n=167)



Does your company use the GRI (Global Reporting Initiative) Framework for reporting?

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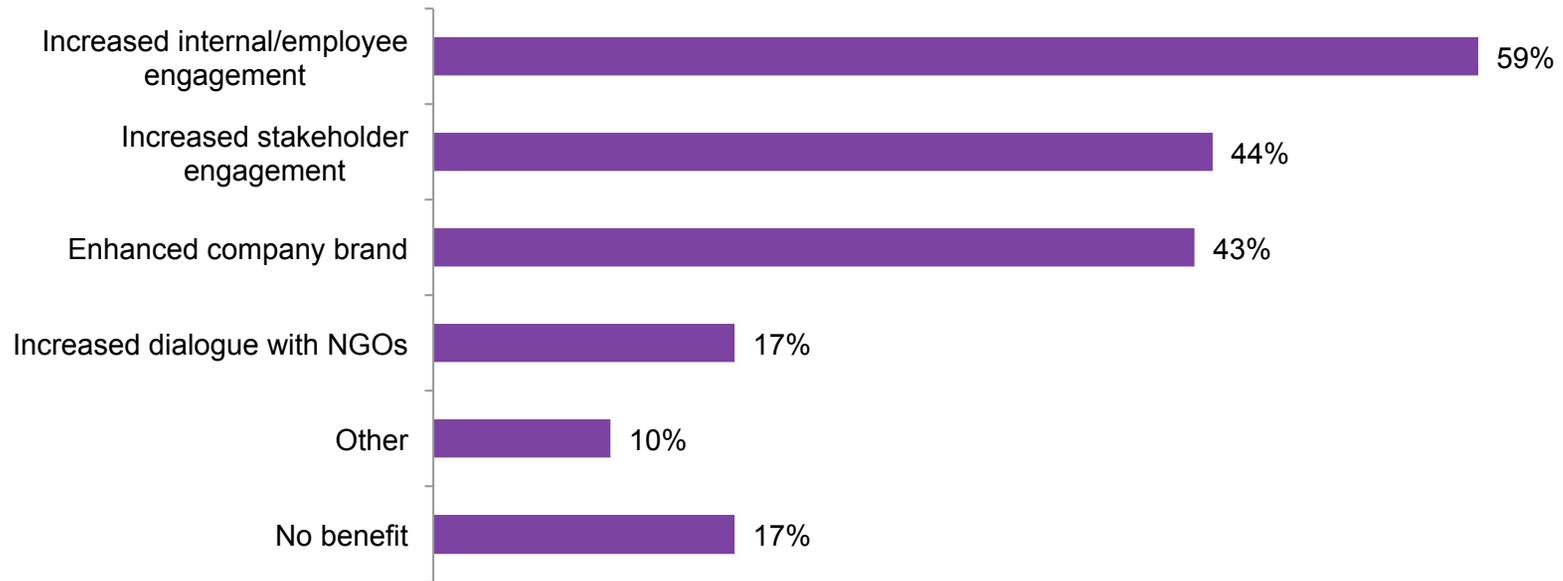


The most common benefits from reporting are increased engagement (internal/employee and stakeholder) and enhanced company brand image.



Benefits Derived from Reporting

Companies who produce a corporate sustainability report (n=167)



Are you aware if any of the following benefits were derived from reporting? (Select all that apply)

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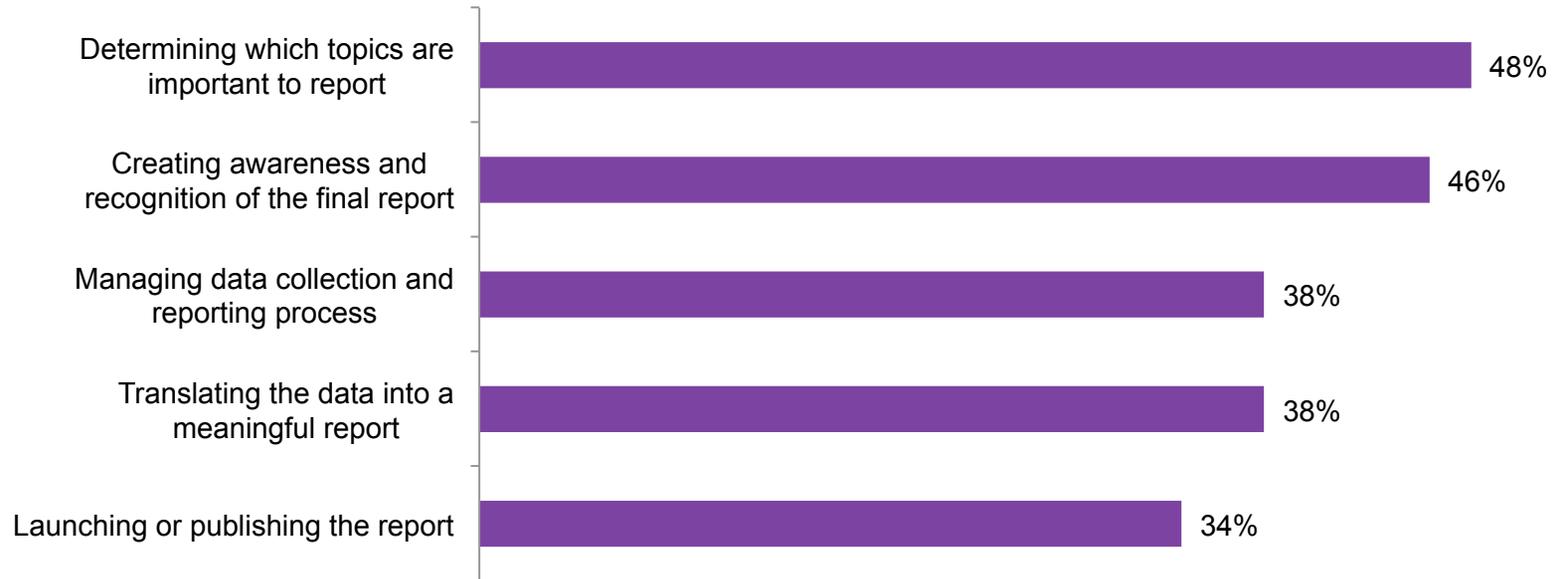


While there is not strong demand for reporting help, determining which topics are important to report and creating awareness are the top selections.



Helpfulness of Support from AIAG to Produce Corporate Responsibility Report

Companies who produce a corporate sustainability report (n=167)
Percentage of respondents identifying type of support as “helpful”*



* Percentage of respondents who selected 4 or 5 on a 5-point scale where 1 is “not at all helpful” and 5 is “very helpful.”

In producing your company’s corporate responsibility report, how helpful is it, or would it be, to have the following support from AIAG or other organizations? (5-point scale where 1 is “not at all helpful” and 5 is “very helpful.”)





Methodology



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- The survey was conducted online between March 4 and March 17, 2014.
- All data is reported on total sample unless otherwise noted.
- We use the all-encompassing term “corporate responsibility” throughout, and “sustainability” in cases where it is most relevant.
- A total of 554 corporate responsibility/sustainability professionals from automotive and related industries responded, 45% of whom work at AIAG member companies. Additional respondent information is below.
- AIAG thanks all of those who responded, as well as the teams at GlobeScan and BrownFlynn who provided assistance, for their contributions to the future of our industry.

Company Headquarters		Company Revenue		Type of Organization		Primary Industry	
U.S.	54%	Less than \$500M	34%	OEM	18%	Automotive	68%
		\$500M-Less than \$5B	17%	Supplier: Tier 1	42%	Manufacturing	20%
	46%	\$5B or more	21%	Supplier: Tier 2 and below	22%	Electronics	3%
		Don't know	28%	Professional Service Provider	9%	Other	10%
Outside of U.S.				Other	9%		



AIAG is a unique not-for-profit organization where, for more than 30 years, OEMs, suppliers, service providers, government entities and individuals in academia have worked collaboratively to drive down costs and complexity from the supply chain via global standards development and harmonized business practices. AIAG membership has grown to more than 960 members and includes renowned manufacturers, and many of their parts suppliers and service providers. For more information, visit www.AIAG.org.

This report is available at www.AIAG.org/corporateresponsibility

