

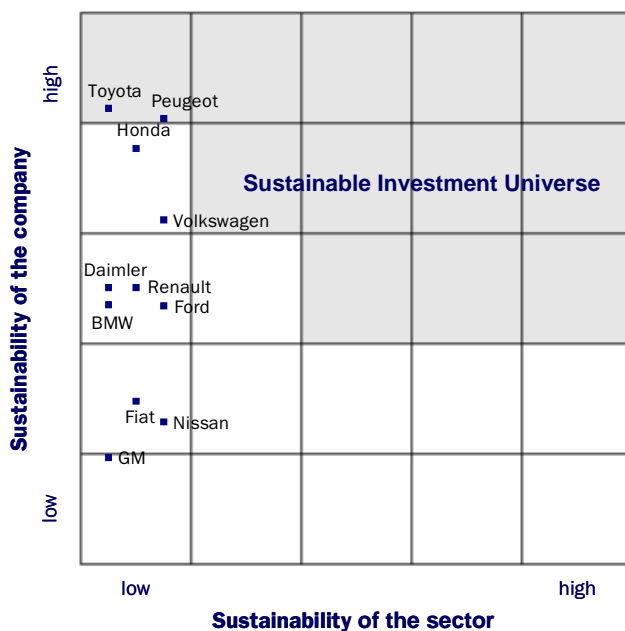
Media Release

Basel, 16 September 2009

Bank Sarasin's Sustainability ratings 2009 for car manufacturers: Toyota and Peugeot lead the field

Environmental standards in the automotive industry have tended to be rather lax in the past. But things are changing now: the maximum emissions permitted for new vehicles have recently been tightened in the EU and the US. China is currently also working on tougher standards. As a result, competition is intensifying for leadership in low-emission technologies, which require substantial investment. Scenarios estimate that hybrid, plug-in hybrid and electric vehicles will account for up to 40% of the market by 2030. Bank Sarasin has produced a sustainability rating for the automotive industry for many years. The current analysis focuses on the environmental profile or "eco-efficiency" of vehicles and the sustainability of relationships with suppliers. Both these aspects are particularly interesting given the current competitive climate. According to Bank Sarasin's 2009 ratings, the Japanese carmaker Toyota and French Peugeot come top.

When rating the sustainability performance of car manufacturers, Bank Sarasin concentrates on three key aspects: the CO₂ emissions of the current vehicle fleet, the capacity to develop low-emission, leading-edge technologies and – given the increasing outsourcing of key components and the looming battle for leadership in new technologies – the sustainability of supplier relationships. Measured against these criteria, Toyota and Peugeot emerge as industry leaders and have managed to stay at the top. Honda, which has significantly improved its sustainability rating, ranks third. In the mid-field, Volkswagen leads the rankings, followed by the other German car manufacturers and then Renault (downgraded) and Ford (upgraded). Fiat's ranking is lower than last year and its rating is below average, as is that of Nissan and General Motors.



The automotive sector is one of the high-risk industries, along with chemicals, oil and gas. For many years the car industry was excluded from Sarasin's universe of sustainable investments. In the meantime, however, conditions have radically changed and progressive manufacturers realise that low-carbon green technologies can give them a valuable competitive advantage. Even so, the barriers to entry to Sarasin's sustainable investment universe are still very high for the automotive industry. Based on current ratings, only Toyota and Peugeot qualify as suitable investment under Bank Sarasin's sustainability criteria.

Figure: Sarasin's 2009 sustainability ratings for car manufacturers



Tougher climate policy – legally binding CO₂ limits for new vehicles

New emission thresholds, which for the first time are binding in the EU, have been set for new vehicles for the next five to 10 years. The US has also defined target values, and China is considering tightening its regulations. When assessing the sustainability profile of car manufacturers, the vehicle emissions of their vehicle fleet, and how much lower these are than the legal limits, are therefore a key consideration. American and German carmakers, as well as Nissan, have the most ground to make up in order to meet the binding targets. An analysis of the extent to which manufacturers have improved the fuel efficiency or emission levels of their vehicles over the years reveals particularly strong performances from Toyota and Honda. BMW has also made some progress. At the same time it has to be remembered that official regulations vary enormously from one country to the next. In the US, for example, there are very few incentives to encourage fuel efficiency. Conditions in the EU and Japan are much more favourable.

Transparency still poor

“Although data on vehicle emissions are becoming much more relevant from the investor’s perspective, very little information is forthcoming from carmakers. Sustainably minded investors have been complaining about this for many years. On the one hand they would like to see precise performance data, and on the other hand details of the statutory CO₂ limits applicable to manufacturers in a particular market.” Gabriella Ries Hafner, Sustainability Research and author of the report

New technologies – the race is on

Bank Sarasin anticipates a transformation phase in technological development: the near future will still be dominated by the combustion engine, while hybrid technology will pave the way for the electrification of the power train and innovations in the vehicle’s entire energy management system. In appropriate markets such as Russia (gas) or Brazil (biofuels), and with the emergence of a new generation of crop residues, alternative fuels are also becoming more important. There are also model regions providing a testing ground for a visionary future based on electric vehicles and decentralised solar-based production of hydrogen to power fuel cells. Honda is active in this area – in California, for example. When it comes to the strength of their technology portfolios, Toyota and Honda are the industry leaders, followed by Peugeot, Volkswagen and Daimler. However, most manufacturers are still heavily biased towards short-term technologies. BMW is rather narrowly positioned in the long run, and Fiat comes off the worst. Only Toyota and Honda concentrate on technological development with a more long-term horizon. Recently the electric motor has become far more prominent. The new technology will mix things up in the industry. BYD is a Chinese producer of batteries that has recently transformed itself into a carmaker, and many small companies are trying to launch electric vehicles in the market. Among the big car manufacturers, Renault-Nissan’s strategy concentrates most on electric vehicles.

What does Sarasin understand by "sustainability"?

Bank Sarasin understands sustainable development to mean the provision of goods and services in a socially responsible way, using production methods with the lowest possible social and environmental impacts.

Crucial competitive factor: sustainable relationships with suppliers

The German Association of the Automotive Industry (VDA) estimates that by 2010 suppliers will contribute around 80% of value-added and 50% of the development effort. As their technological expertise increases – some suppliers are now registering more patents than their customers – the balance of power is gradually shifting as well. Given this backdrop, good relations with suppliers are a crucial competitive factor. Bank Sarasin assesses these on the basis of supplier satisfaction

scores. In one key area – fair collaboration – European car manufacturers have traditionally scored better than their US rivals when it comes to protecting intellectual property rights. As cost pressure has increased, however, relations between French carmakers (who for a long time have performed consistently well in this area) and their suppliers have also become strained. The supplier satisfaction score has dropped sharply in Germany as well, especially in the case of BMW. For some years now Volkswagen has been the least popular German manufacturer in the eyes of suppliers. If German and French carmakers are serious about becoming leaders in electrically powered vehicles, they need to re-establish durable partnerships.

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