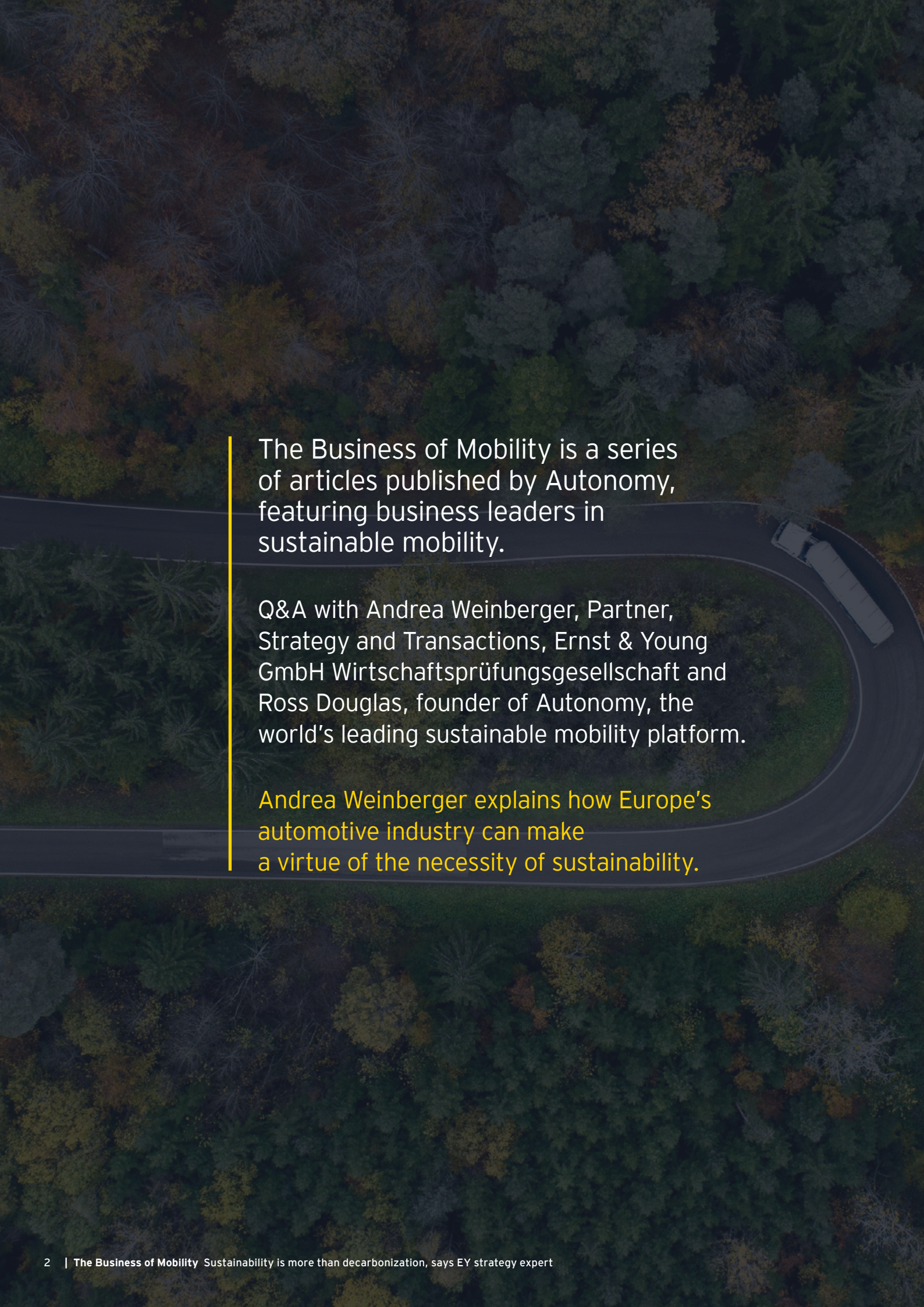


The Business of Mobility

Sustainability is more than
decarbonization, says EY
strategy professional

An aerial photograph of a dark asphalt road winding through a dense forest. The trees have varying shades of green and brown, suggesting an autumn setting. A dark-colored car is visible on the right side of the road, navigating a curve. The overall lighting is somewhat dim, creating a moody atmosphere.

The Business of Mobility is a series of articles published by Autonomy, featuring business leaders in sustainable mobility.

Q&A with Andrea Weinberger, Partner, Strategy and Transactions, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and Ross Douglas, founder of Autonomy, the world's leading sustainable mobility platform.

Andrea Weinberger explains how Europe's automotive industry can make a virtue of the necessity of sustainability.

Ross: What's your experience in the automotive industry?

Andrea: I was at a premium German auto-manufacturer for eight and a half years before joining EY in 2020, so my heart is with the industry and I'm really passionate about helping them meet the objectives of sustainability, while preserving the success of this industry.

Ross: A recent article of yours argues that decarbonization alone won't make automotive companies sustainable. What do you mean by that?

Andrea: Decarbonization and the shift to EVs is a major thrust of the automotive sector, given that the industry is responsible for about 15% of the EU's total CO₂ emission.¹ But the industry should broaden its idea of sustainability beyond emissions. It should consider the externalities of its supply chain, in terms of ESG (environmental, social and governance) and in terms of impact on communities.

Ross: What sort of improvements could industry make in their supply chains?

Andrea: As one example, the automotive industry indirectly contributes to deforestation and biodiversity loss in Brazil, given that it accounts for 30% of that country's cattle hide exports.² (Noting that cattle farmers clear natural forest for grazing.)

Ross: Why should European automakers be so involved in wider issues?

Andrea: Remember, we're talking about consumer-facing brands that are highly aspirational; companies that are national treasures, particularly here in Germany. They're also great companies to work for, as I was fortunate to discover. The opportunity is for them to be innovative around ESG impacts and use their influence for good in the world. If they do that right, they'll protect their valuable brands and discover new avenues of fair profit.

Ross: This makes sense when you consider that high-margin luxury European brands have seen their equity grow by some 40% in recent years. I'm interested in how you see the switch to EVs, given the metals demand that this involves.

Andrea: This is one of the central questions around EVs: the supply of materials and where they are processed. The metals and rare earths needed in EVs come with their own environmental concerns, whereby it's debatable whether swapping your old ICE for a new EV is good for sustainability in a wider sense. We all know that the world does not improve by revolutionary changes, but by incremental improvements that accumulate over time. Grand gestures have their place, but the real wins will come from incorporating sustainability stepwise into all areas of the operating model, processes and the organization. This way, there'll be no need to keep mentioning "sustainability," as it will become an embedded value across the industry.

¹ Infographic – Fit for 55: why the EU is toughening CO2 emission standards for cars and vans, www.consilium.europa.eu

² Deforestation in the driver's seat (pdf), us.eia.org

Ross: What straightforward advice do you have for the industry?

Andrea: Three things: don't think more sustainability equals less profit (the two should in fact go hand in hand); be authentic about who you are and where you come from (the heritage of your business) and what you are good at; avoid getting lost in the scale and complexity of a fundamental transformation – focus on daily improvements and wins.

Ross: From branding to business model, through to profitability ... think sustainability.

Andrea: Absolutely. It involves a mind-shift. The good news is that these automakers already have all sorts of expertise and innovations. With some lateral, holistic thinking you can expand the opportunities for making a difference.

Ross: I'm interested that you talk about heritage and focusing on what you're good at.

Andrea: For example, a premium German auto manufacturer always stood for quality and luxury. But then they got caught up in quantity, the idea that you need to sell more cars to make more profit. Now they're concerned about the brand dilution this could cause, and so they're returning to their traditional values – their heritage – focusing on quality not quantity.

Ross: From our perspective at Autonomy, and in the interests of better urban mobility, we would love for the automotive industry to work closer with cities and transportation authorities. Europe has 715 million tourists a year, many of whom want a luxury experience and all of whom are aware of Europe's famous vehicle brands. Could this be an opportunity for the automotive industry?

Andrea: Why not? Hotel groups could partner with vehicle brands to move people around. As I said, it's about thinking of your relative advantages – and here we have a great example of the advantage of being located in the world's top tourist destination. There are plenty of other advantages Europe has, like a huge consumer market and many highly skilled people.

Ross: I suppose many complain about sustainability as a constraint, not an advantage.

Andrea: As my grandmother used to say, what's the use in complaining? Governments and citizens want to see change, they want business to be on the right side of the green revolution and to own up to negative externalities. This is not a burden, it's an opportunity – a privilege even – to create hope and find new sustainable avenues of profit and cost-saving.

Ross: I think the circular economy is an example of this very thing.

Andrea: Yes. I think it's very exciting how Europe has committed to circularity; we're just at the beginning of innovations in circularity. Europe does not have the raw materials of other regions, but with circularity you lower demand for those raw materials, leading to potential cost-savings and profit. And obviously we need government to work with the private sector to find the right policies and incentives for innovations that promote sustainability.

Ross: A final message for automotive businesses?

Andrea: Draw up a sustainability transformation plan; or speak to us and we'll show you how. You'll be amazed at the opportunities for improving your businesses processes and practices, while saving on costs and finding new avenues of profit.

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