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Strengthening sustainability efforts in the auto aftermarket

Executive summary

The automotive aftermarket is facing increasing pressure to improve its sustainability performance, driven by heightened stakeholder expectations and new regulatory demands. Stakeholders, including legislators, investors, customers, and business partners, are demanding more robust sustainability initiatives from companies in the aftermarket. These expectations include the integration of sustainability into governance, increased transparency, better data collection and reporting, and active collaboration within the value chain.

The introduction of several new legislations, such as the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy, and the Right to Repair Directive, is reshaping the industry. These regulations aim to enhance corporate accountability, promote sustainable investments, and ensure products are designed with end-of-life considerations in mind.

MEKO has set a comprehensive sustainability strategy to address these changes. The strategy is aligned with its overall business objectives and includes commitments to science-based climate targets, reducing emissions through the use of low-carbon vehicles, and ensuring all electricity used is renewable by 2025.

In summary, MEKO is actively responding to the evolving demands of the automotive aftermarket by embedding sustainability into its operations, enhancing transparency, and collaborating with stakeholders to drive meaningful change across the industry.

Starting point: Sustainability and the aftermarket

The automotive aftermarket has historically faced low pressure from external stakeholders to improve sustainability performance. The primary focus has been on compliance — adhering to legal requirements — leaving many companies in the market relatively immature in terms of sustainability strategies, targets, and reporting. However, most large suppliers and distributors have established these practices to some extent.

“A regulatory tsunami” and rising expectations

The trend is clear: stakeholder expectations are rising. One of the most significant drivers is the surge in sustainability-related legislation over the past few years. The situation can be described as a "regulatory sustainability tsunami" impacting most companies.

Other stakeholders are also putting more requirements on the aftermarket;

- **Investors** want to make more sustainable investments and want companies to have a sustainability strategy, targets so that they can have green loans, green bonds, etc.
- **Customers**, especially certain B2B customers, want sustainability data on what they buy.
- **Business partners** who want to partner with sustainable companies have focus on code of conduct, sustainability strategy, competence in electric vehicles, and climate strategy.
- **Employees** want to work for sustainable companies.

Some of the new regulations

The “Green Deal” in the EU aims to make Europe the first carbon-neutral continent, and since its launch, there have been many directives and regulations related to sustainability. This trend will continue for several years ahead; for example, the EU Green Taxonomy is still expanding.

Below are some of the new or revised regulations and directives (for a complete list, please visit the European Commission’s website):

- **The Corporate Sustainability Reporting Directive (CSRD):** An EU framework for sustainability reporting with European Sustainability Reporting Standards (ESRS) to be followed. The purpose is to increase the sustainability of companies, improve comparability, and elevate sustainability reporting to the same level as financial reporting. CSRD applies to some companies starting in 2024.
 - **The EU Taxonomy:** Aims to direct financial capital towards more sustainable investments through a common green taxonomy.
 - **Right to Repair Directive:** Grants new rights to consumers to facilitate product repairs, both within and outside of the legal guarantee.
 - **End-of-Life Vehicles Directive:** Aims to improve the design and end-of-life management of vehicles for a more resource-efficient automotive sector and to deliver environmental benefits. A revision is ongoing.
 - **Carbon Border Adjustment Mechanism (CBAM):** Aims to prevent carbon leakage outside of the EU. Companies importing certain materials/products from third parties will need to report embedded CO2 emissions on a quarterly basis during a transition period and will later need to pay for these embedded emissions.
 - **Corporate Sustainability Due Diligence Directive (CSDDD):** Requires companies to identify, prevent, end, or mitigate actual and potential environmental impacts and human rights abuses throughout the value chain.
 - **Packaging & Packaging Waste Regulation (PPWR):** Will replace the Packaging & Packaging Waste Directive and aims to drastically reduce waste in the EU.
 - **Green Claims Directive:** Aims to stop greenwashing and help consumers make informed decisions. Environmental claims will need to be substantiated using methods such as life cycle assessments.
 - **Norwegian Transparency Act:** Requires due diligence reporting (Norway only, similar to CSDDD).
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The implication for the automotive aftermarket

The increased requirements from stakeholders clearly lead to higher expectations on the aftermarket. Some examples:

- **Integrating sustainability in the company:** In governance structures, processes and the business models.
- **More transparency:** This includes sharing positive developments as well as facts and data that may not be flattering. Sustainability is a moving target, and no one expects a company to be without challenges.
- **Better, and more data:** Collecting and reporting data, in annual and sustainability reports, and to customers.
- **Collaboration in the value chain:** Companies can do a lot on their own, but to truly take responsibility within the value chain and solve complex challenges, collaboration with peers and other stakeholders in the value chain is essential.
- **Action:** The most important thing is to start taking action and work towards a more sustainable company- and aftermarket.

FAAS – collaboration for a more sustainable aftermarket

The Forum on Automotive Aftermarket Sustainability (FAAS) is a recently founded non-profit European association, dedicated to advancing sustainability within the automotive aftermarket sector. MEKO is one of the founding members and Louise Wohrne, Head of Sustainability at MEKO is also chairwoman of FAAS' Board.

Currently FAAS 41 members consist of 18 Suppliers, 16 Distributors, 5 Associations and 2 Active Aftermarket Stakeholders. Please visit www.faasforum.eu to learn more about FAAS' focus areas and working groups.

What MEKO is doing to be more sustainable

MEKO has set a sustainability strategy that is fully aligned with, and supports, the overall company strategy.

A. Commitment to climate targets

MEKO has committed to setting science-based climate targets (SBT) to reduce its climate impact. MEKO's direct (so-called scope 1) climate impact mainly occurs through transportation to branches and workshops using delivery vehicles, as well as emissions from company cars. MEKO's indirect emissions (so-called scope 2 and 3) primarily arise from the purchase of products and services, energy consumption, and the transport of goods.

MEKO has set a target for all company cars and delivery vehicles to be low-carbon by 2030, utilizing low-CO2 emission technologies. MEKO also aims for all electricity in premises where it holds the contract to be renewable by the end of 2025.

B. Sustainability initiatives

In a broader sense, MEKO's core business is about sustainability and circularity - to ensure that cars can be repaired instead of buying new ones. Here are some more examples from MEKO's business:

- **Rental services:** Roof boxes and other equipment in Sweden.
- **Solar panels:** Installations, for example, in Denmark and the Baltics.
- **Electrification:** Investments in electric delivery vehicles.

C. Increasing transparency through new partnership

Announced on August 29, 2024, MEKO will enhance its sustainability efforts through a new partnership with Worldfavor, a digital platform that enables transparent data access. This collaboration aims to improve the transparency of MEKO's supply chain, creating a sustainable network for suppliers, producers, and employees.

The goal is to cover the entire supply base, including both centrally managed suppliers and those handled locally within different business areas. The platform will boost transparency across MEKO's operations and optimize its sustainability initiatives.

The implementation of Worldfavor's tool will be carried out in phases, starting in the third quarter of 2024. This partnership will provide MEKO with a consolidated view of our supplier base. It will enable us to demand improvements in various areas, identify risks, and prioritize our efforts in the most efficient and sustainable way.

For further information, please contact:

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This is MEKO

MEKO's vision is to enable mobility — today, tomorrow, and in the future. Our aim is to be the most comprehensive partner for everyone who drives, repairs, and maintains vehicles in Northern Europe. We are the market leader with a presence in eight countries, 600 branches, and 20,000 workshop customers, including 4,500 workshops operating under our own brands. These include Mekonomen, MECA, Balti Autosaad, BilXtra, FTZ, Fixus, Inter-Team, Koivunen, and Sørensen og Balchen — among many others.

Short facts

President and CEO: Pehr Oscarson

The share: MEKO has been listed on the Nasdaq OMX Nordic Exchange in Stockholm since May 29, 2000.

Revenue 2023: SEK 16,762 M

Affiliated workshops: 4 528*

Number of branches: 662*

Average number of employees: 6 339*

**Second quarter 2024*
