

Porsche, Audi and Volkswagen use Artificial Intelligence to minimise sustainability risks

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03/03/2021 Intelligent sustainability radar for the supply chain: the Porsche, Audi and Volkswagen brands are using Artificial Intelligence (AI) to identify sustainability risks such as environmental pollution, human rights abuses and corruption at an early stage – not only among direct business partners but also at the lower levels of their supply chain.

The basis for this monitoring system is an intelligent algorithm developed by the Austrian start-up Prewave. The technology is capable of identifying and analysing supplier-related news from publicly available media and social networks in more than 50 languages and over 150 countries. If there is any indication of a sustainability risk in the supply chain, the brands are notified. Procurement then looks at

the facts of the situation and considers initiating countermeasures. In this way, AI provides a proactive early warning system for breaches of the Volkswagen Group's sustainability requirements. It therefore supplements traditional reactive complaint channels such as mailboxes and ombudspersons. Since the pilot project began in October 2020, the brands have analysed more than 5,000 keywords and are keeping an eye on over 4,000 suppliers.

Transparency in the lower-level supply chains

"Prewave enables us to manage risks in a targeted manner – even in the lower-level supply chains. For us, this is about transparency. Artificial Intelligence simplifies the complex analysis of data, allowing us to address partners directly and request improvements in sustainability. The goal is to achieve this in partnership with suppliers. In the event of escalation, however, termination of business relations is certainly also an option", says Markus Wagner, Head of Procurement Strategy and Sustainability at Porsche AG.

"The key advantage of AI is the speed at which it can recognise relevant news online and transmit this in bundled form. This enables us to find out about sustainability risks much earlier on, so we can respond more quickly," says Marco Philippi, Head of Procurement Strategy at Audi. "AI is an ideal example of how digitalisation can contribute to greater transparency in the supply chain."

Ullrich Gereke, Head of Procurement Strategy for the Volkswagen Group, adds: "We are meeting our responsibility for ensuring a sustainable and fair supply chain – we established sustainability criteria for our suppliers on a contractual basis as long ago as 2014. Since 2019, we have checked compliance with our standards as part of the award process. By partnering with Prewave, we now have another tool to uncover and investigate potential violations, thereby contributing to improved social and environmental conditions at our suppliers' production sites."

Flagship project in the automotive industry

"We are delighted to be working with Porsche, Audi and Volkswagen on this flagship project in the automotive industry. Our technology allows us to screen thousands of globally distributed suppliers for sustainability risks in real time. Machine learning and automated language processing give us a capability we could never achieve manually: continuous risk assessment across the entire supply chain as a basis for procurement departments to proactively approach suppliers," says Harald Nitschinger, CEO Prewave.

The Volkswagen Group's sustainability requirements are summarised in the Code of Conduct for Business Partners. The Group takes well-founded reports of violations very seriously and systematically follows up on them. From 2019, the S-Rating – a sustainability rating for suppliers – was successively introduced by the individual Group brands as a mandatory order award criterion.

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