



Identifying sustainability risks: Audi, Porsche and Volkswagen use Prewave to monitor their supply chain

The automotive manufacturing supply chain is highly complex. This makes it all the more important to understand potential risks and identify correlations at an early stage. Since October 2020, the Prewave algorithm has been analyzing news about suppliers from publicly available online media sources and social networks as part of a pilot project for Audi, VW and Porsche being conducted in around 150 countries worldwide. Since the pilot project began, the brands have analysed more than 5,000 keywords and are keeping an eye on over 4,000 suppliers.

This analysis encompasses sustainability criteria such as environmental pollution, human rights violations, and corruption. If there is any suspicion of potential sustainability violations, Prewave sounds the alarm.



"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."



Marco Philippi,
Head of Procurement
Strategy at Audi



Susanne Lenz,
Sustainability Strategist
at Audi

“Because we receive indications earlier, we can assess potential sustainability risks to our supply chain in a timely manner and respond quickly,” says Lenz.

Supply Chain

4000+ direct and indirect suppliers

Supplier

Audi Porsche Volkswagen

Labor strike at supplier
MORE INFO In 7 days

Monitoring

Millions of sources analysed in 50+ languages using Artificial Intelligence

News media
Live Now
Breaking news

Online media

Social media

Facebook Instagram Twitter YouTube Pinterest

Risk Alert

Sustainability Risk Alerts in 50+ categories

Health and safety risk for workers at supplier
MORE INFO 3 days ago at 12:00

Data theft at supplier
MORE INFO 2 days ago at 13:00

Waste problems at supplier
MORE INFO 2 days ago at 15:00

Discrimination in the workplace at supplier
MORE INFO 1 day ago at 10:00

Unrest among the workforce at supplier
MORE INFO 1 day ago at 11:00

Cyber attack at supplier
MORE INFO 1 day ago at 12:00

Water pollution at supplier
MORE INFO 1 day ago at 13:00

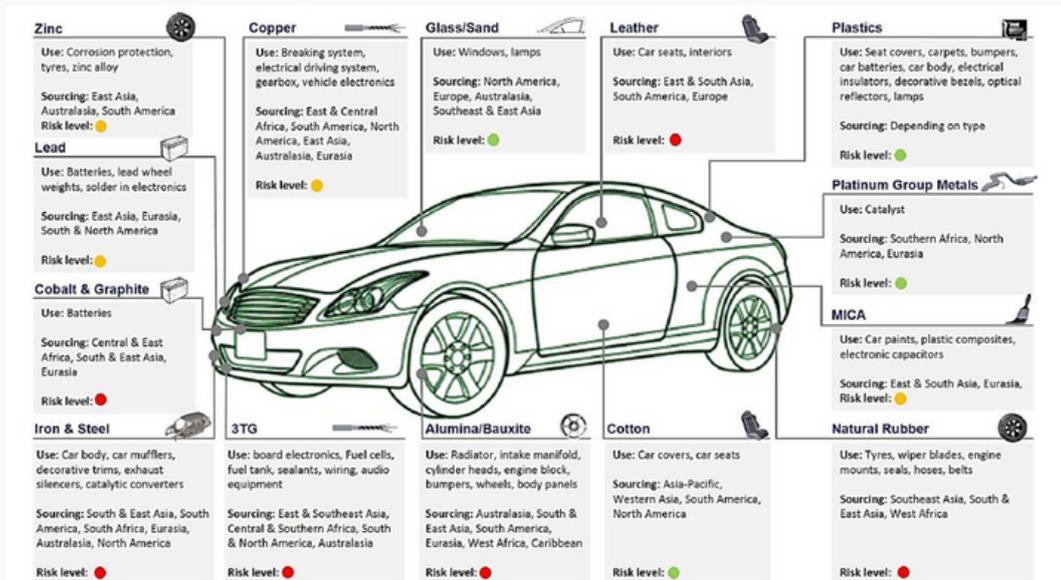
prewave

Audi intends to further intensify its sustainability activities in the future through digital supply chain monitoring beyond the direct suppliers, since ensuring that its own sustainability requirements are also met by all the companies involved within the supply chain is extremely important to the automaker.

Audi's direct suppliers are, in turn, obligated to ensure that their suppliers also comply with these requirements. The Prewave sustainability monitoring is designed to uncover violations at an early stage and initiate appropriate consequences.

Audi has outlined its sustainability requirements for business partners in its "Code of Conduct for Business Partners." Audi takes well-founded indications of violations extremely seriously and follows up with them systematically. Its defined environmental, social, and compliance guidelines form the basis for collaboration and are an integral part of the automaker's risk assessment processes. A sustainability rating ("S rating") for suppliers has been a mandatory criterion for awarding contracts since 2019. Audi uses this procedure to verify whether its contractual partners comply with the requirements laid out in the Code of Conduct for Business Partners. Audi only works with companies that pass this audit.

Prewave Artificial intelligence has supplemented supply chain monitoring at Audi since October 2020, thus complementing the traditional complaint channels with a proactive tool. "In order to handle the complexity of our supply chains in a responsible manner, we rely on strong alliances and new technologies," says Susanne Lenz, supply chain sustainability strategist at Audi. Comprehensive risk monitoring at Audi combines different methods and systems – including with the aim of responsibly managing complexity in the supplier structure.



The digital early warning system for sustainability risks used by Audi together with Volkswagen and Porsche collects publicly available news in more than 50 languages and from around 150 countries. This includes social media channels such as Twitter or YouTube as well as local news outlets. Since the AI developed by Austrian start-up Prewave uses automatic speech recognition to understand the meaning of the respective messages, potential sustainability violations can be identified flawlessly. "We are delighted to be working with Audi, Volkswagen, and Porsche to carry out this flagship project in the automotive industry. Our technology is being used to screen thousands of globally distributed suppliers for sustainability risks in real time. Machine learning and automated language processing thus makes possible what would be impossible to do manually – perform continuous risk assessments across the entire supply chain that Procurement can then use to proactively approach suppliers," says Harald Nitschinger, CEO of Prewave. And because the intelligent algorithms are constantly learning, the system is continuously improving, and its ability to recognize indications of developing risks is increasing. But the main advantage of the AI used by Audi is the speed at which it recognizes relevant information online and transmits it in packaged form. "Because we receive indications earlier, we can assess potential sustainability risks to our supply chain in a timely manner and respond quickly," says Lenz.

“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.

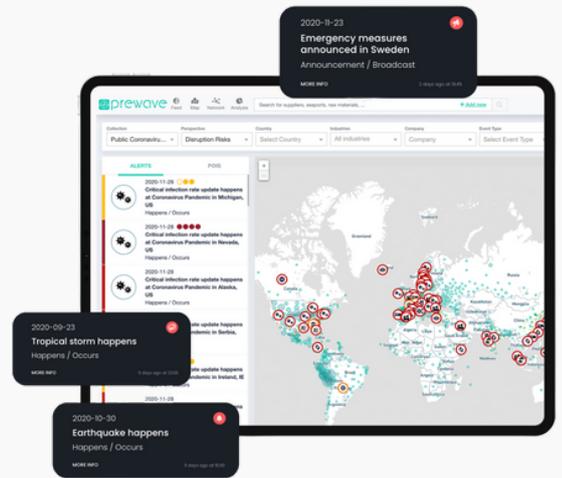
The AI covers a wide range of different areas – in the “Social” category, for example, it focuses on violations of labor law, unrest in the workforce, child labor, or discrimination in the workplace. Relevant criteria in the “Environment” category draw on public data regarding, among other issues, air pollution, water pollution, water consumption, or waste problems. And when it comes to topics such as cyber risk, the AI analyzes reports indicative of suspected cyberattacks, data fraud, or data theft. Whenever the AI detects a potential sustainability risk developing, Audi is notified automatically. Those responsible at the automaker then examine the situation in more detail. If the information received is correct, appropriate action is taken.

This means that Audi, Volkswagen, and Porsche can, if necessary, demand the partner immediately initiate improvements or even completely terminate the business relationship. “Artificial intelligence and machine learning are becoming enablers of sustainability at our company,” says board member Dirk Große-Loheide, who is responsible for procurement and IT at Audi.

The reliability and predictive capability of the installed software is currently being verified at more than 4,000 supplier companies. Initial results indicate that the AI used at Audi is suitable for responding quickly and effectively to the dynamic risks in supply chains, which change daily.

In the initial test period Prewave found more than 95% of relevant alerts and more than half of them were found 2 month earlier than Audi, VW and Porsche would have picked up on otherwise. “Analyzing massive amounts of data using artificial intelligence highlights how digitalization can uncover risks in our supply chain. Thanks to our collaboration with Prewave, we are using an adaptive, powerful tool to increase transparency and efficiently monitor sustainability agreements,” sums up Lenz.

The use of AI in supply chain monitoring also gives Audi a clear competitive advantage – according to a study conducted by Capgemini in early 2021 that surveyed customers in Germany, the United Kingdom, and the United States, nearly 70 percent of car buyers view sustainability as an important factor in their purchase decision.



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