## Contents

1 Foreword ...................................................................................................................... 1
2 Area of Application ....................................................................................................... 1
3 Validity, Contractual Structure .................................................................................... 2
4 Securing the Supply Chain .......................................................................................... 2
5 Information and Communication .................................................................................. 3
  5.1 Contact person and availability of the Supplier ......................................................... 3
  5.2 Electronic data exchange ......................................................................................... 3
6 Planning, Disposition, Steering ..................................................................................... 4
  6.1 Planning forecast ....................................................................................................... 4
  6.2 Supplier capacity planning ..................................................................................... 4
  6.3 Production, material and supply approval as well as acceptance obligation .......... 5
  6.4 Disposition procedure ............................................................................................ 5
7 Dispatch and Transport .................................................................................................. 6
  7.1 Delivery terms and conditions ................................................................................ 6
  7.2 Packaging functions ............................................................................................... 6
  7.3 Packing material cycle ............................................................................................ 8
  7.4 Packaging marking ................................................................................................ 10
  7.5 Attaching the packaging label ............................................................................... 4
  7.6 Quality of the load carriers .................................................................................... 6
8 Transport Handling & Registration of Goods ................................................................. 8
  8.1 Registration of goods ............................................................................................. 8
  8.2 Loading .................................................................................................................. 8
  8.3 Dispatch of dangerous goods ................................................................................. 8
  8.4 Transport documents ............................................................................................. 9
  8.5 Customs / Foreign trade ......................................................................................... 9
9 Emergency management ............................................................................................... 9
10 Irregularities, consequences ....................................................................................... 10
11 Outlook ....................................................................................................................... 10
List of Illustrations

Fig. 1: Data transfer per EDI connection ........................................................................................................... 3
Fig. 2: Data transmission per web EDI connection ............................................................................................ 4
Fig. 3: KS access download area in SupplyOn .................................................................................................... 7
Fig. 4: Packaging cycle for reusable packaging materials .................................................................................. 8
Fig. 5: Global Transport Label layout on sample A5 from VDA 4994 ................................................................. 10
Fig. 6: Sample of a completed Global Transport Label from VDA 4994 ............................................................ 2
Fig. 7: Application sample for SINGLE labels on package (A5) or small load carrier (narrow) ....................... 2
Fig. 8: Application sample of a MASTER label on non-mixed pallet (1200x800) ............................................... 4
Fig. 9: Application sample of a MIXED LOAD label on mixed load pallet (1200x800) ................................. 4
Fig. 10: Marking for mesh boxes ....................................................................................................................... 5
Fig. 11: Marking of KLTs .................................................................................................................................... 6
Fig. 12: Marking of cardboard boxes ................................................................................................................ 6
Fig. 13: Pallets with IPPC status ........................................................................................................................ 7
# List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fig.</td>
<td>Figure / Illustration</td>
</tr>
<tr>
<td>AGV</td>
<td>Abnahme- und Gütevorschrift / Approval and Quality Regulations</td>
</tr>
<tr>
<td>CMR</td>
<td>Convention relative au contrat de transport international de marchandises par route – Convention on the Contract for the International Carriage of Goods by Road –</td>
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<tr>
<td>DDP</td>
<td>Incoterms*: Delivered Duty Paid</td>
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<tr>
<td>DAP</td>
<td>Incoterms*: Delivered at Place</td>
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<tr>
<td>EDI</td>
<td>Electronic Data Interchange</td>
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<tr>
<td>etc.</td>
<td>et cetera</td>
</tr>
<tr>
<td>GLT</td>
<td>Großladungsträger / Large load carrier</td>
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<tr>
<td>GTL</td>
<td>Global Transport Label</td>
</tr>
<tr>
<td>IPPC</td>
<td>International Plant Protection Convention</td>
</tr>
<tr>
<td>ISPM15</td>
<td>International Standard for Phytosanitary Measures No. 15 on Guidelines for Regulating Wood Packaging Material in International Trade</td>
</tr>
<tr>
<td>KLT</td>
<td>Kleinladungsträger / Small load carrier</td>
</tr>
<tr>
<td>LAB</td>
<td>Lieferabrufverfahren / Call-off procedure</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>VDA</td>
<td>Verband der Automobilindustrie / German Association of the Automotive Industry</td>
</tr>
<tr>
<td>cf.</td>
<td>compare</td>
</tr>
<tr>
<td>VMI</td>
<td>Vendor Managed Inventory</td>
</tr>
<tr>
<td>WebEDI</td>
<td>Web based Electronic Data Interchange</td>
</tr>
<tr>
<td>e.g.</td>
<td>for example</td>
</tr>
</tbody>
</table>
1 Foreword

Optimized supply chain management can represent a vital competitive advantage for the success of a company because of increasing globalization and the corresponding rise in competitive pressure on an international level. Having been an international partner to the automobile industry for many years, this is why it goes without saying for KS Kolbenschmidt GmbH (hereinafter referred to as KS) to establish and continue optimizing efficient supply chain models with its suppliers.

This sustained development and optimization of the complete supply chain, however, can only be achieved on the basis of a close cooperation based on trust and sound mutual business relations. The guidelines contained in these specifications define the fundamental requirements being made on suppliers to KS in order to establish a mutual SCM strategy, guarantee trouble free workflow, reduce costs and further optimize supply relationships between the partners involved.

2 Area of Application

These logistics guidelines apply for the companies of KS Kolbenschmidt GmbH and KS Gleitlager GmbH (hereinafter referred to as KS). These consist of the KS locations:

- **KS Kolbenschmidt GmbH**
  - Karl-Schmidt-Straße
  - 74172 Neckarsulm
  - Germany

- **KS Kolbenschmidt Czech Republic, a.s.**
  - Dulní 362/2
  - 400 04 Trmice
  - Czech Republic

- **KS Gleitlager GmbH**
  - Am Bahnhof 14
  - 68789 St. Leon-Rot
  - Germany

- **KS Gleitlager GmbH**
  - Friesenstraße 2
  - 26871 Papenburg
  - Germany
3 Validity, Contractual Structure

These specifications apply for all suppliers of KS. As shown in the diagram below, they form the basis for cooperation between KS and the Suppliers. The guidelines defined in these Logistics Specifications apply at all KS locations. Supplementary framework agreements put into concrete terms the respective agreements between the contractual partners which are to be observed and are described in the Logistics Specifications. Fundamentally, national legislation for the respective location must be observed and safeguarded.

Under exceptional circumstances, individual contractual agreements in deviation from the general terms and conditions may be reached between the contractual partners. These additional agreements may only be reached under special circumstances and should preferably be avoided. The validity of these specifications commences upon their publication and ends with the publication of an updated directive. The Supplier is solely responsible for ensuring that it is informed about the currently valid directive. This can be obtained from the homepage of Rheinmetall Automotive AG\(^1\).

4 Securing the Supply Chain

As a globally operating company, KS participates actively in programs to secure the international supply chain. In this respect, throughout the complete supply and production chain KS expects its suppliers to observe internal control procedures in accordance with valid international customs and foreign trade legislation.

\(^1\) http://www.rheinmetall-automotive.com/
5 Information and Communication

Communication between the Supplier and KS represents the basis for a functioning business relationship. This communication takes place either in English or the respective local language of the location. KS expects its suppliers to provide information in good time without prompting about any occurring or expected deviations in agreements reached, e.g. delivery dates, deadlines or packaging.

5.1 Contact person and availability of the Supplier
The Supplier is required to specify and name a permanent, competent contact person, as well as an appropriate deputy for logistical issues. The contact person named must have good linguistic skills in the local language of the respective purchasing KS customer plant or have a good knowledge of the English language. The availability of the Supplier must be guaranteed at all times. A reply within at least 36 hours is required in the event of general information enquiries by KS to the Supplier. In the case of enquiries escalated as urgent, the Supplier must provide a contact number where a reply will be provided within one hour.

5.2 Electronic data exchange
Data exchange between both parties shall be by electronic means in order to ensure secure procedural and efficient handling between KS and its suppliers. The electronic data exchange should preferably take place through an EDI or a web EDI connection.

Fig. 1: Data transfer per EDI connection
Supply On\textsuperscript{2} is the web portal through which electronic data exchange takes place at KS. KS agrees in advance on the use of this web service and sends the Supplier an invitation through this portal. The Supplier accepts the invitation and in this way establishes the connection. KS provides a coordinated set of rules for using the portal. KS assists its suppliers with their requirements for connection to this portal.

The following business processes are transacted through the named data exchange processes:

- Order call-offs, supply call-offs
- Consignment data
- Transfer of performance data, e.g. quality indices, supplier reliability (only portal)

6 Planning, Disposition, Steering

6.1 Planning forecast
KS endeavours to provide the Supplier with a long-term planning forecast at individual parts level. The basis for this is formed by the existing inventory of customer orders as well as the medium and long-term market estimates of the respective companies. KS reserves the right to adjust this planning forecast where appropriate as a result of unexpected events.

6.2 Supplier capacity planning
The Supplier must ensure the supply of parts to KS. To achieve this, the Supplier must carry out a regular comparison of scheduled supply call-offs by the individual companies with its available capacities in short, medium and long-term areas. In the event of any anomalies, the Supplier must take a proactive approach and contact its respective logistics partner immediately.

\textsuperscript{2}http://www.supplyon.com/.
In order to cover short-term fluctuations in demand by the individual companies, supplier production disruptions or other unplanned events, the Supplier is obliged to ensure adequate flexibility and/or maintain an adequate safety stock. The supply agreement regulates safeguarding the overall capacity.

Upon demand, the Supplier shall provide in transparent form information about shift/layer models, capacity utilization and material flows. KS reserves the right to audit capacities on site. The Supplier shall inform KS with adequate notice about planned operating interruptions. During this period, the Supplier shall also ensure the agreed performance is provided on the agreed date. More precise regulations in this respect, as well as appropriate models, are stipulated in the respective individual agreements.

6.3 Production, material and supply approval as well as acceptance obligation
Specific regulations on production, material and supply approval, as well as acceptance obligation, are defined in the respective purchasing terms and conditions³.

6.4 Disposition procedure
KS stipulates the disposition procedure according to material and supplier-related criteria. The following standardized disposition procedures may be used in this respect:

6.4.1 Supply call-off order procedure (LAB)
The supply call-off order procedure is a demand-driven disposition procedure. KS sends the Supplier call-off orders on the basis of future requirements. These contain quantities, deadlines and all relevant supply information. The Supplier can orient itself using the future supply data of the supply call-off orders and receives regular updates from KS.

6.4.2 Re-order point procedure
The re-order point procedure is a demand-driven disposition procedure. If order point is achieved through the removal of parts, the Supplier is sent a call-off order. The Supplier is obliged to fulfil this call-off order within the contractually defined replenishment time.

6.4.3 Consignment
The term “consignment” defines a handling procedure where the Supplier provides KS with the defined volume of a material (consignment material). In this case, the transfer of ownership takes place upon removal of the material from the consignment warehouse named by KS. As a result of the removal, a liability to the Supplier is incurred by KS which is settled by credit note procedure.

6.4.4 Vendor Managed Inventory (VMI)
The Vendor Managed Inventory model is a special consignment model. With this model, KS underpins an intense cooperation and interrelationship with its suppliers as a result of which it is possible to achieve long-term competitive advantages. In this way, KS offers its suppliers additional planning security. The prerequisite for a VMI model is functioning data transmission. This can either

³ Homepage Rheinmetall Automotive / Purchasing / Kolbenschmidt / Purchasing Terms & Conditions.
be through an internet connection or preferably through an EDI connection (cf. 5.2 Electronic data exchange). Detailed consultation with the respective location regarding the implementation procedure and the data exchange is necessary for the implementation of the VMI concept.

KS reserves the right to combine any disposition procedure with a consignment model.

The logistical details, as well as country-related regulations and/or legislation, are regulated separately as part of specific agreements.

7 Dispatch and Transport

7.1 Delivery terms and conditions
KS uses the current version of the Incoterms® as uniform basis for its delivery terms and conditions. In this respect, preference is given to the Incoterms DAP and DDP and they are to be observed when preparing quotes, offers and tenders. Deviations from this are permitted under exceptional circumstances; however, this requires written permission from KS.

7.2 Packaging functions
Packaging fulfils several important functions for KS; these are listed and explained below:

7.2.1 Protective function:
Irrespective of the agreed Incoterms®, the goods must be packed by the Suppliers in such a way that damage to the goods is excluded during transport and storage. The Supplier is fundamentally responsible for the supplied quality of the products. At the same time, the requirements of the chosen type of transport must be taken into account (e.g. corrosion protection in the case of sea freight). In addition, the Supplier is obliged to supply clean parts and load carriers. In this respect, the cleanliness requirements must be observed and dry storage must be guaranteed. In view of the rising demands for cleanliness by the automotive industry, KS reserves the right to amend the cleanliness demands made on packaging accordingly where required.

Precise criteria and demands by KS on the packaging of goods are defined in the packaging data sheet for the respective product group. These must be observed without fail by the Supplier when creating a packaging solution for KS. Deviations in this respect are only permitted by agreement with the recipient works.

Registered suppliers can find the packaging data sheet in the KS download area in SupplyOn.
7.2.2 Logistic function:
The logistic function which is defined by form and dimensions must be taken into account when choosing packaging. For this reason, the standard containers for small load carriers (KLT) and large load carriers (GLT) are to be used in accordance with the VDA standards. Deviations from this should only be made as an exception and only by agreement with the respective location.

7.2.3 Information function
All packaging which is sent to a KS plant must be provided with information data concerning the dispatch and the goods in accordance with the guidelines of this directive. If this information data is not provided, the delivery cannot be accepted by KS. The packaging’s information function is best fulfilled by using a label. All deliveries to KS must be provided with a Global Transport Label (GTL).

7.2.4 Environmental function
The selected type of packaging must comply with the environmental guidelines of KS. Environmentally friendly packaging materials that are not treated, biodegradable and made from renewable raw materials are preferred. Materials which are on the KS Negative List including PVC may not form part of the packaging. KS also takes into account the environmental compatibility of the packaging and the complete transport and dispatch process when evaluating offers made by suppliers. This includes an environmentally friendly container management for reusable packaging as well as the reduction of emissions by transportation through the use of alternatives with lower pollutants. Both the direct and indirect influences on the environment by the chosen packaging are analysed during the evaluation of the environmental balance of the packaging.

7.2.5 Cost function
Packaging and packaging management including all cleaning and packaging costs are to be included in the submitted price quote. Any subsequent offsetting of packaging costs as surcharge will not be accepted by KS. This also applies to the costs for container management.

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4 cf. VDA 4994 – Verband der Automobilindustrie / German Automotive Industry Association.
5 Homepage Rheinmetall Automotive / Purchasing / Kolbenshemidt /Quality and Environment / KS Negative List [PDF].
7.3 Packing material cycle
Each supplier must check to what extent container management with reusable packaging is worthwhile in comparison to a disposable packaging solution with regard to the overall environmental balance and cost distribution. In this respect, the more environmentally friendly and cost attractive solution is to be chosen which has to be agreed individually between the parties. Furthermore, KS product-related regulations must be observed for packing the goods (cf. respective current AGV). Alterations to packaging require written permission from KS. KS reserves the right to take further steps in the event of an inadequate dispatch and transport performance by the Supplier.

7.3.1 Disposable packaging
Disposable packaging must fundamentally comply with the requirements of this logistics directive and the respective product group according to the packaging regulation. Disposable packaging must fundamentally be approved by KS in writing prior to goods dispatch.

7.3.2 Reusable packaging material

Container management for reusable packaging materials is subject to the above-described cycle. The containers must be clean, easy to empty and easy to clean. Empty packaging arising at KS is gathered.
It shall be collected by the Supplier promptly or returned to the Supplier at the latter’s expense. KS is not responsible for cleaning reusable packaging materials placed at its disposal. If a supplier omits to undertake the agreed collection even after reminder by KS, the reusable packaging materials will be returned to the Supplier at the latter’s expense.
7.4 Packaging marking

7.4.1 Global Transport Label (GTL)

The following illustration shows the layout of dimensions and blocks of the GTL using an A5 standard label as example.

![Global Transport Label layout on sample A5 from VDA 4994](image)

Definition of blocks as follows:

- **A1** - Consignor
- **A2** - Consignee
- **A3** - Label type and 2D bar code symbol
- **B1** - Customer reference 1
- **B2** - Customer routing information
- **B3** - Logistics reference
- **C** - Customer article number
- **D1** - Package - ID
- **D2** - Customer reference 2
- **E1** – Data at supplier’s discretion
- **E2** - Customer reference 3

A completed label contains at least a barcode and easily legible information about the consignment and the contents of the delivery. Marking on the label must be in an easily legible typeface (Calibri, Arial or similar) and must be at least 12pt in size.
7.4.2 Global Transport Label types (GTL types)

SINGLE label:

- For packages of one type (e.g. packets, mesh boxes, KLT, etc.)
- Does not contain any sub-packages with own SINGLE label

![Application sample for SINGLE labels on package (A5) or small load carrier (narrow)](image)
MASTER label:

- For packages of one type
- Contains sub-packages with own SINGLE label

![Application sample of a MASTER label on non-mixed pallet](1200x800)

MIXED LOAD label:

- For packages of mixed types
- Contains various sub-packages, each with own SINGLE label

![Application sample of a MIXED LOAD label on mixed load pallet](1200x800)

### 7.5 Attaching the packaging label

Each packaging unit or container must be marked clearly. The marking of the load carrier must be attached in a clearly legible form using the Global Transport Labels (GTL) and must not exceed the outer measurements of the load carrier. In addition, the label must not be covered by packing tapes.

The exact stipulation of the fastening position is to be defined on the packaging data sheet for the respective product group or by agreement with the recipient works.
7.5.1 Position of the Global Transport Label (GTL) on deliveries
The following positions, depending on type of packaging, must be observed for marking deliveries. If using reusable packaging, attention must be paid that old labels are removed before reusing the packaging.

7.5.1.1 Mesh boxes
Labels on mesh boxes are to be attached to both front sides. Preference in this respect is given to a reusable bag with metal clips.

![Fig. 10: Marking for mesh boxes](image)

7.5.1.2 Small load carriers
Labels for small load carriers are to be inserted into the provided slots and fastened by means of fully removable adhesive spots. The small load carriers must be positioned on the pallet in such a way that all labels can be read from outside. The marking of the pallet as a whole is to be attached directly onto the two facing sides on a small load carrier or on the surrounding wrapper. Preference is to be given to attachment of the single labels on the sides and the master label on the front site.
7.5.1.3 Cardboard boxes

The marking of individual cardboard boxes (single labels) is to be attached to the respective front side. The cartons must be positioned on the pallet in such a way that all labels can be read from outside. Irrespective of the size of the goods, the marking of the pallet as a whole must be attached to the two facing sides on the cartons or on the surrounding wrapper.

7.6 Quality of the load carriers

Dimensioning of load carriers must take into account the burden of the load. The supplied load carriers must be undamaged. Only IPPC\(^6\) pallets are to be used for deliveries on pallets. In general, all wooden packaging (pallets, frames etc.) must comply with the latest IPP standard ISPM 15\(^7\). If repacking is necessary from load carriers which are damaged or insufficiently dimensioned to bear

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\(^6\) IPPC = International Plant Protection Convention.

\(^7\) ISPM15 = International Standard for Phytosanitary Measures for Wood Packaging Material in International Trade.
the load, this will be carried out at KS Goods Incoming at the Supplier’s expense. The Supplier is fundamentally responsible for the supplied quality of the products.

Fig. 13: Pallets with IPPC status
8 Transport Handling & Registration of Goods

The choice of the freight forwarder has to be made according to logistics, flexibility, quality and environmental parameters. Freight forwarders with a low-emission vehicle fleet should be preferred. Trucks should comply at least with the euro-5-standard. The use of trucks with euro-6-standard should be promoted.

8.1 Registration of goods
Information regarding the supply of goods to a KS plant can be found on the orders from KS. In general, the following also applies:

The Supplier is under obligation on own authority and without delay to register the goods for collection with the logistics company specified by KS. Insofar as acceptance of the freight costs by KS was agreed in the delivery terms and conditions, delivery to the KS plant shall only be made exclusively by the freight carriers named by KS in the order. Insofar as a different freight carrier is appointed by the Supplier, the latter – as contracting party thereof – shall bear all freight costs without compensation by KS.

8.1.1 Small consignments up to 31.5 kg total weight:
Send these deliveries direct to the KS plant by parcel service or post on the basis of the current Incoterms® “Free domicile” and mark clearly with goods received.

8.1.2 Piece goods and part loads as of 30 kg:
Please see the order (location-related) for information on these consignments.

8.1.3 Express deliveries up to 50 kg:
This type of delivery may only to be made after consultation with the respective KS contact person. Further information on these deliveries can be found on the order (location-related).

8.2 Loading
The loading and clearance of goods for KS must be coordinated by the Supplier between itself and the carriers agreed with KS. In this respect, a time frame must be agreed during which collection shall take place. If the truck is provided by the carriers within the agreed time frame, clearance should not take an inappropriately long period of time.

If due and proper collection by the carriers is not possible on grounds for which the Supplier is responsible (e.g. goods not ready for collection at the specified time, inappropriately long waiting times etc.), the Supplier shall guarantee punctual delivery of the goods under own responsibility and at own cost.

8.3 Dispatch of dangerous goods
Consignments for transportation which comply with the regulations of the transportation of dangerous goods are to be handed over by the Supplier to the carriers appointed by KS. The goods
must be marked clearly with dangerous goods labels. The Supplier shall be liable for any damage occurring as a result of non-observance of legal regulations.

8.4 Transport documents
Together with the labelling system described in chapter 7.2.3 Information function, which is to be used for all incoming supplies at KS, further specific transport documents are also required when sending goods to KS.

<table>
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<tr>
<th>Transport Germany/EU:</th>
<th>International Transport liable to customs duty:</th>
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<tbody>
<tr>
<td>Consignment note/CMR</td>
<td>Consignment note</td>
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<tr>
<td>Delivery note</td>
<td>Delivery note</td>
</tr>
<tr>
<td>Label (GTL)</td>
<td>Label (GTL Global Transport Label)</td>
</tr>
<tr>
<td>(Packing list)</td>
<td>Customs documents</td>
</tr>
<tr>
<td>(Pallet exchange note)</td>
<td>(Packing list)</td>
</tr>
<tr>
<td></td>
<td>(Pallet exchange note)</td>
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</table>

Fundamentally, the specific regulations and legislation of the countries concerned (dispatch country and recipient country) are to be observed in addition to these general requirements. All documents must be in either the national language of the recipient or in English.

8.5 Customs / Foreign trade
KS is under obligation to make substantiated statements to its customers with regard to the commercially based origin and preferential legal status of the supplied goods. Naming of the commercially based country of origin of the pre-products and merchandise supplied to KS is therefore also obligatory for the Suppliers of KS. The commercially based origin is also to be verified by appropriate certificates of origin upon demand by KS. The preferential legal status of goods supplied to KS is to be proven by presentation of appropriate preference certificates. The type of preference certificate is determined by the respective applicable preferential agreement.

9 Emergency management
In the event of any faults occurring within the process chain of the Supplier or its subcontractors, the Supplier is obliged to notify KS without delay about such fault. In the event of any such fault, KS expects the Supplier to provide an immediate description of countermeasures that will be taken to re-establish production and processes securely and as fast as possible. Furthermore, the Supplier must name a competent contact person for the eventuality of any such emergency situation who must be available at all times.
As a preventative measure, the Supplier must carry out an appraisal of the risk of possible supply bottlenecks to the companies throughout its complete supply chain as part of a suitable risk assessment. Appropriate emergency strategies derived from this are to be defined by the Supplier. The results of risk assessment as well as the contingency plan are to be submitted to KS upon demand. The contingency plan must contain at least details of the following criteria:

- Cause of the supply problem
- Maximum expected supply disruption (quantity)
- Corrective measures with responsibilities
- Volume and time frame of contingency supplies

The responsibilities defined in the action plans ensure the timely implementation of the agreed measures as well as their sustainability.

Wherever necessary, KS reserves the right to have the contents of the contingency plans verified by the Supplier and to introduce further consequences, e.g. on-site troubleshooting, if applicable. KS’s right to claim for financial damages in individual cases shall remain unaffected by the above regulations.

10 Irregularities, consequences

KS reserves the right to refuse acceptance of goods or claim damages from the Supplier in the event of contraventions of these Logistics Specifications.

The following irregularities represent typical examples of such contraventions:

- Non-adherence to delivery deadlines and quantities
- Non-adherence to the stipulated packaging and cleanliness requirements
- Incorrect or lack of labelling on packing units
- Incorrect or lack of documents and EDI messages

If the Supplier fails to comply with the requirements named in the Logistics Specifications, KS shall be entitled to take suitable remedial action and introduce measures for the removal of the infringement of duties by the Supplier. The Supplier will be invoiced for the costs of the removal measures or remedial action by KS.

11 Outlook

As described above, KS shall undertake ongoing endeavours to improve the input- and output-side logistics processes. This will also lead in future to changes in the demands made on Suppliers. For this reason, a proactive cooperation in the interest of achieving a partner-based further development is
expected between the Supplier and KS throughout the complete supply chain from subcontractor to customer.