

Rules of Sanction Procedure and Sanction Committee

1 General

Companies participating in the Initiative Tierwohl (hereafter referred to as "ITW") and certification bodies approved in the Initiative are integrated into ITW on the basis of a declaration of participation, a participation agreement or a basic agreement with the *Gesellschaft zur Förderung des Tierwohls in der Nutztierhaltung mbH* (Society for the Promotion of Animal Welfare in the Livestock Production mbH) (hereafter referred to as "operating company"). They are obliged to comply with the requirements of ITW. If they violate against their declaration, the agreement concluded with the operating company or the requirements of ITW, contractual measures can be taken by the operating company and sanctions can be imposed by the Sanction Committee in the course of a Sanction Procedure.

The duties, rights and obligations of the Sanctions Committee are determined by the articles of association of the operating company, the ITW program manual and this Rules of Sanction Procedure and Sanction Committee in their respective valid version.

2 Sanction Committee

The Sanction Committee is appointed by the operating company as independent, neutral body. The operating company may optionally either establish an own Sanction Committee, or make use of an already existing suitable expert body, which it entrusts with the functions of the Sanction Committee. The members are appointed by the shareholders of the operating company. They shall not be employed for the Society, the shareholders, or any singular company or certification body participating in the Initiative Tierwohl. The members of the Sanction Committee perform their activities voluntarily. The shareholders can decide on an expense allowance.

Chaired by a judge, a lawyer and at least one independent expert from livestock pig or livestock poultry as well as one assessor discuss the cases submitted according to this Rules of Sanction Procedure and Sanction Committee. External experts may be called in by the chairperson in individual cases. They have no voting rights within the Sanction Committee.

The Sanction Committee has quorum, if along with the chairperson each of the technical responsible, independent experts (pig, poultry) and the assessor participate in the meeting. The decisions of the Sanction Committee are reached per majority vote, recorded in writing, justified, and signed. In the event of a tie, the vote of the chairperson is decisive. The decisions of the Sanction Committee are announced by the chairperson.

The members of the Sanction Committee are obliged to maintain strict secrecy about all matters which come to their attention on the occasion of this activity. This also applies beyond the termination of their activity as member of the Sanction Committee.

3 Determination of violations, immediate measures

Violations against the contractual agreements and requirements of the Initiative Tierwohl can be identified by means of independent audits, during the ongoing activities of the Initiative Tierwohl or by any other means.

In the case of doubts regarding the compliance with the requirements of ITW, the operating company may order measures with the purpose of clarification and verification at any time. The costs arising out of these measures must be borne by the participating company or certification body if one or more severe violations against the contractual agreements or the requirements of the ITW program manual are identified.

The identification of an objective violation against the declaration of participation, the participation agreement or the basic agreement concluded with the certification bodies or the requirements of ITW justifies the presumption that the reasonable care necessary for the participation in ITW was neglected. The participating companies or certification bodies have the possibility to prove the necessary care during the Sanction Procedure.

The operating company records the identified violations. It checks whether further measures upon the certification or audit decision must be implemented, particularly with regards to the refund of animal welfare payments and the pressing of criminal charges.

In case of severe violations the claims for payment of the participating companies can be dropped. Certification bodies and/or auditors can be blocked until the decision of the Sanction Committee is made, but maximally for a duration of six weeks. The operating company is authorized to communicate these immediate measures to the participants of ITW.

Independent from the conduct of immediate measures the management considers whether a Sanction Procedure has to be initiated because of a severe violation against the contractual agreements or requirements of the ITW program manual. The participating company or certification body is given the opportunity to enter a written statement during an appropriate period.

4 Convening, responsibility, sanctions

The Sanction Committee is convened by the operating company in coordination with the chairperson in writing, with a term of two weeks. In urgent cases, the notice period may be shortened and/or the Sanction Committee may be convened to a telephonic meeting.

The Sanction Committee is the decision-making body as well as the appeals body. The Sanction Committee decides under consideration of the specific circumstances of the individual case. For its decision, the Committee considers the relevance of the violated obligation, the severity of the violation and the amount of refund of animal welfare payments by the operating company.

With regard to the participants of the Initiative Tierwohl it decides on

- a) the objection of a participant against the notification of refund (animal welfare payment) of the operating company,
- b) the imposition of a sanction,
- c) the objection against the imposition of a sanction.

The Sanction Committee does not debate or decide on objections and complaints against the certification decisions of the certification bodies.

Violations of **participating companies** can be penalised by the Sanction Committee in particular by means of:

- warning,
- program penalty of up to EUR 100,000,- EUR.
- other measures, which are appropriate to penalise a violation and ensure the implementation of the obligations arising from the Initiative Tierwohl in the future (i.e. higher audit/inspection frequency, arrangement of additional inspections, imposition of reporting obligations)

- temporary exclusion (loss of claim for animal welfare payments) and
- permanent exclusion (recommendation to the operating company).

The temporary or permanent exclusion may be recommended towards a participant with all the participating locations allocated to him/her, towards individual participating locations (VVVO and production scope), participating corporate divisions and business units.

In addition to imposing a sanction, the Sanction Committee may recommend the operating company to file a criminal complaint against the participant, if the requirements and procedures of the Initiative have been violated in a criminally relevant manner.

Violations of **certification bodies** can be penalised by the Sanction Committee in particular by means of:

- warning,
- additional training measures (if necessary with costs),
- additional supervision measures (if necessary with costs),
- contractual penalty,
- temporary exclusion,
- permanent exclusion (recommendation to the operating company to terminate the basic agreement).

The Sanction Committee is also entitled to temporarily or permanently exclude individual auditors from an activity in the Initiative Tierwohl.

The temporary exclusion of participating companies, certification bodies or auditors as well as the recommendation of a permanent exclusion are as a general rule only considered in case of severe violations. Besides wilful or grossly negligent harm or danger to humans, animals or the environment or the assets of participants of ITW respectively or the reputation of the Initiative Tierwohl as a whole this includes

in the relationship between the operating company and the participating companies particularly

- infringement against the legal provisions for animal welfare,
- endangering of the Initiative Tierwohl as a program or as a whole,
- misrepresentation of data, which are relevant for the admission to the Initiative, its implementation or the settlement of the animal welfare payments,
- sustained violation of the other participants' obligations, provided that a warning was previously issued for the same or a similar violation.

in the relationship between the operating company and certification bodies particularly

- wilful or grossly negligent violation against the rules of proper auditing and certification,
- wilful manipulation or incorrect entry of audit reports,
- wilfully incomplete conduct of audits (e.g. inspection of documents without plant inspection),
- early notification of participating companies about the conduct of unannounced audits.

5 Implementation of sanctions

The sanctions decided by the Sanction Committee are implemented by the operating company. The concerned companies or certification bodies will be informed about the decision of the Sanction Committee in writing. The operating company is authorized to communicate the loss of claim for animal welfare payments or the loss of approval of a certification body associated with a temporary or permanent exclusion to the participants of ITW.

The operating company is at liberty to assert any further claims against the companies or certification bodies in the Initiative.

6 Objection to decisions of the Sanction Committee

The participants may present an objection to the decision of the operating company with regards to the refund of animal welfare payments, or to the Sanction Committee with regards to the imposition of a sanction against participating companies or certification bodies. If the participant has previously initiated a complaint procedure by the certification body against the certification decision, the acceptance of the objection is subject to the legally binding conclusion of this complaint procedure.

The objection must be communicated in writing within 30 days after receipt of the written decision to the operating company

**Gesellschaft zur Förderung des Tierwohls in der Nutztierhaltung mbH
Schedestraße 1-3
53113 Bonn**

The objection must be justified in writing.

Filing an objection with written justification has a postponing effect. The decision of the Sanction Committee is only effective if the Sanction Committee confirms its decision within the objections procedure. This does not apply if the Sanction Committee agrees the exceptional immediate enforcement of a sanction. In this case, the participant, regardless of the objection, must initially follow the defined sanctions.

After filing of the objection the Sanction Committee reviews its decision and communicates the result of this review to the participant or certification body in written form.

Afterwards, any further objection is not allowed. Bringing legal action to the ordinary court, in cases which fall under the responsibility of the Sanction Committee according to this Rules of Sanction Procedure and Sanction Committee, is only acceptable after the Sanction Committee has debated the case, the possibility of objection is exhausted, and the Sanction Committee has taken a final decision.