

# Sanction Procedure and Sanction Committee Rules

## General

Companies participating in the Animal Welfare Initiative (hereinafter "AWI" for short) have submitted a participation declaration to their coordinator or concluded a participation agreement with the Gesellschaft zur Förderung des Tierwohls in der Nutztierhaltung mbH (hereinafter "Operating Company" for short). Certification bodies are incorporated into the AWI via a framework agreement.

The AWI requirements, the conditions for participation, the inspection system and all other relevant conditions and information for the implementation of the programme are published on the Animal Welfare Initiative website ([www.initiative-tierwohl.de](http://www.initiative-tierwohl.de)). As a whole, the publications form the AWI Programme Manual.

If companies or certification bodies violate the contractual obligations specified in these declarations/agreements or the requirements of the AWI programme manual, they can be sanctioned by the Operating Company or the AWI Sanction Committee in accordance with the Sanction Procedure and Sanction Committee Rules (hereinafter also referred to as "SVSAO" for short) that are valid at the time of the violation and published in their current version on the AWI website.

The SVSAO regulates the responsibilities of the Operating Company and the Sanction Committee, the composition of the Sanction Committee, the identification of violations, the execution of immediate measures, the introduction and execution of sanction procedures, the implementation of sanctions, any appeals against sanction decisions and delayed enforcement in the event of a claim.

## 1. Responsibilities, composition

The Operating Company and the Sanction Committee are responsible for executing sanction procedures.

- 1.1. The Operating Company is responsible for imposing sanctions if a company that is incorporated into the AWI via a coordinator (bundled company) violates its contractual obligations or the requirements of the AWI programme manual.

The Operating Company is represented throughout the sanction procedure by its Managing Director, an authorised employee of the Operating Company or a third party.

- 1.2. The Sanction Committee is:

- Responsible for imposing sanctions if a company is directly incorporated into the AWI via a participation agreement, a framework agreement with the Operating Company or another method (unbundled company, certification body).
- Responsible as an appeal body for hearing and deciding on appeals against the sanction decisions made by the Operating Company and Sanction Committee.

The Sanction Committee is appointed by the Operating Company as an independent committee. The Operating Company may either establish its own Sanction Committee, or make use of a suitable, pre-existing expert committee, which it entrusts with the functions of the Sanction Committee.

Its members are appointed by the shareholders of the Operating Company. They should not to be employed by the Operating Company, its shareholders, or any individual company or certification body that participates in the Animal Welfare Initiative. The members of the Sanction Committee perform their activities voluntarily. The shareholders can decide on an expense allowance.

One independent expert and one assessor, under the supervision of a retired judge, advise on the case presented in accordance with these Sanction Procedure and Sanction Committee Rules. Additional experts may be called upon in individual cases in agreement with the chairman of the Sanction Committee. They have no voting rights within the Sanction Committee.

The Sanction Committee has a quorum if at least both the independent expert and the assessor are participating in the meeting alongside the chairman. The decisions of the Sanction Committee are reached by majority vote, recorded in writing and signed by the chairman. In the event of a tie, the chairman has the deciding vote. The decisions of the Sanction Committee are announced by the chairman through the Operating Company's head office.

The members of the Sanction Committee must maintain strict secrecy about all matters that they become aware of during the course of their activity. This also applies once their activity as a member of the Sanction Committee has come to an end.

- 1.3. Neither the Operating Company nor the Sanction Committee hear or decide upon appeals against certification decisions made by certification bodies. Affected companies can lodge such an appeal with their certification body within 10 days (deadline) of the Operating Company informing them of the violation and the next steps to take (Point 3).

## **2. Identification of violations, immediate measures**

- 2.1. Violations against the contractual commitments and the requirements of the AWI programme manual can be identified during independent audits, other inspections, ongoing AWI activities or by any other means.

If there is any doubt about compliance with the requirements of the AWI programme manual, the Operating Company may impose clarification, verification and inspection measures at any time. The cost of these measures must be borne by the participating company or certification body if one or more severe violations against the contractual commitments or the requirements of the AWI programme manual are identified as part of the imposed measures.

If an objective violation against the contractual commitments or requirements of the AWI programme manual is identified, it can be assumed that the reasonable care necessary for participation in the AWI has been neglected. The participating company or certification body can prove the necessary care was taken.

- 2.2. The Operating Company records the identified violations.

If the requirements of the AWI programme manual have not been implemented, the Operating Company and bundled company (Point 1.1) have agreed to waive the eligibility of delivery in the AWI and any associated (future) claim to a premium or animal welfare payment. If the eligibility of delivery cannot be regained in accordance with the participation conditions in the agricultural manual, the bundled company's participation in the AWI ends.

The Operating Company can introduce a sanction procedure against the bundled company even when its participation has ended because its failure to implement the requirements of the AWI programme manual and, as such, its violation of the contractual commitments occurred during its participation in the AWI.

2.3. Until a final decision has been made regarding the sanction procedure, the Operating Company can introduce the following immediate measures:

- Withdrawal of a bundled or unbundled (Point 1.2) company's eligibility of delivery if the Operating Company believes that it is necessary for damage limitation or prevention purposes

or

- Suspension of certification bodies and/or auditors from further activity within the AWI if they have violated their contractual commitments or the requirements of the AWI programme manual

The Operating Company is authorised to communicate these immediate measures to those involved in the AWI.

### **3. Introduction and execution of sanction procedures**

If a violation of the contractual commitments and the requirements of the AWI programme manual has occurred, the Operating Company verifies whether a sanction procedure needs to be introduced against the company or certification body.

The Operating Company informs the company or the certification body about:

- The conduct or misconduct that caused the violation of the contractual commitments and/or the requirements of the AWI programme manual
- The next stages of the procedure and the legal options

If a violation has been determined based on the certification decision made by a certification body, companies are also informed about the option to appeal against the certification body's certification decision. If the company lodges an appeal against the certification decision before the specified deadline, the Operating Company must wait to see the outcome of this procedure.

If the Operating Company decides in favour of introducing a sanction procedure, it shall proceed as follows:

#### **3.1. Bundled companies**

The Operating Company considers the specific circumstances of each case to decide whether a sanction should be imposed. If a bundled company has violated the contractual commitments and/or the requirements of the AWI programme manual, the Operating Company can sanction them using the following measures:

- Setting a contractual penalty

The contractual penalty shall be commensurate with the animal welfare payment or premium that the company receives for implementing the AWI requirements. The length of time that has elapsed since the now disputed AWI requirement was last successfully verified (audits, all verification measures in accordance with the AWI inspection system) is central to determining the level of contractual penalty, unless the livestock owner can prove that the requirements have been implemented (reversal of evidence) at a later point in time.

When setting the contractual penalty, the Operating Company assumes that the company has received the animal welfare payment or premium defined in the Animal Welfare Initiative. As part of the appeal process, the company can appeal against the contractual penalty and provide evidence of receiving a different animal welfare payment or premium.

- Temporary or permanent exclusion from further participation in the AWI

The Operating Company may declare the temporary or permanent exclusion of a company, including all the participating locations assigned to it, individual people, individual participating locations (VVVO and production scope), participating corporate divisions and production sites.

The Operating Company reserves the right to file criminal charges in addition to imposing a sanction if the participating company has violated its contractual commitments and/or the requirements of the AWI programme manual in a manner that is relevant to criminal law.

### 3.2. Unbundled companies and certification bodies/auditors

The Operating Company will inform the unbundled company or certification body that it is initiating a sanction procedure. Subject to a reasonable deadline, the Operating Company will ask the company or certification body to submit a written statement.

Once the deadline to submit a written statement has passed, the Operating Company will hand the sanction procedure over to the Sanction Committee for a hearing and decision.

The Sanction Committee meetings are convened by the Operating Company within two weeks after consultation with the chairman in writing. In urgent cases, the notice period may be shortened and/or the Sanction Committee may be convened for a telephone meeting.

The Sanction Committee shall consider the written statement and the specific circumstances of each case to decide whether a sanction should be imposed. If the contractual commitments and/or the requirements of the AWI programme manual have been violated by

3.2.1. an unbundled company, the Sanction Committee can sanction said company using the following specific measures:

- Warning
- Contractual penalty of up to EUR 100,000
- Other suitable measures for sanctioning a violation and ensuring that the contractual commitments and requirements of the AWI programme manual are implemented in future (i.e. increased audit/inspection frequency, arrangement of additional inspections, imposition of reporting obligations)
- Temporary withdrawal of eligibility of delivery (temporary suspension)

The Sanction Committee can also recommend that the Operating Company permanently exclude the unbundled company (cancellation of the participation agreement on which participation is based).

The Sanction Committee may decide on or recommend a temporary withdrawal of eligibility of delivery, permanent exclusion from participation in the AWI and other measures for a company, including all the participating locations assigned to it, individual people, individual participating locations, participating corporate divisions and production sites. The Operating Company is responsible for implementation.

3.2.2. The Sanction Committee can sanction certification bodies using the following specific measures:

- Warning
- Additional training measures (costs may apply)

- Additional monitoring measures (costs may apply)
- Contractual penalty of up to EUR 100,000
- Temporary suspension of AWI-related activity

The Sanction Committee can also recommend that the Operating Company permanently exclude the certification body (cancellation of the framework agreement on which participation is based).

The Sanction Committee also reserves the right to temporarily ban individual auditors from AWI-related activity or to recommend that the Operating Company permanently exclude individual auditors from activities within the Animal Welfare Initiative.

The Sanction Committee can recommend that the Operating Company report an offence in addition to imposing a sanction if it believes that the participating company or certification body has violated its contractual commitments and/or the requirements of the AWI programme manual in a manner that is relevant to criminal law.

- 3.3. The temporary or permanent exclusion of participating companies, certification bodies or auditors is generally only considered in the case of severe violations. Besides wilful or grossly negligent harm or danger toward people, animals or the environment, or toward the assets of companies participating in the AWI, or the reputation of the Animal Welfare Initiative as a whole, this also includes:

**3.3.1. Regarding the relationship between the Operating Company and the participating companies** in particular:

- Infringement of statutory animal welfare provisions
- Endangerment of the Animal Welfare Initiative as a programme or as a whole
- Misrepresentation of data that is relevant to admission to the Initiative, its implementation or to the settlement of animal welfare payments
- Continued violation of other participation commitments, provided that a warning has previously been issued for the same or a similar violation
- Repeated or extensive marketing of goods labelled as AWI goods that are demonstrably not produced by livestock owners that were participating in the AWI or had eligibility of delivery at the time that the animals were handed over
- Repeated or extensive marketing of goods labelled as AWI goods to recipients that are not participating in the AWI

**3.3.2. Regarding the relationship between the Operating Company and certification bodies** in particular:

- Wilful or grossly negligent violation of the rules of proper auditing and certification
- Wilful manipulation or incorrect entry of audit reports
- Wilfully incomplete execution of audits (e.g. inspection of documents without plant inspection)
- Providing advance notice to participating companies about unannounced audits

#### 4. Implementation of sanctions

The sanctions and recommendations declared by the Operating Company (Point 3.1) and Sanction Committee (Point 3.2) are implemented by the Operating Company. The company or certification body subject to the sanction procedure is informed in writing about the decision taken by the Operating Company or Sanction Committee.

The Operating Company reserves the right to communicate the temporary or permanent exclusion of a company or the withdrawal of a certification body's approval to those involved in the AWI. The Operating Company may assert further claims against the company or certification body concerned.

#### 5. Appeals against Sanction Committee decisions, delayed enforcement

5.1. Appeals are permitted against decisions taken by:

- The Operating Company in accordance with Point 3.1: Sanctioning bundled companies
- The Sanction Committee in accordance with Point 3.2: Sanctioning unbundled companies, certification bodies/auditors

If a company has previously initiated an appeal procedure with the certification body against the certification decision (Point 1.3), the admissibility of its appeal against the sanction decision is subject to the legally binding conclusion of this appeal procedure.

Appeals must be communicated in writing to the Operating Company's head office within 30 days of receipt of the written decision about an imposed sanction

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

**Fax +49 (0) 228 336485-55**  
**sanktionsverfahren@initiative-tierwohl.de**

and they must also be substantiated within this time frame (condition for validity).

- 5.2. An appeal that is substantiated in writing delays the enforcement of any sanctions. The decisions of the Operating Company and the Sanction Committee only become effective if the Sanction Committee confirms the decisions during the appeal procedure. This does not apply if the Operating Company or Sanction Committee decides on the immediate enforcement of a sanction in an exceptional case. In this case, the defined sanctions must initially be followed regardless of any appeals.
- 5.3. Once the appeal has been lodged, the Sanction Committee reviews the decision taken by the Operating Company or Sanction Committee. The company or certification body concerned is informed about the Sanction Committee's final decision in writing.
- 5.4. Once the appeal procedure has been conducted and concluded, no further appeal is permitted. In cases that fall under the responsibility of the Operating Company and Sanction Committee according to these Sanction Procedure and Sanction Committee Rules, bringing legal action to the ordinary court is only permissible once the company or certification body has exhausted the option of an appeal and the Sanction Committee has made a final decision about the appeal.

Status: September 2020