

Exporter Supply Chain Assurance System Regulatory Performance Report

1 July 2015 to 30 November 2015

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1 INTRODUCTION

The Exporter Supply Chain Assurance System (ESCAS) is an assurance system that requires exporters' to have commercial arrangements with supply chain partners (e.g. importers, feedlots, abattoirs) in importing countries to provide humane treatment and handling of livestock from arrival in the importing country up to the point of slaughter. ESCAS is underpinned by the following key principles – animal welfare, control and traceability – whereby the exporter must demonstrate, through a system of reporting and independent auditing:

- animal handling and slaughter meets World Organisation for Animal Health (OIE) animal welfare standards (animal welfare)
- the exporter has control of all supply chain arrangements (including having agreements in place with supply chain partners) for the transport, management and slaughter of livestock, and that all livestock remain in the supply chain (control)
- the exporter can trace or account for all livestock through the supply chain (traceability).

If issues arise, ESCAS provides a mechanism to require exporters to address any non-compliance matters within their supply chains. This may be managed by undertaking additional steps at facilities (e.g. delivering training, upgrading infrastructure), by removing non-compliant facilities from a supply chain or by choosing to cease exporting any further livestock to a non-compliant supply chain.

Additionally, the ESCAS regulatory framework enables the Department of Agriculture and Water Resources (the department) to review and investigate reported non-compliance with ESCAS requirements and take regulatory action where appropriate. Reports are generally received through one of three pathways: third parties (for example, Animals Australia or private citizens in an importing country), industry or directly from exporters. Reports are reviewed by the department using the *Guideline for the management of non-compliance*.

In response to an ESCAS non-compliance, the department may apply regulatory actions to an ESCAS supply chain or, in more serious instances, to an exporter. This may include cancelling an ESCAS, varying an ESCAS to remove facilities or apply additional conditions (see section 3.2), cancelling or suspending an export licence, or reprimanding an exporter. Regulatory action is applied based on the nature of the non-compliance and level of risk, with any corrective actions implemented by the exporter to mitigate risks taken into consideration.

2 PERIOD SUMMARY: 1 JULY – 30 NOVEMBER 2015

From 1 July to 30 November 2015, more than 1.35 million livestock (cattle, buffalo, sheep and goats) in 321 consignments approved under Exporter Supply Chain Assurance System (ESCAS) requirements were exported from Australia to 18 markets (Table 1).

Table 1 Markets for Australian Livestock exported under ESCAS - 1 July - 30 November 2015

Bahrain	Brunei Darussalam (Brunei)	China
Egypt	Indonesia	Israel
Japan	Jordan	Kuwait
Malaysia	Oman	Philippines
Qatar	Russia	Singapore
Thailand	United Arab Emirates	Vietnam

Source: Department of Agriculture and Water Resources

During this period, the department received no reports of non-compliance for nine of these markets – Bahrain, China, Egypt, Japan, Jordan, Qatar, Russia, Thailand and Singapore. The department commenced 24 regulatory performance reviews into reports of non-compliance with ESCAS requirements, involving supply chains in Brunei, Indonesia, Israel, Kuwait, Malaysia, Oman, the Philippines, the United Arab Emirates and Vietnam.

Nineteen non-compliance reviews were completed by the department, with 16 findings of non-compliant supply chains (Table 2) and three findings of no non-compliance. During this period, the department recorded four critical, seven major and five minor findings of non-compliance against exporter ESCAS supply chains.

Table 2 Summary of findings of ESCAS non-compliance - reviews completed 1 July - 30 November 2015

Market	Reports	Finding				
		Critical	Major	Minor	Unconfirmed	No-non-compliance
Vietnam	9		4	4		1
Thailand	3*	1		1		
Israel	2					2
Kuwait	2		2			
Brunei	1	1				
Malaysia	1		1			
Philippines	1	1				
Total	19	4	7	5	0	3

*Two reports for Thailand were combined into one review.

Source: Department of Agriculture and Water Resources

3 ESCAS NON-COMPLIANCE REVIEWS

3.1 Overview of findings

An overview of findings for reviews completed between 1 July – 30 November 2015 is provided in Table 3. A detailed summary for each review is provided in Section 4 of this report.

Table 3 ESCAS regulatory performance reviews completed 1 July – 30 November 2015

#	Date	Type	Market	Species	Animals allegedly involved	Exporter	Non-compliance finding
39	October 2014	Self-report	Kuwait	Sheep	500	Emanuel Exports	Major
44	October 2014	Third party	Kuwait	Sheep	400	Livestock Shipping Services	Major
45	October 2014	Third party	Malaysia	Cattle	1	Australian Rural Exports	Major
53	March 2015	Self-report	Vietnam	Cattle	1 013	Australian Rural Exports	Major
54	March 2015	Self-report	Vietnam	Cattle	822	International Livestock Export	Minor
55	March 2015	Self-report	Vietnam	Buffalo	130	South East Asian Livestock Services	Minor
59	May 2015	Industry	Vietnam	Cattle	3	Frontier International Northern	Minor
62	June 2015	Self-report	Thailand	Cattle	73	International Livestock Export	Critical
64	June 2015	Self-report	Thailand	Cattle	61	Australian Rural Exports	Minor
65	June 2015	Self-report	Thailand	Cattle	207	International Livestock Export	See report 62
67	May 2015	Self-report	Vietnam	Cattle	2	Wellard Rural Exports	No non-compliance
69	July 2015	Industry	Vietnam	Cattle	11	North Australian Cattle Company	Major

#	Date	Type	Market	Species	Animals allegedly involved	Exporter	Non-compliance finding
73	August 2015	Self-report	Vietnam	Cattle	226	North Australian Cattle Company	Major
74	August 2015	Self-report	Philippines	Cattle	Unknown	Australian Rural Exports	Critical
76	August 2015	Industry	Vietnam	Cattle	Unknown	Frontier International Northern	Major
77	September 2015	Third party	Israel	Cattle	70	Otway Livestock Exports	No non-compliance
81	September 2015	Industry	Vietnam	Cattle	7	North Australian Cattle Company	Minor
82	September 2015	Third party	Israel	Cattle Sheep	Unknown	Otway Livestock Exports	No non-compliance
92	November 2015	Third party	Brunei	Cattle	3	South East Asian Livestock Services	Critical

Source: Department of Agriculture and Water Resources

3.2 Actions taken in response to ESCAS non-compliance reports

The department, exporters and industry have implemented or were in the process of implementing a range of regulatory, corrective and preventative actions in response to confirmed non-compliance.

Regulatory action applied by the department included:

- removing non-compliant facilities and importers from ESCAS supply chains
- increasing risk ratings for facilities, with the frequency of independent performance audits increasing to biannual or quarterly as appropriate
- requiring exporter representatives to be on-site during the processing of Australian livestock
- requiring exporters to appoint Animal Welfare Officers (AWO) and Supply Chain Officers (SCOs) to oversee animal welfare and control and traceability requirements at facilities
- increasing reporting requirements for exporters, including the provision of information about livestock handling and slaughter activities, and livestock reconciliations
- suspending livestock exports to a supply chain while an investigation was ongoing
- revoking an ESCAS supply chain.

Corrective actions implemented by exporters and importers included:

- ceasing all exports to an ESCAS supply chain
- removing non-compliant facilities and importers from ESCAS supply chains
- providing additional training to staff at facilities
- terminating the employment of staff implicated in non-compliance incidents
- appointing AWOs and SCOs to oversee animal welfare and control and traceability requirements at facilities
- upgrading infrastructure at facilities
- installing improved traceability systems, including CCTV at critical points within a supply chain
- restricting supply of livestock during high risk periods
- implementing, improving and/or updating standard operating procedures at facilities
- liaising with importers and facilities to reiterate ESCAS requirements
- increasing reporting requirements
- commissioning industry experts to conduct additional GAP analyses, risk assessments and independent audits.

Further, in response to ongoing reports of ESCAS non-compliance in Vietnam, exporters announced a 'Six-Point Plan' for Vietnam in April 2015, which includes six standards to improve:

- exporter access to facilities
- traceability and reporting
- use of essential equipment to trace and handle livestock
- documentation of standard operating procedures (SOPs)
- human resources
- monitoring of livestock, including introduction of CCTV at key control points.

Supporting this plan, the department issued an Export Advisory Notice (www.agriculture.gov.au/export/live-animals/advisory-notice/2015/2015-10) on 19 October 2015, outlining additional control and traceability standards and audit requirements for Vietnamese supply chains.

In the lead up to the Eid-al-Adha Festival of Sacrifice (Eid), 22-24 September 2015, industry introduced a range of measures in several importing countries to minimise the risk of poor animal welfare practices and outcomes during this period. These included:

- providing pre-Eid training and support to facilities and staff receiving Australian livestock
- trialling and implementing carcass only and ticket sales systems in some markets to prevent the general public from accessing live animals for home slaughter
- restricting supply chains and livestock sales systems to reduce access to Australian livestock to ensure they are only slaughtered at approved facilities

- marking sheep with paint to indicate the abattoirs to which they are destined to reduce the risk of leakage from the supply chain
- encouraging and supporting charity slaughtering whereby large numbers of Australian sheep are processed at ESCAS facilities and distributed to the poor to remove individual sales pressure
- placing exporter and industry consultants in market during Eid to oversee and manage systems in cooperation with customers to address any issues immediately.

An Export Advisory Notice (www.agriculture.gov.au/export/live-animals/advisory-notices/2015/2015-11) was issued by the department on 16 September 2015 reminding exporters of the importance of ensuring the ESCAS requirements are met during the festival period and encouraging exporters to engage with the Meat & Livestock Australia (MLA) / Livcorp Livestock Export Program (LEP) in the lead up to and during the 2015 festival.

The LEP invests Australian producer and exporter levies into several key areas to improve the livestock export trade. Industry experts are permanently located in priority locations in the Middle East and Africa and the Asia Pacific to implement programs that improve the welfare of Australian animals exported to these regions. The programs deliver in-country research and development; training and education to stockmen, veterinarians and livestock handlers; and assist in improving infrastructure to ensure Australian animals are well looked after during local transport, in feedlots and marketplaces, and at abattoirs.

4 ESCAS REGULATORY PERFORMANCE REVIEWS

Markets

- Vietnam
- Thailand
- Israel
- Kuwait
- Brunei
- Malaysia
- Philippines

Exporters

Austrex	Australian Rural Exports	NACC	North Australian Cattle Company
Emanuel	Emanuel Exports	Otway	Otway Livestock Exports
Frontier	Frontier International Northern	SEALS	South East Asian Livestock Services
ILE	International Livestock Export	Wellard	Wellard Rural Exports
LSS	Livestock Shipping Services		

Acronyms and abbreviations

ASEL	Australian Standard for the Export of Livestock	NOI	Notice of Intention for Export
AWO	Animal Welfare Officer	NVD	National Vendor Declaration
Eid	Eid-al-Adha Festival of Sacrifice also known as Korban or Qurban	OIE	World Animal Health Organisation
EoP	End of Processing Report	PAM	Port of Adelaide Monitors
ESCAS	Exporter Supply Chain Assurance System	RFID	Radio Frequency Identification
LEP	Livestock Exporter Program (MLA / Livecorp)	SCO	Supply Chain Officer
MLA	Meat & Livestock Australia	SOP	Standard Operating Procedure
NLIS	National Livestock Identification System	WBT	Wet Bulb Temperature

VIETNAM

Vietnam is the fifteenth largest country in the world per capita, and is a densely populated developing country, with a population of more than 90 million.

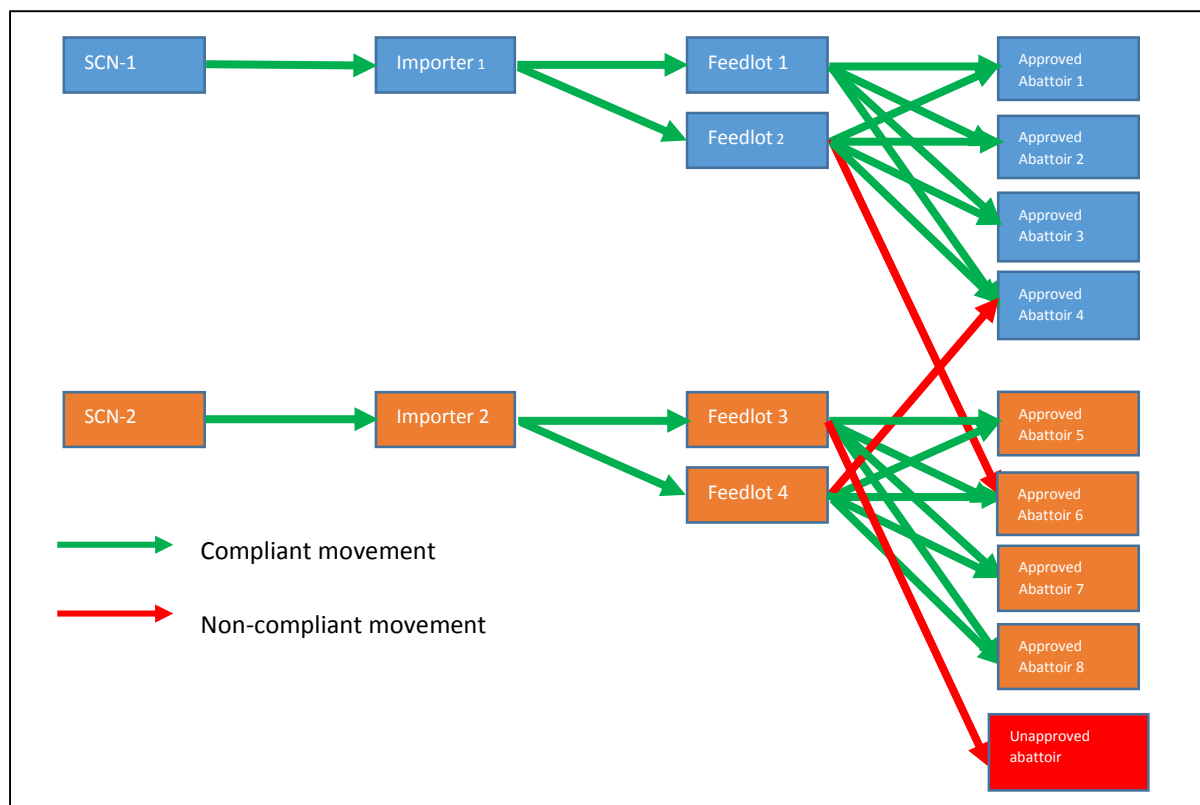
Live exports to Vietnam have increased rapidly over the past 12 months, with Vietnam now representing the second largest market for Australian cattle and buffalo. Since ESCAS was introduced for Vietnam on 31 December 2012, nearly 570 000 cattle and buffalo have been exported in 224 consignments. In 2015 to date (1 January – 30 November 2015), 311 692 cattle and 4 468 buffalo have been exported to this market in 118 consignments.

Seven companies export cattle, buffalo, sheep and goats to Vietnam using 11 approved ESCAS supply chains. There are currently 19 importers, 55 feedlots and 107 abattoirs approved to import, hold and slaughter livestock, all of which use stunning. Since ESCAS commenced for Vietnam, the department has received 17 ESCAS non-compliance reports, with three reports received from third parties, five from industry and eight self-reported by exporters.

ESCAS non-compliance reports #53, #54 and #55

On 3, 13 and 18 March 2015, the department received non-compliance reports from Australian Rural Exports (Austrex), International Livestock Export (ILE) and South East Asian Livestock Services (SEALS) respectively, regarding the movement of cattle and buffalo outside their approved supply chains in Vietnam.

Figure 1 Livestock movements under ESCAS



Four supply chains were involved, with movement of livestock to facilities that were not approved for the supplying exporters. Some of the facilities were approved for other exporter's ESCAS supply chains. A simplistic representation of compliant and non-compliant livestock movements is provided in figure 1.

Exporter investigations found that:

- For Austrex, 1 013 cattle were moved from a feedlot to seven other facilities, five of which were ESCAS approved for other exporters. These five facilities received 933 cattle, which were slaughtered as per ESCAS requirements. Two facilities, which were not ESCAS approved, received 80 cattle and Austrex was unable to determine whether the cattle were slaughtered in compliance with OIE animal welfare recommendations. One of these facilities was subsequently found to be ESCAS compliant following independent audits and this facility has been added to the Austrex's Vietnam supply chain.
- For ILE, 822 cattle were sent to and slaughtered in four facilities that were ESCAS approved for other exporters using slaughter practices that are compliant with OIE animal welfare recommendations.
- For SEALS, 130 buffalo were moved to a supply chain facility that was not approved for this exporter or for this species (cattle only).

All exporters were found to have breached ESCAS traceability and control requirements; while Austrex was also found to have breached animal welfare requirements as some cattle were slaughtered at unapproved abattoirs.

Corrective actions implemented by the exporters included:

- Austrex:
 - rapidly suspending supply to the relevant supply chain and use of facilities until their investigation was completed
 - placing staff in facilities to confirm compliant movement of animals through the supply chain
 - installing CCTV at each existing and proposed facility
 - adding an additional abattoir to the supply chain to ensure appropriate processing capacity was available to slaughter the remaining 700 cattle from the consignment
 - removing the importer and all related facilities from their supply chain once the remaining animals were processed.
- ILE:
 - notifying the importer that cattle could not be moved from the feedlot to abattoir without their prior approval
 - suspending the relevant feedlot and placing pending consignments to the supply chain on hold until the investigation was completed
 - organising audits of facilities to ensure compliance and adding two additional compliant abattoirs to their supply chain
 - providing additional training to the importer in relation to ESCAS.

- SEALS:
 - sending representatives to visit the relevant feedlot
 - arranging for audits of the feedlot and abattoir where the buffalo were being held to ensure they were compliant
 - applying to have facility approved in their supply chain to enable the buffalo to be held and slaughtered in a compliant manner.
 - : Conditional approval of the feedlot and abattoir was granted by the department to allow the buffalo to be slaughtered at the facilities under ESCAS arrangements.
 - : The approval specified that SEALS were to notify the department as soon as the 130 buffalo were slaughtered so that the facility could be removed from their supply chain.
 - : The department has since removed this facility from the SEALS Vietnam supply chain.

After reviewing the reports from exporters, the department removed one feedlot and one abattoir from the Austrex and SEALS supply chains, as well as two importers and their associated facilities from the Austrex and ILE supply chains. This regulatory action was applied by the department due to repeated leakage/loss of control from these facilities, identified risks of poor animal welfare, and restricted access for exporters or their staff to inspect the facilities.

The department recorded a major non-compliance against the Austrex ESCAS supply chain due to the unknown animal welfare outcomes for the 80 cattle slaughtered at unapproved facilities. A minor non-compliance was recorded against the SEALS and ILE ESCAS supply chains due to non-compliance with traceability and control requirements. In applying these non-compliance ratings, the department considered the exporters' reports, the extent of the loss of control, whether there were poor animal welfare outcomes, and the corrective actions taken by each of the exporters.

Report #54: Addendum – 9 June 2016.

On 13 May 2015, the department received a report from Animals Australia about non-compliance with Exporter Supply Chain Assurance System (ESCAS) control and traceability, and animal welfare requirements for cattle exported to Vietnam (Report #58 – <http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance/escas-reg-performance-rep-mar-may-16>).

ILE confirmed that the six cattle identified in Report #58 were from the group of 822 cattle that went missing in March 2015 (Report #54). International Livestock Export's (ILE) original investigation suggested all of these cattle had been slaughtered at other ESCAS approved abattoirs.

During subsequent investigations in response to Report #58, ILE determined that some of the cattle in Report #54 were intentionally moved outside the approved supply chain by the director of the importing company. Cattle were taken to local markets and sold to persons who operate unapproved backyard abattoirs. ILE also stated that the importer had falsely reported slaughter and reconciliation data to them. This information was provided to the department by ILE during the investigation of Report #54 and was relied upon by ILE as accurate at the time of provision. Due to the lack of integrity of the information previously provided by ILE the actual number of cattle moved outside the supply chain cannot be determined.

As a result, the department reassessed this report against the guidelines for management of non-compliance (<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/non-compliance>), and has upgraded the minor non-compliance from Report 54 to a *critical* non-compliance with ESCAS control, traceability and animal welfare requirements against the ILE supply chain to Vietnam.

ESCAS non-compliance report #59

On 28 May 2015, the department received a self-report from Frontier International Northern (Frontier) detailing non-compliance with ESCAS traceability requirements for cattle exported to Vietnam.

The non-compliance was observed by two industry representatives during a routine visit to a feedlot in Vietnam. They attended the facility on 27 May 2015 and found evidence that National Livestock Identification System (NLIS) ear tags had been removed from cattle on site, which represents a non-compliance with ESCAS traceability requirements as these devices must remain in place until after slaughter.

Three NLIS buttons were seen lying on the ground in a cattle race leading to the one unloading and loading ramp for the feedlot. In addition, there were approximately ten 'backs' of NLIS ear tags scattered on the ground in the same location. Photographs were taken of the scene, including close-ups of the three buttons clearly showing the corresponding NLIS numbers. These images were included in an industry report, which was forwarded to Frontier and subsequently provided to the department as part of the self-report.

Frontier is the only Australian exporter with the aforementioned facility in their supply chain. Frontier sent a shipment of cattle to Vietnam that discharged in Vietnam on 22 May 2015 and arrived at the feedlot on 24 May 2015. The three NLIS numbers of the ear tags found in the race related to three heavy bulls from this consignment. The General Manager of the feedlot advised Frontier that the animals had died in transit from the port to the feedlot and the truck driver had removed the NLIS buttons before he left with the

carcasses to dispose of them. The ear tags were given to a feedlot worker, who discarded them on the ground.

There were problems with cattle health in this consignment, with on board treatment records showing that many animals were treated with a specialist antibiotic for respiratory infections. There were four mortalities on board, out of a total of 2 072 head, and another five cattle died at the port. Post-mortem lung changes were consistent with pneumonia. A Frontier representative assisted the feedlot with animal husbandry during the first 72 hours. Although the cattle were closely monitored and treated with antibiotics as necessary, there were another 12 deaths at the facility. Frontier reported that feedlot personnel were busy and distracted with managing animal health and routine traceability procedures were missed.

The department requested further information from Frontier on their response to the incident and was advised that a Frontier representative had travelled to the facility and went through Standard Operating Procedures (SOPs), in particular proper removal, collection and disposal of NLIS devices. The training included procedures for mortalities that occur in transit or at the feedlot in which ear tags should be collected and delivered to the feedlot manager for scanning and disposal.

Frontier ran a refresher seminar in Vietnam on 1 June 2015 for all feedlot staff, abattoir owners and Animal Welfare Officers (AWOs), which covered the importance of compliance, reporting and SOPs. In addition, Frontier installed a new surveillance system operating in Vietnam, which encompasses CCTV at all premises, a GPS tracking system for livestock and digital recording of data during ear tag scanning, including NLIS numbers and photographs.

The department asked Frontier for additional details on the ten 'backs' of NLIS buttons found in the race. Frontier advised that this is the only working race at the facility and consequently broken NLIS devices are routinely replaced in this area.

In response to the non-compliance, the risk rating for the feedlot, along with two associated feedlots and an abattoir, were changed to high and consequently independent performance audits will increase from annually to quarterly.

The inappropriate removal of NLIS devices is serious; however, in this case livestock could be accounted for at all times within the supply chain and there were no resulting compromises in animal welfare standards. The exporter provided a comprehensive self-report and assisted the department with requests for further information. Frontier has one other non-compliances with ESCAS control and traceability requirements recorded against their supply chain to Vietnam (Compliance Report 76), which involves separate importers and/or facilities to the current incident.

The NLIS buttons seen on the ground at the feedlot were adequately explained by their removal from three bulls that died in transit. The 'backs' of NLIS devices found in the same area were attributed to the replacement of broken tags in the race, which is plausible. The primary problem in this case was that SOPs for removal, collection and disposal of NLIS

devices were not adhered to by feedlot staff. The exporter provided education and training to personnel and recently upgraded their capacity to trace the whereabouts of cattle in their Vietnam supply chain. This response was assessed as effective in addressing this non-compliance. The department increased the risk rating and audit frequency of the feedlot and associated facilities to more closely monitor their performance following the exporter's actions.

A minor non-compliance with ESCAS traceability requirements was recorded against Frontier's supply chain to Vietnam as a result of this report.

ESCAS non-compliance report #67

On 11 May 2015 the department received a self-report from exporter, Wellard Rural Exports Pty Ltd (Wellard) advising that two cattle had jumped off a truck carrying cattle from a consignment that had been discharged on 7 May 2015 at Ho Chi Minh City and travelling to an ESCAS approved feedlot. Attempts were made to locate the escaped animals but Wellard reported that they remained at large at the time of the report.

On 21 September 2015 Wellard informed the department that the two head of cattle had been recovered the day they escaped. Another truck driving from the port, carrying animals from the same consignment, saw the two escaped cattle grazing on the side of the road. The truck personnel stopped and phoned the destination feedlot requesting they send another truck to retrieve the cattle. A truck was dispatched with an AWO and two stockmen and the two animals were rounded up and loaded onto the truck. They were taken directly to the feedlot, radio frequency identification (RFID) tags were scanned and the cattle were reunited with the rest of the Australian mob.

A reconciliation of cattle numbers was conducted when all the stock were inducted into the feedlot. However, due to miscommunication between feedlot management staff and Wellard staff both in Vietnam and Australia, a delay ensued when informing the department of the eventual recovery of the two animals. Wellard has confirmed that processes have been put in place for more effective communication between staff in the two countries to prevent miscommunication in the future.

The department considered the reports received and has recorded no non-compliance for this incident. The department noted that the number of animals involved was low, the animals were recovered in a timely fashion and there were no adverse animal welfare outcomes.

No further regulatory action was applied.

ESCAS non-compliance report #69

On 21 July 2015 the department received a report from industry advising that five Australian cattle had been found in the lairage of an unapproved abattoir in Lam Dong City, Vietnam. A further eight NLIS ear tags were found in two bags next to the restraint box. Ear tags of

three of the five cattle and all eight bagged tags were scanned. No slaughter was observed and the animal welfare outcomes for the cattle involved in this incident are unknown.

Industry notified all Australian exporters that Australian cattle had been sighted in an unapproved abattoir. Ear tag numbers were provided in the email to assist exporters to determine ownership of the cattle. At this time, all exporters denied ownership of the cattle so industry provided a report of the incident to the department one week later.

On 23 July 2015, following further investigation, North Australian Cattle Company Pty Ltd (NACC) advised the department that the cattle had been exported as part of their supply chain and immediately commenced investigations into the non-compliance. NACC reported that a private deal had been made between an abattoir approved in their supply chain, local transport staff and the unapproved abattoir to transport 13 cattle from a feedlot to the unapproved abattoir for processing. NACC advised that both the importer and the feedlot from which the animals originated were unaware of the deal.

As a result, NACC requested the department vary their supply chain to remove the approved abattoir due to a lack of confidence in the facility's control and traceability processes. Subsequently, this facility was suspended from all exporters' supply chains as per Industry's 'six-point-plan'. NACC also provided details of additional corrective actions implemented by the company, including installation of a traceability system with a dedicated 'Track and Trace Manager' to manage, troubleshoot and investigate traceability issues in the supply chain.

Following investigations, the department recorded a major non-compliance against NACC's Vietnamese ESCAS supply chain. The animals involved in this incident were sent to an unapproved abattoir; the animal welfare outcomes for the cattle remain unknown; and the leakage of cattle was not identified immediately by the exporter despite being provided with ear tags by industry.

The risk rating for the feedlot implicated in the incident has been increased to high, requiring quarterly independent performance audits. The effectiveness of the 'Track and Trace' system implemented by NACC will be assessed during independent performance audits.

ESCAS non-compliance report #73

On 14 August 2015, the department received a self-report from NACC detailing non-compliance with ESCAS control and traceability requirements for cattle exported to Southern Vietnam.

A total of 212 slaughter cattle were moved outside of the approved supply chain and these animals were not recovered. NACC reported that the source of the non-compliance was their Vietnamese importer, who allegedly sold 752 ESCAS cattle during a livestock clearance sale. This importer had previously traded in both slaughter and breeder cattle for NACC but was allegedly facing financial difficulties.

On 7 August 2015, NACC became aware of the sale and a NACC representative immediately attended the feedlot where the cattle were being held. This facility was approved in NACC's supply chain and leased by their importer. The representative provided an eye witness account of what he saw, including full livestock carriers leaving the premises and empty vehicles parked waiting to load. He saw cattle being loaded onto trucks by personnel working for a livestock company that is not in NACC's supply chain. This business is, however, approved under ESCAS supply chains for two other Australian exporters.

The representative attempted to speak with the most senior member of the team loading cattle, whom he already knew, but his attempts were refused. He interrupted the sale and regained control of 440 of the 752 cattle. After the intervention, an additional 100 animals were sold to an abattoir approved for NACC, resulting in a total loss of 212 head from the supply chain.

The exporter reported that they commenced looking for the missing cattle immediately. They engaged an industry representative and a third party investigator to assist with their inquiries. They visited three facilities that they suspected of housing the cattle but did not recover any animals. The third party investigator compiled a report dated 16 August 2015, which was forwarded to the department and contained information that was consistent with the self-report.

NACC reported that their importer denied the sale of cattle outside of the supply chain. He told NACC that all 752 cattle had been sold to owners of two approved abattoirs. One abattoir owner stated that he had not purchased any of the animals, while the other explained that he had bought 100 head, which was significantly less than the inflated number claimed by the importer.

NACC reported that the importer displayed behaviour that was uncooperative and obstructive during their investigation. Consequently NACC suspended the importer as per industry's 'Six-Point Plan'. In their written report, NACC stated that they had also suspended the associated feedlot; however they did not proceed with this action due to the lease arrangement. They consider the feedlot to be an excellent facility that would function effectively under new management. NACC is the only exporter with this importer and feedlot in their approved ESCAS arrangements.

In investigating this incident, the department requested written confirmation from NACC that no further animals from their supply chain remained at the feedlot. On 21 August 2015, NACC provided reconciliation lists to the department to show that all slaughter cattle had been moved out of the feedlot and processed at approved abattoirs. They advised that a representative was present during scanning to count and verify cattle numbers. NACC's importer was removed from the approved supply chain on 2 September 2015. The associated feedlot was removed from the approved supply chain on 2 September 2015. NACC was advised that if this facility was to come under new management, a new application and departmental assessment would be necessary before it would be considered for ESCAS approval.

The impact of the event was serious as there was a complete loss of control and traceability of 212 slaughter cattle and resulting animal welfare consequences are unknown. NACC has two other non-compliance events recorded against their supply chains to Vietnam, with one involving control and traceability of cattle (Compliance Report 81) and another relating to unknown animal welfare outcomes (Compliance Report 69). In relation to the current investigation, NACC was cooperative, including providing a timely and detailed self-report, taking substantial corrective action and assisting the department with requests for further information.

It is clear that NACC's importer sold cattle outside of the approved supply chain and the department addressed this by removing both the importer and associated feedlot from ESCAS arrangements. As the offending facilities were removed, the overall risk rating for the supply chain remains unchanged. While NACC reported that the cattle were bought by a livestock company that operates under ESCAS for other Australian exporters, there is no strong evidence to support this claim. It would be preferable that the cattle were sold to an ESCAS approved company, even it were not part of NACC's supply chain. As this could not be determined, it was not possible to establish animal welfare outcomes.

A major non-compliance with ESCAS control and traceability requirements has been recorded against NACC's supply chain to Southern Vietnam.

ESCAS non-compliance report #76

On 26 August 2015, the department received an industry report detailing non-compliance with ESCAS control and traceability requirements for cattle exported to Vietnam.

The report stated that Australian cattle had been observed at an abattoir in Guangzhou, Guangdong Province, Southern China on 21 August 2015. It included two photographs, one showing ten bulls in a small holding pen, which had the appearance of an abattoir lairage area. The other was a close-up in which three animals of Australian appearance could be clearly seen. The cattle did not have NLIS ear tags; however, they had ear marks and fire brands, which identified them as being of Australian origin. The photographs did not show any surrounding infrastructure or landmarks that could be used to verify the location.

Industry sent the report to all exporters to Vietnam and Thailand on 22 August 2015. In response, Frontier came forward and advised industry and the department that the cattle were from their supply chain to Vietnam.

An exporter representative travelled to Guangzhou in China to be on standby in case any information became available on the location of the animals. On 26 August 2015, another representative travelled to Vietnam to meet with the relevant importer, feedlots and abattoirs and investigate the non-compliance.

As of 10 September 2015, the department had received insufficient information from the exporter in response to the non-compliance. Frontier was informed that any further Notices of Intention for Export (NOIs) would not be approved until the department was assured that

adequate control measures had been implemented to prevent reoccurrence of animals being moved outside of this supply chain.

On 11 September 2015, Frontier provided details of their investigation to the department in a telephone meeting. They advised that the missing cattle had been received by one importer, and their NLIS data showed that the animals had remained in the supply chain and were moved through two feedlots and two abattoirs in Vietnam. The department immediately removed the importer, feedlots and abattoirs from the exporter's ESCAS arrangements. Frontier offered additional assurance that they had substantially upgraded and improved their control and traceability capabilities in Vietnam since the incident with the installations of a new surveillance system.

Frontier sent a full report to the department on 14 September 2015 in which they concluded that one or both abattoirs were the most likely source of the non-compliance. They subsequently suspended both facilities as part of industry's 'Six-Point Plan'. They found that their supply chain AWO was not always present at the abattoirs during slaughter, which may have contributed to the breach. The department considers it plausible that the cattle were scanned at one or both abattoirs, for reconciliation purposes, and then on-sold after having their ear tags removed. The exporter advised that this would not be possible under their new traceability system in which digital imaging of livestock is taken at the time of scanning.

On 18 September 2015, the department reinstated the importer and both feedlots to the supply chain; however the risk rating was changed to high to reflect their potential involvement in the non-compliance. These facilities are now subject to more frequent independent audits, increasing from yearly to quarterly. Another Australian exporter also used the same importer, two feedlots and two abattoirs in their supply chain to Vietnam. Consequently, their ESCAS arrangements were similarly amended with the abattoirs removed entirely and the risk rating for both feedlots changed to high.

The impact of this non-compliance was serious, resulting in loss of an unknown number of cattle outside of the approved supply chain with animal welfare consequences unknown. Frontier has one other non-compliance related to control and traceability recorded against their supply chain to Vietnam (Compliance Report 59), which involves different facilities.

While it was not possible to confirm the location of the cattle in the photographs, the department assessed it as most likely that they were at an abattoir in China. The information contained in the report was considered credible and objective as it had been provided through an industry-run program. The missing NLIS devices in the photographs constitutes strong evidence that the cattle were outside of the approved supply chain, as ear tags should remain in place until after slaughter.

Frontier's reconciliation lists did not reflect the missing livestock, instead showing that all animals had remained in the supply chain. This demonstrates deficiencies in their traceability system at the time of the incident. Cattle may have been scanned at abattoirs

and then had their NLIS devices removed before on-selling them. It was also possible that ear tags were cut out and taken to abattoirs for scanning, while the cattle were sent elsewhere. This is the reason that the feedlots are not exempt from involvement in this non-compliance event.

The exporter's new traceability system has measures in place to prevent such occurrences in the future, including CCTV at all facilities, automated photography during scanning of ear tags to confirm cattle are slaughtered at nominated premises and monitoring of footage at a manned station in a remote location. Frontier has also confirmed that AWOs are in place at all abattoirs in Vietnam as per industry's 'Six-Point Plan'.

It is most likely that the source of the non-compliance was one or both abattoirs, and the department has addressed this by removing them from all exporters' approved supply chains to Vietnam. There was insufficient evidence to remove the importer and feedlots from ESCAS arrangements. Nonetheless, the increased risk rating applied to these facilities means they will be subject to more intensive monitoring.

A major non-compliance with ESCAS control and traceability has been recorded against Frontier's supply chain to Vietnam.

ESCAS non-compliance report #81

On 28 September 2015, the department received a self-report from NACC detailing non-compliance with ESCAS control requirements for cattle exported to Vietnam.

The report stated that seven cattle from NACC's supply chain to Southern Vietnam were sent to an abattoir that had been removed from their ESCAS arrangements. The abattoir had been removed by the department at the exporter's request on 24 July 2015. The reason provided was that the facility had declined a routine audit on the grounds that they no longer intended to purchase cattle from NACC's importers. The facility meets ESCAS standards and remains approved for two other Australian exporters. NACC advised that all seven cattle were slaughtered on site and there were no associated adverse animal welfare outcomes.

NACC reported that their importer sold cattle to the abattoir under the misconception that it was still part of the approved supply chain. NACC immediately provided instruction that livestock should not be sent to this processor. Email and text message correspondence between NACC and the importer were made available to the department and were consistent with a genuine mistake in which the importer was unaware that the abattoir was no longer approved for the supply chain.

The non-compliance was first reported on 24 September 2015 by another Australian exporter. The evidence obtained included photographs of the seven cattle from NACC's supply chain at the abattoir. All animals had NLIS ear tags, which allowed them to be identified as being from NACC's supply chain. The information was forwarded to industry for

further action. On 25 September 2015, industry provided advice to all exporters to Vietnam regarding the breach.

On 2 October 2015, the department requested further information from the exporter on the corrective actions they had taken to ensure that their supply chain partners are properly informed of variations going forward. They responded in writing on 5 October 2015, stating that they had undertaken the following actions:

- All variations submitted to the department would be copied into three people, namely NACC's Vietnam Manager, Logistics Supply Chain Officer (SCO) and Traceability Manager.
- On receiving an approved variation from the department, NACC would forward it to their Vietnam staff and Traceability Manager. In addition, relevant importers would be emailed updated facility lists by the SCO, Traceability Manager and Animal Welfare Manager in Australia. The Supply Chain Manager would provide emails in Vietnamese.
- The SCO would follow-up with a telephone call to importers to ensure they had received the information.

The impact of this non-compliance was minimal as animal welfare standards were maintained at all times, there was no loss of traceability and only seven animals were involved. The conduct of the exporter was cooperative, including providing a timely self-report and response to a departmental request for further information. NACC has two other non-compliances with ESCAS control and traceability requirements recorded against their supply chain to Southern Vietnam (Compliance Report 69 and Report 73), which involves separate importers and/or facilities.

This incident appears to have been a simple case of miscommunication between NACC and their importer. The control measures implemented by NACC have been assessed as sufficient to prevent reoccurrence of such an event in the future.

A minor non-compliance with ESCAS control requirements has been recorded against NACC's supply chain to Southern Vietnam in response to this report.

THAILAND

Thailand is a densely populated nation of nearly 68 million people. Livestock exports under ESCAS commenced in 2015, with the first consignment of cattle departing Fremantle, Western Australia on 9 January 2015.

Since the introduction of ESCAS to this market, nearly 9 000 cattle have been exported in six consignments.

Four Australian companies have exported cattle to Thailand through four ESCAS approved supply chains. There is currently one importer, as well as 10 feedlots and two abattoirs approved to import, hold and slaughter cattle in Thailand. Since ESCAS commenced for this market, three non-compliance reports have been received by the department, all of which have been self-reported by exporters.

ESCAS non-compliance reports #62 and #65

Report 62

On 17 June 2015 International Livestock Export Pty Ltd (ILE) self-reported that 73 cattle had been moved from a feedlot included in their approved ESCAS supply chain to two feedlots outside of their approved ESCAS.

Once the movement was identified by ILE, the 73 cattle were recovered and returned to two approved facilities within the ILE Thailand ESCAS supply chain.

Report 65

On 22 June 2015 ILE self-reported that 207 cattle had been moved from a feedlot included in their approved ESCAS supply chain to a feedlot outside of their approved ESCAS. This feedlot had been audited by an independent auditor and confirmed to be compliant with ESCAS requirements; however it had not yet been included in the approved supply chain.

ILE visited the feedlot and found that all 207 head were still present in the feedlot, however 54 head had their ear tags removed – all of these tags were still at the feedlot in a bag. ILE were informed by the feedlot owner and their importer that they believed the tags were meant to be removed after arrival at the feedlot. ILE emphasized to these parties that the tags could only be removed after slaughter and that these cattle should be retagged with a visual identification.

ILE conducted a reconciliation of all cattle while visiting the farm and also requested that all livestock be transferred back to the approved ESCAS to undertake a full scan and reconciliation.

Further investigations

During an investigation into the two self-reports, ILE identified that an additional 2 067 cattle had been moved outside of the approved ESCAS supply chain. On review of all traceability records, including findings from the two self-reports, ILE found that 2 347 cattle had been moved to unapproved facilities. Of these cattle, 1 922 cattle were found to have been slaughtered at three unapproved abattoirs.

Two of the three abattoirs were subsequently independently audited and found to be compliant with ESCAS requirements at the time of the audit. Only one of these abattoirs was added to the approved supply chain. When ILE visited the other audited abattoir the exporter found that the stunning gun was not operational and decided to withdraw their request to include it in the approved supply chain. The standard of the third abattoir is unknown and therefore may have resulted in adverse animal welfare outcomes.

Based on ILE's investigations, the exporter informed the department that the best course of action would be to close the ILE Thailand ESCAS supply chain. ILE exported no further consignments to this market after reporting the two incidents to the department in June.

The department recorded a critical non-compliance against ILE's Thailand ESCAS supply chain for these reports, based on the high number of cattle that were moved to and slaughtered at unapproved facilities. As requested by ILE, the department revoked the ILE Thailand ESCAS. The department was satisfied with the thoroughness of ILE's investigation and their decision to cease exporting to it once they identified the lack of control in the ESCAS.

The department will take the findings of this report into consideration if other exporters apply to export cattle to Thailand and use the same facilities implicated in this non-compliance.

ESCAS non-compliance report #64

On 19 June 2015 the department received a self-report from Austrex detailing non-compliance with ESCAS control and traceability requirements for cattle exported to Thailand.

The exporter advised that 61 head of cattle were moved outside of their approved supply chain to two abattoirs approved within another exporter's supply chain during the period 6 May – 3 June 2015. Austrex's explanation for the movement of cattle was that their Thailand importer planned to conduct trials into carcase yields and meat quality to determine the feasibility of upgrading these facilities for inclusion in their supply chain.

Austrex initially advised that all 61 head of cattle were slaughtered at the abattoirs implicated in this incident. However, on 21 July 2015 Austrex advised that 15 head of cattle remained alive at one of the abattoirs. To regain control of the cattle, Austrex submitted a

compliant audit report and requested the abattoir be added to their approved supply chain. The facility was added to Austrex's supply chain and the 15 cattle were slaughtered on 12 October 2015 in compliance with OIE animal welfare recommendations.

To prevent future leakage, Austrex implemented the following corrective actions:

- an industry GAP analysis, risk assessment and independent audit were completed at both abattoirs implicated in the incident
- both abattoirs were visited by Austrex representatives to assist with improvements to facilities
- all facilities within the supply chain were provided with additional training on ESCAS principles and cattle handling
- all facilities must now provide daily feedlot / abattoir departure and arrival reports to the Austrex.

The department has recorded a minor non-compliance against Austrex's Thailand ESCAS supply chain. All animals were slaughtered at ESCAS approved facilities and there is no evidence of adverse animal welfare outcomes. In applying this rating, the department noted the actions implemented by the exporter, including providing additional training and increasing reporting requirements.

In response to this non-compliance, the department also applied the following conditions to Austrex's Thailand supply chain:

- An AWO must be present at each abattoir in the supply chain when Austrex animals are slaughtered.
- The AWOs must conduct regular reconciliations of animals in the supply chain. This includes reporting to Austrex whether any leakage has occurred and whether all animals consigned to a particular abattoir were slaughtered at that abattoir.
- The exporter must provide monthly ESCAS declarations to the department stating that Australian cattle had remained in the Thailand supply chain up to the point of slaughter; and that a full reconciliation of animals has been conducted for the previous 30-day period.
- The risk ratings for the feedlot and abattoirs implicated in this incident have been increased to high, requiring quarterly independent performance audits.
- Independent performance audits must review AWO performance, including whether they are conducting regular reconciliations of animals in the supply chain (i.e. whether any leakage occurred and whether animals' consigned to a particular abattoir were slaughtered at that abattoir). Audits must also review the effectiveness of actions taken by the exporter to prevent the movement of animals outside of the supply chain.

This was the first consignment of cattle exported by Austrex to Thailand. No further consignments have been exported by Austrex to this market since this incident.

ISRAEL

Israel is a country of more than eight million people. Since ESCAS was introduced for Israel in September 2012, approximately 534 000 cattle and sheep have been exported to this market in 69 consignments. This represents the third largest market by volume for live cattle and sixth largest for sheep. In 2015 to date (1 January – 30 November 2015), 75 139 cattle and 85 613 sheep have been exported to Israel in 25 consignments.

Two companies export cattle and sheep to Israel through five supply chains. There are currently 12 importers, 76 feedlots and five abattoirs approved to import, hold and slaughter livestock. Since ESCAS commenced for Israel, the department has received a total of 10 ESCAS non-compliance reports, with nine reports received from third parties, and one self-reported by an exporter.

ESCAS non-compliance report #77

On 9 September 2015 the department received advice from Animals Australia of a road accident (truck rollover) in Israel on 3 September 2015 involving 70 Australian cattle. The truck was transporting cattle from the Eilat quarantine premises to a feedlot. Photographs and footage from the accident were provided.

Animals Australia advised that approximately 10 cattle were killed in the accident, a further two were euthanised and some injured cattle (numbers unspecified, one with a suspected broken leg) had not been recovered.

On investigation by the department, the cattle were found to have been exported by Otway. On 14 September 2015, Otway advised the department that 18 cattle were either killed in the accident or humanely euthanised (RFID tags of those destroyed were provided to the department), and that the remaining cattle had been successfully recovered and delivered to an ESCAS approved feedlot. Otway commented that *“this was an unfortunate event and the first in our experience in our time exporting to Israel”*.

No non-compliance has been recorded against Otway as the incident was deemed to be an accident and outside the control of the exporter. All injured animals were humanely euthanised and the remaining cattle were recovered and delivered to the destination feedlot.

No further action in relation to this incident was required and no regulatory action was taken by the department.

ESCAS non-compliance report #82

On 9 September 2015 the department received advice from the Port Adelaide Monitors (PAM), regarding concerns about the conditions experienced by Australian cattle discharging from a vessel in Eilat, Israel, during August 2015. PAM are a community group dedicated to observing, recording, documenting and reporting feedback to authorities regarding the welfare of animals during loading / unloading of livestock for export.

Concerns raised by PAM were in regards to:

- high temperatures on arrival and during land transport in Israel
- cattle being caked in faeces on arrival, leading to heat stress and heat exhaustion.

Photographs were included in the report, as well as information about a truck rollover incident previously notified to the department by Animals Australia and reviewed separately under report #77.

Upon investigation it was found that the cattle implicated in the report were exported by Otway, departing Adelaide on 30 July 2015 and Fremantle on 5 August 2015.

On 1 October 2015, the department notified Otway of PAM's report. In response, Otway advised the department that the majority of cattle were sourced from pastoral regions to the north to ensure they were accustomed to the high temperatures and to improve the speed of acclimatisation upon arrival in Israel. All cattle were loaded according to *Australian Standard for the Export of Livestock (ASEL)* requirements and additional space was provided to cattle on the ship to prevent heat stress during the voyage. Additional provision of chaff and sawdust was made to allow for flexibility in feeding during any temperature variations and to allow for additional washing if required.

The on-board veterinarian (an Australian Accredited Veterinarian - AAV) reported that weather conditions were favourable and ventilation was good to all areas of the ship during the journey; and that ambient temperatures remained reasonable during discharge in Israel. Mortality rates for the journey (0.2 per cent for sheep and 0.25 per cent for cattle) were well below reportable mortality levels and stock were discharged in good health. This advice was supported by departmental findings into on-board climatic conditions during the journey. Only two of the sheep mortalities recorded during the voyage were attributed to heat stress. No other indications of heat stress were recorded during the voyage or over the days of discharge.

An independent audit was conducted during livestock discharge, with no mention of adverse climatic conditions during off-loading. All aspects of the discharge, loading and transportation were found to be compliant with ESCAS animal welfare requirements. Otway sought further information from the auditor about the off-loading of livestock who stated that:

- the animals did not look exhausted or over stressed from weather conditions
- the animals were not exposed to direct sunlight during any stage of the discharge, transport or quarantine
- the trucks were well ventilated and allowed good air flow during transport.

Otway also advised that information sourced from the auditor and the on-board stockmen disputed the claim that livestock were caked in faeces.

The department reviewed the photographs provided by PAM and determined there was a low level of dried faecal matter on the coats of some cattle, mainly on the hindquarter / flank regions, which was deemed similar to what would be found in normal husbandry situations in Australia (e.g. on dairy farms, in feedlots or during wet conditions). There were no signs indicative of heat stress in any cattle in the photographs, such as open mouths, breathing/panting, sweating, salivation, crowding around water points, avoiding sunlight or not wanting to lie down.

The department accepts that the readings displayed on the hand-held temperature meters in the two photographs (42 degrees Celsius and 56.5 degrees Celsius) are extreme but found that these recordings did not correlate with the Wet Bulb Temperature (WBT) readings recorded from the vessel (between 24-27 degrees Celsius WBT) or the comments made by the auditor present on the day.

Based on the department's investigation, no breaches under ASEL or ESCAS have been identified. No further action in relation to this incident is required and no regulatory action was taken by the department.

KUWAIT

Kuwait has a population of more than two million people. It has been Australia's largest export market for live sheep for over a decade and, for the period 2008 – 2013, between 700 000 to one million head of sheep were imported into Kuwait annually.

Since the introduction of ESCAS for Kuwait in March 2012, nearly 2.7 million sheep in 102 consignments have been exported to this market. In 2015 to date (1 January – 30 November 2015), 642 270 sheep have been exported in 28 consignments.

In 2015, four companies have exported sheep to Kuwait over four ESCAS approved supply chains. There are currently four importers, six feedlots and five abattoirs approved to import, hold and slaughter sheep in Kuwait. Since ESCAS commenced for this market, the department has received a total of 12 ESCAS non-compliance reports, with seven reports received from third parties, four from industry and one self-reported by an exporter.

ESCAS non-compliance reports #39 and #44

On 6 October 2014, Emanuel Exports (Emanuel) self-reported (report 39) a non-compliance with ESCAS requirements to the department. The report was in relation to the movement of sheep outside the exporter's approved supply chain in Kuwait. Emanuel advised that their SCO had witnessed approximately 500 sheep at the Al Rai market in Kuwait during the Eid-al-Adha Festival of Sacrifice (Eid).

On 13 October 2014, Animals Australia submitted a report (report 44) to the department alleging that Australian sheep exported under ESCAS requirements had been offered for sale and slaughter at locations not included in an approved ESCAS during Eid.

As both the incident report from Animals Australia and the self-report from Emanuel were received around the same time and were considered to be related, the two reports have been combined for investigation.

The department's records indicate that four exporters received approvals to export sheep to common supply chains in Kuwait in 2014:

- Emanuel
- EMS Rural Exports Pty Ltd (EMS)
- ILE
- LSS.

All exporters were contacted with regard to the above reports.

Existing conditions

As a result of previous non-compliance investigations in Kuwait in 2012 and 2013, all ESCAS supply chains in this market operate under the following conditions:

- SCO must be appointed to conduct regular reconciliations to determine whether leakage has occurred and sheep are slaughtered at the relevant abattoir.
- Independent auditors must assess the performance of SCOs and the effectiveness of actions taken by the exporter to account for animals and prevent leakage.
- Exporters must provide the department with reports outlining activities undertaken by the SCOs and a declaration stating whether all animals have remained within the supply chain.
- Animals in each supply chain must be marked with an exporter-specific identification upon entry into and before departure from each feedlot in the supply chain.
- Monthly declarations must be provided to the department stating appropriate, 24-hour security is in place where Australian sheep are at each facility.

Findings

Between 1 April and 30 September 2014 in the lead up to Eid, 273 137 sheep were exported to Kuwait. LSS and Emanuel were the predominant exporters with a combined total of approximately 246 000 livestock.

Based on the evidence provided, the department's review confirmed that at least 22 Australian sheep exported under ESCAS requirements were moved to locations outside the approved Kuwait supply chains:

- 12 sheep could be exclusively linked to Emanuel
- four sheep could be exclusively linked to LSS
- six sheep could have been exported by either LSS or Emanuel.

While other Australian sheep were identified outside of an approved ESCAS supply chains, these could not be linked to a particular exporter based on the evidence provided.

Corrective Actions

Emanuel

Actions taken by Emanuel to address the non-compliance included:

- providing further training for facility staff in livestock handling and ESCAS control and traceability requirements
- engaging with importers to clarify contractual arrangements
- ensuring sheep leaving the feedlot facility be retained within the supply chain
- colour-marking sheep for identification purposes.

Additionally, Emanuel advised the department that the importer had terminated the employment of the staff member thought to be responsible for the leakage.

LSS

LSS commenced sheep exports to Kuwait in 2013, with their first shipment arriving in November 2013, after that year's Eid festival. Since entering this market, LSS has indicated to the department that they have strictly applied ESCAS risk mitigation strategies and traceability processes to reduce the risk of non-compliance through leakage and denies the sheep involved in this report were exported to Kuwait as part of one of their consignments. This is contrary to the findings of the department that, based on ear tags, four sheep were sourced from properties that were part of consignments only exported by LSS in 2014.

LSS further stated that during the Eid period they took additional actions to ensure Australian sheep remained in their supply chains, including:

- working closely with MLA, the importer and staff two weeks prior to Eid to prepare facilities and staff in animal handling
- assigning a staff member to accompany the MLA support team to assist and monitor the selection, handling and slaughter processes at nominated facilities
- meeting with the importer's senior management to emphasise the importance of ESCAS and preventing leakage.

Further, LSS advised they had complied with all conditions applied to all exporters' Kuwait supply chains.

In assessing this matter against the guidelines for management of non-compliance, the department has recorded a major non-compliance against both the Emanuel and LSS Kuwait supply chains for a failure to comply with the approved ESCAS, leading to non-compliance with control and traceability requirements.

There is sufficient evidence to link 12 sheep to Emanuel and four to LSS based on the supplied ear tag numbers. No facilities were removed from supply chains as the investigation could not determine the ultimate source of leakage. Both exporters continue to export to Kuwait under the additional conditions outlined above.

Further, as a result of repeat incidents of leakage in 2012, 2013, 2014 and 2015, particularly during Eid, the department has increased the risk ratings of all facilities for all exporters to this market. Kuwait supply chains must now be independently audited four times a year.

BRUNEI DARUSSALAM

Brunei Darussalam (Brunei) is a small, sovereign state located on the north coast of the island of Borneo, with a population of approximately 430 000 people.

Since the introduction of ESCAS for Brunei in December 2012, approximately 15 000 cattle, 1 500 buffalo and 2 400 goats have been exported to this market in 27 consignments. In 2015 to date (1 January – 30 November 2015), more than 6 600 livestock have been exported to Brunei.

In 2015, one company has exported livestock to Brunei under ESCAS. There are currently three approved ESCAS supply chains for Brunei; one each for cattle, buffalo and goats. Facilities (importer, feedlots and abattoirs) are integrated across each supply chain. Since ESCAS commenced for this market, this is the first non-compliance report received.

ESCAS non-compliance report #92

On 2 November 2015, the department received a report and video footage from Animals Australia with allegations of three Australian cattle being slaughtered using unacceptable slaughter techniques at an ESCAS approved abattoir in Brunei. The incident allegedly took place during this year's Qurban festival, celebrated in Brunei 24 September 2015.

The department has reviewed the footage included in the report which shows abattoir workers using incorrect techniques when slaughtering animals using non-stun halal methods. The video captured instances of slaughtermen using multiple strokes instead of the single cut required under ESCAS (i.e. the knife not leaving the wound until slaughter complete). Additionally, the animals appeared to be left in the head restraint for significantly longer than 10 seconds prior to being slaughtered. The footage also shows several other forms of poor animal welfare practices:

- it appeared that one animal was sprayed with water while in the restraint box
- one animal was seen getting stuck in the restraint box by its horn after the animal's throat had been cut
- one animal was being pulled by the nostril and had a hoist chain tied around its head to bring it through the head restraint.

The cattle appeared to be Australian through conversations with the slaughtermen in the video and the presence of one or all of the following - ear tags, NLIS discs and ear notches,

South East Asian Livestock Services (SEALS) is the only exporter licenced to export cattle to Brunei. SEALS was advised of the Animals Australia report on 3 November 2015 and their staff in Brunei immediately commenced an investigation.

Due to the nature of the non-compliance, the department also increased the risk rating for the abattoir to high, requiring quarterly independent audits, and made the following directions to the exporter requiring them to:

- cease all cattle exports to Brunei while the investigation was ongoing
- ensure all remaining Australian cattle in Brunei are slaughtered under the strict supervision of a SEALS-employed AWO.

On 10 November 2015, SEALS provided a comprehensive response to the report outlining findings of the exporter and importer’s investigations, including:

- performance audits of all ESCAS approved abattoirs in the Brunei supply chain
- consultant reports to inform the department of the exporter’s commitment to adhering to strict animal welfare requirements
- EoP reports
- videos demonstrating slaughtermen using correct and compliant ESCAS handling and slaughter practices.

All allegations made were addressed by the exporter as outlined:

Observation	Finding
Incorrect slaughter technique	Slaughtermen at the abattoir are trained in ESCAS procedures and normally slaughter the cattle using a single cut (a single cut is defined as the knife not leaving the wound until the slaughter is complete and required to be done in as limited number of strokes as possible). However, during Qurban the local Imam and customers had requested that slaughtermen make the cut in accordance with their Halal slaughter requirements (which is multiple strokes of the knife). The slaughterman in the video was reportedly pressured to make the cut with multiple strokes as was seen in the video.
Cattle sprayed with water in the restraint box	The recollections of the abattoir workers were that the animal allegedly sprayed with water in the video was a heifer who had decided to lay down in the restraint box. After several attempts at trying to make her stand up using a cattle talker and correct handling procedures the heifer was allowed to rest. It was then decided to spray water on her, with the misguided logic being that they were trying to cool her down and attempting to encourage her to stand up.
Animals being released from the head restraint too early	During Qurban, the slaughtermen were advised by the Imam and customers who attended the slaughter to release the animal sooner to allow what was perceived as better blood flow and greater consistency with Halal slaughter practices. The pressure being applied by the Imam and customer may have also contributed to any non-compliance with ESCAS requirements.
Animal being pulled by the nostril and having a hoist chain tied around to pull his head through the head restraint	The slaughtermen and other workers had tried various ways to get this animal to stand, including the use of a ‘cattle talker’ and handling procedures in which they had been trained. After discussion with the local Imam, they agreed to use the hoist to lift the animal into correct position for safe slaughter (for both staff and animal) and maintain animal welfare. The decision to use the hoist chain was not taken lightly and it was applied in a way that would minimise the risk of suffocation and pain to the animal.

	This process was also applied as quickly as possible and the chain removed as soon as possible to allow the slaughter process to occur. During normal practice the animal would have been released back out of the restraining box but to due to the Qurban requirement of customer order of slaughter several cattle would had to be moved back out of the raceway and excessive handling it was deemed the best option to lift the heifer into the restrained position for slaughter.
Animal stuck in the restraint box by its horns	Even though the animal in question had already had its throat cut, this incident was used by the exporter as the basis of revising the design of the restraining box
Animals left in the head restraint for periods longer than 10 seconds prior to being slaughtered	The abattoir slaughtermen were fully aware of the ESCAS requirement to not let the animal's head be restrained for more than 10 seconds prior to slaughter. They stated, however, that the situation during Qurban was a bit different as prior to slaughter the halal slaughtermen were required to recite a prayer for Qurban over each animal that includes a mention of the names of the people that purchased the animal.

Corrective actions implemented by the exporter included:

- Providing immediate training in cattle handling from the feedlot to the lairage and slaughter box; as well as in handling during slaughter and non-stun slaughter techniques. The exporter re-iterated the need to comply with ESCAS requirements despite pressures from Imams or customers if they wish to continue receiving Australian cattle.
- Providing assistance to abattoir management in making improvements to the restraining box used during slaughter to ensure it can accommodate smaller cattle and that restraint and slaughter practices are ESCAS compliant. Modifications included installing a brisket bar, a push bar and adding a slot on the v-shaped head bail design. These additions were made to improve the restraint, bleed out time and removal of carcasses from the restraining boxes for all sizes of cattle.
- Changing procedures for prayer recital during Qurban. The prayer will now be conducted when the animal first moves into the restraining box. Once the prayer is completed, the slaughterman will restrain the animal's head and undertake sticking within 10 seconds.
- Changing the system slightly during Qurban so that a customer's order of slaughter is given in a certain time frame instead of specific order so cattle can be moved as part of a group, providing flexibility in the order of presentation within a certain time period. This allows an animal to be moved out of the restraining box if they are unable to position the animal in a timely manner into the restraining box.

In addition the above actions, SEALS has notified the department they are currently liaising with Brunei Islamic officials to obtain approval to stun cattle prior to slaughter. SEALS, in cooperation with MLA, are currently in the process of making arrangements to introduce pre-slaughter stunning at the abattoir.

A critical non-compliance has been recorded against SEALS' Brunei ESCAS supply chain due to poor animal welfare outcomes at an ESCAS approved facility. The department recognised

the significant efforts of SEALS in rectifying the non-compliance rapidly, as well as the ongoing actions put in place that will continue to improve the integrity of their Brunei ESCAS supply chain.

In response to this finding, the department has increased the risk rating of this facility to high, requiring quarterly independent audits, and varied SEALS' Brunei ESCAS to include the following conditions:

- Reconciliation records for all consignments being processed in Brunei during the Qurban festival period at all facilities processing Australian animals must be provided to the department at the conclusion of the festival.
- A SEALS employed AWO must be present at all facilities slaughtering Australian cattle exported to Brunei for the Qurban festival period.
- An additional independent performance audit must be conducted covering requirements for animal welfare of all facilities slaughtering Australian cattle exported to Brunei during the Qurban festival period. A SEALS employed AWO must be present during these audits. The audits must be provided to the Department within 30 days of the Qurban festival period.

MALAYSIA

Malaysia is a densely populated country, with a population of more than 30 million.

Since ESCAS was introduced for Malaysia in September 2012, more than 143 000 cattle, 112 000 sheep and 242 000 goats have been exported to this market in 769 consignments. This represents the largest market for live goats and fourth largest for cattle. In 2015 to date (1 January – 30 November 2015), more than 156 000 livestock have been exported to Malaysia under ESCAS.

In 2015, ten companies have exported cattle, sheep and goats to Malaysia through 15 ESCAS approved supply chains. There are currently 18 importers, 153 feedlots and 100 abattoirs approved to import, hold and slaughter livestock in Malaysia. Since ESCAS commenced for this market, the department has received a total of nine ESCAS non-compliance reports, with six reports received from third parties, two from industry and one self-reported by an exporter.

ESCAS non-compliance report #45

On 14 October 2014, the department received a report from Animals Australia identifying one steer outside of an approved ESCAS supply chain in Malaysia. The report indicated that the handling and slaughter of this animal were not compliant with OIE animal welfare recommendations.

Photographic evidence was provided demonstrating non-compliant handling and slaughter of one steer during Korban (i.e. the 2014 Eid Festival). The NLIS ear tag had been removed from the steer's ear. However, the photos clearly showed an Australian brand.

The department commenced investigating this incident in September 2015. The brand was confirmed to be Australian and the department identified the property from which it was sourced. A search was conducted for all consignments that had left Australia from Darwin, Broome and Fremantle for Malaysia between July - October 2014, with 12 consignments departing during this period. Based on this information, the steer was linked to a consignment of slaughter cattle exported from Darwin to Malaysia by Austrex.

The department contacted Austrex on 26 October 2015. The exporter was provided the Animals Australia report for review and further information was requested about the consignment. Austrex responded on 29 October 2015 advising they had not been informed of any cattle leaving the supply chain. They provided an End of Processing (EoP) report for the consignment, which included a reconciliation of all animals that had entered the supply chain during this period, originating from the identified property. Animals from this property were found to have entered nine abattoirs within the Austrex supply chain during this period.

In response to the department's finding that the steer had been exported as part of their supply chain, Austrex implemented corrective actions. Extra staff were assigned to visit all

facilities in Malaysia to review ESCAS requirements along the supply chain; and discussions had commenced with the Malaysian importers to begin installing closed circuit television to monitor cattle movements at critical points within the supply chain.

Austrex also advised that prior to receiving the notification of the incident from the department, they had made a commercial decision to cease the supply of cattle to markets such as Malaysia during the high risk festival periods such as Korban. The exporter indicated that no animals were exported to Malaysia during the 2015 festival. Despite the EoP being provided by Austrex, the department has evidence linking the exporter to the steer referred to in the report. The fact that the company received an EoP for the consignment that indicated all animals had been slaughtered at supply chain abattoirs suggests problems with traceability arrangements, as it was the only company to source cattle from this property for export to Malaysia in the preceding three months.

The department noted the positive actions by Austrex to address the issues in their supply chain, including deciding to cease exports to this market during high risk periods and the corrective actions implemented by the company following notification by the department.

Nevertheless, the department recorded a major non-compliance against Austrex's Malaysian supply chain as the observed slaughter practices did not comply with OIE animal welfare recommendations. Additionally, the loss of traceability and control had not been identified by the exporter, with the EoP incorrectly stating that all cattle had been slaughtered at an ESCAS approved facility.

Based on this assessment, the department has varied Austrex's ESCAS and applied the following conditions to improve oversight of the supply chain during high risk periods:

- Reconciliation records for all consignments being processed in Malaysia during the Korban festival period must be provided to the department at the conclusion of the festival.
- An Austrex employed staff member must be present at facilities slaughtering Australian cattle exported by Austrex to Malaysia during the Korban festival period.
- An additional independent performance audit must be conducted covering requirements for control and traceability and animal welfare of all facilities slaughtering cattle exported by Austrex to Malaysia for the Korban festival period. An Austrex employed staff member must be present during the audit.

In addition to the above conditions, the risk ratings for the nine abattoirs within the Austrex Malaysian ESCAS supply chain have been increased to high. The abattoirs will now require independent performance audits every three months.

PHILIPPINES

The Philippines is the thirteenth largest country in the world per capita, with a population of more than 100 million.

Since ESCAS was introduced for the Philippines in September 2012, more than 85 000 cattle have been exported to this market in 31 consignments. This represents the sixth largest market for the export of Australian cattle. In 2015 to date (1 January – 30 November 2015), more than 23 000 cattle have been exported to the Philippines under ESCAS.

In 2015, two Australian companies have exported cattle to the Philippines through three ESCAS approved supply chains. There are currently three importers, six feedlots and seven abattoirs approved to import, hold and slaughter cattle in the Philippines. Since ESCAS commenced for this market, this is the first non-compliance report received by the department.

ESCAS non-compliance report #74

On 12 May 2015 the department received a self-report Austrex detailing non-compliance with ESCAS animal welfare requirements for cattle exported to the Philippines.

Austrex advised that non-compliant animal welfare practices regarding the restraint and slaughter of cattle were observed in three abattoirs during independent performance audits conducted in March and April 2015.

For one abattoir, the explanation provided by the exporter was that both primary and secondary stunning equipment were unavailable at the time and alternative equipment (a sharpened steel device) was used to stun the animals. In the other two abattoirs, head restraints were not functioning effectively and in some instances staff used ropes to prevent the animals dropping their heads during the stunning process.

In response to the non-compliances, Austrex immediately suspended the slaughter of Australian cattle until improvements could be made. The following corrective actions were implemented by Austrex to ensure that handling and stunning practices were improved in all the facilities, and that all procedures remain compliant with OIE animal welfare recommendations:

- all facilities within the supply chain were provided with additional training on ESCAS requirements and cattle handling
- an AWO was employed at each facility to ensure that equipment and procedures for restraining and stunning cattle continue to be compliant
- two additional independent performance audits were completed at each of the abattoirs to verify compliance with ESCAS requirements
- all three abattoirs were visited by Austrex representatives to assist with improvements to facilities.

A critical non-compliance was recorded against Austrex's Philippines ESCAS supply chain. The use of a sharpened steel device to stun animals prior to slaughter is not compliant with ESCAS or OIE animal welfare requirements. However, the department recognised the significant efforts of Austrex in rectifying the non-compliance rapidly. This included suspending slaughter at all facilities and putting in place appropriate corrective actions to ensure compliance with OIE animal welfare recommendations and improve the integrity of their Philippines supply chain.

In response to the incident, the following conditions have been applied to the Austrex Philippines supply chain:

- During the slaughter of Australian cattle, an AWO must be present at the abattoir, where cattle were stunned using an unapproved stunning device, for at least the next two reporting periods.
- The AWOs will ensure that equipment and procedures for restraining and stunning cattle continue to be compliant with ESCAS animal welfare requirements / OIE animal welfare recommendations.
- Independent performance audits must review AWO performance, including whether they are conducting regular animal welfare compliance checks at the facilities.

A risk rating of high has been applied to the three abattoirs implicated in this incident and quarterly audits are now required for these facilities.

5 SUMMARY OF REVIEWS IN PROGRESS AS AT 30 NOVEMBER 2015

Table 6 provides an overview of all regulatory performance reviews in progress as at 30 November 2015. The status of all reviews can be found on the department's website www.agriculture.gov.au/export/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance.

Table 4 Summary of ESCAS regulatory performance reviews in progress as at 30 November 2015

Web #	Market	Species	Allegation / report	Date	Received from
28	Gaza	Cattle	Animals outside supply chain and animal welfare concerns	February 2014	Animals Australia
50	Indonesia	Cattle	Use of an unapproved abattoir line	December 2014	Self-reported by exporter
56	Israel	Cattle	Held in poor conditions in a feedlot	April 2015	Animals Australia
57	Israel	Cattle / sheep	Animal welfare concerns	May 2015	Animals Australia
58	Vietnam	Cattle	Animals outside supply chain and animal welfare concerns	May 2015	Animals Australia
60	Vietnam	Cattle	Animals outside supply chain and animal welfare concerns	June 2015	Self-reported by exporter
61	Kuwait	Sheep	Animals outside supply chain and animal welfare concerns	June 2015	Industry
63	Vietnam	Cattle	Animals outside supply chain and animal welfare concerns	June 2015	Industry
68	Kuwait	Sheep	Animals outside supply chain and animal welfare concerns	July 2015	Animals Australia
70	Indonesia	Cattle	Transport incident – truck stolen	July 2015	Self-reported by exporter
71	Israel	Cattle	Animals outside supply chain and animal welfare concerns	August 2015	Animals Australia
75	Kuwait	Sheep	Animals outside supply chain and animal welfare concerns	August 2015	Industry
78	Kuwait	Sheep	Animals outside supply chain and animal welfare concerns	August 2015	Industry
79	Oman	Sheep	Animals outside supply chain and animal welfare concerns	September 2015	Animals Australia
80	Malaysia	Sheep / goats	Animals outside supply chain	September 2015	Industry
83	Malaysia	Cattle	Animals outside supply chain	September 2015	Third-party report

Web #	Market	Species	Allegation / report	Date	Received from
84	Kuwait	Sheep	Animals outside supply chain and animal welfare concerns	September 2015	Industry
85	Kuwait	Sheep	Animals outside supply chain and animal welfare concerns	September 2015	Animals Australia
86	Oman	Sheep	Animals outside supply chain and animal welfare concerns	October 2015	Industry
87	Oman	Sheep	Animals outside supply chain and animal welfare concerns	October 2015	Third party
88	UAE	Sheep	Animals outside supply chain and animal welfare concerns	October 2015	Industry
89	United Arab Emirates	Sheep	Animals outside supply chain and animal welfare concerns	September 2015	Animals Australia
90	Malaysia	Cattle	Animals outside supply chain	October 2015	Industry
91	Vietnam	Cattle	Animals outside supply chain and animal welfare concerns	October 2015	Third party

Source: Department of Agriculture and Water Resources