



**RISK MANAGEMENT COMMITTEE**

Meeting of the Committee

Chairman's Office Boardroom, Crown Towers

Wednesday, 4 December 2019 at 10.00am



## Risk Management Committee

Meeting of the Committee to be held on Wednesday, 4 December 2019 at  
10.00am at Level 3, Crown Towers, 8 Whiteman Street, Southbank

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### Attendees

*Committee:* Jane Halton (Chair)  
Andrew Demetriou  
Toni Korsanos

Mary Manos (Secretary)

*By Invitation:* John Alexander (Crown Resorts)  
Ken Barton (Crown Resorts)  
Barry Felstead (Australian Resorts, CEO)  
Sasha Grist (Crown Perth GM Risk & Corporate Projects)  
Lauren Harris (Crown Resorts)  
Alan McGregor (Australian Resorts, CFO)  
Craig Morris (GM – Property Services)  
Josh Preston (Australian Resorts, CLO)  
Jeremy Sampson (Capital Works Manager)  
Anne Siegers (Crown Resorts, GM Risk & Audit)  
David Skene (Betfair)

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### AGENDA

#### 1. Minutes of Meeting

- 1.1. [Minutes of Meeting held on 12 August 2019](#)
- 1.2. [Written Resolution dated 22 November 2019](#)

#### 2. [Matters Arising](#)

#### 3. [Cladding](#)

#### 4. [Instrument and Payroll Compliance Review](#)

**5. Risk Reporting**

- 5.1. [Report Against Material Risks](#)
- 5.2. [Emerging Risks](#)
- 5.3. [ASIC Corporate Governance Taskforce](#)

**6. Compliance Report****7. Insurance Renewal Update****8. Other Business**

- 8.1. [ILGA Inquiry](#)
- 8.2. [Delegation Policy](#)
- 8.3. [Register of Contracts](#)

**9. Future Meetings**



**AGENDA ITEM 1:**  
Minutes of Meeting



## Risk Management Committee

Minutes of a Meeting of the Committee held at  
Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria on  
9 August 2019 at 9.00am

### Members Present:

Geoff Dixon (Chair) (by telephone)  
Andrew Demetriou  
Jane Halton

Mary Manos (Secretary)

### By Invitation:

John Alexander (Executive Chairman)  
Ken Barton (Crown Resorts Limited)  
Barry Felstead (CEO – Australian Resorts)  
Sasha Grist (Crown Perth) (by telephone)  
Lauren Harris (Crown Resorts Limited)  
Louise Lane (Group GM – Anti-Money Laundering)  
Alan McGregor (CFO – Australian Resorts)  
Josh Preston (CLO – Australian Resorts)  
Anne Siegers (Group GM Risk & Audit)  
Neil Jeans (Principal – Initialism)

### Apologies:

David Skene (Betfair)

### BUSINESS

### Minutes of Meeting held on 29 May 2019:

It was **RESOLVED** that the Minutes of the Risk Management Committee Meeting held on 29 May 2019 be approved.

### Matters Arising:

The Matters Arising paper was taken as read.

It was **RESOLVED** that the key controls for the "major reputational damage" risk be updated as presented to the Committee.

**AML/CTF Joint Program –Privileged and Confidential:**

The AML/CTF Joint Program papers were taken as read.

Josh Preston and Louise Lane provided the Committee with an overview of the AML/CTF Framework, noting, among other matters, the following:

- In 2017, management determined that the AML/CTF Frameworks at Crown Melbourne and Crown Perth should be aligned. This was supported by AUSTRAC as part of its assessment of the VIP international business in April 2017.
- Crown Melbourne and Crown Perth have had in place compliant AML/CTF Programs since the introduction of the AML/CTF Act in 2006/7. These Programs were developed on a pro forma prepared for the casinos association (reviewed by Lander & Rogers) and have been assessed on a regular basis by independent parties and by AUSTRAC.
- A Joint AML/CTF Program had been prepared to align the two AML/CTF Programs, with Crown taking the opportunity to also generally update its AML/CTF Framework. REDACTED - PRIVILEGE  
REDACTED - PRIVILEGE
- Work was underway to set up a centralised AML customer risk rating information system through CURA which was expected to commence integration into AML by mid-August.
- A tender process had commenced to find a case management solution for the recording and reporting of AML matters efficiently and expediently to senior management and AUSTRAC.
- Relevant employees are required to undertake AML/CTF training, noting that the completion rate for induction and refresher training was 97% across the reporting entities, one of the highest in the business.

The Committee requested that:

- the contemplated Joint AML/CTF Program be considered by the Crown Resorts Limited Board notwithstanding that it was not an AUSTRAC reporting entity, with a presentation on the AML/CTF Framework to be presented to the full Board at its next meeting;
- the Committee be kept informed of the progress on the proposed implementation of a centralised customer risk rating information system for AML; and
- the risk ratings included in the AML/CTF Framework be aligned with the relevant AML/CTF legislative risk terminology.

It was noted that, following the meeting, Jane Halton would provide

her specific comments to Josh Preston and Louise Lane for incorporation into the AML/CTF Framework documents.

Neil Jeans joined the meeting and presented the Committee with an overview of the key findings from his review of the Crown Melbourne and Crown Perth AML/CTF transaction monitoring programs. Amongst other matters, Neil Jeans noted that:

- the AML/CTF transaction monitoring programs in place had the appropriate depth and breadth to capture the required transactions and casino value instruments through reporting;
- the current AML/CTF transaction monitoring program, whilst compliant was highly manual and automating the systems would enhance the framework and ensure its scalability; and
- it was appropriate for the Company to have created its own automation system as other readily available systems were tailored to the financial services industry.

Neil Jeans also observed that, in his opinion, having regard to our AML/CTF Framework, the recent allegations made by Nine and Fairfax appeared to be unwarranted and disproportionate. Mr Jeans also made positive comments about the Company's transaction monitoring program and broader AML/CTF Framework when compared to the industry generally.

Neil Jeans left the meeting.

It was noted that:

- Neil Jeans had been invited to the next Board meeting to provide a presentation to the full Board; and
- the Company Board and the Crown Melbourne and Crown Perth Boards would be presented with a revised Joint AML/CTF Program which incorporate the Committee's feedback.

It was **RESOLVED** that the Joint AML Program and the AML/CTF Corporate Policy Statement, incorporating the Committee's feedback, be recommended to the Boards of Crown Resorts Limited, Crown Melbourne Limited and Burswood Nominees Limited for adoption.

#### **Risk Reporting:**

#### ***Report Against Material Risks***

The Report Against Material Risks was taken as read.

Anne Siegers advised the Committee that since the adoption of the formal Risk Appetite, there were a number of events which triggered the Board reporting requirement. It was noted that in each instance the Board was advised of the relevant matters in accordance with

the Risk Management Strategy.

Ken Barton provided the Committee with a report on the Dinner by Heston matter as set out in the paper, noting that Dinner by Heston owed approximately \$4.3 million to employees for underpayment.

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REDACTED - PRIVILEGE In addition, the Company had introduced a timekeeping process for entry level salaried staff in recent months to more closely monitor hours worked. It was noted that the reviews were ongoing but the findings so far had not indicated any significant underpayment issues.

Barry Felstead advised the Committee that cashless functionality on table games in Crown Perth was due to be rolled out in September 2019 following the receipt of regulatory approval. Having regard to the anticipated negative publicity surrounding this roll out, the Committee requested that management consider the appropriate risk mitigation strategies, particularly from a responsible gaming perspective.

Barry Felstead provided the Committee with an update on the recent matter at Crown Melbourne involving Ben Simmons which appeared in the media. It was noted that the security guard had acted in accordance with the Company's procedures and that the Company had since engaged with Ben Simmons and his manager.

The Committee discussed the Company's performance since the recent media allegations made by Nine and it was noted that Crown Perth had experienced a small drop in patron hours in local VIP, two Crown Sydney residence sales had fallen through and a large room booking across Crown Melbourne and Crown Perth had been cancelled.

The Committee requested that management undertake a review of the possible impacts to the VIP business having regard to the recent media allegations and any possible impacts on junket operations and junket operators.

It was **RESOLVED** that the Report Against Material Risks be noted.

#### ***Emerging Risks***

The Emerging Risks paper was taken as read and it was noted that no new risks had been identified.

#### ***VIP International Operations Update***

The VIP International Operations Update paper was taken as read.

Josh Preston advised the Committee that the Company had taken updated risk advices from its external expert which did not indicate



any increase in risk. The external expert will however immediately escalate any relevant issues should they arise for Crown to consider. Mr Preston noted that he was still waiting on updated advice from the Australian High Commissions in Malaysia and Singapore, noting that the Committee would be advised of any material changes.

Having regard to the above, and subject to the risk assessments and resulting risk ratings remaining the same, it was **RESOLVED** that operations continue in accordance with the Malaysian and Singaporean VIP Operating Models.

**Compliance Matters:**

***Compliance Report***

The Compliance Report was taken as read.

It was **RESOLVED** that the Compliance Report be noted.

***ILGA Notices – Private and Confidential***

The paper with respect to this item was taken as read.

Mary Manos advised the Committee that an update would be provided to the full Board at its next meeting.

**Insurance Matters:**

***Insurance Broker***

The Insurance Broker paper was taken as read.

Having regard to the information set out in the paper with respect to this item, it was **RESOLVED** that:

- that was in the best interests of the Company to enter into a new Broking Agreement with Jardine Lloyd Thompson Pty Ltd / Marsh for a three year period ending on 30 June 2022; and
- the company secretary be authorised to approve the terms of the Broking Agreement on behalf of the Company for execution by the Company.

***Cyber Insurance***

The Committee noted that the Company had purchased a Chubb \$10M cyber insurance cover for a cover period to 30 November 2020.

**Other Business:**

***Executed Contracts Register:***

It was noted that, from 1 June 2019 to 31 July 2019, no contracts had been executed with a value of between \$5 million to \$10 million.

***Directors' Statutory Report – Risk Disclosure – Privileged and Confidential:***

The paper with respect to this item was taken as read.

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***Future Meetings:***

The future meeting dates were noted.

**Closure:**

There being no further business, the meeting was declared closed at 10.29am.

Signed

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Jane Halton  
Chairperson



## Risk Management Committee

Circulating Resolution made in accordance with the Committee's Charter

We, being all the Members of the Risk Management Committee (the **Committee**) at the date of this circulating resolution, entitled to receive notice of a Committee meeting and to vote on the resolutions contained in this circulating resolution, by assenting to this document each state that we are in favour of the resolutions set out in this document.

The resolutions are passed by the Members without a Committee meeting on the date and at the time when the last Member assents to the resolutions. Separate copies of this document may be used for signing by any one or more of the Members.

### D&O Insurance

The Members acknowledge having received a memorandum dated 20 November 2019 entitled *Insurance Renewal Update – D&O Insurance* setting out the D&O insurance renewal options for the 2019-20 insurance renewal period.

Having regard to the Memorandum, it is **RESOLVED** that the Committee recommend to the Board that the Company obtain the D&O insurance cover presented as Option 1 in the Memorandum on terms largely consistent with those presented.

.....  
Jane Halton  
Date:

.....  
Andrew Demetriou  
Date:

.....  
Toni Korsanos  
Date:



**AGENDA ITEM 2:**  
Matters Arising



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Mary Manos  
**Date:** 29 November 2019  
**Subject:** **Matters Arising**

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Dear Committee Members

At the August Committee meeting, the Committee requested that management undertake a review of the possible impacts to the VIP business having regard to the recent media allegations and any possible impacts on junket operations and junket operators. This matter is currently under consideration by management and will be presented to the Risk Management Committee and/or the Crown Resorts Board in due course.

The Crown Resorts Board has also referred the following matters to the Committee for oversight:

1. Cladding at Crown Metropol Melbourne – an update on this matter is included at Agenda Item 3;
2. Instrument and Payroll Compliance Review – a legally privileged and confidential update on this matter is included at Agenda Item 4; and
3. Crown Perth initiatives (including the introduction of Tap n Go capability) – an update on this matter will be presented to the Committee at a future meeting, prior to launch.

Kind regards

Mary Manos  
**General Counsel and Company Secretary**



**AGENDA ITEM 3:**  
Cladding



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Craig Morris and Jeremy Sampson  
**Date:** 29 November 2019  
**Subject:** Cladding

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Dear Committee Members

As the Committee is aware, a show cause notice from the Melbourne City Council (MCC) was received in relation to combustibile cladding on the Crown Metropol Melbourne Hotel.

The Crown Resorts Board and Occupational Health & Safety Committee referred oversight of the matter to this Committee.

An update on the cladding at Crown Melbourne and Crown Perth is set out below. Also attached for the Committee's reference is a presentation for discussion at the meeting.

#### **Crown Melbourne**

##### *Metropol*

As previously reported to the full Board in the last CEO's Report, Crown Melbourne received a show cause notice from MCC relating to combustibile cladding on the Metropol Hotel (dated 11 April 2019). Crown submitted a report by fire engineers, DNT Engineering Services, to the MCC on 12 September 2019. The report proposes rectification works to remove the cladding in high risk locations, whilst cladding in low risk areas will remain. The estimated cost of the proposed works is in the vicinity of \$3m, however should the MCC reject Crown's proposal and require all of the cladding to be removed and replaced, the estimated cost is approximately \$5m. As yet, Crown has not received a response to its submission and therefore do not have any indication of required timing of rectification works.

A copy of the DNT Engineering Services report can be made available to the Committee upon request.

##### *Promenade*

It is expected that similar show cause notices will be received with respect to the Promenade Hotel and the Main Complex Podium. Crown has undertaken sample testing of Promenade cladding to determine compliance and has identified some sections of non-compliant cladding. In anticipation

of Crown being issued with show cause notice for Promenade Hotel we have appointed DNT Engineering Services to prescribe a fire engineered solution for the sections of non-compliant cladding taking into consideration the risk associated with likelihood and consequence. We received a draft report on 15 November 2019 which covers a mix of fire engineering recommendations to remove potential sources of fire ignition as well as replacing the first five levels of non-compliant cladding on the West face of Crown Promenade. We are currently reviewing this report while we await the pending show cause notice. It is too early to estimate cost of any remedial action pending a full review of the report and advice from fire engineers.

#### *Main Podium*

With the Main Complex Podium, Crown has engaged a façade company (Inhabit) to undertake core sampling and combustibility testing of all cladding material around the main podium. The main podium includes a large variety of cladding materials from the original installation in 1997 to the more recent riverfront and east end upgrades. It is anticipated that over 50 sample points will need to be included so the process could take up to 10 weeks to complete.

#### *Crown Towers*

Previous inspections of Crown Towers have identified cladding to be solid aluminium and whilst Crown is confident that Towers does not present an issue, we will complete similar core sampling of Crown Towers whilst completing the main podium works.

Once a full picture of the cladding issue throughout Crown Melbourne is known, a work plan including timing and capital funding required will be presented to the Board.

#### **Crown Perth**

With respect to Crown Perth, an audit was conducted by the Western Australian Department of Mining, Industry Regulation and Safety finding that Crown Perth was deemed to be “low risk” with no further action required.



## ACP (Aluminium Composite Panel) Cladding History



- 2014 November – Lacrosse Building Cladding Fire.
- 2016 May – City of Melbourne (CofM) inspected Metropol. Advised Low Risk.
- 2017 July – Victorian Cladding Taskforce created.
- 2017 August – AIG insurance review. Favourable risk assessment.
- 2019 February – Neo200 Building Cladding Fire.
- 2019 March – CofM Taskforce inspected Crown Melbourne complex.
- **2019 April – CofM issued Building Notice (Show Cause) to Metropol.**
  - As of July 2019, over 1000 Building Orders or Show Cause Building Notices have been issued in Victoria.
- 2019 September – Crown submitted a Fire Engineering Solution to retain partial cladding on Metropol.
  - It should be noted that the root causes of the Lacrosse and Neo200 buildings are apartment balconies with ignition sources (barbeques, air conditioners, storage, etc.)

## Metropol



- The City of Melbourne issued a Building Notice on 11 April 2019 to show cause why combustible cladding should not be removed.
- The key focus was cladding installed directly over egress points in the event of a fire.
- Crown's initial response which included ignition source removal and additional fire protection measures was rejected.
- We then engaged DNT Engineering to recommend a Fire Engineering Solution to address the City of Melbourne's concerns.
- This solution includes partial replacement of combustible cladding at low levels of the building. These works are estimated at circa \$3m. If rejected, the total replacement cost would reach circa \$5m.
- Crown provided this Fire Engineering Solution to the City of Melbourne on 12 Sept 2019.
- We are still waiting on a response, but have been verbally advised that the City is generally happy with the proposed approach.

# Metropol



Driveway under link bridge



Clarendon Street Tenancy & restaurant



Soffit over hotel egress doors

# Existing installation



## Promenade

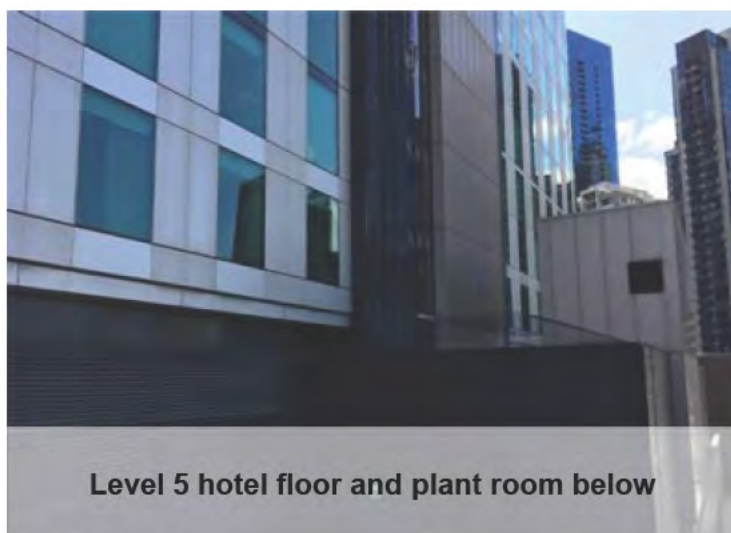


- The City of Melbourne (CofM) inspected Promenade Hotel in March 2019.
- CofM has not yet been issued a Building Notice (show cause notice) to Promenade.
- In preparation for receipt of a Building Notice, Crown proactively completed an assessment of the combustibility rating for all installed cladding types.
- We then engaged DNT Engineering to recommend a Fire Engineering Solution. The recommendation provided entails cladding replacement up to level 5, and installation of a fire resistant canopy to prevent fire spread to the upper levels in the unlikely event of a fire below level 5.
- This solution takes into account the lack of balconies and ignition sources on the upper levels. It also considers that the building is fully sprinkled, therefore reducing the risk of internal fires spreading to the exterior façade.
- Crown has been verbally advised that a Building Notice for Promenade Hotel will be issued sometime in the future.

# Promenade



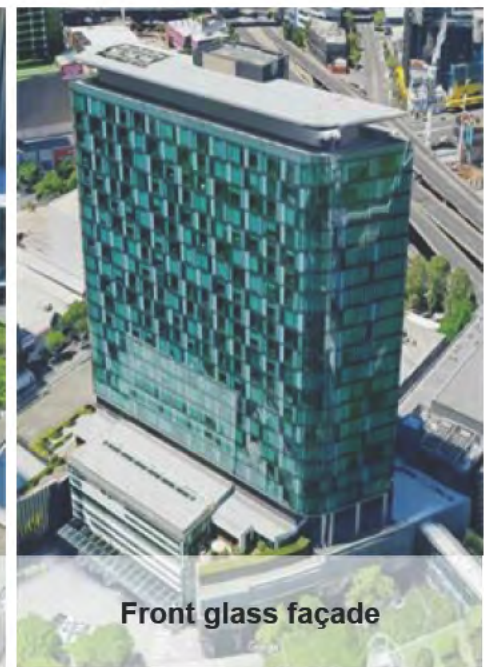
West side of the Hotel façade



Level 5 hotel floor and plant room below



Rear cladding



Front glass façade

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## Main Podium



- Crown engaged Inhabit façade consultants to complete a cladding assessment of the Podium structure including Crown Towers.
- This includes cutting core samples at approximately 50 locations for laboratory testing. We expect the report to be complete in early February.



## References



- Building Notice BUI-2019-520 – City of Melbourne 11 April 2019
- Metropol Cladding Assessment RPT-RD01 – Inhabit Group 23 July 2019
- Metropol Fire Engineering Report – DNT Engineering 1 Sept 2019
- Promenade Cladding Assessment RPT-RD01 – Inhabit Group 16 Sept 2019
- Promenade Fire Engineering Draft Report – DNT Engineering 15 Nov 2019





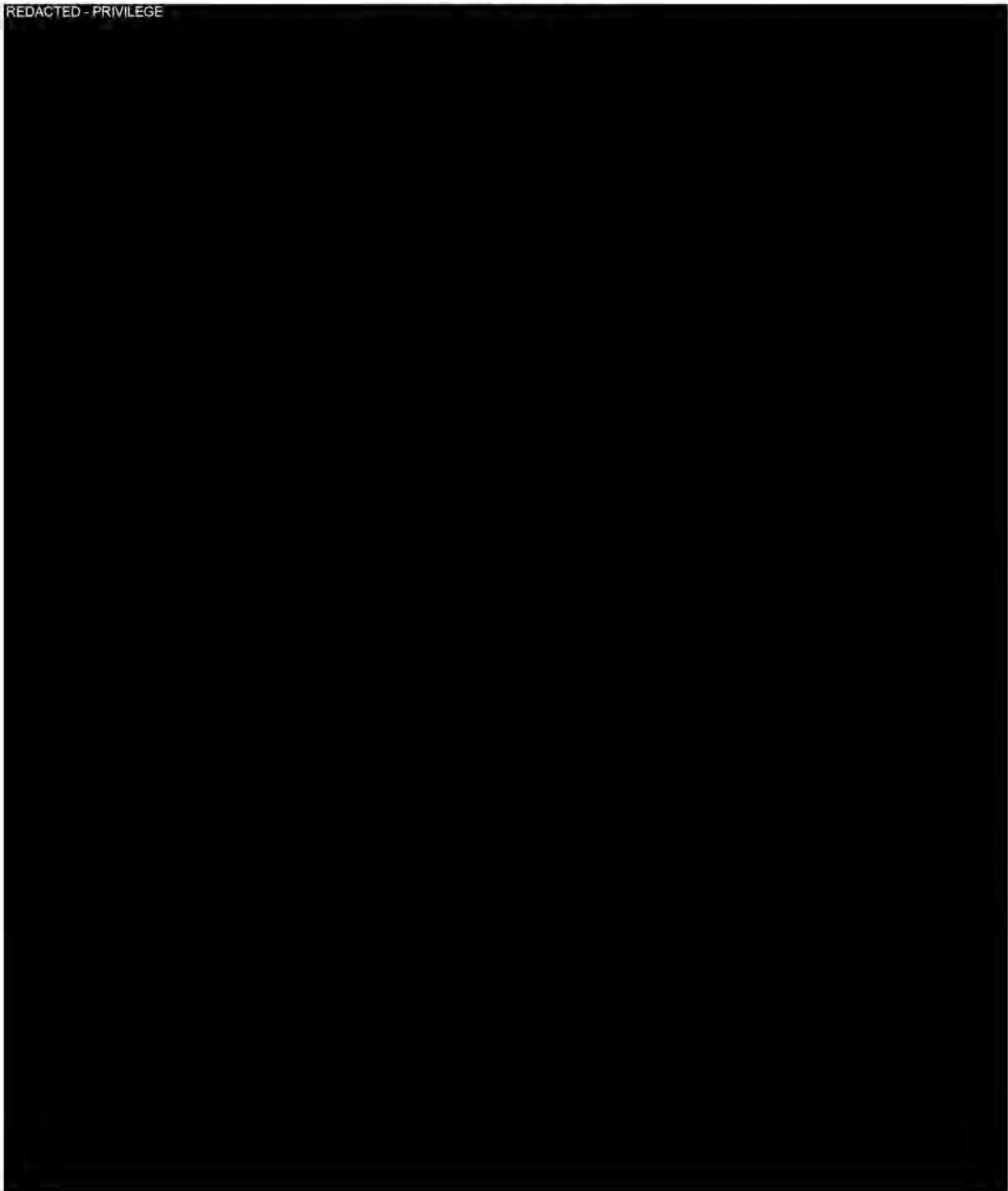
**AGENDA ITEM 4:**  
Instrument and Payroll Compliance Review



## Risk Management Committee

### Memorandum

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**AGENDA ITEM 5:**  
Risk Reporting



## Crown Resorts Limited

Material Risk Update: 04 December 2019

This Material Risk Update reports on the 'critical' and selected 'high' risks in the updated Crown Resorts risk profile (depicted as "material risks" in the Crown Resorts Risk Map set out on page 5 of this report).

### Executive Summary

Since the last report in August 2019, a number of internal and external events have materialised which have the potential to impact the overall risk profile of the organisation, and particularly its material risk exposures.

The key events that have taken place over the period include:

- The second tranche of the proposed acquisition by Melco Resorts & Entertainment Limited (Melco) of part of CPH Crown Holdings Pty Limited's shares in Crown is on hold pending NSW regulatory review and approval. This review will be undertaken as part of the ILGA inquiry.
- CBA has provided formal notice that it will be closing the SouthBank Investment and Riverbank Investment accounts.
- Trading conditions continue to present some challenges, particularly in the area of VIP operations, where at present the forecast is \$10M below budget. Local economic conditions in WA continue to be challenging with certain indicators continuing to show a downward trend.
- In Perth, negotiations with United Voice for a new Enterprise Agreement have now been finalised and an in-principle agreement was reached on 12 November 2019, which needs to be put to a vote of eligible employees. The current agreement expired on 30 September 2019. As part of its bargaining strategy, United Voice engaged in Protected Industrial Action taking place from the Melbourne Cup Weekend (starting Saturday 2 November at 00:01). All affected departments enacted their business continuity plans. Impacts to operations were minimal and only a minority of staff (ie approximately 16%) engaged in industrial action.
- In Melbourne, the main CML United Voice EA 2016 and the CML Property Services and Technicians EA 2015, which nominally expired on 1 July 2019 and 30 June 2019 respectively, are currently under negotiation. Following a protected action ballot authorising certain actions to be taken in relation to the new main EA, Crown was notified of the intention to hold 2 hour stoppages on 1 November 2019 and 2 November 2019 (the Melbourne Cup weekend). These actions were however cancelled following a settlement for the new agreement being reached on 1 November 2019. A wage settlement for the proposed new Property Services agreement has also been endorsed by the unions; discussions with the non-union bargaining representatives are continuing. Protected action ballots have authorised certain actions to be taken by the union represented employees for that agreement, but no action has been notified, and is not expected to be taken at this stage.
- Following the merger of United Voice and the National Union of Workers to become the United Workers' Union, union representation has moved from the former state branches arrangements to nationally coordinated industry representation. This could have implications for our future relationship management and the conduct of agreement negotiations going forward.

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- On 19 September 2019, the *Currency (Restrictions on the Use of Cash) Bill* was introduced into Parliament and, based on the Explanatory Memorandum, it is expected that exemptions will be created for certain payments that are subject to reporting obligations under the AML/CTF Act (including for designated services within the casino) within the rules made by the Treasurer and it is expected that casinos will be exempt from the scope of the cash payment limit.
- As a result of the media allegations made against Crown, various investigations and inquiries have commenced involving VCGLR, VCGLR Inspectorate, ILGA and ACLEI. Whilst not technically related to the allegations, AUSTRAC has also commenced an assessment on Crown Melbourne's AML/CTF program (see below).
- Mr Wilkie has made fresh allegations of corruption between the Victorian Police, the VCGLR and Crown, which have been sent to IBAC for investigation, additional allegations have been aired from alleged whistleblowers (VCGLR inspectors and a Crown limousine driver) alleging money laundering, drugs, sexual abuse and violence against women. No further action for Crown has resulted from these allegations at this time.
- As reported previously, the Gaming & Wagering Commission has granted Crown Perth full approval for patrons to use EFTPOS to purchase chips and tickets at locations within the casino. Prior to launch, this will be presented in further detail to the Committee.
- The VCGLR's s 25 Report contains 20 Recommendations, which Crown has accepted and is currently working through internally and is engaging with the VCGLR on. To date, 15 of the 20 Recommendations have been responded to by Crown, with the other 5 not yet due. A tentative meeting date has been scheduled with the VCGLR in respect of Recommendation 20.
- The issues with Dinner by Heston Blumenthal are still pending and discussions between the parties continue. The outstanding debt is now sitting at \$3.9M plus \$750k in working capital loan.
- Crown has responded to a s 167 request from AUSTRAC in relation to its industry wide review of Junkets.
- Crown has received two s 167 Notices from AUSTRAC as part of an Assessment of its AML/CTF Program with a specific focus on High Risk and PEP patrons.
- The VCGLR has referred to the Commission, for consideration, its investigation into an electronic gaming machine which the VCGLR alleges was operating in 'Unrestricted Mode', without Your Play functionality activated.
- As a result of media allegations made against Crown, the VCGLR wrote to Crown Melbourne on 23 September 2019 providing notice of its intention to continue its investigation into the China Matter as a result of information reported in the media on or around 27 July 2019. The VCGLR noted its intention to obtain information from former Crown staff who were involved in the media reports and the detentions in China.
- Crown Melbourne received a show cause notice from the Melbourne City Council (MCC) relating to combustible cladding on the Metropol Hotel (dated 11 April 2019). A detailed update on this matter is included at Agenda Item 3.
- Crown's share price hit a low of AUD11.15 on 15 August 2019, but has since then steadily increased back to AUD12.70 on 19 November 2019, an increase of 14%. During that period, the ASX 200 increased only by 5%. Crown's recovery is the rebalancing from the decrease in the previous period resulting from the July media activity. Overall, the share price has regained its trajectory from the beginning of the calendar year.

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#### Proposed Adjustments to Risk Profile

Following the EA negotiations, new agreements are now awaiting voting at each property, and therefore the risk of industrial action (#21) has reduced to **unlikely**. At this stage, none of the other events have triggered a proposed change to the risk profile.

Below is a table summarising trends for each material risk.

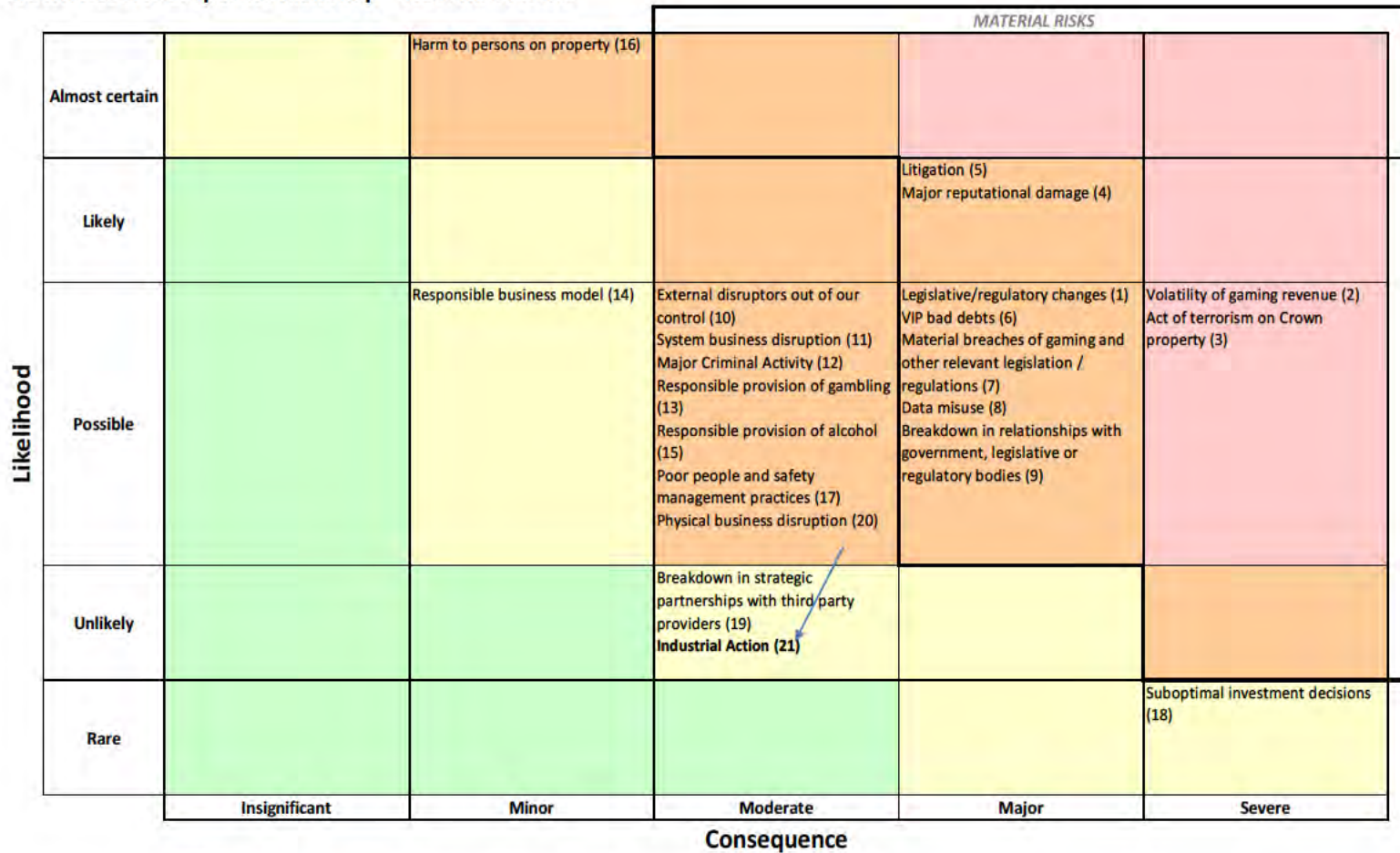
MATERIAL RISKS	CURRENT TREND
1. Legislative / Regulatory Changes	<i>Improved</i> 
2. Volatility of Premium Gaming	<i>Unchanged</i> 
3. Act of Terrorism on Property	<i>Unchanged</i> 
4. Major Reputational Damage	<i>Unchanged</i> 
5. Litigation	<i>Unchanged</i> 
6. VIP Bad Debts	<i>Unchanged</i> 
7. Material Breaches of Gaming and other Relevant Legislation/Regulations	<i>Unchanged</i> 
8. Data Misuse	<i>Improved</i> 
9. Breakdown in relationships with key government, legislative or regulatory bodies	<i>Unchanged</i> 

## Risk Appetite Dashboard

Category	Quantitative Metrics – RMC Reporting Triggers		New Reportable Events	Ref
<b>Financial</b>	Outside normal trading EBITDA losses (per event), and/or adverse to the current (normalised) forecast	>\$10M	Yes	<i>Page 1: Melbourne VIP</i>
<b>Brand / Reputation</b>	Internal event creating a sustained share price loss	>5%	No	
	Sustained negative national or international media coverage	Any event	Yes	<i>Page 1: 60 Minutes</i>
<b>Regulatory/ Legal</b>	Significant breaches that may have a financial or reputational impact	Any event	No	
	Material legal action or class action	Any event	No	
	Significant breach or event that has the potential to damage the relationship	Any event	No	
	Material RSG issues including adverse media	Any event	No	
<b>People</b>	Integrity of liquor licences	Any loss of licence and/or points	No	
	Significant notifiable incidents under the Workplace Health and Safety Act	Any event	No	
	Sustained staff turnover and/or unplanned absences above average	Any event	No	
	Loss or potential loss of key management personnel	Any event	No	
<b>Customer/ Patrons</b>	Imminent industrial action	Any event	Yes	<i>Page 1: EA Negotiations</i>
	Negative event affecting segment of patrons (e.g. VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M revenue	No	
<b>Infrastructure</b>	Security incident that threatens people or property	Any event	No	
	Loss of other core IT infrastructure or multiple key systems	>24hrs	No	
	External or internal security breaches resulting in unauthorised access to, or loss of, customer data likely to result in serious harm	Any event	No	
	Loss of critical physical infrastructure	>24hrs	No	
	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs	No	
	Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B > 24hrs	No	
<b>Strategy / Business Sustainability</b>	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event	No	
	Key strategic project delayed by 12 months or more	Any event	No	
	Change in ownership share of related or third party entity	Any Event	No	



Crown Resorts Corporate Risk Map – November 2019



5.1

Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU

## 1. LEGISLATIVE / REGULATORY CHANGES

*Changes to legislation, regulation or Government policy covering the conduct of, and access to, gaming or broader operational and compliance processes in any jurisdiction in which Crown operates*

*Examples of changes include, but are not limited to:*

- *Increases in tax or additional levies and taxes*
- *Changes to restrictions (where applicable) on the number, type, speed and location of gaming machines*
- *Changes to mandatory minimum "return to player" on gaming machines*
- *Changes to approved table games and approved rules of the games (where applicable)*
- *Changes to restrictions on advertising and marketing, including online advertising (where applicable)*
- *Changes in laws or changes in interpretation of laws dealing with promotion of gambling in foreign countries*
- *Visa restrictions (where applicable)*
- *Changes to online wagering regulations, affecting product offering (including exchange betting)*
- *Changes to pre-commitment system*
- *Changes to smoking exemptions*

### CROWN MELBOURNE

#### Black Economy Taskforce - \$10,000 cash transaction limit (and CROWN PERTH)

TREND: Improved 

On 24 October 2019, the *Currency (Restrictions on the Use of Cash) Bill 2019* passed the House of Representatives. The Bill has now been introduced to the Senate.

The Senate had previously referred the provisions of the Bill to the Economics Legislation Committee for inquiry and report by 7 February 2020. Submissions to the Committee closed on 15 November 2019.

On 25 October 2019, the Federal Government released the draft Rules. The Rules specify the types of transactions that are exempt from the cash payment limit. As expected, an exemption was included for payments that must be reported by an entity under AML/CTF legislation. As a result, it is currently proposed that casinos are exempt from the scope of the cash payment limit.


#### **POTENTIAL IMPACT TO CROWN:**

The gaming regulations in Victoria only allow the Casino to accept cash/cheques/direct transfer as a form of payment for gambling by patrons. Debit and credit card use in connection with gambling is prohibited. It is common for Junkets and VIP/premium players (as well as casual customers on occasion) at times to bring materially larger amounts of cash to play at Crown. Should the exemption not be provided, this will no longer be possible.

#### **CURRENT ACTION PLAN:**

Continue engagement with Government and regulators to reach an acceptable position.

#### Anti-Money Laundering / Counter-Terrorism Financing (AML / CTF) (and CROWN PERTH)


TREND: Unchanged 

The Financial Action Task Force (FATF) should visit Australia at the end of Q1, beginning of Q2 FY20 to complete an assessment of Australia's compliance with international AML standards. We should expect that FATF's review will have flow on effects.

Crown has responded to all of AUSTRAC's s 167 requests for information regarding AUSTRAC's casino industry wide Risk Assessment of junkets.

Crown has also received s 167 Notices regarding an assessment of its AML/CTF Program, with a focus on High Risk Customers and PEPs.

#### Section 25 Licence and Operator Review

TREND: Unchanged 



Crown is working with the VCGLR to address each of the 20 Recommendations. Fifteen Recommendations have been responded to by Crown within the agreed timelines. We are providing additional information where requested and awaiting the VCGLR's feedback to Crown's responses. A tentative meeting date has been scheduled with the VCGLR in respect of Recommendation 20.




#### **POTENTIAL IMPACT TO CROWN:**

Reputational damage and media coverage of any new issues arising from the resolution of the matters.

#### **CURRENT ACTION PLAN:**

Crown is working through the Recommendations internally and engaging with the VCGLR on the progress of the Recommendations.

CROWN PERTH	
<p><b><u>Trackside and TAB Sale</u></b></p> <p>The <i>TAB (Disposal) Bill 2019</i> (TAB Bill) enabling the sale of the TAB passed State Parliament on 4 September 2019. As a result, the Government will now proceed with plans to select a private company to operate the TAB and has formally commenced the sale process through the release of an Expression of Interest to the market.</p> <p>As part of the TAB sale, the following relevant conditions were secured in respect of Trackside being permitted outside of Crown Perth:</p> <ul style="list-style-type: none"> <li>• the new private operator is required to pay Crown Perth \$1.2 million on completion of the sale;</li> <li>• operating conditions will be imposed, including restricting the offering to simulated thoroughbred, harness and greyhound racing only;</li> <li>• any online offering of Trackside is to be prohibited; and</li> <li>• the hours of operation and game frequency will be regulated to ensure that Crown Perth is not disadvantaged.</li> </ul> <p>It is expected that the new wagering operator will be appointed by mid-2020.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b></p> <p>Although Trackside is not a material component of gambling revenue for Crown Perth, this will be the first instance of gambling of this nature to be offered outside of the Crown Perth casino. Therefore it is not known what the exact impact of this change on Crown Perth's gambling revenue and also, more generally on the discretionary spending patterns of customers will be.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>Crown Perth will continue to monitor the sale of TAB and ultimate impact of Trackside being permitted outside of the casino.</p>	<p><b>TREND: Unchanged</b> </p>
CROWN ASPINALLS	
<p><b><u>Licence Conditions and Codes of Practice (Alternate Dispute Resolution Services)</u></b></p> <p>On 31 October 2019, new rules attached to the Licence Conditions and Codes of Practice (LCCP) came into force to raise standards for alternative dispute resolution (ADR), strengthen requirements on how licensees identify and interact with customers who may be at risk of or experiencing gambling harms, and improve the transparency of funding for research, prevention and treatment.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b></p> <p>Crown Aspinalls is required to have in place an effective governance framework. If Crown Aspinalls is found to be in breach of the LCCP, the Gambling Commission may impose conditions on the casino operator licence and/or a financial penalty.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>Crown Aspinalls has implemented a new customer interaction platform (including further transaction monitoring developments) to aid in capturing the Social Responsibility Code's expectations of: identifying at risk customers, interacting with at risk customers, and understanding the effectiveness of the interaction and framework in place. Compliance is also developing Customer Interaction online training on Crown Aspinalls' bespoke Compliance Information and Assessment (CIA) platform. Additionally, Customer Interaction workshops will be held to reiterate these expectations and enhance training delivered by GamCare earlier in the year (Motivating Behavioural Change).</p> <p>With the disbanding of the UK trade association, National Casino Forum (NCF), who was largely responsible for operating the current ADR service, it is intended for Crown Aspinalls to move their ADR service to the Independent Betting Adjudication Service (IBAS). The process of updating all customer communication and information has commenced.</p> <p>A Key Event is also required and will also be submitted to the Gambling Commission to advise of a change of ADR provider once the changes are in place.</p> <p>Crown Aspinalls will continue to monitor and report.</p>	<p><b>TREND: NEW</b> </p>

<p><b>Change in Gaming Duty Regime</b></p> <p>A change in the gaming duty regime came in to effect on 1 October 2019, following a HMRC consultation with the gaming industry that was delivered via the NCF in mid-2018, meaning operators may now change their duty reporting periods as they choose. Further to this, losses in a duty period are now permitted to be carried forward to offset taxable income in future duty periods therefore decreasing the taxable rate and value gaming duty owed.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b></p> <p>This will change the way Crown Aspinalls calculates, reports and settles its gaming duty. HMRC has recently permitted Aspinalls to report an initial 3 month period October to December 2019 and then 6 month periods thereafter to bring these in line with the 30 June financial year end. There is also no longer a requirement to make a payment of account after 3 months therefore benefitting Aspinalls cash flows.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>While the impacts of this change appear wholly positive, Crown Aspinalls will continue to monitor and report.</p>	<p>TREND: <b>NEW</b> </p>
<b>BETFAIR</b>	
<p><b>Implementation of National Consumer Protection Framework for Online Wagering (NCPF) measures</b></p> <p>In late November 2018, the NCPF, which consists of 10 consumer protection measures, was formally announced. The States/Territories have now implemented several of the consumer protection measures, including changes to deposit limit requirements and restrictions on inducements.</p> <p>New requirements in relation to customer activity statements will be implemented by the end of May 2020. Betfair's regulator, the Northern Territory Racing Commission (NTRC), is yet to publish a copy of its draft requirements. Once the draft requirements are published, Betfair (and the other members of Responsible Wagering Australia (RWA)) will consult with the NTRC and provide feedback.</p> <p>Once the new requirements in relation to customer activity statements are finalised, Betfair will need to arrange for the necessary changes to be made to its desktop and mobile websites. This will involve the signing of a 'Statement of Work' with Paddy Power Betfair Plc (PPB). This could be an expensive exercise, and Betfair will need to ensure that the work: (a) is completed by the deadline; and (b) meets the new regulatory requirements.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b></p> <p>Should Betfair fail to comply with the new requirements in relation to customer activity statements, this could lead to fines and potentially licence suspension/cancellation. In addition, a failure to comply could result in negative publicity for Betfair and Crown.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>Betfair has already given its views to the NTRC on what the new activity statement requirements should be, and how they should be structured. As soon as the draft requirements are published, Betfair will consult with the NTRC and provide further feedback. Betfair has indicated to PPB that development work will need to be completed by the end of May 2020.</p>	<p>TREND: <b>Unchanged</b> </p>
<p><b>Point of Consumption (POC) Taxes</b></p> <p>Betfair has customers in Australia and New Zealand. As previously reported, POC Taxes, based on revenue, have been introduced in South Australia (15%), Victoria (8%), NSW (10%), A.C.T. (15%), Western Australia (15%) and Queensland (15%).</p> <p>It is noted that:</p> <ul style="list-style-type: none"> <li>- the Tasmanian Government is now introducing a POC Tax. The commencement date for this new tax is 1 January 2020, and the applicable tax rate is 15% of revenue; and</li> <li>- in late June 2019, the <i>Racing Reform Bill (NZ)</i> was passed, which seeks to implement a New Zealand POC Tax regime. <span style="background-color: black; color: white; padding: 2px;">REDACTED - PRIVILEGE</span></li> </ul> <p><b>POTENTIAL IMPACT TO CROWN:</b></p> <p>POC Taxes have a significant financial impact on Betfair.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>With respect to Tasmanian based customers, Betfair is in the process of implementing a pricing change. On and from 1 January 2020, the discount rate that can be accessed by a Tasmanian customer will be capped at 40% (rather than 60%). Betfair has already adopted a similar approach in relation to South Australian, A.C.T., Western Australian and Queensland customers.</p> <p><span style="background-color: black; color: white; padding: 2px;">REDACTED - PRIVILEGE</span> In addition, we will be lodging a detailed written submission with the relevant New Zealand Government Department.</p>	<p>TREND: <b>Unchanged</b> </p>

## 2. VOLATILITY OF PREMIUM GAMING

*Sustained unfavourable variations from theoretical win rates applicable to the gaming business (local and international). Whilst short term fluctuations are expected to occur, due to 'luck', reporting of theoretical over actual has normalised results over time. Sustained deviations, particularly negative, challenges the financial reporting model and the ongoing performance of the business.*

### AUSTRALIAN BUSINESSES

#### Premium Gaming Volumes

TREND: *Unchanged*

As previously reported, Premium Gaming volumes must be maintained to mitigate the risk of prolonged negative deviations from theoretical win rates. Overall turnover is lower than the same period last year.

Turnover in other jurisdictions has also been impacted. Morgan Stanley has revised down its 2020 Macau forecasts, due mainly to weak VIP results in the third quarter of 2019. VIP revenue in 19Q3 was down 26% year-on-year, with 19Q4 expected to see a 17% reduction in growth.

Crown's year on year turnover volumes and win rates are recorded as follows:

CROWN MELBOURNE	December 2017	June 2018	December 2018	June 2019	October 2019
YTD International and Interstate Turnover (\$b)	19.5	43.8	15.4	32.7	6.6 (Budget 11.7)
Win Rate (%)	1.21	1.29	0.99	1.39	2.61 (Budget 1.40)

CROWN PERTH	December 2017	June 2018	December 2018	June 2019	October 2019
YTD International and Interstate Turnover (\$b)	3.2	7.6	2.5	5.3	1.7 (Budget 1.7)
Win Rate (%)	1.91	1.32	2.16	1.58	1.13 (Budget 1.40)

#### POTENTIAL IMPACT TO CROWN:

Increased deviation between theoretical and actual win rates has the potential to impact overall business performance. Turnover for Melbourne is 44% under budget (or \$5.1b), and \$6.6b under the same prior period, but win rate is materially over budget and more than 3 time higher than the same prior period (2.61% vs 0.89%). Forecast for VIP revenue at this stage is more than \$10M below budget.

Turnover for Perth is nearly at budget and \$230M over the same prior period, with a win rate marginally under budget and more than twice lower than the same prior period (1.13% vs 2.77%).

#### CURRENT ACTION PLAN:

Management is to continue to monitor trends, and action as appropriate.

#### CROWN ASPINALLS

TREND: *Unchanged*

No further development since the August 2019 report.

#### BETFAIR

TREND: -

Not applicable.

#### CROWN RESORTS LIMITED

TREND: -

See above.

3. ACT OF TERRORISM ON PROPERTY	
<i>The calculated use of violence (or the threat of violence) against employees and / or customers in order to attain goals of a political, religious or ideological nature.</i>	
<b>AUSTRALIAN BUSINESSES</b>	<b>TREND: Unchanged</b> ➡
<p>In Melbourne, Victoria Police Executive Command has advised that the PSO proposal for Crown Melbourne has been raised with the Police Minister by the Chief Commissioner of Police as part of a broader proposal for PSOs and currently rests with her for consideration and decision.</p> <p>The terrorism threat rating as set by ASIO for Australia remains at 'Probable', which is 3 out of 5 possible rating scale.</p> <p>There has been no further development since the last report.</p>	
<b>CROWN ASPINALLS</b>	<b>TREND: Unchanged</b> ➡
No further development since the August 2019 report.	
<b>BETFAIR</b>	<b>TREND: Unchanged</b> ➡
No further development since the August 2019 report.	
<b>CROWN RESORTS LIMITED</b>	<b>TREND: Unchanged</b> ➡
No further development since the August 2019 report.	

4. MAJOR REPUTATIONAL DAMAGE	
<p><i>Negative publicity / image of Crown and/or its affiliate businesses which may adversely impact Crown's reputation and/or performance and potentially jeopardise gaming licences, including:</i></p> <ul style="list-style-type: none"> <li>▪ <i>inappropriate associations</i></li> <li>▪ <i>inappropriate conduct</i></li> <li>▪ <i>breach of confidentiality</i></li> <li>▪ <i>adverse media attention</i></li> </ul>	
CROWN MELBOURNE	
REDACTED - PRIVILEGE	
<b>LEGALLY PRIVILEGED - 60 Minutes Report</b>	TREND: <i>Unchanged</i>
REDACTED - PRIVILEGE	
REDACTED - PRIVILEGE	
CROWN PERTH	
TREND: <i>Unchanged</i>	
No further development since the August 2019 report.	
CROWN ASPINALLS	
TREND: <i>Unchanged</i>	
No further development since the August 2019 report.	
BETFAIR	
TREND: <i>Unchanged</i>	
No further development since the August 2019 report.	
CROWN RESORTS LIMITED	
TREND: <i>Unchanged</i>	
No further development since the August 2019 report.	

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## 5. LITIGATION

*Crown is exposed to potential material litigation by:*

- *Employees*
- *Customers*
- *Regulators*
- *Shareholders including potential class action as a result of not properly correcting the market regarding consensus forecast performance*
- *Other third parties particularly gaming related litigation.*

*To the extent that material litigation is not covered by insurance, an adverse outcome or cost of responding to potential or actual litigation may have an adverse impact on the performance of Crown.*

### AUSTRALIAN BUSINESSES

TREND: **Unchanged** 

Significant legal matters have been reported to the Crown Melbourne and Crown Perth Boards throughout the reporting period via litigation updates in the CEO's Report.

### CROWN ASPINALLS

TREND: **Unchanged** 

Aspinalls' recent debt recovery action against a significant patron was successful (the verdict in Aspinalls' favour was £2.5M plus £260,000 in costs), however the patron has since filed an appeal of the verdict.

### BETFAIR

TREND: **Unchanged** 

No further development since the August 2019 report.

### CROWN RESORTS LIMITED


Significant legal matters REDACTED - PRIVILEGE and the junket GST taxation matter, class action and Crown Sydney sight lines) have been reported to the Crown Resorts Board throughout the reporting period via litigation updates.



## 6. VIP BAD DEBTS

*Crown is exposed to the risk of default by customers across its affiliate businesses, resulting in financial loss.*

### AUSTRALIAN BUSINESSES

TREND: *Unchanged* 

Both Crown Melbourne and Crown Perth have continued to suspend the extension of credit to Chinese domiciled players with credit granted to remaining players on a selected basis only.

The debt positions over the past 24 months for Crown Melbourne is tabled below:

CROWN MELBOURNE	30 Jun 17 \$m	31 Dec 17 \$m	30 Jun 18 \$m	31 Dec 18 \$m	30 Jun 19 \$m	31 Oct 19 \$m
Gross debtors balance (net of safekeeping)	293.0	319.9	272.8	264.8	64.0	51.5
Provision for doubtful debts	(171.6)	(183.1)	(202.0)	(215.0)	(18.9)	(16.6)
Provision as a % of gaming debtors	58.6%	57.2%	74.0%	81.1%	29.5%	32.2%
Net debtors balance	121.4	136.8	70.7	49.8	45.1	35.0

CROWN PERTH	30 Jun 17 \$m	31 Dec 17 \$m	30 Jun 18 \$m	31 Dec 18 \$m	30 Jun 19 \$m	31 Oct 19 \$m
Gross debtors balance (net of safekeeping)	172.9	167.4	160.5	167.9	16.5	24.4
Provision for doubtful debts	(93.2)	(99.5)	(145.0)	(146.8)	(10.4)	(12.7)
Provision as a % of gaming debtors	53.9%	59.4%	90.36%	87.44%	63.03%	51.62%
Net debtors balance	79.7	67.9	15.5	21.1	6.1	11.7


#### POTENTIAL IMPACT TO CROWN

The 30 June 2019 balance was materially updated through the accounting write-off of older bad debt. Variance over the first quarter of F19 is consistent with activity. The main impact to Crown is financial.

#### CURRENT ACTION PLAN

The appetite for credit risk has materially decreased across the Australian Businesses, and measures have been taken to reduce high exposure areas. Challenges with regards to processing of overseas transactions remain an issue.

### CROWN ASPINALLS

TREND: *Unchanged* 

The debt positions over the past 4 years for Crown Aspinalls are tabled below:

CROWN LONDON ASPINALLS - Debtors	30 Jun 16 £m	31 Dec 16 £m	30 Jun 17 £m	31 Dec 17 £m	30 Jun 18 £m	31 Dec 18 £m	30 Jun 19 £m	31 Oct 19 £m
Gross debtors balance (net of safekeeping)^	44	62	59	53	59	61	44	49
Provision for doubtful debts*	(20)	(25)	(27)	(31)	(33)	(34)	(34)	(34)
Provision as a % of gaming debtors	45%	40%	46%	58%	55%	56%	76%	70%
Net debtors balance	24	37	32	22	27	27	10	15

^(after discounts & recoveries) / \*(includes provision & bad debt w/off)

#### POTENTIAL IMPACT TO CROWN:

The UK operating environment is highly regulated compared to Crown's other jurisdictions, particularly in relation to third party money lending and SoF which can restrict acceptance of remitted funds and prohibits the business from engagement of junkets.

#### CURRENT ACTION PLAN:

Crown Aspinalls' un-provided net debt exposure is split to Far East £8m + Non Far East £7m. The debt committee continue to meet bi-monthly to determine the most appropriate course of action towards collecting from debtors and providing for aging debtors where the latest information may indicate an increased risk of non-recoverability. There is ongoing legal action against a number of debtors including Cheung Fa Wu and Lester Hui as the business continues to proactively try to collect outstanding debts.




### BETFAIR


TREND: -





### CROWN RESORTS LIMITED

TREND: -

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7. MATERIAL BREACHES OF GAMING AND OTHER RELEVANT LEGISLATION/REGULATIONS	
<p><i>Crown and its affiliate businesses operate in a highly regulated industry. Systemic and/or serious breaches of regulatory requirements (including gaming, anti-money laundering, liquor, promotion of gaming and liquor, taxation or other regulatory/mandatory reporting requirements) may adversely impact Crown's reputation and performance via the imposition of financial and non-financial penalties including the potential loss of operating licences, prosecution, litigation, and arrest/detention of employees and contractors.</i></p>	
<b>CROWN MELBOURNE</b>	
<b><u>EGM Continuous Play</u></b>	TREND: <i>Unchanged</i> 
<p>The matter was raised by the VCGLR in October 2018 and has recently been referred to the Commission for action.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b> It is possible that the VCGLR may take disciplinary action against Crown under s 62AB.</p> <p><b>CURRENT ACTION PLAN:</b> The matter arose from a wiring fault in one machine. As a result of this issue, a range of audits and reviews of similar machines were undertaken and enhanced checking processes have been implemented.</p>	
<b><u>Bad debt write-off</u></b>	TREND: <i>NEW</i> 
<p>The 30 June 2019 financial accounts included approximately \$200M of accounting bad debt write-offs. The bad debts have been written off from an accounting perspective, not a regulatory one, which means that they remain in the gaming system and should the patrons come back to Crown, we can ask for payments of outstanding debts.</p> <p>In the Q1 GST declaration, a manual error was made and some of the entries were reversed. The VCGLR questioned the declaration and pointed out the error, which was corrected in the ATO declaration in time.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b> It is possible that the VCGLR may take disciplinary action against Crown.</p> <p><b>CURRENT ACTION PLAN:</b> Crown has adjusted the declaration to rectify the error. Crown has also reviewed its processes to ensure an additional layer of oversight is in place.</p>	
<b>CROWN PERTH</b>	
No further development since the August 2019 report.	
<b>CROWN ASPINALLS</b>	TREND: -
No further development since the August 2019 report.	
<b>ASPERS (UK)</b>	TREND: <i>NEW</i> 
<p><b><u>KYC and Social Responsibility Requirements</u></b></p> <p>Aspers has been notified of an alleged breach of its KYC and social responsibility requirements under the LCCPs and UK legislation, and the regulator has written to notify of its intent to investigate the matter. The matter arose in connection with the self-harm of an Aspers' patron.</p> <p><b>POTENTIAL IMPACT TO CROWN:</b> Aspers' gaming license may be under review as a consequence of the Gambling Commission's investigation.</p> <p><b>CURRENT ACTION PLAN:</b> Aspers is cooperating with the regulatory investigation and has reviewed its processes to ensure compliance with requirements.</p>	
<b>BETFAIR</b>	TREND: -
No further development since the August 2019 report.	
<b>CROWN RESORTS LIMITED</b>	TREND: -
No further development since the August 2019 report.	

8. DATA MISUSE	
<p><i>Sensitive information may be leaked or sold to external parties adversely impacting Crown's reputation. In the case of sensitive customer information visitation may be affected, adversely impacting Crown's performance.</i></p> <p><i>Loss of confidential customer or commercially sensitive data is a growing risk as the online businesses expand and the use of 3rd parties and data volume increases.</i></p> <p><i>Unauthorised and inappropriate disclosure of sensitive information can result in adverse reputational, financial and regulatory implications.</i></p>	
<b>CROWN MELBOURNE</b>	TREND: Improved 
<p>Crown has assessed the issue in relation to the 60 Minutes Report, which alleged that the 60 Minutes program, The Age and the SMH (the media) had a large number of Crown documents. The source of the information and the nature of the information was not possible to ascertain, but Crown IT has scanned its infrastructure to ensure it was neither recent nor ongoing. While unconfirmed, the source may have been the former Crown employee who spoke to the 60 Minutes program. Crown determined that this was not a notifiable breach, as assuming the media has some patron details, it is unlikely that they would release or misuse patron information.</p> <p>No new matters since the last report in July 2019.</p>	
<b>CROWN PERTH</b>	TREND: -
There have been no material accidental or intentional leaks of patron or other business sensitive data in the reporting period.	
<b>CROWN ASPINALLS</b>	TREND: -
There have been no material accidental or intentional leaks of patron or other business sensitive data in the reporting period.	
<b>BETFAIR</b>	TREND: -
There have been no material accidental or intentional leaks of patron or other business sensitive data in the reporting period.	
<b>CROWN RESORTS LIMITED</b>	TREND: -
There have been no material accidental or intentional leaks of patron or other business sensitive data in the reporting period.	

9. BREAKDOWN IN RELATIONSHIPS WITH KEY GOVERNMENT, LEGISLATIVE OR REGULATORY BODIES	
<p><i>Crown operates in many jurisdictions, and has to engage with a large number of government, legislative and regulatory bodies. A breakdown in these relationships could lead to targeted reviews, investigations, or actions by these bodies that could materially affect Crown's operations and reputation.</i></p>	
<b>CROWN MELBOURNE</b>	TREND: <b>Unchanged</b> 
<p>Crown Melbourne's key government, legislative and regulatory bodies include the VCGLR, VRGF, AUSTRAC, ATO, and Law Enforcement agencies.</p> <p>Crown's work stream with the VCGLR is considerable taking into account the recommendations from the s25 Review and other matters that the VCGLR is formalising, which is a shift in how such matters have historically been dealt with, which is presenting some challenges internally.</p> <p>Further, Crown is aware that the Auditor General has re-engaged with the VCGLR to measure its progress against the matters identified in its 2017 Report. The Auditor General's Report triggered the significant change in the VCGLR's approach when dealing with Crown.</p> <p>The media allegations have also resulted in significant regulatory oversight and investigation from a range of state and federal agencies.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>Crown continues to focus on engagement with the VCGLR in a positive manner. Crown also remains in close contact with its other key stakeholders to continue to develop and enhance those relationships.</p>	
<b>CROWN PERTH</b>	TREND: <b>Unchanged</b> 
<p>The relationship with the WA gaming regulator remains constructive and healthy.</p> <p>We understand that the WA regulator, along with all other state based gaming regulators, are considering the recent media activity and discussing a relevant regulatory response.</p>	
<b>CROWN SYDNEY</b>	TREND: <b>Unchanged</b> 
<p>Crown is engaging with the NSW Regulator in setting up Crown Sydney. Senior management is significantly involved in setting the foundations for effective engagement.</p> <p>A number of personnel that Crown has been dealing with at L&amp;GNSW have been promoted and moved to other government departments. Crown will commence engagement with their replacements.</p> <p>ILGA's investigation into recent media allegations continues.</p>	
<b>ASPINALLS</b>	TREND: <b>NEW</b> 
<p>The Gambling Commission met with members of the Crown Aspinalls Senior Management team and the money Laundering Reporting Officer (MLRO) on 16 October 2019, to discuss Crown Aspinalls' corporate governance and other matters. The Commission advised that a corporate evaluation may be carried out in the near future.</p> <p><b>CURRENT ACTION PLAN:</b></p> <p>Crown London will continue to monitor and report.</p>	
<b>BETFAIR</b>	TREND: <b>Unchanged</b> 
<p>No further development since the August 2019 report.</p>	
<b>CROWN RESORTS LIMITED</b>	TREND: <b>Improved</b> 
<p>Note that the issues raised under <i>Crown Melbourne</i> have extended to the whole Group. The Full Board has been briefed and consulted in relation to the strategy and response.</p> <p>REDACTED - PRIVILEGE</p>	

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## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Anne Siegers  
**Date:** 29 November 2019  
**Subject:** **Emerging Risks**

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Dear Committee Members

No emerging risks have been identified by Management for consideration by the Committee.

Kind Regards

Anne Siegers  
**Group General Manager – Risk & Audit**



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee

**From:** Mary Manos and Anne Siegers

**Date:** 29 November 2019

**Subject:** **ASIC Corporate Governance Taskforce: Director and Officer Oversight of Non-financial Risk Report**

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Dear Committee Members

#### **ASIC Corporate Governance Taskforce**

As the Committee is aware, in 2018 ASIC established a Corporate Governance Taskforce (**Taskforce**) for the purpose of undertaking targeted reviews of corporate governance practices in large entities. The three areas of focus were as follows:

- the role of the Board and officers in the oversight of risk;
- executive remuneration structures and whether they are driving the right behaviours and accountabilities of executives; and
- the adequacy of periodic corporate governance disclosures.

As the Committee is aware, in February 2019, Crown was asked to participate in the second of these focus areas. Crown complied with a Notice to Produce requesting extensive information regarding Crown's corporate governance practices in relation to executive remuneration. Members of management and Geoff Dixon also participated in a number of interviews with ASIC.

In October 2019, the Taskforce released its Report on the first focus area, Director and Officer Oversight of Non-financial Risk (the **ASIC Report**). Follow the link below for a copy of the full Report.

<https://download.asic.gov.au/media/5290879/rep631-published-2-10-2019.pdf>

It is anticipated that the Taskforce will be releasing its second report relating to discretion in variable executive remuneration later in the year – being the review in which Crown was involved. ASIC has indicated that it will provide Crown with feedback prior to releasing the report.

#### **Director and Officer Oversight of Non-financial Risk Report**

The ASIC Report was released following the review by the Taskforce of director and officer oversight of non-financial risk in seven financial services companies, including the big four banks. The ASIC Report largely focuses on compliance risk and oversight of internal risk management processes and

although the Taskforce's review was limited to APRA regulated companies, ASIC has expressly stated that its findings apply to all large ASX listed companies.

### **Context of the Review**

As noted above, the review by ASIC focussed on financial services companies which are also governed by APRA. APRA has set a number of regulatory standards that each licensed institution must follow, which mostly originate in the BASEL accords, which were reinforced after the global financial crisis. The limitation of these standards is that they are set with financial risk in mind, to ensure the stability of the financial system.

Financial institutions operate in a unique environment where they rely on some of their customers' deposits to lend back to other customers. This system is highly reliant on trust in the system, and fundamentally, a Bank's balance sheet is a delicate balance that includes a large amount of assets that belong to its customers.

In a financial realm, setting minimum and maximum limits and threshold is relatively easy and black and white, especially when those limits are imposed by a regulator (for example maximum 10% investor loan growth, or minimum capital to risk-weighted assets of 8%).

The non-financial risk realm is more complex to define, and it does not operate with black and white limits and thresholds. What is a maximum limit on reputation or culture?

With this in mind, regulators, professionals and academics alike struggle to clearly articulate practical applications of the principles that they have been implementing in the financial risk area for non-financial risk. In theory, we should be able to clearly articulate and measure a maximum appetite for non-tangible risks, but in practice the challenge remains.

Because of this focus on financial services, a number of the findings, although always important for Crown to consider and learn from, are not as relevant to Crown.

### **ASIC's Key Messages**

There are four key themes / messages in the ASIC Report which ASIC urges all boards to consider in reviewing governance practices and accountability structures. These are set out below:

1. All too often, management was operating outside of Board-approved risk appetites for non-financial risks, particularly compliance risk. Boards need to actively position themselves to hold management accountable to operate within their stated appetites.
2. Monitoring of risk against appetite often did not enable effective communication of the company's risk position. Boards need to take ownership of the form and content of information they are receiving to better inform themselves of the management of material risks.
3. Material information about non-financial risk was often buried in dense, voluminous board packs. It was difficult to identify key non-financial risk issues in information presented to the board. Boards should require reporting from management that has a clear hierarchy and prioritisation of non-financial risks.
4. Companies generally sought to use board risk committees to achieve desired outcomes, but their effectiveness could be improved. Board risk committees should meet more regularly, devote enough time and be actively engaged to oversee material risks in a timely and effective manner.

More generally, the review found that there was an element of ‘form over substance’, and that some boards did not always have the right information to make fully informed decisions. ASIC also observed that companies often had frameworks and structures in place to support board oversight of non-financial risk; however, in practice, deficiencies arose in compliance with, or execution of, these frameworks.

The ASIC Report is divided into three sections: risk appetite statements, information flows and board risk committees. ASIC’s concerns in respect of each of these sections are set out below.

### Risk Appetite Statements

ASIC’s key concern in this section of the ASIC Report is: *How do directors and officers use risk appetite statements to oversee non-financial risk in their companies?*

ASIC Finding	Crown’s Position
<p>Risk appetite and accompanying metrics for non-financial risk were “immature” compared to those for financial risk.</p> <p>Metrics designed to measure risk often failed to provide a representative sample to the board of the level of risk exposure, and did not allow accurate benchmarking to the board’s stated appetite.</p>	<p>Crown does not have a comparison point with financial risk, and with the documented risk appetite being recently developed and adopted, there is room for further maturity and enhanced metrics but at this stage the metrics are allowing all material events to be reported to the board, therefore no material gap has been identified.</p>
<p>Management was operating outside of board-approved risk appetite for non-financial risk, particularly for compliance risk (some for years at a time).</p>	<p>Crown does not measure a maximum appetite limit, but a tolerance threshold; which is more like a minimum. This ‘minimum’ is embedded into the operations through not only the risk appetite, but the financial delegations, which means that Crown management should only operate within that appetite.</p>
<p>Board engagement with the Risk Appetite Statement was not always evident.</p>	<p>At Crown, the Risk Appetite Statement was considered by and discussed at the Risk Management Committee and recommended to the Board for approval, and subsequently approved by the Board (rather than simply receiving or noting it).</p> <p>The full board will continue to approve changes to the Risk Appetite Statement.</p>



### Information Flows

ASIC's key concern in this section of the ASIC Report is: *Are boards getting the right information to enable them to oversee and monitor non-financial risk management?*

ASIC Finding	Crown's Position
<p>Material information about non-financial risk was often buried in dense, voluminous board packs.</p> <p>Boards did not own or control the information flows from management to the board to ensure material information was brought to their attention.</p>	<p>Risk reporting has been reviewed and enhanced over the past 18 months, with input from the Risk Management Committee members.</p> <p>The Crown board has also given direction to management to present more focussed material in board packs. This request is being implemented by management.</p>
<p>Minutes of meeting reviewed were often brief and formulaic and generally lacked sufficient information about topics discussed or key factors in decision making.</p>	<p>Crown's board and committee minutes provide evidence of discussion, particularly in respect of material matters. In addition, matters arising are recorded in minutes and updates provided at the following meeting.</p> <p>Furthermore, in the recent <i>APRA v IOOF</i> case Jagot J said: "... the minutes of a meeting are not required to record everything that was said ... minutes are not expected to be complete transcripts of words spoken at the meeting and nor do they need to record arguments for or against resolutions ... It follows that the absence in the minutes of a detailed record of discussion or consideration about matters before the board does not support the conclusion that such discussion or consideration did not occur."</p>
<p>Informal meetings should be conducted in a manner that avoids asymmetric information between board members.</p>	<p>All board meetings or written resolutions are formal meetings which are recorded in the form of minutes / written resolutions.</p>

### Board Risk Committees (BRC)

ASIC's key concern in this section of the ASIC Report is: *How do directors and officers use risk committees - in practice - to oversee non-financial risk in their companies?*

ASIC Finding	Crown's Position
Reporting of the BRC to the board should be more fulsome. Information flows between board committees and full boards were sometimes informal and ad hoc.	The Crown board is provided with copies of draft minutes of each Risk Management Committee meeting and the Chair is invited to provide a verbal update to the board. In addition, material matters that require board consideration are typically presented in full to the board.
The timing and frequency of BRC meetings was generally modest considering they are the board's 'workhorse' in relation to risk.	The Crown Risk Management Committee meets four times a year, with additional meetings scheduled to respond to any material risk events (eg. terrorism response, brand matters).
Material risk issues were often escalated in an informal and unstructured manner outside regular committee meetings.	Matters which require oversight of the Risk Management Committee are raised with the Committee in a structured and formal manner with all relevant members present / briefed.
There is a trend toward full board attendance at BRC meetings (instead of a subset of board members). However, directors were rarely made formal members of the committee, creating the risk of disenfranchising board members through lost voting rights, and entrenching reduced information flows to the full board.	The Risk Management Committee is attended by committee members and the Executive Chairman, not all the directors of Crown.

### Conclusion

Overall, Crown's governance and risk management frameworks have been developed having regard to international standards.

There is a conscious effort to ensure that form does not overpower substance, and that the Crown board is engaged with both key framework elements (Risk Appetite Statement and the Risk Management Strategy).

The Risk Management Committee oversees risk management practices, with continuous consideration of the risk profile, material risk reports, risk appetite dashboards.

Continuous improvement is expected to occur as Crown's Risk Management Framework continues to develop.



**AGENDA ITEM 6:**  
Compliance Report



## Crown Resorts Limited

### Compliance Report: 4 December 2019

#### COMPLIANCE FRAMEWORK STATUS

There have been no material changes since the last report provided to the Committee in August 2019. It is expected that Annual Compliance Plans and compliance surveys will be settled shortly for the final remaining department.

During the period, the Executive Risk and Compliance Committees of Crown Melbourne and Crown Perth met on the following dates:

	Compliance Committee	Executive Risk and Compliance Committee
Crown Melbourne	19 September 2019 23 October 2019 21 November 2019	13 November 2019
Crown Perth	29 August 2019 17 October 2019	22 November 2019

#### MATERIAL CHANGES IN COMPLIANCE OBLIGATIONS

There were no material changes to compliance obligations during the period, however the VCGLR has provided notice of its intention to audit a Junket Operator every two months in relation to compliance with the relevant internal controls.

#### MATERIAL NON-COMPLIANCES

Non-compliances across Crown's Australian Resorts are reported to the respective Compliance departments and discussed at each property's Compliance Committee as well as the Executive Risk and Compliance Committees.

Material non-compliances, or other material matters, have been reported at Agenda Item 5.1 in the Material Risk Report, in particular within the risk "Material Breaches of Gaming and Other Relevant Legislation/Regulations". Below in this respect are the main high-level items for noting.

#### Crown Melbourne

- REDACTED - PRIVILEGE  
 REDACTED - PRIVILEGE There has been no further development since the previous report.

- The VCGLR served Crown Melbourne with a Notice to answer questions and provide data concerning EGM C8308, which the VCGLR alleges was operating in 'Unrestricted Mode', without Your Play functionality activated. We understand that the VCGLR's report into this matter has now gone to the Commission for its consideration.

#### Crown Perth

- The IGT Advantage System has been upgraded in the recent past to address issues with respect to various jackpot and bonus features. The Department of Local Government Sports and Cultural Industries (**Department**) has requested that Crown Perth provide a further report as to the intended operations of Carded Lucky Rewards, before referring Crown Perth's request to recommence operation of this jackpot to the Commission. IGT has now developed and provided Crown Perth with a software upgrade, which will be tested by an accredited testing facility, before Crown Perth is in a position to seek approval from the Commission to recommence use of this jackpot product.

#### OTHER COMPLIANCE RELATED MATTERS

Other compliance related matters which may result in regulatory intervention or monitoring, include the following:

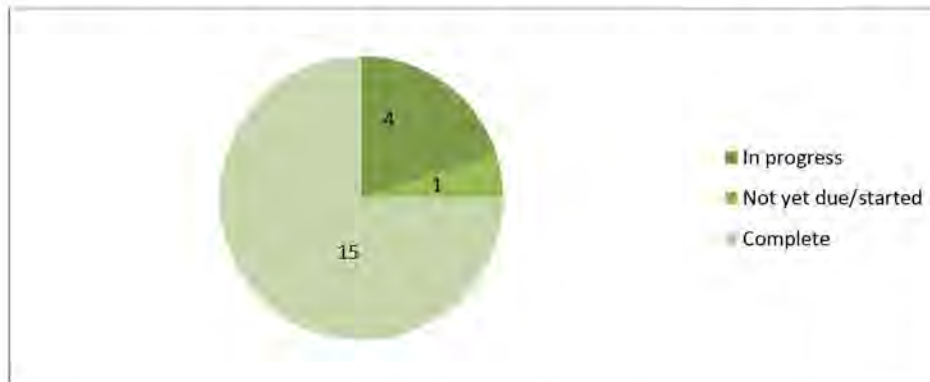
- China matter: Refer Agenda Item 5.1: Material Risk Update.
- Further to Crown's implementation of an enhanced Compliance Framework in Melbourne, as detailed in our comprehensive letter to the Commission of the VCGLR (associated with the Blanking Button matter) the VCGLR has requested copies of minutes, papers and compliance reports in relation to Crown Melbourne's compliance activities and committees. Crown Melbourne was required to make the papers available by the first week of August for the VCGLR to inspect, which was complied with, however, to date the VCGLR has not attended to review the papers.
- Adverse media – Andrew Wilkie has again raised concerns in Parliament regarding the VCGLR and Victoria Police's handling of his complaints regarding the operation of Gaming Machines at Crown Melbourne. He also confirmed that he has lodged a formal complaint with IBAC to have the VCGLR investigated, as he claims (amongst other matters) they have been corrupt in their delays in investigating the matters raised. Mr Wilkie has further made public information from alleged VCGLR Inspectors and a Crown limousine driver related to allegations of money laundering, drugs, sexual abuse and violence against women.
- Adverse media – Channel 9's 60 Minutes Program ran a report on 28 July 2019 concerning Crown's junket operations and the China matter, which has been subsequently reported on by Fairfax Media (predominately the Age and Sydney Morning Herald). As a result of the various allegations raised, there are a number of regulatory actions taking place including an inquiry by ILGA, an investigation by ACLEI, **REDACTED – SECRET INFORMATION** **REDACTED – S** a re-examination of the junket business at Crown Melbourne by the VCGLR, a VCGLR inspectorate audit of junkets and premium player programs in accordance with the internal controls, and an AUSTRAC assessment focussed on high risk patrons and politically exposed persons (although not referenced as specific to the allegations, it is not unrelated). A verbal update in relation to this matter will be provided by Joshua Preston at the meeting.

- Roulette Wheels – Crown Melbourne had Cammegh produced Mercury Roulette Wheels approved for operation 14 years ago and subsequently ordered the wheels. It has recently come to note that Cammegh had supplied Mercury 2 wheels in response to Crown's orders for Mercury Wheels. The VCGLR is aware of the matter and has indicated that it is currently reviewing it.

• REDACTED - PRIVILEGE

#### SECTION 25 RECOMMENDATION STATUS

As previously reported, the VCGLR's Sixth Review of the Casino Operator and Licence had a significant focus on Responsible Gaming and Crown's Risk, Governance and Compliance processes/frameworks. The VCGLR's Report contained 20 Recommendations, which Crown has accepted and is currently working through and is engaging with the VCGLR on. The graph below presents Crown's status with respect to the implementation of the recommendations:



Crown Melbourne continues to work through the Recommendations which require considerable resources and attention. Timelines are tight but Crown has responded to each Recommendation when due. Crown will continue to engage with the VCGLR where deadlines become problematic.

#### REGULATORY REPORTING AND CONTACT

Various matters have been reported as required to the applicable Regulatory Authorities, with no material matters to note.

#### Crown Melbourne

##### Section 167 Notices

##### *(Risk Assessment of Junkets)*

As previously reported, Crown Melbourne and Crown Perth received and responded to formal AUSTRAC s 167 notices requesting detailed information (including funds flow and customer due diligence information) about Junket Operators, Junket Representatives and Junket Players for Junket

Programs. These notices were issued casino industry wide, with AUSTRAC indicating in its notice that its aim is to provide our sector with insights into the potential threats and vulnerabilities we (the casino industry) might face with respect to junkets. Crown received further notices on 15 July 2019 seeking additional information. Crown responded to these notices in accordance with AUSTRAC's deadline and subsequently met with AUSTRAC officers to discuss our junket business. AUSTRAC intends to provide industry with a draft report for comment prior to publication.

*(Compliance Assessment)*

At a meeting with AUSTRAC in August 2019, AUSTRAC advised that it would be postponing the Perth Compliance Assessment until 2020 and will be conducting an Assessment in Melbourne beginning in September 2019. The Melbourne Compliance Assessment was received on 12 September 2019 in the form of a s 167 Notice. The Notice focused on Politically Exposed Persons and High Risk Customers active at Crown Melbourne during FY16 and FY19. Crown Melbourne responded to the Notice on 19 October 2019. As expected, Crown Melbourne received a follow up Notice on 30 October 2019 requesting further information and documents relating to a selection of customers. Crown is currently responding to the notice in accordance with the agreed timeline of 6 December 2019.

*Technical Requirements – Gaming Machines*

Crown Melbourne is currently engaged with the VCGLR on its proposed draft of the Technical Requirements Document for Gaming Machines, which has the potential to also capture Electronic Table Games. Crown Melbourne has also received a draft 'Baseline' document from the VCGLR, which seeks to amend the gaming and related systems that Crown requires approval for. Crown is in discussions with the VCGLR regarding the content of these documents.

**Crown Sydney**

*Liquor and Gaming NSW*

Crown continues to engage with L&GNSW on operational aspects of Crown Sydney. Crown's main liaison points (Natasha Mann and Angus Abadee) have recently left the organisation for promotion elsewhere within government and Crown is engaging with Paul Sariban to continue the project.

**Crown Perth**

*Cashless – Use of EFTPOS*

On 28 May 2019, the Gaming and Wagering Commission of Western Australia (**Commission**) resolved to approve the use of EFTPOS (debit only) for patrons to:

- purchase chips from designated areas within the casino or at a gaming table; and
- purchase tickets at ticket redemption terminals (or similar type facilities) for use on an electronic gaming machine.

Crown Perth continues to finalise a phased implementation plan of the use of EFTPOS (debit only) within the casino. This implementation plan will allow Crown Perth to closely monitor and evaluate the impact on patron behaviour, particularly relating to RSG, together with gaming operations prior to any full implementation of the service.

*Western Australian Appendix to the Australian/New Zealand Gaming Machine National Standards 2016*

On 23 September 2019, the Gaming and Wagering Commission of Western Australia (**Commission**) formally published amendments to the WA Appendix to the Gaming Machine National Standard and the Commission's Policy relating to Electronic Gaming Machines. These changes relevantly allow for:

- a reduction in gaming machine speed from 5 seconds to 3 seconds (subject to features being incorporated within the game); and
- multi-line and multi-directional combinations.

Through October and November, the Commission approved in principle All Aboard – Dynamite Dollars; Rapid Reveal Inca Moon & Rapid Reveal – VIP; Lightning Link & Lightning Cash – Various Game Variations; and Prize Disk – Grand Gorilla).

Machine manufacturers have been advised of these changes, with the first new game expected to be launched in or around December 2019.

The Commission has not, to date, provided support for reducing Return to Player from 90% to 87.5%, which will continue to be progressed between Crown Perth representatives and the Minister's Office.

**Crown Aspinalls**

*Change in Corporate Control*

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**Aspers**

*Gambling Commission Action*

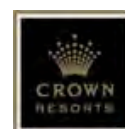
On 4 September 2019, the UK Gambling Commission wrote to Aspers to give notice of a review of its Operating Licence, alleging that activities have been carried out not in accordance with the conditions of the licence and that they suspect that the Licensee may be unsuitable to carry on the licensed activities. The letter follows the suicide of a patron after he consumed a number of complimentary drinks, lost funds and was subsequently removed by police from Aspers' Stratford Casino.

Aspers was required to respond within 14 days of receiving the notice and are being assisted in the Review by Harris Hagan Solicitors.





**AGENDA ITEM 7:**  
Insurance Renewal Update



## Crown Resorts Limited

### Memorandum

**To:** The Board of Directors

**From:** Mary Manos and Anne Siegers

**Date:** 29 November 2019

**Subject:** **2019 Insurance Renewal**

7

Dear Committee Members,

As the Committee is aware, Crown's insurance policies expire on 30 November 2019.

On 20 November 2019, the Committee was provided with an update on the Company's D&O insurance and recommended to the Board that management pursue all available capacity in line with Option 1 presented to the Committee in that paper at the indicative pricing provided by Marsh.

The Board was subsequently provided with an update on the Company's D&O insurance and general lines insurance and authorised management to progress the insurance renewal process in line with the recommendations set out in the Memorandum.

An update on D&O and general lines insurance as at 29 November 2019 is set out below.

At the next meeting of the Committee in February 2020, a summary of each final Group Policy placed for the period 30 November 2019 to 30 November 2020 will be presented for the Committee's review.

#### ***D&O Insurance Renewal***

The overall D&O insurance program capacity will be \$180 million (in line with the below table), with a premium of \$14,239,977 (reduced to \$13,251,605 after the brokerage rebate).

Layer	Limit	Coverage	Insurer	Premium	Coverage Bound
Primary	\$10m	ABC	AIG	\$2,000,000	Bound
1st Excess	\$10m	ABC	Beazley	\$1,600,000	Bound
2nd Excess	\$10m	ABC	AXA XL	\$1,822,500	Bound
3rd Excess	\$10m	ABC	Hiscox	\$1,000,000	Bound
4th Excess	\$15m	ABC	London	\$1,490,016	
5th Excess	\$15m	ABC	London	\$1,169,961	
6th Excess	\$10m	ABC	Liberty	\$650,000	Bound
7th Excess	\$20m	ABC	London	\$1,227,500	
8th Excess	\$5m	ABC	CGU	\$120,000	Bound
9th Excess	\$15m	ABC	London	\$825,000	
10th Excess	\$10m	ABC	London	\$520,000	
11th Excess	\$10m	AB	AXA XL	\$250,000	Bound



Layer	Limit	Coverage	Insurer	Premium	Coverage Bound
12th Excess	\$10m	AB	AWAC	\$220,000	Bound
13th Excess	\$5m	AB	London	\$90,000	
14th Excess	\$5m	AB	QBE	\$75,000	Bound
Side A DIC	\$15m	A	Chubb	\$180,000	Bound
Side A	\$5m	A	AIG	\$1,000,000	Bound

### General Insurance Renewal

In respect of other general lines of insurance, the table below summarises Crown's position on premiums for each general line against last year's program. The level of cover for each line has been maintained.

General Lines	Expiring Premium	Main insurer	Renewal Terms	Main insurer	\$ Variance from Expiring	% Variance from Expiring
Property	\$2,786,074	AIG	\$3,366,786	AIG	\$580,712	20.84%
Property - Risk Engineering Fee	\$50,000	AIG	\$50,000	AIG	\$0	0.00%
Liability	\$446,505	Zurich/	\$491,050	Zurich	\$44,545	9.98%
Motor Vehicle	\$237,576	Zurich	\$212,829	Zurich	-\$24,747	-10.42%
Accident & Health	\$134,209	Zurich	\$139,048	Zurich	\$4,839	3.61%
Marine Transit	\$1,225	Chubb	\$1,225	Chubb	\$0	0.00%
Contract Works	\$2,225	CGU	\$9,026	CGU	\$6,801	305.66%
Fine Arts	\$11,500	AXA XL	\$11,500	AXA XL	\$0	0.00%
Property – Capital Club	\$25,139	Zurich	\$27,528	Zurich	\$2,389	9.50%
Property – Betfair	\$28,339	Chubb	\$25,293	Chubb	-\$3,046	-10.75%
Business Pack – Gradi & Guillaume	\$42,471	QBE	\$27,946	QBE	\$14,525	34.20%
PI – Crown College	\$3,265	Vero	\$3,625	Vero	\$360	11.03%
Crime	\$327,500	Chubb	\$343,875		\$16,375	5.00%
<b>TOTAL</b>	<b>\$4,096,028</b>		<b>\$4,709,302</b>		<b>\$613,274</b>	<b>14.97%</b>
Aviation	USD162,471	QBE	USD209,464	AIG	USD46,993	29%



**AGENDA ITEM 8:**  
Other Business



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Mary Manos  
**Date:** 4 December 2019  
**Subject:** ILGA Inquiry

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Dear Committee Members

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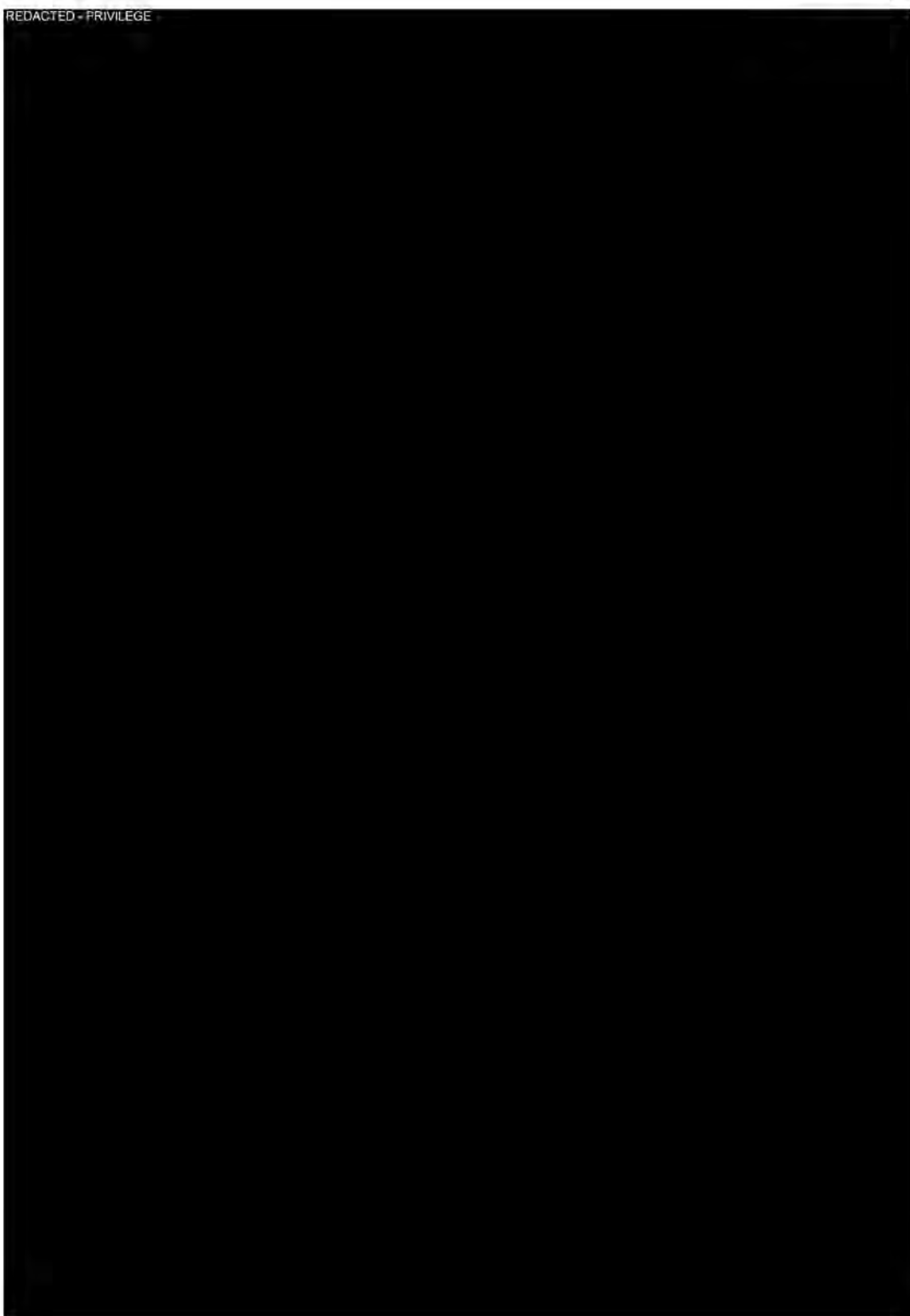
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Kind regards

Mary Manos  
General Counsel and Company Secretary



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## Terms of Reference

### Inquiry by the Honourable Patricia Bergin SC under section 143 of the *Casino Control Act 1992 (NSW)*

\*The Instrument that established the Inquiry and appointed the Honourable Patricia Bergin SC (the **Commissioner**) under section 143 of the *Casino Control Act 1992 (NSW)* was signed by the Chairperson of the Committee and Delegate of the Independent Liquor and Gaming Authority (the **Authority**) on 14 August 2019. The following version of the Terms of Reference has been updated to acknowledge the Commissioner's appointment.

#### Background

1. The Independent Liquor and Gaming Authority (the **Authority**) has functions under the gaming and liquor legislation identified in section 4 of the *Gaming and Liquor Administration Act 2007 (NSW)* (**Gaming Act**). In July 2014, the Authority granted a casino licence relating to the Barangaroo restricted gaming facility to Crown Sydney Gaming Pty Limited (**Licensee**). The Licensee is a wholly owned subsidiary of Crown Resorts Limited (**Crown Resorts**).
2. The Authority is required to have regard to the primary objects of the *Casino Control Act 1992 (NSW)* (**Casino Control Act**) in exercising its functions (section 4A(2) of the *Casino Control Act*). Those primary objects of the *Casino Control Act* are identified in section 4A(1). They are:
  - (a) ensuring that the management and operation of a casino remain free from criminal influence or exploitation;
  - (b) ensuring that gaming in a casino is conducted honestly; and
  - (c) containing and controlling the potential of a casino to cause harm to the public interest and to individuals and families.
3. The Authority has such functions as are necessary or convenient to enable it to achieve its objects under the *Casino Control Act* (section 141(1)). Without limiting its functions, the Authority has the specific function to keep under constant review all matters connected with casinos and the activities of casino operators, persons associated with casino operators, and persons who are in a position to exercise

direct or indirect control over the casino operators or persons associated with casino operators (section 141(2)(c)) of the *Casino Control Act*.

4. Pursuant to section 143 of the *Casino Control Act*, for the purpose of the exercise of its functions under that Act, the Authority may arrange the holding of inquiries in public or in private presided over by a person appointed by the Authority.

### **Appointment**

5. Pursuant to section 143 of the *Casino Control Act* the Honourable Patricia Bergin SC (the **Commissioner**) is appointed by the Authority to preside over an inquiry into the following matters.

#### **Part A - Melco Changes**

6. In or about late May 2019:
  - (a) Melco Resorts & Entertainment Limited (**Melco**) entered into a Share Sale Agreement (**SSA**) with CPH Crown Holdings Pty Ltd (**CPH**) to acquire approximately 19.99% of the shares in Crown Resorts;
  - (b) CPH, in accordance with the terms of the SSA, disposed of approximately 9.99% of the shares in Crown Resorts to Melco or its nominee, MCO (KittyHawk) Investments Limited (**KittyHawk**), a company registered in the Cayman Islands;
  - (c) Melco announced its proposal to increase its shareholding in Crown Resorts;
  - (d) Melco announced its proposal to seek representation on the board of Crown Resorts by any combination of Mr Lawrence Ho, Mr Geoff Davis, Ms Stephanie Cheung, Mr Akiko Takahashi, Mr Evan Winkler, and Mr Clarence Chung; and
  - (e) Melco announced its proposal that it and Mr Lawrence Ho, Mr Geoff Davis, Ms Stephanie Cheung, Mr Akiko Takahashi, Mr Evan Winkler, and Mr Clarence Chung become close associates of the Licensee.

These events or proposed events are the "**Melco Changes**".

7. Section 35 of the *Casino Control Act*, inter alia, requires the Authority to inquire into the suitability of persons becoming close associates of the Licensee. The Commissioner is to inquire into and report upon:

- (a) the identity of any person who has or will become a close associate of the Licensee and the date upon which such person or persons has or will become a close associate of the Licensee as a result of the Melco Changes;
- (b) whether such person or persons:
  - (i) are of good repute, having regard to character, honesty and integrity;
  - (ii) have any business association with any person, body or association who is not of good repute, having regard to character, honesty, integrity, or has undesirable or unsatisfactory financial sources; and
  - (iii) are otherwise not suitable to be associated with the Licensee; and
- (c) any matter reasonably incidental to these matters.

#### **Part B – Suitability Review**

8. On and from 27 July 2019, the Nine Network, the Sydney Morning Herald, The Age and other media outlets have broadcast or published material which raised various allegations into the conduct of Crown Resorts and its alleged associates and business partners and raised questions as to whether the Licensee remains a suitable person to hold a restricted gaming license for the purposes of the *Casino Control Act (Allegations)*.
9. The Allegations include, but are not limited to, allegations that Crown Resorts or its agents, affiliates or subsidiaries:
  - (a) engaged in money-laundering;
  - (b) breached gambling laws; and
  - (c) partnered with junket operators with links to drug traffickers, money launderers, human traffickers, and organised crime groups.
10. In response to the Allegations, the Commissioner is to inquire into and report upon **(Suitability Review)**:
  - (a) whether the Licensee is a suitable person to continue to give effect to the Barangaroo restricted gaming licence;

- (b) whether Crown Resorts is a suitable person to be a close associate of the Licensee;
- (c) in the event that the answer to either (a) or (b) above is no, what, if any, changes would be required to render those persons suitable;
- (d) whether or not the disposal of shares held by CPH in Crown Resorts to Melco or KittyHawk, on or around 6 June 2019, constituted a breach of the Barangaroo restricted gaming licence or any other regulatory agreement;
- (e) whether or not the agreement by CPH to dispose of a second tranche of shares in Crown Resorts to Melco or KittyHawk on or before 30 September 2019 constitutes a breach of the Barangaroo restricted gaming licence or any other regulatory agreement;
- (f) whether the transfer of the shares in Crown Resorts referred to in (d) and (e) above, constitutes or will constitute, a breach of the Barangaroo restricted gaming licence or any other regulatory agreement; and
- (g) any matter reasonably incidental to these matters.

### **Part C – Regulatory Framework and Settings**

11. The Commissioner is to:

- (a) inquire into and report upon the efficacy of the primary objects under the *Casino Control Act* in an environment of growing complexity of both extant and emerging risks for gaming and casinos;
- (b) undertake a forward-looking assessment of the Authority's ability to respond to an environment of growing complexity of both extant and emerging risks for gaming and casinos;
- (c) identify recommendations in order to enhance the Authority's future capability, having regard to the changing operating environment; and
- (d) in so inquiring and reporting in respect of paragraphs 9(a) to 9(c), take into account domestic and international best practice with respect to gaming operation and regulatory frameworks.

**Powers**

12. The Commissioner has the powers, authorities, protections and immunities conferred on a commissioner by Division 1 of Part 2 of the *Royal Commissions Act 1923* (NSW).
13. The Commissioner has the powers and authorities conferred on a commissioner by Division 2 of Part 2 of the *Royal Commissions Act 1923* (NSW) (except for sections 17(4) and (5)).
14. The Commissioner is directed to hold the hearings in public unless the Commissioner is satisfied that is convenient to conduct hearings in private.
15. The Commissioner may be required to inquire into any other matter which the Authority requests in writing from time to time during the term of the inquiry.

**Report**

16. The Commissioner is to report to the Authority in writing in relation to the matters for inquiry as soon as reasonably practicable.

Mr Philip Crawford

**Chairperson of the Committee and  
Delegate of the Independent Liquor and Gaming Authority**

Date: 14 August 2019



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Anne Siegers  
**Date:** 29 November 2019  
**Subject:** Delegation Policy

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Dear Committee Members

In June 2019, the Risk Management Committee reviewed and recommended the Delegation Policy (**Policy**) to the Board for approval. The Policy was subsequently approved by the Board and has been in effect since that point in time.

A small number of operational challenges have been encountered since the Policy became effective and, in this respect, minor amendments have been made to the Policy and are presented to the Risk Management Committee for discussion and recommendation for Board approval.

The amendments specifically relate to the following two items:

- In many cases, and by Law in Victoria, retail leases are for a term over 5 years so that the capital investment in furniture and fixtures can be amortised over a longer period of time. Under the Policy, these leases require approval of the Board because of the length of the term whereas in the past they would have been signed by the business. The individual value of each lease is well within the other limits of the Policy. The business is seeking an exemption from Board approval in order to effectively continue to manage leases.
- With IT software contracts, in a number of instances, perpetual licences are included in service or equipment contracts. In many cases, the licence arrangements are not the main purpose of the contract, but an operational requirement. The business is seeking an exemption from Board approval for these contracts when all other parameters are within the other Policy limits.

Attached is an amended Policy showing the proposed changes for the Committee's consideration.

If the Committee supports the proposal, it is proposed that the Committee recommend the revised Policy to the Board for approval.



# Crown Resorts Limited Delegations Policy

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

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## 1. Introduction

This Delegations Policy (**Policy**) sets out the circumstances under which the Board may delegate its responsibilities.

Delegations of authority are the mechanisms by which Crown Resorts Limited (**Crown** or the **Company**) enables officers of Crown to act on its behalf.

This Policy will be adopted by relevant entities that form part of the Crown group.

## 2. Purpose

The purpose of this Policy is to establish a framework for delegating authority within Crown.

This Policy applies to all members of the Board and the staff of Crown who have delegated authority to act for, and to sign documents on behalf of, Crown.

Delegations of authority within Crown are intended to achieve the following objectives:

- to ensure the efficiency and effectiveness of the organisation's day to day activities;
- to support effective risk management in decision making;
- to ensure that the appropriate officers have been provided with the level of authority necessary to discharge their responsibilities;
- to ensure that delegated authority is exercised by the most appropriate and best-informed individuals within the organisation; and
- to ensure internal controls are effective.

## 3. Policy

The Board of Crown is responsible for overseeing the management of the business of the Company and it may exercise all the powers of the Company which are not required by the Corporations Act and the Constitution to be exercised by the Company in general meeting.

The Board may delegate all matters which are not matters reserved for the Board.

The CEO:

- is charged with the duty of promoting the interests and furthering the development of Crown;
- is responsible for the administrative, financial, and other business of Crown; and
- exercises a general supervision over the staff of Crown,

in accordance with the terms of appointment of the CEO.

The CEO may delegate any function or any power or duty conferred or imposed on her or him, to any member of the staff of the organisation, or any committee of the organisation, although they will retain ultimate responsibility for those actions.

## 4. Processes

The overarching Policy applies to Crown as a whole, and entities within the organisation must align their delegations policies with this central policy.

Any delegation may be made subject to any conditions and limitations as the Board shall approve from time to time.

## 5. Board Delegated Authority

This section sets out the Board's delegation of its authority in relation to making, approving and/or entering into:

- operational, recruitment and performance management decisions; and
- financial transactions,

**(Transactions or Commitments).**

### 5.1. Transactions or Commitments requiring Board approval

Approval of the Board is required for Transactions or Commitments with:

- a total value of \$10,000,000 (excluding GST) or greater (excluding any options to renew);
- an annual value of \$5,000,000 (excluding GST) or greater; or
- a term of greater than five years (excluding any options to renew).

For the avoidance of doubt, approval of the Board is not required for any payments contemplated by a Transaction or Commitment where the Board has previously approved entry into the Transaction or Commitment in accordance with this Policy.

### 5.2. Delegated Authority

Within the limits of Sections 3 and 5.1 above, Transactions or Commitments may be approved in accordance with the below table.

Category	Value/Commitment (excluding GST)	Authorised Personnel
1	\$5,000,000 to \$9,999,999	Any two of the following: <ul style="list-style-type: none"> <li>• Director</li> <li>• CEO</li> <li>• CFO</li> <li>• Company Secretary</li> </ul>

2	\$1,000,000 to \$4,999,999	Any one of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• CFO</li> <li>• Company Secretary</li> <li>• Director (only for contract execution when one the above personnel are unavailable)</li> </ul>
3	Up to \$999,999	As set out in the Delegations Schedule approved by the CEO from time to time.

The Board may put in place appropriate powers of attorney in support of the above.

### 5.3. Unlimited Authority

The Board delegates to the CEO, CFO and/or the Company Secretary **unlimited** authority to approve:

- any statutory, contractual or standard operating related payments, including payroll, superannuation, utilities, tax, intercompany transactions and Board approved or scheduled contractual payments;
- all gaming patron transactions and internal cash transactions subject to any regulatory restrictions; and
- recruitment and performance management decisions and matters, other than those that are required to be considered by the Nomination and Remuneration Committee.

### 5.4. Exceptions to term of contract requirement

The Board delegates to the CEO, CFO and/or the Company Secretary authority to approve contracts beyond a term of five (5) years in the following circumstances:

- Rental leases where by law the term of the contract must be 5 years or over, but the total value of the contract remains under \$10M.
- IT software licenses where the annual value of the contract is under \$5M, the total value of the contract remains under \$10M, and we have the right to terminate the contract

## 6. Amendment and Review

The Board must review this policy on an annual basis to ensure it remains consistent with its objectives, the Constitution and existing regulatory requirements and recommendations.



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Mary Manos  
**Date:** 29 November 2019  
**Subject:** Executed Contracts Register

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Dear Committee Members

The attached schedule lists the contracts which were executed during the period 1 August 2019 to 28 November 2019 with a value of between \$5 million and \$10 million.

It is also anticipated that in the period 1 January 2020 to 31 March 2020, the following contracts may be entered into with a value between \$5 million and \$10 million:

1. Contract with Canon for a term of 5 years with an expected value of approximately \$5.1 million; and
2. Contract with Augmentum and IGT (for Crown Sydney) with an expected value of greater than \$5 million.

Kind regards

Mary Manos  
**General Counsel and Company Secretary**

**EXECUTED CONTRACTS REGISTER (CONTRACTS WITH A VALUE OF \$5 - \$10 MILLION)**

<b>Date of Agreement</b>	<b>Crown Contracting Entity</b>	<b>Counterparty</b>	<b>Services/Products</b>	<b>Term</b>	<b>Value</b>
21/11/2019 (effective date 1 May 2019)	Burswood Nominees Limited	Mondo D Carne	Meat Products	3 years	~ \$5.1m
21/11/2019 (effective date 1 May 2019)	Burswood Nominees Limited	DBC	Meat Products	3 years	~ \$6.0m
30/09/2019	Crown Melbourne Limited	Workday	Human Resources IT System	3 years	~ \$5.4m



**AGENDA ITEM 9:**  
Future Meetings



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee  
**From:** Mary Manos  
**Date:** 29 November 2019  
**Subject:** **Future Meetings**

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Dear Committee Members

The 2020 meetings of this Committee have been scheduled as follows:

Meeting Date	Time
Wednesday, 12 February	10.00am
Wednesday, 10 June	10.00am
Wednesday, 12 August	10.00am
Wednesday, 2 December	10.00am

The meetings will be held in the Chairman's Office, Level 3, Crown Towers.

Kind regards

Mary Manos  
**General Counsel and Company Secretary**