



## Regulatory & Governance Update July 2020

### 1. AML UPDATE

#### 1.1. Activities during COVID-19 Casino Closure

With the closure of Crown Melbourne, the majority of AUSTRAC reporting ceased due to no gaming and gaming related activity. The AML Team continues to monitor any activity in order to report and comply with our AML/CTF legislative obligations.

The AML Team has continued during the period of closure to progress a number of key projects related to the Joint AML/CTF Program, various enhanced initiatives to support the AML framework and engagement with AUSTRAC on its industry wide Junket Risk Assessment.

#### 1.2. AUSTRAC

##### (a) AUSTRAC Compliance Assessments

AUSTRAC commenced its AML/CTF Program Compliance Assessment in September 2019 on Crown Melbourne in the form of a s167 Notice which focused on Politically Exposed Persons and High Risk Customers active during FY16 and FY19.

In late March 2020, AUSTRAC advised of its intention to conduct an onsite visit as a follow up to the 2019 Compliance Assessment. Dates were agreed and accepted by the Crown AML Team, however AUSTRAC then advised that due to COVID-19 the visit would have to be postponed indefinitely.

Crown has been in contact with Crown's AUSTRAC liaison officers during the shutdown and no new issues have been raised. The AML team will present an update to AUSTRAC over Teams by the end of August for the purposes of sharing the progress of recent AML/CTF enhancements.

##### (b) Section 167 Notices – Risk Assessment of Junkets

Crown Melbourne has been working with AUSTRAC regarding its industry wide Risk Assessment of Junkets providing a range of information and meeting with AUSTRAC to discuss Junkets generally and specifically with respect to Crown.

On 6 April 2020, Anna Lewkowicz, Director of Risk Assessments at AUSTRAC provided the Draft Risk Assessment for review and comment by the relevant stakeholders.

Crown prepared a response which was considered and endorsed by the Crown Resorts Limited Risk Management Committee and submitted to AUSTRAC on 13 May 2020.

As of 6 August 2020, Crown has not received any feedback or further correspondence from AUSTRAC on our response.



### 1.3. AUSTRAC Reporting and AML/CTF Program Matters

#### (a) Joint Program and AML/CTF Framework

Operational implementation of the components of the Joint AML/CTF Program were to be progressively implemented earlier in 2020. At the next AML/CTF Compliance Committee, progress on the implementation of the Joint Program will be tabled.

During the current shutdown of the casino, Crown has taken the opportunity to make further enhancements to the Joint Program and AML/CTF Framework with a view to having these operational, shortly after both of Crown's casinos reopen. As a result, the AML/CTF Policy and Procedures (formerly the draft AML Operations Manual) have been updated to include new and/or revised sections including:

- AML Risk Awareness Training;
- Record Keeping;
- Employee Due Diligence;
- Governance and oversight;
- AUSTRAC Reporting;
- Customer Screening;
- Transaction Monitoring;
- Unusual Activity/SMR process;
- KYC and Customer Due Diligence;
- Testing and Assurance; and
- Customer Risk Rating methodology.

The AML Team will continue to monitor the progress of the NSW Casino Inquiry for further enhancement opportunities.

Subject to the progress of the implementation of the Joint AML/CTF Program, Crown was originally planning to have an Independent Review of Part A of the Joint AML/CTF Program conducted in mid-2020 by an international consulting/audit firm. With the current closure of the casinos, this review will likely be delayed until late 2020.

#### (b) IFTI Reporting and Telegraphic Transfers

The AML Team is undertaking a review of Crown's Telegraphic Transfers and International Funds Transfer Instructions (IFTI) processes, including third party transfers. A number of control enhancements have been identified that will strengthen the existing reporting regime and improve Crown's ability to manage and mitigate ML/TF risk.



In this respect, as of 8 April 2020 Crown implemented a prohibition on third party payments (save for where senior management (including approval from the AML Team) approval is obtained).

AML has provided input into a FAQs document for the prohibition on third party payments which was circulated to the relevant teams on 31 July 2020.

**(c) Existing Designated Services – Risk Assessment**

As part of the enhancements to the AML/CTF Framework, the AML Team will undertake an assessment of the effectiveness of the control environment for each identified risk. Due to the Covid-19 shutdown the Annual Risk Assessment will be postponed until in Q4 2020.

**(d) Reporting statistics (1 January 2020 – 31 July 2020)**

The below table details the number of Suspicious Matter Reports (SMR), IFTIs and TTRs reported to AUSTRAC by Crown Melbourne for calendar year 2020 (reported by transaction date):



Note: Crown Melbourne did not submit any threshold transaction reports in May-July. This is a data issue and is currently being rectified with AUSTRAC.

**(e) Training**

The AML Team has reviewed the online training module with the Learning and Development Team and external training consultant PTA. The updated content is now with PTA who are developing the new online module. The AML Team is planning to go live with the updated module in late August/early September.

The AML Team will also look to use the new functionality within the Crown Learn platform to develop targeted periodic refresher training and specific targeted training for employees in high ML/TF risk roles.



Crown Melbourne's compliance rates for the AML Risk Awareness Module currently sit at 86.04%, a further drop of approximately 3.8% since the last meeting. This drop is likely attributed to the casino shutdowns with a significant number of employees currently stood down and unable to complete their training.

When Crown re-opens and employees return to work, follow up emails will be sent to the relevant department managers of the employees who have not completed their on-line courses for actioning.

#### **1.4. AML Projects**

##### **(a) AML Sentinel Project**

The AML Team is continuing to work with IT to develop AML Sentinel. The Sentinel Team has developed a Risk Metrics Dashboard to capture:

- Threshold transactions broken down by customer segment and value;
- Melbourne SMRs by customer segment;
- Third party transactions; and
- Certain transactions by customers from heightened ML/TF risk jurisdictions.

The Sentinel and AML Teams will continue to test the Risk Metrics Dashboard when customers return, and data is ingested into the system.

The Sentinel and AML Teams held a half day discovery workshop and have also started development work on some additional rules that combine multiple factors to create a notification to be investigated by the AML Team. Following the IT development, testing and QA, user acceptance testing by the AML team on these new alerts is scheduled to start in September in phases.

In addition to the Risk Metrics dashboard and additional rules, the Sentinel Team is also due to complete a revised dashboard to display management information which is to be used for reporting purposes (eg. stats on TTRs, IFTIs, Cheques).

Live testing of AML Sentinel, alongside our existing Transaction Monitoring Program system (being largely a manual system) will continue when customers return to Crown, and data is ingested into Sentinel, to further refine the triggers for automated reports and create new appropriate triggers. When Crown becomes satisfied with the triggers, and the performance of the automation functionality, we will look to phase out the manual review of reports.

##### **(b) eKYC Project**

The AML Team is currently working with the Sydney project team on the digital onboarding journey in advance of Crown Sydney opening. The AML team has provided input into a number of issues with the eKYC project, including:



- Background checks;
- Digital Verification Service; and
- Appropriate Identification.

**(c) Updated SMR process**

The AML team has been working on a new SMR process (which incorporates a pre-step in the process related to Unusual Activity Reports.

The IT and AML teams have begun work with existing Crown vendor 'Unifii' to digitize this process end to end. Some of the benefits of digitizing the process is expected to be:

- Ease of use for front line teams;
- Efficiencies across front line and AML teams;
- Consistency in reporting to AUSTRAC across the Crown group;
- Enhanced Management Information and metrics; and
- Enhanced record keeping.

**(d) Customer Due Diligence - Dow Jones Risk and Compliance Screening**

An issue that has arose in relation to the CPP unification (and related merge project) was in relation to Dow Jones Risk and Compliance Screening. Each customer who was unified or merged became "active" in Crown's system regardless of whether they had been on site or not. This resulted in a significant number of additional customers being screened in through Dow Jones.

Since the beginning of April, the AML team has reduced this backlog by approximately 70% and we expect that the backlog will be cleared by mid-September.

The AML Team has prioritised the clearing of any potential matches in the PEP, Sanctions and Other Exclusion List categories which has been completed with any matches actioned. Crown is currently in the process of sending relevant Special Interest matches to the POI Committee for consideration.

On Wednesday 29 July, the AML held a meeting with Dow Jones to provide feedback on the high number of false positive alerts generated through the Dow Jones tool. Dow Jones took on Crown's feedback and undertook to come back to us by the end of August with an update on possible enhancements and/or solutions.

**2. INTERNAL AUDIT**

Following the closure of the property on 23 March 2020 as a result of the COVID-19 pandemic, the Internal Audit team was stood down on 30 March. There has been no internal audit activity since that date. It is anticipated that once the property re-opens, the Internal Audit



team will initially focus on providing assurance over re-opening and pre-opening activities and it is expected that approximately 8 weeks after re-opening, once business operations have stabilised, the internal audit program will resume.

### 3. RISK MANAGEMENT

#### 3.1. Material Events

Since the last update in May 2020, a number of existing and new key internal and external events have evolved or 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 property was closed on 23 March 2020, due to the declared national COVID-19 pandemic, and at the direction of government authorities. Limited activity has continued in hotels along with minor food offerings, but all other departments have shut down, with approximately 95% of staff being stood down. Security and Surveillance operations remain in place to ensure the security of the facilities, and a number of core staff remain active to handle critical activities and infrastructure, as well as plan for re-opening.

The closure of the property will present a number of challenges as Crown prepares to re-open its doors, including restricted ability to operate (social distancing measures, hygiene and other government imposed conditions); no international business whilst Australian borders remain closed; risk of further waves of transmission of the virus; customer confidence in returning to our premises; impacts on discretionary spending and impacts on overall employment.

The impact of the second wave in Victoria is expected to damage the local economy further. The full impact of the pandemic remains to be fully understood on discretionary spending and overall employment as the country enters its first recession in over 30 years.

- The JobKeeper program was implemented at Crown, which is helping to secure staff who have been stood down during the closure period. The government announced the continuation of the program past 27 September 2020, on slightly altered terms. A number of other initiatives have been implemented to help keep staff engaged and remain in place.
- As reported previously, as a result of the allegations put by both the Nine Network (*60 Minutes* program, SMH and the Age) and Mr Wilkie, various investigations and inquiries are continuing involving AUSTRAC, ILGA and ACLEI. The ACLEI investigation (Operation Angove) will be carried out on the information gathered by ACLEI Investigators. Investigations involving the VCGLR, VCGLR Inspectorate and the ATO into some of the media allegations, have been ongoing.



- The ILGA inquiry resumed with an adjusted agenda to reflect the sale by MELCO of its shares to a third party, with a number of Crown directors and employees providing evidence since the week of July 20 and in the coming weeks. Crown is considering the feedback and recommendations coming from the inquiry, and will present relevant process and governance adjustments to the RMC for discussion when the inquiry finishes and the findings are released.
- On 19 September 2019, the *Currency (Restrictions on the Use of Cash) Bill* was introduced into Parliament. It is expected that casinos will be exempt from the scope of the cash payment limit. There has been no further development since the last report.
- During the period, Crown has continued to address, and engage with the VCGLR on the Recommendations made by the VCGLR as part of its Sixth Review of the Casino Operator and Licence. To date, 17 of the 20 Recommendations have been responded to by Crown by the required due date, with 2 of the remaining 3 not yet due. The third, being the meeting that was set up to address Recommendation 20, was postponed due to the COVID-19 shutdown and has now been rescheduled to 1 September 2020.

As previously reported, an issue was identified with a number of Roulette wheels on the gaming floor. Thirteen years ago, the manufacturer delivered a version of the product different to the version approved by the Regulator and the version ordered by Crown. The difference was not visible to the eye (additional in-rim sensor – not regulated equipment), and Crown was not aware of being supplied different wheels until recently. The effected Roulette wheels have been removed from the floor, additional verification steps are now undertaken for all equipment, and the Regulator has conducted a review of all Roulette Wheels. There has been no further development since the last report.

- No further update has been received regarding the VCGLR's investigation into an electronic gaming machine which the VCGLR alleges was operating in 'Unrestricted Mode', without 'Your Play' functionality activated. The VCGLR has referred the matter to the Commission, for consideration. There has been no further development since the last report.
- As previously reported, a result of media allegations against Crown reported on or around 27 July 2019, the VCGLR wrote to Crown Melbourne on 23 September 2019, providing notice of its intention to continue its investigation into the China Matter. 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 and Minter Ellison continue communications with the VCGLR on this matter. There has been no further material development since the last report.
- As previously reported, 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). In response, Crown submitted a report by fire engineers, DNT Engineering Services, on 12 September 2019. Crown met with the Building Appeals Board on 7 April 2020, and several additional queries were raised. Crown lodged



additional information on 22 May 2020 and the Victorian Building Authority filed additional information on 12 June 2020.

Crown is proactively replacing small sections of cladding along the Podium riverfront during this low traffic period.

### 3.2. Adjustments to the risk profile:

It is proposed that the likelihood of *risk #2 – Changes in key legislation or regulatory requirements* be increased to Likely as a result of the anticipated outcomes of the ILGA Inquiry. This risk was already part of the material risk reported to the Board on a regular basis. This increased rating keeps the risk as a material risk, but recognises the current regulatory framework challenge unfolding as part of the inquiry and the expected regulatory changes outcomes.

The current Risk Map is provided in **Annexure A** for discussion.

## 4. REGULATORY AND COMPLIANCE

### 4.1. COVID-19

Crown Melbourne has been closed to the public since 23 March 2020, as a result of the COVID-19 pandemic. VCGLR Inspectors largely left site from early April 2020.

Crown has already engaged with the VCGLR to discuss the casino re-commissioning program and will continue to do so in advance of re-opening.

As at 4 August 2020, Crown Melbourne remains closed for business (with the exception of some hotel accommodation activity together with limited trading hours for Nobu for takeaway food purposes which will be reassessed during Stage 4 lockdown period).

### 4.2. ILGA Inquiry

On 8 August 2019, Crown Resorts issued an ASX Media Release advising that the NSW Independent Liquor and Gaming Authority (**ILGA**) will be conducting an inquiry under section 143 of the *Casino Control Act 1992* (NSW) into the sale of Crown shares to Melco. The investigation (which will include a broader range of matters) commenced on 21 January 2020.

Melco's alleged ongoing association with Stanley Ho was an underlying matter in the ILGA Casino Inquiry, however, Stanley Ho passed away on 26 May 2020.

On 7 February 2020, Crown Resorts released to the market that it had been informed by CPH that CPH Crown Holdings Pty Limited and Melco Resorts have entered into a deed to terminate the obligations under the Share Sale Agreement regarding completion of the sale of the second tranche of Crown shares to Melco.



On 3 April 2020, ILGA announced that most of the work of the Casino Inquiry will be deferred in the current context of the COVID-19 epidemic, until it is considered safe and practicable for all public aspects of the work to resume.

On 29 April 2020, Crown Resorts released to the market that it had been informed that an entity owned by funds managed or advised by The Blackstone Group Inc. and its affiliates has purchased 67,675,000 shares in Crown, representing 9.99% of the issued capital of Crown, from Melco Resorts & Entertainment Limited.

On 24 June 2020, ILGA made an announcement regarding the resumption of its Inquiry following its deferral on 3 April 2020. Public hearings in the matter will resume on Monday 27 July 2020.

The Inquiry's public hearings recommenced on Monday 27 July 2020 with Mr Preston giving evidence over 4 full days. Representatives of The Star, together with other industry experts are also scheduled to give evidence over the course of the week. Evidence related to the China matter is scheduled to commence on 17 August 2020, with a number of current and former Crown employees summonsed. All Crown Resorts Limited Directors have also been summonsed by the Inquiry.

#### **4.3. ACLEI Investigation**

Operation Angove is an investigation into possible corruption issues arising from the 60 Minutes program aired on 28 July 2019 and subsequent reporting in the Sydney Morning Herald and The Age, regarding the Department of Home Affairs and its interactions with Crown regarding Australian visa and consulate officials in China often fast-tracking visas for gamblers to come to Crown in Melbourne and Perth.

Allegations have also been levelled against Border Force official, Andrew Ure, who it's alleged was able to provide private protection for a junket agent, and in doing so, potentially breach strict professional standards.

ACLEI announced on 2 April 2020 that there will no longer be a public hearing in this matter, citing that sufficient information had been collated on the documents such as to render a hearing unnecessary, instead, the investigation will be carried out on the information gathered by ACLEI Investigators.

No date has been announced for the completion of ACLEI's report, which may or may not be made public.

#### **4.4. China Matter**

As previously reported, the VCGLR has reopened its investigation as a result of the allegations aired by Nine/Fairfax and requested contact details from Crown of its former China staff, together with the details of the confidentiality arrangements Crown has with the former China staff, which Crown has now provided. Crown and MinterEllison



continue to liaise with the VCGLR on this issue. Crown has also waived privilege on a number of documents and duly provided those documents to the VCGLR.

Jenny Jiang, through new lawyers, has lodged a WorkCover claim against Crown. A Conciliation Conference was held on 18 May 2020 and the matter did not resolve and a Genuine Dispute was issued. The next step for Jenny Jiang is to commence Magistrates Courts proceedings seeking court orders for the payment of Workers' Compensation payments.

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#### 4.5. Compliance Framework Status

All intended business units have now been integrated to the business wide compliance framework. In line with the objective of continuous improvement, consideration will be given to incorporating further sub-departments, as may be required from time to time.

A planned review of the Requirements Register has been postponed due to the ongoing closure resulting from COVID-19.

During the reporting period, as a result of the workforce being largely stood down, compliance surveys were not completed by departments.

Compulsory AML, Finance, s 25, product movement, Security, Surveillance and Compliance reporting continues as required. Privacy Act requests and law enforcement requests are being processed in a timely manner. Additionally, employee licence renewals are continuing to be processed as required.

An external review of the Compliance Framework will be commissioned during the next 18 months.

## 5. RESPONSIBLE GAMING

### 5.1. Casino Closure – Impact on RG and Re-Opening Activities

The Responsible Gaming Department at Crown Melbourne (**Crown**) ceased customer facing operations upon the casino closure due to the COVID-19 pandemic, on 23 March 2020.

The closure measures have previously been communicated to the Committee.

During the closure period, work has continued in relation to:

- Assisting with general customer inquiries;
- Engage with the RG Advisory Panel and related matters;



- The review of the Responsible Gaming Strategy; and
- Revocation of self exclusion applications.

From 30 July 2020, five Responsible Gaming Advisors (**RGA**) will be assisting Crown Perth Responsible Gaming remotely with customer inquiries and follow up, for ten hours each week per RGA. Additionally, one RGA who is also trained in Responsible Gaming Administrative functions, will be assisting Crown Perth remotely full time from that date.

## 5.2. Section 25 Review Recommendations

Crown has to date responded to ten of the 11 Responsible Gaming Recommendations (which includes Recommendation 12 in relation to Facial Recognition Technology) made by the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) in the Sixth Review of the Casino Operator and Licence (June 2018) within the due dates set by the VCGLR.

No response has been received with respect to Recommendations 7 and 8 as at the date of this report, however, the VCGLR has advised that these will be considered by the Commission at their 30 July 2020 meeting

The remaining responsible gaming related recommendation (Recommendation 9) requires Crown to arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play, to be completed 12 months after implementation of the tool. Steps have been taken to source the provider (to be approved by the VCGLR) for the assessment. This recommendation will fall due on 1 January 2021.

## 5.3. General Manager Responsible Gaming

The recruitment of the new General Manager Responsible Gaming, which was extended to internal and external applicants, is anticipated to conclude by late July 2020, with an expected appointment in early August 2020. This position aligns with the current position at Crown Perth and will align with the position recruited for Crown Sydney.

## 5.4. Responsible Gaming Advisory Panel

The Panel, comprised of Prof. Alex Blaszczyński, Prof. Lia Nower and Prof. Paul Delfabbro, has been requested to complete a review of the Crown Resorts Responsible Gaming Framework and Strategy. The Panel will be reporting to the Crown Resorts Responsible Gaming Committee on its findings at its meeting on 11 August 2020. The relevant findings will be provided to the Crown Melbourne Limited Board post the Responsible Gaming Committee meeting.



## 5.5. Stakeholder Engagement

### ***Responsible Gambling Ministerial Advisory Council (RGMAC)***

The RGMAC Working Group 'Codes of Conduct Improvements for non-venue operators' was established to examine how codes can be improved for non-venue operators. The Group General Manager Responsible Gaming has been appointed as a member of this Working Group. The Working Group most recently met 2 July 2020. This meeting focused in establishing the areas that should be encompassed for the Codes.

There was a RGMAC meeting held on 23 July 2020. This was attended by the new Minister for Consumer Affairs, Gaming and Liquor Regulation. Additionally, the National Consumer Protection Framework for online wagering was discussed, and a presentation by the Victorian Responsible Gambling Foundation on the recent published research ***Victorian population gambling and health study 2018–2019*** Rockloff, M, Browne, M, Hing, N, Thorne, H, Russell, A, Greer, N, Tran, K, Brook, K & Sproston, K, Victorian Responsible Gambling Foundation, May 2020, was conducted.

### ***Australasian Casino Responsible Gaming Forum***

Crown coordinated and chaired the Australasian Casino Responsible Gaming Forum on 30 June 2020. The forum is attended by Australasian casino executives with a responsible gaming portfolio, as well as the Australasian Gaming Council.

The Forum encourages open dialogue between all attendees, with discussion focussing on Host Responsibility/ Responsible Gaming programmes across the different jurisdictions; common issues/solutions regarding responsible gaming/host responsibility; new initiatives; and updates in the regulatory environment.

Key discussion points included the re-opening of a number of member casinos in the preceding period.

### ***YourPlay***

As previously advised, the Victorian Department of Justice and Community Safety (**DoJCS**) commissioned the South Australian Centre for Economic Studies University of Adelaide to evaluate YourPlay, with the final report 'Evaluation of YourPlay' (**Report**) issued in March 2019.

The Report seeks to consolidate earlier findings around the implementation of the YourPlay scheme with an assessment of the extent to which the scheme has achieved its targeted outcomes, the costs of delivery, and the cost effectiveness of the scheme. The Report concluded that:

*Whilst YourPlay was effectively implemented and delivers benefits for those using it, usage is very low in hotels and clubs.*



*Under the current usage rates YourPlay has a poor cost effectiveness.*

*The low usage of YourPlay is being driven to a significant degree by lack of engagement (whether advertent or inadvertent) on the part of hotels and clubs, their managers and their staff.*

***If usage is to be increased to a level where YourPlay will have impacts consistent with its costs, then the incentives facing venues and/or gamblers need to be changed. Approaches could include measures such as imposing a cost on those venues achieving low usage rates, stricter enforcement of existing regulations around the implementation of YourPlay, or direct incentives to gamblers to use YourPlay.'***

The Report also contained a number of recommendations which Crown largely supports and is currently working through with the DOJCS.

## 5.6. Regulatory updates

### ***New Minister***

Following the resignation of Ms Marlene Kairouz in June 2020, a new Minister for Consumer Affairs, Gaming and Liquor Regulation, Ms Melissa Horne, was appointed. She is also the Minister for Ports and Freight, and Minister for Fishing and Boating.

The new Minister met with Mr Ken Barton and Mr Andrew Demetriou on 2 July 2020 and attended the Casino Complex on 8 July 2020 for a tour with Mr Xavier Walsh and Mr Chris Reilly.

## 6. LEGAL (SUBJECT TO LEGAL PROFESSIONAL PRIVILEGE)

### 6.1. IHG Trade Mark Matter

IHG (through Six Continents Hotels) is the owner of the CROWNE PLAZA trade mark and Crown Melbourne is the owner of the CROWN brand (as used by the Crown Resorts group and licensees). IHG and Crown are in dispute in relation to the respective use of the CROWNE PLAZA and CROWN brands for hotel services. The countries/jurisdictions of dispute include USA, UK, EU, Australia, Hong Kong, PRC (China), Taiwan and Macau. Until recently, there had been in excess of 124 separate trade mark disputes before the various courts and tribunals around the world relating to this matter (see further below).

Previously the use was governed by a trade mark co-existence agreement that covered the Asia-Pacific region (excluding the Americas).

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translations of CROWN into Chinese (as used throughout Asia).

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As a result of recent negotiations, the parties have agreed all key matters subject to two (2) matters raised by IHG.

The parties have continued to suspend court and tribunal proceedings where possible in an attempt to seek to resolve matters subject to a recent change in tactic in Australia. Late last year, Crown withdrew its consent to all suspensions in Australia (26 trade marks) in order to apply additional pressure on IHG. Following further discussions, IHG withdrew a number of oppositions in the UK; and in November 2019, in a significant action, IHG withdrew its opposition to 20 out of 26 Australian matters. The remaining six Australian matters relate to Chinese language marks which IHG are still opposing – those matters have now proceeded to the evidence stages. Crown has prepared evidence to defend these proceedings. In a further significant action in March 2020, IHG has agreed to withdraw a further 50 oppositions (approx.) around the world. As a result, there are now approximately 50 matters remaining (down from over 124 matters in 2019).

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## 6.2. Zantran Pty Ltd (Class action – Crown Resorts Limited)

Zantran Pty Ltd (**Applicant**) a shareholder in Crown Resorts Limited (**Crown Resorts**) has issued class action proceedings in the Federal Court against Crown Resorts.

The Applicant on behalf of other yet identified shareholders alleges that it has suffered loss and damage (fall in share price) arising out of and in consequence of Crown's operations in China during 2015 and up to the detention of Crown employees in China (**Relevant Period**).

It is further alleged that Crown Resorts during the Relevant Period failed to disclose to the share market information that was not generally available which a reasonable person would expect to have a material effect on the price or value of Crown Resorts shares. Such information included the risk of Crown's operations in China, the Chinese Government crackdown on corruption, the arrest in China of South Korean Casino employees and the risk that employees might be detained and arrested in China for alleged breaches of Chinese gambling laws.

Crown Resorts has filed its defence denying the allegations. The parties have completed the lengthy process of discovery which is the provision and exchange of documents under a strict confidentiality regime relevant to the facts in issue.

A hearing took place on 22 May 2020 to determine whether certain of Crown's claims to maintain legal professional privilege over a number of documents and legal advices would be upheld. In this respect it was noted that Crown waived privilege over certain



advices which are referred to in Crown's evidence in Crown's witness statements. Crown was successful in maintaining legal professional privilege over the documents and legal advices with the exception of a couple of minor email documents.

Security for costs has been agreed up to mediation (\$3.4 million) and the litigation funder (the funder of the action) has paid the agreed security into court in accordance with court orders. Agreement has been reached for the payment into court of a further security amount of \$1.37 million to be paid by two instalments on 23 December 2019 and 1 May 2020, up to and including the trial.

Insurers have confirmed indemnity, subject to deductible and certain conditions.

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The Applicant successfully made an application to the court for orders that the formerly detained employees be released from their employment and redundancy confidentiality obligations to enable the Applicant's lawyers to speak with those employees, with His Honour handing down His decision on 8 May 2019. Crown successfully appealed the decision.

The Applicant and Crown have provided their evidence on quantum upon which they intend to rely at the trial. An expert witness conclave was ordered by the Court and was held during late May and early June 2020 whereby both parties' expert witnesses conferred and provided a joint report to the trial judge.

The trial is now listed for 6 weeks commencing on 9 November 2020. A further mediation was held on 4 August 2020. The matter did not settle at mediation.

## 7. OTHER MATTERS (LEGALLY PRIVILEGED AND COMMERCIAL IN CONFIDENCE)

### 7.1. Dinner by Heston Blumenthal

Tipsy Cake Pty Limited, the operator of Dinner by Heston Blumenthal, is being wound up. Crown has re-taken possession of the premises and terminated all the relevant contracts (the Lease, the Commercial Agreement and the Intellectual Property Licence).

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In the last Creditor's Report (12 May 2020), the liquidators stated that their enquiries are continuing as to whether Crown's set off of the revenue against our debt might be an unfair preference. To date we have not received any unfair preference claim from the liquidators.

Crown received a letter of demand from the United Workers Union (UWU) alleging that Crown had accessorial liability for Topsy's underpayment of its employees. On 2 March 2020, Crown responded to the letter of demand issued by the UWU denying the allegation. Crown has not received any response from the UWU.

## **7.2. Instrument and Payroll Compliance Review**

To ensure Crown is complying with its payroll and enterprise agreement obligations to its staff, a comprehensive review is being undertaken by external experts (legal and employment relations) across Perth and Melbourne. The review process is well underway. The model has been reviewed by Deloitte, and payment compliance calculations are being audited internally for accuracy. Engagement with the Fair Work Ombudsman's office continues, and further updates will be provided as they unfold.



**Annexure A**  
**Crown Melbourne Corporate Risk Map – August 2020**

		<i>Material Risks</i>				
<b>Likelihood</b>	<b>Almost certain</b>			14 - Major reputational damage	6 - External disruption to demand for our services	
	<b>Likely</b>		16- Harm to persons on property	2 - Changes in key legislation or regulatory requirements		
	<b>Possible</b>	9 - Loss of key management 15 - Poor people management practices	7 - Physical Business Disruption 8 - IT business disruption 11 - Litigation 12 - Major criminal activities 13 - Ineffective responsible service of gaming (RSG) 23 - Failure in responsible service of alcohol (RSA)	1 - Material breach of gaming and other relevant legislation /regulation 5 - Poor credit or investment decision 21 - Data misuse 22 - Breakdown in relationship with key government, legislative or regulatory body	3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue	
	<b>Unlikely</b>	17 - Breakdown in strategic partnership with third party 19 - Unsustainable environmental management and ethical standards	10 - Reduction in property standards 18 - Industrial action			
	<b>Rare</b>				20 - Aviation accident	
		<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Severe</b>
		<b>Consequence</b>				

**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