



Regulatory & Governance Update November 2020

1. AML UPDATE

1.1. 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.

In October 2020, Crown received a letter from AUSTRAC notifying Crown that AUSTRAC has identified potential non-compliance with the AML/CTF Act and Rules and has initiated a formal enforcement investigation which is continuing.

Crown is currently working with Allens in respect of the enforcement investigation and in responding to notices received in relation to this investigation. The AUSTRAC letter requested a response to its letter by 30 November 2020. Allens have requested an extension to parts of the notice until 16 December 2020 and 18 January 2021, which AUSTRAC has granted. Allens will provide a substantial response to the notice by the original deadline of 30 November 2020.

(b) Section 167 Notices – Risk Assessment of Junkets

As previously noted, 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 27 November 2020, Crown has not received any feedback or further correspondence from AUSTRAC on our response.

(c) Section 167 Notices – Australia Wide Industry Risk Assessment of Casinos

In relation to the development by AUSTRAC of a Money Laundering and Terrorism Financing Risk Assessment of Australia's casino industry, AUSTRAC has requested to schedule meetings with Crown in early January 2021 to continue with the industry consultation as part of AUSTRAC's risk assessment of the Australian casino sector.



(d) Riverbank and Southbank Bank Accounts

As a result of the evidence raised at the NSW Casino Inquiry, Crown undertook to AUSTRAC to conduct a review of the Southbank and Riverbank bank accounts and report the outcomes to AUSTRAC in due course.

AUSTRAC wrote to Crown on 16 September 2020 raising a number of questions about the Southbank and Riverbank accounts. Crown, with the assistance of Allens, has engaged with AUSTRAC and has been replying to their questions in a staged approach with written responses provided on 5 October and 9 November 2020.

(e) Initialism's 16 November 2020 Review of Riverbank and Southbank bank accounts for Indications of Money Laundering

Crown is currently reviewing Initialism's report with a view to further investigate the typologies identified in the report for investigation and possible SMR filing.

1.2. AUSTRAC Reporting and AML/CTF Program Matters

(a) Joint Program and AML/CTF Framework

Following engagement with Allens and Initialism, the revised and updated 2020 Joint Program (Part A) and the Policy and Procedures was approved by each reporting entity on 2 November 2020.

(b) Training

The new Online AML/CTF Risk Awareness Training Module went live on 12 October 2020.

Targeted training sessions have been held with a focus on the new Unusual Activity Report (UAR) process and money laundering (ML) red flag indicators.

The AML Team will continue to deliver this targeted training to other relevant business unit management teams and trainers, with a similar focus, i.e. the UAR process and ML red flag indicators.

Group General Manager – AML, Nick Stokes has presented training to the Perth and Sydney BOT teams. Melbourne BOT Training will be conducted in December.

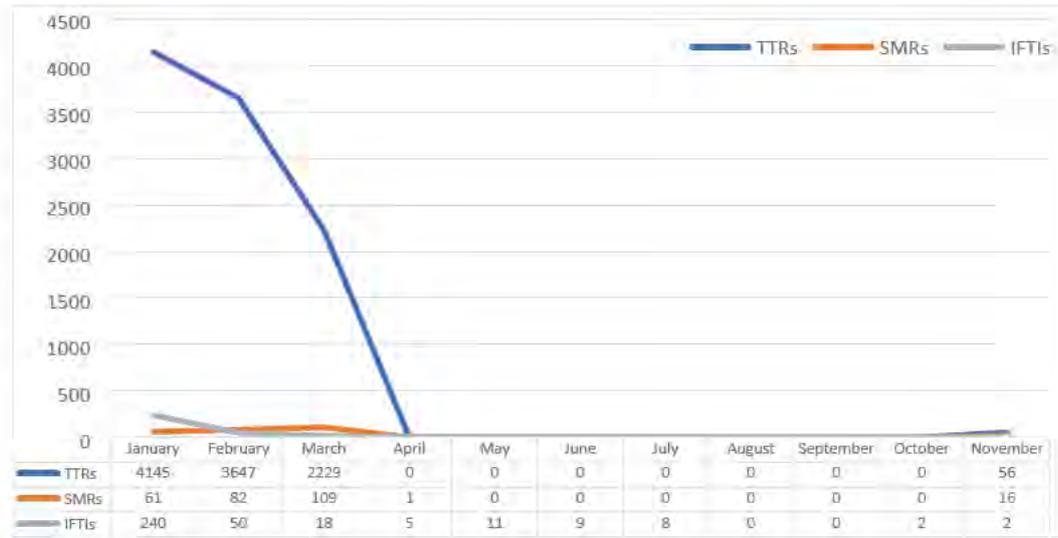
(c) Annual Money Laundering / Terrorism Financing Risk Assessment

Initialism and Promontory have been engaged to perform the annual ML/TF risk assessment for 2020. Assessment results may require an update to the Joint Program and AML/CTF Policy and Procedures.

(d) Reporting statistics (1 January 2020 – 26 November 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):



1.3. AML Projects

(a) Case Management

The AML Team, together with the IT Team, is working on a case management solution with Unifii. The first phase of this project will be the digitisation of the UAR workflow and is underway with a targeted delivery date of 15 December 2020.

(b) AML Sentinel Project

The AML Team is currently conducting User Acceptance Testing (UAT) on 16 new Alerts from IT following their own testing and QA process.

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

The AML Team cleared the backlog of alerts in Dow Jones at the beginning of October. A bulk upload of potential Sydney customers (who have not been active in Melbourne or Perth and therefore have not been screened through Dow Jones) has been uploaded by the IT team into the Dow Jones Risk and Compliance Screening tool.

This upload has generated approximately 300 customers with alerts that require dispositioning, previous experience suggests that more than 90% of the alerts will



be false positives. The AML Team continues to work to clear these alerts. During the latter half of October and during early November the alerts being generated by the Dow Jones systems has increased significantly, the AML Team has prioritised actioning PEP and Sanction hits as a priority and is now working through the remainder of the alerts.

On Wednesday 29 July, the AML held a meeting with Crown's local Dow Jones relationship managers and a product specialist from the UK for the AML team to provide feedback on the high number of false positive alerts generated through the Dow Jones tool. Work is continuing with Dow Jones in respect of the high number of false positives and other product enhancements, with a solution expected to be available in around Q1/Q2 2020.

1.4. AML Recruitment

The following appointments have recently been made in the AML Team:

- Jon Yeats – Group Senior Manager AML – Customer Investigations
- Rita Pessutto – AML Investigations Officer – Crown Melbourne
- Libby Stevens – Group Senior Analyst, AML – Customer Investigations – due to commence on 21 December
- Christian Robinson - AML Compliance Manager – Sydney – due to commence on 14 December
- Garry Chan - Group AML Manager – Data Analytics – due to commence on 14 December

The following roles are currently being recruited for:

- Head of Compliance and Financial Crimes
- AML Compliance Manager (Perth) – Final probity checks on candidate
- Group AML Analysts x2 – Final probity checks on candidates
- AML Officer Crown Sydney (advertising)

1.5. New Designated Services (or new methods of delivery of existing) – Risk Assessment

There have been a number of Gaming Initiative Forms received since the last meeting, no AML concerns were noted.

There is one outstanding Gaming Initiative Form in Melbourne for a number Table Games product Multi Bet Roulette which we are awaiting more information on.

1.6. Employee Due Diligence

There have been no ML/TF issues raised to the AML Team in relation to Employee Due Diligence issues.

1.7. Countries



During the period no new countries have been added to the following lists:

- Department of Foreign Affairs (DFAT) – Australia’s Implementation of UN Security Council sanctions (<https://dfat.gov.au/international-relations/security/sanctions/pages/sanctions.aspx>);
- DFAT – Autonomous Sanctions; or
- FATF – High-Risk Jurisdictions subject to a Call for Action (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/>). Note, On 2 August 2020, FATF decided to pause the review process for the list of High-Risk Jurisdictions subject to a Call for Action. On 23 October, FATF announced that Iceland and Mongolia will no longer be subject to the FATF’s increased monitoring process.

1.8. Compliance Breaches

AML/CTF Program compliance breaches are reported:

- on the monthly Legal Compliance Certificates to the Property Compliance Officer Committee by the AML Team and by each individual Business Unit (as applicable); and
- directly to the Group General Manager – AML, which is then escalated to the AML/CTF Compliance Officer.

There have been no Compliance breaches reported in Melbourne during the reporting period 1 January to 26 November 2020.

1.9. Legislative Changes and other relevant information

Relevant Updates to the AML/CTF Act and Rules

The *Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019* was introduced into the House of Representatives on 17 October 2019 and is being debated in Parliament on 11 November 2020. Allens has undertaken to closely follow the Bill's progress and will keep us updated on any further developments.

1.10. IFTI Process and Upcoming Review by Initialism

The review of all IFTI related processes, procedures, systems, and controls will include the following elements:

- Review documented procedures to determine adequacy and alignment to the AML/CTF Program requirements;
- Conduct end-to-end walkthrough of IFTI reporting processes by interviewing key employees engaged at key points in the process;
- Review role specific training provided in relation to IFTI reporting (if any);
- Assess the IFTI related control design and control operating effectiveness;



- Review business systems to ascertain vulnerabilities to technology and/or systems weaknesses;
- Assess the adequacy of any assurance and testing conducted over the IFTI reporting processes; and
- Conduct a sample review of reported IFTIs to determine alignment to IFTI reporting obligations.

Following this review an IFTI process map will be presented to the Crown Resorts Risk Management Committee.

2. INTERNAL AUDIT

With the closure of Crown Melbourne since 23 March 2020, no internal audits have begun or been completed during the period. However, all Internal Audit team members have now been re-instated on a part-time or full-time basis and have been involved in a number of other activities. The Melbourne Internal Audit team has been heavily involved in assisting the business with a number of projects, as follows:

- Documentation of key process within HR, specifically in relation to Modern Award Coverage:
 - Investigation into the under and over payment of employees in relation to the Hospitality Industry General Award and Hair and Beauty Industry Award;
 - Review of analysis performed by HR of all other Awards;
 - JobKeeper eligibility checks; and
 - Review of analysis to determine employee JobKeeper tier classification.
- Assistance will continue to be provided in these areas dependent on the Casino re-opening requirements.
- Internal Audit has also provided assistance with regards to the Southbank/Riverbank transaction monitoring issues identified during the ILGA Inquiry.

With some uncertainty still existing surrounding continually changing re-opening conditions and the expectation of providing assurance over re-opening activities and Management assistance when required, along with opening activities in Sydney, a final full year FY21 Strategic Internal Audit Plan has not been developed. It is proposed that for FY21 a rolling quarter by quarter Plan will be implemented to better meet the needs of the business.

During the period the independent Quality Assessment of the Internal Audit Department, performed by the Institute of Internal Auditors was completed. The overall conclusion of the Assessment is that the Internal Audit Department is operating professionally and generally conforms to the Internal Audit Standards; this is the highest rating that can be achieved. A number of further enhancement recommendations were included in the report, which the team is working to address.



3. RISK MANAGEMENT

3.1. Material Events

Since the last report in August 2020, a number of internal and external events have evolved or materialised, or continue to remain of material relevance, 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 or remain relevant during the period include:

- ***External Factors***

The Melbourne property was closed on 23 March 2020, due to the declared national COVID-19 pandemic, and at the direction of government authorities.

From 28 October 2020, retail and F&B outlets started re-opening and Crown Towers re-opened on 8 November 2020. Gaming resumed in a very limited capacity on 12 November 2020, with no traditional table games (FATGs were available), and both patron numbers and time limitations on play.

The closure of the Melbourne property presents a number of medium to long term challenges, 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; and customer confidence in returning to our premises.

The two main challenges faced during the Perth re-opening phase have been staff absenteeism and change in patron demographics (increased security incidents), both of which we believe were partially related to the JobKeeper payment. For re-opening activities in Melbourne, Management is aware of these challenges and taking them into account.

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 entered its first recession in over 30 years.

On 29 October 2020, the Star Entertainment Group announced it is committing to smoke-free indoor environments (including in its premium gaming rooms) by the end of 2022. Note that outdoor gaming machine areas are permitted at The Star, however are prohibited by legislation in Victoria.

A new \$100 bill came into circulation on 29 October 2020.

- ***Regulatory Matters***

The Melbourne property was closed on 23 March 2020, due to the declared national COVID-19 pandemic, and at the direction of government authorities.



As previously reported, 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 ILGA, the VCGLR and AUSTRAC.

The ILGA Inquiry continues with the closing arguments from Counsel Assisting and Crown's submissions commencing during the week commencing 16 November 2020. Crown is considering, and will continue to do so, the feedback and any recommendations coming from the Inquiry, and will present any relevant process, governance or operational adjustments to the Committee and/or the Board for discussion.

The ACLEI investigation (Operation Angove) has concluded and none of the allegations of corruption were substantiated. Crown has provided a copy of the Report to its Australian Gaming Regulators.

VCGLR matters

On 7 September 2020, Crown Melbourne received a s 26 Notice from the VCGLR, seeking information (regarding dates and programs) relating to three persons (a Junket Agent, a Junket Operator and a Junket Player). Crown partially responded to the Notice, noting that for a full response Crown staff would be required to attend Crown Melbourne to review hard copy records. Advice was sought from the VCGLR as to whether it required Crown staff to attend Crown Melbourne, however no response was received.

Following Crown's response to the above s 26 Notice, on 2 October 2020 the VCGLR issued Crown with a Show Cause Notice as to why disciplinary action should not be taken against Crown with regard to the three persons noted in the s 26 Notice. The Show Cause Notice alleges that Crown failed to comply with clause 2.5.1 of the Junket Internal Control Statement, which requires robust processes to consider the ongoing probity of its registered Junket Operators, Junket Players and Premium Players. Crown responded to the VCGLR Show Cause Notice by the due date of 30 October 2020, with assistance from Minter Ellison.

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. Seventeen Recommendations have been responded to by Crown within the agreed timelines (with one of the remaining three not yet due, one receiving an extension for completion as a result of the COVID-19 closure and the third, the meeting between the Commission and the Crown Resorts Board for Recommendation 20, having been postponed as a result of scheduling difficulties, COVID-19 and the ILGA Inquiry, to a date to be set).

As previously reported, as a result of media allegations against Crown reported in July 2019, the VCGLR provided 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 detained 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.



- **Operational Matters**

The JobKeeper program was implemented at Crown, which is helping to secure staff who have been stood down during the closure period and the limited re-opening in Perth. The government announced the continuation of the program past 27 September 2020, on adjusted terms. Crown Melbourne continues to be eligible for the JobKeeper payment for its staff past 27 September 2020.

As previously reported, Crown Melbourne received a show cause notice from the Melbourne City Council relating to combustible cladding on the Metropal Hotel (dated 11 April 2019). Crown lodged additional information on 22 May 2020 and the Victorian Building Authority filed its comments to the Building Appeals Board (**BAB**) on 12 June 2020. The BAB has not yet completed its final determination on this matter.

Crown is proactively replacing small sections of cladding along the Podium riverfront during this low traffic period and has conducted additional testing on the other buildings in the complex. A fire risk assessment is being sought from our external consultants to enable us to better understand risks posed and potential mitigation options.

Crown Melbourne has been developing the concept of **Safe Haven** for the last few months to improve support for employees in relation to matters concerning bullying, harassment, sexual harassment, domestic violence and drug and alcohol abuse. The concept articulates Crown's stance of zero tolerance of inappropriate behaviour and encourage employees to raise any concerns confidentially without fear of victimisation. The program also provides the umbrella for all support options available in relation to these matters.

The roll-out of Safe Haven has been accelerated following the receipt of a complaint alleging sexual harassment by one of our long-standing gaming service managers toward a member of his team. The allegations were investigated and found to be largely substantiated. That manager is no longer employed by Crown.

In addition to the roll-out of Safe Haven, an independent consultancy has been engaged to assess the culture within the gaming business (Table Games and Gaming Machines) in Melbourne concerning sexual harassment and the culture around raising complaints. This assessment, via a confidential survey was sent to all gaming employees, with 730 completing the survey. Focus groups are now being planned to gain additional qualitative data.

Crown's Riverbank outside dining went live on 2 November 2020 following approval from both with the Victorian Government and the Melbourne City Council (**MCC**). The locations include outside the Merrywell, Gradi, Bistro Guillaume, Ging Thai restaurants and more recently, Rockpool, as well as activation of a live site next to the river adjacent to Baci. A key consideration of this initiative is bicycle traffic mitigation measures, to avoid conflict with pedestrians. Discussions with MCC have resulted in agreement for bicycle speed calming measures to be designed by MCC (with Crown input) and installed by Crown. Meetings to start the design process are expected in the week commencing 16 November 2020.



MCC has also informed Crown of its intention to create bicycle lanes around the property (including on Whiteman and Queens Bridge Streets) as part of the city-wide initiative to encourage the use bicycles as a form of safe and environmentally responsible transport. Traffic consultants, WSP, have been assisting us in responding to the MCC's proposal to minimise the impact to vehicular traffic flow around the property, most importantly to ingress and egress points. Discussions with MCC are ongoing.

Three of the property's six electrical generators have been replaced. A further generator has arrived in the country and been shipped to the contractor's workshop for preparatory works. The final two generators have arrived in port and will also be shipped to the contractor before the end of November. These final three units are expected to be commissioned in late February 2021. The replacement of the generators will ensure Crown Melbourne has redundancy in the event of a mains power outage.

The locking software system in all three Melbourne hotels is coming to end of life in November 2020 and won't be supported by the supplier beyond this date. The door locking replacement project is in progress to update the door hardware and software to all hotels. Replacement of door locks in the Promenade will be the first priority. In the intervening period, Crown will draw down on its stock of spare parts and access the services of a third-party contractor for support with hardware repairs whilst Crown's IT team will maintain the software.

Installation of crash rated bollards by MCC at either end of the Crown Melbourne Riverfront will commence on Tuesday 17 November 2020. The bollards are part of a city-wide counter terrorism initiative by the MCC to respond to the risk of hostile vehicle attacks. The project will take some months to complete. The existing bollard and temporary planter box bollards will remain in place until the MCC project is completed.

LEGALLY PRIVILEGED: 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 available.

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- **AML/CTF Matters**

Crown responded earlier in the year to s 167 Notices regarding a Compliance Assessment of Crown Melbourne's AML/CTF Program, with a focus on High Risk Customers and Politically Exposed Persons.

The AUSTRAC Regulatory Operations team identified potential non-compliance with the AML/CTF Act and Rules, including concerns with:



- Ongoing Customer Due Diligence (section 36)
- Adopting and maintaining an AML/CTF Program (section 81)
- Compliance with Part A of an AML/CTF Program (section 82)

The above three are all civil penalty provisions.

AUSTRAC has informed Crown Melbourne that the concerns have been referred to AUSTRAC's Enforcement Team which has initiated a formal enforcement investigation into the compliance of Crown Melbourne. A further s 167 notice was served on Crown on 16 October 2020 and work is underway (with the assistance of law firm Allens) to respond by the due date of 30 November 2020.

The Financial Action Task Force (FATF) was expected to visit Australia during Q1-Q2 FY20 to complete an assessment of Australia's compliance with international AML standards. Any adverse outcomes are likely to impact the legislative/regulatory framework in Australia, which could ultimately affect the obligations of reporting entities.

Crown was provided with a copy of AUSTRAC's draft Junket Risk Assessment for review and comment, prior to its publication. Crown reviewed the draft Risk Assessment and prepared and submitted its comments to AUSTRAC. We are yet to receive feedback on our comments. Crown is currently responding to AUSTRAC's request for information related to AUSTRAC's casino industry risk assessment.

The ILGA Inquiry has focused on elements of Crown's AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown is engaged with AUSTRAC on this issue and is currently preparing a response to a number of queries AUSTRAC has put to Crown. Crown is continuing to review these accounts.

The AML/CTF team, with the support and leadership of the whole organisation, is progressing the implementation of the Joint AML/CTF program, which is substantially completed. Please refer to item 1. AML Update for a detailed update on AML/CTF matters.

Three additional elements are worth noting:

- The recommendations of the Deloitte Junket approval and POI Process review are in the process of being implemented.
- With regards to enhancing Crown's engagement with Law Enforcement Agencies, Nick Kaldas is assisting Crown in creating a framework for collaboration and information sharing. A verbal update will be provided at the Committee on the progress of this initiative.

Nick McTaggart, an associate of Nick Kaldas, has been engaged via Kaldas & Associates to provide recommendations on the existing AML/CTF framework, the junket approval process, analyse supply chain assurance and risks of infiltration and review the organizational risk appetite.



3.2. Adjustments to the risk profile:

A number of steps were undertaken as part of the review of the Corporate Risk Profile.

The Annual Review included a formal comparison with the Crown Resorts, Crown Perth and Crown Melbourne risk profiles, as well as an alignment of ratings with the new tools and methodology now used by the Risk team. In the past 12 months, a number of risk profiles have been created below the Corporate Risk Profile to capture risks across the key operational areas of the organisation and ensure an effective 'top-down / bottom-up' risk identification process is in place. Not all business unit risk profiles are in place at this stage, but we anticipate that they will be in the next 12 months.

All Risk Profiles are now in alignment with the approved Board Risk Appetite and associated Risk Matrix.

Other sources of information have also been considered in carrying out the Annual Review to assess whether there are any apparent emerging or other relevant risks that need to be taken into account by Crown.

As expected, external events and business disruption have taken a greater priority in external risk assessment data, as have related challenges such as diversification of revenue and supply chain, cyber protection, workforce management, remote working challenged including WHS elements, mental health, and more strategic concerns such as sustainability of business models, cost optimisation and balance sheet and treasury health.

The process of considering external sources of risk identification allows the input of external ideas, providing greater assurance that material risk areas are not missing from Crown's risk landscape.

Proposed addition of new risks

At its last meeting, and considering the external focus provided through the ILGA Inquiry on AML, the Crown Resorts Risk Management Committee proposed that the risk of *Material breaches of legislative/regulatory requirements* be split into two, so the AML elements would be a stand-alone risk.

In the Crown Resorts risk profile, the risk #5 of *Poor Credit and Investment Decision* is split into *VIP Bad Debt* and *Suboptimal Investment Decisions*. It is proposed that this be reflected in the Crown Melbourne corporate risk profile, and that the VIP Bad Debt risk be focused on our existing Account receivable balance and our ability to collect any outstanding debt, while the second risk be focused on future credit or investment decisions.

Proposed Changes to Risk Ratings

| Risk | Change | Comments |
|-------------------|---------------------|---|
| 2. Changes in key | Increase likelihood | This risk currently has a likelihood rating of "4", |



| Risk | Change | Comments |
|---|---|--|
| legislation or regulatory requirements | rating to a 5, with overall Risk Rating increasing to Critical . | <p>which is defined as a “likely” risk and a consequence rating of “4” which is defined as a “major” consequence.</p> <p>It is expected that there will be legislative or regulatory changes resulting from the ILGA Inquiry and, on that basis, it has been suggested that the likelihood rating be increased to “5”, which is defined as a “almost certain”.</p> <p>The overall risk profile will increase to Critical.</p> |

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

4. REGULATORY AND COMPLIANCE

4.1. Executive Summary

- In recognition of the fact that there are a number of long standing compliance issues that have not been resolved, Crown sent a letter to the VCGLR on 21 October 2020, seeking formal closure of outstanding matters, so that Crown can incorporate any necessary adjustments to its control framework as a result of any VCGLR findings or feedback that will direct our focus on improvement opportunities. On 11 November 2020, the VCGLR indicated that they intend to close most of the matters listed in Crown’s letter and will respond to Crown shortly.
- ILGA Inquiry - The Inquiry’s hearings continue to generate a number of regulatory requests, including from the VCGLR under s 26 Notices, a Show Cause Notice and subsequent amended version (to add a further allegation of breach of clause 2.5.1 of the Junket ICS, related to a significant Junket Operator). Crown has also received a request for information from the ATO, requesting (for example):
 - the activities undertaken by Southbank Investments Pty Ltd and Riverbank Investments Pty Ltd in the 2019 and 2020 income years; and
 - whether there are any other entities within the Crown economic group that perform a similar role to the two entities above.

Additionally, as a result of the Inquiry, on 18 November 2020 ILGA announced that it was halting the necessary approvals required by Crown in order to operate the Crown Sydney Casino – the consequence being that Crown Sydney will not open as intended in December 2020. ILGA will consider its position again in early 2021.



- The VCGLR has implemented a review of 10 of Crown Melbourne's Approved Internal Control Statements (ICs), to propose amendments to strengthen their overall operation and minimise potential risks.
- On 5 November 2020, Crown was advised by the VCGLR that the Commission approved Crown's Technical Requirements Document (TRD) for Gaming Machines at their October 2020 meeting. Discussions regarding when the document will take effect will be required.

4.2. Section 26 Notice Seeking Information – September 2020

In September 2020, Crown Melbourne received a s 26 Notice from the VCGLR, seeking information (regarding dates and programs) relating to three persons (a Junket Agent, a Junket Operator and a Junket Player). Crown responded to the notice as required on 2 October 2020.

4.3. Notice to Show Cause

Following Crown's response to the above s 26 Notice, the VCGLR served Crown with a Notice to Show Cause as to why Disciplinary Action should not be taken, on the basis that Crown failed to comply with clause 2.5.1 of the Junket ICS on three occasions. Clause 2.5.1 provides that:

Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Junket Operators, Junket Players & Premium Players.

Crown submitted its response to the VCGLR when due on 30 October 2020 and awaits the VCGLR's decision.

4.4. Amended Notice to Show Cause

On 17 November 2020, Crown received an amended version of the above Show Cause Notice, tracked to include a new date to respond and adding allegations as to a further breach of clause 2.5.1 of the Junket and Premium Player ICS, regarding a significant Junket Operator. Crown is currently preparing a response, which is required to be submitted by 1 December 2020.

4.5. Section 26 Notice Seeking Information – 13 November 2020

On 13 November 2020, Crown Melbourne received a s 26 Notice from the VCGLR, seeking information in relation to evidence provided to the ILGA Inquiry, specifically an explanation of the "incidents" referred to that occurred on 5 January 2018 and 9 February 2018 in the Melbourne Casino Sun City room involving "large amounts of cash at the Sun City desk". The request also concerned an explanation regarding the current status of a disciplinary investigation concerning a staff member. Crown responded to the Notice on 23 November 2020.



4.6. Section 26 Notice Seeking Information – 18 November 2020

On 18 November 2020, Crown received a further s 26 Notice seeking information relating to the ILGA Inquiry. The request seeks reports from Initialism and Grant Thornton and was submitted on 20 November 2020.

4.7. Section 26 Notice Seeking Information – 24 November 2020

On 24 November 2020, Crown received a further s 26 Notice seeking information relating to issues and contentions in the ILGA Inquiry. Crown's response was made when due on 26 November 2020 and additional information will be provided to the VCGLR in the coming days.

4.8. ICS Review

The VCGLR has implemented a review of 10 of Crown Melbourne's Approved Internal Control Statements (ICs), to propose amendments to strengthen their overall operation and minimise potential risks. The first two ICs to be reviewed, are Junket and Premium Player Programs and the Introductory Chapter. These are documents approved by the VCGLR.

4.9. ATO Enquiry – Riverbank/Southbank

On 12 November 2020, Crown received a request for information from the ATO, including (for example):

- the activities undertaken by Southbank Investments Pty Ltd and Riverbank Investments Pty Ltd in the 2019 and 2020 income years;
- whether there are any other entities within the Crown economic group that perform a similar role to the two entities above;
- how many (and provide details of) non-residents Junket Operators have at their disposal, their own room within Crown.
- whether these rooms are staffed entirely by Crown employees, or whether there are non-resident Junket Operator staff working, contracting or otherwise attending to guests in any capacity; and
- whether there is Junket Operator branding of any sort in any of the rooms.

Crown will file its response by 11 December 2020.

4.10. COVID-19

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



At 12:00 midday, on Thursday 12 November 2020, Crown Melbourne reopened to restricted gaming operations and conditions. Prior to the restricted opening, Crown engaged with the VCGLR to discuss the casino re-commissioning program. After further government announcements, Crown Melbourne increased its restricted gaming operation on 25 November 2020, but remained on a booking system.

4.11. Technical Requirements – Gaming Machines

On 5 November 2020, Crown was advised by the VCGLR that the Commission approved the Technical Requirements Document (**TRD**) for Crown at their October 2020 meeting. Discussions regarding when the document will take effect will be required.

4.12. 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.

Closing submissions have been made by Counsel Assisting the Inquiry and Crown's submissions commenced on 17 November 2020. Public hearings have now concluded.

On Wednesday 18 November 2020, ILGA announced that it was halting the necessary approvals required by Crown in order to operate the Crown Sydney Casino – the consequence being that Crown Sydney will not open as intended in December 2020. ILGA will consider its position again in February 2021.

4.13. Update to Gaming Machine and Table Games Rules

On 11 November 2020, the VCGLR wrote to Crown to commence consultation on their proposed amendments to the Gaming Machine and Table Games Rules. Crown provided its feedback on 25 November 2020.

4.14. China Matter

There has been no further updates/progress since the last report.

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 Minter Ellison 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



REDACTED - PRIVILEGE

4.15. Operation 2019 Wilkie Allegations

There has been no further updates/progress since the last report.

Mr Wilkie made fresh allegations of corruption between Victoria Police, the VCGLR and Crown, which have been sent to IBAC for investigation, as well as made public whistleblower information from alleged VCGLR Inspectors and a Crown limousine driver around money laundering, drugs, sexual abuse and violence against women.

Investigations by various regulators remain on-going.

4.16. Poker Tax

There has been no further updates/progress since the last report.

4.17. EGM Continuous Play

There has been no further updates/progress since the last report.

On 27 September 2018, the VCGLR served Crown with a Notice pursuant to s 26 of the *Casino Control Act 1991 (Vic)* to answer questions and provide data concerning EGM C8308, which the VCGLR allege was identified by Government Inspectors as operating in 'Unrestricted Mode', without YourPlay functionality activated. Crown investigated the machine with its Approved Testing Facility (ATF) (BMM) and the machine's manufacturer (IGT). It was identified that the machine was not operating in unrestricted mode, however, it had a wiring fault, which meant that when a particular button was held down, it performed as if continuous play was in operation. It should be noted that s 62AB of the *Casino Control Act 1991 (Vic)* provides:

(2)A casino operator must not allow a game to be played on a gaming machine unless each spin can be initiated only by a distinct and separate activation of the machine by the player (whether by pushing a play button, touching the screen or otherwise).

Crown responded to the Notice, advising that it was as a result of a machine hardware fault and also provided a copy of the manufacturer's report into the machine.

On 20 December 2018, the VCGLR (on-site Inspectorate) wrote to Crown requesting clarification on several matters relating to this incident and an explanation as to why



Crown breached s 62AB(2) of the *Casino Control Act 1991* (Vic) [a casino operator must not allow a game to be played on a gaming machine unless each spin can be initiated only by a distinct and separate activation of the machine by the player]. On 8 January 2019, Crown responded to the letter dated 20 December 2018, reinforcing its position as documented in Crown's initial response dated 11 October 2018. No reply has yet been received from the VCGLR.

As a consequence of this matter; on 19 November 2018 the VCGLR (Director, Compliance) wrote to Crown advising that they are continuing to investigate the circumstances relating to the malfunction of EGM C8308. In this letter, the VCGLR sought further information from Crown as to whether regulation 18(6) of the *Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014* have been complied with. On 18

December 2018, Crown responded asserting that no breach of Reg. 18(6) had occurred and attaching the VCGLR's approval of the current operating format. No response has yet been received from the VCGLR.

As a result of this issue, various audits and reviews of similar machines have been undertaken.

Crown has sought an update from the VCGLR since the last report and is awaiting their response.

4.18. Operation Angove Investigation Report

During August 2020, the Australian Commission for Law Enforcement Integrity (**ACLEI**) released their 'Operation Angove' Investigation Report. The Commissioner made no findings of corrupt conduct in relation to the three (3) corruption issues investigated.

On 11 September 2020, Crown wrote to the VCGLR providing an outline of the report and findings, as well as providing the report.

The matter is now considered closed and will be removed from future reports.

5. RESPONSIBLE GAMING

5.1. Casino Re-Opening

In response to Gaming commencing at a reduced capacity on 12 November 2020, the Responsible Gaming Centre (**RGC**) was re-opened to align with gaming hours (with several hours pre and post gaming times). Gaming increased opening hours to 24/7 from 25 November 2020, with the RGC operating 24/7 from then.

As was implemented upon the re-opening of gaming at Crown Perth several months ago, a re-opening Survey will be conducted with customers who reach out to the RGC. This will give us some insight into how the shutdown has affected customers' gaming behaviours.



5.2. Section 25 Review Recommendations

Crown Melbourne has formally engaged with the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) on all 11 Responsible Gaming Recommendations (which includes Recommendation 12 in relation to Facial Recognition Technology) made in the Sixth Review of the Casino Operator and Licence, June 2018 (**Sixth Review**). Of these, Crown Melbourne has made submissions, and received responses from the VCGLR, for 10 Recommendations.

5.3. General Manager Responsible Gaming

The recruitment of the General Manager Responsible Gaming Crown Melbourne position has been finalised. Luke Overman has been appointed and commenced his role on 20 August 2020. Luke began his career with Crown Melbourne in the Table Games department in 1994, progressing through the operations to become a Casino Manager in 2012. Recognised twice as a Crystal Award recipient, Luke has led a number of teams and projects within the business.

5.4. Responsible Gaming Advisory Panel

Work on the Responsible Gaming Advisory Panel's (**RGAP**) review of the Crown Resorts Responsible Gaming Framework and Strategy Report and Recommendations is continuing.

The Responsible Gaming Working Operations Group has met with Professor Alex Blaszczynski on the following dates:

- 25 September 2020
- 8 October 2020 (with the RGAP and Group General Manager Responsible Gaming)
- 20 October 2020 (with the RGAP and Group General Manager Responsible Gaming)
- 4 November 2020
- 19 November 2020

5.5. Self Exclusion and Involuntary Exclusion Revocation

Crown Melbourne's review of the Self Exclusion and Involuntary Exclusion Revocation process and the Committee has been completed. The updates to the process and Charter align with Crown Perth's recent change following a similar review, achieving greater synergies across all Australian Resorts. These changes are supported by the RGAP.



5.6. Stakeholder Engagement

Victorian Responsible Gambling Foundation (VRGF)

Crown representatives attended a meeting on 29 September 2020, with the VRGF, to discuss the proposal of Crown establishing a relationship with a specific Gambler's Help agency, similar to that as exists at Crown Perth with Gambling Help WA Perth offices. This is a key initiative in supporting one of the recommendations from the Panel Report. The VRGF were receptive and the next steps are under way to progress.

Australasian Casino Responsible Gaming Forum

Crown coordinated and chaired the Australasian Casino Responsible Gaming Forum on 26 August 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.

Gambling Harm Awareness Week (GHAW)

Due to the closure of Crown, participation in this year's GHAW focused on a digital campaign for employees via 'Workplace'. Multiple messaging, posters and video clips from the VRGF website were utilised. Employees were invited to participate in the week by way of a competition to answer some questions in relation to Responsible Gaming at Crown. All correct answers went into a draw to win multiple gift cards.

5.7. Regulatory updates

Responsible Gaming Statistics

The VCGLR has advised that the Commission intends to share the Harm Minimisation Overview and Exclusion Related Events Statistics Report (prepared for the Crown Resorts Responsible Gaming Board Committee) with the VRGF. This report details Total Patron Contact; Main Activities of Responsible Gaming Centre Staff; Exclusion Related Statistics; and Referral Statistics.

Bankruptcy

On 18 September 2020 Chief Legal Officer provided direction that persons subject to a Bankruptcy Order are not eligible for revocation of a self exclusion. The Application for Revocation of Self Exclusion and Involuntary Exclusion has been updated to reflect this change.



8) You confirm you are not currently subject to a Bankruptcy Order or are a party to a Part IX debt agreement under the Bankruptcy Act 1966 (Cth).

All applications received prior to this direction but not yet processed require the Applicant to sign a new Application Form before their application can be progressed.

The *Crown Resorts Bankruptcy Policy* is currently under review by Group General Manager Regulatory and Compliance. Once finalised Responsible Gaming will determine if any additional checks are required to be undertaken of an Application for Revocation of Self Exclusion or Involuntary Exclusion.

Advanced Responsible Gaming Training

Advanced Responsible Gaming Training has been delivered to over 100 Table Games Area Managers to co-inside with re-opening. All management from both gaming departments participate in this training in line with the Sixth Review Recommendation 6.

6. LEGAL (SUBJECT TO LEGAL PROFESSIONAL PRIVILEGE)

6.1. IHG Trade Mark Matter

Detailed updates in relation to this matter have previously been provided. Discussions continue between IHG and Crown in relation to the dispute related to the parties' respective use of the CROWNE PLAZA and CROWN brands for hotel services. Numerous individual disputes have been settled recently. There are now approximately 46 matters remaining in Australia and overseas (down from over 124 matters in 2019). Crown is actively trying to close this matter out and is in regular contact with IHG.

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.

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 Applicant has made application for the trial date (9 November 2020) to be vacated which the Court has granted. The new trial date has been fixed to commence on 25 October 2021 with an expected duration of six weeks.

The Applicant has foreshadowed an amendment (the nature and extent of which is currently unknown) to the Applicant's statement of claim to be served in February 2021 after Commissioner Bergin's findings have been handed down. Crown's lawyers continue to liaise with the Applicant's lawyers on this to ascertain the proposed changes and also on the timing. Unless agreement can be reached on the proposed changes and timing of those changes well prior to February 2021 a request will be made to the court to list a case management conference as soon as possible.



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

7.1. Dinner by Heston Blumenthal

There has been no further update on the Dinner by Heston Blumenthal matter since the previous meeting.

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 – November 2020

| | | | | | | |
|-------------------|-----------------------|-----------------------|---|---|--|--|
| | | <i>Material Risks</i> | | | | |
| Likelihood | Almost certain | | | | 14 - Major reputational damage 2 - Changes in key legislation or regulatory requirements | 6 - External disruption to demand for our services |
| | Likely | | 16- Harm to persons on property | | VIP Bad Debt (25) NEW | |
| | Possible | | 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 AML Breaches (24) NEW | 3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue |
| | Unlikely | | 17 - Breakdown in strategic partnership with third party 19 - Unsustainable environmental management and ethical standards | 10 - Reduction in property standards 18 - Industrial action | | |
| | Rare | | | | | 20 - Aviation accident |
| | | Insignificant | Minor | Moderate | Major | Severe |
| | | Consequence | | | | |

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 |