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## Memorandum

To: The Board of Directors

Copy: Mary Manos

From: Joshua Preston

Date: 3 August 2018

Subject: **Crown Melbourne – Sixth Review of Casino Licence under Section 25 of the *Casino Control Act 1991 (Vic)***

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### 1. Background

As Board members are aware, the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) has now concluded its review of the Casino Operator and Licence, pursuant to section 25 of the *Casino Control Act (Act)*, for the period covering 1 July 2013 to 30 June 2018.

This paper provides a formal summary for the Board of the review process and outcomes, noting that directors have all now had the opportunity to review the full section 25 Report. A copy of the full Report has therefore not been included in these papers.

### 2. Review Process

The Act requires the VCGLR to undertake a section 25 review no less frequently than every five years. This was the sixth review since the Melbourne casino licence was granted, with the last review being completed in June 2013.

Section 25 of the Act requires the VCGLR to investigate and form an opinion as to whether Crown Melbourne Limited remains a suitable person to continue to hold the casino licence, is complying with the Act and the various agreements with the State regarding the operation of the casino and it is in the public interest that the casino licence should remain in force.

The VCGLR commenced its investigations and review almost 12 months ago and was undertaken by a team headed by Robert Chappell, ex-CEO of the South Australian Gaming Regulator. The process involved:

- Presentations from relevant business units of Crown Melbourne;
- Interviews with directors, senior executives and frontline employees;
- Information requests and the provision of large amounts of information to the VCGLR; and
- The calling for public submissions.

The investigation and review of Crown Melbourne Limited's suitability extended to the investigation and review of the suitability of "associates" of Crown Melbourne Limited, which includes Crown Resorts Limited and its other subsidiaries and business associates, as well as the Crown Resorts Limited and Crown Melbourne Limited directors and senior management.

### 3. Completion of Licence Review and Report content

The VCGLR formed the opinion that:

- Crown Melbourne Limited, remains a suitable person to hold a casino licence;
- Crown Melbourne Limited, is complying with the Casino Control Act 1991, the Casino (Management Agreement) Act 1993, the Gambling Regulation Act 2003 and the regulations made under any of those Acts;
- Crown Melbourne Limited is complying with:
  - a. the Transaction Documents, and
  - b. any other agreements between the Melbourne Casino Operator and the State, or a body representing the State, that impose obligations on the casino operator in relation to gaming; and
- it is in the public interest that the casino licence should continue in force, having regard to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations.

Crown was provided with a draft of the VCGLR section 25 Report which was reviewed by a range of internal staff, directors and MinterEllison with various submissions, both written and verbal, made to the VCGLR challenging several of the findings and the language used in various parts of the draft Report.

A final version of the Report, which included a range of amendments, made as a result of Crown's submissions, was provided to Crown in late June 2018.

It is also noted that a full copy of the Report has been provided to all directors and management appreciates the input provided by the directors throughout the process.

The Report is detailed in its findings and makes positive and negative comments on various areas of Crown's business.

The Report (as anticipated) had a significant focus on Responsible Gaming and Crown's Risk, Governance and Compliance processes/frameworks. In this respect there was a clear focus on three key disciplinary matters that occurred during the period (the PlaySafe issues associated with FATGs, the Junket process matter and the blanking button matter) and related those matters to weaknesses in risk and compliance.

The Report also covered the outcome of the VCGLR's investigation of the Wilkie allegations, finding that (aside from the Blanking Plate matter), all allegations were unfounded and/or misconceived.

It should be noted that the VCGLR China investigation is referenced in the Report and provides commentary on factual matters only. The VCGLR China investigation remains open.

Crown provided a formal response to the Report which:

- highlighted the positive findings in the Report;
- recited the twenty recommendations of the Report and articulated Crown's responses to those recommendations; and
- provided some high level information regarding Crown's contributions to tourism, employment and the economy.

The recommendations (20 in total) cover corporate governance, risk, responsible gaming (the majority of the recommendations), money laundering, applications for approvals and exclusion orders.

A copy of Crown's formal response to the Report is attached for reference.

#### **4. Next steps and Conclusion**

The VCGLR's Final Report and Crown's formal response was provided to the Minister for Consumer Affairs, Gaming and Liquor Regulation, The Hon. Marlene Kairouz MP (Minister), on or about 30 June 2018. It is expected that the Minister will release the Report (which will include Crown's formal response) to the public shortly. Significant media attention generally follows the public release of the Report.

Upon release of the Report, Crown Resort Limited plans to make a short ASX Announcement, notifying the market of the release of the Report, summarising the outcome and attaching Crown Melbourne's formal response.

Overall, the result of the section 25 review of the Crown Melbourne licence and findings of the Report is a positive one with Crown remaining suitable to continue to hold the casino licence, in compliance with the Act and the various agreements with the State regarding the operation of the casino and that it is in the public interest that the casino licence should remain in force.

Crown management has commenced work to address the recommendations set out in the Report. The matter will be included as a standing item on the Agendas of both the Crown Resorts Responsible Gambling Committee and this Board during the implementation phase of the recommendations.

Kind regards

Joshua Preston  
**Chief Legal Officer – Australian Resorts**



**Annexure – Crown Melbourne letter to VCGLR dated 2 July 2018**