

## Royal Commission into the Casino Operator and Licence

### STATEMENT OF JANE HALTON

**Name:** Jane Halton

**Address:** Crown Towers, Level 3, 8 Whiteman Street, SOUTHBANK VIC 3006

**Occupation:** Director

**Date:** 28.4.21

1. I make this statement on behalf of Crown Resorts Ltd (**Crown**) in response to the Royal Commission's Request for Statement - RFS-Directors-001 (**Request for Statement**).
2. I am a non-executive director of Crown Resorts Limited (Crown). I have been a director of Crown since May 2018
3. I am the current chair of the Crown Board's Risk Management Committee (from December 2019), a member of the Audit & Corporate Governance Committee (from February 2020) and since March 2021 a member of the People, Remuneration and Nomination Committee, Responsible Gaming Committee and the Safety and Sustainability Committee.
4. Previously, I held a number of senior roles in the Australian Public Service, including Secretary of the Department of Finance, Secretary of the Department of Health (and Ageing) and Executive Co-ordination (Deputy Secretary) of the Department of Prime Minister and Cabinet.
5. I am currently a director of ANZ Banking Group Limited and chair of the Council on the Ageing, Vault Systems, the Generics and Biosimilar Medicines Association and the Coalition for Epidemic Innovations. I am also a director of Clayton Utz, the Institute of Health Metrics and Evaluation at the University of Washington, Adjunct Professor of the University of Sydney and the University of Canberra and council member of the Australian Strategic Policy Institute.
6. I provide this statement on the basis of my own knowledge, however to the extent that matters related to matters outside of my own knowledge or my time at Crown I've sought information and documents from management, staff and lawyers.

**1 Describe the current Risk Appetite (as that term is used in the Crown Risk Management Policy), set by the board of Crown Resorts and/or Crown Melbourne.**

7. Crown's risk appetite is contained within its Risk Management Strategy at **CRW.512.041.0055**.
8. The board of Crown sets the risk appetite for both Crown and Crown Melbourne. These are the same for both entities.
9. Crown's risk appetite is set consistent with the ISO 31000 risk management standard which refers to the amount and type of risk that an organization is prepared to pursue, retain or take in pursuit of its strategy.
10. Crown's risk appetite is founded on the principle of "we do the right thing". This includes respect for customers, staff and interested stakeholders. It also includes Crown's actions in respect of

customer and staff welfare, health and safety, security and the management of data.

11. Crown's appetite is formed in the context of its social licence to operate, the fact that its licences are a privilege and they bring specific obligations which are taken seriously.
12. Crown believes it cannot deliver and maintain shareholder value if it has a risk appetite which does not reflect these priorities.
13. Crown does not have appetite to accept material risks in relation to its regulatory obligations nor breaches of the law.
14. Crown's risk appetite acknowledges that risks must be managed/minimised but it is not possible to absolutely prevent all breaches or failures. In this context effort is focussed on material risks.
15. Crown's risk management strategy indicates that there should be systematic compliance with all legal, regulatory, statutory and contractual obligations.
16. Crown's risk appetite allows it to take measured commercial risks and aims to manage and minimise risks in its operations. Key risks need to be identified, measured, monitored and remediated.
17. It recognises that mistakes do happen. It also recognises that not every risk can be controlled by Crown.
18. Crown recognises that there may be residual risks from previous more liberal risk appetites and that these must be identified and remediated where inconsistent with the current risk appetite.

**2 Describe the current risk management strategies, risk management frameworks and risk management plans in relation to Crown Companies, Crown Resorts and Crown Melbourne.**

19. Risk management at Crown is governed by the Board through the Risk Management Committee (**RMC**). The RMC charter is at **CRW.512.043.0077**.
20. Key policies considered and recommended by the RMC and approved by the Board apply to Crown Melbourne, Perth and Sydney.
21. Key risk documents and policies outline and mandate Crown's approach to the management and reporting of risks. This framework comprises the Risk Management Policy and the Risk Management Strategy. A copy of the Risk Management Policy is at **CRW.512.043.0051**.
22. The Risk Management Policy sets out how risk will be managed at an operating level – specifically that each business will be responsible for implementing the Framework, maintaining and reviewing the risk profile of its business on a regular basis and reporting material changes to the RMC. It also mandates risk registers including how these risks are to be treated (managed) and the strategy against each risk.
23. The risk framework adopts a '3 lines of defence' model with the first line of defence being operational management reporting to senior management, the second line being the risk management, compliance and anti money laundering (**AML**) functions which report to both senior management and directly to the Board and Committees of Crown and finally the third line which includes internal audit which reports to the Board and Committees of Crown.
24. In this model the first line represents operational functions who own and manage risks, the second line own the risk framework and provide the link between the board and management and the third line provide independent assessment on a regular basis of the framework and

controls.

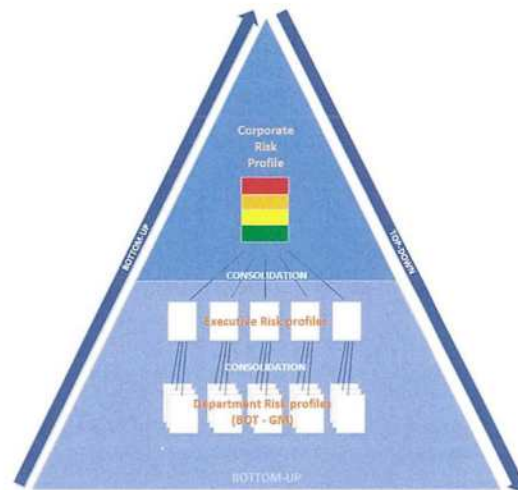
25. Individual business units operationalise the approach to risk management via specific risk registers and practises which are appropriate to them. For example, Hotels have produced a specific risk profile which addresses their specific risks. This includes data gathering such as a Duty Managers log which identifies incidents. This enables the aggregation of data and the escalation and reporting of issues. This is done in a structured way.
26. The framework for escalation of risks and reporting mean that significant issues are reported through to executive management and subsequently to the RMC. For significant material risk issues there is also reporting to the Board.
27. Structured reporting and data analysis means that patterns and trends can be identified and where appropriate changes to systems made.
28. There is a specific Risk and Compliance Culture Framework which sets out responsibilities in respect of Risk. Crown's emphasis in risk culture is to embed this approach across the organisation. A copy of the Risk and Compliance Culture Framework is at **CRW.512.010.0302**.
29. Staff training and risk culture are critical to the effective implementation of risk management. Key risks are covered as part of induction training and there are specific training programs around material risks including AML, OHS, Cyber and responsible gaming.
30. Compliance with these requirements is reinforced by the Crown Code of Conduct which emphasises the standards of conduct required and reiterates the matters which are a priority such as AML/ABC, RSG and conflict of interest. A copy of the Crown Resorts Limited Code of Conduct is at **CRW.512.012.0133**.
31. Material directed to staff including training is provided in easy to understand language and aims to ensure understanding. This follows the keep it simple principle. The objective is to ensure that documents/messaging is appropriately targeted to its audience.
32. A key message is 'we do the right thing'. Policies and frameworks are not used directly with operational staff. The compliance framework (such as the use of the CURA system) reinforces both awareness and reporting requirements.
33. Management of risk also requires that Crown proactively seeks to ensure that it is inside its appetite in respect of complying with all legal obligations. In this context Crown's approach to regulatory compliance seeks to actively question what is and isn't consistent with its licence conditions and the law. Enhanced engagement with regulators is also designed to enable this outcome.

**3 Describe the process for escalating risks through the risk management frameworks, including escalation thresholds and the names of persons or bodies to whom risks are to be escalated.**

34. Risk escalation is outlined in the policy and operational documents which form the risk management and compliance framework. This is represented below in figure 1.



Figure 1

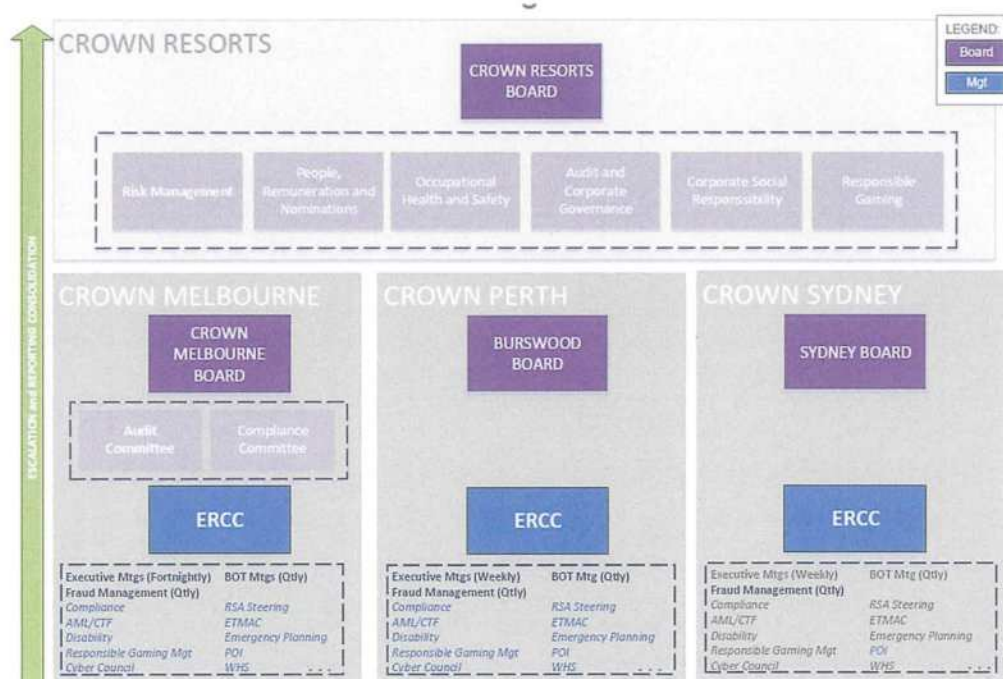


35. The current framework (attached in response to item 2) outlines the documents which govern the operation of risk at Crown. Of these only the Policy, Charter and Matrix existed prior to the appointment of the Group General Manager, Audit and Risk. Refinements have been made to these pre-existing documents since that time.
36. The risk matrix and map form key reporting elements to the RMC and Board. A copy of the risk matrix is at **CRL.668.001.0006**.
37. An example of a populated version of that map is at **CRW.512.004.0001** at **0044**.
38. In addition to the Risk Matrix Documents, the RMC also receives detailed reports on material risks. These reports are both quantitative and qualitative.
39. In this context, and notwithstanding the expectation as classified in the risk map that only "critical" risks will have the oversight of the RMC/Board in practice there is a bias to broader reporting and discussion at the RMC to include risks that are classified as "moderate" and "high".
40. The delegation policies (which are consolidated to one document), were first introduced in June 2019. Previously powers of attorney and operational delegation schedules that operationalised the delegation framework were utilised. The formal articulation of the delegation framework and its alignment with risk appetite was not formalised until the risk appetite was approved in December 2018. A copy of the Crown Resorts Limited Delegations Policy is at **CRW.512.043.0071**.
41. Escalation occurs in a number of ways.
42. The 'top/down and bottom/up' process allows for risks identified at different layers of the organisation to be consolidated and reported upward until it reaches the corporate risk profile (at the top of the reporting pyramid). This allows for material and/or emerging risks to be escalated and discussed in relevant fora. The risk team performs the consolidation between layers, and the Chief Risk Officer (**CRO**) represents the top two layers at the Executive Risk and Compliance Committees (**ERCC**) or property and the RMC at each meeting.
43. For specific events that materialise across the business the compliance framework and the monthly CURA surveys require each business unit to report any events against its obligations.

These events are consolidated and discussed at a monthly meeting chaired by the Compliance function and attended by Risk. These issues are reported into the compliance report that is provided at the ERCC and the relevant Board sub-committees.

44. The CRO attends compliance meetings as well as executive team meetings and prepares a report to the relevant Board sub-committees which highlights all the material events that have occurred in the period since the last report, including analysis of whether these events have any impact on the relevant risk profile. This report is presented at each ERCC for any executive of the property to comment or provide further updates on any of those events and any other material event that is not included in the report to ensure completeness and accuracy of the information reported to the board.
45. There are also reporting requirements in each framework eg. Cyber, AML, WHS and compliance.
46. Depending on the nature of the event, there are a number of fora in which events must be reported and/or escalated. For example:
  - Privacy breaches follow the Privacy Policy and Process and are escalated to the Data Breach Response team for action. Any confirmed Privacy incident is then reported into the Material Risk report which is presented at the relevant ERCC and RMC.
  - WHS incidents are reported into the OHS system and reports are provided to the ERCC and RMC reports.
47. The diagram below (Figure 2) shows the range of board and management fora that deal with specific or broader reporting mechanisms.

**Figure 2 – entities with reporting responsibilities**



**4 Describe how the risk appetites, risk management frameworks and the risk management strategies and risk management plans have changed in the last 10 years.**

48. This section includes material relevant to question 5.
49. In the period that I have been on the Board there have been ongoing updates and improvements to the risk management framework, refinement to risk appetite and plans. Those changes dating from 2018 onwards are reflected in the timeline at **CRW.512.044.0114**.
50. Changes to the management of risk since 2018 have included increased cadence (from 4 to 6 and ad hoc as needed) and length of meetings of the RMC to ensure that sufficient time is spent on risk issues. Greater attention to risk issues at the Board level and greater engagement in significant risk issues have been evident.
51. Risk management has been allocated additional resources. This included the creation of a separate Chief Risk Officer. Previously the role had been combined with the internal audit role.
52. This role has a group wide focus. Prior to 2018 most risk issues were managed at the level of the individual properties.
53. Crown's risk appetite has reduced, has been more clearly expressed and has changed to reflect areas of risk which are outside Crown's risk appetite. For example, not having appetite for failure to comply with regulatory and legal requirements.
54. Since 2018 specific plans for individual areas of the business have been prepared where these had not been in place previously. These are updated and revised regularly.
55. Up to 2017, the Board of Crown had in place a Risk Policy and a RMC that met twice a year with a charter that was updated at least annually. It received regular reporting on the material risks identified in its corporate risk profile and reviewed that risk profile annually. It had in place powers of attorney to effect delegations, and had in place internal audit, risk, compliance and AML functions.
56. Documentation, escalation and reporting of risks prior to 2018 was not systematic.
57. Some risk areas were more mature than others. Areas of greater maturity include attention to responsible gambling, OHS, RSA and food safety.
58. The actual risk appetite of the business was understood by some but not all staff. There was a misalignment between the documented elements of the risk appetite and the actual risk appetite of the company.
59. The balance between financial, risk and compliance issues was heavily weighted towards the former.
60. This was not documented in a formal risk appetite statement and there was a lack of formalisation of the risk expectations of the Board.
61. Risk reporting and the escalation of reporting in respect of some risks that had materialised appears to have been ad hoc and limited to some individuals rather than always through a structured process.
62. The full Board did not receive reports on all matters which were relevant to their role.
63. Identification and reporting of problems as an opportunity to learn and in turn reflected in risk management strategies, changes to procedures or practises was not as welcome in some parts



of the business as others.

**5 Describe how the process for escalating risks through the risk management frameworks have changed in the last 10 years.**

64. See above in relation to question 4.
65. The process for escalating reporting on risks is connected to the risk rating framework and the policy of delegations and understanding of risk appetite and the cultural expectations around reporting.
66. Current expectations, policies and frameworks are outlined at the responses to questions 3 and 4 above.
67. Escalation means that information travels to the right level/authority for either the management of the risk or its escalation if it is outside the person's authority.
68. Analysis of the risk framework in 2018 identified a lack of effective escalation and reporting mechanisms. This was remediated by updating the risk matrix and specifically including escalation triggers for the level of risk (residual).
69. In 2019 the delegation policy was also amended to expand, simplify and standardise delegations and to align this with the risk appetite and strategy.
70. Tone from the top on the importance of risk reporting and active engagement of the senior leadership team are all critical to ensuring that reporting happens, is valued and acted upon. This has changed markedly over the last number of years.

**6 What metrics do the Boards use for measuring compliance with the risk appetite statement?**

71. Both qualitative and quantitative measures are used to understand compliance with the risk appetite. Not every issue is reducible to a measurement and judgements are required including in respect of non-financial measures. Metrics and measures need to be accessible and considered. These are reported to the RMC with the escalation to the Board as appropriate. At its core the objective is to be able to quickly be alerted to something that should be a concern.
72. Since the Board approved the Risk Appetite in December 2018, the RMC has been receiving a dashboard (figure 3) at each meeting that provides an assessment against each appetite tolerance threshold defined in the Risk Management Strategy. This dashboard is included in the Material Risk report.

**Figure 3 – Risk Appetite Dashboard**

CATEGORY	QUANTITATIVE METRICS – RMC REPORTING TRIGGERS		REPORTABLE EVENTS	REFERENCE
Financial	Outside normal trading EBITDA losses (per event), and/or adverse to the current (normalised) forecast	>\$10M	No	
Brand / Reputation	Internal event creating a sustained share price loss	>5%	No	
	Sustained negative national or international media coverage	Any event	Yes	ILGA INQUIRY

<b>Regulatory/ Legal</b>	Breaches that may have a financial or reputational impact	Any event	Yes	VCGLR & AUSTRAC
	Material legal action or class action	Any event	Yes	2nd class action
	Breach or event that has the potential to damage the relationship	Any event	Yes	VCGLR & AUSTRAC
	Material responsible gaming issues including sustained adverse media	Any event	No	
	Material service of alcohol issues impacting the liquor licences	Any loss of licence and/or points	No	
<b>People</b>	Notifiable serious incidents with regulator involvement under workplace health and safety and other related legislation	Any event	No	
	Sustained staff turnover and/or unplanned absences above average	Any event	No	
	Loss or potential loss of key management personnel	Any event	Yes	COVID-19 ILGA INQUIRY
	Imminent industrial action	Any event	No	
<b>Customer/ Patrons</b>	Negative event affecting segment of patrons (e.g. VIP, F&B, Hotel)	Over \$100M revenue	Yes	COVID-19
<b>Infrastructure</b>	Security incident that threatens people or property	Any event	No	
	Loss of other core IT infrastructure or multiple key systems	>24hrs	No	
	External or internal security breaches resulting in unauthorised access to, or loss of, customer data likely to result in serious harm	Any event	Yes	Allens
	Loss of critical physical infrastructure	>24hrs	No	
	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs	Yes	COVID-19
	Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B > 24hrs	Yes	COVID-19
<b>Strategy / Business Sustainability</b>	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event	Yes	COVID-19
	Key strategic project delayed by 12 months or more	Any event	No	



	Change in ownership share of related or third-party entity	Any event	No	
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73. Based on these reportable events the RMC considers events and trends and whether risk ratings should be adjusted.
74. Since November 2020, the Material Risk Report also includes a Key Risk Indicator (*KRI*) dashboard which provides operational metrics against the seven risk categories. The purpose of this dashboard is to provide leading and lagging indicators that can provide insights and flags into changes to the operating conditions or to changes in the risk or control settings.

Figure 4 – Key Risk Indicator Dashboard

CROWN RESORTS RISK MANAGEMENT COMMITTEE			Frequency	Budget / Target / Average	Trend
Category	Ref	KEY RISK INDICATORS			
Financial	1.1	Cost-to-Income ratio (%) (Gaming)	Monthly	199.3%	
	1.2	CM - TG VIP Win Rate %(VS theoretical 1.40\$)	Monthly	1.40%	
		CP - TG VIP Win Rate %(VS theoretical 1.40\$)	Monthly	1.35%	
	1.3	Hotel Occupancy Rate (CT,CM,CP) %	Monthly	40.3%	
	1.4	Total F&B Covers	Monthly	374,684	
Brand / Reputation	1.5	Labour Cost over total revenue for all Business Units (%)	Monthly	45.8%	
	1.6	Unexpected loss in share prices (%)	Monthly	\$9.74	
	1.7	Total Poor / Fair/ Complaints Feedback Received (%)	Monthly	58%	
	1.8	Number of Compliments (%)	Monthly	41.8%	
Compliance / Regulatory	1.9	Number of allegations brought by media	Monthly	0	
	2	CM - New alleged material compliance Notice/Investigations/breaches - Existing/New *(Privacy,RSA,RSG,saming,OHS,WorkSafe)	Quarterly	38:24*	
	2.1	Number of data breach events reported to compliance	Monthly	0	
	2	Number of WorkCover Claims Closure Rate / Claims Received	Monthly	52.6 / 116	
People	2	AML (In progress)			
	2.1	Lost time incident frequency rate (LTIFR)	Monthly	5.6	
	2.2	Number of hours accrued Annual Leave	Monthly	1,427,055*	
	2.3	Staff Turnover % (MAT) - Moving Annual Total	Monthly	10.3%	
	2.4	Number of terminations that occur less than 180 days of employment	Monthly	103*	
	2.5	Number of Serious Misconduct terminations	Monthly	5*	
	2.6	Total Number in the Crownability Program	Monthly	306*	
	2.7	Total Number of IEP Headcount	Monthly	308*	
	2.8	Compliance Rate (%) of courses completed by all business units	Monthly	85.5%	
		Compliance Rate (%) - AML/CTF Risk Awareness Training	Monthly	100.0%	
Customers	2.9	Litigation by current or former Staff (FS), defamation/slander by FS (whistleBlower)	Quarterly	0	
	3	Number of industrial actions carried out by union and staff	Quarterly	0	
	3.1	Number of new Patron On-site sign ups	Monthly	4,058	
	3.2	Number of Patron on-site Visits + Crown Perth Gaming Floor Visit	Monthly	762,057	
	3.3	Number of Customer/Patrons utilizing the Crown Resorts App	Monthly	9,795	
Infrastructure	3.4	Number of visits to Melbourne & Perth Crown website	Monthly	593,115	
	3.5	Number of Insurance Claims by Patrons due to injury at Crown Melbourne	Monthly	4.2	
	3.6	Number of critical IT system unplanned downtime and service interruption (Melb)	Monthly	0	
	3.7	Number of IT Scheduled Changes	Monthly	36	
	3.8	Number of IT Emergency Changes	Monthly	14.6	
Strategy / Business Sustainability	3.9	Number of Spam emails Detected by staff and reported	Monthly	79	
	4	Number of Critical Cyber Security Threats	Quarterly	0	
	4.1	An incident causing critical physical infrastructure for extended period of time	Quarterly	0	
	4.2	An event that triggers (Crisis Management, Critical Incident Management, Business Continuity Management, Emergency Management)	Quarterly	0	
	4.3	Number of IT programs / Completed / Outstanding for current FY	Monthly		

\*Last Year

KEY	
	Favourable by more than 2% on Average/Target
	Within 2% of Average / trend /Tolerance
	Unfavourable by more than 2% of average/Target

75. An example of the use of specific metrics in a detailed risk report is provided at **CRW.507.001.3844** in respect of OHS.

**7 In the past, what metrics did the Boards use for measuring whether risks were within tolerance or acceptable?**

76. Prior to December 2018 (when the new Risk Appetite was approved), data and risk reporting was not consolidated and presented by the risk function to the RMC, rather individual business areas provided their own reports to the Board or Board sub-committee as relevant. For example, WHS had a report which was provided to the OHS Committee. An OHS report dated February 2017 is at **CRW.507.006.4822**.
77. An overview of whether risks were within tolerance as acceptable was based on individual reporting (by finance, legal, OHS, etc), not all of these were metrics and some were ad hoc.

**8 Is Crown Resorts currently operating outside its risk appetite? If so, in what respects?**

78. Crown's current risk appetite is outlined at the response to question 1 above and documented in the Risk Management Strategy.
79. Based on information available including both formal and informal reporting, Crown is not operating outside its risk appetite.
80. This assessment takes account of the fact that Crown has ceased dealing with Junkets, has and will continue to actively review all significant players with whom we deal, is proactively tackling risk culture and the culture of compliance, has a significantly changed tone from the top, has a more balanced approach to Financial, Risk and Compliance objectives, is implementing a far reaching and improved approach to AML, has significantly enhanced the resourcing for regulatory compliance, risk and audit, is consolidating activities on a group wide basis, has exited a number of former directors and officers of the company and has recruited individuals with the skills and capabilities required to ensure compliance is embedded and sustained in Crown's operations, has enhanced its engagement with regulators, understands its social licence to operate and continues to review its actions/activities.
81. Crown's risk appetite recognises that mistakes do happen. It also recognises that not every risk can be controlled by Crown and that there may be residual risks from previous more liberal risk appetites and that these must be identified and remediated.

**9 Describe the material risks identified on the Risk Register maintained by each of Crown Melbourne and Crown Resorts over the last 10 years and what action was taken by the Boards in relation to those risks.**

82. Since 2018, there has been expansion of a number of risk profiles, recalibration of the risk appetite and risk matrices, and the association of overall risk ratings with escalation levels.
83. The material risks identified in the risk registers of both Crown Resorts and Crown Melbourne are the result of the 'top-down and bottom-up' process. This allows risks to be escalated up to the board and rolled down to the business.
84. 'Material risks' are reported to the Risk Management Committee at each meeting of the committee, with oversight and questioning by the Board/Committee members. This practice was well established in 2017 and dates back over the whole period.
85. Each situation is considered in its own right, and the RMC/Board's response is tailored to the



issues at hand.

86. The issues considered since 2017 include responsible gaming, cyber security, AML/CTF, regulatory issues, terrorism, VIP matters, junkets, coronavirus and property specific issues.
87. Actions taken by the Board were dependent on the risk. For example, where a risk sits outside the appetite of the Board, the control framework is reviewed and additional controls are being considered. For example:
  - In February 2018, a member of the public threatened to detonate a device he allegedly held in his backpack while on Crown premises. The incident was managed successfully. Once under control, the Board called a special joint meeting of the WHS and risk committees to discuss the event, assess the response, obtain the debrief from external law enforcement agencies involved and assess the quality of our response and the need to consider any additional controls.
88. A chronology of RMC papers and Board papers on the material risks considered since 2017 is at **CRW.512.043.0013**.

**10 How often are the Crown Melbourne and Crown Resorts risk management frameworks, systems and processes reviewed? Are the reviews conducted internally or externally and by whom? Were there any adverse reviews? Have there ever been any recommendations for change?**

89. A material review of the risk framework was undertaken internally in early 2018 following the appointment of the Group General Manager – Risk and Audit. This review was extensive and led to material changes to Crown's risk management framework. The largest change saw the implementation of one framework across all Crown entities. This ensures consistency and facilitates the flow of information, as well as the implementation of the three lines of defence governance model.
90. Annual reviews of the elements of the risk management framework have been undertaken since 2018/2019. These reviews are conducted internally by the CRO. There are also ongoing reviews where the context (internal or external) has changed and it is appropriate to adjust the relevant framework items.
91. Reviews of systems and processes is mandated by the Risk Management Strategy.
92. The Risk Management Strategy provides that the framework will be reviewed at least every three years externally. The last review conducted externally was the Deloitte review in 2019. The next review is scheduled for 2022.
93. This frequency of external reviews allows for changes to take place and be embedded between each review.
94. The prior review was the one performed by PWC for the VCGLR as part of the s25 review in May 2018. PWC recommended the formulation of a Risk Appetite. This was already under way. A copy of the PWC Review is at **CRL.581.001.3365**.
95. The Deloitte review included a number of recommendations or enhancements that have been implemented. A copy of the Deloitte Review of the Risk Management Framework is at **CRL.581.001.3483**.



**11 Describe the respective roles and responsibilities of the Crown Resorts and Crown Melbourne Risk Management Committees. Include details of:**

- a. the chairperson and members of the Risk Management Committees and when they were appointed;
  - b. the senior executives or senior managers of Crown Resorts or Crown Melbourne who attend or are invitees to meetings of the Risk Management Committees, identifying their position title, roles and responsibilities and for how long they have held that position; and
  - c. the process for reporting to the Boards.
96. The RMC is a sub-committee of the Crown Board that focuses on risk. I was appointed to the role in December 2019. The other current members of the Committee are Ms Toni Korsanos who joined the committee in October 2019, and Ms Helen Coonan, who joined the committee in March 2021.
  97. All other Board members may attend meetings of the RMC.
  98. Other attendees include:
    - the Chief Risk Officer (in role since December 2020),
    - the Chief Compliance and Financial Crime Officer (March 2021),
    - the Group Executive Regulatory and Compliance (December 2020),
    - the Chief Financial Officer (January 2020),
    - the Company Secretary (March 2021),
  99. Normal attendees also include the CEO and General Counsel. Both of these positions are currently vacant.
  100. Relevant risk owners as part of reporting of significant issues and incidents attend as required.
  101. The RMC reports to the Board via a verbal report, papers on material risks that have been referred to the Board along with documents that require Board approval following RMC consideration. Minutes from the RMC are routinely provided to the Crown Board. See the response to question 9 above.
  102. The respective roles and responsibilities and framework elements are at figures 6 and 7 and at **CRW.512.010.0336**.
  103. The Charter for the RMC is at **CRW.512.043.0077**.

Figure 6

## Crown Risk Management Framework – Roles and Responsibilities

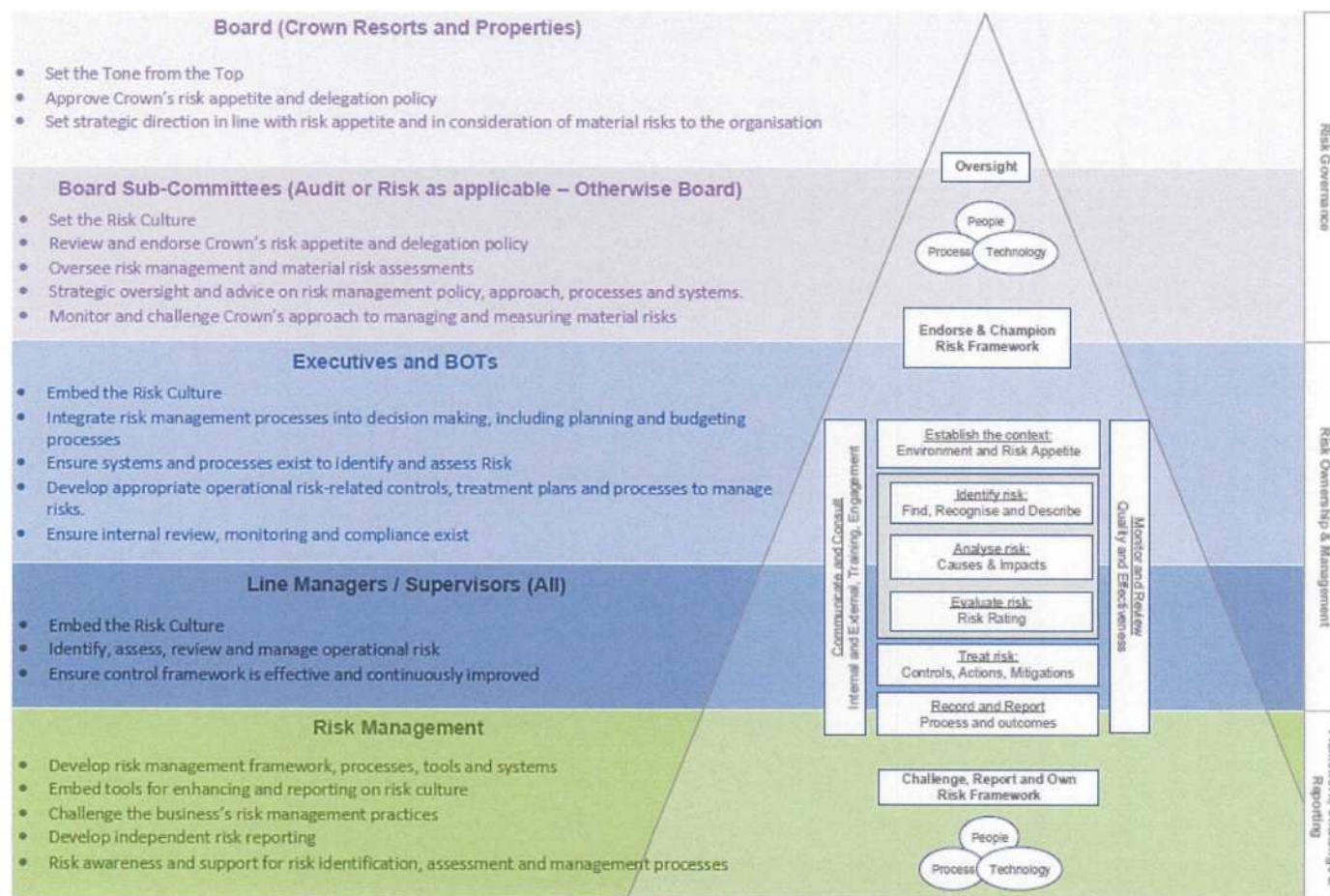
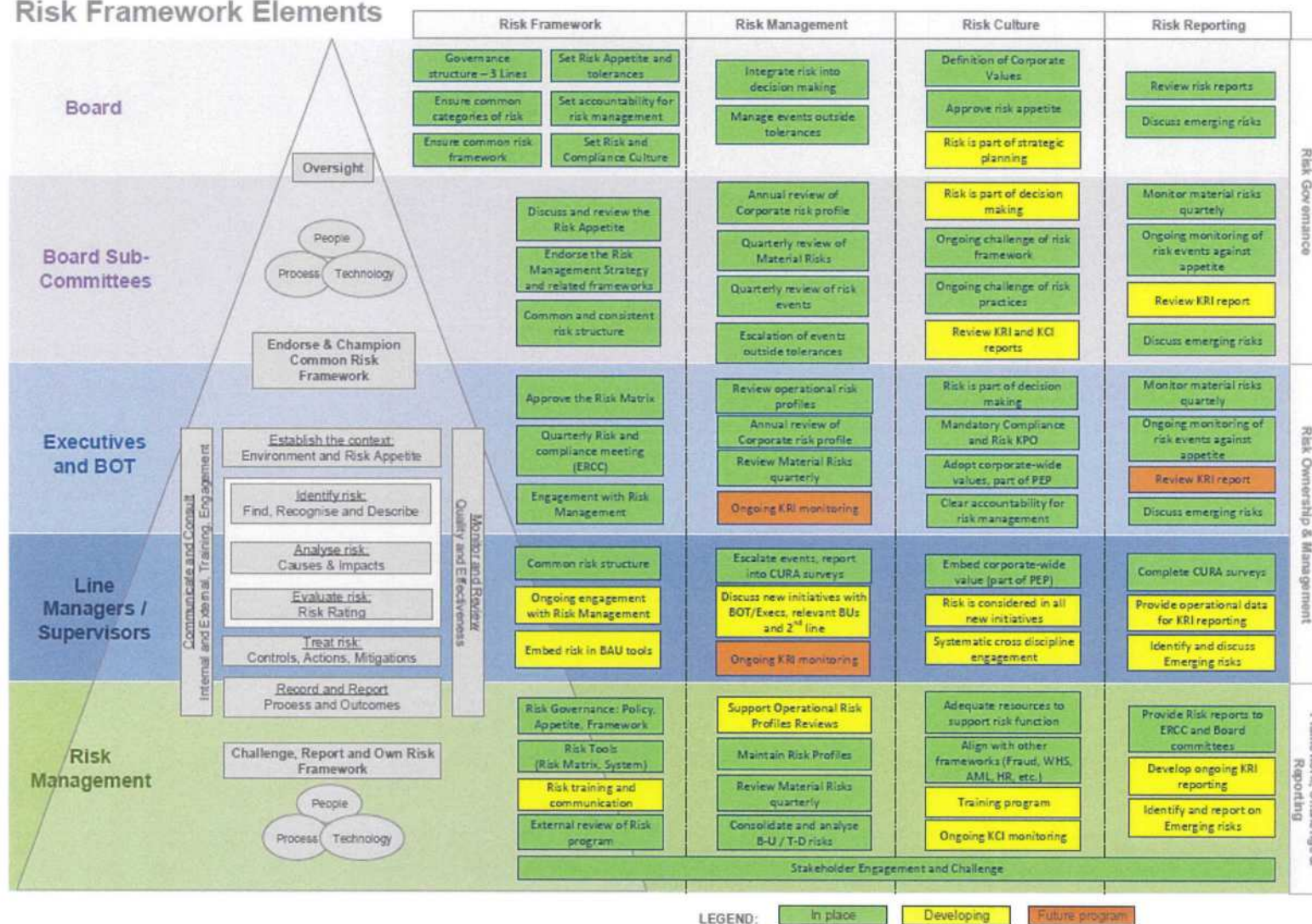


Figure 7

## Risk Framework Elements





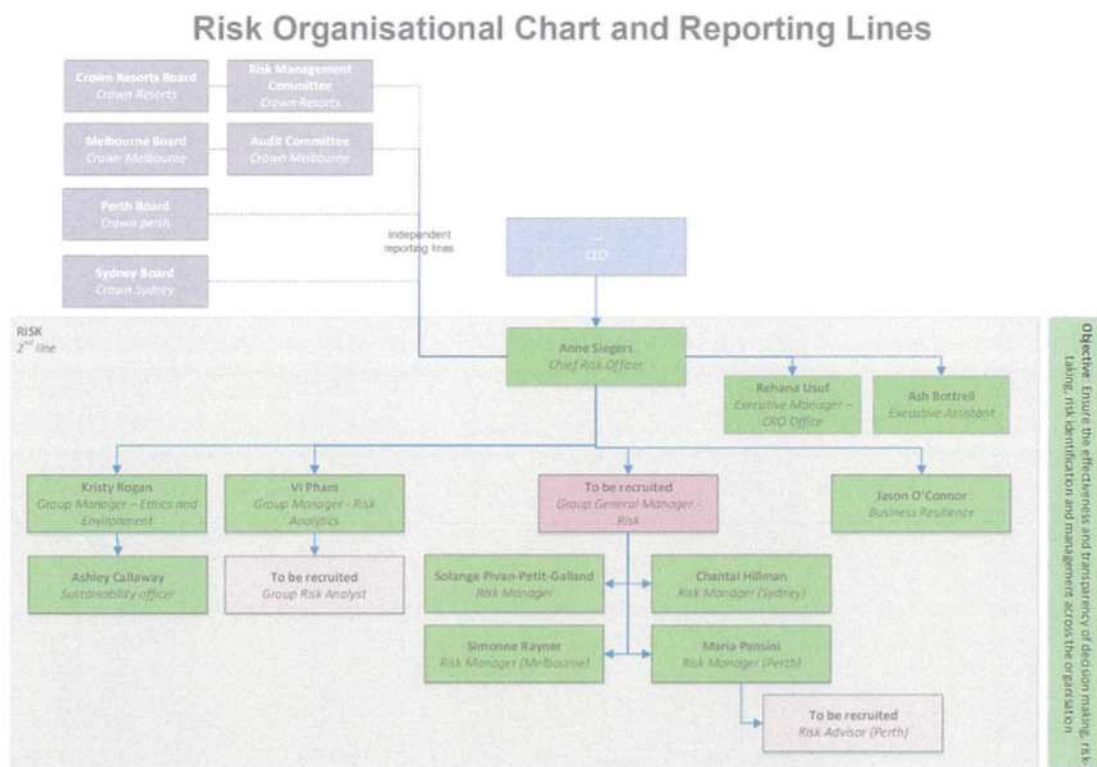
**Crown Melbourne:**

104. Crown Melbourne adopts the risk management framework of Crown.
105. Crown Melbourne does not have a separate RMC, risk is dealt with by both the Audit Committee and Compliance Committee. A copy of the Charter of Crown Melbourne Audit Committee is at **CRW.512.043.0057** and a copy of the Charter of Crown Melbourne Compliance Committee is at **CRW.512.043.0063**.
106. The Audit Committee is a sub-committee of the Crown Melbourne Board that focuses on risk and audit. The Chairperson is currently Ms Toni Korsanos, who was appointed in that role in September 2018. The other current members of the Committee are Helen Coonan and Nigel Morrison who joined the committee in April 2021.
107. Other attendees include:
  - the Chief Risk Officer (in role since December 2020),
  - the Chief Financial Officer (January 2020),
  - the Company Secretary (March 2021),
108. Normal attendees will include the Group General Manager, Internal Audit which is currently vacant. An appointment has been made with commencement scheduled for 10 May 2021.
109. The Audit Committee reports to the Board via a verbal report, papers on material risks that have been referred to the Board, along with documents that require Board approval following Audit Committee consideration. Minutes from the Audit Committee are routinely provided to the Crown Melbourne Board.

**12 Describe the organisational structure of the risk management team.**

110. The Risk Management Team is lead by the CRO, Ms Anne Siegers, who reports directly to the Crown CEO and is a member of executive teams of Crown as well as each Crown Property (Melbourne, Perth and Sydney).
111. The CRO is assisted by an Executive Manager and an Executive Assistant.
112. Reporting into the CRO are 4 groups:
  - The Group General Manager – Risk (currently under recruitment), has responsibility for implementing and continuously enhancing the risk management framework. Reporting into that role are the Risk Managers that are embedded into the business.
  - The Group Manager – Data Analytics, and the Risk Analyst (under recruitment) have responsibility for the development of the quantitative assessment of risk across the business and the reporting capability.
  - The Resilience Manager is responsible for the roll-out and implementation of the resilience and BCOP framework across the group.
  - The Group Manger, Ethics and Environment has carriage of the development of the ethical decision-making framework, the environment strategy (including emission strategy), and the roll-out of the Modern Slavery and TCFD project across the Group.
113. The CRO has direct reporting lines into the RMC of Crown, the Audit Committee of Crown Melbourne and the Boards of Crown, Crown Melbourne, Crown Sydney and Crown Perth.
114. The current organisation chart of the risk management team is at figure 8.

Figure 8



**13 Describe the role and responsibilities of the risk management team, including:**

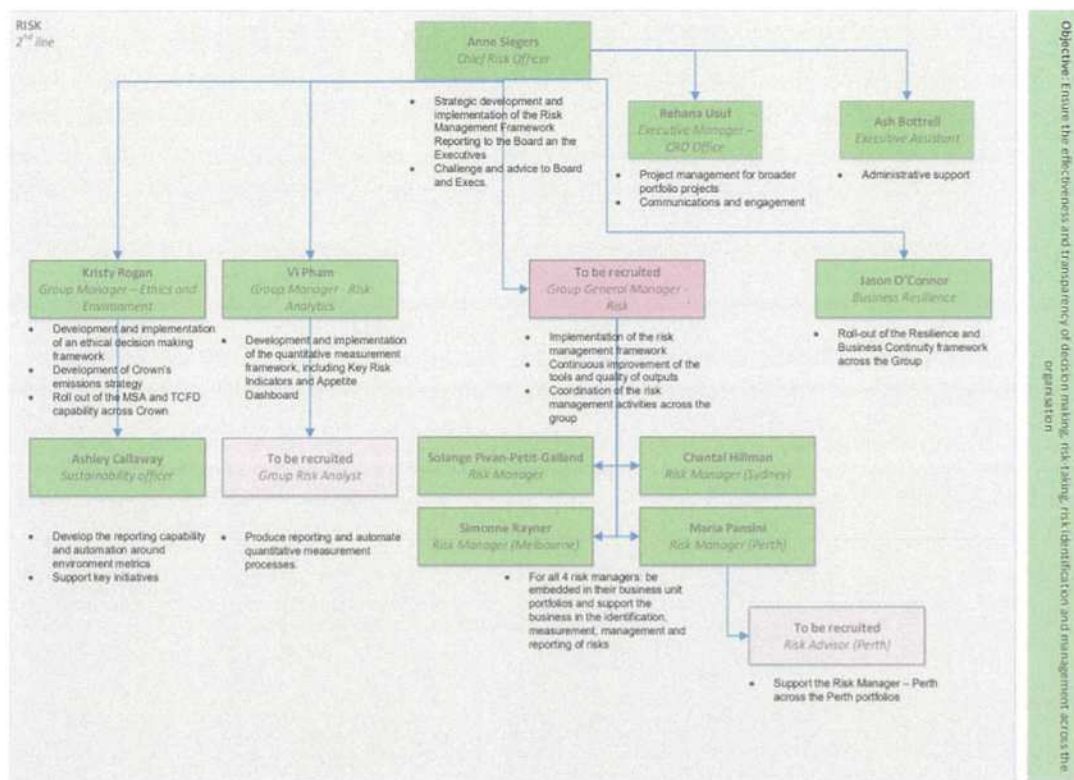
- a. the senior executive with responsibility for the risk management team, including their position title, role and responsibilities and reporting lines;
- b. the persons who comprise the risk management team, their position titles, roles and responsibilities and reporting lines; and
- c. the risk management team's relationship with and responsibilities to the Risk Management Committee.

115. Roles and responsibilities of the risk management team are at figure 9. The organisation structure including individual roles and reporting lines is at figure 9.

116. The Senior Executive responsible for risk management at Crown is the CRO, Ms Anne Siegers, who reports directly to the Crown CEO and is a member of executive teams of Crown as well as each Crown Property (Melbourne, Perth and Sydney).

117. The CRO has direct reporting lines into the RMC of Crown, the Audit Committee of Crown Melbourne and the Boards of Crown, Crown Melbourne, Crown Sydney and Crown Perth.

Figure 9 – Risk Organisational Chart and Reporting Lines



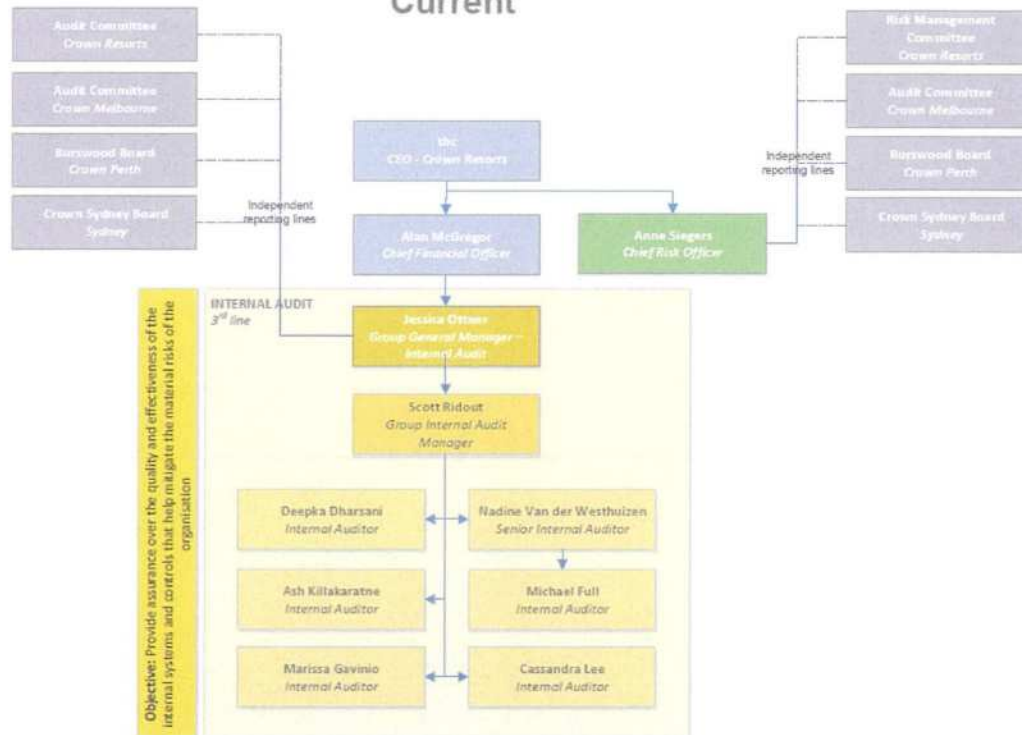
## 14 Describe the organisational structure of the internal audit team.

118. The internal audit structure and reporting lines is shown at figure 10.



Figure 10 – Internal Audit Structure

### Internal Audit Organisational Chart and Reporting Lines Current



119. The new Group General Manager Internal Audit (**GGMIA**) commences 10 May 2021. This new role requires a more senior and experienced person given their responsibilities following the split between the audit and risk functions.

**15 Describe the role and responsibilities of the internal audit team. Include details of:**

- a. the persons who comprise the internal audit team, their position titles, roles and responsibilities and reporting lines; and

120. See the response to question 14 above. Noting that pending the arrival of the new GGMIA, the CRO is providing oversight.

- b. the person who is responsible for the internal audit team and their reporting lines.

121. See the response to question 14 above.

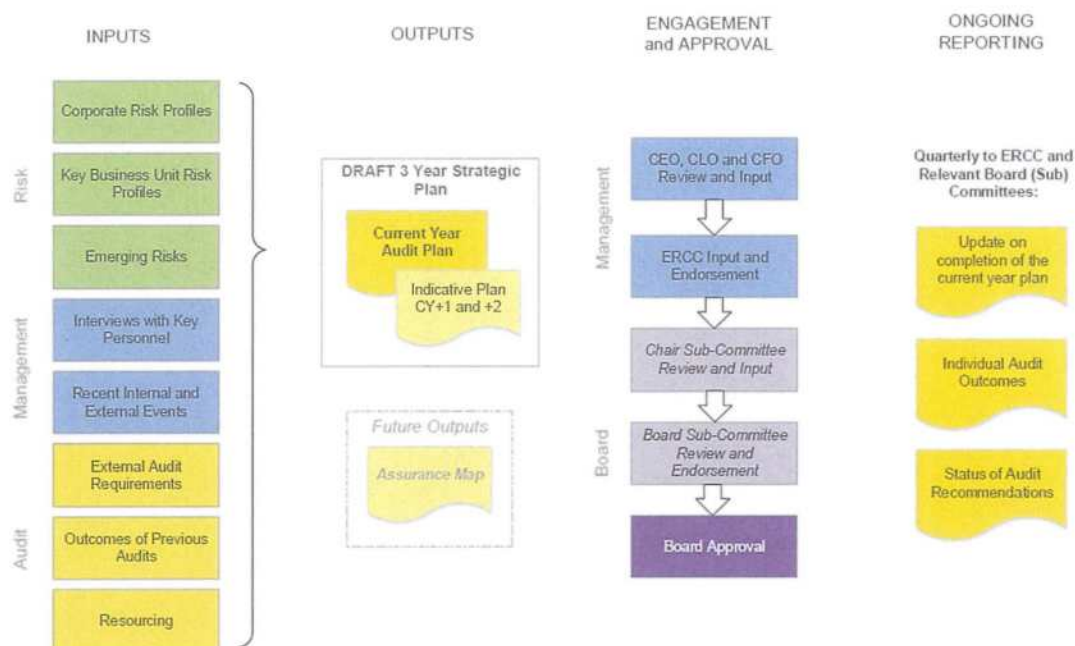
**16 Describe the process for reviewing the internal audit framework and internal audit plan.**

122. The internal audit framework has been reviewed both internally and externally.
123. The Group General Manager – Risk and Audit (**GGM-R&A**) reviewed the framework in 2018 to ensure it aligned with the International Standard for Internal Audit. These standards are issued by the Institute of Internal Audit (**IIA**) and are followed worldwide by Internal Audit Professionals.
124. In late 2020, the Institute of Internal Audit conducted its external review, a copy of this report is at **CRW.507.011.7713**. The report provided a number of recommendations for Crown to

continue to enhance its framework, but it also provided Crown with the highest rating for its compliance with the IIA standards.

125. The internal audit plan is reviewed formally once a year so it can be approved by the relevant Board committee. The plan is also reviewed on an ongoing basis to ensure that it remains relevant for the organisation. Until now, the head of internal audit and risk was the same person ensuring that there was alignment between the risk and audit plans. As risk and audit have now been separated a formal process to ensure alignment will be required going forward. This will be implemented by the new GGMIA. Below at figure 11 is a diagram that represents that process for creating the annual internal audit plan.

**Figure 11 – Internal Audit Plan Process**



**17 Describe the role of the internal audit team in reviewing and auditing the risk management framework.**

126. Historically the review of the risk management framework has been undertaken externally to ensure proper independence as the GGM-R&A had oversight of both functions. As these roles have now been separated these reviews can be conducted internally in the future.
127. An external review will be conducted at least every three years.

**18 To the extent the internal audit and risk management functions have been conducted by the same team or people in the past, when were the functions separated and what led to or were the reasons for that separation?**

128. In 2017, the GGM-R&A was created to ensure the focus on a group-wide function and in that process the three lines of defence were created. This was put in place by only one person in the team wearing both responsibilities: the GGM-R&A.
129. The day to day roles of the internal audit team was coordinated by the Group Internal Audit Manager, who reported directly to the GGM – R&A.

- 130. To further enhance its governance Crown has opted to separate the two functions and make the third line of defence (Audit), an independent function from Risk.
- 131. The roles were separated in December of 2020. This separation was implemented to ensure proper focus on each area, increased independence and to ensure that the additional resources allocated are properly supervised.
- 132. This separation is consistent with APRA government standards as they apply to the financial services sector to ensure better segregation of duty and the avoidance of conflict of interest.

**19 Describe the role and responsibilities of the Audit Committee. Include details of:**

- a. the chairperson and members of the Audit Committee and when they were appointed to the chair or the committees;
  - b. the senior executives or senior managers of Crown Resorts or Crown Melbourne who attend or are invitees to meetings of the Audit Committee, identifying their position title, roles and responsibilities and for how long they have held that position; and
  - c. the process for updating or reporting to the Crown Resorts board.
- 133. The Charter of Crown Melbourne Audit Committee is at **CRW.512.043.0057**.
  - 134. I am not a member of this Committee.
  - 135. The Crown Melbourne Audit Committee reports to the Crown Melbourne Board and to the Crown Resorts Audit Committee. This is consistent with the roles and responsibilities as outlined at figures 6 and 7.
  - 136. Attendees and memberships is discussed at 11 above.
  - 137. Information is shared between the Audit Committee and the RMC as appropriate, these meetings are generally held contemporaneously.
  - 138. The CRO ensures that all relevant elements are from the Audit Committee to the RMC.
  - 139. The chair of the Crown Melbourne Audit Committee is also a member of the RMC, therefore ensuring additional continuity of information and visibility from one committee to the other.

**20 The Bergin Report states on p.196:**

*"Also by June 2019 the VCGLR had provided Crown with the confidential draft of a report into the China Arrests which identified serious failures in its risk management processes. This had caused the Crown Board in early July 2019 to request the then Chairman/CEO, Mr Alexander, to require an explanation from Mr Felstead in respect of failures to convey to the full Board "the level of risk involved in Crown operating in China".*

**21 What consideration was given to the Confidential Draft Report by:**

- a. the risk management team of Crown Resorts or Crown Melbourne;
  - b. the Boards;
  - c. the Audit Committee; or
  - d. the Risk Management Committees.
- 140. The Crown Melbourne Board received the Confidential Draft Report in the papers for the 7 June 2019 Meeting. Mr Preston spoke to that agenda item.



141. The Crown Board received the Confidential Draft Report in the papers for the 12 June 2019 Meeting. The Crown Board received the draft report and the covering memorandum from Josh Preston to the Crown Melbourne Board via a memorandum from Ms Manos.
142. The report was discussed at that meeting and Richard Murphy provided an update. Updates were also provided by Richard Murphy (on 12 June 2019 and 23 October 2019) and Glen Ward (on 20 August 2019).
143. The report was provided on the basis that it had not been finalised and it was to be kept strictly confidential as it was subject to further discussion and possible amendment. It was emphasised by both Mr Preston and Mr Murphy in their remarks on the papers that it could not be shared other than with a few key officers.
144. The paper from Mr Preston notes a number of issues in the draft VCGLR report including four recommendations, continued suitability to hold the licence, no evidence that CML and CRL Boards were made aware of the 'warning signs' in China, comments regarding failures in governance and the risk framework related to the VIP business and suggests other areas in the report will be challenged.
145. Concerns were raised by a number of directors regarding the accuracy of the report including errors of detail and emphasis and further engagement with the VCGLR on the draft report was agreed.
146. Mr Alexander was tasked to seek further information from Mr Felstead as to the facts.
147. It was agreed that it be recommended that Crown Melbourne prepare a draft response.
148. The Crown Melbourne Board further discussed the report and its timing on 13 August and noted that 'it was expected that the VCGLR would shortly finalise its investigation and provide a copy of draft report to Crown for its review related to the China matter.'
149. Crown Melbourne Board Papers from 13 August 2019 refer to the draft report being finalised shortly and that a draft will be provided to Crown for comment before it is issued in final. Management reported to the Crown Melbourne Board in December that the report had not been received.
150. The risk management team of Crown and Crown Melbourne were not provided with a copy of the Confidential Draft Report.
151. Similarly, the Crown RMC, Crown Melbourne Compliance Committee and Crown Melbourne Audit Committees did not receive the Confidential Draft Report.

**22 What issues or concerns did the Boards, the Audit or Risk Management Committees or the risk management team identify arising out the Confidential Draft Report?**

152. See response to question 21 above. The Confidential Draft Report was not considered by the audit/risk committees or the risk management team of either Crown or Crown Melbourne.
153. The Board had concerns about the body of the report (as opposed to its conclusions and recommendations). There were concerns about the inconsistent drafting of the body of the report, absence of validation of what was being reported (and a view by some that there were errors of fact and emphasis) and questioning of the commentary contained therein (which was argued did not support the findings and recommendations).
154. Board members focussed on the facts of the matter (as represented and previously understood).

Management of risk in the VIP business was also of serious concern. This was reflected in the request to Mr Alexander to seek information from Mr Felstead and report to the Board.

155. In the broader risk context and as there was a prohibition on providing the draft report to management it was necessary to consider the recommendations in the context of existing work and changes to the risk management framework.
156. In this context a review of the risk management framework was undertaken by Deloitte with its report received on June 20 2019. This report made a series of recommendations for improvements which had some overlap with the VCGLR draft report. These recommendations (with the exception of the name change) have all now been implemented.
157. A key question to be asked in this context was do the current risk management policies, strategies and reporting arrangements ensure that there are safeguards to prevent this happening again. The changes to the approach to risk and risk appetite outlined at the responses to questions 1 to 6 above outline the state of maturity of risk management when the Confidential Draft Report was received as compared to when the events covered by the report occurred.
158. The recently received Deloitte report is at **CRL.581.001.3483**.
159. At this time strategy changed to ensure a better balance between finance, risk and compliance with a particular focus on staff safety. This had commenced prior to the receipt of the Confidential Draft Report but was reinforced by the contents of the report.
160. A separate Risk Profile for the VIP business was completed in response to the China incident and following implementation of the new framework.

**23 What changes have been made to the risk management framework of Crown Resorts as a result of the Confidential Draft Report?**

161. For the reasons outlined at the response to question 22 above changes were under way (and continue to be made) and were not made purely as a consequence of the Confidential Draft Report.
162. A number of changes were made during this period. Specifically the RMC:
  - required changes to international operations to be brought before the RMC;
  - asked to see all advices in respect of these changes;
  - met with officers proposing changes to international operations to apply scrutiny and challenge;
  - diversified sources of advice to ensure decisions were not founded on a single source of advice; and
  - challenged and sought additional detail/assurance if key risks were not addressed/mitigated.
163. Changes made to the risk management framework and reporting since late 2017 have all been informed by the events that gave rise to the Confidential Draft Report. The specific objective of these changes is the management, identification and escalation of risks to ensure that Crown stays within its risk appetite.
164. Changes that were underway were considered against the recommendations in the Confidential Draft Report.

165. A number of actions were already in train following the VCGLR Sixth Review of the Melbourne Casino Operator and Licence. This review recommended that "Crown assess the robustness and effectiveness of its risk frameworks and systems, including reporting lines in the chain of command, and upgrade these where required. This assessment should be assisted by external advice".
166. For completeness the RMC has recently considered an overview of progress on change in risk management to assure itself that maturity continues to improve in all areas of the framework.

**24 What role do the Risk Management Committees and the risk management teams have in relation to due diligence reviews or probity checks of junket operators?**

167. Due to cessation of junkets the RMCs and risk management teams play no role in relation to reviews or checks of junket operators because there is no need for such reviews or checks to be undertaken.

**25 Describe the nature and scope of Deloitte's review in 2019 in relation to aspects of Crown Resorts' risk management framework.**

168. See the response to question 22 above.
169. The scope of the Deloitte report is at **CRW.512.043.0002**.

**26 Describe the changes Crown Resorts and/or Crown Melbourne have made or intend to make arising out of the Deloitte review and the timeframe for such changes to be implemented.**

170. With two exceptions all of the recommendations were accepted and implemented immediately and were dealt with at the RMC meeting in June 2019 (see document tracking Deloitte implementation of recommendations at **CRW.512.026.0006** that provides the reporting against the recommendations at 2 July 2020).
171. One recommendation which was judged to be minor in nature was not accepted as it referred to naming of the document. The remaining recommendation (23b) has been progressively implemented via the relevant policies (eg. AML, WHS, Cyber, etc).
172. While formal reviews of the risk management framework are mandated every three years the operation of the risk management framework is continually monitored and improvement in both monitoring and the framework are made when this is dictated by experience or better practise opportunities are identified.

**27 What advice has been sought and what reviews have been undertaken in relation to the Crown Resorts risk management framework in the last 10 years.**

173. See response to question 10 above.

**28 Identify the nature, findings and recommendations of that advice and those reviews.**

174. See responses to questions 10 and 26 above.

**29 What changes have been or will be implemented to Crown Resorts' risk management framework as a result of that advice and those reviews.**

175. See responses to questions 10 and 26 above.

**30 Since the commencement of the Bergin Inquiry, what (if any) changes have been made to the risk management framework, systems and processes of Crown Resorts?**



176. See timeline at response to question 4 at **CRW.512.044.0114** which outlines key decisions. Each of these key changes is subsequently cascaded down into all relevant subsidiary documents and processes, including reporting.
177. Critical changes were made to key elements of the risk management framework. Specifically the creation of separate roles in the second line of defence which report directly and have access and reporting responsibilities to the Board and RMC following the creation of the separate CRO. This position commenced attendance at subsidiary boards and/or relevant sub-committees.

**31 Since the Bergin Report, what (if any) changes have been made to the risk management framework, systems and processes of Crown Resorts?**

178. Changes are set out in the timeline at the response to question 4 at **CRW.512.044.0114**. In addition there have been key changes to the risk management framework including the removal of a number of key personnel, a marked change in the tone from the top and the alignment of messaging around the culture needed to deliver on our social licence to operate.

**32 Since the Bergin Report, has Crown Resorts or Crown Melbourne refreshed its risk registers, risk management framework and any other related documents in plain English?**

179. See response to question 2 above.
180. Since the Bergin Report there has been a review of documents in the risk management framework by the CRO to consider whether they can be improved to enhance the reader's understanding.
181. There is a difference between documents designed for policy purposes whose audience is senior management, regulators and board members and communications aimed at staff who for example deliver services to customers, provide the oversight of Crown's compliance functions or undertake maintenance work.
182. The Risk Management Strategy has been improved by consolidating all of the risk appetite statement components into one easy to find and understandable statement expressed in plain English.
183. New and regular communication from the executive chairman is provided to all staff highlighting key issues including in respect of risks.
184. Emphasis on the foundation of our risk culture "we do the right thing" is clear in training materials, staff briefings and communications.

**33 To the extent not already answered, what advice has been sought and what reviews have been undertaken in relation to the risk management framework of Crown Resorts or Crown Melbourne since the Bergin Report.**

185. Deloitte as part of its current culture assessment is considering the risk and culture compliance framework and reporting. An upcoming review of quantitative risk reporting is currently in the design phase.

**34 What deficiencies in Crown Resorts' or Crown Melbourne's risk management framework, systems or processes contributed to the failures identified in the conclusions in the Bergin Report?**

186. A number of specific failures including in reporting, escalation, skill, knowledge, culture, appropriate diligence and care and lack of questioning are reported in the Bergin report. In some

instances these go to the operation of the risk management framework.

187. Successful implementation of any risk strategy requires a range of policies and actions which are mutually reinforcing. These include a culture of disclosure, analysis and compliance.
188. In respect of the failure to report matters such as indicia of money laundering, the realised risk from a single point of control where that person chose not to pass on information resulted in the Board not having the information necessary to make decisions. This illustrates the need to have sufficient skilled resources to effectively implement policies and escalate risks, standardised and regular reporting which no officer or small group of officers can choose to bypass or withhold without identification or sanction and a direct line of reporting to the board for the second line of defence to enable proper oversight.
189. Similarly, blurred lines of reporting and accountability, particularly when this involves people who are outside the mandated lines of control and accountability, meant that the stated policies and procedures were not effectively operationalised. As this occurred without the knowledge of the Board the consequence was reliance on assurances that were not well founded.
190. While not a function of the risk management framework, its systems or processes, the report highlights a number of cultural issues. The identification and reporting of problems were not always welcomed as an opportunity to learn and in turn improve risk management strategies, procedures or practises, and can impede its effective implementation.

**35 What changes have been made to the risk management framework, systems or processes of Crown Resorts or Crown Melbourne to ensure similar failures do not occur in the future?**

191. Significant changes have been made to ensure that similar failures do not occur in the future. These are outlined at the responses to questions 4, 5, 23 and 26 above.
192. The framework implemented (and its continuing maintenance and development) is robust and is embedded across the business and represents the most significant defence against any recurrence.
193. Changes to Crown's risk appetite, removal of key individuals, appointment of officers with demonstrated expertise in crucial areas such as AML/CTF with direct reporting lines to the Board and committees and a clear change in the tone from the top all provide confidence that similar failures will not reoccur.
194. As outlined at the response to question 1 above, mistakes do and will happen and Crown cannot control every risk. Crown's Risk Appetite allows it to take commercial risks but is explicit that it has no appetite for breaches of its legal and regulatory obligations. It places 'doing the right thing' and its social license at the core of its behaviours.

Confidential

Signed:

Date:

28/4/21