



Crown Resorts Limited

Memorandum

To: Board of Directors
From: Nick Weeks
Date: 8 April 2021
Subject: Transformation Projects – Update

Dear Directors,

Purpose

This purpose of this paper is to provide the Board with an overview of the transformation program underway by Crown Resorts Limited.

The work program is such that we propose a separate session with the Board to permit a broader consideration of each of the transformation projects, and to provide the Board with an opportunity to provide input and direction on each project.

Summary

The transformation program is designed on the undertakings made by Crown to ILGA in the letter dated 15 March 2021, however, it may be subject to further change. For example, ILGA's desire to appoint an Independent Monitor may result in change to the scope of works. Crown's Victorian and WA regulators may also request other requirements, the scope of which is currently unknown.

Management has developed an overall governance structure and scope of works to support the effective delivery of the plan. The board will be updated at regular intervals on the progress of the transformation.

Recommendation

That the Board notes the information in this paper and Management's proposal to manage the transformation of Crown Resorts

Overview

We have been progressing the governance structure to manage the program and involved key management to develop and finalise the next level of detail in the remedial action plan submitted to ILGA on 15 March

The governance structure is in draft form and subject to feedback and comment from the leadership team and Board.

The approach we have taken is to identify and plan the execution of those activities and workstreams that we have committed to ILGA. There are other projects being undertaken across the business that we do not intend to capture within this scope of work.

Transformation Projects

Below is a table of the projects we have committed to deliver and the applicable ILGA reference:

2.1 Governance

#	Initiative	ILGA Ref
2.1.1	Crown Board Renewal & Training	#1, #2, #3, #4
2.1.2	Executive Team Renewal & Oversight	#7, #12, #40
2.1.3	Corporate Entity Structure Review	#5, #8, #9, #11
2.1.4	Board Reporting Uplift	#28 (completed)

2.2 AML / CTF

#	Initiative	ILGA Ref
2.2.1	ML/TF Enterprise-wide Risk Assessment	#13, #25
2.2.2	Transaction Monitoring and Reporting	#17, #18
2.2.3	IFTIs & TTRs	#18
2.2.4	AML/CTF Training Implementation	#20
2.2.5	AML/CTF People & Governance	#12, #15
2.2.6	KYC / ECDD	#19
2.2.7	Employee Due Diligence	#21
2.2.8	Operationalisation of Joint AML/CTF Program	#14, #23
2.2.9	Enhanced Patron Account Controls	#16, #24

2.3 Operations

#	Initiative	ILGA Ref
2.3.1	VIPs and Significant Players	#22, #37
2.3.2	Law Enforcement Engagement	#39
<i>Initiatives to support ILGA</i>		
2.3.3	Cashless Gaming Proposals	1-Apr ILGA Response Letter

2.4 Risk Management

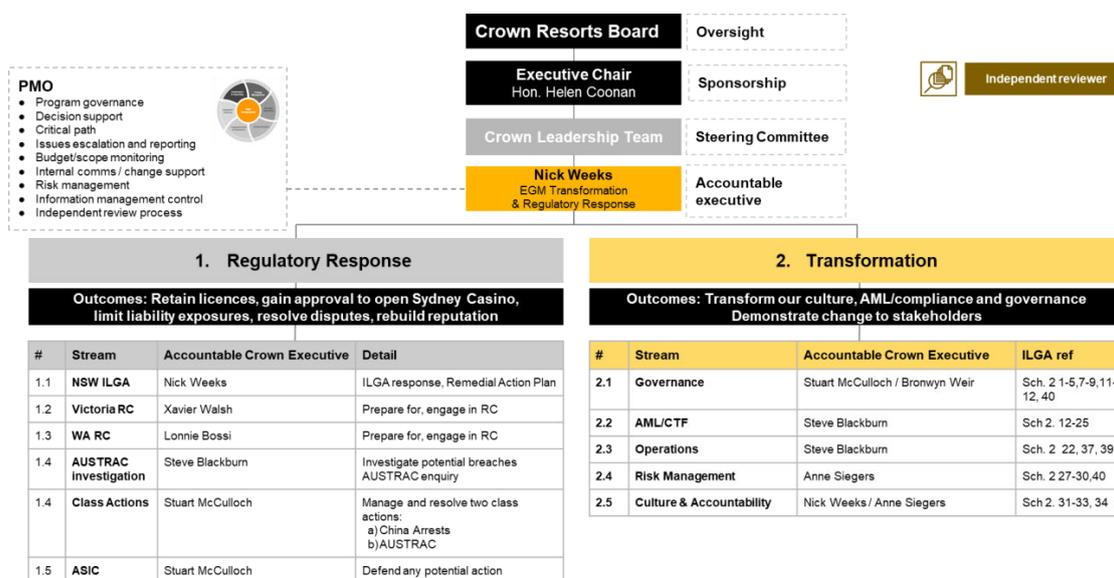
#	Initiative	ILGA Ref
2.4.1	Risk Management Enhancements	#26, #27, #28, #29, #30, #40

2.5 Culture & Accountability

#	Initiative	ILGA Ref
2.5.1	Culture Reform Program	#31, #32, #33
2.5.2	Remuneration & Incentives	#34

Governance Framework

The delivery of each of these projects will be governed by the structure below. While it is important to allocate end-to-end delivery accountability to individual executives, a collective effort will be required from across the business to execute such a significant transformation undertaking.



Project Specific Documentation

A draft Charter for each individual project has been prepared. That Charter identifies the outcomes sought, the responsible executive and resourcing, what is in / out-of-scope, key dependencies and milestones. Underpinning each project charter is documentation that records specific activities that will need to be undertaken to deliver each project.

To illustrate this approach, we have attached a draft Charter for the AML / CTF stream of work together with the activities, deliverables and timetable for one of the nine initiatives that fall within the AML / CTF stream – the enterprise-wide risk assessment. The documentation for this project stream is in draft but it is a useful example of our approach to the broader transformation undertaking.

This documentation is well advanced for each of the Projects and we expect it will be finalised in draft form by the date of the Board meeting.

Resourcing

It is self-evident that the execution of the transformation project amidst the demands of the underlying business operations and the Royal Commissions is a very significant challenge to the business. We are assessing the nature and scale of the additional resources that will be needed to support the business during this period, with the initial focus on resources to assist in the AML / Fin. Crime stream. We expect to have an initial estimate of resourcing requirements at or around the date of the Board meeting.

Timing & Sequencing

The work to settle the sequence and timing of each project has commenced but is incomplete. In part, that sequencing will be influenced by the prioritisation of the initiatives that are prerequisites to a determination of suitability by ILGA. Management recognises that some initiatives will need to be completed ahead of a suitability determination, such as the Deloitte forensic look-back into the Southbank and Riverbank bank accounts. Other initiatives will require a clear scope and plan of work with the future execution overseen by an Independent Monitor.

Next Steps

We will work to schedule a separate session with the Board to provide directors with an opportunity to provide input and direction on each project within the transformation program. Out of that session we will finalise project plans and build a high-level plan which maps a prioritised roll out of activity in line with our available resourcing and best assessment of ILGA's priorities as it considers suitability.

2.2 AML/CTF Workstream Charter

Program	Transformation
Stream Lead	Steven Blackburn
Delivery team	TBC

Key Outcomes

- Significantly uplift an enhanced and improved AML/CTF program
- Complete delivery of all AML/CTF activities listed in Remedial Action Plan provided to ILGA on 15 March 2021
- Independent Reviewer report that Crown's AML/CTF program is designed and operating effectively to manage AML/CTF risk

In Scope Initiatives

- 2.2.1 ML/TF Enterprise-wide Risk Assessment ^
- 2.2.2 Transaction Monitoring and Reporting (including Unifi, Sentinel & UAR) ^
- 2.2.3 IFTIs & TTRs ^
- 2.2.4 AML/CTF Training Implementation ^
- 2.2.5 AML/CTF People & Governance ^
- 2.2.6 KYC / ECDD ^
- 2.2.7 Employee Due Diligence ^
- 2.2.8 Operationalisation of Joint AML/CTF Program ^
- 2.2.9 Enhanced Patron Account Controls ^

[^] Initiative addresses open ILGA commitments

Out of Scope Initiatives

- AUSTRAC investigation and response to past potential AML breaches in Riverbank or Southbank Accounts (managed in AUSTRAC Investigation Workstream)

Key Milestones

Due Date

Promontory financial crime vulnerability assessment report	TBC
Deloitte Forensic Review and Controls Assessment - Phase 1 Report	14/04/2021
Enterprise-wide ML/TF risk assessment	TBC
Steve Blackburn's detailed report to the Board	31/05/2021
Recruit and onboard expanded AML/CTF team and new org structure	TBC
Implement and embed enhanced automated controls and reporting	TBC
Appoint an Independent Reviewer of the AML/CTF Program	31/12/2021

Key Dependencies

- Deloitte Forensic Review and Controls Assessment
- Promontory financial crime vulnerability assessment report
- Steve Blackburn's report to the Board

Key Risks

Mitigation actions

SME and delivery team member capacity constraints, resulting in delays to delivery timelines	Source support from advisors for hot spots where acceleration is required
Promontory or Deloitte reports identify unexpected weakness, limiting Crown's ability to deliver on its commitment to action the findings	Record and prioritise all actions raised by reports, sequence to critical path and access additional resourcing to support delivery
Reports on AML weakness are leaked to press resulting in adverse publicity and compromising Class Action defence	Implement strict protocols on management of information

2.2.1 ML/TF Enterprise-wide Risk Assessment

Note: Dates are estimates only and are based on certain resource numbers & capabilities mix

Workstream	AML/CTF
Stream Accountable Lead	Steven Blackburn
Stream Delivery Lead	TBC
Initiative Delivery Team	TBC
Stakeholders	Business unit leaders, AMLCO

Initiative Summary

1. Conduct an initial enterprise-wide ML/TF risk assessment (EWRA).
2. Implement a process to review and update the risk assessment on an annual basis (and on a trigger basis if required).

Key Outcomes

1. Comprehensive and fit-for-purpose risk assessment to demonstrate to regulators that Crown has understood its ML/TF risk exposure across the business.
2. Updated risk assessment methodology to form part of Crown's AML/CTF framework that is repeatable and flexible for adjusting to regulatory requirements and expectations.
3. Triggers and guidance for updates/changes to the risk assessment and methodology to be incorporated into Crown's AML/CTF framework and management activities.

Key Dependencies

1. Promontory financial crime vulnerability assessment report findings.
2. Findings from Steven Blackburn's report as related to Crown's AML/CTF maturity assessment.
3. Data availability and quality, and access to relevant systems/databases.
4. Access to key personnel to provide relevant documents, previous risk assessments and policy history, to validate results of the analysis conducted.
5. Change/communications resources from Crown to assist with engaging the business to ensure commitment and buy in to the initiative.
6. If required, completion of other AML/CTF risk assessments (e.g. channel, customer, jurisdiction) to supplement/inform the EWRA.

Key Activities	Start Date	End Date
Foundational: Financial crime vulnerability assessment by Promontory (ILGA Ref: Sch. 2 - #13) and Steve Blackburn's report to the Board (ILGA Ref: Sch. 2 - #25)	01/09/2020	31/05/2021
Workshops: Planning workshop; agreement in terms of ML/TF risk assessment coverage and methodology; review of relevant materials including Promontory financial crime vulnerability assessment report; process/customer/product walkthroughs; incorporation of findings from Steven Blackburn's report as related to the EWRA. (ILGA Ref: Sch. 2 - #13 & #25)	01/06/2021	30/07/2021
Data analysis: Gathering and analysis of quantitative and qualitative data inputs to inform the risk assessment. (ILGA Ref: Sch. 2 - #13)	01/06/2021	30/09/2021
Risk analysis: Analysis by business unit to create consistent profiles of inherent, control and residual risks across Crown, and deep dive into any areas of high risk. (ILGA Ref: Sch. 2 - #13)	01/07/2021	30/09/2021
Feedback: Present findings to the business through workshops and address any feedback received. (ILGA Ref: Sch. 2 - #13)	01/10/2021	31/10/2021
Reporting: Conduct any post-workshop reviews and prepare final risk assessment report; document and obtain sign-off on the annual risk assessment process. (ILGA Ref: Sch. 2 - #13)	01/11/2021	30/11/2021
Ongoing: Provide periodic status updates with key stakeholders on risk assessment findings to date throughout the risk assessment.	Ongoing	Ongoing

Key Deliverables	Approver	Due Date
Promontory financial crime vulnerability assessment findings	Group MLRO	31/03/2021
Steve Blackburn's report to the Board	N/A	31/05/2021 (ILGA commitment)
Agreed risk assessment methodology	Group MLRO	30/06/2021
Periodic status reporting of findings to date	Stream Accountable Lead	Fortnightly
Draft report on risk assessment results with reporting by business unit, product or customer types (as required)	Group MLRO	31/10/2021
Finalised EWRA report	Group MLRO	30/11/2021
Annual risk assessment framework developed and agreed	Group MLRO	30/11/2021