

**ATTACHMENT 2**

2 July 2018

Ms Catherine Myers
Chief Executive Officer
Victorian Commission for Gambling and Liquor Regulation
Level 3, 12 Shelley Street
RICHMOND VIC 3121

By email and mail

Dear Ms Myers

Sixth Review of the Casino Operator and Licence

Thank you for your letter dated 28 June 2018, enclosing the final draft of the Commission's Report (**Report**) on the Sixth Review (**Review**) of the Casino Operator and Licence of Crown Melbourne Limited (**Crown**).

Crown would like to acknowledge the work of Commissioners, Commission staff and consultants in relation to the Review.

Commission's conclusions

Crown welcomes the Commission's conclusions that:

- (a) Crown remains a suitable person to hold a casino licence;
- (b) Crown is complying with the *Casino Control Act 1991*, the *Casino (Management Agreement) Act 1993*, the *Gambling Regulation Act 2003* and the regulations made under those Acts;
- (c) Crown is also complying with:
 - (i) the Transaction Documents, and
 - (ii) any other agreements between Crown and the State, or a body representing the State, that impose obligations on Crown in relation to gaming, and
- (d) 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.

The Commission's conclusions reflect Crown's substantial investment in the Melbourne Casino complex and its operations. Crown has spent approximately \$447 million on upgrading and expanding the complex during the 5 year period of the Review (**Review Period**). More than 13,000 people are employed in the Melbourne Casino complex, making the complex the largest



single-site workplace in Victoria. The complex also houses over 1,600 hotel rooms with suites and luxury villas, spa facilities, swimming pools, high end retail outlets, signature restaurants, a convention centre and live entertainment venues. This is valuable tourism infrastructure for the City of Melbourne and the State of Victoria, attracting over 21 million visits each year, making the complex one of Australia's most visited tourist attractions.

Crown also delivers extensive training programs in its \$10 million purpose-built training facility and over 5,900 apprentices and trainees have graduated since the training facility opened.

During the Review Period, Crown has received many awards across all facets of its business including hotel operations, diversity, training, employment, indigenous training and employment, restaurants and luxury spas.

Commission's recommendations

The Report contains 20 recommendations (**Recommendations**) concerning Crown's operations which Crown accepts, subject to the matters set out in the attached response to the individual Recommendations.

Basis for Commission's conclusions

Crown also welcomes the stated basis of the Commission's conclusions, being:

- (a) Crown has a satisfactory corporate structure and is financially sound;
- (b) Crown's directors and executives have substantial experience in business and other matters, especially the management and operation of a casino;
- (c) no matters have emerged which would reflect negatively on Crown or its associates having regard to honesty, integrity or financial aspects;
- (d) Crown's ASX-listed parent company, Crown Resorts Limited, has adopted a conservative approach to capital management which will ensure that Crown's operations are not financially stressed by the finance required to complete Crown Sydney and the One Queensbridge development;
- (e) the Melbourne Casino complex has been maintained at the required international standard;
- (f) Crown has complied with its financial covenants over the Review Period; and
- (g) Crown has demonstrated over an extended period its ability to manage and effectively run a successful casino.

Responsible gaming

Crown is proud of its responsible gaming program, including the operation of its Responsible Gaming Support Centre which operates 24 hours per day, seven days a week.

Crown has made improvements to its responsible gaming program during the course of the Review Period and will continue to make improvements in the future in accordance with Crown's response to the Commission's Recommendations.

Crown recognises the importance of responsible gaming measures to the future of the industry and is committed to further engagement with relevant stakeholders and development and



refinement of its responsible gaming program informed, as far as possible, by research and expert opinion.

Anti-Money Laundering (AML) / Counter Terrorism Financing (CTF)

Crown has a strong history of compliance with its AML/CTF obligations and attends to its AML/CTF compliance with commitment and rigour. No adverse findings were made against Crown as a result of AUSTRAC assessments during the Review Period. Some areas for improvement were identified and have been addressed.

Corporate governance and risk management

Crown strives to ensure that its corporate governance framework and risk management measures accord with best practice in the industry.

These are areas for continuous improvement for all major companies with extensive operations. The Commission observed Crown's commitment to such improvement and strengthening of its compliance function by the addition, during the Review Period, of executive capacity at the Crown group level across risk and audit, regulatory and AML/CTF compliance.

The quality of governance, risk management and compliance depends in significant measure on the executives and staff involved in day-to-day operations. In this regard, Crown notes the Commission's observations that:

- (a) Crown's business units are led by well qualified and competent personnel with relevant and extensive experience, ranging from 17 to 30 years, and with relevant formal qualifications;
- (b) some executives have had previous experience at other Crown casinos, Australian competitor casinos and international casinos; and
- (c) senior executives and management have on the whole demonstrated sound management ability, reflected by the ability of the staff below the executive and management level.

Crown also notes the positive assessment of its risk management framework by PricewaterhouseCoopers, who were retained to undertake an independent review for the Commission.

Compliance

Crown endeavours at all times to comply fully with its legal and regulatory obligations and to operate in accordance with guidance provided by regulators.

When human errors occur, as they can in a business the size and complexity of Crown's, the response of Crown is to work hard to rectify any underlying issues and improve on relevant systems and operating procedures, where appropriate.

There have been three disciplinary matters in recent times. They involved:

- (a) operational issues with the replacement of Crown's pre-commitment system by the State-wide system, 'Your Play' in 2015, in connection with which there was extensive consultation at the time;



- (b) omission of information (which was otherwise recorded) from six forms relating to junket operations, illegible handwriting in six further forms and a failure by an employee to notify the Commission of a new junket operator in 2013. The Commission described the breaches as generally administrative in nature but considered them to be significant because of the importance of an audit trail for junket operations; and
- (c) a three week trial of 'blanking' plates on 17 of 2,628 gaming machines in 2017 without prior Commission approval. The Commission found that the decision not to seek prior approval was made by a small group of Crown staff who did not believe that approval was required. The Commission has previously approved the use of blanking plates on many other machines, and not just on a trial basis. Moreover, as the Commission noted, Crown acted quickly to cease the trial following a complaint and Crown has no history of disciplinary action being taken in relation to electronic gaming machines.

The blanking plate trial referred to above did not constitute improper manipulation of gaming machines of the kind alleged by Mr Andrew Wilkie, Member of the House of Representatives for Denison under Parliamentary Privilege in October 2017. Importantly, the blanking plates did not affect the return to player. Crown notes that a wide range of other allegations made by Mr Wilkie were investigated by the Commission and were found to be either misconceived or not substantiated.

Crown further notes the Commission's observation that the fines imposed in relation to these disciplinary matters and Crown's follow-up actions should deal with the regulatory breaches involved.

Conclusion

Crown looks forward to working with the Commission and its staff to implement the Recommendations and to continue to enhance the operation of the Melbourne Casino in accordance with all regulatory requirements.

Yours sincerely

John Alexander
Chairman
Crown Melbourne Limited



Crown's response to Individual Recommendations

Recommendation Number	Commission's Recommendation	Crown's Response
<p><u>1</u></p>	<p><i>The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in proactive strategic oversight of the operations of the Melbourne Casino. Particular consideration should be given to—</i></p> <ul style="list-style-type: none"> • <i>formulating a charter for the Crown Melbourne board</i> • <i>fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions, and</i> • <i>elevation of governance to the group board and committees.</i> <p><i>The submission should identify any changes to regulatory frameworks and how these will be addressed.</i></p>	<p>Recommendation accepted.</p> <p>Crown will, in conjunction with its parent company, review its governance framework, taking into account the matters recommended by the Commission for consideration. A new framework for reporting has already been designed and is being worked through. Crown will continue to review its corporate structure moving forward with any proposed changes brought to the attention of the Commission.</p> <p>We also note that the current Crown Melbourne Framework has been considered by the Commission in times past, with some of the current structures in place as a result of regulatory obligations.</p>
<p><u>2</u></p>	<p><i>The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.</i></p>	<p>Recommendation accepted.</p>
<p><u>3</u></p>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice.</i></p>	<p>Recommendation accepted.</p> <p>It should be noted that the risk framework has already been reviewed and an enhanced framework is currently being implemented, which is supported by an IT based reporting, recording and management framework.</p> <p>Also, a Group General Manager – Risk and Audit was appointed in 2017 to oversee the group function of risk and audit. Additional resources have also been committed to support the enhanced framework.</p>
<p><u>4</u></p>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.</i></p>	<p>Recommendation accepted.</p> <p>In this respect, a new business-wide compliance framework has been designed and the roll out has commenced across the business. Further a new process has been implemented to address any proposed changes to the regulatory environment.</p>



<p><u>5</u></p>	<p><i>The VCGLR recommends that Crown convene annual roundtable sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.</i></p>	<p>Recommendation accepted.</p>
<p><u>6</u></p>	<p><i>The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gambling staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a RGLO. However, this will only be effective if those staff have sufficient time aside from their gambling duties.</i></p>	<p>Recommendation accepted.</p> <p>Crown has already commenced the process of employing an additional five Responsible Gaming staff members. Additionally, there will be a review of training for gaming and other related staff.</p>
<p><u>7</u></p>	<p><i>The VCGLR further recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.</i></p>	<p>Recommendation accepted.</p> <p>A new data analytics trial has commenced in relation to carded players.</p>
<p><u>8</u></p>	<p><i>The VCGLR recommends that Crown Melbourne proceed with development and implementation of comprehensive data analytics tools for all patrons, to proactively identify for intervention patrons at risk of harm from gambling. These tools would utilise both historical data (with parameters developed from the second player model), and real-time monitoring of play periods. Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing world-class, proactive approaches with real-time (or near-real time) operational effectiveness. In particular—</i></p> <p><i>(a) for carded play (that is, player activity which can be systematically tracked), Crown Melbourne will have in operation a comprehensive real-time player data analytics tool by 1 January 2020, and</i></p> <p><i>(b) for uncarded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real time player data analytics tool, with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and the tool being in operation by 1 July 2022.</i></p>	<p>Recommendation accepted.</p> <p>As referenced above, Crown has commenced a data analytics trial in relation to carded players.</p> <p>Further, work will be undertaken on systems to explore and implement real-time concepts by 1 January 2020.</p> <p>Crown also supports reviewing the extent to which further data analytics tools might enhance the framework into the future. In this respect, the use and reliability of data from uncarded play is new ground for the land based gaming industry which is not yet supported by reliable research and evidence.</p> <p>Crown will commit to carrying out a study of the options available and assess and analyse the research and expert evidence available with a view to exploring appropriate tools and options available to it for uncarded play.</p>



<p><u>9</u></p>	<p>The VCGLR recommends that Crown Melbourne arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play (see Recommendation 8(a)), to be completed 12 months after implementation of the tool. The independent assessment is to be undertaken by a person approved by the VCGLR, after consultation with Crown.</p>	<p>Recommendation accepted.</p>
<p><u>10</u></p>	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:</p> <ul style="list-style-type: none"> • Crown Melbourne issuing short term exclusion orders for 3, 6, 12 or 24 months under section 72 of the Casino Control Act, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment), and • Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020. 	<p>Recommendation accepted.</p>
<p><u>11</u></p>	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the Casino Control Act at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant</p>	<p>Recommendation accepted.</p>



	<p>stakeholders, such as Gambler's Help and other similar organisations, about this option.</p>	
<u>12</u>	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.</p>	<p>Recommendation accepted.</p> <p>Crown notes that it has already expanded its facial recognition capabilities and proposes to continue to do so in FY20.</p>
<u>13</u>	<p>The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.</p>	<p>Recommendation accepted.</p>
<u>14</u>	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:</p> <ul style="list-style-type: none"> • early proactive intervention initiatives • player data analytics • proactive engagement with pre-commitment • intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling • the role of all staff in minimising harm • the effective use and monitoring of exclusion orders • internal reporting arrangements • integrating responsible gambling into proposals for trialling or introduction of new products and equipment • performance measures to assess the performance of the RGLOs, RGSC and casino staff in relation to harm minimisation • the roles of the Crown Resorts Responsible Gambling Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice • the objectives of the RGSC in relation 	<p>Recommendation accepted.</p>



	<p>to minimising harm to patrons, and</p> <ul style="list-style-type: none"> the responsible service of gambling as a fundamental core business consideration when making strategic decisions regarding casino operations. 	
<u>15</u>	<p>The VCGLR recommends that, within three months of implementing the new responsible gambling strategy (Recommendation 14), there is regular reporting to the Crown Resorts Responsible Gambling Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation and appeals, as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR for monitoring purposes. (The VCGLR intends to share this information, as appropriate, with the VRGF).</p>	Recommendation accepted.
<u>16</u>	<p>The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gambling Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.</p>	Recommendation accepted.
<u>17</u>	<p>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.</p>	Recommendation accepted.
<u>18</u>	<p>The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document: 36</p> <ul style="list-style-type: none"> the purpose obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals what changes the grant of the approval would make to products, rules and procedures, etc 4 risks associated with the approval 	Recommendation accepted.



	<p><i>and how they will be treated</i></p> <ul style="list-style-type: none"> • <i>how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm, and 8</i> • <i>which areas of Crown will be responsible for managing implementation.</i> 	
<u>19</u>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the 12 Casino Control Act in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.</i></p>	<p>Recommendation accepted.</p> <p>Crown notes that it has had a policy in place to issue Exclusion Orders for unacceptable behaviour for over ten years and does issue Exclusion Orders for this purpose in appropriate circumstances. Crown also notes that it issues withdrawal of licence notices to persons in appropriate circumstances, as it is entitled to do as a common law right, as those notices cover broader areas of the Crown property than the more limited area covered by Exclusion Orders.</p>
<u>20</u>	<p><i>The VCGLR recommends that, between November 2019 and March 2020, VCGLR Commissioners and directors of the Crown Resorts board meet to review the implementation of the recommendations set out in this report.</i></p>	<p>Recommendation accepted..</p>