

urgent - crown Final FEEDBACK

From: "Mclay, Ken" <[REDACTED]>
 To: "Hartnett, Cara" <[REDACTED]>
 Date: Wed, 15 May 2019 12:36:48 +1000
 Attachments: DRAFT Crown Risk Mgmt Report - 14-05-19_FULL REPORT.docx (178.51 kB)

CARA

Re below MY COMMENTS IN RED CAPS – LET ME KNOW HOW YOU WANT TO RESPOND.

Still a couple comments, and Josh has not read the documents yet, so he may have additional ones:

- Your introduction sentence in paragraph 1.4 is quite weak. The word 'appears' could infer that it does not have expected elements in place, and coupled with the areas for improvement in section 1.5, the overall feeling of that executive summary is really that we do not have a very good framework. Can you please take that word out. We either have those elements that you describe or not.

1.4 Based on documentation reviewed, Crown appears to have a risk management program which has many of the expected foundational elements in place. This includes:

REMOVE WORD APPEARS

- Could you also please make an overall statement on the risk management program; something like 'The risk management framework that has been rolled out for the past 18 months, combined with some of the proposed enhancement proposed in this review, is appropriate for the business.' Again, at this stage, the executive summary reads like it is not the case. From our discussions, I thought you believed it had room for maturity, but was mostly there, this does not come through.

THIS IS A TOUGH ONE CARA, CAN WE REALLY SAY THE RISK MANAGEMENT FRAMEWORK IS APPROPRIATE TO THE BUSINESS. WE HAVE NOT OPINED ON THE EFFECTIVENESS OF THE FRAMEWORK (THAT WAS OUT OF SCOPE SO DIFFICULT TO SAY IT IS APPROPRIATE – BUT IT DOES CONTAIN THE KEY ELEMENTS OF WHAT WOULD BE EXPECTED IN A RISK MANAGEMENT FRAMEWORK.

- The VCGLR recommendation specifically calls out 'reporting lines and chain of command'. Could you please add a comment to that effect (using those words) in 1.4?

CURRENT WORDING

A risk management framework which sets out the key elements of Crown's risk management program, including overall governance, roles and responsibilities, risk identification and assessment methodology, risk appetite and the risk reporting process;

RECOMMENDED CHANGE

A risk management framework which sets out the key elements of Crown's risk management program, including overall governance (reporting lines and chain of command), roles and responsibilities, risk identification and assessment methodology, risk appetite and the risk reporting process;

- In the detail findings, item 2.3.b – I thought you were going to take that recommendation out? When we discussed the document, I thought we agreed that in most similar documents, this section would not even exist, but that at this stage in the maturity of it (since this is the first one), I needed to articulate for the board the difference between a risk and an issue. This is not meant to articulate the issues management process, as the range of issues we face on a day to day basis is too complex to simply describe in a document like this one. The purpose of this section is simply to educate – it will go in a couple iterations.

CURRENT

a) Risk Materialisation

The draft RMS (S6.4) referring to situations "When a risk materialises" would benefit from greater clarity. In reality risks materialise every day as a part of doing business. As long as they are within approved risk appetite (acceptable tolerances) then no further action is required.

This section could be renamed "Escalation of Risk Appetite Breaches" rather than "When a risk materializes". It could provide greater clarity on the Governance processes around the management and reporting of risk appetite and triggers.

Recommendation: This section be reviewed to provide greater clarity on what is meant by materialisation of risk. This may consider:

- How quickly after a breach of risk appetite should the approving authority be informed? This could range from immediate escalation to the line manager to a longer period for RMC and the Board.
- A description of the nature of the breach, how it happened, and what mitigating actions have been done to bring the risk back within risk appetite
- What lessons have been learned, additional training given or policies or processes changed to prevent a recurrence?

IM NOT SURE ABOUT THIS ONE, WE COULD DO AS ANNE SUGGESTS BUT OUR MAIN OBSERVATION IS AROUND RISK ESCALATION.. PERHAPS CHANGE IT TO SOMETHING LIKE THE FOLLOWING

b) Escalation of Risk Breaches

The draft RMS would benefit from greater clarity on the process for "Escalation of Risk Appetite Breaches".

Recommendation: Greater clarity be provided on the Governance processes around the management and reporting of risk appetite and triggers. This section be reviewed to provide greater clarity on what is meant by materialisation of risk. This may consider:

- How quickly after a breach of risk appetite should the approving authority be informed? This could range from immediate escalation to the line manager to a longer period for RMC and the Board.
- A description of the nature of the breach, how it happened, and what mitigating actions have been done to bring the risk back within risk appetite
- What lessons have been learned, additional training given or policies or processes changed to prevent a recurrence?

In the end, you chose not to remove the references to a RAS per material risk (2.1.4). I don't think this recommendation will be implemented a Crown, even at a later stage, and I don't know of any of my peers in other casinos who would (or intent to) have that in place either. Not sure about its relevance in our sector

CURRENT Section of 2.1.4

A characteristic of a mature risk appetite framework is that all material risks have an associated risk tolerance (risk appetite statement). While material risks facing Crown are recorded in the Corporate Risk profile they do not have their own risk appetite statement or associated quantitative metric that supports monitoring, reporting and the development of controls and processes to manage them.

Recommendation: As the risk management program matures, having a RAS for all material risks should be considered.

MY PERSONAL OPINION IS THAT A MATURE AND EFFECTIVE RMF HAS RAS FOR ALL MATERIAL RISKS. THIS IS RELEVANT TO RISK MANAGEMENT AND AGNOSTIC TO INDUSTRY SECTOR. THIS MAY BE SETTING THE BAR TOO HIGH FOR CROWN – BUT I THINK THIS IS SOMETHING CROWN COULD ASPIRE TO, NOTE WE DO SAY : As the risk management program matures, having a RAS for all material risks should be considered

IM OK WITH THIS,, YOU ?

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Ken McLay
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Please consider the environment before printing.

From: Anne Siegers <[REDACTED]>
 Sent: Wednesday, 15 May 2019 12:14 PM
 To: Mclay, Ken [REDACTED]; Hartnett, Cara [REDACTED]
 Cc: Joshua Preston [REDACTED]
 Subject: [EXT]RE: Final Reports

Hi Ken,

Still a couple comments, and Josh has not read the documents yet, so he may have additional ones:

- Your introduction sentence in paragraph 1.4 is quite weak. The word 'appears' could infer that it does not have expected elements in place, and coupled with the areas for improvement in section 1.5, the overall feeling of that executive summary is really that we do not have a very good framework. Can you please take that word out. We either have those elements that you describe or not.
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- In the end, you chose not to remove the references to a RAS per material risk (2.1.4). I don't think this recommendation will be implemented a Crown, even at a later stage, and I don't know of any of my peers in other casinos who would (or intent to) have that in place either. Not sure about its relevance in our sector.

Could you please get back to me quickly with comments?

Thank you,
 Anne

From: Mclay, Ken [REDACTED]
 Sent: Tuesday, 14 May 2019 3:21 PM
 To: Anne Siegers <[REDACTED]>
 Subject: Final Reports

Hi Anne, Please refer attached Still marked as DRAFT pending your final review and feedback

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