

CROWN

**Attachment 1**

Contact: Barry Felstead /Joshua Preston  
Direct Line: 03 9292 7028 / 040 353 8088  
E-mail: Personal Information  
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1 July 2019

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

cc: Rowan Harris

**By Email**

Dear Ms Myers,

**Sixth Review of the Casino Operator and Licence (Sixth Review) - Recommendation 3**

I refer to Recommendation 3 of the Sixth Review and to our response dated 2 July 2018. Recommendation 3 provides:

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.

An extensive review of Crown's Risk Management Framework has been undertaken since mid-2017, which commenced with the recruitment of a Group General Manager - Risk and Audit. The recruitment process targeted a risk and audit professional with extensive and proven experience in Risk Management, including the development and implementation of effective and robust risk management frameworks in complex environments. The new Group General Manager — Risk and Audit joined Crown in December 2017.

Between December 2017 and March 2018, an extensive review of existing processes and practices was undertaken. The review included not only the formal and documented processes and framework in place, but also an extensive assessment of the depth of understanding and management of risk across the operation.

This review found that although the formalisation of the risk framework presented a number of opportunities for enhancements, risk was fundamentally well understood and managed within the business and operations. There were also very effective escalation mechanisms that ensured

effective risk-based decision-making and an overall low materialisation of risks in a very large scale, significantly human/manual labour reliant business, with a strong and well embedded risk culture that supported integrity, compliance and customer focus. The review led to a number of recommendations presented to the relevant Executive and Board committees, recommending enhancements across many aspects of the risk framework.

The recommendations for enhancement targeted a number of key framework elements, including:

1. Enhancement of the fundamental risk tools (risk matrix and risk map, system);
2. Enhancement of the Executive risk governance framework, with the creation of a Melbourne Executive Risk and Compliance Committee (ERCC);
3. Enhancement of the formalisation of the Board's expectations around risk management, including the documentation of a formal risk appetite and introduction of the three lines of defence model;
4. Formalisation and enhancement of the bottom-up and top-down risk profiling process; and
5. Enhancement of the reporting framework.

At the time PwC came to perform a review of Crown's Risk Management Framework for the VCGLR as part of the Sixth Review in April 2018, item 1 above had been completed and items 2 to 3 were well advanced.

PwC's review confirmed the internal assessment that overall risk management was effective at Crown, noting that 'core fundamentals of a risk management framework are in place and applied across the business', but that there were 'areas of enhancement and maturity possible relative to best practice'. PwC in particular noted the formalisation of a risk appetite and reporting against that appetite as a key item for consideration. That recommendation was in alignment with item 3 above.

Following PwC's review, and taking their input into account, Crown continued its enhancement program and the following elements have now been undertaken and/or implemented:

- A review of the Board Governance Structure, and the existence of a dedicated Audit Subcommittee of the Board, which also includes reporting on risk, that ensures adequate focus of these two material areas of responsibilities of the Board, which confirmed that it is in line with best practice for reporting lines and chain of command.
- The formalisation of the Risk and Audit Team's second and third line roles, with enhanced reporting lines, separation and chain of command.
- The structure and resourcing of the risk team has been enhanced, with the recruitment of a Risk Analyst, that supports the effective reporting of risk to relevant layers of management and governance, and the recruitment of two Risk Managers, embedded in the business, that facilitate the identification, analysis, reporting, communication and management of risks within key business areas (see organisational chart in **Appendix A**).
- The first Melbourne ERCC meeting was held in July 2018 (see ERCC Charter in **Appendix B**).
- The creation of risk categories, to facilitate the creation of a risk appetite and the reporting against it (see Board paper in **Appendix C**).
- The Risk Appetite was extensively deliberated and it received final approval by the Board in November 2018 (see **Appendix C**).

- As aligned with Crown's risk profile, Responsible Service of Gaming is recognised as a material risk to the organisation, and as such has been specifically called out in the formulation of the Risk Appetite (see **Appendix C**).
- The Enterprise Risk Management system CURA has been rolled-out to Crown Melbourne, as the IT system for reporting, recording and management of risks.
- The enhancement of risk reporting to the relevant Executive and Board Committees.
- The consolidated documentation of the Board's expectations in relation to risk management in a 'Risk Management Strategy' document, that was endorsed by the Crown Resorts Risk Management Committee on 29 May 2019, and was approved by the Crown Resorts Board on 12 June 2019. The Risk Management Strategy was immediately applicable to all Crown majority owned entities, including Crown Melbourne (see Risk Management Strategy document in **Appendix D**).

To further ensure the robustness of the enhancements being introduced within the risk management framework, Crown Melbourne sought advice from an external advisory firm on the major elements of the program. The third party review considered that 'Crown's risk management framework and its design is consistent with the risk management standard ISO 31000:2018 Risk Management' and that 'Crown has a risk management program with the key elements for effective risk management either in place or under development.' A number of their recommendations were incorporated into the Risk Management Strategy document that was presented to the Crown Resorts Board and approved in June 2019.

Additional comments were provided for future and longer term enhancements, which will be incorporated and/or considered as to their relevance/appropriateness for the longer term continuous improvement program of Risk Management at Crown.

Crown considers that the completion of the assessment of the robustness and effectiveness of its Risk Framework and systems, including reporting lines in the chain of command, and upgrade of them where required, has been completed in satisfaction of Recommendation 3 of the Sixth Review. Crown notes however, that it will continue to enhance its risk framework over time. Further, as noted by the external advisors, 'enhancements to the risk management framework have been made since the PwC review, which will need to be in place for a period of time before their operation and the degree to which they are embedded is assessed.'

Please do not hesitate to contact me or Joshua Preston if you have any queries.

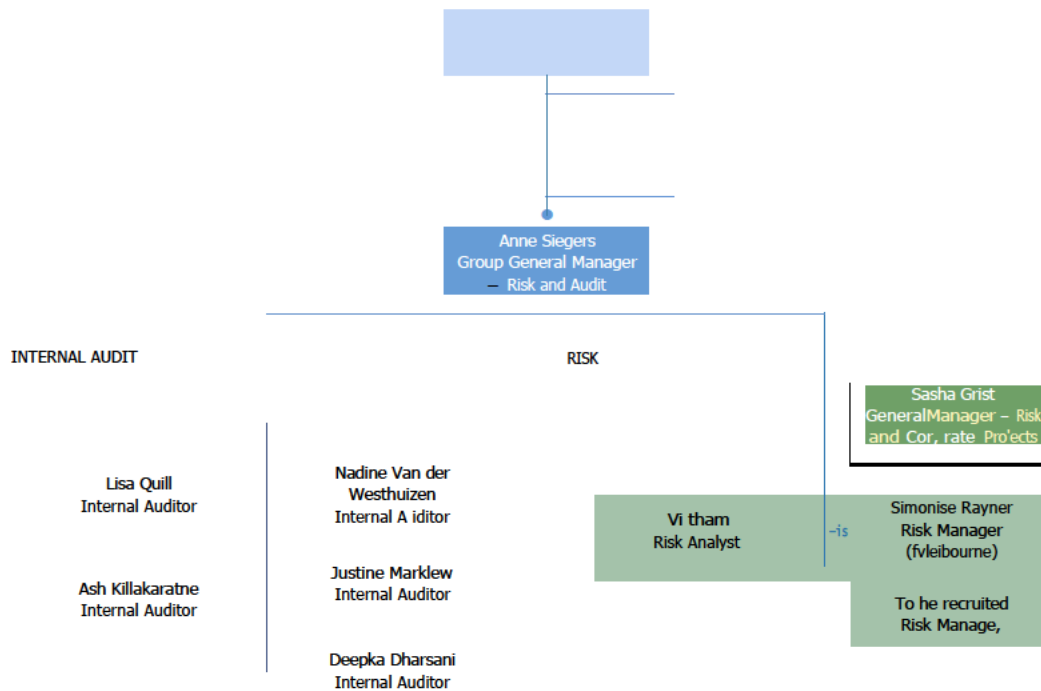
Yours sincerely

**Barry Felstead**

Chief Executive Officer — Australian Resorts

Encl.

Appendix A— Risk and Audit Organisational Chart



Please note, all roles are Group roles unless otherwise specified.

## Appendix: B



**Crown Melbourne**  
**Executive Risk and Compliance Committee Charter**

### Purpose

The Executive Risk and Compliance Committee (**Committee**) shall assist the Chief Executive Officer — Australian Resorts, Board of Directors of Crown Melbourne Limited (**Crown Melbourne**) and relevant Crown Melbourne Board Sub-Committees in:

1. Assessing and providing oversight for the identification and evaluation of material risks involved in the business operations of Crown Melbourne (Company);
2. Reviewing and evaluating the Company's actions to mitigate and manage business and compliance/regulatory risks;
3. Assessing and providing oversight for the effective implementation and ongoing maintenance of the Company's compliance program; and
4. Fulfilling their responsibilities relating to legal compliance matters and practices of the Company.

The Committee will also assist the Board of Directors of Crown Resorts Limited (**Crown Resorts**), the Company's parent company in meeting its responsibilities listed in the *ASX Corporate Governance Principles and Recommendations*, in particular Principle 7 "Recognise & Manage Risk".

The Committee is supported by a number of senior management committees related to risk, compliance, responsible service of alcohol, responsible service of gambling, health & safety and any other relevant committee.

The Executive Committees will supply the Committee with information relevant to the Committee's functions to allow the Committee to oversee Crown Melbourne's achievement of effective management of material business and compliance risks.

### Composition

The Committee shall comprise:

- Chief Legal Officer — Australian Resorts (Chair);
- Chief Executive Officer — Australian Resorts;
- Chief Financial Officer — Australian Resorts;
- Chief Operating Officer;
- Chief Operating Officer — Hotels, Retail & F&B;
- Group Chief Information Officer — Crown Resorts;
- Chief Marketing Officer;
- Executive General Manager — F&B;
- Executive General Manager — Table Games;
- Executive General Manager — Gaming Machines;
- Executive General Manager — Human Resources;
- Group General Manager — Risk & Audit; and
- Group General Manager — Regulatory & Compliance (**Committee Executive Officer**).



The Committee may request that any other employee of the Company, or such other invited guests as may be required, attend any meeting of the Committee.

#### Meetings

The Committee shall meet quarterly or at such other time as agreed by the Committee.

Minutes of meetings will be recorded, retained and approved as being an accurate record of Committee meetings.

#### Responsibilities and Duties

To fulfil its purpose, the Committee shall:

- Provide risk and compliance oversight to the Company;
- Determine the objectives of the Enterprise Risk Management (ERM) and Compliance frameworks at Crown Melbourne;
  - Oversee the Company's implementation and ongoing administration of the ERM and Compliance program, and monitor performance;
  - Review and evaluate management's identification of all major compliance and business risks to the business and their relative weight;
  - Review and assess any material risks or exposures, and the steps management has taken to minimise such risks and exposures;
  - Review and assess any significant compliance breaches or issues, and the steps management has taken to address those breaches or issues to ensure ongoing compliance with obligations;
- Assess the effectiveness of management policies, procedures and practices relating to risk and compliance;
- Review and approve the Corporate Risk Profile, prior to presentation to the Chief Executive Officer — Australian Resorts and Board of Directors;
- Monitor the progress of actions plans identified in the Corporate Risk Profile;
- Monitor and assess the Company's adherence to its Compliance Manual (and annual Compliance Plans);
  - Review a summary of Internal Audit report findings and recommendations regarding the adequacy and effectiveness of internal controls, at each meeting;
- Provide a legal, risk and compliance update to each meeting of the Board of Directors (and/or applicable Board sub-committee), reporting on instances of material non-compliance, changes to the corporate risk profile, emerging risks, and the status of the Company's ERM and Compliance programs;
- Report as required to applicable sub-committees of the Crown Resorts Board of Directors; and
- Conduct a review of this Charter on an annual basis to ensure it remains consistent with its objectives and existing regulatory requirements.

31 July 2018

## Appendix: C

# Risk Management Committee

## Memorandum

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**To:** Risk Management Committee

**From:** Mary Manos

**Date:** 7 November 2018

**Subject:** **Risk Management Policy**

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Dear Committee Members

### Overview

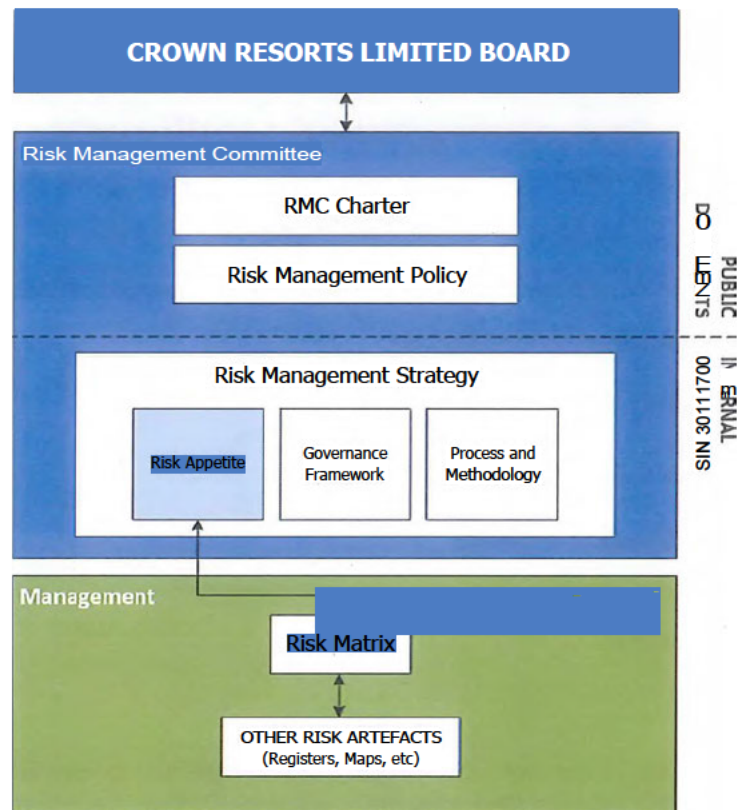
Fundamental to the implementation of an effective risk management framework is the articulation, by the Board, of its Risk Appetite (**Risk Appetite**). This process allows the Board to communicate to management its expectation with regards to the degree of losses that it is willing to absorb in the pursuit of its strategy.

The Risk Appetite, as defined by the Board, will guide management's risk taking activities and communicates the Board's expectations of risk culture by establishing:

- a high level statement of the Board's risk philosophy and the expected risk culture and behaviours of the organisation;
- qualitative statements and quantitative metrics triggering Risk Management Committee (**RMC**) reporting for each material risk category; and
- the requirements for the monitoring and reporting of Crown's risk profile relative to quantitative parameters (**risk tolerances**) against these risk categories.

The Risk Appetite is a key building block to the broader Risk Management Strategy, which will be finalised once the appetite is approved, and presented to the Board for approval at the next meeting of the RMC.

Below is a representation of the different elements of the risk framework:



- The RMC Charter and Risk Management Policy are publicly available documents. They articulate the general principles of the risk management framework, but at a high level. These documents are in place and reviewed annually.
- The Risk Management Strategy (RMS) will be a Board approved document, aimed at management (internal document), which provides articulation of the expectations of the Board, in relation to risk management. It includes a definition of its Risk Appetite, as well as articulation of the governance structure (including the three lines of defence operating model), and the overarching risk processes and methodology the Board expects to see implemented throughout the organisation.

Both governance principles and processes and methodologies are already in place operationally, and have been for some time. The development of the RMS will mostly document and formalise those elements, and allow the formal approval by the Board.

- Once the Board elements are in place, they are translated into operational tools and processes that ensure the Risk Appetite is understood and the business operates within those parameters. These include the Risk Matrix and Risk Map.

Once the Risk Appetite is articulated, delegations schedules will also be recalibrated to align to the approved Risk Appetite.

#### Background

Up until now, an expression of the Board's Appetite has been captured in the tools that the organisation has used to discuss and rate risks. This Risk Appetite was articulated in the risk matrix,



and the 'High' risks were presented to the RMC on an ongoing basis. Each of the key reporting entities had its own risk matrix.

As part of the review of the Risk Management Framework, a more overt expression of the Risk Appetite is proposed. This approach considers PWC's recommendations made during the VCGLR's Section 25 Sixth Review of the Casino Operator and Licence report.

As part of our review of the Risk Appetite, the limits, particularly the financial limits, were materially adjusted to align closer to the business practices and provide relevant guidance to the business. Extensive consultation took place with the business to identify those limits that are inherently in place and document them into the attached table.

Going forward, all reporting entities will be using the same risk matrix to achieve consistency.

#### Risk Categories

In structuring its appetite, Crown has considered the range of consequences that any event could trigger, and it has organised its Risk Appetite against these seven impact categories, which are:

- Financial
- Brand / Reputation
- Regulatory / Legal
- People
- Customers / Patrons
- Infrastructure
- Strategy /Business Sustainability

#### Risk Appetite Statements and Reporting Tolerances

The following qualitative statements and quantitative metrics define the Board's Risk Appetite and its tolerance for individual risk events. Quantitative metrics trigger reporting requirements to the RMC.

Category	Qualitative Statement	Quantitative Metrics — RMC Reporting Triggers	
Financial	Protect and deliver shareholder value	Outside normal trading EBITDA losses (per event)/ and or adverse to the current (normalised) forecast	>\$10M
		Large capital, equity or treasury transaction	>\$10M
Brand / Reputation	Maintain shareholder confidence	Internal event creating a sustained share price loss	>5%
	Retain public confidence in the Crown brand	Sustained negative national or international media coverage	Any event
Regulatory/ legal	Maintain systematic compliance with regulatory, legal, statutory and contractual obligations	Significant breaches that may have a financial or reputational impact	Any event
		Material legal action or class action	Any event

Category	Qualitative Statement	Quantitative Metrics — RMC Reporting Triggers	
	Build and maintain professional and collaborative relationship with regulators and relevant government bodies	Significant breach or event that has the potential to damage the relationship	Any event
	Deliver gaming and alcohol services responsibly	Material RSG issues including adverse media	Any event
		Integrity of liquor licences	Any loss of licence and/or points
People	Maintain a safe and healthy workplace	Significant notifiable incidents under the Workplace Health and Safety Act	Any event
	Maintain corporate culture and performance	Sustained staff turnover and/or unplanned absences above average	>5% point increase
		Loss or potential loss of key management personnel	Any event
	Maintain healthy engagement with Unions	Imminent industrial action	Any event
Customers/ Patrons	Ensure our services are available to our target customers	Negative event affecting segment of patrons (ex VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M in revenue
Infrastructure	Maintain appropriate security and surveillance across the properties	Security incident that threatens people or property	Any event
	Maintain high levels of critical IT Infrastructure availability and reliability	Loss of core IT infrastructure or multiple key systems	>24 hrs
	Protect customer information	External or internal security breaches resulting in unauthorised access to, or loss of, customer data likely to result in serious harm	Any event
	Maintain high quality physical infrastructure to deliver our world class services	Loss of critical physical infrastructure	>24 hrs
	Maintain strong Business Continuity and Disaster Recovery capabilities and facilities	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs
		Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B for over 24hrs
Strategy / Business Sustainability	Maintain 24/7 operations	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event
	Ensure strategic projects are delivered to provide medium to long term business sustainability and	Key strategic project delayed by 12 months or more	Any event

Category	Qualitative Statement	Quantitative Metrics — RMC Reporting Triggers	
	competitiveness		
	Make strategic investment and divestment decision that enhance business value and sustainability	Change in ownership share of related or third party entity	Any event

### Reporting Triggers - Board Reporting Mechanisms

At each meeting of the RMC, a report against this Risk Appetite table will be prepared by the GGM — R&A. It will highlight events against reporting triggers by exception.

In most circumstances, reporting trigger events at the regular RMC meeting will be sufficient, but at times, special meetings of the RMC or other Board forums may be required based on the magnitude of the event, as well as the requirement for a timely Board decision.

The requirement for a special meeting will be decided on a case-by-case basis by consultation between the CEO, CLO, General Counsel and the GGM — R&A, as well as any relevant key management personnel.

Please find attached as Appendix 1 an example of the Quarterly Risk Appetite Dashboard Statement Report that will form part of the RMC papers moving forward.

### Operationalisation of the Risk Appetite

Risk Appetite is a high-level and qualitative concept, and needs to be translated into quantifiable and measurable thresholds to allow the business to operate within that articulated level of risk. It also needs to be relevant and understandable for day-to-day activities across the whole organisation.

This translation is facilitated through the **Risk Matrix** (see Appendix 2 for information), which defines likelihood and consequence thresholds. The combination of a likelihood rating with a consequence rating provides a risk rating. This rating can be either inherent or residual.

The Risk Matrix is updated by the Risk Management Function and is approved by the CEO — Australian Resorts and the Executive Chairman.

The residual risk ratings guide the delegated responsibilities for the management and acceptance of risk. The Board's risk appetite is represented as the line between the 'orange' and the 'red' as follows:

LIKELIHOOD	Almost certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignificant	Minor	Moderate	Major	Severe
CONSEQUENCE						

Legend:

	Critical risk — Oversight by the RMC/Board
	High risk — Managed by CEO and relevant EGMs
	Moderate risk — Managed by BOT members
	Low risk — Managed as part of BAU

**Recommendations:**

It is recommended that the Risk Management Committee:

1. Discuss the proposed Risk Appetite; and
2. Recommend to the Board that it approve the Risk Appetite.

Regards

Anne Siegers  
Group General Manager — Risk and Audit

## Appendix: C

**Crown Melbourne Board****Memorandum**

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**To:** Crown Melbourne Board

**From:** Anne Siegers  
Group General Manager — Risk & Audit

**Date:** 20 November 2018

**Subject:** **Risk Appetite**

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Dear Directors,

The Crown Resorts Limited Risk Management Committee (**RMC**) has met to consider the enhanced articulation of the company's Risk Appetite. The Risk Appetite is to apply to Crown Resorts, Crown Melbourne and Burswood Limited. In this respect, the RMC is recommending that the Crown Resorts Board approve the risk appetite as presented in the paper below. The paper attached is as presented to the RMC.

It is requested that the Crown Melbourne Board also consider the Risk Appetite in the context of Crown Melbourne, and if it sees fit, adopt the Risk Appetite, subject to Crown Resorts and Crown Perth also ultimately adopting the Risk Appetite.

Please note the following clarifications:

- any relevant risk event pertaining to Crown Melbourne that would trigger reporting to RMC would also be reported to the Crown Melbourne Board (via the Audit Committee); and
- the reporting triggers in the Risk Appetite table can be either a single event, or a series of events cumulating to the thresholds.

**PROPOSED RESOLUTION**

It is proposed that the Crown Melbourne Board approve the Risk Appetite, subject to the Crown Resorts Limited Board and Burwood Limited Board also approving the Risk Appetite.

Regards,

Anne Siegers  
Group General Manager — Risk and Audit

**Appendix: D**



# Crown Resorts Limited Risk Management Strategy

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

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## Document History:

Document Changes	Author(s)	Date	Approval Authority
Document created	Anne Siegers - GGM —R&A Joshua Preston - CLO	Xx May 2019	Crown Resorts Board

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## 1. Executive Summary

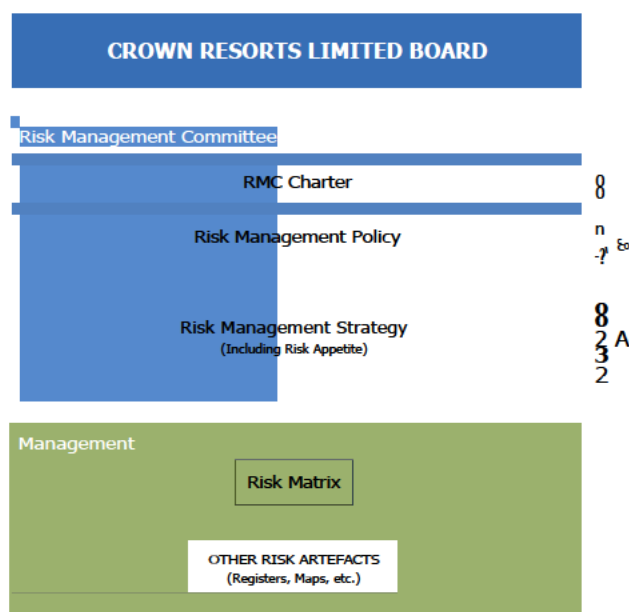
As an ASX listed company, Crown must consider the ASX Corporate Governance Principles. Principle 7 relates to how an organisation must recognise and manage risk: 'A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework'. Fundamentally, that principle articulates the following concepts:

- The Board of a listed entity is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its objectives.
- It is the role of the Board to set the risk appetite for the entity, to oversee its risk management framework, at least annually, and to satisfy itself the framework is sound.
- Ultimate responsibility for a listed entity's risk management framework rests with the full Board, although it can have in place a committee to oversee risk.
- The organisation should have an independent internal audit function and articulate its structure and role.

The Crown Resorts Limited (Crown) Risk Management Strategy (RMS) is an internal document, which sets out the fundamentals of what the Crown Resorts Limited Board (Board) expects from its risk management framework across all entities of the group. The RMS articulates the following:

- the risk management principles that underline Crown's management of risk;
- roles and responsibilities around risk across the organisation, starting with the Board;
- the risk management framework;
- the risk appetite of the Board; and
- the basic principles, aligning to 15031000:2018 Risk Management, that support the identification and management of risk at Crown.

It aligns with other corporate risk documents as follows:





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## Background

The Board, being ultimately responsible for the effective management of risk at Crown, has established and approved this RMS.

Risk is inherent in all Crown's products, activities, processes and systems used in day-to-day operations. The Board also acknowledges that in order to operate and fulfil its objectives, Crown needs to take risks.

The purpose of this RMS is to describe Crown's approach to ensuring that it maintains a risk management framework that supports the effective management of its material risks in a manner consistent with its risk appetite and strategic objectives.

### 2.1. Document Owner

The Board owns and approves this document.

### 2.2 Confidentiality

This document is intended for internal use only and should not be distributed outside Crown without the express permission of the General Counsel.

### 2.3. Definitions

The following key definitions apply to the RMS:

- Ⓢ 'Australian Resorts' means Crown Melbourne, Crown Perth and Crown Sydney.
- Ⓢ 'Board' means Crown Resorts Limited Board.
- 'BOT' refers to the Business Operations Teams for Crown Perth and Crown Melbourne.
- Ⓢ 'CEO' refers to the Executive Chairman of Crown Resorts and/or the Chief Executive Officer of Australian Resorts or equivalent of any relevant wholly-owned subsidiary..
- 'Crown' means Crown Resorts Limited and its material wholly owned subsidiaries. This includes Crown Melbourne, Crown Perth, Crown Sydney, Crown Aspinalls and Betfair.
- 'Executives' refers to the Crown Resorts' Executive team as well as the Australian Resorts' Executive team and any other senior executives of the wholly owned subsidiaries.
- Ⓢ 'Inherent risk' means the risk assessment prior to consideration of mitigating factors.
- Ⓢ 'Key management personnel' means Executives and General Managers for critical business functions.
- 'Residual risk' means the risk assessment after consideration of existing mitigating factors and/or controls.
- 'Risk' is defined as the effect of uncertainty on an objective. It is an event or possible deviation from plan, characterised by reference to the likelihood of the potential event and the impact of that event occurring.

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- Ⓢ 'Risk appetite' is the amount of risk that the organisation is willing to accept in pursuit of its strategic objectives and in the interest of protecting its stakeholders.
  - Ⓢ 'Risk culture' means the system of values and behaviour that shapes the decisions and actions of staff in relation to risk taking.
  - 'Risk governance framework' refers to the formal structure that supports risk-based decision-making and oversight across all operations of Crown and to support the Board's desired risk culture.
  - Ⓢ 'Risk tolerance' is the quantitative application of risk appetite, and represents the operational boundary for the relevant risk exposure.
  - 'Risk management framework' is the totality of systems, structures, policies, processes and people that Crown uses to identify, measure, monitor, report and control all internal and external sources of material risk.
- 'Senior Management' refers to all members of the Business Operations Team (for Crown Melbourne and Crown Perth) and other key management personnel of Crown Resorts and the wholly owned subsidiaries.

## Risk Management Principles

Crown's culture, and more specifically its risk culture, is built around a number of core pillars, including its service standards philosophy, integrity and compliance focus, and safety of staff and patrons. These elements underpin all other elements of the risk framework and are fundamentally embedded across the organisation.

Crown's strategy for managing risk is based on the following fundamental principles:

- the fundamental purpose of risk management is to provide a framework within which Crown and its employees can take well informed risks that support its strategic objectives and add value to the organisation;
- Ⓢ effective risk management requires a robust and effective risk governance framework that includes clearly defined risk management responsibilities, accountabilities and mechanisms for independent oversight, review, challenge and assurance;
- effective risk management requires a strong, robust and pervasive risk culture that is consistent with Crown's values and risk appetite; and recognises that risk management is the responsibility of all staff;
- effective risk management requires clear articulation and documentation of risk appetite by the Board and effective communication of that appetite to all relevant levels of the organisation; and
- effective risk management requires consistent risk identification, assessment, measurement, management, monitoring and reporting processes that are integrated into and support strategic and business processes.

To give effect to these fundamental principles, Crown has developed a comprehensive risk management framework.

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## Risk management framework

The risk management framework is the totality of systems, structures, policies, processes and people that Crown uses to identify, measure, monitor, report and control all internal and external sources of material risk.

The purpose of the risk management framework is to provide a structure for identifying and managing each material risk in a manner consistent with Crown's strategic objectives and risk appetite.

The key elements of the Risk Management Framework that give effect to the RMS include:

- the Crown Risk Governance Framework (Section 5);
- the Risk Appetite (Section 6);
- How the risk appetite is operationalised (Section 7); and
- Crown's risk management processes and methodology (Section 8).

The Risk Management Framework is an overarching framework that sets the basic principles within which other, more specific risk management policies and procedures are developed, and which other corporate frameworks follows. Some of these other frameworks include:

- |                          |                                       |                             |
|--------------------------|---------------------------------------|-----------------------------|
| • Compliance             | • Responsible Service of Gaming (RSG) | • IT Change Management      |
| • Work Health and Safety | • AML/CTF                             | • Procurement               |
|                          |                                       | • Security and Surveillance |

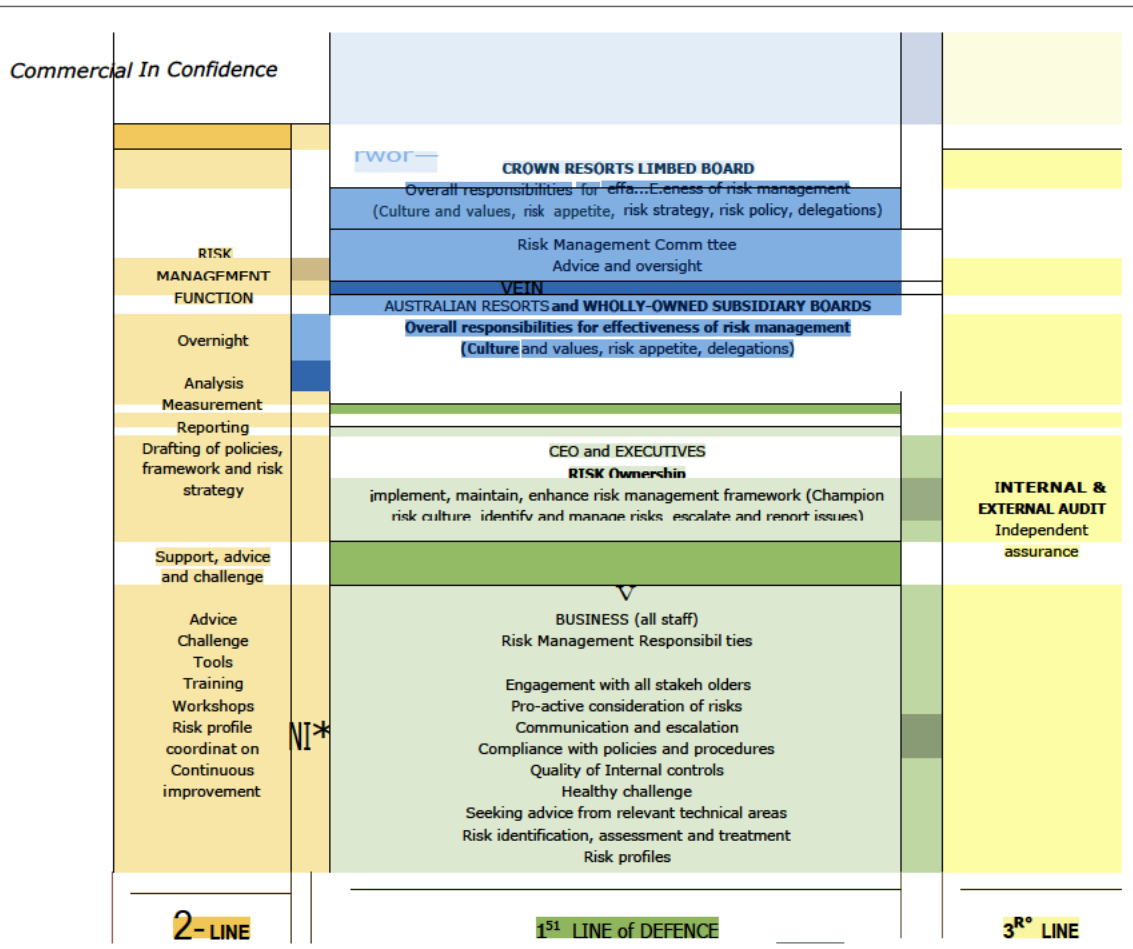
## Risk Governance Framework

The Risk Governance Framework refers to the formal structure to support risk-based decision-making and oversight across all operations of Crown and to support the Board's desired risk culture.

An effective Risk Governance Framework requires:

- risk ownership and risk management accountability to be clearly defined and assigned to those responsible to support the consideration of risk in all decision making. This supports the integration of risk identification and assessment into organisational decision making processes;
- independent oversight, challenge, reporting and monitoring of the risk culture, risk profile, risk management framework and material business decisions that have the potential to impact the organisations risk profile; and
- independent assurance regarding the appropriateness, effectiveness and adequacy of, and compliance with, the risk management framework.

For this reason, the Board has endorsed a "three lines of defence" risk governance model. An overview of Crown's Risk Governance Framework is illustrated below:



The following sections outline the roles and responsibilities of each of the key components of the Risk Governance Framework illustrated above.

### 5.1. The role of the Board

The Board is ultimately responsible for the establishment and implementation of a risk management framework that enables Crown to appropriately develop and implement strategies, policies, procedures and controls to identify and manage its material risk exposures.

To fulfil its obligations, the Board:

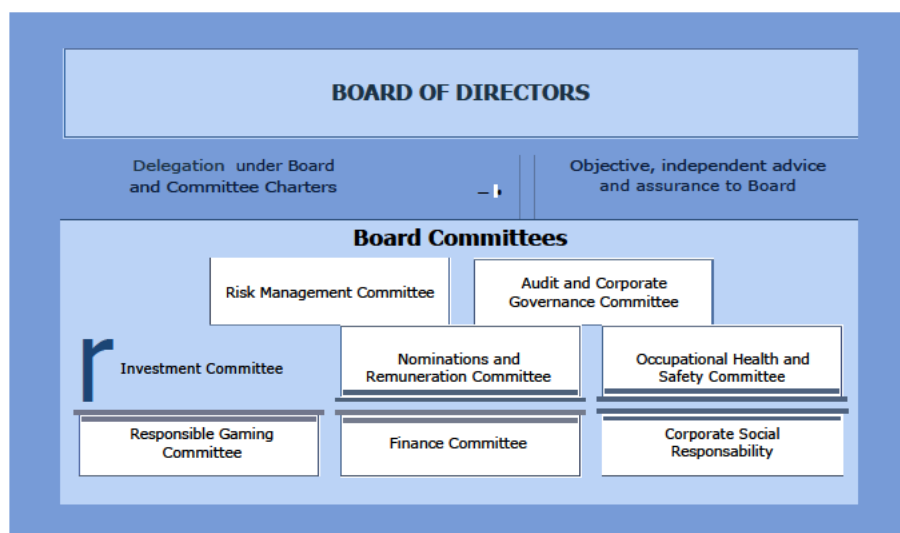
- clearly defines Crown's risk appetite;
- establishes and approves this RMS to clearly articulate Crown's risk culture and strategy for managing risk;
- ensures that senior management monitors, reports and manages all material risks consistent with the strategic objectives and risk appetite approved by the Board;
- ensures that Crown maintains an independent Risk Management and Internal Audit Function across its operational entities that have the appropriate reporting lines, resourcing, authority and access to the Board and organisation to fulfil their responsibilities outlined in Section 5.4 and 5.5 below;
- recognises uncertainties, limitations and assumptions attached to the measurement of material risk; and
- ensures that the Risk Management Framework is reviewed at least annually and approves any material changes to the RMS and the appetite.

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The Board has established a number of Board Committees having regard to the risk profile of Crown, the complexity of Crown's business operations as well as the experience and expertise of the directors.

While some duties of directors may be delegated to Board Committees, as appropriate, the Board retains ultimate responsibility for ensuring that those duties are performed.

The following diagram illustrates the Board sub-committees in place at Crown Resorts:



Each of these Board Committees forms part of, and plays an integral role in, the governance framework and supporting the Board to fulfil its responsibilities in respect of the Risk Management Framework. The primary Committee responsible for assisting the Board in overseeing the Risk Management Framework is the Risk Management Committee (**RMC**). Section 5.2 outlines the responsibilities and role of the RMC and its interaction with the Board.

### 5.2. The role of the Risk Management Committee

The RMC has been delegated responsibility for overseeing Crown's Risk Management Framework and assists the Board by providing objective oversight of the implementation and operation of Crown's Risk Management Framework.

The Chair of the RMC provides a report to the Board following each RMC meeting to ensure adequate communication between the Committee and the Board.

The role of the RMC is articulated in the RMC Charter. In particular, the RMC's responsibilities include:

- overseeing and advising the Board on Crown's overall risk appetite, risk culture and Risk Management Strategy;
- establishing a view of Crown's current and future risk position relative to its Risk Appetite;
- overseeing the establishment, review, ratification and implementation of a Risk Management Framework that identifies and addresses the material risks faced by the organisation and is consistent with the strategic objectives and the RMS;

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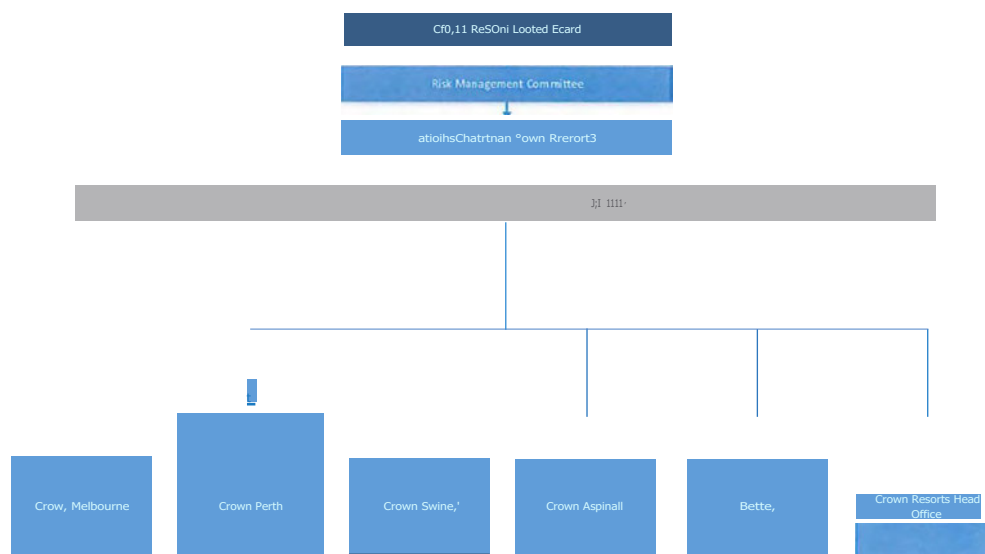
- overseeing the development of risk management policies, systems and processes to facilitate a consistent approach to the identification, assessment and management of risks;
- constructively challenging senior management's proposals and decisions on all aspects of risk management; and
- reviewing regular reports on Crown's risk profile and the adequacy and effectiveness of the Risk Management Framework and internal control systems.

### 5.3. The consolidation of entities within Crown

The Crown organisation is comprised of a number of wholly owned subsidiaries.

To ensure visibility and transparency across the organisation, the following steps are in place:

- each material entity is responsible for updating its own corporate risk profile, reflecting the material risks of its business, and operating in line with this RMS;
- On at least an annual basis, those profiles are analysed by the risk department as a key input into the annual update of the consolidated Crown Resorts risk profile, which is presented to the RMC.
- Consolidation of risk profiles will take place against the following path:



### 5.4. The first line of defence

Central to Crown's Risk Management Framework is the concept that risk is best understood, identified, assessed, managed and integrated into decision making processes by assigning risk ownership and risk management responsibility to those responsible for making material business decisions. This supports the integration of risk identification and assessment into organisational decision-making processes.

The Board has delegated, subject to Board oversight and within the confines of the strategic objectives and this RMS, to the Executive Chairman the responsibility of management oversight of risk for Crown Resorts and its wholly owned subsidiaries. The Executive Chairman in turn has delegated to the CEOs or equivalent of each wholly owned subsidiary the day-to-day management of the Risk Framework for each respective business.

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The CEOs, under authorised delegation from the Board and Executive Chairman, have sub-delegated business management responsibilities to Executives, Senior Management and to specific management committees.

The CEOs, Executives and Senior Management form the first line defence and assume ownership of, and accountability for the management of, the material risks faced and effective implementation of the Risk Management Framework.

All other Crown staff support the implementation of the Risk Management Framework under direction and delegation from the CEOs, Executives and Senior Management.

### (a) CEOs, Executives and Senior Management responsibilities

CEO, Executives and Senior Management assume ownership of the material risks faced by the organisation and are charged with the responsibility for the implementation of the Risk Management Framework. Specifically, this includes:

- establishing, maintaining and championing an effective risk culture throughout the organisation;
  - ensuring that policies, processes, systems and internal controls are developed to effectively identify, assess, manage and monitor the risks faced by the organisation in a manner consistent with the Risk Management Framework;
- ensuring that these policies, processes, systems and internal controls are integrated into, and support, business decision making processes and the ongoing maintenance and enhancement of the risk management framework;
- managing Crown's risk profile within the Board's risk appetite and tolerances defined in the RMS;
  - a ensuring that appropriate reporting and monitoring processes are developed and implemented to escalate relevant information to CEO, Executives, Senior Management, the Risk Management Function and, if necessary, the Board; and
- developing and implementing timely remediation strategies to address material risk exposures that are outside of the Board's Risk Appetite.

### (b) All other Crown staff

Although the CEOs, Executives and Senior Management are assigned risk ownership, all staff play an integral role in the effective implementation of the Risk Management Framework and in the management of risk. All Crown's staff are responsible for:

- performing their role in a manner consistent with the expected organisational culture and Code of Conduct;
- implementing and complying with all Crown's policies, processes, systems and internal controls that have been developed to effectively identify, assess, manage and monitor the risks faced by the organisation; and
- e managing, and being accountable for risks particular to their area of responsibility as delegated by the CEO, Executives and Senior Management.

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## 5.5. The second line of defence

Crown maintains an independent Risk Management Function that is responsible for assisting the Board, RMC, CEOs, Executives and Senior Management to develop and maintain the Risk Management Framework.

The Group General Manager— Risk and Audit (GGM — R&A) is designated as being the person responsible for the risk management function for Crown. To ensure that the risk management function has the appropriate authority and operational independence to perform its role and responsibilities, the GGM — R&A and Risk Management Function:

- reports directly to the CEO and the Chief Legal Officer (CLO) for Australian Resorts, is a member of BOT, and provides functional support to Crown wholly-owned subsidiaries as required and appropriate. This ensures that the GGM — R&A has appropriate authority and opportunity to challenge activities and decisions that may materially affect the risk profile of Crown;
- is an invited participant of the RMC meetings. This ensures that the GGM — R&A and Risk Management Function has regular and unfettered access to the RMC; and
- has no operational business reporting line or revenue generating responsibilities (1st line).

The responsibilities of the Risk Management Function and GGM — R&A include:

- assisting the Board, RMC, CEOs, Executives and Senior Management to develop and maintain a risk management framework that adequately addresses the material risks faced by Crown;
- providing independent and objective guidance, challenge and advice to the RMC and Board in respect of the development and regular review of the risk management framework including the Board approved risk appetite and RMS;
- developing risk management policies, systems and processes that facilitate a consistent approach to the identification, assessment and management of material risks across the organisation and that build risk management capabilities;
- providing independent and objective challenge to the CEOs, Executives and Senior Management's implementation of the risk management framework and to the effectiveness of risk management practices;
- participating in, and providing effective challenge to, decision making processes that could materially affect the risk profile of the organisation;
- oversight of the processes and methodologies used to identify, measure, monitor and report material risks;
- encouraging subject matter experts within, or external to, the business to be engaged when necessary;
- providing independent, objective and timely reporting of Crown's risk profile relative to the Board's Risk Appetite and escalation to the RMC, Board, CEO, Executives and/or Senior Management of actual or potentially material risk matters;
- effectively supporting the communication of the Risk Management Framework, Risk Appetite, Risk Management Strategy and Board's desired risk culture throughout the organisation;



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- providing guidance, advice and training to the relevant staff on risk related matters and the application of the Risk Management Framework.

The second line of defence also includes Compliance, AML/CTF and Legal functions which, together, assist in the management of each Crown entity's compliance, regulatory and legal risks.

## 5.6 The third line of defence

To provide independent assurance to the Board in respect of the Risk Management Framework, Crown has established an independent Internal Audit function for its operational entities.

To ensure the independence of the Internal Audit function from the first line of defence the person designated as being responsible for the Internal Audit function (the GGM — R&A) has:

- a direct reporting line to the CEO — Australian Resorts;
- a functional reporting line to the RMC;
- an operational reporting line to the CLO — Australian Resorts, who in turn has a direct reporting line to the CEO - Australian Resorts and the Boards of each Australian resorts entity; and
- no operational business reporting line or revenue generating responsibilities (1st line).

In respect of the Risk Management Framework, the third line is responsible for:

- developing an Internal Audit Plan that provides assurance over the material operational risks of the organisation and is appropriate to test the effectiveness of the policies, controls and procedures implemented to manage those risks as documented in the Corporate Risk Profile; and
- at least every three years, facilitating an independent review of the appropriateness, effectiveness and adequacy of the Risk Management Framework.

## risk Appetite

Fundamental to the implementation of an effective Risk Management Framework is the articulation, by the Board, of its Risk Appetite. This process allows the Board to communicate to management its expectation with regards to the degree of losses that it is willing to absorb in the pursuit of its strategy.

The appetite definitions guide management risk taking activities and communicates the Board's expectations of risk culture by establishing:

- a high level statement of the Board's risk philosophy and the expected risk culture and behaviours of the organisation;
- qualitative statements and quantitative metrics triggering RMC reporting for each material risk category; and
- the requirements for the monitoring and reporting of Crown's risk profile relative to quantitative parameters (risk tolerances) against these risk categories.

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## 6.1. Risk Categories

In structuring its Risk Appetite, Crown has considered the range of consequences that any event could trigger, and it has organised its Risk Appetite against these seven (7) impact categories, which are:

- Financial
- Brand / Reputation
- Regulatory /legal
- People
- Customers / Patrons
- Infrastructure
- Strategy /Business Sustainability

## 6.2 Risk Appetite Statements and Reporting Tolerances

The following qualitative statements and quantitative metrics define the Board's appetite and its tolerance for individual risk events. Quantitative metrics trigger reporting requirements to the RMC. The trigger can be either a single event or a series of events cumulating to the below thresholds.

Category	Qualitative Statement	Quantitative Metrics — RMC Reporting Triggers	
<b>Financial</b>	Protect and deliver shareholder value	Outside normal trading EBITDA losses (per event)/ and or adverse to the current (normalised) forecast	>\$10M
		Large capital, equity or treasury transaction	>\$10M
<b>Brand/ Reputation</b>	Maintain shareholder confidence	Internal event creating a sustained share price loss	>5%
	Retain public confidence in the Crown brand	Sustained negative national or international media coverage	Any event
<b>Regulatory/ legal</b>	Maintain systematic compliance with regulatory, legal, statutory and contractual obligations	Significant breaches that may have a financial or reputational impact	Any event
		Material legal action or class action	Any event
	Build and maintain professional and collaborative relationship with regulators and relevant government bodies	Significant breach or event that has the potential to damage the relationship	Any event
	Deliver gaming and alcohol services responsibly	Material RSG issues including adverse media	Any event
		Integrity of liquor licences	Any loss of licence and/ or points

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Category	Qualitative Statement	Quantitative Metrics — RMC Reporting Triggers	
People	Maintain a safe and healthy workplace	Significant notifiable incidents under the Workplace Health and Safety Act	Any event
	Maintain corporate culture and performance	Sustained staff turnover and/or unplanned absences above average	>5% point increase
		Loss or potential loss of key management personnel	Any event
	Maintain healthy engagement with Unions	Imminent industrial action	Any event
Customers/ Patrons	Ensure our services are available to our target customers	Negative event affecting segment of patrons (ex VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M in revenue
Infrastructure	Maintain appropriate security and surveillance across the properties	Security incident that threatens people or property	Any event
	Maintain high levels of critical IT Infrastructure availability and reliability	Loss of core IT infrastructure or multiple key systems	>24 hrs
	Protect information	External or internal security breaches resulting in unauthorised access to, or loss of, customer, employee and company data likely to result in serious harm	Any event
	Maintain high quality physical infrastructure to deliver our world class services	Loss of critical physical infrastructure	>24 hrs
	Maintain strong Business Continuity and Disaster Recovery capabilities and facilities	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs
		Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B for over 24hrs
Strategy / Business Sustainability	Maintain 24/7 operations	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event
	Ensure strategic projects are delivered to provide medium	Key strategic project delayed by 12 months or more	Any event

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Category	Qualitative Statement	Quantitative Metrics — RMC Reporting Triggers	
	to long term business sustainability and competitiveness		
	Make strategic investment and divestment decision that enhance business value and sustainability	Change in ownership share of related or third party entity	Any event

### 6.3 Reporting Triggers — Board Reporting Mechanisms

At each meeting of the RMC, a report against this risk appetite table will be prepared by the GGM — R&A. It will highlight events against reporting triggers by exception.

In most circumstances, reporting trigger events at the regular RMC meeting will be sufficient, but at times, special meetings of the RMC or other Board forums may be required based on the magnitude of the event, as well as the requirement for a timely Board decision.

The requirement for a special meeting will be decided on a case-by-case basis by consultation between the CEO, CLO, General Counsel and the GGM — R&A, as well as any relevant key management personnel.

### 6.4. When a risk materialises: issues management

Risks identified in the risk profile are future focused, but a risk that is rated possible, for example, still means that it is expected to occur every 2 to 5 years. Therefore, on a regular basis, risks that are rated within the appetite of the Board will materialise and the impact will be incurred by Crown.

When one of them materialises, two key actions will take place:

1. the risk rating will be reviewed to ensure that it is still relevant and as accurate as possible, taking into account the recent materialisation of the risk and the potential change in risk context. In that review, consideration of the effectiveness of the relevant control framework will also take place; and
2. the specific event will be managed and operational procedures will be applied within the appetite of the Board: if the consequences are within the thresholds described in section 6.2, management will handle the event; otherwise, the RMC/Board will have oversight of the resolution.

### 6.5 Operationalisation of the Risk Appetite

Risk Appetite is a high-level and qualitative concept, and needs to be translated into quantifiable and measurable thresholds to allow the business to operate within that articulated level of risk. It also needs to be relevant and understandable for day-to-day activities across the whole organisation.

This translation is facilitated through the Risk Matrix which defines likelihood and impact thresholds. The combination of a likelihood rating with a consequence rating provides a risk rating. This rating can be either inherent or residual.

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The Risk Matrix is the cornerstone of the risk identification and assessment processes detailed in Section 7 of this document and supports a consistent understanding of operational risk appetite, assessment and management across the business.

The Risk Matrix is updated by the Risk Management Function and is approved by the Executive Chairman for Crown Resorts and the CEOs or equivalent for the wholly owned subsidiaries.

The residual risk ratings guide the delegated responsibilities for the management and acceptance of risk within the boundaries of the delegations schedules.

They are expressed on the Risk Map by colour, which represent escalation levels as follows:

<b>LIKELIHOOD</b>	<b>Almost certain</b>					
	<b>Likely</b>					
	<b>Possible</b>					
	<b>Unlikely</b>					
	<b>Rare</b>					
		<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Severe</b>
	<b>IMPACT</b>					

### Legend:

	Critical risk — Oversight by the RMC/Board
	High risk — Managed by CEO and relevant EGMs
	Moderate risk — Managed by BOT members
	Low risk — Managed as part of BAU

Oversight by the RMC and/or Board means that:

- the risk or issue is presented to the RMC and/or Board,
- remediation actions (including acceptance of the risk) are discussed and
- approval is obtained where required.

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## 7. Risk Management Process and Methodology

### 7.1. Risk Methodology

The risk management process is a systematic, recorded and regularly reviewed process. Crown follows the key principles and guidelines of AS/NZS ISO 31000:2018 Risk Management—Principle and Guidelines in identifying, assessing, evaluating, controlling and monitoring risk. This process is illustrated in the diagram below:



Source: AS/NZS ISO 31000:2018

These steps are the basis for any risk management activity at Crown and are outlined below.

(a) Scope, Context and Criteria

By establishing the context, the organisation articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process.

(b) Risk Identification

This step includes identifying sources of risk, areas of impacts, events (including changes in circumstances), causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

(c) Risk Analysis

Risk analysis involves developing an understanding of the risk. Risk analysis provides an input into risk evaluation and to decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood that

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those consequences can occur. Factors that affect consequences and likelihood are identified. Existing controls and their effectiveness and efficiency are also taken into account.

### (d) Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

It involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need and prioritisation for treatment can be considered.

### (e) Risk Treatment

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. The main treatment options are:

- Accept: deciding that the risk is acceptable in its current state of likelihood and impact.
- Avoid: deciding the risk is unacceptable for Crown and the actions or circumstances giving rise to the risk should be ceased.
- Monitor: the level of residual risk is currently appropriate, but monitoring is required to ensure the context or control effectiveness does not change.
- Optimise: taking actions to increase the likelihood and/or the consequence of an opportunity or improve the efficiency of the control framework in place for the risk.
- Reduce: taking action by changing the control environment to reduce the likelihood and/or the consequence of the risk materialising.
- Transfer: This involves transfer of risk at a cost to a third party. For Crown, this transfer occurs primarily through insurance policies.

#### Communication and Consultation

Communication and consultation with external and internal stakeholders takes place during all stages of the risk management process. Effective external and internal communication and consultation ensures that those accountable for implementing the risk management process and stakeholders understand the basis on which decisions are made, and the reasons why particular actions are required.

### (g) Monitoring and Review

Crown's monitoring and review processes are carried out for the purposes of:

- informing Crown's understanding of its operational risk profile relative to the Board's Risk Appetite;
- ensuring that appropriate controls are established, effective and are efficient in both design and operation;
- monitoring the progress in implementing risk treatment or remediation plans;
- detecting changes in the external and internal context, including changes to risk criteria and the risk itself which can require revision of risk treatments and priorities; and

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ie identifying emerging risks.

(h) Recording and reporting

This part of the process is about ensuring that both the risk management process as well as the outcomes are documented and reported to the right levels of the organisation that will ensure risk-based decisions are made in line with appetite.

## 7.2 Risk Identification

Crown's strategy for identifying, analysing and evaluating its risks consists of two key processes, which include:

- a "top-down" risk assessment process that is embedded into the ongoing engagement process with the Board.

This process focuses on risks arising from the strategic objectives and the environmental uncertainties arising from the context of the organisation (i.e. economic and operating environment); and.

- a "bottom-up" risk assessment process that originates at each business unit and is aggregated up into Executive and finally a Corporate Risk Profile.

The bottom-up approach focuses on the short term strategic and operational risks of Crown. These risks are identified via an annual risk profiling mechanism that requires each business unit to review and update its risk profile.

The outcomes of the top-down and bottom-up processes are analysed and reconciled by the Risk Management Function to ensure alignment, identify gaps and seek appropriate management action to rectify any identified gaps.

Together, these processes serve to identify the material risks of the organisation and inform the CEO, Executives and the Board's view of the aggregated risk profile of Crown. They also assist to ensure that appropriate management strategies are implemented to manage that risk profile within risk appetite and inform the ongoing review and enhancement of the risk management framework.

The Risk Management Function is responsible for co-ordinating and facilitating the completion of these processes, preparing the aggregated Corporate Risk Profile and reporting the outcomes to the RMC.

Formal reviews are facilitated on an annual basis by the Risk Management Function. Each Executive is required to review and approve their business unit and aggregated Executive level risk profiles. The aggregated Corporate Risk Profile is reviewed and approved by the CEO and reported to the RMC at least annually.

These risk profiles form the basis for the development of the Internal Audit Plan. This ensures that the assurance processes in place through the third line of defence are aligned to the material risks of the organisation and assess the effectiveness of the internal control environment established to manage each risk.

Material findings from audit reviews are reviewed by the Risk Management Function to re-evaluate risk ratings and processes for each risk. This process assists in the ongoing review and enhancement of the Risk Management Framework.



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### 7.3 Monitoring and Reporting

The Risk Management Function is primarily responsible for monitoring compliance with the Board's articulated Risk Appetites and risk tolerances and escalating material risk issues to the Board.

The reporting and monitoring processes of the Risk Management Function do not negate the responsibility of the CEOs, Executives and Senior Management to monitor and report risk matters in a manner consistent with Board expectations. The Executives and Senior Management are responsible for reporting to the Risk Management Function and CEO material actual or potential risk matters in an open, transparent and honest manner.

The monitoring of risks against the Board's defined risk tolerances is performed by the Risk Management Function on an ongoing basis and is reported to the RMC at each meeting. In addition, the Risk Management Function will monitor key performance and risk indicators that provide insight into the different risk categories, and inform risk-taking activities for management.

### Review

The RMS will be reviewed annually by the GGM — R&A and any changes proposed will be recommended to the RMC for consideration and the Board for approval.

In addition to the internal review process, Crown will ensure that its RMS and Risk Management Framework is subject, at least every three years, to an external review. The results of these reviews will be reported to the RMC.

Crown Resorts Limited  
June 2019