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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 5

I refer to Recommendation 5 of the Sixth Review, which provides:

'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.'

Crown Melbourne has addressed and completed this recommendation through various means, and at various levels, as follows:

1. Education of Executive Management at Crown Melbourne regarding the Victorian Commission for Gambling and Liquor Regulation's (VCGLR's) risk based approach, reiterating the importance of the effectiveness and robustness of Crown's internal controls and processes. This briefing will occur on an annual basis at an Executive Risk and Compliance Committee meeting. Refer below for further detail on this briefing.
2. Continual education and discussion of VCGLR expectations at Crown Melbourne's monthly Compliance Committee meetings, comprising nominated Compliance Officers from key business units including gaming.
3. The above two forums assist in ensuring the ongoing oversight and effectiveness of Crown Melbourne's compliance framework, by clearly articulating (amongst other matters) corporate expectations regarding regulatory awareness and compliance activities; thereby continuing to encourage a culture of compliance.
4. As previously reported, Crown Melbourne's compliance framework now comprises a requirements register, whereby all gaming (and liquor) related legislation and regulatory requirements have been assessed for compliance priority. This is reflected in all applicable

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department compliance plans and reinforces the importance of strong internal controls and operating procedures in these areas throughout the business.

5. Crown Melbourne's recently introduced compliance reporting system ensures that all compliance related matters are reviewed, analysed, and where necessary, escalated to ensure that, save for any genuine human errors, any underlying weakness in controls can be addressed on a timely basis. In this regard, it is relevant to note *ISO 19600: 2015 Compliance Management Systems, 9.1.7 – Compliance Reporting*, which states that '*...employees should be encouraged to respond and report noncompliance with the law and other incidents of noncompliance, and to see reporting as a positive and non-threatening action without fear of retaliation.*'
6. Crown's recently enhanced '3 lines of defence' governance model highlights the Compliance and Risk Departments' roles in the second line of defence, with Internal Audit as the third line of defence.

In our respectful opinion, the above actions (together with the implementation of all other aspects of Crown Melbourne's Compliance Framework as reported separately), has appropriately reinforced the VCGLR's regulatory approach and expectations throughout the organisation, and the importance of strong internal controls to ensure ongoing compliance with gaming related legislation. Ultimately, this is further strengthened by Crown Melbourne's culture of compliance, supporting the VCGLR's objective to achieve high levels of voluntary compliance.

Executive Management Education

With respect to point 1 above, Crown Melbourne's Executive Risk and Compliance Committee (**ERCC**) was briefed on 21 May 2019, on the VCGLR's risk-based approach to regulation. Attendees at this meeting comprise all members of Crown Melbourne's Executive, along with the Group General Managers from the Risk and Compliance Departments.

It was noted to the ERCC that both Crown and the VCGLR, through a risk-based approach, aim for Crown Melbourne to manage its compliance issues in a proactive manner as opposed to requiring a rule-based approach with VCGLR enforcement.

To assist the ERCC in its appreciation of the VCGLR's risk-based approach, a full copy of the VCGLR's 'Regulatory Approach' and 'Regulatory Approach Short Summary' documents were provided to all attendees. Referencing the Regulatory Approach document, it was noted that the VCGLR's risk-based approach:

- Guides the VCGLR's priorities and use of resources in discharging their statutory functions;
- Infiltrates their licensing, information and education, monitoring and enforcement functions;
- Acknowledges a tolerance of risk is necessary to meet their regulatory objectives; and
- Is applied in an integrated manner in conjunction with the VCGLR's additional principles for regulation, which include being: targeted; proactive; collaborative and transparent.

The Committee was also informed that the VCGLR's regulatory approach places important reliance on Crown's Compliance Framework, including internal controls.

As the Commission has been informed, Crown Melbourne's Compliance Framework is designed to assist departments understand their legal and regulatory obligations, provide a tool for recording and reporting Compliance issues, provide a platform for escalation and discussion, as well as a process to

enhance education and to take rectification actions as required, to mitigate recurrences. For further detail on the risk and compliance frameworks, we refer you to our response to Recommendation 3 (Risk) and our letter to the Chairman of the Commission dated 24 December 2018 (Compliance Framework).

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

Yours sincerely

Barry Felstead

Chief Executive Officer – Australian Resorts