



Crown Melbourne Limited

Risk Management Report

November 2015 – June 2016



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Risk Management Report

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Risk Management Report

1. Overview

- The enclosed Risk Management Report is to be read in conjunction with Crown Melbourne's F16 Risk Management Plan (**Plan**) approved by the Crown Melbourne Board Audit Committee (**Committee**), November 2015. The Plan documents Crown Melbourne's material risk exposures.

2. Amendments to Material Risk Ratings

- A review of Crown Melbourne's material risks has been undertaken and the appropriateness of risk ratings assessed. Changes to material risk ratings identified in the reporting period are as follows:

Risk	Change	Comments
Visitation	Deleted	Risk of declining visitation to the casino complex has been effectively mitigated through management and / or identification of key drivers of visitation, resulting in the stabilisation of customer numbers. Notwithstanding, potential risks to Crown Melbourne's ongoing ability to attract and retain customers are reflected in Crown Melbourne's Corporate Risk Profile, principally, Competition International Risk and Competition Domestic Risk.

- A Report Against Material Risks outlining key developments and risk ratings at June 2016 is enclosed at Appendix 1(a).

3. New Material Risks Identified

- One material risk has been identified in the reporting period as follows:

Risk	Risk Rating	Comments
Act of Terrorism	High	Reflecting the current global climate, and a Federal Government National Threat Level of "Probable", risk has been redefined and reported as a standalone risk. Whilst the nature and extent of any act may be varied, and hence difficult to define, the resultant impact may encompass (but not limited to) the following; isolated or multiple serious injuries and / or fatalities, national, and potentially, international media coverage, significant to long term business disruption.

- A comprehensive assessment of Crown Melbourne's key risk exposures is to be completed October 2016, and an updated Plan presented for the approval of the Committee, November 2016.



4. Crown Melbourne Corporate Risk Profile

- Following the review and assessment of Crown Melbourne's material risks above, an updated Corporate Risk Profile (and supporting Risk Consequence and Risk Likelihood parameters and Risk Definitions) is enclosed at Appendices 1 (b) (c) and (d).



Appendix 1

a) Report Against Material Risks

Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
1	Material Breach of Gaming and Other Relevant Legislation / Regulations	High	<p>There have been no material breaches of gaming or other relevant legislation / regulations in the reporting period. One disciplinary action was received by Crown Melbourne in the corresponding period, as outlined below.-</p> <p>On 30 March 2016, the VCGLR issued Crown Melbourne with a Notice to Show Cause in relation to an operational change to the Fully-Automated Table Games (FATGs) configuration. It was specifically alleged that for a period, there was no ability to set daily loss and time limits <u>on FATGs, on 13 FATGs (Crown Melbourne notes 2 of the 13 tables referenced by the VCGLR are Semi Automated Table Games not FATGs).</u></p> <p>As documented per Mandatory Pre – Commitment risk below, Crown Melbourne has submitted that the limit setting capabilities on FATGs were disabled as alleged, when the State wide pre-commitment system (YourPlay) was introduced and available to gaming machines only. The law prevents two pre-commitment systems being operated for gaming machines. Crown Melbourne was therefore required to disable its own pre-commitment system (PlaySafe) which operated simultaneously across both gaming machines and FATGs. Accordingly, when PlaySafe was disabled as required for gaming machines, it also ceased to operate on FATGs.</p> <p>In summary, Crown Melbourne's position was that there should be no disciplinary action. The effect of turning off PlaySafe (as was required) was clear. Once turned off there would be no limit setting capabilities operating on FATGs, a position not disputed by the Department of Justice (DOJ). Further, this position was reinforced by the DOJ in subsequent Ministerial clarification of the policy position with regards to limit setting on FATGs, <u>effectively</u> reaffirming that there was no prior expectation or requirement for Crown Melbourne to continue to operate PlaySafe in any capacity.</p> <p>Following clarification of the policy position above, Crown Melbourne has reintroduced PlaySafe for FATGs (effective 12 July 2016) with VCGLR input. <u>At the time of writing, the outcome of Crown Melbourne's submission has not been determined.</u></p> <p><u>On 19 July 2016, the VCGLR issued Crown Melbourne with a Letter of Censure and a fine of \$25k due to the technical breach of the Table Games R-rules that applied to FATGs that required limit setting to be in place. Crown Melbourne has paid the fine. formally advised Crown Melbourne of its decision to take disciplinary action in the form of a Letter of Censure and a fine of \$25k.</u></p>	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
2	Smoking Restrictions	High	<p>Key developments are as follows:</p> <p>Environmental Tobacco Smoke (ETS)</p> <p>As previously reported, to deliver best practice air quality and handling techniques, and to mitigate any future exposure to ETS issues and any potential legal claims, an internal Executive sponsored Committee (ETMAC) meets on a regular basis to consider all matters related to the management of ETS; reporting to the Crown Resorts Occupational Health Safety & Environment Board Committee.</p> <p>Areas of consolidation and consideration include:</p> <ul style="list-style-type: none"> • Monitoring and audit of Crown Melbourne's Indoor Air Quality Management Plan and maintenance regime; • Comparison of air handling practices, smoke extraction technology in place at Crown Perth (Pearl Room); • Monitoring of OSCAR hazards; • Comparison of health testing and reporting practices at Crown Perth; • Employee consultation and development of appropriate employee communication on an ongoing basis; • Review and update, as necessary, of air extraction technologies in upgraded Premium Gaming areas; • Review and update of air quality, and as necessary, testing protocols, including equipment performance; • Monitoring of air quality testing, both recirculated and fresh air, performed by external qualified consultant, including benchmarking of results to Crown Melbourne and industry standards. <p>Management continues to monitor and audit air quality throughout Crown Melbourne, particularly Mahogany Room gaming salons subject to current restrictions on smoking patron numbers.</p> <p>Additionally, Crown Melbourne's Indoor Air Quality Management Plan is to be expanded to encompass relevant non – smoking areas.</p>	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
			<p>Local and International Developments</p> <p>Management continues to monitor all local and international developments, particularly in Macau, noting the potential impact of the Macau Government's proposed casino smoking bans on Crown Melbourne's current smoking exemptions for international patrons in designated VIP gaming rooms.</p> <p>A recent Macau study (commissioned by the 6 casino concessionaires) conducted by KPMG, reported that once implemented, a potential full smoking ban would result in a 16% drop in Macau's gross domestic product. In addition, according to KPMG analysts, 71% of Macau's regular gambling customers and 66% of casino employees expressed support for the retention of smoking lounges at gambling venues.</p> <p>Government rhetoric has softened in recent months in the face of falling operator revenues and taxes; however the end outcome continues to remain unclear.</p> <p>Regulatory certainty arrangements regarding current smoking exemptions apply arising from the Crown Melbourne Casino Licence extension.</p> <p>Outdoor Dining Areas Proposed Smoking Ban</p> <p>The Victorian State Government has announced a proposed ban to prohibit smoking in outdoor dining areas from 1 August 2017. The proposed ban will cover all outdoor dining areas at restaurants, cafes, take-away shops and licensed premises. In the coming months, the premises. The Government <u>Government has stated that it</u> will be consulting with key stakeholders to develop the legislation.</p>	



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
3	Mandatory Pre - Commitment	Significant	<p>Per Material Breach of Gaming and Other Relevant Legislation / Regulations risk above, pursuant to the <i>Victorian State Government Gambling Regulation Amendment (Pre-Commitment) Act</i> (2014), effective 11 November 2015, Crown Melbourne implemented YourPlay (the Victorian State Government's voluntary pre – commitment scheme), permitting gaming machines players to voluntarily track their limits and play across all Victorian venues (including Crown Melbourne). YourPlay replaced PlaySafe, Crown Melbourne's own voluntary pre-commitment system. A consequence of the retirement of PlaySafe was that limit setting capability for Fully Automated Table Games (FATGs) was effectively rendered redundant. Recently, the policy position was clarified, requiring a voluntary pre-commitment system for FATGs to be reinstated.</p> <p>Following clarification of the policy position above, Crown Melbourne has reintroduced PlaySafe for FATGs (effective 12 July 2016) with VCGLR input, and has responded to the VCGLR's request to show cause as to why no disciplinary action should be taken against Crown Melbourne for not offering limit setting on FATGs in the intervening period.</p> <p>On 19 July 2016, the VCGLR formally advised Crown Melbourne of its decision to take disciplinary action in the form of a Letter of Censure and a fine of \$25k, related to Crown Melbourne's failure to provide limit setting capability on FATGs following the introduction of YourPlay.</p> <p>No further mention of any Mandatory Pre-Commitment plans has been communicated or referenced since the State's introduction of YourPlay.</p>	No change to risk rating
4	Volatility of Premium Gaming	Significant	<p>As previously reported, Premium Gaming volumes must be maintained to mitigate the risk of prolonged negative deviations from theoretical win rates. The international Premium Gaming market remains highly competitive with new (and projected) entrants in Asia presenting compelling and convenient local options for Asian VIP patrons, and Echo increasing domestic competition. The proactive promotion of Crown Melbourne's and Crown Perth's world-class VIP experience remains a key initiative.</p> <p>YTD International & Interstate Program Play turnover at June 2016 was \$50.1b, \$2.2b (4.3%) below the prior comparative year but representing a 35% increase against turnover recorded June 2014, \$37.1b. Additionally, Crown Melbourne's win rate of 1.32% fell below the theoretical win rate of 1.4% in the corresponding period. Given the above, there has been no material impact on Crown Melbourne's inherent risk exposure to prolonged negative deviations from theoretical win rates in the reporting period.</p>	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution																									
5	Premium Gaming Business Bad Debts	Significant	<p>As previously reported, due to increased competition in the international Premium Gaming market above (and resultant increase in individual lines of credit extended and the extension of credit terms), Crown Melbourne's credit risk exposure has increased in recent years.</p> <p>Crown Melbourne's external auditor Ernst & Young undertook a thorough analysis of Crown Melbourne's debt position at 31 December 2015 <u>June 2016</u> noting; "whilst the average age of the outstanding debt has decreased to <u>6.0</u> months (30 June 2015: 8.9 months), we note that this decrease in average age is due to an increase in the provision for doubtful debts, and some minor collections from long overdue debtors, some of which were provided for at 100%."</p> <p>Crown Melbourne's debt position at December 2014, June 2015, December 2015 and June 2016 is tabled below:</p> <table border="1"> <thead> <tr> <th></th> <th>31 December 2014 \$m</th> <th>30 June 2015 \$m</th> <th>31 December 2015 \$m</th> <th>30 June 2016[*] \$m</th> </tr> </thead> <tbody> <tr> <td>Gross debtors balance (net of safekeeping)</td> <td>326.5</td> <td>247.1</td> <td>256.1</td> <td>294.0[*]298.4</td> </tr> <tr> <td>Provision for doubtful debts</td> <td>(83.2)</td> <td>(105.3)³²</td> <td>(123.5)</td> <td>(139.5)[*](139.4)</td> </tr> <tr> <td>Provision as a % of gaming debtors</td> <td>25.5%</td> <td>41.8^{42.6}%</td> <td>48.2%</td> <td>46.7[*]47.9%</td> </tr> <tr> <td>Net debtors balance</td> <td>243.3</td> <td>141.8^{114.8}</td> <td>132.6</td> <td>154.5[*]159.0</td> </tr> </tbody> </table> <p><i>*Subject to external audit review.</i></p> <p>Risk rating should be considered in the context of Crown Resorts overall debt position and outlook. Notwithstanding, Crown Melbourne continues to proactively monitor the extension of credit and collection of outstanding debts.</p>		31 December 2014 \$m	30 June 2015 \$m	31 December 2015 \$m	30 June 2016 [*] \$m	Gross debtors balance (net of safekeeping)	326.5	247.1	256.1	294.0 [*] 298.4	Provision for doubtful debts	(83.2)	(105.3) ³²	(123.5)	(139.5) [*] (139.4)	Provision as a % of gaming debtors	25.5%	41.8 ^{42.6} %	48.2%	46.7 [*] 47.9%	Net debtors balance	243.3	141.8 ^{114.8}	132.6	154.5 [*] 159.0	No change to risk rating
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Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
6	Competition International	Significant	<p>There have been no major developments in the reporting period.</p> <p>As noted per Volatility of Premium Gaming risk above, the international Premium Gaming market is highly competitive with new (and projected) entrants in Asia presenting compelling and convenient local options for Asian VIP patrons, and Echo increasing domestic competition.</p> <p>In response, the proactive promotion of Crown Melbourne's world class VIP experience remains a management focus including:</p> <ul style="list-style-type: none"> • Responding to increasing competition by developing more flexible and appealing incentive programs for junkets and individual players; • Increasing marketing and sales penetration by building the size and strength of the internationally based sales team network; • Increasing the amount of senior executive time in market to build awareness and strengthen relationships amongst key customers; and • Continued delivery of an outstanding service experience. 	No change to risk rating
7	Unauthorised Access	Significant	<p>Key developments are as follows:</p> <ul style="list-style-type: none"> • An automated system (Workflow) for the initiation and approval of key requests was implemented December 2015, enhancing auditability and tracking of keys. • An automated contractor management system (iTrack) for the management and administration of short term contractor access (replacing the current manual system of approving and recording short term contractor entry / exit) has been sourced and trialled. Crown IT are presently implementing the system; expected to be finalised F17. Geo-fencing technology is to be additionally trialled in F17 to assist management of contractors. • Following a comprehensive risk review of critical infrastructure and key areas, Crown Melbourne has assigned a risk rating to sensitive areas of the casino complex, and determined minimum physical security requirements based on risk rating. Biometric locks and other measures (e.g. alarms) have been subsequently fitted to all rooms containing high risk infrastructure, as documented in the Crown Melbourne 'Critical Infrastructure and Significant Back of House Areas Risk Management Plan'. 	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
8	Security Removals	Significant	<p>In F16, peaceful security removals, increased by 6.7% from 18,227 to 19,450, and assisted removals increased by 20.9% from 632 to 764. Peaceful removals remain the preferred tactical removal option, with the aim of resolving all patron interventions without incident.</p> <p>As previously reported, management oversight of patron intervention processes is in place, via weekly review of all assisted removals by Security management and representatives of other areas of the business (e.g. Human Resources, Legal & Regulatory Services), designed to reinforce expectations and compliance with training protocols.</p>	No change to risk rating
9	Visitation	Significant	There have been no major developments in the reporting period Risk deleted. Refer Amendments to Material Risk Ratings above.	No change to risk rating Risk deleted
10	Legislative / Regulatory Changes	Significant	Post Federal election rhetoric has included individual commentary around gambling reform, including the potential revisiting of a 2010 Productivity Commission recommendation for a \$1 maximum bet on gaming machines. Crown Melbourne will continue to monitor any developments.	No change to risk rating
11	Litigation	Significant	Details and status of actual or potential litigation against Crown Melbourne are reported in the periodic Litigation Report distributed to the Crown Melbourne Board Compliance Committee, Executive management and external auditors (as required). A general provision of \$2.5m is currently provided in the financial accounts (subject to half - yearly audit).	No change to risk rating
12	Leakage of Sensitive Information	Significant	<p>Annual and periodic reviews of key IT systems are conducted by Crown Melbourne's external auditor and the VCGLR respectively. Regular audits of IT system user access are conducted by the IT Audit Manager / Gaming Audit, and bi-annual external penetration testing of Crown Melbourne's servers completed by an external provider. Internal Audit monitors and reports any issues arising from the above, and their subsequent resolution, including quarterly meetings with the General Manager Corporate IT Governance.</p> <p>Additionally, an external provider (Cyberhat) has been engaged to assist development and implementation of a cyber-risk strategy and framework across Crown Melbourne and Crown Perth, including 24/7 monitoring and a Data Leakage Protection Program.</p> <p>At the time of writing there were no known material issues impacting Crown Melbourne's inherent risk exposure.</p>	No change to risk rating
13	Failure / Corruption of IT Systems	Significant	There have been no major developments in the reporting period. Refer comments per Leakage of Sensitive Information risk above.	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
14	Fraud	Significant	<p>There have been no major developments in the reporting period.</p> <p>As previously reported, an ongoing engagement with an external provider (Trustwave) is in place to review processes and procedures for the security of customer payment card data, including compliance with Payment Card Industry Data Security Standard.</p> <p>Crown Melbourne remains diligent in the prevention and detection of fraud and the management of fraud related incidents.</p>	No change to risk rating
15	Loss of Utilities	Significant	<p>Key developments are as follows:</p> <p>Main Electricity Supply Feed</p> <p>Crown Melbourne's application to Citipower requesting transfer of main electricity supply feed from Albert Park (above ground) to Southbank (below ground) (mitigating risk of loss of power to the casino complex) has been submitted, enabling clarification of expected capital outlay (estimated \$700k). Once determined, works are expected to be completed F17.</p> <p>Reclaimed Water</p> <p>Reclaimed water harvest tanks located under the Atrium water fountain display have not been recently utilised to full capacity (mainly due to the relaxation of water restrictions). In order to utilise reclaimed water for sustainable practices, installation of plumbing, pipe work and pumps has commenced and is expected to be finalised F17, at a cost of approximately \$180k.</p>	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution																					
16	Major Criminal Act	Significant	<p>An incident occurred 5 July 2015, where a hotel guest was fatally attacked within a Crown Hotel suite as a result of a private altercation. Security management monitored the incident until VicPol attended. There were no further mMajor Ccriminal aActs during the reporting period. F16 statistics not available from Security at time of report preparation. To be obtained ahead of Crown Melbourne Limited Board Audit Committee presentation.</p> <p>XX major incidents were recorded in F16 as follows:-</p> <table border="1"> <thead> <tr> <th>Incident</th> <th>F16</th> <th>F15</th> </tr> </thead> <tbody> <tr> <td>Robbery</td> <td>TBD</td> <td>5</td> </tr> <tr> <td>Drug related</td> <td>TBD</td> <td>4</td> </tr> <tr> <td>Kidnapping / Extortion</td> <td>TBD</td> <td>2</td> </tr> <tr> <td>Bomb Threats</td> <td>TBD</td> <td>4</td> </tr> <tr> <td>Weapons</td> <td>TBD</td> <td>10</td> </tr> <tr> <td>Total</td> <td>TBD</td> <td>34</td> </tr> </tbody> </table> <p>Security management continues to proactively monitor and respond to incidents and trends, as required (in consultation with relevant stakeholders).</p>	Incident	F16	F15	Robbery	TBD	5	Drug related	TBD	4	Kidnapping / Extortion	TBD	2	Bomb Threats	TBD	4	Weapons	TBD	10	Total	TBD	34	No change to risk rating
Incident	F16	F15																							
Robbery	TBD	5																							
Drug related	TBD	4																							
Kidnapping / Extortion	TBD	2																							
Bomb Threats	TBD	4																							
Weapons	TBD	10																							
Total	TBD	34																							
17	Responsible Service of Alcohol	Significant	There have been no major developments in the reporting period.	No change to risk rating																					
18	Responsible Service of Gaming	Significant	The remaining matter arising from the VCGLR's Fifth Review of the Casino Operator and Licence, has been finalised. A trial of the use of patron data as a tool to assist in the identification of problem gamblers commenced in early January 2015. In consultation with the Crown Resorts Board Responsible Gaming Committee, Crown Melbourne developed the parameters of the trial and advised the VCGLR of the same. The trial ran for the agreed initial 3 months and a final report submitted to the VCGLR, 20 November 2015. Crown Melbourne has to date taken no further action as regards the above.	No change to risk rating																					
19	Foreign Political Policy	Significant	There have been no major developments in the reporting period.	No change to risk rating																					



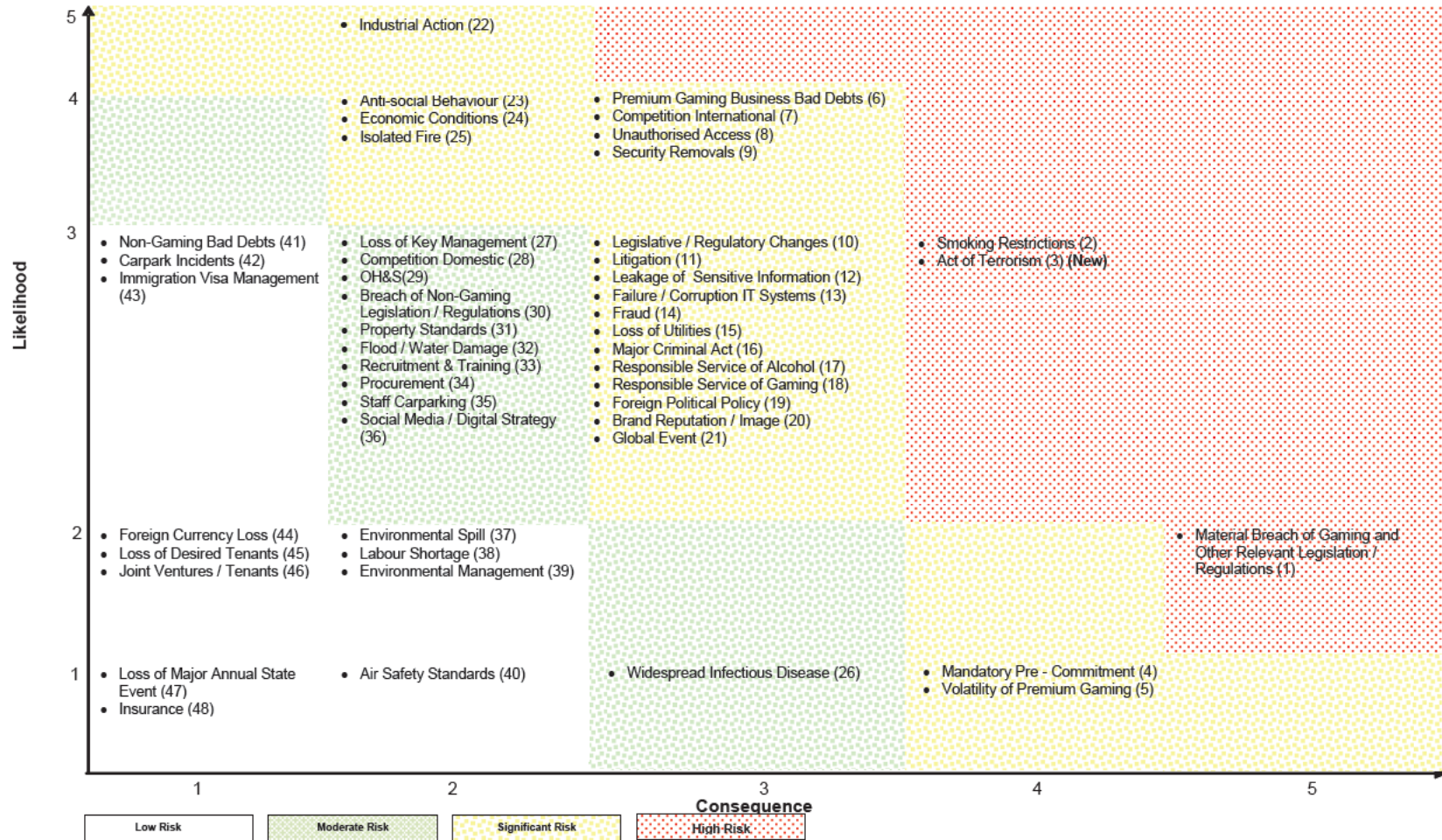
Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
20	Brand Reputation / Image	Significant	<p>There have been no matters arising in the reporting period which have materially impacted Crown Melbourne's brand reputation / image. One incident received some media coverage as follows:</p> <ul style="list-style-type: none"> On 1 January 2016 an MSS Security Officer was involved in an incident involving Crown Melbourne's Chairman and a Crown Resorts senior employee. The VCGLR has reviewed all available footage and digital voice recordings (DVR) (the Security Officer did not have his DVR on, contrary to requirements) and advised that from their perspective the matter is finalised. <p>On 3 May 2016, MSS received a Fair Work Act "General Protections" Application claim from the relevant Security Officer. MSS was the only named respondent. Subsequent conciliation did not settle the matter. Crown Melbourne continues to monitor any developments.</p>	No change to risk rating
21	Global Event	Significant	There have been no major developments in the reporting period.	No change to risk rating
22	Industrial Action	Significant	There have been no major developments in the reporting period.	No change to risk rating
23	Anti-social Behaviour	Significant	There have been no major developments in the reporting period.	No change to risk rating
24	Economic Conditions	Significant	<p>The Victorian economy continues to reflect trends associated with the broader Australian economic performance. National Australia Bank Global & Australian Forecast June 2016 states:</p> <ul style="list-style-type: none"> Consumer spending in Victoria is growing at a moderate pace, on par with the 10-year average. Low interest rates, strength in the housing market and an improving labour market are all providing support to consumer spending a bit on essentials (e.g. food, rent, insurance and financial services), pointing to continued consumer caution. The upswing in Melbourne's housing market has cooled from its earlier pace. Sales volumes have fallen notably, although resilient prices suggest limited supply rather than falling demand. In Victoria, business investment is performing better than other States and the outlook is positive. Elevated business conditions in Victoria should provide the groundwork for further activity in business investment. The lower currency should also support exports and assist in boosting competitiveness domestically, while strong population growth should help underpin economic activity. Job growth in Victoria has been solid in recent months, improving in step with a pickup in economic activity. The State unemployment rate is at 5.5% and Victoria's unemployment rate could be close to stabilising. 	No change to risk rating



Risk No	Risk	F16 Risk Rating	F16 Material Developments	Resolution
25	Isolated Fire	Significant	<p>Crown Melbourne's insurers, AIG, performed a site inspection in F16. Recommendations raised by AIG included:</p> <ul style="list-style-type: none"> Investigate the current notification for extended fire isolation / impairments. <p>Crown Melbourne has modified the Permit to Work form to require escalation and notification to the appropriate authorities should an event (isolation / de-isolation of active fire protection systems) exceed an agreed time period.</p> <ul style="list-style-type: none"> Consider the installation of gaseous protection system for the Surveillance Equipment Room (Level 2). <p>Crown Melbourne has considered a design for the above and is to implement a remediation strategy F17 Q1.</p>	No change to risk rating



b) Crown Melbourne Corporate Risk Profile - June 2016





Crown Melbourne's Risk Consequence and Likelihood Parameters

For each risk identified the consequence(s) of the risk occurring must be determined in the context of Crown Melbourne's Key Result Areas as follows:

	Insignificant 1	Minor 2	Moderate 3	Major 4	Severe 5
Financial Objectives Contribution	Financial loss up to \$5M	Financial loss between \$5M and up to \$18M	Financial loss between \$18M and up to \$45M	Financial loss between \$45M and up to \$200M	Financial loss in excess of \$200M
Reputation Investor Confidence / Brand	No impact on Investor Confidence /Brand	Isolated impact on Investor Confidence /Brand	Some impact on Investor Confidence /Brand	General impact on Investor Confidence/Brand	Widespread impact on Investor Confidence/Brand
Customer Objectives Our Customers Marketing	An event, the impact of which can be absorbed through normal activity , confined to very small number of products, services or customers, no adverse external criticism or publicity	An event, the consequences of which can be absorbed but management effort is required to minimise the impact, confined to a substantial minority of products services or customers, criticism by directly affected customers or managers	A significant event which can be managed under normal circumstances, many products and services affected, some external criticism by customers , key stakeholders, low key media directed at company / Chief Executive Officer / Board	A critical event which with proper management can be endured, products and services curtailed due to failure to deliver, serious external criticism by key stakeholders, high profile media	A disaster with potential to lead to collapse of the business, significant irreparable impact on customers' prospects
Business Processes Compliance Process Improvement	No measurable operational impact to the business, issues of individual significance, no adverse external criticism or publicity	Impact limited to single area of the business, management intervention required, minor degradation of service, issues of company significance, criticism by directly affected customers or managers	Impact to multiple areas of the business, can be managed with significant management intervention, significant degradation of service, issues of local area significance, some external criticism (by customers , key stakeholders, low key media) directed at company / Chief Executive Officer / Board	Impact to widespread areas of business, significant mobilisation of resources and significant management intervention required, major degradation of service, issues of nationwide significance, serious external criticism (by key stakeholders, high profile media)	Threatens long term viability of the business, issues of international significance
Our People	Minor injury, issues of individual significance, no impact on staff morale, no loss of staff	Significant injury, issues of company significance, minimal impact on staff or overall morale, no or minimal loss of staff	Serious injury or fatality, issues of local area significance, impact on staff noticeable, degree of change in morale, some loss of staff	Serious injury or fatality, issues of nationwide significance, substantial impact on overall staff and morale with performance affected, measurable increase in stress related issues, some loss of staff including key management	Multiple fatality, issues of international significance, impact on staff and morale severe, widespread loss of staff and key management



For each risk identified the likelihood of the risk occurring must be determined in the context of existing controls. In determining risk likelihood the frequency of the underlying activity must also be taken into account.

Rare	Unlikely	Possible	Likely	Almost Certain
1	2	3	4	5
The problem or situation may occur only in exceptional circumstances	The problem or situation could occur at some time	The problem or situation might occur at some time	The problem or situation will probably occur in most circumstances	The problem or situation is expected to occur in most circumstances



Appendix 1

c) Risk Definitions

Risk No	Risk Title	Risk Definition	Risk Rating
1	Material Breach of Gaming and Other Relevant Legislation / Regulations	<ul style="list-style-type: none"> Systemic and / or material breaches of legislative and other relevant regulatory requirements, adversely impacting Crown Melbourne's reputation and performance via the imposition of financial and non – financial penalties, including potential operating licence implications. 	High
2	Smoking Restrictions	<ul style="list-style-type: none"> Changes to legislation or Federal / State Government policy covering smoking have the potential to adversely impact performance. Potential changes include: <ul style="list-style-type: none"> Loss of State Government approved smoking exemptions permitting designated "high roller" smoking areas within the casino complex; and Restrictions to areas where smoking is currently permitted (e.g. outdoor dining and bar areas). 	High
3	<u>Act of Terrorism</u>	<ul style="list-style-type: none"> <u>The calculated use of violence (or the threat of violence) against employees and / or or patrons customers in order to attain goals of a political or religious or ideological in nature. Whilst the nature and extent of any act may be varied, and hence difficult to define, the resultant impact may encompass (but not limited to) the following:</u> <ul style="list-style-type: none"> <u>Isolated or multiple serious injuries and / or fatalities;</u> <u>National, and potentially, international media coverage; and</u> <u>Significant to long term business disruption through intimidation or pre-meditated violence. Potential impacts may include:</u> <ul style="list-style-type: none"> <u>Serious injury or fatality;</u> <u>Some loss of staff or key management;</u> <u>Issues of national or worldwide significance with significant media coverage.</u> 	<u>High (New)</u>



Appendix 1

Risk No	Risk Title	Risk Definition	Risk Rating
43	Mandatory Pre - Commitment	<ul style="list-style-type: none"> Imposition of a mandatory pre – commitment system and the potential impact on revenue and the operation of Crown Melbourne’s business. 	Significant
54	Volatility of Premium Gaming	<ul style="list-style-type: none"> Short term deviations from theoretical win rates applicable to Premium Gaming business have the potential to impact performance. Changes to the terms and conditions of Premium Gaming business play (i.e. maximum bet increase) increase exposure. 	Significant
55	Premium Gaming Business Bad Debts	<ul style="list-style-type: none"> Risk of default by Premium Gaming customers, resulting in financial loss. 	Significant
76	Competition International	<ul style="list-style-type: none"> Loss of international commission business to domestic and international competitors (South East Asia and Las Vegas) is likely to adversely impact performance. 	Significant
87	Unauthorised Access	<ul style="list-style-type: none"> Unauthorised employee / contractor and others access to restricted area(s) of casino complex including: <ul style="list-style-type: none"> Malicious penetration; and Access incorrectly granted. 	Significant
88	Security Removals	<ul style="list-style-type: none"> The prevalence of anti-social patron behaviour increases the need for, and so risks, in the removal of unruly patrons from the casino complex, potentially exposing Crown Melbourne and its employees to public criticism, patron / employee claims and criminal charges; together with the potential to negatively impact Crown Melbourne’s reputation, brand and patronage, and increasing exposure to external stakeholder scrutiny. 	Significant



Appendix 1

Risk No	Risk Title	Risk Definition	Risk Rating
9	Visitation	• Risk of declining visitation to the casino complex through failure to adequately manage and / or identify key drivers of visitation, impacting Crown Melbourne's ability to attract and retain customers.	Significant
10	Legislative / Regulatory Changes	<ul style="list-style-type: none"> • Changes to legislation, regulations or Federal / State Government policy covering Crown Melbourne's operations including the conduct of, and access to, gaming, have the potential to adversely impact performance. Possible changes include: <ul style="list-style-type: none"> – Changes to restrictions on the number, type, speed and location of gaming machines; – Changes to mandatory minimum "return to player" on gaming machines; – Changes to approved table games and approved rules of the games; – Changes to restrictions on advertising and marketing; – Automatic Teller Machine (ATM) restrictions / removals; – Increases in tax or additional levies and taxes; and – State Government commitment to review Crown Melbourne "exemptions". 	Significant
11	Litigation	<ul style="list-style-type: none"> • Crown Melbourne is exposed to potential litigation (e.g. Gaming, Contractual, Environmental Tobacco Smoke, Civil) by: <ul style="list-style-type: none"> – Employees; – Customers; – Regulators; and – Other third parties. <p>To the extent that litigation is not covered by insurance, an adverse outcome or cost of responding to potential or actual litigation may impact performance.</p>	Significant



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Risk No	Risk Title	Risk Definition	Risk Rating
12	Leakage of Sensitive Information	<ul style="list-style-type: none"> Business sensitive information may be leaked or sold to external parties adversely impacting Crown Melbourne's reputation. In the case of sensitive customer information, visitation may be affected, adversely impacting performance. Prevalence of third party hosting (e.g. Salesforce) and mobile device usage increases Crown Melbourne's risk exposure. 	Significant
13	Failure / Corruption of IT Systems	<ul style="list-style-type: none"> Failure or corruption of IT systems (e.g. primary computer room, gaming machines short circuit, switchboard failure, loss of CCTV) resulting in significant disruption. Possible scenarios include: <ul style="list-style-type: none"> – Fire; – Water damage; – Equipment failure; – Human error; and – Malicious penetration. 	Significant
14	Fraud	<ul style="list-style-type: none"> Prevalence of fraud (patron and / or employee perpetration) including credit card fraud / misuse and impacts to gaming integrity, resulting in financial loss. 	Significant
15	Loss of Utilities	<ul style="list-style-type: none"> Full or partial loss of power, gas, or water supply to the casino complex. 	Significant
16	Major Criminal Act	<ul style="list-style-type: none"> Major criminal act (excluding an 'Act of Terrorism above'), impacting employees and / or customers including active shooter, bomb, armed robbery, extortion, hostage siege / kidnap. 	Significant



Appendix 1

Risk No	Risk Title	Risk Definition	Risk Rating
17	Responsible Service of Alcohol	<ul style="list-style-type: none"> • Risk that the service of alcohol is not provided by Crown Melbourne in a responsible manner, or in accordance with Liquor Licensing and Casino legislation and / or Liquor Licence, resulting in potential harm to individuals, the possible imposition of liquor licence restrictions, regulator imposed disciplinary action, increased public scrutiny and reputational damage. • The existence of a demerit point system for licensees guilty of serious non-compliance issues (e.g.. supplying liquor to intoxicated persons, supplying liquor to minors, permitting drunk and disorderly persons and minors on licensed premises when not permitted by legislation) has the potential to increase Crown Melbourne's risk exposure. 	Significant
18	Responsible Service of Gaming	<ul style="list-style-type: none"> • Risk that gaming services are not provided by Crown Melbourne in a responsible manner or in accordance with the Casino Act and / or VCGLR Responsible Gambling Code of Conduct, resulting in potential harm to individuals, the possible imposition of regulator imposed disciplinary action, legislative / regulatory restrictions, increased public scrutiny and reputational damage. 	Significant
19	Foreign Political Policy	<ul style="list-style-type: none"> • The impact on Crown Melbourne's performance from political actions in a country from which a significant volume of international business is derived (e.g. Chinese Central Government policy restricting one or more of currency movement, real estate development, international travel of politicians and dignitaries) 	Significant
20	Brand Reputation / Image	<ul style="list-style-type: none"> • Negative publicity / image of Crown Melbourne including inappropriate associations (e.g. newly integrated entities such as CrownBet, suppliers, customers, joint ventures, tenants) and / or inappropriate conduct may adversely impact Crown Melbourne's reputation and / or performance, including potential casino licence implications. 	Significant
21	Global Event	<ul style="list-style-type: none"> • Global geopolitical event including hostilities, international act of terrorism, natural disaster, pandemic etc. impacting operation of and / or visitation to Crown Melbourne. 	Significant



Appendix 1

Risk No	Risk Title	Risk Definition	Risk Rating
22	Industrial Action	<ul style="list-style-type: none"> Employee industrial action (Electrical Trades Union (ETU), Construction Forestry Mining and Energy Union (CFMEU), Plumbing Trades Employees Union (PTEU), United Voice) and / or contractor industrial action (e.g. MSS) resulting in short term disruption of operations. 	Significant
23	Anti-social Behaviour	<ul style="list-style-type: none"> Patron violence, intoxication, drug abuse, assault, theft, unattended children etc. 	Significant
24	Economic Conditions	<ul style="list-style-type: none"> Unfavourable changes in Australian and international economic conditions may adversely impact performance. 	Significant
25	Isolated Fire	<ul style="list-style-type: none"> Isolated fire (e.g. kitchen, bin or car) may result in disruption to operations due to potential evacuation and closure of affected area(s). 	Significant
26	Widespread Infectious Disease	<ul style="list-style-type: none"> Widespread infection(s) to employees / contractors / customers including possible fatality. Compliance with regulations covering the screening of Crown aircraft (Civil Aviation Safety Authority, customs, immigration, quarantine and inspection service guidelines). Compliance with <i>Public Health & Wellbeing Act (2008)</i> in respect of cooling tower registration, maintenance of a Risk Management Plan, minimum monthly water testing and completion of an annual independent audit. Food preparation (handling) and hygiene practices. 	Moderate
27	Loss of Key Management	<ul style="list-style-type: none"> The performance and expertise of Crown Melbourne management impacts business performance. The loss of key managers may adversely affect performance, particularly ongoing relationships with various parties connected to Crown Melbourne, including customers, Government and Regulatory Bodies. 	Moderate



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Risk No	Risk Title	Risk Definition	Risk Rating
28	Competition Domestic	<ul style="list-style-type: none"> Change of local spending patterns across all business units may adversely impact performance. <p>Key exposures include:</p> <ul style="list-style-type: none"> Granting of additional gaming licences; and Other significant event. 	Moderate
29	OH&S	<ul style="list-style-type: none"> Risk of incident resulting in injury to and / or death of customers and / or employees of Crown Melbourne. Crown Melbourne must also comply with and procure the compliance of relevant others (e.g. employees and contractors applicable legislation and / or regulatory requirements). Failure to do so may adversely impact Crown Melbourne's reputation and / or performance. 	Moderate
30	Breach of Non-Gaming Legislation / Regulations	<ul style="list-style-type: none"> Breach of non-gaming legislation / regulations including Anti Money Laundering legislation, Privacy legislation, Retail Tenancies legislation, Consumer and Competition legislation, Tobacco legislation, Customs Legislation / Regulations. 	Moderate
31	Property Standards	<ul style="list-style-type: none"> Substandard presentation of property (e.g. cleaning standards, ageing infrastructure) may potentially impact Crown Melbourne brand and performance. Cost reduction strategies and potential impact on Crown Melbourne brand. 	Moderate



Appendix 1

Risk No	Risk Title	Risk Definition	Risk Rating
32	Flood / Water Damage	<ul style="list-style-type: none"> • Flood / water damage resulting in disruption to operations due to evacuation and closure of affected areas including: <ul style="list-style-type: none"> – Pipe fracture / ageing pipes; – Silage tank; – Fire sprinklers; and – Weather event. 	Moderate
33	Recruitment and Training	<ul style="list-style-type: none"> • Key risk exposures include: <ul style="list-style-type: none"> – Inadequate or incomplete due diligence in the hiring of staff (e.g. staff selection, vetting of qualifications and training), increasing the risk of non-qualified or inappropriate staff being employed by Crown Melbourne, and related impact on brand / reputation, customer service, legislative / regulatory compliance etc. – Management of casual staff pool (Food & Beverage) and associated risks including adequacy of training (e.g. legislative / regulatory compliance), quality and availability of labour, customer service. – Loss of Registered Training Organisation (RTO) registration (as an RTO Crown Melbourne must comply with Standards for RTOs and must submit to regular audit). Ongoing Government financial support to assist delivery of training is dependent upon compliance with above Standards and audit outcomes). 	Moderate



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Risk No	Risk Title	Risk Definition	Risk Rating
34	Procurement	<ul style="list-style-type: none"> • Key risk exposures include: <ul style="list-style-type: none"> – Key supplier failure (e.g. breach of existing supplier agreement / contractual obligations by key supplier (including financial collapse) – Continuity of supply (e.g. external disruption to supply chain including transport strike, industrial action). – Failure to adhere to and / or manage Procurement policies and procedures. Potential impacts include financial loss, legal / regulatory non – compliance (e.g. OH&S), supplier performance and brand / reputation image. 	Moderate
35	Staff Carparking	<ul style="list-style-type: none"> • Loss of staff carpark facility at expiration of current lease agreement due to State Government development and / or inability to source alternative location. 	Moderate
36	Social Media / Digital Strategy	<ul style="list-style-type: none"> • Increased use of social and digital media (e.g. Facebook, Twitter, YouTube, LinkedIn and Mobile App) to market and promote Crown Melbourne's employer brand and operations exposes the company to related reputation, litigation and customer service risks (e.g. defamatory, offensive or inappropriate comments posted by an employee / customer, false advertising, accessibility etc.). 	Moderate



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Risk No	Risk Title	Risk Definition	Risk Rating
37	Environmental Spill	<ul style="list-style-type: none"> • A single sewer outlet discharge point for the main complex (including Crown Towers) is located in B1 Basement. • The pumps and the pump well are maintained on a monthly basis by South East Water. • If one pump fails, South East Water would receive an alarm and send a work crew out with a one hour turn around. • If both pumps failed simultaneously, or the common line blocked, two things would occur: <ul style="list-style-type: none"> – The proximate stormwater pumps would pump sewerage to the Yarra River. – Within approximately 30 minutes flooding (sewerage) would occur within the property with potential closure of affected areas. • These pumps will continue to operate unless all three main power supplies and the Cogeneration unit fail. • Crown Promenade and Crown Metropol hotels have separate outfalls. 	Low
38	Labour Shortage	<ul style="list-style-type: none"> • Inability to maintain an appropriate staffing base to effectively and efficiently operate and achieve business objectives (e.g. due to skill shortage, reluctance of employees to work in smoking environments (VIP gaming rooms) etc.) 	Low
39	Environmental Management	<ul style="list-style-type: none"> • Failure to comply with relevant Government environmental sustainability legislation including <i>National Greenhouse & Energy Reporting Act (2007)</i>. • Failure to actively manage energy use and other environmental impacts resulting in excess energy costs. • Potential public scrutiny arising from the above. 	Low
40	Air Safety Standards	<ul style="list-style-type: none"> • Breach of air safety Standards and / or Civil Aviation Safety Authority Standards (Crown aircraft) resulting in possible short term decrease in international visitation (adverse publicity / loss of customer confidence) and resultant impact on performance. 	Low



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Risk No	Risk Title	Risk Definition	Risk Rating
41	Non – Gaming Bad Debts	<ul style="list-style-type: none"> • Non-payment of debts particularly in light of exposure to domestic / international corporate market (e.g. Conferencing) • Loss of tenancy revenue from a single / small number of tenants (due to loss of base / turnover rent in excess of three month bank guarantee). 	Low
42	Carpark Incidents	<ul style="list-style-type: none"> • Incidence of theft, break-in, attempted break-in and wilful damage in Multi-Deck and Basement car parks, and the resultant potential loss of public confidence. • Damage to customer motor vehicle in the Valet carpark. 	Low
43	Immigration Visa Management	<ul style="list-style-type: none"> • Risk of financial and reputational loss via the employment of unlawful foreign nationals and / or the allowance of unlawful foreign nationals to work in breach of a work - related visa condition. 	Low
44	Foreign Currency Loss	<ul style="list-style-type: none"> • Foreign currency losses due to the holding of cash reserves during customer visits. 	Low
45	Loss of Desired Tenants	<ul style="list-style-type: none"> • Loss of luxury brand tenants and / or inability to attract new tenants to Crown Melbourne. 	Low



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Risk No	Risk Title	Risk Definition	Risk Rating
46	Joint Ventures / Tenants	<ul style="list-style-type: none"> • Breach of Joint Venture / Tenant Lease Agreements and / or associated operational risks including: <ul style="list-style-type: none"> – Utilisation of, and compliance with, Crown Melbourne systems and processes (e.g. Joint Venture use and accountability of Crown Melbourne beverage inventory); – Compliance with relevant legislative and regulatory requirements; – Customer service; – Incidence of food poisoning; and – Supplier probity and / or resultant unethical behaviour. 	Low
47	Loss of Major Annual State Event	<ul style="list-style-type: none"> • Loss of major annual events to rival States / countries, including Australian Grand Prix, Spring Racing Carnival, AFL Grand Final and Australian Tennis Open. 	Low
48	Insurance	<ul style="list-style-type: none"> • Insufficient insurance coverage over Crown Melbourne resulting in financial loss. 	Low