

**REPORT – 29 JUNE 2021**

**Expert Report on the Risk Management Frameworks and Systems of Crown Resorts Limited**

Royal Commission into the Casino Operator and Licence

An inquiry into the suitability of Crown Melbourne Limited to hold a casino licence

Prepared by:

Peter Deans

Director

## CONTENTS

1.	INTRODUCTION	3
	A. Scope of the Report	3
	B. Overview of the Report	4
2.	RISK MANAGEMENT – INDUSTRY FRAMEWORKS	6
3.	RISK MANAGEMENT AT CROWN RESORTS LIMITED	12
	A. Risk Management Governance	13
	i. The role of the Risk Management Committee	13
	ii. The role of the Audit and Corporate Governance Committee	15
	iii. Internal Audit Function	16
	iv. The role of the Executive Risk and Compliance Committee	19
	B. Risk Management Frameworks	20
	i. Risk Management Strategy	20
	ii. Risk Matrix and Corporate Risk Profiles	24
	iii. Effectiveness of Controls	27
	C. Risk Management Reporting	29
	D. Risk Management Function	33
	E. External Reviews	34
	F. Conclusion	36
4.	RECOMMENDATIONS	38
	A. Risk Management Governance	38
	i. Risk Management Committee Charter	38
	ii. Audit and Corporate Governance Committee Charter	40
	iii. Internal Audit Function	43
	B. Risk Management Framework	43
	C. Risk Management Function	44
	D. Risk Management Reporting	45
	E. External Reviews	45

## ANNEXURES

I	Curriculum Vitae – Peter Deans
II	Documents Provided by the solicitors Assisting the Commission
III	Letters of Instruction from the Royal Commission into the Casino Operator and Licence

## 1 **INTRODUCTION**

- 1.1 This report has been prepared by Peter Deans, Director and Principal of Notwithoutrisk Pty Ltd trading as Notwithoutrisk Consulting. The report has been prepared at the request of the Solicitors assisting the Royal Commission into the Casino Operator and Licence.
- 1.2 I am an independent risk and strategy consultant. I was previously a Chief Risk Officer, with my last executive role being Group Chief Risk Officer of the Bank of Queensland Limited. I am also a Non-Executive Director of two companies and an industry association. My Curriculum Vitae is attached (Annexure I)
- 1.3 I now operate as a consultant advising companies and other organisations in the areas of risk management. Clients range from small to medium sized, privately owned businesses to large, publicly listed groups. The clients are from a range of industries including banking and financial services, private equity and investment management, manufacturing, real estate, and technology. The consulting services offered cover a range of services related to the development and implementation of risk management frameworks, the development of risk appetite statements, the identification, assessment and reporting of business risks, the design of risk management functions, and risk management reporting.
- 1.4 The report is not to be used for any other purpose. Neither Notwithoutrisk Pty Ltd nor I accept any liability or responsibility for loss incurred or suffered as a result of the presentation, circulation, publication, quotation or other use of this report.
- 1.5 The opinions, statements and other material contained in this report are given on the basis of the documentation I have reviewed and have been made in good faith. Other than specifically stated in the report I have not undertaken any detailed review, audit or due diligence of Crown Resorts Limited, its subsidiaries, its business operations, or the industry(ies) in which it operates.
- 1.6 Neither Notwithoutrisk Pty Ltd nor I have provided any services or had any prior involvement with Crown Resorts Limited and its subsidiaries.

### A. **Scope of the Report**

- 1.7 I have been requested to consider and provide a written report setting out my opinion on:
- “(i) the effectiveness and robustness of the risk management frameworks and systems of Crown Resorts; and

(ii) in light of your opinion on the question in paragraph (i) above, any enhancements or improvements that you consider could be made to the existing risk management frameworks and systems of Crown Resorts.”<sup>1</sup>

1.8 I have prepared the report and considered the following perspectives:

- The perspectives of Crown Resorts Limited (‘Crown Resorts’ or the ‘Group’) being a publicly listed entity on the Australian Stock Exchange (ASX) that follows guidance and generally accepted practices for an entity that is listed on the ASX, including benchmarking itself against the ASX Corporate Governance Principles and Recommendations with respect to governance and risk management.
- The perspectives of a company that operates a number of different business activities - namely casino, hotel and related hospitality activities in a number of locations. This business profile gives rise to a range of business risks that, in my opinion, the directors and management would seek to have managed in a structured and efficient manner to assist the company achieve its strategic goals.

1.9 I have been provided extensive documentation in electronic forms in relation to Crown Resorts’ governance, business activities and risk management policies, practices, and processes. The documents are listed in Annexure II. I have not reviewed in any detail those documents that I do not consider relevant to forming and expressing a view in relation to the Questions.

1.10 The materials provided by the Solicitors assisting the Commission are from January 2019 onwards. My opinion on the effectiveness and robustness is based on the business environment and risk management practices evidenced in the documentation from this date until the meeting of the Crown Resorts Risk Management Committee held on 25 March 2021.

## **B. Overview of the Report**

1.11 The report is structured into four sections:

- Section 1 (this section) – the scope and an overview of the report.
- Section 2 – a summary of risk management approaches and methodologies that are frequently used in the implementation of risk governance, oversight and management across large, complex companies, both within Australia and overseas. This section also covers the relevant industry guidance and standards.

---

<sup>1</sup> Royal Commission into the Casino Operator and Licence: Request for Expert Opinion – Further Instructions and Additional Materials, 14 May 2021.

- Section 3 – this section considers the risk management frameworks currently in place at Crown Resorts and my observations on operation of these frameworks since early 2019, including changes observed during that period. This section covers the respective roles of the Risk Management and Audit and Corporate Governance committees, the role of the Internal Audit Function, the role of the Executive Risk and Compliance Committee, the design and implementation of the risk management frameworks (including control and management reporting) and the role and operation of the Risk Management Function. This section also includes my conclusion on the effectiveness and robustness of the risk management frameworks and systems of Crown Resorts (item (i) in 1.7 above).
- Section 4 – this section details recommended changes and enhancements to the existing risk management frameworks and systems of Crown Resorts (item (ii) in 1.7 above) that the Group may wish to consider. The changes recommended include, inter alia, changes and enhancements to respective charters of the Risk Management and Audit and Corporate Governance committees, changes to the role and reporting lines of the Group General Manager – Internal Audit, changes to the Risk Management Framework document, and other changes to risk management practices including risk appetite setting and reporting.

## **2 RISK MANAGEMENT – INDUSTRY FRAMEWORKS**

2.1 The management of risk in large, complex organisations both within Australia and overseas is continuing to evolve. The approach to the management of risk is not uniform from organisation to organisation. Even in more heavily regulated industries the specific approach, methodology and tools that an organisation is required to employ is not always prescribed by the relevant legislation.

2.2 In my experience, the approach and methodologies employed in the oversight and management of risk in businesses of a size and nature of Crown Resorts will be based on, and influenced by, a number of factors and sources. These include:

- Risk management guidelines, known as ISO 31000:2018<sup>2</sup> published by the International Organization for Standardization (ISO).
- Guidance outlined in the documents published by The Committee of Sponsoring Organizations of the Treadway Commission (known as COSO) on its Enterprise Risk Management — Integrated Framework approach<sup>3</sup>;
- Guidance issued by the ASX Corporate Governance Council and practices employed in other publicly listed corporate groups;
- Guidance provided by the Australian Securities and Investments Commission (ASIC) on the responsibilities of directors in regard to risk management;
- Articles and guides describing sound risk management practices and related risk management topics, published by local industry associations such as the Australian Institute of Company of Directors, the Governance Institute of Australia, and the Risk Management Institute of Australasia;
- Practices employed within the financial services sector, particularly Authorised Deposit Taking Institutions (ADIs) supervised by Australian Prudential Regulatory Authority (APRA);
- Changes in governance practices following well publicised risk management events or incidents and subsequent government or regulatory inquiries;
- Generally accepted practices by professional risk managers both within Australia and overseas;
- Direct feedback from external auditors on best practice from their audit work and publications by individual audit firms and consultants on sound risk management practices and related risk management topics.

<sup>2</sup> <https://www.iso.org/iso-31000-risk-management.html>

<sup>3</sup> <https://www.coso.org/pages/erm-integratedframework.aspx>

- 2.3 In my opinion, the practices employed in the financial services sector are relevant to Crown Resorts given that it is regulated by state-based government regulatory bodies and it is a reporting entity under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF) regime. The governance and risk management practices required to be developed and implemented to assist comply with the relevant regulations are similar to that deployed in the financial services sector.
- 2.4 Over the period following the Global Financial Crisis (GFC) in 2008 and 2009, the evolution of risk management in Australia has also been influenced by a number of key developments, in my opinion. These are:
- Reflections by institutional investors, shareholder proxy advisors, company directors, risk and governance industry bodies, and regulators on the reasons for many high-profile corporate collapses during the GFC on shortcomings by these companies' boards and management in the areas of governance and the management of risk. These reflections have resulted in revised guidance on corporate governance and risk management by industry bodies and regulators. This has, in turn, resulted in an increase in focus on governance and risk management at many organisations;
  - The increasing incidence of the creation of a Chief Risk Officer role reporting directly to the Chief Executive Officer and sitting as a member of the executive or senior leadership team. This has usually had the impact of increasing the focus of an organisation on the management of risk;
  - Publication of a report by an independent panel, commissioned by APRA, that examined the frameworks and practices in relation to the governance, culture, and accountability within the Commonwealth Bank of Australia in May 2018, following several incidents that damaged the reputation and public standing of the bank (the "CBA Report");<sup>4</sup> and
  - The case studies and findings published by Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the "Hayne Royal Commission") in February 2019.<sup>5</sup>

---

<sup>4</sup> Prudential Inquiry into the Commonwealth Bank of Australia, April 2018.

<sup>5</sup> Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 1 February 2019.

- 2.5 ISO 31000:2018 is the accepted global industry standard for risk management. ISO 31000:2018 is published by ISO. ISO is an independent, non-governmental international body with a membership of 165 national standards bodies. ISO 31000:2018 is supplemented by another document titled IEC 31010 that describes, in detail, recommended techniques and processes that can be followed when assessing risk. Both documents are available to anyone to purchase from the ISO website<sup>6</sup>.
- 2.6 ISO 31000:2018 provides high level guidance and a common approach to managing risk faced by organisations. The application of these guidelines is usually customised by risk managers to fit the relevant organisation. This is influenced by several factors including the organisation's size, business activities and external environment. ISO 31000:2018 is referenced in Crown Resorts' Risk Management Strategy,<sup>7</sup> in Section 8 "Risk Management Process and Methodology". The reference is to the Australia and New Zealand standard AS 31000:2018 which is identical to the ISO global standard.
- 2.7 COSO's guidance on enterprise risk management and its publication "Enterprise Risk Management — Integrated Framework"<sup>8</sup> has also influenced the development of risk management in Australia and overseas. COSO is a US based body that was formed by five major professional associations headquartered in the United States: the American Accounting Association, the American Institute of Certified Public Accountants, Financial Executives International, The Institute of Internal Auditors, and the National Association of Accountants (now the Institute of Management Accountants). COSO's various website articles and publications cover a wide range of risk governance and risk management topics, including topics such as risk management frameworks, risk management strategy, risk identification and risk management reporting.
- 2.8 ASIC has published guidance on risk management. In October 2019, ASIC's Corporate Governance Taskforce (the Taskforce) published a report on director and officer oversight of non-financial risk.<sup>9</sup> The Taskforce made a series of recommendations in relation to risk appetite statements and information flows at listed companies. In the Foreword to the report, the Taskforce urged boards of all listed companies to read the report and review governance practices and accountability structures.

---

<sup>6</sup> <https://www.iso.org/iso-31000-risk-management.html>

<sup>7</sup> Crown Resorts Limited Risk Management Strategy, 23 April 2021 (CRW.512.041.0055 at .0073-73).

<sup>8</sup> Committee of Sponsoring Organizations of the Treadway Commission, 'Enterprise Risk Management – Integrated Framework', September 2004.

<sup>9</sup> Australian Securities and Investments Commission Corporate Governance Taskforce, 'Director and officer oversight of non-financial risk report', October 2019.



2.9 The ASX Corporate Governance Council outlines recommended approaches for listed companies with respect to risk management in its publication “Corporate Governance Principles and Recommendations”.<sup>10</sup> Principle 7 “Recognise and Manage Risk” states that a listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework. The contents of the section under Principle 7 provide boards with guidance on risk management governance, but do not specify any specific framework design or detailed risk management processes. This reflects, in my opinion, the acknowledgement that risk management frameworks do need to be somewhat tailored to each particular listed entity taking into account its size and the nature of its businesses.

2.10 The CBA Report commissioned by APRA made several findings recommendations with respect to corporate governance and risk management. The Australian Institute of Company Directors published an article on the CBA Report on its website on 10 May 2018.<sup>11</sup> The article stated that “[t]he 111-page report, released on 1 May 2018, has been described by Treasurer Scott Morrison as ‘required reading’ for every board member in the country”. The article went on to outline several key insights for directors that included:

- “Directors should consider whether non-financial risks are being adequately considered and discussed at board level.
- Directors are entitled to expect management to consider and report on the overall picture of the risks facing the company, including any new and emerging risks.”

2.11 As with the CBA Report, I observed that the Hayne Royal Commission’s report was also widely read and discussed by directors and risk managers, both within and outside the financial services sector. The Hayne Royal Commission’s report drew heavily on the CBA Report in its discussion of corporate governance and risk management. It made several recommendations to APRA concerning the management of risk. In Recommendation 5.3 it is recommended that APRA should “encourage APRA-regulated institutions to improve the quality of information being provided to boards and their committees about risk management performance ...”.<sup>12</sup>

<sup>10</sup> ASX Corporate Governance Council, ‘Corporate Governance Principles and Recommendations – 4<sup>th</sup> Edition’, February 2019.

<sup>11</sup> Australian Institute of Company Directors, ‘The CBA APRA Report: “required reading” for all directors’, *The Boardroom Report* 16:5, 10 May 2018 <<https://aicd.companydirectors.com.au/membership/the-boardroom-report/volume-16-issue-5/apra-cba-report>>

<sup>12</sup> Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Volume 1, 1 February 2019, page 367.

- 2.12 The Australian Institute of Company Directors published an article on the Hayne Royal Commission report on its website on 1 March 2019<sup>13</sup> highlighting several issues documented by the commission. These issues were considered learnings for the broader business community around the management of non-financial risks, the reporting of risks to a board, and a board's oversight of management. I believe the Hayne Royal Commission's case studies and findings have had some influence in the corporate governance and risk management practices at listed ASX companies generally since 2019.
- 2.13 In my opinion, governance, practices, and processes are becoming relatively more uniform particularly across ASX listed groups and larger privately owned groups, government entities and other entities such as not for profit enterprises. There is increasingly a common language on risk principles, concepts, and practices. This is due to the increased adoption and implementation of risk frameworks based on ISO 31000:2018, increased research and publications in the area of risk management by risk and corporate governance industry bodies (both within Australia and overseas), and increasing familiarity among directors and risk management with these concepts. I have also observed in recent years an increase in the number of risk consultancies and a greater focus from the four major accounting firms in the area of risk management.
- 2.14 Notwithstanding these developments, there are differences in approach in the design and implementation of risk management frameworks. I attribute this to the different business activities, organisational structures, ownership structures, and risk profiles. As such, there is still no agreed 'right approach' to the management of risk other than high level principles and a range of tools and techniques to select from.
- 2.15 The development of risk management governance and oversight is therefore an iterative process in all organisations. As noted above, it is very much a function of the size, nature, and ownership structure of an organisation. The objective is to achieve an organisational rhythm that delivers the desired outcomes in the identification of current and emerging risks (across strategic, financial, and operational risks), determining risk appetite across a large range of risks, risk management governance and oversight (including policies and procedures), and management reporting.

---

<sup>13</sup> Australian Institute of Company Directors, 'Key findings from the banking Royal Commission final report', *Company Director Magazine*, 1 March 2019 <<https://aicd.companydirectors.com.au/membership/company-director-magazine/2019-back-issues/march/royal-commission>>

2.16 The approach and methodologies employed by a group of the size and nature of Crown Resorts will therefore be influenced and shaped by many of the items detailed above. In my experience, it will also be shaped by the experience of the personnel across the board, executive team, risk management function, and internal and external auditors. The approach and methodologies at an organisation will also evolve over an extended period with practices employed often being a legacy of past decision-makers and stakeholders, and risk incidents and issues that will have taken place.

### **3. RISK MANAGEMENT AT CROWN RESORTS LIMITED**

3.1 In this section of my report, I provide my opinion on the effectiveness and robustness of the risk management frameworks and systems of Crown Resorts. I have formed my views and opinions taking into account various industry and regulatory publications and perspectives on the implementation of risk frameworks outline in Section 2 and my experience as risk consultant and former Chief Risk Officer.

3.2 In undertaking an assessment of the effectiveness and robustness of the risk management frameworks and systems of Crown Reports I have considered the following areas:

- The design of the risk management governance at Crown Resorts and its appropriateness given the size and nature of its businesses;
- The identification and documenting of the business risks by Crown Resorts and the articulation of its risk appetite for these risks (including the process by which Crown Resorts determines this);
- The periodic reporting and review of Crown Resorts' business risks to management and the board (including board subcommittees) including any proposed action taken; and
- The existence and operation of assurance functions across the Group and their role in the effective operation of the risk management frameworks and systems at Crown Resorts.

3.3 This part of the report is divided up into the following sections:

- Risk Management Governance
- Risk Management Frameworks
- Risk Management Function
- Risk Management Reporting
- External Reviews
- Conclusions

3.4 I have not undertaken a review of the role or operation of the subsidiary boards. My review focuses on the key forums of Crown Melbourne Limited's Executive Risk and Compliance Committee, Crown Resorts' Risk Management Committee, and Crown Resorts' Audit and Corporate Governance Committee. I do however note risk management materials presented to the Crown Melbourne Limited's Audit Committee during the period in forming my views on the robustness and effectiveness of Crown Resorts' risk management frameworks and systems.

3.5 I have not undertaken any analysis on the individual risks within the Group's businesses or reported to board and management committees or forums in the materials I have reviewed. I have not been asked to nor have I formed a view on the Group's management of any of the individual business risks documented or otherwise raised in the materials I have reviewed. In my opinion and based on my experience in dealing with large corporate groups across a range of industries, this does not impact on my ability to opine on the effectiveness and robustness of risk management frameworks and systems. Any detailed review of assessment of a particular risk or group of risks would however require undertaking a comprehensive review of those risks and potentially require a deeper understanding of certain risks unique to the Group's business activities.

A. **Risk Management Governance**

i. **The role of the Risk Management Committee**

3.6 The key corporate documents that describe the risk governance frameworks, systems, and processes within an Australian publicly listed company of the size and nature of the Group are usually the Corporate Governance Statement of an annual report and a board approved risk management framework (strategy or policy) document. The charter of any board risk subcommittee often also describes risk management governance.

3.7 The relevant risk management commentary in Crown Resorts' Corporate Governance Statement is detailed on pages 38 and 39 of the Crown Resorts Limited Annual Report 2020.<sup>14</sup> These sections provide a high-level summary of the Group's risk management frameworks, governance and processes and key highlights for the prior year. The content does not, in itself, provide any meaningful detail that can assess how robust and effective (or otherwise) its risk frameworks and systems are.

3.8 Crown Resorts' Risk Management Committee Charter dated March 2021<sup>15</sup> outlines the roles and responsibilities of the Risk Management Committee. In my experience, the charter of a Risk Management Committee is seen as an important governance document for an Australian publicly listed group of the size and nature of the Crown Resorts as it will usually detail specific activities to be undertaken to manage risk.

<sup>14</sup> Crown Resorts Limited, Annual Report 2020, 9 September 2020 (CRW.512.012.1461 at .1500-01).

<sup>15</sup> Crown Resorts Limited, Risk Management Committee Charter, March 2021 (CRW.512.043.0077).

- 3.9 Based on my review of the Group's current Risk Management Committee Charter and my understanding of current practices across Australian publicly listed companies, I believe the Risk Management Committee Charter has the key foundational elements within it to enable the Group to establish and maintain risk management frameworks, governance, and processes.
- 3.10 The Risk Management Committee Charter does, however, omit a number of key roles and responsibilities that are, in my opinion, critical to the effective oversight of risk management. There are enhancements that could be made to the Risk Management Committee Charter to strengthen the overall oversight and management of risk at the Group, in my opinion. The changes encompass further defining the role of the Risk Management Committee, inserting a new section on the role of the Chair of the Risk Management Committee, the introduction of a rolling agenda, inserting a section on the relationship between the Risk Management Committee and the Audit and Corporate Governance Committee, dealing with the escalation of risk issues raised by internal or external audit, articulating the relationship between the Risk Management Committee and the Group's Chief Risk Officer (CRO), and oversight of resourcing of the risk management function at the Group. These recommendations are outlined in Section 4.
- 3.11 Under Recommendation 7.1 of the ASX Corporate Governance Principles and Recommendations, one of the usual roles of a risk committee is stated to be to "receive reports from internal audit on its reviews of the adequacy of the entity's processes for managing risk". There is no evidence in the materials reviewed that Crown Resorts' Risk Management Committee was receiving regular reports from internal audit on the adequacy of the entity's processes for managing risk. As noted in 3.10 above, the Charter for the Risk Management Committee does not detail the relationship between itself and the Group's internal audit function. I recommend that the Risk Management Committee Charter be amended to address this omission.
- 3.12 I noted in 3.4 that I have not undertaken a review of the role or operation of the subsidiary boards. In my review, however, I have observed that the subsidiary boards are featured in some of the framework's materials with what I assume to be the objective of assigning the subsidiary boards certain risk management responsibilities. There is not, in my opinion, clarity on this role.

3.13 For example, in the document titled Crown Risk Management Framework - Roles and Responsibilities<sup>16</sup> the top segment of the pyramid is headed “Board (Crown Resorts and Properties)”. In this section there are the following three bullet points:

- Set the Tone from the Top
- Approve Crown's risk appetite and delegation policy
- Set strategic direction in line with risk appetite and in consideration of material risks to the organisation

3.14 It would be appropriate to outline the specific role of the subsidiary boards in relation to all three of the above. For example, I do not believe that a role of Crown Melbourne Limited board is approving risk appetite (bullet point two) based on the Group's Risk Management Strategy (RMS). There may be other areas also requiring clarification.

ii. The role of the Audit and Corporate Governance Committee

3.15 In my experience, in an Australian publicly listed company of the size and nature of the Group, the audit subcommittee of a board plays an important role in identifying control weaknesses across an organisation. This will often include weaknesses or deficiencies in risk management frameworks and processes. In ensuring the integrity of corporate reporting for an organisation, an audit subcommittee can assist the board and any risk subcommittee identify issues or gaps in governance and risk management. This arises from its interactions with management, external audit, and internal audit.

3.16 The role of Audit and Corporate Governance Committee at Crown Resorts does not appear to be aligned, in my opinion, with a number of key recommendations of the ASX Corporate Governance Principles and Recommendations. Recommendation 4.1 of the ASX Corporate Governance Principles and Recommendations<sup>17</sup> states that:

“if the entity has an internal audit function it [an Audit Committee] should review:

- the appointment or removal of the head of internal audit;
- the scope and adequacy of the internal audit work plan; and
- the independence, objectivity and performance of the internal audit function.”

<sup>16</sup> Crown Resorts Limited, Diagram: Crown Risk Management Framework - Roles and Responsibilities (CRW.512.010.0336 at .339)

<sup>17</sup> ASX Corporate Governance Council, 'Corporate Governance Principles and Recommendations – 4<sup>th</sup> Edition', February 2019.

- 3.17 In my review of the materials, I did not see any evidence of any substantive discussions on internal audit matters at the meetings of the Audit and Corporate Governance Committee. I did however note extensive discussions on internal audit matters at the meetings of the Crown Melbourne Limited Audit Committee in 2019, 2020 and 2021.
- 3.18 To assist the effective operation of Crown Resorts' RMS, I have recommended a number of enhancements to the Charter of the Audit and Corporate Governance Committee in Section 4 of this report.
- 3.19 In my opinion, I also think it is important that the roles and responsibilities of the Crown Melbourne Limited Audit Committee and the relationship of this committee to the Crown Resorts Audit and Corporate Governance Committee be clarified and documented.

iii. Internal Audit Function

- 3.20 In my experience, in an Australian publicly listed company of the size and nature of the Group, an internal audit function can play a critical role in ensuring risk management frameworks are effective and embedded across an organisation. It is common for the internal audit function to be listed as both a key feature of the risk management frameworks and processes, usually referred to as the third line of defence, and also to be actively working to ensure the risk frameworks are in place and working.
- 3.21 This position is supported by ASIC, which states in its Information Sheet (INFO 221)<sup>18</sup> that:

“An internal audit function can contribute to corporate governance by providing an organisation's directors and audit committee with independent reviews of, and suggestions for, improving the design and operation of the organisation's:

- financial and non-financial control environment
- processes for identifying and monitoring risks
- governance processes.

Internal audit can be an important element in the control environment of organisations and can contribute to more effective risk management.”

---

<sup>18</sup> Australian Securities & Investments Commission, Information Sheet 221 – Internal Audit INFO, 20 June 2017.



3.22 The important role of internal audit is also noted in Crown Resorts' RMS. The RMS states that "the Board has endorsed a 'three lines of defence' risk governance model". Section 6.6 of the RMS (Page 6) states that:

"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".

3.23 Crown Resorts' Corporate Governance Statement for 2020<sup>19</sup> states on page 39 that the Group's "[i]nternal audit coverage is determined using a structured approach. The Boards of each major operating business and management receive regular reports from internal audit on the control environment, areas for improvement and progress in addressing those areas for improvement." The Corporate Governance Statement goes on to state on page 39 that "[a]s a holding company, Crown does not have a separate internal audit function, however its accounts are subject to third party independent audit".

3.24 A review of the Group's Internal Audit function by the Institute of Internal Auditors-Australia (IIAA) was commissioned in 2020. This review was provided to the Chair of the Audit and Corporate Governance Committee in October 2020 and tabled at the Crown Melbourne Limited Audit Committee on 23 November 2020.<sup>20</sup>

3.25 This review noted that "[a]t present the Internal Audit Department Charter is silent on appointment, termination and performance assessment of the Chief Audit Executive [Group General Manager Risk and Audit]. Neither is there commentary on this in the Audit Committee Charter. To ensure ongoing independence, the Internal Audit Department Charter should be specific about who appoints and terminates the Chief Audit Executive which should be the Audit Committee. Primary responsibility for assessing performance of the Chief Audit Executive should also rest with the Audit Committee and include input from the Chief Executive Officer."

<sup>19</sup> Crown Resorts Limited, Annual Report 2020, 9 September 2020 (CRW.512.012.1461 at .1501).

<sup>20</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 23 November 2020 (CRW.508.001.5533 at .5547).

- 3.26 The Position Description provided by the Group for the role of the head of internal audit is titled Group General Manager – Internal Audit.<sup>21</sup> This role summary contains the usual responsibilities that, in my opinion, I would expect to see in such a role summary for a group of the size and nature of Crown Resorts. .
- 3.27 This Position Description however has limited references and commentary on the relationship with the Audit and Corporate Governance Committee of the Group or the audit committees of any of the subsidiary companies. The only reference I have identified is in the table titled “Key Relationships/Interactions” that states the “Purpose/ Nature of the Contact” is to “[t]o report Internal Audit activities, and to receive feedback / direction in respect of the above”. This is, in my opinion, too brief and should be expanded to include such matters as the reporting of issues identified during audit activities, to present and discuss the Annual Internal Audit Plan, to discuss the overall control environment across the Group, and to discuss with the Risk Management Committee any matters arising from the internal audit activities.
- 3.28 I note that the position reports to the Group’s Chief Financial Officer. This reporting line places the role of the Group General Manager one role removed from the Group’s Chief Executive Officer. In my opinion, it would be common for this role in a large, complex corporate group to report directly to the Chief Executive Officer and be a member of the executive leadership team (or at least attend the executive leadership team meetings as an observer or additional attendee). I am unable to identify from the materials if it is intended that the role will be a member of the executive leadership team. I believe that the Group may benefit from elevating the role of the Group General Manager – Internal Audit in the organisational structure. I am unaware of this has been given any consideration by the Group.
- 3.29 In addition, the Organisational Chart on Page 5<sup>22</sup> of the Position Description does not include the Crown Resorts’ Board, Audit and Corporate Governance Committee nor the Risk Management Committee. As a result, the respective relationships between these bodies and the Group General Manager – Internal Audit is not clear. In my experience it is common to diagrammatically illustrate a reporting line for this role to the board and audit subcommittee of the board. The reporting line will often be referred to as a direct or indirect (or dotted) reporting line to the board or audit subcommittee of the board.

<sup>21</sup> Crown Resorts Limited, Crown Position Description: Group General Manager – Internal Audit (CRW.512.125.0001).

<sup>22</sup> Crown Resorts Limited, Crown Position Description: Group General Manager – Internal (CRW.512.125.0001 at .0005)

- 3.30 It is my recommendation that this role summary be reviewed and updated to better reflect its reporting lines and detailed commentary on the relationships and interactions with Crown Resorts' Board, Audit and Corporate Governance Committee, Risk Management Committee and the audit committees of the subsidiary companies (as appropriate).
- 3.31 I agree with the recommendations of the IIAA detailed in 3.25 concerning oversight of the internal audit function. In my opinion, it is critical to the working of the 'three lines of defence' model espoused in the RMS that an internal audit function is in place, is appropriately resourced and its performance is reviewed by the Audit and Corporate Governance Committee.
- 3.32 I also note that in the diagram in Section 6 of the RMS (page 6) the third line of defence is diagrammatically shown as being "Internal and External Audit". There are three black arrows on this diagram. None of the three black arrows report to the Crown Resorts Board. Section 6.6 of the RMS however states, in the full bullet point of the second paragraphs, that the Group General Manager – Internal Audit has "a functional reporting line to the Crown Resorts Audit Committee". It is also recommended that the diagram be amended to fully reflect this position and the correct title of the Audit and Corporate Governance Committee be used.
- 3.33 Based on my review of the material provided and the above statements, I am of the opinion that the Audit and Corporate Governance Committee was in effect relying on the respective subsidiary board's subcommittee in the oversight of the activities of the internal audit function in 2019 and 2020. As I will note later in this report, I recommend that the Audit and Corporate Governance Committee exercise greater oversight of the internal audit function. In my opinion, this should assist the effective operation of the risk management frameworks at the Group.

iv. The role of the Executive Risk and Compliance Committee

- 3.34 Based on my review of the materials I have identified a key management committee at each subsidiary company (or property), the Executive Risk and Compliance Committee (ERCC). In the diagram referred to in the Statement by Ms Jane Halton, each ERCC is noted as a Management Committee.<sup>23</sup>

---

<sup>23</sup> Crown Resorts Limited, Diagram: Risk Board and Management Committees, 29 March 2021 (CRW.512.010.0336 at .0338).

3.35 In a 15 March 2021 update to the Risk Management Committee, the CRO outlined the role of the ERCC at each property.<sup>24</sup> The CRO also noted a “number of other management forums have also been set up and standardised across the properties (and will be introduced in Sydney), including the Fraud Management Forum, the Cyber Council, the AML-CTF Committee, the Compliance Committee, and a number of other committee that target specific risk areas. Each of these feed into the ERCC.”

3.36 I have reviewed the papers and minutes provided for ERCC meetings held since mid-2019. I note the papers were comprehensive and covered a wide range of risk, compliance, audit and business issues. The existence of these forums does, in my opinion, demonstrate a level of commitment by the Group’s management to the management of risk. It also provides some evidence of the existence of a first line of defence, a key component of the Group’s RMS. Without a detailed understanding of each of risk, compliance, audit and business issues and without the opportunity to discuss these risks with the Group’s personnel I am unable to form a view on the contribution of these management forums to the effectiveness of the Group’s risk management frameworks and processes, however.

## B. **Risk Management Frameworks**

### i. **Risk Management Strategy**

3.37 Reflecting industry practice for an Australian publicly listed group of the size and nature of the Group, it is both usual and common to have a board level or board approved document outlining the approach to the governance and oversight of risk management. In my experience, this document will usually be named one of three titles: a risk management strategy, a risk management framework or risk management policy. The contents of the document will usually include, inter alia, statements, policies and procedures concerning risk appetite, the processes for the identification, assessment and reporting of risks, roles and responsibilities within an organisation and general risk management reporting,

---

<sup>24</sup> Crown Resorts Limited, Risk Management Committee Diligent Pack, 25 March 2021 (CRW.512.004.0001 at .0028).

- 3.38 The Group's approach to the management of risk is documented in its RMS. The current version of the RMS is the document titled "Risk Management Strategy - 21 April 2021".<sup>25</sup> Since 19 June 2019 there have been two updates to the RMS (as noted in the document history). The updates related to risk culture and AML/CTF risk appetite. In my opinion the changes have not materially changed the substance or objectives of the RMS except in the areas of risk culture and AML/CTF.
- 3.39 The document history on page 1 of the RMS details its creation on 19 June 2019. The draft of this first version of the RMS was reviewed by Deloitte Risk Advisory Pty Ltd ("Deloitte Risk Advisory") under the engagement letter dated 14 February 2019.<sup>26</sup> The current version of the RMS describes the key features of the Group's risk management frameworks, governance and processes in some detail. The length of the document and content are consistent with I would expect to see for an Australian publicly listed group of the size and nature of the Group. It seeks to document the key features of the Group's approach to the management of risk using text and diagrams, which is consistent with generally accepted practices for an RMS.
- 3.40 It should be noted that the RMS has a number of section reference errors. The reference to Section 5.4 and 5.5 in the fourth bullet point on page 6 is incorrect and the reference to Section 5.2 in the first paragraph at the top of page 7 is incorrect. In future updates of the RMS these errors should be corrected.
- 3.41 Deloitte Risk Advisory completed a review of the Group's risk management frameworks, governance and processes in 2019 and provided the Group with a written report dated 20 June 2019.<sup>27</sup> In this report Deloitte noted, in Section 1.0 Background, that its engagement was in response to the Victorian Commission for Gambling and Liquor Regulation ("VCGLR") Sixth Review of the Melbourne Casino Operator and Licence. Recommendation 3 stated that "the VCGLR recommends that, by 1 July 2019, Crown assesses the robustness and effectiveness of its risk frameworks and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice."

---

<sup>25</sup> Crown Resorts Limited Risk Management Strategy, 23 April 2021 (CRW.512.041.0055).

<sup>26</sup> Letter from Deloitte Risk Advisory to Crown Melbourne Limited, 14 February 2019 (DTT.001.0002.0045).

<sup>27</sup> Deloitte Risk Advisory, Crown Melbourne Limited – Report on the Risk Management Framework, 20 June 2019 (DTT.001.0002.0061).

- 3.42 Deloitte Risk Advisory specifically noted that its review did not “assess the degree to which the risk management framework has been embedded in the organisation and how well it is operating”.<sup>28</sup> Deloitte Risk Advisory made a series of recommendations for improvement to the Group’s risk management program. The recommendations are outlined in Section 2 Detailed Findings of the 20 June 2019 report. They cover a range of aspects of the program.
- 3.43 A number of Deloitte Risk Advisory’s recommendations are, in my opinion, minor enhancements that do not have any material impact on the robustness and effectiveness of the Group’s approach to the management of risk. Other recommendations are, in my opinion, more substantive in nature. For example, in 2.1 “Risk Management Strategy”, Deloitte Risk Advisory recommended that the Group consider renaming the RMS document the “Crown Resorts Limited Risk Management Framework”. I consider this to be relatively minor and immaterial. In contrast, the recommendations contained in 2.3 “Reporting” are more substantive and, if implemented, would be expected to improve the robustness of the Group’s management of risk.
- 3.44 The recommendations made by Deloitte Risk Advisory were subsequently summarised in an Excel spreadsheet.<sup>29</sup> As the metadata of this Excel spreadsheet lists Anne Siegers as the author, I have assumed that Crown Resorts prepared this document. For each recommendation, Crown Resorts provides an assessment of Impact of Recommendation, Timeframe, Crown Comments and Status. I have assumed that Crown Resorts’ management has undertaken an assessment of Impact of Recommendation and Timeframe as the Deloitte Risk Advisory report does not specifically undertake this assessment.
- 3.45 Each recommendation was assigned a colour based on four categories: (1) No recommendation, (2) Recommendation accepted and implemented, (3) Recommendation accepted - will be implemented at a later stage, and (4) Recommendation rejected at this stage – will be reconsidered at a later stage.

---

<sup>28</sup> Deloitte Risk Advisory, Crown Melbourne Limited – Report on the Risk Management Framework, 20 June 2019 (DTT.001.0002.0061 at \_0003).

<sup>29</sup> Crown Resorts Limited, RMS Feedback from Deloitte – Status of Recommendations, 2 July 2020 (CRW.512.026.0006).

- 3.46 The classification approach is not sufficient alone to assess to what extent the Deloitte Risk Advisory recommendations have been accepted, based on my review of this document. For example, the recommendation at 2.2.1 “Risk Governance Framework” is classified as “Recommendation accepted and implemented” however in the comments it is noted that Crown Resorts was “not agreeable to delete the word 'material'” from the draft RMS. In my analysis that follows, I will focus on the items which, in my opinion, are the changes Deloitte Risk Advisory recommended that were either rejected or implemented in such a manner that it could be argued have not achieved the desired outcome that Deloitte Risk Advisory was recommending.
- 3.47 Deloitte Risk Advisory’s Recommendation 2.1.4(a) recommended that as “Crown continues to develop and embed the concept of risk appetite, any updates to the qualitative statements could consider including a clearer statement of acceptable risk tolerances”. Deloitte Risk Advisory noted that the “qualitative risk appetite statements (“RAS”) for the seven impact categories are not expressed in a manner typical of a risk appetite statements (sic)”. I agree with this position and Deloitte Risk Advisory’s view expressed in 2.1.4 that “the qualitative statements are expressed in a manner that does not reference risk tolerances”. Crown Resorts classified this as “Recommendation accepted - will be implemented at a later stage” and stated that it “[w]ill continuously review the document and consider recommendations in future iterations”. Based on my review of the current RMS, this recommendation has not yet been implemented.
- 3.48 Whilst Deloitte Risk Advisory did not make any recommendation under 2.1.4(b) “Quantitative Metrics and Triggers”, it did later, under 2.3 “Reporting”, recommend that greater clarity be provided on the reporting of risks against risk appetite. I agree with this position, and I would recommend that Crown Resorts reassess its response to the recommendations in 2.1.4 with a view to having clearer statements of acceptable risk tolerances.
- 3.49 Recommendation 2.2.1: It was recommended that in Section 6 “Risk Governance Framework” of the RMS, the second bullet point remove the reference to “material business decisions” and as a result state that the Risk Governance Framework requires “independent oversight, challenge, reporting and monitoring of the Risk Culture, risk profile, risk management framework and business decisions that have the potential to impact the organisation’s risk profile”. Crown Resorts did not accept the deletion of the word material.

3.50 I note that a new, updated version of the Excel spreadsheet referred to in 3.44 has been provided by the Group<sup>30</sup>. The only substantive change to the Excel spreadsheet is the changing of the status of recommendation 2.3.(b) by the Group. I do not believe this changes my opinions and recommendations on the RMS or risk appetite outlined in this report. I also note that the Group's Chief Risk Officer, Ms Anne Siegers gave evidence to the Royal Commission on 9 June 2021<sup>31</sup> and 10 June 2021<sup>32</sup>. I have reviewed the transcript and noted the evidence given by Ms Siegers in forming my opinions and recommendations in this report.

3.51 Considering the recommendations made by Deloitte Risk Advisory and my assessment of the RMS, I believe that the RMS design can be enhanced with additional provisions and requirements around risk appetite and reporting.

ii. Risk Management Policy

3.52 I also note the existence of the Risk Management Policy.<sup>33</sup> In my opinion, this is a summary document of Crown Resorts' risk management frameworks and systems for the purpose of informing external stakeholders of the Group's approach to managing risk.

iii. Risk Matrix and Corporate Risk Profiles

3.53 A foundational feature of Crown Resort's RMS is the use of a Risk Matrix to assist management identify and assess risks across the Group. This is detailed in Section 7.4, 7.5 and 8. The Risk Map in Section 7.5 has a colour coded classification that, according to the legend, will determine ownership of the relevant risk. Only risks that are colour coded red and deemed "Critical Risk" are accorded "oversight by the RMC/Board". These risks will be those risks that are determined to be one of the following:

- "Almost certain" in likelihood with a "Major" or "Severe" impact; or
- "Possible" or "Likely" in likelihood with a "Severe" impact.

3.54 The RMS does not provide detailed quantitative or qualitative guidance on how individual risk owners (ie the business or functional area managers that have a particular risk in their respective area) or risk managers are to determine if the impact of a risk existing or materialising is Insignificant, Minor, Moderate, Major or Severe.

<sup>30</sup> Crown Resorts Limited, Current Version of the Tracker Spreadsheet (Exh bit #RC0197)

<sup>31</sup> Transcript of Proceedings, Casino Operator and Licence Royal Commission 09.06.2021

<sup>32</sup> Transcript of Proceedings, Casino Operator and Licence Royal Commission 10.06.2021

<sup>33</sup> Crown Resorts Limited, Risk Management Policy, March 2021 (CRW.512.043.0051).



- 3.55 In my experience, it would be usual to have a table of financial and non-financial descriptors (phrases or statements that describe what the outcome would look like) to assist business and risk managers determine the impact rating. Similarly, it would also be common for this table to be accompanied with more detailed guidance on determining the likelihood of an event occurring. The tables and guidance suggested should form part of the RMS reviewed by the Risk Management Committee and approved by the Group's board. It is my recommendation that Crown Resorts amended its RMS and related documentation to adopt these practices.
- 3.56 Section 7.5 states that "the Risk Matrix is updated by the Risk Management Function and is approved by the CEO for Crown Resorts and the CEOs or equivalent for the wholly owned subsidiaries". It is unclear to me if this statement refers to the methodology or the rating of individual risks. I would recommend that this section be made clearer on the roles and responsibilities of risk owners and the Risk Management Function.
- 3.57 In my experience, it is usual for risk identification and assessment processes undertaken by the Risk Management Function to be coupled with management and board (or risk committee) workshops to determine material business risks. The resultant material business risks will be those for which appetite is defined and metrics are determined.
- 3.58 There is evidence of work being undertaken with the Risk Management Function and across the Group to identify key business risks and elevate them for a discussion within the Group's governance structures. A Strategic Risk Update to the Crown Melbourne Limited Board<sup>34</sup> in May 2018 listed 23 risks in the Crown Melbourne Risk Profile. In my opinion, the 23 risks listed look to be a reasonably fulsome list of material business risks that may have been facing Crown Melbourne Limited at the time.

---

<sup>34</sup> Crown Melbourne Limited, Agenda Item 4.1: Strategic Risk Update, May 2019 (CRL.509.021.3791).

- 3.59 In addition, the Crown Melbourne Limited Audit Committee discussed the Crown Melbourne Corporate Risk Profile at a meeting held on 6 August 2019. In the minutes of this meeting,<sup>35</sup> “[t]he Committee noted the Risk Appetite Dashboard which highlighted the trigger of a number of reporting thresholds against the Board’s risk appetite”. In my experience any triggers being breached would be accompanied by an action plan outlining the management action(s) to address the issue or issues, and this would be discussed and noted at the relevant forum. Notwithstanding this, the tabling of the Corporate Risk Profile and its contents at this meeting is, in my opinion, a positive example of management identifying and escalating risk issues for discussion.
- 3.60 At the same meeting, a COVID 19 update was provided by Mr Barry Felstead and Mr Alan McGregor.<sup>36</sup> This paper, in my opinion, provides a positive example of management identifying and escalating risk issues that were having a material impact on the Group’s risk profile at the time.
- 3.61 A report tabled to the Crown Melbourne Limited Audit Committee in February 2021<sup>37</sup> provided an overview of the risks in the Crown Melbourne business including the Crown Melbourne Corporate Risk Map - January 2021. This report highlighted, in Section 4 – Updates to Material Risks, a range of events and developments in relation to a number of the risks. These included “Legislative / Regulatory Changes”, “Major Reputational Damage”, “Material Breaches of Gaming and other Relevant Legislation/Regulations” and “Breakdown in relationships with key government, legislative or regulatory bodies”.<sup>38</sup>
- 3.62 Despite what appears, prima facie, to be a long list of risks and uncertainties facing Crown Melbourne in January 2021, the statement was made that there “are no changes proposed as a result of key events that have materialised or continued to evolve over the period”.<sup>39</sup> There is no detailed justification or rationale for this position in relation to each of the risks. In my opinion, it would be usual to have more explicit statements about each risk being outside appetite and this would be accompanied by an action plan(s) to address the issue or issues.

---

<sup>35</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 20 November 2019 (CRW.502.001.1586 at .1590)

<sup>36</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 20 November 2019 (CRW.502.001.1586 at .1601)

<sup>37</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 2 February 2021 (CRW.508.001.4761 at .4777).

<sup>38</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 2 February 2021 (CRW.508.001.4761 at .4784).

<sup>39</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 2 February 2021 (CRW.508.001.4761 at .4784).

iv. Effectiveness of Controls

- 3.63 In my experience, a key feature of risk management frameworks is governance, policies and practices that test and report on internal controls. This is documented in guidance materials and publications by regulators and industry bodies.
- 3.64 The importance of controls is noted by the Group. Section 3.1 of the Risk Management Committee Charter states that “[t]he Committee will review and assess the adequacy of the Company’s Risk Management Framework to ensure that the Company is operating within the Company’s Risk Appetite”.<sup>40</sup>
- 3.65 Section 3.1(h) of the Risk Management Committee Charter outlines in more detail that the Risk Management Committee will ensure “that management has implemented effective processes in relation to:
- (i) the identification of areas of significant business risk or exposure;
  - (ii) the identification of new and emerging risks;
  - (iii) the implementation of appropriate risk management and internal control processes to mitigate those risks; and
  - (iv) the assessment of the adequacy and effectiveness of the risk management and internal control processes established to mitigate those risks”.<sup>41</sup>
- 3.66 I note that this is a difference in the requirements of the Risk Management Committee to identify areas of “significant business risk or exposure” and the wording of the RMS that focuses on “material business risks”. In my opinion, there is a potential gap in this area whereby a business risk may not be identified by management as “significant” or “material”. The Risk Management Committee may as a result be unaware of the existence of the risk. In my experience, it would be usual for the board and/or the risk management subcommittee to review all business risks and discuss them with management to be satisfied that management has identified all risks accurately. It would also be usual for this discussion to be undertaken via an annual workshop with the board and/or risk subcommittee. Such a workshop would be facilitated by the CRO or an external facilitator. I would recommend that the Group considered formal workshops on an annual basis and document these discussions.

<sup>40</sup> Crown Resorts Limited, Risk Management Committee Charter, March 2021 (CRW.512.043.0077 at .0079).

<sup>41</sup> Crown Resorts Limited, Risk Management Committee Charter, March 2021 (CRW.512.043.0077 at .0080).

- 3.67 The internal audit function should also play an important role in assessing the adequacy of controls and identifying any weaknesses that may impact on the effectiveness of the risk management frameworks and systems at the Group. My comments in relation to internal audit at the Group are detailed in Section 3A(iii).
- 3.68 From my review of the materials, I have formed the opinion that there are processes in place across the Group for the Risk Management Committee to be reasonably able to demonstrate that it is meeting the first two requirements of 3.1(h) of the RMC Charter, being (i) and (ii).
- 3.69 From my review of the materials, I have formed the opinion that there are insufficient processes in place for the Committee to be reasonably able to demonstrate that it is meeting the requirements of 3.1(h) (iii) and (iv). Over the review period, there is limited reporting of control weaknesses and no consistent form of reporting of any identified control weaknesses.
- 3.70 Furthermore, there is no documented evidence of direct communication from the Audit Committees of the subsidiary boards or the Group's Audit and Corporate Governance Committee of any control weaknesses that those respective committees may have identified. In my experience, it is common to see this occur by way of a committee paper or the relevant internal or external audit report to be tabled at a board risk subcommittee for review. I have made a number of recommendations in Section 4 that will strengthen the Risk Management Committee's role in Section 3.1(h) (iii) and (iv).
- 3.71 At a management level, there appears to be some demonstrated focus on controls, from my review of the materials the ERCC meetings in 2019 and 2021.<sup>42</sup> These meetings considered a range of audit, risk and compliance papers that featured commentary on controls across a range of areas. I have not however been able to form any opinion on the impact or effectiveness on the management of risk at the Group.

---

<sup>42</sup> Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 21 May 2019 (CRW.008.024.0970); Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 25 March 2021 (CRW.512.004.0001).

### C. **Risk Management Reporting**

- 3.72 An important feature of robust and effective risk management frameworks and processes is timely and insightful management and board reporting. Based on my review of the materials, there is now substantial reporting of business and risk matters generally to ERCC and the Risk Management Committee. Based on my review of the 25 March 2021 Risk Management Committee papers<sup>43</sup> there was reporting and documenting of a wide range of business and risk issues. This reflects the range of regulatory and business issues facing the Group. These include the regulatory inquiries completed or underway and the impact of the COVID-19 pandemic on the Group's businesses.
- 3.73 In my opinion, it would be challenging for a chief risk officer and their risk management team to accurately assess and document these risks given the volume of risks and issues currently facing the Group. Similarly, given the time usually scheduled for board subcommittee meetings, in my opinion, it can also be a challenge for both the committee members and management to decide where to spend their time at each meeting.
- 3.74 Dealing with this situation requires, in my experience, an established reporting rhythm with agreed, consistent risk management reporting. This reporting should include reporting against risk appetite, reporting of key risk indicators, regulatory breaches and other compliance incidents (both individually and in aggregated), and risk management issues arising from internal or external audits. Based on my review of the November 2020 and March 2021 Risk Management Committee papers, the Group has recently sought to report to the Risk Management Committee a vast array of data and information.

---

<sup>43</sup> Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 25 March 2021 (CRW.512.004.0001).

- 3.75 From my review of the materials, there appears to be no consistent or structured reporting of risks outside appetite. There also does not appear to be agreed and documented governance and management processes to review (and/or endorse) any plans to bring these risks back within appetite. Section 2 – Risk Appetite Dashboard<sup>44</sup> of the March 2021 Risk Report presented to the Crown Resorts Risk Management Committee is, in my opinion, too high level and has insufficient granularity in the Quantitative Metrics - RMC Reporting Triggers. It is recommended that the Group move quickly to address this given the number and severity of the risks and issues it has identified and/or is currently dealing with.
- 3.76 Based on my review of the materials, the references to material business risks in the RMS, the content of the Corporate Profiles, and Crown Resorts' decision to not accept Deloitte Risk Advisory's Recommendation 2.2.1 to remove the word material from the section of the RMS concerning business decisions, I conclude that there may have been a position formed within the Group historically that the only risks that require escalation and reporting through the governance and reporting structures are material business risks – not all risks. I would recommend that a larger set of risks to be reported to the Risk Management Committee on a periodic basis be agreed and documented, including the reporting of these risks against an agreed risk appetite.
- 3.77 The Excel spreadsheet titled “201117 ERCC Agenda Item 5.2 - Corporate Risk Profile Annual Review - Ann...” details a list of 24 risks.<sup>45</sup> The documenting and assessment of the risks in this spreadsheet is, in my opinion, well thought out and comprehensive. I would recommend that the Group seek to have this level of detail provided to the Group's Risk Management Committee for review and discussion at least twice a year.
- 3.78 I would recommend that Crown Resorts review its approach to the identification and assessment of risks, for both risk appetite and risk reporting, to ensure that it is looking at all risks in the operation of its businesses not just those arising from either material business decisions or in the seven impact categories listed in 7.1 Risk Categories of the RMS.

---

<sup>44</sup> Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 25 March (CRW.512.004.0001 at .0041).

<sup>45</sup> Crown Melbourne Limited, 201117 ERCC Agenda Item 5.2 - Corporate Risk Profile Annual Review - Ann..., 15 November 2020 (CRW.510.020.5092).

- 3.79 To enhance the risk appetite setting and monitoring processes at Crown Resorts, I would recommend that risk appetite be separately documented. It is becoming more common for the detailed statements on appetite for specific risks and the quantitative measures for defining risk appetite to be documented in a separate document from the risk framework or strategy document. This is frequently referred to as a Risk Appetite Statement. The benefit of undertaking this approach is that it enables risk appetite to be reviewed and, if necessary, revised from time to time. This should, in my opinion, lead to a more focused discussion on the Group's specific appetite for each individual risk identified.
- 3.80 Deloitte Risk Advisory's Recommendation 2.3 (a) noted that the "[r]eporting of risk and escalation of risk issues particularly in relation to risk appetite and risk triggers would benefit from greater clarity". Deloitte Risk Advisory further elaborated with five items - posed as questions - that would benefit from great clarity, as follows:
- "Is a trigger excess the same as a breach of risk appetite?"
  - What is the clear and timely escalation process for breaches of risk appetite?
  - Who is responsible for escalating breaches of risk appetite and what is required to be reported?
  - How is reporting of individual events aggregated to assess cumulative risks against approved triggers?
  - What is meant by "magnitude" of the event within the context of a breach of risk appetite and reporting to RMC as opposed to the Board?"
- 3.81 There are several examples that can be used to illustrate the difficulty of assessing whether Crown Resorts is operating within the board approved risk appetite. For example, in the area of Infrastructure, in the RMS, the qualitative statement is made that the Group wishes to "[m]aintain appropriate security and surveillance across the properties" and the Quantitative Metric is a "[s]ecurity incident that threatens people or property" and the Trigger is "Any event". In theory, every security incident that "threatens people or property" can be deemed outside of risk appetite. In my opinion, I would expect that a security incident that is identified, prevented and or the impact is lessened is not outside risk appetite. However, a series of similar security incidents or security incidents that have some defined impact would be outside risk appetite. The approach the Group currently uses does not make this clear.

- 3.82 Similarly, in relation to Regulatory / Legal, the qualitative statement is to “maintain systemic compliance with regulatory, legal, statutory and contractual obligations” with the Quantitative Metrics – RMC Reporting Triggers with respect to the Group’s AML/CTF Program being listed as “Breaches of the AML/CTF Program”. In my experience, it would be more common to have a series of quantitative measures around the operation and effectiveness of the AML/CTF program. This would enable better visibility of the workings and effectiveness of its AML/ CFT Program and give management and board the data to monitor any changes in its risk profile in this area. Such measures could include, for example, the number of Suspicious Matter Reports lodged with the Australian Transaction Reports and Analysis Centre by each property as well as the Group in total, the quantum and nature of operational failures to comply with certain aspects of the Group’s AML/CTF Program, employee warnings or terminations for breaches of operating policies and progress with any remediation activities underway.
- 3.83 I concur with Deloitte Risk Advisory that greater clarity is needed in the areas of risk appetite, the qualitative metrics including triggers, and reporting and escalation. Furthermore, in my opinion, the current qualitative measures need to be better defined and consideration should be given to a larger set of qualitative measures given changes in the internal and external landscape since the measures were put in place. In addition, where a specific risk moves close to or outside appetite, a report from management should specifically detail progress being made to bring the relevant risk issue back within appetite. This should be the subject of discussion and challenge from the Risk Management Committee. This discussion would usually be minuted and actioned for follow up at a future meeting.
- 3.84 Crown Resorts classified this recommendation (Recommendation 2.3(a)) as “Recommendation accepted - will be implemented at a later stage” and stated that there is “[a]lready clear reporting structure defined, with reporting against risk appetite reporting triggers at every risk committee meeting. Practice has shown effective and timely reporting and escalation of matters to the satisfaction of the Board. Will consider at a later stage and in future iterations of the RMS”. The classification is however somewhat contrary to the comments. The comments infer that Crown Resorts’ board and management were satisfied with the then-current position in June 2019 yet classified the item as “Recommendation accepted - will be implemented at a later stage.”



3.85 In the update to the Risk Management Committee in March 2021, the CRO wrote<sup>46</sup> that “[i]n November 2020, risk reporting to the RMC started incorporating a Key Risk Indicator (KRI) dashboard. This is still in development and in a fairly basis (sic) state at this stage, but it is an important part of increasing the quality of the risk information reported across the organisation and moving the risk management process to a more data driven process. 2020 slowed the development and progress of this reporting process, but this is a priority for the next 12 months.” I am unable to comment on the apparent contradiction of the response in 3.84 to this statement. These statements support my view and that of Deloitte Risk Advisory that the reporting and monitoring of risks needs to be enhanced.

3.86 In the March 2021 Risk Report presented to the Crown Resorts Risk Management Committee, Section 4<sup>47</sup> detailed a series of Key Risk Indicators for the Group. In my opinion, this represents the start of the journey that the CRO outlined in November 2020. For the Key Risk Indicators to be effective, they will need to be assigned limits and triggers. The limits and triggers will need to be discussed and agreed with all stakeholders, including the business owners or managers of each risk, the Risk Management Function and the Risk Management Committee.

#### D. **Risk Management Function**

3.87 Crown Resorts has a risk management function headed up by a dedicated CRO. The role of the CRO is outlined in a Crown Position Description.<sup>48</sup> The Crown Position Description for the CRO details, inter alia, the Position Purpose, Key Activities and Tasks and Key Relationships/Interactions of the position of the CRO. In my experience, the contents of this Position Description are consistent with what is common for the position description for a CRO for an organisation such as Crown Resorts. It is also consistent with the responsibilities and the Risk Management Function and CRO listed on Page 10 of the RMS.

---

<sup>46</sup> Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 25 March (CRW.512.004.0001 at .0031).

<sup>47</sup> Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 25 March (CRW.512.004.0001 at .0045).

<sup>48</sup> Crown Resorts Limited, Crown Position Description: Chief Risk Officer (CRW.512.082.0086).

- 3.88 In the Risk Management Framework Update dated 15 March 2021<sup>49</sup> provided to the Risk Management Committee it was noted that in December 2020 the CRO role now reported directly to the CEO of Crown Resorts. In my opinion, the creation of this role and the details of the Position Description is a positive development. This would be expected to have a positive impact on the management of risk at the Group.
- 3.89 The Crown Position Description for the CRO listed the number of direct reports at six and the number of indirect reports at two, a total of eight. The “Risk Organisational Chart and Reporting Line” diagram<sup>50</sup> provided by Crown Resorts listed the total number of roles in the Risk Management Function at twelve. The document is undated and notes that four of the roles are vacant and to be recruited. It is not possible from the material provided to form an opinion on the adequacy of the resourcing of the risk management function. In order to be able to do this it would be necessary to gain a detailed understanding of the activities and workload undertaken by each of the roles and risk related activities undertaken by the business areas across the Group.
- 3.90 It is recommended that the Risk Management Committee Charter be amended to include responsibility to assess the adequacy of the resourcing of the Risk Management Function. In addition, it is recommended that the scheduled independent review of the Group’s risk management frameworks include an assessment of the adequacy of the resourcing of the Risk Management Function.

## E. **External Reviews**

- 3.91 I have looked to the two external reviews undertaken on the Group’s risk management frameworks, systems and processes since 2018 to ascertain if these reviews can assist me to form my views on the effectiveness and robustness of the risk management frameworks and systems of Crown Resorts.
- 3.92 I have reviewed the “Risk management process assessment” document dated 23 May 2018<sup>51</sup> prepared by PricewaterhouseCoopers (PWC) for the VCGLR. In its report, it was stated that the VCGLR had engaged “PwC to provide it with a report advising of any material matters of a risk systems nature the VCGLR should take into account in determining whether the casino operator is still a suitable person to continue to hold the licence in accordance with section 25 of the Act”.

<sup>49</sup> Crown Melbourne Limited, Executive Risk and Compliance Committee Diligent Pack, 25 March 2021 (CRW.512.004.0001 at .0025).

<sup>50</sup> Crown Resorts Limited, Diagram: Risk Organisational Chart and Reporting Lines, 29 March 2021 (CRW.512.010.0336 at .0337).

<sup>51</sup> PricewaterhouseCoopers, Crown Melbourne – Risk management process assessment, 23 May 2018 (CRL.581.001.3365).

- 3.93 In its report PWC states that it focused its interviews and review work in order to “understand how risks are identified, how risk management is embedded across CML and how management respond to key issues.”
- 3.94 The report makes a number of positive observations on the management of risk at Crown Melbourne Limited supported by examples of risks being identified and managed. PWC stated in its Executive Summary (page 4) “[w]e have found that the core fundamentals of a risk management framework are in place and applied across the business”.
- 3.95 Based on my review of the scope of PWC’s work and content of the report and my review of the materials provided to me, I concur with PWC’s view that there were the core fundamentals of a risk management framework in place at Crown Melbourne Limited. I am however unable to reach a conclusion as to the extent to which the core fundamentals were effective at managing all risks at Crown Melbourne Limited. As I have noted in 3.5, I have not undertaken any analysis on the individual risks within the Group’s businesses.
- 3.96 I have reviewed the Deloitte Risk Advisory engagement to ascertain if I can find any evidence of, or draw any conclusions on, the effectiveness of the Group’s risk frameworks. The objectives of the Deloitte Risk Advisory engagement (Section 1.1 Objectives of the 20 June 2019 report) were to “assess Crown’s risk management program and provide observations, and where appropriate, recommendations for improvement”.
- 3.97 Under Section 1.2 “Scope and Approach” of this report, Deloitte did note the limitations of the review. It made a number of specific statements about its engagement: that its “engagement was limited to assessing the design of the risk management program. We did not assess the degree to which the risk management framework has been embedded in the organisation and how well it is operating. It is understood that an independent review was undertaken in May 2018 (by another service provider) that reported on how risk management was embedded across Crown. Our view is that the enhancement of the risk framework will only further embed it across the business”. Based on this limitation, I do not believe that the Deloitte Risk Advisory engagement was able to assist the Group assess the “...effectiveness of its risk frameworks and systems” as required in Recommendation 3 of the VCGLR Sixth Review of the Melbourne Casino Operator and Licence.

3.98 I have not identified in the materials any other independent or external, enterprise wide external or independent review of the Group's risk frameworks in the review period.

**F. Conclusion**

3.99 In summary, from my review of the materials I am of the opinion that there are documented frameworks and practices in place across the Group that could enable it to identify, assess, manage, report and (if possible) mitigate risks.

3.100 I have identified several areas in which the risk management frameworks, as documented in the RMS, lack clarity and can be enhanced. In particular, the Group's practices around establishing and reporting on risk appetite should be reassessed and improved.

3.101 I have not been able to identify evidence of the Risk Management Committee or Audit and Corporate Governance Committee regularly assessing the adequacy and effectiveness of the risk management and internal control processes in the review period. There is evidence of this however being undertaken by the Crown Melbourne Limited Audit Committee. It is also important to note that due to the disruption caused by COVID-19 in 2020 the internal audit function did not complete its planned audits.

3.102 The role of the internal audit function and its visibility and interaction with the Audit and Corporate Governance Committee is in the process of changing. It is not clear to me from my review of the materials that the third line of defence is functioning as envisaged in the RMS. This is in view of the limited visibility of the internal audit function's activities at the Group's Risk Management and the Audit and Corporate Governance committees and the disruption in 2020 due to COVID-19.

3.103 The frameworks and the Group's approach to risk management are supported by an established Risk Management Function. This function has increased in size in 2020 and 2021, albeit with a number of vacancies as of 15 March 2021. I have been able to identify risk management practices and management and board reporting that demonstrates the Risk Management Function is undertaking a wide range of activities to support the implementation of the Group's risk management frameworks.

3.104 Overall, I am unable to reach the conclusion that the Group's risk management frameworks and systems are effective and robust based on the matters outlined above in this section. In my opinion, whilst the risk management frameworks and policies are not fundamentally deficient, there are design and reporting weaknesses in the risk management frameworks that need to be addressed.

3.105 In my opinion, the Group would need to demonstrate the effective implementation of the requirements of the frameworks in the areas of risk appetite, risk reporting incorporating agreed key risk indicators, operation of the three lines of defence, and oversight by the Risk Management Committee and Audit and Corporate Governance Committee.

#### 4. **RECOMMENDATIONS**

4.1 In this section of my report, I provide my opinion on any enhancements or improvements that I consider could be made to the existing risk management frameworks and systems of Crown Resorts.

4.2 This part of the report is divided up into the following sections:

- Risk Management Governance
- Risk Management Framework
- Risk Management Function
- Risk Management Reporting
- External Reviews

##### A. **Risk Management Governance**

###### i. Risk Management Committee Charter

4.3 Based on my review of the Risk Management Committee Charter<sup>52</sup> and my knowledge and understanding of the operation of risk committees for groups of the size and nature of the Group, I would recommend that the Group consider making a number of amendments to the Risk Management Committee Charter. The amendments should have the effect of improving the oversight, governance, and management of risk at the Group. There are eight recommendations in total.

4.4 Recommendation 1: Expand the “Introduction and background” of the Risk Management Committee Charter to explicitly state the purpose of the Risk Management Committee. At present, the Charter focuses on the Risk Management Committee’s role in overseeing the Risk Management and Compliance Frameworks. In my opinion, it would be more appropriate to state that Risk Management Committee’s role is to provide objective review and oversight of the management of risk across the Group, to support the setting of risk appetite by the Group’s Board, the monitoring of risk appetite and overall risk profile of the Group, and the design, implementation, and operation of the Group’s risk management frameworks.

---

<sup>52</sup> Crown Resorts Limited, Risk Management Committee Charter, March 2021 (CRW.512.043.0077).

- 4.5 Recommendation 2: Insert into the Risk Management Committee Charter a new section outlining the role of the Chair of the Risk Management Committee. This should include the Chair's key roles in managing the Risk Management Committee's responsibilities, liaising with the Board, Audit and Corporate Governance and other relevant Committees, and liaising with the CRO. This section should also outline the Chair's role in agreeing with the other committee members and management a scheduled of regular agenda of items for meeting during a year. This is usually referred to as a rolling agenda. In my experience it is common for board risk committees to review and discuss a specific category of risk, in depth, at a designated meeting each year. This has several benefits including giving committee members the opportunity to gain a deeper understanding of a particular category of risk, the opportunity to question the executives and managers in more detail on the nature of the risk, and to discuss any new or emerging issues in relation to the particular risk. For Crown Resorts, these regular items could include the performance of the AML/CTF program, financial crime, the Group's cyber security risk profile, workplace health and safety, resourcing and performance of the risk management function, and the external regulatory environment.
- 4.6 Recommendation 3: Insert into the Risk Management Committee Charter a new section outlining role of the Risk Management Committee in overseeing the resourcing, operation, and effectiveness of the Risk Management Function. This section should include provisions detailing the role of the Committee in the appointment and termination of the CRO, ensuring the adequate resourcing of the Risk Management Function, the communication protocols (formal and informal) between the CRO and the Risk Management Committee, and reviewing the operation and effectiveness of the Risk Management Function led by the CRO.
- 4.7 Recommendation 4: Insert into the Risk Management Committee Charter a new section outlining the role of the Risk Management Committee in relation to matters raised by internal or external audit. This section should outline the roles and responsibilities and related protocols for assessment, monitoring and resolution of any such matters that may arise. The objective of this recommendation is to ensure that it is clear how audit issues are resolved and the relative roles of the Risk Management Committee and Audit and Corporate Governance Committee.
- 4.8 Recommendation 5: Include in the current Section 4 (Proceedings) of the Risk Management Committee Charter explicit invitations to the Committee meetings for the CEO, CRO, CFO and Group General Manager - Internal Audit.

- 4.9 Recommendation 6: Insert into the Risk Management Committee Charter a new section that explicitly requires Risk Management Committee members to meet with the CRO, the Head of Internal Audit and Head of Compliance, without management present, on at least an annual basis.
- 4.10 Recommendation 7: Expand Section 3 (Duties, responsibilities and powers) to explicitly include oversight, review and assessment of a number of key items of the management of risk in the Risk Management Strategy. There are number of important responsibilities and activities detailed in the Risk Management Strategy that have been delegated to the CRO and/or management. The items to be included are receiving and reviewing an independent report (at least once every three years) on the appropriateness, effectiveness, and adequacy of the RMS, having the Risk Management Committee satisfy itself that the RMS continues to be sound, and having the Risk Management Committee satisfy itself that the Group is operating within the risk appetite set by the board.
- 4.11 Recommendation 8: Insert into the Risk Management Committee Charter a new section outlining the Risk Management Committee’s role with respect to risk culture within the Group. At present there is only one reference to risk culture in the Charter. This refers to the Risk Management Committee’s role in “challenging and driving a risk and compliance culture at Crown”.<sup>53</sup> In my opinion, it would be more appropriate for the role to be expanded to include responsibility for assisting management establishing and maintaining a sound risk culture, reviewing and assessing risk culture from time to time (including the use of independent, external reviews commissioned by the Risk Management Committee or management), forming a view on the Group’s risk culture with respect to the Group’s risk appetite and reporting to the board on risk culture-related matters.

ii. Audit and Corporate Governance Committee Charter

---

<sup>53</sup> Crown Resorts Limited, Risk Management Committee Charter, March 2021 (CRW.512.043.0077 at .0079).



- 4.12 Based on my review of the Audit and Corporate Governance Committee Charter and my knowledge and understanding of the operation of audit committees for Australian publicly listed companies of the size and nature of the Group, I would recommend that the Group consider making several amendments to the Audit and Corporate Governance Committee Charter. The amendments should have the effect of improving the oversight, governance, and management of risk at the Group. There are seven recommendations in total.
- 4.13 Recommendation 9: It is recommended that the Group expand the “Introduction and background” of the Audit and Corporate Governance Committee Charter to better articulate the role of the Audit and Corporate Governance Committee. At present, the Audit and Corporate Governance Committee Charter predominantly focuses on the Audit and Corporate Governance Committee’s role in financial reporting and taxation matters. There is limited detail on its role in handling internal and external audit matters. In my opinion, in order to increase the effectiveness of the Audit and Corporate Governance Committee and the operation of the three lines of defence across the Group, it would be appropriate to articulate the Audit and Corporate Governance Committee’s role in regard to the internal control framework for the Group, the role and performance of the internal audit function, the interaction with the external auditor on matters other than financial reporting and taxation, its role in the Group’s RMS, and interaction with the Risk Management Committee.
- 4.14 Recommendation 10: Insert into the Audit and Corporate Governance Committee Charter a new section outlining in detail the relationship between the internal audit function and the Audit and Corporate Governance Committee. At present, there is only one reference to the Audit and Corporate Governance Committee’s relationship with the internal audit function. The relevant reference states that “the Committee will oversee the process for, and receive periodic updates on, internal audit processes”.<sup>54</sup> Based on my knowledge and understanding of the operation of audit subcommittees and their interaction with an internal audit function, it would be appropriate to detail the Audit and Corporate Governance Committee’s oversight of and interaction with the internal audit function, the reporting line(s) of the internal auditor, the processes to oversee and endorse the annual audit plan proposed by internal audit and management, and the role and performance of the internal audit function.

---

<sup>54</sup> Crown Resorts Limited, Audit and Corporate Governance Committee Charter, February 2021 (CRW.512.009.2525 at .2529).

- 4.15 Recommendation 11: It is recommended that the Group insert into the Audit and Corporate Governance Committee Charter a new section outlining the role of the Committee in overseeing the resourcing, operational and effectiveness of the internal audit function. This section should include a provision detailing the role of the Committee in the appointment and termination of the internal auditor, ensuring the adequate resourcing of the internal audit function, the communication protocols (formal and informal) between the internal auditor and the Audit and Corporate Governance Committee, and reviewing the operation and effectiveness of the internal audit function.
- 4.16 Recommendation 12: It is recommended that the Group consider including in the Audit and Corporate Governance Committee Charter the inclusion of a requirement to periodically obtain an external assessment on the adequacy and effectiveness of the Group's internal audit function and processes.
- 4.17 Recommendation 13: It is recommended that the Group insert into the Audit and Corporate Governance Committee Charter a new section outlining the role of the Audit and Corporate Governance Committee in relation to specific matters or issues raised by internal or external audit. This section should outline the roles and responsibilities and related protocols for assessment, monitoring and resolution of any such matters or issues that may arise. The objective of this recommendation is to ensure that it is clear how audit issues are resolved and the relative roles of the Audit and Corporate Governance Committee and any other relevant committees that the board may have delegated responsibility to for the relevant area that the matter raised relates to.
- 4.18 Recommendation 14: It is recommended that the Group consider including in the Membership of the Committee a requirement that the Chair of the Risk Management Committee be a member of the Audit and Corporate Governance Committee. This should enable the free flow of information between the Audit and Corporate Governance Committee and Risk Management Committee, and facilitate the efficient workings of both committees, thereby assisting the management of risk across the Group.

4.19 Recommendation 15: It is recommended that the Group insert into the Audit and Corporate Governance Committee Charter a new section outlining role of the Audit and Corporate Governance Committee in relation to reviewing the processes and controls that support management certifications for the Group's half-year and full-year financial reporting, management's report on risk management and internal controls over financial reporting processes, and any external audit reporting or comment thereof.

iii. Internal Audit Function

4.20 Recommendation 16: It is recommended that the reporting lines of the Group General Manager – Internal Audit to the Crown Resorts board and subcommittees be reviewed, clarified, and documented in the Position Description for this role. In addition, it is recommended that expanded commentary on the relationships and interactions with Crown Resorts' Board, the Audit and Corporate Governance Committee, the Risk Management Committee, and the audit committees of the subsidiary companies (as appropriate) be included in the Position Description. It is also important, in my opinion, that the Position Description is aligned with the contents of the RMS and the Audit and Corporate Governance Committee Charter in regard to internal audit.

**B. Risk Management Framework**

4.21 One of the core documents in the Group's risk management framework is the RMS. In Section 3 of this report, I have detailed my views, opinions, and areas for improvement in the RMS. This was based on my review of the materials, including the Deloitte's Risk Advisory report dated 20 June 2019. There are three recommendations in relation to the RMS.

4.22 Recommendation 17: Crown Resorts should develop a standalone Risk Appetite Statement (RAS), separate to the RMS. The RAS should have risk appetite for all business risks documented in greater detail than at present in the RMS. The RAS should have in more granular detail the governance protocols for periodically reviewing and assessing changes to risk appetite in response to changes in the Group's risk profile arising from changes to the internal or external environment.

- 4.23 At present, the RMS seeks to document in some detail the risk appetite for the Group in seven (7) impact categories. The relevant sections of the RMS are Sections 7.1, 7.2 and 7.3. It is common practice for the detailed statements on appetite for specific risks and the quantitative measures to be in a separate document often referred to as a Risk Appetite Statement. Management and board (or risk committee) workshops should be held to agree the risks to be documented in the RAS and risk appetite for each. The benefit of undertaking this approach is that it enables risk appetite to be reviewed, if necessary, from time to time. This should, in my experience, lead to a more focused discussion on each of the individual areas of risk when risk appetite is reviewed.
- 4.24 The RMS should remain a governance document detailing organisation structure, policies and processes. The RMS would only therefore need to change if there were organisation changes, changes in the structure and nature of the Group's activities or fundamental changes in the external environment.
- 4.25 Recommendation 18: The RMS currently states that "the Risk Matrix is updated by the Risk Management Function and is approved by the CEO for Crown Resorts and the CEOs or equivalent for the wholly owned subsidiaries". I therefore recommend that, consistent with what I believe is industry practice, the Group's Risk Matrix and its underlying methodology be reviewed and approved annually by the Risk Management Committee.
- 4.26 Recommendation 19: The specific roles and responsibilities of the subsidiary boards in relation to risk management should be confirmed by the Risk Management Committee. If necessary, the RMS should be amended to reflect the specific roles of the subsidiary boards and the exact nature of their relationships, and interaction with, the Risk Management Committee and Audit and Corporate Governance Committee.

C. **Risk Management Function**

- 4.27 I make no recommendations with respect to the Risk Management Function. In 4.6, I have however recommended that the Risk Management Committee Charter be expanded to include in its role overseeing the resourcing, operational and effectiveness of the Risk Management Function. I would also encourage the Risk Management Committee to satisfy itself as to the resourcing and adequacy of the Risk Management Function.

#### D. **Risk Management Reporting**

- 4.28 Risk management reporting by the Risk Management Function to the Risk Management Committee is continuing to evolve. This is acknowledged by the CRO in the 15 March 2021 update to the Risk Management Committee. I make a number of specific recommendations to be considered as part of this evolution.
- 4.29 **Recommendation 20:** A larger set of risks be reported to the Risk Management Committee on a half yearly basis than the current risks documented in the RMS. The Excel spreadsheet titled Crown ERCC Corporate Risk Profile Annual Review November 2020<sup>55</sup> details a list of 24 risks. I understand this was used as the basis of the Crown Melbourne Corporate Risk Profile presented to the Crown Melbourne Limited Audit Committee in November 2019.<sup>56</sup> This content should form the basis of more frequent and detailed reporting to the Group's Risk Management Committee. The Risk Management Committee should be presented with the opportunity to review and discuss all business risks that have an inherent high rating and that are reliant on controls to remain within risk appetite, in future.
- 4.30 **Recommendation 21:** The Risk Management Committee and management should develop and agree on a suite of Group-wide qualitative measures to better monitor and report if the Group is operating within or outside risk appetite. These qualitative measures should be reported monthly to the ERCC, the subsidiary boards and the Risk Management Committee. At each scheduled Risk Management Committee, a report from management should specifically detail progress being made to bring the relevant risk issue back within appetite. This should be the subject of discussion and challenge from the Risk Management Committee, minuted, and actioned for follow up at a future meeting.

#### E. **External Reviews**

- 4.31 Based on my review and assessment of the materials provided, there has been a significant improvement in the oversight, management and reporting of risk management and risk issues in 2020 and 2021. Changes to the approach to managing risk at the Group are seen as being positive and enhancing the management of risk. However, as noted in Section 3.F.Conclusions and reflected by the number of recommendations, the Group should undergo further change and enhancement of the processes and practices across the Group for managing the breadth of risks.

<sup>55</sup> Excel Spreadsheet: Crown ERCC Corporate Risk Profile Annual Review November 2020

<sup>56</sup> Crown Melbourne Limited, Audit Committee Diligent Pack, 20 November 2019 (CRW.502.001.1586 at .1617).

- 4.32 In this context, it will be important for the Group to commission an independent review of the effectiveness of its risk management frameworks considering these changes and the acceptance and implementation of any of the recommendations in this report. The Board and Risk Management Committee will be best placed to determine the appropriate time to undertake this review based on its assessment of the time that it can reasonably expect the various enhancements to business and risk management practices to be embedded and working.
- 4.33 Recommendation 22: It is recommended that the Group commissions an independent review of the effectiveness of its risk management frameworks, at a time at which it can reasonably expect the various enhancements to business and risk management practices to be embedded and working. It is noted that the Group has stated plans to undertake this review in 2022. This is supported.

**END OF REPORT**

## **ANNEXURE I – CURRICULM VITAE OF PETER DEANS**

### **SUMMARY**

Peter is a retired Chief Risk Officer and experienced financial services executive with over 32 years' risk management and financial services experience.

Extensive experience working in, and depth of understanding of, the Australian banking and finance industry and established relationships with key players. Experience across retail banking, risk management, corporate finance, investment / credit analysis, client relationship management and lending, and operations management experience.

Strong expertise in the development and implementation of business strategies and plans. Also, organisational restructuring, turnaround and reorganisation experience. Experience in the design and implementation of risk management frameworks, risk function organisational design, risk identification, measurement and reporting, and strategic risk / emerging risk assessment. Experience covers regulatory and compliance, business continuity and cyber security. Well-developed, high level expertise and experience dealing with and building relationships with regulators and policy makers.

Implemented BOQ's industry leading Ethics program since 2015 and a leading advocate for ethical conduct across the industry for many years. Awarded Australian Banking & Finance magazine's Chief Risk Officer of the Year award in 2014, 2015, 2016 and 2018.

### **Current Directorships and Other Roles**

- Maia Financial Group (Monleasing Holdco Pty Ltd) – Chair & Non-Executive Director
- Trade For Good Pty Ltd – Non-Executive Director
- The RegTech Association – Non-Executive Director
- Notwithoutrisk Consulting - Director
- KordaMentha - Special Advisor / Consultant
- 52 Risks – Founder [www.52risks.com](http://www.52risks.com)
- QUT Economics and Finance School, Advisory Committee, Member
- Your Financial Wellness, Advisory Board Member

### **June 2019 – Present**

#### **Notwithoutrisk Consulting – Director**

Self-employed risk and strategy consultant advising companies and other organisations in the areas of risk management. Services include the establishment of risk appetite & risk management workshops, the design and implementation of risk management & compliance frameworks, risk reviews & improvement programs, and risk management training.

### **March 2012 – May 2019**

#### **Bank of Queensland Limited - Group Chief Risk Officer**

Australia's seventh largest Bank with over \$A50bn in assets and approximately 2,800 employees. BOQ operates in consumer banking, business banking, asset finance and consumer insurance.

The role included:

- Board Risk Committee (Attendee)
- Board Audit Committee (Attendee)
- Board IT Committee (Attendee)
- Executive Committee (Member)
- Transformation Investment Committee (Member)
- Executive Credit Committee (Chair)
- Asset & Liability Committee (ALCO) (Member)
- Group Operational Risk Committee (Chair)
- Ethics, Conflicts & Security Committee (Chair)
- Cyber Security Forum (Co-Chair)

Also, Director of eight wholly owned subsidiary entities.

Responsible for overall risk management within BOQ encompassing all usual banking risks: credit risk, market risk, operational risk, business continuity, group security, financial crime / fraud and cyber security. Also includes management of BOQ's Troublesome and Impaired Assets – including retail / consumer, asset finance and commercial workout teams.

Member of the Executive Committee and involved in all major strategy, business and investment decisions. Major initiatives included the acquisition of Virgin Money Australia (2013) and Investec's Australian medical financing business (2014).

Worked with the CEO of BOQ in early 2012 to reorganise and recapitalise Bank of Queensland, including a major (\$450m) equity raising and sale of a major portfolio of distressed real estate loans. Over the following 24 months successfully resurrected the balance sheet, reset risk appetite and achieved a significant improvement in portfolio credit metrics. This resulted in BOQ's credit ratings with Moody's and Standard & Poor's being raised from BBB to A-. Concurrently there was also a significant equity market re-rating.

Implemented a comprehensive overhaul of BOQ's risk management governance, frameworks and policies, encompassing Risk Appetite, Operational Risk, Liquidity and Market Risk, Three Lines of Defence and Risk Reporting between 2012 and 2015.

As a member of the Executive Committee and Transformation Investment Committee, oversaw the implementation of new treasury risk and liquidity risk management systems, consumer finance and commercial lending systems since 2012.

Co-Chaired (with Group General Counsel) BOQ's Royal Commission Steering Committee response for development and oversight of BOQ's strategy for meeting its obligations for the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Oversaw the development and implemented BOQ's Cyber Security strategy between 2016 and 2019.

### **July 2010 – March 2012**

#### **Independent Risk & Strategy Consultant (Alma Grove Consulting - Owner / Principal)**

Offered consulting and training services to Banks, Financial Institutions, and the Corporate sector.

Facilitator of 'Foundations of Strategy and Risk Management' for new directors (Australian Institute of Company Directors)



## September 1999 – May 2010

### Commonwealth Bank of Australia Group

#### Chief Risk Officer, Bankwest (Dec 08 to May 10)

Reported to the Managing Director of Bankwest. Australia's sixth largest Bank with over \$A60bn in assets and 4,800 staff. Role included:

- Executive Committee Duties (Member)
- Executive Credit Committee (Chair)
- Non-Retail and Retail Credit Committees (Chair)
- Asset & Liability Committee (ALCO) (Member)

Role responsible for overall risk management within Bankwest encompassing all usual banking risk matters, credit risk, market risk, operational risk, business continuity, fraud and security. Role encompassed Retail and Business Banking. Also included direct management of Bankwest's 'work out' group that manages the Bank's Troublesome and Impaired Assets. Total Risk Management staff: 390.

Completed a complete overhaul and restructure of the entire risk management function. Encompassed new forums, new organisation structure, revised credit policies and risk appetite, establishment of a workout group and implementation of a new leadership / cultural tone.

### Commonwealth Bank of Australia Group - Other Roles

General Manager/Head of Risk Management, Southern Australia & NZ. August 2002 – December 2008 (VIC/WA since 02. SA/NZ added Nov 06).

Acting General Manager Risk Management (Head of Resources Sector, Institutional Banking), December 2001 – August 2002

Chief Manager, Risk Management (Institutional Banking) September 1999 – December 2001

### **ACADEMIC QUALIFICATIONS**

University of Melbourne, Bachelor of Commerce (1986) - Majors in Accounting and Economics

### **OTHER TRAINING**

- Harvard Business School (Boston): Risk Management for Corporate Leaders (Inaugural Course) (2010)
- Australian Institute of Company Directors Course (2008)
- CBA/Australian Graduate School of Management (AGSM) Credit Risk Course (2006)

### **PROFESSIONAL MEMBERSHIPS**

- Australian Institute of Company Directors (AICD)
- FINSIA
- Risk Management Association (Australia)
- Risk Management Institute of Australasia

## **AWARDS**

- Achievement in Enterprise Risk Management, Asian Banker Magazine 2014
- Achievement in Liquidity Risk Management, Asian Banker Magazine 2016
- Chief Risk Officer of the Year 2014, Australian Banking & Finance Magazine
- Chief Risk Officer of the Year 2015, Australian Banking & Finance Magazine
- Chief Risk Officer of the Year 2016, Australian Banking & Finance Magazine
- Chief Risk Officer of the Year 2018, Australian Retail Banking Awards (AB&F)

## **ARTICLES**

- *Getting the risk balance right – a trade-off between caution and action*, InFinance FINSIA Members Magazine June 2012
- *Fintech and Risk Management: Oil and Water Never Mix?*, APAC CIO Outlook February 2017
- *Bringing Ethical Behavior to Life in Australia: A Case Study from BOQ*, RMA Journal (USA) June 2017. Awarded 1<sup>st</sup> Prize, Enterprise Risk Management Category, RMA Journalistic Excellence Awards 2018.
- *After the Storm. Long-term focus needed for organisations in COVID-19 recovery*, Company Director Magazine, May 2020
- *The Big Covid-19 Blind Spot: Lack of Risk Management Is Leaving Us Wanting'*, Singularity University, April 2020 <https://singularityhub.com/2020/04/24/the-big-covid-19-blind-spot-lack-of-risk-management-is-leaving-us-wanting/>

ANNEXURE II – DOCUMENTS PROVIDED BY THE SOLICITORS ASSISTING THE COMMISSION

Doc ID	Date	Title / Description
CRL.509.021.3791	21 May 2019	Executive Risk and Compliance Committee Strategic Risk Update
CRL.581.001.3365	23 May 2018	PWC Report – Crown Melbourne Risk Management Process Assessment
CRL.581.001.3483	20 June 2019	Deloitte Report – Crown Melbourne Limited: Report on the Risk Management Framework
CRL.590.001.0067	February 2008	Crown Resorts Code of Conduct for Directors
CRL.627.001.0021	February 2020	Crown Resorts Board Charter
CRL.639.001.0103	13 November 2019	Crown Melbourne Executive Risk and Compliance Committee Minutes
CRL.639.001.0110	24 January 2020	Crown Melbourne Executive Risk and Compliance Committee Minutes
CRL.639.001.0117	26 May 2020	Crown Melbourne Executive Risk and Compliance Committee Minutes
CRL.639.001.0133	30 January 2019	Crown Melbourne Executive Risk and Compliance Committee Minutes
CRL.639.001.0140	21 May 2019	Crown Melbourne Executive Risk and Compliance Committee Minutes
CRL.639.001.0148	30 July 2019	Crown Melbourne Executive Risk and Compliance Committee Minutes
CRL.652.001.0116	4 October 2019	Crown Resorts Audit and Corporate Governance Committee Minutes
CRL.658.001.0483	12 June 2019	Crown Resorts Risk Management Strategy
CRL.668.001.0006	31 August 2020	Crown Resorts Risk Matrix
CRL.668.001.0019	10 June 2020	Crown Resorts Risk Management Strategy
CRW.004.011.8035	20 May 2019	AML/CTF Committee Paper – ML/TF Risk Assessment – Crown Melbourne
CRW.004.011.8109	21 May 2019	Schedule 4 – Crown Entities ML/TF Risk Register
CRW.008.024.0970	21 May 2019	Crown Melbourne Executive Risk and Compliance Committee Papers
CRW.008.032.4438	26 May 2020	Crown Melbourne Executive Risk and Compliance Committee Papers

Doc ID	Date	Title / Description
CRW.502.001.1586	20 November 2019	Crown Melbourne Audit Committee Diligent Pack
CRW.502.001.1713	6 August 2019	Crown Melbourne Audit Committee Diligent Pack
CRW.502.001.1809	30 January 2020	Crown Melbourne Audit Committee Diligent Pack
CRW.502.001.1925	6 August 2020	Crown Melbourne Audit Committee Diligent Pack
CRW.505.001.1186	6 August 2020	Crown Melbourne Board Charter
CRW.507.001.3844	February 2021	Crown Resorts Occupational Health and Safety Committee Report
CRW.507.001.5511	29 August 2020	Crown Resorts Corporate Governance Statement
CRW.507.004.0628	11 February 2019	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.3188	24 July 2019	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.3301	9 August 2019	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.004.3489	12 August 2019	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.4597	4 September 2019	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.4917	20 September 2019	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.5495	4 December 2019	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.5663	4 December 2019	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.004.8123	23 January 2020	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.8412	12 February 2020	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.004.8673	12 February 2020	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.005.0558	25 March 2020	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.005.1586	10 June 2020	Crown Resorts Risk Management Committee Diligent Pack

Doc ID	Date	Title / Description
CRW.507.005.2069	18 June 2020	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.005.2145	23 June 2020	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.005.2469	12 August 2020	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.005.2809	12 August 2020	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.005.3372	2 September 2020	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.005.4419	20 October 2020	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.005.6116	19 November 2020	Crown Resorts Risk Management Committee Diligent Pack
CRW.507.005.7387	9 December 2020	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.006.0876	10 February 2021	Crown Resorts Audit and Corporate Governance Committee Diligent Pack
CRW.507.006.4822	February 2017	Crown Resorts Occupational Health and Safety Committee Report
CRW.507.011.7713	7 October 2020	The Institute of Internal Auditors – Independent Quality Assessment of the Internal Audit Department
CRW.508.001.4761	2 February 2021	Crown Melbourne Audit Committee Diligent Pack
CRW.508.001.5533	23 November 2020	Crown Melbourne Audit Committee Diligent Pack
CRW.510.020.5092	15 November 2020	Crown Melbourne Executive Risk and Compliance Committee Corporate Risk Profile Annual Review
CRW.512.004.0001	25 March 2021	Crown Resorts Risk Management Committee Diligent Pack
CRW.512.008.0009	31 March 2021	Deloitte – Organisational Culture Review: Phase 1 Report
CRW.512.010.0302	March 2021	Crown Resorts Risk and Compliance Culture Framework
CRW.512.010.0336	29 March 2021	Crown R&R and Framework Graph
CRW.512.010.0345	February 2021	Crown Resorts People, Remuneration & Nomination Committee Charter

Doc ID	Date	Title / Description
CRW.512.012.0133	July 2020	Crown Resorts Code of Conduct
CRW.512.012.1461	28 August 2020	Crown Resorts Annual Report 2020
CRW.512.026.0006	2 July 2020	Spreadsheet – Status of Deloitte Recommendations
CRW.512.041.0055	23 April 2021	Crown Resorts Risk Management Strategy
CRW.512.041.0079	26 April 2021	Organisational Charts
CRW.512.043.0002	14 February 2019	Engagement letter from Deloitte to Crown
CRW.512.043.0013	April 2021	Chronology of Risk Management Committee papers and Board papers on material risks considered since 2017
CRW.512.043.0051	March 2021	Crown Resorts Risk Management Policy
CRW.512.043.0057	July 2020	Crown Melbourne Audit Committee Charter
CRW.512.043.0063	August 2020	Crown Melbourne Compliance Committee Charter
CRW.512.043.0071	March 2021	Crown Resorts Delegation Policy
CRW.512.043.0077	March 2021	Crown Resorts Risk Management Committee Charter
CRW.512.044.0114	April 2021	Timeline of Risk Management Framework Enhancements
CRW.512.081.0044	Undated	Table of audit findings
CRW.512.082.0086	25 March 2021	Crown Position Description – Chief Risk Officer
CRW.512.082.0092	12 April 2017	Crown Position Description – Group General Manager – Risk and Audit
CRW.512.087.0013	31 March 2021	Crown Position Description – Group General Manager – Risk
CRW.512.087.0072	April 2021	IA and Risk Organisational Chart Evolution 2018 to 2021
CRW.512.087.0076	22 April 2021	Crown Position Description – Chief Risk Officer
CRW.512.116.0001	8 June 2021	Spreadsheet – Status of Deloitte Recommendations
CRW.512.125.0001	27 April 2021	Crown Position Description – Group General Manager – Internal Audit
CRW.514.005.5668	11 June 2019	Memorandum to AML/CTF Compliance Officer – ML/TF Risk Assessment – Crown Perth

Doc ID	Date	Title / Description
CRW.534.001.2657	16 October 2020	Memorandum from Mr Nick Stokes to Mr Ken Barton – Proposal to approve Crown Resorts AML/CTF Policy and Procedures
CRW.539.005.2520	8 April 2019	Schedule 7 – Business Risk Assessment (marked up version for review)
CRW.539.005.8665	28 May 2019	Memorandum to AML/CTF Committee – ML/TF Risk Assessment – Crown Melbourne
CRW.539.006.2613	25 March 2019	Schedule 7 – Business Risk Assessment with input from Derek Burling
CRW.539.008.1251	12 April 2019	Memorandum to AML/CTF Committee – ML/TF Risk Assessment – Crown Melbourne
CRW.539.008.1263	12 April 2019	Schedule 7 – Business Risk Assessment (marked up version)
CRW.540.002.1584	14 May 2019	Employee due diligence risk assessment template with handwritten comments
CRW.540.012.1301	4 December 2017	Organisational Chart – AML/CTF Obligations
CRW.540.027.7755	23 July 2019	Crown AML/CTF Annual Compliance Plan with handwritten comments
CRW.540.028.7326	30 July 2018	Crown AML/CTF Annual Compliance Plan
CRW.709.022.2995	15 August 2019	Presentation – Crown's AML/CTF Framework
CRW.709.027.7378	June 2019	Draft Corporate Policy Statement – Crown's AML Joint Program
CRW.709.036.6041	21 February 2020	Memorandum from Mr Joshua Preston to Mr Barry Felstead – Joint AML Framework – Crown Entities ML/TF Risk Register
CRW.998.001.0104	27 April 2021	Statement of Ms Antonia Korsanos
CRW.998.001.0152	28 April 2021	Statement of Ms Jane Halton
CRW.INQ.010.003.0082	August 2008	Crown Resorts Code of Conduct for Employees
DTT.001.0002.0045	14 February 2019	Engagement letter from Deloitte to Crown
DTT.001.0002.0049	18 February 2019	Email from Crown Resorts to Deloitte attaching initial documents
DTT.001.0002.0050	18 February 2019	Crown Melbourne Risk Management Framework Diagram

Doc ID	Date	Title / Description
DTT.001.0002.0051	18 February 2019	Crown Resorts Draft Risk Management Strategy
DTT.001.0002.0055	24 May 2019	Email from Crown Resorts to Deloitte attaching draft report with proposed updates
DTT.001.0002.0056	24 May 2019	Crown Resorts Draft Risk Management Strategy
DTT.001.0002.0057	24 May 2019	Draft Deloitte Report – Crown Melbourne Limited: Report on the Risk Management Framework
DTT.001.0002.0061	20 June 2019	Deloitte Report – Crown Melbourne Limited: Report on the Risk Management Framework
DTT.004.0001.2042	27 May 2019	Internal Deloitte Email regarding draft Deloitte Report
N/A	9 June 2021	RCCOL Transcript – Ms Anne Siegers
N/A	10 June 2021	RCCOL Transcript – Ms Anne Siegers



# ANNEXURE III – LETTERS OF INSTRUCTION FROM THE ROYAL COMMISSION INTO THE CASINO OPERATOR AND LICENCE

14 May 2021

By email: **Personal Information**

Mr Peter Deans

**Personal Information**

**Contact**

Abigail Gill (03) 9672 3262  
Email: abigail.gill@corrs.com.au

Dear Mr Deans

## **Royal Commission into the Casino Operator and Licence Request for Expert Opinion – Further Instructions and Additional Materials**

We refer to our correspondence on 6 May 2021, your email on 10 May 2021 and our conference on 13 May 2021.

This letter sets out;

- (a) instructions on the questions that you are asked to consider and provide an opinion; and
- (b) the categories of additional documents you have requested in order to provide your opinion (**Additional Documents**), along with our comments on the present availability of those documents, and a list of the Additional Documents provided for your review.

### **2 Further instructions**

Following your review of:

- (a) the material that was provided to you on 6 May 2021; and
- (b) the Additional Documents,

the Commission requests that you consider and provide a written report setting out your opinion on:

- (i) the effectiveness and robustness of the risk management frameworks and systems of Crown Resorts; and
- (ii) in light of your opinion on the question in paragraph (i) above, any enhancements or improvements that you consider could be made to the existing risk management frameworks and systems of Crown Resorts.

In providing your opinion on the matters set out above, we request that you outline your reasoning and basis for your opinion, providing examples or references where appropriate. References might include domestic or international standards, published literature and

---

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

other like materials. Please also identify any assumptions you have made or facts or documents you have relied upon to form your opinions.

### 3 Additional Documents

In relation to each of the categories of Additional Documents, we note the following:

Documents Requested	Commission Comments
Board Risk Committee papers and minutes since mid-2019.	Risk Management Committee board packs for the relevant period are provided and listed in the table below.
ERCC papers and minutes since 2019.	ERCC minutes for the relevant period are provided and listed in the table below. The Commission has not identified any ERCC board packs for the relevant period within the documents produced to it, but notes that many ERCC papers are replicated in the board packs of the Risk Management Committee and Audit Committee.
Any Corporate Risk Profiles prepared under the RMS.	Corporate Risk Profiles prepared under the RMS are provided within the Audit Committee board packs dated 20 November 2019 and 23 November 2020.
A recent listing / report of items in Crown's risk registers.	The Commission has not identified any documents in this category within the documents produced to it.
Extracts of any risk reporting to the subsidiary board meetings since mid-2019.	The Commission has not identified any reports from the Risk Management Committee to the board of Crown Melbourne within the Crown Melbourne board packs.
Roles Summary / Job Description for the Chief Risk Officer (and prior GM role) and Internal Auditor.	The Commission has not identified a 'Crown Position Description' document for the roles of Chief Risk Officer, Group General Manager – Risk and Audit or Internal Auditor within the documents produced to it.
Internal Audit reports since mid-2019.	Internal Audit reports are contained within each Audit Committee board pack.
External Audit management letters for HY2019, FY2020 and HY 2020.	The Commission is yet to conduct the searches required to identify documents within this category.
Extracts from board or committee minutes of verbal updates from the Risk	The Commission is yet to conduct the searches required to identify documents within this category.

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

Documents Requested	Commission Comments
---------------------	---------------------

Management Committee of the  
Chief Risk Officer

#### 4 Material for review

We **attach**, for your consideration, the documents listed in the table below. Where applicable, we have set out the contents of each document provided for your review, noting that these documents are provided in their entirety and may contain some sections which are not relevant for the purposes of our request.

No.	Document	Date
<b>Board Risk Committee papers and minutes since mid-2019</b>		
1.	Board Pack (CRW.507.004.3301) <ul style="list-style-type: none"> <li>• Minutes of Meeting held on 29 May 2019</li> <li>• Matters Arising</li> <li>• AML/CTF Joint Program</li> <li>• Risk Reporting               <ul style="list-style-type: none"> <li>○ Report Against Material Risks</li> <li>○ Emerging Risks</li> <li>○ VIP International Operations Update</li> </ul> </li> <li>• Compliance Matters               <ul style="list-style-type: none"> <li>○ Compliance Report</li> <li>○ ILGA Notices</li> </ul> </li> <li>• Insurance Matters               <ul style="list-style-type: none"> <li>○ Insurance Broker</li> <li>○ Cyber Insurance</li> </ul> </li> <li>• Other Business               <ul style="list-style-type: none"> <li>○ Executed Contracts Register</li> <li>○ Directors' Statutory Report – Risk Disclosure</li> <li>○ Future Meetings</li> </ul> </li> </ul>	9 August 2019
2.	Board Pack (CRW.507.004.5663) <ul style="list-style-type: none"> <li>• Minutes of Meeting               <ul style="list-style-type: none"> <li>○ Minutes of Meeting held on [9] August 2019</li> <li>○ Written Resolution dated 22 November 2019</li> </ul> </li> <li>• Matters Arising</li> <li>• Cladding</li> <li>• Instrument and Payroll Compliance Review</li> <li>• Risk Reporting               <ul style="list-style-type: none"> <li>○ Report Against Material Risks</li> <li>○ Emerging Risks</li> <li>○ ASIC Corporate Governance Taskforce</li> </ul> </li> <li>• Compliance Report</li> <li>• Insurance Renewal Update</li> <li>• Other Business</li> </ul>	4 December 2019

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

No.	Document	Date
	<ul style="list-style-type: none"> <li>○ ILGA Inquiry</li> <li>○ Delegation Policy</li> <li>○ Register of Contracts</li> <li>● Future Meetings</li> </ul>	
3.	<p>Board Pack (CRW.507.004.8673)</p> <ul style="list-style-type: none"> <li>● Draft Minutes of Meeting held on 4 December 2019</li> <li>● Matters Arising</li> <li>● Coronavirus</li> <li>● Crown Perth Initiatives</li> <li>● Cladding</li> <li>● Instrument and Payroll Compliance Review</li> <li>● Risk Reporting               <ul style="list-style-type: none"> <li>○ Report Against Material Risks</li> <li>○ Emerging Risks</li> </ul> </li> <li>● Compliance Report</li> <li>● Insurance Renewal Update</li> <li>● Other Business               <ul style="list-style-type: none"> <li>○ Review of Committee Charter</li> <li>○ Review of Risk Management Policy</li> <li>○ Register of Contracts</li> </ul> </li> <li>● Future Meetings</li> </ul>	12 February 2020
4.	<p>Board Pack (CRW.507.005.0558)</p> <ul style="list-style-type: none"> <li>● COVID-19 (Coronavirus) Update</li> <li>● Betfair Proposal – Additional Betting Markets</li> <li>● Notice from Fair Work Ombudsman</li> </ul>	25 March 2020
5.	<p>Board Pack (CRW.507.005.1586)</p> <ul style="list-style-type: none"> <li>● Minutes of Meeting               <ul style="list-style-type: none"> <li>○ 12 February 2020</li> <li>○ 25 March 2020</li> </ul> </li> <li>● Matters Arising</li> <li>● COVID-19               <ul style="list-style-type: none"> <li>○ COVID-19 Update</li> <li>○ Business Interruption Insurance</li> </ul> </li> <li>● Anti-money Laundering</li> <li>● Risk Reporting               <ul style="list-style-type: none"> <li>○ Annual Review of Risk Profile</li> <li>○ Report Against Material Risks</li> <li>○ Annual Review of Risk Management Strategy and Risk Appetite</li> <li>○ Emerging Risks</li> </ul> </li> <li>● Compliance Report</li> <li>● Other Business               <ul style="list-style-type: none"> <li>○ Delegation Policy</li> <li>○ Register of Contracts</li> </ul> </li> </ul>	10 June 2020

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

No.	Document	Date
	<ul style="list-style-type: none"> <li>o Future Meetings</li> </ul>	
6.	Board Pack (CRW.507.005.2145) <ul style="list-style-type: none"> <li>• Crown Perth – Debit Card Chip Facility</li> </ul>	23 June 2020
7.	Board Pack (CRW.507.005.2809) <ul style="list-style-type: none"> <li>• Minutes of Committee Meetings               <ul style="list-style-type: none"> <li>o Minutes of Meeting held on 10 June 2020</li> <li>o Minutes of Meeting held on 23 June 2020</li> </ul> </li> <li>• Matters Arising</li> <li>• Junket Processes Review</li> <li>• Risk Reporting               <ul style="list-style-type: none"> <li>o Report Against Material Risks</li> <li>o Instrument and Payroll Compliance Review</li> <li>o Emerging Risks</li> </ul> </li> <li>• Compliance Report</li> <li>• Anti-money Laundering</li> <li>• Directors Statutory Report – Risk Disclosure</li> <li>• Other Business               <ul style="list-style-type: none"> <li>o ASIC Special Purpose Committee Minutes – 9 July 2020</li> <li>o Register of Contracts</li> <li>o Future Meetings</li> </ul> </li> <li>• ‘In Camera’ Session – Remuneration</li> </ul>	12 August 2020
8.	Board Pack (CRW.507.005.4419) <ul style="list-style-type: none"> <li>• Minutes of Committee Meeting held on 12 August 2020</li> <li>• Matters Arising</li> <li>• Progress of Enhancement of Compliance and Governance Processes</li> <li>• Crown Sydney</li> <li>• Risk Reporting               <ul style="list-style-type: none"> <li>o Future Reporting</li> <li>o Report Against Material Risks</li> <li>o Risk Culture</li> <li>o Emerging Risks</li> </ul> </li> <li>• Compliance Report</li> <li>• Anti-money Laundering               <ul style="list-style-type: none"> <li>o Joint Program – Proposed Amendments</li> <li>o Implementation of AML Joint Program</li> <li>o AML/CTF Update</li> <li>o Betfair AML Review</li> </ul> </li> <li>• Payroll Compliance Review</li> <li>• Cyber Risk Presentation</li> <li>• Internal Audit Review</li> <li>• Insurance Renewal</li> <li>• Other Business</li> </ul>	20 October 2020

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

No.	Document	Date
	<ul style="list-style-type: none"> <li>○ Register of Contracts</li> <li>○ Future Meetings</li> </ul>	
9.	<p>Board Pack (CRW.507.005.6116)</p> <ul style="list-style-type: none"> <li>• Minutes of Committee Meeting held on 20 October 2020</li> <li>• Matters Arising</li> <li>• Crown Sydney Opening</li> <li>• GST Grouping</li> <li>• Risk Reporting               <ul style="list-style-type: none"> <li>○ Material Risk Report</li> <li>○ Risk and Compliance Culture Framework</li> <li>○ Treasury Risks</li> <li>○ Emerging Risks</li> </ul> </li> <li>• Compliance Report</li> <li>• Anti-money Laundering               <ul style="list-style-type: none"> <li>○ Implementation of AML/CTF Joint Program</li> <li>○ AML/CTF Update</li> </ul> </li> <li>• Cyber Risk Presentation</li> <li>• Other Business               <ul style="list-style-type: none"> <li>○ Future Meetings</li> </ul> </li> </ul>	19 November 2020
10.	<p>Board Pack (CRW.512.004.0001)</p> <ul style="list-style-type: none"> <li>• Minutes of Committee Meeting held on 19 November 2020</li> <li>• Matters Arising</li> <li>• Cyber Security Presentation</li> <li>• Risk Reporting               <ul style="list-style-type: none"> <li>○ Risk Management Framework</li> <li>○ Material Risk Report</li> <li>○ Risk and Compliance Culture Framework</li> <li>○ Emerging Risks</li> </ul> </li> <li>• Compliance Report</li> <li>• AML/CTF Update</li> <li>• Insurance Renewal</li> <li>• Charters and Policies               <ul style="list-style-type: none"> <li>○ Risk Management Strategy</li> <li>○ Risk Management Policy</li> <li>○ Risk Management Charter</li> <li>○ Delegations Policy</li> </ul> </li> <li>• Modern Slavery Statement</li> <li>• Other Business               <ul style="list-style-type: none"> <li>○ Whistleblower Process</li> <li>○ Register of Contracts</li> <li>○ Future Meetings</li> </ul> </li> </ul>	25 March 2021

ERCC papers and minutes since 2019

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

No.	Document	Date
11.	Minutes (CRL.639.001.0133)	30 January 2019
12.	Minutes (CRL.639.001.0140)	21 May 2019
13.	Strategic Risk Update (CRL.509.021.3791)	21 May 2019
14.	Minutes (CRL.639.001.0148)	30 July 2019
15.	Minutes (CRL.639.001.0103)	13 November 2019
16.	Minutes (CRL.639.001.0110)	24 January 2020
17.	Minutes (CRL.639.001.0117)	26 May 2020

See generally, papers contained in Risk Management Committee and Audit Committee Board Packs

#### Audit Committee Board Packs

18.	Board Pack (CRW.502.001.1713)	6 August 2019
	<ul style="list-style-type: none"> <li>• Minutes of previous meeting (29 May 2019)</li> <li>• Matters Arising</li> <li>• Audit Committee Charter               <ul style="list-style-type: none"> <li>○ Review of the Audit Committee Charter</li> <li>○ Independence of the External Auditor</li> <li>○ Independence of Internal Audit Department</li> </ul> </li> <li>• Internal Audit Activity Report: May – July 2019</li> <li>• Material Risk Update: May – July 2019</li> <li>• Financial Results: Full Year Ending 30 June 2019</li> <li>• Ernst &amp; Young Closing Report</li> <li>• Emerging Risks and Other Business</li> </ul>	
19.	Board Pack (CRW.502.001.1586)	20 November 2019
	<ul style="list-style-type: none"> <li>• Minutes of previous meeting (6 August 2019)</li> <li>• Matters Arising</li> <li>• Internal Audit               <ul style="list-style-type: none"> <li>○ Internal Audit Activity Report: August – October 2019</li> <li>○ Status of Internal Audit Recommendations</li> </ul> </li> <li>• Material Risk Update: August – October 2019</li> <li>• Corporate Risk Profile Review</li> </ul>	

14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

No.	Document	Date
	<ul style="list-style-type: none"> <li>• Delegation Policy – Proposed Update</li> <li>• Emerging Risks and Other Business</li> </ul>	
20.	Board Pack (CRW.502.001.1809) <ul style="list-style-type: none"> <li>• Minutes of previous meeting (20 November 2019)</li> <li>• Matters Arising</li> <li>• Internal Audit               <ul style="list-style-type: none"> <li>○ Internal Audit Activity Report: November 2019 – January 2020</li> <li>○ Status of Internal Audit Recommendations</li> </ul> </li> <li>• Material Risk Update: November 2019 – January 2020</li> <li>• Financial Results: Half Year Results – 31 December 2019</li> <li>• Ernst &amp; Young Closing Report: Half Year ended 31 December 2019</li> <li>• Emerging Risks and Other Business</li> </ul>	30 January 2020
21.	Board Pack (CRW.502.001.1925) <ul style="list-style-type: none"> <li>• Minutes of previous meeting (30 January 2020)</li> <li>• Matters Arising</li> <li>• Audit Committee Charter</li> <li>• Internal Audit Activity Report: January – July 2020</li> <li>• Risk Management:               <ul style="list-style-type: none"> <li>○ Material Risk Report</li> <li>○ Annual Review of the Risk Management Strategy and Risk Appetite</li> </ul> </li> <li>• Financial Results: Full Year Results – 30 June 2020</li> <li>• Ernst &amp; Young Closing Report</li> <li>• Appointment of External Auditor</li> <li>• Emerging Risks and Other Business</li> </ul>	6 August 2020
22.	Board Pack (CRW.508.001.5533) <ul style="list-style-type: none"> <li>• Minutes of previous meeting (6 August 2020)</li> <li>• Matters Arising</li> <li>• Internal Audit Activity Report: August – October 2020</li> <li>• Material Risk Update: August – October 2020</li> <li>• Corporate Risk Profile Review</li> <li>• Delegation Policy – Proposed Update</li> <li>• Emerging Risks and Other Business</li> </ul>	23 November 2020
23.	Board Pack (CRW.508.001.4761) <ul style="list-style-type: none"> <li>• Minutes of previous meeting (23 November 2020)</li> <li>• Matters Arising</li> <li>• Internal Audit Activity Report</li> <li>• Material Risk Update</li> <li>• Financial Results</li> </ul>	2 February 2021



14 May 2021

Mr Peter Deans

**Royal Commission into the Casino Operator and Licence  
Request for Expert Opinion – Further Instructions and  
Additional Materials**

---

No.	Document	Date
	<ul style="list-style-type: none"><li>• KPMG Audit Update – Half Year, ended 31 December 2020</li><li>• Emerging Risks and Other Business</li></ul>	

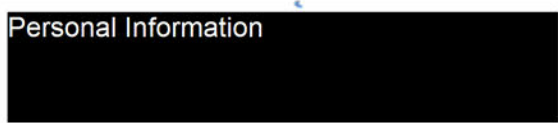
---

If you require any further information or materials, please let us know.

Yours faithfully

**Corrs Chambers Westgarth**

Personal Information



**Abigail Gill**

Partner

**Attachments**