



Crown Melbourne Limited Audit Committee

Tuesday 2 February 2021 at 1100hrs

*Chairman's Office – Level 3, Crown Towers
and Webex Video Conference*

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Meeting ID: 783 037 703



Crown Melbourne Limited Audit Committee

Tuesday, 2 February 2021 at 1100hrs
Chairman's Office, Level 3, Crown Towers | Webex

Attendees: Toni Korsanos (Chair), Professor John Horvath, Ken Barton

Also Invited: Mary Manos, Alan McGregor, John Salomone, Xavier Walsh, Anne Siegers, Shannon Byrne, Rachel Milum (KPMG), Simon Bramwell (KPMG)

Apologies: None

AGENDA

1. **Minutes of Previous Meetings**
 - 1.1. Confirmation of Minutes of the meeting on 23 November 2020
2. **Matters Arising**
3. **Internal Audit**
 - 3.1. Internal Audit Activity Report
4. **Material Risk Update**
 - 4.1. Risk Report
5. **Financial Results**
 - 5.1. Half Year Results – 31 December 2020
 - 5.2. Key Accounting Issues
6. **KPMG Audit Update – Half Year, ended 31 December 2020**
7. **Emerging Risks and Other Business**



AGENDA ITEM 1:

Minutes of Previous Meetings



MINUTES
CROWN MELBOURNE LIMITED AUDIT COMMITTEE
HELD VIA VIDEO CONFERENCE
MONDAY 23 NOVEMBER 2020
4:00PM AEST

IN ATTENDANCE

Committee:	Ms Toni Korsanos (Chair) Professor John Horvath Mr Ken Barton (CEO Australian Resorts) Ms Mary Manos (Co Company Secretary)
By Invitation:	Mr Alan McGregor (CFO Crown Resorts) Mr John Salomone (CFO Australian Resorts) Ms Anne Siegers (GGM Risk & Audit Crown Resorts) Mr Shannon Byrne (Committee Executive Officer)
Apologies	Mr Barry Felstead (CEO Australian Resorts) Mr Joshua Preston (Co Company Secretary)
Opening:	The meeting opened at 4:05pm.
Minutes of Meeting	The Minutes of the meeting held on 6 August 2020 were approved.
Matters Arising:	There were no matters arising.
Internal Audit Report	Ms Siegers presented the Internal Audit Report: August - October 2020. Due to the property closure, minimal audit activity has taken place during the period. It was noted that Internal Audit team members have now been re-instated and have been providing material assurance services to Management across a range of activities, including payroll, JobKeeper eligibility and review of industry-based awards. In accordance with the requirements of the International Standards for the Professional Practice of Internal Auditing, an independent Quality Assessment (QA) of the Internal Audit Department was performed by the Institute of Internal Auditors Australia. The QA also assessed our conformance with internal audit related requirements of the ASX Corporate Governance Council 'Corporate Governance Principles and Recommendations'. The overall conclusion of the QA is that the Internal Audit Department is operating professionally and generally conforms to the Internal Audit Standards; this is the highest rating that can be achieved, and Internal Audit services are valued by stakeholders. A number of recommendations have been proposed in the report, which the Internal Audit team is working to implement.

The Committee noted the Internal Audit Report.

Material Risk Update

Ms Siegers noted that since the last report in August 2020, a number of internal and external events have evolved or materialised, or continue to remain of material relevance, which have the potential to impact the overall risk profile of the organisation, and particularly its material risk exposures. Ms Siegers updated the Committee as to the revised format of the paper when compared with previous meetings, with the intention being to enhance elements of reporting and to demonstrate key themes and trends.

Mr Barton informed the committee of the revised operating conditions due to come into effect from 25 November 2020, including plans to maintain entry on an invitation-only basis and implement processes for dealing with those patrons who had not otherwise made reservations to attend the premises. The Committee noted the challenges of reopening the Melbourne Casino on a progressive basis, including those introduced by the physical distancing and hygiene requirements. Ms Korsanos noted that Management would have the opportunity to reference how Crown Perth had dealt with such challenges.

The Regulatory and AML/CTF updates were taken as read.

Mr McGregor noted that Crown Melbourne continues to be eligible for the JobKeeper payment for its staff past 27 September 2020.

Ms Manos noted that lawyers for the applicant in the Zantran class action had alluded that they are investigating potential expansion of the class action to incorporate further claims based on recent evidence in the ILGA Inquiry.

It was noted that Crown Melbourne has been developing the concept of Safe Haven for the last few months to improve support for employees in relation to matters concerning bullying, harassment, sexual harassment, domestic violence and drug and alcohol abuse. This initiative was designed following the National Inquiry report from the Australian Human Rights Commission on Sexual Harassment.

Ms Korsanos noted the rating of the Volatility of Gaming Revenue risk was adjusted during the annual review of the risk profile in June 2020, with consideration for the impact of COVID-19, the current Australian and state border closures and the fact that a reduced overall volume of VIP gaming revenue would exacerbate the volatility of the actual results when gaming resumes. The Committee discussed the risk and agreed with a proposal to Management to consider.

The Material Risk Update was otherwise taken as read.

Corporate Risk Profile

With regard to risk ratings, Ms Korsanos noted that she was happy to accept the proposed increase in risk #2 - *Changes in key legislation or regulatory requirements*, as a consequence of the expected legislative or regulatory changes resulting from the ILGA Inquiry and AUSTRAC Enforcement Action.

The Committee discussed and agreed with the proposal.

The rating of the new *AML Breach* risk was discussed, and based on the program of work currently underway in the area of Anti Money Laundering and Counter Terrorism financing, as well as the decisions by the Board to no longer deal with Junkets, stop third party transfers and no longer accept patron cash deposits in its bank accounts, the rating of 'possible' and 'moderate' was an adequate reflection of the current control framework. The rating will need to be revisited once the program of work is completed, with the anticipation that the overall risk rating would reduce.

The Committee endorsed the updates to the Corporate Risk Profile.

Delegation Policy

Ms Siegers tabled the Delegation Policy, noting that proposed changes to the organisational structure gave rise to the need to make amendments to assist operation departments during the transition period.

The changes to the Delegation Policy were noted and the recommendation that the Board approve them was endorsed.

Other Business:

There was no other business.

Close:

The meeting closed at 4:38pm

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 Chair



AGENDA ITEM 2:

Matters Arising

There are no matters arising.



AGENDA ITEM 3:

Internal Audit



Crown Melbourne Agenda Item 03: Internal Audit Report November 2020 to January 2021

1. Internal Audit Activity Overview

The latest quarter has seen internal audit activities return to a level of normality with the Melbourne team transitioning back to performing audits again, while the Perth team is fully operational in the audit space. Two Group audits were completed during the period, with a number of other audits very close to completion.

The rolling FY21 quarter by quarter Strategic Internal Audit Plan will continue to operate, working well to date, allowing flexibility in the scheduling of audit activities. The upcoming quarter will continue to focus on site based audits with some key Group audits planned for the last quarter of the FY.

Unfortunately during the period two team members resigned, one in Melbourne and one in Perth. This only had a minor impact on the delivery of audit activity, largely due to the flexible rolling Audit Plan. A replacement has subsequently joined the team in Perth and we are close to hiring a replacement in Melbourne. Additionally, we are still working through the process to recruit for the vacant role in Sydney.

1.1 Completed Audits

Details of the audits completed during the period are shown in the table below, including a summary of the results of each audit:

Audit	Audit Priority	Report Rating ¹	No. of Issues Raised ²	Summary of Scope and Results
Melbourne Internal Audits				
None completed during the period.				
Group Internal Audits				
Environmental Reporting	High	Good	2 Low 1 PIO*	<p>The overall objective of the internal audit was to assess the adequacy of reporting to the Clean Energy Regulator in accordance with the NGER Act, as well as to stakeholders concerning Crown's emissions and production and / or consumption of energy, water and waste.</p> <p>The results of the audit identified that a process to capture and report required data within respective reporting deadlines is in place, with Crown meeting all regulatory and voluntary reporting obligations. However, improvement opportunities have been identified to enhance the transparency of the current reporting process, as well as the control framework with the view of minimising the risk of reporting errors and non-compliance with regulatory reporting obligations.</p> <p>The findings identified related to the following:</p> <ul style="list-style-type: none"> • Completeness of reporting to the Clean Energy Regulator due to uncertainty of Crown's reporting boundaries; • Immaterial errors identified in data reported via the

¹ Refer to Appendix 1 for overall report rating definitions

² Refer to Appendix 2 for classification of Internal Audit Findings



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Audit	Audit Priority	Report Rating ¹	No. of Issues Raised ²	Summary of Scope and Results
				S19 and CR Report for FY19; and <ul style="list-style-type: none"> Transparency of audit trail / records retained for retrospective validation of reported data in the S19 Report and CR Report (PIO).
Compliance Framework	High	Satisfactory	1 Mod 3 Low	<p>The overall objective of the internal audit was to consider the design of the Framework for adequacy, as well as the operational effectiveness of processes and controls embedded within the Framework, to achieve and maintain a high level of legislative / regulatory compliance across the business and to capture for reporting purposes all material non-compliances so that they can be appropriately dealt with by Management.</p> <p>The results of the audit identified that a Compliance Framework / Program is in operation and has been designed in alignment with key guidelines set out in the Australian Standard. However, improvement opportunities have been identified to enhance the operational effectiveness of the Framework in practice.</p> <p>The findings identified related to the following:</p> <ul style="list-style-type: none"> Effectiveness of maintenance / monitoring processes over Crown's internal compliance obligations; Effectiveness of indicators established for measuring internal compliance performance; Administration / management of departmental Annual Compliance Plans; and Adequacy of Management reviews of the Compliance Framework (Crown Perth only).

*PIO = Process Improvement Opportunity

Full audit reports are available on request.

1.2 Status of Outstanding Audits

The table below shows the current status of all internal audits in progress that started prior to shutdown and since re-opening:

Audit Name	Audit Priority	Audit Status	Comment
Melbourne Internal Audits			
Liquor Licensing / Responsible Service of Alcohol (FY20)	High	In Progress (Draft Report)	Draft Report ready to be sent to Executive Management for overall Management comment.
Responsible Gaming (FY21)	Critical	In Progress (Planning)	Planning and preliminary scoping underway.

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Audit Name	Audit Priority	Audit Status	Comment
VIP Gaming Area (Mahogany Room) Access and Membership (FY20)	High	In Progress (Fieldwork)	Testing for this audit is nearing completion, with a Draft Report also nearly complete.
Food Safety (FY20)	Moderate	Re-scheduled FY22	Fieldwork for the FY20 Food Safety audit had just started when the business shut down occurred. Due to this fact it has been decided to re-schedule this audit to be completed as a new audit in FY22.
Group Internal Audits			
Hotel Operations (Front Desk) (FY20)	High	Re-scheduled FY22	Fieldwork for the FY20 Hotel Operations audit was underway when the business shut down occurred. As only a percentage was completed and the time lapse before being able to re-start is lengthy, it has been decided to re-schedule this audit to be completed as a new audit in FY22. Internal Audit will provide Hotel Management with a high level overview of some key observations identified during the testing that was completed. Consideration will also be given to combining with the Hotel Operations (Housekeeping) audit that was originally scheduled for FY22.
Procurement (FY20)	High	In Progress (Draft Report)	Management comments received, final management sign-off required prior to finalisation.
Disaster Recovery Management (FY20)	High	In Progress (Draft Report)	Management comments received, final management sign-off required prior to finalisation.
VIP Operations (FY19)	Critical	In Progress (Draft Report)	Management comments received, final management sign-off required prior to finalisation.

3.1

2 Additional Audit Activities

The Melbourne Internal Audit team continued its involvement in a number of HR related projects during the period. With the focus now switching back to undertaking audits, further involvement in these projects going forward will be limited but provided where required.

3 Strategic Internal Audit Plan

As previously discussed, a rolling quarter by quarter Audit Plan has been implemented for FY21 to allow greater flexibility, clarity and confidence in audit activities and the ability to complete them each period.



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In addition to the audits in progress as identified in Section 1.2 above, planned audits for Q3 of FY21 are presented in section 3.1 below. Internal Audit also acknowledges that there is still a need to perform some forward planning as there are a number of audits that must be completed or begin during FY21. These are presented in section 3.2 below. As the year continues and greater clarity around other audit activities is known, further audits may be added.

Internal Audit also expects that we will be required to assist the business or perform specific audit work on recommendations made under the ILGA inquiry.

3.1 Q3 FY21 Strategic Audit Plan

The table below details the planned audits for Q3:

Audit Name	Audit Priority	Audit Status	Comment
Melbourne Internal Audits			
Responsible Gaming	Critical	In Progress (Planning)	
Transport – Aircraft Operations	Critical	Scheduled	
ICS – Security Operations	High	Scheduled	
Group Internal Audits			
None planned			

3.1

3.2 Remaining FY21 Planned Audits

The table below details the planned audits that will be completed or begin during Q4 of FY21. This is not a definitive list as audits may be added depending on availability and other factors:

Audit Name	Audit Priority	Audit Status	Comment
Melbourne Internal Audits			
ICS – Surveillance	High	Scheduled Q4	
Group Internal Audits			
Anti-Money Laundering	Critical	Must begin or be completed during FY21	



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Audit Name	Audit Priority	Audit Status	Comment
Privacy	Critical	Must begin or be completed during FY21	
Betfair	High	Scheduled Q4	

4 Status of Outstanding Internal Audit Findings

Due to a number of factors, no formal follow-up of outstanding findings was performed during this reporting period. Full follow-up procedures will be conducted for the next reporting period.

For information purposes, the number of outstanding findings is 27 for Crown Melbourne audits and 52 for Group audits.

5 Internal Audit Enhancements

Since the creation of the Group Internal Audit function over two years ago we have been on a journey to create a 'best in class' Internal Audit function. There are three key phases to deliver this outcome as follows:

- **Phase 1** – Develop and implement a structure, framework and methodology to deliver effective and efficient internal audit operations that are fully compliant with internal audit Standards;
- **Phase 2** – Develop and implement an engagement model with the business to drive better outcomes for Internal Audit and the business as a whole; and
- **Phase 3** – Optimise key components of the structure, framework and methodology (continual).

Phase 1 of the process is now complete, including having an independent evaluation performed by the Institute of Internal Auditors Australia that assessed our Internal Audit function as having the highest possible rating.

Phase 2 of the process is about to begin and is detailed below. It is also planned to begin Phase 3 at the same time as components of the two Phases are linked.

5.1 Phase 2 – Business Engagement Model

Developing and implementing a business engagement model is viewed as an extremely important step to create a trusted partnership between Internal Audit and the business to collaboratively build a stronger organisation. The following eight steps have been identified to develop and implement this model:

- **Step 1** – Identify key stakeholders;
- **Step 2** – Establish stakeholder expectations, including mutual obligations;



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- **Step 3** – Define critical success factors;
- **Step 4** – Document stakeholder expectations;
- **Step 5** – Implement;
- **Step 6** – Obtain feedback;
- **Step 7** – Report results; and
- **Step 8** – Continuously improve.

Full detail on each step will be presented to each stakeholder when implementing the model.

5.2 Phase 3 – Optimisation of Structure, Framework and Methodology

With Phase 1 being complete there must be a continual review of all components of Internal Audit operations to ensure continual improvement and optimisation. Whilst there is an annual review process in place, three key components have been identified for a prioritised review and update. These are:

- **Strategic Audit Planning** – There has been a continual push over the past two years to ensure we create an agile, risk based Audit Plan. This agility has gone to a new level in FY21 as a result of the business shutdown but has presented an opportunity to trial a different planning method. During the FY22 planning process we will look at ways of building an enhanced agile approach into our Plan, ensuring appropriate protocols are in place. This is also linked to the implementation of the engagement model noted above where through greater engagement with the business, audits required to be undertaken may be identified on a more regular basis;
- **ERCC / Audit Committee / Board Reporting** – Internal Audit will work with the business to ensure that our quarterly reporting is providing the key information required by all parties in a desired format; and
- **Internal Audit Reports** – Whilst we have received a lot of positive feedback regarding the format and content of our Reports under the new framework, it is acknowledged that Reports can provide significant detail at times that may impact their readability with key points being buried in the detail. Different strategies for improving our Reports will be investigated, ensuring Management are always fully informed of all detailed findings.

3.1




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Appendix 1 – Overall Report Rating Definitions

Excellent	Processes and controls are adequate and operating effectively to mitigate key risks. There are no opportunities for improvement.
Good	Processes and controls are adequate and operating effectively to mitigate key risks. There are minor opportunities for improvement in some areas.
Satisfactory	An adequate control framework exists to effectively mitigate key risks. There are opportunities for improvement in some areas.
Improvement Required	Although a control framework exists, a number of issues have been identified which require management attention.
Seriously Adverse	Key control issues have been identified which require immediate senior management attention.

3.1

	<p>Crown Melbourne Agenda Item 03: Internal Audit Report November 2020 to January 2021</p>
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Appendix 2 – Classification of Internal Audit Findings

The following framework for rating Internal Audit findings has been developed according to their likelihood of occurrence and impact on the business.

Almost Certain No controls in place or controls in place not operating	Moderate (8)	High (15)	High (18)	Critical (22)	Critical (25)
Likely Significant systemic control issues impacting risk mitigation	Low (4)	Moderate (10)	High (17)	High (20)	Critical (24)
Possible Minor systemic control issues	Low (3)	Moderate (9)	High (16)	High (19)	Critical (23)
Unlikely Non-systemic control efficiency and effectiveness issues	Low (2)	Low (6)	Moderate (11)	Moderate (13)	High (21)
Rare One-off and minor control issues	Low (1)	Low (5)	Low (7)	Moderate (12)	Moderate (14)
Likelihood Consequence	<p><u>Insignificant</u></p> <ul style="list-style-type: none"> Financial loss <\$1m. Issue of individual/Departmental significance. No adverse external reputational damage. Non-compliance requiring internal reporting only. Minor injury. No impact on culture and staff performance. No loss of staff. No or minimal impact to patrons, <1% segment, <1,000 or <\$4m revenue. No FOH damage. BOH issue managed within existing resources. Loss of key system <2 hours. Event managed through normal activity. Delay to short term strategic objectives. 	<p><u>Minor</u></p> <ul style="list-style-type: none"> Financial loss \$1m-5m. Isolated impact on investor confidence. Issue of company/property significance, reported on local radio or localised social media. Perceived or actual non-compliance that may require external reporting. No regulator action. Significant injury requiring medical assistance. Minimal impact of culture and loss of staff. Negative event impacting 1% to 5% or 1,000 to 5,000 patrons of a segment or \$20m revenue. FOH damage isolated, not impacting services. Loss of key system <8 hours Minimal management effort required in single business area. Short term strategy delivery impacted. 	<p><u>Moderate</u></p> <ul style="list-style-type: none"> Financial loss \$5m-10m. Some impact on investor confidence. Reported on local media or isolated national media. Temporary impact on integrity of Crown. Breach triggering external reporting or individual civil action. Potential regulatory monitoring. Serious injury requiring hospitalisation. Isolated impact on productivity, turnover and culture. Negative event impacting 5% to 20% or 5,000 to 20,000 patrons of a segment or \$40m revenue. Loss of <3 F&B outlets, <50% one hotel, <10% gaming floor for <24 hours. Loss of critical infrastructure, multiple systems, core infrastructure or key system for <24 hours. Significant management effort required, impacting multiple areas of the business. Short to medium term strategy delivery impacted. 	<p><u>Major</u></p> <ul style="list-style-type: none"> Financial loss \$10m-20m. General impact on investor confidence. Sustained reporting by national media. Reduced public perception on Crown integrity. Breach triggering regulator monitoring or intervention or corporate civil action. Relationship with regulator damaged. ASX disclosure made. Permanent disability. Sustained staff turnover. Cultural and performance impact at property. Negative event impacting 20% to 50% or 20,000 to 50,000 patrons of a segment or \$100m revenue. Loss of up to 1 hotel or 50% F&B, or up to 25% of the gaming floor for <48 hours. Loss of critical infrastructure, multiple systems, core infrastructure or key system for <48 hours. CMT/EMT activated. Significant management intervention required, impacting widespread areas of the business. Inability to deliver medium to long term strategy. Ownership change. 	<p><u>Severe</u></p> <ul style="list-style-type: none"> Financial loss >\$20m Widespread impact on investor confidence. Sustained reporting by international media. Loss of public confidence in Crown. Breach triggering restriction or loss of gaming/liquor licenses, class action or criminal sanctions. Permanent damage to relationship with regulator. ASX disclosure made. Fatality. Sustained high level of turnover. Cultural and performance impact across properties. Negative event impacting over 50% or 50,000 of a segment type or \$100m revenue Loss of >25% of the gaming floor; or >50% F&B or 1 hotel for >48 hours. Irrecoverable data loss. Loss of key/multiple systems or core infrastructure for >48 hours. Event with potential to lead to the collapse of the business. Threatens long term viability of the business. Change in ownership.

3.1



AGENDA ITEM 4:
Material Risk Update



Crown Melbourne Limited

Risk Report
January 2021

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4.1

SECTION 1 – EXECUTIVE SUMMARY

The purpose of this report is to provide:

- An overview of the main events that have materialised since the last report and an ongoing update of events that continue to remain materially relevant to the business;
- A dashboard that considers those events against the Board’s Risk Appetite thresholds;
- An assessment of how these events may impact on the risks facing the organisation, and therefore if adjustments to the corporate risk profile are necessary;
- An update on all material risks currently identified in the corporate risk profile (the ‘critical’ and selected ‘high’ risks in the updated Crown Resorts risk profile depicted as “material risks” in the Crown Melbourne Risk Map set out on page 6 of this report).

Since the last report in November 2020, a number of internal and external events have evolved or materialised, or continue to remain of material relevance, which have the potential to impact the overall risk profile of the organisation, and particularly its material risk exposures.

The key events that have taken place or remain relevant during the period include:

External factors

The Melbourne property closed for over 7 months from 23 March 2020, due to the declared national COVID-19 pandemic, and at the direction of government authorities.

From 28 October 2020, retail and F&B outlets started re-opening; hotels started to re-open from 8 November 2020 and gaming resumed in very limited capacity on 18 November 2020.

Since that time, the Victorian government has slowly lifted some of the closure and social distancing restrictions, and all operations are resuming to some degree. The government is being very cautious with allowing large gatherings, and Crown is ensuring that it meets both the letter and the intent of any requirements that are still imposed on our operations.

As experienced during the Perth re-opening, some challenges have been experienced with absenteeism in the F&B and hotel business, which is in part due to the impact of Jobkeeper payments on staff’s willingness to return to work. Some staff have also found alternate employment during the shut-down period and will not be returning to Crown.

Continuously changing border restrictions with other states are part of the new landscape and will most likely continue for some time through 2021, which will require Crown to make operational changes at very short notice, as well as restrict business volumes due to low travelling numbers.

Any increase in cases in Victoria, as well as any patrons visiting Crown that would test positive, will also require immediate response with business impact.

Regulatory Matters

As previously reported, as a result of the allegations put by the Nine Network (60 Minutes program, SMH and the Age) various investigations and inquiries are continuing involving ILGA, the VCGLR and AUSTRAC.

The ILGA Inquiry concluded its public hearings and Crown made its final written submission prior to the Christmas break. The final report is expected to be released to ILGA by 1 February 2021.

VCGLR matters

Crown has received a number of Section 26 and Show Cause Notices from the VCGLR, mostly in relation to matters raised during the ILGA inquiry.

On 17 December 2020, the government announced its intention to request that the VCGLR bring forward the 7th review of the Casino Operator and Licence under section 25 of the *Casino Control Act*, with the report expected to be issued by December 2021.

The VCGLR is in the process of appointing a dedicated Sessional Commissioner to conduct the review and will start the process in the coming weeks.

During the period, Crown has continued to address and engage with the VCGLR on the Recommendations made by the VCGLR as part of its Sixth Review of the Casino Operator and Licence.

As previously reported, as a result of media allegations against Crown reported in July 2019, the VCGLR provided notice of its intention to continue its investigation into the China Matter. Crown has received further communication from the VCGLR in regards to this and our response is required by Friday 22 January 2021.

A number of older historical matters have been closed by the VCGLR (see agenda item 7 for further details).

Operational Matters

A new organisational structure was approved by the Crown Resorts Board and communicated to the organisation in December 2020. The main changes to the structure include the elevation of governance roles (Risk, Compliance and AML) to the Crown Resorts level, to ensure a greater oversight across the organisation, and the replacement of the CEO – Australian Resorts and CLO – Australian Resorts, with a CEO at each property and a consolidation of legal responsibilities at the Crown Resorts level. Xavier Walsh was appointed CEO – Crown Melbourne.

The JobKeeper program was implemented at Crown, which is helping to support staff who have been stood down during the closure period and the limited re-opening period. The government announced the continuation of the program to 28 March 2021, on adjusted terms. Crown Melbourne continues to be eligible for the JobKeeper payment scheme.

As previously reported, Crown Melbourne received a Show Cause Notice from the Melbourne City Council relating to combustible cladding on the Metropal Hotel (dated 11 April 2019). Crown lodged additional information on 22 May 2020 and the Victorian Building Authority filed its comments to the Building Appeals Board (**BAB**) on 12 June 2020. In December 2020, the BAB denied Crown's submission, following comments from the Victorian Building Authority. Next steps are being discussed.

Crown has been proactively replacing small sections of cladding along the Podium riverfront during this low traffic period and is preemptively conducting additional testing on the other buildings in the complex.

Over the past few months there has been an increase in cyber activity, particularly targeting Crown recruitment, with increased sophistication in the nature of the attacks and indirect ransomware risk through our third parties. On 17 January 2021, Allens' file transfer services was subject to a cyber attack and a large number of files were accessed. Regarding Crown, 26 files were impacted. Those files were both encrypted and password protected, therefore the risk of their content being accessed is very low, but the content of the files is highly confidential. A privacy breach assessment was conducted, and there was no indication of meeting the criteria of a breach.

The Technical Requirements Document (TRD) that governs our gaming systems and related regulatory approvals has been expanded and broadened in consultation between Crown and the VCGLR.

Crown Melbourne has been developing the concept of *Safe Haven* for the last few months to improve support for employees in relation to matters concerning bullying, harassment, sexual harassment, domestic violence and drug and alcohol abuse. The concept articulates Crown's stance of zero tolerance of inappropriate behaviour and encourage employees to raise any concerns confidentially without fear of victimisation. The program also provides the umbrella for all support options available in relation to these matters.

In addition to the roll-out of Safe Haven, an independent consultancy has been engaged to assess the culture within the gaming business (Table Games and Gaming Machines) in Melbourne, concerning sexual harassment and the culture around raising complaints. This assessment is taking the form of a confidential survey of all gaming employees (which has been undertaken) and has been followed by a series of focus groups to gain additional qualitative data.

Crown's Riverbank outside dining proposal was approved and rolled-out for the summer. The locations include outside the Merrywell, Gradi, Bistro Guillaume, and Ging Thai restaurants, as well as activation of a live site next to the river adjacent to Baci for Petanque. A key consideration of this initiative is bicycle traffic mitigation measures, to avoid conflict with pedestrians.

MCC has informed Crown of its intention to create bicycle lanes around the property (including on Whiteman and Queens Bridge Streets) as part of the city-wide initiative to encourage the use of bicycles as a form of safe and environmentally responsible transport. We have also engaged traffic consultants, WSP, to assist us in responding to the MCC's proposal to minimise the impact to vehicular traffic flow around the property, most importantly to ingress and egress points.

Three of the property's six electrical generators have been replaced. The final three generators arrived in the country in late 2020 and are expected to be commissioned by late Feb 2021. The replacement of the generators will ensure Crown Melbourne has redundancy in the event of a mains power outage.

REDACTED - PRIVILEGE

4.1

AML/CTF Matters

Crown responded earlier in the year to s 167 Notices regarding a Compliance Assessment of Crown Melbourne's AML/CTF Program, with a focus on High Risk Customers and Politically Exposed Persons.

The matter has been referred to AUSTRAC's Enforcement Team, who on 16 October 2020 sent a further s 167 Notice. The Notice requires Crown to provide information and documents in relation to:

- AML/CTF Programs;
- ML/TF Risk Assessments;
- Customer Risk Ratings; and
- Enhanced Customer Due Diligence.

Crown has provided the documentation and information, with the final submission provided on 18 January 2021.

The Financial Action Task Force (**FATF**) was expected to visit Australia during Q1-Q2 FY20 to complete an assessment of Australia's compliance with international AML standards. Any adverse outcomes are likely to impact the legislative/regulatory framework in Australia, which could ultimately affect the obligations of reporting entities.

AUSTRAC's Junket Risk Assessment was published on 11 December 2020. It provides an overview of the criminal threat environment and an analysis of specific vulnerabilities.

Crown is meeting with AUSTRAC's Risk Assessment team to answer follow-up questions relating to AUSTRAC's casino industry risk assessment.

The ILGA Inquiry has focused on elements of Crown's AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown engaged with AUSTRAC on this issue and prepared a response to a number of queries AUSTRAC has put to Crown. There have been no further developments on this matter since the last report. Crown is continuing to review these accounts with the assistance of external experts.

The AML/CTF team, with the support and leadership of the whole organisation, is progressing the implementation of the Joint AML/CTF program, which is substantially completed. Please refer to agenda item 9 for a detailed update on AML/CTF matters.

With regards to enhancing Crown's engagement with Law Enforcement Agencies, Nick Kaldas is assisting Crown in creating a framework for collaboration and information sharing.

The *Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019 (Cth)* passed both houses of Parliament on 17 December 2020.

4.1

SECTION 2 – RISK APPETITE DASHBOARD

CATEGORY	QUANTITATIVE METRICS – RMC REPORTING TRIGGERS		NEW REPORTABLE EVENTS	REFERENCE
Financial	Outside normal trading EBITDA losses (per event), and/or adverse to the current (normalised) forecast	>\$10M	No	
Brand / Reputation	Internal event creating a sustained share price loss	>5%	No	
	Sustained negative national or international media coverage	Any event	Yes	ILGA
Regulatory/ Legal	Breaches that may have a financial or reputational impact	Any event	Yes	VCGLR & AUSTRAC
	Material legal action or class action	Any event	No	
	Significant breach or event that has the potential to damage the relationship	Any event	Yes	VCGLR & AUSTRAC
	Material responsible gaming issues including sustained adverse media	Any event	No	
	Material service of alcohol issues impacting the liquor licences	Any loss of licence and/or points	No	
People	Notifiable serious incidents with regulator involvement under workplace health and safety and other related legislation	Any event	No	
	Sustained staff turnover and/or unplanned absences above average	Any event	No	
	Loss or potential loss of key management personnel	Any event	Yes	COVID-19 & Restructure
	Imminent industrial action	Any event	No	
Customer/ Patrons	Negative event affecting segment of patrons (e.g. VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M revenue	Yes	COVID-19
Infrastructure	Security incident that threatens people or property	Any event	No	
	Loss of other core IT infrastructure or multiple key systems	>24hrs	No	
	External or internal security breaches resulting in unauthorised access to, or loss of, customer data likely to result in serious harm	Any event	Yes	Allens
	Loss of critical physical infrastructure	>24hrs	No	
	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs	Yes	COVID-19
	Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B > 24hrs	Yes	COVID-19
Strategy / Business Sustainability	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event	Yes	COVID-19
	Key strategic project delayed by 12 months or more	Any event	No	
	Change in ownership share of related or third-party entity	Any event	No	

4.1

SECTION 3 – PROPOSED ADJUSTMENT TO CROWN MELBOURNE CORPORATE RISK PROFILE

Consideration of key events

The key events described in the Executive Summary represent materialisation of risk events and they should be reviewed in light of the risks facing the organisation in the next 12 months. When key events escalate, or have the potential to escalate, the likelihood and consequence of risk should be reconsidered.

Below is a table that summarises how these key events are evolving against the relevant material risks, which gives an indication to the Committee members of whether the rating of those material risks should be reconsidered.

MATERIAL RISKS	EVENT TREND
1. Legislative / Regulatory Changes	<i>Continuing Events</i> ➡
2. Volatility of Premium Gaming	<i>No new events</i> ➡
3. Act of Terrorism on Property	<i>No new events</i> ➡
4. Major Reputational Damage	<i>Continuing Events</i> ➡
5. Litigation	<i>No new events</i> ➡
6. VIP Bad Debts	<i>No new events</i> ➡
7. Material Breaches of Gaming and other Relevant Legislation/ Regulations	<i>Continuing Events</i> ➡
8. Data Misuse	<i>No new events</i> ➡
9. Breakdown in relationships with key government, legislative or regulatory bodies	<i>Continuing Events</i> ➡
10. External disruptors outside our control	<i>Continuing Events</i> ➡

There are no changes proposed as a result of key events that have materialised or continued to evolve over the period.

Other Considerations

There are no other items suggesting a review of the risk ratings on the Corporate Risk profile.

Crown Melbourne Corporate Risk Map - January 2021

		<i>Material Risks</i>				
Likelihood	Almost certain				14 - Major reputational damage 2 - Changes in key legislation or regulatory requirements	6 - External disruption to demand for our services
	Likely		16- Harm to persons on property		VIP Bad Debt (25) NEW	
	Possible	9 - Loss of key management 15 - Poor people management practices		7 - Physical Business Disruption 8 - IT business disruption 11 - Litigation 12 - Major criminal activities 13 - Ineffective responsible service of gaming (RSG) 23 - Failure in responsible service of alcohol (RSA)	1 - Material breach of gaming and other relevant legislation/regulation 5 - Poor credit or investment decisions 21 - Data misuse 22 - Breakdown in relationship with key government, legislative or regulatory body AML Breaches (24) NEW	3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue
	Unlikely		17 - Breakdown in strategic partnership with third party 19 - Unsustainable management and ethical standards	10 - Reduction in property standards 18 - Industrial action		
	Rare					20 - Aviation accident
		Insignificant	Minor	Moderate	Major	Severe

Legend:

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

SECTION 4 – UPDATES TO MATERIAL RISKS

1. Legislative and Regulatory Changes

The rating of this risk was increased at the June 2020 meeting, as the broad impact of the ILGA inquiry over the regulatory environment of junkets and the VIP business was considered. The rating is now 'Almost Certain' and 'Major' (Critical), which means that it requires oversight from the Committee or the Board.

Crown believes it will have the capability and capacity to respond to these changes but anticipates that they could materially impact the business model.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Changes to legislation, regulation or Government policy covering the conduct of, and access to, gaming or broader operational and compliance processes in any jurisdiction in which Crown operates.</p> <p>Examples of changes include, but are not limited to:</p> <ul style="list-style-type: none"> • Increases in tax or additional levies and taxes • Changes to restrictions (where applicable) on the number, type, speed and location of gaming machines • Changes to mandatory minimum "return to player" on gaming machines • Changes to approved table games and approved rules of the games (where applicable) • Changes to restrictions on advertising and marketing, including online advertising (where applicable) • Changes in laws or changes in interpretation of laws dealing with promotion of gambling in foreign countries • Visa restrictions (where applicable) • Changes to online wagering regulations, affecting product offering (including exchange betting) • Changes to pre-commitment system • Changes to smoking exemptions 	<ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable) to reduce likelihood of change. • Maintenance of productive relationships with key stakeholders • Annual strategic planning and business planning processes. • Contingency planning, including business continuity plans. • Appropriate and targeted marketing campaigns. • Management monitoring of: <ul style="list-style-type: none"> – international competitors; – the VIP program and relationships; – local and domestic competitors in all jurisdictions in which Crown operates; – financial performance and trends. • Appropriate capital structure. • Capital investment in VIP facilities. • Effective escalation framework ensures matters are provided with adequate level of management oversight and response effort. • Targeted initiatives in product development, marketing, technology and people management to consistently demonstrate capability to differentiate gaming brands in a crowded market. • Revised operating plans. • Engagement with medical experts. • Interpretation of changes, including through external advice, across all operational areas • For large changes: development of cross-functional project teams • Reporting to the relevant management or Board committee on progress

4.1

MATERIAL DEVELOPMENTS

Crown Melbourne – 6th Section 25 Casino Licence and Operator Review

Crown is working with the VCGLR to address each of the 20 Recommendations made by the Sixth's 25 Review of the Casino Operator and Licence. Seventeen Recommendations have been responded to by Crown within the agreed timelines. Of the remaining three, one is not yet due, one received an extension for completion as a result of the COVID-19 closure and the third, the meeting between the Commission and the Crown Resorts Board for Recommendation 20, had been postponed as a result of COVID-19 and the ILGA Inquiry and is currently rescheduled for 10 February 2020.

Crown Melbourne – 7th Section 25 Casino Licence and Operator Review

On 17 December 2020, as results of the ILGA Inquiry, Crown was advised that the VCGLR will bring forward its seventh s 25 review of the Casino Operator and Licence. The review is to assess the ongoing suitability of Crown Melbourne Limited, to hold the Casino Licence within Victoria.

The Victorian government communicated its expectation that the report will be issued by December 2021.

A dedicated Sessional Commissioner is currently being appointed to conduct the review.

ICS Review

The VCGLR has implemented a review of 10 of Crown Melbourne's Approved Internal Control Statements (**ICSs**), to propose amendments to strengthen their overall operation and minimise potential risks. The VCGLR proposed that Crown provide any feedback in writing, however, Crown instead offered to prepare the revised drafts, which was accepted.

A meeting was held on 13 November 2020 to discuss the first two of the ICSs to be reviewed, being Junket and Premium Player Programs and the Introductory Chapter.

The remaining eight ICSs to be reviewed are: Cheque Cashing and Credit Facilities; Revenue Audit and Reporting; Cage Operations; Count Room and Drop Box, Drop Bucket and Note Stacker Collection; Surveillance; Security Operations; Table Games Operations and Gaming Machine Operations.

2. Volatility of Gaming Revenue

The rating of this risk was adjusted during the annual review of the risk profile in June 2020, with consideration for the impact of COVID-19, the current Australian and state border closures and the fact that a reduced overall volume of VIP gaming revenue would exacerbate the volatility of the actual results when gaming resumes.

Overall, the risk rating is at 'possible'/'Severe', or with a residual rating of 'critical' requiring oversight by the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged** at this stage.

RISK DEFINITION

Definition	Key Controls
Sustained unfavourable variations from theoretical win rates applicable to the gaming business (local and international). Whilst short term fluctuations are expected to occur, due to 'luck', reporting of theoretical over actual has normalised results over time.	<ul style="list-style-type: none"> • Management monitoring and review of international commission business strategy including maximum bet limits and customer programs. • Increased data analytics on historical betting patterns. • Ad-hoc review by external experts of theoretical model and performance. • Strategies in place to ensure sustained turnover, meant to decrease impact of single large wins or losses. • Ongoing review of VIP operating model.

MATERIAL DEVELOPMENTS

Crown Melbourne

As previously reported, Premium Gaming volumes must be maintained to mitigate the risk of prolonged negative deviations from theoretical win rates.

Turnover is materially below budget, mostly due to the closure of the Australian borders (State and Federal) and the prolonged shut down of the Melbourne property. The Australian borders will remain closed and state borders will open on and off over the foreseeable future.

4.1

3. Act of Terrorism on Property

The rating of this risk is largely aligned with the ASIO terrorism threat rating, as well as consideration for the prevention and response measures that Crown has in place. The rating has not been adjusted in the past 12 months, as the overall ASIO threat level remains consistent at 'probable', which is a 3 out of 5 possible rating scale.

Overall, the risk is rated as 'Critical', meaning under the oversight of the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>The calculated use of violence (or the threat of violence) against Crown's properties, employees and/or customers in order to attain goals of a political, religious or ideological nature.</p>	<ul style="list-style-type: none"> • Emergency and crisis management and planning framework including: <ul style="list-style-type: none"> – Emergency management planning – Corporate crisis planning – IT disaster recovery planning – Terrorist risk assessments undertaken at property level – Counter terrorism escalation planning – Tailored training across all operational areas. • Ongoing assessments and enhancements of deterrent measures on property, including by third parties. • 24/7 monitoring by security and surveillance of relevant FOH and BOH areas for suspicious behaviours. • Facial recognition technology in use. • Maintenance of close and productive relationships with key law enforcement agencies and other authorities in relevant jurisdictions for intelligence gathering.

MATERIAL DEVELOPMENTS

There are no new developments since the last report.

4.1

4. Major Reputational Damage

In light of all the media activity that has been taking place over the past 18 months, as well as the public nature of the ILGA Inquiry, the rating of this risk was increased to Major/Almost Certain in February 2020.

As expected, the ILGA Inquiry has generated extensive media coverage. Preliminary timelines suggest that the ILGA Inquiry will release its findings by 1 February 2021. We anticipate reputational challenge to be experienced over the next 12 months as a result. Flow-on events have also materialised, that will fuel reputational coverage, including the VCGLR's 7th review of the Casino Operator and Licence and the AUSTRAC enquiry.

Overall, the risk is rated as 'critical', meaning requiring the oversight of the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the **rating should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Negative publicity/image of Crown and/or its affiliate businesses which may adversely impact Crown's reputation and/or performance and potentially jeopardise gaming licences.</p>	<ul style="list-style-type: none"> • Positive promotions of Crown's businesses which include, but are not limited to, raising awareness of Crown's breadth of business activity, corporate responsibility initiatives, responsible gaming commitments, employee inclusion programs and employee training to key stakeholders such as government representatives, regulators and key community leaders. • Engagement of external advisers to assist with communications strategies and proactive management of negative media attention. • Consideration of community expectations. • Adherence to, and awareness of, relevant legislative and/or regulatory policy, adoption of group wide and property level Anti-bribery and Corruption and other integrity related Policies and training of relevant employees/contractors where applicable. • Employee/contractor/supplier probity checks and performance monitoring and regulator licensing for relevant staff. • Maintenance of close and productive relationships with key stakeholders, including with key law enforcement agencies and other authorities in relevant jurisdictions. • Focus on corporate responsibility function and reporting. • External advisory panels in place in key areas: RG, OSH. • Development and adherence to Media Protocols and policy. • Monitoring all customer facing online channels and advertising for disruptions or events that may be damaging to reputation. • Privacy program and strict confidentiality protocols in place and staff training on privacy awareness. • Cyber security program in place and staff training on cyber security awareness.

4.1

Definition	Key Controls
	<ul style="list-style-type: none"> • Brand strategy, including engagement of external advisers. • Escalation of material matters to the Board for oversight and guidance. • Business continuity management and planning. • Corporate crisis planning. • Analysis of major events with root cause report to the Risk Management Committee and as appropriate the Board

MATERIAL DEVELOPMENTS

LEGALLY PRIVILEGED – Australian Resorts - Media allegations

Following Channel 9's 60 Minutes story featuring Crown on Sunday 28 July 2019, additional media stories have been released with allegations against Crown. These media reports, compounded by Mr Wilkie's allegations, led to a number of state and federal regulators pursuing investigations or inquiries regarding Crown.

The ILGA Inquiry is expected to release its report on 1 February 2021.

Crown will consider the feedback and recommendations of the Inquiry and will present relevant process and governance adjustments to the Committee and/or the Board for discussion when the Inquiry completes and the findings are released.

Crown will continue to engage with relevant stakeholders and ongoing enhancement of governance structures.

Other matters:

Also see risk 7 - *Material Breaches of Gaming and Other Relevant Legislation/ Regulations for details on a Show Cause Notice from the VCGLR and risk #11 – AML breaches on the enforcement action from AUSTRAC.*

A number of other matters have not seen any developments since the last report, but remain in progress with potential impacts to Crown, which include the Dinner by Heston matter.

5. Litigation (Strictly Confidential – Under Legal Privilege)

The rating of the risk of litigation was increased when the class action was filed. Based on the current status of the class action and current and expected legal activity, no additional material matters have warranted a change in rating.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Crown is exposed to potential material litigation by:</p> <ul style="list-style-type: none"> • Employees • Customers • Regulators • Shareholders (including potential class actions) • Other third parties. 	<ul style="list-style-type: none"> • Effective engagement from advice functions (Legal, Compliance, AML, RSG, WHS, Risk) to ensure proactive consideration of key risks in decision-making. • Management monitoring of, and response to, legal issues in relevant jurisdictions. • Adherence to, and awareness of, relevant legislative and/or regulatory policy including training of relevant employees/contractors where applicable. • Employee/contractor/supplier probity checks and performance monitoring. <p>Legal, governance and compliance frameworks in place.</p> <ul style="list-style-type: none"> • Insurance programs as appropriate. • Engagement of internal/external legal advisors as required.

MATERIAL DEVELOPMENTS

REDACTED - PRIVILEGE

6. VIP Bad Debts

The rating of the risk of VIP Bad Debt was increased when the current class action was filed. Until the class action is resolved and in light of current and expected legal activity, no additional material matters have warranted a change in rating since then.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Crown is exposed to the risk of default by customers across its affiliate businesses.	<ul style="list-style-type: none"> • Credit approval processes, including enhanced due diligence and validation of patrons through Central Credit Reports. • Management monitoring of financial performance and trends. • Management monitoring and review of credit policy. • Engagement of external debt collectors and/or initiation of legal action (in authorised jurisdictions only). • Hedging to manage any potential foreign currency loss.

MATERIAL DEVELOPMENTS

Australian Resorts – Bad Debt Position

Both Crown Melbourne and Crown Perth have continued to suspend the extension of credit to Chinese domiciled players with credit granted to other players on a selected basis only. The casino shutdowns, as well as the ban on international travel, which is expected to last some time into the year, has further impacted the VIP business. The Board has also resolved not to carry on any junket business at this stage.

The debt positions over the past 24 months for Crown Melbourne is tabled below:

CROWN MELBOURNE	31 Dec 18 \$m	30 Jun 19 \$m	30 Dec 19 \$m	30 Jun 20 \$m	31 Dec 20 \$m
Gross debtors balance (net of safekeeping)	264.8	64.0	65.4	73.5	71.5
Provision for doubtful debts	(215.0)	(18.9)	(17.8)	(31.1)	(71.1)
Provision as a % of gaming debtors	81.1%	29.5%	27.2%	42.3%	99.4%
Net debtors balance	49.8	45.1	47.6	42.4	0.4

The appetite for credit risk has materially decreased across the Australian Businesses, and measures have been taken to reduce high exposure areas. Challenges with regards to processing of overseas transactions remain an issue, and therefore the balance at 31 December 2020 has almost mostly provisioned for.

4.1

7. Material Breaches of Gaming and Other Relevant Legislation/ Regulations

The rating reflects the fact that Crown's business operations involve a material amount of manual processes, which therefore has an inherent weakness related to human error. Extensive training and supervision are in place to address this inherent weakness, however a residual risk remains through, for example, errors in processes or interpretation of requirements.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Crown and its affiliate businesses operate in a highly regulated industry. There is a risk of systemic and/or serious breaches of regulatory requirements including:</p> <ul style="list-style-type: none"> • gaming, • <i>anti-money laundering</i>, • liquor, • promotion of gaming and liquor, • taxation or other regulatory/mandatory reporting requirements) 	<ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable). • Obtaining expert local and foreign legal advice in appropriate circumstances as required. • Employee / contractor / supplier probity checks and performance monitoring. • Extensive compliance training to relevant staff groups. • VIP operating model protocols in place for foreign jurisdictions. • Maintaining appropriate relationships with governments and regulators. • Legal, governance and compliance frameworks in place in each business. • Layers of operational auditing and compliance checks in place across critical areas (particularly gaming). • AML/CTF program. • Periodic internal audit reviews of the effectiveness of controls and processes in place to manage Crown's compliance frameworks and the overall internal control framework. • Whistle-blower Policy and hotline. • Escalation of material matters to the Board for oversight and guidance. • Business continuity management and planning. • Corporate crisis planning. • Analysis of major events with root cause report to the Risk Management Committee

4.1

MATERIAL DEVELOPMENTS

Crown Melbourne - China

Following discussions during the ILGA Inquiry public hearings, the VCGLR has written to Crown asking for further information with regards to the China matter.

Crown will respond to the request by 22 January 2021 as requested.

Crown Melbourne – Section 26 Notices Requesting Information and Notice to Show Cause

Since September 2020, the VCGLR has issued a number of Section 26 and Show Cause Notices to Crown, based on information discussed during the ILGA Inquiry.

Crown has responded to each notice and is awaiting further communication from the VCGLR. Crown has been asked to present its argument to the Commission in person with regards to the Show Cause Notice. This presentation will take place on 21 January 2021.

Crown Melbourne – AUSTRAC Enforcement Team Investigation

Crown responded in late 2019 and early 2020 to s 167 Notices regarding Compliance Assessments of Crown Melbourne’s AML/CTF Program, with a focus on High Risk Customers and Politically Exposed Persons.

On 16 October 2020, Crown received a further s 167 Notice from the AUSTRAC Enforcement Team. The notice requires Crown to provide information and documents in relation to:

- AML/CTF Programs;
- ML/TF Risk Assessments;
- Customer Risk Ratings; and
- Enhanced Customer Due Diligence.

Following consultation with AUSTRAC Crown has provided its responses to the s 167 Notice in tranches with the final tranche provided on 18 January 2021.

Crown has engaged Allens to assist with the investigation.

ILGA Inquiry – Riverbank / Southbank

The ILGA Inquiry has focused on elements of Crown’s historical AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. It has provided a response to queries from AUSTRAC, and no further developments have occurred since the past report.

Crown is continuing to review these accounts with the assistance of external experts.

Crown Melbourne – EGM Continuous Play

The VCGLR has issued Crown with a Notice of Non-Compliance and closed this matter.

Other matters:

A number of other matters have not seen any developments since the last report, but remain in progress with potential material impacts to Crown, which include:

- Crown Melbourne – Mercury Wheel

8. Data Misuse

This risk was introduced as a separate risk in the May 2019 review of the Corporate risk profile. The rating is mostly a result of the progress of the enhancements to the data risk management program led by IT, which includes the Data Loss Prevention (**DLP**) project, as well as the PCIDSS project. There have been no major data privacy breaches, but the control framework will afford better protection to Crown once those key projects are implemented.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Sensitive information may be leaked or sold to external parties including customer information.</p> <p>Loss of confidential customer or commercially sensitive data is a growing risk as the online businesses expand and the use of 3rd parties and data volume increases.</p>	<ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of IT policy and security, with dedicated in-house IT data governance focus. • Cyber security program in place with 24/7 monitoring performed by third party and staff training on cyber security awareness. • Periodic penetration testing of IT systems, website and apps. • External review regarding integrity of security systems such as source code scanning. • Employee/contractor/supplier probity checks and performance monitoring. • Employee confidentiality agreements and restrictive covenants. • Intellectual Property Register. • User access management processes in place to key applications, data and reports. • Data loss prevention tools. • Privacy program and strict confidentiality protocols in place and staff training on privacy awareness. • Whistleblower Policy and hotline. • CDW and TM1 reporting systems. • Investigation and rectification of incident • Reporting to Privacy Commissioner as appropriate

4.1

MATERIAL DEVELOPMENTS

On 17 January 2021, one of our legal firms' (Allens) file transfer services was subject to a cyber attack and a large number of files were accessed. Regarding Crown, 26 files were impacted.

The files are .zip files that contain a large volume of information provided to AUSTRAC following a summons request. Those files were both encrypted and password protected, therefore the risk of their content being accessed is very low, but the content of the files is highly confidential, including legally privileged content. A privacy breach assessment was conducted, and there was no indication of meeting the criteria of a breach.

9. Breakdown in Relationships with Key Government, Legislative or Regulatory Bodies

This risk was introduced in the May 2019 review of the Corporate Risk Profile to reflect the increased enquiries and requests that Crown is receiving from its regulators, as well as reflect how important it is for the business to maintain professional and constructive relationships with all of its regulators. Reference to legislative bodies refers to Crown's ability to provide comments to draft legislation as allowable under the legislative process.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating should **remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Crown operates in many jurisdictions and has to engage with a large number of government, legislative and regulatory bodies. A breakdown in these relationships could lead to targeted reviews, investigations, or actions by these bodies.	<ul style="list-style-type: none"> • Dedicated senior management and Directors engaging with relevant government stakeholders • Continuous reporting to the Board. • Strong compliance culture reinforced by the legal, governance and compliance frameworks. • Employee due diligence procedures and regulator licensing for relevant staff. • Training and awareness. • Brand Strategy, including engagement of external advisers. • Escalate engagement to CEO / Chair levels as appropriate

MATERIAL DEVELOPMENTS

Please refer to sections 7 and 11 for details on the following elements which may lead to impact on the relationship with the relevant regulatory bodies:

- Crown Melbourne – 7th Review of the Casino Operator and Licence under section 25
- Crown Melbourne – Section 26 Notices and Notice to Show Cause
- Australian Resorts – AUSTRAC Enforcement Team Investigation
- ILGA Inquiry and ATO – Southbank / Riverbank

ILGA Inquiry

The ILGA Inquiry has concluded the public hearings and final submissions. The Commissioner is currently drafting their final report, which is expected to be released by 1 February 2021.

Crown is considering, and will continue to do so, the feedback and any recommendations coming from the Inquiry, and will present any relevant process, governance or operational adjustments to the Board for discussion when the Inquiry concludes and the findings are released.

10. External Disruptors Outside Our Control

The rating of this risk was increased at the June 2020 meeting as a result of COVID-19 outbreak being declared a pandemic by the World Health Organisation (WHO), Australia closing its borders and Crown being instructed to close its properties. This risk is currently the highest rated risk in the Crown Resort's Corporate Risk profile, due to its severe impact on operations.

Overall, the risk is rated as 'Critical', meaning that it is overseen by the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**. The main concern at this stage is the high level of uncertainty that current conditions present for our workforce, and our ability to keep both the required volume of staff for operational effectiveness as well as key personnel.

RISK DEFINITION

Definition	Key Controls
<p>Unfavourable changes in Australian and international economic conditions, including change in government; global geopolitical event and hostilities, act of terrorism (outside Crown), natural disaster, pandemic, etc.</p> <p>Loss of international commission business to competitors in South East Asia and Las Vegas. Increase in local competition (both gaming and non-gaming).</p> <p>Key exposures include, but are not limited to:</p> <ul style="list-style-type: none"> • Granting of additional gaming licenses • Oversupply of non-gaming facilities (e.g. hotel rooms, Airbnb, restaurants and conference centre facilities) • Expansion of online gaming • Changes in consumer behaviours 	<ul style="list-style-type: none"> • Dedicated senior management and Directors engaging with relevant government stakeholders • Annual strategic planning and business planning processes. • Appropriate and targeted marketing campaigns. • Management monitoring of: <ul style="list-style-type: none"> ○ international competitors; ○ the VIP program and relationships; ○ local and domestic competitors in all jurisdictions in which Crown operates; and ○ financial performance and trends. • Appropriate capital structure. • Capital investment in VIP facilities. • Targeted initiatives in product development, marketing, technology and people management to consistently demonstrate capability to differentiate gaming brands in a crowded market. • Revised operating plans. • Engagement with medical experts • Effective escalation framework ensures matters are provided with adequate level of management oversight and response effort. • Contingency planning, including business continuity plans and disaster recovery plans. • Activation of Crisis Management Response Team as appropriate.

4.1

MATERIAL DEVELOPMENTS

COVID-19 UPDATE

Australian Resorts (Melbourne and Perth)

On 11 March 2020, the WHO declared COVID-19 a worldwide pandemic.

Crown Melbourne and Crown Perth closed their doors on 23 March 2020 by Government mandate. Over 95% of all of Crown's staff were stood down, and only minimal activity remained, which was primarily in Hotel operations, with assistance being provided by Crown for travellers being quarantined after their return from overseas.

Crown Melbourne was able to resume partial operations from late October 2020, with Gaming resuming in a very limited capacity in mid-November 2020.

Following the easing of border restrictions once the Victorian outbreak was under control, smaller outbreaks in other states have resulted in a continuous change of state border restrictions and a conservative approach by the Victorian government in allowing for large gatherings and the resumption of activity in larger venues.

It is anticipated that this level of constant fluctuation in operating conditions will continue in the foreseeable future.

Due to this level of uncertainty, there is a very strong requirement from the business to be flexible and continuously adapt to varying operational conditions. This presents both staff and process challenges, but the management and Executive teams are well aware of the risks and are managing them accordingly.

In such a pandemic event, the main concerns with regards to re-opening the properties are the ongoing health and safety of individuals, both employees, patrons and other stakeholders.

The main challenges encountered during the re-opening have mirrored some of the experiences in WA, particularly with regards to employee absenteeism and the ability to staff the F&B and housekeeping functions in particular.



11. AML Breaches

In October 2020, a stand-alone risk for AML breaches was created and it was proposed to align the rating of this new risk with risk #1 – Material breach of gaming and other relevant legislation/ regulation, where the AML breach risk was originally represented.

The rating reflects the fact that Crown’s business operations involve a material amount of manual processes, which therefore has an inherent weakness related to human error. Extensive training and supervision are in place to address this inherent weakness, however a residual risk remains through, for example, errors in processes or individual judgement. IT enhancement and automation are underway, but until those processes are operational, the risk will remain higher.

Overall, the risk is rated as ‘High’, meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Crown and its affiliate businesses operate in a highly regulated industry, with a large number of cash being transacted. There is a risk that individuals could misuse Crown’s services for money laundering and terrorism financing.</p>	<p><i>Generally</i></p> <ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable). • Obtaining expert local and foreign legal advice in appropriate circumstances as required. • Code of conduct and corporate values enforced through performance processes. • Patron probity checks and performance monitoring. • Compliance training to relevant staff groups. • Legal, governance and compliance frameworks in place in each business. • Layers of operational auditing and compliance checks in place across critical areas (particularly gaming). <p><i>Specifically:</i></p> <ul style="list-style-type: none"> • AML/CTF joint program. • Periodic internal audit reviews of the effectiveness of controls and processes in place to manage Crown’s compliance frameworks and the overall internal control framework. • Engagement of external experts to test effectiveness of the joint program. • Whistle-blower Policy and hotline.

MATERIAL DEVELOPMENTS

Crown Melbourne – AUSTRAC Enforcement Team Investigation

As previously reported to the Committee, AUSTRAC has initiated a formal enforcement investigation into the compliance of Crown Melbourne. Crown has engaged Allens to assist with the investigation.

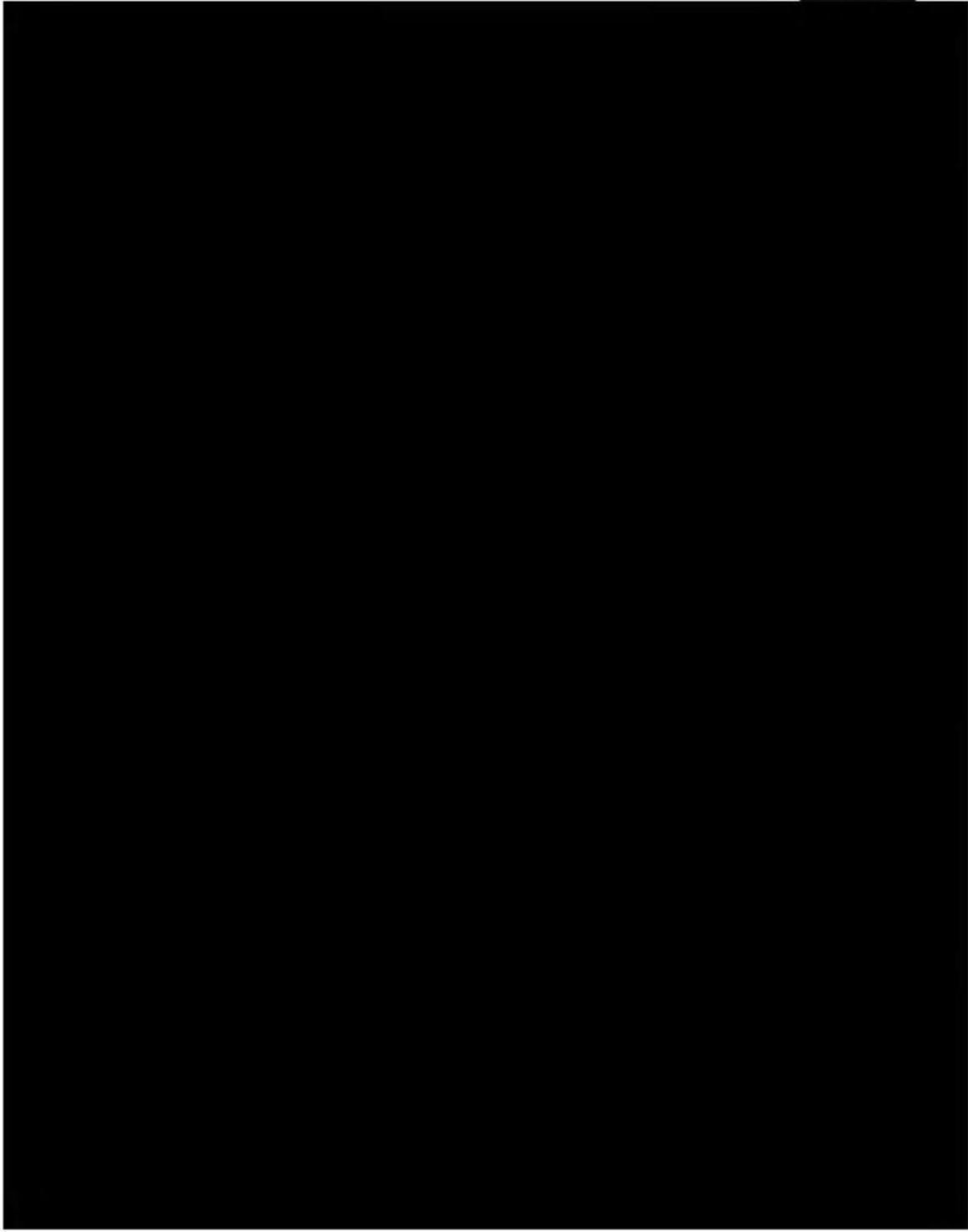
ILGA Inquiry – Riverbank / Southbank

The ILGA Inquiry has focused on elements of Crown’s historical AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown is engaged with AUSTRAC on this issue and has responded to AUSTRAC’s queries. Crown is continuing to review these accounts with the assistance of external experts.



AGENDA ITEM 5:

Financial Results



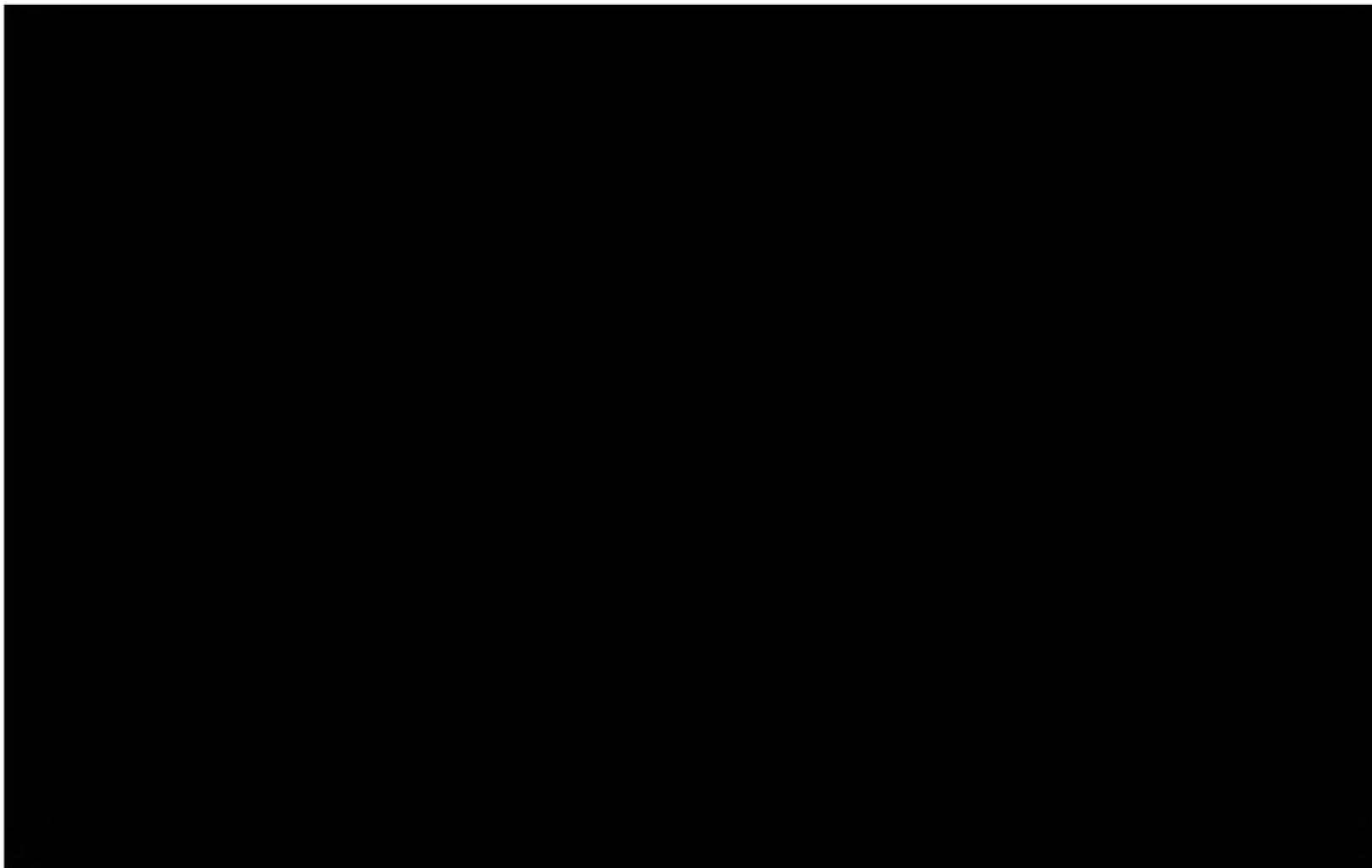
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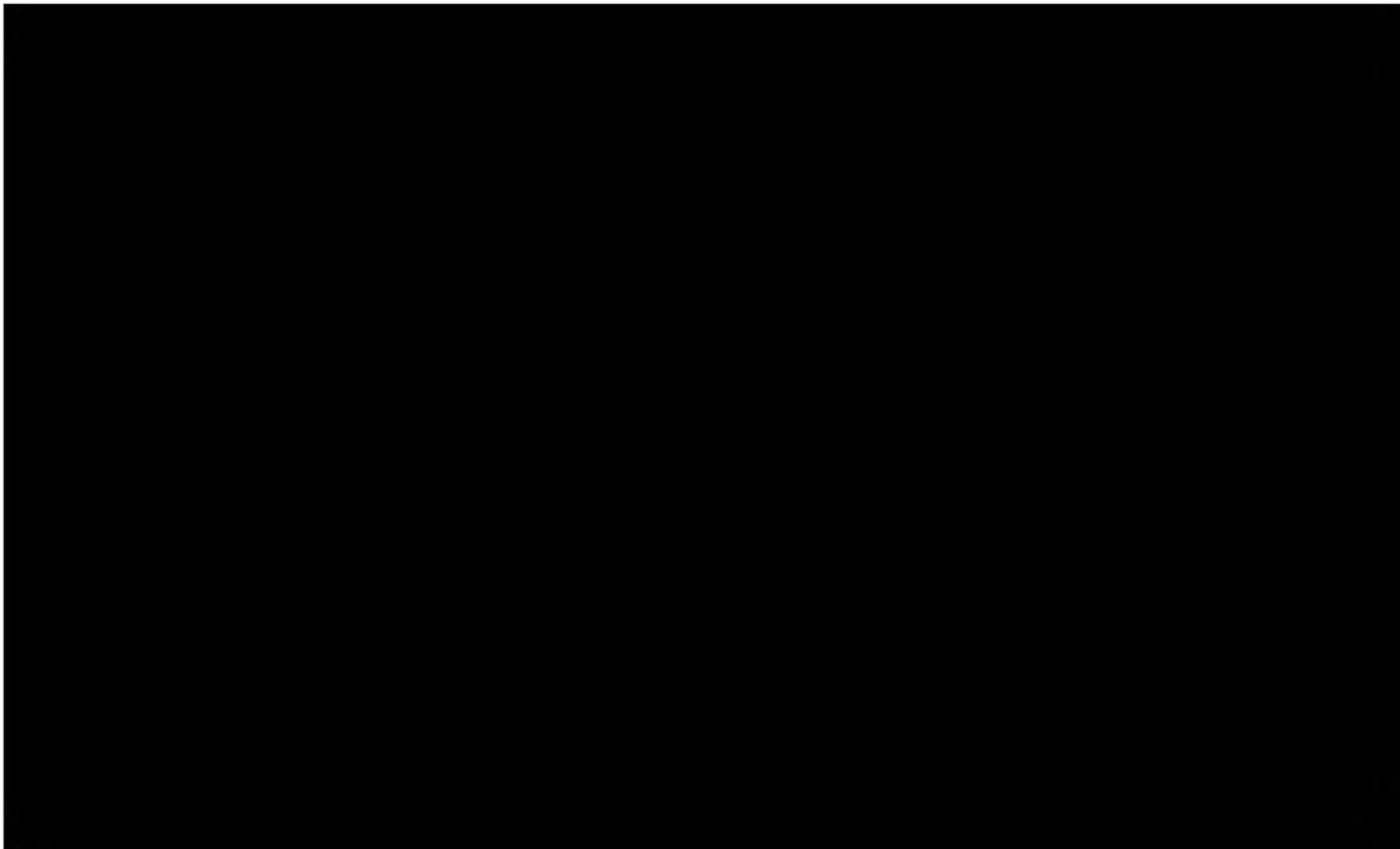
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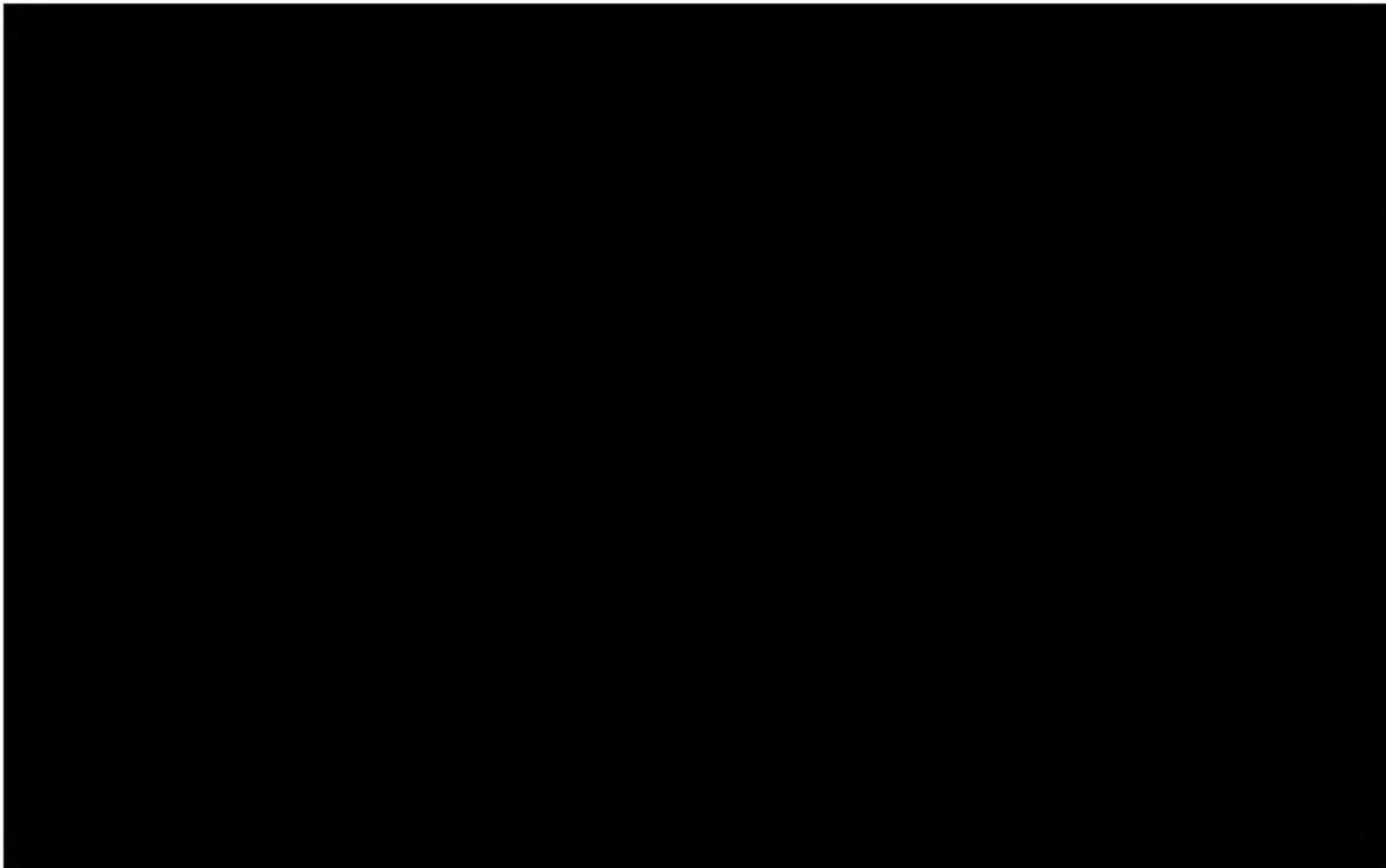
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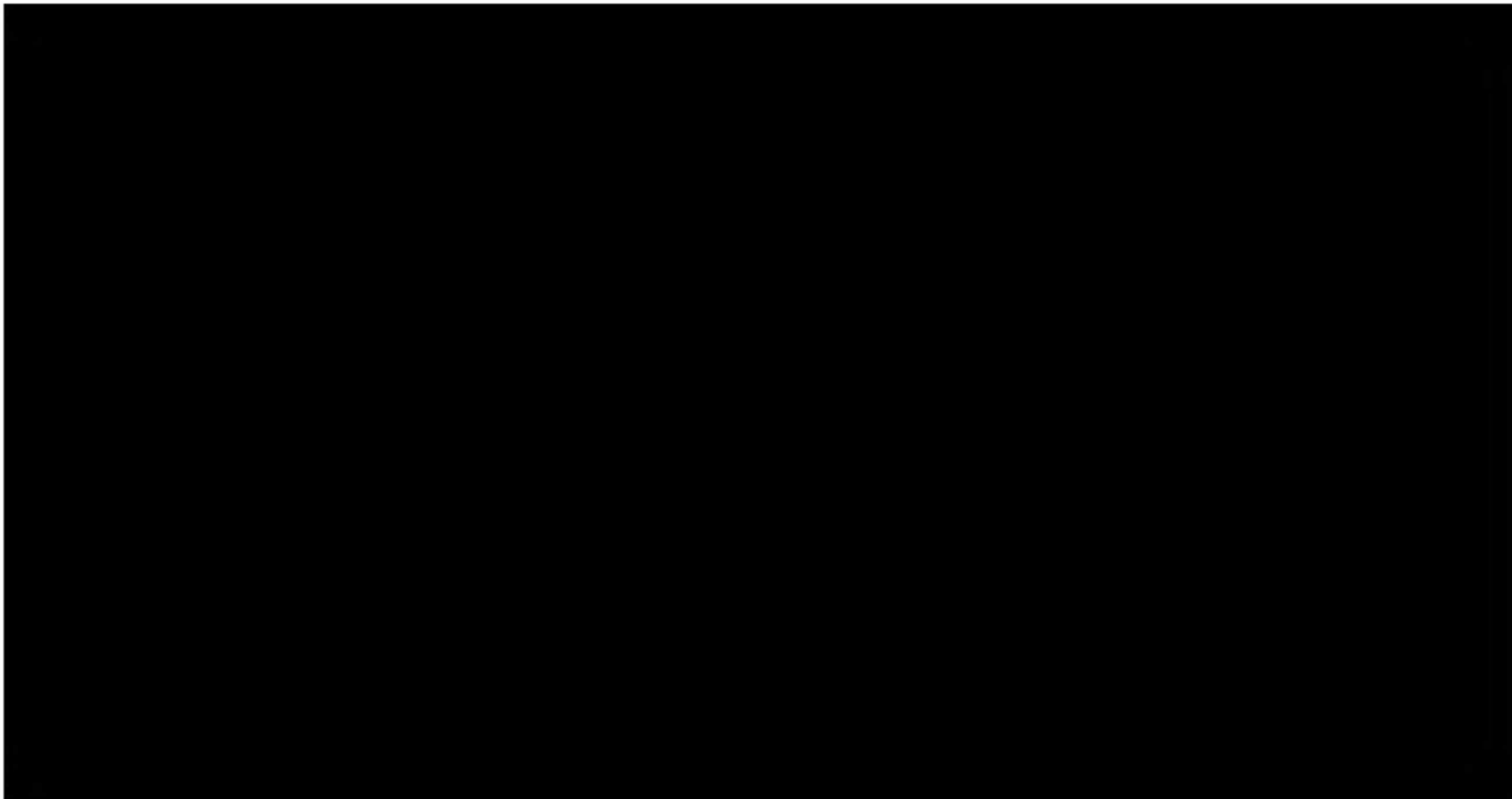
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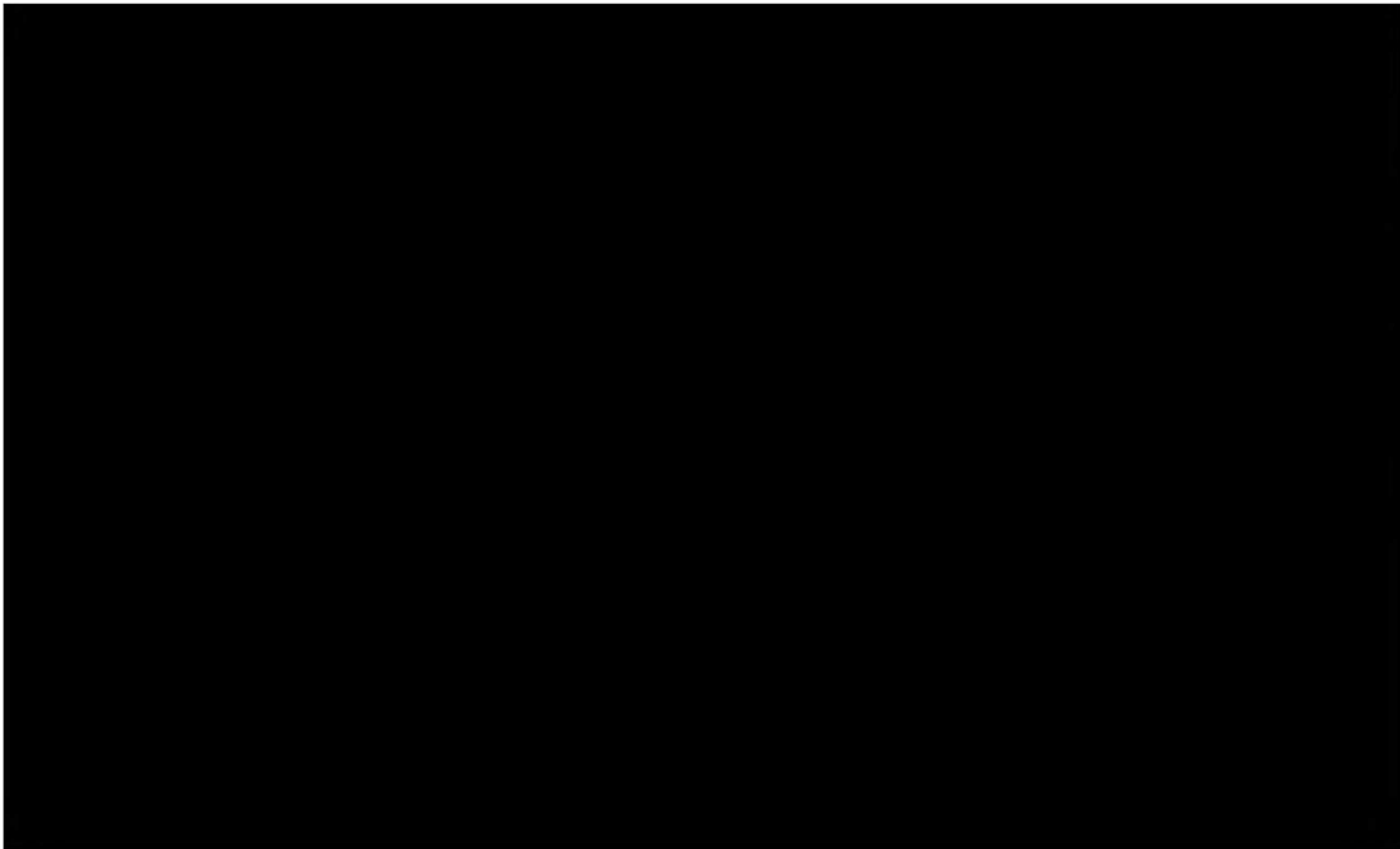
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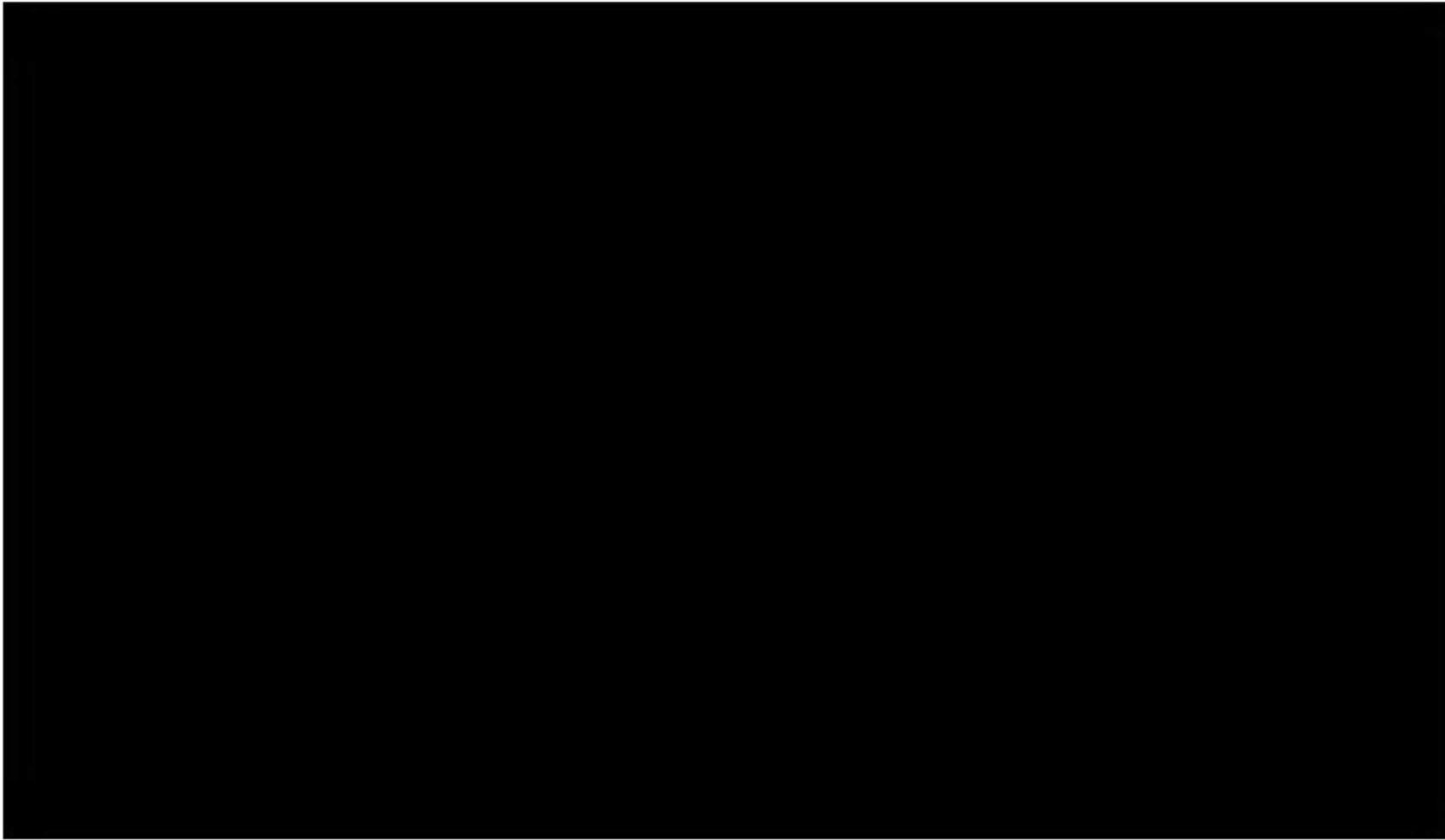
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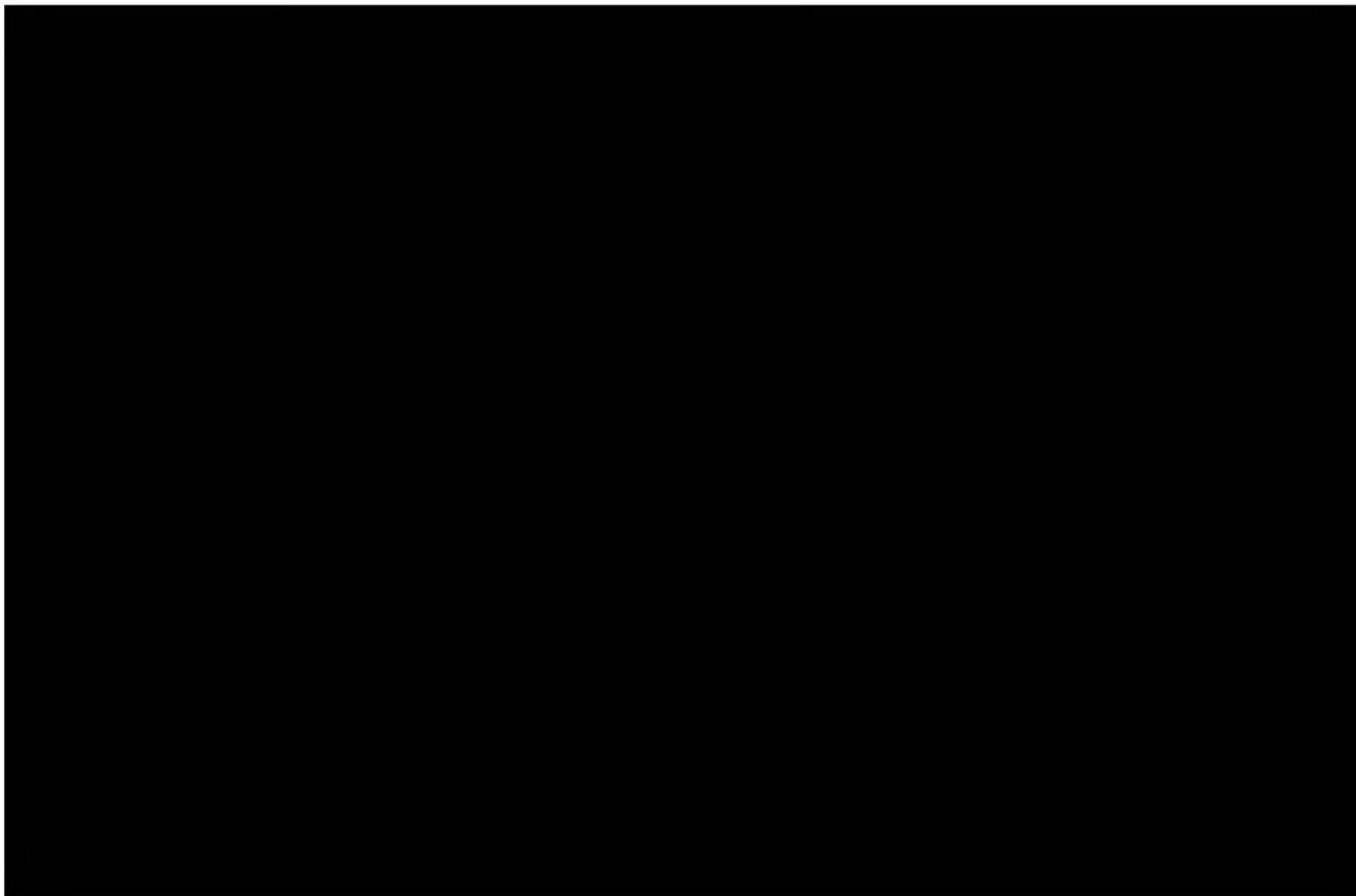
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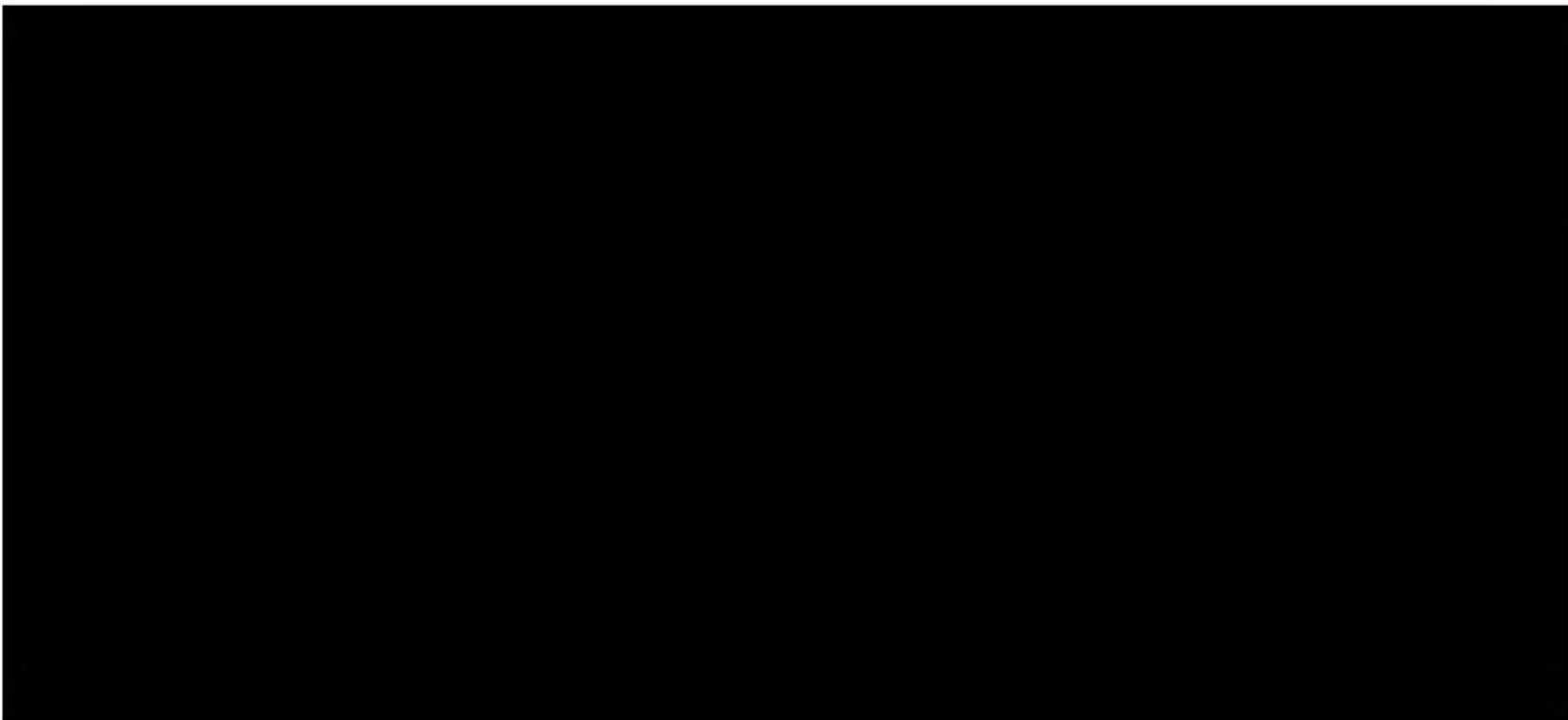
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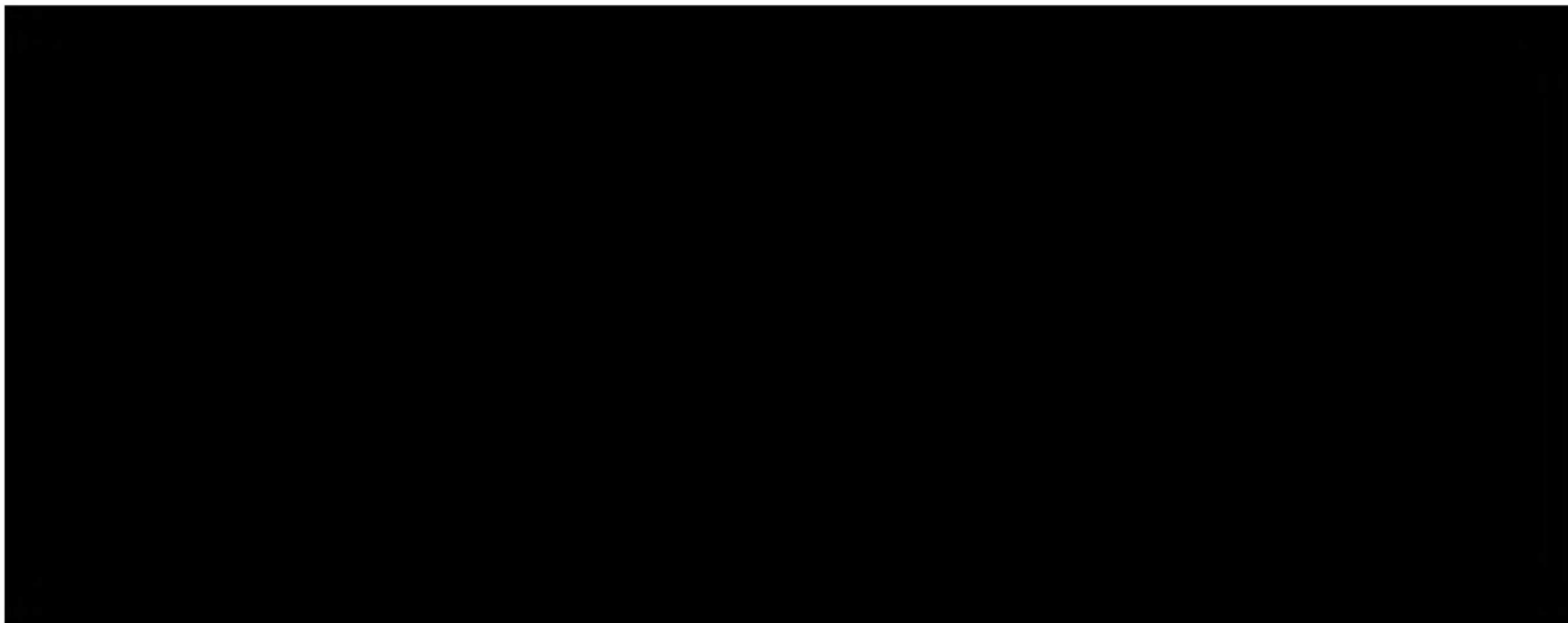
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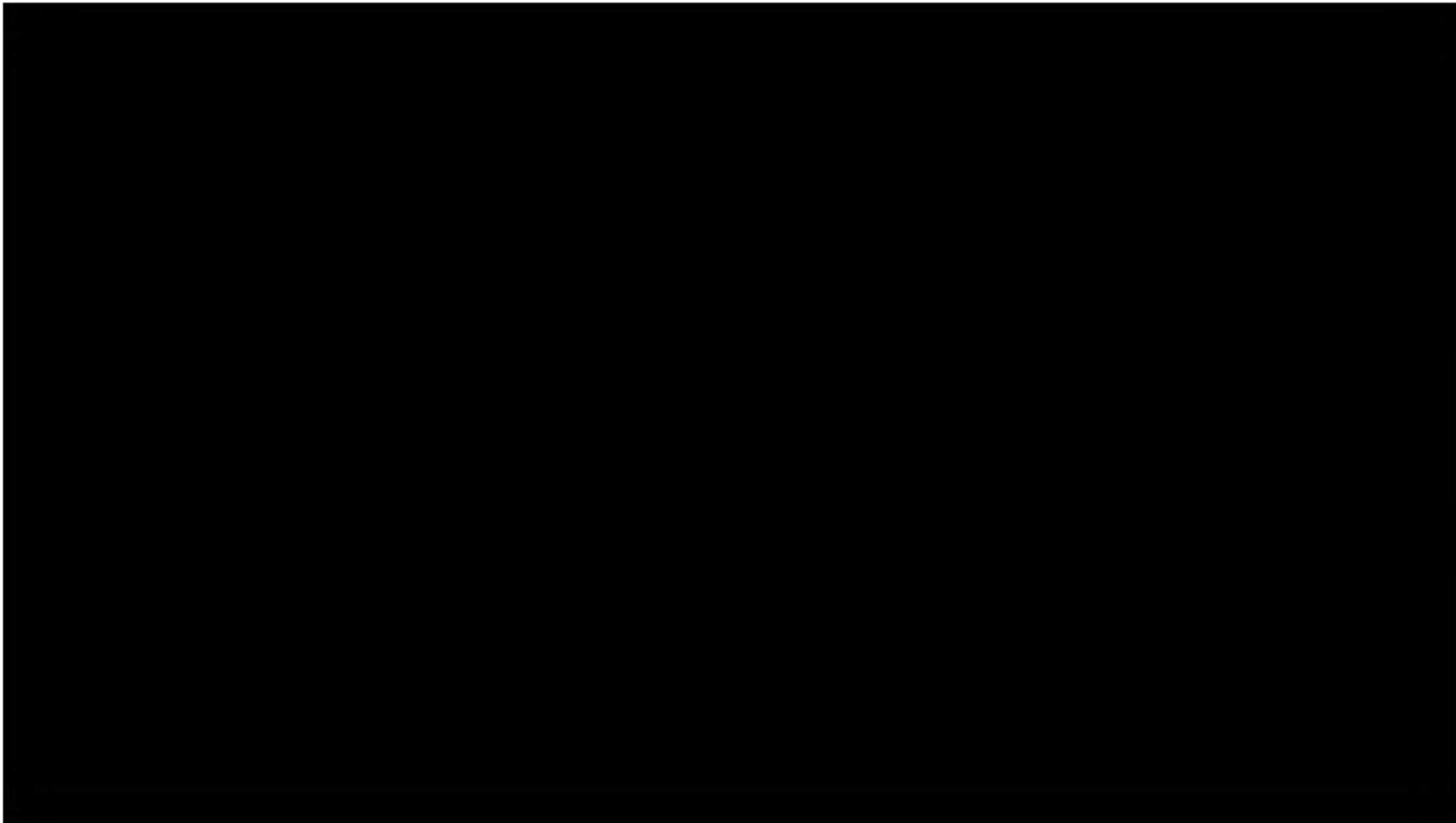
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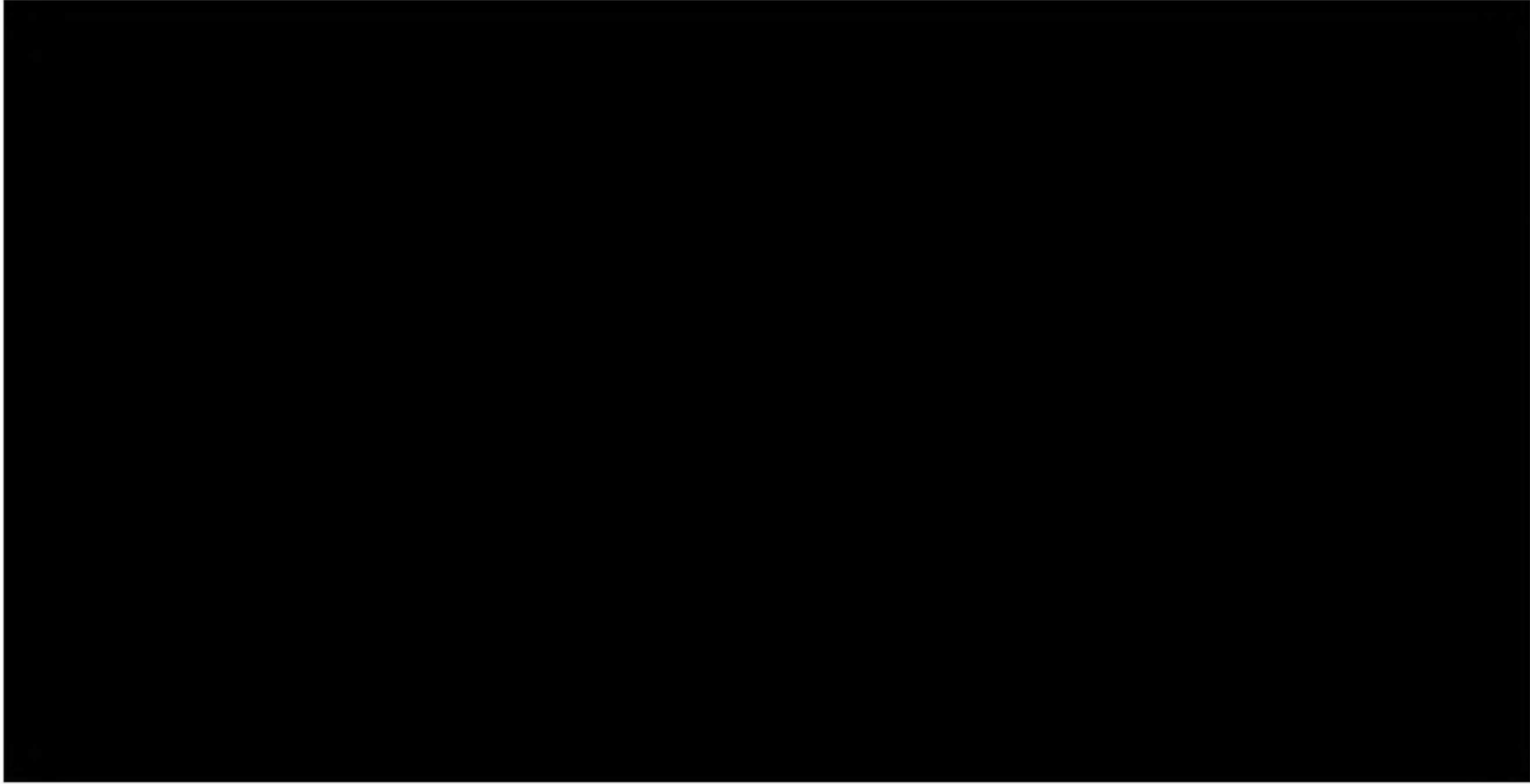
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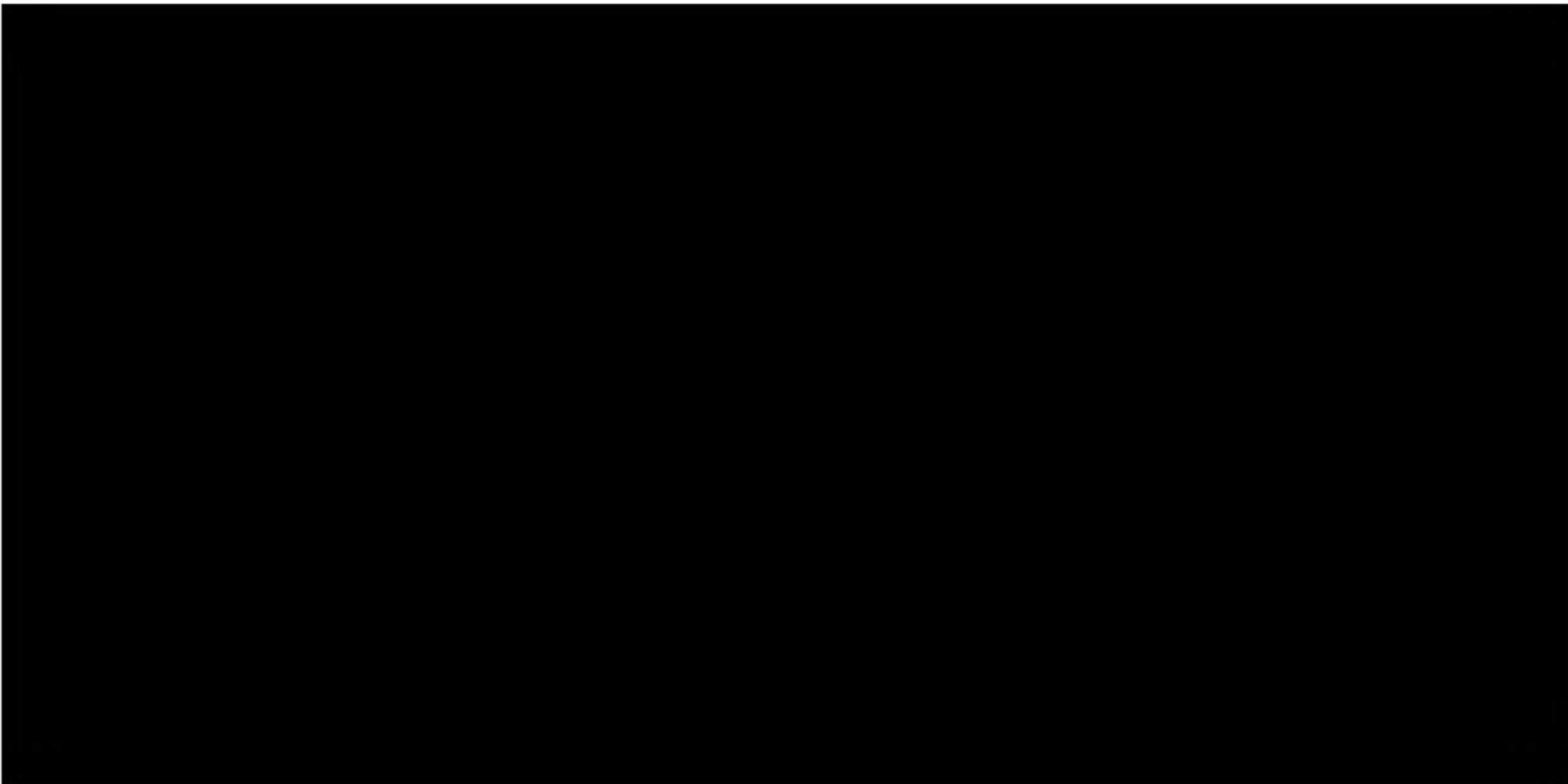
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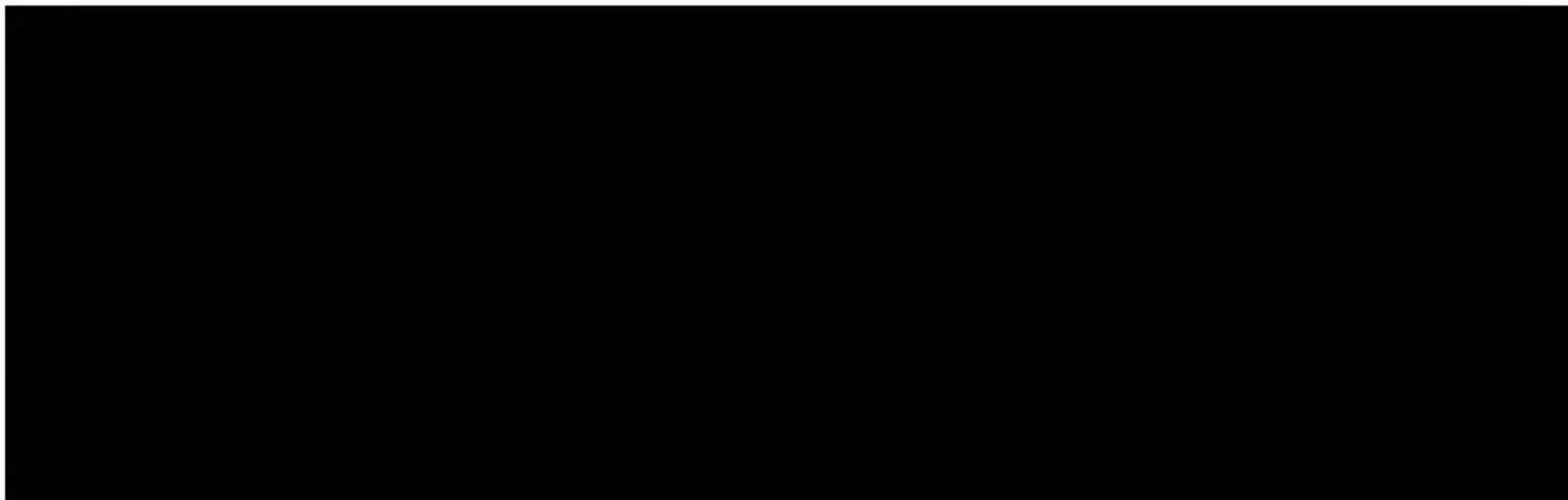
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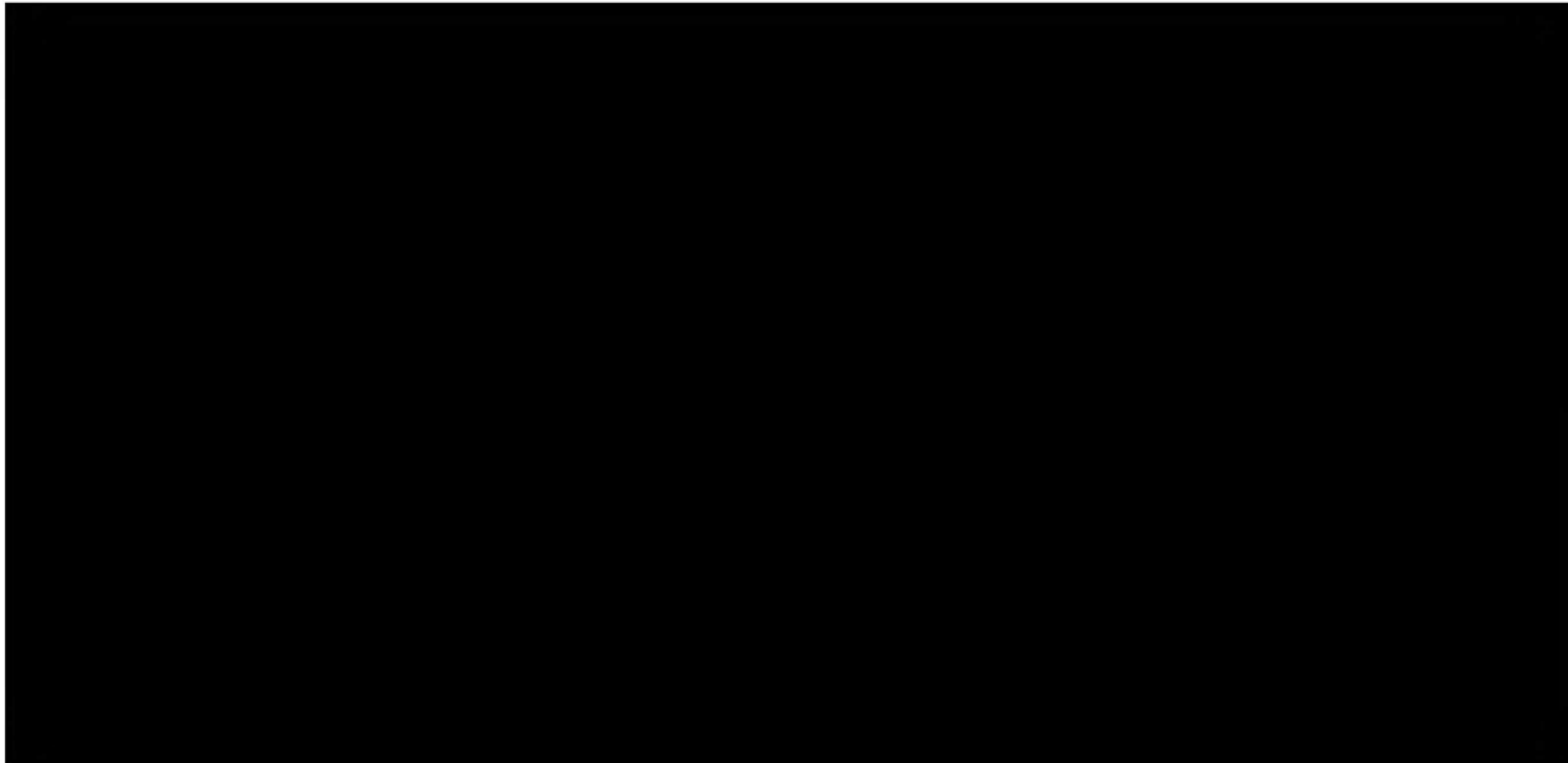
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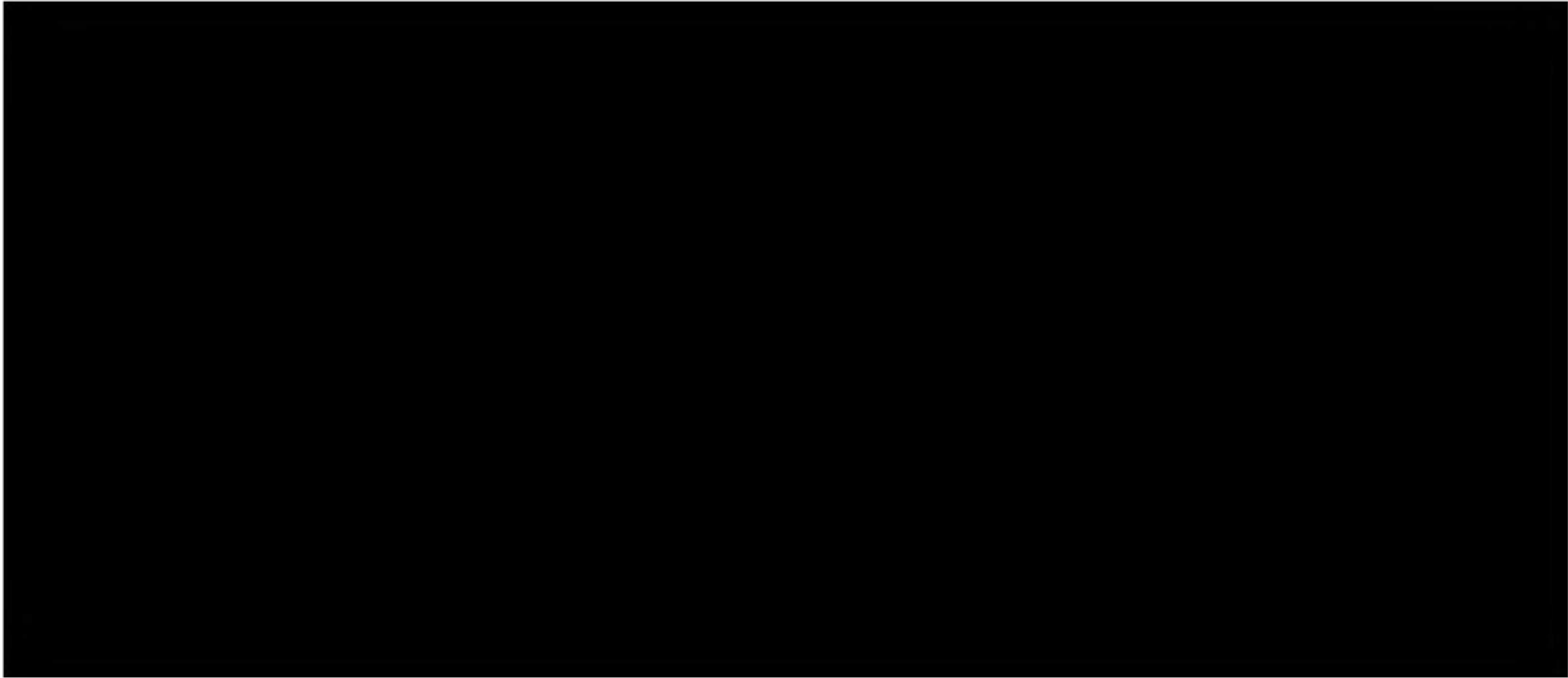
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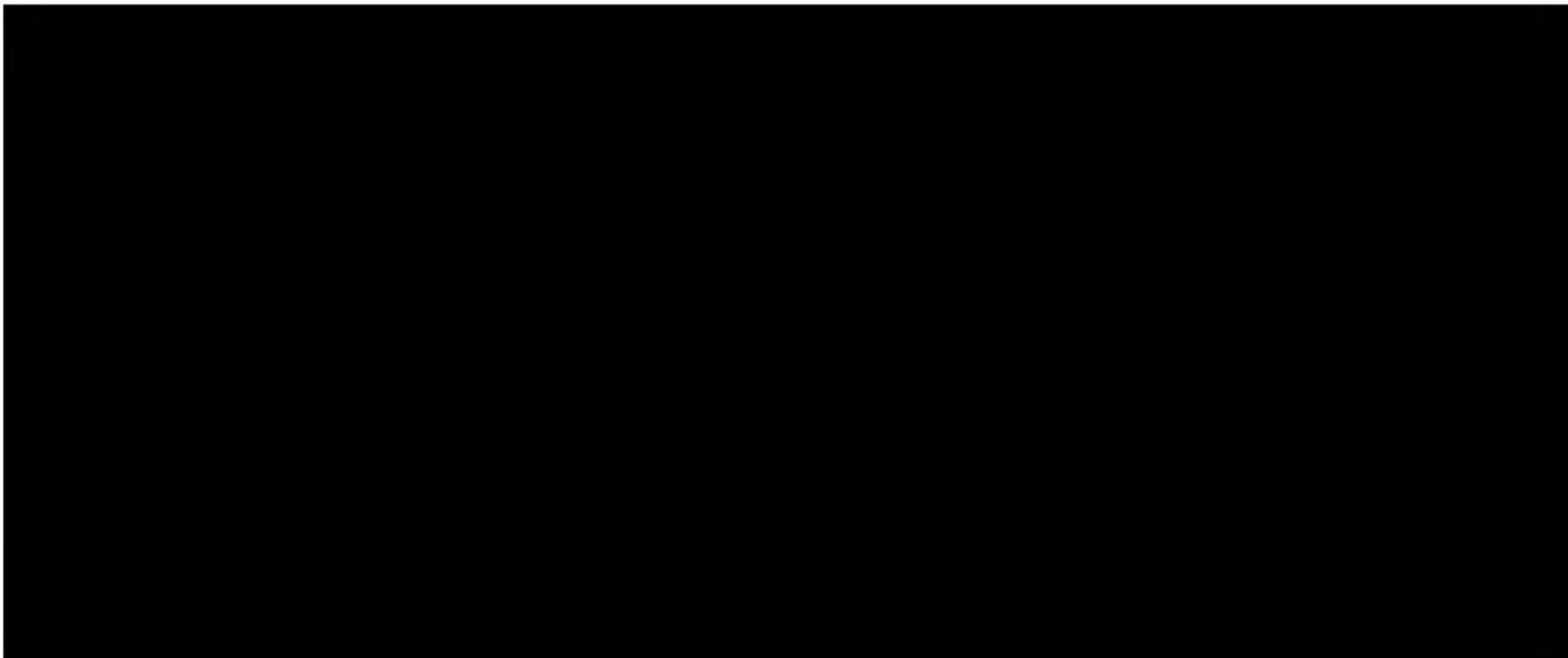
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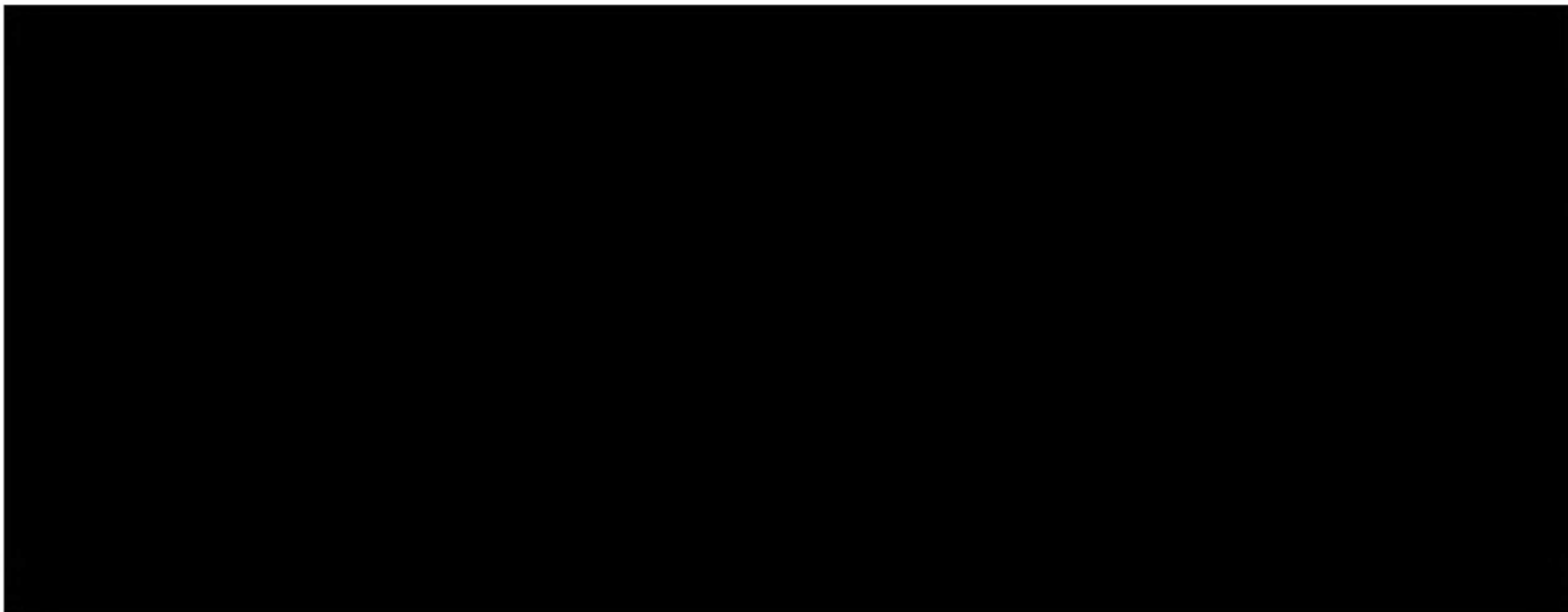
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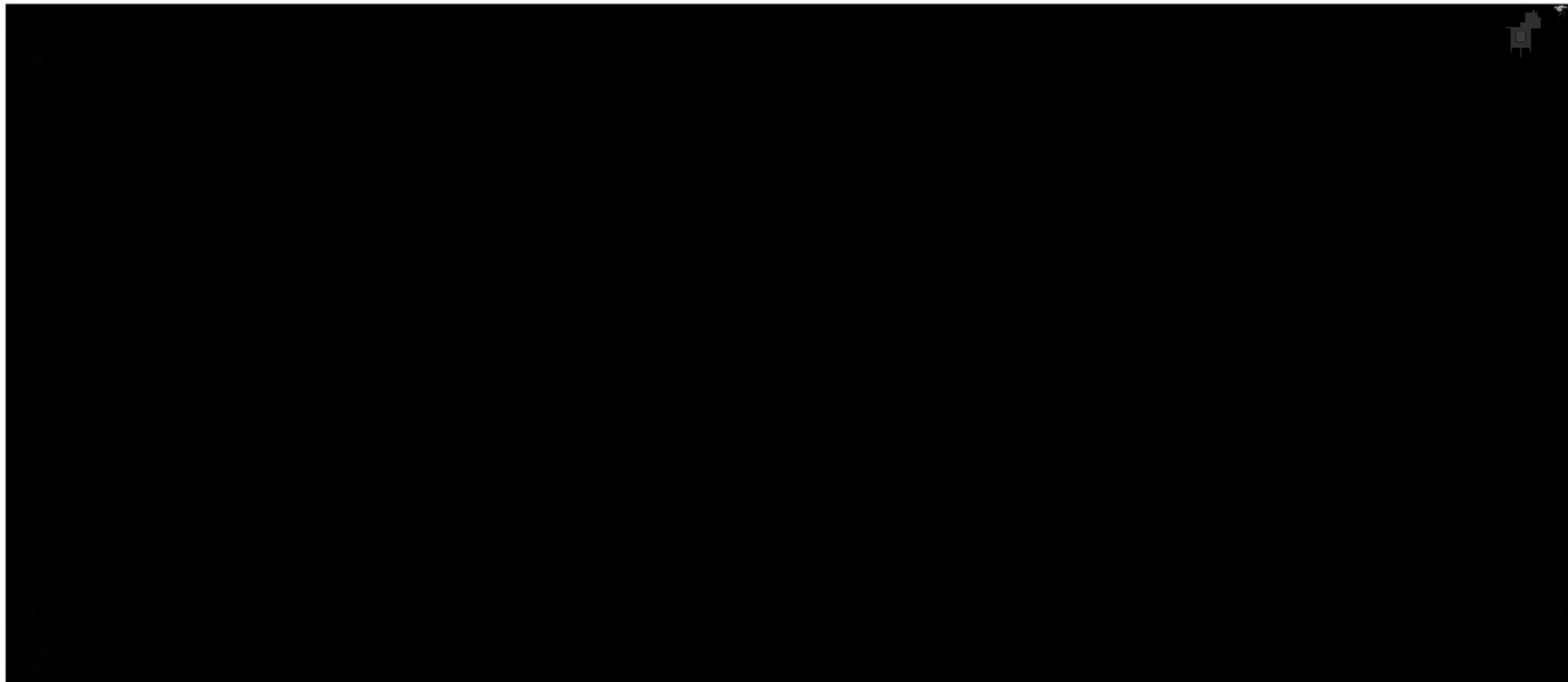
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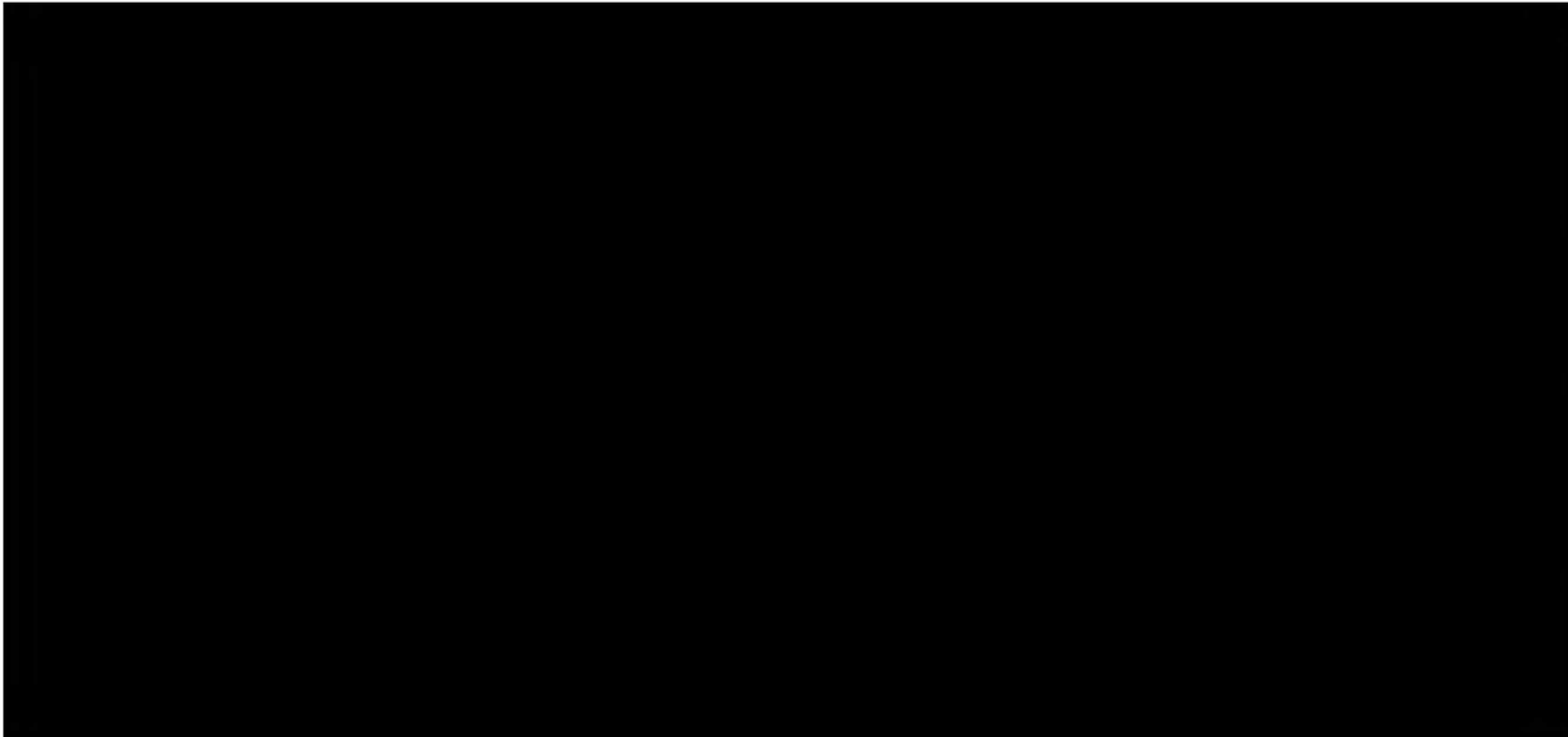
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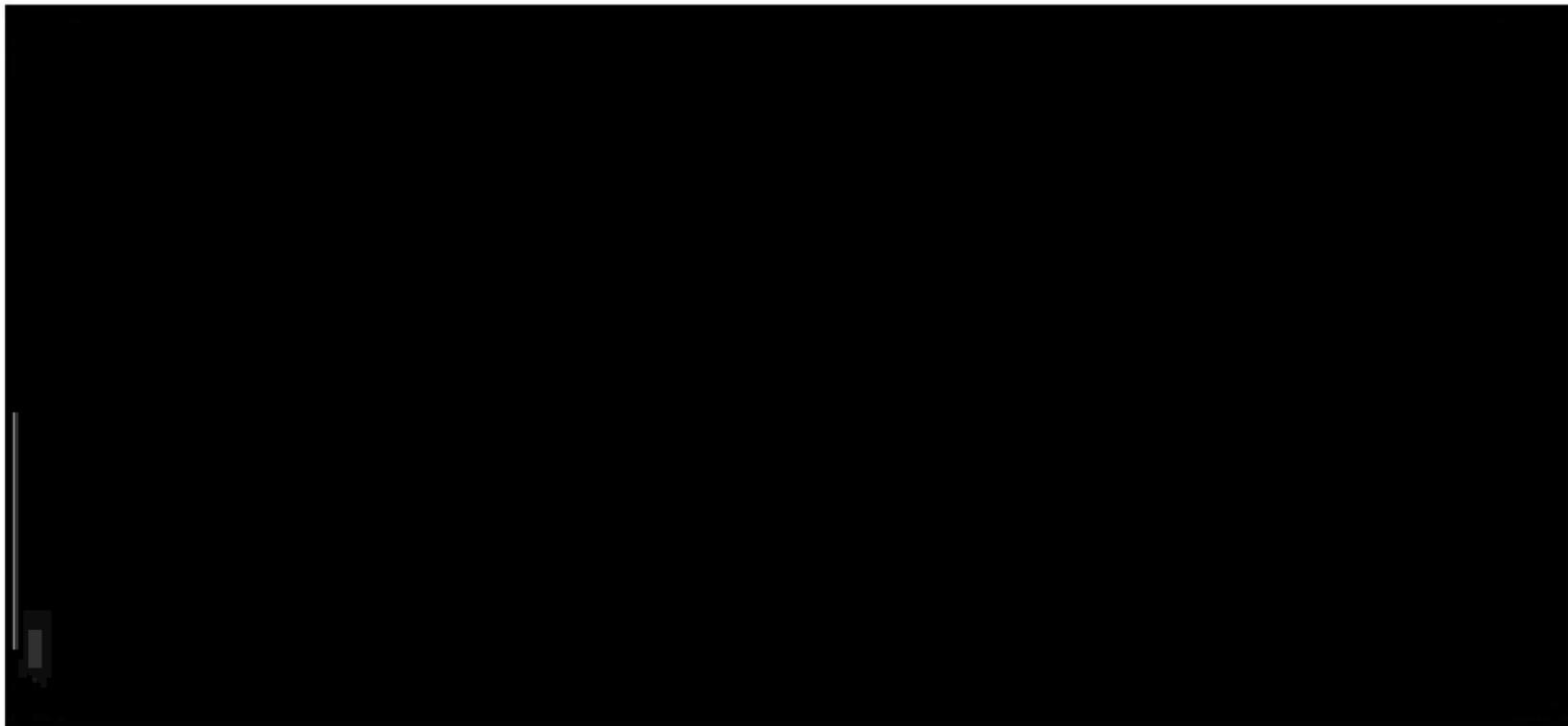
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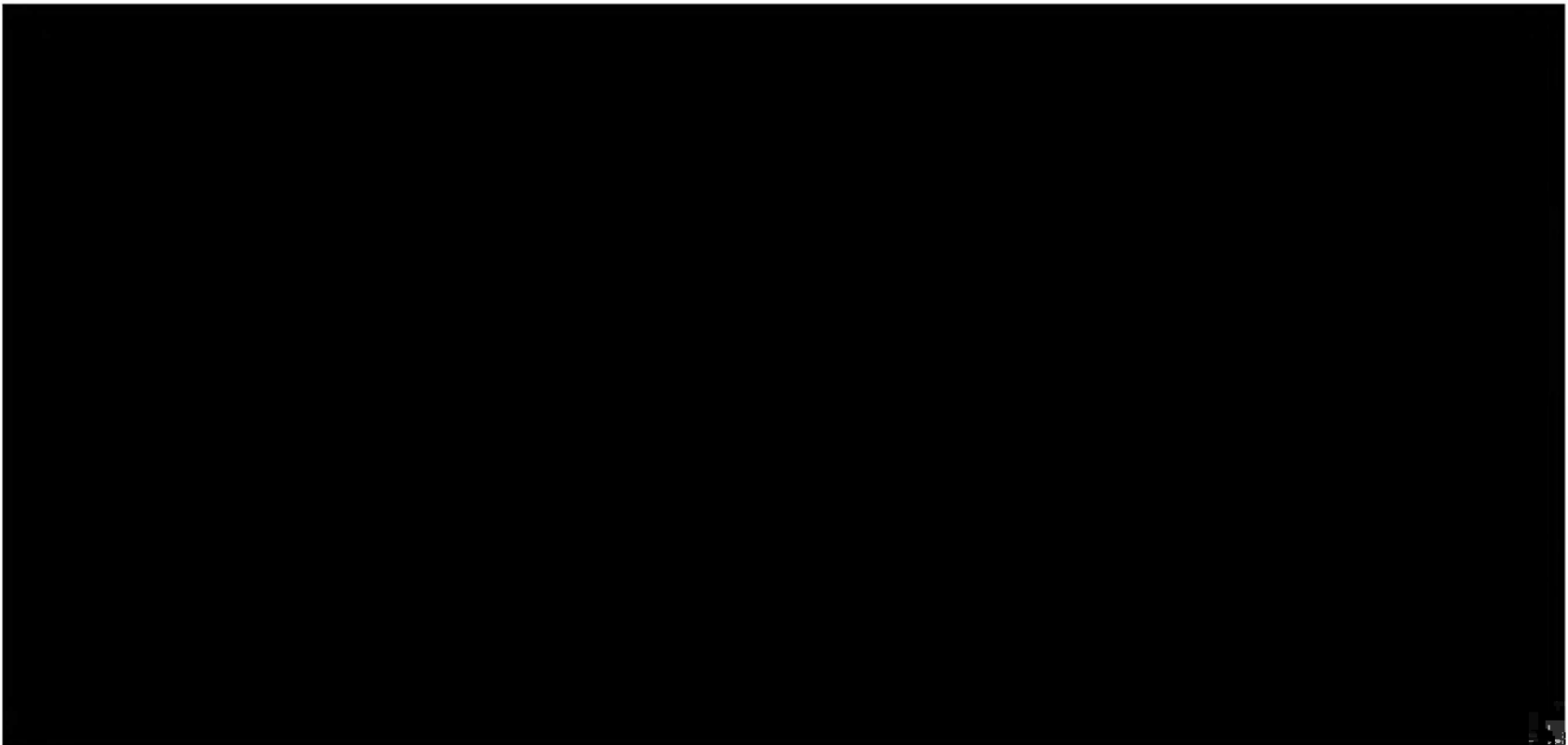
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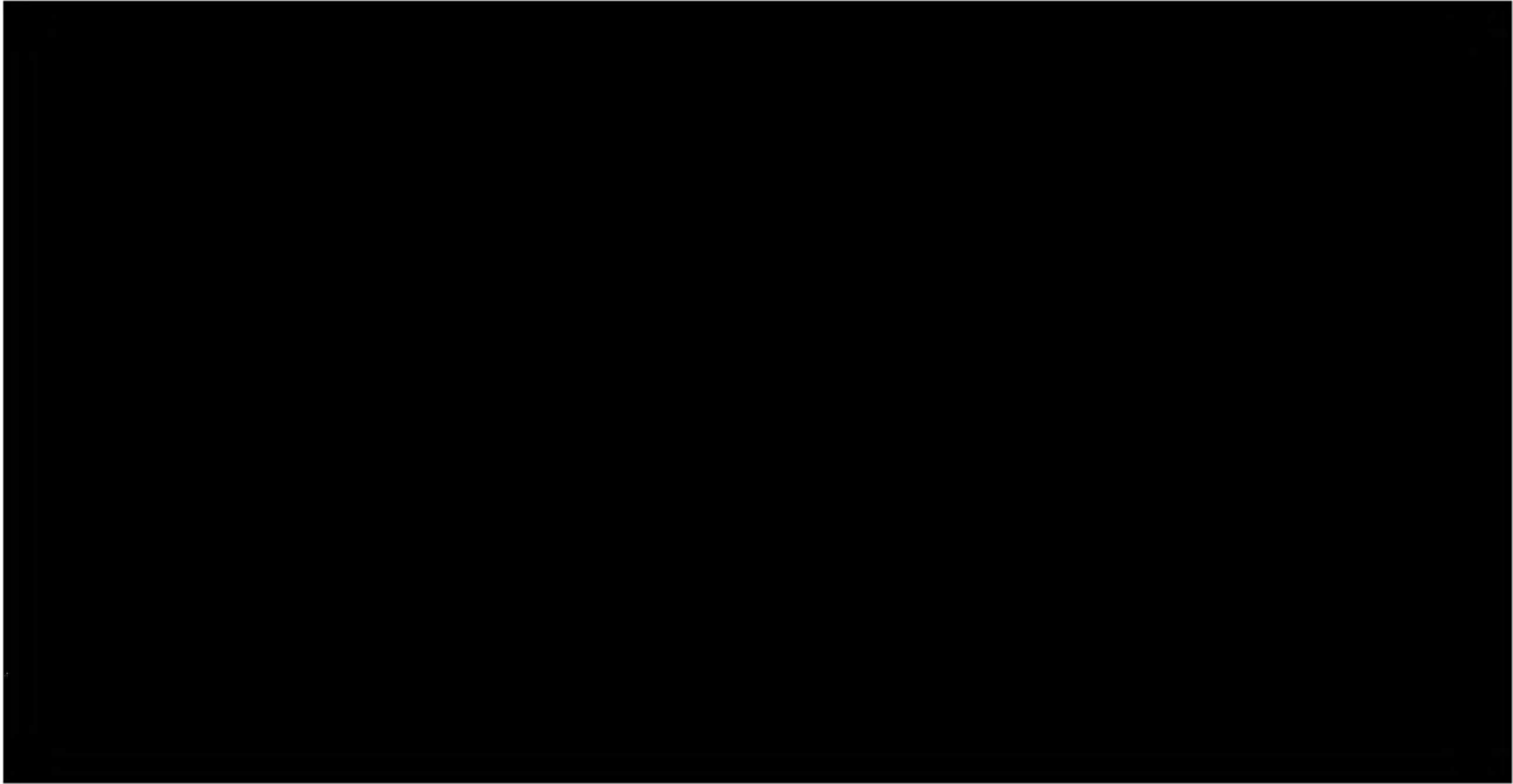
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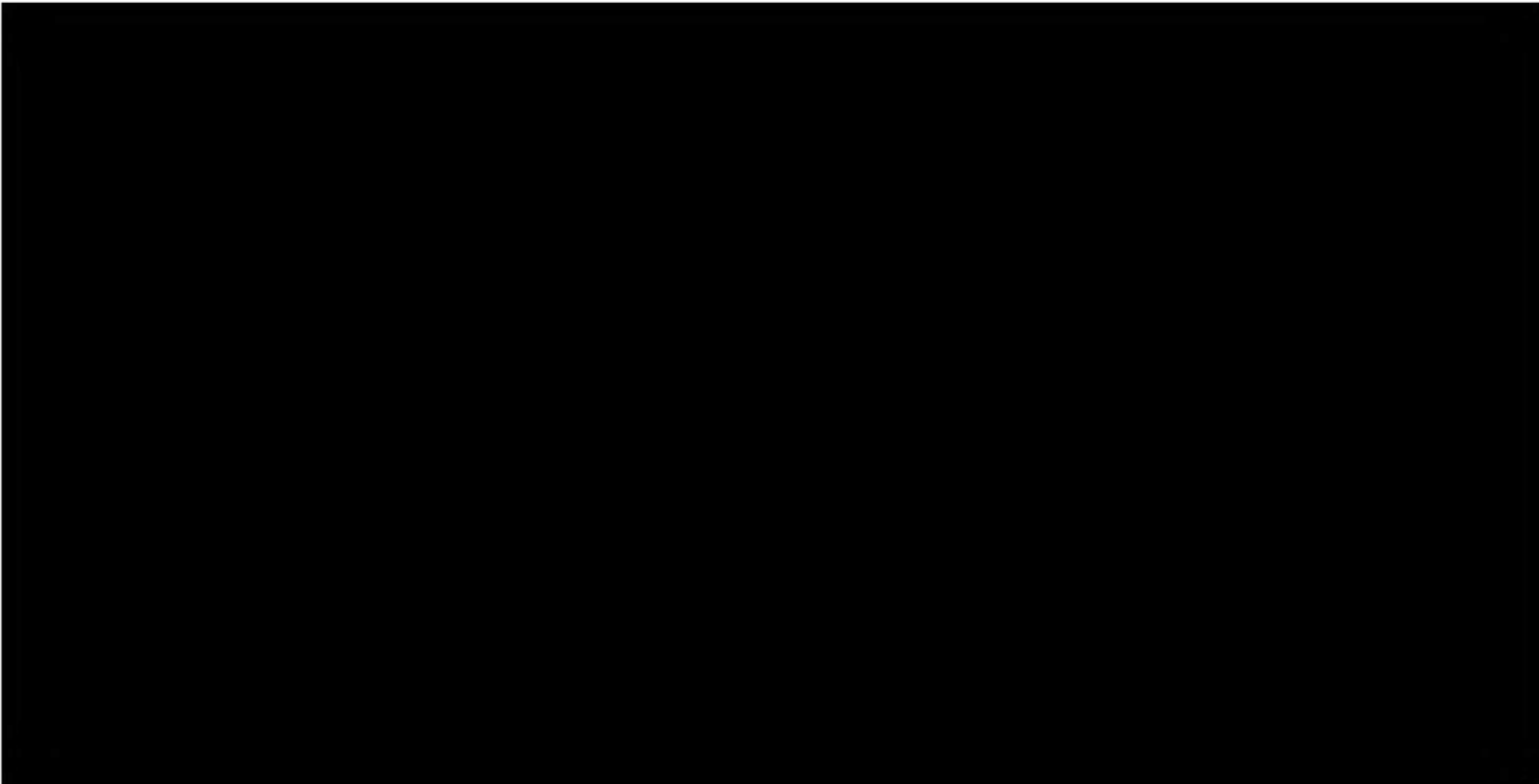
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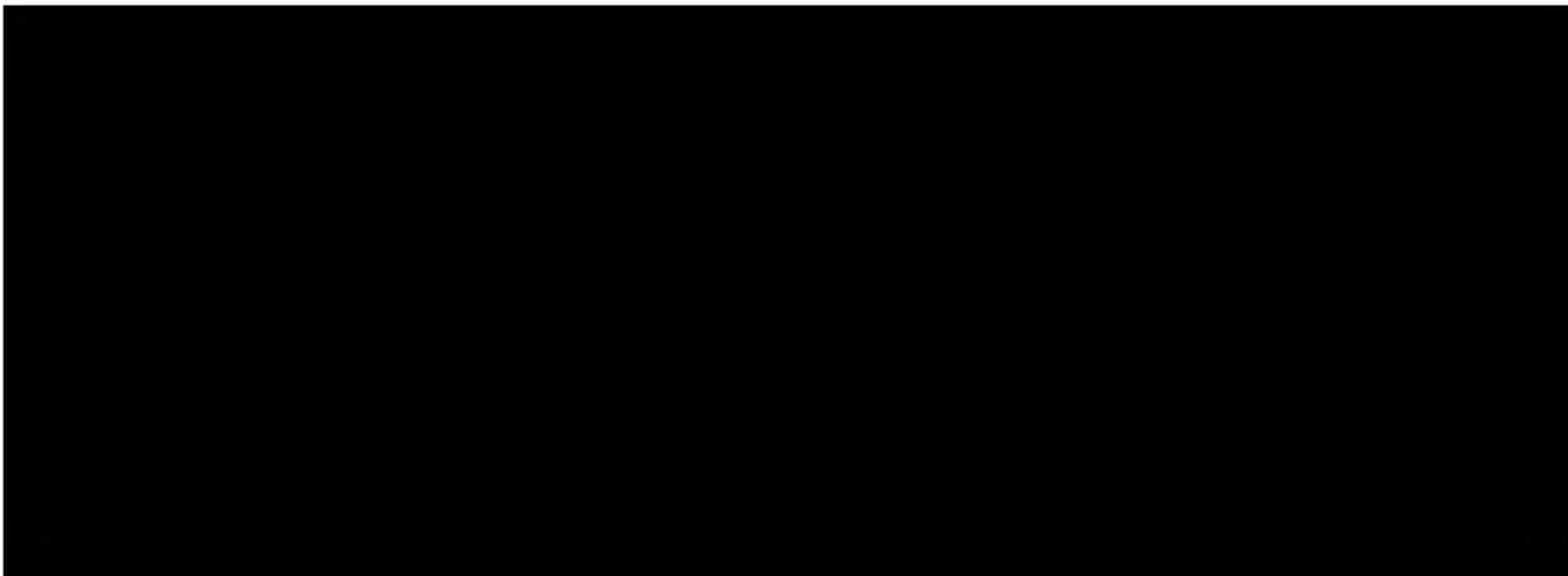
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Crown Melbourne Limited Audit Committee

Key Accounting Issues – 2 February 2021

Introduction

Whilst Crown Melbourne does not prepare stand alone half yearly financial statements, this paper discusses the key accounting issues arising in relation to the half year results of Crown Melbourne for the six months ended 31 December 2020.

1. Doubtful Debts Provisioning

In accordance with AASB 9 *Financial Instruments*, Crown Melbourne has recognised a doubtful debt provision for the expected uncollectable amount of trade receivables. The standard refers to this as the recognition of lifetime expected credit losses (ECLs). AASB 9 does not prescribe how an entity should estimate the lifetime ECLs, but does allow the use of a provision matrix as a practical expedient. The Crown Melbourne matrix uses historical default rates, as well as taking into account current conditions, the time value of money and forecasts of future economic conditions, including the impact of COVID-19 and Crown's announcement regarding its relationship with junket operators. This is consistent with the provisioning policy adopted at Crown Resorts Group (the Crown Group) level.

Debtor Provisioning

The table below is a summary of Crown Melbourne's net gaming debtor exposure for the past four reporting periods.

	Dec-20	Jun-20	Dec-19	Jun-19
	\$m	\$m	\$m	\$m
Gross gaming debtors	71.8	73.8	65.2	64.2
Provision against adjusted gaming debtors	(71.1)	(43.7)	(21.0)	(19.3)
Net debtors	0.7	30.1	44.2	44.9
Provision as a % of gross debtors	99%	59%	32%	30%

One-off allowance for credit losses

On 17 November 2020, Crown announced that it would permanently cease dealing with all junket operators, subject to consultation with gaming regulators. Crown will only recommence dealing with a junket operator if that junket operator is licenced or otherwise approved or sanctioned by all gaming regulators in the States in which Crown operates.

In light of the above, Crown Melbourne undertook a review of all outstanding gaming debtors and adjusted the level of provisioning as appropriate. This resulted in a \$28.0 million one-off adjustment to the allowance for expected credit losses largely relating to outstanding junket debt. During the period, there was no international VIP revenue and minimal interstate activity.

Crown is proposing to disclose the one-off increase to the allowance for expected credit losses as a Significant Item given the material and unusual nature of the expense. The expense has largely arisen following Crown's announcement that it would no longer deal with junket operators, thereby reducing the likelihood of collection of the outstanding amounts owed by junkets.

Dinner by Heston Blumenthal Provision

Dinner by Heston (DBH) has been placed in liquidation, owing Crown Melbourne \$4.5m in expenses paid by Crown Melbourne on behalf of DBH as well as a \$0.7m working capital loan. In addition, Crown understands that DBH has outstanding employee liabilities (unpaid overtime) of



Crown Melbourne Limited Audit Committee

Key Accounting Issues – 2 February 2021

approximately \$4.5m (or \$1.6m net of receipts held by Crown Melbourne). Given the ongoing uncertainty associated with the outcome of this matter, Crown continues to believe it is prudent to recognise a \$6.8m provision. The Crown Group has a \$7m provision in relation to this matter. There have been no developments with respect to Dinner by Heston since the F20 reporting period.

2. Going concern

Crown Melbourne has a net current asset deficiency position of \$59 million at 31 December 2020. However, the latest forecast shows positive operating cash flows for the balance of F21. In addition, Crown Melbourne has a net related party receivable balance of \$713 million due from entities within the Crown Group. This receivable is currently classified as non-current and does not therefore mitigate the current asset deficiency, however it is payable when called. Furthermore, consistent with previous years, Crown Resorts provides an annual letter of financial support to Crown Melbourne.

Accordingly, there are reasonable grounds to believe that Crown Melbourne will be able to pay their debts when they are due.

3. JobKeeper / Government Grants

During the period, Crown Melbourne was entitled to government payments relating to an employee retention scheme (JobKeeper). Under the JobKeeper program, Crown Melbourne recorded \$27.1 million in payroll subsidies which related to the period from 1 July 2020 to 31 December 2020, for employees that continued to work for Crown Melbourne in either a full or partial capacity. Consistent with the 2020 financial year, Crown Melbourne has elected to present grants related to payroll expenses as a deduction against the related expense in the P&L.

In addition to the amount detailed above, Crown Melbourne has recorded a further \$82.9 million in JobKeeper payments relating to employees that were stood down during the year. These amounts were fully paid directly through to Crown Melbourne's employees.

4. Costs incurred during mandated closure (Closure Costs)

During the period, Crown Melbourne was directed by the State Government to suspend its gaming activities and other non-essential services. The Government mandated closure was effective throughout the period to 12 November 2020 when gaming activities recommenced, albeit in a severely restricted manner. During July and August 2020, Crown Melbourne's hotels remained open largely to provide the State Government with hotel quarantine services.

Crown Melbourne ordinarily operates each day of the year and, apart from minor exceptions, 24 hours each day. Due to the unprecedented nature of the Government mandated closure during the period, the circumstances surrounding Crown's closure are exceptional. During the closure periods for Crown Melbourne, whilst Crown did not generate any gaming revenues, Crown continued to incur expenses to maintain its operations. Given these exceptional circumstances, Crown is proposing to separately disclose all costs incurred during the mandated closure period. Consistent with the 2020 financial statements, the closure costs exclude costs in relation to hotel quarantine services provided during the closure period but include the impact of the JobKeeper program.

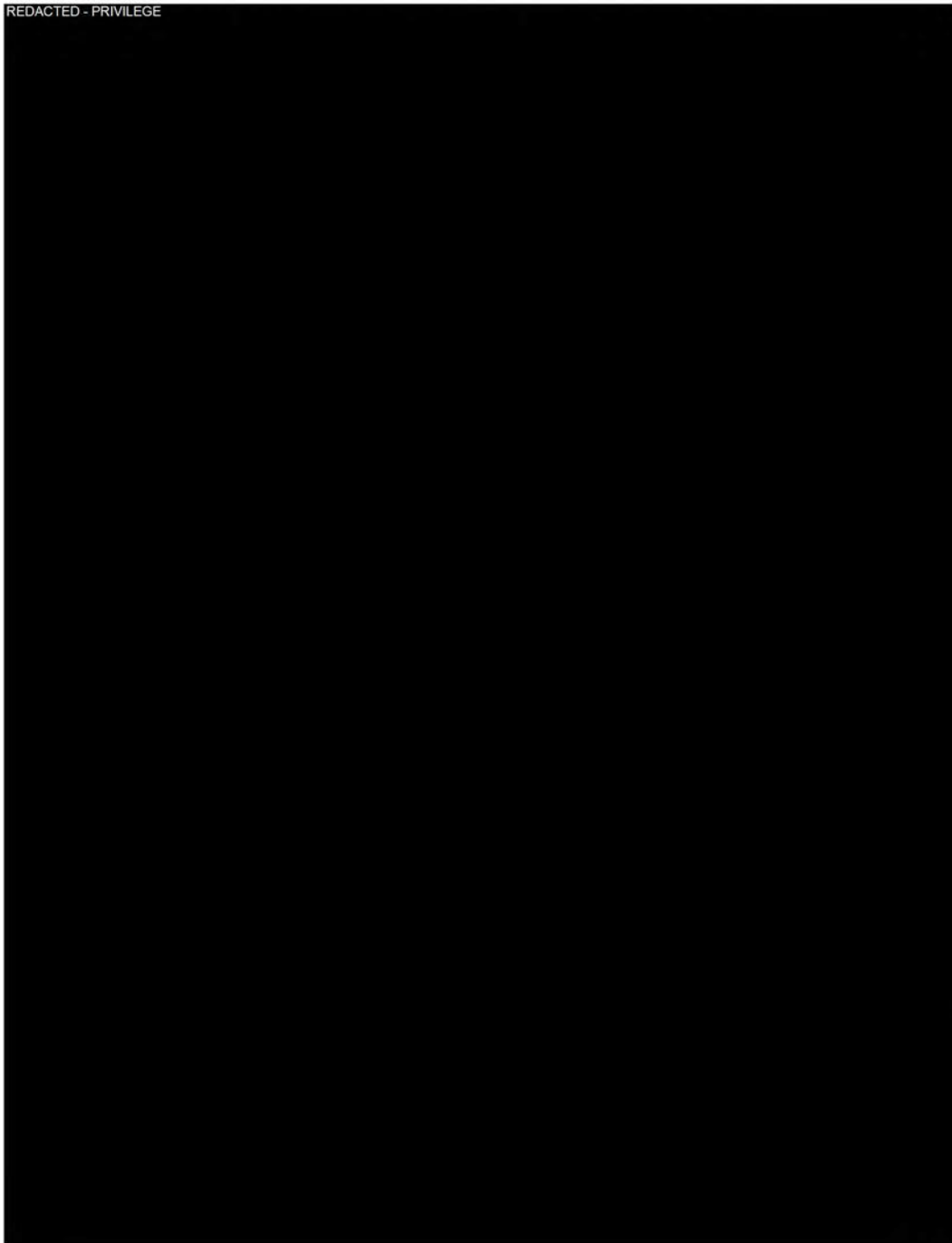


Crown Melbourne Limited Audit Committee
Key Accounting Issues – 2 February 2021

5. Payroll Compliance Review

Instrument and Payroll Compliance Review – Subject to Legal Professional Privilege

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Crown Melbourne Limited Audit Committee
Key Accounting Issues – 2 February 2021

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AGENDA ITEM 6:

KPMG Audit Update

A verbal update will be provided at the meeting in respect of this item.



AGENDA ITEM 7:

Emerging Risks and Other Business