



## Regulatory & Governance Update November 2019

### 1. AUSTRAC

#### 1.1. Group General Manager Anti-Money Laundering

Nick Stokes has been appointed to the role of Group General Manager Anti-Money Laundering.

Nick will bring a wealth of experience to the team having previously worked at AUSTRAC, and in senior regional financial crime related roles at both Standard Chartered Bank and Credit Suisse.

Nick will oversee the Anti-Money Laundering/Counter Terrorism Financing Programs in both Perth and Melbourne, and the development of the AML/CTF Program for Crown Sydney in due course.

Nick will continue to drive Crown's strong commitment to compliance with AML/CTF legislation and will take the lead in rolling out our new Joint AML/CTF Program together with the enhanced AML framework initiatives.

Nick started on 11 November 2019.

#### 1.2. Section 167 Notices

##### ***Crown Melbourne – Compliance Assessment***

Crown Perth was due to have an AUSTRAC Compliance Assessment during October 2019. AUSTRAC informed Crown Melbourne in late August that they would be conducting the Compliance Assessment in Melbourne instead and delay the Perth Compliance Assessment to early 2020. AUSTRAC also indicated that the Crown Perth Compliance Assessment will relate to training.

The Melbourne Compliance Assessment was received on 12 September 2019 in the form of a Section 167 Notice. The Notice focused on Politically Exposed Persons and High Risk Customers active at Crown Melbourne during FY16 and FY19. Crown Melbourne responded to the Notice on 19 October 2019.

As expected, Crown Melbourne received a follow up Notice on 30 October 2019 requesting further information and documents relating to a selection of the customers that were provided in response to the September Notice. Crown Melbourne is in the process of responding to this further Notice and requested an extension of time which was granted by AUSTRAC.

##### ***Risk Assessment of Junkets***

AUSTRAC has completed the information gathering stage of its industry wide Junket Risk Assessment. AUSTRAC visited Crown Melbourne on 24 September 2019 to discuss the Risk Assessment and indicated that a draft of its Risk Assessment will be provided to



Crown for comment prior to publication. Further discussions with AUSTRAC suggested the draft will be available for comment after Chinese New Year.

### **1.3. Changes to AUSTRAC Enforcement Team**

As previously reported, following a departure and an internal restructure at AUSTRAC, Jack Haldane (Acting Director, Regulatory Operations) and Vicky Orshansky (Compliance Manager) are now the key AUSTRAC contacts for Crown. Jack and Vicky visited Crown Melbourne on 29 August 2019 to meet the AML team and do a tour of Crown Melbourne. Vicky also visited Crown to meet Nick Stokes on 20 November, Jack was unable to make it was another time will be arranged in December.

### **1.4. Joint Program and AML/CTF Framework**

The Joint AML/CTF Program has now been approved by the respective Crown Boards. The Implementation process is now underway.

### **1.5. Existing Designated Services – Risk Assessment**

The annual Risk Assessment of Crown Melbourne's ML/TF risks, conducted by the AML Team in conjunction with the Business Units (and this year, looking at the ML/TF risks presented across both Crown Melbourne and Crown Perth on a group basis) was completed in May 2019.

The updated risk register and assessment was shared with the relevant Business Units in June 2019.

### **1.6. AML Sentinel Project**

The AML Team is continuing to live test AML Sentinel, alongside our existing Transaction Monitoring Program system (being largely a manual system) to further refine the triggers and create new appropriate triggers. When Crown becomes satisfied with the triggers, and the performance of the automation functionality, we will look to phase out the manual review of reports.

The latest release of AML Sentinel includes alerts based on customer behaviour, previous alerts have been transaction based. These alerts are in relation to:

- average bet increases combined with losses;
- significant losses (100k) in 30 days; and
- significant losses in a 12 month period where the loss has increased by a certain percentage on the prior corresponding period.

The AML Team will continue to test these alerts in a live environment to ensure they are appropriate.



The release also includes the first stage of “Customer Intelligence” which aggregates different sections of the customer management system into one screen, enabling the AML Team to review customers more efficiently for suspicious behaviour.

The RFP in respect of a case management solution to enable Crown to receive alerts and in a more automated manner report, retain and upload potentially suspicious matters to AUSTRAC has been postponed. The responses to the RFP far exceeded the budget for the project. Crown has started additional work with the AML Sentinel team to improve the workflow of actioning alerts from AML Sentinel.

### 1.7. Legislative Changes and other relevant information

#### ***Updates to the AML/CTF Act***

There has been no update to the AML/CTF Act since the last meeting.

On 17 October 2019, the *Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019* were introduced in Parliament which is intended to amend the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to:

- expand the circumstances in which reporting entities may rely on customer identification and verification procedures undertaken by a third party;
- explicitly prohibit reporting entities from providing a designated service if customer identification procedures cannot be performed;
- prohibit financial institutions from entering into a correspondent banking relationship that permits its accounts to be used by a shell bank;
- require banks to conduct due diligence assessments before entering, and during, all correspondent banking relationships;
- and expand exceptions to the prohibition on tipping off to permit reporting entities to share suspicious matter reports and related information with external auditors and foreign members of corporate and designated business groups;

The Bill also amends:

- *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and *Inspector-General of Intelligence and Security Act 1986* to replace existing ‘designated agency’ information sharing provisions (relating to the use and disclosure of AUSTRAC information) with a more general information sharing power;
- *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, *Proceeds of Crime Act 2002* and *Surveillance Devices Act 2004* to:
  - create a single reporting requirement for the cross-border movement of monetary instruments; *Criminal Code Act 1995* to:
  - clarify that the existence of one Commonwealth constitutional connector is sufficient to establish an instrument of crime offence;



- deem money or property provided by undercover law enforcement as part of a controlled operation to be the proceeds of crime for the purposes of prosecution;
- and provide for transitional arrangements; and Australian Federal Police Act 1979 to create a new offence of dishonestly representing conferral of police awards.

A number of these proposed amendments will become relevant to Crown. We will continue to monitor the progress of the Bill.

### 1.8. AUSTRAC Reporting statistics (January 2019 – October 2019)

The below table details the number of Suspicious Matters Reports (SMR), Threshold Transactions (TTR) and International Funds Transfer Instructions (IFTI) reported to AUSTRAC by Crown Melbourne since 1 January 2019 (reported by transaction date):

Month	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	YTD
TTRs	3,574	3,960	3,444	3,476	3,781	3,954	3,821	4,040	3,745	3782	37,577
SMRs	183	149	176	190	203	161	213	220	169	205	1,869
IFTIs	195	140	82	79	80	69	94	61	71	84	955

## 2. RISK MANAGEMENT

### 2.1. Material Events

Since the last update in July 2019, a number of key internal and external events have materialised 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 over the period include:

- The proposed further acquisition by Melco Resorts & Entertainment Limited (Melco) of part of CPH Crown Holdings Pty Limited's shares of Crown is on hold pending NSW regulatory review and approval. This review will be part of the ILGA inquiry.
- The CBA has provided formal notice that it will be closing the SouthBank Investment and Riverbank Investment accounts.
- Trading conditions continue to present some challenges, particularly in the VIP space, where at present forecast is \$10M below budget.
- The main CML United Voice EA 2016 and the CML Property Services and Technicians EA 2015, which nominally expired on 1/7/19 and 30/6/19 respectively, are currently under negotiation. Following a protected action ballot authorising certain actions to be taken in relation to the new main EA, Crown was



notified of the intention to hold 2 hour stoppages on 1/11/19 and 2/11/19 (the Melbourne Cup weekend). These actions were, however, cancelled following a settlement for the new agreement being reached on 1/11/19. A wage settlement for the proposed new Property Services agreement has also been endorsed by the unions; discussions with the non-union bargaining representative are continuing. Protected action ballots have authorised certain actions to be taken by the union represented employees for that agreement, but no action has been notified, and is not expected to be taken at this stage.

- On 19 September 2019, the *Currency (Restrictions on the Use of Cash) Bill* was introduced into Parliament and, based on the explanatory material, it is expected that exemptions will be created for certain payments that are subject to reporting obligations under the AML/CTF Act (including for designated services within the casino) within the rules made by the Treasurer and it is expected that casinos will be exempt from the scope of the cash payment limit.
- As a result of the allegations, various investigations and inquiries have been commenced involving VCGLR, VCGLR Inspectorate, ILGA and ACLEI. Whilst not technically related to the allegations, AUSTRAC has commenced an assessment on Crown Melbourne's AML/CTF program (see below).
- Mr Wilkie has made fresh allegations of corruption between the Victorian Police, the VCGLR and Crown, which have been sent to IBAC for investigation, as well as made public whistle-blower information from alleged VCGLR inspectors and a Crown limousine driver alleging money laundering, drugs, sexual abuse and violence against women. No further action for Crown has resulted from these allegations at this time.
- The VCGLR's s 25 Report contains 20 Recommendations, which Crown has accepted and is currently working through internally and is engaging with the VCGLR on. To date, 15 of the 20 Recommendations have been responded to by Crown, with the other 5 not yet due.
- The issues with Dinner by Heston Blumenthal are still pending and discussions between the parties continue. The outstanding debt is now sitting at \$3.9M plus \$750k in working capital loan.
- Crown Melbourne has responded to a s167 request from AUSTRAC in relation to its industry wide review of Junkets.
- Crown Melbourne has received two s167 Notices from AUSTRAC as part of an Assessment of its AML/CTF Program with a specific focus on High Risk and PEP patrons.
- The VCGLR has referred to the Commission, for consideration, its investigation into an electronic gaming machine which the VCGLR alleges was operating in 'Unrestricted Mode', without Your Play functionality activated.



- As a result of allegations, the VCGLR wrote to Crown Melbourne on 23 September 2019, providing notice of its intention to continue its investigation into the China Matter as a result of information reported in the media on or around 27 July 2019. The VCGLR noted its intention to obtain information from former Crown staff who were involved in the media reports and the detentions in China.
- Crown Melbourne received a show cause notice from the Melbourne City Council (MCC) relating to combustible cladding on the Metropal Hotel (dated 11 April

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Once a full picture of the cladding issue through Crown Melbourne is known, a work plan including timing and capital funding required will be prepared for consideration.

## 2.2. Corporate Risk Profile Review

Following the EA negotiations, new agreements are now awaiting voting, and therefore the risk of industrial action (#18) has reduced to **unlikely**. At this stage, none of the other events have triggered a proposed change to the risk profile.

The current Risk Map is provided in **Attachment 1** for discussion.

## 3. REGULATORY AND COMPLIANCE

### 3.1. Your Play

There has been no further progress on the YourPlay matter in the period.

### 3.2. China Matter

The VCGLR wrote to Crown Melbourne on 23 September 2019, providing notice of their intention to continue their investigation into the China Matter as a result of information reported in the media on or around 27 July 2019. The VCGLR noted their intention to



obtain information from former Crown staff who were involved in the media reports and the detentions in China.

### **3.3. Poker Tax**

There has been no further progress on the Poker Tax matter during the period.

### **3.4. EGM Continuous Play**

There has been no further progress on the EGM Continuous Play matter during the period.

### **3.5. CBA**

The Commonwealth Bank of Australia has advised that it will be closing the Southbank Investments account in early December 2019. The VCGLR has been informed of the matter.

### **3.6. Melco/ASX**

On 8 August 2019, Crown Resorts issued an ASX Media Release advising that the NSW Independent Liquor and Gaming Authority will be conducting an inquiry under section 143 of the Casino Control Act 1992 (NSW) (amongst other matters) into the sale of Crown shares to Melco.

### **3.7. Allegations**

As a result of the various allegations raised by Nine/Fairfax/Wilkie, there are a number of regulatory actions taking place including:

- an inquiry by ILGA;
- an investigation by ACLEI;
- a re-examination of the junket business at Crown Melbourne by the VCGLR;
- a VCGLR inspectorate audit of junkets and premium player programs in accordance with the internal controls;
- a request for information by the ATO;
- the reopening of the China investigation by the VCGLR; and
- an AUSTRAC assessment focussed on high risk patrons and politically exposed persons (although not referenced as specific to the allegations, it is not unrelated).

A verbal update will be provided by Joshua Preston at the meeting.



### 3.8. Proposal to Restrict Cash Transactions

The *Currency (Restrictions on the Use of Cash) Bill* passed the House of Representatives in October and was now subject to an inquiry by the Senate Economics Legislation Committee. Based on the explanatory material, it is expected that exemptions will be created for certain payments that are subject to reporting obligations under the AML/CTF Act (including for designated services within the casino) within the rules made by the Treasurer and it is expected that casinos will be exempt from the scope of the cash payment limit.

## 4. RSG

### 4.1. Section 25 Review Recommendations

Refer Agenda Item 5.2.

### 4.2. Crown Model

Further to previous reporting that the twelve-month Crown Model Trial has concluded for FY19, the Responsible Gaming and Customer Analytics teams have prepared a draft report which has been provided to an external expert for review.

### 4.3. Stakeholder Engagement

A number of stakeholder site visits occurred during the reporting period including the below:

Date	Support Service or other party
6/09/2019	<b>Simone Rodda from The University of Auckland</b> , one of the principal researchers and authors of the report ' <i>A brief intervention to support gamblers to stick to their limits in EGM venues: an exploratory study</i> ', <b>delivered a presentation</b> summarising the report to Crown Perth and Crown Melbourne Responsible Gaming staff. Crown Melbourne participated in the study.
3/10/2019	Stakeholder visits to the respective offices of <b>Gambler's Help Eastern</b> and <b>Chinese Peer Connection</b>
10/10/2019	<b>Gambling Harm Awareness Week event</b> where a number of Stakeholders attended including representatives from Gambler's Help and the Victorian Responsible gambling Foundation.
27/11/2019	As a long-standing supporter of the <b>Chinese Peer Connection Program</b> , Crown Melbourne was invited to attend the special celebration of the 10-year milestone for the Program.





### ***Responsible Gambling Ministerial Advisory Council (RGMAC)***

The RGMAC met on 5 September 2019. Discussion included governance and work plan matters. Of note is the imminent formation of the *Responsible Gambling Code of Conduct – non-venue Working Group*, which is Crown Melbourne's classification, and to which the Group General Manager Responsible Gaming has been nominated for participation.

### ***Victorian Responsible Gambling Foundation (VRGF)***

On 4 September 2019, the Responsible Gaming Operations Manager and Group General Manager Responsible Gaming attended the VRGF for the *'Industry Forum – land based gambling'*, which incorporated the *'Gambling Harm Awareness Week Reference Group'* meeting. Discussions included updates in relation to the 100 Day Challenge campaign, Gambler's Help referrals and tracking thereof by the VRGF, and the forthcoming Gambling Harm Awareness Week collateral and events.

### ***Australasian Gaming Council***

The Responsible Gaming Centre hosted the newly appointed General Manager Research and Communications, Australasian Gaming Council (**AGC**), Mr Michael Lacey on 10 September 2019. The visit served to provide an overview of the responsible gaming framework across the Australian Resorts and to discuss involvement between the AGC and Crown in general.

### ***Crown Melbourne Gambling Harm Awareness Week***

Crown Melbourne participated in a range of activities relating to Gambling Harm Awareness Week (**GHAW**), which was held between 7 and 13 October 2019. Responsible Gaming staff attended various events including the launch event held at The Wheeler Centre on 7 October 2019, which included a Panel discussion entitled *'I thought it was just me' – Fighting stigma with the talking cure'*.

GHAW was delivered as part of a State-wide initiative supported by industry, government and the community and led by the Victorian Responsible Gambling Foundation (**VRGF**). It is designed to encourage community discussions about why gambling harm matters.

Crown Melbourne has supported this initiative since its inception in 2006, which was previously known as Responsible Gambling Awareness Week.

This year Crown Melbourne supported the week with customer and employee communications and events, including a special afternoon tea at Groove Bar on Thursday 10 October, which was well attended by stakeholders, Executive, management, employees and customers. Crown Resorts Limited non-executive Director, Professor John Horvath, was the guest speaker at this event.



GHAW collateral and digital advertising was prominent throughout the casino gaming floor and Complex. Additionally, a GHAW booth was located on the casino gaming floor for the entire week, staffed from early afternoon until late evening. Gaming Machines and Responsible Gaming staff answered various queries in relation to GHAW, supported by collateral and merchandise provided by the Victorian Responsible Gambling Foundation

Employees had access to an information desk outside the staff restaurant, which was staffed by Responsible Gaming team members and also had available collateral and merchandise. Employees had the opportunity to participate in a special GHAW competition via the employee kiosk, ERIKA. This attracted 1623 entries, a 108.3% increase on last year at 779 entries.

#### 4.4. Responsible Gaming Advisory Panel

The Responsible Gaming Advisory Panel (**the Panel**) convened the first meeting, held on 12 November 2019. This meeting was designed to be an initial meet and greet and covered housekeeping matters and future direction. Members of the Panel, the Group General Manager Responsible Gaming and senior Responsible Gaming team members will be convening in January 2020 for a workshop to review the Crown Resorts Responsible Gaming Framework and Strategy.

#### 4.5. Regulatory

##### *Responsible Gambling Code of Conduct*

Amendments were made to the Responsible Gambling Code of Conduct (**Code**) to support the Responsible Gaming Strategy and other minor amendments. The Code was implemented in July 2019 (Version 6).

##### *VCGLR – Approval of Responsible Service of Gaming (RSG) Training*

Discussion with the VCGLR and VRGF in relation to the five-yearly approval of Crown Melbourne's RSG Training program have continued. The VCGLR and VRGF have also made recommendations to the initial, advanced and refresher training modules, both online and facilitator led. Internal reviews have been conducted, with discussion and drafting continuing to the end of November 2019, in preparation for the recommendation to the Commission for approval potentially at the December 2019 meeting.

### 5. LEGAL (SUBJECT TO LEGAL PROFESSIONAL PRIVILEGE)

#### 5.1. Car Parks

Crown continues to occupy the Clarke Street and Clarendon Street car parks pursuant to a lease that is on a monthly tenancy. The lease also includes two other parcels of land on either side of Haig Street that Crown previously sub-leased to commercial car park



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## 5.2. IHG Trade Mark Matter

IHG (through Six Continents Hotels) is the owner of the CROWNE PLAZA trade mark and Crown Melbourne is the owner of the CROWN brand (as used by the Crown Resorts group and licensees). IHG and Crown are in dispute in relation to the respective use of the CROWNE PLAZA and CROWN brands for hotel services. The countries/jurisdictions of dispute include USA, UK, EU, Australia, Hong Kong, PRC (China), Taiwan and Macau. There are currently in excess of one hundred separate trade mark disputes before the various courts and tribunals around the world relating to this matter.

Previously the use was governed by a trade mark co-existence agreement that covered the Asia-Pacific region (excluding the Americas).

The parties are attempting to reach a global settlement. Significant progress has been made recently with a draft global co-existence agreement close to finalisation. The main stumbling blocks to settlement were in respect of the USA and the translations of CROWN into Chinese (as used throughout Asia). IHG had been seeking to impose certain limitations and restrictions on the use and registration of Crown's trademarks that were not acceptable to Crown. As a result of recent negotiations, the parties have agreed all key matters subject to two (2) new matters raised by IHG.

The parties have continued to suspend court and tribunal proceedings where possible in an attempt to seek to resolve matters subject to a recent change in tactic in Australia. Recently, Crown withdrew its consent to all suspensions in Australia (27 trade marks) in order to apply additional pressure on IHG. Following further discussions, IHG withdrew a number of oppositions in the UK; and in November 2019, in a significant action, IHG recently withdrew its opposition to 20 out of 27 Australian matters. The remaining seven Australian matters relate to Chinese language marks which IHG are still opposing – those matters will continue towards the evidence stages. Crown will be required to prepare evidence and defend these proceedings.

Crown has issued a close to final draft for IHG review and approval (subject to the above new matters). In a further positive step, IHG has indicated that it will withdraw all 'unnecessary' oppositions around the world while negotiations are continuing. It will



keep some matters on foot until settlement. Crown is actively trying to close this matter out and is in regular contact with IHG.

### 5.3. Zantran Pty Ltd (Class action – Crown Resorts Limited)

Zantran Pty Ltd (**Applicant**) a shareholder in Crown Resorts Limited (**Crown Resorts**) has issued class action proceedings in the Federal Court against Crown Resorts.

The Applicant on behalf of other yet identified shareholders alleges that it has suffered loss and damage (fall in share price) arising out of and in consequence of Crown's operations in China during 2015 and up to the detention of Crown employees in China (**Relevant Period**).

It is further alleged that Crown Resorts during the Relevant Period failed to disclose to the share market information that was not generally available which a reasonable person would expect to have a material effect on the price or value of Crown Resorts shares. Such information included the risk of Crown's operations in China, the Chinese Government crackdown on corruption, the arrest in China of South Korean Casino employees and the risk that employees might be detained and arrested in China for alleged breaches of Chinese gambling laws.

Crown Resorts has filed its defence denying the allegations. The parties have substantially completed the lengthy process of discovery which is the provision and exchange of documents under a strict confidentiality regime relevant to the facts in issue.

Security for costs has been agreed up to mediation (\$3.4 million) and the litigation funder (the funder of the action) has paid the first instalment into court in accordance with court orders.

The Applicant successfully made an application to the court for orders that the formerly detained employees be released from their employment and redundancy confidentiality obligations to enable the Applicant's lawyers to speak with those employees, with His Honour handing down His decision on 8 May 2019. Crown has appealed the decision. The appeal was heard on 29 August 2019. A decision has yet to be handed down.

The further stages of discovery have been completed.

The Applicant and Crown have provided their evidence on quantum upon which they intend to rely at the trial. The trial is listed for 6 weeks commencing 4 May 2020. The Applicant has filed its lay and expert evidence in chief. Crown is required to file its lay and expert evidence by 29 November 2019.



## **6. OTHER MATTERS (LEGALLY PRIVILEGED AND COMMERCIAL IN CONFIDENCE)**

### **6.1. Dinner by Heston Blumenthal**

As presented to the Board at its August meeting, Topsy Cake Limited, the operator of the tenanted restaurant at Crown Melbourne, Dinner by Heston Blumenthal (**DBH**), has indicated that it is facing financial difficulties, and is seeking Crown's financial assistance to continue operating.

In September 2019, Crown put forward a proposal to DBH in order for Crown to refrain from terminating the arrangements. DBH has not in any material way agreed to any of the conditions. Crown is currently considering its position, with the assistance of external legal advisors.

### **6.2. Instrument and Payroll Compliance Review**

In May 2019, Crown Melbourne and Crown Perth engaged Deloitte to undertake a comprehensive review of payroll systems and processes to ensure compliance with all relevant Federal and State regulations. High profile disclosures of alleged underpayments to employees by restaurant groups affiliated with Crown (the Rockpool Group, Guillaume and Heston), resulted in this wide-ranging review narrowing its scope to focus on a review to ensure that employees who are receiving annualised salaries were receiving sufficient remuneration to cover the entitlements in relevant underlying awards (such as the Hospitality Industry General Award 2010). It was this area that created the Fair Work issue for the restaurants.

Crown subsequently identified that time keeping records were not being maintained (and never have been) for certain salaried employees that, given certain circumstances, may have been covered by an award. Processes, including time keeping, were implemented to review Crown's practices and assess whether any underpayment issues exist. The initial focus was on ensuring that the hours worked by salaried employees did not result in an underpayment issue had they been covered by an award or Enterprise Agreement (**EA**).

Following further, more recent issues of employees being underpaid across corporate Australia (including high profile corporate disclosures from Woolworths Group Ltd and Wesfarmers Ltd), Crown has expanded the scope of the initial review to now include a comprehensive payroll assessment covering all employee positions (comprising salaried, award and enterprise agreement employees) to be completed in a staged approach.

The purpose of this broader exercise is to ensure that all salaried employees have their positions appropriately mapped to an award or the EA where applicable and consequently that they are paid appropriately based on the conditions of that award or EA.

Mapien Workplace Strategists (with support from Deloitte and Corrs Chambers Westgarth) have been engaged to assist with this comprehensive review, which is initially focusing on examining employees who are currently either in salaried roles or covered by an award (excluding salaried roles above the high-income threshold of \$148,700). This category of employees comprises approximately 811 roles (1,658 employees) in Crown Melbourne and



483 roles (913 employees) in Crown Perth.

Crown Melbourne and Crown Perth, from a due diligence perspective, will also at a subsequent stage review payroll compliance of employees currently covered by an enterprise agreement however there is a higher degree of certainty as to coverage and payments within this category of employees being accurate. There are approximately 9,590 employees presently covered by an enterprise agreement across both properties.

To the extent that any positions are indicatively identified by Mapien as not properly classified (such as a salaried employee in fact being covered by an underlying award or the enterprise agreement) and where it is possible that an award or EA may be more favourable to an employee Crown has engaged Counsel (Marc Felman) to provide specialist legal advice.

Counsel, who has previously acted for the Fair Work Ombudsman and Coles Supermarkets Australia Pty Ltd (in a recent claim relating to instrument cover), has provided the following preliminary view to Crown:

- the instrument (award or enterprise agreement) and mapping process adopted by Crown (in having regard to the position description in the first instance) is appropriate and that, where any misalignment in the instrument cover has been indicatively identified, a more detailed analysis should be carried out;
- the detailed analysis is complex and requires both a highly technical legal interpretation of the scope and classifications in the relevant enterprise agreement dating back to the original intent in forming the agreement; a detailed analysis including an evidentiary basis of the “principal purpose of employment” (both current and historical); actual evidence from the employee and their manager to verify the work being performed is required by Crown; and a comprehensive job evaluation/audit. This process is likely to take several months to complete; and
- Crown is not in a position at this stage to determine whether any employees have been underpaid and should not make any admissions to the Fair Work Ombudsman (or any other person) in this respect until a proper analysis has been completed.

In addition to the work described above, all salaried roles under the high-income threshold of \$148,700 will undergo a calculation, based on the time keeping records maintained over the last six months, to determine whether any instances of underpayment have occurred.

Advices are presently being obtained from Counsel and Deloitte as to whether Crown should formally disclose (self-report) to the Fair Work Ombudsman that it has self-initiated a comprehensive payroll compliance review to ensure positions are properly aligned to instruments (whether award or an enterprise agreement) and employees are receiving correct and full entitlements.



**Attachment 1**  
**Crown Melbourne Corporate Risk Map – November 2019**

		<i>Material Risks</i>				
<b>Likelihood</b>	<b>Almost certain</b>					
	<b>Likely</b>		16- Harm to persons on property		14 - Major reputational damage	
	<b>Possible</b>		9 - Loss of key management 15 - Poor people management practices	6 - External disruption to demand for our services 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 2 - Changes in key legislation or regulatory requirements 5 - Poor credit or investment decision 21 - Data misuse 22- Breakdown in relationship with key government, legislative or regulatory body	3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue
	<b>Unlikely</b>		17 - Breakdown in strategic partnership with third party 19 - Unsustainable environmental management and ethical standards	10 - Reduction in property standards 18 - Industrial action		
	<b>Rare</b>					20 - Aviation accident
		<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Severe</b>
		<b>Consequence</b>				

Legend:

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