



Executive Risk and Compliance Committee - Minutes

Committee Name: Executive Risk and Compliance Committee Meeting

Date Held: Friday, 24 January 2020

Commencement Time: 15:00 AEDT

Present: Joshua Preston (Chairman/Chief Legal Officer – Australian Resorts)
 Barry Felstead (Chief Executive Officer – Australian Resorts)
 Xavier Walsh (Chief Operating Officer)
 Alicia Gleeson (Executive General Manager – Human Resources) (by phone)
 Enda Cunningham (Executive General Manager – Food and Beverage)
 Michelle Fielding (Committee Executive Officer/Group General Manager – Regulatory and Compliance)
 Anne Siegers (Group General Manager – Risk and Audit) (by phone)

Apologies: Sean Knights (Executive General Manager – Table Games, Crown Sydney)
 Tim Barnett (Executive General Manager – Table Games)
 Mark Mackay (Executive General Manager – Gaming Machines)
 Mark Holmes (Executive General Manager – Food and Beverage, Crown Sydney)
 Alan McGregor (Chief Financial Officer – Australian Resorts)
 Peter Crinis (Chief Operating Officer – Hotels, Retail & F&B Melbourne)
 Nicolas Emery (Chief Marketing Officer – Crown Resorts)
 Andre Ong (Group Chief Information Officer – Crown Resorts)

Business	Action	Due Date
<p>1. Confirmation of Minutes</p> <p>The members confirmed the Minutes of the Executive Risk and Compliance Committee (Committee) Meeting dated 13 November 2019.</p>		
<p>2. Business Arising</p> <p>Mr Walsh provided an update on the status of whether Crown will proceed with having PSOs. A discussion with the Shadow Police Minister was favourable, however the issue of cost remains to be resolved. Crown has offered to bear the costs; however, this wasn't accepted. This item is now closed.</p> <p>Mr Barton had queried who would action the Crown Foundation audit findings. This was actioned by Lauren Harris. This item is now closed.</p> <p>Mrs Siegers undertook to more precisely describe the scope of the audits. This was completed with an update of the title of the Crown Rewards – Lifestyle audit. This item is now closed.</p> <p>Mr McGregor raised the need for the Risk Appetite Dashboard to be adjusted to reflect that it will surpass the >\$10M trigger for VIP EBITDA loss. The Risk Appetite Dashboard was updated and</p>		

<p>Mrs Siegers noted the likelihood of triggering the reportable threshold to the Audit Committee and Risk Management Committee. This item is now closed.</p> <p>Mr McGregor requested an update on Crown’s ongoing review of employee hours worked and pay, in light of recent issues with Woolworths and a number of restaurants. Mrs Siegers highlighted Crown’s review to the Risk Management Committee. This item will continue to be monitored.</p> <p>The Group General Manager AML agreed to undertake a brief presentation to the Compliance Officers at the next Compliance Committee Meeting, which was undertaken. This item is now closed.</p>	CFO	
<p>3. Annual Review of ERCC Charter</p> <p>The Committee resolved to adopt the Charter. Mr Felstead asked that a report be included in future ERCC papers, providing an update on stakeholder relationships – to be prepared by Chris Reilly.</p>	GGM-R&C	
<p>4. Internal Audit</p> <p><i>4.1 Internal Audit Report</i></p> <p>Mrs Siegers spoke to the progress against the internal audit plan in the papers.</p> <p>There were no further comments raised by the Committee in respect of the Internal Audit Report and the paper was otherwise “taken as read”.</p> <p><i>4.2 Status of Internal Audit Recommendations</i></p> <p>Mr Walsh noted that the table at item 2.4 recorded two Process Improvement Opportunities (PIO) as outstanding for 13-24 months and said it would assist to know what these were.</p> <p>Mrs Siegers replied that the specific PIOs were in relation to the review of the Complimentaries Policy and the consolidation of the legal advice provided for visas across both properties.</p> <p>The long outstanding recommendation is with regards to the use of Dropbox. Mr Ong informed the Committee that Dropbox could not be turned off as it would impact operations, however, his team had visibility over it and its use continues to be monitored.</p> <p>Mr Walsh queried whether the infectious disease audit was a review of Crown’s processes in case there was an outbreak, Mrs Siegers confirmed that this was correct.</p>		

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<p>There were no further comments raised by the Committee in respect of the Status of Internal Audit Recommendations and the paper was otherwise “taken as read”.</p>		
<p>5. Fraud Update</p> <p>The Chairman highlighted to the Committee a hotel fraud matter as well as the increase in chip thefts. Mr Walsh noted that the man responsible for two of the chip theft incidents was detected by the Facial Recognition System and was arrested by Security and held until the police arrived and took custody of him.</p> <p>A second chip thief jumped the glass railing at Tia To Restaurant (at significant height), wearing only thongs on his feet and fled.</p> <p>A third chip thief reached into the float and took chips, the dealer said he didn't react from shock (he was decoded from premium areas and received counselling). The woman was also later identified and Crown was able to recover \$25,000 of the \$30,000 she stole.</p> <p>A parking validation staff fraud issue was also highlighted, as was the matter of a staff member who changed the ID of a patron she knew was not the person in the system.</p> <p>A further matter involving a licensed staff member accepting a tip of \$1,000, which was passed from two F&B staff, was highlighted. The two F&B staff members have had their employment terminated and the licensed staff member will be spoken to upon their return from leave.</p>		
<p>6. Risk Update</p> <p><i>6.1 Material Risk Update</i></p> <p>The Chairman spoke to the developing Dinner by Heston matter. Crown now has a letter from the liquidator stating that they intend to continue to trade at this stage. The Chairman said that Crown is currently seeking external legal advices advice on the matter. Mr Cunningham noted that Dinner have written to all of Heston's staff saying that it is business as usual. Mrs Siegers queried whether Dinner is currently operating at a loss and the Chairman said that they are currently able to cover their expenses.</p> <p>Mrs Siegers noted to the Committee that the Australian Banking Association (ABA) has released a Consultation Paper, seeking feedback on the use of credit cards for gambling. The use of credit cards in connection with gambling is already unlawful at the casino, however Crown is concerned that a blocking of its merchant code for credit card use may have unintended</p>		

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consequences for the hotels and food and beverage outlets etc. Crown is reviewing the Consultation Paper and will consider whether it makes a submission or not.

The ILGA Inquiry into Crown's suitability to operate in NSW commences shortly with hearings to address such matters as Compliance, AML, Risk share transactions and other related matters. The Inquiry will also consider industry best practices from a regulatory perspective. It is expected that the Inquiry will run over a number of months.

ACLEI continues to gather evidence in preparation for its public hearing, however has not yet set a new date for its commencement. A new Commissioner will commence at ACLEI in February.

The Chairman noted that the VCGLR continues to pose questions regarding junkets, which Crown is responding to as required.

The Chairman also spoke to the ongoing matter of the Mercury Roulette Wheels; as well as a further request for information (under a s167 Notice) from AUSTRAC regarding our AML/CTF Compliance Assessment.

The Chairman noted that the VCGLR has contacted, to our knowledge, a number of our ex-staff involved in the China matter; Crown has written to the VCGLR asking, amongst other things, how they intend to deal with the confidentiality undertakings between the ex-staff and Crown.

The Chairman also noted that Crown received a Show Cause Notice on 11 April 2019 from the Melbourne City Council, relating to cladding on Crown Metropol. Crown submitted its response on 12 September 2019, and is preparing to put its submission, with the support of external experts, to the Building Appeal Board for approval of its engineered solution.

Mrs Siegers talked to reducing the risk for employee industrial action, (industrial action was undertaken by staff earlier this week). Crown Resorts Limited has set up a Brand Committee to review for reputational damage and is across the industrial action matter. Mrs Siegers proposed that the risk for this matter be increased to 'almost certain' in the coming months – the Committee agreed that the change was warranted. The Chairman asked Mrs Siegers to draft a paragraph on the matter that he can put to the Brand Committee.

There were no further comments raised by the Committee in respect of the Material Risk Update and the paper was otherwise "taken as read".

GGM-R&A

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<p>6.2 <i>Emerging Risks (no paper)</i></p> <p>There were no emerging risks identified and discussed by the Committee.</p>		
<p>7. Compliance and Regulatory Update (Subject to Legal Professional Privilege)</p> <p>7.1 <i>Compliance and Regulatory Update</i></p> <p>The Chairman drew to the Committee's notice the following matters:</p> <ul style="list-style-type: none"> • There has been a gaming machine fault on the floor since August 2019 (the machine locks up and requires attendance for certain wins), which Crown notified the VCGLR of. The VCGLR were comfortable with the matter given that there is no adverse impact to patrons. The Chairman noted that these matters need to be escalated by the relevant department for resolution sooner; • The VCGLR has verbally notified Crown that it has escalated the matter of Crown writing off bad debts and has sought external advice; • The VCGLR is looking into a matter where it alleges that three males were gambling whilst intoxicated; • A new matter arose concerning gaming machine ratings being held open for a period of time after a player removes their loyalty card, which means the next player could see the prior player's name and loyalty card number. Crown has turned the rating hold functionality off, whilst the matter is rectified; • The Chairman discussed the matter of a valet driver losing control of a car (modified for a disabled driver) and driving into the Louis Vuitton store – no one was seriously injured. Crown's processes have been changed so that Valet will no longer drive modified cars; • The VCGLR requested information and documents regarding junket activity as well as information concerning patron Xiongming Xie; • The Chairman noted that there were a small number of incidents involving self-excluded patrons being admitted to VIP rooms; and • The VCGLR again queried the Joseph Wong Kiia Tai (Yoseph Prawira) matter, which it reviewed back in 2015. 		

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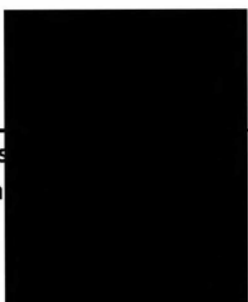
<p>The Chairman noted an incident involving Tony Mokbel's daughter and the public use of drugs. Crown called the police who attended but took no positive action. Crown has complained to more senior police about the inaction and the attending officers' conduct is being reviewed.</p> <p>The Chairman spoke about the progress of the work being conducted between Crown and the VCGLR to update the Gaming Machines Technical Requirements Documents. Good progress is being made, which the VCGLR commended.</p> <p>There were no further comments raised by the Committee in respect of the Compliance and Regulatory Update and the paper was otherwise "taken as read".</p> <p>7.2 Section 25 Recommendations</p> <p>Recommendation 19 has been settled and the VCGLR has verbally notified Crown that it will receive a letter stating that the Recommendation has been actioned.</p> <p>There were no further comments raised by the Committee in respect of the Section 25 Update and the paper was otherwise "taken as read".</p>		
<p>8. Litigation Update (Subject to Legal Professional Privilege)</p> <p>The Chairman spoke to the Litigation Update and that the Class Action hearing date had been rescheduled to November 2020. However, Crown expects there will be further mediation before that date. Crown was also successful on an appeal matter this week, concerning access to Crown employees prior to the hearing.</p> <p>There were no comments raised by the Committee in respect of the Litigation Update and the paper was "taken as read".</p>		
<p>9. AML/CTF Update (Subject to "Part II Secrecy & Access" AML & CTF Act)</p> <p>9.1 AML/CTF Update</p> <p>The Chairman noted that the new Group General Manager AML, Nick Stokes, is reviewing the Joint AML/CTF Program and Crown's processes for IFTIs, SMRs etc. to put a "fresh set of eyes on it".</p> <p>The Chairman informed the Committee that the AML Team commenced using CURA this week, which will hold AML related customer information going forward.</p>		

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<p>There were no comments raised by the Committee in respect of the AML/CTF Update and the paper was "taken as read".</p>		
<p>10. Health, Safety & Wellbeing Update</p> <p>There were no comments raised by the Committee in respect of the Health, Safety and Wellbeing Update and the paper was "taken as read".</p>		
<p>11. Responsible Service Update</p> <p><i>11.1 Responsible Gaming</i></p> <p>The Chairman spoke to the implementation of an 'Responsible Gaming Advisory Panel' of external responsible gaming experts, to advise Crown regarding Responsible Gaming matters. The Panel undertook a three-day session to review Crown Melbourne's responsible gaming framework, the Crown Model and other responsible gaming initiatives, which they will report on to the Chairman under Legal Professional Privilege.</p> <p>There were no further comments raised by the Committee in respect of the Responsible Gaming Update and the paper was otherwise "taken as read".</p> <p><i>11.2 Responsible Service of Alcohol</i></p> <p>There were no comments raised by the Committee in respect of the Responsible Service of Alcohol Update and the paper was "taken as read".</p>		
<p>12. Other Business</p> <p>There was no other business.</p>		

The next meeting is scheduled for Tuesday, 26 May 2020.

There being no further business, the Chairman closed the meeting at 16.35.



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 Date 07/08/2020

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