



# **Special Manager's Final Report December 2023**

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# Foreword

This is my final report on the Melbourne casino operator, provided under section 36G(1) of the *Casino Control Act 1991 (Vic)* and covering the period 1 July to 31 December 2023. The past two years have been critical for Crown Melbourne, as, under the Casino Control Act, it had only that period of time to demonstrate to the Victorian Gambling and Casino Control Commission (VGCCC) that it has returned to suitability as a casino licence holder in Victoria.

A key function of the Office of the Special Manager (OSM) is its oversight of and reporting on Crown's reform program, which is designed to return it to suitability. Appendix I of the Finkelstein Report effectively provides a blueprint for both the Special Manager's and Crown's primary areas of focus with respect to that program. It follows that Crown's satisfactory completion of remediation activities to address the requirements in Appendix I that apply to it, while not the only relevant factor, is nevertheless an important step towards any return to suitability.

The OSM has assessed whether Crown Melbourne has made significant improvements in the areas of the business where previous inquiries, particularly the Finkelstein Royal Commission, found it to have serious and systemic failings. These important areas include governance, risk management, compliance, the responsible service of gambling (RSG) and the prevention of financial crime, particularly anti-money laundering and counter-terrorism financing (AML/CTF). At this stage of reform, Crown should have reached a satisfactory benchmark for a casino of Melbourne's size and nature in remediating these areas.

As highlighted in my previous reports, Crown has been considerably slower off the mark in remediating its RSG processes and capability than those for AML/CTF. While RSG reform is now well advanced at Crown Melbourne, the important role the Victorian Government played in mandating major initiatives and tight timelines for their implementation needs to be recognised, particularly mandatory carded play and pre-commitment for electronic gaming machines, as well as a new Responsible Gambling Code of Conduct. The significant role the VGCCC is playing to drive Crown's timely implementation of these reforms should also be recognised.

Reform activities are crucial, but Crown's actions must go further. Organisational culture change needs to be at the heart of Crown's transformation. While it is unrealistic to expect an organisation of Crown's size to achieve culture change in just two years, it does need to have by now the critical foundations in place, underpinned by a suitable Melbourne Transformation Plan, to enable steady progress of its cultural reform and overall transformation.

In the foreword to my June 2023 interim report, I stressed the importance of Crown preparing such a plan to give it a realistic prospect of achieving sustainable change across the organisation in the coming years, should it be deemed suitable to retain its licence. Crown has now approved the Melbourne Transformation Plan that identifies the Crown Melbourne Board's transformation objectives, priorities and at least some measurable outcomes, and appropriate milestones and timelines for the next three years.

I have sought to achieve further assurance about Crown's ongoing commitment to this plan specifically, and organisational transformation generally, through formal Directions to Crown requiring it to adhere to the plan and to regularly report on progress and related issues, such as proposed changes and budgeting.

These Directions will remain in place until my term expires on 30 June 2024, with the VGCCC having the power to continue them as it sees fit.

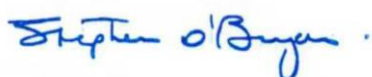
A casino licence permits a business activity that can cause great harm to individuals and the community. This cannot be ignored.

While the risk of some harm occurring within any casino environment remains high, Crown appears now to understand that its social licence to operate requires it to be ever vigilant, taking reasonable measures to prevent harm in the first place and actively minimising further harm occurring when it is detected. The sustainability of change at Crown Melbourne will ultimately depend on sound leadership, including at middle management level, to ensure that frontline employees remain sufficiently trained, managed and motivated to adhere to all new policies and processes, particularly regarding the minimisation of gambling harm and prevention of financial crime.

The Crown Melbourne Board will need to remain alert to potential risks that may impact the progress of reforms, in particular key person risk, the risk of ineffective management of such a complex remediation program, and change fatigue. Going forward, the Board will also need to be wary of the potential risk of cost cutting and program redirection on account of ongoing economic and budget pressures, as well as the potential risk that the interests of Crown Resorts or its owner could take precedence over those of Crown Melbourne. From my discussions with the Board Chair and members, I understand they are alert to these potential risks.

I would like to take the opportunity to acknowledge the cooperation and professional courtesy shown by senior Crown personnel and Board members throughout my term to date. Great benefit has been derived by myself and the OSM from constructive relationships with a range of external stakeholders, including in particular the VGCCC and its Chair, Ms Fran Thorn, the Minister for Casino, Gaming and Liquor Regulation, the Honourable Melissa Horne MP, her officers, and officers from the Department of Justice and Community Safety.

Finally, I extend my sincere thanks to OSM staff and FTI Consulting personnel for their dedicated work in supporting my role as Special Manager for the Melbourne Casino Operator.



**Stephen O'Bryan KC**

Special Manager

# 1. Executive summary

The Royal Commission into the Casino Operator and Licence (Finkelstein Royal Commission) found that Crown Melbourne Limited had engaged in conduct it described as ‘illegal, dishonest, unethical and exploitative’.<sup>1</sup> Crown Melbourne had contravened the *Casino Control Act 1991* (Vic), the *Casino (Management Agreement) Act 1993* (Vic) and various provisions of the Management Agreement and Casino Agreement.<sup>2</sup> These breaches evidenced serious and systemic failures in corporate conduct, governance, risk management, and in harm prevention strategies for casino customers and others. Criminals were allowed to gamble at the casino, money laundering flourished, employee safety was put at risk, and vulnerable gamblers were encouraged to gamble more than they could afford.<sup>3</sup> This was a pattern of behaviours, rather than a series of isolated incidents, suggesting a failed culture.

The Finkelstein Report observed that, given these facts, ‘it was inevitable that Crown Melbourne would be found unsuitable to hold its casino licence’.<sup>4</sup> Noting that Crown had already commenced a significant program of reform, and the risk that cancellation of the licence would cause harm to the Victorian economy and innocent third parties, the Finkelstein Royal Commission recommended Crown be permitted to continue operating the casino for a further two years. This was subject to the appointment by the Victorian Government of an independent Special Manager with strong oversight powers to keep a ‘watchful eye’<sup>5</sup> over Crown Melbourne’s operations and the effective implementation of a reform program incorporating the Royal Commission’s recommendations.

## 1.1 Purpose of this report

This is the Special Manager’s final report to the Minister for Casino, Gaming and Liquor Regulation and the Victorian Gambling and Casino Control Commission (VGCCC).

Its principal purpose is to present the Office of the Special Manager (OSM)’s final assessment of Crown’s progress in implementing its reform program to address the serious and systemic failures identified by the Finkelstein Royal Commission, as well as its overall transformation. Together with other prescribed sources of evidence, this final report will play a key role in informing the VGCCC’s decision as to whether Crown has returned to suitability to hold the Melbourne casino licence.

The report summarises the OSM’s final assessment of Crown Melbourne in four areas:

- transformation progress (section 3)
- reform work in response to specific failings identified by the Finkelstein Royal Commission (sections 4 to 8)
- current operations (section 9)
- ongoing transformation (section 10).

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<sup>1</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 2.

<sup>2</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 5.

<sup>3</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 60.

<sup>4</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

<sup>5</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 4.

## 1.2 Assessment approach

Appendix I of the Finkelstein Report provides the blueprint for the Special Manager's particular areas of focus. As such, the OSM has assessed Crown Melbourne's reform work in those areas:

- culture change
- responsible service of gambling (RSG) to minimise gambling harm
- financial crime, in particular anti-money laundering and counter-terrorism financing (AML/CTF)
- governance, risk and compliance.

While not directly mentioned in Appendix I, the OSM has also assessed Crown's integrity framework, as it provides a critical mechanism to evaluate whether Crown is instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation.

As discussed in previous reports, the OSM considers it essential for Crown to have made significant improvements in each of these areas where previous inquiries, particularly the Finkelstein Royal Commission, found it to have major failings. At this stage of Crown's reform program, the Special Manager considers it reasonable to expect that Crown should have reached a satisfactory benchmark for a casino of Melbourne's size and nature, in remediating these areas.

Many of the Appendix I requirements are for Crown to implement 'effective' reforms. The Finkelstein Report noted that some of these reforms would take years, notably cultural reform. A number of Crown's important reform activities will therefore continue beyond the Special Manager's term, should it be deemed suitable to retain its licence.

Given overall transformation, including cultural reform, was expected to take longer than the two years Crown has been given to demonstrate a return to suitability, particularly in the challenging area of culture change, the OSM developed an integrated six-part assessment framework to assess Crown's progress with its transformation. The OSM has used this framework to evaluate Crown's progress at key stages, and to assess whether Crown has established a sustainable transformation program that will support continuous improvement and progress beyond December 2023. At this stage of Crown's transformation, the OSM has sought to assess whether the critical foundations are in place for Crown to achieve sustainable change across the organisation and to 'thoroughly remake itself', as Finkelstein concluded was necessary, over the next few years.

The OSM has also closely monitored the development of a Crown Melbourne Transformation Plan to ensure that Crown's commitment to ongoing reform is clearly documented and addresses the matters set out in the Special Manager's previous interim reports. Throughout his term, the Special Manager has stressed the importance of Crown developing such a plan.

The OSM's final assessment of Crown's progress towards effective implementation of reforms required by the Finkelstein Royal Commission, and of its broader transformation, is summarised in the following sections.

## 1.3 Crown's transformation progress

The OSM's concluding assessment is that Crown Melbourne has put in place the critical foundations it needs to have a realistic prospect of achieving effective and sustainable overall transformation in coming years. There is evidence of change occurring in parts of the organisation, including critical areas noted in the Finkelstein Report such as RSG and financial crime. Although these foundational elements have been successfully established, it will take time for Crown to demonstrate reform outcomes and embedded culture change throughout the organisation.

The OSM's overall assessment of Crown's progress against each of the elements of its six-part framework is set out below.

### 1.3.1 Aligned objectives

#### *Assessing the alignment of Crown's activities, strategies and objectives*

Crown Melbourne has developed a Melbourne Transformation Strategy that aligns with the objectives and priorities of the Crown Melbourne Board and integrates key business unit strategies, such as the Crown PlaySafe Strategy, Risk Management Strategy and Compliance Strategy. The OSM considers the Melbourne Transformation Strategy provides appropriate direction for balancing Crown's financial interests against other, non-financial objectives, such as those related to risk management, compliance, RSG and financial crime.

### 1.3.2 Methods to assess progress

#### *Assessing Crown's criteria for success and methods for testing its own progress*

The OSM has observed Crown Melbourne has matured in its ability to be self-critical and identify opportunities for improvement. The Board has maintained a focus on receiving accurate, outcomes-based reporting from management. While management will need to continue to develop and refine appropriate outcomes-based measures, Crown has in place some of the key elements needed to measure the performance of its reform programs, such as the Culture Reform Program (CRP), and its overall transformation progress.

### 1.3.3 Effective governance

#### *Assessing Crown's governance, including strategy, structure and reporting*

Crown Melbourne has demonstrated substantial progress in developing effective governance arrangements. The now majority independent Crown Melbourne Board has continued to establish clear expectations for transparency of and accountability for outcomes, with a focus on Melbourne-specific issues and delivery of Group-wide functions that Crown Melbourne relies upon. The OSM has observed that senior management is responsive to the Board's oversight, but that there are occasional gaps in transparency and accountability for outcomes. Crown has recognised the importance of improving the operation and effectiveness of its management committees, an area that remains a work in progress.

### 1.3.4 Leadership

#### *Assessing Crown's leadership, including their actions, decisions and behaviours*

Overall, Crown's senior leaders, including the Crown Melbourne CEO, are continuing to demonstrate change leadership and role-modelling of positive behaviours. This has been demonstrated by leaders visibly focusing on values, transformation and culture change in their communication and engagement with employees.

However, employee views of leadership from middle managers vary, with perceptions shared in the 'Your Voice' employee survey and OSM discussions with customer-facing employees suggesting that not all managers are consistently role-modelling desired behaviours.

There is clear evidence that Crown is committed to leveraging leaders at all levels as agents of change, but ongoing investment and monitoring will be required to ensure that change is adopted at all levels across the business.

The OSM notes that late in this final reporting period, allegations have been made in relation to key Crown Resorts senior executives, including the CEO, Mr Ciarán Carruthers. At the time of preparing this report, relevant investigations were ongoing and hence no conclusions have been drawn.

### 1.3.5 Systemic reinforcement

#### *Assessing the systems, behaviours, policies and practices to embed effectiveness and sustainability*

Crown has put in place systems, policies and practices required to instil and maintain the desired employee behaviours in critical areas, including to minimise gambling harm and prevent financial crime. It has made substantial progress and consistently reinforced required changes by updating relevant policies, training and employee communications. It is in the early stages of implementing reward and recognition mechanisms to motivate and reinforce good behaviours by its employees, and these are being tailored to recognise the large number of employees who are either casual, part-time or under enterprise agreements. The OSM's assessment of these mechanisms suggests they are operating effectively at this early stage of implementation.

### 1.3.6 Embedded change

#### *Assessing evidence of shifting mindsets and behaviours*

As expected at this stage of the transformation process, change is not yet embedded across the Crown Melbourne workforce, though there is evidence that areas of the business that were at the centre of reform efforts, including the Financial Crime and RSG teams, are establishing a 'new way of doing things'. These critical areas have benefited from new roles, processes, technology, capability and leadership, which has reinforced expected behaviours and outcomes.

Change may not occur organically. So, while change is occurring in key parts of the organisation, Crown will need to continue to deliberately manage its transformation to ensure change is embedded across its broader workforce. The Melbourne Transformation Plan is a vehicle for Crown to manage these ongoing efforts.

## 1.4 Crown's reform work

The OSM considers that Crown has satisfactorily addressed the matters required of it by Appendix I of the Finkelstein Report in key areas related to culture, RSG, financial crime, governance, risk and compliance. It has effectively progressed implementation of major reforms to prevent and minimise gambling harm and financial crime at the casino as mandated by the Victorian Government in response to the recommendations of the Finkelstein Royal Commission. Crown also now has in place a satisfactory integrity framework, which is critical for instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation as part of its reforms.

The OSM's assessment in relation to each of these areas is set out below. Appendix A of this report summarises the OSM's conclusions with respect to each of the requirements listed in Appendix I of the Finkelstein Report.

### 1.4.1 Culture change

The Finkelstein Royal Commission recognised that Crown had engaged Deloitte to support its work on culture. At the conclusion of the Finkelstein Royal Commission, the first three stages of the Deloitte cultural review had been completed, with a roadmap for reform yet to be delivered.

Appendix I requires the Special Manager to determine whether Deloitte has completed the final stage of its work for Crown, and to evaluate the implementation and effectiveness of Crown's cultural reform program. The OSM considers that:

- Deloitte has completed the final stage of Project Darwin for Crown – that is, co-designing an aspirational culture and a roadmap to achieve it.
- Crown has designed a cultural reform program that adequately reflects the workstreams identified in the Deloitte Roadmap, with relevant areas reflected in the CRP and the Melbourne Transformation Plan.
- Crown has made good progress implementing key aspects of its CRP, such as the Code of Conduct, 'Your Voice' survey, performance management system, Thrive Leadership Development Program, variable pay program and Employee Listening Strategy.
- It is too early to assess whether Crown's CRP will effectively drive culture change, as many initiatives are only in their first year of operation. However, the OSM considers that Crown has established the foundations required to reinforce its target culture.

Crown still has a significant journey ahead, which is to be expected as the cultural reform process has been underway for only two years. While Crown has established the foundations to systemically influence behaviours, a range of cultural challenges remain, such as perceived barriers to speaking up among employees. Pressures from constant change may have contributed to some feelings of disempowerment, and some employees question the authenticity of change.

However, there is evidence to suggest Crown has achieved a sound degree of employee buy-in to its reform agenda, particularly in relation to key areas such as managing risk and compliance effectively, minimising gambling harm and preventing financial crime. It has developed an adequate plan to address barriers to change in middle management and implemented programs to support good leadership behaviours and encourage employees to share concerns. While it has not yet created an environment where most employees feel sufficiently supported to speak up, it has laid the foundations of a speak up culture. This is commensurate with what might be expected at this stage of Crown's cultural reform.

## 1.4.2 Responsible service of gambling

Crown Melbourne has implemented a range of reforms to minimise gambling harm in response to the Finkelstein Royal Commission. The major changes, and the pace of implementation, have been driven by Victorian Government reforms and the VGCCC's associated directions and actions. As previously noted by the government, these legislated reforms represent leading international practice in gambling harm minimisation for a casino of Melbourne's size and nature.

It is too early to assess the outcomes of Crown's reforms to minimise gambling harm, and its approach to complying with the new Gambling Code is in its early days. In a large casino, some customers will continue to engage in risky gambling practices. However, with regard to relevant items in Appendix I, the OSM concludes that Crown Melbourne has significantly improved its RSG program and satisfactorily remediated the key failings identified in the Finkelstein Report. In particular, it has:

- significantly increased the size of its PlaySafe team, although a further increase in Crown PlaySafe Advisors (PSAs) is still required. Crown Melbourne's employee numbers are considered generally adequate to manage its RSG obligations, except during busy periods
- adequately funded its RSG program to deliver on operational and strategic requirements
- reformed its RSG training program such that employees now largely understand their RSG roles and responsibilities
- sufficiently reformed its Exclusion Program and is now more effectively monitoring customers who are at risk of gambling harm, encouraging them to self-exclude where appropriate and monitoring self-exclusion breaches
- implemented the majority of its May 2021 'enhancements',<sup>6</sup> including improvements that go beyond the original enhancements to ensure its marketing and loyalty programs apply a harm minimisation lens and do not directly target vulnerable people
- implemented new systems, policies and procedures to comply with its new Responsible Gambling Code of Conduct (Gambling Code). Crown Melbourne employees are reporting observable signs to the PlaySafe team, and PSAs are engaging regularly with customers to monitor their activity and encourage safer gambling behaviours.

The Crown PlaySafe Strategy demonstrates that Crown is embracing its responsibility to minimise gambling harm across all areas of its business. This strategy has been embedded into Crown's wider corporate strategy, demonstrating its recognition of the ongoing need to balance financial and non-financial objectives if it is to retain its casino licence and conform with its social licence to operate.

Crown Melbourne is continuing to reform its RSG program, including through delivery of the Crown PlaySafe Strategy, and has incorporated relevant initiatives into the Melbourne Transformation Plan.

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<sup>6</sup> The May 2021 'enhancements' are a set of initiatives the Crown Resorts Board approved during the Finkelstein Royal Commission. They included an increase in RSG resourcing, changes to the Play Periods Policy and other initiatives to improve Crown's RSG practices.



### 1.4.3 Financial crime

Since the Finkelstein Royal Commission, Crown has significantly reformed its approach to managing financial crime risk, including banning junket operators, implementing a legislatively compliant Joint AML/CTF Program that is adequately resourced and governed, and embedding policies, systems, processes and controls to enable it to identify, mitigate and manage financial crime risk.

The OSM concludes that Crown has satisfactorily remediated its financial crime program and addressed the failings identified by the Finkelstein Royal Commission. With regard to the matters listed in Appendix I, Crown has:

- effectively implemented the recommendations made in a range of independent external reports undertaken as part of and in response to the Bergin Inquiry and the Finkelstein Royal Commission
- effectively implemented the reforms set out in its Financial Crime and Compliance Change Program, which have improved its ability to identify, manage and monitor compliance with its financial crime legislative obligations
- effectively implemented the recommendations from Crown's 2021 Enterprise-wide Risk Assessment and work undertaken by PricewaterhouseCoopers
- invested significantly in people, processes and systems to better mitigate financial crime risk and to detect suspected incidents of financial crime. Crown's resourcing of its Financial Crime team is now commensurate with what would be expected for an organisation of this nature in the current operating environment
- conducted a number of internal and external audits and reviews in relation to its Joint AML/CTF Program compliance and legislative obligations, and appropriately actioned relevant findings. These audits and reviews did not identify any instances of non-compliance.

The OSM considers that Crown Melbourne is largely complying with its Joint AML/CTF Program, and the Crown Melbourne Board is providing effective and meaningful oversight.

Crown is continuing to make enhancements in a number of key areas that should enable it to more effectively and sustainably comply with its Joint AML/CTF Program in the long term. The Melbourne Transformation Plan incorporates these initiatives, including future automation of its control environment and the development of a Customer Risk Register.

The casino environment is one where individuals are constantly trying to exploit vulnerabilities to commit financial crimes. Although Crown has several deliverables and enhancements yet to be implemented, it has effective systems, processes and controls in place to manage its current financial crime risk. Crown also has appropriate mechanisms in place to enable it to detect potential issues with, or breaches of, financial crime policies or controls, and to remediate, escalate and report any issues or breaches to Crown senior management, Boards and regulators where appropriate.

### 1.4.4 Governance, risk and compliance

Crown has satisfactorily addressed each of the Appendix I requirements for remediating its systemic failures of risk management. This has included undertaking a root cause analysis into the failures outlined in the Bergin Report and the Finkelstein Report; implementing changes to risk management governance, frameworks, functions and reporting as recommended by Mr

Peter Deans<sup>7</sup>; and commissioning an external review of the robustness and effectiveness of its risk management framework, systems and processes and their appropriateness to Crown Melbourne as a casino operator.

Crown has made significant progress in improving its management of risk and compliance and has built a strong foundation for the future. In particular, it has:

- continued to operationalise its three lines of defence model – Line 1 employees are demonstrating an improved understanding of their roles and responsibilities for managing risk and compliance in their respective business units, Line 2 is effectively overseeing implementation of Crown’s risk and compliance management frameworks and providing effective guidance and support to Line 1, and Line 3 is providing independent assurance to management and the Board about the effectiveness of governance and risk management
- delivered its risk uplift program, including a revised Risk Management Framework, revised Risk and Controls Framework, a new Risk Appetite Statement for Crown Melbourne, a new governance, risk and compliance system (Archer), and risk profiles for business units
- delivered its Policy Uplift Program and is embedding policy management as BAU
- mapped its gaming-related obligations and is now looking to extend this to include non-gaming obligations
- established a policy and practice for consistently identifying, recording and reporting incidents and breaches.

Crown has developed and is partway through implementing a three-year Risk Management Strategy and Compliance Strategy, aimed at advancing its risk and compliance maturity levels. The delivery of these two key strategies is reflected in the Melbourne Transformation Plan and, if fully implemented, will enable Crown to build on the frameworks it already has in place for effective risk and compliance management.

In such a complex and appropriately highly regulated casino environment, it is reasonable to expect that risk incidents and compliance breaches will continue to occur. However, the improvements made to Crown’s systems, policies and practices for identifying, remediating and escalating risk incidents and compliance breaches should provide confidence that these will be far more effectively managed going forward.

#### 1.4.5 Integrity framework

Crown has made significant improvements to strengthen its integrity framework over the Special Manager’s term. It has developed the key systems, policies and processes required to support lawful, ethical and responsible conduct. In particular, it has:

- revised its Code of Conduct – a key document that lays the foundations for a stronger integrity framework
- continued to develop and roll out more detailed policies and guidelines to support the Code of Conduct, including in relation to managing conflicts of interest and gifts, tips and gratuities

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<sup>7</sup> Mr Deans is a risk management specialist who gave evidence to the Finkelstein Royal Commission on the effectiveness and robustness of the Crown Resorts risk management framework and systems and was subsequently engaged by Crown to assist in further enhancing the risk management framework and systems.

- developed an appropriate anti-bribery and corruption framework that reflects the current and emerging bribery and corruption risks relevant to Crown Melbourne, including the inherent risks relating to the procurement function
- significantly improved its whistleblower framework, including policies, procedures, processes and technology to better support the receipt and management of whistleblower disclosures.

Crown has put in place training programs to improve employee awareness of, and compliance with, its key integrity framework policies and procedures and supported this training with communication campaigns that encourage employees to report any concerns and embed the behaviours promoted by the updated policies and processes.

Crown has work to do to improve its management of public complaints. The Special Manager's June 2023 interim report noted that Crown had a fragmented and uncoordinated approach to managing public complaints across the organisation, posing a real risk of ineffective complaints handling outcomes. Crown completed an internal audit in this reporting period and has committed to implementing actions to improve its management of public complaints. The OSM considers that, once completed, these actions are likely to improve Crown's management of complaints received and provide for more effective complaints outcomes.

The casino environment is, and will remain, highly susceptible to unethical conduct and bribery and corruption risks. Crown now has in place a satisfactory integrity framework that provides employees with clear guidance on expected standards of behaviours and channels to report any concerns. Continued vigilance will be required in implementing these systems and demonstrating that action will be taken in response to any integrity breaches.

## 1.5 Crown's current operations

The Special Manager has continued to independently oversee Crown Melbourne's general conduct of casino operations and changes it has made to address key corporate governance and compliance failings. This general oversight role complements the Special Manager's monitoring and assessment of Crown's reform work and provides evidence of Crown's progress towards being a reliably lawful, responsible and cooperative organisation.

The information obtained by the OSM during the Special Manager's term has not revealed any evidence of maladministration, illegal or improper conduct indicative of the type of serious and systemic failures previously uncovered by the Finkelstein Royal Commission.

The OSM considers that Crown Melbourne has significantly enhanced its corporate governance in respect to board independence and oversight, and has appropriately implemented both the letter and spirit of the new corporate governance regulatory requirements. In particular, the Board is now majority independent and is operating independently in practice, demonstrating leadership and diligence with a clear focus on Melbourne-specific issues. Crown Melbourne has put effective arrangements in place to enable its Board to oversee key functions and for executives to take their instructions from, and act in the interests of, Crown Melbourne.

Crown has taken steps to enhance the governance and effectiveness of its management committees. The new Crown Resorts Management Committee Framework will assist in meeting the continuing need to enhance the role and function of its management committees.

Crown Melbourne has established constructive relationships and better sharing of information with law enforcement agencies and is working under the VGCCC's oversight to improve retention of CCTV footage, addressing Finkelstein Royal Commission recommendations aimed

at preventing criminal conduct at the casino. Crown has reviewed existing policies and processes for issuing exclusions and withdrawals of licence, which prevent persons from entering the gaming floor or casino complex. It has proposed actions to enhance governance and oversight of withdrawals of licence and exclusions, as well as to provide opportunities for persons to seek a review of Crown's decision to issue them.

Crown is more actively monitoring and escalating compliance breaches to its regulators where required. It has completed all disciplinary proceedings arising out of matters identified during the Finkelstein Royal Commission and resolved most of its outstanding taxation liability issues.

The evidence before the OSM indicates that serious or material breaches of laws, regulations or other obligations have been drawn to the attention of the VGCCC and other relevant regulators, and have not required separate or further investigation by the OSM beyond what is reflected in the Special Manager's interim and final reports.

As referenced in this report, the OSM is aware the VGCCC has investigations underway in relation to a public complaint which raises serious RSG and AML/CTF compliance concerns (see section 5.3.2), and other separate matters notified late in this reporting period concerning the conduct of Crown Resorts senior executives (see section 9.7). The VGCCC has indicated that the outcomes of its investigations into such matters may be taken into account as part of its decision on Crown's suitability.

## **1.6 Crown's ongoing transformation**

Given that Crown's overall transformation will take years, it is important for Crown to provide the Victorian Government and the regulator with confidence that it intends and is likely to continue its reform work beyond the Special Manager's term, should it be deemed suitable to retain its licence. The OSM has:

- Closely monitored the development of a Crown Melbourne Transformation Plan to ensure Crown's commitment to ongoing reform is clearly documented and addresses the matters set out in the Special Manager's previous interim reports. The Special Manager has also issued formal Directions for adherence to the plan.
- Identified potential vulnerabilities and risks to Crown Melbourne's ongoing reform program that are likely to require continuing oversight by both Crown and its regulators.

### **1.6.1 Melbourne Transformation Plan**

The Special Manager's June 2023 interim report stated that the Melbourne Transformation Plan should clearly reflect the Crown Melbourne Board's transformation objectives, priorities, timelines and milestones, and measurable outcomes.

In this final reporting period, the Crown Melbourne Board approved a Melbourne Transformation Plan, setting out 23 programs of work. The plan specifies the Crown Melbourne Board's transformation objectives, priorities and at least some measurable outcomes, and appropriate milestones and timelines for the next three years. Importantly, it covers the continued implementation of longer-term Victorian Government reforms to minimise gambling harm and prevent financial crime at the casino.

The plan will be subject to ongoing development and refinement, including to incorporate new programs of work and initiatives. The Crown Melbourne Board has committed to carefully monitoring and overseeing the plan's implementation.

The Special Manager recently issued Directions to Crown requiring it to continue to implement, maintain and update the plan without compromising the strategic intent or key deliverables of the Melbourne Transformation Strategy, and to provide regular and detailed updates to the Special Manager to facilitate monitoring of the plan's implementation to the end of his term on 30 June 2024.

## 1.6.2 Risks to Crown's ongoing reform

Over the last two years, Crown has undergone reform at a significant scale and pace. While the development of the Melbourne Transformation Plan and supporting governance provides confidence that Crown Melbourne will continue to work towards an effective transformation, there are a range of potential vulnerabilities and risks that may challenge the ultimate achievement of Crown's reform objectives.

The OSM considers that, for Crown, potential risks are likely to include:

- flagging momentum and management commitment
- change fatigue and employee burnout
- pressure to reduce resourcing for key operational and transformation priorities
- allowing the interests of Crown Resorts, or the owner, to take precedence over those of Crown Melbourne, in particular by the pursuit of profit over the wellbeing of its customers and employees.

The OSM considers that the Crown Melbourne Board is alert to these potential risks.

The Crown Melbourne Board will be central to ensuring that these risks do not materialise. It will need to remain sharply focused on balancing financial and non-financial objectives in line with not only its priorities and risk appetite, but also the expectations of regulators and the Victorian community.

## 2. Introduction

### 2.1 Reporting by the Special Manager

This is the Special Manager's fourth and final report provided under section 36G(1) of the *Casino Control Act 1991 (Vic)*, covering the period 1 July to 31 December 2023.

The OSM provided Crown with draft factual content of this report to verify its accuracy, and duly considered the responses received in finalising the report. Where appropriate, the OSM has engaged with Crown and raised any areas for improvement noted in this report for its consideration.

Together with other prescribed sources of evidence, this report will play a key role in informing the VGCCC's decision as to whether Crown has returned to suitability to hold the Melbourne casino licence.

### 2.2 Focus of the final reporting period

In this final reporting period, the OSM has continued to monitor and assess Crown's progress in implementing its reform program to address both the failures of the past and its broader culture transformation – the latter of which, as the Finkelstein Report noted and experience suggests, could take years.<sup>8</sup>

The OSM's work plan for the 1 July to 31 December 2023 reporting period considered:

- recommendations made and key issues identified in the Finkelstein Report
- the requirements of the Special Manager as outlined in the Casino Control Act and Instrument of Appointment (see Appendix A for further detail)
- work undertaken in previous reporting periods.

It is important to recognise that, unlike the roles of the independent monitors appointed in other jurisdictions, the Special Manager's role was not to direct Crown's reforms, or to plan, implement or schedule its reform activities. Rather, Crown Melbourne has retained responsibility for designing its own reform program to best respond to the relevant issues, risks and operating environment, and to direct and prioritise its resourcing to deliver that program, while also managing its business as usual operations.

The Special Manager's role has been to independently monitor and assess the progress of Crown's reform program in line with the matters listed in Appendix I of the Finkelstein Report.

### 2.3 Assessment approach

Under the heading 'Transformation to suitability', the Finkelstein Report said:

*It is clear that more fundamental action must be taken if Crown Melbourne is to return to suitability.*

*Perhaps the most important requirement is the full implementation of Crown Melbourne's reform program. This will involve many steps including, but not limited to:*

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<sup>8</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 127.

- a ‘root cause analysis’ of why things went wrong
- implementation of reforms to its risk management framework
- repairing its broken culture
- investigating whether there have been AML/CTF [anti-money laundering and counter-terrorism financing] contraventions in patron accounts
- substantially improving its AML/CTF processes
- putting in place appropriate responsible gaming policies with adequate staffing to implement them.<sup>9</sup>

The report then added:

*It is reasonable to assume that if Crown Melbourne stays the course of its reform program, and implements in full the reform recommendations made in this Report, all the while monitored and controlled by a Special Manager, it will become a suitable licensee and potentially a model one.<sup>10</sup>*

Accordingly, and as discussed in previous interim reports, the OSM considers it essential for Crown to have made significant and sustainable improvements in all areas where previous inquiries, particularly the Finkelstein Royal Commission, found it to have major failings. The most challenging area in this respect is culture change. The other areas concern more specific aspects of Crown’s operations, such as governance, risk management, compliance, integrity frameworks, the responsible service of gambling (RSG) and the prevention of financial crime.

At this stage of Crown’s reform program, the Special Manager considers it reasonable to expect that Crown should have reached a satisfactory benchmark, for a casino of Melbourne’s size and nature, in remediating these areas.

Other key requirements noted by the Finkelstein Report for a return to suitability were changing the ownership of Crown Melbourne,<sup>11</sup> freeing its Board from outside influence, including from Crown Resorts, and making desirable changes at executive management level.<sup>12</sup>

This report summarises the OSM’s final assessment of Crown Melbourne in three areas:

- transformation progress (section 3)
- reform work in response to specific failings identified by the Finkelstein Royal Commission (sections 4 to 8)
- current operations (section 9).

The OSM has also closely monitored the development of a Crown Melbourne Transformation Plan to ensure that Crown’s commitment to ongoing reform is clearly documented and addresses the matters set out in the Special Manager’s previous interim reports (section 10). The Special Manager has stressed the importance of Crown developing such a plan throughout his term.

<sup>9</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 76.

<sup>10</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 79.

<sup>11</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 76.

<sup>12</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 77.

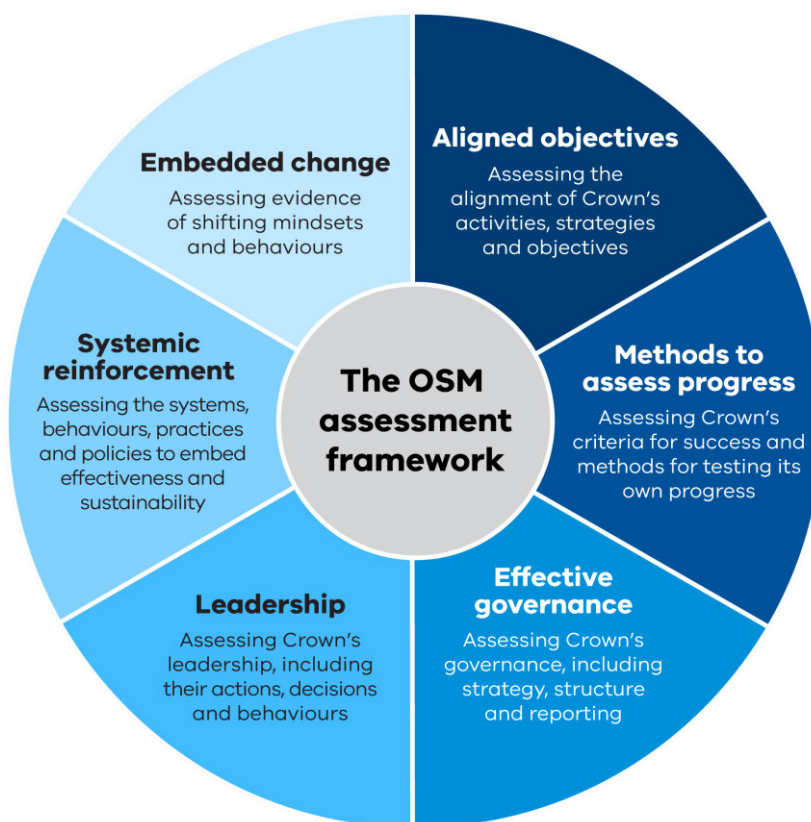
### 2.3.1 Crown’s transformation progress

Pursuant to an early Direction of the Special Manager, Crown developed the Melbourne Remediation Action Plan (MRAP) to remediate failures in key areas and address recommendations identified by the Finkelstein Royal Commission.

The Special Manager’s previous interim reports recognised that the MRAP alone, although an important component of Crown’s overall transformation program, was unlikely to be sufficient to bring about the degree of change that the Finkelstein Royal Commission deemed necessary. Crown must show that it can move beyond remediation and sustain the desired changes over time. This requires a deeper and broader organisational transformation that cannot be achieved by only completing the activities outlined in the MRAP.

A number of Crown’s important reform activities – both as part of the MRAP and through a range of other strategies it has developed – will continue beyond the Special Manager’s term, should it be deemed suitable to retain its licence. However, it was expected that the foundations for a successful transformation would be firmly in place by the end of the two years Crown had been given to demonstrate a return to suitability. Cognisant of this, the OSM developed an integrated six-part assessment framework aimed at providing a holistic assessment of Crown Melbourne’s transformation progress (Figure 1).

Figure 1. The OSM assessment framework



In this final reporting period, the OSM has applied this framework to assess Crown’s progress towards organisational transformation (section 3).



## 2.3.2 Crown's reform work

Appendix I of the Finkelstein Report provides the blueprint for the Special Manager's particular areas of focus. This report summarises the OSM's final assessment of Crown Melbourne's reform work in those areas:

- culture change (section 4)
- RSG to minimise gambling harm (section 5)
- financial crime, in particular AML/CTF (section 6)
- governance, risk and compliance (section 7).

Appendix A of this report summarises the OSM's conclusions with respect to each of the requirements listed in Appendix I.

While not directly mentioned in Appendix I, the OSM also assessed Crown's integrity framework, as it provides a critical mechanism to evaluate whether Crown is instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation (section 8).

Since the beginning of the Special Manager's term, considerable activity has been underway at Crown to return Crown Melbourne to suitability. After establishing the MRAP in March 2022, Crown 're-baselined' it in March 2023 to streamline and improve the sequencing and prioritisation of remediation activities, and to enhance the closure criteria for each deliverable. Crown also added actions to address the recommendations identified by Ernst & Young's root cause analysis<sup>13</sup> into the failures that led to the events described in the Finkelstein Report.

The final MRAP included a total of 117 remediation activities, with most comprising a design, implement and embed deliverable (342 deliverables in total). Crown Melbourne provided the OSM with closure packages for each of these deliverables, all of which had been validated by Ernst & Young, thus completing the delivery of the MRAP (Table 1).

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<sup>13</sup> Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022.

Table 1. MRAP deliverables completion status

| MRAP workstream                               | Number of remediation activities | Percentage of design, implement and embed deliverables completed |
|---|----------------------------------|--|
| Risk management                               | 22                               | 100%   |
| Culture                                       | 11                               | 100%   |
| Financial Crime and Compliance Change Program | 35                               | 100%   |
| Other external work                           | 13                               | 100%   |
| Compliance                                    | 2                                | 100%   |
| Responsible Gaming*                           | 22                               | 100%   |
| Root cause analysis recommendations           | 12                               | 100%   |
| <b>Total</b>                                  | <b>117</b>                       | <b>100%</b>  |

Note: The MRAP includes 117 separate remediation activities with deliverables related to design, implement and/or embed phases. Not all activities include deliverables across all three phases.

\* During the final reporting period, one remediation activity, 'State-wide Exclusion Register', and one embed deliverable, relating to the 'Research identification program' remediation activity, were removed from the MRAP.

The OSM assessed the validated MRAP deliverables Crown provided and sought additional clarification and evidence where appropriate. Generally, Crown Melbourne provided relevant and sufficient evidence to demonstrate that it had adequately met the closure criteria and revised or descoped deliverables where it had been appropriate to do so.

The completion of MRAP activities is a positive sign of Crown's progress towards its reform goals. The impacts associated with these completed activities are discussed throughout this report where relevant.

### 2.3.3 Crown's current operations

Appendix I requires the Special Manager to monitor Crown's conduct of its casino operations generally since the conclusion of the Finkelstein Royal Commission, with reference to whether:

- there is any evidence of maladministration by the casino operator
- there is any evidence of illegal or improper conduct by the casino operator
- the casino operator has engaged in conduct that may give rise to a material contravention of any law.

The OSM has focused its monitoring and assessment on Crown Melbourne's ongoing operations in several key areas, including its compliance with legislative, taxation and Casino Agreement obligations.

While monitoring Crown's current operations is a specific requirement of Appendix I, it also complements the Special Manager's monitoring and assessment of Crown's reform work and provides evidence of Crown's progress towards being a reliably lawful, responsible and cooperative organisation.

## 2.4 OSM information sources

The OSM's assessment of Crown's progress is independent and evidence based. While the assessment draws heavily on evidence Crown has provided regarding the completion of activity milestones, it also uses other sources of information and analysis where appropriate.

This report was prepared based on analysis of information and documents provided by Crown (including MRAP closure packages) both formally and informally, on meetings with Crown representatives (see Appendix B) and on observations of a range of Board and committee meetings (see Appendix C). Crown provided documents in response to the Special Manager's formal requests, details of which are set out in Appendix D, as well as in response to informal requests from OSM staff.

The OSM sought to directly collect and analyse information from various other sources, such as its independent analysis of Crown's employee survey results (see Appendix F) and its discussions with a small sample of customer-facing employees and middle managers (see Appendix G). A key focus for the OSM in this reporting period was to assess this qualitative and quantitative data to gain further insights into the extent of mindset and perceived behaviour change across Crown Melbourne's workforce, as highlighted in the following snapshot.

### Snapshot: Information sources about Crown employee perceptions

The OSM analysed data from several sources to provide insight into the perceptions and observations of Crown employees, in particular those in customer-facing roles. The sources of this data included:

- **Employee survey responses and comments:** Mercer was engaged by Crown to administer an online, anonymous survey to all Crown employees in October 2023. Respondents were asked to rate their level of agreement with a range of questions based on their experience at Crown and were given the opportunity to respond to one free text comment, asking employees to 'Please share any observations you have about changes in Crown's culture over the last 12 months'. Approximately 55 per cent of Melbourne employees responded to the survey (3,890 respondents). Around 1,700 employees responded to the free text question. The OSM was provided with raw survey data, and compared the results to those from previous Crown employee surveys in 2021 and 2022. The OSM assessed the results against Mercer's benchmark, which is based on responses of 71,000 participants from 86 Australian companies. The OSM's detailed assessment of the survey results is provided in Appendix F. The OSM also reviewed Mercer's analysis of the Crown employee survey responses.
- **Discussions with Crown customer-facing employees:** In October 2023, the OSM held 19 individual face-to-face sessions with customer-facing employees from the Table Games and Gaming Machines teams at Crown Melbourne. These discussions were led by OSM representatives and sessions had a duration of 45 minutes (see Appendix G).
- **Discussions with Crown middle managers:** In October 2023, the OSM held 26 individual face-to-face sessions with middle managers from Crown Melbourne and Crown Resorts. These discussions were led by OSM representatives and sessions had a duration of one hour (see Appendix G).

While the small sample sizes for the OSM's discussions cannot be considered conclusive or singularly reliable, when combined with the employee survey they do provide valuable insight into employee perceptions of change and have been considered alongside other sources of information in forming observations.

The OSM directly observed Crown's business practices by engaging in walk-throughs, live demonstrations and casino floor walks.

Further detail of the OSM's information sources is provided in the following snapshot.

### **Snapshot: OSM information sources**

In this final reporting period, the OSM has sought to directly collect and analyse information from the following information sources, among others:

- Discussions with Crown Melbourne independent directors. These were conducted to gather insights on Crown's transformation journey, the Board's relationship with management, Board independence and the effectiveness of Board committees.
- Walk-throughs and live demonstrations. These were used to better understand Crown's systems and processes, including those for managing ML/TF risks from customers and employees (such as Crown's automated customer risk assessment tool) and those for monitoring transactions for unusual or suspicious behaviours. The OSM also conducted a walk-through of the Archer governance, risk and compliance system to test Crown's obligations mapping.
- Casino floor walks. The purpose of these was to observe and monitor gambling and trading activities. The OSM also observed Gambling Harm Awareness Week activities, including the launch of the new Crown PlaySafe Centre, in October 2023.
- Data obtained from sample testing. This was used to verify whether Crown is complying with critical elements of its Joint AML/CTF Program, including its employee and ongoing customer due diligence programs, and meeting its transaction monitoring reporting obligations.
- Observation of Crown training sessions, including Archer Line 1 reviewer and incident logging training, AML/CTF role-specific training for Table Games Area Managers, RSG training for managers and leaders, and AML/CTF director training. The purpose of these observations was to assess the quality of session content and delivery to inform the OSM's assessment of Crown's training.

In addition, the OSM continued to engage with a range of government and community stakeholders to gather insights to inform its assessment, as noted in Appendix B.



## 3. Assessment of Crown's transformation

### Key findings and observations

- Crown has made substantial progress over the last two years in addressing the key failings and recommendations set out in the Finkelstein Report.
- It will take time for Crown to demonstrate embedded culture change throughout the organisation. However, the critical foundations are in place to give Crown a realistic prospect of achieving effective and sustainable transformation in coming years.
- Crown has significantly improved and strengthened its resourcing and integration of the critical enablers for its transformation. In particular, it has:
  - commenced delivering its IT Strategic Roadmap, supporting Crown's technology transformation, and established funding, resources, governance and reporting to oversee delivery
  - significantly improved its resourcing in priority operational and reform areas and taken steps to address resourcing shortfalls where required
  - continued to enhance its approach to training, including by identifying mandatory training requirements, developing more engaging and relevant training content and leveraging senior leaders and communications to reinforce key behaviours
  - developed and begun to implement an integrated strategy guiding the design and delivery of communications in line with its corporate strategy, which is appropriately targeted to support key reform activities and reinforce appropriate employee conduct.
- A critical challenge for Crown is to maintain momentum and management commitment to drive change across its workforce. The Melbourne Transformation Plan will provide a vehicle for Crown to manage these ongoing efforts, and enable continued oversight by the Crown Melbourne Board, Special Manager and the VGCCC.

### 3.1 Introduction

The Special Manager's June 2023 interim report emphasised the need for Crown to demonstrate effective and sustainable reform in each area where major failings were exposed by the Finkelstein Royal Commission and interstate inquiries into Crown's casino operations. This requires transformation of most aspects of its business, especially its culture, and ultimately to thoroughly re-make itself.<sup>14</sup> The Finkelstein Report noted, and experience in other corporate settings suggests, this could take years.<sup>15</sup>

<sup>14</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 71.

<sup>15</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 127.

A number of Crown's important reform activities will continue beyond the Special Manager's term, should it be deemed suitable to retain its licence. However, at this stage, the OSM expects that the critical foundations should be in place for Crown to achieve fundamental culture change across the organisation and ultimately to 'thoroughly remake itself'.

The Special Manager's June 2023 interim report acknowledged that Crown had made good progress in developing and implementing reform actions as part of a broader business transformation program, notwithstanding some delays.

This section outlines the OSM's final assessment of Crown's progress with its broader transformation, and focuses on:

- Crown's progress with its transformation, measured against the OSM's integrated six-part assessment framework
- the effectiveness of critical enablers for Crown's overall transformation, including technology, training, resourcing, communication and engagement.

## 3.2 Crown's transformation progress

The OSM has used its six-part framework (see section 2.3.1) to provide a holistic assessment of Crown's transformation progress. The framework is designed to enable the OSM to assess Crown's progress with reference to:

1. aligned objectives – whether Crown's activities, strategies and objectives are aligned with each other and integrated
2. clear methods to assess progress – whether Crown has clearly articulated its criteria for success, and has an effective methodology for testing its progress against those criteria
3. governance, including strategy, structure and reporting – whether there are strong governance structures that promote discipline, self-assessment and continuous improvement of the transformation program
4. leadership, including leaders' actions, directions and behaviours – whether leaders at all levels are continuing to drive change through words, actions, symbolic decisions and self-correcting behaviours
5. systemic reinforcement – whether there are systems, behaviours, practices and policies in place that serve to embed effectiveness and sustainability
6. embedded change – whether there is evidence that mindsets and behaviours across the organisation are beginning to shift and that employees see a 'new way of doing things' at Crown.

The OSM considers the first four elements of its framework to be the crucial foundational elements that should be clearly observable at this time. The last two elements demonstrate how far Crown is progressed in its longer-term transformation, and enable the OSM to assess whether change is likely to be sustainable across the organisation.

The OSM's concluding assessment is that Crown Melbourne has put in place the critical foundations it needs to have a realistic prospect of achieving effective and sustainable transformation in coming years. There is evidence of culture change occurring in parts of the organisation, including critical areas noted in the Finkelstein Report such as RSG and financial crime. Although these foundations have been successfully established, it will take time for Crown to demonstrate reform outcomes and embedded culture change throughout the organisation.

### 3.2.1 Aligned objectives

Central to the OSM's assessment is ensuring Crown has identified, understood and remediated the root causes of its previous failings – most importantly its culture that prioritised profit over good conduct and effective risk management. The foundation for an effective transformation is a clear vision and strategy for addressing these past failings.

The OSM has assessed whether Crown's activities, strategies and objectives are integrated, aligned and provide clear direction on priorities. This includes demonstrating a balanced focus on both financial and non-financial business objectives.

The Special Manager's June 2023 interim report noted that Crown had made good progress in developing and rolling out specific strategies, including for RSG, financial crime, risk management, compliance, brand and communications. At that time, Crown's recently introduced Player Health Strategy (now known as the Crown PlaySafe Strategy) outlined an ambitious objective for Crown to have 'the safest casinos in the world'.<sup>16</sup> However, this commitment to harm minimisation was yet to be reflected in other strategies across the business, including the corporate strategy.

The Special Manager's June 2023 interim report outlined an expectation that Crown's corporate strategy should:

- reflect these key business strategies and align closely with the objectives and priorities of the Crown Melbourne Board, including the level of risk the Board is willing to accept, as defined in its Risk Appetite Statement
- demonstrate that Crown's financial interests must not take precedence over other objectives related to risk, compliance, the minimisation of gambling harm and prevention of financial crime
- be complemented by a Crown Melbourne Transformation Plan that clearly reflects the Crown Melbourne Board's transformation objectives, priorities and measurable outcomes to enable the Board and the Special Manager to track progress and to ultimately provide the Victorian Government and the regulator with confidence this work will be continued beyond the Special Manager's term, should Crown be deemed suitable to retain its licence.

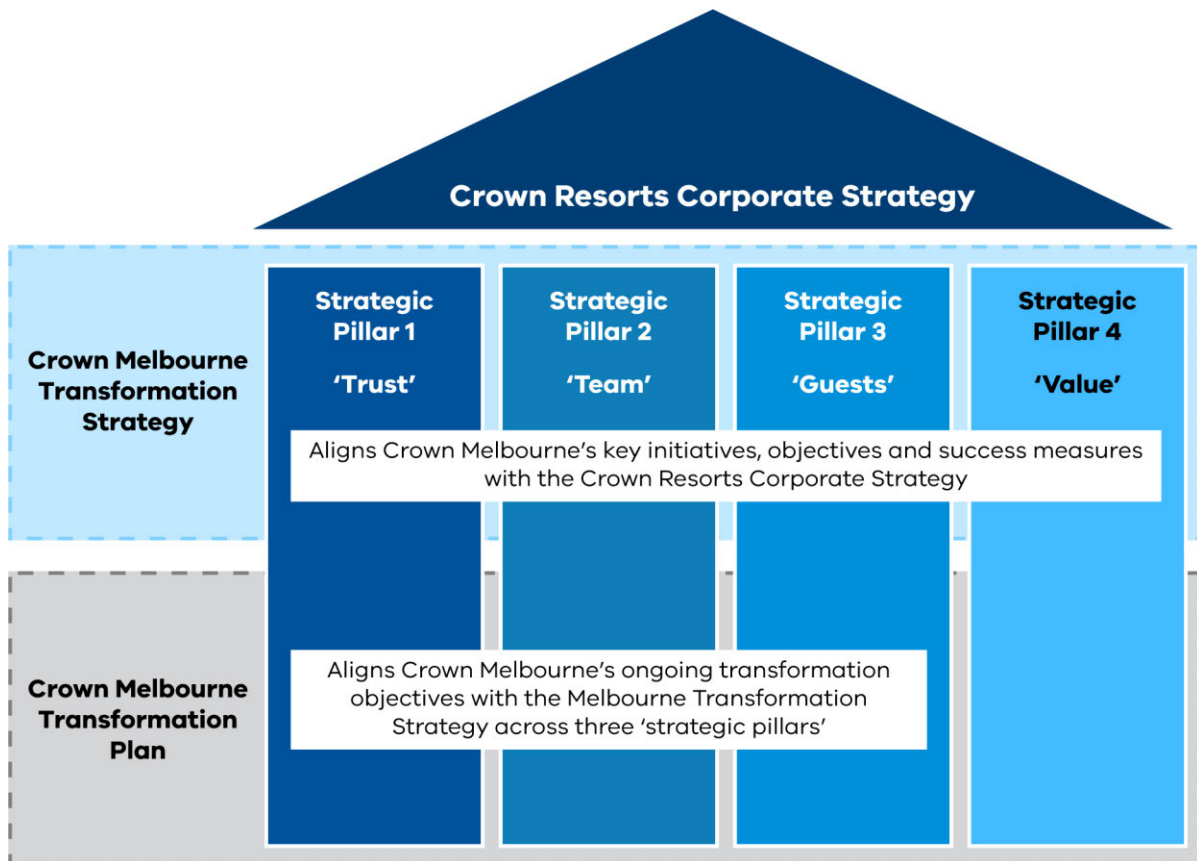
Crown has since finalised a Crown Resorts Corporate Strategy, a Melbourne Transformation Strategy and a Melbourne Transformation Plan (provided in Appendix 1, Documents 1.1, 1.2 and 1.3 respectively).

The Melbourne Transformation Strategy adopts the same pillars as the Corporate Strategy but identifies Melbourne-specific objectives. The strategy went through numerous iterations to address the Crown Melbourne Board's feedback and was ultimately approved by the Board in September 2023 (see section 10.2). Figure 2 illustrates how the Crown Resorts Strategy, Melbourne Transformation Strategy and Melbourne Transformation Plan relate to each other.

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<sup>16</sup> Crown Resorts, Player Health Strategy, 7 December 2022, p. 15.

Figure 2. Alignment of the Crown Resorts Strategy, Melbourne Transformation Strategy and Melbourne Transformation Plan



Source: OSM analysis based on Crown Resorts, Corporate Strategy, 11 August 2023; Crown Melbourne, Melbourne Transformation Strategy, 20 September 2023; Crown Melbourne, Melbourne Transformation Plan, 11 December 2023.

The OSM has reviewed each of Crown's standalone strategies, and considers that the objectives of these business unit strategies, including financial crime, Crown PlaySafe, risk and compliance, have been adequately reflected in the Melbourne Transformation Strategy. For example, the Crown PlaySafe Strategy includes an objective for Crown Resorts to 'have the safest casinos in the world',<sup>17</sup> which is mirrored by an objective in the Melbourne Transformation Plan for the Melbourne casino to 'lead in safe and responsible service of gaming and entertainment'.<sup>18</sup>

In November 2023, the Crown Melbourne Board asked management to provide a document outlining how all these material strategies and plans in the organisation relate to each other, and to map them to the relevant governance forums. A draft of this document has been developed, and the final version will be presented to the Board in 2024.

The OSM's concluding assessment is that Crown Melbourne has developed an overall strategy that aligns with the objectives and priorities of the Crown Melbourne Board and integrates key business unit strategies. The OSM considers the Melbourne Transformation Strategy and Plan provide appropriate direction for balancing Crown's financial interests against other, non-financial objectives, such as those related to risk management, compliance, RSG and financial crime.

<sup>17</sup> Crown Resorts, Player Health Strategy, 7 December 2022, p. 15.

<sup>18</sup> Melbourne Transformation Strategy, 20 September 2023, p. 19.



### 3.2.2 Methods to assess progress

To ensure continuing and sustained change, Crown should have robust methods to undertake ongoing self-assessment of performance, evaluate reforms and adjust its transformation program where required. This will demonstrate that Crown has learnt from its past failings and is committed to sustainable, continuous improvement beyond the Special Manager's term.

In this final reporting period, the OSM has assessed whether Crown has clearly articulated its criteria for success and has an effective methodology for testing its progress against those criteria. In particular, it has considered whether Crown has:

- valid and reliable data that measures key outcomes and indicators of progress
- an attitude of evidence-based inquiry to examine issues that emerge from the data.

In the Special Manager's June 2023 interim report, the OSM observed that Crown was developing a range of metrics to track its activities and progress in specific areas, including dashboards to report data on risk, RSG, financial crime and culture. However, a number of these metrics were activity-based and needed a clearer focus on tracking the achievement of outcomes. The Crown Melbourne Board had appropriately called on management to provide more relevant reporting that focuses on prioritised actions, intended outcomes, clear indicators of progress, and accurate status reporting.

The Special Manager had directed Crown on 7 April 2023 to provide a draft self-assessment of its progress in addressing the requirements of Appendix I of the Finkelstein Report, to demonstrate its maturity in self-assessing and identifying opportunities for improvement.

Crown's first draft self-assessment, undertaken in May 2023, was not extensive. It focused largely on describing completed activities and did not provide sufficient commentary on, or evidence of the effectiveness of, completed actions. In September 2023, management presented the Crown Melbourne Board with a revised self-assessment. The Board requested further refinement and on 20 October 2023 approved a final version, which is provided in Appendix 1, Document 1.4.

The OSM considers that Crown Melbourne's revised self-assessment provides a more balanced critique of its progress, and demonstrates a shift away from describing completed activities, to also focusing on achieved outcomes.

While this revised self-assessment was more comprehensive than the previous version, it did not:

- define what 'adequacy' or 'effectiveness' looks like when addressing topics such as the adequacy of RSG funding and the effectiveness of Crown's cultural reform program
- clearly state whether Crown Melbourne considers it is complying with its obligations under legislation, and instead discussed ways to 'sustainably move in this space' and ensure 'ongoing compliance'.<sup>19</sup>

The Board requested revisions to management's self-assessment to improve the quality of the self-assessment, showing a maturity in Crown's ability to be sufficiently self-critical and identify opportunities for improvement. However, the need for such revisions demonstrates that there remains scope for management to further improve the quality and accuracy of its reporting.

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<sup>19</sup> Crown Melbourne Self-assessment against Appendix I of the RCCOL Report, 20 October 2023, pp. 19–20.

As noted in the Special Manager's June 2023 interim report, management's delay in providing outcomes-based rather than activity-based reporting to some extent reflects:

- the complexity of defining outcomes and appropriate measures of progress in certain areas, such as changing its culture and minimising gambling harm
- the lack of good baseline data to support an assessment of outcomes and progress.

Crown is continuing to work to close these gaps. Crown management has developed a suite of dashboards to improve reporting including across a more comprehensive set of metrics. This includes, for example, dashboards related to People and Culture, Financial Crime Operations and Responsible Gaming Operations. Crown has completed a 'baseline study' to construct baseline outcome measures related to minimising gambling harm, which, in time, will enable it to monitor outcomes rather than operations for RSG (see section 5.8.3).

To measure progress against the Melbourne Transformation Strategy, Crown is developing a Melbourne Transformation Scorecard (see section 10.2). The current draft of the scorecard provides a balanced approach to measuring both financial and non-financial objectives. However, many of these metrics, such as a 'Safety and Wellbeing Score' and a 'PlaySafe score', are composite measures, which require detailed understanding of the key drivers of the overall score to understand progress.<sup>20</sup> Composite scores like these may mask the underlying drivers of good or poor performance, meaning that if one of these drivers improves and others falter, there will be no observable difference in the composite score, thus reducing opportunities to improve performance. Other measures have not yet been fully defined; for example, targets have not yet been added for 12 out of 15 of the scorecard measures including for the 'Talent score' and the 'Engagement score'.

There is evidence that management is increasingly leveraging data to critically assess its progress and identify the need for reinforcing measures such as more targeted training, support and guidance. For example, the OSM has observed the Responsible Service of Alcohol Steering Committee actively discussing drivers of relevant statistics presented to them and identifying actions to address increasing risks of alcohol-related harm. The OSM has observed the Melbourne executives setting targets to manage risks against the Board's appetite with reference to historical incident data, and identifying additional data to be collected to support better management of risk in future.

The OSM's concluding assessment is that Crown Melbourne has matured in its ability to be self-critical and identify opportunities for improvement. The Board has maintained a focus on receiving accurate, outcomes-based reporting from management, and has demonstrated an attitude of evidence-based enquiry to examine emerging issues. While management will need to continue to develop and refine appropriate outcomes-based measures in areas such as RSG and culture change, Crown has in place some of the key elements needed to measure the performance of its reform programs, such as the CRP, and its overall transformation progress.

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<sup>20</sup> Melbourne Transformation Strategy, 20 September 2023, p. 43.

### 3.2.3 Effective governance

The Finkelstein Report noted that Crown Melbourne's Board either suffered from inadequate management reporting or that it simply 'fell asleep at the wheel',<sup>21</sup> and that either way, it 'failed to carry out one of its prime responsibilities; namely, to ensure that the organisation satisfied its legal and regulatory obligations'.<sup>22</sup> The effectiveness of corporate governance is critical for Crown and its stakeholders if it is to provide reassurance that past governance failures will not recur, and that culture change will be embedded and endure beyond the Special Manager's term.

The OSM has assessed whether Crown Melbourne has strong governance structures to sustain its transformation; in particular, whether they promote discipline, self-assessment and continuous improvement.

Effective corporate governance encompasses not only the skill and will of the board, but also the formal and informal mechanisms supporting it. The Special Manager's June 2023 interim report noted that significant changes to Crown's governance structures and processes were made in 2022 and into the first half of 2023. The now majority independent Crown Melbourne Board had demonstrated substantial progress in effective governance, with a clear focus on Melbourne-specific issues, active engagement, and application of considered judgement.

Crown Melbourne has continued to demonstrate improvements in its governance model and effectiveness in this final reporting period. The Crown Melbourne Board has continued to establish clear expectations for transparency and accountability for outcomes, and a focus on Melbourne-specific issues and delivery of Group-wide functions that Crown Melbourne relies upon. There continues to be a high degree of engagement and enquiry, and constructive challenge to improve the robustness of reporting and strategic advice.

The OSM's observations of Crown Melbourne Board meetings and review of Board and committee papers and minutes suggests that senior management is responsive to the Board's oversight, and that the Board exerts appropriate influence on decision making where required. However, the OSM considers that there is scope for ongoing improvement as it has observed occasional gaps in management transparency and accountability for outcomes. For example, on at least two occasions the Board received incomplete or incorrect information from management about Crown Melbourne's state of compliance with the new corporate governance requirements while reporting lines for some key management roles were still being finalised.

Crown is reviewing its management committees to improve their operation and effectiveness. To date, it has reviewed the role and function of the Executive Risk and Compliance Committee and the Responsible Gaming Management Committee, and expects draft charters for the Executive Risk and Compliance Committee and a new Crown PlaySafe Oversight Committee to be approved at their respective first meetings in 2024. Crown plans to develop a schedule for the review of other management committees and their charters in early 2024 (see section 9.5).

While work to improve the operation of Crown's management committees is ongoing, the OSM has observed some early signs of improvement:

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<sup>21</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

<sup>22</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

- The inaugural meeting for a new Crown Resorts Loyalty Steering Committee demonstrated constructive discussion regarding the roles and responsibilities of this committee in relation to other working groups and committees (see section 5.7.2).
- The Self-Exclusion Revocation Committee has matured in its ability to review the return strategies of customers, with particular focus on affordability and applicants' support networks (see section 5.6.4).
- The Whistleblower Committee improved its processes and demonstrated a careful and considered approach to assessing whistleblower disclosures (see section 8.4.4).

The OSM's concluding assessment is that Crown has demonstrated substantial progress in developing effective governance arrangements. The now majority independent Board has continued to establish clear expectations for transparency of and accountability for outcomes, with a focus on Melbourne-specific issues and delivery of Group-wide functions that Crown Melbourne relies upon. The OSM has observed that senior management is responsive to the Board's oversight, but that there are occasional gaps in transparency and accountability for outcomes. Crown has recognised the importance of improving the operation and effectiveness of its management committees, an area that remains a work in progress.

### 3.2.4 Leadership

The Finkelstein Royal Commission found that Crown's leadership, at both senior and middle management levels, had directly contributed to historical norms of misconduct.<sup>23</sup> There is extensive research showing that effective leaders play a crucial role in driving successful transformation and culture change.<sup>24</sup> Hence, the OSM's assessment focuses on whether leaders at all levels of Crown are continuing to drive change through words, actions, symbolic decisions and self-correcting behaviours, and on their capability and capacity to lead change across the broader workforce.

The Special Manager's December 2022 and June 2023 interim reports highlighted that the OSM had observed positive role-modelling and change leadership by the Board and senior leaders. This had been demonstrated by leaders visibly focusing on values, transformation and culture change in their communication and engagement with employees.

The OSM has continued to observe Crown's senior leaders demonstrating change leadership and role-modelling of positive behaviours. There is evidence from Crown's 'Your Voice' survey that employees perceive senior leaders' efforts to role-model positive behaviours and communicate change have improved over the past three years (see Appendix F). Middle managers who participated in discussions with the OSM consistently reflected that senior executives and leaders were demonstrating observable behavioural change consistent with Crown's values and reinforcing the values through communications and internal messaging (see Appendix G). Nevertheless, some employees may have doubts about whether all senior leaders are 'walking the talk' (see section 4.5.2). This is to be expected at this early stage of cultural transformation. Crown will need to consistently role-model the 'new' expected Crown behaviours, and act promptly to address apparent inconsistencies in leadership behaviour when required.

<sup>23</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 3.

<sup>24</sup> For example, EH Schein, 'Kurt Lewin's change theory in the field and in the classroom: Notes toward a model of managed learning', *Systems Practice and Action Research*, 12 (4), 1999, pp. 419–29; JP Kotter, 'Leading change: Why transformation efforts fail', *Harvard Business Review*, 73 (2), 1995, pp. 59–67.

At the middle management level, the Special Manager's previous interim reports have noted an ongoing need for Crown to address the possibility raised by some frontline employees that middle management may represent a barrier to transformation efforts. This included issues related to inconsistent role-modelling, capability gaps, capacity constraints and potential resistance to change (or 'permafrost' behaviour). Crown needed to focus on ensuring middle managers support the transformation, including through role-modelling desired change, given the critical influence this group has on the behaviours of frontline teams.

The behaviours of some middle managers are beginning to shift, but this remains inconsistent across the business. The 2023 'Your Voice' employee survey results indicate that perceptions about middle manager accountability and whether middle managers behave in accordance with Crown values remain inconsistent across the Melbourne property (see section 4.3.3). Participants in the OSM discussions noted that the quality of managers' leadership was variable (see Appendix G).

Crown has been actively managing the development of its leaders, including through a targeted strategy focused on the middle management cohort as a key group enabling change. Project Then Who articulates a cohesive plan for supporting middle managers to effectively lead and role-model change. This plan is complemented by the new Thrive Leadership Development Program (see section 4.2.2). Feedback from participants in Thrive suggests leaders recognise Crown's renewed investment in both their development and their responsibility for leading change across the organisation.

The OSM's concluding assessment is that Crown's Board and senior leaders are continuing to demonstrate change leadership and role-modelling of positive behaviours. However, while Crown has been actively seeking to develop its middle managers, leadership from this important cohort remains inconsistent.

The OSM notes that allegations have been made in relation to key Crown Resorts senior executives late in this reporting period. These include allegations that were reported publicly about the CEO, Mr Ciarán Carruthers (who is also a Director of Crown Melbourne). At the time of preparing this report, relevant investigations were ongoing and hence no conclusions have been drawn.

### **3.2.5 Systemic reinforcement**

To embed an effective and sustainable transformation, employees across Crown Melbourne need to adopt new mindsets and behaviours. Creating and sustaining this shift relies on Crown's systems, practices and policies providing clear direction to employees regarding expectations and desired behaviours, as well as incentives and skill-building to fulfil these. The OSM has therefore assessed whether Crown has systems, behaviours, practices and policies in place to embed effectiveness and sustainability.

The Special Manager's June 2023 interim report concluded that Crown had made sound progress in a number of important areas. It had consistently focused on the basic reinforcement of required changes by improving policies and training in critical operational areas, including financial crime and RSG. It had started to reinforce improved behaviours through enhancements to its performance management system, variable pay program and leadership training. However, Crown needed to take further steps to reinforce behavioural change more systematically across the organisation, including by better targeting non-salaried employees.

In this final reporting period, Crown has continued to make substantial progress in a number of important areas. Of particular note, Crown Melbourne has developed and implemented its Responsible Gambling Code of Conduct (Gambling Code) to align with a new Ministerial Direction, and used a combination of training and communications to reinforce these new requirements with employees. The OSM's discussions with customer-facing employees and middle managers indicated that the use of employee briefings or 'musters' was an important mechanism for employees to understand new observable signs and requirements to ensure customers are taking adequate breaks (section 5.5.5).

Employee communications and training are a key feature of 'change plans' developed by Crown's Change Management Office. Throughout Crown's ongoing transformation efforts, these change plans will provide a framework for more consistent and effective employee engagement. Post-implementation reviews are intended to become a standard process within Crown project management methodology to assess the effectiveness of the mechanisms implemented.<sup>25</sup> Further, more knowledge testing will provide greater insight into whether key learning outcomes have been achieved and transferred to on-the-job practice. An example of one of these change plans, for mandatory carded play and mandatory pre-commitment, is provided in Appendix 1, Document 1.5 to illustrate the approach Crown is taking.

Crown Melbourne has improved its approach to designing reinforcing mechanisms that reflect its different employee cohorts, such as those that are casual or under enterprise agreements. Crown has introduced a performance management system and variable pay program, though these apply to a small proportion of Crown Melbourne's workforce only.<sup>26</sup> In 2023, the payment of performance bonuses was linked to the completion of mandatory training requirements for the first time.

Crown has complemented these mechanisms with a Group-wide recognition program (Shine), and a Consequence Management Framework that applies to all employees. This framework includes guidelines that reinforce compliance with all of Crown's policies, and articulates expectations related to desired behaviours. This will understandably take time to embed.

Together, these mechanisms represent a comprehensive set of reward and recognition systems to motivate good behaviours. Assessment of these suggests they are operating in a reasonably effective manner at this early stage of implementation (see section 4.2.2).

The OSM's concluding assessment in relation to systemic reinforcement mechanisms is that Crown has put in place systems, policies and practices required to instil and maintain the desired employee behaviours in critical areas, including to minimise gambling harm and prevent financial crime. It has made substantial progress in a number of important areas, and consistently reinforced required changes by updating relevant policies, training and employee communications. It is in the early stages of implementing reward and recognition mechanisms to motivate and reinforce good behaviours by its employees, and these are being tailored to recognise the large number of employees who are either casual, part-time or under enterprise agreements. The OSM's assessment of these mechanisms suggests they are operating in a reasonably effective manner at this early stage of implementation.

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<sup>25</sup> Crown Melbourne, Melbourne Transformation Plan, 11 December 2023, p. 13.

<sup>26</sup> The performance management system and variable pay program apply only to salaried employees, which includes only 11 per cent of Crown Melbourne's middle managers.



### 3.2.6 Embedded change

Transformation occurs when mindsets and behavioural norms are self-sustaining. In particular, when employees start to perceive that ‘the way things are done around here’ is changing, their desire to conform creates further impetus for change.<sup>27</sup> At this stage of Crown’s transformation, complete embedment of new mindsets and behaviours across the whole workforce is not expected. The OSM has therefore focused on assessing whether there is evidence that mindsets and behaviours are beginning to shift and employees see a ‘new way of doing things’ at Crown.

The Special Manager’s June 2023 interim report noted some evidence of positive changes in norms in key parts of the organisation, in particular in the Financial Crime and Responsible Gaming (now Crown PlaySafe) teams. However, while there was evidence of shifting mindsets and behaviours, this was not yet consistent across the organisation. Not all frontline gaming employees understood that the requirements of their roles had changed in relation to minimising gambling harm and preventing financial crime, and some sources suggested there may be some resistance to change from middle management.

As outlined in the following snapshot, the OSM has continued to analyse a range of qualitative and quantitative data to gain further insights into the extent of mindset and behavioural change across Crown Melbourne’s workforce. The snapshot highlights a number of themes and insights that emerge from a consolidation of these data sources. Although each individual data source has limitations (for example, the small sample size for the OSM’s discussions), in combination they provide valuable insight into employees’ perceptions of Crown’s culture, leadership and progress with change.

#### Snapshot: Insights into employee perceptions of change

The OSM analysed comprehensive notes from discussions with Crown customer-facing employees and middle managers, alongside employee survey data and free text comments, to identify the following three common themes. Further detail on the insights from these sources is provided in Appendices F and G.

##### Theme 1: Awareness of RSG obligations

The 2023 ‘Your Voice’ survey demonstrated sound awareness of RSG obligations among Crown Melbourne survey respondents, with 90 per cent agreeing that ‘responsible gaming is an essential part of Crown’s commitment to care for its guests’. Participants in the customer-facing (and middle management) discussions expressed that RSG is everyone’s responsibility. All customer-facing employees in the discussions could describe a time when they had observed and escalated an observable sign, and all of them were aware of their obligation to immediately escalate a request from a customer to ban themselves from the casino.

##### Theme 2: Awareness of compliance obligations

Ninety-four per cent of 2023 ‘Your Voice’ Crown Melbourne survey respondents agree that ‘compliance is everyone’s responsibility at Crown’. During discussions with customer-facing employees, participants were able to explain the obligations of their role and understood the consequences of not reporting a compliance breach to their manager.

<sup>27</sup> ME Tankard and EL Paluck, ‘Norm perception as a vehicle for social change’, *Social Issues and Policy Review*, 10 (1), 2016, pp. 181–211; RB Cialdini and NJ Goldstein, ‘Social influence: Compliance and conformity’, *Annual Review of Psychology*, 55, 2004, pp. 591–621.

### **Theme 3: Barriers to speaking up**

Most employees have heard of the 'Speak Up' campaign, but not all feel comfortable speaking up in all circumstances. Noting the inherent difficulty in strengthening psychological safety, there is evidence to suggest that employees at various levels remain reluctant to share concerns openly. Crown's annual employee survey results indicate that early gains between 2021 and 2022 may have stabilised over the past 12 months. Analysis of the 2023 'Your Voice' survey shows a large proportion of Crown Melbourne employees fear consequences of voicing concerns, with 45 per cent of respondents answering unfavourably to the statement 'employees can express their views without fear of negative consequences'.

### **Theme 4: Lack of accountability in middle management**

The 2023 'Your Voice' Crown Melbourne survey shows that perceived accountability of employees decreases as employees become more senior. The OSM discussions with customer-facing employees identified a possible gap in perceived accountability at the Assistant Casino Manager level. Half of customer-facing employees interviewed by the OSM expressed the view that the quality of management is variable, and that concerns raised may or may not be escalated depending on the manager.

The OSM's concluding assessment is that, as expected at this stage of the transformation process, change is yet to be embedded across the broader Crown Melbourne workforce. However, there is evidence that areas of the business that were at the centre of reform efforts, including the Financial Crime and PlaySafe teams, are establishing a 'new way of doing things'. These critical areas have benefited from new roles, processes, technology, capability and leadership, which has reinforced expected behaviours and outcomes.

Change may not occur organically. So, while change is occurring in key parts of the organisation, Crown will need to continue to deliberately manage its transformation to ensure change is embedded across its broader workforce. The Melbourne Transformation Plan is a vehicle for Crown to manage these ongoing efforts (see section 10.2).

## **3.3 Critical transformation enablers**

The Special Manager's previous interim reports recognised the combination of Melbourne-specific and organisation-wide initiatives that support the delivery of Crown's transformation program. In this final reporting period, the OSM has continued to monitor Crown's critical enablers, with a particular focus on technology, resourcing, training, communications and engagement.

The OSM's concluding assessment is that Crown has established the foundations for developing critical activities, systems and processes to support its overall transformation. Notably, in this final reporting period, Crown has significantly improved and strengthened its resourcing and integration of the critical enablers for its transformation. In particular, it has:

- commenced delivering its IT Strategic Roadmap, supporting its technology transformation, and established funding, resources, governance and reporting to oversee delivery
- significantly improved its resourcing in priority operational and transformation areas and, where required, taken steps to address resourcing shortfalls
- continued to enhance its approach to training, including by identifying mandatory training requirements, developing more engaging and relevant training content and leveraging senior leaders and communications to reinforce key behaviours



- developed and begun to implement an integrated strategy guiding the design and delivery of communications, which is appropriately targeted to support key reform activities and reinforce appropriate employee conduct.

### 3.3.1 Technology

Technology plays a pivotal role in enabling Crown's transformation and facilitating its reform. Implementation of key Victorian Government reforms, such as mandatory carded play and mandatory pre-commitment, is impossible without the relevant IT infrastructure being in place.

Crown's technology landscape is complex and fragmented across its three Australian properties. It has suffered from a lack of strategy and investment over many years.

The Special Manager's June 2023 interim report noted opportunities for Crown to strengthen its 'know your customer' capabilities for RSG and financial crime, reduce risks associated with manual processes and strengthen data analytics capabilities to support reporting and continuous improvement. It recognised the role that improved systems play in enhancing the delivery and monitoring of training and providing crucial insight into resourcing requirements across the business.

In this final reporting period, the OSM has monitored Crown's progress in implementing the IT deliverables identified in the MRAP, as well as key government reforms relying on technology-based solutions. This includes delivering technology to support mandatory carded play and mandatory pre-commitment (section 5.2.1), updating the Splunk and Salesforce systems to support implementation of the new Gambling Code (section 5.3.2), implementing an automated customer risk assessment tool (section 6.4.2), automating the AML/CTF control environment (section 6.4.4), and implementing a new governance, risk and compliance system (Archer) (section 7.5.3).

In this final reporting period, the OSM's assessment of technology as an enabler has focused on whether Crown has:

- refined and begun to implement the IT Strategic Roadmap to support its ongoing transformation
- confirmed the funding, resources, governance and reporting required to successfully oversee and deliver the IT Strategic Roadmap by 30 June 2026.

Crown has continued to refine the IT Strategic Roadmap presented to the Crown Melbourne Board in March 2023. The scale of Crown's proposed IT investment is significant, estimated at \$157.47 million over three financial years.<sup>28</sup> In 2023–24, IT Strategic Roadmap initiatives include rolling out a new human resource and learning platform (Workday), which will support Crown's people and culture technology transformation and resolve issues associated with data quality and reporting related to training (see section 3.3.3). This project is well progressed, with resources and governance arrangements in place.

To support the delivery of IT Strategic Roadmap initiatives, Crown proposes to increase the number of Group technology employees to 378 FTE in 2023–24, an increase of 116. This is expected to enhance internal capacity and capability, including in relation to information and cyber security and digital services. Crown's summary Group Technology Resource Plan is provided in Appendix 1, Document 1.6. Additional employees will be progressively recruited

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<sup>28</sup> Crown Resorts IT Steering Committee papers, 14 December 2023, p. 3.

over 2023–24 and funded by reducing Crown’s contingent technology workforce from 165 FTE in 2022–23 (\$45.67 million) to 79 FTE in 2023–24 (\$21.57 million).

Crown commenced a restructure of its Group technology function in October 2023 to define roles and responsibilities more clearly and to facilitate improvements in service delivery. Under this restructure, Group technology reporting lines were transitioned from the Crown Resorts CEO to the Chief Finance and Corporate Services Officer, to foster closer integration of technology with Crown’s corporate services. However, two of Crown’s senior IT roles – the Chief Technology Officer and the Chief Digital Officer, both of whom left the business in November 2023 – remain vacant and subject to recruitment. The timely recruitment of these key roles is a priority for Crown if it is to successfully deliver the IT Strategic Roadmap.

The Crown Resorts IT Steering Committee is responsible for maintaining oversight and effective control of the IT Strategic Roadmap. Although this committee finalised its Charter in July 2023, it has met twice only during this reporting period. At both meetings the OSM observed the committee discharging its role in accordance with its requirements.

Crown is yet to establish some aspects of its IT governance and reporting, and there are inconsistencies in the way Crown’s IT project steering committees and working groups are being managed. In its Target State Executive Summary for technology, Crown identified the need to enhance its program governance and review and redesign its IT operating model (see Appendix 1, Document 1.7).

The Melbourne Transformation Plan includes relevant Melbourne-specific and Group-wide IT Strategic Roadmap initiatives, including critical initiatives such as an enhanced customer risk register for financial crime, an enterprise-wide case management platform (single view of the customer) and initiatives that support the delivery of legislated reforms beyond 2023. This should provide the Crown Melbourne Board and Melbourne Transformation Steering Committee with clear line of sight over the technology program.

The OSM considers that Crown’s IT Strategic Roadmap sets out a realistic program of technology enhancements. If successfully implemented, it will enable improvements across the business including ‘know your customer’ capabilities for RSG and financial crime, reduce risks associated with manual processes and strengthen data analytics capabilities to support reporting and continuous improvement. The foundations for the delivery of the IT Strategic Roadmap by 30 June 2026 have been established, including the approval of appropriate resourcing and funding. However, as with any large and complex program of works, the resourcing and funding will need to be closely monitored and adjusted when required. Further work is required on IT governance and reporting, which Crown has itself identified as an area for improvement.

### **3.3.2 Resourcing**

Appropriate resourcing of the transformation program and BAU activities is essential if Crown is to continue to progress and sustain its transformation.

The Special Manager’s June 2023 interim report recognised that Crown had considerably expanded its capacity and capability in key areas highlighted during the Finkelstein Royal Commission, notably in relation to RSG and financial crime. It also noted that Crown had begun to reduce its reliance on consultants and suggested that Crown consider its approach to retention and succession planning, given there is a risk that key people may leave.

In this reporting period, the OSM's assessment of resourcing has focused on whether Crown has arrangements in place to:

- resource and fund its transformation activities, in particular in key functions such as AML/CTF, RSG operations, risk and compliance and internal audit
- address risks related to retention, recruitment and succession planning.

The OSM has observed the appointment of highly skilled and experienced executives across many of Crown's operations. There has been a significant increase in resourcing committed to key teams since the Finkelstein Royal Commission, such as:

- the Group-wide Financial Crime team, which has increased from 24 FTE in June 2021 to 145 FTE in December 2023
- the Crown PlaySafe Operations team, which has increased from 12 Responsible Gaming Advisors (now known as Crown PlaySafe Advisors) to a total of 39 PlaySafe Advisors, five Shift Managers and an Operations Manager (section 5.4.1)
- the Risk team and the Compliance and Regulatory Affairs team, which are resourced with capable and experienced professionals who are now embedding themselves in the business (section 7.3.2).

Funding has also been provided to engage temporary consultants to address bottlenecks and support the delivery of MRAP commitments and other priorities where required.

Crown has advised that, when offboarding external consultants, business units assess several factors, including capability gaps and the steps taken to transfer skills to Crown employees. The People and Culture team is developing a talent strategy, to be delivered in the second half of 2024, that will consider succession planning for critical roles.

Crown has developed tools to support its ongoing assessment of the adequacy of resourcing in critical areas. This includes developing a forecasting model to test the adequacy of existing resources and predict required FTE levels to support changes in PlaySafe operational activity. Crown has used this model to inform its decision to supplement existing resources with an additional 30 PlaySafe Advisors over the next six to nine months.

Consistent with its annual budget and resourcing model, Crown has committed funding for the Melbourne Transformation Plan in the 2023–24 financial year and has advised the OSM that future funding and resource allocation decisions in relation to the Melbourne Transformation Plan will be determined through its annual budget and financial approval process.

Crown expects to complete a number of strategic resourcing initiatives by the second quarter of 2024 that involve:

- business unit leaders forecasting future BAU resourcing requirements for the next three years
- modelling the resources required, including employee, operational and capital expenditure, for new initiatives identified in the Melbourne Transformation Plan
- undertaking a full review of workforce resource planning for customer-facing roles.

The OSM considers that Crown has significantly increased its resourcing to support important priorities including the management of risk, compliance, the minimisation of gambling harm and prevention of financial crime. There has been a significant focus on developing tools to support the assessment of adequacy of resourcing in some of these key functions, and in recruiting and

developing in-house capability to support Crown's ongoing business needs. Further strategic resourcing initiatives will provide greater confidence in the medium to longer-term resourcing of Crown Melbourne's operational and transformation activities.

### 3.3.3 Training

Training is not only a critical enabler of Crown's transformation, but an essential tool to drive improved capability in the business. Crown's reliance on frontline employees to observe customer behaviours – including in relation to RSG, AML/CTF and responsible service of alcohol obligations – underscores the importance of effective training programs.

The Special Manager's June 2023 interim report noted that Crown had demonstrated a greater focus on training over the previous 12 months, aimed at driving changes in employee awareness of gambling harm and financial crime issues and escalation of such issues for attention. It also noted opportunities for Crown to enhance its training approach.

In this reporting period, the OSM's assessment of Crown's training has focused on training related to the Gambling Code (section 5.5), AML/CTF (section 6.5), 'Risk and Compliance at Crown', Archer (section 7.7) and 'Speak Up' (section 8.6). The OSM has been monitoring the rollout of the Thrive Leadership Development Program (section 4.2.2).

The OSM has observed that Crown has:

- continued to develop appropriate content for delivery through both face-to-face and online learning that reflects updated policies and frameworks, is more engaging and provides illustrative examples to support communication with a diverse workforce
- started to develop more tailored training that focuses on the needs of specific employee cohorts. For example, tailored training has been delivered as part of the 'Speak Up' training program
- developed engaging enterprise-wide campaigns to raise awareness of key issues including through its 'Speak Up' campaign and the Code of Conduct 'Can We, Should We' campaign. Members of the senior executive leadership team have had a visible and active role in reinforcing the purpose and importance of key training programs, which the OSM's discussions suggest has resonated well with Crown's middle managers and frontline employees
- leveraged internal communications, including employee briefings and musters, which customer-facing employees indicated in OSM discussions were useful in reinforcing awareness of changes to the Gambling Code.

Opportunities remain for Crown to enhance its training approach by:

- aligning training completion rate targets in the Risk Appetite Statement to ensure they provide a consistent and accurate view of training completion across the business, particularly for training modules that employees are legislatively required to complete. For example, target completion rates for RSG-related training are 70 per cent for casual employees and 90 per cent for full-time and part-time employees (see section 5.5.2). In contrast, the target for AML/CTF training is 97.5 per cent<sup>29</sup>

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<sup>29</sup> Crown Melbourne, Risk Appetite Statement, as approved by Crown Melbourne Board, 7 September 2023, p. 14.

- developing a more structured approach to evaluating the effectiveness of training design, content and delivery, including through the use of feedback mechanisms and multiple knowledge testing measures. The role of the Change Management Office will be significant in this regard (see comments below). The OSM has observed some progress across various Crown functions in testing whether training has resulted in meaningful outcomes – for example, the Financial Crime team monitors the number of Unusual Activity Reports submitted by business units and the Risk team monitors several metrics related to use of Archer
- improving the accuracy of recorded training completion and training assignment to employees. Several recent internal audits and reviews and the OSM's own testing have identified inaccuracies in training completion records in the CrownLearn system, due to manual processes being used to record attendance for face-to-face training.<sup>30</sup> An internal review into Crown's Group-wide mandatory training rules also identified a coding error that resulted in a high materiality breach of the AML/CTF Program (see section 6.5.2). Crown will be migrating from the current CrownLearn platform to Workday in 2024, which will remove manual recording of training completion and improve accuracy of training assignment to employees.

Crown has reviewed its mandatory training requirements and has in 2023, for the first time, linked eligibility for payment of performance incentives to completion of mandatory training. Crown has tasked the Change Management Office (which forms part of Crown's Group Transformation Office) with developing change management implementation plans which, among other things, consider the training required to implement and embed major initiatives in the transformation program.

The OSM notes a number of initiatives in the Melbourne Transformation Plan incorporate training as an element of their work programs. The OSM has monitored Crown's progress in developing plans for several major reform initiatives, such as the introduction of mandatory carded play, and observed an increasing level of specificity in training to ensure it meets the needs of different cohorts.

The OSM considers that Crown's efforts to enhance its approach to training, including by determining mandatory training requirements, developing more engaging and relevant training content and leveraging senior leaders and communications to reinforce key behaviours, provide confidence that employees will be better equipped to support the organisation to achieve its objectives. Opportunities remain to align training completion rate targets, improve the accuracy of training assignment and completion records, and adopt a more structured approach to evaluating training effectiveness.

### 3.3.4 Communication and engagement

Crown's internal and external communications and engagement are important enablers of its transformation program. Effective internal communication and engagement help reinforce desired employee behaviours and encourage prompt escalation of risks and concerns. Good external communication and engagement is also important to ensure Crown understands its external operating environment and community expectations and can use this understanding to inform its activities.

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<sup>30</sup> Crown Melbourne, Responsible Gaming Training Internal Audit, 16 May 2023, p. 4; Crown Resorts, Internal Audit, G23-17 Mandatory Training: Processes and Reporting, 6 September 2023.

The Special Manager's June 2023 interim report noted that the level and sophistication of Crown's internal communications campaigns had increased. Initiatives such as the 'Speak Up' campaign and 'can we, should we' messaging were positive examples of Crown's efforts to embed desired behaviours through consistent and targeted communications to employees. The OSM identified that further communications initiatives, particularly on RSG and whistleblowing, would play a vital role in reinforcing and refreshing employee learnings from training.

The OSM noted that Crown was focused on restoring its reputation and re-building trust with stakeholders and the community, and the OSM's engagement with non-government and community groups had indicated that there was limited awareness of Crown's reforms. The OSM concluded that it would be important for Crown to:

- align its brand and communications strategy with its corporate strategy, and ensure its engagement with stakeholders, including regulators, is consistent, open and honest, and focused on demonstrating meaningful outcomes
- ensure it carefully considers its operating environment in each state as it implements its Group-wide brand and communications strategy.

In this final reporting period, the OSM has continued to monitor the rollout of key communications initiatives, including campaigns to:

- raise awareness of relevant red flag indicators and other suspicious ML/TF behaviours (see section 6.5.5)
- encourage employees to speak up against bribery and corruption (see section 8.6.5)
- support implementation of the new Gambling Code (see section 5.5.5).

The OSM's assessment of communication and engagement as an enabler has focused on whether Crown:

- has developed and implemented an integrated strategy to guide the design and delivery of its communications, and is considering the operating environment in Victoria and the objectives of the Melbourne Transformation Strategy as it implements its strategy
- is appropriately using targeted communications to support the delivery of key reform initiatives and to reinforce good employee conduct
- has a framework to monitor and measure the effectiveness of communications.

Crown has developed an integrated communications strategy that guides the design and delivery of its communications activities, at both a Group-wide and property-specific level (provided in Appendix 1, Document 1.8). The strategy is consistent with the first pillar of Crown's Melbourne Transformation Strategy to 'build enduring trust with our communities'.<sup>31</sup> It clarifies the responsibilities for internal and external communications (including marketing and promotions) and the authorisations required. This is expected to guard against promotional activities that are inconsistent with the operating environment and community expectations in Victoria.

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<sup>31</sup> The OSM has been advised that the strategy is currently being updated to clearly reflect the final form of Crown's corporate strategy and learnings from its application during 2023.



The OSM has observed that Crown has used this new strategy to guide the development of key internal communications campaigns in this reporting period. For example, as outlined in the following snapshot, a campaign was developed and delivered in October 2023 as part of Gambling Harm Awareness Week aligned with the purpose and requirements of the strategy. While there is significant scope for Crown to improve its engagement with external stakeholders, the OSM considers this campaign demonstrates in a positive way early attempts to use targeted communications to reinforce good employee conduct and engage with stakeholders in an open way.

### Snapshot: Gambling Harm Awareness Week

Gambling Harm Awareness Week is held across Australia each year, with the goal of encouraging people to talk openly about the harms associated with gambling and their impacts on the community. In Victoria in 2023, Gambling Harm Awareness Week was held from 16 to 22 October.

Crown implemented a detailed communications campaign as part of its Gambling Harm Awareness Week activities. The activities were planned and delivered by Crown's Communications and PlaySafe teams in line with the integrated communications strategy's purpose to 'help restore Crown's reputations and licences and make our team proud'.<sup>32</sup> It was executed in line with the requirements outlined in the strategy related to planning, executing and evaluating campaigns.

During Gambling Harm Awareness Week, Crown:

- opened its new Crown PlaySafe Centre at a public event, with government and other stakeholders in attendance
- delivered internal communications to promote awareness of gambling harm within the community and to educate employees about the importance of RSG
- gave employees the opportunity to pledge their commitment to RSG through a range of activities, including signing employee pledges and updating their Workplace profiles with Gambling Harm Awareness Week photos along with an '#Itakeresponsibility' hashtag
- delivered external communications that introduced Crown's new approach to minimising gambling harm (Crown PlaySafe). This included refreshing the website, enhancing in-venue marketing communications and signage and sending emails to members
- publicly launched, through a media release,<sup>33</sup> its partnership with VicWISE to pilot a program targeted at supporting international students to improve their gambling literacy.

Crown was represented by Mr Mike Volkert<sup>34</sup> (CEO Crown Melbourne) and Dr Jamie Wiebe<sup>35</sup> (Group Executive General Manager – Crown PlaySafe Strategy and Operations) on national and local radio to discuss the new Crown PlaySafe Strategy and mandatory carded play.

An evaluation of internal communications during Gambling Harm Awareness Week found that it had generated 80 Workplace posts, some of which came from nine executives involved in the campaign. The posts were viewed more than 132,000 times (16,877 unique views) and generated 2,830 interactions (reactions, comments, shares and click-throughs), suggesting high engagement from Crown employees.

<sup>32</sup> Crown Resorts, Integrated Communications Strategy FY23, 8 February 2023, p. 3.

<sup>33</sup> Crown Resorts, *Crown Resorts and VicWISE launch Life Skills Pilot Program for international students*, Media Release, 18 October 2023.

<sup>34</sup> 3AW AM Radio, Neil Mitchell, 19 October 2023, 11:07 am.

<sup>35</sup> ABC Radio Melbourne, Mornings with Rafael Epstein – Interview with Dr Jamie Wiebe, 17 October 2023, 8:36 am.

Crown has used targeted communications to support the delivery of key reform initiatives, including its Code of Conduct, revised employee recognition program, YourPlay, mandatory carded play and 'values in action' campaigns related to 'Speak Up' and whistleblowing.

Crown has developed a monthly dashboard to report on communications output and reach, enabling it to monitor and measure the effectiveness of its communications and adapt them as required. The dashboard provides a detailed snapshot of activities (for example, number of emails sent via Salesforce or Workplace posts) alongside metrics such as total reach, impressions and net sentiment score for Crown Resorts. It is starting to undertake reviews of key communications initiatives as a means of collecting insights to identify areas and actions for continuous improvement.

The OSM considers that Crown has developed and begun to implement an integrated strategy guiding the design and delivery of its communications. The strategy is consistent with the objectives of the Melbourne Transformation Strategy. Crown has demonstrated commitment to monitoring and evaluating the reach and effectiveness of its campaigns. This should enable it to adapt its campaigns over time to better suit the needs of its internal and external stakeholders and support its ongoing transformation program.

### 3.4 Conclusion

The Finkelstein Report recognised that effective and sustainable reform will take years to achieve and that the 'road ahead is long'.<sup>36</sup> Throughout the last two years, Crown has made substantial progress in addressing the key failings and recommendations set out in the Finkelstein Report.

While it will take time for Crown to demonstrate embedded culture change throughout the organisation and to 'thoroughly remake itself', the OSM considers the critical foundations and enablers of transformation are in place to give Crown a realistic prospect of achieving effective and sustainable transformation over the next few years, should it be deemed suitable to retain its licence. A critical challenge is for Crown to maintain momentum and management commitment to drive change across its workforce. The Melbourne Transformation Plan will provide a vehicle for Crown to manage these ongoing efforts, and enable continued oversight by the Crown Melbourne Board, Special Manager and the VGCCC (section 10).

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<sup>36</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 76.



## 4. Culture change

### Key findings and observations

- Crown has developed a set of cultural reform initiatives that adequately address the nine identified workstreams for effective culture change included in the Deloitte Roadmap. These initiatives are outlined in the Culture Reform Program (CRP) and the Melbourne Transformation Plan.
- Crown has effectively implemented its CRP to date and demonstrated a steadily increasing technical and organisational expertise to deliver the program, as well as capacity for continuous improvement, but it is too early to assess the outcome of the CRP as many initiatives are only in their first year of operation.
- The foundations required to reinforce Crown's target culture have been established, including key mechanisms such as the Code of Conduct, performance management system, Thrive Leadership Development Program, variable pay program and Employee Listening Strategy.
- Crown still has a significant journey of cultural reform ahead, and cultural challenges remain, such as perceived barriers to speaking up among employees, and variable perceptions of consistency in role-modelling by middle management. To address these challenges, programs are in place to support middle managers to demonstrate change leadership and to support and encourage leaders and employees in establishing a speak up culture.
- Evidence suggests Crown has achieved a sound degree of employee buy-in to its reform agenda, particularly in relation to key areas including managing risk and compliance effectively, minimising gambling harm and preventing financial crime.

### 4.1 Introduction

Three commissions of inquiry, including the Finkelstein Royal Commission, found Crown's culture to have prioritised revenue and profit over ethical and lawful conduct, prudent compliance and risk management, and the welfare of employees and customers.

The Bergin Inquiry concluded that 'many of the problems that rendered the Licensee and Crown as unsuitable, stem from ... a poor corporate culture'.<sup>37</sup> It found that Crown had a dysfunctional culture that showed an 'arrogant indifference to regulatory and compliance risk', and there was a culture 'of denial and unwillingness to examine and address past failings' that 'prioritised the pursuit of profit above all else'.<sup>38</sup>

<sup>37</sup> Inquiry under section 143 of the *Casino Control Act 1992* (NSW), *Report – Volume 2*, February 2021, p. 568.

<sup>38</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 149.

The Finkelstein Royal Commission similarly highlighted culture as a key driver of Crown's failures. The Finkelstein Report noted that Crown's culture prioritised profit above all else,<sup>39</sup> and recognised:

*The problems raised ... are not easily repaired. They reflect a flawed organisational structure, a dysfunctional culture, failures of leadership and an unfavourable regulatory regime.*<sup>40</sup>

Several Crown witnesses conceded to the Royal Commission that cultural reform in the organisation was clearly necessary. The Finkelstein Report welcomed Crown's acceptance of the need for cultural reform but noted 'many cultural problems still exist ... [and] many of them may be difficult to overcome'.<sup>41</sup>

The OSM's assessment focuses on the matters identified in Appendix I of the Finkelstein Report. The Finkelstein Royal Commission recognised that Crown had engaged Deloitte to support its work on culture. This included asking Deloitte to conduct a current state assessment, design an aspirational culture and recommend a roadmap for cultural reform. Appendix I requires the Special Manager to determine whether Deloitte has completed the final stage of its work for Crown and to evaluate the implementation and effectiveness of Crown's cultural reform program.

The Special Manager's June 2023 interim report concluded that Crown had made good progress towards designing and implementing its cultural reform program initiatives, but more time was required to embed the initiatives and apply them to directly influence employee mindsets and behaviours. It also noted opportunities to broaden the scope of employees included in initiatives such as the performance management system and variable pay program.

Crown still has a significant journey of cultural reform ahead, as the process has been underway for only two years. Accordingly, in addition to the specific Appendix I requirement to assess Crown's cultural reform program, the OSM has sought to identify markers of cultural reform that:

- are reasonable to expect at this stage of Crown's culture change process
- reflect key issues that Crown itself has acknowledged as challenges in reforming its culture
- provide some confidence that Crown will be able to sustain ongoing reform.

This section outlines the OSM's final assessment of Crown's progress in reforming its culture, including whether Crown's cultural reform program has been effectively implemented to date and whether the following markers of cultural reform are evident:

- change leadership within middle management has improved
- employees feel supported to speak up
- employees have bought-in to Crown Melbourne's reform agenda.

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<sup>39</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 99.

<sup>40</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 56.

<sup>41</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 149.

## 4.2 Culture Reform Program

In late 2020, Crown engaged Deloitte to conduct a current state assessment of its culture, co-design an aspirational culture and recommend a roadmap for cultural reform. Collectively, this work is called the 'Deloitte cultural review'. At the conclusion of the Finkelstein Royal Commission, the first three stages of the Deloitte cultural review had been completed, with only the roadmap for reform yet to be delivered.

Appendix I requires the Special Manager to determine whether Deloitte has completed the final stage of its work for Crown – that is, co-designing an aspirational culture and a roadmap to achieve it – and to evaluate the implementation and effectiveness of Crown's cultural reform program. The Special Manager's June 2022 interim report concluded that Deloitte had completed the final stage of its work for Crown.

Crown subsequently simplified the Deloitte Roadmap, which identified nine workstreams for effective culture change, to create its Culture Reform Program (CRP). The CRP workstreams and initiatives, as presented to the Crown Melbourne and Crown Resorts Boards, are summarised in Appendix 1, Document 1.9.<sup>42</sup>

While it is not yet possible to determine the final outcome of the CRP, it is possible to evaluate whether the program has the potential to achieve the required change. In this final reporting period, the OSM assessed two measures that may indicate this. That is, whether:

- the design of the CRP adequately aligns with the workstreams identified in the Deloitte Roadmap
- the CRP has been effectively implemented to date.

The OSM's concluding assessment is that the design of the CRP, together with the Melbourne Transformation Plan, comprehensively aligns with the Deloitte Roadmap's nine workstreams for effective culture change, and that Crown has effectively implemented its CRP to date. Crown has demonstrated a steadily increasing level of technical and organisational expertise required to deliver the program, as well as capacity for continuous improvement.

### 4.2.1 Culture Reform Program design

In evaluating the potential impact of the CRP, the OSM considered whether its design adequately aligns with the Deloitte Roadmap's nine workstreams for effective culture change (Table 2).<sup>43</sup>

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<sup>42</sup> Crown refers to its culture change initiatives as the 'Culture Reform Program' with external stakeholders and as the 'Culture Change Program' with internal stakeholders (Crown Resorts, *Culture Reform Program: 2022 Reset*, January 2022, p. 2).

<sup>43</sup> Deloitte, *Draft Culture Change Roadmap*, August 2021.

Table 2. Alignment of current and future Culture Reform Program initiatives to the workstreams identified by Deloitte for effective culture change

| Workstream identified by Deloitte  | Summary of description in Deloitte Roadmap  | Included in CRP or Melbourne Transformation Plan  |
|--|---|---|
| <b>Enabling aspirational culture and capability</b>                      | Change management activities and investment in capability improvement will build the foundations for successful transformation.   | CRP, through the People and Culture team, Change Management Office team, and Thrive Leadership Development Program. |
| <b>Communications, engagement and external stakeholder relationships</b> | A structured and intentional communications plan, with consistent messaging both internally and externally, will create transparency and buy-in from the organisation.  | CRP, through the Integrated Communications Strategy.  |
| <b>Measure impact and respond</b>  | Ongoing monitoring and measurement of the aspirational culture transformation process will allow Crown to respond to new information or redirect focus where needed.  | CRP, through 'Your Voice' surveys, Culture Dashboard and Employee Listening Strategy.                               |
| <b>Leadership behaviour and commitment</b>                               | Instilling the aspirational culture into the leadership team across Crown and setting the tone from the top will be crucial to embed culture change and empower the Crown community.                            | CRP, through the Thrive Leadership Development Program.   |
| <b>People and performance practices</b>                                  | Enhancing and developing people and performance practices will strengthen employee motivation, talent retention and attraction.   | CRP, through the performance management system and variable pay program.  |
| <b>Operating model and ways of working</b>                               | Building further collaboration and consistent ways of working Group-wide will break down siloes and hierarchies.  | Melbourne Transformation Plan, as 'Operating Model and Governance'.   |
| <b>Accountability, risk and compliance</b>                               | Improving accountability and ownership of risk and enhancing ethical decision making will build on the current compliance culture.  | CRP, through the Code of Conduct and consequence management framework. <sup>44</sup>                                |
| <b>Policy alignment, implementation and review</b>                       | Reviewing and simplifying Crown's policies, applying them to BAU processes, and aligning them to Crown's aspirational culture will ensure they are clear, meaningful and workable for those who implement them. | CRP, through the Change Management Office methodology.  |

<sup>44</sup> Crown's Risk Management Framework and Risk Culture Implementation Plan also set out how it will promote a sound risk and compliance culture (see section 7.6).



| Workstream identified by Deloitte                    | Summary of description in Deloitte Roadmap   | Included in CRP or Melbourne Transformation Plan              |
|--|--|---|
| <b>Controls effectiveness and business processes</b> | Reviewing current processes across the organisation will enable consistency and efficiency and improve risk mitigating controls. | Melbourne Transformation Plan, as 'Processes and Technology'. |

Source: Deloitte, Draft Culture Change Roadmap, August 2021; Crown Melbourne, Melbourne Transformation Plan, 11 December 2023; Crown, Culture Deep-Dive Presentation, October 2023; OSM analysis and discussions with Crown.

Seven of these nine workstreams have been clearly addressed in current CRP initiatives and the remaining two are included in the Melbourne Transformation Plan. In addition, there are a range of other Crown documents that articulate and support the achievement of broader culture reforms. For example, the Risk Management Framework articulates the expectations for all Crown employees to manage risk and compliance effectively and the Risk Culture Implementation Plan sets out the actions that Crown proposes to undertake to reinforce an effective risk culture (see section 7.6). Accordingly, the OSM considers that Crown's cultural reform initiatives adequately align with the nine workstreams for effective culture change identified in the Deloitte Roadmap.

#### 4.2.2 Culture Reform Program implementation

The Special Manager's June 2023 interim report highlighted Crown's progress in implementing four central CRP initiatives – the performance management system, variable pay program, Thrive Leadership Development Program and 'Your Voice' survey. The report noted opportunities for Crown to improve the effectiveness of these initiatives by considering how to incentivise a larger percentage of the workforce (not just salaried employees), prioritising participation of lower-level middle managers in Thrive, and gaining more actionable, granular insights from the employee survey data.

In this final reporting period, the OSM has assessed whether Crown has:

- addressed the opportunities for improvement identified in the Special Manager's June 2023 interim report
- created governance and assessment methods to monitor and oversee its progress in implementing the CRP
- demonstrated a commitment to continuous improvement, including by seeking feedback and refinements to its implementation approach where appropriate.

Crown has addressed the points raised by the OSM and considerably improved the overall effectiveness of the initiatives delivered so far. In particular, it has invested significantly in developing the capability of its leaders through the launch of Thrive. Crown Melbourne leaders engaged strongly in Thrive: 90 per cent of leaders completed self-reflections and 83 per cent attended a one-hour debrief session to discuss insights on individual development needs.

In addition, Crown has:

- established a recognition program, Shine, that makes non-financial rewards available to all employees to celebrate and recognise outstanding performance and behaviours aligned to Crown's values

- designed and implemented a comprehensive consequence management framework, which applies to salaried and non-salaried employees across Crown Melbourne
- made Thrive available earlier to lower-level middle managers from September 2023
- developed a detailed change management methodology through the Change Management Office, applying a 'leader-led' approach that explicitly leverages middle managers as change agents when implementing new initiatives
- developed a Middle Management Change Strategy to provide a clear roadmap to effectively engage this cohort as role models and supporters of change
- redesigned the 'Your Voice' survey to improve the reliability of demographic data, allowing for more granular analysis of the data received.

Crown has created governance and assessment methods to monitor and oversee its progress, including establishing a Crown Melbourne People and Culture Committee, improving internal culture expertise and developing a Culture Dashboard that reports both lag and lead indicators of cultural progress (which is still being refined to reflect feedback from the People and Culture Committee). An example of the dashboard is provided in Appendix 1, Document 1.10.

As outlined in the snapshot following, the 'Your Voice' survey (one of the central initiatives of the CRP) will also play an important role in ongoing monitoring and measurement of the cultural reform process and will allow Crown to respond to new information or refocus where needed.

### Snapshot: 2023 'Your Voice' survey

Mercer was engaged by Crown to conduct the 2023 'Your Voice' survey, having partnered with Crown to conduct the 2022 survey. Crown states that the purpose of the survey is to provide a feedback mechanism for its team members to share sentiments about their experience at Crown.

The 2023 survey was administered electronically between 5 and 29 October 2023. This followed the launch of the Crown Resorts Corporate Strategy in September 2023 and avoided peak trading periods. Employees were encouraged to participate through a range of communications. The survey achieved a 58 per cent completion rate across all Crown properties (8,181 respondents), including 55 per cent in Crown Melbourne (3,890 respondents).

Mercer and Crown's People and Culture team jointly presented the Crown Melbourne CEO with property-level results based on Mercer's initial analysis on 4 December 2023 (provided in Appendix 1, Document 1.11). The presentation highlighted that:

- responses to 25 out of 32 questions trended positively in 2023 compared to the 2022 survey results, and Crown is ahead of the Mercer benchmark on leadership effectively leading change
- team members are more engaged, and 'feeling respected' continues to be the biggest driver of engagement at Crown
- Crown's Risk Index showed progress and further analysis shows leadership behaviours as key drivers
- senior leader accountability has improved, but over a third of respondents remain unsure or negative on this aspect
- multiple initiatives from the 'Speak Up' campaign are having a positive impact in efforts to create a psychologically safe environment, particularly the Whistleblower Policy and the engagement of Core Integrity as a confidential hotline.

On 11 December 2023, Crown's People and Culture executives presented the Crown Melbourne Board with this initial analysis and a summary of property results (provided in Appendix 1, Document 1.12). Crown shared the property-level results with the broader leadership via briefings throughout December 2023.

Each pack identifies possible areas for improvement, such as increasing the presence of Board members across the organisation to improve their visibility, eliminating fear of negative consequences and focusing on strategic communications. In January 2024, Crown is scheduled to undertake workshops to confirm what actions will be taken in response to the survey results.

The OSM undertook its own analysis of Melbourne-specific data from the 2023 employee survey, as well as the 2021 and 2022 surveys. This analysis is presented throughout this section and in more detail in Appendix F.

In addition to starting implementation of the initiatives discussed above, Crown has developed methods and tools to aid continuous improvement, such as regular engagement sessions with its Culture Change Network and feedback sessions with employees to test the impact of initiatives. As an example of this continuous improvement approach, Crown responded to feedback from its Culture Change Network, following implementation of the performance management system, by developing a plan to adjust the rating scale in performance evaluation forms to enable more nuanced assessments of employee performance.

At this stage of the cultural reform process, it is too early to assess the outcome of the CRP. While there is positive initial employee feedback on specific initiatives like the Thrive Leadership Development Program and the performance management system, it is difficult to test their impact because they are only in their first year of operation. Crown plans to further refine and embed these mechanisms over the coming years, should it be deemed suitable to retain its licence. Other change initiatives that will impact culture across Crown are also being implemented, for example, as part of Crown's Risk Culture Implementation Plan (see section 7.6).

The CRP has been embedded into the Melbourne Transformation Plan, which itself outlines sound mechanisms to ensure appropriate oversight of, and accountability for, delivery of the CRP. As highlighted in section 3.2.2, Crown is improving its methods for assessing progress against outcomes, which is important for sustaining the effective implementation of the CRP.

The OSM considers that Crown has effectively implemented the CRP to date. Crown has demonstrated a steadily increasing level of technical and organisational expertise required to deliver the program, as well as capacity for continuous improvement.

### 4.3 Middle management change leadership

Middle management is a critical employee cohort in any change program, and the importance of this cohort to Crown's cultural reform cannot be understated. Crown's middle managers have a substantial impact on its day-to-day conduct and the psychological safety of employees.

The Finkelstein Report noted perceptions of 'permafrost in middle management' at Crown,<sup>45</sup> highlighting that resistance within this cohort could represent a barrier to Crown's cultural reform agenda. Beyond not resisting change, middle managers need to play an active part in

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<sup>45</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 146.

role-modelling and leading change. According to a leading researcher on culture change, very early in a change process, organisations must:

*mobilise leaders who are focused, committed, and enthusiastic and can lead change. [This is] because they:*

- *have a deep understanding of the why, what and how of the change*
- *[role] model the right behaviour*
- *hold themselves and others accountable for results.*<sup>46</sup>

Given these imperatives, the OSM considers it reasonable to expect that Crown already has:

- a mechanism to understand the composition of its middle management cohort
- a plan for addressing any barriers to change in middle management.

The OSM would also expect there to be early signs of behavioural change in middle managers across targeted areas.

Overall, the OSM's concluding assessment is that Crown is committed to developing a better understanding of its middle management cohort and has developed a plan to address barriers to change in this group. There are signs that middle managers are beginning to change their behaviours in important areas, such as providing more feedback and mentoring to team members. Nevertheless, entrenched behaviours will take more time and considerable effort to shift. Crown therefore needs to continue refining its methods for addressing specific barriers to change in this group. The initiatives described in section 4.2, if implemented as designed, are expected to help drive improvement in these areas.

### 4.3.1 Composition of the middle management cohort

The Special Manager's June 2023 interim report highlighted gaps in Crown's understanding of the composition of its middle management cohort, including unreliable definitions of the levels, roles and employment status of this group. Because of these gaps in Crown's understanding, the OSM undertook its own analysis to clarify the scale and influence of this cohort.

The OSM's analysis revealed that various definitions of 'middle management' exist across the organisation – for example, levels 2 to 7 may be classified as having direct reports for performance management purposes, whereas only levels 4 to 7 are included in the Thrive Leadership Development Program. As the OSM is focused on middle managers' influence on frontline employees, it has applied the broader definition (including equivalent-level employees on enterprise agreements) in its assessment of middle management change leadership. Table 3 summarises the number of middle managers in supervisory and non-supervisory roles across different business areas.

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<sup>46</sup> D Cohen, *The Heart of Change Field Guide*, 2005, p. 3.



Table 3. Middle management profile by role

|                                   | Role classification |             |
|-----------------------------------|---------------------|-------------|
|                                   | Non-supervisory     | Supervisory |
| <b>Table Games</b>                | 73                  | 2,071*      |
| <b>Gaming Machines</b>            | 288                 | 28          |
| <b>VIP Gaming</b>                 | 14                  | 7           |
| <b>Security</b>                   | 206                 | 35          |
| <b>Surveillance</b>               | 16                  | 71          |
| <b>Total (all business units)</b> | 597                 | 2,212       |

\* Includes 1,704 employees in Table Games classified as supervisors when performing higher duties.

Source: OSM analysis of Crown middle management cohort data for all employees as at May 2023, provided by Crown to the OSM on 17 May and 31 October 2023.

The OSM’s analysis shows that in some teams, such as Table Games and Surveillance, most employees classified as middle management hold supervisory responsibilities, and hence a degree of direct influence over other employees in the business area. In other areas, such as Security and Gaming Machines, the proportion of middle management roles with supervisory responsibilities is relatively small, meaning a small set of individuals may have a high impact on other employees.

The differences across business areas highlight the importance of Crown understanding the profile of its middle management cohort in detail, including important metrics such as turnover rates. Crown has advised the OSM that it is yet to undertake any detailed analysis in relation to turnover in the middle management cohort, but expects to do so as part of the design and planning for its middle management leadership development program commencing in 2024.

In 2023, Crown adjusted its ‘Your Voice’ survey to allow data to be analysed in relation to particular cohorts. The OSM considers that Crown’s focus on seeking a more detailed understanding of the middle manager cohort and employee experiences across the organisation will enable it to better understand and engage with its middle managers in the future.

### 4.3.2 Addressing barriers to change

In this reporting period, Crown has demonstrated a greater emphasis on the role of middle management in driving both cultural change and specific changes associated with its transformation program, and has been actively developing its leaders.

In response to the OSM’s concerns regarding middle management identified in the Special Manager’s June 2023 interim report, Crown has developed a Middle Management Change Strategy (Project Then Who). This strategy, provided in Appendix 1, Document 1.13, is integrated into the Melbourne Transformation Plan and articulates a cohesive plan for supporting middle managers to effectively lead and role-model change. This plan is complemented by middle managers’ participation in the Thrive Leadership Development Program.

Further, Crown is beginning to systematically support middle managers to demonstrate change leadership by reflecting the role of this cohort in a series of processes and procedures related to change management. For example, it is:

- providing middle managers with briefings and, where possible, individual ‘Your Voice’ survey reports and analysis tools to facilitate their ownership of employee feedback and tailored action planning
- implementing root cause analysis workshops with middle managers to build awareness of the root causes that led to past failings and how changes are aimed at addressing these root causes
- articulating middle manager ‘personas’ that identify the requirements for behavioural change in specific business areas (for example, Area Managers in Table Games)
- providing guidance in the Group Transformation Office’s change management methodology that change management plans should include strategies to ‘empower leaders to visibly own and drive the change’
- identifying individual middle managers and their responsibilities for driving change within change management plans for specific transformation initiatives
- developing materials for managers to present in change briefings
- including in the Middle Management Change Strategy an ‘Action Reflection Working Group’ in which middle managers share their knowledge, experiences and insights to inform future change initiatives.

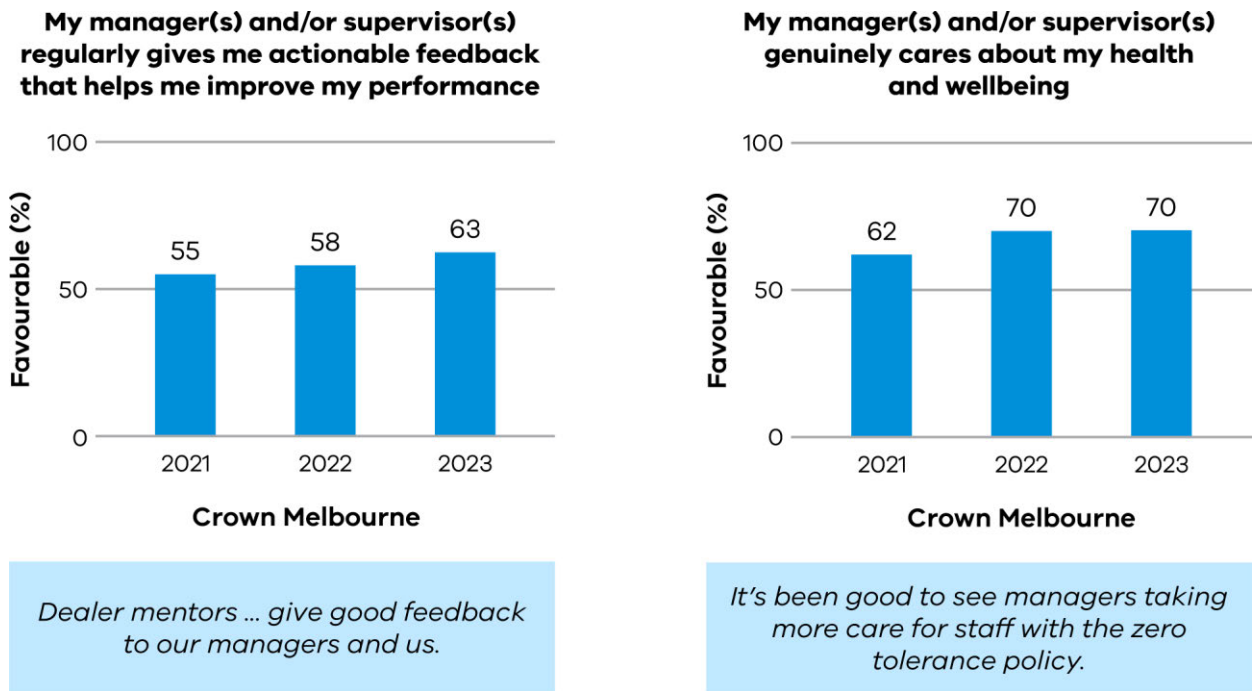
The OSM considers that Crown has developed an adequate plan to address barriers to change in middle management and is taking action to systematically support improved change leadership in middle management.

### 4.3.3 Signs of behavioural change in middle managers

Although many of the mechanisms discussed above are at an early stage of implementation, there are signs of middle management behaviours improving in important areas. For example, the OSM’s analysis of Crown’s annual employee survey results suggests there have been improvements in employees’ perceptions of whether their manager(s) and/or supervisor(s) regularly provide actionable feedback, and care about their health and wellbeing.

As shown in Figure 3, a statistically significant improvement is evident between 2021 and 2023 in relation to the survey results for both measures, which is also supported by comments from respondents.

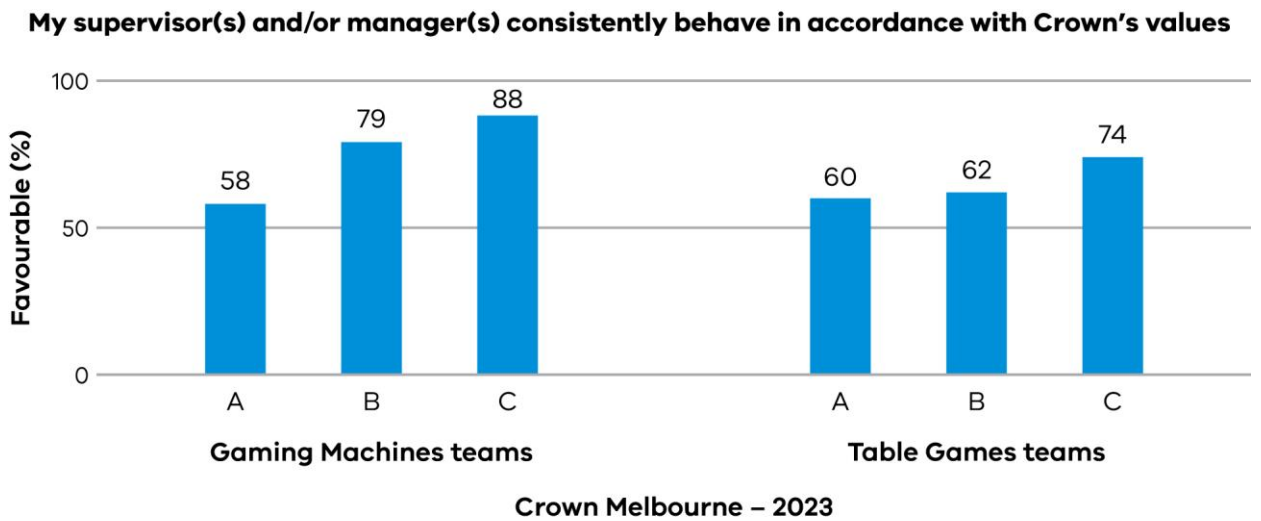
Figure 3. Employee perceptions about middle management



Source: OSM analysis of 2021, 2022 and 2023 employee survey results.

However, there remains some inconsistency in role modelling from middle management (see Appendix F). Across the property, 73 per cent of respondents from Crown Melbourne employees were favourable regarding whether their supervisor or manager behaves in accordance with Crown’s values. However, as shown in Figure 4, more detailed analysis shows that there is considerable variability in perceptions of different managers across the Gaming teams. The OSM’s analysis shows that the percentage of favourable responses to this question varies between 58 and 88 per cent across teams.

Figure 4. Employee perceptions about middle management, by team



*Some managers in my team, do not have a great understanding or know how to do tasks their subordinator's [sic] do, due to a 'Not my issue or job, that is not my job attitude.'*

*SOPs [standard operating procedures] and procedures – managers are not on the same page ... One manager will tell you one thing the other another.*

Source: OSM analysis of 2021, 2022 and 2023 employee survey results.

The OSM held discussions with small samples of customer-facing employees and middle managers in October 2023 (see Appendix G). Half of the participants in the OSM's discussions with customer-facing employees expressed the view that the quality of management is variable, and they therefore often pick and choose to whom they report issues. While participants acknowledged that management is listening to their concerns more, not all participants felt that their direct supervisor would appropriately escalate or resolve issues.

Both the 'Your Voice' survey and the OSM's discussions with customer-facing employees have identified a theme of potential inconsistencies in role-modelling across the Assistant Casino Manager group. Similarly, some participants in the OSM's discussions with middle managers considered that there may be groups of employees (lower middle management and below) who are feeling some resentment and negativity towards the changes that have been made at Crown.

Overall, the OSM considers there is evidence that Crown middle managers are beginning to change their behaviours in important areas, such as providing more feedback and mentoring to team members. However, behaviours in some levels of middle management remain entrenched and will take time and effort to shift. The initiatives described in section 4.2, if implemented as designed, are expected to help drive improvement in these areas.

## 4.4 Speak up culture

A key cultural issue identified by the Finkelstein Royal Commission was the lack of psychological safety felt by employees, and the impact this had on identifying and managing risk. The Finkelstein Report highlighted evidence that employees ‘were not comfortable and did not feel as though they could speak up’<sup>47</sup> in relation to the China arrests.

A weak speak up culture is a notoriously challenging problem to resolve. In a five-year study across 47 financial services firms in the UK, the Financial Standards Culture Board<sup>48</sup> found that significant improvement in speak up culture was uncommon, with improvement more likely when leaders responded positively and proactively to employee concerns. However, in almost all cases the board examined, improvements were made from a low base and some challenges persisted even after five years of concerted effort to address them.

The Fair Work Commission defines an effective speak up culture as:

*an environment where employees and officers of an organisation have confidence that they can report issues to management without fear of negative consequences.*<sup>49</sup>

Research indicates that a core feature of speak up culture is psychological safety, which ensures employees feel secure and supported in sharing their views, leading to open and honest communication.<sup>50</sup>

Progress in creating a speak up culture at Crown is a crucial marker of its cultural reform. A culture of speaking up will help the organisation navigate the pressures and risks that will inevitably arise as its reform work continues. The OSM acknowledges that it is difficult for Crown to completely resolve speak up culture challenges at this stage in its cultural reform. Therefore, in this final reporting period, the OSM has assessed whether employees:

- feel confident and supported by leaders to speak up
- understand and trust Crown’s whistleblower procedures.

Overall, the OSM’s concluding assessment is that Crown has implemented programs to support good leadership behaviours and encourage employees to share concerns. While it has not yet created an environment where most employees feel sufficiently supported to speak up, it has laid the foundations of a speak up culture. This is commensurate with what might be expected at this stage of Crown’s cultural reform.

### 4.4.1 Confidence to speak up

The Financial Standards Culture Board report referred to above highlighted two aspects of good leadership behaviours that correlated with increased speaking up in an organisation: welcoming ideas and concerns from employees, and ensuring actions are taken to address them.<sup>51</sup> The OSM has assessed whether Crown’s leaders actively support employees to speak up, and whether employees demonstrate that they are willing to do so.

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<sup>47</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 143.

<sup>48</sup> Financial Services Culture Board, *The FSCB Employee Survey 2016–2022*, 8 June 2023, <https://financialservicescultureboard.org.uk/the-fscb-employee-survey-2016-2022>.

<sup>49</sup> Fair Work Commission, *The Good Governance Guide – Chapter 2: Developing a speak-up culture*, [www.fwc.gov.au/registered-organisations/regulatory-education/education-resources/good-governance-guide/chapter-2](http://www.fwc.gov.au/registered-organisations/regulatory-education/education-resources/good-governance-guide/chapter-2).

<sup>50</sup> Ferrère, A. et al., ‘Fostering ethical conduct through psychological safety’, *MIT Sloan Management Review*, 63 (4), 2022.

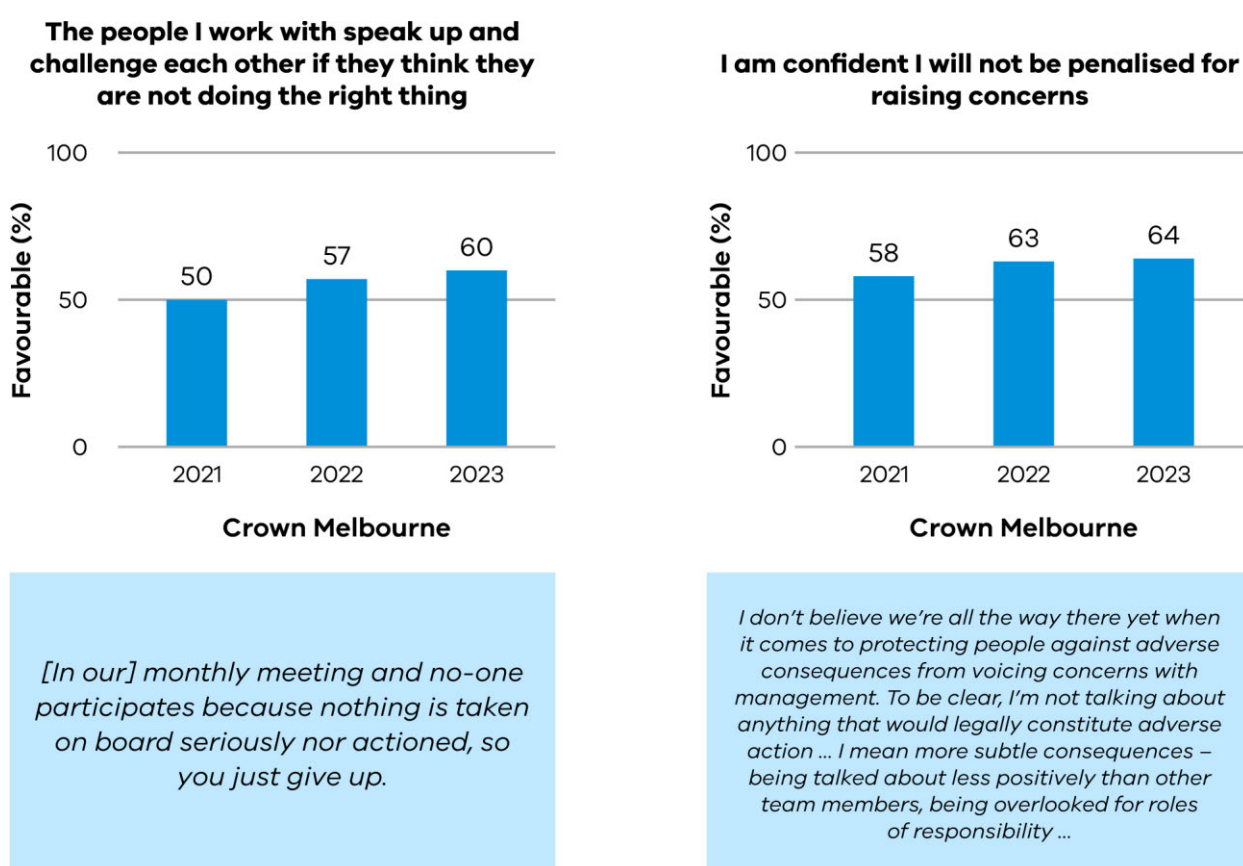
<sup>51</sup> Financial Services Culture Board, *The FSCB Employee Survey 2016–2022*, 8 June 2023, <https://financialservicescultureboard.org.uk/the-fscb-employee-survey-2016-2022>.



In this final reporting period, Crown has implemented several actions to support good leadership behaviours. For example, the Thrive Leadership Development Program includes specific content related to psychological safety. Crown has also developed an active Employee Listening Strategy that includes action-planning workshops in response to employee survey results each year.

That said, it is likely to take some time for the impact of these actions to influence leadership behaviours and for employees to recognise change. Noting the inherent difficulty in strengthening psychological safety, there is evidence to suggest that employees at various levels remain reluctant to share concerns openly. Crown’s annual employee survey results indicate that early gains between 2021 and 2022 may have stabilised over the past 12 months (as shown in Figure 5).

Figure 5. Employee perceptions about speaking up



Source: OSM analysis of 2021, 2022 and 2023 employee survey results.

Although significant progress has been made since the Finkelstein Royal Commission, Crown needs to continue to work on strengthening psychological safety and employee willingness to speak up about risks and concerns. While challenges of this nature are not uncommon, benchmarks provided by Mercer suggest that Crown still has a way to go. Compared to responses from approximately 71,000 participants across 86 Australian companies that Mercer has surveyed over the past five years,<sup>52</sup> favourable responses by Crown employees to relevant

<sup>52</sup> Mercer’s benchmark data (where available) helps in interpreting results when there are differences between questions – for example, some questions are typically answered less favourably than other questions, regardless of organisation, context or time period.

questions are well below the average. For example, 55 per cent of Crown Melbourne respondents agreed that employees can express their views without fear of negative consequences, compared to 69 per cent of respondents in Mercer's overall benchmark sample.

These survey results mirrored concerns employees raised in the OSM's discussions with small samples of customer-facing employees and middle managers. While participants felt that the 'Speak Up' campaign has resonated with employees and positively impacted Crown's overall culture, some customer-facing employees indicated that they do not believe senior leaders at Crown would listen to employees and address their concerns or feedback (see Appendix G). One customer-facing employee expressed that they are 'just one of thousands', so there was no point raising their concerns. Others shared examples where they had raised concerns and nothing had been done.

The OSM considers that Crown has established the foundations of an effective speak up culture where employees are encouraged to share concerns, but it is yet to create an environment where most feel sufficiently supported to do so. As noted in the Special Manager's June 2023 interim report, Group-wide initiatives taken to date may not be sufficient to address specific barriers to speaking up in individual properties and teams. It will be critical for Crown to maintain its focus on this issue, and to inform its employees about the actions it has taken in response to concerns raised.

#### **4.4.2 Understanding and trust in whistleblower procedures**

Over the past year, Crown has established and improved channels for employees to speak up, including by overhauling its whistleblower framework (see section 8.4). It has undertaken a widespread campaign to encourage employees to speak up and to educate them about the whistleblower process. The number of disclosures received by Crown Melbourne has increased following these actions (see section 8.4.2).

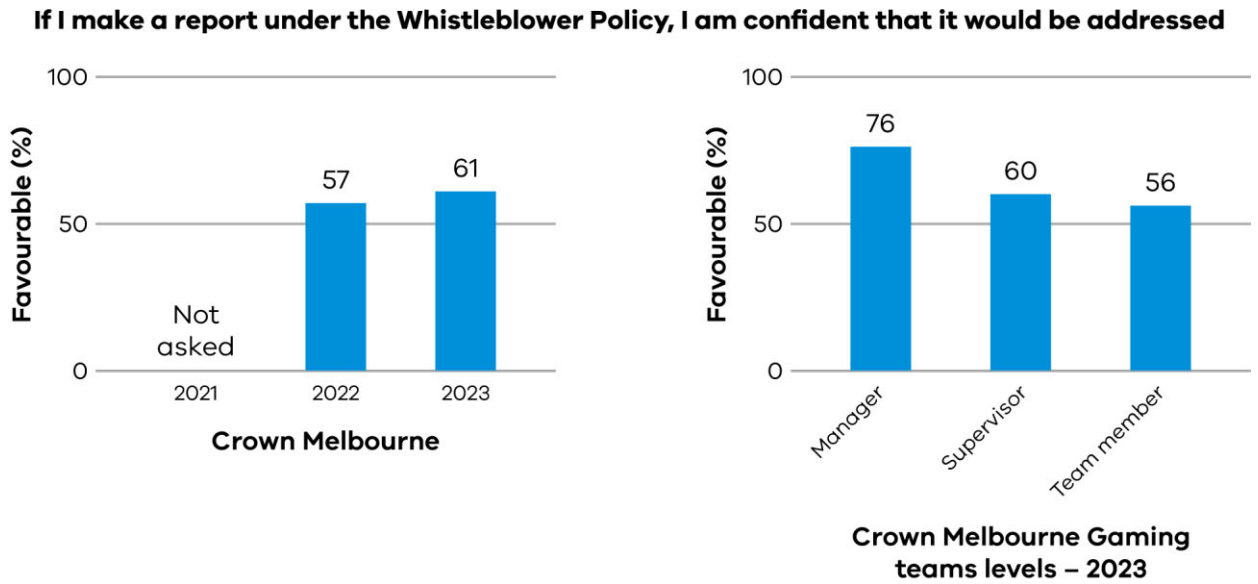
Employee survey results on questions related to whistleblower procedures have improved (see Appendix F):

- More employees reported that they understand the processes for making a whistleblower report, including how to use the available channels, and the protections and support available under the whistleblower program (74 per cent favourable responses in 2023 compared to 63 per cent in 2022).
- More employees were confident that any report made under the Whistleblower Policy would be addressed (61 per cent favourable responses in 2023 compared to 57 per cent in 2022).

These employee responses indicate that there has been a significant shift in understanding of the whistleblower process at Crown. They also indicate that employee confidence in the process is improving. As shown in Figure 6, employees were more confident that reports made under the whistleblower program would be addressed, although managers are more likely to be confident in the process than their team members.



Figure 6. Gaming teams perceptions about the whistleblower program



*Whistleblower only works if it's not obvious who made the complaint, if it is then you're left one on one what [sic] that person, no one believes that there won't be repercussions.*

Note: 'Gaming' includes Table Games and Gaming Machines combined.

Source: OSM analysis of 2023 employee survey results.

The OSM's discussions with a small sample of employees indicated that middle managers were more confident about speaking up and navigating whistleblower processes than Dealers and Customer Service Attendants. However, the new whistleblower procedures are yet to be fully tested. Most middle manager participants believed they do not need to use the confidential hotline as they are comfortable reporting upwards and would likely receive reports from their team members directly (see Appendix G).

The OSM's discussions with both sets of employees identified some lingering concerns about the confidentiality of the 'Speak Up' initiatives (including the whistleblower hotline and employee surveys) and potential adverse consequences of using these avenues to raise issues (see Appendix G).

The OSM considers that Crown has implemented appropriate policies and processes to encourage employees to share concerns, but it will take time for employees to trust the confidentiality of these systems.

## 4.5 Employee buy-in to change

A leading researcher on culture change describes eight steps for achieving successful change. The early steps in this framework focus on developing the right vision and communicating it in a compelling way, so that employees buy-in to the need for change.<sup>53</sup>

The Special Manager's June 2023 interim report highlighted that significant leadership and ownership changes from 2020 to 2023 had impacted Crown's progress in setting a clear direction for change. Over the past six months, there has been more stability in Crown's senior

<sup>53</sup> D Cohen, *The Heart of Change Field Guide*, 2005, p. 3.

leadership, which has enabled this cohort to more effectively lead change at Crown, including through:

- consistently communicating with employees via regular employee and leadership town hall briefings and Employee Listening Strategy initiatives
- announcing Crown's corporate and property strategies, and the development of the Melbourne Transformation Plan.

These activities have provided opportunities for Crown's leaders to engage employees in the 'Future Crown' vision.

The OSM has examined the degree of employee buy-in to change by analysing data from a range of sources. This includes Crown's annual employee surveys conducted between 2021 and 2023 (see Appendix F), feedback gathered via Crown's various employee listening activities, OSM focus groups conducted in April 2023, and the OSM's discussions with customer-facing employees and middle managers in October 2023 (see Appendix G).

In this final reporting period, the OSM has used this analysis to assess whether Crown's employees:

- perceive and agree with the need for change
- have confidence that Crown's executive can lead the organisation through change so that it achieves its vision for the future.

The OSM's concluding assessment is that Crown has achieved a sound degree of employee buy-in to its reform agenda. Evidence suggests that most employees welcome Crown's public commitment to RSG and compliance, but a number still question how sustainable and authentic these changes are. Consistent and sustained demonstrations of the 'new' Crown, and explicit communication to address apparent inconsistencies, are needed to convince portions of the workforce that the organisation's previous overemphasis on profit has genuinely been replaced by a more balanced commitment to a range of stakeholder interests.

#### **4.5.1 Perception of, and agreement with, the need for change**

The OSM's discussions with a small sample of customer-facing employees and middle managers suggest that employees recognise and support the need for change. The participants in middle manager discussions generally recognised that Crown has made significant changes to the business, including in systems, processes and culture, and is different to the 'old' Crown. Some participants indicated that they sought promotion because they recognised an opportunity to make change and are passionate about the direction in which Crown is headed (see Appendix G).

There is now solid evidence that most of Crown's employees believe compliance with regulatory obligations is important. Across 2021, 2022 and 2023, responses to Crown's annual employee surveys all showed high agreement on questions related to the importance of managing risk and compliance (see Appendix F). For example, in all three years, more than 90 per cent of respondents agreed that compliance is everyone's responsibility at Crown, including their own. Perceptions that Crown prioritises compliance have also increased, from 77 per cent in 2021 to 85 per cent in 2023. These perceptions were reiterated in the OSM's discussions with middle managers.

Crown's emphasis on RSG has been welcomed by many employees. In respondents' comments in the 2023 'Your Voice' survey, the theme of Crown's investment in RSG was positively referenced 130 times, with observations such as:

*Huge focus on Responsible gaming ... we have actually dedicated labour and money to ensure we do not make the same errors in the past.*

The 2023 'Your Voice' survey results suggest that employees have a strong personal belief in the importance of RSG, with 90 per cent responding favourably that RSG is an essential part of Crown's commitment to care for its guests, and 88 per cent reporting that they understand the role they need to play in supporting RSG at Crown (see Appendix F). Almost all participants in the OSM's discussions with customer-facing employees and middle managers articulated that RSG is everyone's responsibility (see Appendix G).

The OSM considers that most employees welcome Crown's commitment to RSG, risk and compliance, and that Crown has achieved a sound degree of employee buy-in to its reform agenda.

#### **4.5.2 Confidence in change leadership**

Crown employees are displaying increased confidence in the change leadership shown by Crown's executives, including their communication and role-modelling (see Appendix F). The 2023 'Your Voice' survey results showed that 61 per cent of Crown Melbourne respondents agreed that senior leaders are effectively leading the organisation through change, which is 9 per cent higher than the average for organisations included in Mercer's benchmark. Further, between the annual employee surveys conducted in 2021 and 2023, favourable responses to the question 'Executives and General Managers at Crown consistently behave in accordance with Crown's values' increased from 52 per cent in 2021 to 64 per cent in 2023.

Participants in the OSM's discussions with a small sample of middle managers consistently expressed that senior executives and leaders are demonstrating observable behavioural change consistent with Crown's values and reinforcing the values through current communications and internal messaging (see Appendix G). In particular, they recognised and appreciated the increased visibility of, and exposure to, executives.

Despite this progress, some employees have expressed doubts about the authenticity of change across the organisation (see Appendix F). For example, in the 2023 'Your Voice' survey, only 48 per cent of Gaming team members and 46 per cent of Gaming supervisors agreed that senior leadership act in ways that are consistent with what they say (they 'walk the talk').

Further, there is evidence from multiple sources that some employees are concerned about the increased focus on non-financial priorities being unsustainable due to competing financial and customer experience objectives. The OSM's discussions with middle managers revealed that some middle managers are concerned that resources may be cut to save costs after a decision is made about Crown's suitability to hold a casino licence (see Appendix G).

Crown's Employee Listening Strategy, comprising a suite of activities aimed at gathering and responding to employee perceptions throughout the year, is a key tool Crown can leverage to examine and address these sentiments and mitigate the risk of them undermining momentum and sustained change. Some initiatives have already commenced in response to employee feedback, including an initiative to address concerns about gender imbalance.

## 4.6 Conclusion

Crown's culture, which prioritised profit above all else, was a key driver of its failures. The Finkelstein Report recognised:

*The problems raised ... are not easily repaired. They reflect a flawed organisational structure, a dysfunctional culture, failures of leadership and an unfavourable regulatory regime.*<sup>54</sup>

The Finkelstein Royal Commission recognised that Crown had engaged Deloitte to support its work on cultural reform. At that time, the first three stages of the Deloitte cultural review had been completed, with a roadmap for reform yet to be delivered.

Appendix I requires the Special Manager to determine whether Deloitte has completed the final stage of its work for Crown, and to evaluate the implementation and effectiveness of Crown's cultural reform program. The OSM considers that:

- Deloitte has completed the final stage of Project Darwin for Crown – that is, co-designing an aspirational culture and a roadmap to achieve it.
- Crown has designed a cultural reform program that adequately reflects the workstreams identified in the Deloitte Roadmap, with seven areas reflected in the CRP and two areas reflected in the Melbourne Transformation Plan.
- Crown has made good progress implementing key aspects of its CRP, such as the Code of Conduct, 'Your Voice' survey, performance management system, Thrive Leadership Development Program, variable pay program and Employee Listening Strategy.
- It is too early to assess whether Crown's CRP will effectively drive culture change, as many initiatives are only in their first year of operation. However, the OSM considers that Crown has established the foundations required to reinforce its target culture.

Crown still has a significant journey ahead, which is to be expected as the cultural reform process has been underway for only two years. While Crown has established the foundations to systemically influence behaviours, a range of cultural challenges remain, such as perceived barriers to speaking up among employees, and variable perceptions of consistency in role-modelling by middle management. Pressures from constant change may have contributed to some feelings of disempowerment, and some employees may be questioning the authenticity and sustainability of change.

However, there is evidence to suggest Crown has achieved a sound degree of employee buy-in to its reform agenda, particularly in relation to key areas such as managing risk and compliance effectively, minimising gambling harm and preventing financial crime. It has developed an adequate plan to address barriers to change in middle management and implemented programs to support good leadership behaviours and encourage employees to share concerns. While it has not yet created an environment where most employees feel sufficiently supported to speak up, it has laid the foundations of a speak up culture. This is commensurate with what might be expected at this stage of Crown's cultural reform.

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<sup>54</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 56.

## 5. Responsible service of gambling

### Key findings and observations

- Crown Melbourne has implemented a range of reforms to minimise gambling harm. The major changes, and the pace of implementation, have been driven by Victorian Government reforms and the VGCCC's associated directions and actions.
- It is too early to assess the outcomes of Crown's reforms to minimise gambling harm. However, Crown Melbourne has remediated the key failings identified in the Finkelstein Report. In particular, it has:
  - significantly increased the size of its PlaySafe team, although a further increase in PSAs is still required. Crown Melbourne's employee numbers are considered generally adequate to manage its RSG obligations, except during busy periods
  - adequately funded its RSG program to deliver on operational and strategic requirements
  - reformed its RSG training program such that employees now largely understand their RSG roles and responsibilities
  - sufficiently reformed its Exclusion Program and is now more effectively monitoring customers who are at risk of gambling harm, encouraging them to self-exclude where appropriate and monitoring self-exclusion breaches
  - implemented the majority of its May 2021 'enhancements', including improvements that go beyond the original enhancements to ensure its marketing and loyalty programs apply a harm minimisation lens and do not directly target vulnerable people
  - implemented new policies, procedures and systems to comply with its Gambling Code. Crown Melbourne employees are reporting observable signs to the PlaySafe team, and PSAs are engaging regularly with customers to monitor their activity and encourage safer gambling behaviours.
- The Crown PlaySafe Strategy demonstrates that Crown is embracing its responsibility to minimise gambling harm more broadly across all areas of its business. This strategy has been embedded into Crown's wider corporate strategy, demonstrating its recognition of the ongoing need to balance financial and non-financial objectives if it is to retain its casino licence and conform with its social licence to operate.

## 5.1 Introduction

The Finkelstein Report described Crown's conduct in relation to its failure to prevent gambling harm as arguably the Royal Commission's 'most damning discovery'.<sup>55</sup> It stated:

*Crown Melbourne had for years held itself out as having a world's best approach ... Nothing can be further from the truth. The Commission heard many distressing stories from people whose lives were ruined by gambling but whose situation might have been improved if casino staff had carried out their obligations under Crown Melbourne's Gambling Code.*<sup>56</sup>

There were significant negative impacts on customers, their families and communities as a result of Crown's grievous practices related to RSG. The Finkelstein Report identified the following specific failings in Crown's efforts to prevent and minimise gambling harm:

- voluntary pre-commitment under the YourPlay scheme was not successful<sup>57</sup>
- Crown Melbourne consistently failed to comply with its Gambling Code (also known as the Responsible Gambling Code of Conduct) and Play Periods Policy, with customers gambling for 12 hours or more without any observation by, or interaction with, employees<sup>58</sup>
- many customers engaging in risky gambling escaped attention<sup>59</sup>
- employees encouraged customers towards high-risk gambling (for example, not discouraging the use of picks or the play of multiple machines),<sup>60</sup> rarely asked them to take breaks and perhaps even discouraged them from self-excluding<sup>61</sup>
- support measures such as the Self-Exclusion Program and Time Out Program, were not effective<sup>62</sup>
- marketing promotions and the loyalty program encouraged gambling by rewarding high-turnover customers,<sup>63</sup> and one program directly targeted vulnerable or financially constrained people<sup>64</sup>
- Crown Melbourne had been reluctant to support research into, and evaluation of, gambling harm, including independent research.<sup>65</sup>

The OSM's assessment focuses on the matters identified in Appendix I regarding Crown Melbourne's progress in reforming its RSG program, including:

- the adequacy of RSG resourcing and funding
- the effectiveness of RSG training and services

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<sup>55</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

<sup>56</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

<sup>57</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 40.

<sup>58</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 22.

<sup>59</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 45.

<sup>60</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 44. Note that this conduct is now prohibited under Rules 9 and 10 *Victorian Gambling and Casino Control Commission Gaming Machine Rules (Casino)* issued on 28 April 2022.

<sup>61</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 43.

<sup>62</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, pp. 22–3.

<sup>63</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, pp. 47–8.

<sup>64</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 48.

<sup>65</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 49.



- the effectiveness of the Self-Exclusion Program and related programs
- the effectiveness of a set of RSG enhancements known as the 'May 2021 enhancements'<sup>66</sup>
- whether Crown Melbourne complies with its Gambling Code and Play Periods Policy.

The Special Manager's June 2023 interim report concluded that Crown was making steady progress towards reforming its RSG program in response to the findings of the Finkelstein Royal Commission. However, inadequate resourcing and technological constraints were limiting Crown's ability to implement harm minimisation measures. Crown employees were encouraging customers to take breaks after three hours of cumulative play, but not ensuring they did so, and not all customers were ceasing gambling after 12 hours on-site as per the Play Periods Policy.

The June 2023 interim report further highlighted a pressing need for Crown to develop and implement actions to minimise the risks of gambling harm associated with the Crown Rewards Loyalty Program.

This section outlines the OSM's final assessment of Crown's progress in reforming its RSG program, and is focused on whether Crown Melbourne:

- is implementing major legislative and regulatory reforms introduced by the Victorian Government in response to the Finkelstein Report
- has implemented systems, policies and processes to comply with its Gambling Code – with a particular focus on whether Crown Melbourne is monitoring observable signs and play periods and intervening where customers may be at risk of gambling harm
- has allocated adequate resources to minimise gambling harm at the Melbourne casino
- has reformed its RSG training program to ensure employees understand their RSG roles and responsibilities
- offers an Exclusion Program that prevents customers from experiencing further gambling harm
- has implemented systems, policies and processes to minimise the risk that its marketing and loyalty programs cause gambling harm
- is implementing a longer-term strategy that integrates gambling harm minimisation into its business decisions and improves the effectiveness of its RSG service delivery.

## 5.2 Major legislative reforms

The Finkelstein Royal Commission, and other relevant commissions of inquiry, heard from a range of experts and developed their findings and recommendations based on evidence of what constitutes better practice in minimising gambling harm.

Crown Melbourne is required to implement a range of reforms to minimise gambling harm at the casino. These reforms, which the Victorian Government introduced in response to the recommendations of the Finkelstein Royal Commission, are being implemented in tranches, with full implementation to be complete by the end of 2025. As previously noted by the government, these harm minimisation reforms represent leading international practice for a casino of Crown Melbourne's size and nature.<sup>67</sup>

<sup>66</sup> The 'May 2021 enhancements' are a set of initiatives the Crown Resorts Board approved during the Finkelstein Royal Commission. They included an increase in RSG resourcing, changes to the Play Periods Policy and other initiatives to improve Crown's RSG practices.

<sup>67</sup> Premier of Victoria, *Nation-leading reforms to hold casino to account*, Media Release, 2 August 2022.



In this final reporting period, the OSM has monitored whether Crown is implementing these reforms, with a particular focus on:

- mandatory carded play and pre-commitment for electronic gaming machines (EGMs)
- the new Gambling Code.

Crown was required to implement both reforms during this final reporting period. Crown implemented mandatory carded play and pre-commitment for EGMs by 14 December 2023, as required by the legislation. The new Gambling Code came into effect at Crown Melbourne on 20 September 2023 in line with a Ministerial Direction.

### 5.2.1 Mandatory carded play and pre-commitment

The Finkelstein Royal Commission found that voluntary pre-commitment under the YourPlay scheme had not been successful.<sup>68</sup> First, the uptake of voluntary pre-commitment was low. Second, customers were allowed to continue gambling after reaching their self-imposed limit, and there was no regulatory obligation on Crown employees to take any action.<sup>69</sup>

The Finkelstein Report referenced research showing that a large proportion of gamblers in the 'problem gambling'<sup>70</sup> category are attracted to EGMs, and frequently gamble for longer than intended during sessions of play.<sup>71</sup> It also referenced the Productivity Commission's 2010 study on gambling,<sup>72</sup> which recommended a pre-commitment system for EGMs.<sup>73</sup> In light of this evidence, the Finkelstein Royal Commission recommended that pre-commitment be mandated at the Melbourne casino to reduce the incidence of problem gambling.<sup>74</sup> It also recommended the implementation of carded play on all EGMs as 'the only effective solution'<sup>75</sup> to monitor customers for potential gambling harm.

In September 2022, the Victorian Government passed the Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Bill 2022, which details how the Finkelstein Royal Commission recommendations relating to mandatory carded play and mandatory pre-commitment are to be implemented. Crown Melbourne was required to deliver mandatory carded play and pre-commitment (YourPlay) on EGMs by 14 December 2023. It undertook a phased rollout approach to implement required software on its EGMs, with seven rollouts completed between 30 October 2023 and 27 November 2023 (Figure 7). Crown successfully completed the rollout of software on all 2,628 EGMs on 1 December 2023, two weeks before the go-live date required by government.

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<sup>68</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 40.

<sup>69</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 40.

<sup>70</sup> This is a defined term used by studies into gambling harm, based on indexes such as the Problem Gambling Severity Index, which is the standardised measure for at-risk behaviours. The term 'problem gambler' is only used in this report in that context.

<sup>71</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 37.

<sup>72</sup> Productivity Commission, *Inquiry Report – Gambling*, 23 June 2010.

<sup>73</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 37.

<sup>74</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 56.

<sup>75</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 36.

Figure 7. Crown’s mandatory carded play and mandatory pre-commitment rollout plan



Source: Crown Melbourne, Mandatory Carded Play Steering Committee Update, 11 December 2023, p. 11.

The OSM considers that this significant program of work, comprising technology, external vendors and stakeholders, and cultural components, was effectively managed and successfully delivered by Crown. The OSM attended Mandatory Carded Play Steering Committee meetings and observed good project management and robust governance throughout the process. In December 2023, the Crown Melbourne Board congratulated the project team and noted the opportunity for a case study in which to capture learnings on how to effect change on a large scale.<sup>76</sup>

Customers now cannot play on an EGM at the Melbourne casino without using their YourPlay card and without setting binding time and money limits. It is too early to evaluate how effectively this reform will minimise gambling harm, but the implementation of mandatory carded play significantly enhances Crown Melbourne’s capability to monitor customers and move towards better-practice, data-driven solutions for minimising gambling harm. Crown Melbourne is still in the process of implementing technology to enforce breaks on EGMs. This is expected to come online in early 2024 and will further improve Crown’s ability to minimise gambling harm.

Crown has begun investigating how to implement mandatory carded play for table games, which is required to be in place by 1 December 2025 under the legislation. This extended timeframe allows for the development of appropriate technologies for the table games environment. Deliverables related to the rollout of mandatory carded play have been incorporated into the Melbourne Transformation Plan.

## 5.2.2 New Gambling Code

In Victoria, the *Gambling Regulation Act 2003* requires gambling industry participants to have a Gambling Code that meets certain standards and requirements. Crown Melbourne is required to have a Gambling Code as a condition of its licence under section 69 of the Casino Control Act.

The requirements for the casino operator’s Gambling Code are set out in regulations under the Gambling Regulation Act and in Ministerial Directions under section 10.6.6(1) of that Act. Crown Melbourne is responsible for ensuring its Gambling Code complies with these requirements.

<sup>76</sup> Minutes (Draft) of Crown Melbourne Board meeting held on 11 December 2023, p. 6.

The Finkelstein Royal Commission investigated whether Crown Melbourne was complying with its Gambling Code at that time, which included understanding:

- Crown Melbourne's obligations under its Gambling Code
- what action it was taking to comply with those obligations
- whether that action was adequate to secure compliance.<sup>77</sup>

The Finkelstein Royal Commission made the following four findings regarding Crown's compliance with the Gambling Code:

- For carded customers, Crown generally did not interact with customers who gambled for any continuous period up to 12 hours or more unless another observable sign was also present.
- For uncarded customers, Crown made minimal observations.
- The Play Periods Policy did not provide an appropriate guideline to comply with the Gambling Code and, regardless, was not followed.
- Crown Melbourne consistently breached its Gambling Code over many years.<sup>78</sup>

The Finkelstein Royal Commission recommended reforming the content of the Gambling Code for casinos,<sup>79</sup> highlighting that there are:

*distinct risks that arise from the nature and scale of the Melbourne Casino that should be reflected and addressed in its Gambling Code.*<sup>80</sup>

The purpose of the recommendations was to 'impose obligations on the casino operator to properly supervise the gaming floor'.<sup>81</sup>

A Ministerial Direction was made on 31 March 2023, requiring Crown Melbourne to update its Gambling Code.<sup>82</sup> In accordance with the Ministerial Direction, the Gambling Code must specify that the casino operator has a duty to:

- provide gambling services in a safe environment
- take all reasonable steps to prevent a customer experiencing harm as a result of gambling at its casino
- take all reasonable steps to actively monitor for customers displaying signs of gambling harm and to monitor customers' welfare
- intervene when a customer displays signs of gambling harm to offer support and minimise that harm
- ensure there are sufficient appropriately skilled and trained employees available to always fulfil the requirements of the code, including to monitor all patrons actively for signs of harm.<sup>83</sup>

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<sup>77</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 14.

<sup>78</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, pp. 36–7.

<sup>79</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 58.

<sup>80</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 60.

<sup>81</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 19.

<sup>82</sup> Victorian Government Gazette, No. S 156, Ministerial Direction pursuant to section 10.6.6 of the *Gambling Regulation Act 2003* (Vic), 31 March 2023.

<sup>83</sup> Victorian Government Gazette, No. S 156, Ministerial Direction pursuant to section 10.6.6 of the *Gambling Regulation Act 2003* (Vic), 31 March 2023, p. 2.

The new Ministerial Direction includes a revised set of ‘observable signs of gambling harm’. The casino operator is required to either monitor or intervene once these signs are observed.<sup>84</sup> Importantly, the new Gambling Code sets limits on the length of time a person may gamble at the casino, called ‘casino play periods’. The operator is now required to enforce 15-minute breaks if a person has been gambling for three hours on-device. Customers are required to take a break of 24 hours if they have gambled for 12 hours in any 24-hour period, and a break of seven days if they have gambled for more than 36 hours in a week.<sup>85</sup>

To develop and implement the new Gambling Code, in June 2023 Crown Melbourne established a Steering Committee at a strategic level and a working group at an operational level. In a relatively short timeframe, this group and committee needed to consider how the new requirements would impact business systems and processes and be operationalised.

The OSM observed the Steering Committee and working group meetings and noted an initial lack of urgency to respond to the Ministerial Direction. In early discussions, the working group deemed the revised observable signs ‘practically challenging’ to implement. The group struggled to find ways to implement many of the new requirements, particularly for signs related to the amount of money a customer has spent in a spin, within a session or over a period of time, and most of the discussions were focused on how to implement the new play period requirements. Overall, there was an apparent failure of communication between the working group and Steering Committee. Crown recognised the process could have been better managed and undertook a post-mortem of the Steering Committee in late September. The review (provided in Appendix 1, Document 1.14) recognised the need for more effective project management and more clearly defined roles and responsibilities.<sup>86</sup>

Notwithstanding these project governance issues, Crown Melbourne implemented the Gambling Code as required on 20 September 2023. Crown Melbourne’s Gambling Code (the Crown PlaySafe Code of Conduct), as effective on 20 September 2023,<sup>87</sup> is provided in Appendix 1, Document 1.15. Measures to meet the new Ministerial Direction requirements included an increase in RSG resourcing, training for all employees, the rollout of new employee and customer communications, and changes to operational processes. Crown mapped out an approach to monitoring for the new observable signs and play periods that leverages data insights, technology and observation, and provided documentation to the VGCCC articulating its approach to compliance (provided in Appendix 1, Document 1.16).

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<sup>84</sup> Victorian Government Gazette, No. S 156, Ministerial Direction pursuant to section 10.6.6 of the *Gambling Regulation Act 2003* (Vic), 31 March 2023, pp. 3–4.

<sup>85</sup> Victorian Government Gazette, No. S 156, Ministerial Direction pursuant to section 10.6.6 of the *Gambling Regulation Act 2003* (Vic), 31 March 2023, pp. 4–5.

<sup>86</sup> Crown Resorts, Post-Mortem Code of Conduct Steering Committee Summary Outcomes, 29 September 2023, pp. 4–5.

<sup>87</sup> Version 9 was effective as at 20 September 2023 and incorporated the observable signs and play period requirements outlined in the new Ministerial Direction. In December 2023, Crown Melbourne published version 10 of the Gambling Code. Changes in version 10 included branding updates, revised definitions of ‘unattended minor’ for different areas of the casino complex, and updated wording for the new casino play periods requirements.

## 5.3 Compliance with the Gambling Code

The Special Manager is required by Appendix I to consider Crown Melbourne's compliance with its Gambling Code and Play Periods Policy as part of the assessment of its RSG program. The OSM has focused on whether Crown Melbourne has sufficiently revised its RSG practices to take account of the specific concerns highlighted in the Finkelstein Report, and adopted systems, policies and processes to enable it to comply with its new Gambling Code. A particular focus has been placed on how Crown Melbourne is monitoring its customers and intervening when they are at risk of gambling harm.

The Special Manager's June 2023 interim report concluded that employees were encouraging customers to take breaks after three hours of cumulative play, but were not ensuring they did so, and not all customers ceased gambling after 12 hours on-site as per Crown Melbourne policy.

In this final reporting period, the OSM has monitored the Responsible Gaming (RG) Register<sup>88</sup> and Salesforce statistics to understand Crown Melbourne's practices following the implementation of its new Gambling Code. It has focused its assessment on how effectively Crown Melbourne is:

- visually monitoring customers for observable signs in line with the Gambling Code
- monitoring and responding to play period alerts in line with new casino play periods
- using technology and algorithmic tools, such as the Crown Model,<sup>89</sup> to monitor and respond to customers potentially experiencing gambling harm.

The OSM's concluding assessment is that Crown Melbourne has established systems, policies and processes to comply with its Gambling Code. There is evidence that employees are reporting observable signs to the PlaySafe Operations team, and Crown PlaySafe Advisors<sup>90</sup> or PSAs (formerly known as Responsible Gaming Advisors or RGAs) are engaging regularly with customers to encourage safer gambling behaviours and monitoring their play periods.

However, Crown Melbourne could do more to monitor its customers for observable signs. At present, it is relying heavily on monitoring play periods to support interventions with customers. Monitoring play periods does not guarantee that other observable signs, such as aggression or staying on to gamble when friends leave the casino, will not occur. Further, customers can still play table games uncarded and therefore gamble with little monitoring of their play periods.

Crown Melbourne's approach to compliance with its Gambling Code will evolve over time and can only improve as it implements mandatory carded play for table games and develops technology and algorithms to monitor customers' play in real time. The Melbourne Transformation Plan includes relevant projects and activities to establish and maintain a reporting and governance structure that will help Crown monitor and manage its compliance with the Gambling Code.

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<sup>88</sup> Crown Melbourne's new Gambling Code refers to the RG Register as the 'Crown PlaySafe Register'.

<sup>89</sup> The Crown Model was initially developed in 2019 in response to the recommendations in the VCGLR's *Fifth Review of the Casino Operator and Licence*, June 2013. The model is an algorithmic tool that generates a list of patrons for PSAs to monitor because they exhibit behaviours suggesting they may be at risk of gambling harm.

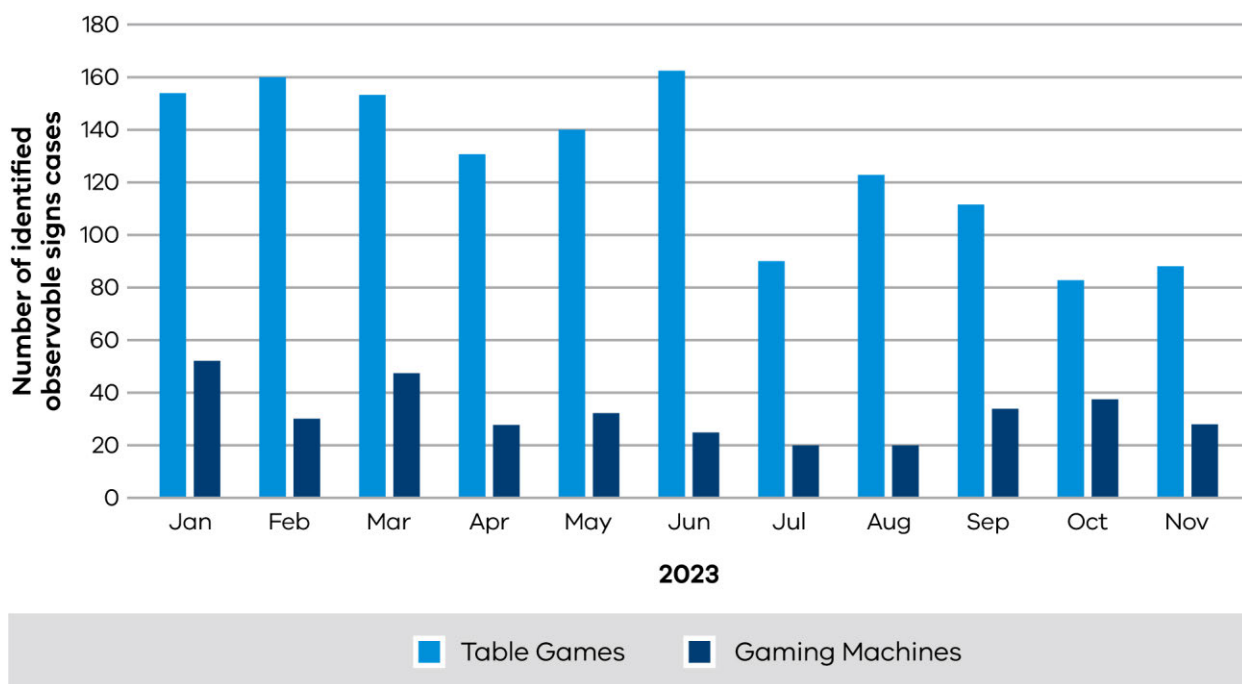
<sup>90</sup> The position title 'Responsible Gambling Advisor' has been changed to 'PlaySafe Advisor' as part of Crown's new Responsible Gaming brand.



### 5.3.1 Observable signs

Frontline employees in the Table Games and Gaming Machines teams play an important role in monitoring customers for observable signs and referring cases to the PlaySafe Operations team as appropriate. Currently, between two and 21 observable signs cases are identified and referred to a PSA each day (Figure 8). This is a significant increase in the volume of referrals of observable signs noted at the time of the Finkelstein Royal Commission.

Figure 8. Observable signs cases referred to the PlaySafe team, January to November 2023



Source: OSM analysis of the RG Register, January to November 2023.

However, the number of cases of observable signs referred to PSAs has decreased since June 2023. The Risk, Compliance and Responsible Gaming Committee was advised in December 2023 that total activity in the RG Register has declined due to changes in play period alerts implemented in September 2023.<sup>91</sup> The OSM considers that the expected decline in play period-related entries does not explain the decline in observable signs referred to the PlaySafe team over the year.

There are a range of factors that will influence the number of reported observable signs, such as the number of employees monitoring for observable signs, the number of customers attending the casino and the effectiveness of other improvements to Crown Melbourne's RSG program. For example, improved training could better equip employees to identify and escalate observable signs as appropriate. It is therefore difficult at this time to determine the reason for the decrease in observable signs cases. Crown Melbourne has advised that it will continue to monitor this data.

There is a marked difference in the number of observable signs cases referred by the Gaming Machines and Table Games teams. As noted in the Special Manager's June 2023 interim report, most observable signs cases are referred to the PlaySafe team by the

<sup>91</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, Crown Melbourne Responsible Gaming Report, 6 December 2023, p. 25.



Table Games team. The data in the RG Register indicates that this is still the case, with insights from the OSM's discussions with customer-facing employees suggesting that this may be due to increased employee supervision of customers in table games areas compared with the gaming machines areas (see Appendix G). The OSM's own observations of the casino floor verified that employees in the table games areas of the casino supervise customers significantly more than those in the gaming machines areas.

Further, as noted in the Special Manager's June 2023 interim report, different teams record their RSG interactions in different registers. For example, employees in the Gaming Machines team use a separate 'low-level interactions' register to log any identified observable signs, including multiple-machine play. These observations are not recorded in the RG Register and, as such, the data regularly provided to the VGCCC on observable signs records does not provide a complete picture. During discussions with Gaming Machines employees, the OSM heard evidence that the low-level interactions register is a useful tool to monitor customers who may require intervention from a PSA. One employee shared an experience of a regular customer playing two machines simultaneously on repeated occasions. Gaming Machines employees were able to identify these multiple entries in their register and refer the customer to the PlaySafe team for a welfare discussion (Appendix G).

The Special Manager's June 2023 interim report noted the PlaySafe team should work with the Gaming Machines and Table Games teams to ensure that records on observable signs are appropriately integrated and accurate to facilitate effective monitoring of Crown's compliance with the Gambling Code. The PlaySafe team has been working with the Gaming Machines and Table Games teams through the Gambling Code working group to investigate solutions for enhancing data and reporting of observations.

Overall, the OSM considers that Crown has put in place adequate systems and processes for monitoring observable signs. However, there remains scope for Crown to do more to monitor customers for observable signs by increasing its resourcing on the casino floor (see section 5.4.1). To provide a more accurate picture of its compliance with the Gambling Code, Crown Melbourne should continue to integrate the reporting compiled by different teams on RSG interactions.

### 5.3.2 Play periods

The observable sign 'often gambles for long periods without a break' was a significant focus of the Finkelstein Royal Commission hearings.<sup>92</sup> The Finkelstein Report explained that the meaning of this observable sign was best inferred from the studies cited in the Gambling Code, which:

*make clear that the reference to 'gambli[ing] for long periods' in Crown Melbourne's Gambling Code should be understood to mean gambling for at least three hours, with an outer limit of five to six hours, without a proper break.<sup>93</sup>*

In response to the Finkelstein Royal Commission, the Special Manager's December 2022 interim report noted that Crown Melbourne revised its Play Periods Policy (in line with an approved May 2021 enhancement) and implemented a new technology solution

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<sup>92</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 17.

<sup>93</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 18.

(Splunk/Salesforce) to monitor customers' play periods more effectively. It has since updated these policies and procedures to implement the requirements of the new Gambling Code.

The OSM considers that, generally, Crown Melbourne is using its best endeavours to uphold casino play period requirements with its carded customers given the technology available to it at this time. Its approach to complying with casino play periods should improve further as new technology to enforce breaks on EGMs comes online in 2024 (reducing the need for employees to enforce the break) and as mandatory carded play is put in place across the casino by the end of 2025. In the meantime, Crown will need to ensure that employees are adequately monitoring play periods. The OSM has observed Crown Melbourne implementing practical approaches to address the challenges associated with this.

### **Enforcement of a 15-minute break after every three hours of cumulative play**

The Special Manager's June 2023 interim report found that, while Crown Melbourne was encouraging breaks, it was not yet enforcing them. This was not strictly required at that time, but the new Gambling Code now requires Crown Melbourne to ensure customers take a 15-minute break after playing for three hours on device, and a 24-hour break after 12 hours on device (as discussed in section 5.2.2).

To manage this obligation, Crown Melbourne has implemented the following escalation process when a three-hour on-device alert is triggered:

- A member of the Player Welfare team or a PSA will ask the customer to take a 15-minute break. The customer will be offered a 'take a break' voucher and a Gambling Code pamphlet.
- If the customer does not comply, it is escalated to a manager for a second conversation.
- If the customer still does not comply, they will continue to be monitored for hourly alerts up until their sixth hour of cumulative play, at which point they are to be forcibly removed.

If a customer consistently refuses to take their required breaks, the Crown PlaySafe team may elect to place stop codes on the customer's account, add the customer to a pager for PSAs to monitor, or issue a Responsible Gaming withdrawal of licence (RG WOL).<sup>94</sup>

Crown Melbourne has implemented practical approaches to enforcing breaks in table games areas. For example, tables in the poker room are now only open for three-hour periods, to support the enforcement of break requirements. Historically, a large proportion of three-hour alerts were occurring in the poker room, averaging 236 alerts per week prior to 20 September 2023.<sup>95</sup> The OSM saw this process in operation during its observations of the casino floor, and it appears to be working effectively. Crown PlaySafe management reported to the Executive Risk and Compliance Committee on 15 November 2023 that no play period incidents had occurred in the poker room since 20 September 2023.<sup>96</sup>

Splunk/Salesforce alerting technology allows Crown Melbourne to effectively monitor and intervene when customers gamble for the periods set out in the Gambling Code, provided they are playing carded. Observation of and interaction with customers has increased significantly since the time of the Finkelstein Royal Commission. Approximately 3,000 discussions are now

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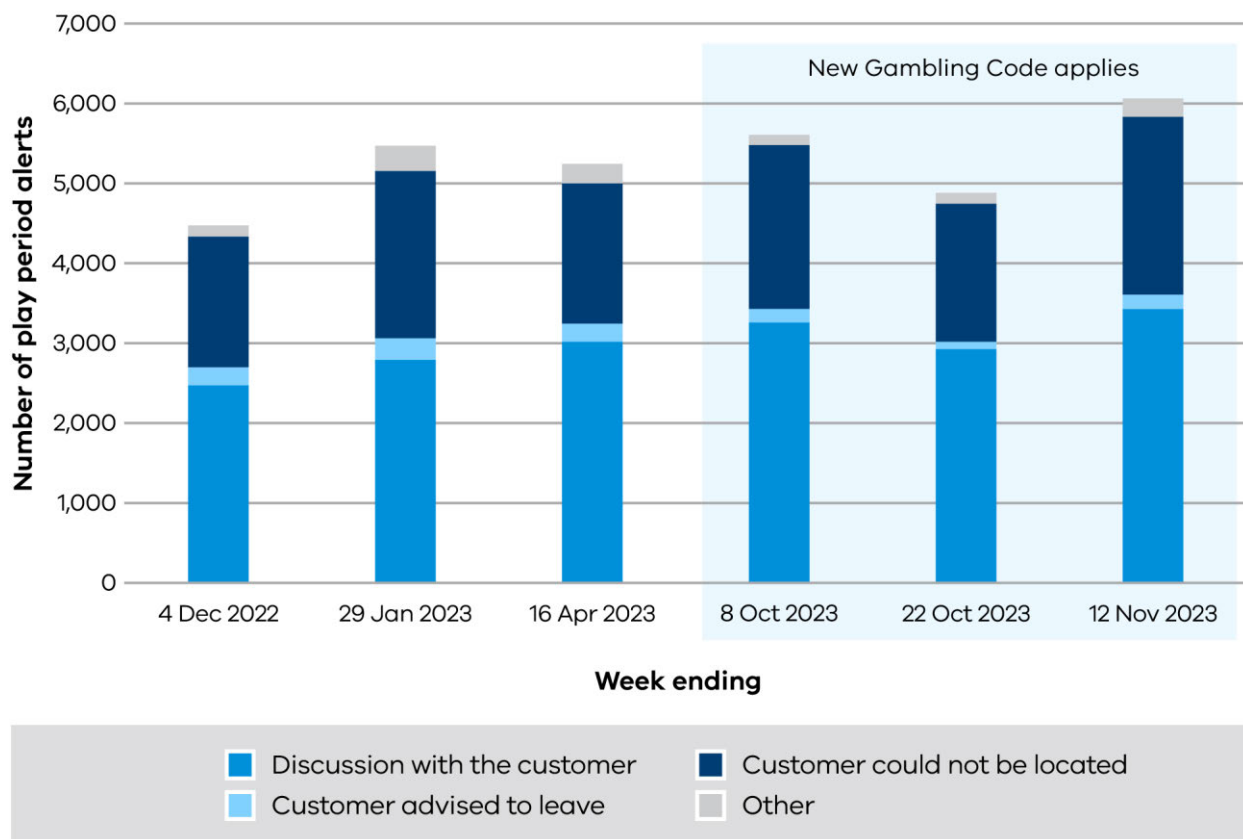
<sup>94</sup> Crown Melbourne, Crown PlaySafe Play Periods Workplace Instructions, Version 9.0, 19 September 2023.

<sup>95</sup> Crown Melbourne Responsible Gaming Code of Conduct Steering Committee papers, 5 October 2023, p. 6.

<sup>96</sup> Crown Melbourne Executive Risk and Compliance Committee papers, Table Games Risk and Compliance Report, 15 November 2023, p. 2.

held with customers each week, in which they are encouraged to take a break (Figure 9). The RG Register entries published in the Finkelstein Report demonstrate that barely any of these conversations would have taken place at the time of the Royal Commission.

Figure 9. Salesforce data on play period alerts and outcomes for selected weeks



Source: Crown Melbourne, Salesforce Play Period Statistics, received by the OSM on 6 November and 11 December 2023.

The number of interactions has remained relatively constant since the implementation of the new Gambling Code in September 2023, largely due to changes in the play period parameters or ‘alerting rules’ in Splunk and the changes to processes in the poker room previously described:

- From 20 September 2023, alerts based on a customer’s time on-site have been turned off due to the implementation of updated alerting rules in line with the new Gambling Code. Only the three-hour cumulative play and 11, 12 and 36-hour on-device alerts remain. As many alerts have been turned off, this has reduced the incidence of some customer interactions.<sup>97</sup>
- By opening tables in the poker room for three-hour blocks, Crown has decreased the number of alerts originating from this room.

Currently, the bulk of play period alerts are three-hour cumulative play alerts. The increase in these alerts offsets the decrease in other alerts described above.

<sup>97</sup> Crown Melbourne Executive Risk and Compliance Committee papers, Crown PlaySafe Risk and Compliance Report, 15 November 2023, p. 2.

Salesforce data for November suggests a slight increase in play period alerts and discussions with customers. This is likely to reflect mandatory carded play being implemented on EGMs throughout November and early December 2023.

The Special Manager's June 2023 interim report highlighted increased customer observations and interactions, but noted more data was required to assess whether the Play Periods Policy was being actioned on the gaming floor in a timely and consistent manner. Analysis of Salesforce data and the RG Register for November 2023 suggests that the timeliness of actioning play period alerts is still an issue at Crown Melbourne. Figure 9 shows that the proportion of customers who could not be located after an alert has not improved, despite an increase in resources deployed to respond to play period alerts in recent months. Crown Melbourne recognised this in a report to the Gambling Code Steering Committee, noting that more than 400 alerts per week on average had an outcome of 'no interaction' with the customer.<sup>98</sup>

Crown Melbourne proposes to collect data on employee response times to alerts in order to monitor and report on employee performance.<sup>99</sup> The OSM has been supplied with an example of this data but has not seen evidence of it being regularly reported to management or relevant committees to monitor performance.

Nevertheless, evidence in the RG Register to date suggests that Crown Melbourne's systems and processes are largely effective in ensuring customers take required breaks. From 20 September to 31 October 2023, while there were 67 instances of customers refusing to take a break after a three-hour cumulative play alert, there were no forced removals as no customers had reached the six-hour mark without agreeing to take a break. The redemption of 'take a break' vouchers has also increased significantly, from 330 in the week ending 17 September 2023 to 2,340 in the week ending 1 October 2023.<sup>100</sup>

The OSM is aware of some possible compliance breaches related to the Gambling Code. For example, a coding error in Splunk related to the three-hour alert impacted 957 patrons between 20 September and 27 September 2023. Crown has advised the OSM that the VGCCC decided not to take action regarding this incident.

### **Enforcement of a 24-hour break after 12 hours of cumulative play**

The stricter enforcement of the three-hour cumulative alert has led to fewer customers reaching the 12-hour on-device alert. The RG Register recorded 55 12-hour on-site alerts in October 2023, compared to 140 alerts in August 2023.

There is evidence in the RG Register that customers are being asked to leave after 12 hours of cumulative play. Case study (a) demonstrates that Crown employees are requiring customers to take a break at 12 hours of cumulative play but may be inconsistently documenting the enforcement of these breaks in the RG Register.

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<sup>98</sup> Crown Melbourne Responsible Gaming Code of Conduct Steering Committee papers, 5 October 2023, p. 4.

<sup>99</sup> Crown Melbourne, Crown's RSG actions in response to the Special Manager's June 2023 interim report, 1 November 2023, p. 7.

<sup>100</sup> Crown Melbourne Responsible Gaming Code of Conduct Steering Committee papers, 5 October 2023, p. 5.



## Case study (a): Customer A refuses to take a break

The Finkelstein Report noted instances of Crown customers gambling for 12 hours or more without any observation or employee interaction. In some cases, employees encouraged customers to gamble more, rarely asking them to take breaks. This case study considers whether Crown is complying with its current Play Periods Policy and ensuring its customers take adequate breaks.

To test Crown's current practice and understand its compliance with the new Gambling Code, the OSM analysed entries in the RG Register from 1 January to 31 October 2023. It identified customers who had played for 12 hours or more, one of whom was Customer A.

The timeline shows that A consistently breached the Play Periods Policy over the nine months leading up to September 2023. Crown employees explained the Play Periods Policy and advised A to take a break on all occasions. The RG Register shows that Crown employees escorted A off the gaming floor on some, but not all, occasions when they had gambled for 12 hours without an adequate break. In January 2023, A was placed on the Crown PlaySafe welfare pager. This would alert PSAs when A was on the casino floor and ensure they could have regular welfare conversations with A.

The OSM paid particular attention to entries between 20 September and 31 October 2023 to understand Crown's

### March 2022

Play period alerts recorded:  
1 x 10-hour  
1 x 12-hour  
12-hour alert results in Customer A leaving the gaming floor.

### December 2022

Play period alerts recorded:  
2 x 10-hour  
1 x 12-hour  
12-hour alert results in a PSA advising A to leave. A leaves the gaming floor immediately.

### January 2023

Play period alerts recorded:  
1 x 10-hour  
1 x 12-hour  
12-hour alert results in a PSA explaining to A the Play Periods Policy and importance of breaks. A leaves immediately.

### February 2023

### March 2023

### April 2023

### 15 December 2022 (22:39)

A Table Games employee advises the PlaySafe team that A is asking another customer for money. Earlier, A was arguing loudly with the other customer. A PSA speaks with A, and they deny asking for money. The PSA asks A to leave and A is escorted off the casino floor.

### 21 December 2022 (12:01)

A is asked to leave after activating a 10-hour alert. They start to play uncarded with different clothes on. A is therefore asked to leave and take a 12-hour break.

### 24 December 2022 (14:00)

A Player Welfare team member advises the PlaySafe team that A is in the casino despite saying they would be interstate. A PSA attends to have a welfare discussion with A. A claims to be in control of their gambling.

### 24 December 2022 (21:50)

An Area Manager in the Maple Room notifies the PlaySafe team that A has been playing for a long time and should have left at about 20:00. A PSA attends and A argues that they have only been playing since 12:00 or 13:00 today, and took a break from 04:00 that morning. The PSA attempts several times to explain the daily 12-hour policy. A is frustrated, but said they understood the policy. While Table Games employees thought they had seen A playing in the morning, there was no formal documentation of their start time. A agrees to leave at 23:00.

### 24 December 2022 (23:09)

A Table Games employee informs the PlaySafe team that A is still playing despite agreeing to leave at 23:00. A PSA asks A to leave 4 times. A is denied another hand at the table and leaves the gaming floor.

### 9 January 2023 (3:18)

A Player Welfare team member notifies the PlaySafe team that A has been on-site for more than 12 hours uncarded. A PSA has a welfare conversation and advises A that they have not taken a sufficient break. A argues with the PSA and asks to stay for one more hour because they are waiting for a friend to collect them at 4:30. The PSA asks A to wait off the gaming floor. A cashes in their chips and exits.

### 10 January 2023 (13:41)

The PlaySafe team adds A to the PlaySafe welfare pager.

### 16 February 2023 (11:49)

A PSA approaches A in a premium room and invites them to the Crown PlaySafe Centre for a welfare conversation. A expresses their frustration at having the conversation. A does not agree with any of the 12-hour alerts or observable signs entries recorded on their file. A PlaySafe team member stresses the importance of the Play Periods Policy and playing carded. They also explain that another 12-hour alert could result in A being issued an RG WOL.

### 23 April 2023 (20:05)

A Table Games employee calls the PlaySafe team to notify them that A is barging in front of other customers to place quick bets and is getting emotional with their losses. A PSA observes the behaviours the Table Games employee reported. The PSA speaks with A and reminds them to be considerate of their behaviour around other customers.

compliance with its new Gambling Code. There are no records of A playing for more than 12 hours from September 2023.

In contrast to the entries presented as evidence to the Finkelstein Royal Commission, the RG Register now indicates that PSAs are having regular welfare conversations with customers who have been gambling for long durations. Crown employees are also referring customers who are playing uncarded to the PlaySafe team. The Register also shows that fewer customers like A are breaching the 12-hour threshold since the implementation of the new Gambling Code.

It is still unclear from the Register whether customers are being escorted from the gaming floor every time they reach 12 hours of cumulative play, or if the comments in the Register have not clearly recorded whether the customer has left the gaming floor. The OSM's analysis suggests there is an opportunity for Crown to ensure customers are taking a break and/or leaving the gaming floor as required once play period thresholds are reached, or to ensure that these events are documented accurately in the RG Register.

continued ...

**May 2023**  
Play period alerts recorded:  
1 x 10-hour

**June 2023**  
Play period alerts recorded:  
2 x 10-hour  
2 x 12-hour  
12-hour alerts result in a PSA asking A to leave the gaming floor but there is no evidence in the RG Register that they do so.

**July 2023**

**August 2023**  
Play period alerts recorded:  
7 x 10-hour  
1 x 12-hour  
12-hour alert results in a PSA advising A to leave the gaming floor. A agrees to leave but there is no evidence in the RG Register that they do so.

**September 2023**

**October 2023**

**4 June 2023 (13:40)**

A Player Welfare team member informs a PSA that A has been at the casino since midnight. The PSA approaches A, who agrees to leave before 12:00.

**5 August 2023 (14:45)**

A Player Welfare team member advises the PlaySafe team that A has been playing since 4:00. The information has been passed down from morning shift. A tells the PSA that their day started at 8:30 and they will be leaving by 20:00. The Player Welfare team is notified of this information and passes it on to night shift to monitor.

**19 August 2023 (17:00)**

A Table Games employee informs the PlaySafe team that A is asking another customer for money. A PSA explains to A Crown's policy on lending and borrowing money. A denies that they were asking to borrow money.

**27 August 2023 (20:00)**

A Table Games employee observes A using their bank app to transfer \$1,000 to another customer. Later, the customer gives A \$1,000 in chips. The Table Games employee informs a PSA. The PSA approaches A and they admit to giving money to another customer. The PSA escorts A to the Crown PlaySafe Centre. A PlaySafe team member has a welfare conversation with A and advises them to take a 7-day break. The PlaySafe team member explains to A programs such as Self-Exclusion and Time Out.

**9 September 2023 (20:28)**

A PSA approaches A due to a welfare pager alert and asks them to attend the Crown PlaySafe Centre for another welfare conversation. A PlaySafe team member asks A questions about play limits, who they attend Crown with and their understanding of the Play Periods Policy. A states that they limit themselves to a few thousand dollars each visit and attend with their partner.

**29 October 2023 (5:45)**

The PlaySafe team collects a Neoface report for A, which outlines how many times surveillance has identified A on the property. The report shows there has been a significant increase in visitation from 9 September to 27 October.

**31 October 2023 (6:00)**

A Table Games employee notifies a PSA that A is asking another customer for money. The PSA approaches A for a general welfare conversation. The PSA explains Crown's policies and educates A on borrowing money from other customers. The PSA also mentions the consequence of an RG WOL if A's behaviour continues.



## Customers playing uncarded

Crown Melbourne is required to submit detailed six-monthly reports to the VGCCC on proactive measures to protect uncarded customers from gambling harm until such time that carded play is mandatory at the Melbourne casino. This requirement follows an agreement with the VGCCC to suspend an outstanding recommendation from the Victorian Commission for Gambling and Liquor Regulation (VCGLR)'s *Sixth Review of the Casino Operator and Licence* related to monitoring uncarded play.<sup>101</sup> Crown Melbourne's first submission to the VGCCC on this matter is provided in Appendix 1, Document 1.17.

Although the OSM has seen evidence that Crown Melbourne is effectively enforcing casino play periods for carded players, it has observed that uncarded players in the casino can still gamble with little monitoring of their play periods. As mandatory carded play will not be fully implemented until the end of 2025, some customers engaging in risky play may still be avoiding detection and gambling for longer periods than allowed by the Gambling Code. Crown Melbourne will need to continue to monitor customers via observation in the table games areas until mandatory carded play is fully implemented across the casino.

The OSM is aware of a complaint related to a customer playing EGMs uncarded for periods of time, which is currently under investigation by the VGCCC. The complainant alleges that they gambled approximately \$25,000 at the Melbourne casino over a period of nine days in late September and early October 2023. Following the alleged incident, and complaints raised with Crown, Crown Melbourne imposed a WOL on the customer.

The complaint raises serious concerns regarding Crown Melbourne's compliance with its Gambling Code, particularly in relation to observable signs and play period policy requirements, as well as its AML/CTF requirements. If this complaint were to be substantiated by the VGCCC, it could constitute a significant breach and failure of frontline employees to carry out their regulatory and other obligations. This demonstrates the challenge such reliance on frontline employees can pose, and reinforces the importance of Crown Melbourne adequately resourcing the casino with appropriately trained employees to monitor its customers for observable signs of gambling harm.

## Exemptions to the Play Periods Policy

The new Ministerial Direction allows for an exemption to the Play Periods Policy for international visitors staying for fewer than seven days. An approved May 2021 enhancement committed Crown to implementing an 18-hour time limit with interventions at 12, 14 and 16 hours for international premium program players staying fewer than seven days.<sup>102</sup> Crown Melbourne has advised this policy is now obsolete, but different play periods will be applied for players under its proposed Premium Player Rebate Program (see section 6.7). Crown Melbourne has reflected this in its new Gambling Code.

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<sup>101</sup> Recommendation 8(b) for uncarded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real time player data analytics tool, with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and the tool being in operation by 1 July 2022.

<sup>102</sup> Blackburn, S, Responsible Gaming Enhancements, Memorandum to the Crown Resorts Board, 24 May 2021.

### 5.3.3 Technology and algorithmic tools

For Crown Melbourne to effectively monitor risky play, it needs analytics tools based on sound approaches to identify at-risk players and must use the results in a meaningful way to help employees interact with customers effectively. This is one of the major initiatives in the Crown PlaySafe Strategy. Crown has continued to investigate options to identify and monitor risky play and at-risk players more effectively using data and technology. For example, it engaged Mindway AI<sup>103</sup> in November 2023 to conduct a pilot project at Crown Melbourne to test how well Mindway's AI algorithm identifies customers at risk of gambling harm when it is applied to a sample of the Crown customer database.

Crown also engaged PRET Solutions to prepare an independent assessment of the effectiveness and timeliness of Crown's play periods monitoring program and the Crown Model.<sup>104</sup> This assessment was commissioned in response to an outstanding recommendation from the Sixth Review.<sup>105</sup> The report was delivered on 22 October 2023, and is provided in Appendix 1, Document 1.18. It noted some significant shortcomings in the ability of the Crown Model to identify risk. Further, less than 1 per cent of customers identified by the model had received an interaction with a Crown employee during the study period. PRET Solutions recommended the development of a risk management strategy, founded on a case management system, to monitor and respond to risk over time.

The Special Manager's previous interim reports have similarly noted the importance of a fully integrated case management system to better utilise customer data to enhance RSG and the prevention of financial crime, but that this initiative had been delayed due to uncertainties related to Crown's overall IT Strategy. The implementation of a case management system has been included as an initiative in the Melbourne Transformation Plan, with the goals of improving the accuracy of guest interventions and increasing response rates.

## 5.4 Resourcing

The Finkelstein Royal Commission was highly critical of Crown Melbourne's inadequate resourcing for RSG.<sup>106</sup> Prior to 2018, only seven RGAs were employed at Crown Melbourne. This was increased to 12 following concerns raised in the Sixth Review. At the time of the Finkelstein Royal Commission, still only 12 RGAs were employed, raising concerns about Crown Melbourne's ability to effectively monitor customers at risk of experiencing gambling harm.

Appendix I requires the Special Manager to assess the adequacy of RSG resourcing and funding. There are no clear benchmarks that can be applied to determine whether Crown Melbourne has adequate RSG resourcing. Instead, the question of whether Crown Melbourne's RSG resources are 'adequate' needs to be considered with reference to the size and nature of its operations, including the obligations that Crown employees need to fulfil under the Gambling Code and the technologies available to support monitoring of customers.

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<sup>103</sup> Mindway AI is a Danish company that develops early detection and intervention solutions for gambling operators.

<sup>104</sup> A predictive model that generates a list of customers for PSAs to monitor, as they exhibit behaviours suggesting that they are at risk of experiencing gambling harm.

<sup>105</sup> Recommendation 9: The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders.

<sup>106</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 24.

In this final reporting period, the OSM has assessed whether Crown has adequate resources to minimise gambling harm having regard to whether:

- Crown Melbourne has sufficient numbers of employees to effectively monitor customers at risk of gambling harm, as evidenced by increased monitoring of and responses to customers, and has developed an ongoing process to assess the need for additional resources to support RSG
- Crown Melbourne's budget is adequate to deliver on identified operational and strategic requirements.

The OSM's concluding assessment is that Crown Melbourne's employee numbers are generally adequate to manage its RSG obligations, except during busy periods. The OSM recognises there has been a significant increase in the size of the PlaySafe team and the number of customer interactions at Crown Melbourne since the Finkelstein Royal Commission. However, at this stage, the OSM considers that there are not yet enough PSAs available on the main gaming floor to monitor for observable signs during busy periods and effectively minimise gambling harm. The OSM recognises that Crown is currently onboarding additional PSAs and has developed a forecasting tool to better manage its FTE requirements.

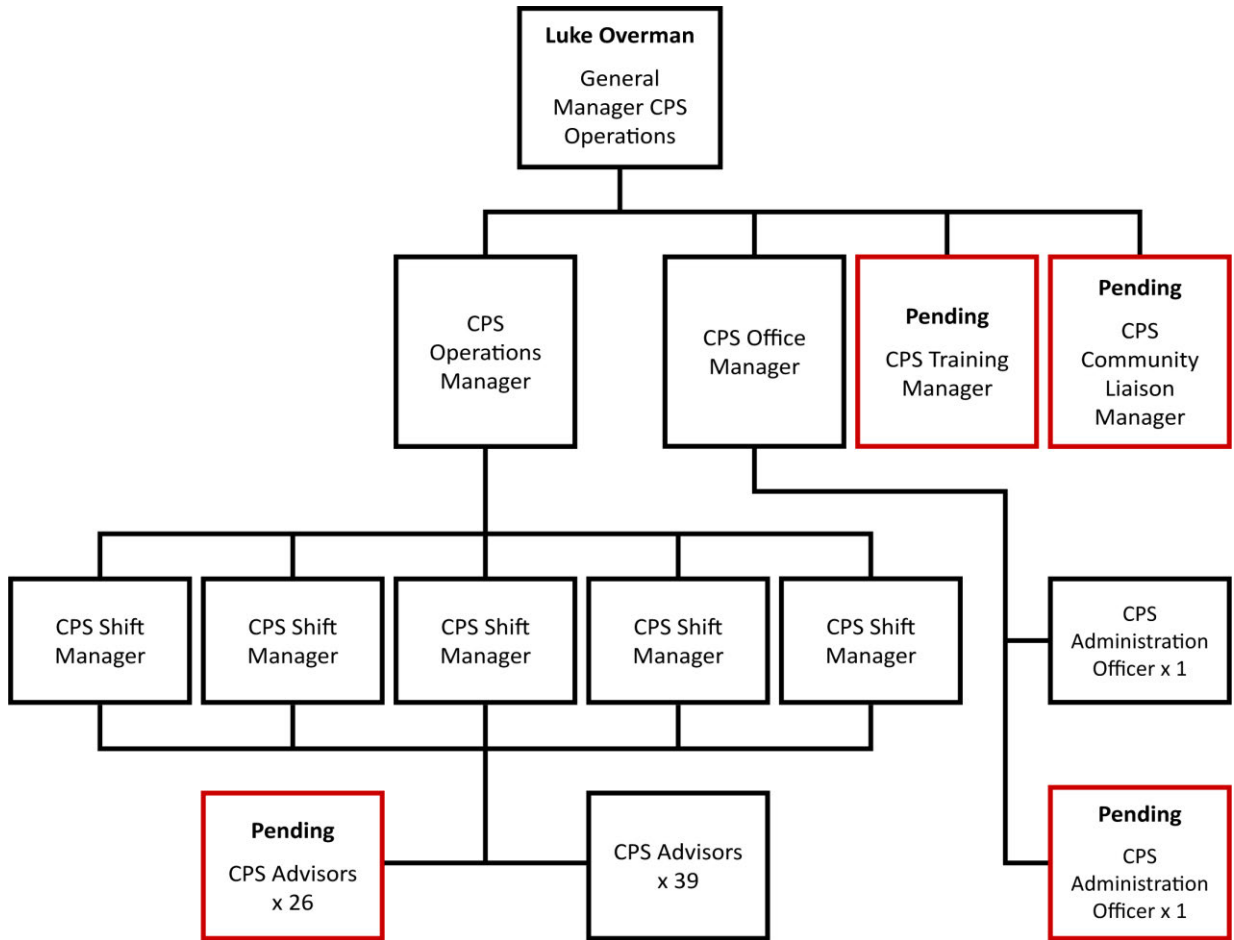
Regarding the current RSG budget at Crown Melbourne, the OSM's concluding assessment is that it is adequate to deliver on current operational and strategic RSG requirements.

#### **5.4.1 Employee numbers**

The Finkelstein Report noted the important role of RGAs (now PSAs) in monitoring risky play in line with Crown's Gambling Code and internal policies. PSAs are responsible for managing and resolving the most serious issues with customers and helping customers to access external support.

Since the Finkelstein Royal Commission, Crown Melbourne has significantly increased operational resources dedicated to RSG. It now employs a total of 39 PSAs, five Shift Managers and an Operations Manager reporting to the General Manager – Crown PlaySafe Operations (Figure 10).

Figure 10. Crown PlaySafe Melbourne organisation chart



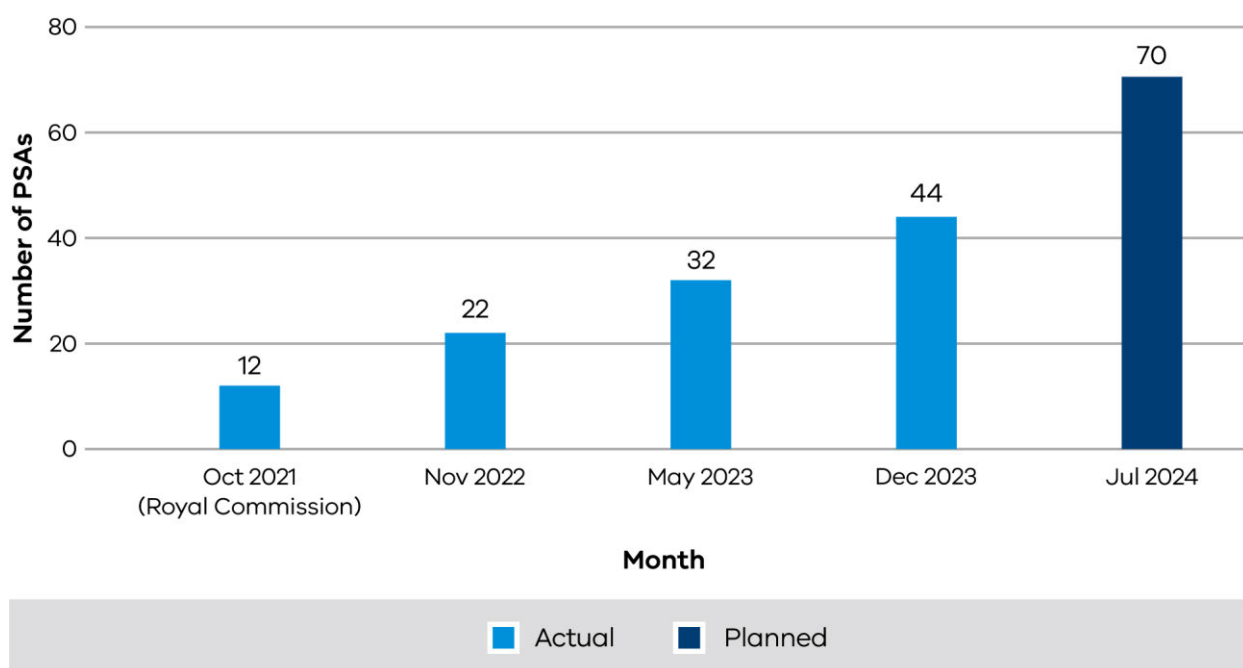
Note: Edited by the OSM for design purposes. CPS refers to 'Crown PlaySafe'.

Source: Crown Melbourne, Crown PlaySafe Operational Chart, provided to the OSM on 24 November 2023.

Crown Melbourne intends to increase the size of the team to close to 70 within the next six to nine months (Figure 11).<sup>107</sup>

<sup>107</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 6 December 2023, p. 25.

Figure 11. Number of Crown PlaySafe Advisors (actual and planned), October 2021 to July 2024



Note: PSA figures in the chart include shift managers.

Source: Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 24; Crown Resorts, Responsible Gaming Organisational Structure, provided to the OSM on 22 November 2022; Responsible Gaming headcount data as at 1 May 2023, provided to the OSM on 16 May 2023; Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, Crown Melbourne Responsible Gaming Report, 6 December 2023, pp. 25–6.

Crown Melbourne has augmented its PlaySafe team since the Finkelstein Royal Commission by forming the Player Welfare team. This team is mostly made up of dealers on modified duties and is responsible for responding to three-hour play period alerts. To support the response to an expected surge in the number of play period alerts following implementation of the new Gambling Code, the Player Welfare team was doubled from 30 to 60.<sup>108</sup> It must be noted that the planned increase in PSAs is to replace, not add to, the resourcing currently provided by the Player Welfare team. By 6 December 2023, 540 hours per week had already been returned to the Table Games team as new PSAs had been onboarded.<sup>109</sup>

The overall increase in resourcing has been matched by a sizeable increase in interactions with customers since the Finkelstein Royal Commission. This is unsurprising given the relatively low base Crown Melbourne started from, the significant increase in the size of the PlaySafe team and the creation of the Player Welfare team.

The Special Manager’s June 2023 interim report found additional PSAs hired during 2023 were yet to demonstrate their full impact. The RG Register showed no increase in the overall number of interactions with customers between March 2022 and March 2023. However, Crown Melbourne has advised that the additional employees hired in 2023 were crucial in assisting the PlaySafe team to manage the impacts of employee leave and allowing PSAs to spend more time on the casino floor. These impacts are not captured by the data in the RG Register.

<sup>108</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 6 December 2023, p. 25.

<sup>109</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 6 December 2023, p. 25.



The overall number of interactions with customers had still not increased significantly by October 2023, with 500 interactions recorded in the RG Register in that month. However, PSAs are now also actioning three-hour play period alerts, which are recorded in Salesforce rather than the RG Register. Data published in the November Crown PlaySafe Melbourne Dashboard suggests that the overall volume of Crown PlaySafe activities has significantly increased once the actioning of these play period alerts recorded in Salesforce is taken into account,<sup>110</sup> reflecting the increase in FTE resourcing put in place to support the implementation of the new Gambling Code.

While the size of the PlaySafe team has increased significantly since the Finkelstein Royal Commission, the number of PSAs rostered on at any one time varies between five and 15 for the entire casino, depending on the day and time.<sup>111</sup> Crown Melbourne has improved its rostering of PSAs, moving away from the flat rostering structure previously in place to a more dynamic rostering pattern that better accounts for fluctuations in customer volumes. Given the size of the casino, even five PSAs rostered at one time may still be too few for them to effectively monitor customers for observable signs alongside their other PSA responsibilities. The Finkelstein Royal Commission concluded that having three or four RGAs rostered on at one time is inadequate given their specific responsibilities.<sup>112</sup> At some times, there are still only three or four PSAs on the casino floor, but Crown management advises this occurs only in circumstances where there are multiple unplanned last-minute employee absences (for example, due to illness), and only in the early morning on quiet shifts.<sup>113</sup>

Despite the significant increase in customer interactions at Crown Melbourne since the Finkelstein Royal Commission, the OSM considers that employee numbers are not yet adequate to manage Crown's RSG obligations during busy periods. As outlined in the following snapshot, the OSM's discussions with customer-facing employees, and the OSM's observations of the casino floor, supported these findings.

### **Snapshot: Insights on RSG resourcing from direct engagement**

The OSM observed during its casino floor observations in October and November 2023 that it can be difficult to find a PSA on the floor. The Crown PlaySafe booth does not appear to be staffed during busy periods. However, the OSM did observe PSAs removing excluded patrons from the casino, supported by security, and holding welfare conversations with customers.

As noted earlier, gaming employee supervision of the table games areas is, in general, much higher than in the gaming machines areas, where it was rare to sight a Customer Service Attendant or other Crown employee despite the large number of customers in these areas. At the time of the OSM's casino observations, attendants' time looked to be taken up with assisting customers to register their player card and troubleshooting customer issues with 'carding in' to the machines.

The OSM observed the Player Welfare team attending to play period alerts, especially in the poker room, where the team was managing table openings and closures to ensure customers did not gamble for longer than three hours without a break. The OSM also observed the Player Welfare team enforcing breaks with customers in both the EGM and table games areas on busy Friday and Saturday nights. Participants in the OSM's discussions with customer-facing employees acknowledged that the PlaySafe team will be hiring more advisors in the future, but noted that resourcing of RSG may

<sup>110</sup> Crown Melbourne, Crown PlaySafe Melbourne Dashboard, 30 November 2023.

<sup>111</sup> Email from the General Manager – Crown PlaySafe Operations (Melbourne) to the OSM, 22 November 2023.

<sup>112</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 24.

<sup>113</sup> Email from the General Manager – Crown PlaySafe Operations (Melbourne) to the OSM, 22 November 2023.



currently be inadequate in some areas; for example, some participants said they are struggling to attend to all events in a timely manner during busy periods (see Appendix G). Participants also commented that:

- resourcing to manage EGM play period alerts on the main gaming floor is inadequate
- RSG resourcing may be predominantly directed to VIP areas due to the higher level of customer service expected in those areas
- the Player Welfare team and PSAs had taken over attending to three-hour cumulative play period alerts as the Gaming Machines team was not able to respond to all alerts.

The OSM has observed Crown Melbourne taking constructive action to manage its RSG workload requirements and acknowledges it is in the process of onboarding additional PSAs. Crown developed a forecasting model to help it predict the required FTE levels to support future RSG activity, and these forecasts partly informed the increase in RSG resourcing in late 2023 described above.<sup>114</sup> The model is data-driven and forecasts activity levels based on the key activities recorded in the RG Register and on estimates of the time taken to execute relevant tasks. As the changes being introduced through reforms such as the implementation of mandatory carded play are not reflected in past data, Crown Melbourne has developed a set of assumptions about the expected impact of these changes on PSA's task loads. Crown has advised the OSM that it expects to improve the model over time to provide more accurate forecasts and intends to run the model quarterly (with the next to occur in February 2024) to assess resourcing adequacy.<sup>115</sup>

The OSM considers Crown Melbourne's employee numbers are generally adequate to manage its RSG obligations, except during busy periods. The OSM recognises that Crown is currently onboarding additional PSAs and has developed a forecasting tool to better manage its FTE requirements.

## 5.4.2 Funding

Crown Melbourne's RSG budget has increased significantly since the time of the Finkelstein Royal Commission, mostly driven by the increased operational expenses related to hiring further PSAs. For the 2023 financial year, Crown Melbourne spent \$7.7 million on operational and strategic expenses related to RSG, compared with \$1.91 million in the 2021 financial year (Figure 12). Crown Melbourne also expanded and renovated its Responsible Gaming Centre (now the Crown PlaySafe Centre) at a cost of \$2.3 million.<sup>116</sup>

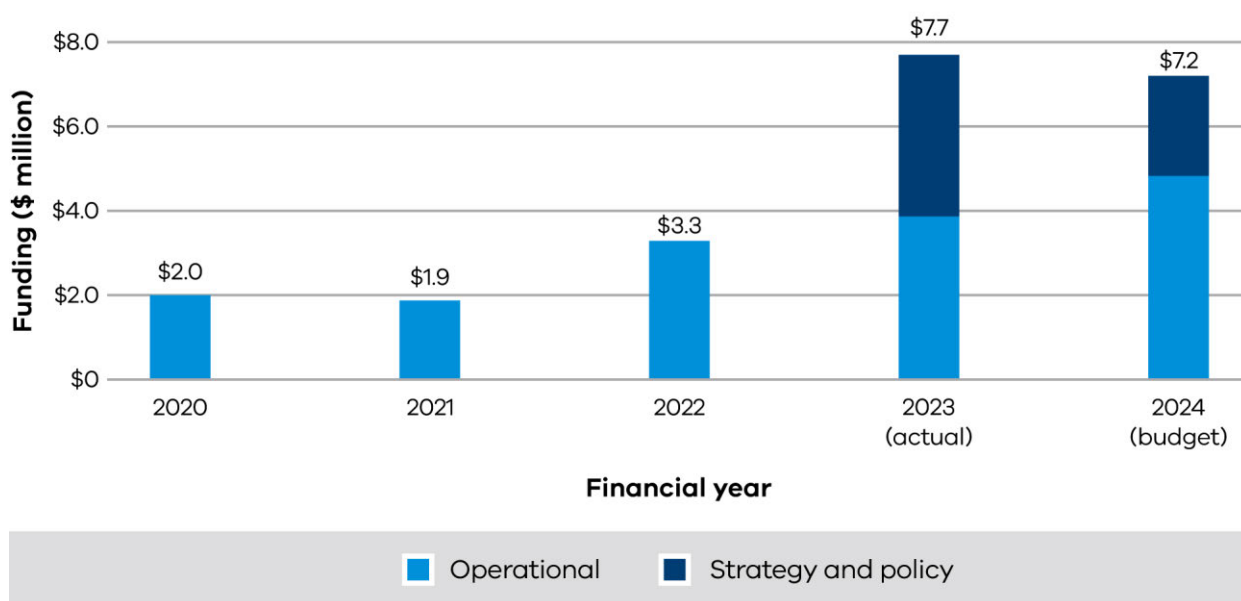
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<sup>114</sup> Documentation of the model is included in the document articulating Crown Melbourne's compliance with the new Gambling Code, provided in Appendix 1, Document 1.16.

<sup>115</sup> Crown Melbourne, Response to Information Request 21(1)(j).

<sup>116</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 4 October 2023, p. 34.

Figure 12. Crown PlaySafe Melbourne budget, 2020 to 2024 financial years



Note: The Crown PlaySafe budget at Crown Melbourne comes from one cost centre for both Line 1 operational and Line 2 strategy and policy expenses. The notional split of spend on strategic and operational expenses is shown for the 2023 and 2024 financial years only, noting that strategic spend was not relevant for the financial years prior to 2023.

Source: Budget data, provided to the OSM on 31 May and 6 November 2023.

The Crown PlaySafe Melbourne budget for the 2024 financial year includes funding for both operational and strategic initiatives and programs, such as the Crown PlaySafe Strategy.<sup>117</sup> Most of the approved budget relates to operational expenses, which are forecast to increase from the \$3.84 million spent in 2023 to \$4.84 million in 2024. The budget is consistent with current staffing and does not yet include expenses for the proposed increase to 70 FTEs. Forecast strategic expenses are lower than 2023, at \$2.3 million, but these expenses may be more subject to ad hoc budgeting requests. Outside of the annual budgeting process, the Executive General Manager can seek additional funding from the CFO to fund required operational and strategic expenses.<sup>118</sup> Funding for strategic expenses is also supported by the budgets of Crown Perth and Crown Sydney.

The OSM considers funding is adequate for current RSG operational and strategic requirements at Crown Melbourne.

## 5.5 Training and communications

The Finkelstein Report identified the need for Crown to provide enhanced RSG training for its employees, noting that operational employees outside the RGAs had little training in RSG and that only a small proportion of the training that they did receive focused on observable signs.<sup>119</sup> Randomly selected employees who gave evidence to the Finkelstein Royal Commission were not familiar with the term ‘observable signs’, could not accurately explain the Play Periods Policy and had never, or not more than once, referred anyone to the Responsible Gaming team.<sup>120</sup>

<sup>117</sup> Formerly named the ‘Player Health Strategy’.

<sup>118</sup> Crown Melbourne, Remediation Action Plan Deliverable Assessment, RG 17.C Funding – Design and Implement, p. 3.

<sup>119</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 24.

<sup>120</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 25.

In this final reporting period, the OSM has focused on whether Crown Melbourne has reformed its RSG training program to ensure employees understand their roles and responsibilities, and in particular whether:

- training content reflects relevant Crown frameworks and policies and the needs of specific cohorts, and is delivered effectively
- training completion rates are monitored and adequate
- employee knowledge is tested using reliable approaches
- evaluations of training effectiveness are conducted
- employee communications are used to reinforce training.

The OSM's concluding assessment is that the foundations are in place to indicate the reformed RSG training program at Crown Melbourne is likely to be effective. Employees appear to have a far greater understanding of their RSG roles and responsibilities than at the time of the Finkelstein Royal Commission. The revised training is reinforced by timely and engaging employee communications.

It is too early to assess whether the program is effective, given that evaluations of training and knowledge testing of employees have not yet occurred in a systematic manner and not all employees have yet completed the reformed training. However, the reformed program includes mechanisms to assess training effectiveness, including observation of employee capability, in-session reviews and post-training assessments, which will assist Crown to improve the effectiveness of its training over time.

### 5.5.1 Content and delivery

The mandatory RSG training program for all employees at Crown Melbourne currently includes:

- a short module during induction training
- a specific mandatory module for all new employees
- an annual mandatory refresher for all employees.

These modules are necessarily broad-based as they are a regulatory requirement for all employees. They cover basic concepts, including observable signs, and aim to build awareness of RSG responsibilities and actions required from Crown Melbourne employees.

Crown Melbourne targets some RSG training to particular cohorts, with a focus on those who must address escalated RSG concerns:

- The 'advanced training for managers and leaders' module is delivered in person, contains more complex concepts and aims to build the skills of leaders to engage regularly and meaningfully with their direct reports on RSG.
- The RSG 'additional focus' training is targeted at the Gaming Machines team and is required by section 58 of the Casino Control Act.
- 'Marketing guardrails' training is aimed at assisting the Marketing team to develop marketing and promotions in line with RSG requirements. This is discussed further in section 5.7.1.
- The PlaySafe team provides ad hoc training as requested by specific business units.

The Special Manager's June 2023 interim report noted that Crown Melbourne had enhanced its RSG training content and delivery approach for its mandatory training program with the

assistance of an appropriately qualified education expert. All modules have since been updated to reflect the requirements of the new Gambling Code.<sup>121</sup>

Delivery of the revised advanced training for managers and leaders commenced from 1 July 2023. The OSM attended one of these training sessions in August 2023, and considered the coverage of the material to be adequate and the delivery professional. Face-to-face delivery allowed participants to ask questions about how the material was relevant or could be applied to their roles. However, some of the content that related to identifying and escalating observable signs was confusing, and the material was not always applicable to all business units in attendance. Formal program reviews are planned to occur each six months (see section 5.5.4), and, as such, this module is due for formal review to identify opportunities for improvement in January 2024.

In August and September 2023, Crown Melbourne delivered a one-off 'bridging' module to assist employees to understand the new Gambling Code. Feedback collected from employees suggested that the content of this training could have been improved, as it:

- was more focused on awareness raising than understanding
- gave unclear advice regarding the new observable signs
- did not give clarity on when to intervene for each of the new observable signs.<sup>122</sup>

Feedback also suggested that it would have been better to target training to each business unit rather than provide a 'one size fits all' awareness session.

The Special Manager's June 2023 interim report noted that RSG training improvements have progressed with limited input from Crown's Learning and Development group. The Learning and Development team is now responsible for RSG induction and annual refresher training (online modules). The PlaySafe team administers and delivers the other mandatory RSG training (face-to-face modules).

A document outlining the status of Crown Melbourne's RSG training modules in late October 2023 is provided in Appendix 1, Document 1.19.

## 5.5.2 Completion rates

All Crown employees are required to complete RSG training within six months of commencing work and to undertake refresher training annually. The Special Manager's previous interim reports noted that Crown was achieving less than full compliance with mandatory training. A particular concern was completion rates for the advanced training for managers and leaders module.

Recent data suggests that training completion rates are in line with the tolerance levels in Crown Melbourne's Risk Appetite Statement. As at 30 November 2023, 98 per cent of employees were up to date for their online RSG refresher, and 90 per cent of employees were up to date for the advanced training for managers and leaders module. The OSM notes that target completion rates for RSG-related training in the Risk Appetite Statement are set at lower levels than other training modules at Crown. Target completion rates for RSG-related training are 70 per cent for casual employees and 90 per cent for full-time and part-time employees. The PlaySafe team advised the OSM that lower thresholds have been set for casuals due to

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<sup>121</sup> Crown Melbourne, Crown PlaySafe Training Update, October 2023, pp. 5–6.

<sup>122</sup> Crown Melbourne Responsible Gaming Code of Conduct Steering Committee papers, 5 October 2023, p. 10.

minimum shift requirements (one shift every three months to stay active),<sup>123</sup> but that business units are encouraged to achieve 100 per cent compliance for Crown PlaySafe training modules. Ultimate responsibility lies with each business unit for managing their compliance with compulsory training units.

There is variance in RSG training completion rates among business units (Table 4).

*Table 4. Training completion rates for key business units as at 30 November 2023*

|                                   | Online RSG refresher (per cent) | Advanced training for managers and leaders (per cent) |
|-----------------------------------|---------------------------------|---|
| <b>Table Games</b>                | 98.7                            | 96.0  |
| <b>Gaming Machines</b>            | 97.6                            | 98.2  |
| <b>VIP</b>                        | 100.0                           | 100.0   |
| <b>Security and Services</b>      | 97.0                            | 100.0   |
| <b>Surveillance</b>               | 97.2                            | 72.7  |
| <b>Total (all business units)</b> | 97.5                            | 89.4  |

Source: Email from the Group Reporting/Data Manager – Crown PlaySafe to the OSM, 11 December 2023.

### 5.5.3 Knowledge testing

Crown has stated an intention to conduct spot testing of participants after training sessions, to gather evidence of knowledge and skills.<sup>124</sup> This spot testing has not yet been implemented but would help inform ongoing improvement of the RSG training program. Further, Crown has advised the OSM that individual business units conduct some RSG knowledge testing of their employees.

While formal spot testing has not yet been implemented, in an internal competition run by the PlaySafe team during Gambling Harm Awareness Week, 95 per cent of respondents knew the correct location of the Crown PlaySafe Centre, 99 per cent knew that guests cannot play two machines at one time, and 87 per cent knew that customers gambling for 12 hours on device need to take a 24-hour break.<sup>125</sup>

The OSM observed during the focus groups conducted in May 2023 that the knowledge and skills of employees varies. As described in the following snapshot, the OSM's more recent discussions with customer-facing employees and the 'Your Voice' survey results suggest most employees at Crown Melbourne, particularly those responsible for actioning RSG policies or procedures, perceive they have a good understanding of their RSG roles and responsibilities.

<sup>123</sup> Email from the Group Senior Manager – Crown PlaySafe Policy and Controls to the OSM, 7 December 2023.

<sup>124</sup> Crown Melbourne, Crown PlaySafe Training Update, October 2023, pp. 5–6.

<sup>125</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 6 December 2023, p. 26.



## Snapshot: Do customer-facing employees understand their RSG roles and responsibilities?

As stated previously, randomly selected employees who gave evidence to the Finkelstein Royal Commission in May 2021 were not familiar with the term 'observable signs', could not accurately explain the Play Periods Policy and had never, or not more than once, referred anyone to the Responsible Gaming team.<sup>126</sup>

The OSM's analysis of Crown's 2023 'Your Voice' survey identified consistent employee awareness regarding Crown's RSG obligations:

- 90 per cent of respondents agreed that RSG is an essential part of Crown's commitment to care for its guests
- 88 per cent of respondents agreed that they understand how their role supports RSG at Crown (see Appendix F).

Respondents in the Table Games and Gaming Machines teams had the greatest level of understanding of how their role supports RSG at Crown.

The OSM's discussions with customer-facing employees provided further insight into employees' current understanding of their RSG roles and responsibilities (see Appendix G). These discussions were held in October 2023, after the rollout of the new Gambling Code, and highlighted:

- All participants understood the importance of monitoring for RSG concerns and escalating as required.
- All participants were aware of the new Gambling Code and Play Periods Policy.
- All participants could recall having observed or escalated an issue related to gambling harm.
- All participants could name some examples of observable signs and made particular mention of observable signs such as aggression, diminished appearance and multiple machine play.
- A few participants noted the difficulties associated with interpreting some of the new observable signs, such as 'gambles through regular mealtimes'.
- All participants understood their responsibility to take seriously requests from customers to ban themselves from gambling. They all described that they would escalate such requests to their manager or a PSA immediately, and noted the importance of staying with the customer until they reach the Crown PlaySafe Centre.
- Many participants from the Gaming Machines team described the process of recording RSG observations in the low-level interactions sheet, including the step to provide the completed sheet to their manager.
- Many participants explained their role with reference to Crown Melbourne's RSG policies relating to customers, especially the Play Periods Policy.

Crown's 'Your Voice' survey and the OSM's direct engagement with Crown Melbourne employees confirm that employees are now far more familiar with their RSG obligations than at the time of the Finkelstein Royal Commission.

### 5.5.4 Training evaluation

Crown's enhanced training program provides a mechanism to evaluate its training modules on an ongoing basis. Crown provided evidence to the OSM that it has been collecting feedback on the advanced training for managers and leaders module, and that it responds to this feedback

<sup>126</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 25.



by making minor adjustments to content. There is no evidence that feedback has resulted in significant redesign, which is perhaps to be expected since this module has only been developed recently. Crown has advised that it is committed to reviewing these mandatory modules on a six-monthly basis to ensure they remain fit-for-purpose, with the next formal review scheduled for early 2024.<sup>127</sup>

While Crown maintains records of training completion, it does not yet appear to have an embedded culture of evaluating and reviewing training outcomes. It is starting to develop a culture of evaluating training through its Change Management Office, which collected feedback on the training module used to support the rollout of the new Gambling Code from a working group of frontline employees.

### 5.5.5 Employee communications

Workplace (a Meta platform) is Crown's primary tool for communicating with employees across its three properties and is used to deliver key RSG campaigns, such as Gambling Harm Awareness Week. The PlaySafe team also uses 'musters' (employee briefings) to reinforce RSG practices and messaging across the organisation, particularly for frontline employees.

In this final reporting period, the OSM observed the rollout of the new Gambling Code. Crown designed a range of internal communications to ensure employees understood the new requirements and how the Gambling Code related to their role.

The OSM observed that employees received timely and regular communications in this reporting period. These communications were aligned with key RSG legislative and policy requirements, and clearly reinforced Crown Melbourne's RSG objectives. For example, the infographic in Figure 13 was posted to Workplace on 23 September 2023.

Figure 13. Sample of employee communications – changes to the Play Periods Policy



Source: Crown Metaspace, 23 September 2023.

<sup>127</sup> Crown Melbourne, Crown's RSG actions in response to the Special Manager's June 2023 interim report, 1 November 2023, p. 4.

The infographic succinctly explains to employees the importance of monitoring uncarded players and reminds employees what steps they need to take if they think a customer has been playing for three hours on device. A series of these infographics was rolled out over the weeks directly before and after the new Gambling Code came into effect in September.

In August and September 2023, the PlaySafe team increased the number of employees it reached by holding musters that reinforced the new Gambling Code requirements (Table 5).

Table 5. Crown PlaySafe attendance at employee musters, December 2022 to November 2023

| Month          | Number of musters | Number of employees reached |
|----------------|-------------------|-----------------------------|
| December 2022  | 10                | 84                          |
| January 2023   | 25                | 229                         |
| February 2023  | 33                | 332                         |
| March 2023     | 32                | 387                         |
| April 2023     | 27                | 296                         |
| May 2023       | 34                | 342                         |
| June 2023      | 31                | 326                         |
| July 2023      | 40                | 607                         |
| August 2023    | 90                | 1467                        |
| September 2023 | 88                | 1209                        |
| October 2023   | 33                | 351                         |
| November 2023  | 34                | 312                         |

Note: Musters cover key frontline departments, including Table Games, Gaming Machines, VIP Services, Mahogany Reception, Security and MSS Security, Crown Spa, Hotels, Crystal Club, and Food and Beverages.<sup>128</sup>

Source: Responsible Gaming muster data, provided to the OSM on 12 April, 14 April, 6 June and 20 November 2023; Crown Melbourne, Responsible Gaming Management Committee papers, 13 December 2023, p. 4.

Evidence from the OSM's discussions with customer-facing employees suggests that an increased PSA presence at musters is a key catalyst for improved understanding of RSG concepts (see Appendix G).

## 5.6 Exclusion and related programs

Crown Melbourne must provide a Self-Exclusion Program as a condition of its licence.<sup>129</sup> Crown Melbourne is also required to ensure that customers who have been excluded are not able to enter the casino, and to provide a revocation process whereby customers can only return to the casino if it is considered safe for them to do so based on their meeting certain criteria.

<sup>128</sup> Email from the General Manager – Crown PlaySafe Operations (Melbourne) to the OSM, 6 June 2023.

<sup>129</sup> Ministerial Direction pursuant to *Gambling Regulation Act 2003* (Vic), s 10.6.1(1)(a), (b), September 2018; *Gambling Regulation Act 2003* (Vic), ss 3.5.36B, 3.5.36C; *Casino Control Act 1991* (Vic), s 72(2A), (2B), (3).

Crown Melbourne's exclusion and related programs comprise:

- Self-Exclusion, where customers can elect to exclude themselves from gambling for a minimum of 12 months
- Third Party Exclusion, where family members or other third parties can apply for Crown to consider excluding a customer without the customer's cooperation
- Time Out, where customers can ban themselves from the casino gaming floor for three or six months. This program is offered to customers who are reluctant to self-exclude, as the requirements are less stringent than those of an exclusion.

The Finkelstein Report noted deficiencies in relation to Crown's exclusion and related programs, including:

- employees not encouraging, and sometimes even discouraging, customers to use these programs
- failures to prevent self-excluded customers from entering the casino.<sup>130</sup>

The Special Manager's previous interim reports noted that Crown had not changed its Exclusion Program significantly since the Finkelstein Royal Commission but had identified improvements to the accessibility of the program, monitoring of exclusion breaches using facial recognition technology (FRT) and the revocation process.

In this final reporting period, the OSM has assessed whether Crown Melbourne's Exclusion Program prevents customers from experiencing further gambling harm, including whether Crown is:

- actioning recommendations to improve the accessibility and customer awareness of the Exclusion Program
- providing customers with information and education on options to self-exclude
- effectively monitoring and enforcing exclusion orders to ensure self-excluded customers do not enter the casino
- implementing a clear decision-making rationale for allowing excluded customers to return to gambling, and monitoring customers who return to gambling after a self-exclusion to ensure they do not experience further gambling harm.

The OSM's concluding assessment is that Crown Melbourne now has the key elements of an effective Exclusion Program. Customer awareness of the program is growing, employees take requests from customers to ban themselves from gambling seriously, and the PlaySafe team is monitoring customers who return to gambling after their self-exclusion has been revoked. Importantly, the OSM considers that Crown Melbourne is monitoring and enforcing exclusion orders adequately given current FRT capabilities, and issuing customers who breach their self-exclusion repeatedly with an RG WOL. Crown Melbourne's ability to enforce its Exclusion Program will continue to improve as mandatory carded play is implemented across the casino.

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<sup>130</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 43.

### 5.6.1 Accessibility and awareness of the Exclusion Program

For Crown Melbourne to operate an effective Exclusion Program, it must be easily accessible, especially for customers who prefer to avoid coming to the casino to exclude. Further, customers must be aware of the program and of their options to take a break from gambling.

Crown has progressed improvements identified in the Special Manager's June 2023 interim report to increase awareness of its Exclusion Program, including providing communications regarding self-exclusion to Crown Rewards members via email. Crown has also developed a calendar of Crown PlaySafe marketing activities for the next 12 months, which includes improving awareness of the Exclusion Program.

A significant improvement has been the launch of an online self-exclusion portal on 30 June 2023. The portal reduces potential barriers to self-excluding as it eliminates the need for customers to speak with an employee on-site at the casino. Crown also introduced 'self-ID verification' in September 2023 to make it easier for customers to self-exclude online. Rather than needing to have ID to be witnessed, the applicant takes a photo of themselves while holding their identification document.

The Special Manager's June 2023 interim report identified that Crown employees were focusing more on explaining the Play Periods Policy to customers than on raising customer awareness of options to take a break from gambling. The RG Register now provides examples of employees initiating conversations with customers about self-exclusion, particularly those customers displaying observable signs of gambling harm. This is demonstrated by case study (b) in section 5.6.2.

Out of approximately 3,000 Crown Rewards members who responded to the Crown Melbourne loyalty study in March 2023, 60 per cent indicated that they were unaware of the availability of self-exclusion or Time Out options at Crown.<sup>131</sup> A later Crown Melbourne study conducted in July 2023 revealed that 29 per cent of respondents were unaware that they could self-exclude.<sup>132</sup> This confirms that increased communications regarding the program are improving customer awareness.

### 5.6.2 Self-exclusion orders

Crown employees are required to refer customers who request to self-exclude to the Crown PlaySafe Centre as soon as practicable.

The RG Register captures instances of customers requesting information on self-exclusion and the details of welfare conversations. The OSM's analysis of the RG Register suggests that employees consistently action requests to self-exclude. Further, PSAs are often encouraging customers to self-exclude if they exhibit observable signs of gambling harm and have had multiple welfare conversations. In extreme cases, Crown Melbourne is issuing RG WOLs to customers experiencing more severe levels of harm who refuse to self-exclude, excluding them from the entire Crown complex. This has been the subject of some customer complaints but does represent a commitment from Crown Melbourne to take stronger action to minimise gambling harm.

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<sup>131</sup> DBM Social Research, *The Relationship Between Crown Rewards Program and Problem Gambling (Crown Melbourne)*, March 2023, p. 9.

<sup>132</sup> IPSOS, 2023 RG Baseline Research Report, 10 July 2023, p.9.

The OSM's discussions with customer-facing employees found that all participants understood the importance of referring a customer who wishes to ban themselves from gambling to the Crown PlaySafe Centre immediately (see Appendix G).

Case study (b) provides an example of Crown employees assisting a customer displaying observable signs of gambling harm and informing them about options to take a break from gambling, such as self-exclusion or Time Out. The OSM considers this case to be a representative example of broader practice, based on analysis of relevant data.



## Case study (b): Customer B is informed by employees about options to take a break from gambling

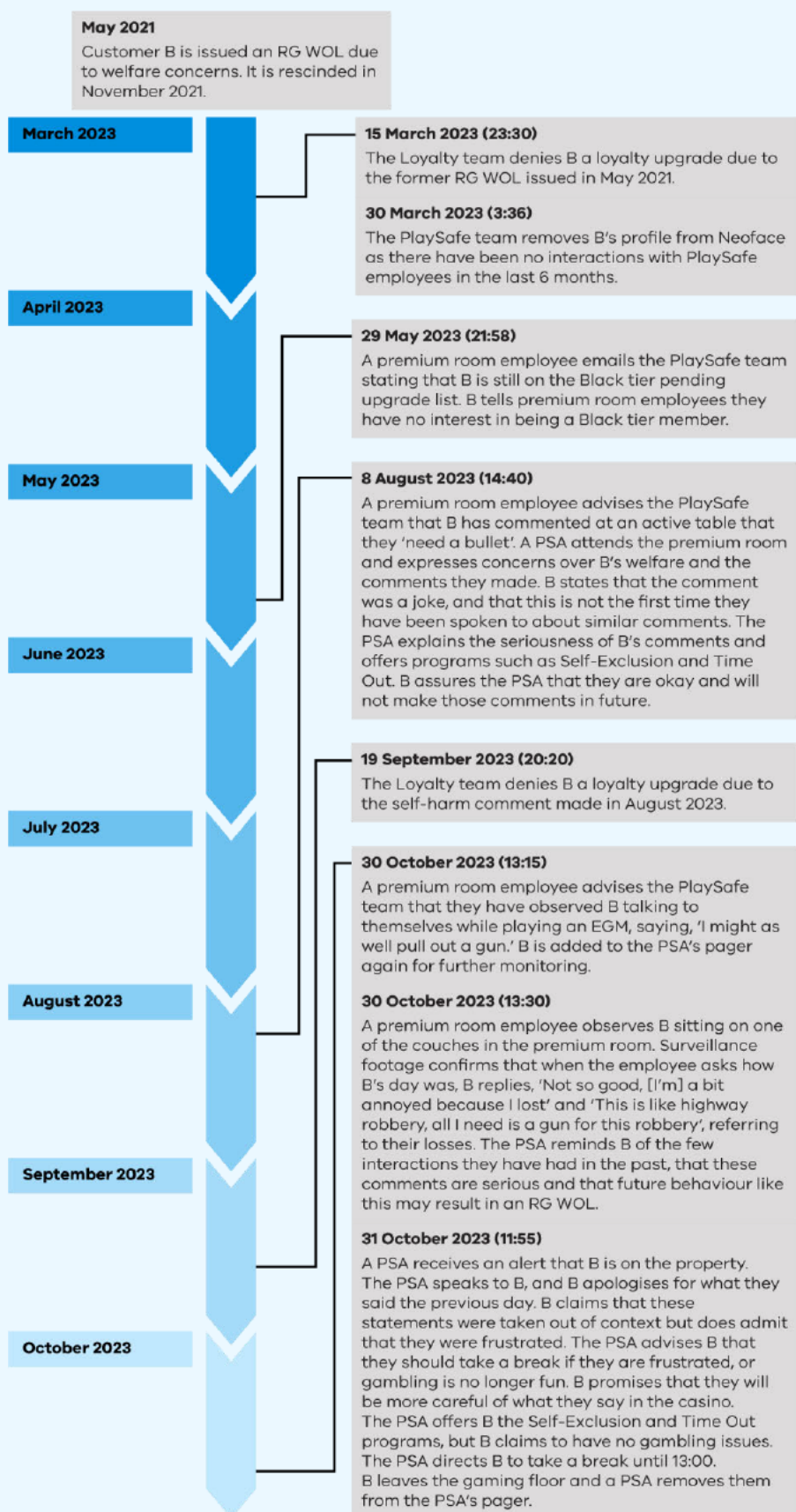
The Finkelstein Report noted examples of employees failing to ask customers to take breaks and discouraging them from self-excluding. This case study considers whether there is now evidence of Crown encouraging customers to self-exclude.

To test current practices, the OSM analysed entries in the RG Register from 1 January to 31 October 2023 and identified customers exhibiting signs of potential gambling harm. One of these customers was Customer B.

B was previously subject to an RG WOL, which was rescinded in November 2021. Employees in the premium rooms observed B exhibiting signs of gambling harm from March 2023. Between August and October 2023, Crown Melbourne employees provided B with information about self-exclusion options. B was also warned of consequences, such as being issued an RG WOL, if their behaviour on the gaming floor did not improve.

The RG Register indicates that customer-facing employees are observing and escalating signs of gambling harm to the PlaySafe team. The register also demonstrates that PSAs are educating customers about options to take a break from gambling.

Crown Melbourne can still do more to support its customers when they are exhibiting serious signs of gambling harm. Nevertheless, this case study demonstrates that it has remediated the specific failing identified by the Finkelstein Royal Commission that employees were potentially discouraging customers from using the Exclusion Program.





### 5.6.3 Enforcement of exclusion orders

Effective monitoring of excluded customers and enforcement of exclusion orders to reduce breach activity is required by regulation and minimises the risk of those customers experiencing further gambling harm.

The Finkelstein Report highlighted failures to prevent self-excluded customers from entering the casino. In particular, it noted that if FRT had:

*been in place earlier, fewer excluded persons would have gained access to the casino floor, and that may have resulted in less harm being caused.*<sup>133</sup>

For Crown to effectively monitor its Exclusion Program, it must:

- have sufficient FRT and software in place to monitor breaches
- have sufficient resources to respond to attempted breaches in a timely manner
- escalate breaches in accordance with relevant policies and procedures
- record interactions with excluded customers in the RG Register.

Amendments to the Casino Control Act now mean that the casino operator will be subject to a penalty if a person subject to an exclusion enters or remains in the casino complex, unless the operator takes 'all reasonable steps' to prevent the person from entering the casino.<sup>134</sup>

Several factors drive change in detected breach activity, including the number of customers excluded or issued with an RG WOL, the number of customers attempting to breach and changes in the placement of FRT cameras. The number of actual breaches<sup>135</sup> is a key indicator of the effectiveness of Crown's procedures for enforcing exclusion orders. The number of verified exclusion breaches in a month varies between 125 and 162 (Figure 14).

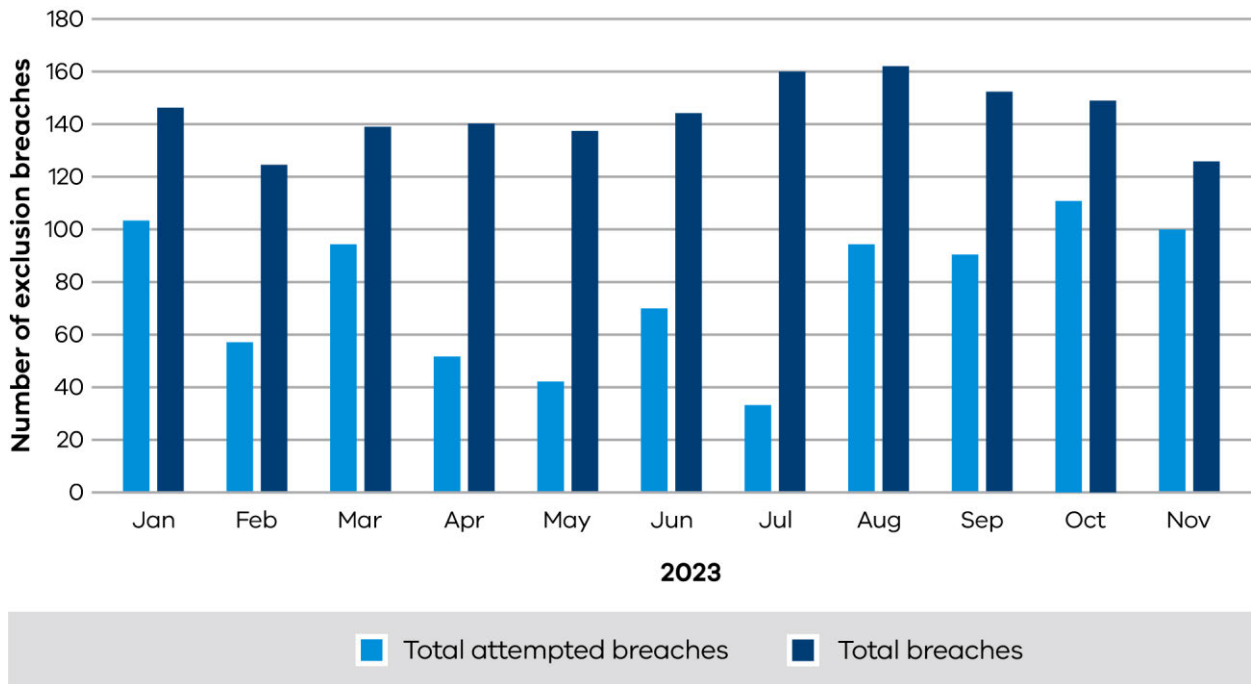
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<sup>133</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 46.

<sup>134</sup> *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic), s 30.

<sup>135</sup> 'Exclusion breaches' refer to customers who are excluded from Crown and have successfully entered the gaming floor. 'Attempted breaches' refer to customers who are excluded from Crown and have attempted to enter the gaming floor but are identified and prevented from entering.

Figure 14. Crown Melbourne exclusion and attempted exclusion breaches, January to November 2023



Source: OSM analysis of RG Register, January to November 2023.

The Special Manager’s June 2023 interim report noted that potentially only 10 to 20 per cent of all detected breaches are responded to, due to time and resourcing constraints in the Surveillance team. In response, Crown had proposed to design a Breach of Exclusions Gap Closure Plan to enhance the controls for identifying and responding to excluded patrons located within the casino complex.<sup>136</sup> Crown has advised the OSM that while consideration has been given to additional controls and processes to be implemented, an agreed plan is not yet in place and will need to be considered in 2024.<sup>137</sup>

Entries in the RG Register indicate that the PlaySafe team is actively monitoring and interacting with self-excluded customers who breach their exclusion on the gaming floor. The Register demonstrates multiple self-exclusion breaches are being escalated to an RG WOL in accordance with the current Responsible Gaming Involuntary Exclusions Policy. Case study (c) illustrates that Crown is monitoring, and responding to, detected exclusion breaches, and issuing an RG WOL to customers with multiple breaches. The OSM considers this example to be representative of broader practice, based on analysis of relevant data.

<sup>136</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 4 October 2023, p. 88.

<sup>137</sup> Email from the General Manager – Crown PlaySafe Operations (Melbourne) to the OSM, 21 December 2023.

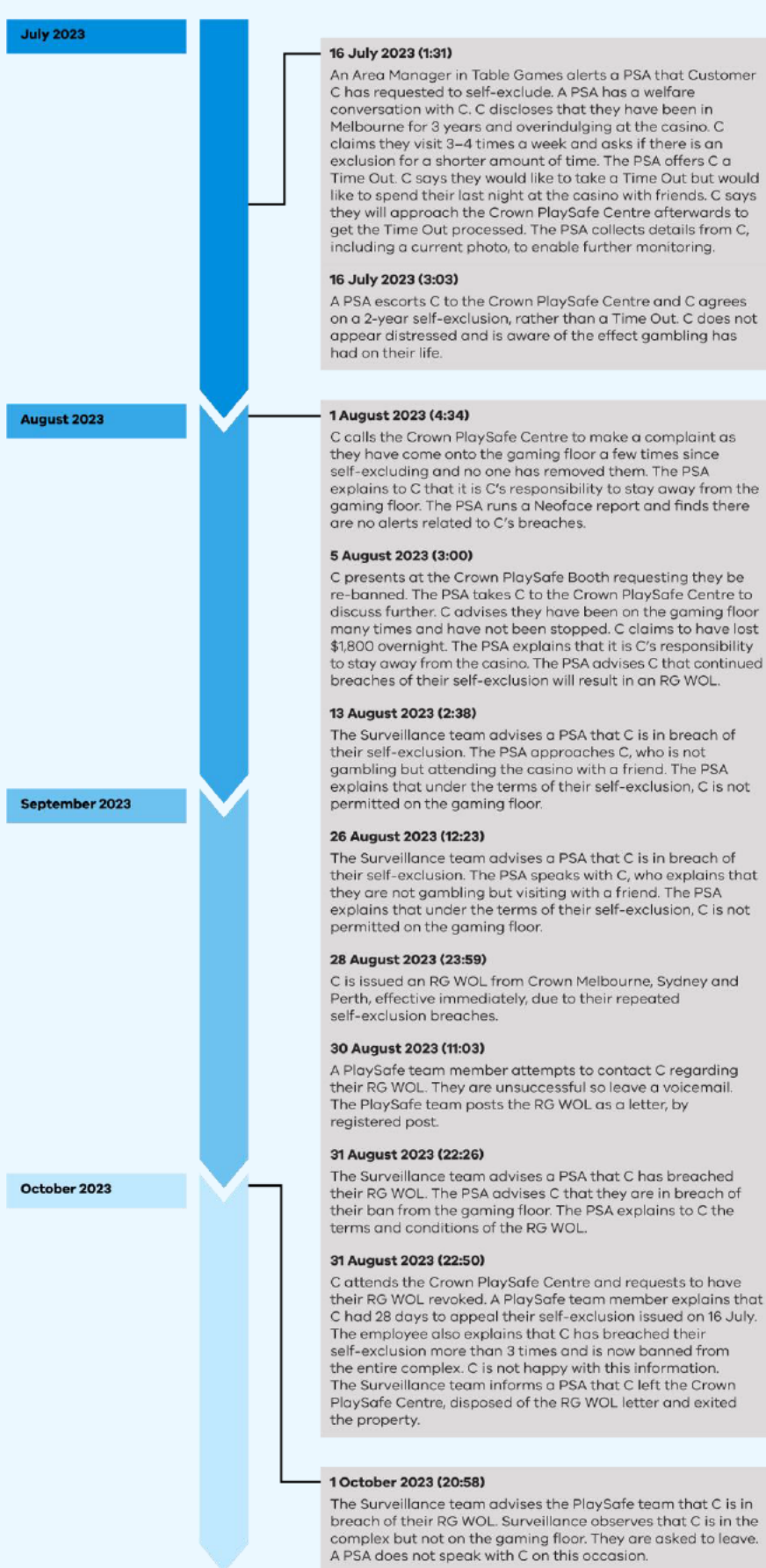
## Case study (c): Customer C breaches their self-exclusion

The Finkelstein Report identified that a large number of customers engaging in risky gambling were avoiding attention. Customers who have previously self-excluded are likely to be at high risk of gambling harm. The OSM has therefore selected this cohort to understand how Crown's monitoring of self-excluded patrons has improved. This case study illustrates how Crown is monitoring customers in breach of their self-exclusion.

To understand Crown's current practices, the OSM analysed entries in the RG Register from 1 January to 31 October 2023 to identify customers who have continued to breach their self-exclusion over an extended period of time. One of these customers was Customer C, whose case was presented in the Special Manager's June 2023 interim report. This analysis provides further information on C since July 2023.

C requested a self-exclusion in July 2023, which a PSA promptly processed. A few weeks later, C had breached their exclusion multiple times and made complaints that they were able to play on the gaming floor without detection.

Crown Melbourne can still do more to support its customers when they are exhibiting serious signs of gambling harm. It is unclear from the RG Register how many times C avoided detection by FRT. They still experienced harm after they elected to self-exclude. However, this case study demonstrates that Crown has remediated the specific failing identified by the Finkelstein Report that self-excluded customers were gambling undetected on the floor. C was identified by FRT breaching their exclusion order on numerous occasions, was monitored by the PlaySafe team and was issued an RG WOL to further restrict their ability to access the gaming floor.



Since the Finkelstein Royal Commission, Crown's increased investment in CCTV and use of FRT has improved its ability to identify exclusion breaches. While breaches still occur, customers with multiple self-exclusion breaches or attempted breaches within a month are now being issued an RG WOL. As noted in case study (c), customers are being warned that if they breach their self-exclusion, they will be issued an RG WOL. This may provide further disincentive for customers to breach their self-exclusion order.

The OSM understands Crown is continuing to engage with industry stakeholders regarding the creation of a state-wide or nation-wide exclusion register. It currently has an arrangement to share information on self-excluded customers with The Star Casino in Sydney.

In previous reporting periods, the OSM noted that there were a range of actions identified by Crown's own internal audits and current state assessments related to self-exclusion that would improve how effectively it recorded and monitored self-exclusion orders. A number of minor items remain unaddressed, and Crown Melbourne should address these where appropriate to ensure it has effective controls in place to prevent excluded customers from entering the casino.<sup>138</sup>

#### **5.6.4 Revocation decision making and monitoring**

The Special Manager's June 2023 interim report indicated that the PlaySafe team is actively monitoring and interacting with previously excluded customers for 12 months after they return to gambling.

Crown Melbourne has continued to actively monitor customers returning from exclusion to ensure they play within their agreed Gambling Resumption Plans at the three, six, nine and 12-month marks. Crown Melbourne's Revocation Committee papers demonstrate that Crown is closely reviewing whether customers returning to gambling are complying with their agreed plans, drawing on their gambling frequency, duration and spend data and follow-up interviews. As per Crown's Responsible Gaming Involuntary Exclusions Workplace Instructions, customers who fail to adhere to their Gambling Resumption Plan during the 12 months post-revocation may be issued an RG WOL.<sup>139</sup> The RG Register demonstrates examples of the PlaySafe team continuing to monitor customers after the 12-month revocation period; in particular, when they were not fully adhering to their Gambling Resumption Plan during the revocation period.

The OSM has observed the conduct of the Self-Exclusion Revocation Committee over the Special Manager's term. The committee has matured in its ability to scrutinise the return strategies of customers, with an increasing focus on whether applicants have good support networks and can afford to visit and spend in line with their proposed strategy.

### **5.7 Loyalty program, marketing and promotions**

Appendix I requires the OSM to evaluate the effectiveness of the May 2021 enhancements. This includes evaluating how effectively Crown has implemented changes to its marketing and promotions practices and to the structure and operation of its loyalty program.

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<sup>138</sup> Crown Resorts, Responsible Gaming Issues spreadsheet, received by the OSM from Crown on 22 November 2023.

<sup>139</sup> Crown Melbourne, Responsible Gaming Workplace Instructions, RG Involuntary Exclusions, 31 March 2023, p. 6.



The Special Manager's December 2022 and June 2023 interim reports identified that, while the majority of the May 2021 enhancements had been actioned, Crown had been slow to adapt its marketing, promotions and Crown Rewards Loyalty Program to minimise gambling harm.

In this final reporting period, the OSM has assessed whether Crown has implemented systems, policies and processes to minimise the risk that its marketing and loyalty programs cause gambling harm. The assessment has focused on whether:

- Crown Melbourne has effectively implemented controls (the marketing guardrails) on its marketing and promotions
- Crown has taken action to address the findings of its study on the harmful aspects of the Crown Rewards Loyalty Program.

The OSM's concluding assessment is that Crown has implemented improvements that go beyond its initial May 2021 enhancements to ensure its marketing and loyalty programs incorporate a harm minimisation lens and do not directly target vulnerable or financially constrained people. Its planned reforms set a positive foundation for ongoing improvement of the Crown Rewards Loyalty Program.

### 5.7.1 Marketing and promotions

The Finkelstein Report identified several aspects of Crown's marketing that were not consistent with minimising and preventing gambling harm. In particular, Crown's Red Carpet and Bingo programs brought vulnerable cohorts to the casino, and the promotion mechanics, including free gaming credits on sign-up, led to some participants experiencing gambling harm.<sup>140</sup> The Red Carpet and Bingo programs have since been banned by a VGCCC Direction on the prohibition on marketing of gambling to vulnerable persons, which was issued on 14 July 2023.<sup>141</sup>

There are many factors that can contribute to higher-risk gambling behaviours and gambling harm; some of these relate to a person's characteristics, such as age, gender, culture and familiarity with gambling. Promotion mechanics can also drive behaviours that increase the likelihood of gambling harm; for example, creating a sense of urgency, encouraging frequent or long visits, and rewarding higher expenditure.

For Crown's marketing and promotions to be consistent with minimising gambling harm, they need to be guided by appropriate promotion concepts and not target vulnerable cohorts. Crown has developed a set of marketing guardrails, which the VGCCC has approved, to ensure its marketing and promotions are assessed with a harm minimisation lens. It has implemented a 'player health assessment' process to assess its marketing and promotion concepts, target cohorts and collateral.

Following the VGCCC's issuance of the written Direction to Crown Melbourne prohibiting marketing of gambling to vulnerable persons, Crown was required to undertake an assessment of its active promotions using its marketing guardrails process within 45 days. Crown reviewed 38 marketing campaigns in August and September 2023; the reviews are provided in Appendix 1, Documents 1.20 and 1.21. Seven campaigns were identified as requiring further consideration, and two were amended with small changes to language. The five that proceeded without adjustment did not contain significant issues.

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<sup>140</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, pp. 47–9.

<sup>141</sup> Victorian Gambling and Casino Control Commission, Written Direction to Crown Melbourne Limited – Prohibition on Marketing of Gambling to Vulnerable Persons, 14 July 2023.

The Crown PlaySafe team can block any campaigns that it considers are likely to cause gambling harm but has not yet needed to exercise this power. If Crown PlaySafe were to find that a campaign did not align with the evaluation criteria specified by the marketing guardrails, the only way it could progress at Crown Melbourne, without adjustment or modification, would be with approval from the Crown Melbourne CEO.<sup>142</sup>

Members of the Crown Melbourne Marketing team have been trained in the marketing guardrails process, in how promotions can lead to gambling harm and in the regulatory requirements arising from the VGCCC's Direction. Whether this training is effective will become evident if, over time, the team continues to improve the nature and content of the promotions it proposes.

There has not been sufficient time since the implementation of the marketing guardrails to evaluate their impact on customer outcomes and gambling harm. However, the OSM considers the implementation of the marketing guardrails to be a significant improvement in Crown's systems, policies and processes since the Finkelstein Royal Commission. It formalises a system of checks and balances that can be expected to limit the likelihood of Crown Melbourne's marketing and promotions causing harm to its customers. In addition, Crown has expanded the scope of the guardrails from gambling marketing, as required by the Direction, to also cover events marketed to its gambling customers, such as Chinese New Year and Diwali, or where the Marketing team believes there may be a reputational impact for Crown.<sup>143</sup> In these instances, marketing has the option to submit these initiatives to the PlaySafe team for assessment.

## 5.7.2 Loyalty program

The Finkelstein Royal Commission found that:

*Crown Melbourne has structured its loyalty program so it rewards higher-turnover customers, meaning problem gamblers are more likely to benefit from the program as compared to people who gamble in a safe manner.*<sup>144</sup>

It called for 'immediate action on this issue' due to evidence that people who are at risk of gambling harm are overrepresented in loyalty programs and the inherent likelihood that these programs have the potential to cause harm.<sup>145</sup>

As reported in the Special Manager's June 2023 interim report, Crown undertook research on harmful aspects of the Crown Rewards Loyalty Program. It identified many features of the program that contributed to high risk and 'problem gambling' behaviours. These included:

- membership tiers requiring significant spending in a six-month timeframe to qualify
- status-credit or points-multiplier promotions that encourage tier-chasing or tier-maintaining behaviours
- exclusive rooms and personalised service, where members value these exclusive offerings.

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<sup>142</sup> Crown Resorts, Crown PlaySafe Strategy – Marketing Guardrails Governance Framework (Approvals and Escalation), 18 October 2023.

<sup>143</sup> Crown Resorts, Crown PlaySafe Strategy – Marketing Guardrails Governance Framework (Approvals and Escalation), 18 October 2023.

<sup>144</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 48.

<sup>145</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 53.



The June 2023 interim report noted that Crown had yet to develop a clear plan to address these findings. Crown has since developed a loyalty action plan, provided in Appendix 1, Document 1.22. A summary of some actions taken in response to the loyalty study is provided in Table 6.

Table 6. Research findings and Crown's response

| Issue identified by the loyalty study   | Crown action  | Status   |
|---|---|--|
| <b>Positive valuation of exclusive rooms and status</b>   | <ul style="list-style-type: none"> <li>• Reviewing customer expenditure and behaviours (screening measures)</li> <li>• Providing higher-quality RSG in VIP rooms</li> <li>• Communicating exclusive tier benefits to customers only on sign-up</li> </ul>   | Implemented, but no changes made to the structure of Crown Rewards tiers and exclusive rooms |
| <b>Tier-maintaining expenditure</b>   | <ul style="list-style-type: none"> <li>• Increasing the period to maintain tier status from six months to 12 months</li> <li>• Ceasing to issue status credit/point multipliers in the second half of annual membership cycles</li> <li>• Reducing the tier-maintaining threshold so it is lower than the tier-entry threshold</li> </ul> | Requires IT upgrade to facilitate changes  |
| <b>Tier-chasing behaviours</b>  | <ul style="list-style-type: none"> <li>• Increasing the period to attain tier status from six months to 12 months</li> <li>• Ceasing to issue status credit/point multipliers in the second half of annual membership cycles</li> <li>• Reducing the amount that needs to be spent to earn a tier upgrade</li> </ul>                      | Requires IT upgrade to facilitate changes  |
| <b>Using loyalty points for gaming credits on EGMs</b>  | <ul style="list-style-type: none"> <li>• Considering lowering the cap on how many loyalty points can be earned, and how many points can be spent on gaming credits, within a time period</li> </ul>   | Under consideration in Melbourne, although requires IT upgrade to facilitate changes         |
| <b>Targeting of vulnerable groups</b>   | <ul style="list-style-type: none"> <li>• Reviewing promotions to exclude vulnerable groups</li> <li>• Monitoring the expenditure of members over 65 years old</li> <li>• Actively engaging with the top 100 'at-risk' members to prevent gambling harm</li> <li>• Stopping promotions to 18 to 24-year-old members</li> </ul>             | Implemented in Melbourne   |
| <b>Frequency of promotions (particularly incentivising above normal frequency or expenditure)</b> | <ul style="list-style-type: none"> <li>• Limiting the number of promotions offered</li> </ul>   | Implemented in Melbourne   |

Source: Crown Resorts, Crown Rewards Loyalty Program Review, September 2023.

The Group Transformation Office has approved resourcing from 8 January 2024 for a 10-week discovery project to identify requirements to implement IT-dependent changes.<sup>146</sup>

Crown has also initiated a project to reform its loyalty program in the longer term to have a greater focus on lifestyle rather than gambling. A Resorts-level Crown Loyalty Steering Committee has been set up to support the delivery of the reformed Loyalty Program, with membership including the CEOs of all three properties and the Group Executive General Manager – Crown PlaySafe Strategy and Policy, among others. The papers and minutes for the first meeting of this committee, held 13 November 2023, are provided in Appendix 1, Document 1.23. These papers outline early thinking on the governance structure for Crown Rewards, and the objectives of the Steering Committee.

The committee will take time to fully define its charter and objectives. However, the creation of a committee with senior executive representation is a promising step to ensuring effective top-down governance and clear accountability for decision making regarding the Loyalty Program in future. This is a marked departure from the past, where, as the OSM understands it, gaming business units would drive promotions and incentivise customers to gamble.

Crown's roadmap for reform sets a positive foundation for changes to the Crown Rewards Loyalty Program that, once fully implemented, incorporate harm minimisation. These actions have been incorporated into the Melbourne Transformation Plan.

## 5.8 Crown PlaySafe Strategy

The Finkelstein Report concluded that Crown prioritised the pursuit of profit over objectives such as RSG. It noted:

*If a casino takes seriously the pursuit of responsible gambling, first it develops a safety-oriented culture that has a forward-looking focus on the potential harms or risks resulting from its decision making. Second, it integrates responsible gambling into its business decisions so that those decisions are made having regard to the potential harm arising from gambling.*<sup>147</sup>

Throughout the Special Manager's term, the OSM has been looking for Crown Melbourne to implement a longer-term RSG strategy focused on minimising gambling harm. The Special Manager's previous interim reports noted the Player Health Strategy (now the Crown PlaySafe Strategy) to be a positive and ambitious initiative, showing that Crown is embracing its responsibility to minimise gambling harm across all areas of its business.

In the Special Manager's June 2023 interim report, the OSM committed to monitoring Crown's implementation of the Crown PlaySafe Strategy, including whether it is fully resourced with buy-in from executive leadership and the Crown Melbourne Board, that key deliverables for 2023 have been delivered on time and in scope, and that a clear path is mapped for all remaining deliverables beyond December 2023.

In this final reporting period, the OSM's assessment has focused on whether Crown Melbourne has:

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<sup>146</sup> Email from the Group Executive General Manager – Commercial Strategy and Sales to the OSM, 19 December 2023.

<sup>147</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 126 (referencing Kahlii S Philander, 'Future-proofing the industry: Organizational culture and responsible gambling' (Conference Paper, New Horizons in Responsible Gambling Conference, 10–12 March 2020), p. 6).

- integrated Crown PlaySafe objectives into its broader corporate strategy
- developed a clear implementation plan for the Crown PlaySafe Strategy
- commenced delivery of key initiatives to improve the effectiveness of its RSG services
- committed to ongoing evaluation and continuous improvement of its approach.

The OSM's concluding assessment is that Crown Melbourne is implementing a strategy that integrates gambling harm minimisation into its business decisions. An implementation plan has been developed, resourcing and funding have been clarified for this financial year and the delivery of key initiatives has commenced. The strategy contains the elements required to support ongoing evaluation and continuous improvement of Crown's approach to gambling harm minimisation. Importantly, implementation of the strategy has been incorporated into the Melbourne Transformation Plan to provide a line of sight over its ongoing delivery.

### 5.8.1 Crown PlaySafe objectives

The Special Manager's June 2023 interim report noted that the Crown PlaySafe Strategy had been developed independently of other strategies and had not yet been reflected in other key strategic documents.

In this final reporting period, Crown's commitment to the Crown PlaySafe Strategy has been identified as a cornerstone of its ongoing business strategy. Importantly, the objectives of the Crown PlaySafe Strategy have been incorporated into Crown's wider corporate strategy (see section 3.2.1).

In July 2023, Crown Resorts publicly launched Crown PlaySafe. A media release detailed:

*Crown Resorts (Crown) has today introduced Crown PlaySafe as part of expanded reforms to reduce gambling harm within its Australian resorts. The plan forms part of the company's Future Crown transformation program and aims to broaden the company's focus from identifying and supporting those experiencing gambling harm to preventing it from happening in the first place.*<sup>148</sup>

The Crown Resorts CEO and the Group Executive General Manager – Crown PlaySafe Strategy and Policy spoke with various media outlets to raise community awareness about Crown's new strategy and commitment to harm minimisation. Since the public launch, the OSM has observed senior leaders at Crown consistently emphasising the importance of RSG in their internal communications across various platforms including employee town hall briefings and Workplace.

The results of the 'Your Voice' survey indicate positive sentiments from the broader workforce regarding Crown Melbourne's approach to RSG. Respondents' comments indicate that they perceive that Crown has continued to improve its RSG program since 2022, and they have welcomed these changes. The results indicate a sound degree of buy-in from employees to the overarching principles of Crown PlaySafe (Appendix F).

### 5.8.2 Implementation plan

Crown has developed an implementation plan for the Crown PlaySafe Strategy covering 14 initiatives under five key areas. The Special Manager's June 2023 interim report noted that, while this implementation plan had been approved by the Group Executive General Manager –

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<sup>148</sup> Crown Resorts, *Introducing Crown PlaySafe: Our plan to reduce gambling harm*, Media Release, 28 July 2023.

Crown PlaySafe Strategy and Policy, the OSM was concerned that management was not providing adequate progress reporting to the Crown Melbourne Board and relevant committees with RSG oversight. In this final reporting period, the OSM expected to see the implementation plan for the Crown PlaySafe Strategy fully resourced, with buy-in from executive leadership and the Board.

At the time of the Special Manager's June 2023 interim report, consultants from PricewaterhouseCoopers were staffing a Player Health Strategy Delivery Office and managing program governance and reporting on the strategy. In July 2023, delivery of the strategy transitioned to Crown. Crown has advised the OSM that ongoing delivery for Crown PlaySafe Strategy initiatives will be overseen by the Melbourne Transformation Steering Committee and the Group Transformation Steering Committee.

In response to the Special Manager's June 2023 interim report, the PlaySafe team:

- worked with the Group Transformation Office to confirm an implementation plan for the Crown PlaySafe Strategy as part of the Melbourne Transformation Strategy
- raised issues and risks related to delivery through the Transformation Steering Committee as required
- included status reports in relevant Board and committee papers.<sup>149</sup>

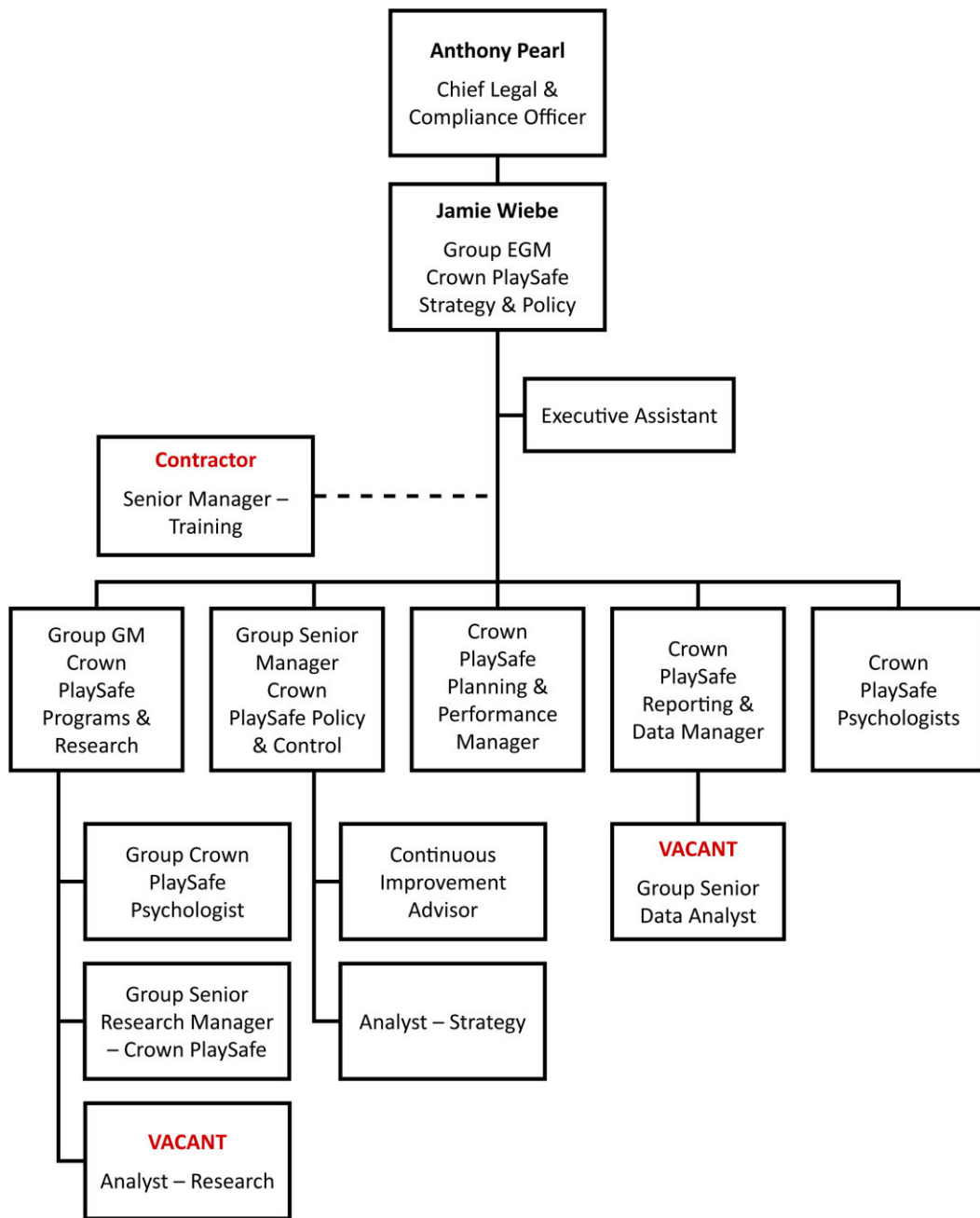
The OSM has observed the PlaySafe team escalating issues and risks regarding delivery of the Crown PlaySafe Strategy more regularly in the Transformation Steering Committee in this final reporting period. Crown PlaySafe management has also been more transparent regarding progress on delivery of the strategy with relevant Boards and committees. In addition, Crown presented the Crown PlaySafe Strategy implementation plans to the VGCCC in October 2023. The presentation papers are provided in Appendix 1, Document 1.24.

Crown has increased resourcing for delivery of the strategy. In recent months, Crown has prioritised the recruitment and onboarding of five new FTEs to deliver Crown PlaySafe Strategy activities, including a Research Analyst, Strategy Analyst and Continuous Improvement Advisor (Figure 15). A Data Analyst position is currently going through the recruitment process.

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<sup>149</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 9 August 2023, p. 81.

Figure 15. Crown Resorts PlaySafe Strategy and Policy team



Note: Edited by the OSM for design purposes.

Source: Crown Resorts, Crown PlaySafe Strategy Team Structure, provided to the OSM on 6 November 2023; Crown Resorts, Organisation Structure, October 2023.

### 5.8.3 Delivery of initiatives

To date, 12 Crown PlaySafe Strategy deliverables have been completed and endorsed by the Group Executive General Manager – Crown PlaySafe Strategy and Policy. These deliverables relate to RSG brand enhancement, baseline tracking and marketing guardrails (discussed in section 5.7.1).<sup>150</sup> As noted in the Special Manager’s June 2023 interim report, some initiatives, particularly in the Technology workstream, have been delayed as a result of dependencies on the IT Strategy.

<sup>150</sup> Email from the Planning and Performance Manager – Crown PlaySafe to the OSM, 23 November 2023.



## RSG brand enhancement

Crown Resorts has launched a new RSG brand identity, 'Crown PlaySafe' (Figure 16). The new branding has been rolled out across Crown's RSG program, including renaming the Responsible Gaming Centre to the Crown PlaySafe Centre. The updating of physical assets such as signage and brochures has commenced and will continue throughout 2024.

Figure 16. Crown PlaySafe brand identity



Source: Email from the Group Executive General Manager – Crown PlaySafe Strategy to the OSM, 25 September 2023.

These changes demonstrate Crown's commitment to positive communications that recognise the stigma associated with language such as 'responsible gaming'. The new brand identity was developed based on the results of a customer survey (the 'baseline study'), which found that 'PlaySafe' resonates best with its customers, meaning that they would be more likely to engage with Crown's RSG services.

## Crown PlaySafe baseline study

Crown completed a baseline study, aimed at collecting data about customer understanding and perceptions of RSG, and about their access to harm minimisation tools such as self-exclusion. This data is expected to provide the basis for measuring progress in the future.

The study and its findings related to customer communications are provided in Appendix 1, Document 1.25, and described in the following snapshot.

### Snapshot: Crown PlaySafe baseline study findings related to customer communications

The baseline study, conducted between 4 and 21 May 2023, explored Crown loyalty members' perceptions and experiences of Crown PlaySafe. Its purpose was to identify the program's strengths as well as opportunities to continue to improve Crown's monitoring of player wellbeing in the long term.

The baseline study asked members to complete a 20-minute survey regarding their:

- awareness of and engagement with Crown's programs and services that help customers enjoy safer gambling. It also assessed member perceptions of the program and how often members use the services provided
- preferences for Crown RSG communications
- preferences for the new name for responsible gaming at Crown.

A total of 5,362 Crown loyalty members from all Crown properties participated in the study, and of these, 2,170 were active Crown Melbourne loyalty members. Members were required to be 18 years or older, to have gambled at Crown at least once in the past year and to have not been banned

or excluded. The survey was voluntary, but participation was incentivised through a prize draw. Members could view the invitation and complete the survey in one of five languages. The survey achieved an overall response rate of 5 per cent of all Crown loyalty members.

In relation to awareness of and engagement with Crown's RSG programs and services, the study found:

- Most respondents are aware that Crown has services to help them enjoy safer play, but only half of members know Crown's Responsible Gaming Centre by name.
- There is high awareness of Crown's RSG programs and services, but low engagement with them:
  - 75 per cent are aware of brochures, posters and electronic signage to promote safer gambling, but do not engage with them.
  - 71 per cent are aware of self-exclusion, but only 3 per cent have engaged in the program.
  - 77 per cent know how to set time and money limits, but only 14 per cent are setting them.

In relation to communication preferences, the study found:

- Respondents prefer to receive gambling support information through more discreet and impersonal communication channels such as emails (39 per cent), physical signage (32 per cent) and website materials (28 per cent), instead of through face-to-face discussion with Crown employees.
- 29 per cent of respondents prefer not to receive any information at all.
- Respondents are drawn to messaging that prompts responsibility and self-awareness, but different messages resonate more depending on the Problem Gambling Severity Index rating of the respondent.
- Respondents favour the name 'PlaySafe' over other program names, as it appeals strongly to those with gambling concerns and promotes safer gambling practices.

Crown has developed a draft action plan based on the findings of the baseline study, aimed at improving its RSG services to better support its customers and minimise harm. It plans to conduct the baseline survey again in May 2024 to measure potential improvements in customers' gambling literacy and awareness of RSG programs and services.

#### 5.8.4 Evaluation and continuous improvement

Should Crown be deemed suitable to retain its licence, it will be important for Crown to regularly evaluate how its RSG policies and programs are working in practice to demonstrate commitment to continuous improvement.

The Special Manager's previous interim reports noted the strong emphasis that the Crown PlaySafe Strategy placed on data collection as a key enabler of better RSG performance and improved evaluation of key policies and programs, but that Crown had not yet agreed on a set of metrics to track and measure progress.

An operational dashboard (the Crown PlaySafe Melbourne Operational Dashboard, provided in Appendix 1, Document 1.26) is provided regularly to the Crown Melbourne Board, the Risk, Compliance and Responsible Gaming Committee and the Responsible Gaming Management Committee to enable oversight of the RSG program. The reporting of metrics in this dashboard has been improved:

- The data has been reorganised thematically to make it easier to read.
- A glossary has been included to aid understanding of the measures.
- High-level commentary on trends has been included to aid interpretation of key changes in the statistics.

Nevertheless, the measures remain activity-focused and a more nuanced analysis of the implications or learnings from the measures is still required. The OSM also notes that governance and oversight of RSG at Crown Melbourne is yet to settle (see section 9.5).

Crown has started to develop a range of RSG indicators supporting the Melbourne Transformation Scorecard (see section 10.2) and the Risk Appetite Statement (see section 7.4.1). It is yet to present and report against enhanced RSG risk measures to the Crown Melbourne Responsible Gaming, Compliance and Risk Committee or the Board.

It is expected that, in the longer term, data collected from the baseline survey described above will form the basis for more outcomes-focused reporting. Based on the baseline results, the PlaySafe team has developed a draft baseline-tracking dashboard of measures related to customer RSG awareness, Problem Gambling Severity Index classification, and perceptions of Crown and positive play behaviours. The Group Executive General Manager – Crown PlaySafe Strategy and Policy has informed the OSM that the PlaySafe team intends to use these measures internally to improve RSG service delivery over time. It also intends to be open and transparent with these measures, possibly publishing them on the Crown website in the form of a scorecard. The dashboard has not yet been approved by management or the Board and remains in draft form. However, its publication would represent a significant shift in Crown's transparency regarding gambling harm minimisation outcomes.

The Finkelstein Royal Commission recognised the importance of facilitating data collection for research purposes,<sup>151</sup> and recommended the creation of a Gambling Data Committee to ensure independent researchers can apply to conduct research at Crown. Crown Melbourne has been engaging with the Victorian Responsible Gambling Federation (VRGF) (which provides the Chair and secretariat for the committee), the VGCCC and Department of Justice and Community Safety (DJCS) to identify what data can be shared and how it can be stored.

The Melbourne Transformation Plan and Crown PlaySafe Strategy include initiatives to commission independent research and evaluations, but Crown Melbourne has not yet demonstrated the open sharing of data with independent researchers. The onus will be on Crown Melbourne to continue engaging with the Gambling Data Committee and other researchers openly and transparently, to support an evidence-based approach to RSG service delivery at the Melbourne casino.

## 5.9 Conclusion

The Finkelstein Report described Crown's conduct in relation to its failure to prevent gambling harm as arguably the Royal Commission's 'most damning discovery'.<sup>152</sup> The Royal Commission heard distressing evidence from people whose lives were ruined by gambling as a result of Crown Melbourne not carrying out its obligations under its Gambling Code. Customers gambled for 12 hours or more without observation or interaction, many customers who engaged in risky gambling practices avoided attention, and Crown Melbourne employees and practices encouraged high-risk gambling. Crown Melbourne's practices had significant negative impacts on customers, their families and communities.

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<sup>151</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 21.

<sup>152</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

In describing the appropriate norms of conduct for a licensed casino operator, the Finkelstein Report stated that Crown should not exploit its customers and should take active measures to minimise the harm caused by gambling.<sup>153</sup>

Crown Melbourne has implemented a range of reforms to minimise gambling harm in response to the Finkelstein Royal Commission. The major changes, and the pace of implementation, have been driven by Victorian Government legislative reforms and associated directions from the VGCCC. Crown has reformed its systems, policies and procedures to better protect its customers (for example, by implementing marketing guardrails) and is taking active measures to minimise gambling harm (for example, by reforming its approach to monitoring play periods). It has implemented mandatory carded play and pre-commitment on EGMs, and is continuing to implement further legislated reforms. As previously noted by the Victorian Government, these legislated reforms represent leading international practice in gambling harm minimisation for a casino of Melbourne's size and nature.

It is too early to assess the outcomes of Crown's reforms to minimise gambling harm, and its approach to complying with the new Gambling Code is in its early days. In a large casino, some customers will continue to engage in risky gambling practices. However, with regard to relevant items in Appendix I, the OSM concludes that Crown Melbourne has remediated the key failings identified in the Finkelstein Report. In particular, it has:

- significantly increased the size of its PlaySafe team, although a further increase in PSAs is still required. Crown Melbourne's employee numbers are considered generally adequate to manage its RSG obligations, except during busy periods
- adequately funded its RSG program to deliver on operational and strategic requirements
- reformed its RSG training program such that employees now largely understand their RSG roles and responsibilities
- sufficiently reformed its Exclusion Program and is now more effectively monitoring customers who are at risk of gambling harm, encouraging them to self-exclude where appropriate and monitoring self-exclusion breaches
- implemented the majority of its May 2021 'enhancements', including improvements that go beyond the original enhancements to ensure its marketing and loyalty programs apply a harm minimisation lens and do not directly target vulnerable people
- implemented new systems, policies and procedures to comply with its new Gambling Code. Crown Melbourne employees are reporting observable signs to the PlaySafe team, and PSAs are engaging regularly with customers to monitor their activity and encourage safer gambling behaviours.

Crown Melbourne is continuing to reform its RSG program. The Crown PlaySafe Strategy demonstrates that Crown is embracing its responsibility to minimise gambling harm across all areas of its business. This strategy has been embedded into Crown's wider corporate strategy, demonstrating its recognition of the ongoing need to balance financial and non-financial objectives if it is to retain its casino licence and conform with its social licence to operate.

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<sup>153</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 127.

Further, key initiatives that will continue to improve Crown's RSG practices have been incorporated into the Melbourne Transformation Plan, including:

- optimising case management to better monitor and target customer interactions
- establishing and maintaining a reporting and governance structure to monitor and manage performance against the Gambling Code, including the assessment of resourcing required to achieve targets
- developing a Crown Rewards Loyalty Program that mitigates the potential for gambling harm
- commissioning independent research and evaluations for continued improvement of the RSG program through the application of better practice.

When mandatory carded play is fully implemented across the casino by the end of 2025, it will further enhance Crown's ability to detect and respond to customers engaging in risky gambling.



## 6. Financial crime

### Key findings and observations

- Crown has significantly reformed its approach to managing financial crime risk since the Finkelstein Royal Commission. It has implemented a legislatively compliant Joint AML/CTF Program that is adequately resourced and governed, and supported by a suite of policies, processes, systems and controls to enable it to identify, mitigate and manage financial crime risk.
- With regard to the matters identified in Appendix I of the Finkelstein Report, the OSM concludes that Crown has satisfactorily remediated its financial crime program and addressed the failings identified by the Finkelstein Royal Commission. In particular, it has:
  - effectively implemented the recommendations made by a range of independent external reports undertaken as part of and in response to the Bergin Inquiry and the Finkelstein Royal Commission
  - effectively implemented the reforms set out in its Financial Crime and Compliance Change Program (FCCCP), which have improved its ability to identify, manage and monitor compliance with its financial crime legislative obligations
  - invested significantly in people, processes and systems to better mitigate financial crime risk and to detect suspected incidents of financial crime.
- Crown is continuing to make enhancements in a number of key areas that should enable it to more effectively and sustainably comply with its Joint AML/CTF Program in the long term, including by automating its control environment and developing a Customer Risk Register.
- Crown has appropriate mechanisms in place to enable it to detect potential issues with, or breaches of, financial crime policies or controls, and to remediate, escalate and report any issues or breaches to Crown senior management, Boards and regulators where appropriate.

### 6.1 Introduction

The Finkelstein Royal Commission and two other commissions of inquiry each revealed that Crown facilitated money laundering and other financial crime across its casinos in Melbourne, Sydney and Perth by failing to appropriately manage the risk of financial crime.<sup>154</sup> The Finkelstein Report noted that, among other things, Crown Melbourne failed to ‘prevent very large cash transactions from occurring’,<sup>155</sup> failed to sight and verify customer identification,<sup>156</sup>

<sup>154</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, pp. 2, 194.

<sup>155</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 91.

<sup>156</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 123.

and allowed 'junket operators who had links to triads and other organised crime groups'<sup>157</sup> to operate in its casinos.

The Finkelstein Report identified that Crown's conduct extended far beyond merely failing to comply with AML/CTF legislation. It found, for example, that:

- *[there was] a litany of failings on the part of Crown Melbourne and Crown Resorts to appropriately identify, mitigate and manage the risk that Crown Melbourne's provision of gambling services might involve or facilitate money laundering; including failures to report as required to AUSTRAC*
- *Crown Melbourne does not have in place robust and sustainable systems to detect and deter money laundering; rather it has significant, current vulnerabilities to financial crime and only a basic or preliminary state of preparedness to counter money laundering and financial crime more generally.*<sup>158</sup>

The Finkelstein Report noted similar findings to the Bergin Inquiry:

*that between 2014 and 2019, Crown enabled or facilitated money laundering through the bank accounts of its subsidiaries ... and that this situation went unchecked and unchanged despite warnings from its bankers.*<sup>159</sup>

The Finkelstein Report noted that money laundering has harmful impacts on the community in that it 'allows criminals to hide and accumulate wealth, avoid prosecution, evade taxes, increase profits through reinvestment and fund further criminal activity'.<sup>160</sup>

The Special Manager is required to monitor whether Crown has effectively addressed the financial crime matters listed in Appendix I. This includes monitoring implementation of the Financial Crime and Compliance Change Program (FCCCP) and the recommendations made in various external reports, Crown's compliance with its Joint AML/CTF Program, the Crown Melbourne Board's oversight of the Joint AML/CTF Program and the adequacy of its AML/CTF resourcing.

The Special Manager's June 2023 interim report concluded that Crown had made significant progress in addressing the deficiencies identified in the Finkelstein Report, notably by implementing a Joint AML/CTF Program that is adequately resourced and governed, along with systems, policies, processes and controls that enable Crown to identify, mitigate and manage financial crime risk.

In this reporting period, Crown has continued to proactively engage with AUSTRAC. It has reported potential breaches to AUSTRAC on a more timely basis and conducted regular (triannual) meetings with AUSTRAC to discuss compliance with its AML/CTF obligations and its ongoing reform program. Feedback received by the OSM from AUSTRAC demonstrates an improved relationship that should assist Crown in managing its financial crime legislative obligations in the future.

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<sup>157</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 85.

<sup>158</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 172.

<sup>159</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 68.

<sup>160</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 162 (referencing Australian Criminal Intelligence Commission, *Organised Crime in Australia 2017*, Report, 2017, p. 9).

Crown has established information sharing protocols with a number of law enforcement agencies, as recommended by the Finkelstein Royal Commission, to improve detection, investigation and prevention of crime (see section 9.6).

This section outlines the OSM's final assessment of Crown's progress in financial crime reform and is focused on whether Crown has effectively implemented:

- the recommendations from various external reports noted in Appendix I
- the FCCCCP
- the Joint AML/CTF Program
- an AML/CTF training and communications program
- the recommendations arising from the findings of internal and external reviews
- its Premium Player Rebate Program.

## 6.2 External report recommendations

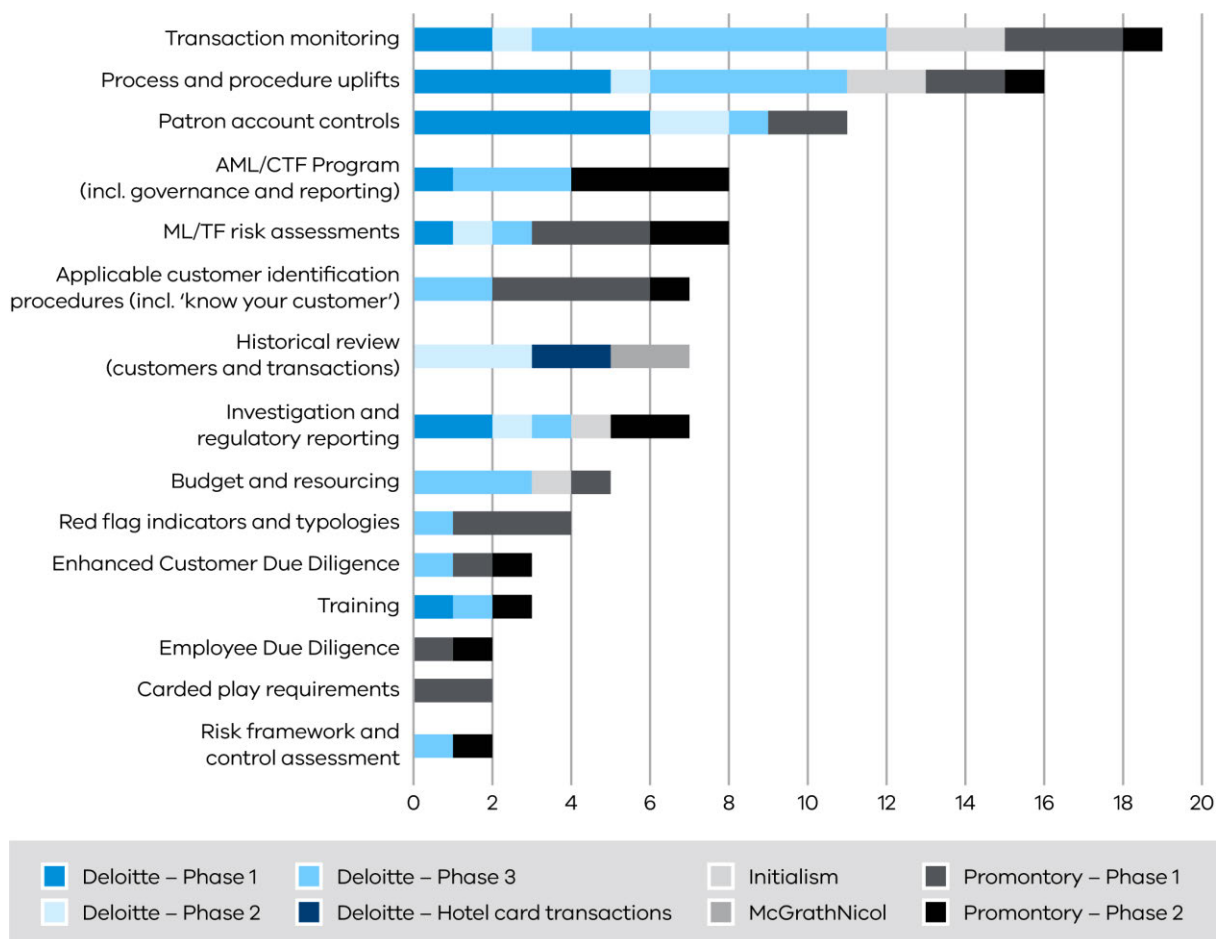
Crown's Joint AML/CTF Program and financial crime systems, processes and control environment have been the subject of several independent external reports, undertaken both as part of the Bergin Inquiry and Finkelstein Royal Commission, and in response to those commissions of inquiry. The reports prepared by these external advisors are set out in Table 7.

*Table 7. Financial crime external advisor reports*

| Date             | Report                              | Subject matter   |
|------------------|-------------------------------------|--|
| 26 March 2021    | Deloitte – Phase 1                  | Design and operational effectiveness of Crown's patron account controls  |
| 24 May 2021      | Promontory – Phase 1                | Gaps and weaknesses in Crown's Joint AML/CTF Program   |
| 20 June 2021     | Promontory – Phase 2                | Crown's capabilities to manage financial crime risks (current and future state)  |
| June 2021        | Initialism – Transaction monitoring | Crown's approach to monitoring customer activity from an ongoing customer due diligence and transaction monitoring perspective |
| July 2021        | McGrathNicol – Forensic review      | Transactions potentially indicative of 'structuring' and 'parking' in Crown's patron accounts                                  |
| 19 August 2021   | Deloitte – Phase 3                  | Effectiveness of Crown's patron account controls   |
| 15 October 2021  | Deloitte – Phase 2                  | Indicators of ML/TF typologies in Crown's bank transactions  |
| 16 November 2021 | Deloitte – Hotel card transactions  | Historical hotel card transactions   |

The above reports made recommendations aimed at addressing identified gaps and deficiencies, which have been categorised by the OSM into 15 key areas, as shown in Figure 17. Crown developed a suite of 'Commitments' to address these recommendations. As noted in the Special Manager's December 2022 interim report, these Commitments each link to elements of the FCCCP and are reflected in various FCCCP initiatives.

Figure 17. External report recommendations – identified gaps and deficiencies



Source: OSM's analysis of external reports set out in Table 7.

Appendix I requires the Special Manager to evaluate whether Crown has effectively implemented these report recommendations. To do so, the OSM considered whether the Commitments developed by Crown adequately address each of the recommendations.

In the Special Manager's December 2022 and June 2023 interim reports, the OSM provided its assessment of Crown's implementation of Commitments relating to the McGrathNicol, Deloitte Phase 1 and Promontory Phase 2 reports, and concluded that they had been effectively implemented.

In this final reporting period, the OSM assessed 192 closure packages, all of which had been validated by Ernst & Young, that demonstrated the effective implementation of Commitments relating to the Initialism, Promontory Phase 1 and remaining Deloitte<sup>161</sup> reports (noting that a significant number of these Commitments had been superseded by current and ongoing BAU activities).

<sup>161</sup> Phases 2 and 3, and Hotel card transactions.

The OSM's concluding assessment is that Crown has effectively implemented the recommendations made in the external reports noted in Appendix I.

## 6.3 FCCCP

The FCCCP is Crown's key reform program for financial crime, designed to enhance, evolve and improve its approach to financial crime risk management and compliance. It comprises 10 specific work programs (referred to as 'initiatives') and aims to make material improvements to Crown's:

- ability to identify, manage and monitor compliance with its financial crime legislative obligations
- risk assessment methodologies and solutions
- ongoing customer due diligence (OCDD) processes, including enhancements to OCDD training, technology and resourcing
- AML/CTF training program, to ensure it is fit-for-purpose and covers relevant regulatory and industry content.

Appendix I requires the Special Manager to evaluate whether Crown has effectively implemented the recommended reforms set out in the FCCCP, and to evaluate whether Crown has effectively implemented the recommendations from its 2021 Enterprise-wide Risk Assessment and from work undertaken by PricewaterhouseCoopers and Allens Linklaters.<sup>162</sup>

In this final reporting period, the OSM has assessed whether:

- changes made to the FCCCP have impacted Crown's ability to achieve the program's original purpose
- there is satisfactory evidence that initiatives have been effectively implemented
- the FCCCP initiatives address the external review recommendations.

Crown reports that it considers the FCCCP to be complete. Figure 18 shows the FCCCP initiatives Crown has implemented, which include 99 unique milestones<sup>163</sup> specifically related to Melbourne and 261 milestones that are Group-wide.<sup>164</sup>

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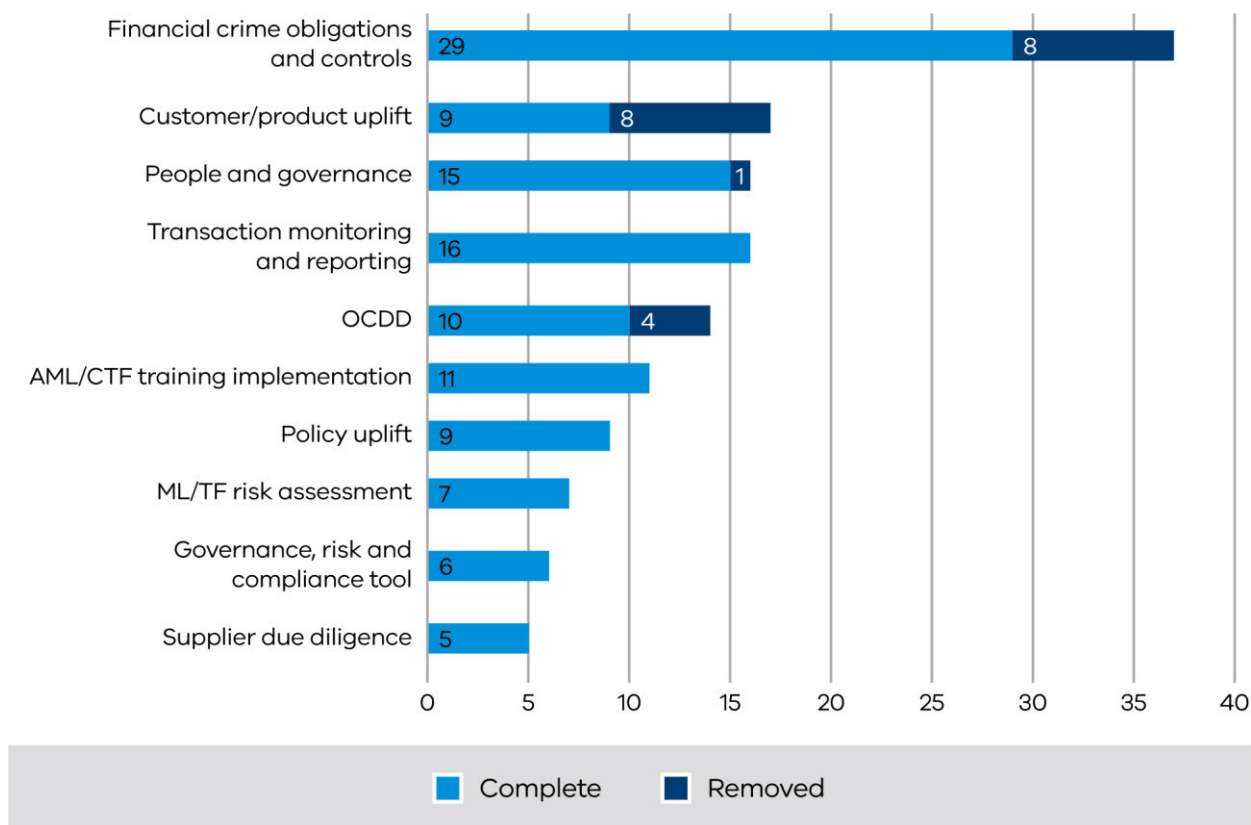
<sup>162</sup> Crown advised that due to the work PricewaterhouseCoopers and Crown's Risk Assurance team was already undertaking, it was unnecessary to engage Allens Linklaters to do this work (see Appendix A).

<sup>163</sup> Each milestone is either the design, implement and embed phase for a deliverable.

<sup>164</sup> Financial Crime Operations & Solutions and Financial Crime & Compliance Change Program Update, 27 November 2023, provided to the Crown Melbourne Board for its meeting on 11 December 2023, p. 110 of meeting papers.



Figure 18. Status of FCCCP deliverables as at 11 December 2023



Source: OSM monitoring of FCCCP deliverables and FCCCP Design and Decision Forum papers from February 2021 to October 2023.

The FCCCP has evolved over time in line with changes in Crown’s financial crime risk and regulatory environment, including changes in legislation. This has resulted in Crown amending the FCCCP to add and remove some deliverables, while ensuring the program still reflects its original purpose – to improve Crown’s approach to financial crime and compliance. Accordingly, the current FCCCP is an updated version of the program that the Finkelstein Report referenced.

The OSM considers the changes Crown has made to the FCCCP are not material from an overall remediation perspective and are appropriate, given significant change in Crown’s financial crime risk and control environment.

The OSM notes that the recommendations from Crown’s 2021 Enterprise-wide Risk Assessment and work undertaken by PricewaterhouseCoopers are included in the current FCCCP.

In this final reporting period, Crown provided closure packages,<sup>165</sup> independently validated by Ernst & Young, to evidence effective implementation of the FCCCP initiatives. These included evidence of enhanced policy and procedure documents being finalised and approved, and results of controls testing, among other artefacts. The OSM assessed each of the closure packages to satisfy itself that Crown had effectively implemented the FCCCP initiatives and the corresponding Appendix I items in accordance with the original purpose.

<sup>165</sup> Closure packages included details of Crown’s deliverables, including the intended purpose of the deliverable, relevant design, implement and embed criteria, and Crown’s rationale and evidence supporting its conclusion that the relevant criteria had been met.

The OSM's concluding assessment is that Crown has effectively implemented the recommended reforms set out in the FCCCP (noting the changes in the FCCCP described above), and the recommendations from its 2021 Enterprise-wide Risk Assessment and the work undertaken by PricewaterhouseCoopers.

## 6.4 Joint AML/CTF Program

Appendix I requires the Special Manager to assess whether:

- Crown is complying with its Joint AML/CTF Program
- the Crown Melbourne Board is providing effective and meaningful oversight of the program
- the resourcing of the Financial Crime team is adequate.

As noted in the Special Manager's June 2023 interim report, Crown's Joint AML/CTF Program contains all the elements required by the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* (Cth). The June 2023 interim report also concluded that:

- Crown was largely complying with its Joint AML/CTF Program
- there was adequate Board and senior management oversight of compliance with the Joint AML/CTF Program
- the Financial Crime Breach Determination Forum appropriately escalated breaches to the Board for its consideration
- the Financial Crime team had adequate resources and budget to manage its financial crime compliance obligations and risks.

The OSM's concluding assessment of Crown's compliance with the Joint AML/CTF Program remains consistent with the above. Crown's Financial Crime team is adequately resourced at present, and the Crown Melbourne Board is providing effective and meaningful oversight of the Joint AML/CTF Program.

The OSM considers the leadership roles of Executive Group General Manager – Financial Crime Risk and Executive Group General Manager – Financial Crime Operations are critical to Crown's ability to effectively and sustainably manage its financial crime risks and obligations in the future. Maintaining these roles, and managing key person risk, will be an important indicator of Crown's long-term commitment to sustainable compliance.

In this final reporting period, the OSM has assessed Crown's overall compliance with the Joint AML/CTF Program, focusing on the following material aspects of Crown's financial crime risk management:

- systems, processes and controls
- customer risk assessment (CRA) processes
- employee due diligence (EDD) processes
- automation of the AML/CTF control environment.

The OSM's concluding assessment is that Crown continues to largely comply with the Joint AML/CTF Program and that its underlying systems, processes and controls appear to be operating effectively. Crown's CRA Methodology and automated CRA tool are appropriate and

effective, and significantly enhance its management of ML/TF risks. Crown has, and largely complies with, an effective and legislatively compliant EDD program and has made steady progress in automating its control environment to reduce risk.

### 6.4.1 Systems, processes and controls

The Finkelstein Royal Commission found that there was no evidence of Crown complying with its AML/CTF legislative obligations.<sup>166</sup> More specifically, it found that while Crown had an AML/CTF program ‘on paper’, there was no evidence of Crown complying with it<sup>167</sup> or having sufficiently robust systems to detect and deter money laundering and other forms of financial crime.<sup>168</sup> As a result, Crown was highly vulnerable to financial crime risks and was not adequately prepared to combat money laundering and financial crime occurring in its casino.<sup>169</sup>

Following the Finkelstein Report, Crown developed a Joint AML/CTF Program, together with systems, processes and controls to enable improved compliance with this program.

In this final reporting period, the OSM has assessed whether the key systems, processes and controls underpinning Crown’s Joint AML/CTF Program are operating effectively and enabling it to manage its AML/CTF-related obligations. This assessment work has been informed by sample testing of 370 customer and employee files and transactions, as outlined in Table 8, using the same methodology applied in the January to June 2023 reporting period.

*Table 8. OSM sample testing of anti-money laundering/counter-terrorism financing-related activities*

| Systems, processes and controls                                      | Sample size | Purpose   |
|--|-------------|---|
| International Funds Transfer Instructions                            | 16          | Test whether: <ul style="list-style-type: none"> <li>• Crown is able to identify relevant transactions and meet its reporting obligations within the required timeframes</li> <li>• Crown’s reports to AUSTRAC are accurate and contain the appropriate information.</li> </ul>   |
| Threshold Transaction Reports  | 48          |   |
| Unusual Activity Reports (UARs) and Suspicious Matter Reports (SMRs) | 40          | Test whether: <ul style="list-style-type: none"> <li>• Salesforce is effective as a case management platform for Crown’s Investigations and Screening team</li> <li>• Crown accurately records investigations and rationales for decisions</li> <li>• Crown escalates investigation results appropriately</li> <li>• Crown is meeting its reporting obligations within the required timeframes, and the information it reports to AUSTRAC is accurate and appropriate.</li> </ul> |

<sup>166</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 192.

<sup>167</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 192.

<sup>168</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 194.

<sup>169</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 189.

| Systems, processes and controls                      | Sample size | Purpose   |
|--|-------------|---|
| <b>Dormant accounts</b>                              | 10          | Test whether: <ul style="list-style-type: none"> <li>• Crown accurately records investigations and rationales for decisions</li> <li>• Crown escalates investigation results appropriately.</li> </ul>  |
| <b>Source of Funds threshold transactions</b>        | 20          | Test whether Crown is complying with its Source of Funds threshold transaction processes, including submission of UARs.   |
| <b>Enhanced Customer Due Diligence (ECDD)</b>        | 40          | Test whether: <ul style="list-style-type: none"> <li>• Crown consistently applies its ECDD approach to better understand its customers (particularly those identified as high risk)</li> <li>• Crown adequately undertakes ECDD for high and critical-risk customers and, where appropriate, escalates the decision to retain or remove a customer to senior management</li> <li>• Crown identifies politically exposed persons, and relatives or close associates of politically exposed persons, and appropriately manages associated risks.</li> </ul> |
| <b>EDD</b>   | 50          | Test the effectiveness of Crown's EDD procedures, including whether: <ul style="list-style-type: none"> <li>• Crown accurately applies ML/TF risk ratings to its employees</li> <li>• Crown undertakes required pre-employment screening</li> <li>• Crown undertakes regular, ongoing screening.</li> </ul>   |
| <b>Low, medium, high and critical-risk customers</b> | 146         | Test the effectiveness of Crown's risk assessments, including whether the automated CRA tool accurately calculates and applies risk ratings.  |

The OSM conducted walk-throughs of Crown's systems, processes and controls where it was not possible to undertake sample testing. This included Crown's Salesforce case management platform, reporting processes, customer and employee due diligence procedures, and transaction monitoring rules.

The OSM's testing found that Crown's underlying systems, processes and controls are operating effectively, with no material issues identified. It did identify minor data discrepancies in the EDD sample testing, relating to the manual input required to assign risk ratings. Crown is currently automating its EDD control environment as part of its People and Culture Transformation Project (see section 6.4.3).

## 6.4.2 Customer risk assessment

As noted in the Special Manager's June 2023 interim report, Crown's existing trigger-based approach does not proactively risk-rate customers, but rather relies on pre-determined events to 'trigger' a CRA. This creates a risk that Crown may unknowingly onboard or retain high-risk customers.

To address this vulnerability, Crown designed and implemented a CRA Methodology, together with an automated CRA tool that risk-rates all newly onboarded customers. This involves assessing the ML/TF risks new customers pose when they commence gaming (or are provided with any other designated service), rather than waiting for a ‘trigger event’ to occur. Due to the volume of existing customers<sup>170</sup> who need to be processed, Crown aims to roll out the automated CRA tool to assess existing customers using a risk-based, staggered approach. This is expected to be complete by January 2026.

The OSM’s assessment of Crown’s automated CRA tool has focused on:

- the appropriateness of the CRA Methodology
- the effectiveness of the automated CRA tool
- potential vulnerabilities in the tool
- Crown’s proposed approach to processing the existing ‘backbook’ of customers.

The OSM reviewed Crown’s CRA Methodology and automated CRA tool, its risk elements and weighting calibration, and the functional testing Crown undertook before implementing the tool. The OSM also undertook walk-throughs of the automated CRA tool, where it observed the tool in use and sample-tested customer files to establish whether Crown’s CRA approach (that is, both its new tool and its trigger-based approach) was operating effectively and as intended. The findings from those activities are set out below.

#### **Appropriateness of the customer risk assessment methodology**

The OSM has assessed whether Crown’s CRA Methodology is appropriate in the context of Crown’s risk environment and whether it addresses weaknesses in the existing trigger-based approach.

Crown’s CRA Methodology:

- calculates a customer’s risk score by considering seven risk-weighted attributes, including customer-specific attributes such as occupation and jurisdiction, and gaming-specific attributes, comprising product risk<sup>171</sup> and actual and theoretical win/loss outcomes
- takes into account, through the automated CRA tool, additional risk conditions and risk events (for example, law enforcement agency requests and number of SMRs) that, if present, would override the initial calculated score and increase the overall risk rating.

The OSM’s view is that Crown’s CRA Methodology is appropriate and effective, enabling it to:

- identify customers with high-risk attributes, in line with Crown’s risk appetite
- undertake further investigation (that is, ECDD) of customers identified as high risk, to determine whether the preliminary risk rating is appropriate or whether it needs to be adjusted
- determine whether a customer should be retained or exited following completion of ECDD.

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<sup>170</sup> Customers who have engaged in gaming within the previous two years.

<sup>171</sup> While the CRA model captures product and jurisdiction risk, channel risk is not included in the calculation of the CRA, although it is used in calculating product risk. Crown has indicated that most channels relevant to its services are face-to-face and therefore do not need to be specifically captured as a separate risk attribute in the CRA.



Crown has committed to reviewing the CRA Methodology at least every three years (or 'as required by material changes in regulation, risk environment or business profile').<sup>172</sup> In addition, it continues to assess the efficacy of the CRA Methodology to ensure it is appropriately aligned to any changes to Crown's operating environment and risk appetite.

Based on recent analysis of CRA outcomes from the automated CRA tool, Crown recalibrated its CRA Methodology, and is proposing to adjust certain risk attribute weightings to identify the actual risk faced by Crown's business and place less reliance on theoretical risk. To achieve this, Crown proposes to reduce the jurisdiction risk attribute weightings<sup>173</sup> and increase the win/loss risk attributes,<sup>174</sup> and to remove the 'majority high-risk rule'<sup>175</sup> and adjust the high-risk parameters of the length of the relationship attribute from two years to one year (in line with post-COVID-19 customer visitation numbers).

The OSM's assessment is that Crown's CRA Methodology (including the proposed changes) is appropriate for its needs and is a significant enhancement to its management of ML/TF risks since the Finkelstein Report. It considers that Crown has selected appropriate risk factors and weightings that reflect industry better practice, its Joint AML/CTF Program 'know your customer' requirements and its risk environment.

#### **Effectiveness of the automated customer risk assessment tool**

The OSM has reviewed the features of Crown's automated CRA tool and assessed whether the tool operates effectively.

In accordance with Crown's CRA Methodology, the tool:

- [REDACTED]
- can ingest a large volume of customer data from various Crown systems such as Salesforce and SYCO<sup>176</sup>
- applies IT alerts and financial crime controls to identify errors, with data uploaded into the tool each day
- generates a 'Customer Lookup' dashboard that provides detail and context to a customer's final risk rating, to assist ECDD investigations
- includes a 'CRA Risk Rating Monitor' function that displays alerts of all changes to customers' risk ratings, to assist with case management and ECDD investigations.

The OSM undertook walk-throughs and sample-tested customer files to assess the automated CRA tool. This testing found the tool to be operating effectively and in accordance with the methodology (see the following snapshot).

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<sup>172</sup> Crown Resorts, CRA Approach and Methodology, June 2022, p. 6, section 2.2.

<sup>173</sup> [REDACTED]

<sup>174</sup> [REDACTED]

<sup>175</sup> [REDACTED]

[REDACTED]

<sup>176</sup> An electronic casino management system used by Crown Melbourne and Crown Perth.

## Snapshot: Testing of Crown's customer risk assessment

The OSM conducted sample testing on customers onboarded between 1 March and 31 August 2023 to assess the effectiveness of Crown's CRA. The sample comprised:

- 89 out of 8,623 new customers assessed using the automated CRA tool for the period 1 July to 31 August 2023
- 57 out of 15,526 customers assessed under the trigger-based approach for the period 1 March to 30 June 2023.

The OSM also conducted walk-throughs of the tool to understand how it operates, and how it integrates with other systems (for example, Salesforce and SYCO).

The OSM's testing found that the tool calculated and applied risk ratings in accordance with the CRA Methodology.

The OSM recognises that there is a level of judgement involved in determining whether particular high-risk or critical-risk customers are retained. This creates a vulnerability that Crown may in the future be inclined to take on more risk, driven by the pursuit of profits (as was identified in the Finkelstein Report), by retaining high-turnover or high/critical-risk customers who would otherwise be excluded. The OSM considers that this vulnerability may be managed and monitored by regular, independent sample testing of Crown's decisioning rationale to retain high-turnover and high/critical-risk customers.

### Potential vulnerabilities in the automated customer risk assessment tool

The OSM has considered the extent of any vulnerabilities in the automated CRA tool, and whether Crown has plans to address these.

One of these vulnerabilities is the lack of a Customer Risk Register – to provide a single system containing customer financial crime risk information, including risk events and attributes (for example, SMRs and law enforcement agency requests). The register would address gaps and risks identified in Exiger's independent reviews, particularly data issues caused by information being retained across multiple sources and separate systems (see section 6.6.3). In due course, the register is also expected to reduce the number of manual processes that are currently required within the CRA system. Technology delays and reprioritisation have resulted in implementation of the register being deferred to mid-2024.

Crown has initiated a Data Hygiene Project to cleanse and consolidate its customer data by the end of 2025. Crown's KYC Refresh Project, which will run in conjunction with the Data Hygiene Project, will collect and update existing customer information. Crown's database of existing customers will likely continue to include duplicate or incomplete customer information until these projects are complete.

Although the above outstanding deliverables will extend beyond 2023, the Crown Melbourne Board and senior executives have approved the budget, timing and resourcing of the implementation plans.

The OSM considers that Crown should continue to track and report its progress to the VGCC and AUSTRAC, including where deliverables have been delayed or deferred.

### Approach to processing the existing ‘backbook’ of customers

Crown has implemented the automated CRA tool for all new customers who have commenced gaming (or have been provided with any other designated service) from 30 June 2023.<sup>177</sup> Customers onboarded before this date are still assessed under the trigger-based approach.

As noted earlier, Crown intends to progressively process ‘active’ customers<sup>178</sup> through the automated CRA tool. Due to the significant number of customers in this cohort, it has adopted a ‘tiered’ approach (outlined in Appendix 1, Document 1.27) that prioritises Black and Platinum members (customers who are likely to engage in more play and have greater turnover and who therefore may pose a higher risk) and existing customers within tiers who have previously been rated as high risk under Crown’s trigger-based approach. Crown also plans to process customers who are known to the casino but are not Crown Rewards members.

Because the rollout of the automated CRA tool across the ‘backbook’ of customers will not be complete until January 2026, there is a risk Crown will have unidentified high-risk customers within this cohort for some time. The risk will be mitigated to some extent by the fact that these customers will continue to be subject to the existing manual, trigger-based approach.

Crown recognises that the rollout plan depends on a number of operational and data improvement initiatives, described earlier.

The OSM considers that Crown’s risk-based approach to processing the existing ‘backbook’ of customers appropriately considers the impact this approach will have on resourcing and is a reasonable approach in the circumstances.

### 6.4.3 Employee due diligence

To have a legislatively compliant AML/CTF program, Crown must have an EDD program that properly documents how and when it will screen and rescreen employees for ML/TF risks based on their roles within the organisation. This enables Crown to detect and monitor the ML/TF risks its employees pose.

While Crown’s Joint AML/CTF Program is legislatively compliant, as noted in the Special Manager’s June 2023 interim report, both Exiger’s 2022 report and Crown’s Internal Audit team have identified a number of issues with the EDD Program:

- inconsistencies between Crown’s EDD policies and procedures and its Joint AML/CTF Program
- inaccuracies in HR data, due to Crown having multiple platforms across its properties
- a lack of controls to monitor Dow Jones (now Refinitiv)<sup>179</sup> employee data uploads (used for screening)
- deficiencies in Crown’s approach to, and application of, EDD screening
- a lack of quality control checks

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<sup>177</sup> This includes customers who have become members within the past two years but have not engaged in any gaming and customers who have not engaged in any gaming for more than two years.

<sup>178</sup> Any ‘inactive’ customers who have not engaged in any gaming for more than two years will be considered a ‘new’ customer (and therefore be processed through the automated CRA tool) upon their return.

<sup>179</sup> Dow Jones and Refinitiv are third party databases Crown uses to conduct adverse media, politically exposed person or special interest person and sanctions checks.

- roles and responsibilities not being clearly defined in EDD processes, leading to processes not being fully adhered to.

In this final reporting period, the OSM has assessed whether the EDD program:

- has been enhanced to reflect the implementation of recommendations arising from internal and external reviews
- complies with the AML/CTF Act and the AML/CTF Rules Instrument 2007 (No. 1)
- is effective and being complied with, as evidenced through sample testing of the key systems, processes and controls that underline the program (as discussed in section 6.4.1).

Crown has made significant progress in enhancing its EDD program and framework in response to the internal and external reviews. Notably, it has updated its EDD and Training Standard to clearly define the processes, roles and responsibilities involved in complying with its EDD program, including requiring ML/TF screening and adverse media checks to be undertaken prior to employees onboarding and commencing work.

The OSM's view is that Crown's current EDD program is legislatively compliant in that it assigns each employee a risk rating based on the ML/TF risks associated with their role, which then determines the level of due diligence to be conducted throughout their employment (for example, screening at onboarding and rescreening when internal transfers and promotions occur). In addition, the program includes processes and controls to manage instances where an employee (or potential candidate) fails any screening element. It also requires all employees in medium or high-risk roles to be screened weekly through Refinitiv, to ensure they are not a politically exposed person, a special interest person or subject to a sanction.

In response to a recommendation from Exiger in its 2023 independent review, Crown is considering weekly screening of employees in low-risk roles. If implemented, this new process is not expected to commence until early to mid-2024. The screening of all employees would further reduce Crown's exposure to ML/TF risks posed by employees.

In this final reporting period, the OSM conducted sample testing and walk-throughs of Crown's current EDD processes to determine the effectiveness of, and Crown's compliance with, the EDD program (see the following snapshot).

### **Snapshot: Testing of Crown's employee due diligence program**

The OSM conducted sample testing on employee files to test the effectiveness of, and Crown's compliance with, the underlying processes of its EDD program. The sample comprised:

- 50 of 1,896 people who applied for a role at Crown during the period 1 April to 30 September 2023
- 10 of the above 50 who were current employees in medium or high-risk roles and subject to weekly screening.

The OSM also conducted walk-throughs of the underlying processes and relevant IT systems, to better understand Crown's pre-employment EDD processes.



The OSM's testing identified:

- two employees for whom Crown did not conduct one of the five required checks (security and surveillance) prior to commencement. Crown advised that the employees have since been cleared by the Security and Surveillance team. As a result of the OSM's testing results, Crown undertook a broader audit of 2,354 onboarded employees and did not identify any other instances where these checks were not conducted prior to commencement
- minor inconsistencies in the applied risk ratings between Taleo (a talent acquisition program) and PeopleSoft,<sup>180</sup> including two instances where the discrepancy resulted in a failure to undertake all required pre-employment checks
- that regular (weekly) screening of employees in medium and high-risk roles is being conducted, with alerts being appropriately reviewed and assessed by the Financial Crime Investigation and Screening team.

The testing highlights that Crown's EDD program retains the risk of human error in that discrepancies in risk ratings between the two systems may not be identified, which could result in a failure to undertake the required pre-employment checks. The OSM understands this risk will be mitigated by the implementation of Workday,<sup>181</sup> as part of the People and Culture Transformation Project.

Crown is undertaking a People and Culture Transformation Project that aims to provide a 'single source of truth' for employee records, and reduce reliance on manual processes. Implementation of this project and various internal and external review recommendations is expected to result in a more effective and sustainable EDD framework and program.

The OSM considers that Crown is largely complying with its EDD program and that the improvements planned to be addressed through the People and Culture Transformation Project, as reflected in the Melbourne Transformation Plan, will ensure processes and controls operate more effectively in the long term.

#### 6.4.4 Automation of control environment

At the time of the Finkelstein Royal Commission, Crown's management of financial crime risks was described as being at a 'foundational' state of maturity due, in part, to its largely manual processes and controls.<sup>182</sup> Crown's reliance on manual processes and controls exposed it to risks of human error and created vulnerabilities to financial crime.<sup>183</sup>

The Special Manager's June 2023 interim report concluded that Crown needed to reduce its reliance on manual controls if it was to demonstrate enhanced effectiveness and sustainability of its control environment in the long term.

In this final reporting period, the OSM has assessed the extent to which Crown has progressed in automating its control environment. It notes significant improvement in a number of areas; for example, Crown has implemented a new governance, risk and compliance system, Archer, that allows it to better manage and monitor financial crime controls and processes and, where appropriate, escalate and track risk incidents (see section 7.5.3).

Crown has also automated several key financial crime processes, including:

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<sup>180</sup> The HR system Crown Melbourne and Crown Perth currently use.

<sup>181</sup> The HR and learning system Crown Sydney currently uses.

<sup>182</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, pp. 189–91.

<sup>183</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, pp. 172, 189, 191, 194.



- the CRA tool (albeit only currently being applied to part of its customer base, as discussed in section 6.4.2)
- quality control processes in Splunk<sup>184</sup> to ensure Threshold Transaction Reports and International Funds Transfer Instructions reporting to AUSTRAC is complete and accurate
- rules for transaction monitoring to reduce reliance on frontline employees detecting and reporting suspicious behaviours, including, for example, to identify customers attempting to avoid the Source of Funds threshold.<sup>185</sup>

The nature of Crown's business means that it will always rely to some extent on manual controls, particularly relating to identification of unusual activity, which is largely reliant on human observation. That said, Crown is continuing to explore opportunities to further automate its controls where appropriate, such as through the Customer Risk Register rollout, the People and Culture Transformation Project, and its future-state automated transaction monitoring program. These projects are included in the Melbourne Transformation Plan.

The OSM considers that Crown has made steady progress in automating its control environment to reduce risk, and has committed to exploring more opportunities to further automate its controls, such as through the additional projects described above.

## 6.5 Training and communications

An effective and sustainable AML/CTF training program should enable all Crown employees to understand:

- the inherent ML/TF risks they face in their roles
- Crown's AML/CTF legislative obligations
- the types of ML/TF risks Crown might generally face, and the potential consequences of such risks
- the underlying processes and procedures that support the Joint AML/CTF Program relevant to their roles.

Effective AML/CTF training is particularly important for frontline employees, who are required to identify red flag indicators, and report or escalate unusual and suspicious behaviours for further investigation.

While Crown's content for both role-specific and non-role specific AML/CTF training is generally adequate and appropriate, the Special Manager's June 2023 interim report identified areas for improvement and gaps in the AML/CTF training program.

In this final reporting period, the OSM has assessed whether:

- training content reflects relevant Crown frameworks and policies and the needs of specific employee cohorts, and is delivered effectively
- training completion rates are monitored and adequate

<sup>184</sup> Splunk is a technology solution Crown uses to generate alerts for its automated transaction monitoring rules. Crown has created 'gates' within Splunk that review the AUSTRAC upload data for International Funds Transfer Instructions and Threshold Transaction Reports.

<sup>185</sup> The Source of Funds threshold is reached when a customer presents with \$25,000 cash (cumulatively) on the same calendar day. In this case, they are required to complete a source of fund form before Crown will accept the transaction.

- employee knowledge is tested using reliable approaches
- evaluations of training effectiveness are conducted
- employee communications are used to reinforce training.

The OSM's concluding assessment is that Crown's AML/CTF training program is adequate and should enable its employees, particularly frontline employees, to identify red flag indicators and unusual behaviours. The OSM has observed significant improvement in Crown's AML/CTF training in that:

- content and delivery has been enhanced, and includes role-specific training
- the training completion rate is satisfactory – consistently above 95 per cent
- the mandatory online training includes a knowledge test and assessment, which will be further enhanced when added to the role-specific training
- Crown has developed a reasonable mechanism to measure the effectiveness of its AML/CTF training, through UAR metrics and dashboard reporting
- Crown is effectively leveraging its internal communications platform and has developed an enterprise-wide campaign to raise awareness of relevant red flag indicators and other suspicious ML/TF behaviours, particularly for frontline employees.

### 6.5.1 Content and delivery

Crown requires all employees to complete mandatory AML/CTF training to comply with its Joint AML/CTF Program. The objective of the training is for all employees to understand the ML/TF risks and vulnerabilities that Crown may face and their roles and responsibilities in combating financial crime. Some employees who are in higher-risk roles (for example, gaming and frontline employees) are required to complete additional face-to-face training to understand the ML/TF risks inherent in their roles.

Crown periodically reviews and updates its training content for both the mandatory online AML/CTF training module and role-specific (face-to-face) training. In November 2023, it launched a new mandatory online AML/CTF training module<sup>186</sup> with a number of enhancements to the previous version, such as:

- additional case examples that capture unusual behaviours relevant to non-gaming employees
- a storytelling approach to delivering content
- not allowing participants to skip content
- a more robust formal assessment to conclude the module.

In June 2023, Crown updated its role-specific training content to incorporate the inherent and residual risk ratings from the 2022 Enterprise-wide Risk Assessment (to replace the 2021 Enterprise-wide Risk Assessment results). The updated content included consequences of non-compliance for employees, and other relevant information such as the importance of submitting high-quality UARs and the differences between single cash transactions and significant cash transactions.

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<sup>186</sup> The previous online AML/CTF training had been in circulation since 2020.

The OSM attended two of Crown’s in-person AML/CTF training sessions to understand how it currently delivers role-specific training to employees (see the following snapshot).

### **Snapshot: AML/CTF role-specific training for Table Games employees**

In September and October 2023, the OSM attended two in-person role-specific AML/CTF training sessions at Crown, designed for Table Games Area Managers. A total of nine Area Managers attended this training.

Both sessions were led and facilitated by Assistant Casino Managers, who drew on their practical experience to provide examples of the types of ML/TF risks frontline employees might face, and unusual or suspicious behaviours customers might display when playing table games.

The OSM observed that the training sessions were interactive and engaging, with participants actively asking and answering questions. Participants appeared to be familiar with red flag indicators and the UAR process, and displayed confidence in identifying potential unusual or suspicious behaviours.

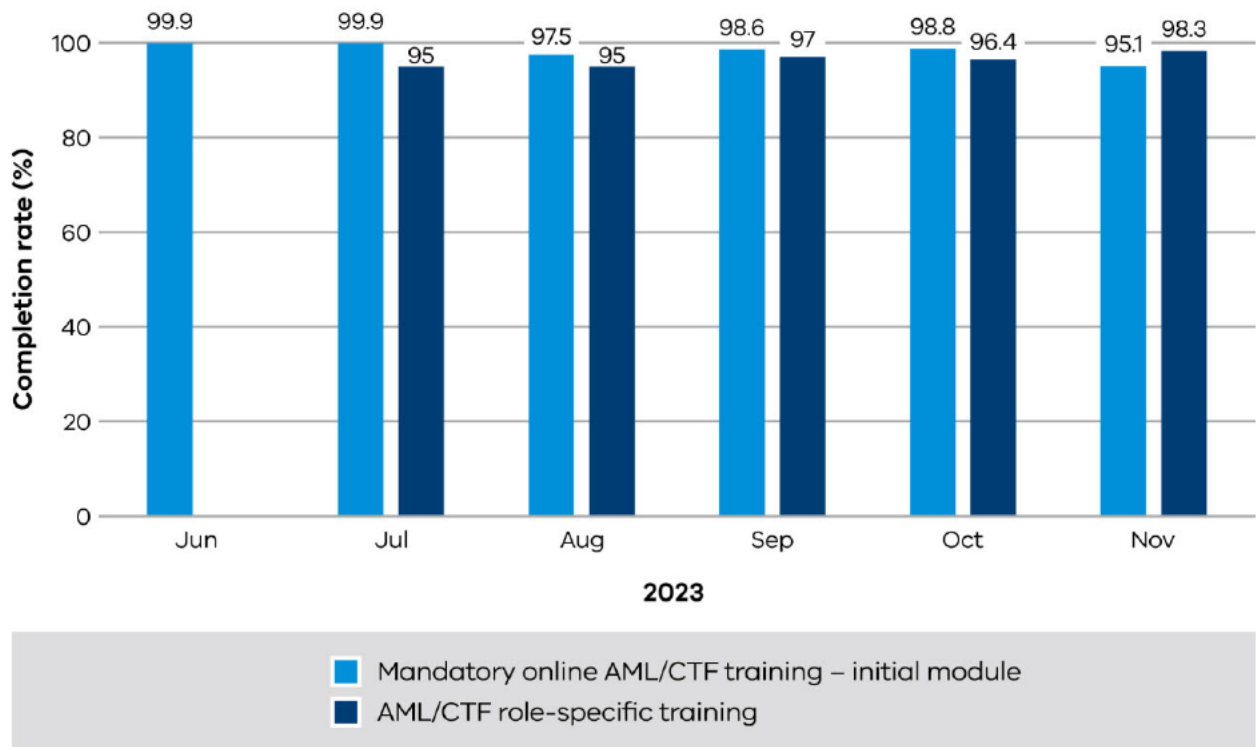
The training sessions that the OSM observed were effective and likely to achieve their objective of upskilling employees in identifying ML/TF risks.

While Crown’s role-specific training is delivered face-to-face, Crown’s mandatory online AML/CTF training module is delivered on its training platform, CrownLearn. In summary, the OSM considers that Crown’s AML/CTF training contains relevant and appropriate content and that the delivery of the training appears to be satisfactory.

## **6.5.2 Completion rates**

Crown has consistently maintained a completion rate of above 95 per cent for AML/CTF training, as presented in Figure 19. The OSM considers this to be satisfactory.

Figure 19. Crown Melbourne anti-money laundering/counter-terrorism financing training completion rates



Note: Crown only reported the completion rate of targeted training to the Financial Crime Working Group from July 2023 onwards. The above completion rates are not impacted by the online AML/CTF refresher training breach discussed in case study (d).

Source: Crown Resorts, Financial Crime Working Group papers, 27 July, 26 September and 28 November 2023; Crown Melbourne, AML/CTF training completion rate data, provided to the OSM on 12 December 2023.

The Special Manager’s June 2023 interim report identified some minor data quality issues that impacted the accuracy of recorded completion rates for role-specific training. The inaccuracies (such as data entry and transposition errors) arose because of the manual process used to record attendance and did not indicate a failure to undertake the training, only a lack of accuracy in record keeping. For example, the OSM identified instances where an employee entered incorrect details into the CrownLearn system while transferring these details manually from handwritten sign-on sheets. These inaccuracies were identified and corrected by Crown.

The limitations of the CrownLearn system for ensuring accuracy of training assignment and therefore completion are illustrated by case study (d).

## Case study (d): AML/CTF training breach

**Crown’s Joint AML/CTF Program requires all employees to complete mandatory online AML/CTF training at either annual or biennial intervals (‘refresher training’), depending on the employee’s ML/TF risk rating. This case study highlights a limitation in Crown’s current training systems.**

In September 2023, as part of an internal review into Crown’s Group-wide mandatory training rules, Crown identified a high-materiality breach of its Joint AML/CTF Program. This breach occurred due to a coding error, and resulted in 2,215 active employees not being prompted to complete their mandatory AML/CTF refresher training. Of the affected employees:

- 422 were in high-risk roles (required to complete annual training) from various business units, including Table Games, Gaming Machines and Human Resources



- 233 were in medium-risk roles (required to complete annual training)
- 1,560 were in low-risk roles (required to complete biennial training), predominantly from Food and Beverage and Crown Hotels.<sup>187</sup>

All of the 422 high-risk role employees identified had completed their initial AML/CTF training, and 288 had received additional role-specific training within the previous year, which mitigated the practical impact of the breach.

Crown subsequently undertook a root cause analysis of this breach, and determined the causes and contributing factors to include:

- a technical issue, in that information in PeopleSoft and CrownLearn systems had become out of sync
- turnover of close to 100 per cent of team members with intimate knowledge of how the training assignment rules work in both systems
- complexity of the training assignment rules, which may have caused confusion in the People and Culture team.

Crown has since manually assigned the required refresher training modules to all relevant employees<sup>188</sup> and remedied the coding issue in CrownLearn, thereby remediating the overall impact of the breach. Crown's transition from CrownLearn to Workday should resolve the coding and assignment rule issues in the long term.<sup>189</sup> In the interim, to avoid similar incidents, Crown is periodically reviewing the allocation of training to employees within CrownLearn to ensure it is complying with its Joint AML/CTF Program.

As described in the case study, Crown is migrating its current learning platform from CrownLearn to Workday, which will remove the manual component of recording training completion. However, the migration is unlikely to be complete until mid to late 2024, meaning there is a risk that Crown's training completion records may continue to contain some data inaccuracies. Notwithstanding, the OSM considers that these inaccuracies are unlikely to be material.

The OSM considers that Crown has consistently maintained adequate completion rates for its AML/CTF training modules.

### 6.5.3 Knowledge testing

The Special Manager's June 2023 interim report noted that some participants from the OSM focus groups felt they were not alert to red flag indicators or familiar with processes for submitting UARs. It is important for Crown to have confidence that its frontline employees can identify red flag indicators and report unusual or suspicious behaviours; therefore, knowledge testing is a critical element of the training program.

Crown's mandatory online AML/CTF training module currently concludes with a formal assessment, with questions that the OSM considers will test employees' knowledge appropriately.

Crown is in the process of incorporating knowledge testing within the face-to-face role-specific training, and is expected to deploy an online assessment module by January 2024. This online assessment module will be tailored to specific employee cohorts, and is intended to enable Crown to gauge the extent to which employees understood the content from the face-to-face training session and thereby identify any potential knowledge gaps.

<sup>187</sup> Crown Resorts Financial Crime Breach Determination Forum papers, 28 September 2023, p. 24.

<sup>188</sup> Employees who are eligible to receive the refresher training module up until 31 October 2023.

<sup>189</sup> Crown Resorts, Letter to VGCCC – Notification of breach of Crown's AML/CTF Program Part A, 4 October 2023.

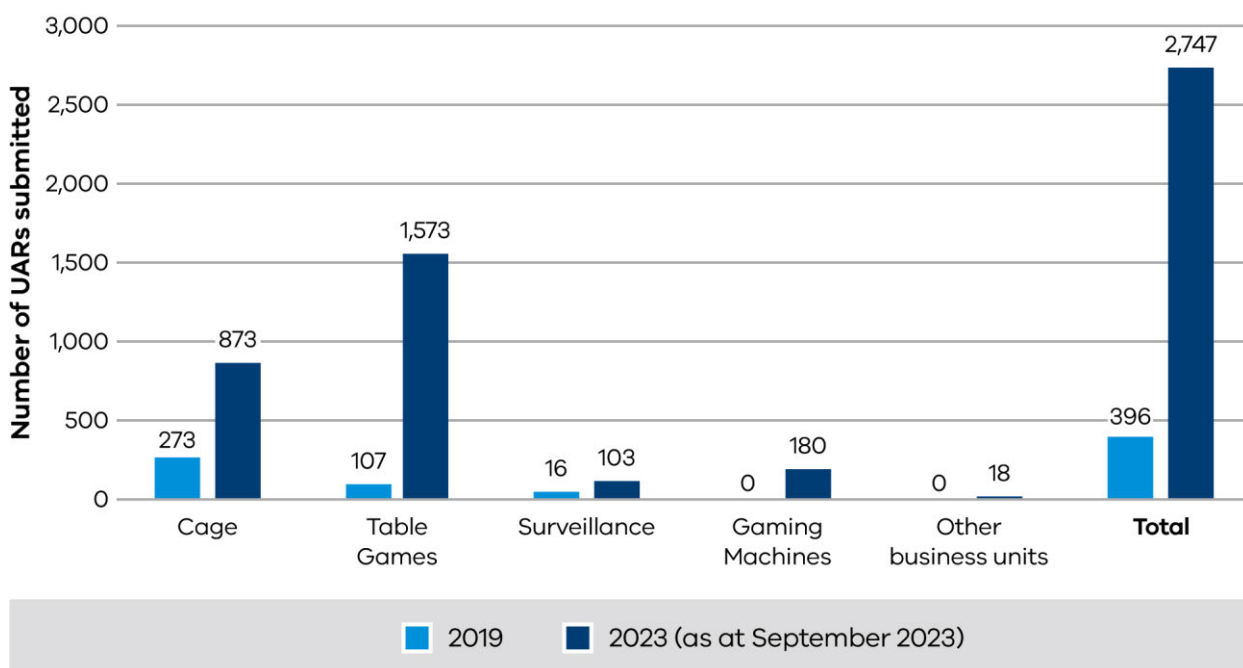


The OSM considers Crown’s approach to knowledge testing to be satisfactory and will be further enhanced when the online assessment module for role-specific training is implemented.

### 6.5.4 Training evaluation

In September 2023, Crown’s Financial Crime Advisory team prepared a paper assessing the effectiveness of its AML/CTF training program. The analysis was largely based on the significant increase in frontline employees identifying and reporting suspicious behaviours, and the continuous growth in frontline UAR numbers, as depicted in Figure 20.<sup>190</sup>

Figure 20. Number of Unusual Activity Reports submitted by business unit



Note: The data was provided to the OSM by the Financial Crime Advisory team on 5 September 2023.

Source: Crown Resorts – FCR Advisory, Effectiveness of Crown’s AML/CTF risk awareness training program, September 2023.

Crown has created a dashboard to enable it to identify trends in UAR data by business unit (including those that may under-report or over-report UARs). This dashboard informs Crown about which business units are identifying and reporting unusual or suspicious behaviours, including the red flag indicators they are observing. It will be used to highlight potential gaps in employee knowledge, and allow Crown to develop and roll out remedial training as required.<sup>191</sup>

The effectiveness of AML/CTF training can also be assessed through qualitative examples of where frontline employees detect, report and escalate customers’ unusual or suspicious behaviours, such as the example in case study (e).

<sup>190</sup> Crown Resorts – FCR Advisory, Effectiveness of Crown’s AML/CTF risk awareness training program, September 2023.

<sup>191</sup> This is a specific FCCCP deliverable called ‘Data Driven Assessment of Remedial Training Needs’.

## Case study (e): Control effectiveness – frontline employees

The Finkelstein Report highlighted Crown’s failure to appropriately identify and report unusual or suspicious behaviours;<sup>192</sup> for example, customers were observed bringing cash onto premises without being reported.<sup>193</sup> Frontline employees should be alert to red flag indicators, and should identify and appropriately escalate any unusual or suspicious customer behaviours. They provide the crucial first line of defence for Crown to identify, mitigate and manage ML/TF risks. This case study illustrates frontline employees identifying and reporting unusual behaviours that Crown subsequently reported to law enforcement agencies for investigation.

On 6 July 2023, a Crown Melbourne customer presented two plastic bags of cash at the Main Cage and attempted to purchase over \$150,000 worth of chips. When asked to verify the source of funds, they refused. As a result, the Cage Area Manager refused to accept the funds and lodged a UAR with the reason ‘Questionable source of funds (SOF) or source of wealth (SOW)’.<sup>194</sup> The customer and an associate returned to Crown Melbourne twice over the following two days, with the Surveillance team identifying them as displaying unusual behaviour while gaming and attempting to cash out at the Cage.

Because of this unusual behaviour, the Surveillance team submitted two UARs with the reasons ‘Cash transactions structured to avoid \$10,000 reporting thresholds’<sup>195</sup> and ‘Coordinated gaming with other patrons’.<sup>196</sup> Crown’s automated transaction monitoring rules were also triggered by the unusual transactions, which resulted in an additional UAR.

Crown’s Financial Crime Operations team investigated the matter and reported it to AUSTRAC, while Crown’s Head of Financial Crime – Investigations and Screening contacted Victoria Police directly. On 9 July 2023, Victoria Police arrested the customers on Crown Melbourne’s premises and interviewed them in relation to proceeds of crime offences.

This case study demonstrates the stark difference between Crown’s tolerance of suspicious customer behaviours as described in the Finkelstein Report and now. It is also evidence that Crown’s AML/CTF training is enabling frontline employees to better identify, escalate and report unusual or suspicious activity by customers at the casino. This change in employee behaviours is further demonstrated by the increase in UAR numbers shown in Figure 20.

The OSM considers that with the tracking of UAR metrics and qualitative examples as shown in case study (e), Crown has developed reasonable mechanisms to measure the impact of its AML/CTF training; however, the OSM considers that Crown should develop a more holistic approach to training evaluation over time.

### 6.5.5 Employee communications

Crown recently rolled out a ‘Speak Up’ campaign, which the Financial Crime team has leveraged to raise awareness of unusual behaviours and highlight scenarios that may indicate suspicious ML/TF activities.

Crown’s senior management has used its internal communications platform, Workplace, to provide regular updates and reminders about upcoming training modules, and to reinforce positive behaviours and useful information. For example, in July 2023 Crown rolled out a campaign that highlights a common red flag indicator each month. Posters about the red flag indicators were displayed in noticeboard areas and the CEO promoted the campaign in Workplace posts.

<sup>192</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 175.

<sup>193</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 5–6.

<sup>194</sup> Crown Resorts, Crown Designated Business Group (DBG) Red Flag Indicator Guidance, 26 August 2022, p. 5, section 7.

<sup>195</sup> Crown Resorts, Crown Designated Business Group (DBG) Red Flag Indicator Guidance, 26 August 2022, p. 3, section 3.

<sup>196</sup> Crown Resorts, Crown Designated Business Group (DBG) Red Flag Indicator Guidance, 26 August 2022, p. 5, section 6.

The above are examples of Crown's employee communications complementing the AML/CTF training program, and helping reinforce key messages regarding Crown's risk context.

## 6.6 Internal and external reviews

Appendix I requires the Special Manager to evaluate whether Crown has remedied any non-compliance identified as part of any internal or external audits conducted on Crown's Joint AML/CTF Program.

Following the Finkelstein Report, Crown undertook several internal and external reviews and audits of its Joint AML/CTF Program and legislative obligations, including:

- current state assessments
- internal audits
- Exiger's independent reviews.

These reviews did not identify any instances of non-compliance, but did identify several issues, control gaps and areas for improvement.

In this final reporting period, the OSM has assessed Crown's progress in implementing management actions arising from the internal and external review recommendations.

The OSM's concluding assessment is that Crown is appropriately implementing identified management actions from the current state assessments, internal audits and Exiger reviews, which have enhanced its management of financial crime risk.

### 6.6.1 Current state assessments

To comply with the AML/CTF Act and AML/CTF Rules Instrument 2007 (No. 1), Crown must identify and understand its financial crime legislative obligations, and implement controls to ensure compliance with each obligation.

The Special Manager's June 2023 interim report noted Crown's Risk Assurance team had undertaken a number of current state assessments (as part of the FCCCP) in 2022 and 2023 to assess the effectiveness of Crown's management of its financial crime legislative obligations, and identify issues, control gaps and areas for improvement in relation to:

- enterprise-wide risk assessment and risk rating
- transaction monitoring
- regulatory reporting
- customer onboarding, 'know your customer' and customer screening
- employees and training
- governance
- ECDD.

The current state assessments identified several issues and control gaps that represented potential risks or vulnerabilities for Crown. The more material findings related to Crown's EDD obligations (see section 6.4.3), weaknesses in a number of its controls, and issues with the collection and verification of customer information.

Crown has since implemented enhancements to address the issues and control gaps identified above, including initiatives such as:

- implementing quality control processes to ensure reporting to AUSTRAC is complete and accurate
- conducting regular screening of customers and employees to identify whether they are subject to any adverse media or sanctions, or whether they are politically exposed persons
- improving policies to clearly define the processes, roles and responsibilities involved in complying with its Joint AML/CTF Program.

As at 30 November 2023, Crown had implemented 88 per cent of the management actions arising from the recommendations of the current state assessments. The OSM considers that Crown is appropriately implementing the management actions.

## 6.6.2 Internal audits

In 2022 and 2023, Crown conducted several internal audits covering various financial crime functions and obligations. Table 9 summarises the results of these audits.

*Table 9. Internal audit results – Financial crime functions and obligations*

| Date           | Topic of internal audit report                    | Result                      |
|----------------|---|-----------------------------|
| October 2022   | Financial crime and compliance assurance function | Partially effective         |
| December 2022  | Unusual activity reporting                        | Minor improvements required |
| March 2023     | EDD   | Improvement required        |
| July 2023      | Regulatory reporting processes                    | Improvement required        |
| September 2023 | Mandatory training: Processes and reporting       | Unsatisfactory              |

Source: Internal Audit, Financial Crime and Compliance Assurance Review, 21 October 2022; Internal Audit, Unusual Activity Report (UAR) Investigation and Reporting Process, 16 December 2022; Internal Audit, Employee Due Diligence (EDD) Program, 2 March 2023; Internal Audit, Regulatory Reporting Processes, 13 July 2023; Internal Audit, Mandatory Training: Processes and Reporting, 6 September 2023.

As noted in the table, the internal audits identified several areas for improvement. The more material of these related to Crown’s EDD program (see section 6.4.3), control deficiencies in its regulatory reporting processes and issues with its refresher training cycles (see section 6.5.2).

Crown has developed management action plans responding to each of the recommendations from the internal audits, and to date the majority of those action plans have been effectively implemented. In particular, the completed actions in response to the EDD internal audit have led to a significant improvement in Crown’s EDD program, as described in section 6.4.3.

As at 30 November 2023, Crown was yet to implement some management actions arising from the internal audits of regulatory reporting processes and mandatory training, finalised in July and September 2023 respectively. These outstanding actions are expected to be completed by

October 2024, and include documenting and implementing procedures for reporting to AUSTRAC, and technology enhancements (including the transition to Workday). The OSM expects these will be completed within the agreed timeframe and subject to regular monitoring by the Internal Audit and Financial Crime teams, as well as being tracked in Archer.

The OSM considers that Crown is appropriately implementing the management actions arising from the recommendations of the internal audits.

### 6.6.3 Exiger's independent reviews

In May 2023, Exiger completed an independent review of Crown's Joint AML/CTF Program. The review identified that Crown had improved the program, systems and processes since Exiger's previous review in March 2022. However, the May 2023 review identified the following issues:

- there were variations in systems and source data used to perform financial crime compliance-related processes, which created inconsistencies and inaccuracies in data
- delays in implementing technology-driven solutions impacted financial crime initiatives and operations
- the Joint AML/CTF Program was not yet operating sustainably, particularly due to processes that remain largely manual.

In response, Crown developed an implementation plan to address these issues and those Exiger identified in its March 2022 review. The plan comprises a total of 78 management actions (47 arising from the 2022 review and 31 from the 2023 review).

As at 30 November 2023, Crown had implemented 65 of the 78 management actions, which collectively have improved:

- governance and oversight of the Joint AML/CTF Program, including reporting of management information to various financial crime management committees
- the AML/CTF training program, by undertaking a training needs assessment and refresh of content
- the level of resourcing deployed to reduce backlogs, such as of historical UARs
- automated transaction monitoring detection strategies and data lineage testing.

The 13 management actions that are still to be implemented are being tracked through Archer. These remaining actions relate to enhancements to documented policies and procedures, implementation of the Customer Risk Register and improvements to the management of HR-related data.

The OSM considers that Crown is appropriately implementing the management actions arising from the recommendations of the Exiger reviews.

## 6.7 Premium Player Rebate Program

The Finkelstein Royal Commission and the Bergin Inquiry each found that Crown's international premium player programs left it highly exposed to risks relating to money laundering and criminal activity, particularly through its relationships with junkets. Crown ceased all relationships with junkets in November 2020, and until August 2023 had not offered any VIP programs to international customers.



The Special Manager's June 2023 interim report noted that in March 2023, Crown developed an approach to re-engage with its international premium players, through a program referred to as the Premium Player Rebate Program (PPRP). This resumption of international premium player activity was designated as Phase 1. Phase 1 attracted very little activity and as a result Crown has looked to expand the program into Phase 2, incorporating an expanded range of player games and overseas jurisdictions.

In this final reporting period, the OSM has assessed Crown's implementation of the PPRP, with a focus on its:

- implementation of, and adherence to, PPRP Phase 1
- approach to PPRP Phase 2
- management of the risks related to pseudo-junkets.

The OSM's concluding assessment is that Crown has effective policies and procedures to manage the risks associated with the PPRP, and that the program is subject to appropriate oversight. Crown's Financial Crime team is aware of the potential risks posed by pseudo-junkets, and has appropriate controls and systems in place to enable it to monitor and manage these potential risks.

### 6.7.1 Phase 1

As noted in the Special Manager's June 2023 interim report, the Crown Melbourne Board approved the rollout of Phase 1 subject to several conditions, including the VGCCC's approval of Crown's draft section 23 directions. The VGCCC issued Crown with the approved Direction on 23 August 2023 and the Board provided its final approval for commencement of Phase 1 on 24 August 2023.

The PPRP has been active in Melbourne since 25 August 2023, but has received very few inbound enquiries, with only one PPRP participant having been approved under Phase 1.

In this final reporting period, the OSM has assessed Crown's implementation of, and adherence to, the Phase 1 policies and procedures by reviewing Crown's assessment of the sole application received to date – see case study (f).

## Case study (f): Phase 1 Premium Player Rebate Program participant

**In this final reporting period, the OSM monitored whether Crown had adhered to its approved PPRP Phase 1 program rules, including controls and processes to manage the ML and other financial crime risks associated with the program. This case study demonstrates Crown's PPRP processes, from when a customer applies to when they complete play under an approved program.**

On 12 October 2023, Crown Melbourne received an inbound enquiry from a previous international premium player domiciled in Malaysia about participating in Crown's PPRP. After confirming the customer met the eligibility criteria (that is, they were domiciled in Malaysia and had no other attributes prohibiting or forbidding them from participating in gambling), Crown provided the customer with an application form.

Upon receipt of the completed application, Crown:

- reviewed and assessed the recording of the inbound phone call, to ensure compliance with Crown's PPRP guidelines related to marketing and customer domiciles

- conducted an ECDD review of the customer to assess their suitability and level of ML risk. This included detailed analysis of the 'know your customer' and source of wealth information provided as part of the application, Crown's own open source/third party searches, and a review of the customer's previous gaming and SMR history.

Two employees from the Transaction and Customer Intelligence team then reviewed the application and ECDD review findings, resulting in the application being approved on 18 October 2023.

Upon completion of the customer's program play, Crown self-assessed the application and decision process, to determine whether it was consistent with the PPRP policies and procedures. Crown also analysed the customer's gaming activity against the approved program to ensure there were no anomalies.

As a result of this self-assessment, Crown is satisfied that its PPRP processes were followed, and its systems, controls and procedures were effective in identifying and managing the customer's ML and other financial crime risks. The OSM concurs with this assessment.

While acknowledging that this review is based on a case study of one customer only, the OSM considers it provides evidence that Crown followed its PPRP policies and procedures, and has established controls that should enable it to effectively identify and manage risks associated with the program.

## 6.7.2 Phase 2

In October 2023, Crown management presented a proposal to commence Phase 2 of the PPRP to the Crown Resorts Risk, Compliance and Responsible Gaming (RCRG) Committee. The proposal included the following changes from the approved Phase 1 PPRP approach:

- allowing Crown to contact<sup>197</sup> customers in approved jurisdictions via phone and email
- offering additional gaming products, such as electronic gaming machines
- expanding the list of approved jurisdictions to include the USA, Japan, Taiwan, Vietnam and Hong Kong
- allowing customers who are already on-site at Crown Melbourne to apply for and, if deemed eligible, play under a PPRP.

In accordance with the VGCCC's Section 23 Direction,<sup>198</sup> Crown undertook an updated risk assessment for Phase 2 of the PPRP and obtained legal advice about expanding its activities to the proposed additional jurisdictions.

The legal advice noted there were no issues or legal risks for Crown or its employees with the implementation of Phase 2 for these additional jurisdictions, while the updated risk assessment, conducted by Crown Melbourne's Line 1 and Line 2 management determined that the introduction of Phase 2 would not materially change the risk position. It also determined that from an AML/CTF perspective, there were no new risks being introduced relative to Phase 1.<sup>199</sup>

The RCRG Committee had extensive discussion on the proposal's potential risks and issues, before approving it and referring it to the Crown Melbourne Board for review and approval.

The OSM observed the Board's robust discussion and enquiry in relation to the Phase 2 proposal at its meeting on 20 October 2023. Board members focused on the legal advice concerning reputational risks associated with Vietnam and Hong Kong, and sought to clarify

<sup>197</sup> Under Phase 2 of the PPRP, Crown is allowed to make and accept both outbound and inbound calls.

<sup>198</sup> Letter from VGCCC, Crown Melbourne Overseas Marketing, Premium Players Rebate Program, 23 August 2023.

<sup>199</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 4 October 2023, p. 226.

some of the language used in the proposal. Ultimately, the Board approved commencement of Phase 2, subject to several conditions, including:

- renewal of marketing guidelines, scripting, employee training and internal documentation
- reviews of existing controls and implementation of new controls deemed necessary by Line 1 and Line 2 management and Crown Legal
- engagement with relevant regulators and ensuring the requirements under the VGCCC's Section 23 Direction have been met.

PPRP Phase 2 has been active in Melbourne since 3 November 2023 and, as at 8 January 2024, Crown had received 10 applications from customers seeking to participate in the program; three have been approved and seven were still being assessed.

The OSM observed that Crown management developed a well-articulated proposal that carefully considered risks and the effectiveness of existing controls, was appropriately informed by legal advice, and was subject to appropriate oversight by the relevant committee and Crown Melbourne Board.

### 6.7.3 Risks relating to pseudo-junkets

In May 2022, Crown's Financial Crime Intelligence Unit assessed alternative junket arrangements, including pseudo-junkets, to identify and understand emerging risks and potential practices. It found that pseudo-junkets:

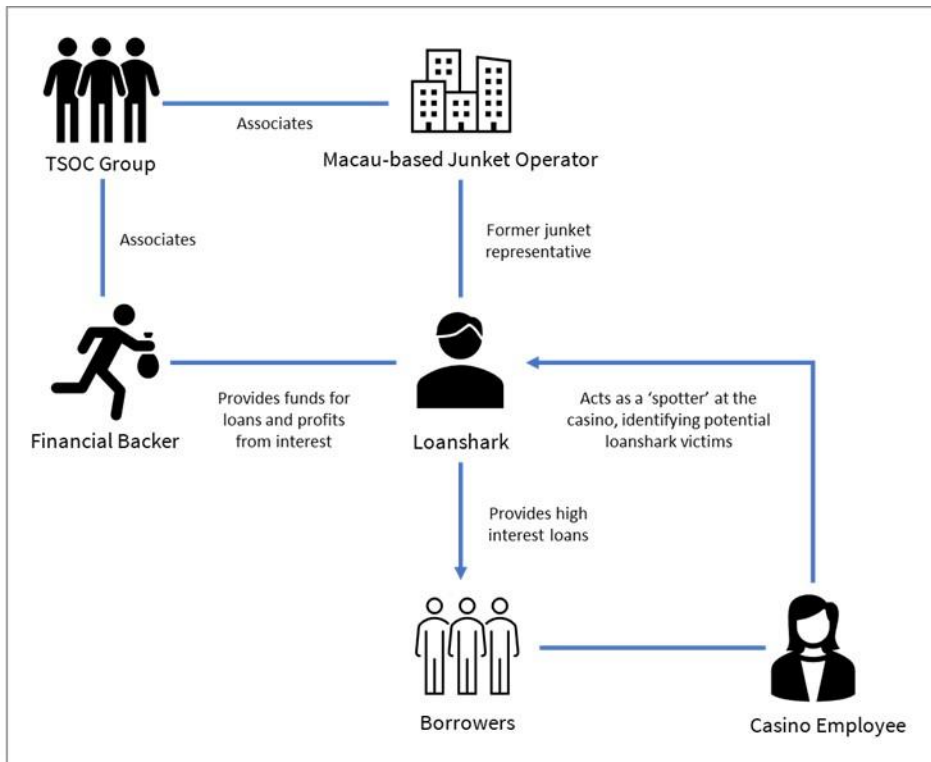
- provide a full-service alternative to traditional junkets, including by conducting marketing and customer acquisition, and providing credit and channels for circumvention of capital flight controls
- are vulnerable to infiltration and exploitation by transnational serious organised crime groups
- are more likely to be established by former junket representatives or ex-casino employees leveraging their industry experience and contacts to facilitate casino patronage.<sup>200</sup>

The vulnerability identified by Crown's Financial Crime Intelligence Unit is the risk of current or former employees being complicit in these schemes (for example, a former employee being involved in loansharking, as depicted in Figure 21). To detect and identify these threats, Crown relies on its risk-based employee probity checks (as part of its EDD program) and source of funds identification and verification processes.

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<sup>200</sup> Financial Crime Intelligence Unit, Interim assessment summary: Emerging VIP customer acquisition practices, 31 May 2022.

Figure 21. Former junket representative operating as a loanshark



Note: TSOC stands for 'transnational serious organised crime'.

Source: Crown's Financial Crime Intelligence Unit, Interim assessment summary: Emerging VIP customer acquisition practices, 31 May 2022.

The OSM notes that the above scenario is illustrative only and not a specifically identified risk or vulnerability currently observed in practice.

Acknowledging the ongoing threat pseudo-junkets pose to Australian casino operators, Crown's Financial Crime Intelligence Unit undertook additional assessments in October 2022 and May 2023. These assessments identified additional behaviours potentially indicative of pseudo-junket activity such as:

- a customer, or small group of customers accompanied by a 'bagman' who conducts buy-ins and cash-outs, controlling the flow of chips and funds between customers and the casino
- a customer who engages in minimal or no play overseeing the gaming activity of another customer or a small group of customers
- a customer with wealth domiciled in Australia facilitating access to cash or chips for a customer who may be a resident of a jurisdiction where gaming is prohibited or subject to capital controls, a politically exposed person, or a relative or close associate of a politically exposed person.<sup>201</sup>

Crown is likely to identify these potential emerging behaviours through its existing business processes and controls, including, for example, its automated transaction monitoring rules, or cash limits and source of fund thresholds. Crown's monitoring of customer behaviours has not

<sup>201</sup> Financial Crime Intelligence Unit, Alternative junket arrangements and VIP customer acquisition practices, 31 October 2022 and 12 May 2023.



detected any pseudo-junket activity in the Special Manager's term; however, it continues to monitor existing and emerging threats posed by pseudo-junkets as part of BAU.

The OSM's view is that Crown's Financial Crime team is aware of the potential risks posed by pseudo-junkets, and has appropriate systems and controls in place to enable it to monitor and manage these potential risks.

In February 2023 Crown, under the direction of the VGCCC, engaged Senet Legal to review its processes relating to significant and premium players. The OSM notes that the VGCCC has received Senet Legal's final report and that Crown has submitted an implementation plan in response to the report's recommendations to the VGCCC for approval.

## 6.8 Conclusion

The Finkelstein Royal Commission found a 'litany of failings' in relation to Crown's financial crime risk management,<sup>202</sup> including, among other things, failing to identify or report on suspicious behaviours such as patrons bringing in bags of cash, failing to appropriately verify and risk-rate its customers and allowing junkets to operate in private gaming rooms.<sup>203</sup>

Since the Royal Commission, Crown has significantly reformed its approach to managing financial crime risk, including banning junket operators, implementing a legislatively compliant Joint AML/CTF Program that is adequately resourced and governed, and embedding policies, systems, processes and controls to enable it to identify, mitigate and manage financial crime risk.

The OSM concludes that Crown has satisfactorily remediated its financial crime program and addressed the failings identified by the Finkelstein Royal Commission. With regard to the matters listed in Appendix I, Crown has:

- effectively implemented the recommendations made by a range of independent external reports undertaken as part of and in response to the Bergin Inquiry and the Finkelstein Royal Commission
- effectively implemented the reforms set out in its FCCCP, which have improved its ability to identify, manage and monitor compliance with its financial crime legislative obligations
- effectively implemented the recommendations from Crown's 2021 Enterprise-wide Risk Assessment and work undertaken by PricewaterhouseCoopers
- invested significantly in people, processes and systems to better mitigate financial crime risk and to detect suspected incidents of financial crime. Crown's resourcing of its Financial Crime team is now commensurate with what would be expected for an organisation of this nature in the current operating environment
- conducted a number of internal and external audits and reviews in relation to its Joint AML/CTF Program compliance and legislative obligations, and appropriately actioned relevant findings to enhance its management of financial crime risk. These audits and reviews did not identify any instances of non-compliance.

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<sup>202</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, pp. 172, 175.

<sup>203</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 91; Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 5–6, 123.



The OSM considers that Crown Melbourne is largely complying with its Joint AML/CTF Program, and the Crown Melbourne Board is providing effective and meaningful oversight. Its underlying systems, processes and controls appear to be operating effectively. Crown's CRA Methodology and automated tool are appropriate and effective, and are a significant enhancement to its management of ML/TF risks. Crown has, and largely complies with, an effective and legislatively compliant EDD program and has made steady progress in automating its control environment to reduce risk. Crown has focused on AML/CTF training and educating its employees, particularly frontline employees, on the importance of being alert to red flag indicators.

Crown is continuing to make enhancements in a number of key areas that should enable it to more effectively and sustainably comply with its Joint AML/CTF Program in the long term. Key outstanding deliverables including future automation of its control environment, a KYC Refresh Project, and the development of a Customer Risk Register. Implementation is being managed through the Melbourne Transformation Plan, supported by the various financial crime management committees, with the Crown Melbourne Board providing appropriate governance and oversight.

The casino environment is one where individuals are constantly trying to exploit vulnerabilities to commit financial crimes. Although Crown has several deliverables and enhancements yet to be implemented, it has effective systems, processes and controls in place to manage its current financial crime risk, and the OSM's testing has indicated that these are operating as intended. Crown has mechanisms in place to enable it to detect potential issues with, or breaches of, financial crime policies or controls, and to remediate, escalate and report any issues or breaches to Crown senior management, Boards and regulators where appropriate.

# 7. Governance, risk and compliance

## Key findings and observations

- Crown has implemented changes to its risk management frameworks, governance and reporting in line with Mr Peter Deans' recommendations. These changes have provided it with the foundations of an effectively functioning risk management system.
- Operationalisation of Crown's three lines of defence (3LOD) model has continued to progress in this final reporting period and is working effectively.
- Crown's newly established policy and practice for identifying, recording and reporting incidents and breaches, and new governance, risk and compliance system, Archer, have both significantly enhanced Crown's risk and compliance management and supported more proactive identification of risks and reporting of compliance breaches to regulators.
- Crown has completed mapping and updating Archer for its gaming-related obligations – including obligations related to AML/CTF, the Management Agreement and RSG. Crown plans to extend this mapping exercise to non-gaming obligations in 2024.
- Improvements in Crown's risk and compliance management have been supported by the satisfactory delivery of training and communications programs.
- Awareness of risk and compliance obligations is improving across the organisation, but further work is required to embed a strong risk and compliance culture at Crown.

## 7.1 Introduction

Significant failures related to risk management at Crown were first identified by the Bergin Inquiry.<sup>204</sup> These included failures of the Board to set, monitor and communicate its risk appetite, executive decisions dominated by a pursuit of profit over the welfare of Crown employees and compliance; the Board encouraging the VIP International business unit to take inappropriate risks; ineffective and underutilised Crown's risk management and compliance structures; and deficiencies in various documents designed to capture risks.<sup>205</sup>

The Finkelstein Report uncovered further examples of Crown's inappropriate and illegal conduct, especially by Crown Melbourne, which were caused, in part, by failures in risk management. These included the tax treatment of Bonus Jackpots, the China Union Pay issue, Crown's foreign marketing practices and its approach to RSG.<sup>206</sup> Ultimately, the Finkelstein Report concluded:

<sup>204</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 134.

<sup>205</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 134.

<sup>206</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 135.

*The identified misconduct suggests, despite the reforms to Crown's risk management framework, risks are still not being identified and escalated when Crown is operating outside its risk appetite.<sup>207</sup>*

The Finkelstein Royal Commission called for Crown to undertake a root cause analysis into the failures outlined in the Bergin Report and the Finkelstein Report. It also engaged a risk management specialist, Mr Peter Deans, to provide an opinion on the effectiveness and robustness of the Crown Resorts risk management framework and systems.<sup>208</sup> Mr Deans made 22 recommendations that required changes to risk management governance, frameworks, function and reporting. The Finkelstein Report recommended that Crown undertake a further external review of the robustness and effectiveness of its risk management framework, systems and processes, and their appropriateness to Crown Melbourne as a casino operator, and implement any recommendations made as a result of that review, completely and effectively.

The Special Manager's December 2022 and June 2023 interim reports concluded that Crown:

- had implemented, completely and effectively, Mr Deans' recommendations regarding the Crown Resorts risk management framework and systems
- had put in place the foundations for an effective 3LOD model and had continued to implement a plan to improve the way it manages risk and compliance
- had begun the transition to a new governance, risk and compliance system, Archer
- was nearing completion of the implementation of a Policy Uplift Program, and was continuing to implement a three-year Compliance Strategy
- had taken positive steps towards implementing recommendations from the root cause analysis and embedding these learnings within the business.

The June 2023 interim report noted important elements of Crown's Risk Management Framework that were yet to be implemented, including finalisation of a Risk Appetite Statement (RAS) for Crown Melbourne, the full implementation of Archer, operationalisation of a 3LOD model and further implementation of the Compliance Strategy.

This section outlines the OSM's final assessment of Crown's progress in reforming its approach to managing risk and compliance. It also provides evidence of the extent to which Crown's new approach to risk and compliance management has been embedded. It is focused on assessing whether Crown has:

- implemented the recommendations from its root cause analysis
- effectively operationalised a 3LOD model in relation to risk and compliance management
- established an effective risk management framework, systems and processes
- established effective compliance systems and processes
- established a plan to embed an effective risk and compliance culture at Crown Melbourne
- rolled out effective training and communications to support risk and compliance management.

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<sup>207</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 135.

<sup>208</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 140.

## 7.2 Root cause analysis

The Finkelstein Report highlighted that ‘a “root cause analysis” of why things went wrong’ is a key step on the road to reform.<sup>209</sup>

Appendix I of the Finkelstein Report requires the Special Manager to evaluate whether Crown Melbourne has conducted a suitable root cause analysis into the failures outlined in the Bergin Report and the Finkelstein Report.

The Special Manager’s December 2022 interim report noted that, despite a delay in initiating the analysis, Crown had engaged Ernst & Young to support it to undertake a root cause analysis of its past failures. This was completed in November 2022, and concluded that the root cause of Crown’s failures was ‘a culture that prioritised revenue and profit over risk management, regulations and customer welfare’, and that Crown had not sufficiently understood its risks, obligations, and social licence to operate.<sup>210</sup>

The OSM’s concluding assessment is that Crown has conducted a suitable root cause analysis and has made good progress implementing the recommendations arising from that analysis.

Ultimately, the true test of Crown’s learning will be whether a corporate memory of the root causes of Crown’s failures strengthens decision-making processes and thereby prevents a repeat of past mistakes. As noted in the Special Manager’s June 2023 interim report, embedding learnings from the root cause analysis across the business over time will require sustained effort from Crown. The Melbourne Transformation Plan includes initiatives to embed root cause actions into BAU.

## 7.3 Three lines of defence

The Finkelstein Royal Commission noted that the ‘three lines model’ (or 3LOD model) is a recognised framework for overseeing the effective management of risk. The model consists of the following:

- Line 1 comprises all employees assigned responsibility for identifying, analysing, evaluating and addressing risks.
- Line 2 comprises risk, compliance and other functions responsible for the design of the relevant framework and policies, ensuring that risks are being managed in accordance with policies and that there is sufficient reporting on the effectiveness of risk and compliance management.
- Line 3 is the internal audit team, which is independent of management and provides objective advice to management and the board on the adequacy and effectiveness of governance and risk management.

In this final reporting period, the OSM has assessed whether Crown Melbourne has effectively operationalised a 3LOD model, including whether:

- Line 1 employees demonstrate an effective understanding of their roles and responsibilities regarding risk and compliance, and are actively managing risk and compliance in line with Crown’s newly established systems, policies and processes

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<sup>209</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 76.

<sup>210</sup> Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, p. 7.

- Line 2 teams – the Risk team and the Compliance and Regulatory Affairs team – are adequately resourced, are providing effective guidance, support and oversight of risk and compliance management, and have plans or strategies in place to further enhance risk and compliance management
- the Line 3 team – Internal Audit – is subject to independent and effective oversight by the Crown Melbourne Board, is adequately resourced and delivering the planned internal audit program, and is providing independent and objective advice and internal audits to the Board and management on the effectiveness of governance and risk management.

The OSM's concluding assessment is that Crown has continued to effectively operationalise its 3LOD model. Line 1 employees are demonstrating an improved understanding of their roles and responsibilities for managing risk and compliance and actively managing risk and compliance in their respective business units. Line 2 is appropriately resourced and is providing effective guidance and support to Line 1, and oversight of the implementation of Crown's new risk and compliance management frameworks. Line 3 is providing independent assurance to both management and the Board about the effectiveness of governance and risk management, and appears to be adequately resourced (subject to Crown undertaking a detailed assessment of its Line 3 resources).

### 7.3.1 Line 1: All employees

Crown has undertaken a deliberate strategy of seeking to ensure that Line 1 employees take responsibility for managing risk and compliance, rather than leaving Line 2 to assume responsibility for this. Changes made to the Risk Management Framework in October 2023 reaffirm the accountability and responsibility of all employees (including operational business units and functional support areas) for identifying, assessing, controlling, managing and mitigating risks inherent in business operations. The OSM has noted this shift in accountabilities and the more active management of risk and compliance by Line 1 employees. For example, it has observed Line 1 employees recording risk and compliance incidents in Archer.

The OSM notes that the quality of information recorded in Archer by Line 1 employees has improved in response to training and feedback from the Risk team and the Compliance and Regulatory Affairs team.

The OSM has observed Crown Melbourne business units presenting risk profiles and emerging risks and incidents to the Crown Melbourne Executive Risk and Compliance Committee (ERCC), as well as business units taking a more proactive role in discussing the effectiveness of key controls, with support from Line 2.

The OSM's analysis of Crown's last three years of employee survey results suggests that employees recognise that compliance is everyone's responsibility at Crown. Employees also perceive that there is now greater priority placed on following rules, guidelines and regulations compared to three years ago (see Appendix F). All middle managers who participated in the OSM's discussions recognised the greater focus on risk and compliance (see Appendix G).

Middle managers also recognised the importance of additional resources in the Risk team and the Compliance and Regulatory Affairs team since the Finkelstein Royal Commission and commented on the support they receive from these teams. However, not all middle managers were familiar with all aspects of Crown's approach to managing risk and compliance, such as Crown Melbourne's stated risk appetite (see section 7.4.1).



The above provides evidence of Crown's Line 1 employees demonstrating an improved understanding of their roles and responsibilities regarding risk and compliance, and more actively managing risk and compliance in line with Crown's newly established systems, policies and processes.

### 7.3.2 Line 2: Risk and compliance management functions

In the 3LOD model, an effective Line 2 function provides independent oversight, support, advice and challenge to Line 1, and supports the development of an appropriate risk and compliance culture.

Crown's risk and compliance management functions are significantly better resourced than they were at the time of the Finkelstein Royal Commission. Since the Melbourne Heads of Risk and Compliance were appointed in early 2023, they have been able to build their respective teams with capable and experienced risk and compliance professionals.

The OSM has seen evidence of these teams now embedding themselves in the business, providing support to Line 1 employees, and driving the enhancement of risk and compliance practice at Crown Melbourne. For example:

- The OSM has observed the Line 2 Risk team and the Compliance and Regulatory Affairs team are engaged and focused when reviewing risk and compliance incidents in Archer during weekly triage meetings.
- The Risk team and the Compliance and Regulatory Affairs team have jointly developed and rolled out an online training module to all employees called 'Risk and Compliance at Crown', and provided face-to-face training for Line 1 incident loggers and reviewers in how to use Archer (see section 7.7).
- The Risk team established bi-monthly meetings with Crown Melbourne business units to continue to improve risk profiles and to critically assess the effectiveness of controls.
- The Risk team and the Compliance and Regulatory Affairs team provide regular reports to the Compliance and Regulatory Affairs Breach Determination Forum (BDF),<sup>211</sup> the Crown Melbourne RCRG Committee and the ERCC. These include analysis of trends in risk and compliance incidents, and updates on emerging issues.

Crown has developed three-year strategies to further develop and embed better risk and compliance management. If fully implemented, these strategies should achieve:

- an 'optimal' level of maturity for risk management by December 2025
- a 'foundational' level of maturity for compliance by September 2025, revised down from an 'advanced' level as originally targeted.

The implementation of these strategies is reflected in the Melbourne Transformation Plan.

In due course it will be important for Crown to undertake an independent assessment of the extent to which implementation of the three-year risk and compliance strategies has delivered the desired outcomes. The OSM would expect such a review to be undertaken around the end of 2025, when these strategies are due to have been fully executed. These independent assessments are reflected in the Melbourne Transformation Plan.

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<sup>211</sup> The BDF is a decision-making forum responsible for considering an event and determining whether it is reportable to state and/or federal regulator(s) on either a voluntary or mandatory basis.

In summary, the OSM's assessment is that Crown's Line 2 risk and compliance management functions are sufficiently resourced and are progressively embedding themselves in the business.

### 7.3.3 Line 3: Internal audit

The Special Manager's June 2023 interim report noted that the Internal Audit team had continued to provide effective and independent assurance to Crown Melbourne. However, human resource constraints and the departure of the former Group General Manager – Internal Audit had contributed to delays in delivering the Internal Audit Program and developing a new Internal Audit Strategy. The OSM recommended Crown review the adequacy of its internal audit resources.

The current resourcing of the internal audit function appears to be adequate for an organisation of Crown's size, operations and risk profile. However, the development of the new Internal Audit Strategy is in its early stages, and the Internal Audit team is yet to undertake a detailed assessment of the adequacy of its resourcing going forward. Considering the importance of the Internal Audit team's role in the 3LOD and in providing assurance in relation to key Melbourne Transformation Plan deliverables, the OSM considers that the Internal Audit Strategy, including an assessment of the resourcing required to support the strategy and operations, should be presented to the Audit and Finance Committee in early 2024.

After a delay of nearly six months, Crown appointed Mr Drew Kempen as its new Group General Manager – Internal Audit in July 2023. The Group-led internal audit function comprises around 23 FTE resources that are focused on both property-specific and Group-wide audits relevant to Crown Melbourne's operations. Crown continues to draw on the resources of Ernst & Young, its co-sourced internal audit service provider, where required.

The Crown Melbourne Board's Audit and Finance Committee provides independent and effective oversight of the internal and external audit functions. This committee has met every two months throughout 2023, including to receive updates on the progress of the Internal Audit Program and the outcome of internal and external audits.

In this final reporting period, the Internal Audit team has continued to deliver the Internal Audit Program for the 2023 financial year and has commenced delivering the approved Internal Audit Plan for the 2024 financial year. The Internal Audit Plan for the 2023 financial year, while delayed, was fully completed by the end of September 2023. As reported to the Crown Audit and Finance Committee, nine of the 19 planned internal Crown Melbourne and cross-property audits for the 2024 financial year are expected to be delivered by the end of 2023.<sup>212</sup>

The results of most internal audit reports issued in the 2023 financial year were rated 'improvement required' (17 audits), while six audits were rated 'unsatisfactory' (the results are listed in Appendix 1, Document 1.28).<sup>213</sup> The Internal Audit team's annual report to the Audit and Finance Committee noted that the most frequently occurring root cause of these internal audit findings was control activities, including:

- a lack of formally documented standards, policies and procedures, or procedures needing improvement

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<sup>212</sup> Crown Melbourne Audit and Finance Committee papers, 6 December 2023, p. 28.

<sup>213</sup> Crown Melbourne Audit and Finance Committee papers, 6 December 2023, p. 38.

- gaps and weaknesses in control design, including control activities not being evidenced
- insufficient or weak controls over technology.<sup>214</sup>

The Internal Audit team advised the Audit and Finance Committee that it expects internal audits delivered over the 2024 financial year will demonstrate the impact of ongoing work related to obligations mapping and current state assessments, Archer implementation and embedment, and improving risk profiles.<sup>215</sup>

The Internal Audit team has continued to report to the Crown Melbourne Audit and Finance Committee on the completion of management actions in response to report findings, reporting consistently that most management actions are completed within agreed implementation timeframes. However, the OSM's review of a sample of five internal audits reveals that the Internal Audit team's validation of completed management actions is not always supported by sufficient and appropriate evidence.

To provide greater assurance that internal audit findings have been appropriately addressed, the Internal Audit team should strengthen the business' understanding of what constitutes sufficient and appropriate evidence of completion of management actions. It should also enhance how it documents validation of completed management actions.

The Internal Audit team continues to maintain independence from management. Its reporting lines are clearly documented<sup>216</sup> and the internal audit function has direct access to the chairs of Crown Resorts and property-based Audit and Finance Committees. The Group General Manager – Internal Audit reports administratively to the Crown Resorts CFO.

The Internal Audit team confirmed to the Audit and Finance Committee in December 2023 that it had maintained its independence and objectivity during the 2023 financial year.<sup>217</sup> The OSM has not been aware of any compromise to the team's independence during this reporting period.

In conclusion, the OSM considers that the internal audit function is providing independent and objective advice, and is subject to independent and effective oversight by the Crown Melbourne Board's Audit and Finance Committee. Current resourcing of the internal audit function appears adequate, but Crown is yet to undertake a detailed assessment of its resources and to finalise its Internal Audit Strategy going forward.

## 7.4 Risk management

The Bergin Inquiry identified significant risk management failures at Crown,<sup>218</sup> while the Finkelstein Report noted:

*Effective risk management is particularly important for casino operators. Significant risk and compliance requirements are inherently associated with licensed gambling operations. It has long been recognised that casinos are vulnerable to money laundering, criminal influence and exploitation and have the potential to inflict much harm.*<sup>219</sup>

<sup>214</sup> Crown Melbourne Audit and Finance Committee papers, 6 December 2023, p. 36.

<sup>215</sup> Crown Melbourne Audit and Finance Committee papers, 6 December 2023, p. 36.

<sup>216</sup> Reporting lines are documented in the Internal Audit Charter, the Audit and Finance Committee Charter and the Group General Manager – Internal Audit's position description.

<sup>217</sup> Crown Melbourne Audit and Finance Committee papers, 6 December 2023, p. 34.

<sup>218</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 134.

<sup>219</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 134.

The Special Manager's June 2023 interim report noted that Crown had almost completed its Risk Uplift Plan, which focused on ensuring Crown's risk management approach had key features of better practice. While the OSM observed that most of the foundations of effective risk management were in place, considerable further work was progressing to fully implement and embed effective risk management at Crown Melbourne.

In this final reporting period, the OSM has assessed Crown's implementation of each of the core elements of better practice risk management, including whether it has:

- finalised a property-specific RAS, developed effective risk measures and tolerance levels, communicated the risk appetite to employees and commenced reporting against enhanced risk measures
- accepted the implementation of recommendations from the Blackhall & Pearl review of its risk management, developed a timely and effective plan to implement the recommendations, and made reasonable progress in implementing the recommendations
- continued to enhance its Risk Management Framework, systems and processes
- established good governance and reporting to oversee the management of risk and compliance, and provide confidence that risks are being effectively managed.

The OSM's concluding assessment is that Crown has satisfactorily implemented these elements. The RAS for Melbourne has been finalised and Crown is now reporting against enhanced risk measures. Three of the recommendations from the Blackhall & Pearl review have been implemented, with the remainder in progress. Crown's Risk Management Framework has been updated, and the Crown Melbourne Board, its committees and senior management receive regular reports on Crown's management of risks. Risk measures and metrics are in place that enable the Board and management to assess whether risks are being effectively managed.

#### 7.4.1 Risk Appetite Statement and risk measures

The Bergin Inquiry identified significant failures of risk management at Crown, including 'the failure of the board in its fundamental responsibility to set, monitor and communicate Crown's risk appetite'.<sup>220</sup> The Finkelstein Royal Commission also uncovered examples of inappropriate and illegal conduct that it noted were inconsistent with Crown's stated 'zero appetite' for breaking the law, or for accepting material risk related to regulatory, legal or statutory requirements, or any activity inconsistent with its social licence to operate.<sup>221</sup>

In the Special Manager's June 2023 interim report, the OSM noted that Crown was yet to finalise a property-specific RAS and commented on the need for Crown to further consider and define its risk measures, drawing particular attention to the proposed 'Responsible Gaming' risk measures.

The Board is responsible for setting the risk appetite that establishes the parameters within which management is to operate. On 7 September 2023, following further discussion among Board members and between the Board and management, the Board approved the RAS, including amended definitions of its risk appetite postures. The RAS is provided in Appendix 1, Document 1.29. Figure 22 summarises the approved risk appetite.

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<sup>220</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 134.

<sup>221</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 135.

Figure 22. Crown Melbourne's risk appetite



Note: M&A stands for 'mergers and acquisitions'.

Source: Crown Melbourne, Risk Appetite Statement, as approved by Crown Melbourne Board, 7 September 2023, Sections 4.3 and 5.2.

Finalisation of Crown Melbourne's RAS is a significant step forward in enhancing its management of risk. The OSM considers that the RAS provides a clear and appropriately balanced coverage of the key risks currently faced by Crown Melbourne.

Following approval of the RAS, in September 2023 members of the Crown Melbourne Executive and Risk teams met to further review the proposed risk measures and tolerance levels. The OSM observed well-reasoned discussion of proposed new and improved measures and of tolerance levels, informed by historical incidence data.

The Crown Melbourne Board has confirmed that it has 'no appetite' for risks associated with 'Responsible Gaming'. In response to the Special Manager's interim report, Crown has developed additional risk measures related to 'Responsible Gaming', including the following:



- Customers who initially refuse to take a mandatory 15-minute break are engaged by a Crown PSA for a discussion and there is intervention where required.
- PSAs intervene and take appropriate action to ensure customers do not play on past the daily (12-hour) and weekly (36-hour) limits.
- Crown marketing campaigns that are in scope are assessed through the marketing guardrails process.
- PSA training is completed satisfactorily at one, two and six-month intervals.
- Self-exclusions are reported to the VGCCC as soon as practicable (within 24 hours).
- Crown PlaySafe compliance issues are recorded in Archer within seven days.
- PPRP play period exemptions advised by gaming departments are recorded in the RG Register.
- Customer interactions and interventions by the Crown PlaySafe Operations team are recorded in the RG Register within 24 hours.

The OSM considers that while these measures reflect a broader range of ‘Responsible Gaming’-related risks and better align with aspects of the new Gambling Code, they are not clearly defined and tolerance levels are yet to be set for them.

Crown is yet to present and report against the enhanced ‘Responsible Gaming’ measures to the RCRG Committee or the Board. In the meantime, it is continuing to report against measures related to completion of training, acknowledgement of play period alerts, investigation of 12-hour or more play period alerts, and responsiveness to RSG-related customer complaints.

A copy of the most recent Crown Melbourne Risk Appetite Dashboard presented to the RCRG Committee on 6 December 2023 is provided in Appendix 1, Document 1.30.<sup>222</sup> The risk measures and tolerance levels are likely to be refined over time with experience and improved data collection. The Internal Audit team has advised the OSM that it will consider a future internal audit to provide assurance regarding the accuracy and reliability of reported data supporting the Risk Appetite Dashboard.

It is important that the Crown Melbourne Board’s risk appetite is communicated to employees so that they can manage risks effectively within the agreed tolerance levels. The OSM’s discussions with middle managers revealed that very few are clear on what exactly the Board’s appetite is for specific risks. Crown accepts the need to communicate the Board’s risk appetite across the business and has prepared a RAS communication strategy that it plans to implement by April 2024.

In summary, Crown has finalised a RAS and developed risk measures that better reflect the risk appetite of the Board, and reporting has commenced against the enhanced risk measures. While there is further work to be done to better define the measures and to communicate the RAS to management and to employees more broadly, these actions represent a significant step forward in how Crown Melbourne manages risk.

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<sup>222</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 6 December 2023, pp. 50–3.

## 7.4.2 External review recommendations

Appendix I requires the Special Manager to review whether an external review has been undertaken of the robustness and effectiveness of Crown Melbourne's risk management framework, systems and processes, and their appropriateness to Crown Melbourne as a casino operator. It also requires the Special Manager to assess whether Crown Melbourne has implemented any recommendations made as a result of that review, completely and effectively.

The Special Manager's June 2023 interim report noted that Crown engaged Blackhall & Pearl, an advisory firm specialising in board performance, enterprise governance and risk management, to review its Risk Management Framework, systems and processes, and their appropriateness to each of Crown's properties, including Crown Melbourne. Blackhall & Pearl conducted its review between March and May 2023, and provided its final report to Crown in June 2023.<sup>223</sup>

The Blackhall & Pearl review concluded that Crown had made progress in transforming its risk functions, systems, culture and mindset, but did not make any conclusion on the overall impact and effectiveness of these changes, as implementation was 'still in flight'.<sup>224</sup> Blackhall & Pearl made 11 recommendations, noting that it was particularly important that Crown address the recommendations relating to developing risk profiles linked to its corporate strategy and to changes to the RAS.<sup>225</sup>

In August 2023, the Crown Melbourne RCRG Committee endorsed the Blackhall & Pearl report and an action plan setting out management's proposed response to the report's recommendations (see Table 10).

Crown accepted all but one of the Blackhall & Pearl recommendations, being the need to create a Chief Risk Officer role independent from other management functions and accountabilities with a direct reporting line to the CEO. Blackhall & Pearl noted that having a separate Chief Risk Officer is considered better practice for an organisation of Crown's size and risk profile. Crown's rationale for not adopting this recommendation is that the existing Chief Legal and Compliance Officer, Mr Anthony Pearl, currently fulfils the functions of a Chief Risk Officer.

The OSM reviewed the Chief Legal and Compliance Officer's position description and clarified the risk responsibilities of the role with Mr Pearl. It observes that the position description does not include all the responsibilities and accountabilities that would be expected of a Chief Risk Officer, and therefore considers that Crown should update the position description to reflect the position holder's stated responsibilities with respect to risk.

The OSM considers that Crown has developed a timely and effective plan to implement the Blackhall & Pearl recommendations, which it aims to complete by September 2024 (see Table 10). To date, it has implemented three of the recommendations, including those related to the RAS.

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<sup>223</sup> Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023.

<sup>224</sup> Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023, p. 2.

<sup>225</sup> Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023, p. 3.

Table 10. Action plan to address Blackhall & Pearl recommendations

| No.    | Recommendation  | Targeted completion   |
|--------|---|-----------------------|
| 2.1.1  | Report progress against target-state vision.  | Completed             |
| 2.1.2  | Build in regular pulse checks for the target-state vision.  | 31 March 2024         |
| 2.1.3  | Plan out the resource requirements for the risk strategy.   | 30 June 2024          |
| 2.2.1  | Ensure the risks inherent in the corporate strategy are identified and linked to the risk profiles.       | 31 March 2024         |
| 3.2.1  | Consider appointing a Chief Risk Officer who directly reports to the CEO.                                 | Not accepted by Crown |
| 3.4.1  | Articulate the internal and external resource requirements for each risk transformation horizon.          | 30 June 2024          |
| 5.1.1  | Consider prioritising and rationalising the risk appetite categories.                                     | 30 September 2024     |
| 5.2.1  | Ensure risk terminology is clear and consistent.  | Completed             |
| 5.3.1  | Ensure there is a simple and consistent risk taxonomy.  | Completed             |
| 7.1.1  | Prioritise risks in reporting to enable a focus on key risks and allocation of resources to address them. | 30 June 2024          |
| 11.2.1 | Clarify the role of the 3LOD in upcoming risk training.   | 31 March 2024         |

Source: Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023.

Crown's Risk team is regularly reporting progress against the external risk review recommendations to the RCRG Committee, albeit its reporting has consistently failed to include recommendation 7.1.1. The OSM has drawn this omission in reporting to Crown's attention.

Crown has accepted all but one of the external risk review recommendations, developed an implementation plan and made good progress towards implementing the recommendations (provided in Appendix 1, Document 1.31).<sup>226</sup> The OSM considers that September 2024 is a reasonable timeframe within which to complete implementation of the remaining recommendations.

### 7.4.3 Enhancement of risk framework, systems and policies

The Special Manager's June 2023 interim report noted that Crown had continued to implement its plan to achieve a better practice risk management framework. In this reporting period, the OSM has noted Crown's further progress in continuing to refine and enhance its existing frameworks and policies.

<sup>226</sup> Crown Melbourne Risk, Compliance and Responsible Gaming Committee papers, 6 December 2023, p. 65.

Of note, the Crown Melbourne Board has approved:

- a property-specific RAS in September 2023, as discussed in section 7.4.1
- a three-year Group Risk Management Strategy in September 2023 (provided in Appendix 1, Document 1.32) aimed at shifting the maturity of Crown's risk management model from 'foundational' in December 2023 to 'optimal' by December 2025
- an updated Risk Management Framework in October 2023 (provided in Appendix 1, Document 1.33) that reflects the risk management model Crown has developed and refined over the past year.<sup>227</sup> It recognises the mechanisms in place to support a sound risk culture and includes a revised financial impact assessment rating scale to inform business assessments.

As noted in section 7.3.2, the Risk team has continued to work with business units to further review and refine risk profiles, and to strengthen the effectiveness of controls. The OSM's view is that these enhancements have resulted in Crown being in a better position to manage risk.

In 2024, Crown's focus will shift to embedding frameworks, policies and systems so that they are fully effective, including by:

- requiring management to explicitly consider risk appetite when developing business planning and strategy setting processes
- continuing to review business unit risk profiles, including identifying key controls and testing the effectiveness of controls
- improving risk reporting, including by establishing a Risk Culture Dashboard
- establishing a risk oversight plan in collaboration with other Line 2 functions
- developing a consequence management framework linked to the employee performance management system
- developing a risk training strategy based on the identification of training gaps.

Crown proposes to undertake a further external review of the effectiveness of its risk management once the Risk Management Strategy is implemented. This review is referenced in the Melbourne Transformation Plan.

#### **7.4.4 Governance and reporting**

The Crown Melbourne RCRG Committee is now well established, with its primary function being to assist the Crown Melbourne Board to fulfil its corporate governance responsibilities by identifying, monitoring, managing and mitigating risks. Throughout this reporting period, the RCRG Committee has deliberated on the appropriateness of key aspects of the frameworks that apply to risk and compliance, including, as previously noted, the Crown Melbourne RAS, the Crown Risk Management Framework and the Risk Management Strategy.

The OSM has observed discussions at RCRG Committee meetings indicating that members are engaged and are increasingly challenging management in relation to risks and controls. This was evidenced in the development of the Crown Melbourne RAS.

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<sup>227</sup> Crown Melbourne Board papers, 20 October 2023, Agenda item 14, p. 223.

At a management level, the Crown Melbourne ERCC meets every two months. Over this reporting period, the OSM has observed that risk owners have become accustomed to presenting on the risks they own, and have been able to demonstrate an adequate level of understanding of how the Risk Management Framework operates in practice.

Crown Melbourne's reporting of risk has continued to evolve over this reporting period, and it has developed measures that indicate whether risks are being managed within accepted tolerance levels. The Risk team prepares a dashboard of measures and tolerance levels for each category of risk; it currently has 75 measures. The tolerance levels reflect the appetite of the Board, with risk categories with 'no' or 'very low' appetite having more demanding tolerance levels than risk categories with a 'low' appetite. Where risks are considered 'outside tolerance', the Board requires a remediation plan to bring the risk back inside tolerance.

Although further work is required on some of the metrics, particularly regarding 'Responsible Gaming' risk (as discussed in section 7.4.1), a broad set of RAS measures is now being presented to the RCRG Committee. Crown expects to continue to refine its risk measures as the committee gains further experience in assessing whether these initial measures provide an effective indication that risks are being managed consistently within appetite settings.

The OSM considers that Crown has established sound governance at Board and management levels to oversee the management of risk and compliance, and risk measures and metrics are in place that should enable the Board and management to assess whether risks are being effectively managed.

## 7.5 Compliance

The Special Manager's June 2023 interim report noted that Crown has approved a three-year Compliance Strategy targeting a 'foundational' state of maturity across 10 compliance elements by September 2025.<sup>228</sup>

In this final reporting period, the OSM has focused on assessing Crown's progress with implementing key elements of this strategy, including whether Crown has:

- finalised the Policy Uplift Program – including completing remaining policies, and delivering training and communications to embed key policies – and demonstrated a coordinated process for regularly reviewing policies in line with the Policy Management Framework
- completed the mapping of its gaming-related obligations – including obligations related to AML/CTF, the Management Agreement and RSG<sup>229</sup> – updated Archer to include all currently mapped obligations, communicated obligations to Crown employees, and developed a plan to map and assess non-gaming obligations
- used Archer to identify, record and report incidents (including breaches and potential breaches)

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<sup>228</sup> A diagram summarising the 10 compliance elements was presented in the Special Manager's December 2022 interim report, p. 120.

<sup>229</sup> Crown Melbourne, MRAP items FCCCP\_05\_D09-1, FCCCP\_05\_D11, FCCCP\_05\_D22 and FCCCP\_05\_D29.



- ensured effective processes are in place to identify, escalate and remediate compliance breaches, including through regular review of recorded incidents, appropriate guidance regarding how incidents should be treated and/or escalated, and effective decision making of the Compliance and Regulatory Affairs BDF regarding whether incidents are breaches or potential breaches and whether they need to be reported to regulators.

The OSM's concluding assessment is that Crown has made satisfactory progress implementing its Compliance Strategy. It has finalised and released 64 policies as part of the Policy Uplift Program, with key policies being accompanied by communications campaigns and updated training. It continues to work to identify all obligations, with those related to gaming successfully mapped and entered into Archer. It has continued to improve the effectiveness of compliance incident management, primarily through the increased use of Archer, and it has an effective process in place to identify, escalate and remediate compliance breaches.

The OSM has also assessed Crown Melbourne's compliance with its Gambling Code (see section 5.3) and joint AML/CTF Program (see section 6.4). Section 9.8.1 provides a further assessment of trends in Crown's compliance breaches, including whether Crown is reporting such breaches to the relevant regulators in a timely manner.

### 7.5.1 Policy Uplift Program

Crown's internal audits have identified that a lack of clearly documented policies and procedures, and employee awareness of policies and procedures, are consistent root causes of their adverse findings.

The Special Manager's June 2023 interim report noted that Crown was close to finalising and releasing a new suite of policies under the Policy Uplift Program, which consolidated more than 270 policies into 64. It also noted that Crown had undertaken a health check assessment of implementation and embedment closure criteria in late 2022 that identified the need to enhance the implementation of specific policies and develop a more detailed plan to embed policies in the organisation.

Crown finalised and released all 64 policies on 31 July 2023, and that these are accessible to all employees on Crown's intranet. In terms of embedding the policies, in September 2023 Crown completed the development and delivery of training and communications for seven priority policies that apply to all Crown employees:

- Conflict of Interest Policy
- Employee Licensing and Gambling by Employees Policy
- Gifts, Tips and Gratuities Policy
- Regulator and Law Enforcement Agency Engagement Policy
- Incident, Event and Breach Management Policy
- Code of Conduct
- Whistleblower Protection Policy.

Online training modules on the Code of Conduct and Whistleblower Protection Policy are further discussed in section 8.6. A training and communications plan for Crown's other policies is expected to be rolled out by 30 June 2024.

The Crown Melbourne CEO's monthly newsletters to all employees and the Crown People Leaders monthly newsletters have been used to communicate the development and release of the new policies.

The OSM's discussions with a number of Crown's middle managers confirmed that managers and their teams are generally familiar with the Policy Uplift Program, the content of specific policies and where to locate them (see Appendix G).

Crown has finalised and released its suite of policies, and has delivered training and communications to embed the key policies and increase awareness and compliance with policy requirements. The OSM considers that these measures represent a significant step forward in the management of policies and policy compliance within Crown. Additional training and communications to reinforce expectations would improve compliance further.

## 7.5.2 Obligations mapping

Crown's MRAP committed it to developing a register of Crown Melbourne's obligations under the Casino Control Act, the Gambling Regulation Act, the Casino Agreement and the Management Agreement. Crown proposed to map key controls to these obligations, assess design effectiveness for those key controls, and identify associated control gaps and weaknesses.

The Special Manager's June 2023 interim report noted that Crown Melbourne was close to completing the mapping of its AML/CTF, RSG and gaming-related obligations, and a review of associated controls. Work to assess and map other legal obligations was expected to continue into 2024, given the size of the task.

In this reporting period, the OSM has assessed whether Crown has completed its obligations mapping and updated Archer to include these obligations.

The OSM conducted a walk-through of Archer in October 2023 to test whether a sample of obligations were included. The walk-through identified that RSG obligations were yet to be uploaded.<sup>230</sup> A further walk-through of Archer conducted in early December 2023 identified 21 Crown Melbourne RSG specific obligations, and other RSG-related obligations assigned to Security and Gaming teams, such as those related to unattended children and exclusions.

Crown is planning further work in early 2024 to confirm that RSG and gaming-related obligations include all recent legislative amendments. Following this, the Compliance and Regulatory Affairs team will engage with obligation owners to confirm the accuracy and completeness of obligations and ensure effective controls are in place. Crown intends to move to BAU for the usage of Archer to monitor compliance with its mapped obligations from April 2024.

Archer does not currently include non-gaming obligations, such as obligations related to the *Corporations Act 2001* (Cth), employment, privacy, taxation and accounting, and workplace health and safety.

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<sup>230</sup> The obligations tested included those related to responsible gaming, financial crime and integrity, and include legislative instruments such as the *Casino Control Act 1991* (Vic), *Gambling Regulation Act 2003* (Vic) and the Management Agreement.

The OSM's discussions with middle managers confirmed that not all are aware that Crown's obligations are held in Archer, and many are instead relying on experience or legacy repositories such as SharePoint (see Appendix G).

In summary, there is significant work still to be done to identify and map the full suite of Crown's obligations, notwithstanding that substantial progress has been made in mapping obligations related to gaming, AML/CTF, the Management Agreement and RSG. Further training and communications are required to promote greater awareness and understanding of obligations.

### 7.5.3 Archer

The Special Manager's June 2023 interim report noted that Archer had gone live in late March 2023 and had provided the foundation for Crown to significantly enhance the way it records and reports on risk and compliance matters. In the short time since Archer has been implemented, it has provided:

- one source of truth for most information relating to incidents (there is still some information recorded outside of Archer, such as health and safety data, which is recorded in OSCAR,<sup>231</sup> and RSG data, which is recorded in the RG Register)
- a consistent way of recording incidents
- the ability to link incidents to controls and risks
- tracking the progression of incidents consistent with Crown's Incident, Event and Breach Management Policy
- an automated way to analyse and report key risk and compliance trends.

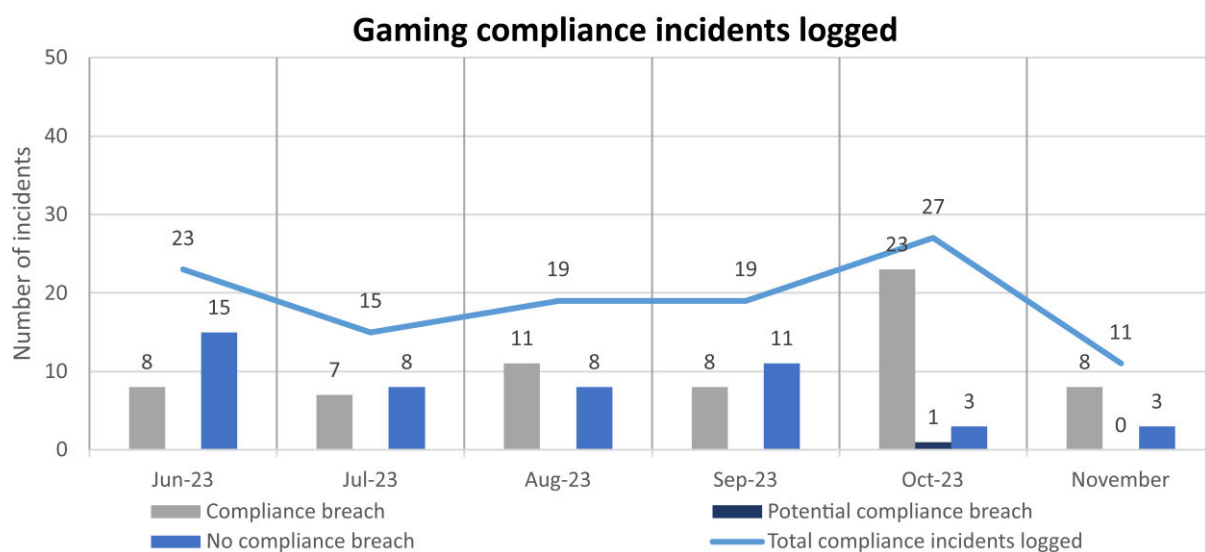
In this final reporting period, the OSM has observed how Archer has been used to record incidents through Crown's weekly triage meetings. The number of reported incidents has increased, and occasionally spiked, as additional Line 1 employees have undertaken Archer training and become familiar with the system and reporting requirements. The OSM expects that it will take some months before the numbers stabilise.

The Crown Melbourne Compliance and Regulatory Affairs BDF, ERCC and RCRG Committee now regularly receive reports from Archer on trends in the number of risk and compliance incidents per month. It should be noted that not all incidents recorded in Archer give rise to compliance breaches. Figure 23 provides an example of the compliance incident and breach trends reported to the BDF.

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<sup>231</sup> OSCAR is Crown's online system used for managing and reporting workplace health and safety incidents, injuries and hazards.

Figure 23. Compliance incidents and breaches



Note: Edited by the OSM for design purposes. The November label should refer to 'November 2023'.

Source: Crown Melbourne Compliance and Regulatory Affairs Breach Determination Forum papers, Crown Melbourne Breach Determination Forum Trends, 20 December 2023, p. 2.

In October 2023, Crown identified that the Compliance and Regulatory Affairs team had not been recording matters identified by VGCCC inspectors at Crown in Archer. This gap was rectified and is reflected in a noticeable surge in compliance breaches in data for October 2023.

The Risk team is monitoring a range of metrics to assess the extent to which employees understand and are engaging with Archer. The metrics are broken down by business unit, and include incidents recorded in Archer, incidents with no risk and controls identified in Archer, overdue remediation plans, and timeliness of remediation action completion.

The OSM considers Archer to be a significant enhancement to the overall compliance framework, which is meeting its intended purpose. While still in the early stages of implementation, Archer provides a strong foundation to enable Crown to effectively manage risk and compliance by ensuring that incidents, issues and breaches are recorded in a central database, and allowing for more automated reporting and analysis.

#### 7.5.4 Incident escalation and reporting

The transition to Archer has enhanced Crown's incident identification, recording, escalation and reporting compared to the previous manual processes used.

Crown has an Incident, Event and Breach Management Policy to assist employees to understand and satisfy their obligations to identify, manage and report risk and compliance incidents. The policy has all the elements required to ensure incidents are identified, managed and reported effectively. Definitions are clear, and roles and responsibilities are adequately set out.

The Compliance and Regulatory Affairs team and the Risk team together undertake a weekly triage of all incidents recorded in Archer, to determine whether a breach or potential breach has occurred and what action must be taken. The OSM has attended most of the weekly triage meetings since July 2023, and has observed that Line 2 Risk team and the Compliance and Regulatory Affairs team attendees at these meetings are actively engaged in reviewing each incident recorded in Archer.

If the triage process determines that a significant breach has occurred, or if it is unclear whether an incident constitutes a breach, the matter is escalated to the Compliance and Regulatory Affairs BDF.<sup>232</sup>

The BDF was established in July 2022 to determine whether compliance incidents constitute a breach to be reported to a regulator on either a mandatory or voluntary basis.<sup>233</sup> This includes deciding whether to notify the VGCCC of a significant breach under section 27A of the Casino Control Act, as per recommendation 19 of the Finkelstein Royal Commission. In practice, the BDF has needed to consider only two potential compliance breaches, as all other compliance breaches have been identified through weekly triage meetings and appropriate action taken to remediate and report breaches to the regulator where required.

Crown updated the BDF Charter in August 2023 to require management to present trend analysis of incidents to the BDF each month. This analysis is also provided to other Board and management committees, including the RCRG Committee and the ERCC.

In this reporting period, the BDF met nine times. The OSM has attended each of these meetings and observed that the BDF operates effectively: it is well chaired by the Crown Melbourne COO, and standing members engage in robust discussions. Now that Archer contains a number of months of data, the BDF is starting to discuss trends in compliance breaches and identifying actions to mitigate the likelihood of future breaches.

The reports prepared by the Compliance and Regulatory Affairs team for the BDF continually cite human error due to manual processes as the largest cause of compliance breaches, and outline actions taken to reduce such risks.

Crown Melbourne's other compliance-focused management committees are the ERCC and the Compliance Champion Forum (formerly the Compliance Officer Committee). The ERCC meets every two months to assist the Crown Melbourne CEO in overseeing the risk, compliance, responsible gaming and safety functions. This includes identifying, managing and mitigating risk in relation to compliance with all legal and regulatory requirements. The information provided to the ERCC from business units has transitioned from updates primarily focused on operational issues to now include more targeted information about movements in risk profiles, emerging risk issues and trends. This has enabled the ERCC to provide more strategic oversight of risk and compliance at Crown.

The OSM considers that the above is evidence that processes for identifying, escalating and remediating compliance breaches are maturing. The Risk team and the Compliance and Regulatory Affairs team are regularly reviewing incidents recorded in Archer and there is appropriate guidance regarding how incidents should be treated, including when they need to be escalated. The BDF appears to be operating effectively – determining whether potential breaches need to be reported to the regulator and monitoring trends in compliance incidents.

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<sup>232</sup> A separate BDF exists for financial crime matters.

<sup>233</sup> The Crown Group Compliance and Regulatory Affairs BDF Terms of Reference, dated 23 January 2023, apply to each property within the Crown Group, including Crown Melbourne.



## 7.6 Risk culture

Risk culture is about the ways in which employees identify, understand, discuss and manage the risks that an organisation faces. The Finkelstein Report recognised:

*A sound risk culture supports appropriate risk awareness, behaviours and judgements about risk-taking in an organisation. It bolsters effective risk management, promotes sound risk-taking decisions, and ensures emerging risks or risk-taking activities beyond a corporation's risk appetite are recognised, assessed, escalated and addressed in a timely manner. It is part of the broader culture of a corporation.<sup>234</sup>*

The Finkelstein Report noted that Crown had a poor risk and governance culture that prioritised profits and commercial gain over compliance, and that it was content to 'operate in the grey'. This resulted in the organisation taking risks in areas of regulatory and legal uncertainty.<sup>235</sup>

In such a complex and appropriately highly regulated casino environment, it is reasonable to expect that risk incidents and compliance breaches will continue to occur. What is important is that Crown's systems, policies and practices provide confidence that these will be effectively managed – that risk incidents and compliance breaches are identified, assessed, remediated and escalated appropriately.

In this reporting period, the OSM has assessed whether Crown has:

- defined the desired risk culture at Crown Melbourne and developed a credible plan for achieving it
- established metrics to assess and report on its progress in achieving the desired risk culture.

Crown's updated Risk Management Framework articulates its desired risk culture as follows:

*Crown's desired risk culture is based around our values and the knowledge that whilst risk cannot be avoided completely it will be managed appropriately and proactively. Crown articulates this as 'everyone does the right thing with a positive attitude, responsible practices, and mindset of questioning "Can We? Should We?"<sup>236</sup>*

The updated Risk Management Framework notes several mechanisms Crown has put in place to enhance its risk culture, including:

- mandatory training that aims to ensure all employees are aware of key regulatory requirements and expectations regarding behaviours
- various metrics and dashboards that enable Crown to measure its performance against the Crown Melbourne Board's risk appetite and track its organisational culture against prescribed risk and culture targets, including a risk culture index drawing from the 'Your Voice' survey
- a performance management system for salaried employees to manage, monitor and improve individual and team performance, including in relation to risk and compliance matters

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<sup>234</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 124.

<sup>235</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 143.

<sup>236</sup> Crown Resorts, Risk Culture Implementation Plan, December 2023, p. 27.

- frameworks, policies and communications supporting effective risk and compliance management, and encouraging employees to speak up when they witness unacceptable behaviours.

Crown has developed a Risk Culture Implementation Plan (provided in Appendix 1, Document 1.34) identifying three key risk culture dimensions: ‘tone from the top’, ‘accountability and reinforcement’ and ‘risk management infrastructure’.<sup>237</sup> The plan lists key actions linked to each of these dimensions, including actions to measure and report on risk culture metrics; embed the new consequence management framework; improve performance scorecards and reporting; conduct a risk management gap analysis; and upskill Line 1 employees. Crown expects to deliver actions under the plan by early 2025.

Crown has developed a Risk Culture Dashboard that includes 40 quantitative metrics, with an overlay of qualitative observations to provide an overview of Crown Melbourne’s organisational risk culture, which was reported to the Risk, Compliance and Responsible Gaming Committee for the first time in December 2023. The dashboard currently includes the following risk and compliance-related measures:

- employee referral-related measures, such as ‘Core Integrity referrals’, ‘open “Speak Up” referrals aged greater than 90 days’ and ‘Your Voice survey results on questions related to speaking up’
- internal audit-related measures, such as ‘overdue critical and high rated internal audit issues’
- Archer-related measures, such as ‘breaches and incidents recorded in Archer’ and a future metric, ‘Archer overdue remediation plans’
- leadership-related measures, such as ‘Your Voice survey results on questions related to tone from the top’
- workplace health and safety-related measures, such as ‘total recordable injury frequency rate’, ‘percentage of workplace health and safety inspections (on a quarterly basis)’, ‘participation in safety walk and talk (on a quarterly basis)’ and ‘claim frequency per million hours’
- training-related measures, such as ‘percentage of mandatory training completed’.

Recognising Crown’s strong focus on risk and compliance since 2021, the following snapshot highlights the extent to which Crown’s employees recognise the importance of compliance.

### **Snapshot: OSM analysis of Crown employee survey results regarding compliance**

The OSM analysed Crown’s employee survey results between 2021 and 2023 to identify the extent to which Crown Melbourne employees recognised the importance of compliance (discussed further in Appendix F). The OSM’s analysis identifies that:

- There is strong agreement, across all teams and levels, that ‘compliance is everyone’s responsibility’.

<sup>237</sup> Crown Resorts, Risk Culture Implementation Plan, December 2023, p. 8.

- There has been a significant increase since 2021 in employees recognising that following rules, guidelines and regulations is a top priority at Crown, albeit perceptions of the priority placed on rules and regulation varies across teams. For example, the Security and Surveillance team respondents provided less favourable responses in this area, which is a relatively common result among teams responsible for identifying and investigating non-compliance.

Overall, these results reaffirm that there is strong recognition across Crown employees that compliance is important at Crown, but there is value in Crown continuing to reinforce the importance of following rules, guidelines and regulations across teams.

The OSM's discussions with middle managers identified that while managers recognise the increased focus on risk and compliance, there is not a widespread understanding of the Board's appetite across the range of risks. Most managers who participated in the discussions referred to there being 'zero' appetite for not complying with the law, but did not refer to the range of other risks for which the Board has expressed an appetite. This reaffirms the importance of continuing to communicate and train Crown managers and employees about the Board's risk appetite, and broader risk and compliance frameworks.

The OSM's concluding assessment is that Crown has demonstrated that it understands the importance of an effective risk culture, and it has developed a credible plan for how it will try to embed a desired risk culture, and metrics to report on its progress to management and the Board.

## 7.7 Training and communications

Crown's training program for risk and compliance should enable its employees to understand their obligations with respect to relevant legislation and regulations, as well as how to effectively manage risk in their business units in line with Crown's Risk Management Framework and related policies.

In 2023, Crown's core risk and compliance-focused training has included:

- 'Risk and Compliance at Crown', which is mandatory online training for all employees
- Archer training, aimed at familiarising employees identified as incident loggers and Line 1 reviewers with new processes for logging and reviewing risk incidents in the system.

In this final reporting period, the OSM has assessed whether:

- training content reflects relevant Crown frameworks and policies and the needs of specific employee cohorts, and is delivered effectively
- training completion rates are monitored and adequate
- employee knowledge is tested using reliable approaches
- evaluations of training effectiveness are conducted
- employee communications are used to reinforce training.

The OSM's concluding assessment is that the risk and compliance training provided by Crown is satisfactory. The content has been developed to reflect Crown's new risk management framework, system and policies and the needs of Crown employees, with the 'Risk and Compliance at Crown' module providing employees with a solid foundation in risk and compliance management and the Archer training, targeted at relevant employee cohorts,

supporting the development of more specialised risk and compliance skills. The 95 per cent completion rate for these courses is consistent with targets.

Crown has been able to demonstrate whether employees have gained an appropriate level of understanding of the course topics by using in-course testing for the 'Risk and Compliance at Crown' module and performance metrics for the Archer training. It has appropriate plans to continue to enhance the training programs based on feedback.

### 7.7.1 Content and delivery

The key learning outcomes identified in the 'Risk and Compliance at Crown' module relate to improving employees' understanding of the importance of risk and compliance in day-to-day operations, of the types of risks that may arise at Crown and who is responsible for managing them, of how compliance with various legislative and policy instruments is maintained, and of steps to manage risk and compliance incidents. The module summarises the 3LOD model and includes examples of key policies affecting all employees, including those relating to managing conflicts of interest and gifts, tips and gratuities. The training is delivered online and takes about 30 to 40 minutes to complete.

The OSM's view is that the 'Risk and Compliance at Crown' training content, although basic, provides all employees with an important foundation in risk management and compliance. Crown should consider including more advanced content if it is to further enhance the maturity of its employees' skills in risk management and compliance.

The Archer training was developed and delivered jointly by the Risk team and the Compliance and Regulatory Affairs team and is aimed at building familiarity with requirements for recording and escalating incidents in Archer. Training was delivered face-to-face and involves direct use of the Archer system, and has been effective in both building relationships with the Risk team and the Compliance and Regulatory Affairs team and developing familiarity with the system. The Archer courses included:

- an overview of risk and compliance incidents and relevant frameworks, systems and policies
- clarification of employees' roles in relation to Archer, including for incident loggers, Line 1 reviewers and Line 2 reviewers
- practical 'on system' exercises, where participants are required to create and review risk and compliance incidents in Archer during the session.

The OSM observed the Archer training for incident loggers and Line 1 reviewers, and considers the content to be appropriate at this stage, noting that Crown intends to further enhance the content going forward.

### 7.7.2 Completion rates

All Crown employees are required to complete the 'Risk and Compliance at Crown' online module annually. The Crown Melbourne RAS requires 95 per cent of employees to have undertaken this training. Crown advised that, as at 17 November 2023, the completion rate was 95 per cent.

In this reporting period, only incident loggers and Line 1 reviewers were required to complete Archer training. In total, all 192 incident loggers and 101 Line 1 reviewers have completed this training.

The OSM considers that completion rates for 'Risk and Compliance at Crown' and Archer training have been satisfactory.

### **7.7.3 Knowledge testing**

The 'Risk and Compliance at Crown' training incorporates knowledge testing, requiring employees to answer eight multiple-choice questions to demonstrate their understanding of the training content. To pass, training participants must achieve 100 per cent and they are allowed unlimited attempts to complete the assessment.

With respect to demonstrating effective knowledge and use of Archer, the Risk team is actively monitoring trends for several metrics. These include data, broken down by business unit, in relation to recorded incidents in Archer, open incidents, incidents resulting in compliance breaches, incidents with no risk and controls identified in Archer, incidents with no specified remediation plans, overdue remediation plans, and timeliness of Line 1 and Line 2 reviews. These metrics provide further insight into the areas where Archer users may need additional guidance, support or training.

### **7.7.4 Training evaluation**

Crown has undertaken a review of the participant feedback received for the 'Risk and Compliance at Crown' and Archer training courses, and has committed to considering this feedback and amending the course content and approach as required for 2024.

The OSM observed the Archer training for incident loggers and Line 1 reviewers, and noted that participants were able to provide feedback to the Risk team and the Compliance and Regulatory Affairs team, both during and at the completion of the sessions. Based on this feedback, training materials were amended for future sessions.

Crown has developed a plan to enhance training and awareness with respect to risk management. This includes further training, targeted to individual business units, about controls relevant to the risks the unit manages and about how these controls link to obligations and remediation plans.

While there is evidence of some feedback being considered, the OSM considers that a more structured approach to evaluating the effectiveness of training design, content and delivery in achieving key learning objectives would be appropriate for risk and compliance-related training.

### **7.7.5 Employee communications**

The Risk team has developed a learning approach that aims to enhance the current foundational level of understanding of risk management and Archer. It includes an engagement and communication plan, and a 'one-stop shop' for all risk management artefacts and documentation, including the Risk Management Framework, 3LOD model, and policies and procedures. Use of Archer has been reinforced at various business unit meetings and a Melbourne Leadership Team meeting in mid-December 2023.

Crown has developed a detailed training and communications rollout plan that outlines the key activities to be conducted in 2024. It has designed the plan to ensure all employees are aware of key policy requirements, through training and/or communications. Crown has also identified forums in which key policies will be discussed. Crown proposes to continue to issue communications to all employees on relevant compliance matters through the Melbourne CEO's monthly newsletters and the Crown People Leaders monthly newsletters.



## 7.8 Conclusion

Crown has satisfactorily addressed each of the Appendix I requirements for remediating its systemic failures of risk management. This has included undertaking a root cause analysis into the failures outlined in the Bergin Report and the Finkelstein Report; implementing changes to risk management governance, frameworks, functions and reporting as recommended by Mr Deans; and commissioning an external review of the robustness and effectiveness of its risk management framework, systems and processes, and their appropriateness to Crown Melbourne as a casino operator.

Crown has made significant progress in improving its management of risk and compliance and has built a strong foundation for the future. In particular, it has:

- continued to operationalise its 3LOD model
- delivered its risk uplift program, including a revised Risk Management Framework, revised and Risk and Controls Framework, a new RAS for Crown Melbourne, a new governance, risk and compliance system (Archer), and risk profiles for business units
- delivered its Policy Uplift Program and is embedding policy management as BAU
- mapped its gaming-related obligations and is now looking to extend its obligations mapping to include non-gaming obligations
- established a policy and practice for consistently identifying, recording and reporting incidents and breaches.

Improvements in Crown's risk and compliance management have been supported by the satisfactory delivery of training and communications programs. Awareness of risk and compliance obligations is improving across the organisation, but further work is required to embed a strong risk and compliance culture at Crown.

Crown has developed and is partway through implementing a three-year Risk Management Strategy and Compliance Strategy, aimed at advancing its risk and compliance maturity levels. The delivery of these two key strategies is reflected in the Melbourne Transformation Plan and, if fully implemented, will enable Crown to build on the frameworks it already has in place for effective risk and compliance management.

In such a complex and appropriately highly regulated casino environment, it is reasonable to expect that risk incidents and compliance breaches will continue to occur. However, the improvements made to Crown's systems, policies and practices for identifying, remediating and escalating risk incidents and compliance breaches should provide confidence that these will be far more effectively managed going forward.

## 8. Integrity framework

### Key findings and observations

- Crown has made significant improvements to strengthen its integrity framework over the Special Manager's term. It has developed the key systems, policies and processes required to support lawful, ethical and responsible conduct, and has put in place training programs to improve employee awareness and compliance. In particular, it has:
  - revised its Code of Conduct – a key document that lays the foundations for a stronger integrity framework
  - Continued to develop and roll out more detailed policies and guidelines to support the Code of Conduct, including in relation to managing conflicts of interest and gifts, tips and gratuities
  - developed an appropriate anti-bribery and corruption (ABAC) framework that reflects the current and emerging bribery and corruption risks relevant to Crown Melbourne, including the inherent risks relating to the procurement function
  - significantly improved its whistleblower framework, including policies, procedures, processes and technology to better support the receipt and management of whistleblower complaints.
- Crown has work to do to improve its management of public complaints. It has completed an internal audit in this reporting period and has committed to implementing actions to improve its management of public complaints. These actions are expected to be included in the Melbourne Transformation Plan.

### 8.1 Introduction

The Finkelstein Royal Commission identified repeated examples of failings in Crown's integrity framework, including a lack of confidence among employees that they could and should speak up, poor 'tone from the top' and blatant serious misconduct. The Finkelstein Report described Crown Melbourne's conduct as 'disgraceful', and 'variously illegal, dishonest, unethical and exploitative':

*The catalogue of wrongdoing is alarming, all the more so because it was engaged in by a regulated entity whose privilege to hold a casino licence is dependent upon it being, at all times, a person of good character, honesty and integrity.*<sup>238</sup>

A strong integrity framework underpins an organisational culture of operating lawfully, ethically and responsibly. It brings together the policies, systems and practices required to foster integrity and prevent misconduct. It includes a robust code of conduct and ABAC framework, and an effective whistleblower regime and public complaints system. An organisation's integrity

<sup>238</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 2.

framework needs to be supported by ongoing communication, education and training on the expected standards of conduct.

Historically, Crown lacked a clear and comprehensive integrity framework and, in particular, the key elements of such a framework, including a code of conduct, ABAC controls, and a whistleblower protection policy and processes. Its management of public complaints was also deficient.

The OSM has assessed Crown's approach to strengthening its integrity framework, as this provides a critical mechanism by which Crown can demonstrate commitment to instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation.

In relation to Crown's integrity framework, the Special Manager's June 2023 interim report concluded that Crown:

- had improved important aspects, including its Code of Conduct and whistleblower framework
- had commenced strengthening its ABAC framework, but needed to complete a comprehensive bribery and corruption risk assessment, and establish appropriate governance
- needed to review and improve its public complaints handling processes.

This section outlines the OSM's final assessment of Crown's progress in implementing a strong integrity framework, and is focused on:

- Crown's ongoing implementation of an effective Code of Conduct
- Crown's progress in developing its ABAC framework
- Crown's ongoing implementation of its whistleblower framework
- the outcome of Crown's internal audit examining its management of public complaints, and its plan to address recommendations
- Crown's integrity-related training and communications campaigns.

## 8.2 Code of Conduct

The Special Manager's December 2022 interim report noted that the Crown Melbourne Board approved a revised Code of Conduct on 7 December 2022, which set out the standards and behaviours expected from all employees, and reinforced a culture of acting ethically, lawfully and with integrity. The revised Code of Conduct provides good guidance to Crown employees on ethical business conduct to support their day-to-day decision making (including a 'can we, should we' test), and incorporates the OSM's feedback.

Crown has continued to develop and roll out more detailed policies and guidelines to support the revised Code of Conduct. In this final reporting period, the OSM assessed whether Crown has adequate policies and guidelines related to:

- gifts, tips and gratuities
- conflicts of interest.

Overall, the OSM's concluding assessment is that Crown has established appropriate policy and procedures for managing both of these areas, which provide employees with guidance on

recognising and reporting relevant matters. Ongoing communication and enhancements are required to improve employee awareness and compliance with policies, to monitor compliance more actively, and to identify and respond to trends and emerging issues.

### 8.2.1 Gifts, Tips and Gratuities Policy

Crown's Gifts, Tips and Gratuities Policy was approved by the Crown Melbourne Board on 21 August 2023, and covers all directors and employees. The policy clearly sets out the requirements for both licensed and unlicensed team members relating to the acceptance of such benefits from guests (including patrons and customers of Crown), business clients and suppliers. This ensures a consistent approach across the business.

To assess how the policy is operating in practice, the OSM reviewed Crown's centralised system for employees to register gifts, tips and gratuities for the period 1 December 2022 to 15 September 2023, and observed the following:

- Some entries in the Gifts, Tips and Gratuities Register were below the required reporting threshold (\$200),<sup>239</sup> which may suggest that some employees either are not clear about the reporting threshold or choose to be transparent about the receipt of all gifts, tips and gratuities.
- Some members of business units and employee cohorts who are prohibited from accepting gifts, tips or gratuities (such as hosts and VIP Service team members)<sup>240</sup> have made declarations in the register advising that gifts, tips or gratuities had been surrendered.<sup>241</sup>
- There were some unusual entries, such as multiple large-value tips made to the same employee by the same customer. The OSM discussed these entries with Crown's Compliance and Regulatory Affairs team, which undertook to complete a further review and analysis of these entries. This is yet to be completed.

The OSM's discussions with middle managers highlighted some uncertainty as to the reporting thresholds and whether items rejected by employees should still be declared (see Appendix G).

Any gifts provided by Crown to third parties are currently not recorded in a central register, and the OSM has raised concerns with Crown about this. Crown has committed to reviewing the processes relating to gifts to third parties in 2024 and ensuring that such gifts are recorded. Crown is also considering adding registers to a module attached to the Archer governance, risk and compliance system in the first half of 2024.

The OSM considers that, once the recording of gifts provided by Crown to third parties is added, Crown will have an appropriate policy and procedures for managing gifts, tips and gratuities. There is scope for Crown to improve employee awareness of and compliance with the policy, and for more active monitoring and analysis of the register by the Compliance and Regulatory Affairs team to identify any trends or entries of concern.

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<sup>239</sup> Crown Resorts, Gifts, Tips and Gratuities Policy, 23 August 2023, paragraphs 4.2–4.4.

<sup>240</sup> A licensed team member is unable to receive or accept a benefit from a guest of Crown, and should make every effort to decline a benefit or to return a benefit if one is left. If this is unavoidable, the benefit must be recorded in the register and surrendered to the Compliance and Regulatory Affairs team as soon as practicable.

<sup>241</sup> Crown Resorts, Gifts, Tips and Gratuities Policy, 23 August 2023, paragraph 4.9 describes how Crown disposes of surrendered benefits, including donating items or money to charity, selling items and disbursing the proceeds to charity, or destroying and disposing of items.

## 8.2.2 Conflict of Interest Policy

A strong conflict of interest policy and supporting procedures provide employees with clear guidance on how to deal with potentially challenging scenarios that could arise within an organisation.

Following an internal audit in January 2023 that found 'improvement required',<sup>242</sup> and taking into consideration OSM feedback, Crown redrafted its Conflict of Interest Policy. The Crown Melbourne Board approved the updated policy on 21 August 2023.

The updated Conflict of Interest Policy and its supporting procedures provide employees with improved guidance on common conflict scenarios and how they are expected to manage them. These scenarios are wide ranging, and include outside business interests, activities or employment; various types of close personal relationships; involvement or associations with junket operations; related party transactions; and other personal conflicts. The OSM considers the policy is now appropriately detailed in setting out requirements and the responsibilities of Crown employees in relation to managing conflicts.

To assess how the policy is operating in practice, the OSM reviewed Crown's centralised system for employees to register conflicts of interest, which included 30 declarations made between October 2022 and September 2023. The OSM observed:

- management approved 28 conflicts with agreed management actions
- there were entries in the Conflict of Interest Register (such as lunch or other hospitality received) that should have been reported as benefits in the Gifts, Tips and Gratuities Register.

During the OSM's discussions with middle managers, participants expressed confidence that they and their employees understand their obligations to declare conflicts, and referenced examples of potential conflicts with suppliers and fellow employees to demonstrate their understanding (see Appendix G).

The OSM considers that Crown's updated policy and procedures provide employees with appropriate guidance on recognising and reporting conflicts of interest, supported by ongoing reminders to employees of their obligations promulgated by the Compliance and Regulatory Affairs team. The training and communications relevant to conflicts of interest will be enhanced as Crown gains further insight into potential, perceived or actual conflicts of interest faced by its employees.

## 8.3 Anti-bribery and corruption

An effective ABAC framework is essential if an organisation is to appropriately manage bribery and corruption risks. This is particularly so for Crown, which operates in a highly regulated industry and has regular and wide-ranging interactions with government officials, and which provides services across gaming, hotels and restaurants. All of these factors make it susceptible to bribery and corruption risks.

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<sup>242</sup> Crown Resorts, Conflict of Interest Policy Review, 31 January 2023, p. 4.



The Special Manager's June 2023 interim report noted a Thematic Review conducted by Crown in 2022, which had identified gaps in its ABAC policy and processes. Since then, Crown has sought to implement a comprehensive ABAC framework and has continued work to implement other recommendations arising from this Thematic Review.

In this final reporting period, the OSM has assessed:

- the completeness of the ABAC framework, including coverage of current and emerging bribery and corruption risks relevant to Crown Melbourne
- updates to Crown's ABAC Policy and related employee guidelines
- governance over ABAC-related matters.

Overall, the OSM's concluding assessment is that the ABAC framework reflects the current and emerging bribery and corruption risks relevant to Crown Melbourne, including risks relating to procurement. Further, there is appropriate governance and reporting on ABAC matters. While the updated ABAC Policy contains the appropriate elements, guidance on secondary employment and declarable associations is currently included within the Conflict of Interest Policy. The OSM's view is that it would be preferable for Crown to have standalone policies related to these topics.

### 8.3.1 Framework

In this reporting period, Crown has sought to further develop its ABAC framework, to assist it to 'prevent', 'detect' and 'respond' to bribery and corruption.

Crown's ABAC framework is comprised of:

- the Crown Melbourne Bribery and Corruption Risk Profile
- relevant policies, such as those relating to political donations, whistleblowers, and gifts, tips and gratuities
- employee and third party due diligence
- procedures and registers for employee declarations of conflict of interest, and gifts, tips and gratuities (as discussed in section 8.2)
- channels to report suspected incidents
- communications and training.

As detailed in the Special Manager's June 2023 interim report, the Thematic Review conducted in August 2022 recommended that Crown undertake a bribery and corruption risk assessment as a priority. The risk assessment was originally due to be completed by September 2023 but was delayed by Crown to allow it to complete work in relation to sanctions compliance. Crown subsequently advised the OSM that it had decided to adopt the 'risk profiles' methodology developed as part of the organisation-wide Risk Management Framework rather than the 'risk assessment' methodology used by the Financial Crime Risk team.

During this reporting period, Crown reprioritised its bribery and corruption risk profile work over its sanctions compliance work. The OSM queried with Crown whether the inability to progress both its ABAC and sanctions compliance work concurrently may indicate inadequate resourcing within the Financial Crime Risk team. In response, Crown advised the OSM that it will review resourcing within this team in 2024 as its workload stabilises following completion of these projects.

Crown Melbourne developed a Bribery and Corruption Risk Profile (provided in Appendix 1, Document 1.35). Of the six key risks identified in the Bribery and Corruption Risk Profile:

- three have an overall risk rating of ‘high’ – these relate to dealings with public officials and payments to/from third parties
- five have an overall consolidated control rating of ‘needs improvement’ – these relate to dealings with public officials and third parties, and the risk of collusion among Crown team members.

The OSM considers the above ratings are appropriate, and notes that the profile includes detailed remediation action plans that have been entered into Archer with assigned accountable owners and due dates to address controls that need improvement.

Procurement is known to be a high-risk corporate function in assessing risks related to bribery and corruption. The following snapshot sets out the OSM’s observations with respect to procurement at Crown and its management of bribery and corruption risks.

### **Snapshot: Managing bribery and corruption risks in procurement at Crown**

The procurement function is a critical area to consider when assessing an organisation’s ABAC framework, and in particular its bribery and corruption risk profile, due to the inherent risks associated with third party relationships and complex supply chains, and the potential for conflicts of interest. Accordingly, the OSM has reviewed the Crown Procurement team’s role and its approach to managing bribery and corruption risks.

The Procurement team has included bribery and corruption risks in its business unit risk profile, which takes into account the ABAC Thematic Review recommendations.

Crown relies heavily on suppliers of goods and services, and in the period 1 January to 23 November 2023 it:

- issued 237,272 purchase orders
- recorded 3,290 active suppliers (out of 4,841 vendors that supply Crown Melbourne).<sup>243</sup>

In December 2022, Crown approved a new strategic procurement approach, which resulted in its Procurement team (rather than individual business units) assuming responsibility for managing procurement and contracts for all goods or services greater than \$100,000 in value. The OSM considers this change enables Crown to take a more centralised approach to managing procurement, thereby reducing risk.

The OSM considers the Procurement business unit risk profile appropriately identifies the relevant bribery and corruption risks it faces.

<sup>243</sup> Email from Head of Governance, Risk and ESG (Procurement and Supply Chain) Melbourne to the OSM, 23 November 2023.

### 8.3.2 Policy and procedures

The Crown Melbourne Board approved the updated ABAC Policy on 21 June 2023. This policy included a revised definition of 'political donations' consistent with Crown's Political Donations Policy, which was approved by the Board on the same date.

The OSM considers the updated policy contains all necessary elements as recommended by *ISO 37001 – Anti-bribery management systems*. Further, it appropriately references the Code of Conduct and other integrity-related policies, such as those related to whistleblowers, conflicts of interest, and gifts, tips and gratuities.

Crown employees who have secondary employment, or who associate with certain classes of individuals – such as junket operators, or 'individuals or groups who are known to be, or reasonably suspected of being, involved in unlawful or improper activities'<sup>244</sup> – create additional bribery and corruption risks for the organisation. The OSM considers, and Crown acknowledges, that employee declarations of secondary employment and relevant associations can assist to better manage these risks.

The OSM has identified that Crown does not have specific standalone policies or employee guidance relating to secondary employment and declarable associations.

Crown has indicated that it intends to develop guidance for employees on secondary employment and declarable associations as part of its Conflict of Interest Policy and procedures, rather than as standalone policies. In an appendix to its Conflict of Interest Policy, Crown has included examples of scenarios where bribery and corruption may occur, and has updated its onboarding process to identify possible employee secondary employment and declarable associations. Crown also screens its employees against 'special interest lists' of employees with an ML/TF risk rating of medium to high, enabling it to identify instances where an employee has not declared an association that exposes it to criminal risks.

In addition, Crown advised the OSM that it intends to mitigate the risk of employees failing to identify relevant associations by developing specific guidelines for employees as part of its Conflict of Interest Policy, by 30 June 2024. These guidelines will be included as a remediation plan in the Bribery and Corruption Risk Profile.

The OSM has communicated to Crown that better practice suggests standalone policies relating to secondary employment and declarable associations are preferable, as employees may not view secondary employment and declarable associations as conflicts of interest.

It will be important for Crown to develop specific training and communications to ensure employees are fully aware of their ongoing obligations in relation to secondary employment and declarable associations.

### 8.3.3 Governance

The Special Manager's June 2023 interim report noted that, while a summary of the ABAC Thematic Review and brief updates on associated activities had been provided to Crown's financial crime management committees, they had not been provided to the Crown Melbourne Board or its committees.

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<sup>244</sup> Conflict of Interest Procedure, Appendix C, 29 August 2023, p. 13.

In this reporting period, the Board initiated a change so that financial crime and ABAC matters are now reported to the Board's RCRG Committee. The OSM observes that this change in governance arrangements has provided the Board and the RCRG Committee with greater visibility of the potential risk and vulnerability associated with bribery and corruption, including through improved management reporting. Further, since October 2023, the Group Executive General Manager – Financial Crime Risk has attended Crown Melbourne ERCC meetings to provide insight on ABAC risk and compliance matters.

The OSM's view is that Crown's improvements in the governance and reporting of ABAC matters are satisfactory for an organisation of its size and nature.

## 8.4 Whistleblower framework

The Corporations Act requires public companies and large proprietary companies, such as Crown, to have a whistleblower policy and to make the policy available to officers and employees of the company. The Australian Securities and Investments Commission's regulatory guide states:

*Transparent whistleblower policies are essential to good risk management and corporate governance. They help uncover misconduct that may not otherwise be detected. Often, such wrongdoing only comes to light because of individuals (acting alone or together) who are prepared to disclose it, sometimes at great personal and financial risk.<sup>245</sup>*

An internal audit conducted in October 2022 of Crown's whistleblower framework assessed the design and effectiveness of its whistleblower processes and controls as 'unsatisfactory'.

The Special Manager's June 2023 interim report noted Crown had significantly improved its whistleblower framework in response to the internal audit, including by updating its policy to comply with the Corporations Act, designating a Whistleblower Protection Officer and strengthening governance by reconstituting its Whistleblower Committee. Crown had also engaged a new external hotline service provider, and rolled out appropriate training and a high-quality 'Speak Up' internal communications campaign. The interim report concluded that Crown would need to demonstrate that this new whistleblower framework is operating effectively in practice, and provides whistleblowers with confidence to speak up and disclose concerns.

In this final reporting period, the OSM has assessed the further development and operationalisation of Crown's whistleblower framework, including whether:

- the Whistleblower Policy is appropriate and easily accessible
- the independent hotline service is effective in managing disclosures
- Crown's management of disclosures is adequate
- the Whistleblower Committee is operating effectively and is appropriately reporting to the Crown Melbourne Board.

The OSM's concluding assessment is that Crown's Whistleblower Policy is appropriate and accessible to employees and relevant third parties. Crown now has the systems in place to appropriately deal with disclosures, including through the independent hotline service, which has improved disclosure management. An increase in disclosures received over recent months

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<sup>245</sup> Australian Securities and Investments Commission, *Regulatory Guide 270, Whistleblower Policies*, 13 November 2019, p. 4.

indicates an improvement in employees' willingness to speak up and utilise whistleblower channels, although it may take some time for most employees to be confident reporting via these channels. The OSM considers the Whistleblower Committee is operating effectively and is appropriately reporting to the Crown Melbourne Board.

#### **8.4.1 Policy and procedures**

The Special Manager's June 2023 interim report noted that Crown's Whistleblower Policy, which was then in updated draft form, addressed regulatory requirements set out in the Corporations Act. It also noted the importance of the policy being readily accessible and searchable on both the Crown Resorts and Crown Melbourne websites, given its importance and relevance to all employees, contractors, suppliers and their family members.

Both the Crown Resorts Board and Crown Melbourne Board approved Crown's updated Whistleblower Policy in August 2023. Following OSM feedback, Crown updated its websites to provide visible links and search capability with respect to the policy. The OSM considers Crown's Whistleblower Policy is appropriate and accessible.

In October 2023, Crown completed a follow-up internal audit of its whistleblower framework to assess whether adequate controls were in place to address issues raised in the initial audit completed on 21 October 2022. The follow-up internal audit concluded that Crown had fully addressed all 'critical'-rated findings from the initial internal audit. It identified further process improvement opportunities, including establishing standard templates for investigation plans and outcome reports to ensure the minimum information requirements are appropriately documented and to support the Whistleblower Committee's decision making.

As illustrated in the snapshot in section 8.4.3, in response to OSM feedback and the internal audit, Crown has developed and is starting to use templates to improve the consistency of collecting and reporting information related to the management of disclosures.

#### **8.4.2 Independent hotline service**

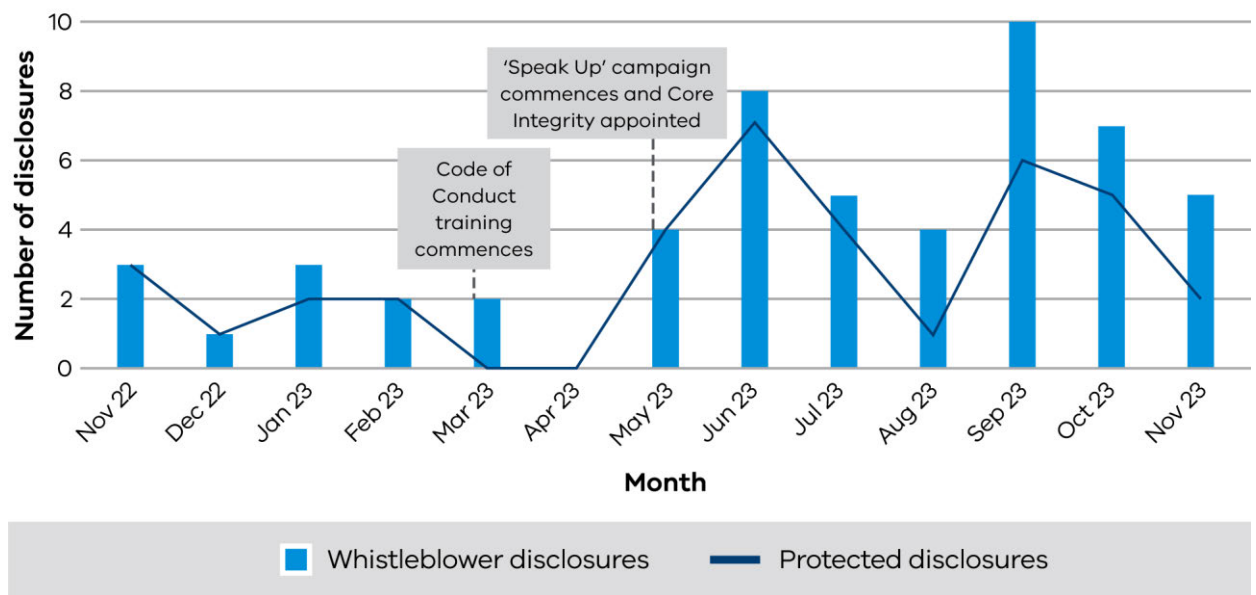
Crown appointed Core Integrity in May 2023 as its independent hotline service provider to receive confidential complaints from employees and whistleblower disclosures. This coincided with the rollout of Crown's 'Speak Up' campaign, which promoted the independent hotline service as an eligible recipient to receive such complaints and disclosures.

There has been a significant increase in whistleblower disclosures following the rollout of the 'Speak Up' campaign and the appointment of Core Integrity. Between 1 May and 30 November 2023, Crown Resorts received a total of 89 disclosures, of which 43 related to Crown Melbourne.

Figure 24 summarises the increase in whistleblower disclosures received by Crown Melbourne in the period 1 November 2022 to 30 November 2023, including those determined to be protected disclosures under the Corporations Act.



Figure 24. Crown Melbourne whistleblower and protected disclosures



Source: OSM analysis; Crown Melbourne, Whistleblower disclosure data, provided to the OSM on 15 November and 12 December 2023.

Figure 24 shows that in the six months prior to the commencement of the ‘Speak Up’ campaign and the appointment of Core Integrity, Crown Melbourne received 11 whistleblower disclosures, of which eight were determined to be protected. In the seven months following the commencement of ‘Speak Up’ and the appointment of Core Integrity, Crown Melbourne received 43 disclosures, with 29 determined to be protected.

Crown has worked to improve its speak up culture, but it has not yet created an environment where most employees feel sufficiently supported to speak up (section 4.4). The OSM’s discussions with middle managers indicate that many of these managers are comfortable speaking up directly to their supervisors, and would likely use this channel rather than the independent hotline service. However, the results of the ‘Your Voice’ survey and discussions with customer-facing employees indicate there is still a lack of confidence in reporting via management channels among such employees, which is likely to take time to improve (see Appendices F and G). While the increase in whistleblower disclosures received may demonstrate that Crown’s ‘Speak Up’ campaign effectively raised the reporting channel profile, the ‘Your Voice’ survey results highlight the importance of Crown continuing to reinforce the ‘Speak Up’ messaging to ensure employees feel confident to raise issues without fear of negative consequence.

In November 2023, Crown conducted a review of the effectiveness of services provided by Core Integrity, assessing its performance in the receipt, triage, assessment and referral of disclosures, including access to reporting data from the online platform, ClearView. Overall, Crown assessed the service as satisfactory. Crown has, however, experienced declines in responsiveness and accuracy relating to ClearView service requests, which it raised with Core Integrity as they occurred. Core Integrity has proactively addressed these issues and has committed to developing its own disclosure management system, and will move away from the ClearView platform in 2024. The OSM considers that engaging Core Integrity as Crown’s independent hotline service provider has improved the management of whistleblower disclosures, and the ability to communicate with disclosers while maintaining confidentiality.

### 8.4.3 Disclosure management

The Special Manager's June 2023 interim report noted that employee confidence is essential to Crown having an effective whistleblower framework, and that such confidence will depend significantly on how effectively whistleblower disclosures are managed in practice.

The June 2023 interim report also noted concerns about the quality of an investigation conducted by an external Crown-appointed investigator, the Whistleblower Committee's oversight of the matter and its outcomes. The investigation was of a longstanding whistleblower disclosure relating to conflicts of interest in a recruitment process. Noting the concerns raised by the OSM, the Whistleblower Committee determined that this matter had been appropriately investigated and concurred with the remedial actions arising from the investigation. The OSM reviewed Crown's response to the matter and agrees that the remedial actions implemented in response to this matter were appropriate.

In this final reporting period, the OSM has assessed Crown's management of whistleblower disclosures. The following snapshot sets out the OSM's review of Crown's handling of three disclosures relating to Crown Melbourne received between 25 May and 10 June 2023.

#### Snapshot: Review of whistleblower disclosures

The Special Manager's December 2022 interim report presented the OSM's findings in relation to a review of four whistleblower disclosures that Crown received between 25 November 2021 and 10 May 2022. In this reporting period, the OSM reviewed three additional disclosures that Crown received between 25 May and 10 June 2023 (which were finalised by the Whistleblower Committee between July and August 2023).

The OSM's review identified improvements in the management of these disclosures compared to those referred to in the December 2022 interim report.

The OSM provided feedback to Crown regarding the need to develop templates to ensure investigation plans and outcome reports capture sufficient information to enable the Whistleblower Committee to make informed decisions. This feedback was consistent with improvement opportunities identified by Crown as part of a follow-up internal audit into its whistleblower framework. Crown has since developed and started to use templates that help to ensure consistency across all disclosures.

The OSM has observed that Crown's management of disclosures has continued to improve and mature, and considers it to now be satisfactory. There is scope, however, for Crown to further improve the quality of information provided to the Whistleblower Committee to support informed decision making and ensure matters are investigated appropriately and consistently.

### 8.4.4 Governance and monitoring

The Special Manager's June 2023 interim report noted that the OSM had observed well-structured meetings of Crown's reconstituted Whistleblower Committee, where processes were strengthened and disclosures assessed through open discussion.

In this final reporting period, the OSM has observed that the committee's processes have continued to mature and evolve. Crown's Whistleblower Committee has improved both its management of whistleblower disclosures from receipt to finalisation, and its monitoring of the conduct of whistleblower investigations. The committee has taken a careful and considered approach to assessing whether whistleblower disclosures should be considered protected disclosures under the Corporations Act, or otherwise afforded protections in accordance with the Whistleblower Policy.

During this reporting period, the OSM observed the Whistleblower Committee's handling of disclosures relating to Crown Resorts senior executive officers impacting Crown Melbourne. The committee determined the disclosures to be protected and managed them as 'sensitive' in accordance with the Whistleblower Policy and procedures. The OSM notes that processes to manage such matters have evolved as the committee considers the need to protect the identify of those involved and maintain confidentiality while also managing potential conflicts impacting committee members. The OSM considers the Whistleblower Committee appropriately handled its assessment of these matters.

The Whistleblower Committee reports a range of metrics to the Crown Resorts and Crown Melbourne RCRG Committees on a quarterly basis, including the number of whistleblower disclosures received, the number of protected disclosures and confidential complaints from employees, and timeframes for investigation. This reporting provides the committees with greater visibility on the management of disclosures received and an insight into potential thematic issues occurring across the business.

The OSM's view is that the Whistleblower Committee is operating effectively and adequately reporting to the Crown Melbourne Board.

## 8.5 Public complaints

A robust public complaints system is an important component of an organisation's broader integrity framework. Better practice guidance suggests that:

*firms should encourage complaints and make it easy for people to voice their concerns with systems that are accessible and easy to use.*<sup>246</sup>

Organisations should also publicise widely how and where complaints may be made, including by publishing their complaints policies online and providing hard copies on request, providing training to all employees about how to handle complaints, and facilitating complaints from vulnerable people and groups.<sup>247</sup>

The Special Manager's June 2023 interim report noted the OSM's assessment that Crown had a fragmented and uncoordinated approach to managing public complaints across the organisation. This posed a real risk of ineffective complaints handling outcomes.

The OSM encouraged Crown to prioritise an internal audit of its management of public complaints to address the issues identified in the June 2023 interim report.

Crown finalised its management of complaints internal audit on 21 December 2023. The internal audit report is attached in Appendix 1, Document 1.36. The audit identified:

- disjointed methods for recording and managing complaints
- uncertainty over who within Crown has overarching accountability for and ownership over the complaints management process
- a lack of consistent and formal training to ensure all team members know how to manage and respond to complaints

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<sup>246</sup> Australian Securities and Investments Commission, *Regulatory Guide 271, Internal Dispute Resolution*, 2 September 2021, p. 37.

<sup>247</sup> Australian Securities and Investments Commission, *Regulatory Guide 271, Internal Dispute Resolution*, 2 September 2021, p. 38.

- incomplete and inaccurate documentation of complaints to allow for effective analysis
- ineffective monitoring and management reporting related to complaints
- reliance on one individual to review, assign and escalate complaints across the organisation.<sup>248</sup>

Crown has assigned responsibility for complaints policy and management to the Group General Manager – Customer Experience, who will be responsible for completing agreed internal audit management actions by 31 August 2024. Key actions include establishing a single complaints management system across all of Crown’s functions, reviewing and updating the Customer Feedback Policy and supporting documents, developing training and communications plans, and establishing a reporting framework that enables key complaints data to be reported to management and the Board on trends and issues requiring attention.

The OSM’s concluding assessment is that the actions to be implemented as a result of the internal audit are likely to improve Crown’s management of complaints received, provide for more effective complaints outcomes, and support management decisions through the provision of more accurate complaints data and analysis. Crown is expected to incorporate the identified management actions in the Melbourne Transformation Plan.

## 8.6 Training and communications

Crown has developed training modules and supporting communications campaigns that have been rolled out across the organisation in 2023 to support its integrity framework, and embed the behaviours promoted by the updated policies and processes. Relevant integrity-related training and communication has included:

- Code of Conduct training, supported by the ‘Can We, Should We’ communications campaign
- ‘Speak Up’ (including whistleblower) training, supported by the ‘Speak Up’ communications campaign.

Crown is currently rolling out conflict of interest training, launched ABAC training in August 2023 and an ABAC communications campaign in late November 2023.

For each of these integrity-related training and communications campaigns, the OSM has assessed whether:

- training content reflects relevant Crown policies and procedures, and the needs of specific employee cohorts, and is delivered effectively
- training completion rates are monitored and adequate
- employee knowledge is tested using reliable approaches
- evaluations of training effectiveness are conducted
- employee communications are used to reinforce training.

The OSM’s concluding assessment is that Crown has put in place training programs to improve employee awareness of, and compliance with, its key integrity framework policies and procedures. The training content and delivery is appropriate and consistent with Crown’s

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<sup>248</sup> Crown Resorts, Management of Complaints Internal Audit Report, 21 December 2023, pp. 3–4.



updated policies. It is tailored to employee needs, and requires employees to demonstrate an understanding of the content. Crown has achieved satisfactory completion rates<sup>249</sup> for each of its integrity-related training modules. The organisation has effectively communicated the rollout of the updated Code of Conduct training, and launched an ABAC campaign. Crown has appropriate plans in place to continue to enhance these training programs based on feedback received.

### 8.6.1 Content and delivery

Crown has delivered a steady stream of integrity-related training modules in 2023, and developed content to align with new or revised policies as follows:

- Code of Conduct training – Crown launched mandatory online Code of Conduct training for all Crown employees in March 2023. The OSM recommended that Crown supplement its organisation-wide training with role-specific training that includes examples of the types of expected behaviours consistent with good decision making. Crown has committed to considering role-specific requirements in future iterations of the Code of Conduct online modules.
- ‘Speak Up’ training – Crown rolled out a comprehensive online training package to all employees as part of its ‘Speak Up’ campaign in May 2023. The training included details of Crown’s whistleblower framework and the process for making a disclosure. Crown delivered tailored training for the Crown Resorts Board and Crown Melbourne Board – the members of which are eligible recipients of whistleblower disclosures – in May and September 2023, and for the Whistleblower Committee members in May 2023. Crown also ensured new Whistleblower Committee members received training upon commencement in the role.
- Conflict of interest training – Crown rolled out conflict of interest training to business unit managers in August 2023. The content is comprehensive and consistent with the relevant Crown policies and procedures, and provides good examples of conflict of interest scenarios, including strategies for appropriately managing those types of conflicts.
- ABAC training – Crown updated and launched its ABAC online training module in August 2023 to align content with recent policy updates. All Crown managers are expected to complete ABAC training at commencement of employment and every two years thereafter. Crown expects to update the content further, consider training frequency and/or tailor the content for different employee cohorts once risk profiles have been completed. The training provides employees with relevant scenarios and tests knowledge. It also provides the ABAC Officer’s contact details and details of the whistleblower reporting channels.

Most of the training delivered to date has been organisation-wide, although as noted above some tailored training was delivered as part of the ‘Speak Up’ training program, and Crown is considering more tailored training options for the ongoing rollout of conflict of interest training and ABAC.

The OSM considers the training content and delivery are appropriate, consistent with Crown’s updated policies and tailored to employee needs.

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<sup>249</sup> See section 8.6.2. Table 11 in that section sets out the completion rates for each integrity training module.



## 8.6.2 Completion rates

Table 11 sets out the completion rates for Crown Melbourne employees across the Code of Conduct, 'Speak Up' (including whistleblower) and ABAC online training.

Table 11. Integrity-related Crown Melbourne training completion rates

| Status          | Code of Conduct | %           | 'Speak Up'   | %           | ABAC <sup>250</sup> | %           |
|-----------------|-----------------|-------------|--------------|-------------|---------------------|-------------|
| Completed       | 7,779           | 97.5%       | 7,690        | 96.4%       | 781                 | 98.5%       |
| In progress     | 12              | 0.1%        | 7            | 0.1%        | 5                   | 0.6%        |
| Not yet started | 190             | 2.4%        | 279          | 3.5%        | 7                   | 0.9%        |
| <b>Total</b>    | <b>7,981</b>    | <b>100%</b> | <b>7,976</b> | <b>100%</b> | <b>793</b>          | <b>100%</b> |

Note: Code of Conduct and 'Speak Up' training completion rates are as at 27 October 2023. ABAC completion rates are as at 1 November 2023. Conflict of Interest training is not included because it has only been rolled out to business unit managers thus far.

Source: Crown Resorts, Training – Whistleblower, Code of Conduct and Risk and Compliance at Crown, 6 November 2023, p. 1.

The OSM considers these completion rates to be satisfactory.

## 8.6.3 Knowledge testing

Crown's integrity-related training modules incorporate knowledge checks throughout the content, and a final quiz that employees must pass in order to complete the training.

The modules also contain buttons and 'pop-ups' that employees must click before progressing. These are designed to provide the user with further information, examples and scenarios, and informally reinforce their knowledge.

The OSM considers these training modules to be effective.

## 8.6.4 Training evaluation

Crown has undertaken an assessment of the effectiveness of the 'Speak Up' (including whistleblower) training and communications campaign. Based on analysis of training completion rates, whistleblower reports received as compared with prior years, and results from the 'Your Voice' survey, Crown has assessed its whistleblower training and communications campaign as 'effective'.<sup>251</sup>

Crown is yet to evaluate the effectiveness of its Code of Conduct training, but has committed to do so by 31 March 2024.<sup>252</sup> It will use feedback from business groups and focus groups, results from the 'Your Voice' survey, and training take-up and completion rates to understand the impact of the training and communications campaign on team members' understanding of the Code of Conduct, and to support decision making using the 'can we, should we' test.

<sup>250</sup> As referred to above, this ABAC training module is required to be completed by managers and above at commencement of employment and every two years thereafter.

<sup>251</sup> Crown Resorts, Effectiveness of Crown's Whistleblower Training and Communication Program, Draft, 19 December 2023.

<sup>252</sup> Email from Crown Resorts Group General Manager – Compliance and Regulatory Affairs to the OSM, 18 December 2023.

Crown has committed to taking on board the OSM's feedback, as described above, relating to adding role-specific modules and examples where appropriate.

### 8.6.5 Employee communications

In November 2023, Crown launched a communications campaign reminding employees that it has 'zero tolerance' for bribery and corruption of any kind, and that the ABAC Policy has been updated. This campaign included information about risks, policies and reporting, and was supported by a video from the Crown Resorts CEO that was shared via Crown Workplace (a Meta platform) and an all-employee email. The OSM considers the video and communications campaign appropriately references the forms that bribery and corruption may take within Crown, encourages employees to report any concerns, and reminds employees of the supporting policies and reporting channels in place to assist them with any concerns they may have.

## 8.7 Conclusion

Crown previously lacked a robust, comprehensive integrity framework, and the key elements that would comprise such a framework required significant improvement.

Over the Special Manager's term, Crown has made significant improvements to strengthen its integrity framework. It has developed the key systems, policies and processes required to support lawful, ethical and responsible conduct. In particular, it has:

- revised its Code of Conduct – a key document that lays the foundations for a stronger integrity framework
- continued to develop and roll out more detailed policies and guidelines to support the Code of Conduct, including in relation to managing conflicts of interest and gifts, tips and gratuities
- developed an appropriate ABAC framework that reflects the current and emerging bribery and corruption risks relevant to Crown Melbourne
- significantly improved its whistleblower framework.

The OSM has observed Crown's processes for managing whistleblower disclosures continuing to mature.

Crown has put in place training programs to improve employee awareness of, and compliance with, its key integrity framework policies and procedures and supported this training with communication campaigns that encourage employees to report any concerns and embed the behaviours promoted by the updated policies and processes.

Crown has work to do to improve its management of public complaints. It completed an internal audit in this reporting period and has committed to implementing actions to improve its management of public complaints. These actions are expected to be included in the Melbourne Transformation Plan and the OSM considers that, once completed, they are likely to improve Crown's management of complaints received and provide for more effective complaints outcomes.

The casino environment is, and will remain, highly susceptible to unethical conduct and bribery and corruption risks. Crown now has in place a satisfactory integrity framework that provides employees with clear guidance on expected standards of behaviours and channels to report any concerns. Continued vigilance will be required in implementing these systems and demonstrating that action will be taken in response to any integrity breaches.

## 9. Crown's current operations

### Key findings and observations

- Crown Melbourne has established a majority independent Board that is operating independently in practice, with a clear focus on Melbourne-specific issues.
- Crown Melbourne has put effective arrangements in place to enable its Board to oversee key functions and for executives to take their instructions from, and act in the interests of, Crown Melbourne.
- Crown is working effectively with law enforcement agencies to prevent criminal threats and has developed a plan to improve the governance, consistency and accountability of decisions made to exclude persons from the casino.
- Over the Special Manager's term, Crown has more actively identified compliance incidents and self-reported them to its regulators.
- The information obtained by the OSM during the Special Manager's term has not revealed any evidence of maladministration, illegal or improper conduct indicative of the type of serious and systemic failures previously uncovered by the Finkelstein Royal Commission.
- The OSM is satisfied that all serious or material breaches of any laws, regulations or other obligations it has become aware of have been drawn to the attention of the VGCCC and other relevant regulators by Crown.

### 9.1 Introduction

Appendix I of the Finkelstein Report requires the Special Manager to consider the conduct of Crown's casino operations generally, and specifically whether:

- there is any evidence of maladministration
- there is any evidence of illegal or improper conduct
- Crown Melbourne has engaged in conduct that may give rise to a material contravention of any law.

Appendix I also requires the Special Manager to review whether Crown Melbourne complies with its obligations under the Casino Control Act, the Gambling Regulation Act, the Casino Agreement and the Management Agreement.

In this final reporting period, the Special Manager has continued to acquit his general oversight function regarding the casino operations. This has included considering Crown's:

- Board independence, the effectiveness of the Board and its committees, oversight of key functions and roles and the effectiveness of management committees
- approach to gathering evidence of, and assisting law enforcement agencies to investigate, criminal threats

- approach to excluding persons from the casino
- compliance breaches, significant disciplinary proceedings and active litigation
- compliance with specific legislative and regulatory obligations.

## 9.2 Board independence

The Finkelstein Royal Commission found that ‘one obvious area for regulatory improvement is the board of the casino operator’<sup>253</sup> and that ‘Crown Melbourne is a striking example of the ineffectiveness of independent directors, at least when the directors are not independent of the holding company’.<sup>254</sup> Accordingly, the Royal Commission recommended that the Casino Control Act be amended to require a majority of the casino operator’s board to be independent, including being independent of any ultimate or intermediate holding company (recommendation 29).

The Victorian Government implemented recommendation 29 in full and section 36ZB(1) of the Casino Control Act took effect on 1 August 2023.<sup>255</sup>

As reported in the Special Manager’s June 2023 interim report, the Crown Melbourne Board is majority independent, comprising four independent and two non-independent directors. This represents a significant change from the interim Crown Melbourne Board that was in place following Blackstone Inc.’s acquisition of Crown Resorts, which did not have any directors independent of Crown Resorts, Blackstone Inc. or executive management.

In this final reporting period, the OSM has assessed whether the Board:

- has remained majority independent
- has appropriate procedures in place to ensure ongoing independent Board composition and operations
- is operating independently in practice.

The Crown Melbourne Board has remained majority independent in compliance with section 36ZB(1) of the Casino Control Act. The Board continues to have two non-independent directors, Mr Christopher Tynan and Mr Ciarán Carruthers, and four directors who are independent of executive management, Crown Resorts and Blackstone Inc.; namely, Mr Ian Silk (Chair), Ms Helen Silver AO, Ms Henriette Rothschild and Ms Mary Waldron.

Crown’s annual independence assessment process was conducted in August 2023 and reported to the Board in October 2023, confirming the independence of the four independent directors.<sup>256</sup> Regarding this process, the Special Manager’s June 2023 interim report noted that the independence declaration form did not explicitly refer to independence from Crown Resorts; nor did it capture standing declarations of interests otherwise made to the Company Secretary. The OSM considered that this had the potential to undermine the independence assessment process.

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<sup>253</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 35.

<sup>254</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 36.

<sup>255</sup> *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic), s 22, inserting a new s 36ZB into the *Casino Control Act 1991* (Vic).

<sup>256</sup> Annual Independence Assessment report, 10 October 2023, provided to the Crown Melbourne Board for its meeting on 20 October 2023, p. 318 of meeting papers.

Crown did not amend the declaration form for the 2023 independence assessment, but Crown's Company Secretary confirmed to the OSM that the directors' independence from Crown Resorts and the register of standing declarations of interests were considered. In 2024, Crown proposes to revise the declaration form to explicitly require Crown Melbourne Board directors to state whether they are independent of Crown Resorts.<sup>257</sup> Accordingly, the OSM's assessment is that Crown's approach to verifying the independence of its Board members is sufficient and will be enhanced by using the revised declaration form in the future.

An updated Crown Melbourne Board Charter was approved on 26 July 2023 (provided in Appendix 1, Document 1.37). The Charter addresses the commentary in the Special Manager's June 2023 interim report by:

- setting out the role and responsibilities of the Chair
- stipulating that the Chair should be an independent non-executive director
- providing that any director who otherwise chairs a Crown Melbourne Board meeting should be an independent non-executive director
- making it clear that a quorum must always comprise a majority of independent non-executive directors.

The updates ensure that Board independence is embedded in the Charter, noting that each Board committee also has an independent Chair (Board committees are discussed in section 9.3).

In practice, and consistent with observations expressed in the Special Manager's June 2023 interim report, the OSM has observed that the Board's independent directors understand their role in bringing independent judgement to the matters before them. For example, the independent directors have taken a cautious, prudent and questioning approach to the commencement of Phase 2 of the PPRP (see section 6.7). They have also focused on areas where there is a dependency on Crown Resorts to address key risks, such as in relation to the Crown Resorts' IT strategy and systems.

The OSM's concluding assessment is that the Crown Melbourne Board is continuing to operate independently and has satisfactory arrangements in place to ensure independent Board composition.

### 9.3 Board and board committees

The Special Manager and/or OSM officers with delegated authority have attended meetings of the Crown Melbourne Board, as well as various Board committee and management committee meetings. Appendix C lists the meetings the OSM has attended in this reporting period.

Crown Melbourne has continued to maintain its three Board committees: Audit and Finance; People and Culture; and Risk, Compliance and Responsible Gaming. There have been no changes to Board committee structures in this final reporting period, except for the addition of Ms Mary Waldron to the People and Culture Committee.

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<sup>257</sup> The revised declaration form will include a new question for Crown Melbourne Board directors only as follows: 'Other than as a Non-Executive Director, I do not have a material contractual relationship with Crown Melbourne Limited or any holding company of Crown Melbourne Limited, and I am not connected in any way with any holding company of Crown Melbourne Limited.'



The chairs and members of the Crown Melbourne Board committees are set out in Table 12.

*Table 12. Composition of Crown Melbourne Board committees*

| Board committee                                | Chair   | Members   |
|--|---|---|
| <b>Audit and Finance</b>                       | Ms Mary Waldron<br>Independent Non-Executive Director         | Mr Ian Silk<br>Ms Henriette Rothschild<br>Mr Chris Tynan  |
| <b>People and Culture</b>                      | Ms Helen Silver AO<br>Independent Non-Executive Director      | Mr Ian Silk<br>Ms Mary Waldron<br>Mr Ciarán Carruthers    |
| <b>Risk, Compliance and Responsible Gaming</b> | Ms Henriette Rothschild<br>Independent Non-Executive Director | Mr Ian Silk<br>Ms Helen Silver AO<br>Mr Ciarán Carruthers |

The Special Manager’s June 2023 interim report expressed the view that the Board has an appropriate blend of skills and experience, and members have demonstrated substantial progress in working cohesively and effectively.

In this final reporting period, the OSM has assessed:

- whether any further changes have been made to Board and Board committee charters
- the outcome of the Board Skills Matrix review, completed in August 2023
- the results of the Board’s performance assessment, completed in September 2023
- the Board’s overall performance and effectiveness.

As noted in section 9.2, an updated Crown Melbourne Board Charter was approved on 26 July 2023. In addition to changes made to enshrine Board independence, the updated Charter now includes the roles and responsibilities of management, reflecting feedback provided to Crown by the VGCCC. A new clause states that the Board has delegated the day-to-day management of Crown Melbourne to the CEO, supported by the CEO’s senior executive team.

In this reporting period, there have been no changes to Board committee charters. Each committee charter states that it will be reviewed on an annual basis and the next review is expected in February 2024. This will include amending the Audit and Finance Committee Charter to reflect the requirement for an independent Chair.

The Crown Melbourne Board has completed a Board Skills Matrix assessment,<sup>258</sup> provided in Appendix 1, Document 1.38. Based on this self-assessment, the Board and its committees consider they have proficient skills or experience across each relevant category, with an opportunity to strengthen industry-specific experience. Following the skills assessment, the Board requested that a schedule of updates on relevant topics of industry expertise and a

<sup>258</sup> Crown Melbourne Board Skills Matrix report, 2 August 2023, provided to the Crown Melbourne Board for its meeting on 21 August 2023, p. 340 of meeting papers.

list of industry forums be added to Crown's director training and development program.<sup>259</sup> This information was provided to Board members, and training sessions for directors commenced in October 2023.

The results of the annual Board performance assessment were presented to the Board in September 2023.<sup>260</sup> In summary, the results align with the OSM's observations in confirming:

- the Board composition is appropriate and enables it to effectively deliver on its role and responsibilities
- the independent directors are effective and objective
- the Chair provides strong leadership and direction to the Board and management
- there is scope for management to improve reporting and strategic advice to the Board
- the RCRG Committee remit is extensive and there is potential to reorganise functions across the Board committees.

The assessment results identified areas for improvement in relation to director induction, training and upskilling.

The Special Manager and Deputy Special Managers discussed themes from the Board performance assessment with Ms Silver AO, Ms Rothschild and Ms Waldron in November 2023. The independent directors confirmed they intend to continue working with management to improve the quality of reporting to the Board. While they did not have concerns that material issues were not coming to the Board, all agreed that papers could be more succinct and focused on drawing out key issues. Further, all directors agreed that the remit of the RCRG Committee is too broad and there will likely be realignment and enhancements to the functions of the Board committees in 2024. This may include, for example, reallocating health and safety from the RCRG Committee to the People and Culture Committee.<sup>261</sup>

Pursuant to a requirement in the Crown Major Change Approval Deed Poll, Crown recently completed a review of the compliance functions of the RCRG Committee, and provided a copy of its report to the VGCCC.<sup>262</sup> The report includes some observations consistent with those observed above by the OSM in relation to the quality of management reporting to the committee and the broad scope of the committee's responsibilities. The OSM understands the report is yet to be considered by the RCRG Committee.

It is good practice for boards to self-assess their performance and to have their performance assessed externally from time to time. Clause 5.7 of the Crown Melbourne Board Charter requires the Board to hold an independent review of its performance every three years. The OSM expects that the Board will carry out an external assessment in 2024 or 2025.

Overall, the OSM considers that the Crown Melbourne Board and its committees are continuing to perform effectively. The Board has displayed a commitment to enhancing its performance by completing a self-assessment that identified opportunities to strengthen its skills and

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<sup>259</sup> Minutes of Crown Melbourne Board meeting held on 21 August 2023.

<sup>260</sup> Annual Board Performance Assessment report, 12 September 2023, provided to the Crown Melbourne Board for its meeting on 20 September 2023, p. 273 of meeting papers.

<sup>261</sup> Minutes of Crown Melbourne People and Culture Committee meeting held on 4 October 2023.

<sup>262</sup> Protiviti, Crown Melbourne: Compliance Committee Audit, 21 December 2023.

experience. The OSM expects that an external assessment of the Board's performance in 2024 or 2025 will provide a further opportunity to improve its effectiveness.

## 9.4 Oversight of key functions and roles

The Finkelstein Report observed that Crown, contrary to requirements in the Casino Agreement, had largely implemented a centralised operating model and that:

*[f]or some time, the power to make important decisions affecting Crown Melbourne's operations, including the operation of the Melbourne Casino, [had] been delegated to the executives of the holding company, Crown Resorts.<sup>263</sup>*

The Finkelstein Report also noted that the Sixth Review by the VCGLR identified an array of functions being performed at the Group level,<sup>264</sup> and further stated:

*As a result, the Crown Melbourne Board [had] little to do. According to the Sixth Review, board meetings took only 35 minutes and the chair of the Crown Melbourne Board participated in only two of the 16 meetings between January 2013 and May 2016.<sup>265</sup>*

Crown Melbourne's abrogation of responsibility in relation to many parts of its operations led to significant governance failures, particularly in relation to its risk management and culture. The report concluded that '[i]n the case of a Victorian casino operator, centralising management functions is not an acceptable position'.<sup>266</sup>

In the Special Manager's June 2023 interim report, the OSM reported on the Victorian Government's implementation of recommendation 30 of the Finkelstein Royal Commission. This recommendation is designed to preserve the independence of the Crown Melbourne Board and its senior management. The legislative requirements to address recommendation 30 commenced on 1 August 2023 and require Crown Melbourne to:

- only delegate prescribed functions to members of a subcommittee of directors or one or more individual directors (section 36ZB(2) of the Casino Control Act)
- employ or appoint on a full-time basis the prescribed categories of senior executives who only report to and take instructions from the directors or an officer of Crown Melbourne (section 36ZC of the Casino Control Act).

*Casino Control Regulations 2023* implementing the legislative requirements took effect on 14 December 2023. Regulation 5 prescribes select matters as non-delegable that must be performed by the Board, a subcommittee of the Board or an individual director. Regulation 6 prescribes the senior executive positions that must be independent of Crown Resorts.

In this final reporting period, the OSM has assessed whether Crown Melbourne has:

- demonstrated compliance with the legislative requirements set out above
- appropriately implemented both the letter and the spirit of the new legislative requirements through updated organisational charts, reporting lines and position descriptions, as well as new business guidance and safeguards.

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<sup>263</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 41.

<sup>264</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 41–2.

<sup>265</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 42.

<sup>266</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 43.

In the Special Manager's June 2023 interim report, the OSM observed that Crown had updated the delegation clause in the Crown Melbourne Board Charter to specify that prescribed functions must not be delegated to anyone other than a member of a Board committee or a director. The OSM notes that, in this reporting period, the Crown Melbourne Board has not formally delegated any matters to the Crown Resorts Board or executives. Equally importantly, the OSM has not seen any evidence of the Board informally delegating its responsibilities to the Crown Resorts Board or executives.

The current Crown Melbourne Board operates very differently to the Board described in the Finkelstein Report. The current Board meets at least monthly for several hours, with the Chair attending all meetings, and it actively considers issues and makes decisions in relation to Crown Melbourne's operations. For example, in considering the Crown Group Risk Management Framework for endorsement prior to its approval by the Crown Resorts Board, the Crown Melbourne Board made it clear that Crown Melbourne has oversight of Group risks that impact Crown Melbourne and that it sets its own risk appetite.<sup>267</sup>

The OSM notes that the paper provided to the Board on its compliance with Regulation 5 indicates that management reporting is predominantly provided by Group rather than Crown Melbourne roles and that not all prescribed functions are under the oversight of a Board committee. The OSM considers it would be appropriate for all prescribed Crown Melbourne roles to provide management reporting to the Board or one of its committees (instead of or in addition to Group roles) and for all prescribed functions to be assigned to a Board committee. The reasons for this are:

- information and advice from Crown Melbourne officers applying a Crown Melbourne lens will best support the Board in fulfilling its supervisory role
- ensuring that a Board committee has coverage of all prescribed functions will mitigate the risk of material issues being missed.

Crown Melbourne has all prescribed roles in place in compliance with Regulation 6. The OSM has reviewed updated organisational charts, reporting lines and position descriptions to confirm that:

- one or more persons occupy each prescribed role on a permanent, full-time basis<sup>268</sup>
- the Crown Melbourne CEO reports to the Crown Melbourne Board
- all other prescribed roles report to the Crown Melbourne CEO or COO.

Where there are Group-led functions, Crown has put in place dotted reporting lines from Crown Melbourne prescribed roles to Group roles. The OSM considers this to be consistent with the intent of the legislative requirements and Crown Melbourne's status as a subsidiary of Crown Resorts.

The Board may wish to revisit responsibility for management reporting to the Board in 2024 now that all prescribed Crown Melbourne roles are in place and reporting lines are settled.

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<sup>267</sup> Minutes of Crown Melbourne Board meeting held on 20 October 2023.

<sup>268</sup> Crown Melbourne has appointed a new Executive General Manager – Marketing to occupy the prescribed role of Head of International and Domestic VIP Business who will commence in January 2024. In the interim, the General Manager – VIP Services and General Manager – Marketing Operations occupy the role.

Crown Resorts has updated its Employee Licensing and Gambling by Employees Policy to refer to the specific requirements in Victoria in relation to prescribed roles. An addendum to the Policy sets out the obligations upon persons in prescribed roles, including that they:

- must be accountable to the Crown Melbourne Board or officers
- may take advice from others, but must continue to exercise their own independent judgement, and make decisions in the best interests of Crown Melbourne.

The Policy also states that others must not attempt to influence a person in a prescribed role to act inconsistently with their obligations. The OSM considers that having this guidance in place provides clarity to people in prescribed roles and their managers on their obligations, and provides a basis for people to speak up if they have any concerns about undue influence in the performance of their role.

Overall, the OSM's concluding assessment is that Crown is compliant with the new legislative requirements.

## 9.5 Management committees

The Special Manager's June 2023 interim report noted that the OSM had expanded its focus to examine the effectiveness of management committees, given the important role they play in good governance, decision making, oversight of operations and continuous improvement. The June 2023 interim report set out several principles to encourage progress towards good governance and continuous improvement in relation to management committees.

Recognising the importance of the Crown Melbourne ERCC and Responsible Gaming Management Committee (RGMC), the interim report identified opportunities for Crown to:

- review whether committees such as the RGMC were fulfilling their stated role, purpose and functions
- increase the ERCC's visibility of financial crime risks and compliance issues.

In this final reporting period, the OSM has assessed Crown's actions to improve the governance and effectiveness of its management committees and its progress in reviewing the ERCC and RGMC.

Steps taken by Crown to enhance the governance and effectiveness of its management committees have included:

- mapping its existing management committees and identifying clear reporting lines to the Board and its committees, CEO and other management committees
- assigning roles and responsibilities related to the creation of new committees and review of committee performance
- developing guidance to support the establishment of clear and effective management committee charters and to support reviews of the effectiveness of management committees.

Crown's review of management committees identified a range of committees across its various functions, beyond those previously advised to the OSM and presented in the Special Manager's December 2022 and June 2023 interim reports (see Appendix 1, Document 1.39).

Crown's Chief Legal and Compliance Officer has approved a Management Committee Framework governing the creation, review and operation of management committees and their



charters, which is expected to be presented to the ERCC at its first meeting in early 2024. The framework assigns responsibilities to the:

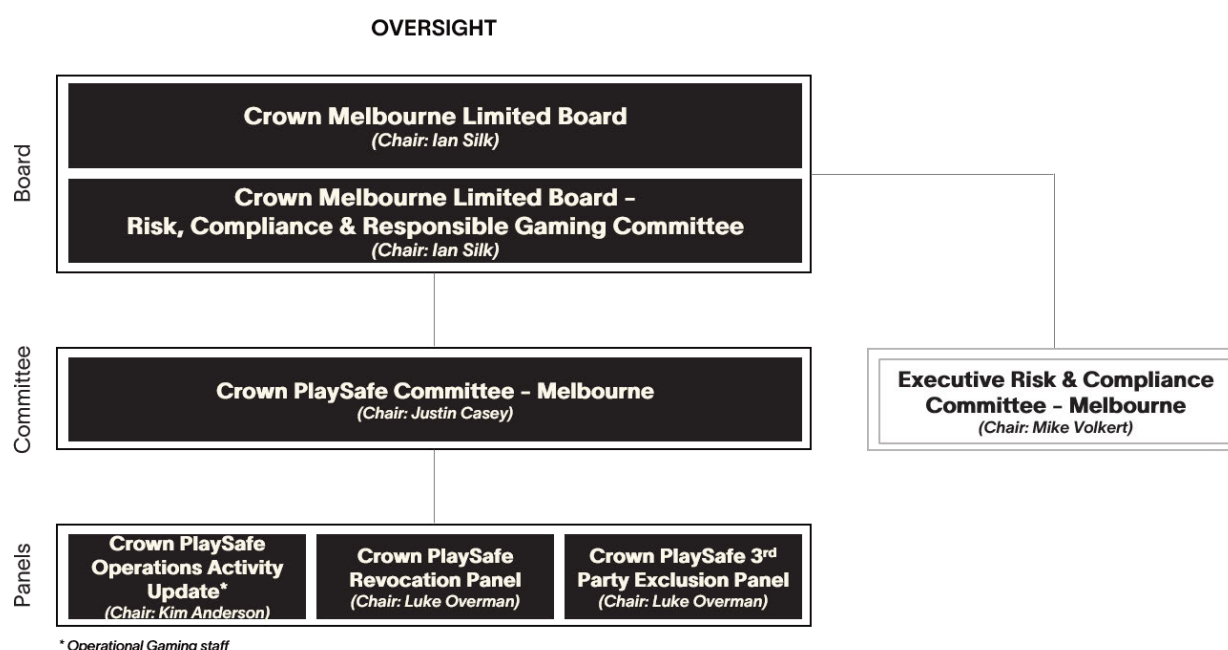
- Crown Melbourne Company Secretary for providing advice regarding the creation of new management committees, including authorisations or delegations
- Compliance and Regulatory Affairs team for maintaining a register of management committees and their charters, and coordinating annual reviews of management committees, including revisions of their charters.

The framework also incorporates a template to guide the coverage and content of management committee charters, which will facilitate the review of existing charters and the establishment of new management committees.

In this reporting period, Crown has drafted a revised Charter for the ERCC. A key update proposes that the ERCC will now cover ‘all aspects of enterprise risk for Crown Melbourne’, including financial crime, which was excluded under the previous Charter. The OSM notes that since October 2023 the Group Executive General Manager – Financial Crime Risk has attended ERCC meetings to share insights on risk and compliance issues associated with financial crime and ABAC (see section 8.3.3).

In response to the OSM’s feedback in the Special Manager’s June 2023 interim report, Crown has assessed the governance required to provide effective management oversight for RSG. Figure 25 sets out Crown Melbourne’s proposed Crown PlaySafe governance model for RSG.

Figure 25. Crown PlaySafe (Melbourne) governance model



Source: Email from the General Manager – Crown PlaySafe Operations (Melbourne) to the OSM, 21 December 2023.

Crown proposes to establish a new Crown PlaySafe Committee – Melbourne to assist the Crown Melbourne CEO and Executive Committee to oversee the operationalisation of the Crown PlaySafe framework and related policies. Crown PlaySafe Committees will also be established for other properties in Perth and Sydney.

The Crown PlaySafe Committee – Melbourne will replace the existing RGMCC and report to the Crown Melbourne RCRG Committee. It will also consider more complex decisions related to

self-exclusion and third-party exclusion that are escalated by the Crown PlaySafe Revocation Panel. Progress against Crown PlaySafe Strategy initiatives included in the Melbourne Transformation Plan will be reported to the Transformation Steering Committee.

The OSM queried Crown on the reasons for the Crown PlaySafe Committee – Melbourne being chaired by a Crown Resorts senior executive. Crown advised that having a common chair at the Group-wide level will assist in standardising the application of the new Crown PlaySafe Strategy and policies and will enable operational performance to be monitored and benchmarked across properties. The OSM considers that there is merit in Crown's approach, subject to the Committee remaining focused on the operational needs of the Melbourne casino and its customers.

The draft charters for both the ERCC and Crown PlaySafe Oversight Committee are expected to be approved at their respective first meetings in 2024. Annual reviews of most other management committee charters have been put on hold pending the finalisation of the new Management Committee Framework. Crown plans to develop a schedule for the review of existing management committees and their charters in early 2024.

Overall, the OSM recognises that Crown has taken positive steps to enhance the governance and effectiveness of its management committees, including to improve the oversight of key functions related to risk, compliance and RSG. The new Management Committee Framework and clear accountabilities to oversee the establishment and performance of Crown's management level committees provide confidence that the key committees will be more effective in future.

## 9.6 Preventing criminal threats

As noted in the Special Manager's June 2023 interim report, the casino environment is one where organised crime groups are constantly seeking to identify and exploit vulnerabilities to commit financial and other crimes. This reality was recognised by former Federal Court judge, the Honourable Xavier Connor QC, in the 1991 report on casinos in Victoria:

*[I]t remains a fact ... that crime is constantly knocking on the casino door and the most stringent and sustained measures are required to keep it out.*<sup>269</sup>

The June 2023 interim report noted that Crown had entered into agreements with Victoria Police, the Australian Federal Police and the Australian Criminal Intelligence Commission to facilitate information and intelligence sharing to aid the investigation and prevention of crime, consistent with recommendations 4 and 5 of the Finkelstein Royal Commission.<sup>270</sup>

In this final reporting period, the OSM has engaged with Crown and relevant law enforcement agencies to understand how these arrangements are working in practice and to gain insights into Crown's ongoing preparedness to deter and respond to current and emerging criminal threats within the Melbourne casino operating environment. This has included assessing whether Crown:

- is actively sharing information with law enforcement agencies, including Victoria Police, the Australian Federal Police and the Australian Criminal Intelligence Commission, consistent with the established agreements

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<sup>269</sup> X Connor, *Report on Casinos*, February 1991, p. 106.

<sup>270</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 200.

- has systems and processes for gathering intelligence to identify emerging criminal threats
- is working towards retaining security and surveillance CCTV footage for up to 12 months to assist law enforcement and regulatory investigations.

Crown will always be subject to criminal threats from those seeking to identify and exploit vulnerabilities, including organised crime groups. The OSM's concluding assessment is that the liaison mechanisms now established with law enforcement agencies, along with Crown's in-house intelligence gathering and analysis capabilities, are reasonable measures to manage those threats. Increasing the capacity to retain CCTV footage for up to 12 months will also support the ability of law enforcement to respond to criminal conduct.

### **9.6.1 Information sharing with law enforcement agencies**

Crown shares information and intelligence with law enforcement agencies to assist investigations and help manage criminal threats.

Victoria Police, the Australian Federal Police and the Australian Criminal Intelligence Commission have advised the OSM that their respective agreements with Crown are working well in practice. Each of these law enforcement agencies has noted that the agreements formalise the frameworks for effective engagement and enable appropriate cooperation and information exchange, while pointing out there are limits on the extent to which law enforcement agencies can share information with Crown, due to legislative restrictions, policy and operational considerations.

For example, in this final reporting period, the OSM observed Victoria Police sharing its unclassified key findings with Crown from a strategic intelligence assessment on potential current and emerging criminal threats and vulnerabilities related to the Melbourne casino operating environment. In response, in October 2023 Crown provided Victoria Police with a presentation on controls and mitigation strategies it has implemented relevant to key vulnerabilities identified in the assessment. The OSM has observed the intent of both parties to work collaboratively and to appropriately share information to assist in the prevention of crime.

### **9.6.2 Gathering intelligence about criminal threats**

Crown's Financial Crime Intelligence Unit analyses information to identify potential risks of emerging crimes, particularly involving serious and organised crime groups. This enables Crown to apply strategies across the business to mitigate those risks.

An Investigations team analyst also periodically conducts assessments of possible criminal impacts on the daily operations of the casino, drawing on Crown's incident data and publicly available information. These assessments aim to assist Crown to implement crime prevention strategies across the business, including applying resources to mitigate emerging criminal threats impacting the casino complex.

For example, in response to an incident at Crown and increased media reports of youth crime around Melbourne, the Investigations team assessed the potential risks that youth crime posed to Crown. The assessment referenced Victoria Police crime statistics and incidents involving high-end retail outlets at Crown and identified opportunities to mitigate the potential risks to Crown. In October 2023, this intelligence assessment was presented at the Crown Melbourne RCRG Committee meeting. The assessment subsequently informed prevention strategies, which included increasing security personnel to priority locations across the casino.

The OSM has observed Crown proactively sharing the results of its intelligence assessments with relevant law enforcement agencies.

### 9.6.3 Retention of surveillance footage

The Finkelstein Royal Commission heard evidence that '[Victoria Police] would be assisted in conducting its law enforcement duties if Crown Melbourne were to retain its security footage "for as long as possible".<sup>271</sup>

At that time, Crown's practice was to retain footage for 14 days.<sup>272</sup> The Finkelstein Report recommended Crown be issued a direction pursuant to section 23(1) of the Casino Control Act requiring it to retain all security and surveillance CCTV footage for a period of 12 months.<sup>273</sup> While the VGCCC is yet to formally issue a direction to Crown on this matter, Crown is implementing a plan that involves:

- committing \$9.979 million to install and configure the necessary recording hardware, upgrade cameras where required and complete extensive building works and IT infrastructure upgrades
- implementing the 12-month retention of CCTV footage on 3,452 cameras by the end of February 2024, including all cameras on the gaming floor and all facial recognition cameras
- awaiting further guidance from the VGCCC as to whether it needs to retain footage in relation to approximately 900 additional cameras.

As at the end of December 2023, Crown had completed most of these works and had commenced the 12-month retention of footage on 1,967 cameras and was on track to retain footage on all remaining cameras (in scope) by the end of February 2024.

The OSM is satisfied that Crown has taken reasonable steps to implement a plan to retain its security footage to support law enforcement efforts.

## 9.7 Excluding persons from the casino

The Casino Control Act was designed to, among other things, minimise gambling harm and exclude criminal activity and influence in casinos.<sup>274</sup> Crown Melbourne can exclude a person from the casino (under Division 4 of the Casino Control Act) and/or withdraw a person's ability to enter or remain at the casino or the casino complex through a common law WOL.

In 2018, the VCGLR expressed the view that Crown Melbourne should use the exclusion order provisions under Division 4 of the Casino Control Act, rather than WOLs.<sup>275</sup> However, as noted in the Special Manager's June 2023 interim report, Crown Melbourne's approach to excluding persons from the casino relied almost exclusively on WOLs (except for self-exclusions and third-party exclusions).

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<sup>271</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 201.

<sup>272</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 201.

<sup>273</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 201, recommendation 7.

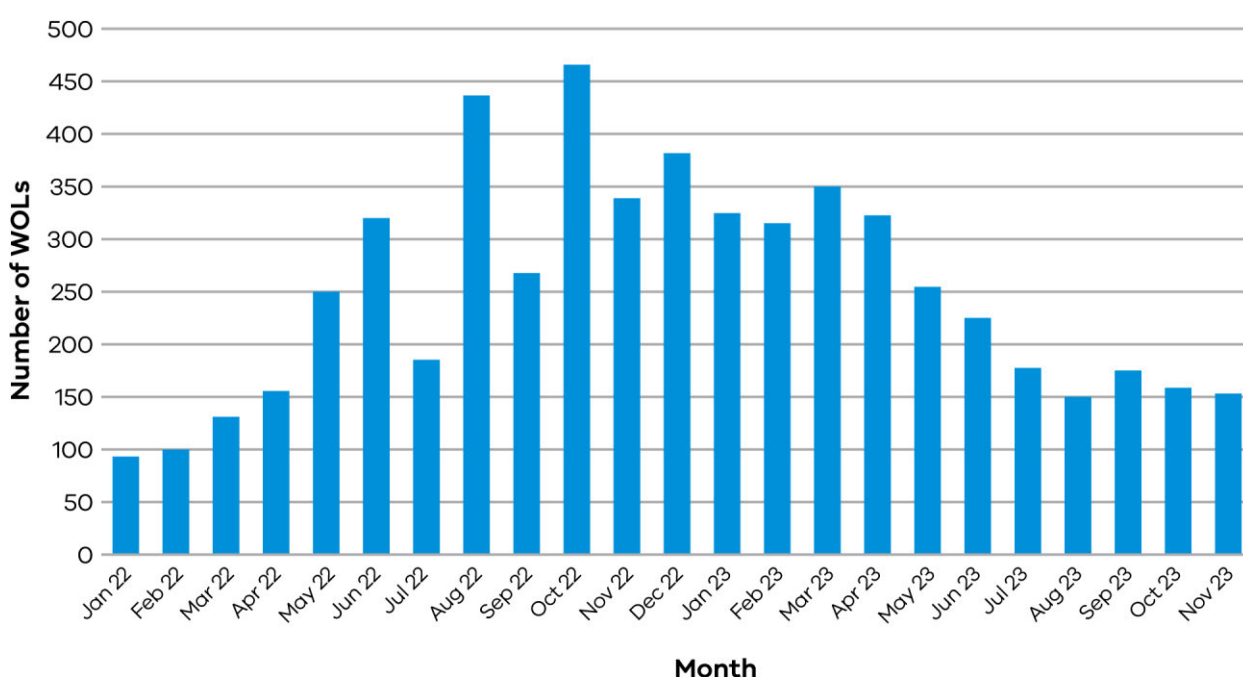
<sup>274</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 2.

<sup>275</sup> Victorian Commission for Gambling and Liquor Regulation, *Sixth Review of the Casino Operator and Licence*, June 2018, p. 112.

In the Special Manager’s June 2023 interim report, the OSM emphasised the importance of Crown having a clear, considered and consistent approach across its three properties to effectively identify, manage and oversee excluded persons or persons subject to a WOL, and that this should be supported by clearly articulated policies and procedures, good governance and oversight of WOLs and exclusions.

Crown Melbourne currently uses WOLs as the primary mechanism to prohibit persons from entering the complex.<sup>276</sup> Figure 26 shows that the number of WOLs issued increased significantly between January 2022 and December 2022, likely due to customers being exited from the business as a result of ECDD activities associated with Project DeLorean (as discussed in section 7.2.3 of the Special Manager’s December 2022 interim report). Since then, the number of WOLs issued has reduced.

Figure 26. Withdrawals of licence issued by category – January 2022 to November 2023



Note: The chart does not include WOLs issued at Crown Perth and Crown Sydney.

Source: Crown Resorts, Withdrawal of Licence Summary Report, 13 May 2023; Crown Melbourne, Withdrawal of Licence Summary Report, 30 November 2023.

In this final reporting period, Crown has undertaken a detailed review of its existing policies and processes for issuing exclusions and WOLs across its three properties, including Crown Melbourne (see Appendix 1, Document 1.40). The review identified significant differences in approach towards exclusions and WOLs across the three Crown properties by the Security, PlaySafe, Financial Crime and Gaming Integrity teams.

Based on the review findings, Crown plans to take several actions, including:

- developing an enterprise-wide policy that sets out its approach to issuing WOLs and exclusions. This policy would subsume both the existing Involuntary Exclusions Policy and Unacceptable Behaviour Policy and recognise differences in state regulatory requirements

<sup>276</sup> Crown Resorts, Scope for WOLs/Exclusion review, 9 November 2023, p. 11.



- revising RSG policies and procedures to require exclusion orders to be used (rather than WOLs) where they are applied on an involuntary basis (involuntary exclusions)
- establishing guidelines to inform decisions about when to issue exclusions or WOLs, delegations of authority, record keeping, governance, oversight, reporting and appeal processes
- establishing a structured appeal and revocation process, overseen by an appropriate management committee (such as the Persons of Interest Committee)
- reviewing the Persons of Interest Committee Charter (and other relevant property charters such as Crown Sydney's Probity Committee Charter) to determine if these should be expanded to include the appeal and revocation of WOLs and exclusions
- establishing a formal reporting process across properties to provide oversight of WOLs and exclusions.

Crown expects to complete the implementation of these management actions by 30 June 2024.

In early December 2023, Crown notified the OSM of allegations that the Crown Resorts CEO, Mr Ciarán Carruthers (who is also a Director of Crown Melbourne) had inappropriately intervened to overturn exclusions issued by security personnel to customers for breaches of casino entrance requirements, and related allegations involving another Crown Resorts senior executive. The OSM is monitoring Crown's investigation into this matter as part of the Special Manager's independent oversight of Crown's Melbourne casino. The VGCCC has also initiated its own investigation into this matter. At the time of preparing this report, relevant investigations were ongoing and hence no conclusions have been drawn.

Notwithstanding this issue, the OSM considers that Crown's proposed actions in response to the review are likely to enhance governance and oversight of WOLs and exclusions, and provide appropriate opportunities for persons to review Crown's decision making regarding WOLs and exclusions. The Melbourne Transformation Plan includes a commitment to implement the outcomes of this review. The OSM understands further policy and procedural changes are likely to be considered by Crown in response to the recent incidents described above.

## 9.8 Compliance incidents, disciplinary proceedings and litigation

The Finkelstein Report identified a litany of compliance breaches, noting:

*Crown Melbourne took a risk based approach to legal and moral obligations. That approach focused more on the chance of getting caught (and preparing defensively for that event) than on the need for compliance with the law and adherence to ethical standards and community expectations.<sup>277</sup>*

Over the period of the Special Manager's term, a key focus for Crown has been to put in place the systems and processes required for it to identify compliance incidents and report compliance breaches to the relevant authorities, and to resolve disciplinary proceedings and litigation arising from its poor practices in the past.

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<sup>277</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 61.

Consistent with Appendix I, the Special Manager has considered Crown's conduct of casino operations generally since the conclusion of the Finkelstein Royal Commission. This has included monitoring:

- trends in compliance incidents<sup>278</sup>
- significant disciplinary proceedings
- other notable regulatory matters
- active litigation proceedings
- personal injury and public liability claims.

The Special Manager's oversight and review of these matters has not revealed any evidence of maladministration or illegal or improper conduct indicative of the type of serious and systemic failures previously uncovered by the Finkelstein Royal Commission. The OSM is satisfied that all serious or material breaches of any laws, regulations or other obligations it has become aware of have been drawn to the attention of the VGCCC and other relevant regulators by Crown.

As referenced in this report, the OSM is aware the VGCCC has investigations underway in relation to a public complaint which raises serious RSG and AML/CTF compliance concerns (as discussed in section 5.3.2), and other separate matters notified late in this reporting period concerning the conduct of Crown Resorts senior executives (as discussed in section 9.7). The VGCCC has indicated that the outcomes of its investigations into such matters may be taken into account as part of its decision on Crown's suitability.

### 9.8.1 Compliance incidents

While Crown is now relying on the Archer governance, risk and compliance system to record compliance incidents, the OSM has continued to independently maintain a register of such incidents, drawing on Crown's correspondence to regulators. This has allowed the OSM to analyse trends since January 2022 and to test the reliability of information contained in Archer since March 2023 (see section 7.5.3).

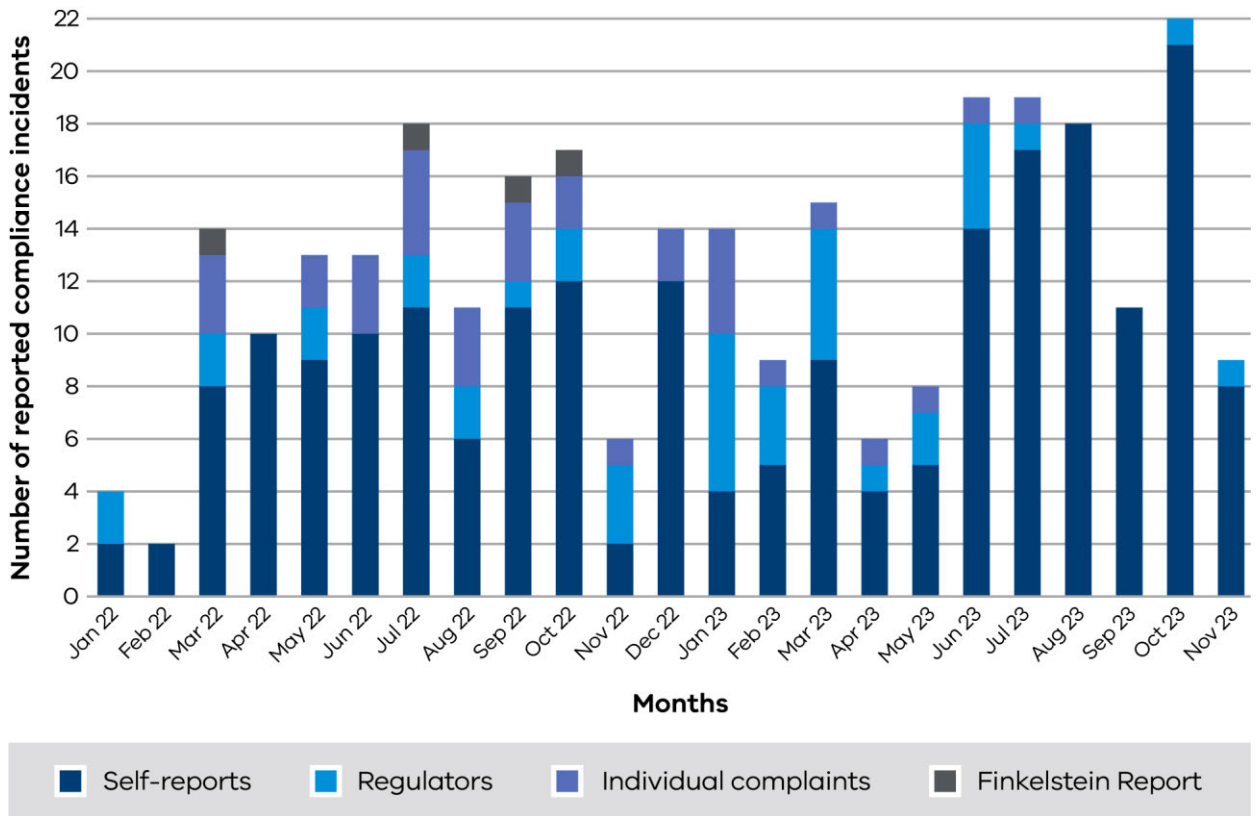
Figure 27 shows the number of compliance incidents identified and reported by Crown to the relevant regulator on either a mandatory or voluntary basis since January 2022. It also shows the number of compliance incidents that have been identified by regulators, members of the public or as outlined in the Finkelstein Report.

Over the course of the Special Manager's term, there has been an observable increase in the number of compliance incidents identified and reported to regulators. Between 1 January 2022 and 30 November 2023, the OSM has identified 288 compliance incidents.

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<sup>278</sup> The term 'compliance incident' refers to incidents identified as potential and actual compliance breaches.

Figure 27. Number of compliance incidents reported each month by source (excluding active disciplinary proceedings)<sup>279, 280</sup>



Note: The legend indicates whether the compliance incidents were reported by Crown, regulators, members of the public or in the Finkelstein Report. The data is recorded in the month in which the compliance incident was reported in correspondence. There may be a lag if the incident occurred in a previous month but was not reported until the following month. Data covers the period from 1 January 2022 to 30 November 2023.

As Figure 27 shows, Crown Melbourne continues to self-report actual or potential compliance incidents to its regulators. In this reporting period, Crown Melbourne self-reported 75 actual or potential breaches to a range of regulators, including sometimes for breaches that are not considered ‘material’. The compliance incidents that were self-reported by Crown increased from an average of seven per month in the January to June 2023 reporting period to an average of 15 per month in the final reporting period. Consistent with prior reporting periods, most of the compliance incidents in this final period (66) were self-reported to the VGCCC and related mainly to gaming obligations, and nine further complaints were reported to other regulators, such as WorkSafe and AUSTRAC.

Figure 27 also illustrates that the number of compliance incidents identified by entities other than Crown has decreased significantly from prior periods. In this final reporting period, only

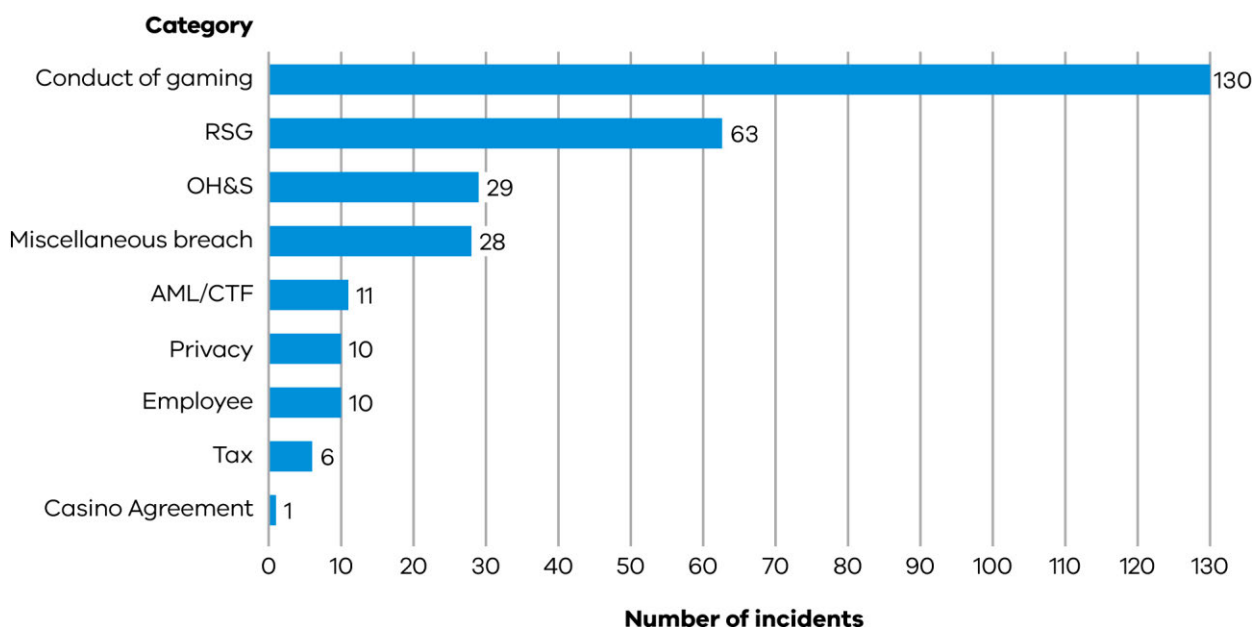
<sup>279</sup> There are some minor differences between this chart and Figure 14 of the Special Manager’s June 2023 interim report that reflect further analysis of compliance incidents and completion of disciplinary proceedings. These differences include: (a) an additional ‘Finkelstein Report incident’ reported in March 2022, which relates to a disciplinary proceeding completed in this reporting period; and (b) three additional incidents reported in May 2023 based on further data made available following the Special Manager’s June 2023 interim report.

<sup>280</sup> Consistent with the Special Manager’s December 2022 and June 2023 interim reports, Figure 27 does not include eight privacy incidents (six identified by Crown and two identified through individual complaints) that did not constitute an ‘Eligible Data Breach’, and hence were not required to be reported to the Office of the Australian Information Commissioner. However, the Fortra GoAnywhere data breach incident is included in the figure as Crown formally self-reported it to the Office of the Australian Information Commissioner on 6 April 2023.

three compliance incidents were identified by regulators, and one incident was identified through an individual complaint.

Consistent with prior reporting periods, the categories with the largest number of reported incidents relate to ‘conduct of gaming’ and ‘RSG’, as shown in Figure 28.

Figure 28. Number of reported compliance incidents since January 2022 under each category



Note: The OSM has adapted the categories of compliance incidents used in Appendix G of the Finkelstein Report. ‘Miscellaneous’ includes compliance incidents such as those involving errors in the player activity statements processes and alcohol intoxication on premises.

The OSM has confirmed that compliance incidents reported to the VGCCC in this reporting period were recorded in Archer.<sup>281</sup>

Overall, the OSM’s monitoring of Crown’s reported compliance incidents suggests that its systems and processes are working more effectively to both identify potential compliance breaches and escalate these where relevant to its regulators.

### 9.8.2 Disciplinary proceedings

Consistent with the Special Manager’s previous interim reports, the OSM does not comment on active or completed disciplinary proceedings or litigation.

The Special Manager’s June 2023 interim report noted there were two active disciplinary proceedings at that time. Both have now been completed as shown in Table 13.

In this final reporting period, no new disciplinary-related investigations have commenced.

<sup>281</sup> The OSM’s reconciliation found that matters identified by VGCCC inspectors were not being recorded in Archer, which Crown has since addressed.

Table 13. Disciplinary proceedings – active and complete

| Disciplinary proceedings (brought by) |   | Status  |
|---------------------------------------|---|---|
| 1                                     | AML/CTF Program and customer due diligence compliance proceedings (AUSTRAC) | Complete: Crown reached agreement with AUSTRAC to settle the matter by paying a penalty of \$450 million in instalments, which was approved in orders made by the Federal Court of Australia on 11 July 2023.                                 |
| 2                                     | Investigation into paid-out transactions (VGCCC)                            | Complete: Following its disciplinary action against Crown for the China Union Pay process, <sup>282</sup> the VGCCC completed an investigation into a related matter involving 'paid out transactions', with no additional penalties imposed. |

In addition, the VGCCC determined not to take action regarding Crown's notification on 29 March 2023 of a likely significant breach under section 27A of the Casino Control Act in relation to indorsed cheque practices. This is because the controls implemented by Crown in relation to cheques were considered suitable.

### 9.8.3 Other notable regulatory matters

In this final reporting period, the OSM continued to monitor two significant regulatory matters regarding:

- Crown's underpayment of employee wages and other entitlements
- Crown's compliance with section 81AAB of the Casino Control Act, regarding payment of winnings exceeding \$1,000.

Crown has two active matters in relation to employee underpayments: one with the Fair Work Ombudsman and the other with the Wage Inspectorate Victoria.

The Special Manager's June 2023 interim report noted that Crown Melbourne and Crown Perth have an Enforceable Undertaking with the Fair Work Ombudsman, committing them to remediate historic underpayments and take other actions. In this reporting period, Crown continued to comply with the conditions of the Enforceable Undertaking. At the Board's request, in November 2023 the Board received a report, including advice from Ernst & Young, outlining steps being taken by Crown to comply with the Enforceable Undertaking conditions and to upgrade its workforce management systems to mitigate future risk in this area.<sup>283</sup>

The Wage Inspectorate Victoria continued its investigation into Crown's underpayment of long service leave entitlements on employee terminations, which began in August 2022 following a complaint by a former Crown Melbourne employee. The issue arose because Crown did not properly consider legislative amendments in the new *Long Service Leave Act 2018* (Vic) that required ordinary pay to be calculated at the greater of the average weekly rate earned: in the previous 52 weeks; the previous 260 weeks; or the entire period of employment. The third calculation option was a change from the previous legislation, which Crown failed to apply in its payroll processes, resulting in the incorrect calculation of payouts on termination of employment for eligible former employees from 1 November 2018, when the new Long Service Leave Act commenced.

<sup>282</sup> Victorian Gambling and Casino Control Commission, *Decision and Reasons for Decision in the matter of disciplinary action against Crown Melbourne Ltd pursuant to section 20(1)(dc) of the Casino Control Act 1991*, 27 May 2022, pp. 25–7.

<sup>283</sup> Matters Arising – Historical Underpayment Exposures report, 8 November 2023, provided to the Crown Melbourne Board for its meeting on 15 November 2023, p. 35 of meeting papers.



In October 2023, Wage Inspectorate Victoria wrote to Crown Melbourne alleging underpayment of former employees on 308 occasions and invited Crown to participate in a voluntary record of interview, which it declined. Wage Inspectorate Victoria may pursue criminal charges against Crown for breaches of the Long Service Leave Act.

Crown's summary of the status of this matter is provided in Appendix 1, Document 1.41.

In relation to section 81AAB of the Casino Control Act, on 24 August 2023 Crown responded to the Special Manager's letter dated 29 May 2023<sup>284</sup> (provided in Appendix 1, Document 1.42). Crown's response referred to correspondence between it and the VGCCC on 25 and 28 July 2023 in which it had agreed to implement certain measures and the VGCCC had confirmed it would not take steps to enforce compliance with section 81AAB from 1 August 2023, provided Crown complied with its proposed measures.

Amendments to section 81AAB came into effect on 9 November 2023. The amendments clarify the requirements with which Crown must comply both before and after 1 December 2025.

On 15 December 2023, the VGCCC issued a direction to Crown in relation to section 81AAB of the Casino Control Act, replacing its 21 April 2022 direction. The direction clarifies certain VGCCC expectations of Crown in the period up until 1 December 2025.

#### 9.8.4 Litigation

The OSM has continued to monitor Crown's litigation proceedings. During this reporting period, Crown was a party to five litigation proceedings, as set out in Table 14. These include four new claims made against Crown Melbourne in this reporting period, which are being defended.

Table 14. Crown's litigation proceedings monitored – June to December 2023

| Matter description (and jurisdiction, if applicable)   | Status   |
|--|--|
| 1 Class action in relation to Crown's non-compliance with AML laws: <i>Lieberman v Crown Resorts Ltd</i> (Supreme Court) <sup>285</sup>  | Active: Litigation remains ongoing, including lengthy discovery processes; trial unlikely to occur before 2025.          |
| 2 Negligence claim by a former employee relating to exposure to cigar and cigarette smoke in the workplace: <i>Dien Nguyen v Crown Melbourne Ltd</i> (Supreme Court)   | Active: Crown has filed its defence; mediation to be held by 16 February 2024 and trial date fixed for 6 March 2024.     |
| 3 Negligence claims by family members arising out of death of a customer on Crown premises: <i>Michelle Harris v Crown Melbourne Ltd</i> ; <i>Kevin James Harris v Crown Melbourne Ltd</i> ; <i>Emily Francis v Crown Melbourne Ltd</i> (County Court) | Active: Crown has filed its defences; mediation to be held by 19 August 2024 and trial date fixed for 30 September 2024. |
| 4 Negligence claim by a customer arising out of his assisted removal from Crown premises in 2021: <i>Ashley Knight v Crown Melbourne Limited</i> (County Court)  | Active: Crown has filed its defence; trial date fixed for 26 September 2024.   |
| 5 Harassment, assault, negligence and other claims by a customer arising out of her assisted removal from Crown premises in 2019: <i>Sharon Cosgrove v Crown Melbourne Limited &amp; Ors</i> (Supreme Court)   | Active: Writ and Statement of Claim served on 6 December 2023; Crown's defence is due on 19 February 2024.               |

<sup>284</sup> A copy of the Special Manager's letter to Crown of 29 May 2023 was attached as Appendix G(b) to the June 2023 interim report.

<sup>285</sup> While this proceeding is against Crown Resorts, the facts relate to Crown Melbourne.

## 9.8.5 Personal injury and public liability claims

In August 2023, Crown submitted its annual report to the VGCCC on its personal injury and/or public liability claims arising out of incidents at the Crown Melbourne complex, as required by clause 35(1)(e) of the Casino Agreement.

The report shows 19 open matters as at 30 June 2023 for incidents spanning 2016 to 2021. In addition, three new public liability claims were made in this final reporting period, as noted in Table 14.

In this reporting period, the OSM attended meetings of the Crown Melbourne Patron Injury Review Committee, which reviews incidents where customers alleged injury during a physical interaction with Crown Melbourne security personnel, often during assisted removals. The committee reviews security reports and CCTV footage to recommend any remedial or other actions. The OSM has observed that the committee proactively engages in constructive discussions around how to improve Crown's processes and customer safety.

## 9.9 Compliance with specific legislative and regulatory obligations

The Finkelstein Royal Commission found that Crown Melbourne had contravened the Casino Control Act, the Management Agreement and the Casino Agreement in various respects.<sup>286</sup>

Appendix I requires the Special Manager to monitor Crown's compliance with its legislative, regulatory and other compliance obligations.

In this final reporting period, the OSM has continued to monitor Crown's compliance with its obligations under the Casino Agreement, controlled contracts, taxation law and the use of FRT as set out in this section.

### 9.9.1 Casino Agreement

The Casino Agreement places a number of specific obligations on Crown Melbourne in relation to its operations, as well as an overarching requirement to comply with all applicable laws.<sup>287</sup>

The Finkelstein Royal Commission identified issues with Crown's compliance with specific obligations in the Casino Agreement, including in relation to corporate governance, and concluded that Crown had breached its overarching obligation through its many contraventions of other laws.<sup>288</sup>

In the Special Manager's June 2023 interim report, the OSM reported on:

- its continued monitoring of any instances of non-compliance with specific obligations in the Casino Agreement
- the progress of Crown's new draft policy regarding clauses 22.1(r) and 22.1(ra) of the Casino Agreement
- Crown's progress in documenting its Casino Agreement obligations in Archer.

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<sup>286</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 5.

<sup>287</sup> Clause 48.1(b) of the Casino Agreement requires Crown to comply with all laws applicable to the matters arising under the document from time to time in force.

<sup>288</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 198.

In relation to the previously identified breach by Crown of the insurance obligations in clause 35.1(a)(i) of the Casino Agreement, the VGCCC determined not to take any regulatory action, having formed the view that it was an oversight by Crown rather than a deliberate action to reduce insurance coverage for the payment of casino taxes.

The OSM has not identified or been informed of any other instances of non-compliance with the Casino Agreement in this reporting period.

The OSM has continued to monitor Crown's development of guidelines to support its compliance with clauses 22.1(r) and 22.1(ra) of the Casino Agreement. As identified by the Finkelstein Royal Commission, Crown did not sufficiently consider these obligations before launching the new Sydney Barangaroo casino complex.<sup>289</sup> The guidelines, which are provided in Appendix 1, Document 1.43, were approved by the Crown Melbourne CEO, Group Executive General Manager – Compliance and Regulatory Affairs and Group General Counsel on 18 December 2023 and:

- oblige senior executives at Crown Melbourne, Crown Sydney and Crown Perth to make strategic and material decisions in relation to their businesses as a whole, in accordance with the obligations in clause 22.1(r)
- require records to be maintained to demonstrate compliance with clause 22.1(r), including any measurements or metrics
- set out the specific obligations on Crown Melbourne in relation to clause 22.1(ra).

The OSM's assessment is that the guidelines provide a suitable basis for Crown's ongoing compliance with these clauses.

The OSM verified that Crown has now included its Casino Agreement obligations in Archer and accountability for obligations has been assigned to an 'obligation owner'. However, there is further work needed to operationalise the usage of Archer by obligation owners (see section 7.5.2). As such, it has not been possible for the OSM to assess whether inclusion of the Casino Agreement obligations in Archer has been effective in preventing or identifying any instances of non-compliance.

### 9.9.2 Controlled contracts

The Casino Control Act defines certain categories of Crown Melbourne's contracts as 'controlled contracts' and establishes a process for the regulator to regulate those contracts. The purpose of regulating these contracts is to 'prevent criminal elements from obtaining a financial interest in the casino "by the back door".<sup>290</sup>

In the Special Manager's December 2022 and June 2023 interim reports, the OSM noted the opportunity for Crown to strengthen its probity vetting of proposed suppliers for controlled contracts by incorporating relevant recommendations made by external reviews and internal audits in recent years.<sup>291</sup>

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<sup>289</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 47–8.

<sup>290</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 44 (referencing Victoria, *Parliamentary Debates*, Legislative Assembly, 24 April 1991, 1693 (James Kennan)).

<sup>291</sup> Deloitte, *Junket Due Diligence and Persons of Interest Process Review*, 26 August 2020; FTI Consulting, *Review of Due Diligence Procedures for Operators and Premium Players*, 10 September 2019; Crown Resorts, Internal Audit, Controlled Contracts Internal Control Statement, 19 May 2022.

The June 2023 interim report noted that Crown had advised it had implemented its response to the internal audit of controlled contracts, but the OSM had not received evidence of this. In this final reporting period, the OSM has received evidence of completion of the agreed management actions to ensure that there are complete details of all controlled contracts in the Compliance and Regulatory Affairs team's controlled contracts register and Crown's contract management system, Zycus.

The June 2023 interim report also noted that Crown planned to review its controlled contracts processes to enhance its vetting of vendors and consult with the Financial Crime Operations and Solutions team, which had implemented the findings of the external reviews.

The OSM monitored Crown's review of its controlled contracts processes and noted that Crown's updated processes leverage the resources of the Financial Crime Operations and Solutions team to conduct supplier entity and key personnel due diligence.

The OSM's assessment is that the inclusion of the Financial Crime Operations and Solutions team in the process should bolster Crown's ability to identify and appropriately respond to risks associated with potential suppliers of controlled contracts.

### **9.9.3 Taxation obligations**

Crown Melbourne is required to pay a casino tax to the Victorian Government in line with obligations in the Management Agreement.<sup>292</sup>

The Special Manager's June 2023 interim report noted there were two outstanding issues regarding Crown's compliance with its casino tax obligations at the time of reporting. These issues are:

- Category 3: Pokie Credits (Matchplay) – as at December 2023, this matter remains under review by the DJCS.
- Taxation obligations pursuant to section 22A.3 of the Management Agreement – Crown is seeking a formal review of the decision of the Minister for Casino, Gaming and Liquor Regulation to refuse Crown's request for a waiver of its obligations for the 2021, 2022 and 2023 financial years.

The Special Manager's December 2022 interim report noted that Crown had obtained a medium level of assurance in respect of its taxation compliance for a significant proportion of Crown's activities from the Australian Taxation Office for the 2019 and 2020 income tax years. On 21 December 2023, Crown received its pre-lodgement compliance review for the 2021 and 2022 income tax years, obtaining an overall provisional high level of assurance over Crown's compliance with Australian income tax laws.

No new or emerging taxation issues arose in this final reporting period.

### **9.9.4 Privacy law in use of facial recognition technology**

Crown Melbourne utilises FRT to prevent excluded persons from entering the casino and to enhance safety and security. Crown's use of FRT must comply with privacy law given the significant volumes of sensitive biometric data collected.

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<sup>292</sup> Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 126.



Crown had not previously carried out a privacy impact assessment when implementing FRT even though this is considered better practice. In the Special Manager's December 2022 and June 2023 interim reports, the OSM noted potential deficiencies in Crown's approach to compliance with privacy law, including its indefinite retention of customer images, how it informs the public about its use of FRT and ensuring its use of FRT is always for legally justifiable purposes.

In this final reporting period, Crown's Legal team finalised a review of compliance with privacy law relating to its use of FRT, conducted by external law firm King & Wood Malletsons. The review's scope included analysis of Crown's FRT system – the NEC Neoface Watch biometric technology – and its 33 'watchlists', followed by a comprehensive privacy impact assessment to rate compliance with the Australian Privacy Principles in the *Privacy Act 1988* (Cth).

The privacy impact assessment confirmed that Crown's use of FRT is permitted for very limited purposes, such as complying with its regulatory obligations to exclude certain persons from the casino and addressing serious safety or security concerns. Importantly, the privacy impact assessment noted that Crown does not use FRT for secondary unlawful commercial purposes such as marketing.

The privacy impact assessment found that Crown needs to improve its privacy practices by:

- updating its Privacy Policy so that it is open and transparent about its collection and use of biometric information for the FRT system
- making signage more visible and ensuring it explicitly refers to the use of FRT
- significantly reducing the number of 'watchlists', ensuring they clearly relate to lawful purposes justifying Crown's collection of personal information, keeping them up to date and deleting personal information that is no longer needed.

The privacy impact assessment's recommendations adequately addressed OSM commentary in the Special Manager's December 2022 and June 2023 interim reports, and it is noted that Crown intends to implement all recommendations. This work will continue into 2024.

The OSM's assessment is that Crown is on track to appropriately implement enhancements to its compliance with privacy law relating to its use of FRT. The OSM understands that after 2023, Crown Melbourne may be transitioning its FRT platform from NEC to AnyVision, which is used in Sydney and Perth. If this occurs, Crown may need to undertake a fresh privacy impact assessment.

## 9.10 Financial viability

While the Special Manager's role does not extend to assessing Crown Melbourne's financial viability, the OSM is aware that as part of its assessment of Crown Melbourne's suitability to hold a casino licence, the VGCCC is undertaking a general investigation into whether Crown Melbourne has adequate financial resources to ensure the viability of the Melbourne Casino.<sup>293</sup>

The OSM notes that the Special Manager and Deputy Special Managers have:

- met with Crown's external auditors, KPMG, in May and June 2023 to discuss the OSM's approach to assessing Crown's progress with its reform and transformation

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<sup>293</sup> The investigation commenced by letter from the VGCCC to Crown dated 19 July 2023.



- attended meetings of the Crown Melbourne Audit and Finance Committee and the Crown Melbourne Board, which have considered Crown Melbourne's financial statements and the report from Crown's external auditors, KPMG, for the 2023 financial year.

The OSM notes that Crown Melbourne has a deed of cross guarantee in place with Crown Resorts and SS Silver Pty Ltd (SS Silver), which means that Crown Melbourne management has undertaken a going concern assessment at the Crown Resorts Group level.

Based on a detailed liquidity forecast prepared by management at both the SS Silver and Crown Resorts levels for the 2024 and 2025 financial years, KPMG concluded that the going concern basis of preparation in the financial statements remains appropriate.

In reviewing the external audit report for the financial year ending 30 June 2023, the Audit and Finance Committee noted that KPMG's audit opinion was unqualified and included a material uncertainty relating to going concern.<sup>294</sup> This material uncertainty related to the assumption of suitability, and therefore the maintenance of casino licences, specifically in Sydney and Melbourne. This uncertainty was disclosed in the 2023 financial statements of SS Silver, Crown Resorts, Crown Melbourne and Crown Sydney Gaming and the Crown Melbourne Board approved the audited financial statements for the 2023 financial year based on this assumption.<sup>295</sup>

The OSM notes that Crown Melbourne provided a letter to the VGCCC on 21 December 2023 containing detailed information to support the ongoing investigation in relation to its financial viability. The letter is provided in Appendix 1, Document 1.44.<sup>296</sup> The information provided to the VGCCC submits that 'Crown Melbourne, as a member of the Crown Resorts Group, has adequate financial resources to ensure the Melbourne Casino's financial viability'.<sup>297</sup> Crown Melbourne's response includes detailed liquidity modelling showing that Crown Melbourne (as part of the Crown Resorts Group) will have sufficient financial capacity to meet cash needs through the forecast period to 30 June 2027. SS Silver and Crown Resorts have also provided additional letters dated 20 and 21 December 2023, respectively, with the effect of extending their support of Crown Melbourne to 30 June 2027.<sup>298</sup>

The OSM understands that the VGCCC is continuing to investigate Crown Melbourne's financial viability and has engaged an independent expert to review the matter.

## 9.11 Conclusion

Crown Melbourne has significantly enhanced its corporate governance in respect to board independence and oversight. In particular:

- the Board is now majority independent and is operating independently in practice, demonstrating leadership and diligence with a clear focus on Melbourne-specific issues
- the Board and its committees are meeting regularly and have established a good operating rhythm and practice.

<sup>294</sup> Minutes of Crown Melbourne Audit and Finance Committee meeting held on 4 October 2023, p. 3.

<sup>295</sup> Minutes of Crown Melbourne Board meeting held on 20 October 2023, p. 4.

<sup>296</sup> Crown Resorts provided a similar letter to the VGCCC on 21 December 2023 in relation to Crown Melbourne's financial viability.

<sup>297</sup> Crown Melbourne, Letter to the VGCCC, Annexure A – Response to request for information and records set out in the FV2 Notice, 21 December 2023, p. 5.

<sup>298</sup> Crown Melbourne, Letter to the VGCCC, Annexure C – Additional Letters of Support, 21 December 2023, pp. 22–3.

- Crown has appropriately implemented both the letter and the spirit of the new corporate governance regulatory requirements requiring the Board, its committees or an individual director to provide independent and effective oversight of key functions and for designated senior executive positions to take their instructions or directions from Crown Melbourne rather than Crown Resorts.

Crown has taken steps to enhance the governance and effectiveness of its management committees. The new Crown Resorts Management Committee Framework will assist in meeting the continuing need to enhance the role and function of its management committees.

Crown Melbourne has established constructive relationships and better sharing of information with law enforcement agencies and is working under the VGCCC's oversight to improve retention of CCTV footage, addressing Finkelstein Royal Commission recommendations aimed at preventing criminal conduct at the casino.

Crown has improved its controlled contracts processes and compliance with privacy law in its use of FRT. Crown has also reviewed existing policies and processes for issuing exclusions and WOLs, and proposed actions to enhance governance and oversight of WOLs and exclusions, including opportunities for persons to seek a review of Crown's decision to issue them.

Crown is more actively monitoring and escalating compliance breaches to its regulators where required. It has completed all disciplinary proceedings arising out of matters identified during the Finkelstein Royal Commission and resolved most of its outstanding taxation liability issues.

The information obtained by the OSM during the Special Manager's term has not revealed any evidence of maladministration, illegal or improper conduct indicative of the type of serious and systemic failures previously uncovered by the Finkelstein Royal Commission.

The evidence before the OSM indicates that serious or material breaches of laws, regulations or other obligations have been drawn to the attention of the VGCCC and other relevant regulators, and have not required separate or further investigation by the OSM beyond what is reflected in the Special Manager's interim and final reports.

# 10. Crown's ongoing transformation

## Key findings and observations

- Crown Melbourne's newly developed Melbourne Transformation Strategy and Melbourne Transformation Plan provide an important demonstration of its commitment to ongoing change.
- The Special Manager has issued Directions requiring Crown to continue to implement, maintain and update the Melbourne Transformation Plan without compromising the strategic intent or key deliverables of the Melbourne Transformation Strategy, and to provide regular and detailed updates to the Special Manager to facilitate monitoring of the plan's implementation to the end of his term on 30 June 2024.
- A range of potential vulnerabilities and risks may challenge achievement of Crown's ongoing reform objectives. These are likely to include:
  - flagging momentum and management commitment
  - change fatigue and employee burnout
  - pressure to reduce resourcing for key operational and transformation priorities
  - allowing the interests of Crown Resorts, or the owner, to take precedence over those of Crown Melbourne, particularly the pursuit of profit over the wellbeing of its customers and employees.
- The Crown Melbourne Board is ultimately responsible for ensuring Crown Melbourne does not regress. It will need to remain sharply focused on balancing financial and non-financial objectives in line with its priorities and risk appetite, as well as the expectations of regulators and the Victorian community. The OSM considers the Crown Melbourne Board is alert to the potential risks.

## 10.1 Introduction

The OSM considers that Crown has satisfactorily addressed the matters required of it by Appendix I of the Finkelstein Report in key areas related to culture, RSG, financial crime, governance, risk and compliance. It has effectively progressed implementation of major reforms to prevent and minimise gambling harm and financial crime at the casino as mandated by the Victorian Government in response to the recommendations of the Finkelstein Royal Commission. Crown also now has in place a satisfactory integrity framework, which is critical for instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation as part of its reforms.

At this stage, the OSM considers the critical foundations are in place to support and maintain the momentum of Crown's ongoing transformation into what needs to become a 'remade' corporation. Recognising that this transformation will take years, the Special Manager has stressed the importance of Crown developing a Melbourne Transformation Plan to demonstrate

its commitment to ongoing reform. The importance of such a plan was first raised in the Special Manager's June 2022 interim report. Such a plan enables the Crown Melbourne Board and the Special Manager to track and monitor Crown's reform program, and ultimately provide the Victorian Government and the regulator with confidence that Crown intends to continue this work beyond the Special Manager's term, should it be deemed suitable to retain its licence.

In this final reporting period, the OSM has:

- Closely monitored the development of a Crown Melbourne Transformation Plan to ensure Crown's commitment to ongoing reform is clearly documented and addresses the matters set out in the Special Manager's previous interim reports. The Special Manager has also issued formal Directions for adherence to the plan.
- Identified potential vulnerabilities and risks to Crown Melbourne's ongoing reform program that are likely to require continuing oversight by both Crown and its regulators.

## 10.2 Melbourne Transformation Plan

The Special Manager's June 2023 interim report stated that the Melbourne Transformation Plan should clearly reflect the Crown Melbourne Board's transformation objectives, priorities, timelines and milestones, and measurable outcomes.

In this final reporting period, Crown has developed a Melbourne Transformation Strategy and a Melbourne Transformation Plan:

- In September 2023, the Board approved the Melbourne Transformation Strategy (provided in Appendix 1, Document 1.2). The strategy is focused on Crown Melbourne's ongoing transformation in areas including RSG, financial crime, risk and compliance, culture and integrity.
- In December 2023, the Board approved the Melbourne Transformation Plan and its supporting arrangements (provided in Appendix 1, Document 1.3). The plan details Crown's programs and initiatives to support the implementation of the Melbourne Transformation Strategy beyond 31 December 2023.

The OSM has closely monitored the development of the Melbourne Transformation Plan and assessed whether it incorporates the elements set out in the Special Manager's June 2023 interim report as follows:

- areas of reform that have an ongoing and material work program to be delivered
- prioritisation and sequencing of initiatives and activities
- transformation objectives with specific and measurable outcomes to enable Crown to monitor its progress and 'course correct' where required
- methods to measure progress against intended outcomes
- governance arrangements and funding to support implementation.

The OSM's concluding assessment is that the Melbourne Transformation Plan is an important demonstration of Crown Melbourne's commitment to ongoing change. The OSM is satisfied that the Melbourne Transformation Strategy and Plan address the requirements set out in the Special Manager's June 2023 interim report.

The Melbourne Transformation Plan provides a single view of Crown Melbourne's ongoing transformation and priority reforms, in line with the Board's transformation objectives. It includes

23 programs of work (incorporating 113 initiatives), which the OSM considers are reasonably aligned with Crown's broader strategic corporate plan and outstanding transformation initiatives. The plan also includes the implementation of longer-term reforms to minimise gambling harm and prevent financial crime at the casino – specifically the implementation of carded play on table games by December 2025 – which the Victorian Government introduced in response to the Finkelstein Royal Commission.

The Board has approved the prioritisation and sequencing of the components of the plan, including for initiatives that extend beyond 2026.<sup>299</sup> It has also identified 15 'high impact programs of work' that will be a priority for the business. Crown will need to carefully monitor and oversee the plan's ongoing implementation to ensure it achieves committed milestones and timeframes.

The plan clearly specifies the Crown Melbourne Board's transformation objectives and priorities and outlines some measurable outcomes to track ongoing reform.<sup>300</sup> Crown has also specified an assurance model, which it will adopt to evaluate the effectiveness of programs and initiatives.<sup>301</sup> This will assist it to monitor its progress and 'course correct' where required. The model includes a combination of post-implementation reviews, internal audits and external reviews.

To measure progress against intended outcomes, Crown is developing a Melbourne Transformation Scorecard.<sup>302</sup> The draft scorecard was first presented to the Crown Melbourne Board in June 2023; however, the scorecard is not expected to be finalised for Board reporting until July 2024. This may impact Crown's ability to fully gauge performance against its transformation and identify areas for improvement in the short term. In the interim, the Board will be provided with the FY24 Enterprise Performance Scorecard – Melbourne. This scorecard, due to be finalised in early 2024, will be based on the previously approved Crown Resorts version, provided in Appendix 1, Document 1.45.

Crown has developed effective governance arrangements to support implementation of the plan, which have been approved by the Board.<sup>303</sup> The arrangements include the continuation of the Melbourne Transformation Steering Committee, supported by the Group Transformation Office, which was responsible for overseeing delivery of the MRAP. The Board will have oversight of and overall governance responsibility for the strategy and plan. The OSM considers that these governance arrangements position Crown well to coordinate and implement this significant program of ongoing work.

Crown has approved capital and operating expenditure for the programs and initiatives for 2023–24. Each year, costings and budgeting for initiatives for the upcoming year will be required to be submitted for financial approval as part of Crown's annual budgeting cycle. The Board and Melbourne Transformation Steering Committee will need to closely monitor the annual budget process to ensure the programs and initiatives in the plan, as well as the Group Transformation Office, are adequately resourced and funded.

The OSM recognises the Melbourne Transformation Plan will be delivered over multiple years and will need to be revised and updated as circumstances change. As an example, Crown has

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<sup>299</sup> Crown Melbourne, Melbourne Transformation Plan, 11 December 2023, pp. 36–45.

<sup>300</sup> Crown Melbourne, Melbourne Transformation Plan, 11 December 2023, p. 5.

<sup>301</sup> Crown Melbourne, Melbourne Transformation Plan, 11 December 2023, p. 13.

<sup>302</sup> Crown Melbourne, Melbourne Transformation Strategy, 20 September 2023, p. 43.

<sup>303</sup> Crown Melbourne, Melbourne Transformation Plan, 11 December 2023, pp. 7–11.



identified the need to update the plan to include its implementation plan in response to the review into Crown's premium player program conducted by Senet Legal as initiated by the VGCCC (see section 6.7.3). Although further changes will be required, Crown has committed to not compromising the strategic intent or key deliverables of the Melbourne Transformation Strategy in making these changes. Importantly, all material amendments to the plan must be reviewed and approved by the Melbourne Transformation Steering Committee and the Board or relevant subcommittee.

Recognising the importance of the Melbourne Transformation Plan to Crown Melbourne's ongoing transformation, the Special Manager recently issued two Directions to Crown in relation to the plan (see Appendix E). These Directions require Crown to continue to implement, maintain and update the plan without compromising the strategic intent or key deliverables of the Melbourne Transformation Strategy, and to provide regular and detailed updates to the Special Manager to facilitate monitoring of the plan's implementation to the end of his term on 30 June 2024.

### 10.3 Risks to Crown's ongoing reform

Over the last two years, Crown has undergone reform at a significant scale and pace. While the development of the Melbourne Transformation Plan and supporting governance provides confidence that Crown Melbourne will continue to work towards an effective transformation, there are a range of potential vulnerabilities and risks that may challenge the ultimate achievement of Crown's reform objectives.

The OSM considers that, for Crown, potential risks are likely to include:

- flagging momentum and management commitment
- change fatigue and employee burnout
- pressure to reduce resourcing for key operational and transformation priorities
- allowing the interests of Crown Resorts, or the owner, to take precedence over those of Crown Melbourne, in particular by the pursuit of profit over the wellbeing of its customers and employees.

In this reporting period, the OSM has observed signs of positive momentum in some areas and a slowing in others as Crown approaches the two-year mark of its enterprise-wide reform effort. A range of significant reforms are yet to be implemented, as outlined in the Melbourne Transformation Plan, and there is further work to be done to drive culture change. The establishment of the Melbourne Transformation Plan, including governance mechanisms to reinforce accountability, provides one means of supporting focus on and commitment to ongoing reform. Clear evidence of the Board's ongoing commitment and oversight of the plan will be another factor in sustaining Crown Melbourne's transformation momentum. Ultimately, continued resourcing and investment in critical initiatives, monitoring of progress and implementation of incentives for progress will be key signals of ongoing commitment.

Crown also needs to minimise the risk of change fatigue and burnout in employees. There are already signs that some employees may be experiencing negative impacts from the pace and scale of change, shifting expectations, stretched resourcing and limited ability to influence decisions about their role (see Appendix F). Potential change fatigue and burnout were also themes that emerged from the OSM's discussions with middle managers (see Appendix G).

Hence, the Melbourne Transformation Plan will need to be appropriately resourced with ambitious but achievable timelines and effectively prioritised.

Over the past 12 months, Crown has invested significant time and resources in developing a comprehensive Employee Listening Strategy and developing measures of culture change and sentiment. These mechanisms will play an increasingly important role in ensuring that the risk of change fatigue is managed effectively. The 'Your Voice' survey results and the Culture Dashboard will be key indicators of Crown's success in maintaining the morale and engagement of its workforce throughout the transformation.

Economic conditions and changes in the casino operating environment are likely to continue to have an impact on Crown Melbourne's financial performance. This may create pressure to reduce resources dedicated to key operational functions and the delivery of the Melbourne Transformation Plan. Crown needs to continue actively monitoring the adequacy (in terms of both number and competency) of its resources across the business. Completion of Crown's strategic resourcing initiatives will be an important step towards providing confidence in the medium to longer-term resourcing of Crown Melbourne's operational and transformation activities.

As noted in this final report, a majority of Crown Melbourne Board directors are independent, and the Board appears to be operating independently in practice, demonstrating leadership, diligence and focus in exercising its functions. New Casino Control Regulations also require designated senior executive positions to take their instructions or directions from Crown Melbourne rather than Crown Resorts. It is important that this independence and focus on Crown Melbourne's best interests is maintained, including ensuring that senior executive positions understand how they are to discharge their roles effectively.

Further, as noted in section 3.2.1, Crown has now finalised a Crown Resorts Corporate Strategy, a Melbourne Transformation Strategy and a Melbourne Transformation Plan, which provide a framework for balancing financial and non-financial objectives in the business.

The recent Directions to provide regular and detailed updates on the Melbourne Transformation Plan to the Special Manager will provide early visibility of the above risks materialising. Beyond the Special Manager's term, the VGCCC has the power choose to extend these Directions as it sees fit.

With the Crown Melbourne Board ultimately responsible for ongoing governance and monitoring of the Melbourne Transformation Plan, it will be important that the Board ensures Crown Melbourne does not regress and that risks to its transformation do not materialise. Proof of the Board's success in this endeavour will be in how it weighs non-financial objectives – such as managing risks associated with gambling harm and AML/CTF, complying with the law and acting ethically – against the objectives for financial performance, customer retention and acquisition of new business. It will need to remain sharply focused on balancing these objectives in line with not only its priorities and risk appetite, but also the expectations of regulators and the Victorian community.

