



Special Manager's Interim Report June 2023

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Foreword

This third interim report of the Special Manager for the Melbourne casino operator, provided under section 36G(1) of the *Casino Control Act 1991* (Vic), covers the period 1 January to 30 June 2023. As flagged in my second interim report, this report assesses the effectiveness of Crown Melbourne's extensive reform program as it seeks to demonstrate a return to suitability to hold a casino licence in Victoria. A final report covering the balance of 2023 is due in January 2024.

As with my previous two interim reports, in June 2023, the Office of the Special Manager (OSM) provided draft interim report content on Crown's reform program and relevant draft content on the OSM's general oversight of Crown's current operations (addressed in sections 3 to 8 of this report) to Crown for fact-checking purposes. Crown's responses were given due consideration in the final drafting of this report. This process was again beneficial in helping to confirm the OSM's understanding of Crown's reform work to date, and to further progress a shared baseline for the OSM's monitoring and assessment work in the final reporting period.

Based on Finkelstein Report recommendations, the Victorian Government has given Crown two years to sufficiently reform itself into a suitable casino licence holder. If found suitable, further time would then be required for Crown to continue to progress its transformation program towards an advanced state of reform, including in particular achieving effective cultural change across the whole organisation.

Any return to suitability will at a minimum require Crown to demonstrate to the satisfaction of the gambling regulator, the VGCCC, both 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. Namely, in relation to cultural change, governance, risk management, compliance, the responsible service of gambling (RSG) and preventing financial crime, particularly anti-money laundering and counter terrorism financing (AML/CTF).

Such reform, especially of a culture in which serious misconduct occurred, was recognised in the Finkelstein Report as taking years to achieve, one where 'the road ahead is long'. Whilst it may be unrealistic to expect demonstrable behavioural and mindset change amounting to whole-of-organisation cultural change in just eighteen months after ownership change, Crown is expected within that time at least to demonstrate not only that such change has started to occur within the organisation, but that the critical foundations and a firm resolve towards achieving widespread effective cultural change in the coming years are in place. This must include sustained investment in its workforce through training and communications, coupled with continuous assessment and reinforcement of values and integrity standards.

There can be little doubt that the Victorian Government's mandating of carded play by the end of 2025, including carded play and mandatory precommitment for electronic gaming machines by late 2023, along with restricting the use of cash at the casino, and Crown's progress towards implementing these reforms will significantly boost Crown's RSG, AML/CTF and compliance capabilities. Likewise a significant boost to Crown's governance has already occurred with the appointment by its new owner, Blackstone Inc., of a majority of independent and highly capable Crown Melbourne Board members, which also followed Finkelstein Report recommendations that led to relevant legislative reform by the Victorian Government.

From an overall perspective, Crown has now made good progress under its multi-faceted transformation program, notwithstanding some delays due to ownership and leadership change in the second half of 2022. As a consequence, there are signs of a different Crown emerging from the Melbourne casino operator whose past failures were exposed by the Finkelstein and other inquiries. The positive indicators of progress set out in this report are consistent with those in the Finkelstein Report, which determined that Crown Melbourne had the will and capacity to transform itself to again become suitable to hold a casino licence, and noted that it had already commenced a substantial reform program led by people of goodwill and skill. The Finkelstein Report concluded that a reform program delivered under independent oversight was likely to result in Crown becoming a suitable casino licensee, and potentially a model one, in time.

Important to the issue of sustainability, Crown's new ownership and senior leadership appear genuinely committed not only to demonstrating a return to suitability by the end of 2023, but to continuing to drive progress in each of the critical areas requiring reform to an advanced state of maturity in the years to come. They also appear to understand that ongoing investment, together with well-planned and prioritised effort, is required in order to demonstrate effectiveness and sustainability of reform.

Risks to reform progress, including in particular key person risk, ineffective management of such a complex program and change fatigue, that were identified in my last report remain ever present; however, have not materialised or slowed progress to date. Nevertheless, going forward, the Melbourne Board will need to remain ever vigilant to the risk of cost cutting and program redirection on account of ongoing economic and resulting budget pressures.

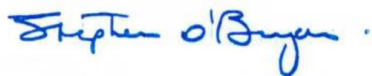
In such a complex and appropriately highly regulated casino environment, some slip ups will occur and mistakes will likely be made. Important from a suitability perspective is having confidence that the operator has in place governance, risk and compliance mechanisms for early detection and self-correction of any such incidents, and moreover that it has robust controls to ensure no systemic failures occur as they did in the past.

In addition, the casino environment is one where organised criminal groups are constantly trying to exploit vulnerabilities to financial and other crimes. In his 1991 report on casinos in Victoria, former Federal Court judge, the Honourable Xavier Connor QC, emphasised this reality: '[I]t remains a fact ... that crime is constantly knocking on the door and the most stringent and sustained measures are required to keep it out.'

As recommended by the Royal Commission, Crown has entered into agreements with Victoria Police and federal law enforcement agencies to facilitate the sharing of information and intelligence to aid the investigation and prevention of crime. The OSM will further engage with Crown and relevant law enforcement agencies in the final reporting period regarding 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.

Whilst Crown's extensive reform program is steadily progressing under a number of separately identifiable initiatives and project plans at both Crown Melbourne and Crown Resorts level, further assurance as to ongoing progress and sustainability for Melbourne beyond any affirmative decision by the VGCCC will come from a single articulation by Crown of a Melbourne Transformation Plan, that has appropriate timelines and milestones, clearly reflects the Crown Melbourne Board's transformation objectives and priorities, and outlines measurable outcomes.

I look forward to receiving such a plan from Crown early in the next reporting period, when I will also consider the desirability of making formal directions for regular reporting and adherence to the plan.



Stephen O'Bryan KC

Special Manager

1. Executive summary

1.1 Purpose of this report

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’.¹ It found that, for Crown to return to suitability and retain the Melbourne casino licence, it would need to demonstrate it had ‘thoroughly re-made’ itself and in substance become a ‘different’ corporation in terms of having ‘a different persona, reputation, culture, management and ownership’.² In practical terms, this requires Crown to demonstrate both 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.

Stephen O’Bryan KC was appointed the Special Manager for the Melbourne Casino Operator from 1 January 2022 to independently oversee Crown Melbourne’s operations and keep a ‘watchful eye’ on Crown’s reforms.³ The Special Manager is supported in his task by the staff of the Office of the Special Manager (OSM), who provide subject matter expertise in all relevant areas.

The Special Manager is required to report every six months to the Minister for Casino, Gaming and Liquor Regulation and the Victorian Gambling and Casino Control Commission (VGCCC). The primary purpose of these reports by the Special Manager is to inform the VGCCC’s decision in early 2024 about whether Crown is suitable to continue to hold the Melbourne casino operator licence.

This third interim report covers the period between January and June 2023. Its key purpose is to provide the OSM’s assessment of Crown’s progress with remediating failings identified in the Finkelstein Report and the broader transformation of its business. The assessment covers the following areas:

- transformation and culture (section 3)
- integrity frameworks (section 4)
- responsible service of gambling (RSG) (section 5)
- financial crime (section 6)
- governance, risk and compliance (section 7).

The interim report also outlines the Special Manager’s broader activities (section 2) and acquits the Special Manager’s general oversight function in relation to the casino operations (section 8).

1.2 Assessment approach

The Special Manager is required to assess Crown’s effectiveness in responding to the findings and recommendations of the Finkelstein Royal Commission, as set out in Appendix I of the Finkelstein Report.

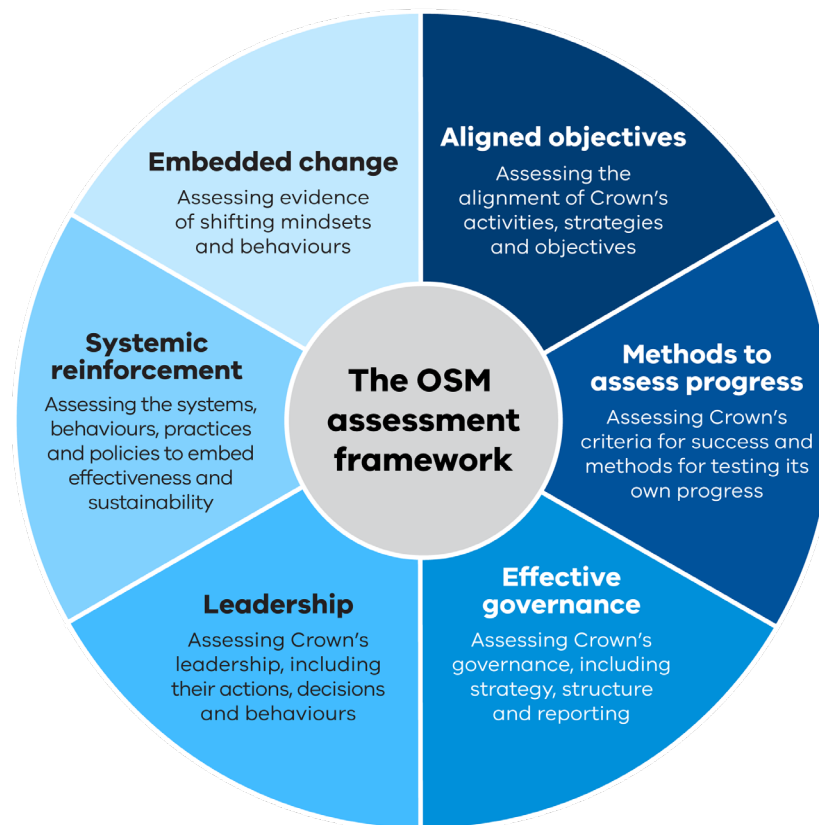
¹ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 2.

² Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 71.

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

The OSM has used an integrated assessment framework, as set out in the Special Manager's December 2022 interim report, to assess Crown's progress with implementing its reform and remediation activities and its overall transformation program (Figure 1).

Figure 1. The OSM assessment framework



The OSM has continued to maintain constructive working relationships across Crown to assist the Special Manager in performing his functions and activities. It has also continued to actively engage with a range of stakeholders, including the VGCCC, interstate regulators and independent monitors, key state and federal agencies, and community and non-government organisations.

As well as receiving a considerable amount of further information informally, through Crown's ongoing cooperation at officer level, the Special Manager has issued a further two formal statutory requests (Information Requests) to Crown under section 36F of the *Casino Control Act 1991* (Vic). The Special Manager has also made five new Directions to Crown under section 36E of the *Casino Control Act*. Further details of these Information Requests and Directions are included in sections 2.6 and 2.7 of this interim report.

In addition to analysing information provided by Crown, meeting with Crown representatives and observing Board and other meetings, the OSM has collected and analysed information from a range of other sources and activities. These include OSM focus groups with frontline employees, walk-throughs and live demonstrations of systems and processes, sample transaction testing, data analysis and the preparation of case studies.

The OSM's assessment of Crown's progress towards effective implementation of its reforms and broader transformation program is summarised in the following sections.

1.3 OSM assessment of Crown's transformation and cultural reform

For Crown to demonstrate that it has 'thoroughly remade' itself and become 'a different corporation', its actions need to go beyond remediation. Crown needs to transform most aspects of its business, including its culture as an intrinsic aspect of ensuring embedded and sustainable change across the organisation.

Whilst Finkelstein heard evidence that demonstrable cultural change cannot realistically be expected in under three to five years, by the end of the two years Crown has been given to demonstrate a return to suitability, it is expected at least to have in place the critical foundations to achieve fundamental organisational cultural change.

Overall, Crown's transformation is steadily progressing, notwithstanding some delays due to ownership and leadership changes in 2022. The OSM's assessment of Crown's transformation applies the six-part assessment framework outlined above. In the December 2022 interim report, the OSM applied this framework to an assessment of the transformation program and Culture Reform Program. In this report, as Crown has further progressed its transformation efforts, the OSM has used the framework to provide a more holistic overall assessment on the progress of Crown's reforms.

1.3.1 Aligned objectives

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

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

Crown has made good progress in developing and rolling out several key strategies, including for RSG, financial crime, risk management and compliance. For example, its Player Health Strategy outlines a commendable objective to have 'the safest casinos in the world'.⁴ While these specific strategies provide important direction on priorities, Crown's activities and objectives are not fully integrated and aligned, as an overarching corporate strategy has not yet been finalised. The OSM expects that a finalised corporate strategy should reflect all key business strategies, such as the Player Health Strategy.

Importantly, to provide a clear direction on priorities, the corporate strategy must demonstrate that Crown's financial interests will not take precedence over other objectives related to risk management, compliance, and the minimisation of financial crime and gambling harm.

1.3.2 Methods to assess progress

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

Crown must develop robust methods to undertake ongoing self-assessment of performance, evaluate reforms and adjust its transformation program where required. This will demonstrate

⁴ Crown, Responsible Gaming – Player Health Strategy, 7 December 2022, p. 15. This document was attached as Document 1.8 in Appendix 1 of the Special Manager's December 2022 interim report.

that Crown has learnt from its past failings and, if found suitable to retain the casino licence, is committed to sustainable, continuous improvement beyond the Special Manager's term.

Crown is 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. A number of these metrics remain activity-based and could be improved by providing a clearer focus on tracking the achievement of outcomes. The Crown Melbourne Board has appropriately urged management to provide more relevant reporting that focuses on prioritised actions, intended outcomes, clear indicators of progress, and realistic status reporting.

Crown's ongoing self-assessment is a critical aspect of measuring progress. To test Crown's capability to self-assess, early in this reporting period the Special Manager directed Crown to provide a draft self-assessment against the requirements of Appendix I. This exercise provided Crown an opportunity to demonstrate maturity in its ability to self-assess and identify opportunities for improvement. The Australian Prudential Regulation Authority undertook a similar exercise with financial institutions following two major inquiries into misconduct in that sector, and observed that the approach each institution took highlighted whether boards and senior leadership had been sufficiently self-critical.⁵ Crown's first draft response was not extensive, focused largely on describing completed activities, and did not provide the level of commentary or evidence of the effectiveness of completed actions the OSM would expect to see in any final version.

1.3.3 Effective governance

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

The Finkelstein Report noted that Crown Melbourne's Board either suffered from inadequate management reporting or that it simply 'fell asleep at the wheel'. Either way, that it 'failed to carry out one of its prime responsibilities; namely, to ensure that the organisation satisfied its legal and regulatory obligations'.⁶ The effectiveness of corporate governance will be critical for Crown and its stakeholders if it is to both provide reassurance that past governance failures will not recur, and that ongoing cultural improvements will endure beyond the Special Manager's term.

Significant changes to Crown's governance structures and processes were made in 2022 and into the first half of 2023. The OSM's view is that the Crown Melbourne Board has demonstrated substantial progress in effective governance over this reporting period. The majority of Crown Melbourne's Board members are now independent of executive management, Crown Resorts and Blackstone Inc. Importantly, the OSM has observed that the Board's independent directors are consistently and cohesively bringing independent judgement to matters before them. This includes requiring reports and analyses to have a Crown Melbourne focus, rather than a Crown Resorts one.

Board members have set clear expectations for management to improve the quality of reporting and strategic advice being provided to the Board. The OSM has observed examples of the Crown Melbourne Board emphasising the need to resist prioritising profit over risk management,

⁵ The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and the Prudential Inquiry into the Commonwealth Bank of Australia.

⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

compliance, people (employees, customers and community outcomes), the prevention of financial crime and the minimisation of gambling harm.

As Crown itself recognises, the operation and effectiveness of management committees could be improved. While financial crime-related committees generally have clear purposes and reporting lines, Crown does not yet have clear accountabilities or processes to oversee the establishment and performance of all its management level committees.

1.3.4 Leadership

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

The Finkelstein Royal Commission found that Crown's leadership, at both senior and middle management levels, directly contributed to historical norms of misconduct.⁷ There is extensive research showing that effective leaders play a crucial role in driving successful transformation and cultural change.⁸

In this reporting period, the OSM has continued to observe positive role-modelling and change leadership by the Board and senior leaders. This has been demonstrated by leaders visibly focusing on values, transformation and cultural change in their engagement with employees.

It remains incumbent on Crown to consider how to address the possibility raised by some frontline employees that middle management may represent a barrier to transformation efforts. This includes issues related to inconsistent role-modelling, capability gaps, capacity constraints and potential resistance to change (or 'permafrost' behaviour), none of which are unexpected in a large organisation with such large failings in the recent past. Crown needs to focus on ensuring middle managers support the transformation, including through role-modelling desired change, given the critical influence this group has on the behaviour of frontline teams.

1.3.5 Systemic reinforcement

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

To embed an effective and sustainable transformation, employees across Crown Melbourne need to adopt new mindsets and behaviours. Creating and sustaining this shift requires Crown to ensure its systems, practices and policies provide clear direction to employees regarding expectations and desired behaviours, and provide incentives and necessary skill-building to fulfil these.

Crown has made sound progress in a number of important areas. It has consistently focused on the basic reinforcement of required changes by improving policies and training in critical operational areas, including financial crime and RSG. It has also started to reinforce improved behaviours through enhancements to its performance management system, variable pay program and leadership training as part of its Culture Reform Program.

Crown needs to take further steps to reinforce behaviour change more systematically across the organisation. For example, the performance management system and variable pay changes

⁷ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

⁸ 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.

apply only to salaried employees, which includes just 11 per cent of middle managers. Commentary from employees via Crown's 'Your Voice' survey and focus groups and OSM focus groups also suggests that Crown could further reinforce the importance of RSG and financial crime responsibilities to frontline employees.

1.3.6 Embedded change

Assessing evidence of shifting mindsets and behaviours

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.⁹

The OSM has observed some evidence of positive material changes in norms in certain parts of the organisation. The scale, scope and impact of activities undertaken by the financial crime teams has grown significantly. The Responsible Gaming team has made good headway in supporting a shift in customers' gambling behaviours to minimise harm. In particular, they are encouraging customers to take more regular breaks, and have significantly increased the number of conversations they are having with customers regarding safer gambling practices.

Nevertheless, not all frontline gaming employees as yet necessarily perceive that the requirements of their roles have changed in relation to preventing gambling harm and financial crime. As noted above, a range of sources also suggest there may be some resistance to change from middle management. Overall, the OSM's assessment is that there is evidence of shifting mindsets and behaviours. Not unexpectedly, this is not as consistent across the organisation as it ultimately needs to be, and it will take more time for Crown to demonstrate that intended changes will be sustainable in the longer term.

1.4 Crown's reform work

The Special Manager has been assessing the projects and activities Crown is undertaking in response to the specific findings and recommendations of the Finkelstein Royal Commission in relation to its transformation program, integrity frameworks, RSG, financial crime and governance, risk management and compliance.

1.4.1 Crown's transformation program

Crown has continued to progress a range of remediation activities in response to the Finkelstein Report. This has predominantly included the items set out in its Melbourne Remediation Action Plan (MRAP), and activities undertaken in response to its root cause analysis.

MRAP

During this reporting period, Crown has completed a large number of MRAP deliverables. This is a positive sign of progress towards Crown's remediation goal.

Crown has acknowledged that the MRAP forms only part of the work required to achieve sustainable change, and several other significant reforms lie in other strategies and plans being implemented, some of which, like the Player Health Strategy, are at Group level.

⁹ 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.

Importantly, Crown Melbourne is implementing a range of world-leading RSG and financial crime reforms in response to Victorian Government legislation and directions to introduce mandatory carded play, mandatory pre-commitment, restricted use of cash at the casino and a revised Gambling Code. These initiatives are critical to Crown Melbourne's transformation, but are not included in the MRAP and are instead managed through separate steering committees and working groups.

The OSM has reiterated the importance for Crown to articulate in one document a Crown Melbourne (rather than Group-wide) Transformation Plan that sets out its transformation objectives, prioritised initiatives and measurable outcomes. Such a plan will ensure a clear line of sight for the Board and the Special Manager to track progress, and to ultimately provide the Victorian Government and the regulator with confidence that this work will be sustained beyond the Special Manager's term should Crown retain its casino licence. The importance of such a plan was first raised in the Special Manager's June 2022 interim report, and has also been requested by the Crown Melbourne Board. It is important that Crown addresses this matter as a priority.

Root cause analysis

Crown completed a root cause analysis of its past failures in November 2022. The report concluded that the root cause of Crown's failures was 'a risk culture that prioritised revenue and profit over risk management, regulations and customer welfare'.¹⁰ It further identified that Crown did not sufficiently understand its risks, obligations, and social licence to operate.¹¹

The root cause analysis report made 14 recommendations aimed at addressing gaps in Crown's existing frameworks and remediation plans.¹² In this reporting period, Crown has taken positive steps towards implementing the recommendations and embedding the learnings within the business.

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.

The process of embedding learnings from the root cause analysis will require sustained effort. The OSM's assessment to date is that the Crown Melbourne Board and executive management team recognise this challenge, and the level of effort that will be required, as being critical to successful embedment.

Transformation enablers

Crown has continued to develop the critical activities, systems and processes that act as enablers for its overall transformation. For example, it is developing its brand, communications and stakeholder engagement approaches, and the level and sophistication of its internal communications campaigns have improved to support the rollout of new policies and training such as those relating to the 'Speak Up' campaign and whistleblower processes.

¹⁰ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, p. 7.

¹¹ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, p. 7.

¹² Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, pp. 65–6.

There are, however, opportunities for improvement:

- Crown's IT remediation projects, such as customer risk assessment and case management platforms, must be fully implemented and embedded to improve 'know your customer' capabilities for RSG and financial crime, and to reduce risks associated with manual processes and enable greater operational capabilities.
- Crown's overall approach to training remains a work in progress, with most training programs not yet tailored to roles and business needs and requiring critical tools to measure employee progress and reinforce training outcomes.
- Crown has significantly increased headcount in critical areas and reduced some of its reliance on external consultants. Nevertheless, a unified workforce plan and strategic approach to addressing resourcing issues are needed to ensure Crown has an effective approach to resourcing.

1.4.2 Integrity frameworks

The Finkelstein Royal Commission identified repeated examples of failings in Crown's integrity framework, including a lack of employee confidence that they could and should speak up, as well as poor 'tone from the top' and blatant serious misconduct.

The OSM's assessment of Crown's integrity framework 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 part of its reforms.

Crown has commenced strengthening its anti-bribery and corruption framework and is expected to complete a comprehensive bribery and corruption risk assessment in the next reporting period. The OSM will assess this work and monitor whether Crown establishes appropriate governance and resourcing to effectively drive anti-bribery and corruption prevention work across the organisation.

Over the last six months, the OSM has observed the implementation of, and improvements in, important aspects of Crown's broader integrity framework including its Code of Conduct and whistleblower regime.

Crown's revised Code of Conduct now incorporates observations and suggestions made by the OSM in late 2022. Crown has improved, and will continue to develop, policies to support and complement the Code of Conduct, including in relation to conflicts of interest, political donations, and gifts, tips and gratuities. Crown has also rolled out a mandatory e-learning module and communications to all employees and contractors as part of an internal campaign to promote the revised Code of Conduct.

Crown has improved its whistleblower management policy and processes. This includes enhanced governance and oversight of whistleblower disclosures and the appointment of a Whistleblower Protection Officer. Crown has launched a well-structured 'Speak Up' internal communications campaign, which aims to provide guidance to all employees on reporting channels and whistleblower protections to help address barriers to 'speaking up' and raising concerns. How Crown manages whistleblower disclosures, including the quality of any investigations, will be a measure of the effectiveness of these reforms.

In this reporting period, the OSM commenced assessment of Crown's public complaints handling processes. Crown's current approach to public complaints management (including the way complaints are recorded, assessed and responded to) presents an opportunity for

considerable improvement. In response to the OSM's feedback, Crown will complete an internal audit in the next reporting period to identify ways that its public complaints handling policies, systems and practices can be improved.

1.4.3 RSG

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'.¹³ The OSM has highlighted the need for Crown to adopt an integrated customer-centred approach to RSG that focuses on minimising gambling harm.

Crown is making steady progress towards reforming its RSG program in response to the findings of the Finkelstein Royal Commission. Its Player Health Strategy outlines a commendable objective for Crown to have 'the safest casinos in the world by spearheading innovative solutions through known play to maximise the impact of our Harm Minimisation Commitment'.¹⁴ Crown has developed a detailed implementation plan covering 14 initiatives under five key areas to be delivered over the next three years.

Crown Melbourne has significantly increased the resources dedicated to monitoring and responding to gambling harm. The Responsible Gaming Register demonstrates that employees are monitoring customers for observable signs of gambling harm and engaging more actively with customers to communicate messages related to play periods and the need to 'take a break'. These are positive steps Crown is taking towards minimising gambling harm.

The OSM has observed, however, that current resourcing and technological constraints are limiting Crown's ability to implement harm minimisation measures. Breaks are being encouraged after three hours of continuous play, but are not imposed, and not all customers cease gambling after 12 hours on-site as per Crown Melbourne's Play Periods Policy.

There is also a pressing need for Crown to develop and implement actions to minimise the risks of gambling harm associated with the Crown Rewards Loyalty Program.

Some features of Crown's marketing and promotions are considered not to be consistent with harm minimisation. The OSM will be monitoring Crown's implementation of its 'marketing guardrails', which will put additional focus on the impact of marketing and promotions on customer wellbeing.

1.4.4 Financial crime

The OSM has assessed Crown's reform progress towards an effective and sustainable approach to managing financial crime, having regard to the key deficiencies identified by the Finkelstein Royal Commission as well as key regulators such as AUSTRAC.

Crown has made significant headway in financial crime risk management. It has now implemented most Financial Crime and Compliance Change Program deliverables, with the remainder expected to be implemented by December 2023 (and embedded by June 2024). Importantly, Crown now has:

- a legislatively compliant Joint Anti-Money Laundering and Counter-Terrorism Financing Program (Joint AML/CTF Program)

¹³ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

¹⁴ Crown Resorts, Responsible Gaming – Player Health Strategy, 7 December 2022, p. 15.

- an effective enterprise-wide risk assessment methodology and approach
- ongoing customer due diligence processes, including a fit-for-purpose and robust enhanced customer due diligence and transaction monitoring program
- improved AML/CTF training content reflecting feedback from AUSTRAC and tailored to the needs of specific business units.

The OSM's sample testing during this reporting period demonstrated that Crown's policies, procedures and controls are mostly effective, and Crown is largely complying with its Joint AML/CTF Program.

Crown has enhanced its oversight of the Joint AML/CTF Program through Board and management committees who, along with the CEO and senior management, have displayed a positive 'tone from the top' with regard to financial crime risk management. It has built skilled and experienced teams of financial crime specialists, with strong leadership.

In this reporting period, the OSM focused on the proposed return of the Premium Player Rebate Program. The Crown Melbourne Board has demonstrated a careful and balanced approach to this decision-making process, ensuring a rigorous risk assessment was undertaken and external legal advice obtained.

Key areas of the financial crime function that Crown needs to further improve include employee due diligence, training content and measures of training effectiveness, and customer risk assessment. Technology is a key enabler for continued improvement in the Joint AML/CTF Program, particularly through critical enhancements to the overall control environment with automation of manual controls and processes.

1.4.5 Governance, risk management and compliance

Crown has shown good progress in improving how it manages risk and compliance. It has adopted a three lines of defence (3LOD) model across the organisation and has made progress towards establishing an appropriately resourced and skilled Line 2 function. As the 3LOD model has only recently been implemented, further time than just the balance of 2023 will be required for Crown to demonstrate effective embedment.

Crown has continued to implement its plan to achieve a better-practice risk management framework. It has a draft three-year Group Risk Management Strategy which, if implemented effectively, will provide 'foundational' maturity by December 2023 and 'optimal' maturity by December 2026. A property-specific Risk Appetite Statement is in development, to be finalised and presented to the Crown Melbourne Board in August 2023. The consultation process undertaken with Board and senior management highlighted some confusion about risk terminology and some debate about whether there should be 'no appetite' for risks associated with RSG and compliance. The OSM expects further risk management training to be provided to Crown management.

An external review of risk management has been completed but it is too early to say whether the current risk framework, systems and processes are effective, as some aspects are still to be implemented and embedded.

Crown's compliance systems and processes are not yet fully effective; however, the transition to a new governance, risk and compliance system (Archer) should significantly enhance its ability to record, respond to and escalate compliance incidents where required. Crown is progressively implementing a three-year Compliance Strategy, which was approved by the Board in

December 2022. Overall, Crown's compliance incident and escalation systems are improving and will be further enhanced once Archer is fully implemented and appropriate training has been provided.

1.5 General oversight of Crown's current operations

Consistent with Appendix I, the Special Manager has continued to independently oversee Crown Melbourne's general conduct of casino operations. This general oversight role complements monitoring and assessment of Crown's reforms, and includes consideration of whether there is any evidence of maladministration, illegal or improper conduct or conduct that may give rise to a material contravention of any law.

In this reporting period, key areas of focus have included monitoring Crown's:

- corporate governance, including issues associated with Board independence
- approach to excluding persons from the casino
- engagement with law enforcement agencies to assist in the investigation and prevention of crime
- significant disciplinary proceedings and active litigation
- compliance with legislative and regulatory obligations.

Notably, the casino environment is one where organised criminal groups consistently seek to exploit vulnerabilities to financial and other crimes. Crown has entered into agreements with relevant law enforcement agencies, in line with recommendations of the Finkelstein Report, to facilitate the sharing of information and intelligence to aid the investigation and prevention of crime. In the final reporting period, the OSM will further engage with law enforcement agencies and Crown to gain insights into how these arrangements are working and Crown's ongoing preparedness to deter and respond to current and emerging criminal threats.

1.6 The final reporting period

The Special Manager will continue to oversee Crown Melbourne's casino operations and to monitor and assess Crown's implementation of its extensive reform program, with a final report due in January 2024.

As well as assessing Crown's progress in reforming its operations, the Special Manager is also required to consider whether the casino operator has engaged in any maladministration, illegal or improper conduct, or conduct that may give rise to a material contravention of any law.¹⁵

In the final reporting period, the OSM will consider the sustainability of Crown's reforms. If reforms are sustainable, this will provide confidence that Crown's efforts over the last two years will continue to advance should it retain its licence.

To this end, the OSM will monitor closely the development of a Crown Melbourne Transformation Plan to ensure that Crown's commitment to ongoing reform is clearly documented and able to be monitored. The Special Manager will also consider the desirability of making formal directions to Crown for regular reporting on and adherence to such a plan.

¹⁵ *Casino Control Act 1991 (Vic)*, s 36G.

2. Summary of the OSM's activities

2.1 Special Manager's role

Under the *Casino Control Act 1991* (Vic), the Special Manager's prescribed functions are to:

- oversee the affairs of the Melbourne casino operator, including the casino operations¹⁶
- report every six months to the Minister for Casino, Gaming and Liquor Regulation and the Victorian Gambling and Casino Control Commission (VGCCC) on investigations the Special Manager has carried out and on the performance of the Special Manager's other functions¹⁷
- provide a final report to the Minister and the VGCCC, which considers whether there is evidence of maladministration, illegal or improper conduct, or material contraventions of any law by the casino operator. The report will also consider the progress of Crown's transformation program.¹⁸

The Special Manager will provide his final report to the Minister and the VGCCC in January 2024. Within 90 days of receiving the Special Manager's final report, the VGCCC will need to decide whether Crown Melbourne is a 'suitable person' to continue to hold a casino licence.¹⁹

2.2 Reporting by the Special Manager

To date, the Special Manager has issued two interim reports:

- The first interim report, issued in June 2022, reflected the Special Manager's work during the six months of operation from 1 January to 30 June 2022. This largely related to establishing the Office of the Special Manager (OSM), understanding Crown's progress since the Finkelstein Royal Commission, establishing relationships with a range of stakeholders, and developing the OSM's work plan to monitor and assess Crown's progress.
- The second interim report, issued in December 2022 for the period 1 July to 31 December 2022, reported on the development of the OSM's framework to assess the effectiveness of Crown's transformation. It also presented details of Crown's current operations and progress with major reforms and transformation efforts, noting that this reporting period was a time of significant change following Blackstone Inc.'s acquisition of Crown in June 2022.

The Special Manager's interim reports have been provided to the VGCCC and the Minister as required. Both the VGCCC and the Minister agreed to the OSM providing a copy of the interim reports to Crown and the independent monitors for Crown Perth and Crown Sydney on conditions of strict confidentiality. The Special Manager has also published two six-monthly activity reports as required under the Special Manager's Instrument of Appointment.

¹⁶ *Casino Control Act 1991* (Vic), s 36C(1)(a).

¹⁷ *Casino Control Act 1991* (Vic), ss 36C(1)(c), 36G(1).

¹⁸ *Casino Control Act 1991* (Vic), s 36G(2), (3).

¹⁹ *Casino Control Act 1991* (Vic), s 36H(1), (2).

2.3 Focus of this reporting period

The Special Manager has continued to monitor and assess Crown's progress with implementing major reforms and transformation activities while maintaining a watchful eye on Crown's current operations.

This report acquits the Special Manager's requirement to report on reviews, evaluations and investigations the OSM has conducted as a result of performing his statutory functions and exercising powers.

The OSM developed a work plan for the 1 January to 30 June 2023 reporting period having regard to recommendations made and key issues identified in the Finkelstein Report. Appendix A summarises the status of each of the OSM's work plan projects and cross-references the relevant sections of this interim report that address the OSM's assessment of Crown Melbourne.

2.3.1 Assessment framework

The OSM has used an integrated assessment framework, as set out in the Special Manager's December 2022 interim report, to assess Crown's progress with its overall transformation and the effectiveness of its reform and remediation activities. The six-part framework (as shown in Figure 1) is designed to enable the OSM to holistically assess Crown's progress with reference to the following:

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 the leadership at all levels is 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. evidence of 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.

2.3.2 OSM information sources

In addition to analysing information provided by Crown (including Melbourne Remediation Action Plan (MRAP) closure packages, discussed in section 3.3.1), meeting with Crown representatives and observing a range of Board and management meetings, the OSM has sought to directly collect and analyse information through various information sources. These have included:

- OSM focus groups to assess how frontline employees understand and are experiencing the impact of Crown Melbourne's transformation program on their day-to-day work. The

focus groups were held on 17 and 18 April 2023 and involved a small cohort of employees from Table Games, Gaming Machines, Security and Surveillance. Appendix B provides a summary report on the OSM's focus groups.

- Walk-throughs and live demonstrations to better understand Crown's systems and processes, including those for onboarding customers and monitoring transactions for suspicious behaviour. Communications on the casino floor, new 'smart table games' technology, the Archer governance, risk and compliance system and the Medallia system (Crown's public feedback case management database) were also demonstrated to the OSM.
- Sample testing to verify whether Crown is complying with critical elements of its Joint Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Program, including meeting its transaction monitoring reporting obligations. Details of the sample testing undertaken are set out in section 6.2.
- Data analysis, including:
 - the size, reporting structure, tenure, goals and variable remuneration of middle managers in key business areas, as discussed in section 3.2.4
 - trends and observations related to Responsible Gaming Register (RG Register) data about Responsible Gaming team interactions with customers and Salesforce data on responses to play period alerts. Insights from this data analysis are set out in sections 5.6 to 5.8.
- Interviews with a small sample of Line 1 employees to test Crown's manual transaction monitoring controls and gauge employees' knowledge of ML/TF risks relevant to their role within Crown, as discussed in section 6.2.3.

2.4 Structure and resources

As at 30 June 2023, the Special Manager was supported by a team of 11 officers at 9.9 FTE. The OSM has engaged four contractors during the reporting period.

Two Deputy Special Manager positions assist the Special Manager in leading a multidisciplinary team with expertise across key areas, including corporate governance, integrity, compliance, risk management, organisational change, financial crime and harm minimisation.

Professional services firm FTI Consulting continues to support the work of the Special Manager in assessing Crown's reform program, with other professional services engaged, as required, to provide additional expertise; for example, in focus group facilitation.

2.5 Stakeholder engagement

2.5.1 Engagement with Crown

In this reporting period, the OSM has continued to maintain constructive working relationships across Crown to assist in performing the Special Manager's functions and activities, including at the Board and senior leadership levels of Crown. The Special Manager's and the Deputy Special Managers' direct engagement with Crown's Board and senior leadership has included:

- The Special Manager has met regularly with Crown Melbourne Chair, Mr Ian Silk (monthly), Crown Melbourne CEO, Mr Mike Volkert (weekly) and Crown Resorts CEO, Mr Ciarán Carruthers (monthly). These meetings have been used to discuss issues

relevant to Crown's operations and the progress of its reform agenda, and other issues and concerns.

- The Special Manager and Deputy Special Managers have attended each of the six Crown Melbourne Board meetings held in this reporting period, as well as five out-of-session meetings on particular issues and reform initiatives.
- The Special Manager and Deputy Special Managers have met with newly appointed Crown senior executives.²⁰ These introductory meetings have been used to better understand the senior executives' roles and hear their insights into Crown's reform program.
- In March 2023, at the request of Blackstone Inc., the Special Manager and the Deputy Special Managers met with its key executives to discuss Blackstone Inc.'s ownership of Crown and Crown's transformation activities.
- In May 2023, the Special Manager had an introductory meeting with Ms Mary Waldron, Crown Melbourne's newly appointed independent director and proposed Chair of the Audit and Finance Committee, pending regulatory approval.

Further details on the Special Manager's and/or OSM representatives' attendance at Crown Board and management committee meetings are provided in Appendix C.

In addition to the meetings with Crown set out above:

- Regular meetings are continuing between the OSM and Crown at officer level to facilitate the OSM's information gathering and assessment activities. These meetings have extended further across the business as Crown's reform work has progressed. The dedicated OSM office space provided by Crown within its Melbourne complex helps to facilitate ongoing engagement and information sharing between Crown and OSM staff.
- The Special Manager and OSM staff have attended a range of Crown internal forums, including leadership briefings, employee town hall-style briefings and employee musters, to observe the nature of communications with, and queries from, employees. In January 2023, the Special Manager sent Crown employees a message via the Crown CEO advising them of the publication of the December 2022 activity report. The message invited employees who wished to raise any matters about Crown's conduct to contact the OSM confidentially via an enquiry inbox accessible on the OSM website.
- In February 2023, the Special Manager and a Deputy Special Manager undertook a site tour of Crown Perth and met with Crown Perth CEO (Mr David Tsai), Chairman (Mr John Van Der Wielen) and General Manager – Transformation (Mr Graeme Pedler).
- In May 2023, the Special Manager convened an introductory meeting between the Honourable Ray Finkelstein AO, KC and Crown's CEOs, Mr Mike Volkert and Mr Ciarán Carruthers.
- In May 2023, the Special Manager, Deputy Special Managers and OSM representatives met with Crown Melbourne's external auditor, KPMG, to discuss the OSM's assessment approach.

²⁰ Including Ms Carla Coslovich (Executive General Manager – Security), Mr Gary Carroll (Executive General Manager – Transformation, Melbourne) and Mr Mark Whitely (Group General Manager – Cultural Change), who are involved in leading and operationalising the reform work.

- OSM representatives undertook a tour of Crown Melbourne on a Friday night in June 2023 to better understand the security operations and processes at the complex. OSM representatives also observed a critical incident response ‘tabletop’ exercise in June 2023, designed to test Crown Melbourne’s Critical Incident Management team’s capability to respond to a plausible, complex incident.
- The OSM has met again during this reporting period with United Workers Union workplace delegates from various areas within Crown Melbourne to discuss issues facing Crown and its employees.

2.5.2 Engagement with the VGCCC

During this reporting period, the Special Manager has continued to liaise regularly with the VGCCC Chair. The OSM has also provided a high-level briefing to the VGCCC Commissioners, CEO and senior executives in relation to the December 2022 interim report and the OSM’s 2023 work plan.

Close liaison to facilitate information sharing is continuing as appropriate at officer level. This includes the continued use of a referral protocol between the OSM and VGCCC for public complaints received via the OSM’s enquiry inbox (see section 2.5.3).

2.5.3 Broader stakeholder engagement

The OSM has maintained its engagement with a range of government and community stakeholders who participated in, or otherwise have significant interest in, the findings and recommendations of the Finkelstein Royal Commission.

Key activities have included ongoing liaison with Victorian Government agencies and interstate casino regulators, monitors and law enforcement agencies, and engaging with academics and community organisations.

The OSM has continued to update these stakeholders about its activities, and to gather information and insights to inform its oversight and assessment of Crown’s transformation.

Further detail of the OSM’s broader stakeholder engagement is set out below and in Appendix D.

Interstate casino regulators and monitors

The OSM has continued to engage with the gambling and casino regulators in the other jurisdictions in which Crown operates. In this reporting period, the Special Manager has met with the New South Wales Independent Casino Commission and the Western Australian Department of Premier and Cabinet (ahead of the appointment in February 2023 of the independent chair of the Gaming and Wagering Commission, the Western Australian regulator). The OSM has continued to liaise with Liquor & Gaming NSW²¹ in relation to its ‘regulatory sandbox’ cashless gaming trials.

The Special Manager has met regularly with the independent monitors for Crown in Sydney (Kroll) and Perth (led by Mr Paul Steel APM). The OSM has initiated and chairs a regular monthly meeting of the three independent Crown monitors to share information and assessment

²¹ Liquor & Gaming NSW administers the regulatory framework for the liquor, gaming, wagering, casino and registered clubs sectors in New South Wales.

approaches when pertinent. Additional meetings have occurred at officer level with both monitors as relevant.

The Special Manager also met in February 2023 with the Special Manager for The Star Sydney Casino, Treasury Brisbane and The Star Gold Coast Casino, Mr Nick Weeks.

Other regulators and law enforcement agencies

The OSM has continued to engage with key regulators and law enforcement agencies in relation to financial crime and governance and compliance issues, including AUSTRAC, Victoria Police, the Australian Federal Police, the Australian Criminal Intelligence Commission, the Australian Securities and Investments Commission and the Australian Taxation Office. Meetings have focused on potential areas of mutual interest and opportunities to share information.

The OSM has also continued discussions with Victoria Police regarding Crown's operating environment, and current and emerging criminal activity issues and risks.

The OSM's discussions with the Australian Federal Police have included updates on the development of a Memorandum of Understanding between it and Crown to support information and intelligence sharing, which has now been signed. A Letter of Understanding between Victoria Police and Crown has been finalised and executed by both parties; this is in addition to a Memorandum of Understanding completed in 2022 with the Australian Criminal Intelligence Commission. Crown's execution of these agreements with law enforcement agencies implements the Finkelstein Royal Commission recommendations 4 and 5.²²

Community and non-government sector

The OSM has continued to engage with key community and non-government organisations, particularly in relation to gambling harm minimisation. This has included regular engagement with and feedback from:

- the Alliance for Gambling Reform – Reverend Tim Costello AO, and quarterly engagement at CEO and officer level
- academic experts – including Professor Dan Lubman AM, Monash Addiction Research Centre and Turning Point addiction research and education centre (part of Eastern Health)
- Gamblers Help service providers – including via the Prevention and Programs branch of the Victorian Responsible Gambling Foundation (VRGF)
- peak bodies – including the Australasian Gaming Council and Financial Counselling Victoria
- other interested parties – including VicWISE, with which the OSM has engaged in relation to international student experiences with Crown Melbourne.

Industry and business groups

The OSM has also connected with other industry and business groups in this period, in relation to financial crime prevention and gambling harm minimisation. This has included meeting with the Australian and New Zealand Banking Group and National Australia Bank. The OSM was also represented at the 'Regulating the Game' conference in Sydney in March 2023.

²² Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 200.

Victorian Government departments and agencies

In this reporting period, the OSM has broadened its regular engagement with the Department of Justice and Community Safety (DJCS), VGCCC and the VRGF to include other Victorian Government departments and agencies that have portfolio interests in matters relevant to Crown's reform. It has sought insights from the Department of Health's Public Health and Wellbeing division and the Department of Families, Fairness and Housing, through Fairer Victoria's multicultural policy unit. The Special Manager also met with the Victorian Multicultural Commission.

The OSM is monitoring policy developments and the implementation of major legislative reforms through regular liaison with senior staff from the DJCS, VGCCC and VRGF, as discussed in section 5.9.

Public enquiries

As previously reported, in June 2022 the OSM established a public enquiry inbox, accessible via the OSM website. Four enquiries have been received and responded to during this reporting period, as follows:

- Concerns about the responsible service of alcohol and liquor licensing practices at Crown Melbourne. The OSM consulted with the VGCCC and Liquor Control Victoria in relation to the concerns. Liquor Control Victoria investigated the matter and issued two infringement notices to Crown, which Crown subsequently paid.
- A customer who had been excluded from Crown. The customer raised privacy concerns regarding Crown's AML/CTF customer due diligence processes and use of personal information and expressed dissatisfaction with Crown's response to enquiries. A case study on Crown's handling of this enquiry is included in section 4.5.2. The OSM consulted with the VGCCC and Crown in relation to this matter.
- A workplace grievance of a Crown employee received from their legal representative. The Special Manager determined this individual employee grievance did not warrant the exercise of his powers and the use of OSM resources, particularly given there are other suitable legal avenues available for the employee to consider.
- A customer who had been banned from Crown due to their conduct. The OSM consulted with the VGCCC and Crown in relation to this matter.

The OSM has appreciated the VGCCC's and Liquor Control Victoria's support in handling enquiries received from the public.

2.6 Information Requests issued to Crown

Crown has continued to provide a large volume of documents and other information to the OSM, with most provided informally in response to OSM staff requests.

Crown also routinely supplies the OSM with formal documents it requires, such as Board papers and minutes, and correspondence with other government agencies. Crown maintains a running list of all documents provided informally and formally to the OSM.

The Special Manager has issued two formal statutory requests (Information Requests) under section 36F of the Casino Control Act during this reporting period. These Information Requests were issued to address priority areas in the OSM work plan or where it was necessary to

require Crown to provide information notwithstanding any pre-existing duty of confidentiality, statutory prohibition or legal privilege.

Appendix E details each Information Request and summarises Crown's response. Requests made in this reporting period are also briefly outlined below:

- Request 16 (6 April 2023): Information about Crown's Business Operations team, documents in relation to a customer complaint and updates on Controlled Contracts.
- Request 17 (11 May 2023): Information about Crown's use of withdrawals of licence, its approach to corporate partnerships with AFL clubs in Victoria, further updates on outcomes of Project Peyo, the disbanding of its International Business team and labour hire licensing compliance.

As in the previous reporting period, Crown has been generally responsive to the Special Manager's Information Requests. However, on occasion, and in relatively narrow circumstances, Crown has sought to limit the information provided to the OSM, such as that involving Commonwealth legislative secrecy requirements. The Special Manager has been satisfied this has not impeded the OSM's work.

There have, at times, been some delays by Crown in providing information and responses to the OSM's specific queries and requests. Such delays have been resolved through communication with the Crown Legal team.

2.7 Directions issued to Crown

The Special Manager issued five new Directions to Crown under section 36E of the Casino Control Act in this reporting period. Each Direction was based on Crown's best interests having regard to the Special Manager's objectives and functions.

Crown did not make any written submissions in response to the Special Manager's Notices of Intention to give Directions, each of which the OSM discussed verbally with Crown before issuing.

Appendix F details each Direction the Special Manager made to Crown. Directions issued in this reporting period are also summarised below:

- Directions 21 and 22 bolstered confidentiality requirements for the provision of the Special Manager's June 2022 and December 2022 interim reports to Crown.
- Direction 23 altered the timing of monthly MRAP status reporting as required by Direction 12.
- Direction 24 facilitated Crown directors' confidential access to copies of the Special Manager's June 2022 and December 2022 interim reports.
- Direction 25 required Crown to provide the OSM with a draft self-assessment describing the status of Crown's progress, as at 30 March 2023, towards acquitting the matters in specified parts of Appendix I of the Finkelstein Report.

Crown has cooperatively engaged with the OSM about the Directions and complied with them all.

3. Transformation and culture

3.1 Introduction

The Finkelstein Report concluded that to restore trust in its future suitability, Crown needed to demonstrate it had ‘thoroughly re-made’ itself and had become a ‘different’ corporation in terms of having ‘a different persona, reputation, culture, management and ownership’.²³ In practical terms, this requires Crown to demonstrate both 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.

In this reporting period, the OSM has continued to monitor and assess Crown’s progress with remediation to address the failures of the past and its broader transformation – the latter of which, as the Finkelstein Report noted and experience suggests, could ‘take years’.²⁴ This section provides an assessment of:

- Crown’s progress with its broader transformation, which is intrinsically linked to its cultural reform program, using the OSM’s six-part holistic assessment framework as described in section 2.3.1.
- Crown’s progress with remediation activities as set out in its MRAP, including activities to address root cause analysis recommendations and apply lessons learnt from past failures
- the effectiveness of critical enablers for Crown’s transformation, including technology, training, resourcing, and communication and engagement.

The Special Manager’s December 2022 interim report separately analysed Crown’s design and implementation of its transformation program from its progress with cultural transformation, as both areas were in the early stages of development. However, as previously noted, Crown’s transformation reform program and its cultural transformation are intrinsically related and, as such, an integrated assessment of Crown’s transformation and cultural reform is provided in this report.

3.2 Overall assessment of Crown’s transformation and cultural reform

For Crown to demonstrate that it has ‘thoroughly remade’ itself and become a ‘different’ corporation, it needs to go beyond implementing the remediation activities identified in the MRAP. Crown needs to reform most aspects of its business, including its culture, as an intrinsic aspect of ensuring embedded and sustainable change across the organisation.

Culture consists of shared mindsets and behavioural norms that are reinforced by the formal and informal environments in which people operate. Achieving lasting cultural change across a large organisation is challenging and is likely to take many years. It requires the organisation to alter its whole operating model to reinforce new mindsets and behaviours that support desired outcomes.

²³ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 71.

²⁴ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 127.

Whilst demonstrable cultural change cannot realistically be expected in under three to five years, by the end of the two years Crown has been given to demonstrate a return to suitability, it is expected at least to have in place the critical foundations to achieve fundamental organisational cultural change. Appendix I requires the Special Manager to evaluate the implementation and effectiveness of Crown's cultural reform program.

The OSM has used an integrated six-part assessment framework to evaluate Crown's progress with its transformation. The framework is designed to enable the OSM to holistically assess Crown's progress with reference to:

- aligned objectives – whether Crown's activities, strategies and objectives are aligned with each other and integrated
- 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
- governance, including strategy, structure and reporting – whether there are strong governance structures that promote discipline, self-assessment and continuous improvement
- leadership, including leaders' actions, directions and behaviours – whether the leadership at all levels is continuing to drive change through words, actions, symbolic decisions and self-correcting behaviours
- systemic reinforcement – whether there are systems, behaviours, practices and policies in place that serve to embed effectiveness and sustainability
- evidence of embedded change – whether there is evidence that mindsets and behaviours across the organisation are beginning to shift and employees see a 'new way of doing things' at Crown.

The following sections summarise the OSM's current assessment of Crown's transformation progress having regard to each of these elements.

3.2.1 Aligned objectives

The OSM has assessed whether Crown's activities, strategies and objectives are integrated, aligned, and provide clear direction on priorities.

Crown Resorts is developing its Group-wide strategy (corporate strategy), which is expected to articulate its intended business model and will include property-specific strategies, including for Melbourne. The OSM understands this strategy is intended to absorb and further develop the principles and objectives that were contained in 'Future Crown', which was described in the Special Manager's December 2022 interim report. Draft strategy outlines were presented to the Crown Melbourne Board on 21 June 2023. It is expected these will be further developed through consultation with the Board, with a view to being finalised by September 2023.

Crown has made good progress in developing and rolling out several more specific key strategies, including for the responsible service of gambling (RSG), financial crime, risk management, compliance, brand and communications. For example, its Player Health Strategy outlines a commendable objective for Crown to have 'the safest casinos in the world by spearheading innovative solutions through known play to maximise the impact of our Harm

Minimisation Commitment'.²⁵ However, in the absence of the corporate strategy, this commitment to harm minimisation is not yet reflected in other strategies across the business.

The OSM expects that the corporate strategy, once finalised, should reflect key business strategies such as the Player Health Strategy. It should also align well with the objectives and priorities of the Crown Melbourne Board, including the level of risk the Board is willing to accept in relation to its operations as defined in its Risk Appetite Statement, which is currently under development.

Further, the corporate strategy should demonstrate that Crown's financial interests must not take precedence over other objectives related to risk, compliance, and the minimisation of financial crime and gambling harm.

The OSM considers it important that Crown articulates in one document a Crown Melbourne (rather than a Group-wide) Transformation Plan that clearly reflects the Crown Melbourne Board's transformation objectives, priorities and measurable outcomes. Such a plan will ensure a clear line of sight for the Board and the Special Manager to track progress, and to ultimately provide the Victorian Government and the regulator with confidence that this work will be sustained beyond the Special Manager's term, should Crown be permitted to retain its casino licence. This is discussed further in section 3.3.1.

3.2.2 Methods to assess progress

To reinforce good conduct and sustain ongoing improvement, an organisation needs to regularly assess its own performance. This involves having:

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

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. Crown is developing a range of metrics to enable senior management and the Crown Melbourne Board to track the organisation's activities and progress:

- Crown's Risk team has developed a comprehensive suite of dashboards and metrics that show progress on developing Risk Profiles and entering these into the new governance, risk and compliance system (Archer).
- The Responsible Gaming team has enhanced its reporting of RSG customer interactions in a new dashboard.
- The financial crime teams have developed a suite of dashboards and charts, supported by narrative updates, that track progress in implementing the Financial Crime and Compliance Change Program (FCCCP) and the program's flow-on effect on financial crime management. These are regularly provided to relevant committees and the Board.
- The People & Culture team is developing a dashboard of culture metrics to report progress against targets for each property.

A number of these metrics are based on whether activities have been completed. More relevant reporting, on clearly defined outcomes, is a priority. The Crown Melbourne Board has urged

²⁵ Crown Resorts, Responsible Gaming – Player Health Strategy, 7 December 2022, p. 15.

management to provide reporting that focuses on prioritised actions, intended outcomes and indicators of progress. By way of example, the Crown Melbourne Board asked senior leadership to report on the action it had taken in response to the Special Manager's December 2022 interim report findings. The report submitted to the April 2023 Board meeting focused mainly on positive points in the interim report rather than its observations of slow or insufficient progress, and did not respond to the critical gaps and improvement opportunities identified. The Board requested a response that more clearly identified what is being done to address the findings. At the May 2023 Board meeting, management presented a response paper with the addition of completion dates and status reporting. This response paper is provided in Appendix 1, Document 1.1.

To some extent, management's delay in providing outcomes-based rather than activity-based reporting reflects the complexity of defining outcomes and appropriate measures of progress in certain areas, such as cultural transformation and minimising gambling harm. Crown is working to address these gaps; for example, it recently completed a customer survey to collect baseline data about customer understanding and perceptions of RSG, and access to harm minimisation tools such as self-exclusion. This data is expected to provide the basis for measuring progress going forward and supporting the development of outcomes-focused measures for the Board in the longer term. Crown is also developing 'transformation scorecards' to provide greater detail on the progress of its corporate strategy and transformation program, as discussed in section 3.3.3.

Crown's ability to self-assess will be critical to its ability to measure progress against intended outcomes. To test this ability, the Special Manager directed Crown to provide a draft self-assessment of its progress against the requirements of Appendix I of the Finkelstein Report. The Australian Prudential Regulation Authority undertook a similarly non-prescriptive self-assessment process with financial institutions following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the Prudential Inquiry into the Commonwealth Bank of Australia. It observed that the approach each institution took to completing the self-assessment was 'an important indicator of how seriously they approached the task',²⁶ and highlighted whether boards and senior leadership had been 'sufficiently self-critical given the wide range of weaknesses identified'.²⁷ The Special Manager's Direction provides Crown an opportunity to demonstrate maturity in its ability to self-assess and identify opportunities for improvement.

Crown Melbourne's first draft self-assessment produced in response to the Special Manager's Direction, provided in Appendix 1, Document 1.2, was not extensive. It focused largely on describing completed activities, and did not provide the level of commentary or evidence of the effectiveness of completed actions the OSM would expect to see in any final version.

In the next reporting period, the OSM will be looking for Crown to demonstrate increasing maturity in its self-assessment methods, including through rigorous analysis of a range of data.

²⁶ Australian Prudential Regulation Authority, *Self-assessments of governance, accountability and culture – Information paper*, 22 May 2019, p. 8.

²⁷ Australian Prudential Regulation Authority, *Self-assessments of governance, accountability and culture – Information paper*, 22 May 2019, p. 5.

3.2.3 Effective governance

The Finkelstein Report noted that Crown Melbourne's Board either received inadequate reporting from management or simply 'fell asleep at the wheel'. Either way, it 'failed to carry out one of its prime responsibilities; namely, to ensure that the organisation satisfied its legal and regulatory obligations'.²⁸ The OSM has assessed whether Crown Melbourne has the strong governance structures required to sustain its transformation; in particular, whether they promote discipline, self-assessment and continuous improvement.

As observed in the Finkelstein Report, and as suggested by experience in other corporate settings, done properly, Crown Melbourne's transformation will likely take years. During the transition, effective corporate governance will be critical for Crown and its stakeholders if it is to both provide reassurance past governance failures will not recur and ensure reforms and cultural improvements continue beyond the Special Manager's term.

The Finkelstein Report concluded that Crown's culture 'prioritised the pursuit of profit above all else',²⁹ which Crown subsequently acknowledged as the root cause of its failures. Singularly prioritising financial interests can undermine oversight of non-financial risks including integrity, culture, conduct and compliance. In particular, the report noted:

- *risk decisions by senior executives [were] dominated by a pursuit of profit over the welfare of Crown employees and compliance with the object of the Casino Control Act 1992 (NSW) of protecting the casino from criminal exploitation*³⁰
- *[there was a] pursuit of profit that led to [Crown's] dereliction of the duty owed to customers experiencing distress because of problem gambling*³¹
- *Crown had inadequate corporate governance processes and failed to appropriately respond to known risks or, otherwise, properly investigate those risks.*³²

On the issue of a sound culture of good governance, the Special Manager's December 2022 interim report noted there was positive early evidence of the new Crown Melbourne Board communicating its focus on remediation and transformation, committing resources and funding, and role modelling values-based decision-making. The OSM has continued to monitor the extent to which the Board and senior management are further developing this culture of good governance, especially in relation to key transformation priorities.

The OSM's view is that the Crown Melbourne Board has demonstrated substantial progress in effective governance over this period. The majority of Board members are now independent of executive management, Crown Resorts and Blackstone Inc. Importantly, the OSM has observed that the Board's independent directors are consistently and cohesively bringing independent judgement to matters before them. This includes requiring reports to have a Crown Melbourne focus and for issues to be analysed through a Crown Melbourne lens. In this reporting period, an important example of this improved decision-making process has been the rigorous review independent directors required in relation to the proposed introduction of the Premium Player Rebate Program (see section 6.7).

²⁸ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 3.

²⁹ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 149.

³⁰ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 134.

³¹ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 61.

³² Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 99.

Further, Board members have set clear expectations for management to improve the quality of reporting and strategic advice being provided to the Board. The OSM has observed members emphasising the need to not prioritise profit over risk management, compliance, people (employees, customers and community outcomes), the prevention of financial crime and the minimisation of gambling harm. As discussed in section 8.2.1, this increased vigilance has been evident in members requesting further information on specific issues related to employees, customers (RSG) and community outcomes.

As Crown itself recognises, the OSM has observed that the operation and effectiveness of management committees could be improved. While financial crime-related committees, in particular, generally have clear purposes and reporting lines, Crown does not currently have clear accountabilities or processes to oversee the establishment and performance of all of its management level committees.

Some committees may not be comprehensively fulfilling their stated role, purpose and functions. For example, the Responsible Gaming Management Committee, discussed in section 8.2.3, and the Group IT Steering Committee, discussed in section 3.4.1, would benefit from assessment to consider whether they are operating effectively and are focused on fulfilling their purpose, functions and responsibilities.

The OSM recognises that significant changes in Crown's Boards, senior management and ownership occurred during 2022, and several steps were still being taken in the first half of 2023 to establish working relationships and supporting structures for effective governance. At the time of writing this report, key discussions and decisions related to risk appetite, the corporate strategy and the design of outcome-based reporting were ongoing. The OSM will continue to assess Crown's progress in embedding good governance in the next reporting period, including by seeking evidence that:

- the Board and senior management are genuinely committed to a shared view of the organisation's objectives, values, risk appetite, and a strategy that effectively balances multiple, often competing priorities
- information flow between the Board and senior leadership is transparent and open, supporting informed insight and decision making
- senior management is responsive to the Board's oversight, and the Board can exert appropriate influence on decision making where needed.

3.2.4 Leadership

The Finkelstein Royal Commission concluded that Crown's leadership, at both senior and middle management levels, directly contributed to historical norms of misconduct.³³ There is extensive research showing that effective leadership plays a crucial role in driving successful transformation and cultural change.³⁴ Hence, the OSM's assessment of Crown's progress focuses on leadership at all levels, including leaders' role-modelling via individual actions and decision making, and their capability and capacity to lead change across the broader workforce.

³³ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 3, 60, 63.

³⁴ 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.

The Special Manager's December 2022 interim report commented on the visible steps Crown's senior leadership had taken to demonstrate accountability for the organisation's failures. The OSM observed positive examples of 'ownership' and 'tone from the top' directly exhibited in Board, Board committee and management committee meetings, communications and decisions. It also noted the important role that middle management plays in driving change, and concerns expressed to the OSM by some stakeholders that the middle management cohort remains largely unchanged.

In this reporting period, the OSM has continued to observe positive role-modelling and change leadership by the Board and senior leaders. This has been demonstrated by:

- leaders visibly focusing on values, transformation and cultural change in their engagement with employees
- senior management demonstrating commitment to the new Code of Conduct, including sharing their completion of the training as part of internal communications
- Crown Melbourne directors increasing the emphasis on RSG and closely monitoring efforts to increase customer take up of YourPlay
- Crown Melbourne's CEO sharing his vision to be a 'global leader' in RSG at the Crown Melbourne town halls held in March 2023
- transparent and positive engagement by senior leaders who are driving financial crime initiatives.

The OSM has continued to focus on, and emphasise to Crown the importance of, the role and impact of middle managers as critical drivers of transformation. It is important for Crown to develop a clear profile of middle management, as this will provide insight into the materiality of risk arising from any resistance to change within this cohort.

Crown has to date found it difficult to provide basic data on the number, tenure and reporting relationships of the cohort described as middle managers in key business areas, due to system limitations and poor internal data collection. Notwithstanding, the OSM has collated and analysed the data available. It has also analysed feedback from frontline employees via Crown's 'Your Voice' survey and focus groups, OSM focus groups, and the OSM's ongoing engagement with informed stakeholders (see section 3.2.6).

Together, this evidence suggests an ongoing need for Crown to address whether its middle management is consistently displaying the level of change leadership and role-modelling necessary to positively influence employee mindsets and behaviour. Comments made by frontline employees indicated the following:

- Some frontline employees perceive that the capability and conduct of supervisors and managers is inconsistent, both in terms of general behaviours and, more specifically, in executing RSG obligations.
- When frontline gaming floor employees identify observable signs in customers and escalate these to supervisors in line with procedure, they perceive supervisors as sometimes 'brushing off' their concerns or not appearing to take action.
- Some frontline employees find the attitude of a number of supervisors reduces their willingness to 'speak up'.

The OSM's analysis shows that the tenure of middle managers in several business units is relatively long, with an average of 12.7 years across the entire Crown Melbourne business.

Employee comments from 'Your Voice' and OSM focus groups suggest there may be longstanding mindsets and behaviours in this cohort that need to be targeted to support frontline practices in line with Crown's relatively new policies, procedures and expectations related to RSG and financial crime. The following snapshot sets out the OSM's analysis of Crown's middle management cohort data in this reporting period.

Snapshot: Crown Melbourne's middle management

The OSM has drawn on Crown Melbourne data to form a profile of its middle managers to better understand the nature and scale of this cohort in different business units, including their length of tenure. The analysis focuses on salaried employees classified as levels 2 to 7 and those at equivalent levels on enterprise agreements. It includes full-time, part-time and casual employees, but not contractors. The following table sets out the length of tenure (years) of middle managers in different business units.

Business unit	Salaried employees			Enterprise agreement employees
	Total (Levels 2 to 7)	Levels 2 to 3	Levels 4 to 7	
Table Games	125	44	81	2,019
Average tenure	14.4	9.0	17.0	11.3
Cage and Count	14	6	8	138
Average tenure	22.6	19.0	26.1	15.1
VIP Gaming	21	13	8	-
Average tenure	11.0	14.3	8.9	-
Security	14	6	8	230
Average tenure	8.6	4.7	10.5	8.6
Property Services	49	18	31	126
Average tenure	10.7	11.9	10.0	9.6
Food & Beverage	556	318	238	2,396
Average tenure	6.6	7.7	6.0	3.8
Surveillance	14	-	14	73
Average tenure	15.4	-	15.4	10.0
Gaming Machines	73	30	43	245
Average tenure	14.3	10.3	16.2	7.7
Casino (other functions)	107	12	95	26
Average tenure	10.5	9.4	11.1	12.5
Total number of employees across all business units	973	447	526	5,253

Note: 'Casino (other functions)' includes responsible gaming, AML and other specialist roles.

Source: OSM analysis of Crown middle management cohort data as at 17 May 2023 provided to the OSM on 17 May 2023.

The OSM's analysis of available data indicates that Crown Melbourne's middle managers:

- are mostly employees on enterprise agreements (84 per cent) and hence not covered by performance management and variable pay plans
- mostly supervise frontline employees (although not all do so)
- may be responsible for managing a relatively large number of employees, or no employees at all.

The OSM will seek further clarity on the nature of reporting relationships in the next period.

It remains incumbent on Crown to consider how to address the potential raised by some frontline employees, in the various forums referred to above, that middle management may represent a barrier to transformation efforts. This includes concerns related to inconsistent role-modelling, capability gaps, capacity constraints and potential resistance to change (or 'permafrost' behaviour), none of which are very surprising in a large organisation.

To date, Crown has not had a targeted strategy focused on the middle management cohort as part of its culture change initiatives. Reflecting the OSM's analysis and its discussions with Crown on the role of middle management, Crown's People & Culture team is planning to:

- roll out its organisational development program from July 2023, known as 'Thrive', which is aimed at building foundational leadership capabilities at all levels, including middle management
- develop a set of targeted initiatives to complement 'Thrive' and more specifically encourage cultural reform through middle management.

In the next reporting period, the OSM will further assess Crown's efforts to understand and engage with its middle managers through these important initiatives.

3.2.5 Systemic reinforcement

To embed an effective and sustainable transformation, employees across Crown Melbourne will in the longer-term need to adopt new mindsets and behaviours. Initiating and sustaining this shift requires Crown to ensure its systems, practices and policies provide clear direction to employees regarding expectations and desired outcomes, build necessary skills, and reinforce desired behaviour and outcomes through effective incentives, structures, tools and processes. Such things are all part of an effective cultural reform program.

As noted in the Special Manager's December 2022 interim report, the Deloitte Roadmap recommended that Crown adopt a range of reinforcing mechanisms.³⁵ The OSM has been monitoring the implementation of the Roadmap initiatives, which formed the foundation for Crown's Culture Reform Program (CRP), as outlined in the following snapshot.

Snapshot: Culture Reform Program

Appendix I requires the Special Manager to assess whether Crown has effectively delivered the Deloitte Roadmap, which sets out actions Crown needs to take to build a foundation for cultural reform. The CRP is Crown's response to this requirement.

³⁵ Deloitte, *Draft Culture Change Roadmap*, August 2021.

Despite some adjustment to the initial timeframes, Crown has made good progress with the design and implementation of four central CRP initiatives:

- a performance management system
- a variable pay program
- a leadership development program
- the 'Your Voice' survey.

Crown has also considered how these initiatives may be better sequenced to help employees absorb how the initiatives affect their responsibilities – for example, in relation to the performance management system, by gradually improving how employees set their objectives over several cycles, rather than expecting them to follow detailed instructions to design leading-practice objectives on their first attempt.

The OSM has assessed the effectiveness of the initiatives by considering evidence of actual and likely impact on mindset and behaviour change, especially for employees in middle management and frontline roles.

Crown's People & Culture team has given a great deal of consideration to how to best design and implement the CRP initiatives. The CRP is establishing the mechanisms required to reinforce improved organisational behaviour, with these mechanisms still to be fully implemented. At this time, these mechanisms are not mature enough to materially influence the mindsets and behaviours of employees, and several are limited to a relatively small proportion of the workforce.

There are opportunities to further enhance the effectiveness of the CRP initiatives by extending their application more broadly across the organisation, including by:

- considering how desired behaviour could be incentivised in a larger portion of the workforce – specifically those on enterprise agreements, who represent approximately 69 per cent of Crown Melbourne employees
- prioritising the participation of lower-level middle managers in the leadership development program
- considering strategic priorities when refining the 'Your Voice' survey. Crown has taken steps to ensure the data it has obtained from 'Your Voice' on culture across Crown is robust, and could use this data to gain insight into individual business areas. Doing so would enable Crown to design effective actions to address specific issues in specific business units, rather than relying on generic Group-wide themes.

The OSM has also considered qualitative and quantitative evidence regarding the impact of:

- CRP initiatives, including the performance management system, variable pay program and leadership development programs
- other important components of Crown's human resources and operating environment, such as operational training and employee communication channels, as reinforcers of desired behaviour across key employee groups.

Crown has made sound progress in a number of important areas. It has consistently focused on the basic reinforcement of required changes by improving policies and training in critical operational areas, including financial crime and RSG.

Crown has also started to reinforce behaviours through enhancements to its performance management system, variable pay program and leadership training. However, the performance management system and variable pay changes apply only to salaried employees, which represents just 11 per cent of middle managers, leaving room for improvement.

Commentary from employees via Crown's 'Your Voice' survey and focus groups, and OSM focus groups suggests that Crown would be wise to further reinforce the importance of RSG and financial crime responsibilities to frontline employees. Some participants in the OSM focus groups were not able to recognise financial crime red flag indicators and/or did not have any experience in submitting an Unusual Activity Report (UAR). A number of frontline gaming employees described their role as entirely focused on 'dealing the game', without any day-to-day activities related to RSG or financial crime risk management. In the Surveillance and Security teams, some OSM focus group participants perceived their roles to be largely unchanged by the findings of the Finkelstein Royal Commission and other inquiries.

While based on a small sample size and preliminary at this stage, this feedback suggests there are opportunities for Crown to strengthen systemic reinforcement across the organisation, including:

- considering a broader range of methods to embed change more systemically in on-the-job behaviour, including through role re-design, tools and system support, supervisor feedback, peer coaching and collaboration, and incentives and consequences. Crown needs, for example, to ensure that employees in critical frontline roles – such as table games dealers and gaming machine attendants – are aware of the most important behaviour changes required, and must develop a plan to reinforce them
- expanding the measures used to assess the effectiveness of mechanisms it has implemented. For example, Crown's Code of Conduct training platform captures metrics of completion or non-completion but could be expanded to provide greater insight into whether key learning outcomes have been achieved and transferred to on-the-job practice
- expanding the application of the performance management system to a larger proportion of employees – including frontline employees responsible for engaging with customers, such as Responsible Gaming Advisors – who are not covered by the current arrangements
- taking action to improve cross-team collaboration and overcome historical siloes between business units, which Crown's 'Your Voice' survey results and OSM focus groups suggest are hampering organisational effectiveness and reform.

In the final reporting period, the OSM will be looking for evidence that Crown is adopting a more holistic approach to systemically reinforce change across Crown's workforce, using a variety of organisational mechanisms. The OSM will also be seeking evidence that Crown has appropriate methods in place to identify, understand and address specific barriers to effective operationalisation of behaviour change requirements in individual business areas.

3.2.6 Evidence of embedded change

Transformation occurs when mindsets and behavioural norms are self-sustaining and reform cannot be undone by historical drivers of failure. As noted in section 3.2.5, formal mechanisms such as performance management, incentives and training can reinforce behaviour; however, informal social norms also represent a powerful reinforcer of individual behaviour.

When employees start to perceive that 'the way things are done around here' is changing, their desire to conform creates further impetus for change.³⁶

³⁶ 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.

This challenging area will remain a work in progress for Crown over the coming years. Nevertheless, the OSM has analysed a range of qualitative and quantitative data to gain insight into the extent of mindset and behaviour change among Crown's workforce to date. This includes frontline employees who need to effectively execute new policies and procedures designed to deliver improved outcomes related to RSG, financial crime, risk management, compliance and integrity. This comprised both raw and analysed data provided via Crown's 'Your Voice' survey and focus groups, and OSM focus groups with frontline employees in the Table Games, Gaming Machines, Security and Surveillance teams.

Snapshot: Information sources about frontline perceptions of change

The OSM analysed data from several sources, providing insight into the perceptions and observations of Crown employees, in particular those at frontline levels. The sources of this data were as follows:

- **'Your Voice' survey responses and verbatim comments:** An online, anonymous survey was administered for Crown by an external provider, Mercer, in November/December 2022. Approximately 50 per cent of employees in Melbourne participated. 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 offer free-text comments on factors they believe enable or hinder Crown's success. Mercer's final report is provided in Appendix 1, Document 1.3.
- **Focus groups conducted for Crown:** To provide further insight into important themes arising from the 'Your Voice' survey, Crown asked Mercer to conduct 11 focus groups with frontline employees and middle managers in the Table Games, Gaming Machines and Surveillance business units in Melbourne. These 90-minute face-to-face sessions were observed by OSM representatives.
- **Focus groups conducted by the OSM:** The OSM held four face-to-face sessions in April 2023 with groups of eight to 12 frontline employees in each of Crown Melbourne's four key operational business units: Table Games, Gaming Machines, Surveillance and Security. The focus groups were led by external facilitators, and directly observed by OSM representatives. A total of 43 employees participated in the 90-minute sessions.

Both the Crown and OSM focus groups provide some evidence of positive changes in norms in certain parts of the organisation. The scale, scope and impact of activities undertaken by the financial crime teams has grown significantly. The Responsible Gaming team has made good headway in supporting a shift in customers' gambling behaviours, in particular encouraging them to take more regular breaks, and significantly increasing the number of conversations employees are having with customers on safer gambling practices. These changes have been observed by a range of parties, including frontline gaming floor employees and other stakeholders such as regulators and union representatives. Over time, these changes may well help drive a broader shift in behaviour extending beyond these specialist teams.

The following snapshot highlights a number of themes and insights that emerge when the three sources of data – the 'Your Voice' survey and the Crown and OSM focus groups – are considered together. Although each individual data source has limitations (for example, restricted sample size for the focus groups), in combination they provide insight into how employees view Crown's culture, leadership and progress towards change.

Overall, the focus group and survey findings suggest that some frontline gaming employees do not yet fully or sufficiently perceive that the requirements of their roles have changed in relation

to preventing gambling harm and financial crime, and that there may be some resistance to change from middle management.

The OSM will continue to explore these themes and other insights in the next reporting period.

Snapshot: Insights into frontline perceptions of change

The OSM analysed comprehensive notes (including verbatim quotes) from both OSM and Crown focus groups, alongside 'Your Voice' survey data and free-text comments, to identify common themes. The following themes are derived from the three data sources.

Theme 1: Morale

Flagging morale was a common theme across all sources. The context was often related to increased role expectations arising from changes to policies, rules and procedures. Some longer-tenured participants commented that these changes limited their enjoyment of their jobs. Resourcing challenges were also raised consistently as an issue undermining morale, particularly during busy periods (for example, weekend evenings). Maintaining employee engagement, especially in relation to changing expectations, will be an important challenge for Crown to sustain its transformation agenda.

Theme 2: Middle management

Participants in focus groups expressed a view that the capability and conduct of supervisors and middle managers are inconsistent and sometimes make employees feel scared about asking questions or sharing their concerns. In OSM focus groups, participants commented that some middle managers were unhelpful in supporting employees' compliance with RSG and financial crime obligations. These experiences suggest that some frontline employees perceive middle managers to be a barrier to change. Section 5.6.1 provides more detailed insights from participants in relation to RSG.

Theme 3: Siloes

Participants indicated they are looking for more collaboration across teams – an issue identified by Mercer as an important opportunity for improvement in its report on the 'Your Voice' survey. In OSM focus groups, participants explained that a lack of regular contact with colleagues in other functions could lead to misunderstandings regarding the way their actions affect risks being managed by other teams. Some participants preferred to avoid involving colleagues outside their team as they considered it was more efficient not to do so. These comments suggest the execution of some financial crime and responsible gaming procedures could be strengthened by addressing siloes between teams.

Theme 4: Translation of training into on-the-job behaviour

Participants across all data sources indicated they are experiencing an increased focus on training. Both sets of focus groups clarified that this includes both classroom-based training and pre-shift 'musters'. Further, employee perceptions shared across all sources indicate a clear understanding of role requirements, and the importance of responsible gaming and compliance. However, while participants in OSM focus groups expressed confidence in their knowledge of observable signs, financial crime red flag indicators and the Code of Conduct, they also described a range of practical challenges impeding their ability to identify issues and act as required. For example, in relation to red flag indicators, most participants had limited, if any, experience of observing them in practice. Overall, the perception-based data examined by the OSM suggests that although training may be contributing to increased awareness, this knowledge needs to be better translated into more consistent practices in employees' day-to-day behaviour.

3.3 Crown's transformation program

Crown has continued to progress a range of remediation activities in response to the Finkelstein Report. This has predominantly included activities set out in its MRAP and activities in response to its root cause analysis.

3.3.1 MRAP

In 2022, Crown developed the MRAP, which documents its proposed remediation activities in response to the Finkelstein Royal Commission findings and recommendations. The MRAP activities have been planned for delivery over three phases: design, implement and embed. Crown has defined the 'embed' phase as the point at which the new activity, program or system can be considered a standard part of BAU activity and is fully adopted within Crown.

Late in 2022, Crown's GTO conducted an MRAP Health Check, supported by Ernst & Young. This resulted in a range of process improvements, including a re-baselining of the MRAP in March 2023 that streamlined and improved the sequencing and prioritisation of remediation activities, and enhanced the closure criteria, particularly for the embedment stage. The re-baselined MRAP has a total of 118 remediation activities, with most comprising a design, implement and embed deliverable (346 deliverables in total).

During this reporting period, Crown provided the OSM with validated closure packages for 212 MRAP deliverables – considerably more than the 28 validated MRAP deliverables provided in the last reporting period.

Crown has made steady progress towards completing the large number of deliverables in its MRAP. As at 6 June 2023, Crown had completed 92 per cent of design deliverables, 73 per cent of implement deliverables and 42 per cent of embed deliverables, all validated by Ernst & Young. Table 1 summarises the status of Crown's completion of MRAP deliverables as at 6 June 2023.

Table 1. MRAP deliverables completion status as at 6 June 2023

MRAP workstream	Number of remediation activities	Percentage of design deliverables validated	Percentage of implement deliverables validated	Percentage of embed deliverables validated
Risk management	22	100%	95%	9%
Culture	11	100%	36%	18%
FCCCP	35	86%	75%	66%
Other external work	13	100%	85%	75%
Compliance	2	100%	50%	0%
Responsible Gaming	23	96%	91%	59%
Root cause analysis recommendations	12	67%	17%	8%
Total	118	92%	73%	42%

Note: The MRAP identifies 118 separate remediation activities with deliverables related to design, implement and/or embed phases. Not all activities include deliverables across all three phases.

The OSM has assessed all validated MRAP deliverables provided by Crown to date and, where appropriate, sought additional clarification and evidence. Generally, Crown has provided relevant and sufficient evidence to demonstrate that it has adequately met its closure criteria.

The completion of MRAP activities is a positive sign of Crown's progress towards its remediation goal. Where possible, the impacts associated with these completed activities are discussed throughout this report.

While Crown has demonstrated good progress in completing its MRAP deliverables, the Special Manager's previous interim reports have recognised that the MRAP alone, though an important component of Crown's overall transformation program, is unlikely to be sufficient to bring about the degree of change within Crown 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 than just MRAP activity completion, supported by an operating model and culture that reinforces new behaviours across the organisation, self-assesses its performance, and adapts to the evolving environment.

Importantly, Crown has acknowledged that the MRAP forms only part of the work required to achieve sustainable change, and several other important reforms lie in other initiatives, strategies and plans that are in the process of being implemented, some of which – such as the Player Health Strategy – are at Group level.

Importantly, Crown Melbourne is implementing a range of world-leading RSG and financial crime reforms in response to Victorian Government legislation and directions to introduce mandatory carded play, mandatory pre-commitment and a revised Gambling Code (see section 5.9). These initiatives are critical to Crown Melbourne's transformation, but are not captured by the MRAP and are managed through separate steering committees and working groups.

Throughout this reporting period, the OSM has continued to stress to Crown the importance of articulating a Crown Melbourne Transformation Plan for the purpose of demonstrating likely sustainability of its transformation program beyond any affirmative decision by the VGCCC. This one document needs to reflect the Crown Melbourne Board's transformation objectives, priorities and measurable outcomes, and provide a clear line of sight for the Board, Special Manager and ultimately the VGCCC and Victorian Government to track progress. The importance of such a plan was first raised in the Special Manager's June 2022 interim report, and Crown recognises its importance.

The OSM expects Crown to produce the plan, at least in draft form, early in the next reporting period. Recognising the significant ongoing reform activities and the time required to demonstrate outcomes, the plan would, at a minimum, be expected to cover a three-year period. It would include:

- Crown Melbourne's transformation objectives
- the prioritisation and sequencing of transformation activities
- the governance arrangements to support implementation
- specific, measurable outcomes to enable Crown to monitor and report on its progress.

The plan should be aligned with Crown's broader corporate strategy. It should recognise interdependencies with that strategy, as well as opportunities for synergies among transformation activities, such as integrated IT systems or shared training programs.

3.3.2 Root cause analysis

The Finkelstein Royal Commission recommended that the OSM examine whether Crown had conducted a suitable root cause analysis into the failures that led to the events described in the Finkelstein Report and Bergin Report. Crown engaged Ernst & Young to conduct such a root cause analysis.

Ernst & Young's November 2022 report concluded that the root cause of Crown's failures was 'a culture that prioritised revenue and profit over risk management, regulations and customer welfare'.³⁷ Three elements were determined as secondary root causes:

- Crown did not sufficiently understand its risks, obligations and social licence and the implications if it failed to manage its risks and meet its obligations (including its social licence to operate).
- Crown did not embed effective governance or clear accountabilities to manage its risks and meet its obligations.
- Crown did not have sufficient capability, capacity and controls in terms of expertise, resourcing, processes, systems and technology to manage its risks and meet its obligations.³⁸

Ernst & Young submitted 14 recommendations aimed at addressing gaps in Crown's existing frameworks and remediation plans.³⁹

In this reporting period, Crown has taken positive steps towards implementing these recommendations and embedding what it has learnt from the root cause analysis within the business. To address the recommendations, Crown has added actions to its re-baselined MRAP (provided in Appendix 1, Document 1.4), each with clear design, implement and embed criteria developed through consultation with relevant business units. The MRAP dates for these activities indicate they will be fully implemented by October 2023 and embedded by November 2023.

Crown has also sought to use the learnings from the root cause analysis to:

- engage in workshops with senior leadership and middle management to address the root causes of Crown's past failures and how to avoid such failures in the future
- inform its consideration of methods to embed sustainable change across all employees, including middle management and frontline employees.

Ultimately, the true test of Crown's learnings will be whether a corporate memory of the root causes of its failures is retained and used to strengthen decision-making processes, and thereby to prevent a repeat of past mistakes. The OSM has seen some promising evidence that Crown is insisting that lessons learnt from the past are not forgotten. For example, at the request of the Crown Melbourne Board, management's presentation of the updated Premium Player Rebate Program proposal in May 2023 included, among other things, a description of historical failures and the controls included within the proposed program to mitigate the risk of these being repeated. This is discussed in detail in section 6.7.

Crown will need to make a sustained effort to continue strengthening its decision-making processes and embedding learnings from the root cause analysis.

³⁷ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, p. 7.

³⁸ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, p. 7.

³⁹ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, pp. 65–6.

3.3.3 Effective governance of the transformation program

The OSM has assessed whether Crown has the governance arrangements required to support an effective transformation, including whether the transformation program is appropriately managed, resourced and coordinated. Effective governance structures will increase confidence that the transformation program will be maintained and is likely to be sustainable beyond the Special Manager's term, in the event that Crown is regarded as having returned to suitability by the end of 2023.

The OSM has engaged directly with the Crown Program Management Office (PMO), the GTO and senior leadership on the management of the transformation program, and has also reviewed MRAP closure packages and attended relevant Board and committee meetings, particularly those of the Transformation Steering Committee. The OSM has observed that both the Board and senior leadership recognise the scope, scale and complexity of the transformation effort required, and the need to have good capacity, capability and systems in place to achieve an effective and sustainable transformation.

The Crown Melbourne Board has demonstrated effective ownership of Melbourne's transformation program, pushing for a Crown Melbourne Transformation Plan and, as noted in section 3.2.2, seeking information on outcomes and clear reporting of progress. The OSM observes, however, that the Board has not yet had clear visibility of the progress of all key transformation activities and initiatives, particularly those being driven centrally as Group-wide initiatives. For example, the Board and the relevant committees are yet to receive copies of the Player Health Strategy Implementation Plan and regular reports on the status of its implementation.

Over the past six months, the OSM has observed Crown developing a more mature approach to managing its transformation program. Senior leadership has recognised the need for both effective program management and change management. It has also recognised the need to ensure Crown's transformation is undertaken in a holistic, prioritised and coordinated way. Key transformation program management developments in this reporting period have included:

- appointing a dedicated Executive General Manager – Transformation in April 2023 to oversee and coordinate the transformation program for Melbourne and lead development of a Crown Melbourne Transformation Plan
- increasing resources and capabilities in the Crown GTO to a total of 44 employees, including adding a change management function that includes:
 - a total of 24 Group-wide employees, 14 of whom make up the Change Delivery team for the Melbourne property
 - property-based 'change leads' supporting all aspects of change
 - 'change partners' who are embedded within critical business units to support the implementation of change activities
- focusing the Transformation Steering Committee on transformation progress rather than MRAP activities only
- developing new transformation scorecards that aim to support better monitoring and management of Crown Melbourne's operational and strategic performance against the corporate strategy and transformation program. Draft versions of Crown Melbourne's Transformation Scorecard and Delivery Roadmap are provided in Appendix 1, Documents 1.5 and 1.6 respectively

- developing a Microsoft Project-based integrated schedule to coordinate the governance and reporting of all remediation, transformation and strategic activities.

Given that many initiatives are still in progress, the OSM is not yet able to fully assess how effective the governance of Crown's transformation program is, but it is encouraging to see the critical building blocks being put in place.

3.4 Critical transformation enablers

The Special Manager's December 2022 interim report recognised the projects and activities that act as critical enablers for Crown's overall transformation. These are the organisation-wide initiatives that support the transformation across workstreams, including technology, training, resourcing and communication and engagement.

3.4.1 Technology

Technology is an important enabler of Crown's transformation and its remediation activities to address the Finkelstein Royal Commission findings and Victorian Government reforms. Improved IT systems and tools will enhance Crown's operational capabilities, efficiency, collaboration and oversight. These include improved 'know your customer' capabilities for RSG and financial crime, reducing risks associated with current manual processes, and improving data analytics capabilities to support reporting and drive performance. Improved systems will also support greater capabilities in training and resourcing – enhancing the delivery and monitoring of training, and providing crucial insight into resourcing requirements and management across the business.

Crown has made steady progress towards delivering the essential remediation IT projects that will enable it to address the Finkelstein Royal Commission findings and government reforms, particularly with respect to RSG (section 5.6), financial crime (section 6.2) and risk management (section 7.3). Crown must ensure its key remediation IT projects – which include customer risk assessment and case management platforms for financial crime – are fully implemented and embedded during the next reporting period.

Crown's current IT systems and data governance have hindered its ability to provide the OSM with accurate data in a timely manner. This includes data related to middle management (as discussed in section 3.2.4) and certain training completion data, which is captured manually. The second independent review of the Joint AML/CTF Program⁴⁰ by Exiger, a global regulatory and financial crime, risk and compliance company, also identified several instances where Crown's data was inaccurate and inconsistent.

These examples highlight the importance of Crown continuing to invest appropriately in its IT systems, data governance and data analytics, particularly if it is to achieve its goal of providing data and technical capabilities via centralised and governed services.⁴¹

Crown Resorts has progressed the development of its IT Strategic Roadmap (a high-level summary of its priority IT initiatives), which it plans to implement over the next three years

⁴⁰ Exiger, Independent Review of AML/CTF Program (Part A and Part B) Crown Resorts Limited, *Final Report*, 22 May 2023, pp. 8–9, Variations across the reporting entities.

⁴¹ Crown Resorts, IT Strategic Roadmap, May 2023.

(to 30 June 2026) at an estimated cost of \$223.1 million.⁴² The IT Strategic Roadmap is provided in Appendix 1, Document 1.7. Crown intends to release this roadmap in July 2023, together with its Future State Strategy, which will outline how it intends to deliver the program of work and manage risks, including resourcing, budget and timing.

Crown has partially established the governance framework to support delivery of the IT Strategic Roadmap. The Group IT Steering Committee has met regularly, and has consistently demonstrated a commitment to prioritising the main initiatives in its Enabling Technology for Suitability Program. These initiatives include technology to address legislative requirements for mandatory carded play and mandatory pre-commitment. In the next reporting period, the Group IT Steering Committee will need to finalise its Charter, which remains in draft form, and ensure it remains focused on its key purpose and objectives. It also needs to implement the governance and reporting structures required to maintain oversight and effective control of this significant program of work.

3.4.2 Training

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

During this reporting period, Crown has developed and delivered training to support critical reforms and practice improvements in relation to integrity frameworks, RSG and financial crime. A greater focus on training and communications over the past 12 months has been aimed at driving changes in employee awareness of financial crime and gambling harm issues and the escalation of such issues for attention.

The OSM's assessment of training provided in relation to the Code of Conduct (section 4.3.2), RSG (section 5.4), financial crime (section 6.2.4) and risk management (sections 7.3 and 7.4) reveals that there is an opportunity to enhance training across Crown by:

- developing more robust methods to measure and assess the effectiveness of training programs in changing behaviours and delivering the desired business outcomes
- improving content delivery platforms
- tailoring training programs to different employee cohorts where necessary to support their role requirements
- ensuring it is accessible and relatable to all employees, particularly part-time and casual employees, those who are typically rostered on at times training is not generally offered, and those who have limited access to computers
- using feedback loops or continuous improvement processes to support the ongoing refinement of training content and delivery
- using effective internal communications to reinforce important training messages

⁴² An updated Technology Investment Plan was presented to the Group IT Steering Committee on 27 June 2023 reducing the estimated costs to \$223.1 million from the \$281.2 million detailed in the Crown Resorts, IT Strategic Roadmap, May 2023 (Appendix 1, Document 1.7). The updated Technology Investment Plan notes that \$50.6 million removed from the \$281.2 million estimate will now reside with the relevant business units and be raised as standalone return on investment programs, with the remaining \$7.5 million due to identified cost reductions or reallocation.

- better integrating, coordinating and prioritising the delivery of specific training requirements into Crown's broader learning and development program.

Crown is expected to deliver further training before the end of 2023, including in relation to processes that encourage employees to speak up when they observe issues, whistleblower procedures, risk and compliance management, and use of the Archer governance, risk and compliance system, all of which will be complemented by a new Compliance Champions Forum to enable the sharing of knowledge across teams (see section 7.4).

Crown has acknowledged that it will be critical to tailor training to employee cohorts, define clear criteria for training effectiveness, and track whether training is genuinely embedding desired behaviours. Crown's new GTO change management function will lead these activities, and team members are working alongside colleagues in the relevant operational areas to design appropriate implementation plans.

3.4.3 Resourcing

Appropriate resourcing of both the transformation program and Crown's BAU activities is essential if Crown is to continue to progress and sustain its transformation. If Crown does not ensure that it has both the capacity (number of employees) and capability (critical skills) to carry out its proposed activities, it is likely to experience delays or implementation failures in crucial parts of its transformation program.

Crown has considerably expanded its capacity and capability in key areas highlighted during the Finkelstein Royal Commission. The OSM has assessed Crown's resourcing in relation to RSG (section 5.3) and financial crime (section 6.5):

- With respect to RSG, Crown has substantially increased the resources devoted to monitoring customers, and responding to observable signs and long duration play since the Finkelstein Royal Commission, including by increasing the number of Responsible Gaming Advisors and introducing a Player Welfare team in the Table Games business unit. To date, however, the full impact of recent additional employees is anecdotal rather than measurable, and the qualitative impact is difficult to assess.
- With respect to financial crime, the adequacy of Crown's current resourcing model is demonstrated by achieving compliance with its service level agreements in the context of increases in received and completed UARs and completed enhanced customer due diligence cases.

Crown has also begun to improve its approach to resourcing. The Special Manager's December 2022 interim report identified Crown's heavy reliance on external consultants as a resourcing risk. Areas that remain reliant on consultants include the financial crime teams, the Risk team, the Responsible Gaming team (in particular for implementation of the Player Health Strategy) and the PMO. These teams recognise the risk of such reliance and are developing plans to reduce their dependency on consultants over the next six months.

As Crown reduces its reliance on consultants, it is imperative that it plans for an effective transition and transfer of knowledge to its employees, and assesses whether its employees need to be upskilled. This will be particularly critical as Crown considers its whole-of-business resourcing planning beyond 2023.

Another area to consider is whether Crown's front line is adequately resourced, given the changes in role requirements and expectations that may occur as a result of Crown's transformation. Some Crown employees participating in Crown and OSM focus groups

commented that resourcing has not kept pace with increased role expectations, particularly in relation to financial crime and RSG, and that it is difficult to keep up with the volume of work. Crown has also experienced some challenges in recruiting and retaining sufficient capable employees to meet its transformation and BAU requirements since COVID-19. To address these challenges, Crown is developing models that are aimed at providing confidence that resourcing of financial crime and RSG is adequate (see, for example, section 5.3), which the OSM will assess in the next reporting period.

Responding to employee concerns regarding resourcing and ensuring that change is effectively managed is also a core focus of the change management function of the GTO, and team members will actively engage with colleagues in business units about how they can most effectively manage new responsibilities and requirements. These activities remain a work in progress, and it is too early for the OSM to reach a view on how effective Crown's efforts are likely to be.

A critical issue for Crown remains 'key person risk'. Crown currently has skilled, experienced and highly credentialed leaders in key reform roles. Ongoing sustainability will require effective retention and succession planning.

Over the next reporting period, the OSM will continue to monitor how Crown approaches these challenges, and the measures it develops and implements to improve its resourcing approach, including:

- its development of an integrated resourcing plan that:
 - accounts for the resourcing impact of any new changes to roles resulting from the transformation program
 - considers the required capability and capacity for both transformation and BAU activities
 - considers resourcing resilience through succession planning for critical roles and retention of key employees
- actions to upskill employees, enable knowledge transfer from external consultants, and embed capability and capacity throughout the organisation to support effective and sustainable change.

3.4.4 Communication and engagement

One of the most important enablers for Crown's transformation program is its internal and external communications. Effective internal communication and engagement will help reinforce training and desired employee behaviours, and encourage prompt escalation of risks and concerns; while good external communication and engagement is essential to ensure Crown understands the external operating environment and community expectations, and can use these to inform its activities.

Crown's internal communications will be critical to reinforcing the outcomes from its training programs and its efforts to embed behavioural change. The OSM has observed that the level and sophistication of internal communications campaigns have increased over this reporting period. Initiatives such as the 'Speak Up' campaign and 'can we, should we' messaging are positive examples of Crown's efforts to embed desired behaviours through consistent and engaging communications to employees. Further communications initiatives – particularly on RSG, player health, observable signs and whistleblowing – will play a vital role in reinforcing and refreshing employee learnings from training programs, and will improve Crown's ability to

impact difficult-to-reach employee cohorts, such as part-time employees and casual employees with fewer rostered shifts.

Crown understands the need to restore its reputation and re-build trust with stakeholders and the community; however, the OSM's engagement with external stakeholders indicates that some of these, such as non-government and community groups, still have limited awareness of Crown's reforms. Crown Resorts has developed draft brand and communications strategies (provided in Appendix 1, Documents 1.8 and 1.9, respectively) to manage its ongoing engagement with stakeholders and the community, with a focus on communicating its progress with transformation and cultural change, and better practice AML and RSG measures.⁴³

Going forward, it will be important for Crown to align its brand and communications strategy with its corporate strategy (once finalised), and to ensure its engagement with stakeholders, including regulators, is consistent, open and honest, and focused on demonstrating meaningful outcomes. Crown will need to make sure that it carefully considers its operating environment in each state as it implements its Group-wide brand and communications strategy. In Victoria, the Crown brand is synonymous with the casino, and Crown will need to effectively navigate rebuilding its brand and social licence by engaging with stakeholders and the community sensitively. As noted in the following snapshot, Crown must consider the possible gambling implications of its partnerships and engagement activities, including in the marketing of its non-gambling products. This issue has been highlighted again recently by media reporting and commentary on Crown's involvement in sponsoring a major music industry event.⁴⁴

Snapshot: Exploring corporate partnerships with Victorian AFL clubs

All Victorian AFL clubs are signed up to the Victorian Government's 'Love the game, not the odds' program.⁴⁵ Under this program, participating clubs receive Victorian Government funding on the condition that they do not accept sponsorship from the gambling industry.

During January 2023, Crown was exploring opportunities to enhance its existing corporate and events partnership with the AFL:

- In a meeting held on 24 January 2023, Crown and the AFL met to discuss this partnership. The meeting included a discussion on the possibility of 'consolidating' existing corporate and events relationships between Crown and AFL clubs.
- All clubs were approached by the AFL through verbal communications and in-person meetings.
- An expression of interest covering various options for potential partnerships was sent to all AFL clubs as part of an initiative led by Crown's contractor, Bastion.
- The expression of interest was discussed by the AFL on a routine club commercial call on 23 February 2023.⁴⁶

⁴³ Crown Resorts, Brand Strategy, February 2023.

⁴⁴ K O'Brien and M Boulton, 'Taylor Swift's Partnership with Crown Criticised by Anti-Gambling Experts', *The Sydney Morning Herald* (online, 22 June 2023) <<https://www.smh.com.au/culture/music/taylor-swifts-partnership-with-crown-criticised-by-anti-gambling-experts-20230621-p5di86.html>>.

⁴⁵ 'Love the Game', *Victoria State Government* (Web Page) <<https://lovethegame.vic.gov.au>>.

⁴⁶ Crown Melbourne, Letter to John Selak from Shannon Byrne, 2 June 2023.

There was negative media coverage of these discussions.⁴⁷ It was reported that Crown declined to answer specific questions about the nature of its corporate and events partnership with the AFL, but noted in a statement: 'As part of Future Crown, and as we once again take a central role at the heart of all things sport and entertainment in our cities, we are always exploring venue and hospitality partnership opportunities with a range of organisations.'⁴⁸

The OSM engaged with Crown to understand what occurred, and to identify any learnings Crown has taken from the incident. Crown advised that the issue of potential conflict between the obligations of the Victorian AFL clubs under the 'Love the game, not the odds' program was not identified by either Crown or the AFL prior to the publication of news articles on the subject.⁴⁹

Crown informed the OSM that it:

- ended its conversations with the AFL and Victorian AFL clubs outside of existing BAU relationships and engagements
- will be conducting a review of proposed sponsorships from an RSG risk and reputational point of view as part of the marketing guardrails initiative (see section 5.8.2).⁵⁰

3.5 OSM focus for the final reporting period

In the final reporting period, the OSM's focus will include:

- an overall assessment of the progress of Crown's transformation and cultural reform using the OSM's six-part framework:
 - aligned objectives
 - methods to assess progress
 - effective governance
 - leadership
 - systemic reinforcement
 - evidence of embedded change
- the Crown Melbourne Transformation Plan, its governance and implementation
- the CRP, including initiatives to drive change through middle management
- the critical enablers of transformation, including technology, resourcing, training, communication and engagement.

⁴⁷ P McGrath and S Curnow, 'Crown Woos Victorian AFL Clubs with Sponsorship Deals', *ABC* (online, 25 February 2023) <<https://www.abc.net.au/news/2023-02-25/crown-woos-victorian-afl-clubs-with-sponsorship-deals/102021564>>.

⁴⁸ P McGrath and S Curnow, 'Crown Woos Victorian AFL Clubs with Sponsorship Deals', *ABC* (online, 25 February 2023) <<https://www.abc.net.au/news/2023-02-25/crown-woos-victorian-afl-clubs-with-sponsorship-deals/102021564>>.

⁴⁹ Crown Melbourne, Letter to John Selak from Shannon Byrne, 2 June 2023.

⁵⁰ Crown Melbourne, Letter to John Selak from Shannon Byrne, 2 June 2023.

4. Assessing Crown's integrity framework

4.1 Introduction

The Finkelstein Royal Commission identified numerous examples of failings in Crown's integrity framework, including a lack of employee confidence that they could and should speak up, as well as poor 'tone from the top' and blatant serious misconduct.

A strong integrity framework underpins an organisational culture of operating lawfully and with integrity. It brings together the policies, systems and practices required to foster integrity and prevent misconduct. It must be supported by clear communication, and ongoing education and training to support employees to act consistently with the organisation's values and standards.

In this reporting period, the OSM has focused on reviewing Crown's:

- anti-bribery and corruption (ABAC) framework
- Code of Conduct
- whistleblower framework
- public complaints handling processes.

4.2 Anti-bribery and corruption

An effective ABAC framework is essential for an organisation to appropriately manage bribery and corruption risks. In this reporting period, the OSM has assessed the thematic review of Crown's ABAC framework and monitored Crown's progress in amending its ABAC Policy. Crown has made progress with some of the work needed to strengthen its ABAC framework, including by updating and promulgating the Code of Conduct and improving its whistleblower framework.

4.2.1 Anti-bribery and corruption framework

Crown is yet to implement a comprehensive ABAC framework.

In August 2022, Crown finalised a thematic review⁵¹ of its Group-wide ABAC framework, which was undertaken by Crown's Risk Assurance team. The Thematic Review (provided in Appendix 1, Document 1.10) appropriately assessed Crown's ABAC framework from a Group-wide perspective, informed by interviews with 40 employees across a range of roles and relevant business unit risk profiles. Crown provided the Thematic Review to the OSM in April 2023.

The Thematic Review identified gaps within Crown's ABAC framework and actions that Crown should take to address those gaps. The recommended actions align with better practice related to bribery and corruption risk management, particularly the Australian fraud and corruption standard (AS8001:2021 – Fraud and Corruption Control) and regulatory guidance from United States and United Kingdom authorities.

The Thematic Review recommended that Crown appoint a dedicated ABAC Officer to manage and maintain the ABAC framework, and to oversee and monitor ABAC controls at the business unit level. The Executive General Manager – Financial Crime Risk was appointed to this

⁵¹ The Thematic Review consisted of qualitative research into the key elements of an effective ABAC framework.

position, and two employees dedicated to ABAC and Sanctions matters commenced in January 2023.

The Thematic Review also recommended Crown conduct a bribery and corruption risk assessment as a matter of priority. Crown has developed a draft risk assessment methodology that it provided to the OSM in June 2023. Crown has advised it expects to finalise the methodology by July 2023, and to complete the risk assessment by September 2023. Crown's Financial Crime Risk team has advised the OSM that the delay in completing the bribery and corruption risk assessment and other recommended actions reflects Crown's decision to prioritise the implementation of a sanctions framework as a result of the Major Change Approval Deed Poll between the VGCCC and Blackstone Inc.

The Thematic Review recommended other actions, such as developing an improved Code of Conduct, a Conflicts of Interest Policy and a Whistleblower Policy, and reviewing the way whistleblower investigations are conducted across the Group. As outlined below, Crown is progressing work in these areas, which were already in train when the Thematic Review was conducted.

In the next reporting period, the OSM will assess the implementation of the ABAC framework and the progress of related actions, including the risk assessment. It will also monitor whether Crown has dedicated resourcing through the Financial Crime Risk team sufficient to:

- implement, and sustainably embed, the ABAC framework at an organisation-wide level, and
- ensure adequate consideration of current and emerging bribery and corruption risks that may be specific to Crown Melbourne and broader than those related to financial crime.

While there are no concerns about the capability of the Financial Crime Risk team, Crown may need to consider whether this area is best positioned to lead ABAC policy and has sufficient capacity to drive preventative action to strengthen controls at an organisation-wide level.

4.2.2 Anti-bribery and Corruption Policy

As noted in the Special Manager's December 2022 interim report, the Crown Resorts Board approved the new ABAC Policy in December 2022. As this policy was not informed by an ABAC risk assessment, the OSM expects the policy to be reviewed after the risk assessment has been completed.

Notwithstanding, in this reporting period, Crown has updated the ABAC Policy, including updating the definition of political donations (to align with its uplifted Political Donations Policy). The updated ABAC Policy was approved by the Crown Melbourne Board on 21 June 2023. The OSM has undertaken an initial assessment of the updated policy and will discuss potential further improvement opportunities with Crown when it reviews the ABAC Policy after the risk assessment.

4.2.3 Anti-bribery and corruption governance

A summary of the Thematic Review report was tabled at the August 2022 Financial Crime Working Group and in December 2022 management provided the Financial Crime Oversight Committee with brief updates on status and future focus, being the completion of action items more broadly. However, it appears management has not shared the Thematic Review with the Crown Melbourne Board or its committees.

In considering the updated ABAC Policy on 21 June 2023, the Crown Melbourne Board appropriately queried whether a Board committee, such as the Risk, Compliance and Responsible Gaming Committee, should have oversight of financial crime, meaning it would also have oversight of ABAC matters. The Executive General Manager – Financial Crime Risk undertook to discuss these governance arrangements with the Executive General Manager – Compliance and Regulatory Affairs and to report back to the Board.

In the next reporting period, the OSM will monitor these governance arrangements in relation to Crown's ABAC framework and assess whether they are providing effective leadership and oversight of ABAC matters for Crown Melbourne.

4.2.4 Anti-bribery and corruption training and communication

Crown is revising its ABAC training. It proposes to use the bribery and corruption risk assessment to inform a training needs analysis, including whether there is a need for targeted and/or whole-of-organisation training. The OSM will assess Crown's ABAC training and communications in the next reporting period.

4.3 Code of Conduct

The Special Manager's December 2022 interim report noted the Crown Melbourne Board approved a new Code of Conduct on 7 December 2022, setting out the standards and behaviours expected from all employees, and reinforcing a culture of acting ethically, lawfully and with integrity. The revised Code of Conduct incorporates observations and suggestions the OSM made in late 2022. It provides good guidance to Crown employees on ethical business conduct.

In this reporting period, Crown has rolled out the Code of Conduct across the organisation through training and an internal communication campaign, and has also developed and updated policies and guidelines to complement the Code.

4.3.1 Policies and procedures supporting the Code of Conduct

In response to OSM feedback and the Thematic Review, Crown updated the following policies and guidelines to support the Code of Conduct:

- Crown's Gifts, Tips and Gratuities Policy covers all employees and provides good guidance on handling gifts, tips or gratuities from guests, business clients and suppliers to Crown. The OSM will continue to monitor how Crown applies the policy and will review Crown's gifts, tips and gratuities registers.
- Crown finalised its Political Donations Policy, which the Crown Melbourne Board approved on 21 June 2023, and was approved by the Crown Resorts Board on 29 June 2023. The policy details Crown's position on prohibiting political donations made on behalf of Crown. The OSM provided feedback to Crown on the draft policy to assist in clarifying the terminology used.

In January 2023, Crown finalised an internal audit of the Conflicts of Interest Policy, with an assessment of 'improvement required'.⁵² Crown is working to implement the internal audit recommendations, including:

⁵² Crown Resorts, Conflict of Interest Policy Review, 31 January 2023, p. 4.

- establishing a governance structure and function to oversee conflicts of interest processes (expected to be completed by 30 June 2023)
- documenting and establishing processes and controls to address director conflicts of interest, including clearly articulating how the Conflicts of Interest Policy and procedures apply to directors (expected to be completed by 30 June 2023)
- developing a formal, ongoing training and communication plan for conflicts of interest (expected to be completed by 30 June 2023 for rollout over the next financial year)
- identifying potential high-risk conflicts of interest that may arise (commencing August 2023).

The OSM will monitor Crown's progress with implementing the internal audit recommendations and, where applicable, assess the effectiveness of this work in the next reporting period.

Crown has also committed to preparing guidelines for declarable associations and secondary employment in the next reporting period, which the OSM will then assess.

4.3.2 Code of Conduct training

Between December 2022 and March 2023, 87 of Crown's senior leaders attended leadership sessions on ethics and wellbeing,⁵³ based on the Code of Conduct. The OSM reviewed a copy of this training, which drew on ethical dilemmas to guide and test decision making and reinforced the 'can we, should we' messaging promoted as part of the Code of Conduct campaign.

In this reporting period, Crown developed and rolled out an e-learning module to all employees as part of its Code of Conduct campaign. The training module, available in English, simple Chinese and Vietnamese,⁵⁴ was released in March 2023 and was to remain open for up to 16 weeks to enable frontline employees to complete the training. As at mid-June 2023, 86 per cent of Crown Melbourne employees had completed the training, compared with completion rates of 88 per cent for Crown Sydney and 87 per cent for Crown Perth.

The OSM has raised with Crown opportunities to enhance its Code of Conduct training. The online training module is quite basic as it is designed to be suitable for the entire organisation, and is not targeted to specific employee cohorts or higher-risk business functions. It contains two simple scenarios: one relating to gambling harm and the other to the procurement of poor-quality goods. The module would benefit from drawing on some of the content of the ethics and wellbeing training recently delivered to senior leaders.

The OSM has observed some issues with the Code of Conduct training module that may limit Crown's ability to assess the effectiveness of this training. The e-learning module tests employee knowledge via six multiple choice questions and requires participants to achieve 100 per cent. The training platform does not yet contain a larger pool of questions to test employees' understanding of the training content. All employees receive the same six questions, have unlimited attempts to pass and the same questions reappear if they fail, rendering it somewhat ineffective as a knowledge testing tool.

⁵³ Email from Group Organisational Development Manager – Leadership and Gaming, 12 May 2023, attaching Leadership Series, Peace of Mind Through Ethics and Resilience, Attendance Records, 12 May 2023.

⁵⁴ Crown has advised that the training platform and module also include vision enhancement functions designed to support greater accessibility.

The OSM has recommended that Crown supplement its organisation-wide training with role-specific training that includes examples of behaviours consistent with the Code of Conduct, thus more fully demonstrating and guiding good decision making. Crown has committed to considering role-specific requirements in future iterations of the Code of Conduct e-learning modules.

Crown's e-learning platform is limited in its ability to provide meaningful metrics, such as the number of failed question attempts, time taken to complete the training, the number of incomplete attempts and the number of employees who open the Code of Conduct via the link provided.

The OSM will monitor how Crown assesses the effectiveness of this training, and further enhances its content and delivery.

4.3.3 Code of Conduct communication campaign

In February 2023, Crown launched an organisation-wide internal communication campaign to support the rollout of the updated Code of Conduct and launch of the e-learning training module. Both the Crown Resorts CEO and Crown Resorts Chief People and Culture Officer communicated key Code of Conduct messages through videos, emails and Workplace (a Meta platform)⁵⁵ posts.

Crown's Code of Conduct communication campaign has been thorough, with regular reminders about where to find the updated Code on back-of-house screens; Workplace posts and updated computer lock screens; and various emails about the need to complete training. Crown has also prepared a toolkit to support leaders in 'ensuring [your] team members and peers understand and live by our new Code of Conduct'.⁵⁶ The toolkit provides four scenarios covering VIP gaming; an employee breach of the Code; conflicts of interest; and bribery and corruption. These scenarios are more comprehensive than those in the e-learning module and show how leaders and their employees can apply the 'can we, should we' test to decision making.

Better understanding of employee sentiment towards the Code of Conduct can help Crown to ensure that its training and communication contains the appropriate tone and messaging. Crown plans to conduct employee focus groups to gather feedback on the campaign, and then use insights from the groups to improve subsequent training and communication. In this reporting period, Crown has put in place the building blocks for the implementation of the Code of Conduct. The OSM will continue to liaise with Crown to understand the Code of Conduct campaign effects on employee culture and behaviours, including focus group results.

4.4 Whistleblower framework

The *Corporations Act 2001* (Cth) requires public companies and large proprietary companies, including Crown, to have a whistleblower policy and to make the policy available to officers and employees of the company. Further, the Australian Securities and Investments Commission's regulatory guide states:

⁵⁵ Crown's workplace communication and engagement platform.

⁵⁶ Crown Resorts, Code of Conduct People Leader Toolkit, December 2022, p. 5.

*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.*⁵⁷

The Special Manager's December 2022 interim report noted a Crown internal audit had assessed the design and effectiveness of Crown's whistleblower processes and controls as 'unsatisfactory'. It also found Crown's Whistleblower Policy did not fully comply with the Corporations Act.⁵⁸

The internal audit determined that, due to inadequate governance, Crown risked failing to:

- properly assess disclosures for protections under the Corporations Act
- maintain a whistleblower's confidentiality
- provide adequate training to employees and contractors
- report and ensure oversight by the Crown Resorts Board.

The OSM engaged with Crown to determine the actions Crown intended to take to respond to the audit findings. Crown advised it would address the audit findings, including by updating the policy to comply with the Corporations Act, nominating a whistleblower protection officer and reconstituting its Whistleblower Committee. The OSM has:

- monitored the updates to Crown's Whistleblower Policy and procedures, as well as the Whistleblower Committee Charter
- attended Whistleblower Committee meetings
- observed the rollout of the new whistleblower e-learning module and 'Speak Up' communication campaign across the organisation.

In this reporting period, Crown is considered to have significantly improved its whistleblower framework by implementing a range of processes and technology to better support the receipt and management of whistleblower disclosures. Crown has also hired two subject matter experts to key roles supporting the whistleblower framework and appointed a Whistleblower Protection Officer.

The OSM considers Crown's whistleblower framework contains the policy and process elements necessary to enable a robust approach to whistleblower management. Crown must demonstrate the framework is operating effectively in practice and that it provides whistleblowers the confidence to come forward and disclose concerns about misconduct.

In Crown's 'Your Voice' survey (conducted in November and December 2022) and subsequent focus groups (conducted from March 2023), employees identified a fear of being penalised (for example, social ostracism and bullying) as a key barrier to speaking up. Only 63 per cent of respondents to the survey were confident they would not be penalised for raising concerns. The survey was administered prior to the launch of the Code of Conduct campaign and training, and the 'Speak Up' campaign. It is reasonable to expect that employee confidence to speak up may increase given the campaign's strong messaging about the provision of support and protections (see section 4.4.3).

⁵⁷ Australian Securities and Investments Commission, *Regulatory Guide 270, Whistleblower Policies*, November 2019, p. 4.

⁵⁸ Crown, Whistleblower Processes Internal Audit, Final, 21 October 2022.

The OSM will monitor Crown's assessment of the effectiveness of the training and communications campaign, including in encouraging employees to speak up, and in providing them with confidence that they will be protected and their reported issues will be taken seriously.

4.4.1 Whistleblower Policy

Crown's updated draft Whistleblower Policy addresses regulatory requirements set out in the Corporations Act and appropriately incorporates feedback from the Australian Securities and Investments Commission. The Crown Melbourne Board approved the updated Whistleblower Management Procedure on 24 April 2023, with Crown management acknowledging that the policy and procedures will need to be enhanced and updated as processes mature. The current iterations of the policy and procedures are adequate and the OSM will continue to monitor any updates to these documents. Crown management expects to present the updated Whistleblower Policy and procedures to the Crown Resorts Board in August 2023.

The Australian Securities and Investments Commission's regulatory guide states that:

[t]o ensure disclosers outside an entity can access the entity's whistleblower policy, the policy should be available on the entity's external website.⁵⁹

Crown's Whistleblower Policy is not available on the Crown Melbourne website and while it is available on the Crown Resorts website, it is not easily accessible. Given the importance of the Whistleblower Policy and its applicability to all employees, contractors, suppliers and their family members, the OSM has encouraged Crown Melbourne to make its Whistleblower Policy more readily accessible and searchable on both the Crown Resorts and Crown Melbourne websites.

4.4.2 Whistleblower governance

Since March 2023, the OSM has attended Crown Resorts' reconstituted Whistleblower Committee meetings chaired by the Group Executive General Manager – Compliance and Regulatory Affairs. The OSM has observed well-structured meetings, where processes have been strengthened and disclosures assessed through open discussion. Prior to the rollout of the 'Speak Up' campaign, the Whistleblower Committee had received two reports relating to Crown Melbourne: one disclosure relating to a new matter and the other related to a previous disclosure.⁶⁰ The new matter was determined not to be a protected disclosure. The development of a new template approach to guide decision making has facilitated the effective assessment of this disclosure.

Since reconstituting the Whistleblower Committee, members have been focused on assessing and resolving matters more promptly than in the past. The committee has prioritised addressing the backlog of whistleblower disclosures across all Crown properties, including 15 Crown Melbourne matters dating back to June 2022. Having now cleared the outstanding matters, and with the implementation of the new Whistleblower Policy and procedures, the committee is confident that a backlog of matters will not reoccur.

At meetings of the Whistleblower Committee, the Whistleblower Protection Officer regularly reinforces the need to maintain confidentiality of whistleblowers. The committee has focused on

⁵⁹ Australian Securities and Investments Commission, *Regulatory Guide 270, Whistleblower Policies*, November 2019, p. 41.

⁶⁰ Disclosures received between 29 March and 10 May 2023.

providing regular feedback to whistleblowers and seeking additional information where necessary and appropriate.

In April 2023, Crown separated the Security and Investigation functions and created a new position, Group Executive General Manager – Investigations, to oversee investigations across the Group. This new role is dedicated to undertaking investigations internally and overseeing investigations outsourced to third parties. The Crown employee in this role is a member of the Whistleblower Committee and it is intended they will provide investigations experience, findings and advice to the committee. The Whistleblower Committee reports any relevant disclosures and investigations to the Crown Melbourne Board and other subsidiaries and the Crown Resorts Board, as appropriate.

In the next reporting period, the OSM will continue to attend the Whistleblower Committee meetings to monitor and observe the committee's operations and management of disclosures received.

4.4.3 'Speak Up' campaign

In late May 2023, Crown rolled out an e-learning training package to all employees on its 'Speak Up' campaign, including its whistleblower framework. As at mid-June 2023, 68 per cent of Crown Melbourne employees had completed the training (compared with completion rates of 70 per cent for Crown Sydney and 58 per cent for Crown Perth).

The comprehensive training module covers:

- how the 'Speak Up' message aligns with Crown's values
- details of the supporting policies and where to find them
- how to 'speak up' and raise an issue or whistleblower disclosure
- what happens when a whistleblower disclosure is received
- definitions of terms, such as 'eligible recipients', 'disclosable matters' and 'eligible discloser'.

Much like the Code of Conduct training, the 'Speak Up' training is designed to be accessible to Crown employees at all levels across the organisation. However, compared with the Code of Conduct module, the 'Speak Up' module is a more sophisticated, dynamic and engaging online education tool, drawing on relevant scenarios and consistent messaging on how speaking up and whistleblower disclosures are encouraged and supported at Crown.

Crown has also developed and delivered appropriate training to the Crown Resorts Board, eligible recipients⁶¹ of whistleblower disclosures and Whistleblower Committee members. The training addresses the requirements of their respective roles.

Rollout of the 'Speak Up' training has been appropriately supported by a broader internal communication campaign. This includes a video featuring employees across business units from frontline to executive level, and across all properties, expressing the importance of speaking up. This video is well produced, of high quality, contains appropriate messages and is effective in communicating Crown's desire to create a safe environment for employees to raise issues. In addition to showing the video at the June 2023 town hall, pamphlets were distributed

⁶¹ An eligible recipient is a person who can receive whistleblower disclosures in accordance with the *Corporations Act 2001* (Cth).

to employees reinforcing the campaign message and reporting methods. Further, the comprehensive campaign included messaging in the Property CEO Monthly Newsletter, a dedicated 'Speak Up' Intranet Hub, and messaging appearing on back-of-house screens, posters and desktop lock screens.

4.4.4 Whistleblower hotline

As recommended by an internal audit, Crown conducted a review of its independent hotline service used to receive confidential complaints and whistleblower disclosures. Crown has since appointed a new service provider, Core Integrity, which commenced operations in late May 2023.

If the new hotline service is implemented as intended, it will represent a significant improvement, including by providing enhanced case management functionality and disclosure reporting features. The data captured by Core Integrity is intended to improve outcomes by enhancing Crown's whistleblower workflows and analysis of whistleblower trends.

It will be important for Crown to assess the effectiveness of the hotline service, including the number of reports Crown receives through its reporting channels (whistleblower disclosures or other issues).

4.4.5 Whistleblower disclosures

Employee confidence is essential to Crown having an effective whistleblower framework and will depend significantly on how effectively whistleblower disclosures are managed in practice in accordance with policies and procedures. The number of disclosures related to Crown Melbourne appears low for such a large organisation, with just 17 disclosures received between 1 June 2022 and 10 May 2023.⁶² Crown expects to see the number of disclosures increase following the rollout of 'Speak Up' training and communication, and the commencement of the new hotline.

The OSM has 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. The following case study explains the issues.

⁶² Crown's whistleblower Internal Audit report (dated 26 September 2022) stated that a benchmark for median reports is 1.3 per 100 employees. For Crown, this translates to around 260 reports per year.

Case study (a): Whistleblower disclosure investigation

The success of Crown's whistleblower process depends on the credibility of the Whistleblower Committee and whether those making disclosures are confident that matters raised will be fully investigated and appropriately addressed. This case study considers Crown's treatment of a longstanding whistleblower disclosure relating to conflicts of interest in Crown's recruitment of an employee.

A whistleblower made a disclosure alleging corrupt conduct involving conflicts of interest and nepotism associated with a Crown recruitment process and the resultant appointment. It was alleged a Crown employee was involved in a recruitment process that resulted in the appointment of a family member of that employee.

Other parties made further anonymous whistleblower disclosures relating to management issues arising from the appointment and the close working relationship of the family members.

Such disclosures are serious. Conflicts of interest in recruitment processes can tarnish the entire process, raising questions as to whether outcomes are 'fair and just'. This may cast doubt on whether the successful applicant is the most appropriate person for the role.

Upon receipt of the disclosures, Crown's Whistleblower Committee determined all related disclosures were protected disclosures in accordance with the Corporations Act. The committee engaged an external investigator to undertake an investigation of the allegations.

The investigator reported to the Whistleblower Committee that all allegations were unsubstantiated and recommended:

- improving communications within the affected business area on how the conflict of interest was being managed
- reviewing Crown's Conflict of Interest Policy
- providing greater guidance to employees on effective management of conflicts of interest through policy and training.

The Whistleblower Committee endorsed the findings of the investigation and supported the recommendations.

The OSM subsequently reviewed the investigation report and provided feedback to Crown, including that:

- Crown's Conflict of Interest Policy refers to close personal relationships and states that steps should be taken to ensure 'one party is not involved in procedures leading to the appointment or promotion of the other party'⁶³
- given, in this matter, the relationship was a close personal relationship as defined in the policy, Crown should consider reviewing the findings of the investigation to determine whether a breach of the policy had in fact occurred and, if so, consider taking remedial action (such as management action and/or training as appropriate)
- there were further potential deficiencies in the investigation, including relevant persons not being interviewed
- Crown should consider revising relevant policies and implementing processes to require conflicts of interest to be documented and declared as part of decision-making processes, including recruitment, to ensure conflicts are identified, raised and managed appropriately and in a timely manner.

Delays actioning the initial disclosure in this matter have likely resulted in the discloser perceiving that it may not have been taken seriously and/or appropriately managed by the committee, thus resulting in further disclosures and allegations.

⁶³ Crown Resorts, Conflict of Interest Policy, 30 August 2022, Paragraph 4.4.4 (c).

In the next reporting period, the OSM will monitor how the committee addresses this matter and also assess Crown's management and investigation of whistleblower disclosures against its improved framework, including how it protects disclosers.

4.5 Public complaints

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'.⁶⁴

Organisations should also widely publicise how and where complaints may be made, including by publishing their complaints policies online and providing them in hard copy on request, providing training to all employees about how to handle complaints, and enabling complaints from vulnerable people and groups.⁶⁵

Standards for handling customer complaints⁶⁶ outline how effective complaints handling enhances customer satisfaction by creating a customer-focused environment that is open to receiving feedback (including complaints), resolving complaints received and enhancing the organisation's ability to improve its products and services through analysing and evaluating complaints. A robust public complaints system is an important component of an organisation's broader integrity framework.

The OSM considers Crown's current approach to public complaints management (including the recording, managing, escalating and tracking of public complaints) across the organisation is fragmented and uncoordinated, which poses a real risk of ineffectiveness. Complaints are also dealt with differently depending on the business unit involved, with details of complaints and how they are managed recorded in various databases operating in parallel with Medallia.

4.5.1 Customer Feedback Policy

Crown Resort's Customer Feedback Policy outlines requirements for handling feedback and complaints. Crown defines a complaint as 'feedback reviewed or assessed by the Customer Relations department as an expression of dissatisfaction, related to a Crown product or service, or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected'.⁶⁷ The policy encourages complaints to be resolved by frontline employees at the earliest opportunity, and requires the 'relevant customer management system' be used to capture information in relation to the complaints received and actions taken to resolve them.

Crown's policy does not fully address all the key elements for effective complaints handling in accordance with better practice guidance; for example, there are no clear processes and procedures in place to support the effective application of the Customer Feedback Policy or compliance with the policy. Complaints are managed differently by business units throughout Crown and there is no centralised oversight of complaints, demonstrating the fragmented approach observed by the OSM.

⁶⁴ Australian Securities and Investments Commission, *Regulatory Guide 271, Internal Dispute Resolution*, 2 September 2021, p. 37.

⁶⁵ Australian Securities and Investments Commission, *Regulatory Guide 271, Internal Dispute Resolution*, 2 September 2021, p. 38.

⁶⁶ For example, ISO1002:2018 – Quality Management – Customer Satisfaction – Guidelines for complaints handling in organisations, July 2018.

⁶⁷ Crown Resorts, Customer Feedback Policy, 8 August 2022, p. 2.

4.5.2 Current public complaints handling process

Crown does not have a documented procedure for assessing and managing complaints and it handles complaints differently depending on the business units involved. Feedback captured in Medallia, including complaints, is initially assessed centrally by an employee in the Guest Services team who is considered a subject matter expert in assessing and triaging complaints. This employee is responsible for all assessments, other than when unavailable (absent due to leave), in which case other members of the Guest Services leadership team share the responsibility for assessments. Relying almost entirely on one employee poses significant risks: first, in terms of key person dependency, and, second, due to limited or no oversight involved in assessment decisions. Similar issues were observed in relation to Crown's previous whistleblower regime by its internal audit last year.

Complaints are also received and managed by other business areas across Crown and not always recorded in Medallia, such as those that relate to self-exclusion programs and the Responsible Gambling Code of Conduct, as required by Ministerial Directions (see section 5.9.2). It is not clear what processes are followed when complaints are handled by business units that do not utilise Medallia for complaints case management.

The OSM's review of the Crown Resorts and Crown Melbourne websites failed to identify information regarding Crown's Customer Feedback Policy, or details about how or where to make a complaint. Feedback can be submitted on Crown's websites via the 'contact us' page.

The case study following provides an example of a public complaint in this reporting period that highlights deficiencies in Crown's public complaints process. The OSM reviewed the complaint and while it found no issues with Crown's compliance with its relevant policies and procedures, the matter highlights issues with the way Crown communicated with the complainant and recorded the matter on its systems.

Case study (b): Public complaint handling

In March 2023, Crown and the OSM received a public complaint raising concerns of improper use of information obtained by Crown for AML/CTF purposes, and about Crown's response to the complainant's ongoing enquiries. While Crown's actions in obtaining the information for AML/CTF purposes were in accordance with its legal obligations and consistent with its policies and procedures, a breakdown in communication appears to have contributed to the matter not being managed effectively. The complainant also raised concerns regarding Crown's issue of a withdrawal of licence excluding them from the casino. This case study considers Crown's handling of this complaint.

With the complainant's consent, the OSM met with Crown and reviewed documentation in relation to the complaint, noting that:

- at times, communication from Crown to the complainant was defensive and argumentative
- Crown missed early opportunities to identify and address concerns raised by the complainant, resulting in the complaint being escalated internally to the Legal team to manage, prompting the complainant's direct contact with the OSM
- Crown missed an opportunity to advise the complainant of appropriate external bodies that may have been able to address their concerns, namely the Office of the Australian Information Commissioner, and the VGCCC
- the complaint was not recorded in the Medallia system either by the relevant business unit or Crown's Legal team.

This complaint suggests that Crown is not fully realising the benefits that come from managing public complaints. It brings into question whether Crown is appropriately identifying, assessing and recording complaints and using this data to identify trends and resolve systemic issues, thus enabling business improvements.

Crown's 2024 Internal Audit Plan, approved by the Crown Melbourne Audit and Finance Committee in June 2023, includes an audit focused on management of customer complaints. In response to the OSM's feedback to Crown on the deficiencies of its public complaints handling, this internal audit has been brought forward and is expected to be completed in September 2023. Based on discussions with Crown, the OSM understands the audit will examine Crown's existing public complaints handling processes, including identifying any gaps and areas for improvement. The OSM has asked Crown to provide details of the proposed audit scope and methodology as a priority to ensure the audit will address all aspects of the public complaints handling process and enable Crown to establish a better practice approach.

4.6 OSM focus for the final reporting period

In the final reporting period, the OSM will monitor Crown's ongoing development and implementation of its integrity framework. Areas of focus will include the assessment of the policies, resourcing, governance, training and communication in relation to the following elements:

- ABAC framework and risk assessment
- Code of Conduct and associated measures including in relation to conflicts of interest, declarable associations and secondary employment
- whistleblower and 'Speak Up' measures
- public complaints handling, in particular the outcomes of Crown's internal audit.

5. Responsible service of gambling

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'.⁶⁸ The OSM has been looking for Crown to adopt an integrated customer-centred approach to RSG that focuses on preventing gambling harm.

The OSM's assessment focuses on the matters identified in Appendix I of the Finkelstein Report. This means assessing Crown Melbourne's progress in reforming its RSG program including in relation to:

- the adequacy of RSG resourcing and funding
- the effectiveness of RSG training and services
- the effectiveness of the Self-Exclusion Program and related programs
- the effectiveness of a set of RSG enhancements known as the 'May 2021 enhancements'⁶⁹
- whether Crown Melbourne complies with its Gambling Code (also known as the Responsible Gambling Code of Conduct) and Play Periods Policy.

The Special Manager's December 2022 interim report highlighted that Crown was at a relatively early stage in designing and implementing an RSG program that is focused on minimising gambling harm and supporting customer welfare.

Crown had made progress against each of the relevant RSG areas identified in Appendix I, although the Special Manager's December 2022 interim report noted that harm minimisation needed to be considered at a strategic level across areas such as marketing and promotions, customer communications, the Crown Rewards Loyalty Program, data and technology, and the internal evaluation and reporting of outcomes. Crown had developed a long-term strategy for harm minimisation, the Player Health Strategy, but had not yet developed an implementation plan.

In this reporting period, the OSM's assessment has focused on whether Crown:

- is effectively implementing and embedding a longer-term strategy that minimises gambling harm
- has adequate resources and sufficiently capable employees to effectively minimise gambling harm
- is effectively monitoring and intervening where customers are at risk of gambling harm
- has effective systems and processes to prevent gambling harm that its marketing and loyalty programs may cause

⁶⁸ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

⁶⁹ The 'May 2021 enhancements' were 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 targeted at improving Crown's RSG practices.

- is proactively engaging with and progressively implementing major legislative and regulatory reforms introduced by the Victorian Government in response to the Finkelstein Report
- has developed an outcomes-based framework to evaluate the effectiveness of its RSG program.

5.2 Implementing the Player Health Strategy

The Special Manager's December 2022 interim report considered the Player Health 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. It identified that the strategy still needed to be supported by a well-developed implementation plan outlining priorities, milestones, timelines and resourcing.

In this reporting period, the OSM has focused on assessing the extent to which Crown is implementing and embedding a strategy that minimises gambling harm. In doing so, it has considered the key issues identified in the December 2022 interim report and the assessment approach outlined in section 2.3.1.

Crown's Player Health Strategy sets the organisation's objective to have 'the safest casinos in the world by spearheading innovative solutions through known play to maximise the impact of our Harm Minimisation Commitment'.⁷⁰ Crown is still developing its corporate strategy and is yet to demonstrate how it has aligned this objective across the organisation.

Crown has developed a detailed Player Health Strategy implementation plan covering 14 initiatives under five key areas to be delivered over the next three years. The implementation plan is provided in Appendix 1, Document 1.11. The Player Health Strategy implementation plan has been approved by the Group Executive General Manager – Responsible Gaming Strategy and Policy but is yet to be presented to the Crown Melbourne Board. Long-term resourcing to support the rollout of the Player Health Strategy is also still to be confirmed.⁷¹

A Player Health Strategy Delivery Office (staffed by consultants from PricewaterhouseCoopers) manages program governance and reporting in relation to the Player Health Strategy, including monthly 'design and decision forums', and processes to foster decision making and escalation of issues and risks as required. However, progress reporting on the Player Health Strategy to date has been limited and shared within the delivery team and external monitors only. An example of these progress reports is provided in Appendix 1, Document 1.12. The Crown Melbourne Responsible Gaming Management Committee received an update at its June 2023 meeting, following a request from Crown Melbourne's COO in the March 2023 meeting, but the Crown Melbourne Board and Risk, Compliance and Responsible Gaming Committee are yet to receive formal status reporting.⁷² Consideration should be given by management to providing status reporting on this key strategy to a wider range of internal stakeholders, including the Board, who have flagged their desire to have a close focus on RSG.

⁷⁰ Crown Resorts, Responsible Gaming – Player Health Strategy, 7 December 2022, p. 15.

⁷¹ The MRAP 'implement' criteria for the Player Health Strategy Implementation Plan sets a date of 31 July 2023 for Executive Committee and Board endorsement and funding.

⁷² While the Board and Risk, Compliance and Responsible Gaming Committee have received some updates as part of the Responsible Gaming paper regularly presented at these forums, these updates have focused on activities completed, do not present a full picture on the status of each initiative and do not identify risks and issues.

Some Player Health Strategy initiatives are more well-defined and progressed than others. The technology workstream remains limited in its ability to progress due to dependencies on Crown's IT strategy. For example, the Special Manager's December 2022 interim report noted the importance of a fully integrated case management system to better utilise customer data in order to enhance RSG and the prevention of financial crime. The Responsible Gaming team has briefed its requirements for this case management system to the IT team, but a strategy and implementation plan for the case management optimisation initiative has not been finalised.

The OSM will continue to monitor Crown's implementation of its Player Health Strategy, including that it is fully resourced with buy-in from executive leadership and the Board, key deliverables for 2023 have been delivered on time and in scope, and a clear path is mapped for all remaining deliverables beyond December 2023.

5.3 RSG resourcing

The Finkelstein Royal Commission was highly critical of Crown Melbourne's inadequate resourcing of the responsible gaming function.⁷³ 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 legislative and policy obligations that Crown employees need to fulfil.

The OSM has assessed Crown's resourcing having regard to whether:

- there is evidence of increased monitoring and responding to customers at risk of harm as reported in the RG Register
- Crown Melbourne has developed a clear approach for assessing the need for additional resources to support its responsible gaming function.

5.3.1 Staffing

Since the Finkelstein Royal Commission, Crown Melbourne has significantly increased resources dedicated to monitoring and responding to gambling harm. The number of Responsible Gaming Advisors (RGAs) has increased from 12 to 32,⁷⁴ including a further 10 part-time RGAs onboarded in January 2023 to provide more flexibility at peak periods of demand. This increase in employee numbers is significantly more than originally approved as part of the May 2021 enhancements.

To date, these additional employees are yet to demonstrate their full impact. The RG Register shows no increase in the overall number of interactions with customers between March 2022 and March 2023.⁷⁵ However, the Responsible Gaming team has advised that additional employees have been crucial for managing impacts of leave, as well as allowing RGAs to spend more time being visible on the casino floor. These impacts are not captured by the data in the RG Register. Further, the quality of interactions with customers is difficult to measure.

⁷³ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 13, recommendation 22.

⁷⁴ Includes five Shift Managers. Responsible Gaming headcount data as at 1 May 2023 provided by the Responsible Gaming team on 16 May 2023.

⁷⁵ In March 2022, a total of 5,304 RGA interactions with customers were recorded, whereas in March 2023, only 5,009 such interactions were recorded (OSM analysis of RG Register entries from March 2022 to March 2023).

The General Manager – Responsible Gaming indicated that the RG Register provides some qualitative information to support an assessment of employee performance, but does not provide a simple way to measure or assess the quality of interactions with customers.

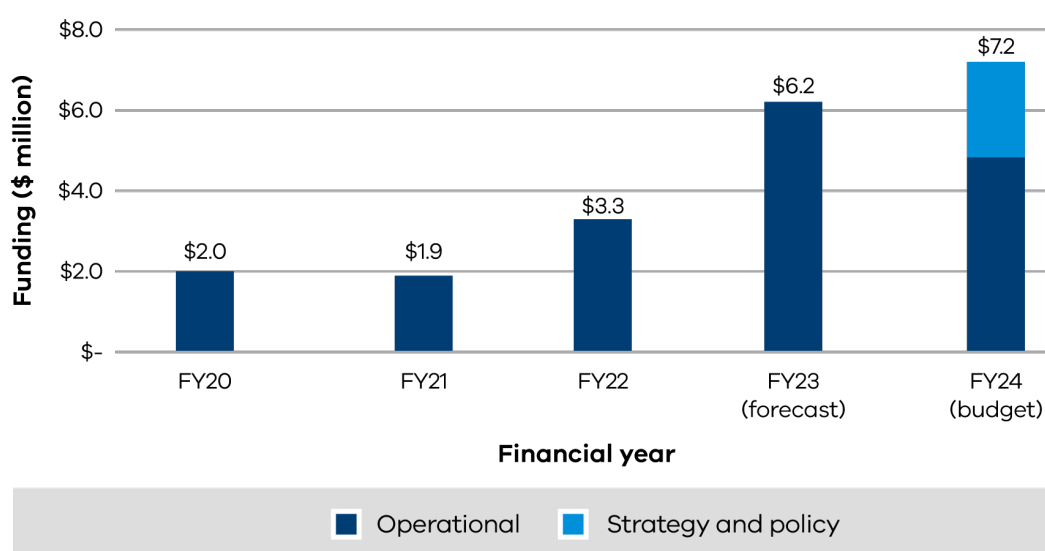
Crown has been delayed in progressing the development of a clear model and approach to assess the adequacy and need for further RSG resources. An initial analysis was prepared in late 2022, and further exploratory analysis conducted in early 2023. In May 2023, Crown Melbourne’s Chief Casino Officer tasked the Financial Crime Solutions data analytics team with developing a forecasting model for Responsible Gaming to assess the need for additional RSG resources. The team plans to employ a similar model as used to forecast resourcing requirements for the Financial Crime team. The model will need to consider the limitations of data recorded in the RG Register as described above.

As noted in the Special Manager’s December 2022 interim report, RGAs are not the only employees involved in implementing RSG policy at Crown Melbourne. All employees are expected to look out for observable signs, and Area Managers (Gaming Machines) and the Player Welfare team (Table Games) are responsible for actioning three, six and eight-hour play period alerts. The OSM therefore expects that Crown’s model, once finalised, will consider the impact of resourcing of non-Responsible Gaming teams to effectively self-assess the adequacy of RSG resourcing at Crown Melbourne.

5.3.2 Funding

The Special Manager’s December 2022 interim report noted that Crown Melbourne’s RSG budget had increased significantly over recent years, and that increases had mostly been driven by increased staffing. For the 2024 financial year, the budget is proposed to increase to \$7.2 million, compared with \$1.91 million in the 2021 financial year (Figure 2).

Figure 2. Crown Melbourne Responsible Gaming budget, 2020 to 2024 financial years



Note: The Responsible Gaming 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 2024 financial year only, noting that strategic spend has not been relevant for financial years prior to 2023.

Source: Budget data provided to the OSM on 31 May 2023.

As at 1 June 2023, the 2024 financial year budget for Responsible Gaming at Crown Melbourne was yet to be approved. Most of the expenditure (approximately \$4.8 million) is earmarked for operational expenses (largely operation of the Responsible Gaming Centre), with a further \$2.3 million for strategy and policy expenses (including costs to implement the Player Health Strategy).

5.4 Employee training

Crown's RSG training program must enable its employees to understand and comply with Crown's Gambling Code, including to accurately identify observable signs, effectively engage with customers, and escalate issues to the Responsible Gaming team for further intervention as required. Timely completion of mandatory initial and refresher training is critical to ensuring that all employees have current knowledge about RSG practices, which are continuing to evolve as new legislative and policy obligations are introduced and the Player Health Strategy evolves. Training also needs to be targeted to the specific roles and responsibilities of different employee cohorts.

The Finkelstein Report identified the need for enhanced RSG training, noting that operational employees outside the RGAs had little training in RSG and that only a small proportion of the training focused on observable signs.⁷⁶ 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.⁷⁷

In this reporting period, the OSM has focused on assessing the effectiveness of revisions to the training program and the adequacy of training completion rates.⁷⁸

5.4.1 Reform of training program

Crown Melbourne has engaged an appropriately qualified expert to enhance its RSG training content and delivery approach. During this reporting period, it has progressed in revising its training as follows:

- There is a detailed plan to reform mandatory RSG training and a clear teaching method that underpins the revisions.
- The reformed program includes mechanisms to assess effectiveness, including observation of employee capability, in-session reviews and post-training assessments.⁷⁹
- There is evidence of consultation taking place within and outside of Crown Melbourne on the training reforms.⁸⁰ In early April 2023, Crown presented the 'Advanced Responsible Gaming training for Managers and Leaders' to the VRGF for feedback. The VRGF offered several suggestions, which Crown used to further update the training.⁸¹

⁷⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 24.

⁷⁷ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 25.

⁷⁸ Assessment of the adequacy of training has been completed in line with the Crown Resorts Risk Appetite Statement, which was the only such statement approved at the time of analysis. A Crown Melbourne-specific risk appetite statement is currently being developed.

⁷⁹ Crown, Spreadsheet – Evidence that advanced training was discussed with OSM – Ernst & Young validation, 19 April 2023.

⁸⁰ Crown, 2023, The Responsible Gaming Advanced Training for Leaders and Managers Pilot Analysis, 14 February 2023.

⁸¹ P Butko, VRGF review, provided to the OSM on 18 May 2023; P Butko, notes from VRGF for analysis, provided to the OSM on 18 May 2023.

To date, RSG training reforms have progressed with limited input from Crown’s Learning and Development group. Accordingly, there is an opportunity to better integrate the reformed RSG training approach into other key people and culture initiatives, such as Crown’s performance assessment framework, internal communications, position descriptions and other training reforms.

Implementation of the reformed training is commencing with managers and leaders. Delivery of RSG training to Boards commenced in March 2023⁸² and delivery of the revised advanced responsible gaming training for managers and leaders will commence from 1 July 2023. Revised training for all other cohorts will follow, noting that all employees will need to complete a ‘bridging’ course over the next three months as a revised Gambling Code is implemented (see section 5.9.2).

The OSM expects Crown to demonstrate it is continuing to implement these training reforms and that it is integrating reformed RSG training into the broader delivery of training across the organisation. It is also expected Crown will provide evidence that training is being reviewed and adapted to improve its effectiveness over time.

5.4.2 Current training compliance rates

The Special Manager’s December 2022 interim report noted that Crown was achieving less than full compliance with mandatory training. A particular concern was the completion rate of managers and leaders. An internal audit of RSG training, completed in May 2023, found that target completion rates for training were not being met. Specifically, training completion rates for the Online RSG refresher and RG for managers were below the 90 per cent completion rate tolerance levels set out in Crown’s Risk Appetite Statement.⁸³

More recent data suggests that completion of training is still low in some teams, particularly for the RG for managers module (Table 2).

Table 2. Training completion rates for key business units

	Online RSG refresher (per cent)	RG for managers (per cent)
Table Games	95	79
Gaming Machines	96	96
VIP	90	100
Security and Services	92	79
Surveillance	82	47
Total (all business units)	88	71

Note: Point-in-time training rates are indicative only, and true completion rates depend on the timing of each employee’s due date relative to the current point in time. This data also includes employees on long-term leave.

Source: OSM analysis of RSG training data for all employees as at 31 March 2023, provided by Crown to the OSM on 27 April 2023.

The internal audit found that inadequate system reports and monitoring of outstanding training were contributing to low training completion rates. The OSM’s analysis of Crown’s training data

⁸² The training was a primer on RSG issues, regulation and the Player Health Strategy.

⁸³ Crown Melbourne, Responsible Gaming Training – Internal Audit Report, 16 May 2023, p. 4.

found the nature of training records and HR data make it difficult to measure true training compliance rates for different employee cohorts.

The RG for managers course is delivered face-to-face weekly, and therefore achieving full compliance with the training is constrained by resourcing of the Responsible Gaming team (RGAs must be taken off the floor to deliver training). The Responsible Gaming team has advised that it is in the process of recruiting a dedicated RSG trainer to reduce the need for RGAs to be taken off the floor.⁸⁴

Comments made by participants in OSM focus group discussions with the Gaming Machines and Table Games teams indicated that they felt they understood what the observable signs were and how to identify them due to the training they had received. However, further evidence and analysis is required to assess the extent to which employees are responding to customers displaying observable signs in practice. This is discussed further in section 5.6.

5.5 RSG communications

5.5.1 Reinforcing employee behaviours

Crown's internal RSG communications should provide all employees with accurate and timely information on key RSG policies and required behaviours. Communications should also be tailored to relevant business units to reaffirm their roles and responsibilities related to RSG, and thereby reinforce employee training.

The OSM assessed the effectiveness of Crown Melbourne's employee communications against the following criteria:

- Employees receive relevant communications in a timely, regular and easily accessible manner.
- Communications are aligned with key RSG legislative and policy requirements (including the Player Health Strategy) and reinforce RSG objectives.
- Crown Melbourne has a robust process for evaluating and reviewing its employee communications.

Crown uses multiple communication channels to reinforce RSG messages to its employees and is increasing both the viewership and frequency of its messaging.

Workplace (a Meta platform) is Crown's primary tool for communicating with all of its employees and is used to push key RSG campaigns, such as YourPlay and Gambling Harm Awareness Week, to all employees across Crown's three properties. Workplace news feeds are viewed by a significant number of employees, and typically receive up to 12,000 views. Approximately one post per month celebrates the actions of individuals demonstrating good RSG behaviours.

The Responsible Gaming team uses 'RG Focus Musters' (employee briefings) to reinforce RSG practices and messaging across the organisation, particularly for frontline employees. The Special Manager's December 2022 interim report observed that attendance at these musters appeared relatively low. The Responsible Gaming team has since increased the number of employees it reaches through these musters (Table 3).

⁸⁴ Crown Melbourne, Responsible Gaming Training – Internal Audit Report, 16 May 2023, p. 4.

Table 3. RG Focus Musters held in this reporting period

Month	Number of musters	Number of employees reached
December 2023	10	84
January 2023	25	229
February 2023	33	332
March 2023	32	387
April 2023	27	296
May 2023	34	342

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.⁸⁵

Source: Responsible Gaming muster data provided to the OSM on 12 April, 14 April and 6 June 2023.

The OSM also attended a back-of-house activation⁸⁶ run by the Responsible Gaming team from 1 to 5 May 2023 to increase employee awareness and understanding of Crown’s RSG services. The team held daily competitions to test employees on their knowledge of RSG and the Gambling Code. There were 799 questionnaires completed, with 89 per cent of questions answered correctly.⁸⁷ Employees who responded to the questionnaires appeared to have relatively good knowledge about the location of the Responsible Gaming Centre and RGAs but their understanding of key concepts like observable signs could be improved.

In this reporting period, the OSM has observed that Crown’s senior leaders have increased their communications on the importance of RSG. For example, Crown Melbourne’s CEO shared his vision to be a ‘global leader’ in responsible gambling at the Crown Melbourne town hall meetings held in March 2023. There is scope for the Crown Resorts and Crown Melbourne CEOs and other senior leaders to further reinforce RSG messaging and practice across the business. A draft communications plan for the Player Health Strategy⁸⁸ indicates that the Crown Resorts CEO and the Group Executive General Manager – Responsible Gaming Strategy and Policy will be key spokespeople to reinforce RSG to both internal and external stakeholders in the second half of 2023.

RSG communications from Crown Melbourne senior leadership to frontline employees are currently focused on the push to sign customers up for YourPlay ahead of statutory deadlines related to the implementation of mandatory carded play and pre-commitment. For example, almost all musters held in March 2023 focused on YourPlay,⁸⁹ and the Gaming Machines team held town hall style briefings specifically about YourPlay and mandatory carded play.

Crown still needs to refine the language it uses when referring to RSG. Employee communications continue to refer to ‘responsible gaming’ rather than ‘player health’ or similar destigmatising language promoted by the Player Health Strategy. This is expected to be rolled out once this terminology is finalised.

⁸⁵ Email to the OSM from Luke Overman, 6 June 2023.

⁸⁶ The Responsible Gaming team staffed a booth in a high-traffic employee area to provide information about the team and its services.

⁸⁷ Data provided by Crown on 12 May 2023.

⁸⁸ Crown, Communications Plan – Player Wellness, Draft, 21 April 2023.

⁸⁹ Responsible Gaming muster data provided to the OSM on 12 and 14 April 2023.

5.5.2 Encouraging customers to gamble safely

Effective external communication of RSG needs to reach different cohorts of Crown's customers. It should clearly communicate Crown's commitment to safer gambling and direct customers to resources and services to assist with minimising gambling harm.

Crown uses a range of channels to inform customers about safer gambling, including casino floor signage, ATM signage, pamphlets, direct engagement by employees, and its website. The Responsible Gaming team, assisted by the Marketing team, is currently progressing a marketing plan for 2022/23, with clear objectives to generate awareness, educate customers and improve openness to RSG and the Responsible Gaming team.

Customer communications have been focused on YourPlay, with a multi-phase marketing campaign successfully encouraging uptake of YourPlay. By the end of May 2023, Crown had significantly increased the percentage of carded sessions registered with YourPlay from 2 per cent in October 2022⁹⁰ to 57 per cent.⁹¹ Crown will need to consider how it adapts its customer communications to encourage uncarded cohorts to sign up for YourPlay as it nears the December 2023 deadline for the implementation of mandatory carded play and pre-commitment.

In late April 2023, Crown launched new messaging on the casino floor encouraging customers to take a break. These feature a range of images of different customer personas displayed prominently in the casino with messaging in several languages. Crown has committed to monitoring and evaluating the effectiveness of this campaign.

As with employee communications, the language to be used in external communications, such as 'player health' or 'player wellbeing', is yet to be finalised. Findings from the Player Health Strategy's Baseline tracking and dashboard initiative will be used to inform phrasing that resonates with customers.

5.6 Monitoring and responding to customers at risk

For Crown to have an effective RSG program, it is crucial that it is monitoring and responding to customers at risk of gambling harm in a consistent, customer-centred and timely manner. Further, compliance with its Gambling Code obligations to monitor its customers and intervene to prevent harm is a condition of Crown's licence.

Crown employs a variety of tools to help employees effectively identify and monitor customers for risk of gambling harm, including:

- visually monitoring customers for observable signs in line with the Gambling Code and recording customer interactions in the RG Register
- monitoring and responding to play period alerts in line with the Play Periods Policy⁹²

⁹⁰ Crown Melbourne, EGM Mandatory Carded Play, EGM Mandatory Pre-Commitment, Steering Committee presentation, April 2023, p. 9.

⁹¹ Crown Melbourne, EGM Mandatory Carded Play, EGM Mandatory Pre-Commitment, Steering Committee presentation, June 2023, p. 12.

⁹² Crown's current Play Periods Policy is outlined in the Crown Resorts Limited Responsible Gaming Policy.

- running the Crown Model,⁹³ an algorithmic tool that generates a list of patrons for RGAs to monitor because they exhibit behaviour suggesting that they may be at risk of gambling harm.

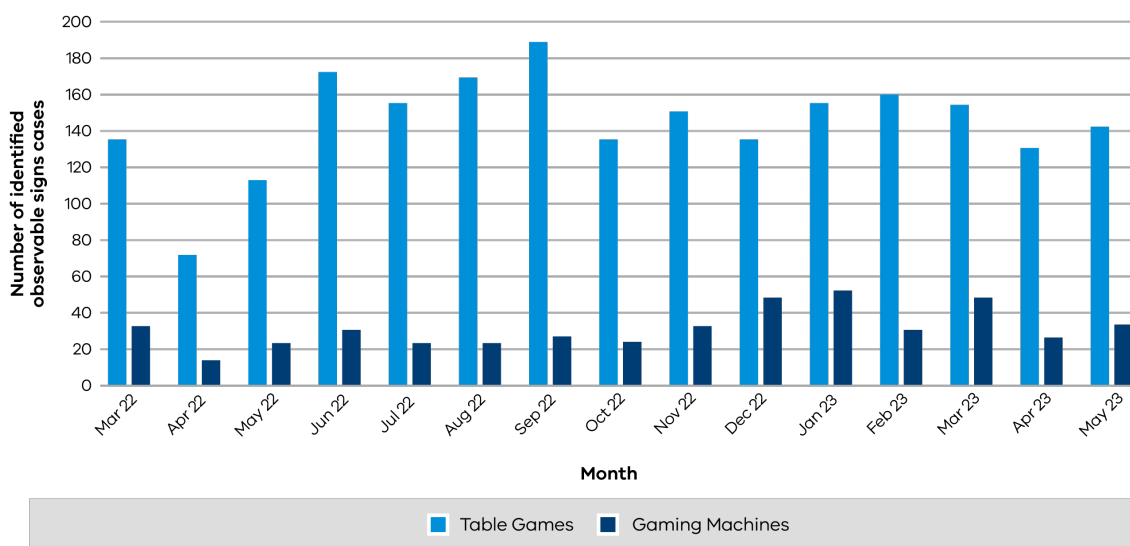
In the Special Manager’s December 2022 interim report, the OSM assessed the design of new policies and procedures for monitoring customers for harm created in response to the Finkelstein Report findings. In this reporting period, the OSM’s assessment has focused on analysing the RG Register, in which all interactions between RGAs and customers are recorded. As part of this, the OSM has sought to develop a more detailed understanding of trends in the Responsible Gaming team’s interactions with customers and has tested how current policies and procedures are being applied in practice.

OSM focus groups held with Gaming Machines and Table Games employees also provided frontline employees’ perspectives on their role to monitor for, and respond to, observable signs.

5.6.1 Monitoring for, and responding to, observable signs

Frontline employees, in particular Gaming Machines and Table Games employees, play an important role in monitoring customers for observable signs and escalating⁹⁴ to the Responsible Gaming team as appropriate. These teams are escalating approximately 400 per cent⁹⁵ more cases to the Responsible Gaming team than they were in 2019, although the increase comes from a low base in 2019. Currently, between three and 19 observable signs cases are identified and escalated to an RGA each day. The number of escalated cases has remained relatively steady between March 2022 and May 2023 (Figure 3), although it was reported in the June 2023 Executive Risk and Compliance Committee papers that recent months had seen a decline.

Figure 3. Observable signs cases escalated to Responsible Gaming, March 2022 to May 2023



Note: ‘Cases’ may not refer to unique customers.

Source: OSM analysis of RG Register, March 2022 to May 2023.

⁹³ The Crown Model was initially developed in 2019 in response to the recommendations in the Victorian Commission for Gambling and Liquor Regulation’s *Fifth Review of the Casino Operator and Licence*, June 2013.

⁹⁴ Crown calls these ‘referrals’ to the Responsible Gaming team. To avoid confusion with Crown referring customers to support services, ‘referrals’ are here referred to as ‘escalations’ to the Responsible Gaming team.

⁹⁵ Crown Melbourne, Responsible Gaming dashboard, April 2023.

The Gaming Machines and Table Games teams have different approaches to resourcing RSG, which may influence the effectiveness of monitoring for observable signs. The Table Games team has a dedicated Player Welfare team to monitor customers, whereas the Gaming Machines team relies on escalation of concerns to an Area Manager. The RG Register data suggests that the majority of observable signs cases are escalated to Responsible Gaming by the Table Games team.⁹⁶ The Gaming Machines team is escalating more cases since the Finkelstein Royal Commission but much fewer than the Table Games team. The lower level of escalations might be explained by factors such as:

- insufficient resourcing of the Gaming Machines team to identify observable signs and escalate as required. A Gaming Machines team member participating in Crown’s focus groups in Melbourne noted that identifying and escalating observable signs is ‘just an additional task we have to do’ and that the Table Games team does it ‘better’ because it has created a dedicated Player Welfare team.⁹⁷
- the nature of table games, which involve more direct human interaction between employees and customers, thus potentially making it easier for Table Games employees to observe signs of gambling harm. To make the same observations of customers using electronic gaming machines (EGMs), employees need to more purposefully observe or interact with customers, who face the machine when gambling.

Participants in the OSM focus groups from the Gaming Machines and Table Games teams indicated they were confident in their knowledge of observable signs due to the training they had received, and provided examples of interactions with customers. However, more data is required regarding whether these interactions are occurring consistently and whether they are effective in practice. There is some evidence to suggest that not all employees see RSG as their responsibility, as shown in the following snapshot.

Snapshot: Frontline employee understanding of RSG roles and responsibilities

Crown Melbourne’s operating model and resourcing for RSG relies on all frontline employees monitoring for gambling harm and escalating as required. Genuine buy-in from frontline employees, as well as support from their managers, is crucial to effectively executing Crown’s RSG policies and procedures. It is therefore important for all employees to understand their roles and responsibilities in relation to RSG.

The OSM has used a range of information sources to establish whether frontline employees understand their RSG roles and responsibilities, including insights gathered from OSM focus groups, Crown’s 2022 ‘Your Voice’ employee survey and incidents recorded in the RG Register and reported to the VGCCC.

Results of the ‘Your Voice’ survey suggest that employees recognise the importance of RSG and understand how their role supports its effective delivery.⁹⁸ It remains to be seen if Crown has achieved new behavioural norms and genuine buy-in, as the following examples indicate:

- Gaming Machines participants in the OSM focus groups felt their jobs had become ‘compliance-focused’ and that this has a negative impact on customer service. Responses to the ‘Your Voice’ survey also suggest that some frontline employees perceive that change has been driven by

⁹⁶ Crown Melbourne, RG Register, March 2022 to March 2023.

⁹⁷ Mercer, *Crown Culture Survey and Analysis Report*, 25 May 2023, p. 27.

⁹⁸ Mercer, *Crown Culture Survey and Analysis Report*, 25 May 2023, p. 25.

legislation and the threat of Crown losing its casino licence rather than by a desire for cultural change related to RSG.⁹⁹

- A common theme across OSM focus groups was a perceived inconsistency in the capability and conduct of supervisors and managers in relation to RSG. Table Games participants cited several instances where an observable sign was identified and escalated to their supervisor, only for the supervisor to not take action.
- A compliance incident occurred in March 2023, where a Customer Service Attendant encouraged a customer to set a higher YourPlay limit.¹⁰⁰

Differing approaches to recording RSG interactions between the Gaming Machines, Table Games and Responsible Gaming teams may also make it difficult for Crown to internally monitor its compliance with the Gambling Code. For example, the Gaming Machines team records information on 'low-level' observable signs in a separate register, in a different format and software to the RG Register. This database does not appear to link with the RG Register and does not collect the same information. Compliance with VGCCC Rules 9 and 10¹⁰¹ related to multiple machine play and use of picks¹⁰² (or any other item to depress an EGM button continuously) is monitored by the Gaming Machines team in this separate register. Rules 9 and 10 are linked to RSG concerns, but comparative analysis of the Gaming Machines team's records and the RG Register suggest that only customers who repeatedly engage in multiple machine play are referred to the Responsible Gaming team.

The Responsible Gaming team should work with the Gaming Machines team and the Table Games team to ensure that data sets are accurate and appropriately integrated to ensure effective monitoring of Crown's compliance with the Gambling Code and other related regulatory obligations. As part of this work, the teams should also consider if further guidance is required to assist employees in determining what is a low-level observable sign, and what is an observable sign that should be referred to an RGA.

5.6.2 Monitoring play period alerts

The Special Manager's December 2022 interim report noted that Crown's real-time play period monitoring represents a significant improvement in compliance with its Play Periods Policy. Crown's improved monitoring and recording of play periods demonstrates that it has increased observation of and interactions with customers (Table 4).

⁹⁹ Mercer, *Crown Culture Survey and Analysis Report*, 25 May 2023, p. 26.

¹⁰⁰ Crown Resorts, Letter to Mr Adam Ockwell from Ms Carol Kemp, received by email on 27 April 2023.

¹⁰¹ VGCCC, Gaming Machine Rules (Casino), 28 April 2022.

¹⁰² 'Button picks' are devices that allow customers to play continuously on an EGM without needing to re-press a button for a new spin. The use of picks was banned by the VGCCC in 2019 as their use may increase the risk of gambling harm (VGCCC, *Regulator bans plastic picks at Melbourne Casino*, Media Release, 7 March 2019).

Table 4. Salesforce data on play period alerts and outcomes for selected weeks

Week	Total play period alerts	Discussion with the customer	Customer advised to leave	Customer could not be located
Week ending 4 December 2022	4,502	2,469	236	1,654
Week ending 29 January 2023	5,476	2,797	284	2,099
Week ending 16 April 2023	5,262	3,044	230	1,746

Source: Crown Melbourne, Salesforce Play Period Statistics, received by the OSM on 27 April 2023.

While Crown Melbourne has increased its customer observation and interactions, more data is required to assess whether employees are implementing the Play Periods Policy in a timely and consistent manner:

- There is evidence in the RG Register of Crown employees asking customers to leave at 12 hours, but customers are not always removed from the gaming floor if they do not leave voluntarily. The RG Register includes examples of customers moving to a different pit or being caught playing uncarded after being asked to leave.¹⁰³ The Responsible Gaming team indicates that customers are removed by security employees, if necessary, but there is no evidence to confirm this is occurring systematically.
- Approximately one-third of play period alert outcomes are 'cannot locate customer'.¹⁰⁴ This may be because the customer has left the casino (less than 1 per cent of alert outcomes confirm the customer is off-site) or because the customer is evading detection by moving locations and playing uncarded.¹⁰⁵ The large proportion of alerts ending in 'cannot locate customer' suggests that employees may not be responding to alerts in a timely manner. Crown does not currently collect and report data on how long it takes employees to respond.
- There is evidence that Crown employees are encouraging customers to take a break at three hours, but are not currently enforcing whether customers take an 'adequate break' after three hours.¹⁰⁶ In the week ending 16 April 2023, Salesforce recorded 1,739 three-hour continuous play alerts. Only four three-hour alerts resulted in an adequate break.¹⁰⁷ The majority of alerts resulted in a discussion with the relevant customer.
- An issue was identified at Crown Sydney in mid-April 2023 whereby some alerts were not showing up in Salesforce, resulting in missed cases. The Executive Risk and Compliance Committee was informed in May 2023 that 666 cases had been identified at Crown Melbourne where Salesforce did not issue an alert.¹⁰⁸ An interim solution has been put in

¹⁰³ Crown Melbourne, RG Register, March 2022 to March 2023.

¹⁰⁴ Crown Melbourne, Salesforce Play Period Statistics (weeks ending 4 December 2022, 29 January 2023 and 16 April 2023), received by email on 27 April 2023.

¹⁰⁵ Crown Melbourne, Salesforce Play Period Statistics (weeks ending 4 December 2022, 29 January 2023 and 16 April 2023), received by email on 27 April 2023.

¹⁰⁶ The current Crown Resorts Responsible Gaming Policy does not mandate a break at three hours for Crown Melbourne, but mandated breaks will be introduced as part of 'casino play periods' in the new Gambling Code.

¹⁰⁷ Crown Melbourne, Salesforce Play Period Statistics (week ending 16 April 2023), received by email on 27 April 2023.

¹⁰⁸ Crown Melbourne, Responsible Gaming Report, Executive Risk and Compliance Committee papers, 17 May 2023, p. 2.

place while the IT team fixes the issue, and the Responsible Gaming team plans to have discussions with affected customers.

The case study following provides an example of how Crown is monitoring, interacting and responding to cases of gambling harm associated with long periods of play.

Case study (c): Customer A breaches the Play Periods Policy over an extended period of time

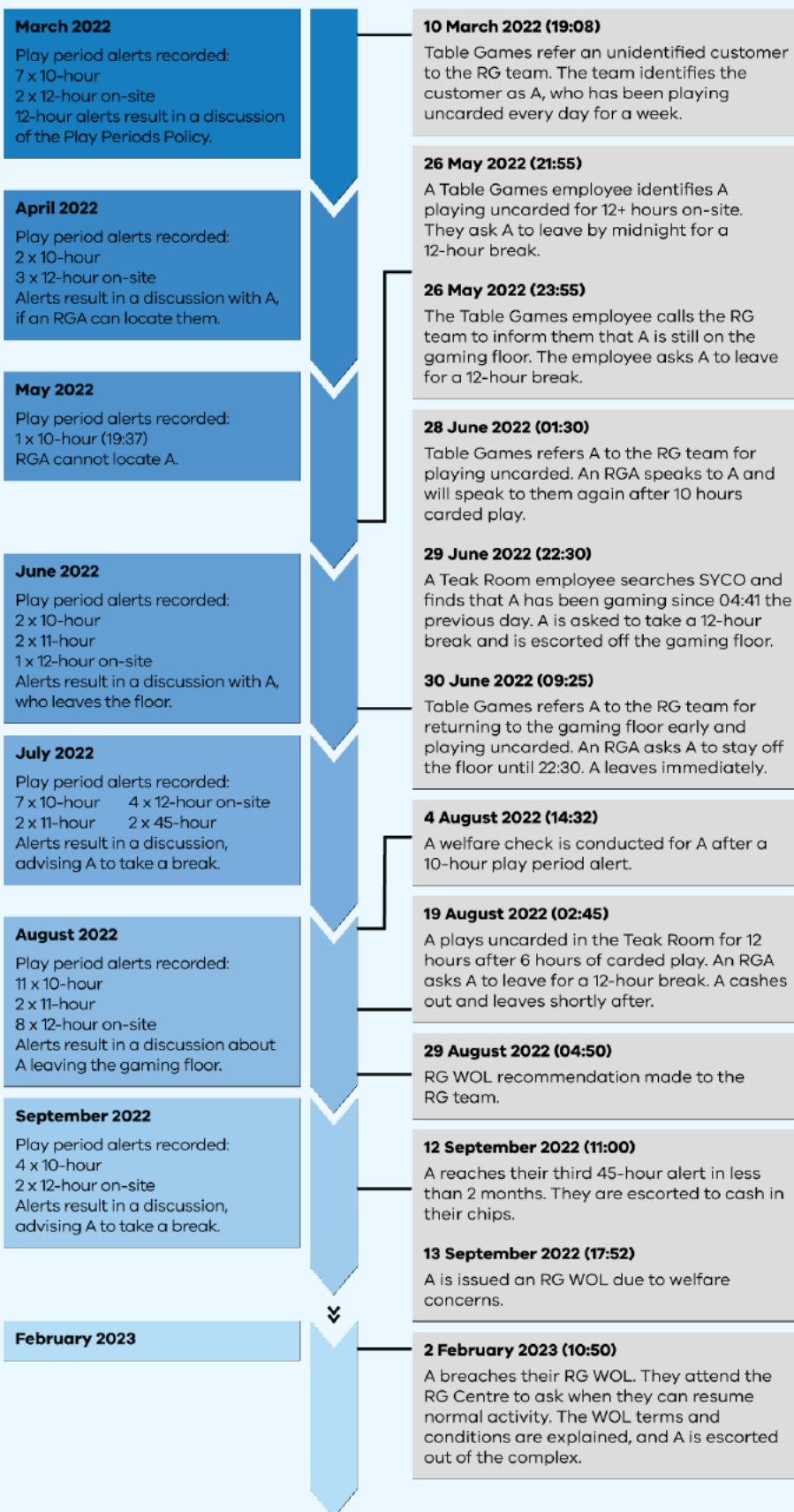
The Finkelstein Report notes instances of Crown customers gambling for 12 hours or more without any observation or employee interaction. In some cases, employees encouraged customers to gamble more, rarely asking them to take breaks. This case study considers whether Crown is complying with its current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

To test Crown's current practice, the OSM analysed entries in the RG Register from 1 March 2022 to 31 March 2023. It identified customers who played for 12 hours or more, one of whom was Customer A.

The timeline shows that A consistently breached the Play Periods Policy for nine months leading up to September 2022. On one occasion, the customer gambled for more than 48 hours over a seven-day period. Crown escorted the customer off the gaming floor on some, but not all, occasions when they had gambled for 12 hours without an adequate break. Crown allowed Customer A's harmful gambling to continue for nine months before issuing an RG withdrawal of licence (WOL) in September 2022.

In contrast to the lack of engagement revealed during the Finkelstein Royal Commission, the RG Register indicates that frontline employees are having welfare conversations with customers when they have been gambling for long durations. The Register also confirms that employees are identifying some customers who are playing for long periods of time uncarded. The OSM's analysis suggests there remains scope for Crown to intervene earlier to ensure that customers leave the gaming floor once play period thresholds are reached.

RG Register comments indicate that the RG team had concerns about Customer A's welfare for at least 3 months before March 2022.



The OSM acknowledges that Crown's technological challenges make it difficult for employees to detect when customers do not comply with break requirements. Crown needs to develop a plan to ensure that it enforces customers taking breaks in an appropriate way. While Crown policy does not currently mandate a break at three hours, this will change once mandated casino play periods come into force under the revised Ministerial Direction.¹⁰⁹ A technical solution scheduled to be implemented in 2024 is expected to automate the enforcement of breaks for EGM customers. In the meantime, Crown will need to ensure that employees are adequately monitoring play periods.

Crown has engaged PRET Solutions to prepare an independent evaluation of the existing play periods tool (alongside the Crown Model)¹¹⁰ in response to an outstanding recommendation from the *Sixth Review of the Casino Operator and Licence*. This is expected to be delivered in the next reporting period and should be factored into the design and implementation of Crown's play periods monitoring solution.

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 suggested that Crown would implement an 18-hour time limit with interventions at 12, 14 and 16 hours for international premium program players staying fewer than seven days.¹¹¹ Crown advised this policy is now obsolete, but the OSM understands it is considering different play periods to be applied for players under its proposed Premium Player Rebate Program. The OSM would expect this policy to be reflected in Crown Melbourne's proposal for a Premium Player Rebate Program (discussed in section 6.7) and communicated and enforced with these players.

5.6.3 Using algorithms to monitor players at risk and risky play

Crown has continued to investigate options to identify and monitor risky play and at-risk players more effectively using data and technology. Given the move to carded play, Crown has rightly shifted focus to tools that will enable it to monitor EGM play in a carded environment. Therefore, it is no longer participating in the research project with Focal Research to better monitor EGM play in an uncarded environment.

Crown is exploring technology solutions to monitor uncarded play in relation to table games. The OSM attended demonstrations of a 'Smart Table' for baccarat in May 2023, which was being tested for use to control for RSG and financial crime concerns. Carded play will not be required to be implemented for table games until December 2025, so Crown should continue to prioritise investigation of tools to monitor uncarded table games. However, digital solutions to monitor table games are expected to be complex and are likely to be world-leading if they can be adapted to monitor RSG concerns (noting they are primarily designed to ensure gaming integrity).

PRET Solutions' evaluation of the play periods monitoring tool will also cover the effectiveness of the Crown Model for identifying at-risk customers. This evaluation will inform the best choice of algorithmic tool for monitoring play in the long term and is expected to be delivered during the next reporting period.

¹⁰⁹ Ministerial Direction, Responsible Gambling Codes of Conduct, 20 March 2023. Section 5.1 of the Direction requires Crown to 'take reasonable steps to require a patron to take an uninterrupted break in play' at various points. 'Reasonable steps' means actions within the reasonable and practicable control of Crown, including with reference to commercially available technology and other practicalities. This must be implemented by 20 September 2023. See also section 5.9.2.

¹¹⁰ A predictive model that generates a list of customers for RGAs to monitor, as they exhibit behaviour suggesting that they are at risk of experiencing gambling harm.

¹¹¹ Blackburn, S, Responsible Gaming Enhancements, Memorandum to the Crown Resorts Board, 24 May 2021.

5.7 Exclusion and related programs

As noted in the December 2022 interim report, Crown Melbourne must provide a Self-Exclusion Program as a condition of its licence.¹¹² Crown Melbourne is also required to ensure that customers who have been excluded are not able to visit the casino and to provide a revocation process whereby customers can only return to the casino when certain criteria have been met.

Crown's Exclusion Program comprises:

- Self-Exclusion, where customers can elect to exclude themselves from gambling for a minimum of 12 months. Self-exclusion legally prohibits the person from entering any Crown casino
- 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 people who are reluctant to self-exclude.

Deficiencies related to the program noted in the Finkelstein Report included:

- employees not encouraging customers to use the program, and sometimes even discouraging them from using it
- failures to prevent self-excluded customers from entering the casino.

The Special Manager's December 2022 interim report noted that Crown had not changed its Exclusion Program significantly since the Finkelstein Report but had identified improvements to enhance accessibility of the program and strengthen the revocation process.

The OSM's assessment in this reporting period has focused on:

- Crown's progress in actioning recommendations to improve the accessibility of the Exclusion Program
- whether Crown employees are supporting customers to self-exclude and access counselling
- whether Crown is effectively monitoring and enforcing exclusion orders to ensure self-excluded customers do not enter the casino
- whether Crown is effectively monitoring customers who return to gambling after a self-exclusion to ensure they do not experience further gambling harm.

Crown had originally proposed in its MRAP to align approaches to self-exclusion across its properties but chose not to pursue a centralised approach, which the OSM considers is reasonable given differences in regulatory requirements between states. This change to the MRAP was approved by the Transformation Steering Committee in June 2023.

Instead, it is important for Crown to continue to focus on responding to issues identified by an internal audit on self-exclusion and in relevant current state assessments to ensure the Exclusion Program is continually improved. The Internal Audit team reported to the OSM that the self-exclusion audit is closed and the OSM sought evidence to demonstrate this. As noted in

¹¹² 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).

section 7.2.3, the OSM will look at the extent to which Crown is implementing internal audit recommendations on a timely basis in the next reporting period.

One of the May 2021 enhancements was for Crown to support a state-wide exclusion register. As noted in the December 2022 interim report, this initiative is challenging to progress without support from other industry participants.

5.7.1 Improving awareness and accessibility of the Exclusion Program

The Responsible Gaming team has reviewed, but is yet to significantly progress, the improvements identified in the Special Manager's December 2022 interim report to increase awareness of its Exclusion Program. Improvements to accessibility of the program via online channels have been incorporated into the Player Health Strategy initiatives.

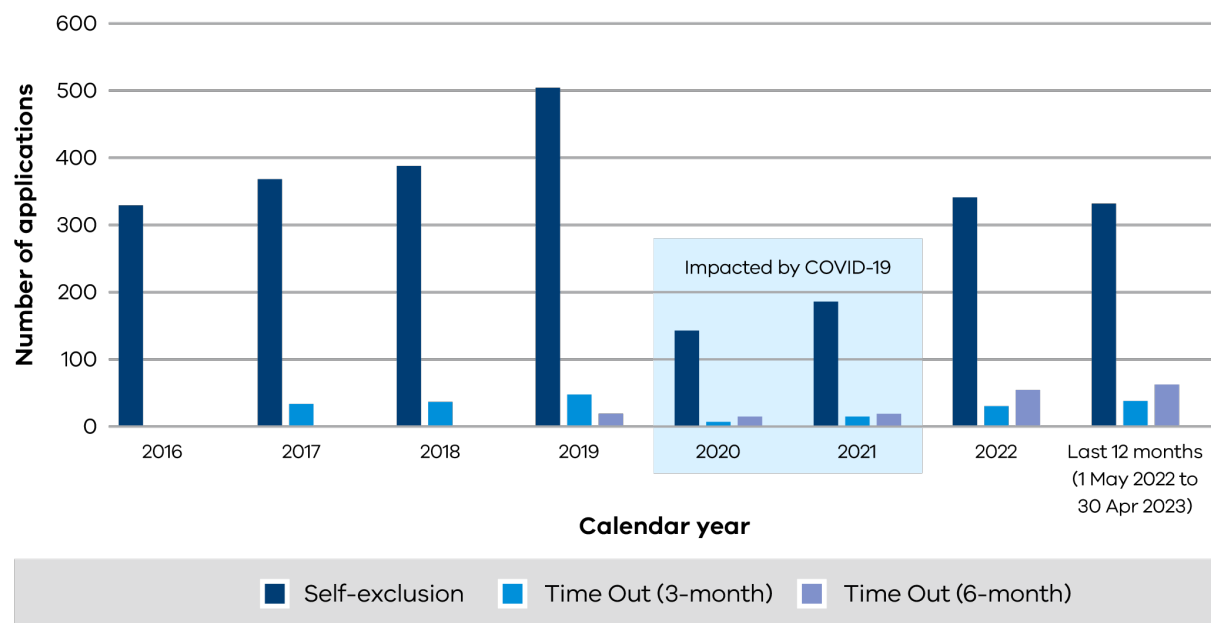
The RG Register shows instances of employees responding to customer queries about self-exclusion, but there is less evidence of employees initiating conversations with customers about self-exclusion. In comparison, the RG Register records a much greater focus on explaining the Play Periods Policy. This could either be because self-exclusion is not being discussed, or the RG Register is not being used to capture conversations about self-exclusion.

The Crown Melbourne loyalty study (see section 5.8.1) found that, among all Crown Rewards members who responded to the survey, 59.6 per cent indicated that they were unaware of the availability of self-exclusion or Time Out options at Crown.¹¹³ This suggests that welfare conversations could have a greater focus on educating customers about these options to take a break from gambling.

Crown has advised its Time Out Program is targeted at improving the accessibility of taking a break. As noted above, Time Outs are for shorter periods of three or six months; they also automatically cease on expiry. This contrasts with self-exclusions, which have more stringent requirements for revocation. Figure 4 shows the number of Time Outs and self-exclusions taken out at Crown Melbourne since the program's introduction in 2017. The number of self-exclusions taken out in the last 12 months is similar to the number of self-exclusions that were taken out in 2016 before the Time Out Program was introduced.

¹¹³ DBM Social Research, *The Relationship Between Crown Rewards Program and Problem Gambling (Crown Melbourne)*, March 2023, p. 9.

Figure 4. Self-exclusion and Time Out applications at Crown Melbourne, 2016 to 2023



Note: Time Out was introduced in 2017 as a 90-day option, and from 2019 was offered as either a three-month or six-month option. Since 2020, exclusion rates have been significantly impacted by closures and decreased visitation related to COVID-19.

Source: Data on self-exclusion and Time Out provided to the OSM by Crown on 29 May 2023.

Despite commencing in 2017, the Time Out Program is still in pilot mode. Crown Melbourne should consider evaluating the program to understand whether Time Out is effective in encouraging customers to take a break and minimising gambling harm. As mandatory carded play, pre-commitment and the revised Gambling Code are rolled out, Crown will also need to consider how casino-enforced breaks (such as Time Outs) and exclusions more broadly align with self-enforced breaks that carded technology enables.

5.7.2 Supporting customers to self-exclude and access counselling

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

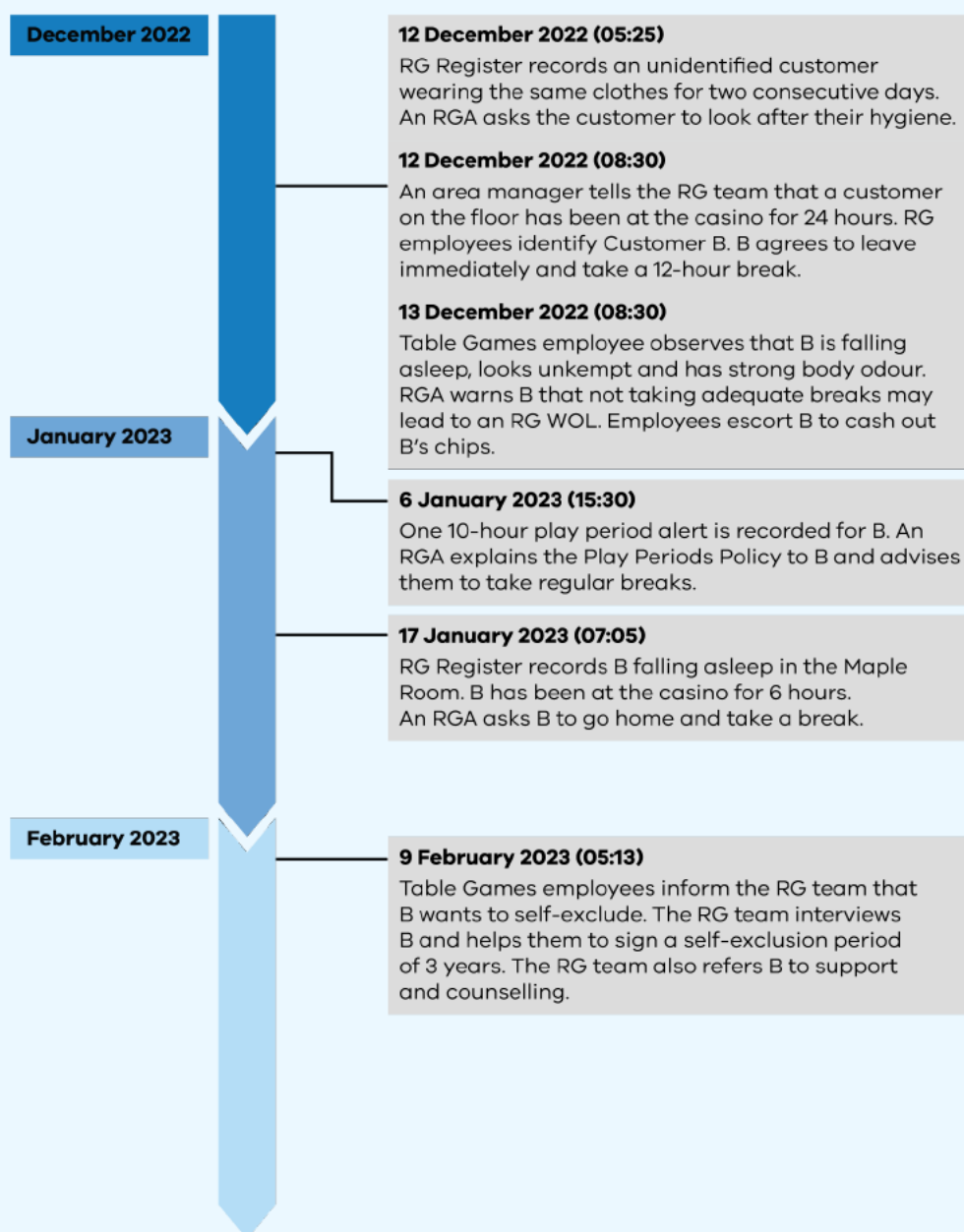
The RG Register captures all instances of customers seeking information on self-exclusion and details the nature of welfare conversations held with customers. The OSM's analysis of the RG Register suggests that employees are referring customers who wish to self-exclude to the Responsible Gaming Centre. The case study following provides an example of Crown employees assisting a customer when they had disclosed that they wished to exclude.

Case study (d): Customer B informs a Table Games employee that they want to self-exclude

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

To understand current practices, the OSM analysed entries in the RG Register from 1 March 2022 to 31 March 2023 and identified customers at various points in the self-exclusion process. One of these customers was Customer B.

Over two months, Table Games employees identified that Customer B was showing observable signs of gambling harm, including playing for long periods. The customer requested to self-exclude.



The RG Register indicates that frontline employees are observing and recording signs of gambling harm, and that RGAs are interacting with those customers in a timely way. It is unclear from the RG Register entries whether Customer B received information about self-exclusion and/or referrals to support and counselling over the two months when they were displaying observable signs, but Crown employees acted promptly to establish a three-year self-exclusion once the customer asked.

It is considered that a better practice exclusion program links to a ‘warm’ referral process for help-seeking: that is, Crown contacting a counselling service either on behalf of or with the customer, rather than only providing contact information for the customer to follow up themselves.

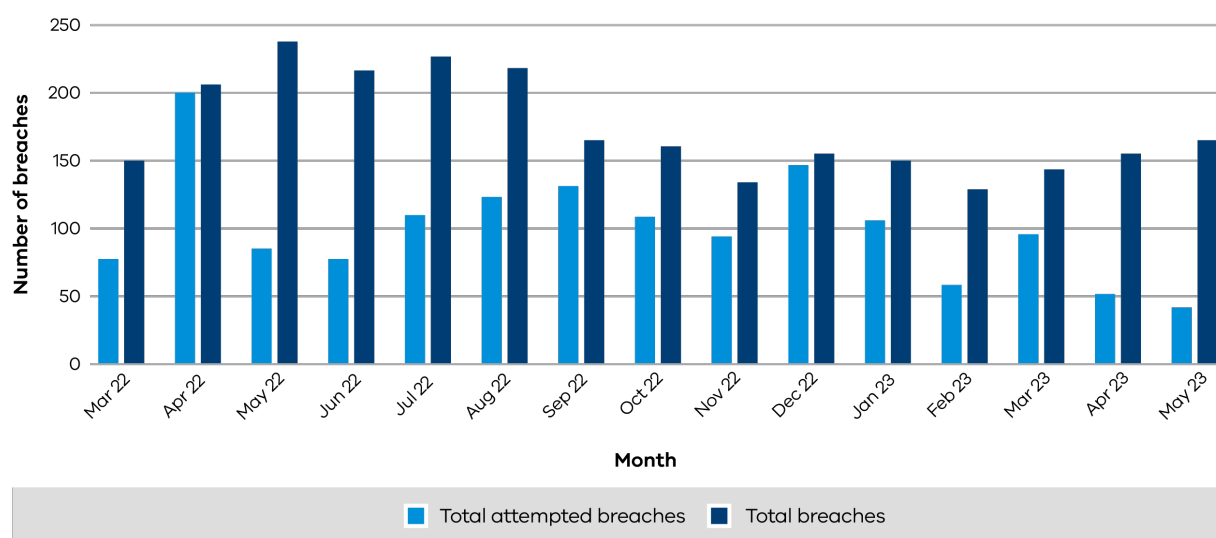
Crown has an opportunity to improve its engagement with referral organisations. It has commenced a referral network optimisation project as part of the Player Health Strategy and is consulting more comprehensively with multicultural Gamblers Help service providers. It is also in the process of establishing a community liaison committee.

5.7.3 Enforcing exclusion orders

Effective monitoring of excluded customers and enforcement of exclusion orders to reduce breach activity is required by regulation and minimises those customers’ risk of further gambling harm. Crown uses facial recognition technology (FRT) and Neoface software to monitor exclusion breaches. The Special Manager’s December 2022 interim report highlighted that there had been an increase in identified breaches since March 2022, but difficulties in interpreting the data because of COVID-19-related closures meant the reasons for this increase were unclear.

The number of actual breaches¹¹⁴ is a key indicator of the effectiveness of Crown’s procedures for enforcing exclusion orders. The number of verified exclusion breaches decreased from close to 250 in May 2022 to approximately 150 in May 2023 (Figure 5).

Figure 5. Exclusion breaches at Crown Melbourne, March 2022 to May 2023



Source: OSM analysis of RG Register, March 2022 to May 2023.

Several factors drive change in detected breach activity, including decreased visitation resulting from COVID-19, the number of customers excluded or issued a WOL, and changes in the placement of FRT cameras.

¹¹⁴ ‘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 were identified and prevented from entering.

Crown Melbourne's Director of Surveillance advised the OSM that only 10 to 20 per cent of all detected breaches are responded to due to time and resourcing constraints. When a breach is accurately identified, enforcement of the exclusion relies on:

- the Surveillance team having sufficient resources to assess the Neoface alert, monitor the customer on surveillance cameras, and escalate the alert as required
- the Security and Responsible Gaming teams having sufficient resources to approach the customer and enforce exclusion in a timely manner. If an RGA is not available, Security may still respond but the customer will not be engaged in a welfare conversation.

The Surveillance team advised it prioritises responding to and monitoring for violent persons, and in particular Chief Commissioner exclusions,¹¹⁵ over self-exclusions. While this prioritisation may be reasonable, it risks self-excluded customers gambling on the casino floor if they breach at a time when resources are at capacity.

Carded play may enable Crown to more effectively enforce exclusions in the long term once appropriate systems are in place, but FRT may still be required to monitor excluded persons playing with another person's card, or alternative controls put in place to ensure this cannot occur. RGAs and Security employees will still be required to ensure customers are engaged in welfare conversations and that those who attempt to breach their exclusion order are removed from the gaming floor.

While breach activity is still occurring, the Responsible Gaming team has been issuing a greater number of WOLs to customers with multiple self-exclusion breaches. Customers issued a WOL are banned from the entire Crown property rather than just the gaming floor. Crown Melbourne's use of WOLs is discussed further in section 8.3.

5.7.4 Revocation decision making and monitoring

Crown has responded to deficiencies identified in the Special Manager's December 2022 interim report by more consistently aligning Gambling Resumption Plans with Crown RSG policies – such as limiting duration of play to only three hours per session and requiring both carded play and YourPlay registration.

Crown has consistently monitored customers returning from exclusion to ensure they play within their agreed Gambling Resumption Plans at the three, six and 12-month mark. It has recently introduced a follow-up review at nine months to address the risk that customers will start to deviate from their agreed plan and place themselves in a position where they can again experience gambling harm. The case study following illustrates Crown's current practices for monitoring customers after their self-exclusion has been revoked.

¹¹⁵ These are exclusions made by the Chief Commissioner of Police in Victoria, or in another state.

Case study (e): Customers C and D return to gambling after a self-exclusion

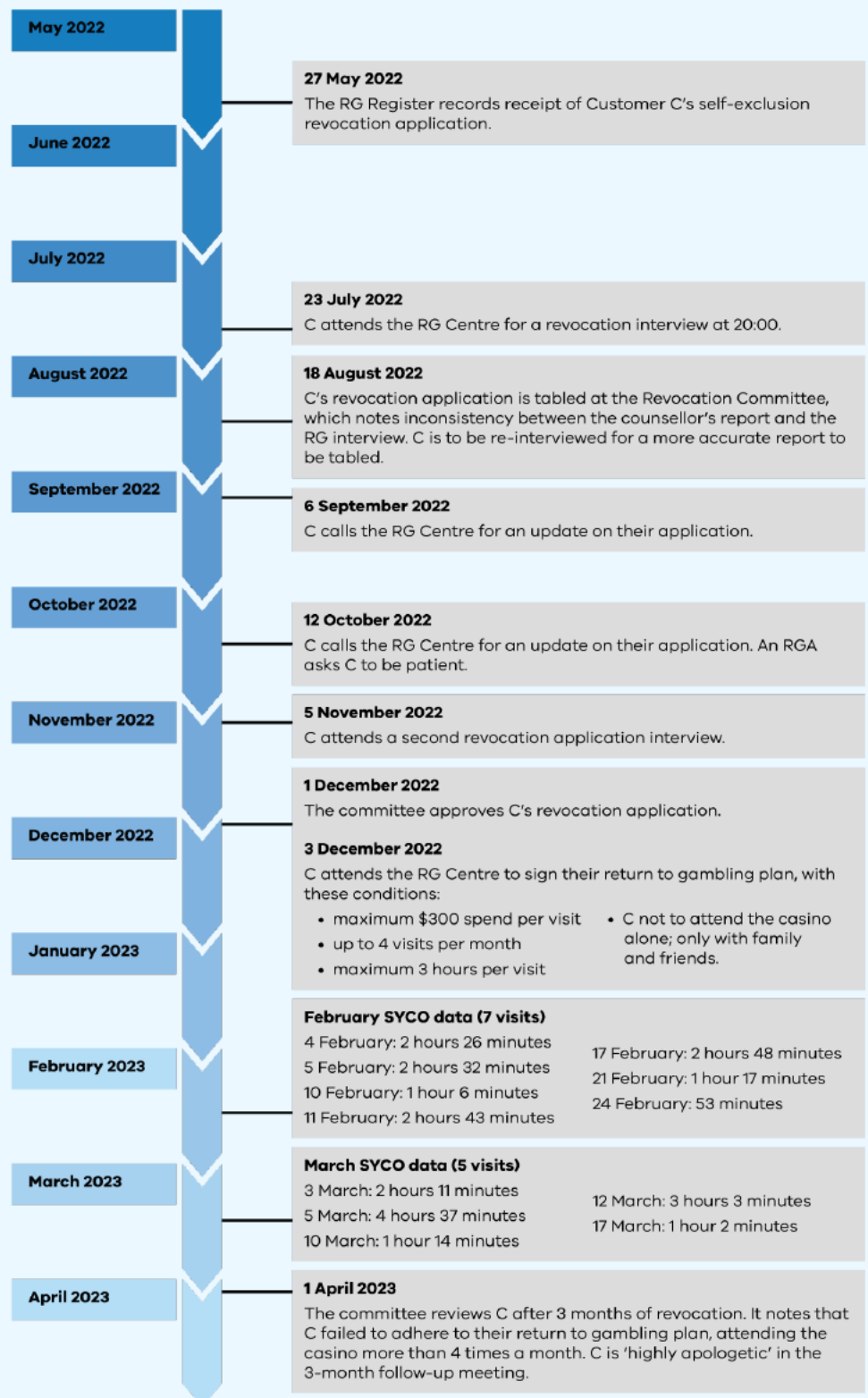
The Finkelstein Report identified that a large number of customers engaging in risky gambling were likely escaping attention. Customers who have previously self-excluded are likely to be at high risk of gambling harm, and as such the OSM has selected this cohort to understand how Crown’s monitoring practices have improved. These case studies aim to illustrate whether Crown is monitoring customers during their return to gambling after their self-exclusion has been revoked.

To understand Crown’s current practices, the OSM analysed entries in the RG Register from 1 March 2022 to 31 March 2023 to identify customers who had revoked their self-exclusion. Two of these were Customer C and Customer D.

Monitoring a customer who has revoked their self-exclusion

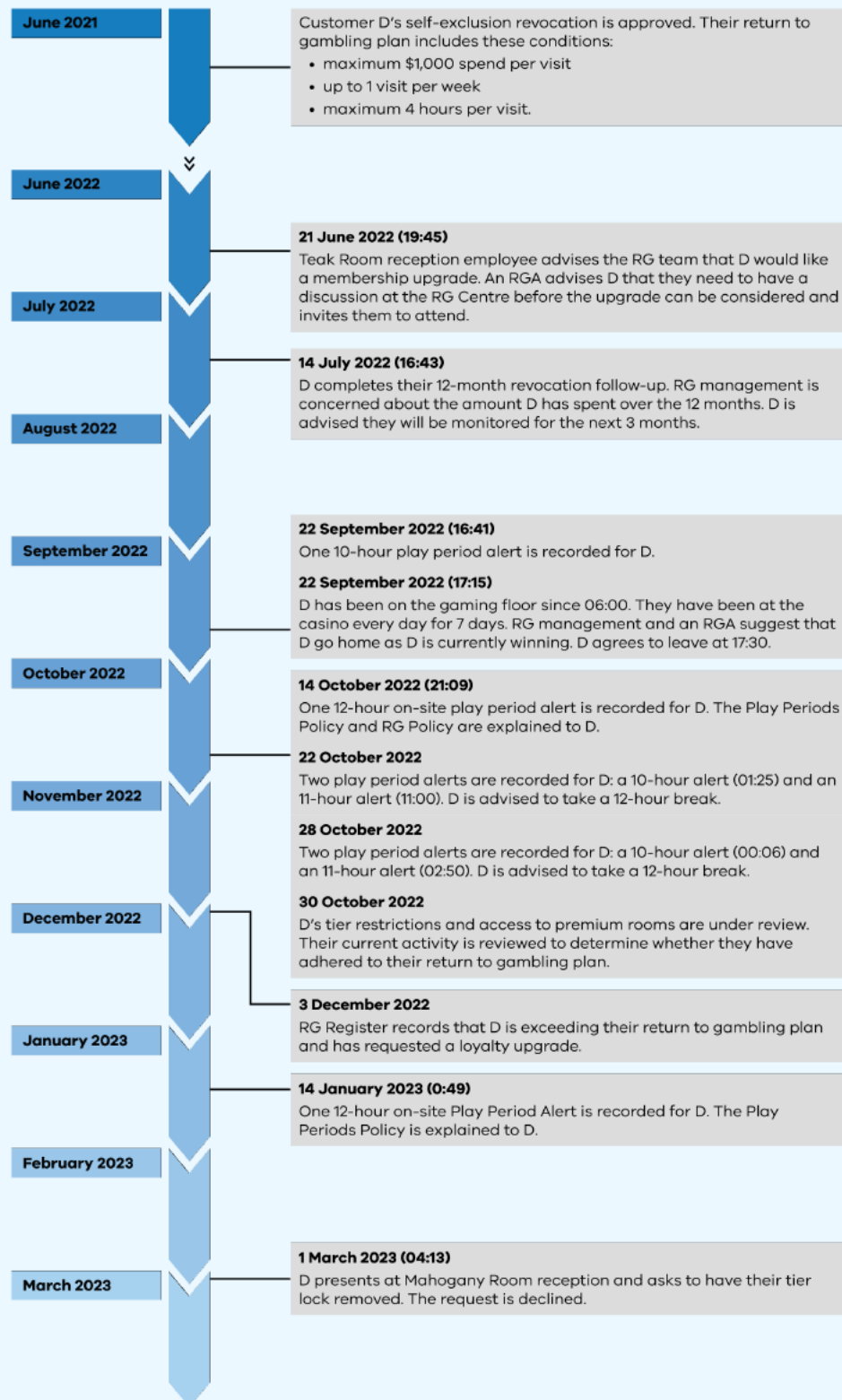
Customer C was seeking to revoke their self-exclusion. Once their application had been approved, the Responsible Gaming team monitored their behaviours in line with their agreed return to gambling plan. Three months after the customer had returned to Crown Melbourne, the Responsible Gaming team interviewed them about their behaviours and the Revocation Committee reviewed their progress.

The RG Register indicates that the Responsible Gaming team is actively monitoring and interacting with customers for 12 months after they return to gambling. Crown Melbourne’s Revocation Committee papers also demonstrate that Crown is reviewing whether customers returning to gambling are complying with their agreed plans, drawing on SYCO data and follow-up interviews.



Monitoring customers who have previously self-excluded

Crown Melbourne monitors customers for up to 12 months after their revocation date. Customer D reached the end of their revocation monitoring period in July 2022. After the 12-month mark, the customer started to spend more time and money gambling.



The RG Register indicates that the Responsible Gaming team continued to monitor Customer D after the 12-month revocation period. Upgrades and access to VIP areas on the customer's loyalty account were subsequently blocked due to continued welfare concerns.

5.8 Loyalty program, marketing and promotions

The Special Manager's December 2022 interim report identified that Crown has been slow to adapt its marketing, promotions and Crown Rewards Loyalty Program to minimise gambling harm. Crown had implemented the May 2021 enhancements to cease the Bingo and Red Carpet programs, and to cease issuing promotional gambling vouchers to Crown Rewards members when they sign up to the loyalty program.

In this reporting period, the OSM has focused on assessing Crown's progress in implementing effective controls on marketing, promotions and the Crown Rewards Loyalty Program.

5.8.1 Loyalty program

A casino loyalty program should avoid features that have been shown to incentivise higher-risk gambling. Unfortunately, many of these features are core to the Crown Rewards Loyalty Program; for example, membership tiers, exclusive rooms and personalised service and being able to earn and spend loyalty points on gambling. The Finkelstein Report 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'.¹¹⁶

Crown proposed to undertake 'research to determine whether aspects of the Crown Rewards Loyalty Program are causing harm and identify measures to control that risk'¹¹⁷ as one of its May 2021 enhancements. However, the Finkelstein Report had called for 'immediate action on this issue' due to existing 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.¹¹⁸

Crown has now completed studies of the impact of its loyalty program on harmful gambling for members in Perth¹¹⁹ and Melbourne,¹²⁰ which identified problematic features of the program, as shown in the following snapshot. The Melbourne loyalty study is provided in Appendix 1, Document 1.13.

Snapshot: Crown Melbourne's study into the effects of the Crown Rewards Loyalty Program

Crown proposed a study examining the effects of the Crown Rewards Loyalty Program as part of the May 2021 enhancements. The study was delayed as a result of COVID-19 casino closures, which affected visitation and gambling behaviours. Crown reported the results of its Perth loyalty study to the OSM in March 2023 and its Melbourne loyalty study in May 2023.

Both the Perth and Melbourne loyalty studies sought to understand the relationship between membership of Crown Rewards and problem gambling classification, gambling harm or increased risky play behaviours. Crown engaged DBM Social Research and Professor Paul Delfabbro (a former member of Crown's Responsible Gaming Advisory Panel) to design and deliver the studies.

¹¹⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 48.

¹¹⁷ Blackburn, S, Responsible Gaming Enhancements, Memorandum to the Crown Resorts Board, 24 May 2021.

¹¹⁸ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 53.

¹¹⁹ DBM Social Research, *The Relationship Between Crown Rewards Program and Problem Gambling (Crown Perth)*, March 2023.

¹²⁰ DBM Social Research, *The Relationship Between Crown Rewards Program and Problem Gambling (Crown Melbourne)*, March 2023.

Methodology

The Melbourne study surveyed 3,408 members and 513 non-members and used Crown data to cross-check how members considered their gambling behaviour against their actual spend. The Problem Gambling Severity Index (PGSI) was used to classify survey respondents as 'problem gamblers' or 'higher-risk' gamblers.¹²¹ In the loyalty studies, individuals with PGSI scores of 8 and above have been categorised as 'problem gambler', and those with scores of 3 and above as demonstrating 'higher-risk gambling'.

Findings

Crown Rewards loyalty members included a higher proportion of problem gamblers than found in the general population. The Melbourne loyalty study identified 16.9 per cent of the sample were likely problem gamblers, compared to 1.1 to 3.2 per cent in the general population and 8.7 per cent as part of the Perth loyalty study. Crown Rewards membership itself did not have a statistically significant impact on the PGSI of members.

Some Crown Rewards features were found to be correlated with higher-risk gambling:

- being in a tier higher than Member (the entry-level tier)
- tier-chasing and increasing expenditure as tier upgrade thresholds approach, or as time to qualify for an upgrade/avoid a downgrade runs out
- seeing value in tier-related perks such as exclusive customer service or access to VIP rooms, and participating in member-only events and earn-and-receive promotions
- participating in status credit multiplier promotions and redeeming rewards points for gambling more frequently.

Together, the findings reinforce the need for Crown to re-design its Crown Rewards Loyalty Program to minimise gambling harm, including in relation to exclusive tier benefits such as VIP rooms, personalised attention and status credit multipliers to achieve tier upgrades (or avoid downgrades).

Crown is yet to significantly reform its loyalty program mechanics in response to the findings of these studies. This gap in Crown's reform efforts requires timely attention as the program continues to incentivise harmful gambling. Delayed action may suggest that harm prevention is not yet clearly embedded in the thinking of all business units across Crown. Reducing this siloing will be key to Crown effectively and sustainably minimising gambling harm longer term.

Crown has extended the tier-status review period from six months to 12 months to reduce the frequency of tier-chasing behaviour throughout the year, and the Responsible Gaming team reviews all customers for any responsible gaming concerns prior to awarding a tier upgrade. Any patron with more than one 'notable incident'¹²² recorded in the RG Register will be declined and re-evaluated for upgrade in 12 months. As an example, in May 2023, the Responsible Gaming team declined 4.2 per cent of pending tier upgrades.¹²³ As the following case study illustrates, while this approach may limit future tier-maintaining expenditure, these controls are inadequate for preventing harmful spend prior to that review point.

¹²¹ The PGSI is a standardised measure for at-risk behaviour based on the common signs and consequences of problematic gambling identified in research (Problem Gambling Severity Index (PGSI), Victorian Responsible Gambling Foundation, 12 April 2019, <<https://responsiblegambling.vic.gov.au/for-professionals/health-and-community-professionals/problem-gambling-severity-index-pgsi>>).

¹²² Notable incidents include four or more 12-hour play period interactions in one month, one or more 36-hour play period interactions in the previous six months, four or more welfare conversations in the last year, four or more observable signs entries recorded in the past six months, and a previous self-exclusion, Time Out or RG WOL where the customer had not returned for a six-month follow up with no RSG concerns.

¹²³ Data provided by the General Manager – Responsible Gaming to the OSM on 31 May 2023.

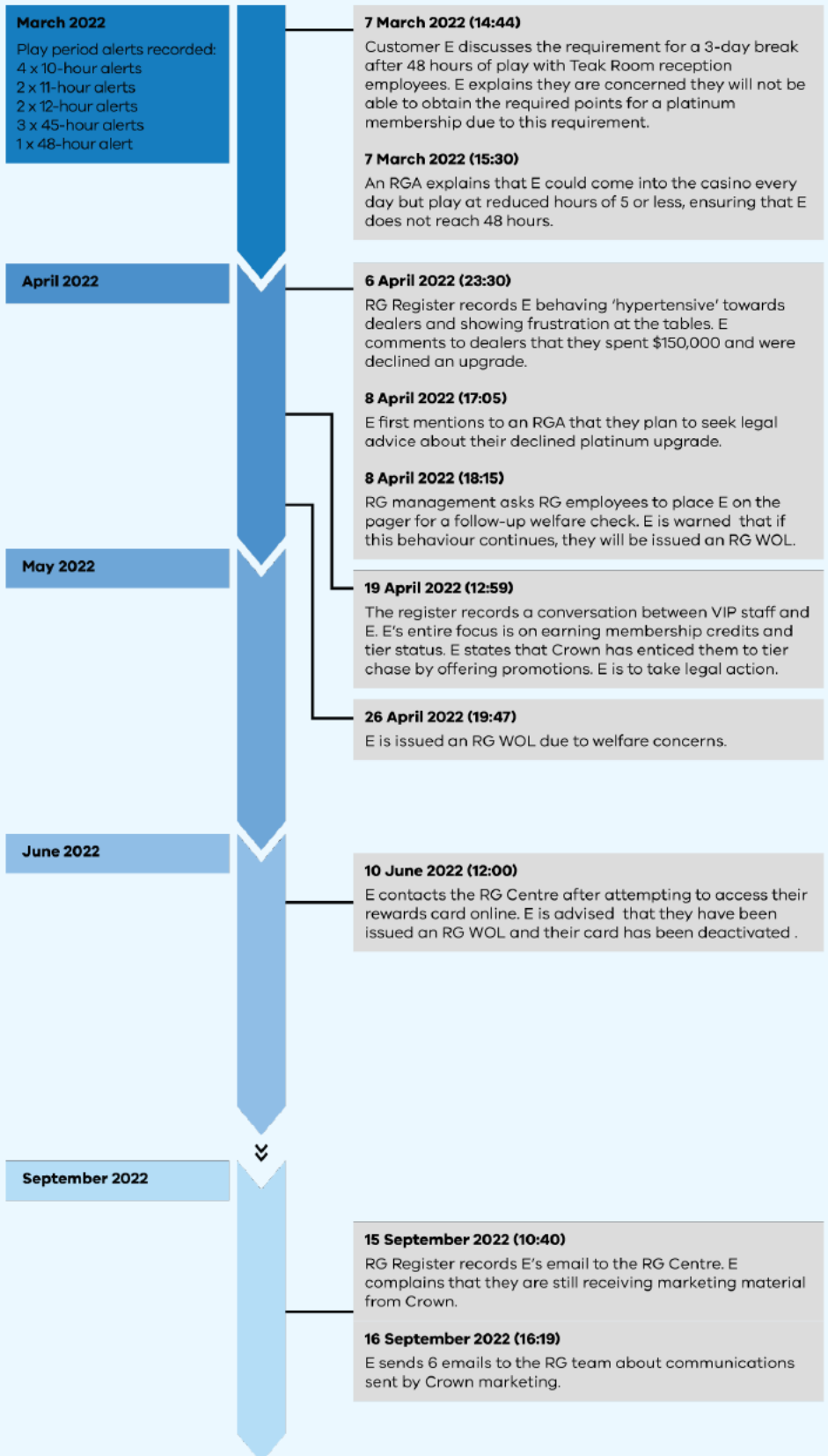
Case study (f): Customer E's tier-chasing behaviour

The Finkelstein Report noted that the Crown Rewards Loyalty Program encouraged high-risk gambling by rewarding high-turnover customers with tier upgrades. This case study considers whether Crown is conducting responsible gaming assessments before approving a customer for a loyalty upgrade.

The OSM analysed entries in the RG Register from 1 March 2022 to 31 March 2023 and identified examples of customers requesting a loyalty upgrade. Customer E was one of these.

In March 2022, Customer E disclosed to Crown employees that they had been spending more time gambling to obtain a platinum member card, which is considered tier-chasing behaviour. Customers need to spend between \$127,500 (through 100 per cent EGM play) and \$842,350 (through 100 per cent Table Games play) every six months to achieve and maintain a platinum tier. E was not prevented from gambling to achieve that tier. E was issued an RG WOL only after they had gambled enough to achieve the upgrade. E continued to receive loyalty marketing material from Crown after being issued the WOL.

The RG Register confirms Crown is conducting welfare checks and taking a customer's tier-chasing behaviour into account when they request a tier upgrade. However, it could do more to take action when employees observe tier-chasing behaviour, to help ensure that gambling harm does not occur.



Crown is considering making changes to the structure of its loyalty program, and provided a draft document to the OSM in June 2023 outlining some of the proposed changes. This document was also provided to the Crown Melbourne Board for noting as part of the Responsible Gaming report in June 2023. The proposed changes include separating 'lifestyle' (non-gaming) membership from 'gaming' membership and revising the way in which members are upgraded or downgraded based on their spend. Noting that these changes have not been fully considered or approved, the OSM will continue to monitor the further development of Crown's plan to reform the underlying mechanics of the loyalty program to ensure they are consistent with the objective of harm minimisation.

5.8.2 Marketing and member promotions

For Crown's marketing and promotion to be consistent with minimising gambling harm, it needs to leverage the data it holds on its customers' gambling behaviour to tailor promotions and incentivise behaviour that minimises the risk of gambling harm.

The OSM has examined the nature of Crown's marketing and promotions and considers some features are not consistent with harm minimisation. For example, Crown's use of status credit multipliers has been shown in the loyalty studies to encourage tier-chasing behaviour and thereby cause gambling harm.

Crown is aware of these issues and is working to implement marketing guardrails as part of the Player Health Strategy, which will put additional focus on the player health impacts of gambling promotions. The goal is to establish procedures and controls to avoid unsuitable marketing communications and offers to certain customers, which is expected to significantly improve Crown's marketing materials from a harm minimisation perspective. The draft marketing guardrails assessment criteria and framework are provided in Appendix 1, Documents 1.14 and 1.15.

Currently, the only tailoring of messages is a 'stop code' applied when customers self-exclude or opt out of promotional material. As part of the marketing guardrails project, Crown has developed guidelines for tailored messaging. However, this currently relies on general characteristics based on research, rather than a more targeted understanding of its Crown Rewards population. Crown has indicated it will continue to improve this targeting as more data is collected on its customers (for example, via mandatory carded play).

Crown currently uses operating policies to require Responsible Gaming team sign-off to stop gambling promotions that are inappropriate from an RSG perspective before they are issued by its Marketing team. Crown's current state assessment on gambling marketing found inadequate evidence that these were effectively implemented in the past. This process is also not well-documented, so there is little information to assess the proportion of promotions that have been amended or cancelled because of the Responsible Gaming team's review.

The new marketing guardrails being developed are to be implemented using a workflow system that is more robust than the previous standard operating procedure. However, the same risks of non-compliance with the procedure will remain if the findings of the current state assessment are not addressed.

The VGCCC is soon to issue a direction to Crown on marketing and promotions to potentially vulnerable persons. The effective application of the evaluation criteria in the marketing guardrails will be fundamental to Crown's ability to comply with the direction requirements.

The OSM will continue to monitor the implementation and use of the marketing guardrails to ensure they are embedded within Crown's marketing function and that there is a system for continuous evaluation of effectiveness and refinement.

5.9 Progress towards implementing major RSG legislative reforms

The OSM has continued to monitor Crown's progress towards implementing major RSG legislative reforms and directions recommended by the Finkelstein Royal Commission, with a particular focus on mandatory carded play, mandatory pre-commitment and the revised Gambling Code. Overall, Crown is making further progress towards implementing the major reforms and has been working constructively with key government stakeholders.

5.9.1 Mandatory carded play and pre-commitment

Crown is progressing towards delivering mandatory carded play, mandatory pre-commitment (that is, YourPlay) and related reforms in relation to EGMs.¹²⁴ To date, it has:

- collaborated with the DJCS and the VGCCC in developing business assumptions, requirements and delivery deadlines, and with Intralot in relation to content management system and electronic management system infrastructure changes
- demonstrated that its project management systems, processes, personnel and external vendor commitments are operating effectively to deliver infrastructure changes on time and to identify most key risks as they emerge
- achieved and exceeded its own targets of loyalty members registering a YourPlay card, reaching over 50 per cent of carded sessions with registered YourPlay in April 2023¹²⁵ (instead of on 1 August 2023 as targeted)¹²⁶
- commenced a detailed business impact assessment, mapped to regulatory requirements.¹²⁷

The OSM considers there are other operational elements that need greater attention, and could pose a risk to the timely and effective integration of these major changes into Crown's EGM business (and its business as a whole). For example:

- Crown has encouraged loyalty members to register for YourPlay, but has not yet considered an engagement plan for customers who do not wish to have a Crown Rewards loyalty membership. Currently the process is that all customers will be issued with a Crown Rewards card and be automatically registered for lifestyle rewards.¹²⁸

¹²⁴ In June 2023, it was reported to the Crown Melbourne Board that Crown Melbourne cannot comply fully with mandatory carded play and mandatory pre-commitment by the end of December 2023 as some machine bases and games will not be upgraded in time. Management reported that Crown Melbourne has been in ongoing discussions with the VGCCC about achieving provisional compliance (Crown Melbourne Board, Meeting agenda item 10, Mandatory Carded Play, 21 June 2023, pp. 467–70).

¹²⁵ Crown Melbourne, EGM Mandatory Carded Play, EGM Mandatory Pre-Commitment, Steering Committee presentation, May 2023, p. 12.

¹²⁶ This was from a starting point of 2 per cent in October 2022, ahead of the statutory deadline of 1 August 2023, after which loyalty points will not accrue to loyalty members who are not registered.

¹²⁷ Crown Melbourne, High Level Change Impact Assessment: YourPlay – Mandatory precommitment/Carded play, Draft, 12 May 2023.

¹²⁸ Customers will need to opt in for gaming rewards membership, in accordance with regulatory requirements.

- Changes to internal policy and Workplace Instructions are yet to be fully scoped.
- Interdependencies with the rollout of the revised Gambling Code will also need to be closely managed as this work progresses.

While it is too early for the OSM to assess its progress in this area, Crown has started to develop its thinking about how to implement mandatory carded play for table games, which is required by 1 December 2025.

5.9.2 Revised Gambling Code

Crown is yet to publish a revised Gambling Code.¹²⁹ It has prepared an updated draft of its May 2021 Gambling Code, which is in plain English, addressing criticisms raised by the Finkelstein Report. This new Code is yet to be rolled out to employees and customers and the content needs to be revised again in line with the new Ministerial Direction.

Crown is reporting that it is on track to effectively implement a further revised code by 20 September 2023 in accordance with a new Ministerial Direction.¹³⁰ The OSM understands Crown has worked constructively with the DJCS in relation to content of the Ministerial Direction, and publicly declared its commitment to it as a key harm reduction reform.¹³¹

Crown has established a Steering Committee at the strategic level, and a working group at the operational level, to develop and implement the new Gambling Code. The working group is meeting weekly and the Steering Committee fortnightly from 1 June 2023. In a relatively short timeframe, this working group will need to consider how the new Ministerial Direction requirements will impact business systems and processes. This will be challenging and poses implementation risks given the short timeframe for rollout and the diverse parts of the business impacted, including RSG resourcing, marketing and promotions; employee safety; complaints handling; and monitoring and reporting to management and the Board.

In the next reporting period, the OSM will monitor whether Crown has developed and effectively implemented a revised Gambling Code in line with the new Ministerial Direction.

5.10 Measuring the effectiveness of Crown's RSG program

The Special Manager's December 2022 interim report noted the strong emphasis that the Player Health 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 identified an agreed set of metrics to track and measure progress.

Since then, Crown has started to develop a range of RSG indicators supporting the corporate scorecard and Risk Appetite Statement, but has still not finalised a set of clear, measurable outcomes that it can use to assess progress and the effectiveness of its RSG activities.

A range of information is required for different audiences:

- outcomes-based measures for strategic leadership and Boards to understand whether Crown's approach to RSG is minimising harm, and metrics to ensure that risks associated with gambling harm are being managed within the Board's agreed risk appetite

¹²⁹ The currently available Gambling Code is dated 7 May 2021.

¹³⁰ A Ministerial Direction was issued on 20 March 2023. See section 10.6.7(2) of the *Gambling Regulation Act 2003* (Vic).

¹³¹ Crown Resorts, *Crown Resorts statement on the Victorian Government's harm reduction reforms*, Media Release, 3 April 2023.

- operational performance measures to deploy resources effectively and efficiently and enhance service delivery
- progress measures for key initiatives, including the rollout of the Player Health Strategy.

Crown has enhanced its reporting of RSG metrics in a new dashboard, but the measures remain activity-focused and work is required to provide better analysis of the implications or learnings from the measures. The Crown Melbourne Board has continued to emphasise the need for outcomes-based measures of progress on RSG, leading to further refinement of the dashboard. However, at this stage, the dashboard is only being refined to support operational requirements. Further development of a dashboard targeted at the Board is therefore desirable.

In early May 2023, Crown launched a customer survey to collect baseline data about customer understanding and perceptions of RSG, and access to harm minimisation tools such as self-exclusion. This data is expected to provide the basis for measuring progress going forward and supporting the development of outcomes-focused measures for the Board in the longer term.

In the meantime, once the dashboard is finalised, the OSM would expect to see it shared more widely with relevant stakeholders in operations and management at Crown Melbourne. To date, the dashboard has only been presented on a quarterly basis to the Responsible Gaming Management Committee. The OSM would expect to see more regular discussion, identification and escalation of issues indicated by these measures, in forums such as the Responsible Gaming Management Committee meetings in particular.

The OSM is looking for evidence that Crown is embedding a commitment to RSG, and a culture of evaluation and continuous improvement, through its business. Regularly evaluating how policies and programs are working in practice will be important to ensure that Crown is demonstrating commitment to continuous improvement as part of its implementation of the Player Health Strategy, and beyond the Special Manager's term should it retain its casino licence. To date, well-targeted and robust evaluation of RSG policies and programs has been limited. PRET Solutions is currently preparing an evaluation of the play periods monitoring tool and the Crown Model, and the Player Health Strategy includes a focus on evaluation and continuous improvement. Crown is yet to develop an evaluation framework or plan.

5.11 OSM focus for the final reporting period

In the final reporting period, the OSM will continue to assess Crown Melbourne's RSG program. Areas of focus will include Crown's:

- Player Health Strategy
- RSG resourcing and training
- compliance with its Gambling Code and Play Periods Policy
- loyalty program, marketing and promotions, in particular how they incorporate a harm minimisation lens
- progress towards implementing longer-term legislative reforms, including mandatory pre-commitment/carded play and restrictions on the use of cash at the casino.

6. Financial crime

6.1 Introduction

In assessing Crown's progress towards reforming its approach to managing financial crime, the OSM has had regard to the key deficiencies identified by the Finkelstein Royal Commission and regulators:

- The Finkelstein Report identified shortcomings in Crown's ability to identify, manage and mitigate money laundering and other financial crime, and made recommendations to ban junkets, implement carded and cashless play, and verify customer identity.
- AUSTRAC's statement of claim against Crown alleged deficiencies in Board and senior management approval and oversight of the Joint AML/CTF Program, risk assessments and associated risk-based controls, transaction monitoring, and 'know your customer', ongoing customer due diligence (OCDD) and enhanced customer due diligence (ECDD) processes.¹³²

The OSM's assessment has looked for evidence that Crown's approach to managing AML/CTF risk and other financial crime is effective and sustainable, and includes:

- an AML/CTF program that is risk based and informed by risk assessments, and includes all the legislatively required elements
- implementation of appropriate systems, processes and controls to:
 - collect, verify and analyse accurate customer data on an ongoing and proactive basis
 - effectively manage, monitor and mitigate ML/TF risks (automated where possible)
 - monitor compliance with the AML/CTF Program and legislative obligations, and report any compliance breaches
- enhanced data integrity to achieve a 'one customer, one employee view', leading to more effective OCDD (including ECDD) and employee due diligence processes and outcomes
- effective and meaningful reporting to the Board and senior management to ensure appropriate oversight of the AML/CTF Program and legislative obligations
- adequate ongoing budget and resourcing.

The OSM's view is that Crown has largely addressed the above elements but needs to demonstrate enhanced effectiveness and sustainability in the long term by:

- implementing an automated customer risk assessment (CRA) tool, rather than relying on its current, largely manual, 'trigger-based' approach
- improving its employee due diligence approach, processes and controls, in accordance with the recommendations identified by the Internal Audit team and independent reviewer Exiger (a global regulatory and financial crime, risk and compliance company)
- improving its control environment, including by automating its OCDD and transaction monitoring processes to reduce reliance on manual controls

¹³² AUSTRAC Originating Application, 1 March 2022, pp. 2–3.

- developing an approach to measure the effectiveness of its role-specific training programs to ensure that the training is facilitating improved financial crime outcomes; for example, in relation to the identification of unusual customer activity.

The main risks that may inhibit the enhancement and sustainability of Crown Melbourne's financial crime reforms are:

- technology and resourcing challenges
- data integrity
- potential attrition of experienced Line 1 and 2 employees within its Financial Crime team
- competing priorities.

In this reporting period, the OSM assessed the extent to which Crown has addressed the financial crime deficiencies raised in the Finkelstein Report, with particular focus on the following areas:

- FCCCP
- the Joint AML/CTF Program (compliance and oversight)
- implementation of external report recommendations (referred to by Crown as 'Commitments')
- AML/CTF budget and resourcing
- internal and external audits.

6.2 FCCCP progress

The OSM focused its assessment during this reporting period on those FCCCP elements that are critical to achieving AML/CTF compliance, namely:

- ML/TF risk assessment
- financial crime legislative obligations
- customer due diligence, including OCDD and ECDD
- AML/CTF training.

The OSM undertook sample testing (using the same methodology as in the previous reporting period) to assess the effectiveness of Crown Melbourne's controls, policies and procedures in managing AML/CTF-related activities. In total, the OSM sampled 434 transactions: see Table 5.

Table 5. OSM sample testing of anti-money laundering/counter-terrorism financing-related activities

Controls, policies and procedures	Sample size	Purpose
Transfer acknowledgements/Transfer requests	54	Test whether Crown is complying with its patron account controls and whether they are operating effectively.
International Funds Transfer Instructions	22	Test: <ul style="list-style-type: none"> that Crown is able to identify relevant transactions and meet its reporting obligations within the required timeframes that the information reported to AUSTRAC is accurate and appropriate.
Threshold Transaction Reports	110	
UARs	37	Test that Crown's: <ul style="list-style-type: none"> manual and automated transaction monitoring rules and flags are working effectively, and Crown is appropriately prioritising and actioning alerts within its service level agreement timeframes investigations and decision rationale are accurately recorded, and that investigation results are escalated appropriately.
Suspicious Matter Reports (SMRs)	45	Test that Crown is meeting its reporting obligations within the required timeframes and that the information reported to AUSTRAC is accurate and appropriate. Confirm that Crown has undertaken its remediation work and improved its manual control environment to address SMR breaches identified in 2022.
Customer onboarding	88	Test that Crown is accurately collecting and verifying all legislatively required customer information when a customer is onboarded.
ECDD	16	Test whether Crown consistently applies its ECDD approach to better understand its customers (particularly those of high risk), including whether it: <ul style="list-style-type: none"> undertakes know your customer refreshes and ECDD periodic reviews obtains and verifies customers' source of funds and/or source of wealth at a minimum, adequately undertakes ECDD for 'high' and 'critical' risk customers and, where appropriate, escalates for a decision to be made identifies politically exposed persons (PEPs) and appropriately manages risks.
Low, medium, high and critical risk customers	37	Test the effectiveness of Crown's CRAs.
Manual bank statement reviews	25	Test that Crown's process is operating effectively, and it can appropriately identify suspicious transactions.

Overall, the OSM's sample testing demonstrates that Crown Melbourne's controls, policies and procedures are mostly operating effectively, and Crown is largely complying with its Joint AML/CTF Program. In addition, the OSM notes that Crown has identified control gaps, issues and opportunities for improvement (through current state assessments and other reform work), and is in the process of enhancing its controls, policies and procedures.

The following sections include detailed observations from the OSM's sample testing.

6.2.1 Money laundering/terrorism financing risk assessment

A robust and fit-for-purpose enterprise-wide risk assessment (EWRA) is essential if Crown Melbourne is to identify, mitigate and manage its ML/TF risks, and should:

- consider Crown's inherent ML/TF risk associated with its customers, jurisdictions, products and channels
- incorporate a range of quantitative and qualitative risk attributes
- consider and assess Crown's control environment
- draw on input from Crown's business units to ensure that the specific challenges and risks faced by different parts of Crown's operations are considered.

The Special Manager's December 2022 interim report included the OSM's assessment of Crown's 2021 EWRA methodology and approach, and found that it adequately addressed the critical elements listed above. The 2021 EWRA did not assess control effectiveness due to the immaturity of the control environment at that time.

Crown's 2022 EWRA provided a more comprehensive assessment of Crown Melbourne's risk environment and control effectiveness and concluded overall that AML/CTF controls needed improvement, although it assessed employee due diligence controls as 'unsatisfactory'. Exiger specifically highlighted employee due diligence, training and customer due diligence as areas needing further improvement. Crown is currently improving its employee due diligence framework and plans to test the operating effectiveness of controls over employee due diligence obligations before December 2023.

Crown aims to reduce its reliance on manual controls by implementing technology-driven solutions. It anticipates the technology-driven solutions included in the FCCCP will be implemented by no later than June 2024. Furthermore, from December 2023, additional technology upgrades will be considered as part of ongoing BAU continuous improvement, and will be important to provide confidence about the sustainability of reform measures.

Crown is improving its approach to assessing risks in relation to customers, jurisdictions, products and channels. The design of the risk assessment methodologies and approaches are appropriate and fit-for-purpose; however, CRA, product risk assessment (PRA) and channel risk assessment (ChRA) are yet to be implemented and therefore have not yet been tested for effectiveness.

Customer risk assessment

Crown Melbourne's CRA methodology must enable it to appropriately measure the level of risk its customers pose, which in turn dictates how it will minimise and manage each level of risk.

Although Crown's current CRA approach complies with legislative requirements – in that it is risk based and applies ECDD to customers who pose higher ML/TF risks – it is currently trigger

based, which means it rates all new customers as 'low' risk until a trigger event occurs that causes Crown to reassess the rating and/or perform ECDD.

Crown has developed improved processes and controls to identify trigger events by implementing new transaction monitoring rules, typologies and detection strategies that are periodically reviewed and updated. However, there remains a risk that Crown may unknowingly onboard or retain high-risk customers.

The proposed new automated CRA solution, if implemented as intended, will proactively risk-rate all new and existing customers, which will address deficiencies in the current approach.

Technology issues have delayed the implementation of the new CRA solution, which Crown now expects to be operational by the end of July 2023.

In this reporting period, the OSM conducted sample testing and walk-throughs with Crown employees to better understand the effectiveness of Crown's customer risk ratings. The OSM found that Crown is risk-rating its customers in accordance with its documented risk assessment methodologies, including reassessing risk ratings when a trigger event occurs.

Jurisdiction risk assessment

Crown Melbourne has effectively implemented an updated jurisdiction risk assessment tool, which enables it to adequately manage risks associated with foreign jurisdictions. The jurisdiction risk assessment considers a range of risk inputs from several sources appropriate to Crown Melbourne's business, risk context and jurisdictional exposure. The OSM's sample testing did not identify any exceptions in the jurisdiction risk assessment tool calculating the correct ratings based on the updated jurisdiction risk assessment methodology and approach.

Product risk assessment

Crown Melbourne's PRA methodology and approach align with its risks and controls framework, and are designed to consider PRA factors by identifying and assessing the inherent ML/TF vulnerabilities for each product, using subject matter expertise and known ML/TF typologies, emerging threats and industry guidance.

Crown Melbourne is yet to complete a PRA under the updated PRA methodology and approach, but is planning to do so over the next six months.

Channel risk assessment

Crown Melbourne has designed a robust, stand-alone ChRA methodology and approach that consider AUSTRAC guidance, typologies applicable to the casino industry, and risks identified from Crown's typologies library.

The 2022 EWRA included a ChRA that identified Crown Melbourne's two main delivery channels as face-to-face and non-face-to-face, and also identified the risks associated with each of these channels. The implementation of the ChRA methodology and approach should enable current, new and emerging channels to be assessed with greater sophistication.

The new ChRA methodology and approach is aligned with, and informed by, the updated PRA methodology and approach, and is expected to be implemented following the PRA.

6.2.2 Financial crime legislative obligations

To comply with 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), Crown must identify and understand its financial crime legislative obligations, and implement controls designed to ensure compliance with each one.

To support this process, Crown's Risk Assurance team completed current state assessments (CSAs) of Crown's financial crime legislative obligations. The OSM has reviewed this work and found that Crown has:

- adequately identified its financial crime legislative obligations from the AML/CTF Act and the AML/CTF Rules Instrument 2007 (No. 1) and mapped them to its Joint AML/CTF Program, providing it with confidence that its financial crime compliance activities are aligned with its legislative obligations
- adopted a reasonable CSA assessment approach, which included walk-throughs with business units to understand the current state activities, process mapping, and effectiveness testing of the controls design
- identified several issues, control gaps and opportunities to further improve management of its legislative obligations.

The OSM's review of a sample of management action items arising from the CSAs identified that most of these items are still in progress and/or outstanding (as at 31 May 2023). Crown must prioritise addressing these items over the next six months, and the OSM will continue to monitor this.

6.2.3 Customer due diligence

Crown must ensure that it has an appropriate risk based approach to managing ML/TF risks associated with its customers by collecting, verifying and analysing accurate customer data on an ongoing and proactive basis. Crown's systems, processes and controls relating to customer onboarding, OCDD and its transaction monitoring program must also be fit-for-purpose to identify ML/TF risks and determine whether additional action (that is, ECDD) is required to mitigate those risks.

The OSM's review found that Crown Melbourne's customer onboarding, OCDD, ECDD and transaction monitoring programs are largely operating effectively. This is demonstrated by the following examples:

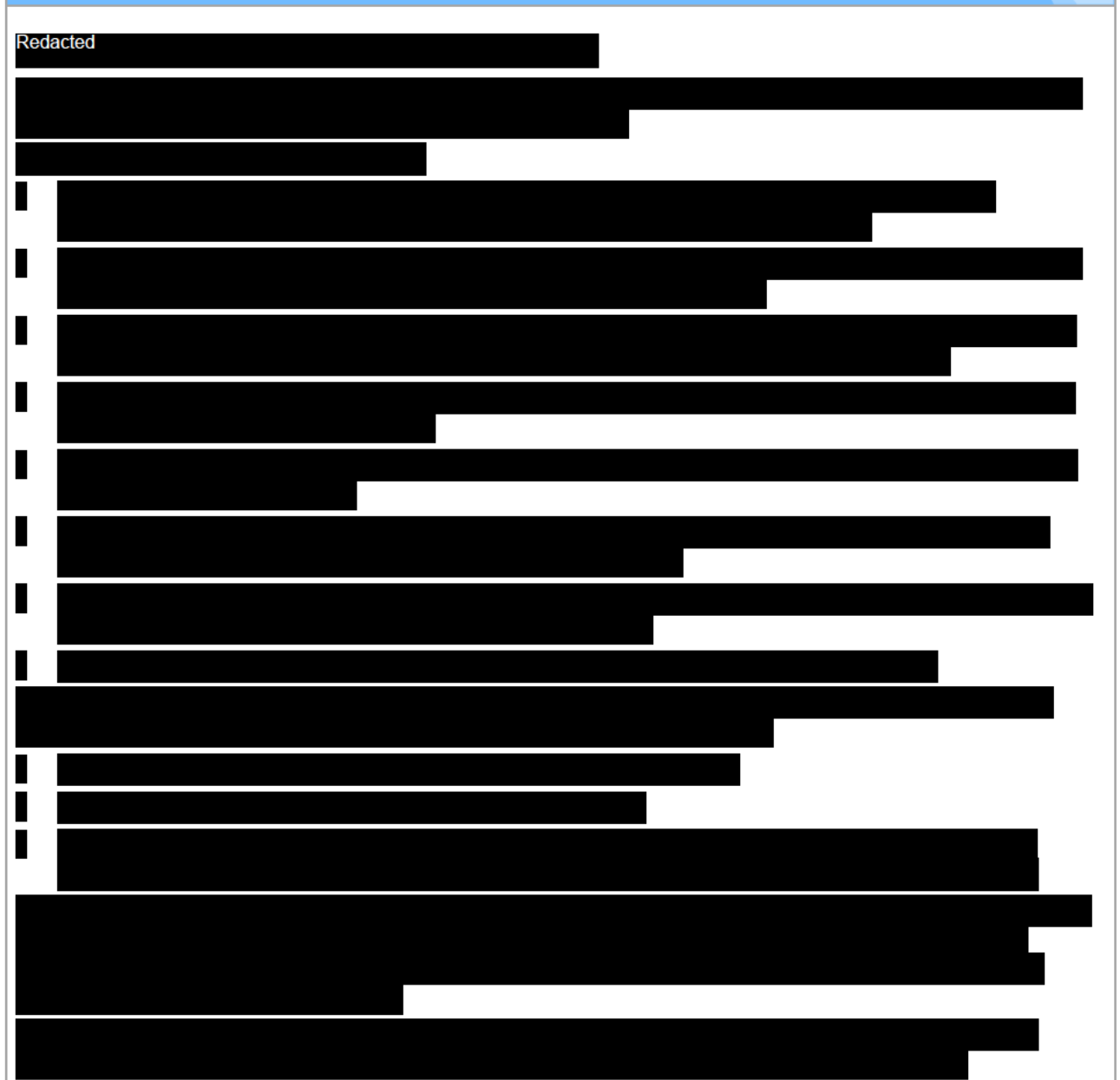
- The transaction monitoring program is a combination of automated and manual transaction alerts, appropriately informed by identified techniques/methods (typologies/red flag indicators) of ML/TF relevant to Crown.
- Crown periodically incorporates new rules, typologies and detection strategies as a result of internal intelligence and analysis from its Financial Crime Intelligence Unit (FCIU) and broader market/industry scanning (see the following snapshot). It also continuously assesses the efficacy of its automated rules to ensure its transaction monitoring is contemporaneous and appropriate for its risk environment.
- Crown reviews the UARs escalated from Line 1, identifies areas for improvement and, if necessary, provides additional guidance to business units (see the following snapshot).

- Crown identifies, manages and appropriately escalates issues or breaches to its management committees and to the Crown Resorts and Crown Melbourne Boards.
- Crown has improved its ECDD procedures, including its periodic reviews and refreshes of its 'know your customer' information.
- Crown has implemented additional technology solutions to enhance the accuracy and availability of customer information obtained through internal and external third party sources. It is currently implementing further technology solutions to improve consistency across all three Crown properties and create one source of truth for customer information.

The following snapshot illustrates work undertaken by Crown's FCIU on its SMR data for 2022 and the first quarter of 2023, to better understand emerging trends and patterns.

Snapshot: Financial Crime Intelligence Unit

Redacted



In this reporting period, the OSM conducted further sample testing and walk-throughs with Crown employees to better understand the effectiveness of Crown Melbourne's OCDD, ECDD and transaction monitoring program. The OSM found the following:

- Crown continues to have minor data quality issues with the customer information collected via LUI, its customer onboarding system. While implementing an automated CRA solution may improve the accuracy of information collected, there is also an opportunity for Crown to improve its quality control processes to reduce the risk of human error that exists within the current manual processes.
- Crown's transaction monitoring automated rules effectively identify potentially suspicious transactions for further investigation.
- Crown is meeting its transaction monitoring reporting obligations related to Threshold Transaction Reports, International Funds Transfer Instructions and SMRs within the required timeframes; reporting accurate and reliable information to AUSTRAC; and complying with its procedures and the Joint AML/CTF Program.
- Crown has adequate processes and controls in place (albeit manual) to enable Line 1 to identify and report unusual and suspicious behaviour for investigation.
- Crown's upgraded customer risk based approach adequately identifies customers of higher risk and triggers an ECDD review (although there remains a risk that high-risk customers may be onboarded or retained by Crown due to its current trigger-based CRA). The new automated CRA solution should reduce this risk once implemented.
- Crown's processes and controls in relation to customer due diligence have been implemented and are largely operating effectively (see the following case study).

Based on the above, the OSM's view is that Crown's OCDD, ECDD and transaction monitoring program are largely effective and fit-for-purpose.

The following case study provides an example of Crown's manual transaction monitoring controls in operation.

Case study (g): Testing of manual transaction monitoring controls

Redacted



Redacted

Crown is currently implementing improvements to its ECDD structure and processes to consolidate, streamline and improve efficiency in its risk standards, assessment tools and decisions. Crown's customer due diligence processes will be further improved by implementing the new automated CRA solution.

On 23 February 2023, Crown identified a breach of its Joint AML/CTF Program that it considered to be of low materiality. This event occurred because Crown failed to conduct ECDD in a timely manner on a customer who had been assessed as posing a high ML/TF risk. The circumstances of this breach are briefly summarised below.

In early 2023, ECDD sample testing undertaken as part of Exiger's independent review of Part A of Crown's Joint AML/CTF Program identified the customer as having a 'high foreign PEP' risk rating. The rating had been applied in 2021, but Crown did not place a stop code or employ any other forms of mitigation with regard to this customer at that time.

In late 2022, Crown provided a designated service to the customer without appropriate senior management approval (which is required by the Joint AML/CTF Program). The rated play was around \$2,000. Crown immediately placed a stop code on the customer when it identified the breach in early 2023.

Crown had correctly assigned the 'high foreign PEP' risk rating to this customer, but failed to mitigate the risk of further designated services being provided, or to conduct ECDD and seek senior management approval. This breach was a result of human error.

The remediation process for this customer identified four further customers with 'high PEP' risk ratings, to whom Crown had not applied stop codes. On further investigation, Crown determined the risk ratings of these four additional customers were incorrect – they were found to be either domestic PEPs with no heightened risk; not PEPs; or inconclusive matches. None of these circumstances trigger a requirement to conduct ECDD.

Crown indicated that the breach occurred before an uplift in the ECDD processes had been completed, and that the current systems and controls would identify potential breaches of this nature in a timelier manner.

The OSM agrees with Crown's assessment that this breach was of low materiality. While there is no obligation to disclose the breach, Crown proposes to advise AUSTRAC at its next regular meeting. The OSM also encouraged Crown to advise the VGCCC.

6.2.4 Anti-money laundering/counter-terrorism financing training

Crown's AML/CTF training program must enable all employees to understand the types of ML/TF risk Crown might face and how to manage such risk. The training program must also enable all employees to understand Crown's obligations under the AML/CTF Act and the AML/CTF Rules Instrument 2007 (No. 1), and the consequences of non-compliance.

Crown's training program currently incorporates the results of the 2021 EWRA and Crown's 'training needs' assessment conducted in April 2022. The OSM understands Crown will incorporate the results of the 2022 EWRA in its next training content update.

Face-to-face training for specific roles with 'ML/TF touchpoints' (that is, roles relating to transactional or designated services) is tailored to include ML/TF risks, typologies and red flag indicators relevant to each business unit.

The OSM's view is that the content of Crown's targeted face-to-face training is appropriate to enable employees to understand:

- Crown's obligations under the AML/CTF Act and the AML/CTF Rules Instrument 2007 (No. 1)
- the consequences for Crown of non-compliance with the AML/CTF Act and the AML/CTF Rules Instrument 2007 (No. 1)
- the type of ML/TF risks that Crown might face and the potential consequences for Crown of such risk
- the inherent ML/TF risks present in each employee's role
- processes and procedures under Crown's Joint AML/CTF Program that are relevant to each employee's role.

While the training content is generally adequate and appropriate, it does not include consequences for employees who fail to comply with AML/CTF legislation or Part A or Part B of the Joint AML/CTF Program.

The effectiveness of AML/CTF training is crucial, particularly for frontline employees who are responsible for identifying red flag indicators and reporting unusual behaviour for further investigation. Feedback from the OSM's focus groups suggests that some participants may not be alert to relevant red flag indicators or familiar with the process for submitting a UAR. However, the OSM's interviews with a small sample of individuals did not identify these issues.

The OSM's walk-through of the general (that is, non-role specific) AML/CTF risk awareness online module identified deficiencies in the platform that may negatively impact the effectiveness of the content. For example, the platform allows an employee to skip some content, and the assessment required to be completed at the end of the module is not sufficiently robust to genuinely test knowledge (in that it allows unlimited attempts to answer the same questions).

The OSM undertook sample testing and met with the Group General Manager – Financial Crime Advisory to understand whether the completion rate of the targeted face-to-face training was being effectively captured in Crown's training register, CrownLearn. From these discussions and OSM's sample testing, it appears that Crown has some minor data quality issues in its completion records. This is due to the training facilitator having to manually transfer attendance data from handwritten sign-on sheets into CrownLearn. The OSM identified examples of data entry errors and occasional failures to record training attendance.

Crown must address these gaps to ensure that it is legislatively compliant, and that employees can effectively identify, manage and mitigate ML/TF risks.

Over the next six months, Crown is working on an approach to measure the effectiveness of its AML/CTF training program. It is also exploring options to implement knowledge testing within role-specific training. The OSM will monitor and assess the effectiveness of these measures in the next reporting period.

6.3 The Joint AML/CTF Program: Compliance and oversight

6.3.1 The program's compliance with legislation

Crown has a legislatively compliant Joint AML/CTF Program that contains all the elements required by the AML/CTF Act and the AML/CTF Rules Instrument 2007 (No. 1).

Crown has identified areas that need improvement, based on findings from CSAs, internal audit reports and the 2023 Exiger report (discussed below). Some of these will be addressed by FCCCP initiatives that are yet to be implemented, and others are being addressed as part of Crown's BAU continuous improvement activities.

In November 2022, Crown engaged Exiger to independently review its Part A of the Joint AML/CTF Program (pursuant to Part 9.6 of the AML/CTF Rules Instrument 2007 (No. 1)) and assess Part B. Exiger completed its review and assessment in May 2023 (its final report is provided in Appendix 1, Document 1.16), and concluded that Crown's Joint AML/CTF Program was legislatively compliant. More specifically, it found as follows:

- The design of Crown's Joint AML/CTF Program is largely effective in identifying, mitigating and managing ML/TF risks.
- Crown's Joint AML/CTF Program complies with the AML/CTF Rules Instrument 2007 (No. 1).
- The risk management and internal control systems in place are largely operating effectively; however, three areas require improvement (employee due diligence, training and customer due diligence).
- Crown's Joint AML/CTF Program is not yet in a sustainable BAU state, largely due to technology constraints.
- Crown has largely complied with its Joint AML/CTF Program, with instances of non-compliance identified in the three areas requiring improvement noted above.

Crown largely agrees with Exiger's observations and has included 31 management actions in the new governance, risk and compliance system (Archer) to address Exiger's recommendations, including due dates for each of these actions. The OSM agrees with Exiger's assessment.

In a recent statement regarding AUSTRAC and Crown Resorts' joint submission to the Federal Court of Australia proposing an agreed penalty for Crown's prior breaches of the AML/CTF Act, AUSTRAC's CEO noted:¹³⁴

¹³⁴ AUSTRAC, *AUSTRAC and Crown agree to proposed \$450 million penalty*, Media Release, 30 May 2023 <<https://www.austrac.gov.au/news-and-media/media-release/austrac-and-crown-agree-proposed-450-million-penalty>>.

Crown has sought to respond to the failures identified in these proceedings by enhancing its approach to ML/TF risk management and investing in its financial crime compliance. We continue to work closely with Crown to ensure that their AML/CTF program and systems are compliant and fit for purpose into the future.

The OSM notes that Ms Armina Antoniou, Crown Resorts Group Executive General Manager – Financial Crime Risk (Money Laundering Reporting Officer) has recently been appointed as the Co-Chair representing industry on the Fintel Alliance Casino Working Group.¹³⁵ The OSM is of the view that Ms Antoniou’s appointment demonstrates AUSTRAC’s growing confidence in Crown’s financial crime teams and the ongoing progress of Crown’s FCCCP.

6.3.2 Crown’s compliance with the program

As noted at 6.3.1, Crown is largely complying with its Joint AML/CTF Program and is currently working on addressing the recommendations made by Exiger in its independent review and assessment. These improvements will allow Crown to demonstrate compliance with its Joint AML/CTF Program by enhancing its control environment, employee due diligence and training effectiveness, and the implementation of its new automated CRA solution.

The OSM undertook sample transaction testing on Crown’s reporting obligations related to Threshold Transaction Reports, International Funds Transfer Instructions, SMRs, risk assessment, customer onboarding and due diligence processes. The OSM found no evidence that Crown is not complying with its Joint AML/CTF Program.

Crown operates a business that carries a high risk of financial crime, and hence is likely to continue to experience isolated incidents of non-compliance with its Joint AML/CTF Program, such as the failure to conduct ECDD on a customer identified as having a ‘high foreign PEP’ risk rating discussed at section 6.2.3. Crown’s systems and controls appear to be detecting such incidents and appropriately escalating, considering and resolving the issues. This points to a maturity in Crown’s systems and controls, and an effective system of governance overseeing financial crime, as described below.

6.3.3 Governance and oversight of the program

Effective governance and oversight of the Joint AML/CTF Program is crucial for Crown to ensure that it is complying with the program, and that the program itself complies with both the AML/CTF Act and AML/CTF Rules Instrument 2007 (No. 1). Effective governance and oversight should include, but are not limited to:

- changes to the Joint AML/CTF Program being reported to and approved by relevant Boards and senior management
- clear accountability for AML/CTF obligations
- systems, policies and processes being in place to identify and monitor new and emerging ML/TF risks, and to ensure that instances of non-compliance are detected.

Based on observations of Board and management committee meetings, the OSM’s view is that the relevant Boards and senior managers are adequately overseeing compliance with the

¹³⁵ The Fintel Alliance is a public–private partnership established by AUSTRAC that is designed to increase the resilience of the financial sector by preventing exploitation by criminals, and support investigations into serious crime and national security matters. The Fintel Alliance comprises experts from financial institutions, state and Commonwealth law enforcement and intelligence agencies, as well as academic and research institutions.

Joint AML/CTF Program, and, where breaches are detected, these are being appropriately escalated to and considered by the Financial Crime Breach Determination Forum, and reported to the Board.

6.4 Implementation of external report recommendations

To address Appendix I of the Finkelstein Report, Crown Melbourne is required to acquit all external report recommendations. These are referred to by Crown Melbourne as 'Commitments'. The remaining Commitments to be implemented and validated derive from the following external reports:

- Promontory Phase 1 report dated 24 May 2021
- Deloitte Phase 2 report dated 22 February 2021
- Deloitte Phase 3 report dated 22 February 2021
- Deloitte report on hotel card transaction review dated 8 July 2021
- Initialism transaction monitoring review dated June 2021.

Crown engaged Ernst & Young to assist the Risk Assurance team in validating the completion of each of the Commitments, noting that many of these are likely to have been, or will be, superseded by enhancements undertaken as part of the FCCCP.

As noted in the Special Manager's December 2022 interim report, Crown's Risk Assurance team completed its review of Project DeLorean¹³⁶ in November 2022 and identified issues requiring further action by management. The OSM is satisfied that Crown has now rectified these issues.

Crown has undertaken additional work to investigate the potential 'parking' transactions identified by McGrathNicol and addressed through Crown's Project Peyo, and has determined that the outcomes of this work may require changes to its Joint AML/CTF Program. Crown has advised that any such changes will be implemented in the next update of the program. The OSM has reviewed the Project Peyo findings and is satisfied that Crown's conclusions in relation to the parking investigation are reasonable.

Crown's Commitments Plan indicates it will acquit all Commitments over the next six months. The OSM intends to assess the validated Commitments in the next reporting period.

6.5 Anti-money laundering/counter-terrorism financing budget and resourcing

The OSM's view is that the structure and capability of Crown's Financial Crime team is sufficient to adequately address its financial crime and compliance obligations, and manage its financial crime risks.

In 2023, Crown's Gaming Integrity team was absorbed into the Financial Crime Operations & Solutions (FCOS) team. This is a positive step that will provide a more holistic approach to financial crime and integrity management, and allow for seamless sharing of information and intelligence.

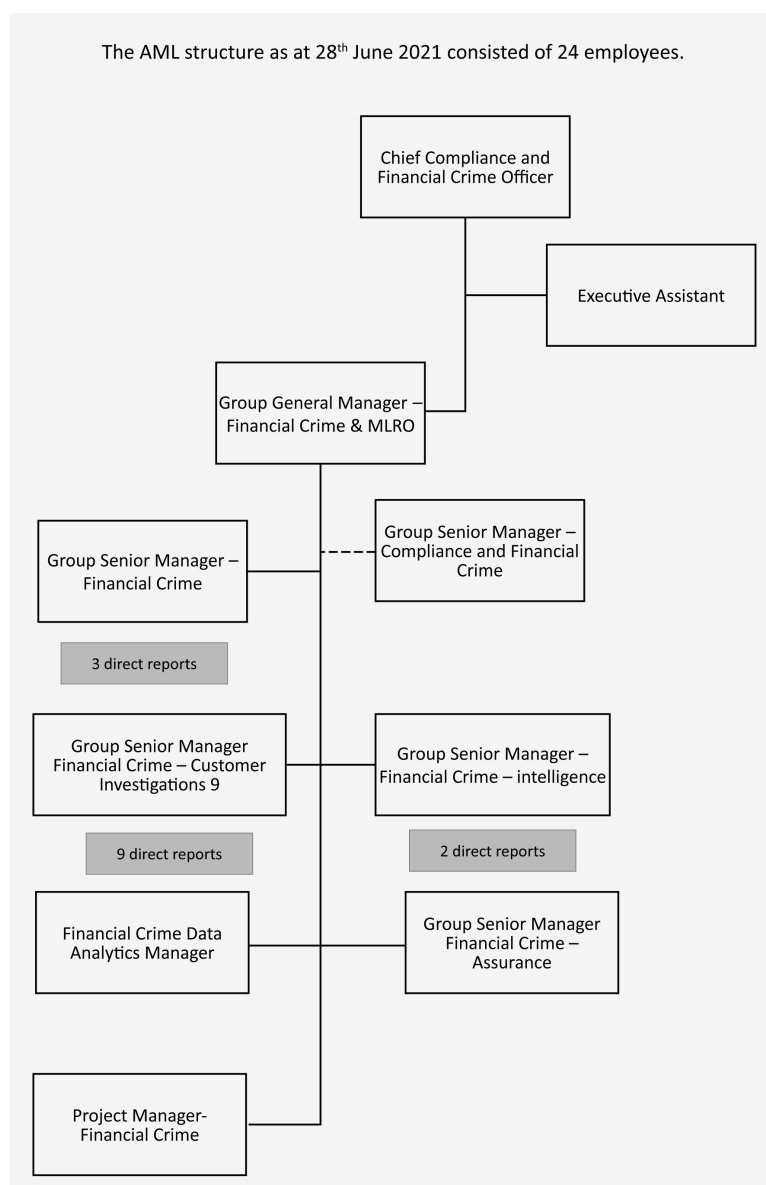
¹³⁶ Project DeLorean was initiated to respond to various external reports that indicated potential money laundering activities took place at Crown between February 2014 and June 2021.

Based on the OSM's understanding of Crown's financial crime risk context, the current structure and resourcing of the FCOS team is appropriate to meet Crown's reform activities and ongoing operational requirements. The total FCOS headcount is 157 FTE employees, including 19 temporary resources.

In addition, further funding was approved to engage temporary external consultants to support the Financial Crime Risk team to undertake risk assessments associated with sanctions compliance, and anti-bribery and corruption. In total, the Financial Crime Risk team consists of 26 FTE employees (excluding the Chief Legal and Compliance Officer).

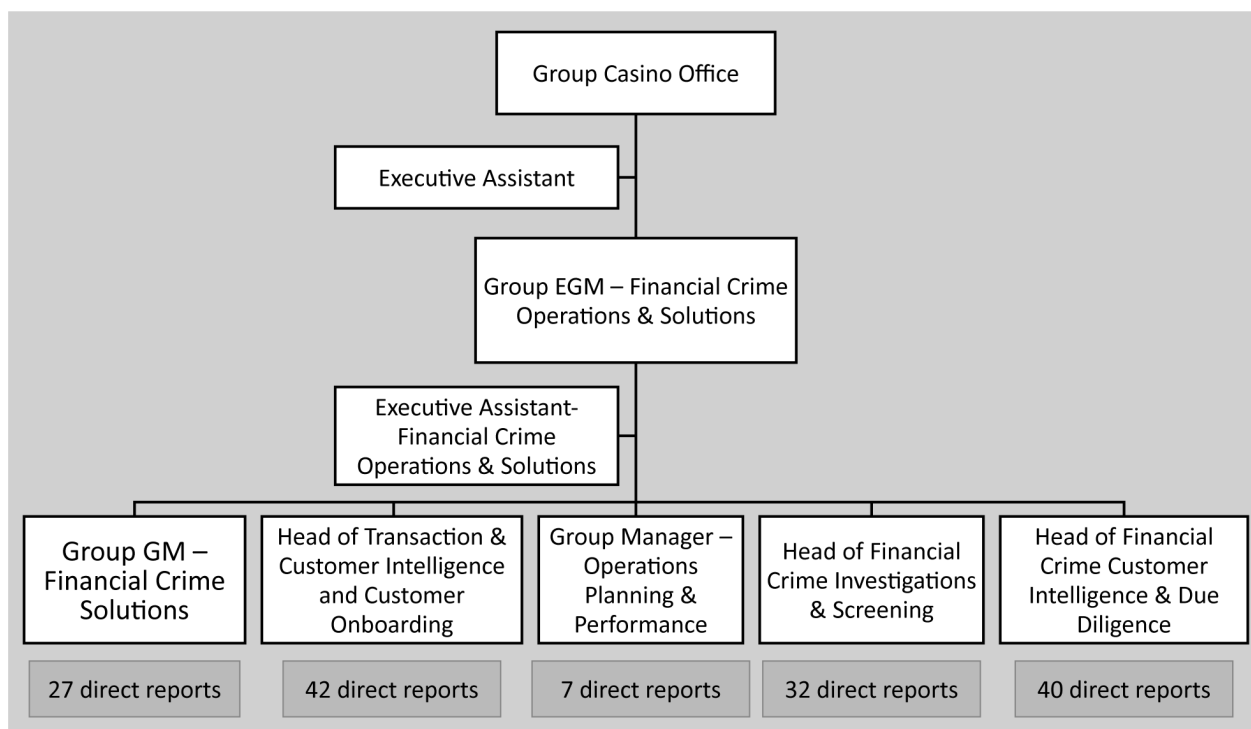
The significant improvement in Group-level financial crime resourcing is illustrated by a comparison of organisation charts from 2021 and 2023. Figure 6 shows the structure of financial crime resourcing as at 28 June 2021 (the Financial Crime team, with 24 FTE employees), while Figures 7 and 8 show it as at 20 April 2023 (the FCOS team and the Financial Crime Risk team respectively, with a combined total of 184 FTE employees).

Figure 6. Crown financial crime teams: organisation chart as at 28 June 2021 (24 FTE employees)



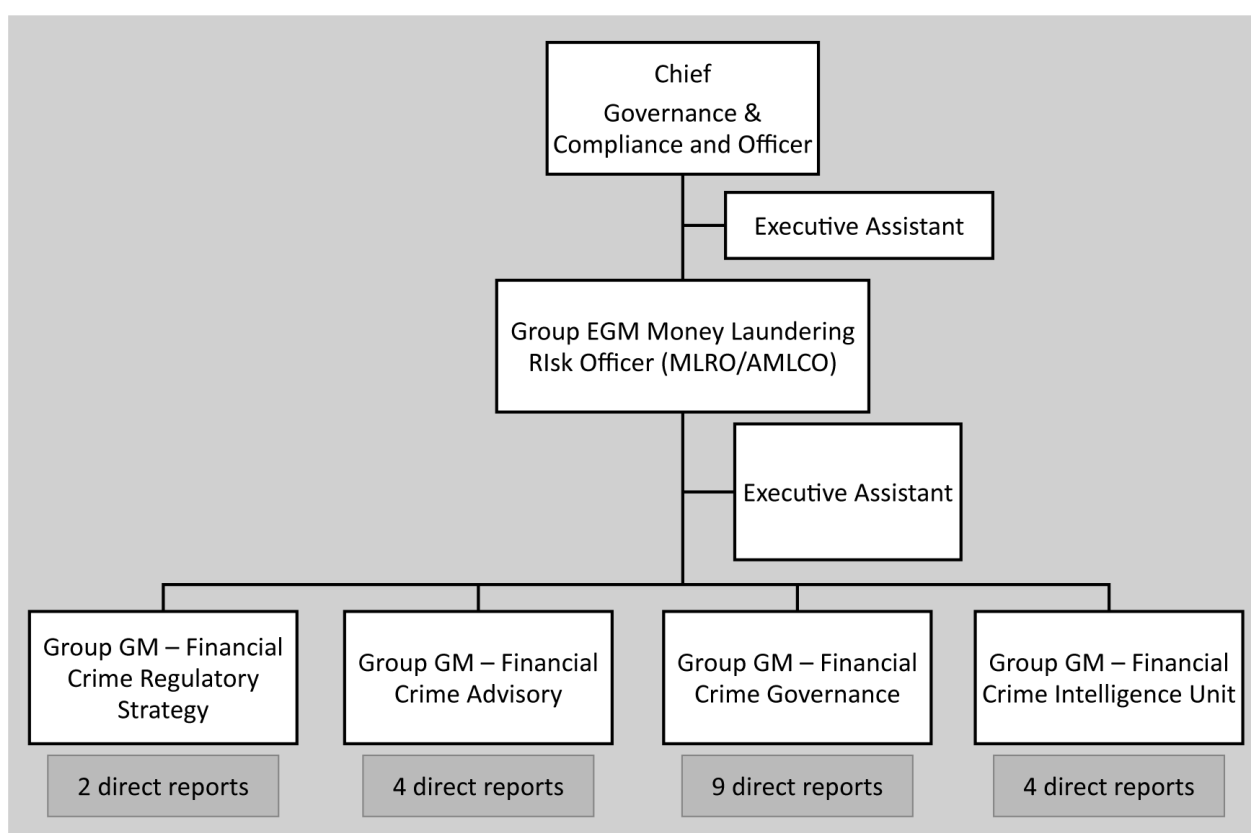
Source: Crown Resorts, Crown Resorts Financial Crime Organisation Chart – Past and Present, May 2023.

Figure 7. FCOS team: organisation chart as at 20 April 2023 (157 FTE employees)



Source: Crown Resorts, Crown Resorts Financial Crime Organisation Chart – Past and Present, May 2023.

Figure 8. Financial Crime Risk team: organisation chart as at 20 April 2023 (27 FTE employees)



Note: The 'Chief Legal and Compliance Officer' is incorrectly referred to as the 'Chief Governance & Compliance and Officer'.

Source: Crown Resorts, Crown Resorts Financial Crime Organisation Chart – Past and Present, May 2023.

Crown continues to supplement its financial crime resources with a range of consultants to address bottlenecks that arise in its transformation program activities. However, reliance on external consultants is progressively reducing over 2023, as additional permanent FTE employees are onboarded. This approach seems appropriate as reform activities wind down and Crown moves to a BAU status.

The adequacy of the current resourcing model is demonstrated by Crown achieving compliance with its service level agreements in the context of increases in completed ECDD cases, and in received and completed UARs, as shown in Figure 9.

Figure 9. Enhanced customer due diligence cases and Unusual Activity Reports: May 2021 – April 2022 compared to May 2022 – April 2023



Source: Crown Resorts, Crown Resorts Financial Crime Organisation Chart – Past and Present, May 2023.

In March 2023, Crown also confirmed that it had cleared its backlog of UARs.¹³⁷

Crown currently has skilled, experienced and highly credentialed leaders within its financial crime teams; therefore a major consideration is ‘key person risk’. It is important for Crown to have measures in place to mitigate this risk.

6.6 Internal and external audits

Appendix I (item 16) requires the Special Manager to review any internal or external audits conducted on Crown’s Joint AML/CTF Program and to evaluate whether any identified non-compliance has been remedied.

Crown’s Internal Audit team conducted reviews of various financial crime functions in 2022 and in the first half of 2023. These included audits into aspects of the financial crime and compliance assurance function (now the risk assurance function), employee due diligence, and unusual activity investigation and reporting.

The internal audits identified several deficiencies and control gaps in Crown’s internal control environment – particularly regarding its employee due diligence controls, financial crime and compliance assurance (FCCA) function (now the risk assurance function) and procedures. Crown developed management actions to rectify these deficiencies and gaps, and the OSM is satisfied these will adequately address the internal audit findings.

Crown has satisfactorily implemented the management actions in relation to its FCCA methodologies. The OSM notes that the actions to address the issues identified with regard to employee due diligence controls are still in the process of being implemented. To ensure its

¹³⁷ Crown’s Transaction Monitoring Council meeting held on 28 March 2023.

financial crime functions, processes and controls operate effectively, Crown must prioritise the actions that address ‘high’ or ‘major’ risk findings.

6.7 Premium Player Rebate Program

The Finkelstein Report identified that Crown’s VIP international business program, including junkets, was formerly a highly profitable part of Crown Melbourne’s business, generating over \$1 billion in revenue between July 2015 and June 2020.¹³⁸ However, both the Finkelstein Royal Commission and the Bergin Inquiry found that Crown’s junket relationships exposed it to a serious risk of money laundering and criminal activity. Crown Melbourne ceased all such relationships in November 2020 and has not offered VIP programs to international customers since then.

Crown Resorts management has prepared a proposal for Crown Melbourne and Crown Sydney to return to engaging with international premium players.¹³⁹ The Premium Player Rebate Program (PPRP) aims to attract premium players from specified international markets who meet a minimum ‘front money’ threshold; these players will receive a percentage rebate based on player turnover. Globally, rebate programs are a common method used by casinos to attract premium players.

The Special Manager’s December 2022 interim report noted that an initial proposal to introduce the PPRP was put forward to the Crown Resorts Board in June 2022, but the Crown Resorts Board Chair decided to defer consideration of the proposal until further work had been undertaken.

In June 2023, the Crown Melbourne Board approved commencement of Phase 1 of a revised PPRP proposal, conditional on implementation of all required steps contained in Crown’s Readiness Plan, which sets out key milestones and priorities.

In this reporting period, the OSM has assessed Crown’s handling of the proposal and has considered whether:

- in preparing the proposal, Crown management adequately considered the risks associated with the PPRP, based on sound legal advice that reflects the relevant Australian and overseas legislative frameworks
- in reviewing the proposal, the relevant Crown committee and Board members were diligent in their inquiries.

6.7.1 The proposed program

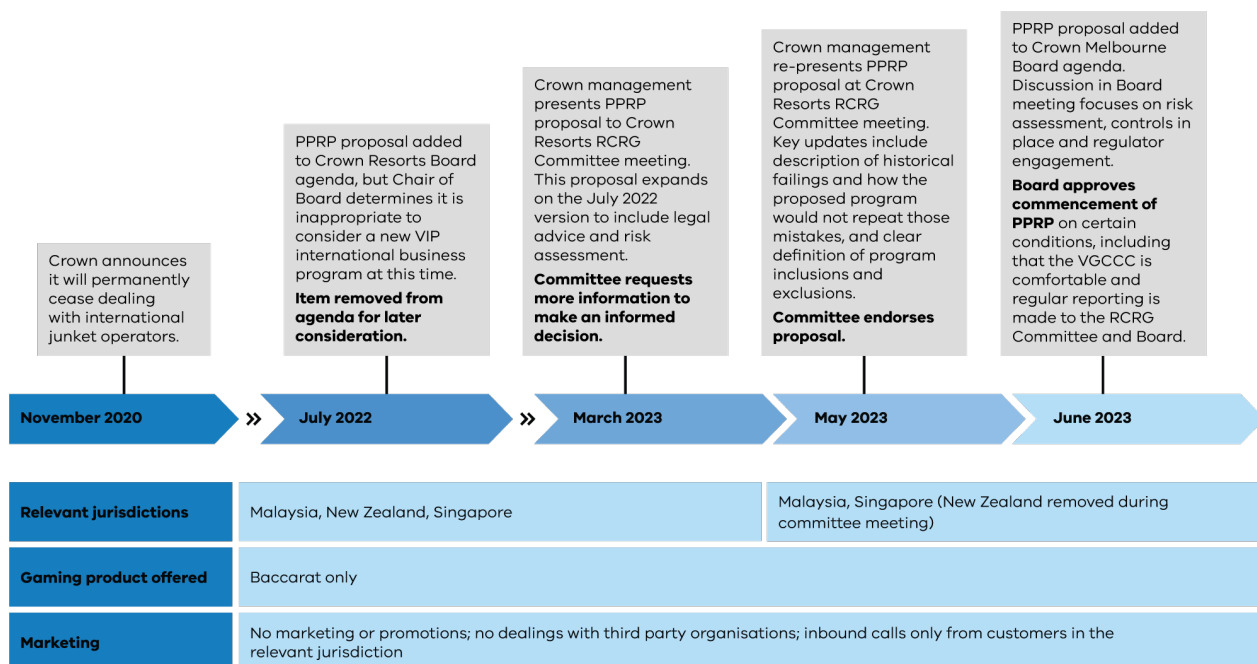
Prior to the Crown Melbourne Board approving the PPRP proposal in June 2023, Crown management presented two iterations of the program to the Crown Resorts Risk, Compliance and Responsible Gaming (RCRG) Committee, in March and May 2023. During this process, management addressed RCRG Committee and Board feedback and requests for additional information. The proposal was also discussed at a number of Crown Melbourne Board meetings.

¹³⁸ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 217.

¹³⁹ Crown Perth is restricted from offering an international premium player program in line with a direction issued by the Gaming and Wagering Commission. However, Victorian and New South Wales legislation allows Crown Melbourne and Crown Sydney to offer rebate programs to international and interstate customers.

Figure 10 summarises the progress of the proposal.

Figure 10. Progress of the Premium Player Rebate Program proposal



The proposed PPRP will not allow any dealings with junket operators or agents. It is planned that the program will be rolled out in three phases:

- In Phase 1, Crown will offer the program to premium players who are citizens of Malaysia and Singapore only. The salient features of Phase 1 are:
 - no direct marketing, promotions or physical presence in the overseas jurisdictions; inbound calls only (all of which will be recorded, and a sample monitored for compliance and assurance purposes)
 - no dealings with third party groups, agents or organisations
 - a single gaming product offering (Baccarat).
- In Phase 2, Crown plans to extend the program to customers in other jurisdictions, permit outbound calls (subject to jurisdiction-specific legal advice) and offer additional gaming products.
- In Phase 3, Crown may consider issuing credit facilities to approved participants.

The timeline for implementing Phase 1 is to be confirmed once project deliverables have been met and the VGCCC has given its approval. No timelines have been proposed for introducing Phases 2 and 3, and the other jurisdictions and additional gaming products that may form part of Phase 2 are yet to be determined.

6.7.2 Reviewing the proposal: Crown’s risk assessment and decision-making process

Following the initial PPRP proposal, management revised the proposal to adopt a considered approach that appropriately identified and assessed the risks. It incorporated:

- detailed legal advice from credible law firms¹⁴⁰ in the relevant overseas jurisdictions
- a comprehensive risk assessment prepared by Crown’s Risk team, which identified a range of operational risks and provided an assessment of the risk level and control environment for each identified risk, ranging from ‘green’ to ‘red’.

Notwithstanding the detail provided, the Crown Resorts RCRG Committee requested in March 2023 that Crown management provide further information on the reasons for re-engaging with the VIP international player program, as well as supporting detail. The OSM observed that the RCRG Committee asked appropriate questions of management, and was not prepared to endorse the program until it had adequate and suitable information to make an informed decision.

The updated proposal presented to the RCRG Committee in May 2023 addressed the queries the committee had raised in March 2023. The OSM attended this meeting and observed that Crown management’s presentation of the updated proposal included:

- a description of Crown’s previous failings and how the proposed program would not repeat the same mistakes
- a clear definition of program inclusions and exclusions, and a summary of the business case for introducing the program
- a comprehensive analysis of the legal advice obtained – with particular focus on the advice regarding restrictions on gaming promotion to New Zealand citizens pursuant to the *Gambling Act 2003* (NZ)
- an updated risk assessment paper, including a ‘readiness plan’ that sets out key milestones and priorities.

The OSM observed robust discussion and inquiry from the RCRG Committee members. Members focused on the legal advice concerning New Zealand regulations, the risk assessment analysis, and the fact that a number of risks had been designated as ‘needs improvement’ and some as ‘unsatisfactory’. The committee noted that many of these risks already existed, and that the application of ECDD to PPRP participants would result in enhanced customer visibility and controls for program participants. Ultimately, the committee was satisfied that there was an appropriate plan in place to manage risk through enhanced controls and customer due diligence processes.

New Zealand was subsequently withdrawn from the initial launch of the program, following committee feedback and further consideration by management.

The Crown Melbourne Board approved commencement of Phase 1 of the proposal on 1 June 2023, subject to a number of conditions, including:

- VGCCC approval of Crown’s draft section 23 directions
- sign off from Line 1 and Line 2 on the Readiness Plan
- all participants undergoing ECDD
- regular reporting of the program, including an appropriate dashboard, to the Crown Resorts RCRG Committee and the Crown Resorts Board.

¹⁴⁰ The legal firms providing advice were Skrine (Malaysia), Prolegis LLC (Singapore), Chapman Tripp (New Zealand), acting on instructions from Herbert Smith Freehills on behalf of Crown Resorts.

The OSM notes that the Crown Melbourne Board expects Crown management to re-present the proposal to the Board for final approval following the satisfaction of these conditions.

Overall, the OSM has observed that, as a result of diligent inquiry from the RCRG Committee and relevant Boards, Crown management has now developed a well-articulated proposal that carefully considers risks and the effectiveness of existing controls, appropriately informed by legal advice.

The OSM notes that the PPRP falls within the scope of the review being conducted by Senet Legal (a specialist gambling law, regulatory and compliance advisory firm) on behalf of Crown, under direction from the VGCCC, which is scheduled to be completed in August/September 2023. Senet's analysis and findings will provide useful input for the OSM's assessment during the final reporting period.

6.8 OSM focus for the final reporting period

In the final reporting period, the OSM will focus on Crown's:

- remaining FCCCP reforms, in particular the automated CRA solution and employee due diligence framework
- AML/CTF training
- implementation of the remaining external report recommendations
- implementation of any internal and external audit recommendations
- implementation of the PPRP, pending its approval.

7. Governance, risk and compliance

7.1 Introduction

The Finkelstein Report found examples of Crown's serious misconduct caused, in part, by failures in risk and compliance management and corporate governance. The shortcomings were wide ranging and encompassed not only the foundational risk management frameworks, but also day-to-day risk and compliance management and a poor risk culture. These were key contributors to the Crown Resorts and Crown Melbourne Boards and senior management taking inappropriate risks to maximise profitability, and failing to ensure that Crown satisfied its legal, regulatory and social obligations.

This section sets out the OSM's assessment of the effectiveness of Crown's risk management and compliance activities, including progress with implementing the Risk Uplift Plan, Policy Uplift Program and Compliance Strategy.

7.2 The three lines of defence

As discussed in the Special Manager's December 2022 interim report, Crown has adopted a three lines of defence (3LOD) risk and compliance model across the organisation. For the 3LOD model to work, it is essential to have a strong Line 2 function to support Line 1, and a well-resourced Line 3 (internal audit) to provide assurance.

Crown has made good progress in establishing an appropriately resourced and skilled Line 2 function; however, some risk management roles have only recently been filled in Melbourne. It is unlikely that Crown will be able to demonstrate that it has fully embedded the 3LOD model effectively before the end of 2023.

7.2.1 Line 1: All frontline employees

In the last reporting period, it was not possible for the OSM to assess the effectiveness of the Line 1 function because, among other things, obligations mapping was not complete and policies, processes, systems and internal controls in relation to risk were still being developed. With the completion of these key tasks during the current reporting period, the OSM has assessed whether the Line 1 function is effectively managing compliance and risk.

Feedback from the OSM focus groups, which gained insights directly from 43 frontline employees across four business units, included that some participants were not confident in the identification, management and escalation of compliance breaches and risk incidents. Participants shared their perceptions, including:

- Frontline employees can face a range of barriers in relation to escalating breaches and incidents, such as concern about negative consequences for raising issues, cynicism about the likelihood of issues being addressed and confusion as to whom they should escalate issues.
- Frontline employees rely on middle management to guide their response to possible breaches and risks. Role modelling and effective support from middle management is perceived to be inconsistent and, at times, not aligned with new policies and procedures.
- Frontline employees, especially those on the gaming floor, do not necessarily perceive their role as including compliance and risk management responsibilities.

With the finalisation of the Risk Uplift Plan, the continued implementation of the Compliance Strategy and increased resourcing of the Line 2 function, it is expected that Crown will be able to drive an increased awareness and understanding among all frontline employees and risk and compliance owners of Crown's new systems, processes and practices to better manage compliance and risks. The ongoing rollout of basic risk training, including how to use the new governance, risk and compliance system (Archer), will be critical to developing the capability and confidence of the Line 1 function in effectively managing and escalating risk. Although Crown has further work to do, these improvements have provided foundations to support frontline employees with compliance and risk management.

7.2.2 Line 2: Risk and compliance management functions

Due to the nature of Crown's business, it has created a Line 2 function that comprises discrete teams consisting of generalist risk, compliance and assurance specialists and financial crime subject matter experts. Further, as noted in the Special Manager's December 2022 interim report, Responsible Gaming has moved to separate its Line 1 (operational) and Line 2 (strategy and policy) functions. Work is continuing to define the specific roles and responsibilities for Responsible Gaming.

The key Line 2 risk, compliance and assurance specialists and financial crime teams are:

- Risk
- Compliance and Regulatory Affairs
- Risk Assurance
- Financial Crime Risk.

These teams are aligned across five Line 2 elements, namely:

- governance and reporting
- risk profiling and obligation identification
- policy development
- incident and breach management
- systems (Archer).

The alignment of Crown's Line 2 teams across the Line 2 elements is shown in Crown's chart in Figure 11.

Figure 11. Crown's summary of alignment of Line 2 teams across the Line 2 elements

Alignment of Line 2 teams across Risk, Compliance, Assurance and Financial Crime

Below is a table summarising the alignment of Line 2 teams across risk, compliance, assurance and financial crime (FC).

	1. Risk	2. Compliance & Regulatory Affairs (C&RA)	3. Financial Crime Risk (FCR)	4. Risk Assurance
1. Governance & Reporting	<p>Board Committee</p> <ul style="list-style-type: none"> A Risk, Compliance & Responsible Gaming (RC&RG) Committee is the Board level committee that oversees and governs the management of risk, compliance and responsible gaming across Crown Resorts. <p>Management Committee</p> <ul style="list-style-type: none"> An Executive Risk and Compliance Committee (ERCC) is the management level committee whose primary function is to assist the CEO to fulfil their responsibilities to oversee the Risk, Compliance, Responsible Gaming and safety functions for Crown and ensure Crown conducts itself and operates in a way that supports the integrity of the gaming industry and minimises the harmful impact of gambling 		<p>Board Committee</p> <ul style="list-style-type: none"> A Financial Risk Oversight Committee (FCOC) is in operation through delegated Board authority to oversee financial crime related risk and obligations given the significance of this risk to Crown <p>Management Committee</p> <ul style="list-style-type: none"> A Financial Crime Working Group (FCWG) is in place to support the FCOC assess and provide oversight of Crown's operational compliance with its financial crime requirements 	<p>Board Committee</p> <ul style="list-style-type: none"> Risk Assurance supports both Board Committees, the RG&RG and FCOC from an assurance perspective <p>Management Committee</p> <ul style="list-style-type: none"> Risk Assurance supports both Management Committees, the ERCC and FCWG from an assurance perspective
2. Risk Profiling & Obligation Identification	<ul style="list-style-type: none"> Risk will develop an Operational Risk Profile across all areas of the group and each property Together with the Compliance Risk Profile developed by C&RA, this will form an enterprise level management of risks 	<ul style="list-style-type: none"> C&RA will develop a consolidated Compliance Risk Profile encompassing Responsible Gaming, Gaming. This is derived through the obligations and controls mapping which is completed at a much detailed level to meet our obligations. 	<ul style="list-style-type: none"> FCR perform a separate and detailed risk assessment process for the purpose of the AML/CTF, Sanctions, ABAC programs FCR owns maintenance of group wide financial crime related obligations to support obligation owners to map risks and controls 	<ul style="list-style-type: none"> Assurance supports C&RA and FCR to develop obligations and controls for various topics Progressively, this role will transition to a true "Assurance" function
3. Policies	<ul style="list-style-type: none"> Risk related policies which forms part of the Policy Management Framework 	<ul style="list-style-type: none"> C&RA owns the Policy Management Framework (PMF) and governance of policies across the group 	<ul style="list-style-type: none"> FCR owns the AML/CTF Part A and Part B Program, Sanctions Policy, ABAC Policy and other Financial Crime related Policies 	<ul style="list-style-type: none"> N/A
4. Incident and Breach Management	<ul style="list-style-type: none"> Risk jointly owns the Incident, Events and Breach Management Policy with Compliance Manages the operational risk incident management process 	<ul style="list-style-type: none"> C&RA jointly owns the Incident, Events and Breach Management Policy with Risk Manages the incident and breach management process to casino regulators 	<ul style="list-style-type: none"> FCR manages the reporting of financial crime related incidents to AUSTRAC 	<ul style="list-style-type: none"> N/A

	1. Risk	2. Compliance & Regulatory Affairs (C&RA)	3. Financial Crime Risk (FCR)	4. Risk Assurance
5. Systems	<ul style="list-style-type: none"> Risk use Archer for operational risk incidents and Risk Profiling for operational risk 	<ul style="list-style-type: none"> C&RA use Archer for compliance risk profiles / plans built of the obligations and controls work for responsible gaming and gaming Event and breach management and reporting Regulatory interactions and commitments 	<ul style="list-style-type: none"> FCR uses Archer for financial crime risk incident and breach management FC obligations and controls related to AML/CTF, Sanctions, Proceeds of Crime Arctic Intelligence system is currently to perform financial crime risk assessment 	<ul style="list-style-type: none"> Assurance use Archer for controls design and operating effectiveness testing and validation

Note: Edited by the OSM for design purposes (content as per Crown’s diagram). The OSM notes that the FCOC is a Management Committee (not a Board Committee as in this diagram). Its correct name is the Financial Crime Oversight Committee.

Source: Alignment of Financial Crime, Compliance, Risk and Risk Assurance, 14 June 2023.

The Financial Crime Risk and Risk Assurance teams have been appropriately resourced for some time to perform these core functions, and the OSM has observed them to be working effectively. Furthermore, the recent recruitment of key risk and compliance personnel at Crown has resulted in a more effective Line 2 function overall. Both the Risk and Compliance teams now have executives at each property (in Melbourne, Head of Risk and General Manager – Compliance) that report to Group executives. The heads of Risk and Compliance in Melbourne have also been able to build their own respective teams of managers and employees, who are assisting in enhancing risk management and compliance. It is worth noting that both the Risk and Compliance teams have been relying on external consultants to assist with the current high workload, but this reliance should decrease once the improvements are embedded as BAU.

There is evidence that Line 2 has been effectively working with business units. For Risk, this has been observed in the development of the risk profiles, which saw a substantial amount of work undertaken in a relatively short time. For Compliance, this has been observed in the work undertaken on the Policy Uplift Program (see section 7.4.1).

The enhanced reporting features of Archer, once fully implemented, will also allow the Risk and Compliance teams to engage with the business more actively as they will be able to observe detailed information regarding trends; this, in turn, should lead to a more focused work program to realise further improvements.

7.2.3 Line 3: Internal audit

The Internal Audit team has continued to provide effective and independent assurance to Crown Melbourne, albeit with human resource constraints. As at June 2023, the Internal Audit team has delivered 70 per cent of its internal audit plan for the 2023 financial year. The remaining six audits are expected to be completed by 31 August 2023.

A new Group General Manager – Internal Audit is expected to commence in July 2023, following the departure of Ms Jessica Ottner in February 2023. This critical leadership role has remained vacant for approximately five months, although Crown has bridged the gap to some degree with a contractor. Exacerbating the human resource constraints, a Melbourne-based Internal Audit Manager only commenced on 3 April 2023, and other vacancies in the Internal Audit team have delayed the delivery of the 2023 Internal Audit Program. This suggests there is

an urgent need to address the adequacy of Crown's internal audit resources to ensure ongoing delivery of the program, including follow up of management actions in response to internal audit recommendations. The Internal Audit team is supported by a co-sourcing arrangement with Ernst & Young, which supplements, but is not a substitute for, Crown having adequate internal audit capability in its Internal Audit team.

The development of an updated Internal Audit Strategy has been delayed until the new Group General Manager – Internal Audit commences.

In this reporting period, the Internal Audit team has progressed the development of its 2024 Internal Audit Plan. The proposed plan has been informed by, among other things, the work completed by the Risk team to establish risk profiles for each business unit, as well as a better understanding of the effectiveness of existing controls. The internal audit topics were developed with input from Risk and Compliance teams, individual business units and Board members. The proposed plan was presented, but not discussed, at a meeting of the ERCC in May 2023, before being presented to the Crown Melbourne Audit and Finance Committee on 7 June 2023, where the plan was approved.

The 2024 Internal Audit Plan provides for 18 Crown Melbourne-specific audits and a further 20 Group-wide internal audits that will include a focus on Crown Melbourne operations. While the number of Crown Melbourne-specific internal audits proposed is less than in the 2023 Internal Audit Plan (23 audits), the number of audit hours is expected to be comparable to the 2023 Internal Audit Plan, which should allow for a more detailed scope of audit coverage.

Archer is expected to include modules related to internal audit. This should enable both better linking of internal audit findings to the effectiveness of existing controls, and better tracking and validation of actions taken to implement internal audit recommendations.

In the next reporting period, the OSM will continue to monitor the performance of the Internal Audit team, including its resourcing, independence and role in providing assurance regarding the management of risk and compliance. It will also look at whether Crown is implementing internal audit recommendations on a timely basis.

7.3 Risk management

Crown has continued to implement a plan to greatly improve how it manages risk. The OSM has considered the structure and operation of Crown's Risk Management Framework, having regard to better practice as described in international standards on risk management,¹⁴¹ which includes the following:

- Clear and effective risk management governance, where the Crown Melbourne Board and its committees provide oversight of the management of risks, and the executives provide leadership in effectively managing key risks.
- A risk management framework that outlines the governance and oversight of risk management within the organisation, including:
 - statements, policies and procedures about risk management
 - a risk management strategy that outlines how an organisation will manage its risks consistent with its risk appetite

¹⁴¹ International Organization for Standardization ISO31000:2018 – Risk Management.

- the processes for how risks are identified, assessed and reported on the roles and responsibilities for risk management within the organisation
- how risks will be reported.
- A Risk Appetite Statement (RAS) that clearly articulates Crown Melbourne's appetite for risk and is supported by effective measures and agreed tolerance levels.
- Timely and insightful reporting of risks to management and the Board that clearly articulates how risks are being managed in line with the organisation's risk appetite.
- An effective risk management function (Line 2) that is adequately resourced, with clear accountabilities and responsibilities in how it assists the organisation manage risk.
- A periodic review of the Risk Management Framework, with any recommended changes implemented in a timely manner.

Crown has almost completed its Risk Uplift Plan, which has focused on ensuring Crown's risk management approach has the features of better practice outlined above. To date, the Risk Uplift Plan has delivered the following important aspects:

- a revised Risk Management Framework, which was approved by the Crown Resorts Board in September 2022 and subsequently adopted by the Crown Melbourne Board in February 2023. Crown proposes to refresh the Risk Management Framework in the second half of 2023
- the recruitment of dedicated risk professionals to the Line 2 team (for example, the Crown Melbourne Head of Risk)
- Archer, which has been deployed throughout Crown. While, as noted in section 7.2, it is still to be fully rolled out and used by all Crown employees, in due course Archer will provide the functionality to manage risks in a more structured, consistent and transparent manner
- 15 risk profiles developed by each business unit that set out business unit specific risks, their controls, an assessment of the effectiveness of those controls, and remediation plans where controls are rated as ineffective. These have been uploaded into Archer
- a property-specific RAS for Crown Melbourne, which is expected to be further revised before being presented to the Crown Melbourne Board in August 2023.

While most of the foundations of effective risk management have now been put in place, considerable further work is underway to enhance the level of understanding and embed effective risk management at Crown Melbourne.

The following sections set out the OSM's more detailed assessment of Crown's implementation of each of the core elements of better practice risk management as outlined above.

7.3.1 Governance of risk management

Crown has established a governance framework for how risk and compliance is managed and reported to the Crown Melbourne Board and senior management. The RCRG Committee was established in February 2023, with its Charter endorsed at the first committee meeting and subsequently approved by the Board at its February 2023 meeting. The OSM has observed discussions at RCRG Committee and Board meetings indicating that directors are engaged and increasingly challenging management in relation to risks and whether effective controls are in place.

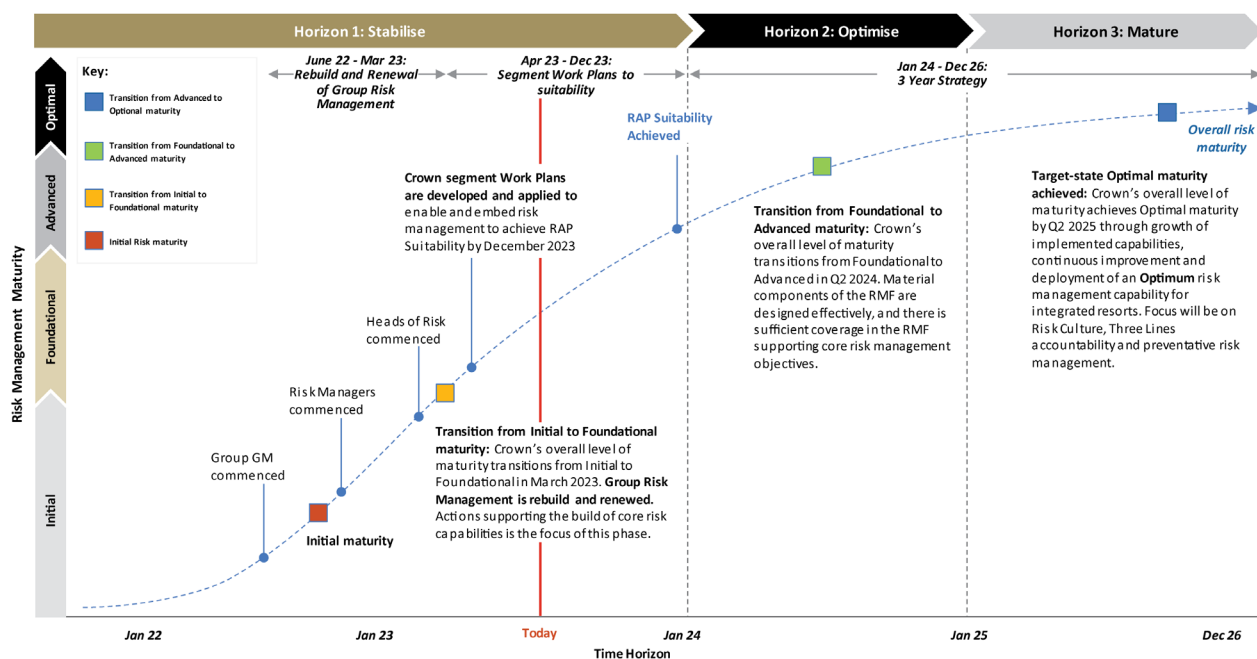
The Crown Melbourne ERCC has been re-established and meets every two months. There has been an appropriate change in focus, whereby risk owners now update the committee on how they are managing compliance and risk matters in their business unit (rather than this being led by the risk function). Based on the OSM’s observation of these meetings, it appears that some risk owners are confident in presenting on the risks they own, whereas others are still developing that skill and their understanding of how the Risk Management Framework operates in practice. This is not unexpected, considering the extent and pace of major risk management improvements rolled out at Crown over the past year, and the fact that substantive training on the new risk management approach is yet to be rolled out.

The OSM has also observed meetings where the Risk team (Line 2) has led business units in the development of their risk profiles. These meetings saw managers present risks and controls to the relevant risk owner for endorsement. The risk owner then reported to the ERCC that the risk profiles had been completed. Similar to the OSM’s observations from the ERCC, some managers are confident and capable in presenting their risks to risk owners, whereas others are not yet as confident or capable. This is expected to continue to evolve as risk owners become more familiar with the risk management approach. The OSM will continue to observe these types of meetings as Crown looks to update these risk profiles and continues to embed the new risk management systems and processes over the next few months.

7.3.2 Risk Management Strategy

Crown Resorts has developed a draft three-year Group Risk Management Strategy (RMS) (provided in Appendix 1, Document 1.17) outlining how it plans to continue to improve the effectiveness of its risk management. The draft RMS assesses Crown’s current state of maturity and clearly defines its target state. If implemented effectively, the draft strategy will move Crown’s risk management to ‘foundational’ maturity by December 2023 and ‘optimal’ maturity by December 2026, as shown in Figure 12.

Figure 12. Crown’s self-assessment of risk maturity



Source: Crown Resorts, Risk Transformation Journey and 3-year Strategy, Draft for discussion, May 2023.

The draft RMS provides a comprehensive and ambitious plan of activities to achieve this:

- The first horizon (June 2022 to December 2023) is partly completed, with the delivery of the Risk Uplift Plan building the foundations required to manage risk. For the remainder of 2023, Crown is expected to focus on training frontline employees about their responsibilities for risk management, as well as developing and reporting property-specific RAS metrics and undertaking a further review of risk profiles for each of the 15 business units.
- In 2024, Crown's focus will be on embedding frameworks, policies and systems so that they are fully effective. It will then continue to improve key areas of risk management, including establishing performance scorecards for employees; reviewing the effectiveness of the Crown Melbourne Board and subcommittees; and introducing dynamic risk reporting.

In January 2023, Crown commissioned Blackhall & Pearl, an advisory firm specialising in board performance, enterprise governance and risk management, to conduct an independent review of Crown's risk management. In this review, Blackhall & Pearl observed that the draft RMS appropriately categorises the first horizon as 'foundational', sets a clear target vision, includes principles and elements that are logical and well considered, and is consistent with ISO standards.¹⁴² Section 7.3.7 summarises the outcome of the review.

Once the RMS is properly executed, Crown will have established a fit-for-purpose risk management approach. Crown will, however, need to commit resourcing to implement the RMS over its three-year horizon, and Blackhall & Pearl also observed that Crown needs to develop a mechanism to monitor and report progress against the target state vision.¹⁴³

It is expected that the draft RMS will be presented to the Crown Resorts and Crown Melbourne RCRG Committees for approval in August 2023.

7.3.3 Risk Appetite Statement

As noted in the Special Manager's December 2022 interim report, all Group properties currently apply the risk appetite as set out in a Crown Resorts RAS approved in early 2022.

Crown is in the process of developing a property-specific RAS that defines the level of risk that the Crown Melbourne Board is willing to accept in relation to its operations. The RAS is expected to be finalised and presented to the Crown Melbourne Board in August 2023.

The OSM has assessed the draft RAS (provided in Appendix 1, Document 1.18), having regard to:

- the process followed to develop the Crown Melbourne RAS
- the appropriateness of the risks identified for the Melbourne casino operator
- whether it incorporates clear measures and defined tolerances.

The process for developing the Crown Melbourne RAS has involved consultation with both the Board and senior management, including:

¹⁴² Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023, p. 7.

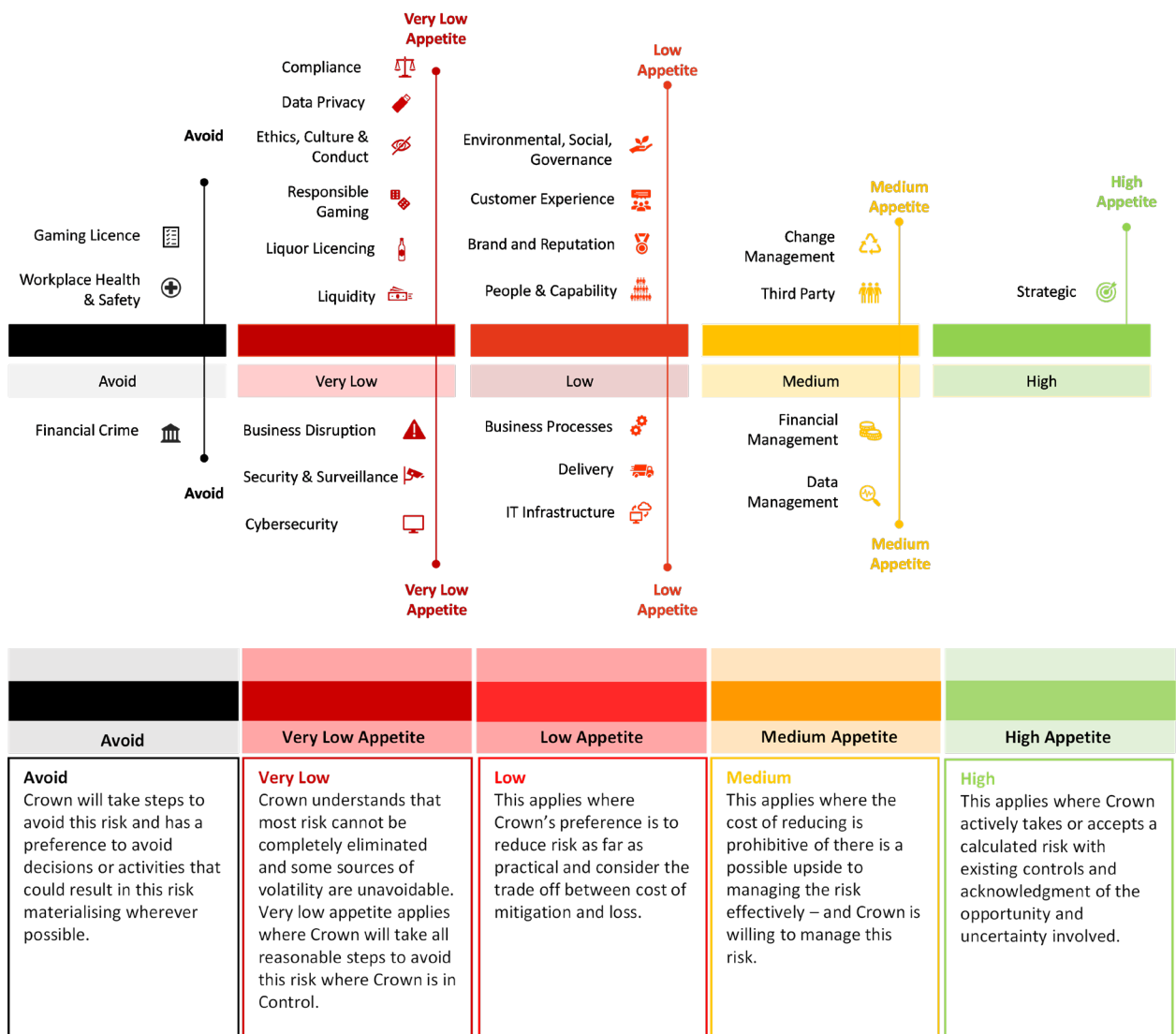
¹⁴³ Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023, p. 7.

- a survey of Crown Melbourne directors and senior management to seek their views about a set of risks and risk appetites proposed by the Risk team
- workshops with senior management on 16 March 2023 and with Board directors on 3 April 2023 to further discuss and agree risk appetites
- presenting the draft RAS to the RCRG Committee on 7 June 2023.

The focus of these consultations with the Board and management was limited to seeking feedback and agreement about the appropriate risk appetite setting for identified risks. It did not, for example, include agreeing on the nature of risks appropriate to Crown Melbourne’s business; measures and tolerance limits; and risk terminology, such as ‘avoid’ and ‘low appetite’, to describe the risk appetite setting.

Compared to the Crown Resorts RAS, the Crown Melbourne draft RAS has identified a significantly larger set of risks (24 risks compared to 14). These have been categorised against five risk appetite postures, ranging from ‘avoid’ to ‘high’, as summarised in Figure 13.

Figure 13. Crown Melbourne’s risk appetite



Source: Crown Melbourne, Draft Risk Appetite Statement, as presented to Crown Melbourne Risk, Compliance and Responsible Gaming Committee, 7 June 2023, Agenda item 6, Figures 4.3 and 5.2.

The Group General Manager – Risk advised that Responsible Gaming had been categorised as ‘very low appetite’ on the basis that it is considered impossible to avoid all risk of harm occurring in a casino operation. In practice, it has been difficult to understand the implications of particular risk appetite postures such as ‘avoid’ and ‘very low’ risk based on the descriptions applied. The independent review of Crown Resorts’ risk management made similar observations with respect to the use of the term ‘avoid’ in Crown Resorts’ existing RAS.¹⁴⁴

At this stage, Crown Melbourne’s draft RAS includes three risks categorised as ‘avoid’, meaning it has no appetite to accept these risks and will seek to avoid them wherever possible, namely:

- cancellation or suspension of Crown Melbourne’s gaming licence (‘Gaming Licence’)
- injury to employees, contractors, customers and the general public (‘Workplace Health & Safety’)
- money laundering activities, sanctions and fraud (‘Financial Crime’).

It has categorised a further nine risks as those for which it has a ‘very low’ appetite; that is, it will take all reasonable steps to avoid these risks. These risks include ‘Compliance’, ‘Responsible Gaming’, ‘Data Privacy’ and ‘Ethics, Conduct and Culture’. From discussions with the Risk team and other Crown senior management, the OSM understands there was considerable discussion across both the Board and management in relation to some key risks, including whether ‘Responsible Gaming’ should be categorised as ‘avoid’ or ‘very low appetite’ consistent with the proposed categorisation of ‘Financial Crime’.

In both the RCRG Committee and the joint meeting of the Crown Resorts and property RCRG Committees, members of the Board signalled their intention to further consider the risk terminology and categorisation of risks.

During the preparation of this interim report, the OSM was invited at short notice to attend a meeting of the Melbourne Executive team on 28 June 2023, to consider a proposal to rename the risk category ‘avoid’ to ‘no appetite’ and to assign this ‘no appetite’ rating to ‘Responsible Gaming’ and ‘Compliance’.

An additional workshop with the Crown Melbourne Board was scheduled for 4 July 2023 to enable the draft RAS to be further considered and discussed. The OSM expects this Board workshop to include a discussion of the nature of risks appropriate to Crown’s Melbourne business; measures and tolerance limits; and the use of risk terminology such as ‘no appetite’, ‘avoid’ and ‘low appetite’ to describe the risk appetite setting, after which the appropriate risk appetite setting for each risk will be discussed. The revised RAS, informed by this discussion, is expected to be presented to the Crown Melbourne Board in August 2023 for approval.

An important aspect to settle in the final Crown Melbourne RAS will be the nature of measures used to assess how material risk categories are managed and reported against pre-defined risk tolerances. Overall, the OSM considers that the draft RAS measures need to be further considered and defined to provide an effective basis for managing risk. The snapshot following shows how the current draft Responsible Gaming risk measures could be improved to provide more confidence that the risks to customers of gambling harm will be minimised.

¹⁴⁴ Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023, p. 18.

Snapshot: Responsible Gaming risk measures

The draft Crown Melbourne RAS includes seven proposed draft measures aimed at managing the risk that it 'fails to comply with its Responsible Gaming obligations which may result in harm to vulnerable customers, fines, penalties, restrictions on, suspension or termination of its gaming licence'. The seven RSG risk measures include a measure of:

- interactions with customers relating to acknowledged play period alerts
- full-time/part-time employees who have completed mandatory Responsible Gaming training
- casual employees who have completed mandatory Responsible Gaming training
- play period alerts investigated (PP12 hours – on device)
- play period alerts investigated (PP48 hours – cumulative)
- play period alerts investigated (PP3 hours – continuous)
- customer complaints resolved in the timeframe specified in the Responsible Gaming Code of Conduct.

The current draft proposed Responsible Gaming risk measures need further consideration and development to provide greater confidence that the risks of gambling harm will be minimised. Specifically, the proposed risk measures:

- could reflect a broader range of risks associated with RSG and, for example, monitor a broader set of measures, such as the number of observable signs and exclusion breaches
- could be better defined; for example, the first measure could reflect interactions with customers or actions to enforce compliance with play periods where required rather than just acknowledgement of alerts
- could more clearly define the measures related to key sources of risk; for example:
 - percentage of 'play period alerts investigated PP 12 hours' could be better framed as 'customers are not playing for longer than 12 hours on-site'
 - Responsible Gaming training measures could focus on whether training content is understood or applied
- could include measures to address prevention, which are arguably more effective at reducing the risk of poor outcomes, for example:
 - percentage of marketing campaigns progressed without Responsible Gaming approval
 - percentage of customers not using a pre-commitment scheme
- could more clearly align to obligations specific to Crown Melbourne, such as the requirement to limit play to 36 hours in a week rather than 48 hours.

In the final reporting period, the OSM will be looking for clear evidence that Crown Melbourne's risk appetite is clearly understood and applied across the business, and properly monitored and reported against a robust set of measures.

7.3.4 Risk profiles

Crown's Risk team has developed risk profiles for each of the 15 business units in consultation with risk owners, which is a major step in Crown improving the way it manages risk. The risk profiles describe key risks associated with each business unit, assess the strength of controls in place and assign an inherent and residual risk rating.

There are also details regarding any risk that has been associated with a significant incident, event or internal audit finding. For each of these risks, as well as those with controls assessed as 'needs improvement', there is a remediation plan that outlines actions to address control weaknesses, as well as responsibilities for improving controls and the implementation of the improvement plan.

The Risk team worked effectively with the business units to develop these risk profiles, and the initial risk profiles provide effective documentation of how risks are managed. Crown proposes to refresh its risk profiles in the second half of 2023, which is expected to continue to drive improved management and reporting of risks.

7.3.5 Risk reporting

Crown Melbourne's reporting of risk has continued to evolve over this reporting period.

To date, reporting to the RCRG Committee and the Board has been based on the Crown Resorts RAS metrics as applied to each property, including Crown Melbourne. Reporting has been somewhat basic and included a relatively narrow series of RAS measures. The reliability and accuracy of RAS metrics data are yet to be assured.

Once the new Crown Melbourne RAS has been approved by the Board, the Risk team will prepare reports containing metrics showing how risks are being managed relative to their risk appetite. It is also expected that once Archer has been embedded in the business, and training in its use has been completed, risk reporting will be greatly enhanced as the tracking of incidents will be automated, allowing for reports to be generated by the system.

As the RAS is yet to be approved by the Crown Melbourne RCRG Committee and Board, and therefore the metrics are yet to be finalised, it is not feasible to assess the effectiveness of reporting at this time. This will be a focus of the OSM in its final reporting period.

7.3.6 Risk incidents

With the implementation of Archer, Crown's ability to record, respond to and monitor risk incidents is expected to improve. Risk incidents detected by Line 1 employees are now recorded in Archer and can be linked to relevant control(s). Line 2 can actively monitor risk incidents and oversee incident responses where required.

The case studies following summarise Crown's response to risks arising in relation to third party providers. The first relates to the issue of a third party failing to maintain a mandatory licence.

Case study (h): Failing to monitor licensed status of third party contractors at Crown Melbourne

Crown relies heavily on third party providers to deliver services within its hotels and hospitality businesses. It is critical that Crown actively monitors the conduct of these service providers to ensure compliance with relevant legislation and minimise associated risks. This case study provides an example of Crown failing to identify when an important service provider failed to retain a mandatory licence to operate.

On 3 March 2023, Crown Melbourne's housekeeping contractor, Silk Hospitality, became unlicensed under the *Labour Hire Licensing Act 2018* (Vic). The Labour Hire Authority notified Crown of this on 13 April 2023. Crown

promptly terminated its services agreements with Silk due to Silk's failure to comply with its legal obligations.¹⁴⁵ Crown then commenced onboarding Silk staff. Crown had been aware of various allegations and investigations into Silk.¹⁴⁶

Crown Melbourne subsequently reviewed the licensing status of its other hotel service providers, discovering one other non-compliant contractor.¹⁴⁷

As a result of this incident, Line 2 will be undertaking a root cause analysis and is carrying out a third party assessment to identify any potential or emerging risks with material and key suppliers to be reported to the ERCC in July 2023.

In addition, Crown is looking to strengthen its procurement and supplier management policies and processes at a Group level.

The OSM observed that while it was Silk that was allegedly in breach of the legislation, not Crown, Crown was not actively monitoring Silk's licence status, which is readily accessible on the Labour Hire Authority website. The OSM also noted that Crown has used this incident to prompt a broader review of the risks associated with its third party service providers.

The second case study, following, summarises Crown's response to a cyber incident experienced by a third party IT provider that impacted Crown information.

Case study (i): Fortra GoAnywhere cyber security incident

Cyber security and data privacy are key risks identified by Crown and it rates its appetite with respect to these risks as 'very low'. Cyber security and data privacy require special attention because IT service providers are a major source of vulnerability. This case study highlights the risk to Crown when a service provider suffers a cyber incident that exposes Crown employee, contractor and customer data.

In March 2023, Crown advised the OSM of an emerging cyber security incident caused by threat actors exploiting a zero-day vulnerability in Fortra GoAnywhere file-sharing software utilised by Crown.

The information obtained by the threat actor contained Crown Sydney employee and contractor information (no names or dates of birth) and 41 Crown Sydney customer membership IDs (no names, dates of birth or other identifying information). Crown confirmed that no Crown Melbourne employee, contractor or customer information was compromised as part of the breach.

Crown Sydney notified the affected current and former employees and contractors prior to the threat actor releasing the information, which included a compressed file containing a number of files and two screenshots as a preview. Crown also changed the affected Sydney customer membership IDs.

In April 2023, Crown notified the Office of the Australian Information Commissioner of a data breach in relation to the current and former Crown Sydney contractors. The notification was not required to be made regarding employees due to the employee records exemption under the *Privacy Act 1988* (Cth), though it should be noted Crown had previously engaged with those employees.

The Office of the Australian Information Commissioner has advised Crown it does not intend to take any further action in relation to this matter at this time and that their file is now closed.

Crown provided regular updates to the OSM on the cyber security incident and initiated an independent review and analysis of the leaked data, which was completed on 24 April 2023. The review addressed all leaked files that had been posted by the threat actor to date. The review findings did not identify any additional risks and were consistent with Crown's own findings.

Crown is engaging with Victoria Police to monitor for further threat actor postings.

¹⁴⁵ Letters sent by Crown to Silk, 18 April 2023. The OSM notes that by return letter Silk refuted that it was operating without a licence.

¹⁴⁶ In 2022, the United Workers Union made allegations against Silk, leading to Crown engaging law firm Seyfarth Shaw to investigate. The Fair Work Ombudsman also entered Crown premises to investigate workplace compliance by Silk. In early March 2023, the Labour Hire Authority informed Crown it was investigating Silk's compliance with the *Labour Hire Licensing Act 2018* (Vic).

¹⁴⁷ As reported to the ERCC on 17 May 2023.

7.3.7 Effectiveness of risk management

Appendix I requires the Special Manager to review whether Crown Melbourne has undertaken an external review of the robustness and effectiveness of its Risk Management Framework, systems and processes.

As noted in section 7.3.2, specialist advisory firm Blackhall & Pearl undertook an external review of risk management across Crown's three properties, including Crown Melbourne. The scope of Blackhall & Pearl's review included assessing the robustness and effectiveness of Crown Resorts' risk management framework, systems and processes and their appropriateness to each of the Crown properties, including Crown Melbourne. Blackhall & Pearl conducted its review between March and May 2023.

Before the external review commenced, the OSM provided feedback to Crown that the review was likely to be too early to demonstrate the effectiveness of risk management at Crown Melbourne, given it preceded the full implementation of key aspects of Crown's risk management approach.

Nevertheless, Blackhall & Pearl's methodology and approach to reviewing Crown's risk management has been robust. It considered a range of key risk artefacts (both approved and draft where applicable), interviewed around 45 Board members and senior management¹⁴⁸ and observed various risk-focused meetings at Crown. Blackhall & Pearl's report was presented to and discussed at a Joint Board Meeting convened on 15 June 2023. The Blackhall & Pearl report is provided in Appendix 1, Document 1.19.

Blackhall & Pearl concluded:

It is clear that Crown Resorts has made progress in the transformation of its risk functions, systems, culture and mindset. A number of initial milestones have been achieved, with much more activity planned.

Beyond the implementation of processes, effectiveness will ultimately be determined by the outcomes of all these activities. As the implementation of processes is still in flight, there are practical limitations on our ability to assess the programs ultimate impact and effectiveness. In our view, however, the risk transformation strategy being put in place is comprehensive and addresses all areas needed for developing the effective risk management system.¹⁴⁹

The Blackhall & Pearl report found that Crown's progress in articulating a draft strategy for improving risk management was a critical element of better practice. The report noted that although the draft strategy contained the activities required for developing an effective risk management function, it did not clearly articulate the required resources.

The report also found that the Risk team, led by the Group General Manager – Risk appeared to have the respect and influence across Crown required to drive a successful risk management function. It noted that a RAS had been developed for each property and that the process for its development included multiple workshops with senior Crown representatives (both Board and executives) that were constructive and involved robust discussion. The report did take a different view to Crown on some of the terminology used in the RAS and suggested Crown

¹⁴⁸ A total of 25 interviewees were Crown Resorts and Crown Melbourne Board and senior management, and the others were from Crown Perth and Crown Sydney.

¹⁴⁹ Blackhall & Pearl, *Crown Resorts, Assessment of the Effectiveness of the Management of Risk*, June 2023, p. 2.

consider amending the term 'avoid' as a risk appetite descriptor to 'no appetite', which has prompted further consideration of the approach taken to defining risk appetite in the draft RAS (as discussed in section 7.3.3).

The Blackhall & Pearl report found that the Board had established appropriate oversight of risks with the establishment of the RCRG Committee. It also noted that the RCRG Committee was yet to see the RAS and the full list of risk profiles for the business, making it difficult for the committee to fully assess its effectiveness.

Blackhall & Pearl also undertook an assessment of risk culture using its own 'risk culture model' and found there were positive signs of an acceptable risk culture emerging at Crown. Specifically, it noted a strong commitment from senior managers with a clear tone being communicated to Crown employees. It also found that much work had been done to communicate to Crown employees and raise awareness of the risk culture desired at Crown.

Blackhall & Pearl's report made 11 recommendations:

- Report progress against the target-state vision.
- Build in regular pulse checks for the target-state vision.
- Plan out the resource requirements for the risk strategy.
- Ensure the risks inherent in the corporate strategy are identified and linked to the risk profiles.
- Consider appointing a Chief Risk Officer who directly reports to the CEO.
- Articulate the internal and external resource requirements for each risk transformation horizon.
- Consider prioritising and rationalising the risk appetite categories.
- Ensure risk terminology is clear and consistent.
- Ensure there is a simple and consistent risk taxonomy.
- Prioritise risks in reporting to enable a focus on key risks and allocation of resources to address them.
- Clarify the role of the 3LOD in upcoming risk training.

Although Crown has a centralised approach to risk management across Crown's properties, Blackhall & Pearl's recommendations are highly pertinent to Crown Melbourne. The OSM considers that the Blackhall & Pearl findings are reasonable and soundly based, and consistent with the OSM's own assessment and observations of the current state of Crown Melbourne's risk management framework, systems and processes.

At the combined meeting of the RCRG Committees on 15 June 2023, the Blackhall & Pearl report was welcomed by committee members, who recognised the progress in establishing a solid foundation for risk management. There was discussion about how to build on the framework to produce clearer outcomes, particularly regarding how risk is reported to the committees.

The joint meeting of the RCRG Committees also discussed the issue of how the risk appetite posture should be appropriately described, with some committee members favouring the use of 'no appetite' over 'avoid' (as noted in section 7.3.3). At the joint meeting, committee members agreed that further work was required on the RAS and that this should be undertaken with each

property committee and presented back to the Crown Resorts Board in August 2023, together with an action plan addressing the Blackhall & Pearl recommendations.

The OSM will update its assessment of the effectiveness of Crown's risk management in its final reporting period, when Crown will have had more time to embed its approach. In particular, it will monitor whether the Blackhall & Pearl recommendations are implemented in a timely manner, as well as the progress of the further targeted review of the effectiveness of risk management at Crown Melbourne.

7.4 Compliance

7.4.1 Policy Uplift Program

Crown Resorts is nearing completion of the implementation of the Policy Uplift Program, which aims to consolidate over 270 policies into 64. In the last reporting period, the OSM noted that the finalisation and release of new and revised policies was being undertaken in four waves, with the process to be completed by 30 June 2023.

Crown performed a health check assessment of implementation and embedment closure criteria in late 2022, which resulted in a re-baselining of work in relation to the improvement of policies. The health check identified the need for more work across the implementation phase of specific policies as well as for a more detailed plan about how the policies will be embedded in the organisation. In accordance with the re-baseline, Crown must implement all 64 policies by 30 September 2023.

Crown looked more deeply into how it was implementing the improved policies, which resulted in the Compliance team holding workshops with policy owners to examine whether there were appropriate procedures, controls, governance and reporting, and initial communications to support implementation.

In terms of embedment, Crown will be broadening its employee awareness training to ensure the key policies are understood (see section 7.2). This includes training on 'Speak up' processes that are in the Code of Conduct, whistleblower procedures, and risk and compliance basics. Training for the remaining policies will be delivered later in 2023 and into 2024.

As part of the 3LOD model, an internal audit will need to provide assurance that policies are understood and controls are effective. Recent internal audit findings have shown there continue to be issues regarding the effectiveness of policies and procedures.¹⁵⁰ The OSM expects a further internal audit to be undertaken once the rollout is nearing completion later in the year.

The Policy Management Framework was endorsed by the Crown Melbourne Board at its meeting in December 2022, and subsequently approved at the Crown Resorts Board meeting in February 2023. Since the Policy Management Framework was approved, the respective Chairs of Crown Resorts and other property Boards have met to agree a list of policies they should approve, which now includes around half of all policies. The Compliance team is developing a process and timetable for the review and approval of policies by management and the respective Boards.

¹⁵⁰ Crown Melbourne, Audit and Finance Committee, 8 February 2023, Agenda item 6.1.

7.4.2 Compliance Strategy

Further to the progress noted in the Special Manager's December 2022 interim report, Crown is continuing to implement its three-year Compliance Strategy, targeting an 'advanced' state of maturity across 10 compliance elements.

Mapping of Crown Melbourne's AML/CTF, RSG and gaming obligations is largely complete, with 90 per cent of these obligations mapped and associated controls reviewed.¹⁵¹ This provides confidence that Crown understands its key obligations in these areas and is working towards improving the control environment related to these obligations. Crown intends to assess and map its other obligations, commencing in the second half of 2023.¹⁵² Given the breadth of Crown's legal obligations, this work will continue into 2024.

The Compliance team has now been established and has recently recruited a new General Manager – Compliance and Regulatory Affairs and Head of Compliance for Melbourne, as well as a new Group General Manager – Enterprise Compliance. The addition of these management positions means Crown now has sufficient resources to undertake the Line 2 function, although it will take some time for the team to settle into BAU. The appointment of key employees (for example, the Crown Melbourne General Manager – Compliance and Regulatory Affairs) has been an important part of building the Compliance team to its current position.

With the deployment of Archer, compliance breaches are now being recorded and actioned. The Compliance team is working on improving the reporting of breaches by introducing a new reporting tool (Power BI) that will automate the reporting function and allow it to be more dynamic.

While the OSM has observed considerable enhancement in the management of compliance, necessary work remains underway to fully implement the Compliance Strategy and sufficiently embed across the organisation the further improvements that are expected to result. Improved compliance management needs time to be embedded, and it is expected that over the next six to 12 months there will be continued progress in this area. There will be more awareness and training for all employees, and further cycles of reporting compliance matters to both the ERCC and RCRG Committee should also lead to improvements.

7.4.3 Compliance monitoring and assessment

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 consideration of whether there is evidence of maladministration, illegal or improper conduct or conduct that may give rise to a material contravention of any law.

The OSM has continued to monitor Crown's compliance with its legislative and regulatory obligations by closely tracking Crown's identification, escalation, management, reporting and remediation of potential and actual compliance incidents and breaches. This has involved reviewing records of and attending Crown's compliance-focused committees; reviewing correspondence between Crown and its regulators; monitoring litigation, disciplinary proceedings and other regulatory matters of note; and having regular discussions with members of Crown's Compliance and Regulatory Affairs team.

¹⁵¹ Crown, Compliance Fortnightly Update, 24 April 2023.

¹⁵² Crown, Compliance Uplift Program on a Page, 22 May 2023.

In this reporting period, the OSM has also focused on assessing the effectiveness of Crown's:

- systems and processes for identifying, recording and reporting incidents (including breaches and potential breaches)
- compliance incident escalation and decision making, including the operations of its compliance-focused committees
- implementation of Archer.

Compliance systems and processes

Crown's compliance systems and processes are not yet fully effective; however, the transition to Archer should greatly enhance its ability to record, respond to and escalate compliance incidents where required.

Crown has an Incident, Event and Breach Management Policy to assist employees to understand and satisfy their obligations in relation to the identification and management of risk and compliance incidents. The policy sets out Crown's approach to identifying, recording and managing incidents and events, and the linkages to controls, risks and obligations. It also outlines Crown's minimum requirements across the incident management lifecycle, guiding principles, and the roles and responsibilities of all Crown employees for effective risk management.

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.

During the first half of this reporting period, Crown continued to rely on manual processes to identify, record and report compliance incidents. This included using a SharePoint form for employees to raise an incident with the Compliance and Regulatory Affairs team and maintaining a spreadsheet register of incidents, as well as holding weekly meetings to review and assess whether any incidents should be escalated. Crown ceased using CURA, Crown's former governance, risk and compliance tool, in early February 2023, and in late March 2023 Archer went live, meaning employees now record compliance incidents in Archer. Compliance Alerter¹⁵³ is still used pending the full implementation of Archer.

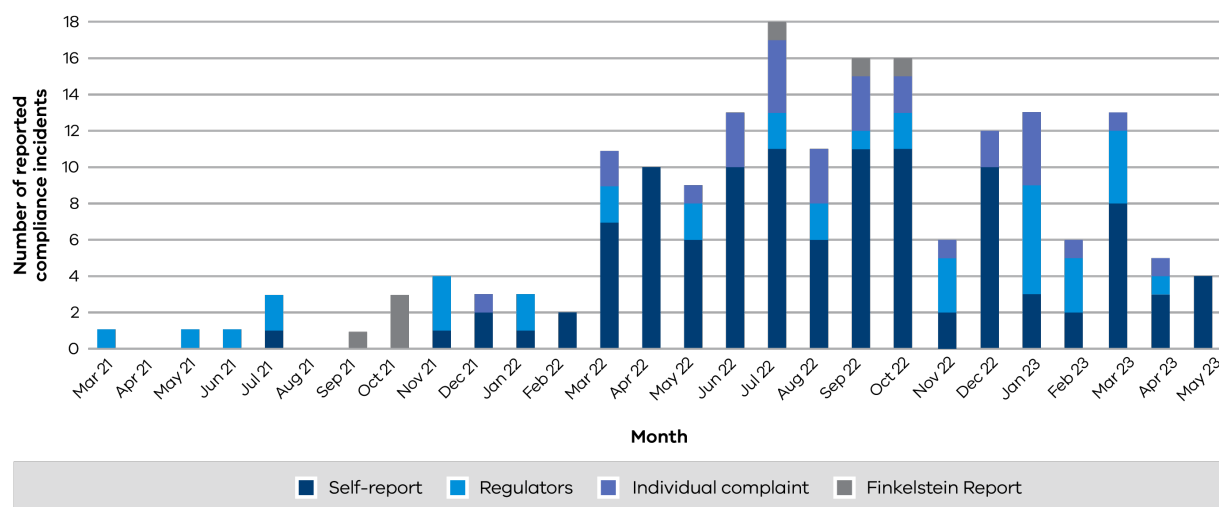
Incident escalation and reporting

Crown's compliance incident and escalation systems are improving and will be further enhanced once Archer is fully implemented and Crown employees have received appropriate training.

Once a compliance incident is received by the Compliance and Regulatory Affairs team, the team carries out a triage process to determine whether a breach or potential breach has occurred. The OSM's monitoring of Crown's compliance incidents indicates that Crown Melbourne self-reported 20 compliance incidents between January and May 2023, as shown in Figure 14. Seventeen of these were automatically reported by the Compliance and Regulatory Affairs team to the regulator within an average of 10 days, which the OSM considers to be timely. The other three self-reported compliance incidents were first escalated to the Compliance and Regulatory Affairs BDF.

¹⁵³ An automated compliance alert and reminder system, the primary function of which is to ensure that regulatory and compliance obligation reporting occurs on time.

Figure 14. Number of compliance incidents reported each month by source (excluding active disciplinary proceedings)¹⁵⁴



The Compliance and Regulatory Affairs 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.¹⁵⁵ Importantly, it decides whether the VGCCC must be notified of a significant breach under section 27A of the Casino Control Act. It is scheduled to meet weekly but is cancelled when there are no new compliance incidents to discuss. In this reporting period, the BDF met eight times and considered a total of seven compliance incidents.

The BDF operates effectively: it is well chaired by the Crown Melbourne COO¹⁵⁶ and standing members¹⁵⁷ engage in robust discussions that sometimes lead to mandatory or voluntary reporting of breaches. For example, in this reporting period, Crown Legal referred newly identified indorsed cheque practices to the BDF which, after thorough consideration, resulted in a likely significant breach being notified to the VGCCC on 29 March 2023. This was the only potentially significant breach identified by Crown during this reporting period and all other compliance incidents were less significant. This may indicate a positive trend in the significance of Crown’s compliance incidents compared to 2022, during which it reported six significant or potentially significant breaches to the VGCCC.

However, decisions by the Compliance and Regulatory Affairs BDF on whether to notify a regulator are sometimes deferred because it has insufficient information or legal advice to support a decision. As such, the BDF’s effectiveness could be improved by ensuring the quality of information provided to it is sufficient to make decisions.

¹⁵⁴ Any discrepancies between this chart and Figure 19 on page 132 of the Special Manager’s December 2022 interim report are attributable to subsequent analysis of compliance incidents. Further, Figure 14 does not include eight privacy incidents (six identified by Crown and two identified through patron 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 incident involving the Fortra GoAnywhere data breach is included as Crown formally self-reported it to the Office of the Australian Information Commissioner on 6 April 2023.

¹⁵⁵ 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.

¹⁵⁶ The Chair changed from the Group Executive General Manager – Compliance and Regulatory Affairs in April 2023.

¹⁵⁷ In addition to the Crown Melbourne COO, who chairs the Crown Melbourne Compliance and Regulatory Affairs BDF, the standing members are the Crown Melbourne General Manager – Compliance and Regulatory Affairs, and the Crown Resorts Deputy Group General Counsel.

An example of insufficient information and legal advice being provided to the BDF, leading to delayed reporting of a potential breach to the VGCCC, is set out in the case study following.

Case study (j): Encouraging higher limits for an excluded customer returning to gambling

It is important that sufficient information and legal advice is provided to the Compliance and Regulatory Affairs BDF to support its decisions and allow timely reporting to regulators. This case study outlines a potential breach by Crown of the *Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014 (Vic)*.

On 6 March 2023, a customer returning from self-exclusion was setting YourPlay and Play Safe limits while activating their Crown Rewards account. An RGA overheard the customer service attendant assisting the customer tell them they could earn more rewards points by setting a higher financial pre commitment limit. The RGA intervened to ensure that the customer's pre-agreed time and financial limits were retained.

The incident was brought to the Compliance and Regulatory Affairs BDF on 16 March 2023 as a potential breach of regulation 18(2) of the Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations. The BDF determined it was not a breach but rather a 'near miss' and the RGA had done a good job in intervening. Nevertheless, the BDF decided it was a serious enough incident to be put in writing to the VGCCC, for the sake of transparency.

The OSM subsequently queried the rationale for the decision that the incident was a 'near miss' and questioned whether Crown had considered it to be a potential breach of other relevant provisions. On 18 April 2023, the VGCCC was notified of the incident as a 'potential breach' of regulations 18(1)(e) and/or (2).

The OSM noted that the BDF took the incident seriously and had robust discussions leading to the decision to notify the VGCCC of the incident. However, there was a lack of clear legal advice as to whether it constituted a breach of the regulations. This incident suggests that further training and reinforcement regarding harm minimisation are required for some frontline employees.

Since March 2023, the Compliance and Regulatory Affairs team has included useful reporting in BDF meeting packs, including compliance incident data and trends, updates on older issues and, more recently, root cause analysis and remediation actions.¹⁵⁸ This information assists standing members to better understand the effectiveness of Crown Melbourne's compliance functions and may support improved and consistent decision making and reporting on compliance incidents to regulators. The Compliance and Regulatory Affairs team intends to examine the effectiveness of internal controls and remediation efforts more closely in the coming months.

Since April 2023 and at the request of the Chair, the Crown Melbourne CEO is an invitee to all BDF meetings to assist him to fulfil his obligation to oversee Crown's compliance functions.

Crown Melbourne's other compliance-focused management committees are the ERCC and Compliance Champions Forum (formerly the Compliance Officer Committee).

The purpose of the ERCC is 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.¹⁵⁹ The ERCC currently meets quarterly.

¹⁵⁸ The Terms of Reference are being updated to reflect this expanded scope.

¹⁵⁹ Crown Melbourne, Executive Risk and Compliance Committee Charter, August 2022.

Crown is currently reviewing the ERCC to refocus its objectives, approach and meeting focus, in light of the substantial changes being implemented to improve risk and compliance management. Currently, the information provided to the ERCC is lengthy and consists mainly of papers from business units updating it on risk and compliance matters with an operational focus. It is expected that in future, the ERCC will be provided with more detailed analysis of incidents and breaches that will enable it to better focus on trends and emerging issues.

The ERCC referred one matter to the Compliance and Regulatory Affairs BDF in March 2023: the failure of Crown Melbourne to maintain its membership with the Australian Packaging Covenant. This is discussed further in the case study following.

Case study (k): Sustainable packaging obligations

Non-compliance can occur when legal and regulatory obligations are not mapped in governance, risk and compliance systems, with linked controls. This case study outlines a potential breach by Crown of the *National Environment Protection (Used Packaging Materials) Measure 2011 (Cth)* and illustrates what can happen when obligations are ‘forgotten’.

Crown Melbourne is required to comply with state-based obligations, which implement the National Environment Protection (Used Packaging Materials) Measure, or to be a member of the Australian Packaging Covenant (APC).¹⁶⁰ Crown’s former governance, risk and compliance tool CURA did not record these obligations. In 2018, Crown withdrew its APC membership and engaged with the Environment Protection Authority (EPA) about direct reporting. Relevant Crown personnel then left the business, and the reporting obligation was ‘forgotten’ by the organisation.

On 15 March 2023, the ERCC was informed that Crown Melbourne had not submitted required environmental reports to the EPA from 2019 to 2022. Crown Melbourne became aware of the issue in late December 2022 after the Western Australia Department of Water and Environmental Regulation notified Crown Perth of the obligations. The ERCC approved management’s recommendation to re-join the APC and referred the matter to the Compliance and Regulatory Affairs BDF for self-reporting to the VGCCC and EPA. The BDF considered the matter on 22 March 2023 and decided it was not a significant breach, but Crown should notify the VGCCC anyway. Upon making enquiries with the EPA in May 2023, Crown identified that the reporting requirements only began to be enforced in Victoria in 2022, meaning a risk of penalty applies to that year only. However, it appears the EPA does not intend to take enforcement action. Crown submitted an application to re-join the APC in May 2023 and the APC confirmed Crown Melbourne’s membership in June 2023. Crown intends to notify the VGCCC of the non-compliance and that it is once again a member of APC.

The OSM’s key observations of this incident are as follows:

- Obligations were not in the former governance, risk and compliance tool, which illustrates the importance of Crown mapping all its legal obligations and allocating responsibility in Archer.
- ERCC and BDF reporting lacked clarity about the factual circumstances and Crown’s legal obligations.
- Crown’s actions to respond to the non-compliance and inform at least the EPA were not timely.
- By not maintaining its APC membership, it is unclear whether Crown has met national sustainable packaging standards over several years.

A separate non-compliance incident with a missed environmental obligation was brought to the Compliance and Regulatory Affairs BDF on 28 June 2023. Since 2 January 2022, Crown Melbourne was in breach of an obligation to be registered with the EPA for carrying out commercial dry-cleaning activities. While most dry-cleaning is provided by an offsite third party provider, a small team of Crown Melbourne employees conduct on-site dry-cleaning primarily for hotel guests. The BDF decided to notify the EPA and the VGCCC of the breach, which it

¹⁶⁰ Waste Management Policy (Used Packaging Materials) as published in the Government Gazette, 26 April 2012, then in the *Environment Protection Regulations 2021 (Vic)*.

determined was not significant, and to seek registration with the EPA. BDF discussions also focused on the importance of Crown mapping all its legal obligations and having clear allocation of responsibilities, to ensure the organisation remains up to date with new and changing legislative requirements. Crown Melbourne's registration application was granted by the EPA on 28 June 2023. Importantly, Crown Melbourne considers it has otherwise complied with its general environmental duty to minimise risks of harm while carrying out dry-cleaning activities.

The Compliance Champions Forum¹⁶¹ (formerly Compliance Officer Committee) is no longer a management committee but is now a forum that brings together Line 1 and Line 2 representatives to share compliance-related information and updates. It is chaired by the Crown Melbourne General Manager – Compliance and Regulatory Affairs.

To enhance the prospects of Line 1 employees continuing to report incidents where appropriate, Crown will be conducting employee awareness training to ensure key policies are understood. This includes training on 'Speak Up' processes in the Code of Conduct, whistleblower procedures, and risk and compliance basics. This training is expected to be delivered by September 2023. Training for the remaining policies will be delivered later in 2023.¹⁶²

While not a substitute for formal training, the Compliance Champion Forum complements the compliance training program that Crown continues to roll out to all employees.

OSM monitoring of compliance incidents

The OSM has monitored 206¹⁶³ compliance incidents¹⁶⁴ between January 2022 and 31 May 2023.¹⁶⁵

Given that Archer is not yet fully operational, over this reporting period the OSM has continued to independently compile a register of compliance incidents, verified with Crown's Compliance and Regulatory Affairs team, to assess the number of compliance incidents that have occurred as well as to identify any trends.

The vast majority of compliance incidents were reported to the VGCCC (157). Other regulators to which Crown reported compliance incidents include WorkSafe (18), AUSTRAC (5) and the State Liquor Unit division of Victoria Police (4).

Crown Melbourne self-reports a large number of breaches and potential breaches to the VGCCC for gaming and RSG-related incidents, including where breaches are not significant as defined under section 27A of the Casino Control Act. This indicates that Crown is adopting a conservative approach to self-reporting in an effort to be more open and transparent with the VGCCC. This approach is consistent with the Gaming Regulator Engagement Plan that the Compliance and Regulatory Affairs team is currently developing, which is expected to be finalised in the next few months.

As shown in Figure 14 (page 125), there has been a consistently high volume of compliance incidents reported each month since the start of 2022, compared to the prior year.

¹⁶¹ There is no Charter for the Compliance Champion Forum.

¹⁶² Crown, Policy Uplift Program Status Update – MRAP, 9 June 2023, p. 4.

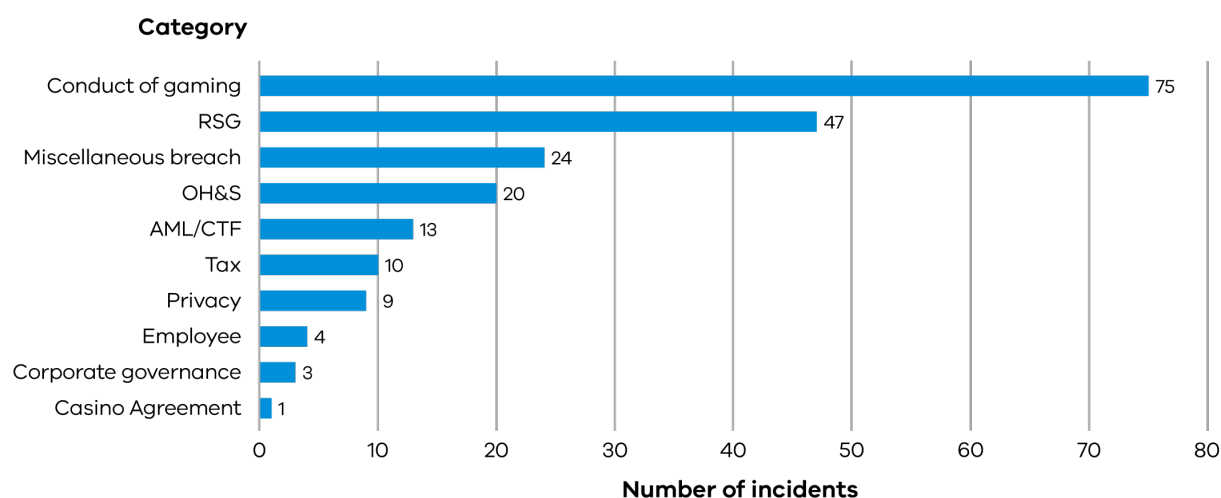
¹⁶³ This figure includes 19 compliance incidents reported to regulators prior to 1 January 2022.

¹⁶⁴ 'Compliance incidents' refers to occasions where an actual or potential breach of a compliance obligation has occurred.

¹⁶⁵ All data relating to compliance incidents provided in the Special Manager's December 2022 interim report was as at 9 December 2022.

The categories with the largest number of reported incidents relate to ‘conduct of gaming’ and ‘RSG’, as shown in Figure 15.

Figure 15. Number of compliance incidents under each category¹⁶⁶



In June 2023 reporting to the RCRG Committee, the root cause of most compliance incidents was identified as human error, all of which related to table games. To help prevent further such incidents, Crown provided additional employee training and introduced a two-step assurance process. The next most common root cause of compliance incidents was a breakdown in controls or processes.¹⁶⁷

Transitioning to the new Archer governance, risk and compliance system

Crown has been transitioning the way it records and reports on compliance matters with the introduction of Archer.

Archer is expected to greatly enhance the way Crown manages compliance and risk. The key benefits of Archer include that it:

- provides one source of truth for all data relating to incidents
- provides a consistent way of recording incidents
- links each incident to controls and risk
- enables tracking of the progression of incidents consistent with the Incident, Event and Breach Management Policy
- enhances the scope for analysis and reporting of key trends.

Although Archer went live in late March 2023, it is still yet to be fully operational. While employees are recording incidents in Archer, not all employees have received formal training in how to best use the system, meaning that most of its benefits are still to be realised. Crown commenced this training in late June and expects it to be completed by early August.

¹⁶⁶ The OSM has adapted the categories of compliance incidents from Appendix G of the Finkelstein Report. Note, the ‘Miscellaneous’ category includes compliance incidents such as those involving errors in the player activity statements processes and alcohol intoxication on premises.

¹⁶⁷ Crown Melbourne Risk, Compliance and Responsible Gaming Committee meeting pack for 7 June 2023, p. 81.

In the next reporting period, the OSM will continue to monitor the evolution of Crown's internal breach monitoring and tracking process, including whether it is deriving the expected benefits from the implementation of Archer.

7.5 OSM focus for the final reporting period

In the final reporting period, the OSM will focus on Crown's:

- risk management, including the implementation of Archer and its 3LOD model
- compliance strategy.

8. General oversight of Crown's current operations

8.1 Introduction

Appendix I of the Finkelstein Report requires the Special Manager to consider the conduct of Crown's casino operations generally since the conclusion of the Finkelstein Royal Commission; more specifically:

- whether there is any evidence of maladministration
- whether there is any evidence of illegal or improper conduct
- whether Crown Melbourne has engaged in conduct that may give rise to a material contravention of any law.

In this reporting period, the Special Manager has continued to acquit that general oversight function in relation to the casino operations. In particular, as set out in this section, this has included considering Crown's:

- corporate governance, including issues associated with Board independence
- approach to excluding persons from the casino
- engagement with law enforcement agencies to assist in the investigation and prevention of crime
- significant disciplinary proceedings and active litigation
- compliance with legislative and regulatory obligations.

8.2 Corporate governance

8.2.1 Board independence

As noted in the Special Manager's December 2022 interim report, maintaining Crown Melbourne Board independence is of central importance to the reform of Crown Melbourne's corporate governance arrangements and overall transformation.

As at 30 June 2023, the Crown Melbourne Board is comprised of Mr Ian Silk (Chair), Ms Helen Silver AO, Ms Henriette Rothschild, Mr Christopher Tynan, Mr Ciarán Carruthers¹⁶⁸ and Ms Mary Waldron,¹⁶⁹ with Mr Silk, Ms Silver, Ms Rothschild and Ms Waldron designated as independents. Mr Stephen Revell was a Board member until Mr Carruthers' appointment in May 2023. Mr Silk continues to attend Crown Resorts Board meetings as an observer.¹⁷⁰

¹⁶⁸ Mr Carruthers received regulatory approval and joined the Crown Melbourne Board effective 4 May 2023. Mr Stephen Revell resigned from the Board but continued to chair the Audit and Finance Committee pending Ms Mary Waldron's regulatory approval.

¹⁶⁹ Ms Waldron received regulatory approval and joined the Crown Melbourne Board effective 29 June 2023.

¹⁷⁰ Crown wrote to the Department of Justice and Community Safety on 23 January 2023 seeking amendments to the new legislative provisions so that the Chair of the Crown Melbourne Board could also be a director of Crown Resorts while retaining his independent status. It stated that 'Crown does not believe that the independence of the Crown Melbourne chairperson would be compromised by also being a director of Crown'. The OSM understands the government does not intend to amend the legislation at this time.

The majority of Crown Melbourne Board members are independent of executive management, Crown Resorts and Blackstone Inc. This is consistent with recommendation 29 of the Finkelstein Report and new legislative provisions expected to take effect from 1 August 2023. The addition of Ms Waldron, effective 29 June 2023, results in the Crown Melbourne Board being composed of four independent and two non-independent members.

Clause 4.2 of the Crown Melbourne Board Charter and clause 7.4 of the Crown Resorts Board Governance Policy require the Board to regularly assess its independence.¹⁷¹ Crown Melbourne directors will be asked to complete an independence assessment declaration annually. The Company Secretary will report to the Board on the outcome of this assessment.

While the current declaration form addresses the independent status of a director, it does not refer to the need to be independent of Crown Resorts and will therefore need to be amended to meet new legislative requirements expected to come into effect on 1 August 2023. Further, the declaration does not capture standing declarations that have otherwise been made to the Company Secretary,¹⁷² which may undermine the independence assessment process.

According to the Annual Board Workplan (provided in Appendix 1, Document 1.20), the annual independence assessment will take place in August 2023, at which time the OSM will make a full assessment of Crown Melbourne's approach to verifying the independence of its Board.

An updated Crown Melbourne Board Charter, approved by the Board via Circular Resolution on 22 December 2022¹⁷³ (provided in Appendix 1, Document 1.21), appropriately requires that a majority of directors be independent of Crown Resorts.¹⁷⁴ The OSM considers there are opportunities to further enhance the Charter by setting out the roles and responsibilities of the Chair, stipulating that the Chair should be independent and providing that any director who otherwise chairs a Crown Melbourne Board meeting should be independent. These changes would be consistent with ASX Corporate Governance Principles and Recommendations required to be implemented by the Crown Major Change Approval Deed Poll. In addition, the Charter could be clearer in stipulating that a quorum be comprised at all times of a majority of independent directors.

In practice, the OSM has observed that the Board's independent directors are consistently bringing independent judgement to matters before them. For example, the independent directors have ensured that the proposed introduction of the PPRP is being subjected to a rigorous review (see section 6.7).

In this reporting period, the Crown Melbourne Board has demonstrated it understands the findings from the Finkelstein Royal Commission and Crown's own root cause analysis that Crown must not prioritise profit over risk, compliance, people (employees, customers and community outcomes) and RSG. This is demonstrated, for example, by the Board:

¹⁷¹ Note that on 15 February 2023, the Crown Melbourne Board approved the adoption of the Crown Resorts Board Governance Policy. The Crown Resorts Board approved the policy on 23 February 2023, noting that it had been approved by the subsidiary boards at their recent meetings.

¹⁷² The declaration form states: 'I certify that, other than as disclosed in writing to the Company Secretary, during the period ...'.

¹⁷³ Minutes of the Crown Melbourne Board meeting held on 7 December 2022 note that approval of an amended Board Charter was deferred pending further feedback from the Board.

¹⁷⁴ Clause 4.1 of the Charter.

- including RSG as a standing agenda item for all Board meetings from May 2023¹⁷⁵
- wishing to better understand how management will track customer sentiment to measure the effectiveness of outcomes resulting from improved RSG practices¹⁷⁶
- requesting that RSG reports focus on the effectiveness of the Player Health Strategy from a customer perspective¹⁷⁷
- requesting a review of all material legislative changes relating to payroll compliance, in the context of employee underpayment matters being reported to the Board, discussed in section 8.5.2¹⁷⁸
- querying how proposed marketing activities incorporate RSG considerations¹⁷⁹
- seeking to understand the issues associated with onboarding Silk Hospitality staff (discussed in the case study in section 7.3.6) and any potential risks in relation to other service providers¹⁸⁰
- querying how lessons learnt from the failure to maintain insurances required under the Casino Agreement have been incorporated into practices to ensure ongoing compliance.¹⁸¹

The Crown Melbourne Board's initial discussion on the proposed Crown corporate strategy at the June Board meeting further demonstrated its understanding of the importance of learning the lessons from the past and, in particular, that Crown needs to clearly demonstrate its commitment to avoid prioritising profit at the expense of the welfare of customers, employees and community.

The Board has also indicated a willingness to engage with management and employees to set the right tone from the top and drive cultural change.¹⁸² This has included Mr Silk attending recent town hall employee briefings and Ms Rothschild attending a root cause analysis workshop.

8.2.2 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.

The OSM has sought to assess Board and Board committee structures, governance, skills and effectiveness by attending their meetings and reviewing their Charters, papers and minutes.

Crown Melbourne has a regular bimonthly schedule of Board committee meetings focusing on audit and finance; people and culture; and risk, compliance and responsible gaming. The same

¹⁷⁵ Minutes of Crown Melbourne Board meeting held on 19 May 2023.

¹⁷⁶ Minutes of Crown Melbourne Board meeting held on 25 January 2023.

¹⁷⁷ Minutes of Crown Melbourne Board meeting held on 15 February 2023.

¹⁷⁸ Minutes of Crown Melbourne Board meeting held on 15 February 2023.

¹⁷⁹ Minutes of Crown Melbourne Board meeting held on 15 February 2023.

¹⁸⁰ Minutes of Crown Melbourne Board meeting held on 24 April 2023.

¹⁸¹ Minutes of Crown Melbourne Board meeting held on 24 April 2023.

¹⁸² Minutes of Crown Melbourne Board meetings held on 15 February, 24 April and 19 May 2023.

Board committees exist at the Crown Resorts level.¹⁸³ The Crown Melbourne Board now meets monthly for several hours as well as holding shorter ad hoc meetings to focus on special purpose or immediate issues. The Crown Melbourne Board also attends joint meetings of the Crown Resorts and property Boards.

The chairs and members of the Crown Melbourne Board committees are set out in Table 6.

Table 6. Composition of Crown Melbourne Board committees

Board committee	Chair	Members
Audit and Finance	Ms Mary Waldron ¹⁸⁴ Independent Non-Executive Director	Mr Ian Silk Ms Henriette Rothschild Mr Chris Tynan
People and Culture	Ms Helen Silver AO Independent Non-Executive Director	Mr Ian Silk Mr Ciarán Carruthers ¹⁸⁵
Risk, Compliance and Responsible Gaming	Ms Henriette Rothschild Independent Non-Executive Director	Mr Ian Silk Ms Helen Silver AO Mr Ciarán Carruthers

In the Special Manager’s December 2022 interim report, the OSM noted its concern that the remit of the RCRG Committee may be too broad. In response, the committee has agreed that its first agenda item should be RSG, demonstrating its prioritisation of this area. The OSM has also observed that directors have managed to maintain a balanced focus across risk, compliance and RSG, including through regular meetings that are of longer duration. The committee is continuing to encourage management to improve its quality of reporting to support the committee’s deliberations. This has included an RSG dashboard report that is expected to be rolled out in July 2023.

The Crown Melbourne Board approved new Board committee charters on 15 February 2023. Each charter requires the committee to have the majority of its members as independent directors, and to have independent Chairs (except for the Audit and Finance Committee Charter). Crown has appointed an independent director, Ms Waldron, to replace Mr Revell as Chair of the Audit and Finance Committee. This is consistent with requirements that a company’s audit committee should have an independent Chair as set out in relevant ASX Corporate Governance Principles and Recommendations required to be implemented by the Crown Major Change Approval Deed Poll. The Audit and Finance Committee Charter is expected to be amended in due course to reflect the requirement for an independent Chair.

The Crown Melbourne Board approved an updated Board Charter via Circular Resolution on 22 December 2022 that includes substantial enhancements to the previous version, including by:

¹⁸³ Proposals to change Crown Resorts and Crown Melbourne Board committee structures were approved by both Boards on 7 December 2022.

¹⁸⁴ Mr Stephen Revell was the Chair of the committee until Ms Waldron’s appointment on 29 June 2023.

¹⁸⁵ Mr Carruthers received regulatory approval and was appointed to the Board effective 4 May 2023.

- recognising the corporate relationship between Crown Resorts and Crown Melbourne, while noting the specific role and responsibilities of the Crown Melbourne Board and its directors¹⁸⁶
- observing that taking an enterprise approach led by Crown Resorts does not abrogate the Board's responsibilities and that '[t]he role of the Board in these circumstances is to consider the policy or recommendation in the context of the specific circumstances, business conditions and regulatory framework relevant to Crown Melbourne and to apply independent judgement to the consideration of such policy or recommendation'¹⁸⁷
- including a more detailed and extensive list of Board responsibilities, commencing with 'instilling and continually reinforcing a culture of acting lawfully, ethically and responsibly'¹⁸⁸
- noting that prescribed functions may not be delegated other than to a Board committee or director,¹⁸⁹ in recognition of new legislative requirements, discussed further in section 8.2.4
- incorporating the content required by the Major Change Approval Deeds Poll.

Crown Melbourne has committed to the VGCCC to document the roles and responsibilities of management in the next iteration of its Charter.¹⁹⁰ An updated version of the Charter, reflecting this change and any further changes, is expected to be provided to the Board for approval at its July meeting.

Board agendas and papers have been enhanced to routinely address administrative matters at the outset of meetings, including a link to directors' standing declarations of interests and a prompt to declare any further conflicts of interest; circular resolutions passed since the last meeting; and inclusion of an annual Board and committee meeting schedule, workplan and running list of Crown Group policies requiring the Crown Melbourne Board's approval.

Crown Melbourne has a Board Skills Matrix dated March 2022 that directors use to annually self-assess their level of skills and experience in various categories, with a rating from 0 (limited) to 5 (expert). Crown provided a Board Skills Matrix assessment to the VGCCC on 3 March 2023 that compiles each director's rating against the range of required skills and experience. The Board Skills Matrix assessment provides a comprehensive snapshot of the Board's strengths and development opportunities. Following Ms Waldron's appointment, the assessment will be updated and provided to the Board for its consideration. The Board's workplan otherwise specifies that a Board Skills Matrix review and assessment is due to take place in August 2023. An opportunity exists for Crown Melbourne to have a skills matrix for Board committees together with a document setting out how committee membership is determined.

The OSM considers that the Crown Melbourne Board has an appropriate blend of skills and experience. Further, Crown has a director induction, training and development program consisting of both online and face-to-face activities. Director training covers key areas,

¹⁸⁶ See clause 1.

¹⁸⁷ See clause 6.

¹⁸⁸ See clause 5.3.

¹⁸⁹ See clause 5.5.

¹⁹⁰ Letter from Crown to VGCCC in relation to Crown Major Change Approval Deed Poll – Clause 2.6(a) – request for further information, 3 March 2023.

including RSG, AML/CTF, integrity, and health and safety, and Crown keeps records of completed training. The Crown Resorts Director Induction and Training and Development Program is provided in Appendix 1, Document 1.22.

Clause 4.5 of the Crown Melbourne Board Charter and clause 10 of the Crown Resorts Board Governance Policy (provided in Appendix 1, Document 1.23) require the Board to annually assess its performance. The Board workplan signals that the Board performance assessment will also occur in August 2023.

The OSM's view is that the Crown Melbourne Board, led by a highly capable and active Chair, has demonstrated substantial progress in working cohesively and effectively in this reporting period. Board members are engaged and have set clear expectations for management to improve the quality of reporting and strategic advice being provided to the Board. This includes requiring reports to have a Crown Melbourne focus and for issues to be analysed through a Crown Melbourne, rather than Crown Resorts, lens.

It will take further time for the Board to settle, and directors understand the need to continue to work with management to prioritise areas of strategic focus and improve both the quality and robustness of reporting, advice and risk assessment to support effective decision making.

8.2.3 Management committees

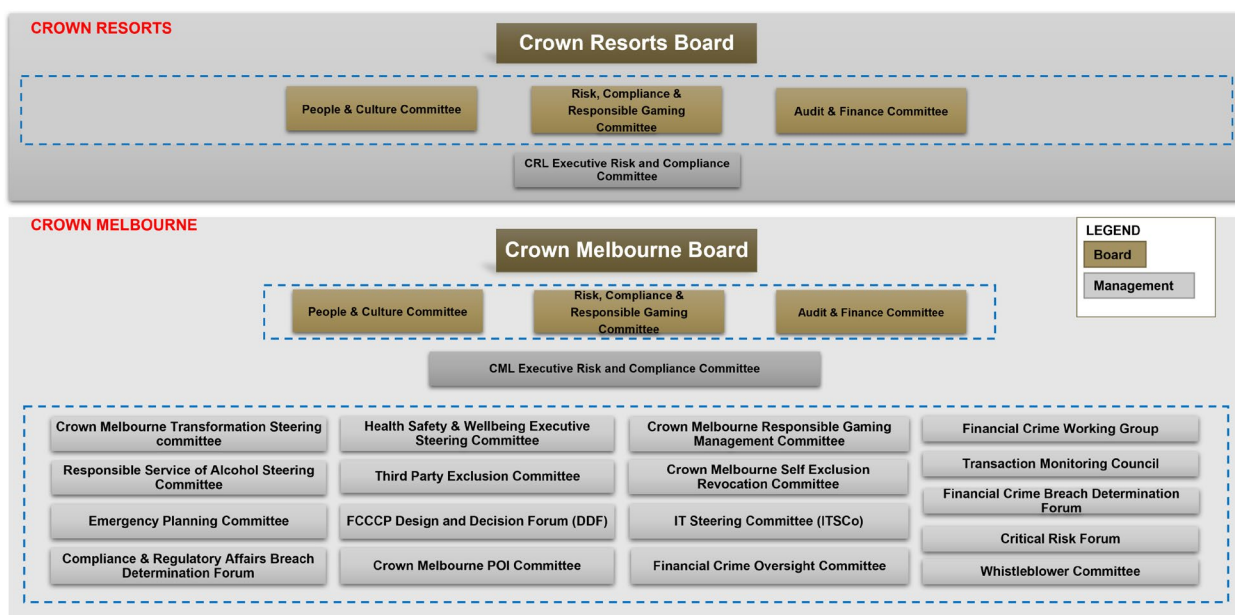
In this reporting period, the OSM expanded its focus on the effectiveness of committees to include Crown's management committees, given the important role they play in good governance, decision making and driving effective operations and continuous improvement. Many of the observations that follow are made in the spirit of encouraging progress towards good governance and a culture of continuous improvement.

Crown does not currently have clear accountabilities or arrangements in place to oversee the establishment and performance of its management level committees.

Crown Melbourne currently has 18 management committees, as shown in Figure 16. Some of these committees focus exclusively on Crown Melbourne operations, while others are Crown Group-level committees that include Crown Melbourne. There are a range of other committees, forums and working groups beyond those shown in Figure 16.¹⁹¹

¹⁹¹ These include the Business Operations team, the Financial Crime & Operations team and the Financial Crime Operations & Solutions team.

Figure 16. Crown Board and management level committees



Source: Crown, Board and Management Committees, 19 June 2023.

The number of management level committees changes as they are formed and dissolved. Key changes in this reporting period have been the establishment of the Critical Risk Forum and a Crown Melbourne Persons of Interest (POI) Committee, which previously operated on a Group-wide basis. The Whistleblower Committee was reconstituted in December 2022, and its operations are set out in section 4.4.2.

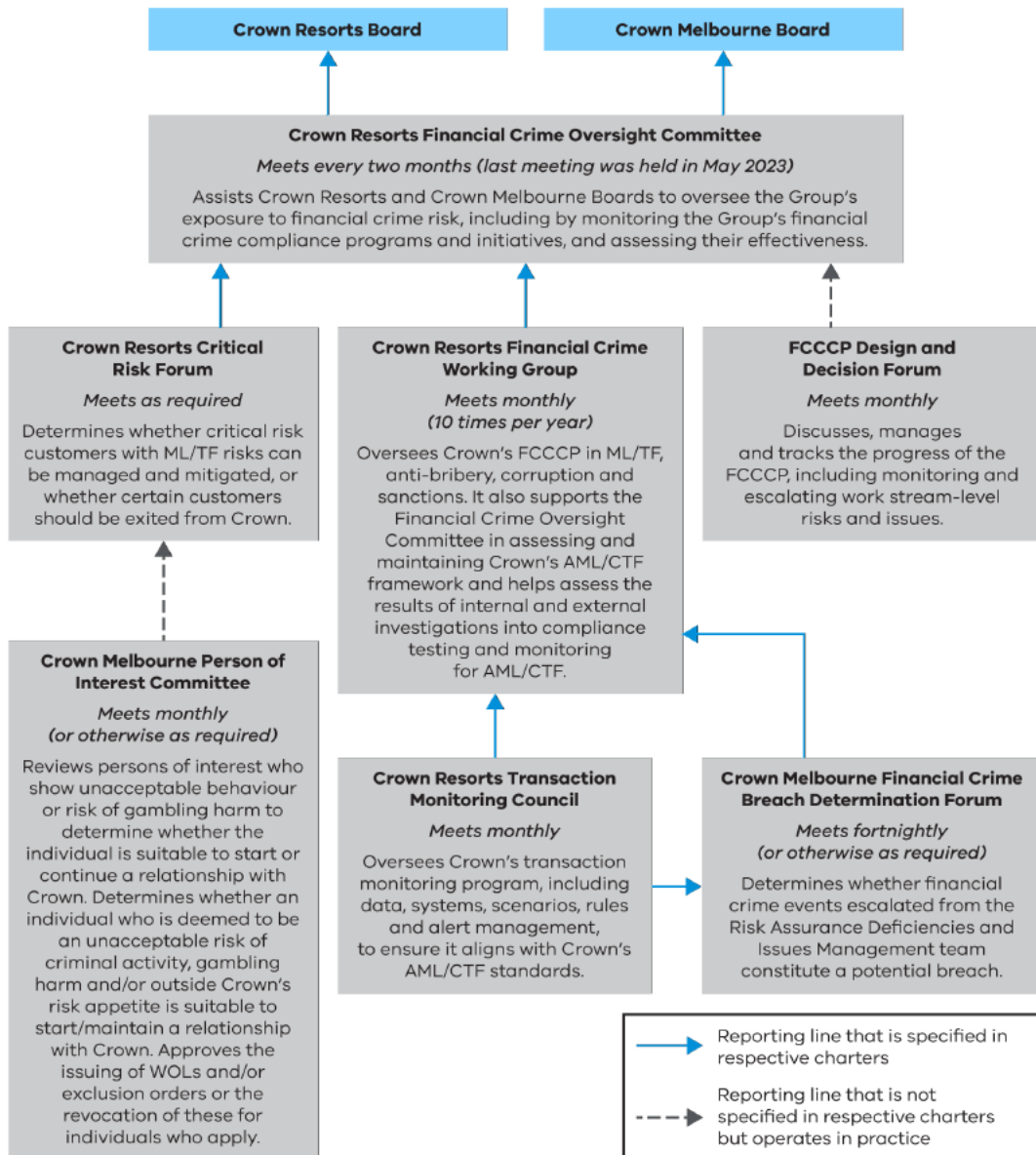
Most committees shown in Figure 16 have charters (or terms of reference) that set out their intended purpose, objectives, scope and membership. Further, most committees have reviewed their charters in the last 12 months.¹⁹² However, most charters could be improved by clearly setting out reporting lines, including whether the committee reports to the CEO, or to other management or Board level committees. For example, the Compliance and Regulatory Affairs Breach Determination Forum (BDF) and the Whistleblower Committee could more clearly specify reporting lines in their respective charters.

The financial crime-related committees generally have clear and distinct purposes and clearly set out reporting lines (see the snapshot following). However, the financial crime committees are not integrated or connected to the Executive Risk and Compliance Committee (ERCC), which is the key Crown Melbourne management committee established to oversee risk and compliance issues. There are opportunities to increase the ERCC's visibility of financial crime risks and compliance issues. Further, reporting to the RCRG Committee has recently been raised by the Crown Melbourne Board Chair with regard to anti-bribery and corruption (as discussed in section 4.2.3).

¹⁹² The Transaction Monitoring Council Charter was most recently reviewed in April 2022, while the Financial Crime Oversight Committee (FCOC) Charter was most recently reviewed in December 2021.

Snapshot: Financial crime management committees

Crown has five management committees with varying roles focused on reducing and mitigating the risks of financial crime, as depicted below. The role and reporting lines of these management committees are clear and consistent with the OSM's observation of these committees in practice.



In addition to these five management committees, the Crown Melbourne POI Committee and the Crown Resorts Critical Risk Forum are responsible for making decisions related to whether current or prospective customers should be allowed at the Melbourne casino. There is an opportunity for Crown to more clearly specify the role of the POI Committee in escalating financial crime issues to the Critical Risk Forum in their respective charters.

While each of the financial crime committees has clearly defined roles and reporting lines, neither the Crown Melbourne ERCC nor the Compliance and Regulatory Affairs BDF considers risks or breaches associated with financial crime. Crown should consider whether risks and issues discussed at financial crime committees should be shared or integrated into enterprise-wide forums such as those referred to above.

In addition, the Financial Crime Oversight Committee (FCOC) reports directly to both the Crown Resorts and Crown Melbourne Boards, and other forums and working groups report up to the FCOC.

A further opportunity exists for Crown to require management committees to regularly review their charters and to self-assess their performance against their purpose, objectives and other requirements. Crown only provided evidence of one committee that had self-assessed its performance in the last two years, but that review did not consider whether the committee was meeting its stated purpose, objectives and other requirements.

The OSM's review of management committee papers and observations of committee meetings highlighted that some committees may not be comprehensively fulfilling their stated role, purpose and functions. The snapshot following illustrates this point with respect to the Responsible Gaming Management Committee (RGMC).

Snapshot: Is the Crown Melbourne Responsible Gaming Management Committee achieving its purpose?

The primary function of the Crown Melbourne RGMC is to monitor and review gaming, responsible gaming and associated activities to ensure that Crown Melbourne provides a safe and responsible gaming environment that supports and drives harm minimisation. Its functions include:¹⁹³

- *Promoting the formulation and continual improvement of processes and practices for the responsible delivery and service of gaming and harm minimisation; and*
- *Contribution to the Crown Melbourne responsible gaming framework priorities:*
 - *To proactively and visibly promote and support the responsible service of gaming for our customers and employees*
 - *To support and implement harm minimisation practices based on collaboration and partnerships with key stakeholders with the intention of preventing and/or reducing the incidence of gambling related harm*
 - *To build a collaborative and respected responsible gaming team and function that delivers professional and engaged services.*

The Charter (provided in Appendix 1, Document 1.24) also specifies that RGMC members will consider Responsible Gaming department statistics and service trends and ensure the relevant processes are embedded in their respective portfolios.

Based on the OSM's review of RGMC meeting papers and minutes (as an example, the meeting agenda and papers for the June 2023 meeting are provided in Appendix 1, Document 1.25), and observation of RGMC meetings, it is unclear whether the committee is fully delivering on its functions, for example:

- The RGMC's activities appear to focus primarily on information sharing rather than formulating or continually improving RSG processes and practices.
- Reported Responsible Gaming statistics cover data related to the Responsible Gaming team only and do not reflect interactions that frontline Table Games and Gaming Machines employees have with customers in relation to their gaming behaviours. These statistics are often 'taken as read' and not discussed.
- The RGMC membership does not include representatives from Security and Surveillance, who play an important role in monitoring and responding to customers at risk of gambling harm.
- The relationship and reporting lines between the RGMC and other committees, such as the Crown Melbourne ERCC and the Board's RCRG Committee, are unclear.

¹⁹³ Crown Melbourne, Responsible Gaming Management Committee Charter, August 2022, p. 1.

- The RGMC does not receive regular reports from other relevant committees, such as the Self Exclusion Revocation Committee (which is required by the Self Exclusion Revocation Committee Charter).
- The quarterly frequency and limited, one-hour duration of meetings appears insufficient to enable the RGMC to meaningfully fulfil its role at a time of significant reform.

The RGMC Charter does not require the committee to self-assess whether it is achieving its functions, and the RGMC is yet to review its performance. A self-assessment would enable the RGMC to consider whether it is operating effectively and remains focused on fulfilling its purpose and functions.

Some management committees have decision-making responsibilities, such as the Self Exclusion Revocation Committee, the POI Committee and the Critical Risk Forum. However, the basis for decision making by these committees is not always supported by clear guidelines or documented criteria to ensure consistent and transparent decision making.

Importantly, Crown has acknowledged that it needs to review its approach to management committees. It has advised the OSM that it is adopting a staged approach to this review, focusing initially on high-priority management committees such as the ERCC (given its focus on risk and compliance) and the POI Committee (given its role in deciding to issue withdrawals of licence). It will then consider reviewing the RGMC and broaden its focus to all other committees.

In addition, a professional development opportunity exists for Crown to build the capability of its management and further their knowledge of corporate governance to enable them to effectively contribute to Board and committee meetings.

8.2.4 Crown Melbourne oversight of key functions and roles

The Finkelstein Report observed that, contrary to requirements in the Casino Agreement, Crown 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'.¹⁹⁴ The report noted that the Sixth Review of the Victorian Commission for Gambling and Liquor Regulation (VCGLR) identified the large array of functions that were being performed at the Group level.¹⁹⁵

The report concluded that '[i]n the case of a Victorian casino operator, centralising management functions is not an acceptable position'.¹⁹⁶ As such, recommendation 30 (independence of senior management) stated:

For the avoidance of any doubt about the construction of the Casino Agreement, it is recommended that the Casino Control Act be amended so that:

- *the board of a casino operator is not permitted to delegate any of its functions to any person or body of persons other than a subcommittee of the board or an individual director*
- *the casino operator must appoint a full-time:*

¹⁹⁴ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 41.

¹⁹⁵ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 41–2.

¹⁹⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 43.

- *chief executive officer (howsoever described)*
- *chief financial officer (howsoever described)*
- *chief operating officer (howsoever described)*
- *heads of Gaming, Surveillance, International and Domestic VIP Business and Compliance (howsoever described)*

and ensure that those persons do not report to, or take instructions from, any person or group of persons other than the board of the casino operator or an officer of the casino operator

- *the Minister has the power to vary these requirements.*

The amending legislation is expected to make clear that it does not diminish any of the other obligations imposed by clauses 22 and 28 of the Casino Agreement.

The *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic) implements recommendation 30 by making it a requirement of a casino licence for the casino operator to:

- 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 the casino operator (new section 36ZC)
- only delegate prescribed functions to members of a subcommittee of directors or one or more individual directors (new section 36ZB(2)).

Amendments to the Casino Control Act enacting the above requirements will commence on 1 August 2023 and will be supported by prescribed categories and functions to be set out in regulations.

Crown has made good progress towards compliance with recommendation 30 and the new legislative provisions by:

- updating 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 director
- appointing a new Crown Melbourne CFO
- appointing a new Crown Melbourne Head of Compliance,¹⁹⁷ although this role currently reports to the Group Head of Compliance¹⁹⁸
- appointing a new Crown Melbourne Head of Risk,¹⁹⁹ although this role currently reports to the Group Head of Risk.²⁰⁰

Crown has also confirmed that the Crown Melbourne CFO and COO will report to the Crown Melbourne CEO, and the Crown Melbourne CEO will report to the Crown Melbourne Board, not the Crown Resorts CEO.

¹⁹⁷ General Manager – Compliance and Regulatory Affairs, Crown Melbourne.

¹⁹⁸ Group Executive General Manager – Compliance and Regulatory Affairs, Crown Resorts.

¹⁹⁹ Head of Risk, Crown Melbourne.

²⁰⁰ Group General Manager – Risk, Crown Resorts.

When the new legislative provisions take effect, Crown will be expected to demonstrate compliance with respect to:

- the Crown Melbourne Board's independent and effective oversight of all prescribed non-delegable functions
- appointment or employment of all prescribed categories of senior executives²⁰¹
- ensuring that organisational structures, reporting lines and position descriptions show that those prescribed categories of senior executives do not report to, or take instructions from, anyone other than a director or officer of Crown Melbourne.

Crown is understood to be carefully considering how to implement the letter and spirit of the new legislative provisions in a compliant and practical way. As a subsidiary of Crown Resorts, there are challenges for Crown Melbourne. Having Group-led functions and roles offers business benefits, efficiencies and economies for both the Group and Crown Melbourne. Nevertheless, in finding its way forward, Crown's touchstone must be remedying the deficiencies identified by the Finkelstein Royal Commission and ensuring that the Crown Melbourne Board and senior executives do not take direction from, or defer to the will of, the Crown Resorts Board and its senior executives.

In its updated Charter and decisions to date, the Crown Melbourne Board has set what is considered to be an appropriate tone for its relationship with Crown Resorts. This tone needs to continue to be reflected in all actions and decision making of the Board and its committees, and in Crown's approach to the prescribed senior executive roles. In the next reporting period, the OSM will look for evidence that Crown has implemented the new legislative requirements appropriately; for example, in business guidance, safeguards, organisational charts, reporting lines and position descriptions.

8.3 Excluding persons from the casino

Division 4 of the Casino Control Act allows Crown and the VGCCC to exclude a person from the casino. In addition, Crown Melbourne has a common law right, as occupier, to withdraw a person's common law licence to enter or remain at the casino or the Crown Melbourne complex. This is known as a withdrawal of licence (WOL).

A key distinction between these two approaches is that an exclusion, issued under the Casino Control Act, is limited to the casino floor only,²⁰² whereas a WOL can be applied to the whole Crown Melbourne property. A further distinction with exclusions is that the issuing of a WOL, its enforcement and the ability for a person to challenge the WOL are not subject to any oversight by the VGCCC, nor are they reported to the VGCCC (unless a patron complaint is submitted to the VGCCC).²⁰³

In 2018, the VCGLR expressed the view that Crown Melbourne should use the statutory exclusion order scheme to ban or prohibit a person from entering the casino, rather than using WOLs.²⁰⁴ However, Crown Melbourne's approach to excluding persons from the casino

²⁰¹ The Regulatory Impact Statement is not yet released but it is anticipated that roles recommended by the Finkelstein Royal Commission and/or additional roles will be prescribed.

²⁰² *Casino Control Act 1991 (Vic)*, s 72(1).

²⁰³ *Casino Control Act 1991 (Vic)*, s 76(1).

²⁰⁴ Victorian Commission for Gambling and Liquor Regulation, *Sixth Review of the Casino Operator and Licence*, June 2018, p. 112.

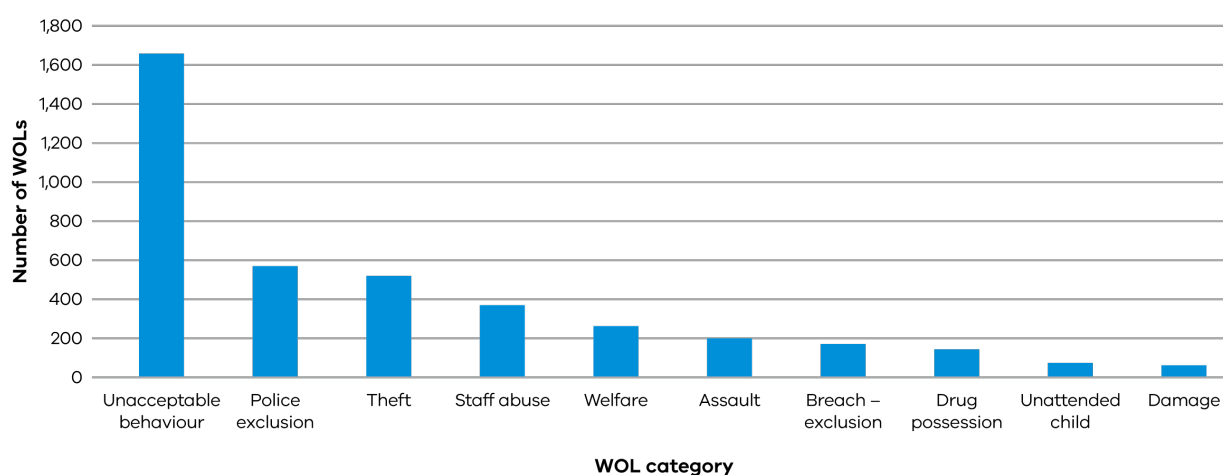
relies almost exclusively on WOLs (except for exclusions related to self-exclusion and third party exclusion).

WOLs are issued for a range of reasons, including illegal activity, unacceptable behaviour,²⁰⁵ financial crime and welfare. The decision to issue a WOL is initiated across different business units within Crown Melbourne, although only designated people hold the power of attorney required to formally issue WOLs.²⁰⁶ The duration of WOLs differs across individuals – WOLs can be issued for three months, two years or an indefinite period.

A Crown internal audit revealed that the number of WOLs issued by Crown Melbourne increased by more than 300 per cent between 2020 and June 2022²⁰⁷ (although this may partly reflect the impact of COVID-19 in 2020–21).²⁰⁸ The internal audit also identified that improvement was required, particularly in better integrating systems and making processes for documenting WOLs consistent across Crown properties. As at May 2023, nine management actions from the internal audit had been completed, with a further seven actions to be completed by 30 June 2023.²⁰⁹

Crown Melbourne data on WOLs issued between January 2022 and April 2023 shows that WOLs were issued most often for ‘Unacceptable behaviour’ such as theft, drug possession and assault (see Figure 17).²¹⁰ Over this time, 258 WOLs were issued for welfare reasons.

Figure 17. Withdrawals of licences issued by category – January 2022 to April 2023



Note: The chart does not include Notice Revoking Licence/WOLs issued at Crown Perth and Crown Sydney. Theft, assault, drug possession, unattended child and damage are categories included in the Crown Resorts Unacceptable Behaviour Policy (December 2022). ‘Breach – Exclusion’ includes all breaches of self-exclusion, third party exclusion and exclusion orders. Further, Crown will issue a WOL if a patron is excluded from the casino by the Chief Commissioner of Police (that is, under a police exclusion).

Source: Crown Resorts, Withdrawal of Licence Summary Report, 13 May 2023.

²⁰⁵ Crown Resorts, Unacceptable Behaviour Policy, December 2022.

²⁰⁶ Crown Melbourne, Power of Attorney (Withdrawal of Licence), March 2023, p. 3.

²⁰⁷ Crown, Internal Audit, Withdrawal of Licences and Exclusions, October 2022, p. 2.

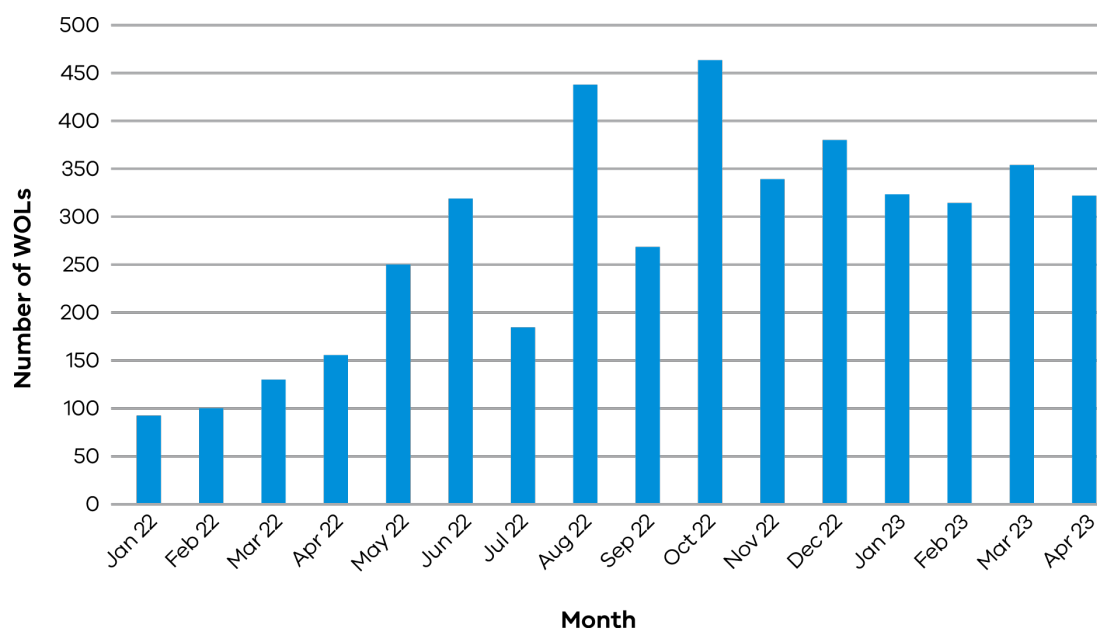
²⁰⁸ The figure provided for 2022 was as at June 2022 (that is, not a full calendar year). Crown expected the total WOLs for 2022 to reach over 4,000.

²⁰⁹ Email from Senior Manager – Compliance and Regulatory Affairs Melbourne to the OSM, 17 May 2023.

²¹⁰ Crown Resorts, Unacceptable Behaviour Policy, December 2022.

Figure 18 shows there was a four-fold increase in the number of WOLs issued between January and August 2022 and the level has remained relatively constant to April 2023.

Figure 18. Withdrawals of licence issued by month – January 2022 to April 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 and Crown Resorts policies contain different definitions in relation to exclusion orders, involuntary exclusions and WOLs. There is also a lack of clear criteria guiding the decision to issue a WOL rather than an exclusion order. In response to the OSM’s feedback, Crown Melbourne’s Responsible Gaming team has updated its Workplace Instructions to include guidance about when it may be appropriate to consider issuing an RG WOL.²¹¹

Crown’s decision to issue a WOL can have a significant impact on the affected individuals, who may make complaints if they feel there is a lack of transparency or confidence in Crown’s decision making. Section 4.5.2 includes a case study about a customer who was issued a WOL and made a complaint about Crown’s collection and use of personal information as part of AML/CTF customer due diligence processes.

Given the notable increase in WOLs issued over recent years, it is important that Crown has a clear, consistent approach when issuing WOLs and exclusion orders, as well as effective management and oversight across Crown properties. This needs to be supported by:

- well-documented decision making that includes the reasons for issuing WOLs/exclusions informed by clear and relevant criteria and appropriate supporting documentation
- effective oversight and reporting of decision making
- clear avenues of review or appeal for aggrieved customers.

Crown is currently undertaking a review of WOLs business-wide to align its approach across all its properties. Crown is also considering issuing involuntary exclusions rather than WOLs, where relevant, due to new legislation in New South Wales. In section 79(4)(a) of the *Casino*

²¹¹ Crown Melbourne, Workplace Instructions – Responsible Gaming Involuntary Exclusions, March 2023.

Control Act 1992 (NSW), exclusion orders issued by a casino operator must be referred to all other casino operators.²¹² Accordingly, The Star Sydney Casino is now referring its involuntary exclusions to Crown. However, Crown Melbourne is still developing a policy and process for assessing The Star Sydney Casino's involuntary exclusion referrals. Crown also needs to develop a clear and consistent approach to manage customers who have been excluded from non-Crown properties, including pubs and clubs.

8.4 Crown's engagement with law enforcement agencies

The casino environment is one where organised criminal groups are constantly trying to exploit vulnerabilities to financial and other crimes. In his 1991 report on casinos in Victoria, former Federal Court judge, the Honourable Xavier Connor QC, emphasised this reality: '[I]t remains a fact ... that crime is constantly knocking on the door and the most stringent and sustained measures are required to keep it out'.²¹³

The Finkelstein Report noted 'the prevention of criminal conduct will be aided if Crown Melbourne shares information with law enforcement agencies'.²¹⁴ Crown has now entered into agreements with relevant law enforcement agencies, including:

- a Memorandum of Understanding signed between Crown and the Australian Federal Police
- a Letter of Understanding executed by Victoria Police and Crown
- a Memorandum of Understanding with the Australian Criminal Intelligence Commission (completed in 2022).

These agreements facilitate the sharing of information and intelligence to aid the investigation and prevention of crime, and implement recommendations 4 and 5 of the Finkelstein Royal Commission.²¹⁵

In the final reporting period, the OSM will further engage with Crown and relevant law enforcement agencies regarding 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 environment.

8.5 Significant disciplinary proceedings and litigation

The OSM has continued to monitor Crown's significant disciplinary proceedings and active litigation. As in the Special Manager's previous interim reports, the OSM does not propose to assess active or completed disciplinary proceedings or litigation.

8.5.1 Disciplinary proceedings

In the Special Manager's December 2022 interim report, the OSM noted there were four active disciplinary proceedings at the time of reporting. One of these proceedings related to the bank and blank cheques practices. This has been completed by the VGCCC, with a \$30 million fine

²¹² *Casino Control Act 1992* (NSW), s 79(4)(a): '... if the exclusion order was given by the casino operator or the person for the time being in charge of the casino, [the casino operator must] give notice of the order to the other casino operator as soon as practicable after the exclusion order is given'.

²¹³ X Connor, *Report on casinos*, February 1991, p. 106.

²¹⁴ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 200.

²¹⁵ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 200.

imposed on Crown Melbourne. Another proceeding was completed with the VGCCC informing Crown Melbourne that no further regulatory action would be taken. In this reporting period, the VGCCC has finalised an additional disciplinary proceeding that resulted in a \$20 million fine being imposed on Crown Melbourne. Table 7 outlines active and complete disciplinary proceedings as at 30 June 2023.

Table 7. *Disciplinary proceedings – active and complete*

Disciplinary proceedings (brought by)		Status
1	AML/CTF Program and customer due diligence compliance proceedings (AUSTRAC)	Active: Crown reached in-principle agreement with AUSTRAC to settle the matter, which is subject to approval by the Federal Court of Australia in a hearing listed for 10–11 July 2023.
2	Disciplinary investigation into bank and blank cheque practices (VGCCC)	Complete: \$30 million fine imposed.
3	Disciplinary investigation into a banned Crown Melbourne customer entering Crown Perth (VGCCC)	Complete: No disciplinary action taken.
4	Disciplinary investigation into paid out transactions ²¹⁶ (VGCCC)	Active: Disciplinary action being considered by the regulator.
5	Category 5: Jackpot Payments and Category 8: Bonus Jackpots casino tax deductions (VGCCC)	Complete: \$20 million fine imposed.

On 29 March 2023, Crown Melbourne notified VGCCC of a likely significant breach under section 27A of the Casino Control Act in relation to indorsed cheque practices. The OSM understands the VGCCC is considering whether this notification will give rise to disciplinary action.²¹⁷

8.5.2 Other notable regulatory matters

In this reporting period, the OSM has closely monitored two notable regulatory matters regarding Crown’s underpayment of employee wages and other entitlements and its practical challenges in complying with section 81AAB of the Casino Control Act, regarding payment of winnings exceeding \$1,000.

In relation to the employee underpayments issue, in this reporting period, Crown Melbourne and Crown Perth entered into an Enforceable Undertaking with the Fair Work Ombudsman admitting underpayments and breaches of the *Fair Work Act 2009* (Cth) and regulations for the period 1 July 2014 to 30 June 2020. Crown has remediated affected employees to the value of more than \$1.2 million, including superannuation, interest and a gratuity payment, and must comply with other conditions, including continuing investigations into potential additional underpayments, two independent legislative compliance audits and a contrition payment. The Enforceable Undertaking is publicly available on the Fair Work Ombudsman website.

²¹⁶ This disciplinary investigation relates to alleged remittance services conducted through Crown Towers Hotel.

²¹⁷ Letter from VGCCC to Crown Melbourne, 27 April 2023 in relation to the disciplinary action outcome for the bank and blank cheque practices.

In addition, the Wage Inspectorate Victoria is continuing its investigation into Crown's underpayment of long service leave entitlements on termination, which constitute possible offences under the *Long Service Leave Act 2018* (Vic). The investigation began in August 2022 following a complaint. Crown did not consider legislative amendments applying from 1 November 2018, resulting in the incorrect calculation of payouts from that date. Following a review, Crown has remediated the majority of 336 affected former Crown Melbourne employees at a value of \$465,401.²¹⁸ The outcome of the investigation may result in criminal charges against Crown Melbourne and other Crown entities.²¹⁹

In relation to the second issue, the OSM received correspondence on 10 February 2023 from Crown (see Appendix G(a)) concerning several practical compliance difficulties Crown expects to face once amendments to section 81AAB of the Casino Control Act commence on 1 August 2023. These new legislative requirements will:

- prohibit Crown from paying out winnings or accumulated credits exceeding \$1,000 in any 24-hour period unless the customer's identity is verified
- require such payments in respect of playing EGMs and table games to be made to customers by cheque or electronic funds transfer.

The compliance difficulties for Crown are that it will not be able to effectively keep track of a customer's winnings at multiple EGMs or gaming tables in any given 24-hour period, and customers are able to engage in multiple transactions at the Cage involving cash or chips for less than \$1,000.

Based on the OSM's engagement with Crown, including with Crown's COO, Mark Mackay, the OSM accepts there would be practical compliance difficulties of the kind raised by Crown until mandatory carded play is in place, which is required to be introduced for EGMs by 1 December 2023 and table games by 1 December 2025.

A letter from the Special Manager to Crown dated 29 May 2023 (see Appendix G(b)), a copy of which was provided to the VGCCC, acknowledged the extent to which Crown was reasonably able to comply with the legislation when it comes into force. Crown has not responded to this letter.

8.5.3 Litigation proceedings

The OSM has continued to monitor Crown Melbourne's litigation proceedings. During this reporting period, Crown Melbourne completed three of the four active litigation proceedings it was a party to and completed one additional claim, as set out in Table 8.

²¹⁸ Crown Legal, Tax and Regulatory Review Report, 12 April 2023, provided to the Crown Melbourne Board for its meeting on 24 April 2023, p. 207 of meeting pack.

²¹⁹ Crown Legal, Tax and Regulatory Review Report, 9 June 2023, provided to the Crown Melbourne Board for its meeting on 21 June 2023, p. 599 of meeting pack.

Table 8. Crown’s litigation proceedings monitored – January 2022 to June 2023

Matter description (and jurisdiction, if applicable)		Status
1	Class action in respect of Crown’s non-compliance with AML laws: <i>Lieberman v Crown Resorts Ltd</i> (Supreme Court) ²²⁰	Active: Litigation is ongoing including lengthy discovery processes; trial unlikely to occur before 2025.
2	Civil claim against Crown Melbourne relating to an allegation of unconscionable conduct in respect of a problem gambler (Federal Court)	Complete: Matter resolved on commercial terms between the parties.
3	Claim against Crown Melbourne by the United Workers Union on behalf of six claimants regarding allegations of discrimination in respect of Crown employee entitlements to JobKeeper (claim to be filed in the Federal Court)	Complete: Matter settled with payments made to each of the six claimants.
4	Review of income tax treatment of payments made to the Victorian Government under a Deed of Variation pertaining to the <i>Casino Management Agreement Act 1993</i> (Vic) for the 2015 financial year (Administrative Appeals Tribunal) ²²¹	Complete: Matter settled at mediation.
5	Claim against Crown Melbourne by a patron alleging racial discrimination with the issuance of a financial crime WOL (Federal Court)	Complete: Applicant withdrew their claim.

8.5.4 Personal injury and public liability claims

Crown reports annually 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 next report is due to be submitted to the VGCCC in July 2023.

According to Crown’s internal reporting to date, eight matters were settled between 1 July 2022 and 24 May 2023 and 13 matters remained open as at 24 May 2023. All six new claims made over this period remain open.

While work continues in this space, Crown Melbourne has considered the risk associated with such incidents as part of its risk profiling activities. Patron injuries are recognised in Crown Melbourne’s draft RAS as part of the ‘Security & Surveillance’ risk, for which a risk appetite of ‘very low’ is currently proposed. Data on patron injuries, including violent injuries, is reported to the Crown Melbourne RCRG Committee and ERCC.

8.6 Compliance with specific legislative and regulatory obligations

The OSM has continued to monitor how Crown is monitoring its compliance with obligations under the Casino Agreement, controlled contracts, taxation law and in relation to the use of FRT, as summarised below.

²²⁰ While this proceeding is against Crown Resorts, the facts relate to Crown Melbourne.

²²¹ This is an application for review of the ATO’s objection to deductions made by Crown Resorts as head entity for the income tax consolidated group.

8.6.1 Compliance with Casino Agreement

Crown has continued to respond to requests for information from the VGCCC regarding its previously identified breach of the insurance obligations in clause 35.1(a)(i) of the Casino Agreement. The OSM understands the VGCCC is still considering whether to take regulatory action for this breach.

The OSM is not aware of any other instances of non-compliance with the Casino Agreement in this reporting period.

Crown has continued to progress a draft policy regarding its compliance with clauses 22.1(r) and 22.1(ra) of the Casino Agreement. The current draft policy, now referred to as 'guidelines',²²² outlines the obligations, provides guidance on compliance and includes a 'metrics report' containing indicators to assist with measuring compliance. The guidelines are awaiting Crown Resorts executive approval.

Crown is expected to include its Casino Agreement obligations in Archer by the end of June 2023.²²³ In the next reporting period, the OSM will seek evidence that Casino Agreement obligations have been appropriately captured in Archer and clear accountability for monitoring those obligations has been assigned. The next reporting period should offer the opportunity for Crown to demonstrate that including the obligations in Archer has been effective in preventing and identifying, at an early stage, any instances of non-compliance.

8.6.2 Compliance with controlled contracts

In the Special Manager's December 2022 interim report, the OSM identified that Crown was yet to address recommendations made by external consultant reviews and internal audits aimed at strengthening probity vetting controls and procedures related to controlled contracts.²²⁴

Crown advises that it has implemented its response to the internal audit of controlled contracts processes; however, the OSM is yet to receive evidence of this. Crown considers there are opportunities to enhance its vetting of vendors for controlled contracts and intends to conduct a review of these processes and implement any changes by October 2023. Crown advises the review will include consultation with the FCOS team, which owns the processes for customer and third party due diligence and implemented the findings of the two external consultant reviews referenced in the Special Manager's December 2022 interim report. Crown will consider whether it is appropriate to adopt those processes for controlled contract vendor due diligence more broadly. The OSM will continue to monitor this.

8.6.3 Compliance with taxation obligations

The Special Manager's December 2022 interim report noted there were two outstanding issues regarding Crown's compliance with its casino tax obligations at the time of reporting. These issues remain outstanding as follows:

²²² Entitled 'Clauses 22.1(r) and (ra) of the Casino Agreement (Victoria): Guidelines for Compliance', dated 12 May 2023.

²²³ According to Crown's self-assessment against Appendix I of the Finkelstein Report dated 2 May 2023, in response to the Special Manager's Direction 25.

²²⁴ 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.

- Category 3: Pokie Credits (Matchplay) – as at December 2022, this matter was under review by the DJCS, on behalf of the State of Victoria. Subsequently, the VGCCC issued a section 26 notice to Crown Melbourne requesting the production of various information and records to assist in its ongoing assessment of the potential underpayment of tax. Crown responded to this request on 26 April 2023 and is currently awaiting further advice/feedback from the VGCCC and/or DJCS. In accordance with legislative amendments, Matchplay, along with other forms of promotional free bets, will be taxable from 1 July 2023.²²⁵
- Taxation obligations pursuant to section 22A.3 of Schedule 3 of the Casino Management Agreement Act – Crown failed to comply with its obligations to pay a minimum of \$10 million in casino tax for the 2021 and 2022 financial years.²²⁶ Crown Melbourne requested a waiver of its obligations from the Department of Treasury and Finance (which referred the matter to DJCS) in respect of this tax guarantee liability for the 2021 and 2022 financial years, and prospectively for the 2023 financial year. Crown is awaiting a formal response to its waiver request.

8.6.4 Compliance with privacy law in use of facial recognition technology

Following discussions with the OSM, Crown has embarked on a review of compliance in respect of the use of FRT with privacy law. The Crown Legal team has engaged external law firm, King & Wood Mallesons, to assist with the review, and work has commenced. The OSM will assess the review's final scope when it becomes available and in the next reporting period will report on the review outcome and any actions Crown has taken to enhance its compliance with privacy law in respect to its FRT use.

The OSM understands that a privacy impact assessment will be included in the review. It considers there may be opportunities for Crown to also: (a) further consider how it informs members of the public about its use of FRT and its approach to obtaining consent; (b) confirm measures to ensure that FRT is used only for legal and ethical purposes and that rationales for its uses are appropriately documented and justifiable; and (c) clarify its retention of customer images and associated biometric and other data.

8.7 OSM focus for the final reporting period

In the final reporting period, the OSM will focus on Crown's:

- corporate governance structures, in particular board and management committees
- exclusion of persons from the casino
- engagement with law enforcement agencies to assist in the investigation and prevention of crime
- ongoing compliance with its legislative and regulatory obligations.

²²⁵ Tax update provided to the Crown Melbourne Audit and Finance Committee for its meeting on 7 June 2023.

²²⁶ Section 22A.3 of Schedule 3 of the *Casino (Management Agreement) Act 1993* (Vic) requires Crown to pay a prescribed amount of \$10 million to the State in circumstances where tax paid under clause 22A.1(a) and the community benefit levy under clause 22A.1(b) in any financial year is less than \$10 million.

