



Special Manager's Interim Report December 2022

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Foreword

This is the second interim report of the Special Manager for the Melbourne casino operator, provided under section 36G(1) of the *Casino Control Act 1991* (Vic). This report outlines the performance of the Special Manager's functions for the period between July and December 2022, to independently monitor and assess Crown Melbourne's operations and Crown's reform program to address the significant failings identified by the Royal Commission into the Casino Operator and Licence by Commissioner the Honourable Ray Finkelstein AO, KC.

The first six months of operation focused upon establishing the Office of the Special Manager (OSM), understanding the work of Crown to transform its operations as it seeks to return to suitability, and developing our own work plan to evaluate Crown's progress. The balance of 2022 has seen the implementation of that work plan. This has included further building our understanding of Crown's operations and transformation efforts, refining our assessment approach and commencing evaluation of Crown's reforms.

The OSM has closely engaged with new senior management, the Board and Board committee members following the takeover of Crown Resorts Limited by Blackstone Inc. in June 2022, while continuing to monitor Crown's current operations from a governance and compliance perspective and providing ongoing feedback on Crown's transformation work.

To inform our work, we have continued to seek and obtain documents and other information from Crown (utilising my powers under the *Casino Control Act*), to attend Board and management committee meetings, and to liaise with key Crown personnel at various levels. Ongoing engagement with a range of stakeholders across state and federal government, non-government and community sectors has also continued to provide valuable insights to inform our work, particularly in relation to gambling harm minimisation and preventing financial crime.

As with my first report, in November 2022 I provided draft interim report content on Crown's transformation program (sections 3 to 8 of this report) and relevant draft content on the OSM's general oversight of Crown's current operations (section 9) to Crown for fact-checking purposes. Crown's responses were given due consideration, resulting in some amendments being made to this report. This process was again beneficial in helping to confirm the OSM's understanding of Crown's transformation work to date, and to progress a shared baseline for the OSM's monitoring and assessment work in future reporting periods.

In my first interim report I acknowledged positive changes Crown had made or was making to governance structures, senior personnel, policies, procedures, systems and controls to address a range of issues identified by the Finkelstein Royal Commission. I further noted that following the acquisition of Crown by Blackstone Inc., I was encouraged by my early dealings with senior Blackstone Inc. representatives that the extensive transformation program at Crown would continue. I continue to be encouraged in that regard.

Key points made in my first interim report included that Crown's organisational transformation needed to involve real and lasting change; at that time, however, Crown's work in this area remained in its early stages. Based on the OSM's further detailed work since that report, it has become all the more apparent that Blackstone Inc. has acquired an organisation that is relatively immature and unsophisticated in various critical areas, such as strategy, governance, risk management, IT and organisational development.

As expected, the Blackstone Inc. takeover has caused some delay in the progression of Crown's complex transformation and culture change program due to alterations in senior leadership, and associated recruitment approvals and onboarding processes. Notwithstanding these delays, at the end of this first year of my term, I consider that Crown has in all key areas now laid the foundations for an effective and ongoing transformation; especially through the establishment of an overarching Group Transformation Strategy and supporting Group Transformation Program Management office that are beginning to better coordinate, prioritise and refine its complex reform program. This improved governance is necessary to provide a more effective blueprint for addressing the findings and recommendations of the Finkelstein Report than Crown had at the beginning of this current reporting period.

The first Crown Melbourne Board meeting with a majority of independent directors (held on 7 December 2022) expressed the intention to lead what new Chair Mr Ian Silk described as the 'reset of Crown Melbourne', rather than letting such leadership fall to Blackstone Inc. or Crown Resorts. The shift requires Crown Melbourne management to provide reports and information that focus on the Melbourne business (rather than relying on ones previously submitted to Crown Resorts, as had been happening), and reform program reports that are more readily understandable and frank in their assessment of progress. Through these actions, the Crown Melbourne Board appears to be striving for genuine change and a sustainable business, rather than a bare return to suitability. Furthermore, it is now clear that Crown realises it must move from the planning phase of its transformation to one of achieving positive outcomes – most importantly in responsible service of gambling – to be demonstrated over the next 12 months.

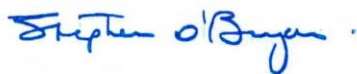
However, my office has identified some key risks that Crown's new senior leaders and Board will need to be alert to. These include, at the strategic level, the sheer scope and complexity of the corporate strategy and transformation work underway. In terms of resources, there are also the risks of losing experienced key personnel in a highly competitive employment market, potential burnout and change fatigue, and risks flowing from a heavy reliance on contracted professional services firms.

There remains a risk of resistance to change at the middle-management/supervisory level, which appears to have remained relatively stable since prior to the Finkelstein Royal Commission. The risk of employee disengagement also continues, with considerable levels of turnover among a large and predominantly casual workforce, and ongoing industry disruption due to the COVID-19 pandemic.

There will also be budget and financial pressures, and a temptation to trim expenditure – including investment in the human capital needed to sustain the transformation program – as regulatory fines and penalties, reforms designed to prevent gambling harm and financial crime and associated monitorship arrangements, and a patchy international tourism market continue to impact Crown's bottom line.

These are critical areas on which my office will be keeping a close watch in the next reporting period. As I did in my first interim report, I acknowledge the continued cooperation of, and open dialogue with, the new Crown Chairs and Board members – both interim and ongoing – as well as Group and Crown Melbourne CEOs.

Whilst I now have a higher level of confidence than I did in June of sustainable reform occurring under the new Blackstone Inc. ownership, Crown only has twelve more months to clearly demonstrate its transformation to suitability. Moreover, the next six months will be critical in determining whether the important foundational activities recently undertaken by Crown – including improved strategic planning, prioritisation and coordination – can produce positive outcomes for Crown employees, customers and the community as a whole. Hence, the key focus for my office in the next reporting period will not only be monitoring and assessing Crown’s implementation of the major change programs that follow from these foundational activities, but seeking for Crown to demonstrate it is achieving positive and sustainable results.



Stephen O'Bryan KC

Special Manager

1. Executive summary

1.1 Purpose of this report

A key finding of the Finkelstein Royal Commission was that, in order 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’.¹

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.²

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 this and other interim reports by the Special Manager is to inform the VGCCC’s decision in early 2024 about whether Crown Melbourne is suitable to continue to hold its casino licence.

This second interim report covers the period between July and December 2022. It outlines the Special Manager’s assessment framework (section 2.4) and Crown’s overall transformation program (section 3), as well as the OSM’s assessment of Crown’s reforms in the areas of:

- culture (section 4)
- integrity (section 5)
- responsible service of gambling (RSG) (section 6)
- financial crime (section 7)
- governance, risk and compliance (section 8).

This interim report also summarises the OSM’s monitoring of Crown’s current operations (section 9), and provides details of specific OSM activities and the exercise of the Special Manager’s powers (section 10).

This interim report has been prepared based on information and documents provided by Crown throughout the reporting period. The OSM has used Crown documents that were available to it at the time of preparing this report, and has referenced the version of documents in each area of the analysis in this report.

In addition, this report indicates some of the key areas of ongoing monitoring and assessment for the next reporting period. These activities will be included in the OSM’s detailed work plan, to be prepared in early 2023, to guide the OSM’s monitoring and assessment work for the remainder of the Special Manager’s term.

¹ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 71.

² Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 4.

1.2 Special Manager’s assessment framework

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.

Many of the Appendix I recommendations require Crown to implement ‘effective’ reforms. The Finkelstein Report noted that some of these areas would take years, notably cultural reform. Crown has also acknowledged that a number of its transformation activities will continue beyond the Special Manager’s term. Given the need to undertake a comprehensive evaluation of the reform program, an activity-based approach to the assessment will not be sufficient. Accordingly, as set out in section 2, the OSM has developed an integrated, outcomes-based assessment framework (which it has shared with Crown) to underpin its evaluation of Crown’s transformation program at key stages, and its assessment of Crown’s effectiveness and sustainability in implementing its transformation program.

1.3 Crown’s reform work

1.3.1 Developments since the June 2022 interim report

The Special Manager’s June 2022 interim report noted that, as drafted at that time, the Melbourne Remediation Action Plan (MRAP)³ alone was unlikely to be sufficient to effect the necessary degree of change within Crown to show it had ‘thoroughly re-made’ itself. The Special Manager emphasised the need for Crown to develop a clear, overarching purpose and an integrated transformation strategy that would embed change into Crown’s business and culture.

Since the Special Manager’s June 2022 interim report, Crown has continued to develop aspects of its transformation program including the organisational arrangements to manage its implementation. However, during this reporting period several significant developments have had an impact on Crown’s progress in implementing the transformation program, in particular:

- Blackstone Inc.’s acquisition (completed in June 2022) and its ‘100-day plan’, which resulted in significant changes
- the appointment of new Boards, executives and committees for Crown Melbourne and Crown Resorts.

These developments have inevitably delayed Crown’s progress during this reporting period, as discussed throughout this report.

1.3.2 Transforming Crown

Over the course of this reporting period, Crown has developed a suite of programs, strategies and initiatives that make up its overall transformation program (refer to section 3.1). In June 2022, Crown established the Group Transformation Program Management Office and Transformation Steering Committee to manage the governance and reporting of the various change programs and remediation plans being implemented. The OSM has observed the operations of the Transformation Steering Committee becoming more robust and mature

³ The Board-endorsed June 2022 version of the MRAP remains the version against which progress is reported to the Board. References to the MRAP in this report are to the June 2022 version.

and will monitor its progress in setting out clear performance indicators and tools for measuring its success.

In the meantime, the Special Manager has assessed the 'foundational activities' Crown has undertaken, such as performing a root cause analysis and conducting the Group Transformation Office MRAP Health Check (refer to 3.4).

The root cause analysis was a specific requirement of Appendix I. An overall finding was that the root cause of Crown's failure was a poor risk culture that prioritised revenue and profit over risk management and compliance. Crown is encouraged to undertake further analysis taking into account a wider range of factors (such as the impact of external pressures, including customer expectations and industry norms, or the reasons that Crown disregarded its community and social obligations) to more fully capture the extent of the root causes. It will be important for Crown to seek further insight into the drivers that led to such a culture existing within the business. There is more work to do to turn the insights from the root cause analysis into an implementation strategy containing clear and actionable items for the different areas of Crown's business.

Crown is still developing a consolidated plan directing and governing all of the elements of its transformation program, and for tracking progress and risks to its implementation. In the next reporting period, the OSM will ask Crown to provide a detailed self-assessment of its progress towards addressing Appendix I of the Finkelstein Report, including:

- current progress towards meeting the requirements
- anticipated timeline and program for completing the remaining activities
- any anticipated implementation risks and delays, and mitigation strategies to resolve them.

Resourcing constraints (in relation to both capacity and capability) in a number of key positions and teams remains one of the key challenges causing delays in the implementation of Crown's transformation program. Several crucial parts of the transformation program are currently heavily reliant on support from external consultants, posing a risk that Crown will not be able to successfully develop its internal capability and will remain heavily reliant on external experts. A 'whole-of-business' resourcing plan will reduce the risk of Crown continuing to experience delays in its programs due to resourcing shortages, and struggling to take ownership of its own transformation program and reform activities in an effective and sustainable manner.

Two key enablers to Crown's reforms are the underlying technology and the performance management system. The OSM views the technology platform as a vital component to enable Crown to adopt a single view of the customer, to both enhance RSG and prevent financial crime. The performance management system is a key component to reinforcing desired behaviours. As discussed in section 4.2.5, the OSM has selected performance management and incentives to closely monitor throughout the Special Manager's term in order to test Crown's approach to addressing core people practices that will support sustained change.

In addition to resourcing constraints, the OSM has identified other significant risks for close monitoring over the coming reporting period given the complexity of the task before Crown, such as IT investment, change resistance, prioritisation and sequencing of projects, and the need for strategic alignment.

1.3.3 Cultural change

This interim report discusses Crown's efforts to create a sound culture, where good conduct and effective management of risk are self-sustaining. It describes Crown's Culture Reform Program (CRP), Crown's response to the Deloitte Roadmap (refer to section 4.1.2), and the effectiveness of Crown's actions to date in meeting the ultimate objective of cultural reform.

The OSM notes that Crown has progressed the development of a number of the initiatives set out in the Deloitte Roadmap and these will provide a foundation for its CRP. Crown has also demonstrated awareness and taken initial steps to better integrate the CRP into other work stream activities.

The OSM is of the view that Crown could more consistently communicate the link between its values and customer care. Crown has put in place a range of mechanisms designed to encourage employees to 'speak up'. Additional work will be desirable to create an environment where employees trust the systems and processes for raising concerns and the behaviour of leaders in response.

In addition to implementing the Deloitte Roadmap, the OSM considers there is an opportunity for Crown to demonstrate greater ownership of the goal of creating new, systemically reinforced behavioural norms across key employee groups. While Crown has made positive progress in planning and establishing a foundation for its cultural transformation, significant initiatives such as the culture survey, performance management changes and incentives enhancement have been delayed. Crown will need to devote additional focus on the purpose, specificity, integration and pace of cultural change activities to be undertaken in 2023.

1.3.4 Integrity

An assessment of Crown's integrity framework provides a critical mechanism for the OSM to evaluate how Crown is instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation as part of its transformation.

The OSM is reviewing core elements of Crown's integrity framework, including key policies, systems and practices. It is also reviewing how Crown supports its employees to demonstrate its values and act with integrity, through communications and training to promote understanding of their integrity obligations. In this reporting period, the OSM has focused on reviewing Crown's whistleblower regime, Code of Conduct and specific integrity-related issues such as political donations. The OSM's review of Crown's management of whistleblower disclosures highlighted several areas for improvement, which the OSM will be monitoring closely. The OSM acknowledges Crown now has a considerably improved revised Code of Conduct.

1.3.5 Responsible service of gambling

The OSM is looking for Crown to adopt an integrated customer-centred approach to RSG that focuses on preventing gambling harm. The OSM observes that the RSG items included in the MRAP are narrowly focused and task oriented, rather than strategic initiatives that are contributing to an overarching strategy for improving RSG outcomes.

Crown is at a relatively early stage in designing and implementing the major change required to significantly reduce gambling harm. In recent months, the OSM has observed an increased commitment and focus by Crown in identifying and driving the implementation of a harm minimisation approach. Crown appreciates there is still much work required to implement the major change required to embed gambling harm minimisation in practice across the business.

Developing a Player Health Strategy has been a key part of Crown's RSG-related work this reporting period. This is a positive and ambitious framework for embedding harm minimisation across the organisation. However, the Player Health Strategy is high level and needs to more clearly define the range of strategic initiatives and activities and how these will be effectively delivered. To this end, Crown is currently developing a plan to implement and evaluate the strategy, and is considering how this will align with corporate strategy and individual employee performance plans.

The OSM has observed Crown's progress against each of the relevant RSG areas identified in Appendix I of the Finkelstein Report. Crown has increased RSG resourcing and employee training, enhanced monitoring of excluded customers, and implemented a revised Play Periods Policy to better monitor and limit the amount of time customers are gambling.

With key parts of Crown's operations slower to develop strategies that consider harm minimisation (including, for example, customer communications, marketing and promotions, the Crown Rewards Loyalty Program and Crown's use of data and technology, and evaluation and reporting of RSG outcomes), the OSM will need to closely monitor these areas into 2023.

Crown is working with Victorian Government agencies to inform the design and implementation of key Tranche 2 legislative reforms (refer to section 6.6), such as those relating to carded play, cashless play, pre-committed play limits, and sharing data for research and evaluation through the government-led Gambling Data Committee. Implementing and evaluating the effectiveness of these reforms has the potential to significantly enhance Crown's RSG practice.

1.3.6 Financial crime

Crown's financial crime remediation activities are largely driven by its Financial Crime and Compliance Change Program. The OSM has observed demonstrable improvements in many of the core elements required to support effective financial crime risk management. Examples include an enhanced enterprise-wide risk assessment methodology and an Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Program that includes all elements required by AML/CTF legislation. The OSM recognises the enhancements that Crown has made in its AML/CTF Program, as described in section 7.1.

Whilst the OSM also considers the current resourcing, budget and Board oversight of the AML/CTF Program to be satisfactory, several initiatives are behind schedule, largely due to the requirement for technology improvements and the diversion of financial crime resources to Crown Sydney ahead of the Barangaroo site opening for business in August 2022. Crown acknowledges that it still has significant work to do in the first half of 2023 in implementing complex technology solutions to improve its financial crime compliance framework.

The OSM confirms that Crown has completed the further investigation recommended by McGrathNicol (as referred to in the Finkelstein Report) except for one area of ongoing investigation relating to 'parking'. Crown considers, and the OSM concurs, no changes to the AML/CTF Program are necessary as a result of this investigation.

One of the significant recommendations from the Finkelstein Report is the prohibition on dealing with junket tour operators. Although Crown has banned junket operators, Crown has started work to identify and understand the risk of alternative practices that may arise, such as 'pseudo-junkets'. A particular area of focus for the OSM in the next reporting period will be monitoring the management of financial crime risk in any plan by Crown to return to international premium player programs.

1.3.7 Governance, risk and compliance

The Finkelstein Royal Commission identified significant deficiencies in Crown's overall corporate governance, risk and compliance, which resulted in Crown taking inappropriate risks in order to maximise profitability.

The OSM has assessed the three requirements of Appendix I of the Finkelstein Report that relate to this area:

- conduct a root cause analysis: the OSM confirms that Crown has conducted an analysis that attributes the root cause of Crown's failures to 'a culture that prioritised revenue and profit over risk management and regulations and customer welfare'
- implement the recommendations of risk management expert Mr Peter Deans: the OSM has verified that Crown has actioned all of Mr Deans' recommendations
- undertake an external review of Crown Melbourne's Risk Management Framework (RMF), systems and processes: the OSM notes that Crown has postponed the external review of its RMF to mid-2023.

Crown's key policy, risk management and compliance uplift programs are the Policy Uplift Program, the Risk Uplift Plan and the Compliance Uplift Program. All of these are underway, as described in section 8, and the OSM will continue to monitor them.

1.4 General oversight of Crown's current operations

In this reporting period, the Special Manager has continued to acquit his general oversight function in relation to the casino operations in the following areas:

- Crown's corporate governance arrangements – Board and executive level (refer to section 9.1), including Board independence (refer to section 9.2)
- compliance with legislative and regulatory obligations (refer to section 9.3)
- compliance with taxation obligations (refer to section 9.4)
- compliance with the Casino Agreement (refer to section 9.5)
- compliance regarding controlled and significant contracts (refer to section 9.6)
- compliance with privacy law in implementing facial recognition technology (refer to section 9.7)
- engagement with regulators (refer to section 9.8).

Of the above, the OSM has observed that Crown's corporate governance arrangements, in particular, have changed significantly over the course of this reporting period due to the Blackstone Inc. acquisition. The OSM has and will continue to monitor the developments, including the Crown Board's independence, and the composition of the Board and management committees.

The OSM has observed Crown's efforts to enhance compliance across a number of areas, and notes that such compliance should be further enhanced following implementation of Crown's new compliance framework and strategy.

1.5 Special Manager's activities and exercise of powers

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

During this reporting period, the OSM has continued to develop constructive working relationships across Crown to assist the Special Manager in performing his functions and activities, including through attendance at Board meetings, briefings with newly appointed directors and executives, and meetings with other employees.

The OSM has also continued to actively engage with a range of stakeholders, including the VGCCC, interstate regulators and monitors, key state and federal agencies, and community and non-government organisations.

The Special Manager has issued seven formal statutory requests (Information Requests) to Crown under section 36F of the *Casino Control Act 1991* (Vic) and has made eight new Directions to Crown under section 36E of the *Casino Control Act*. Further details of these Information Requests and Directions are included in sections 10.4 and 10.5 of this interim report.

2. Introduction and assessment framework

2.1 Special Manager's role

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

- oversee the affairs of the Melbourne casino operator, including the casino operations⁴
- 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 functions⁵
- provide a final report to the Minister and the VGCCC by 31 December 2023, 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.⁶

Within 90 days of receiving the Special Manager's final report, the VGCCC will consider whether Crown Melbourne is a 'suitable person' to continue to hold a casino licence.⁷

The Special Manager's first interim report was issued for the period 1 January to 30 June 2022. The June 2022 interim report reflected the Special Manager's work during the first six months of operation; this largely related to establishing the Office of the Special Manager (OSM), understanding the work of Crown to date (through obtaining and reviewing documents, and attending Board, committee and other meetings), engaging with a range of stakeholders, and developing the OSM's work plan to monitor and assess Crown's progress.

In June 2022 Crown provided the Special Manager with a draft Melbourne Remediation Action Plan (MRAP) – a detailed plan of activities, projects and initiatives based on the findings of the Finkelstein Royal Commission.

Since the Special Manager's June 2022 interim report, Crown has continued to develop aspects of its transformation program including the organisational arrangements to manage its implementation.

⁴ *Casino Control Act 1991* (Vic), s 36C(1)(a).

⁵ *Casino Control Act 1991* (Vic), ss 36C(1)(c), 36G(1).

⁶ *Casino Control Act 1991* (Vic), s 36G(2), (3).

⁷ *Casino Control Act 1991* (Vic), s 36H(1), (2)

2.2 OSM's assessment framework

As noted in the Special Manager's June 2022 interim report, the OSM is committed to assessing the effectiveness and sustainability of Crown's transformation program and Crown's efforts to respond to the findings and recommendations of the Finkelstein Royal Commission. Given the need to undertake a comprehensive evaluation of the program, an activity-based approach to the assessment (for example, reviewing Crown's completion of individual MRAP items and uplift projects) will not be sufficient. As set out in Appendix I of the Finkelstein Report, the role of the Special Manager is ultimately to assess Crown's effectiveness in responding to the recommendations and findings of the Finkelstein Royal Commission. Many of those requirements refer to Crown's ability to demonstrate 'effectiveness', and there is also the overarching need for Crown to ultimately demonstrate to the VGCCC its return to suitability.

Accordingly, the OSM has developed and adopted an integrated, outcomes-based assessment framework to underpin its evaluation of Crown's overall transformation program at key stages, as well as its detailed assessment of Crown's effectiveness at achieving target goals through its specific reform programs and remediation activities. The OSM has shared this framework with Crown, and will apply it to assess whether Crown has established a sustainable transformation program that will support continuous improvement and demonstrate ongoing and sustained progress beyond December 2023.

The six-part framework will enable the OSM to track Crown's progress on its overall transformation and on each of its work streams over the term of the Special Manager. The OSM will examine the following areas:

1. aligned objectives – whether Crown's activities, strategies and objectives are aligned with each other and are 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 within the transformation program
4. leadership, including leaders' actions, directions and behaviours – whether the leadership 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 of embedded change demonstrated by key influencers, such as middle management, and clear demonstrations of top-to-bottom organisational change.

The components of the framework together form an integrated package, rather than comprising 'steps' that necessarily occur sequentially: see Figure 1. These components will all influence each other, and each will play a role in informing the OSM of Crown's overall progress – both within the current reporting period and beyond. This framework will also enable the OSM to apply a consistent approach to assessing Crown's reform activities.

Figure 1. The OSM assessment framework



The framework covers all aspects of the decision-making lifecycle – ranging from the early development of initiatives in key reform areas through to their implementation and post-implementation evaluation.

During the current reporting period, the OSM has applied this framework to its assessment of Crown's overall transformation program (see section 3) and Crown's Culture Reform Program (see section 4). In future reporting periods, as Crown adopts a more strategic and coordinated approach to its transformation program and key associated areas of reform (including RSG and financial crime), the OSM expects that it will apply the framework more holistically across work streams.

3. Transforming Crown Melbourne

3.1 Overview

The Special Manager's focus for the transformation work stream during this reporting period has been on monitoring and assessing Crown's development of its 'transformation program'. During 2022, Crown has developed a suite of plans, strategies and initiatives, which collectively the OSM considers to form its transformation program. These include:

- the MRAP, and all associated activities
- Crown's high-level strategies, such as the Group Transformation Strategy and the Crown Resorts Corporate Strategy
- issue-specific strategies, such as the Player Health Strategy, and IT program and strategy
- policy and program enhancement initiatives, such as the Risk Uplift Plan
- individual activities being undertaken by individual work streams.

The components of the program will continue to evolve as Crown refines and develops other strategies and initiatives.

While undertaking its work, the OSM has noted in particular the wide range of transformation activities Crown is pursuing through its suite of plans, strategies and initiatives, including the MRAP, Group Transformation Strategy, GTO MRAP Health Check, root cause analysis and other issue-specific strategies and programs – these are discussed further in section 3.4. The OSM has also observed an increased urgency within the organisation to make progress. Crown still faces several significant challenges, however, in carrying out its transformation program. Of particular note, increasing resourcing constraints and difficulties with retaining employees – issues evident across the business – pose risks to Crown's work program.

However, while the OSM will monitor and assess Crown's progress in translating the outputs from its activities into tangible outcomes throughout 2023, Crown has acknowledged that a number of its transformation activities will be ongoing beyond 2023. The OSM believes that if Crown is to implement its transformation program effectively and sustainably during 2023 and beyond, it needs to manage the program carefully. In particular, it needs to:

- complete all remaining foundational activities
- execute the transformation program as a holistic and integrated package of reforms that balances the commercial objectives and social obligations of the business – see sections 3.2, 3.3 and 3.4
- apply the findings of the root cause analysis to further develop and better articulate its transformation activities and address the recommendations of the Finkelstein Royal Commission – see section 3.4.4
- invest in IT and develop an adequate whole-of-business resourcing plan as enablers of the transformation activities – see sections 3.5 and 3.6
- manage key risks and delays within its transformation program
- monitor and track progress towards the transformation program objectives, and identify implementation risks, risk mitigation strategies, and opportunities for continuous improvement.

The OSM will apply its assessment framework, outlined in section 2.4, in evaluating the activities Crown undertakes in addressing these matters.

3.2 Crown's operating environment

Since the Special Manager's June 2022 interim report, Crown has continued to develop aspects of its transformation program including the organisational arrangements to manage its implementation. However, there have been a number of developments during this reporting period that have impacted on, and are indicative of, Crown's evolution and progress. Notable developments during this period were:

- Blackstone Inc.'s acquisition of Crown (completed in June 2022) and its '100-day plan', both of which resulted in significant changes
- the appointment of new Boards for Crown Melbourne and Crown Resorts, with Chairs and members progressively commencing following regulatory approval processes (discussed in section 9.1.1)
- the appointment of new CEOs for Crown Melbourne and Crown Resorts, and a number of new executives into key senior leadership roles (such as Chief Legal and Compliance Officer, Group Casino Officer, CRO and Chief Technology Officer) (discussed in section 9.1.2).

The change in ownership has contributed to the significant reset and re-design of Crown's transformation program.

Aside from their business as usual (BAU) leadership roles, the new senior leaders have been given a broad remit to reassess the transformation program and the improvement of their business areas. However, as many of these leaders joined the organisation in September 2022, the initiatives they are driving have only just begun to gather momentum, and significant further work will be needed to demonstrate the required levels of change.

Blackstone Inc. has proactively supported resourcing for transformation projects and has approved requests for additional resources for Risk Management, IT and RSG. This additional resourcing has been accompanied by an increase in external consultant support, both to provide additional BAU capacity and to support the transformation program. Blackstone Inc.'s actions to date have actively supported Crown's transformation activities, and its system and process improvements.

Crown has also begun preparations for re-entering international markets, which were previously a significant part of its business but also a major source of risk and inappropriate conduct. The OSM will pay close attention to Crown's approach to re-entering international markets in future reporting periods. Crown's initial activity in this area is further discussed in section 4.2.5.

In parallel to the above, Crown is operating with a high degree of regulatory scrutiny, and Crown's leadership is responsible for demonstrating how Crown's operational arrangements meet its regulatory obligations. In Crown's valid pursuit of profit, its activities create a material risk of harm to customers and negative impacts on the community, and potentially facilitate financial and other crime.

3.3 Development of Crown's transformation program

During this reporting period, Crown has undertaken a considerable amount of work to establish and refine its transformation program, and develop a clear path forward. Encouragingly, this period has been generally characterised by Crown's recognition of the need to transition from a 'process focus' to an 'outcome focus' for the transformation program. This change in perspective has driven many of Crown's activities. The OSM expects that the transformation process will gain momentum in the next period with an increased focus on activities to embed, take responsibility for and measure change. The OSM notes that Crown is still in the process of developing its performance indicators and evaluation plans for the transformation program; these measurement tools will be critically important for the transformation program.

3.4 Crown's transformation – key activities

During June 2022, Crown established the Crown Transformation Steering Committee and the Group Transformation Program Management Office (PMO) to manage the progress of the transformation program and facilitate the implementation of the MRAP. In this reporting period Crown has focused on refining its transformation program and working on a number of crucial 'foundational activities', most notably:

- Crown Resorts' root cause analysis prepared by Ernst & Young – 14 November 2022
- Crown GTO – Health Check – findings and solutions prepared by Ernst & Young – 21 November 2022
- Crown Group Transformation Strategy – December 2022.

Each of the components of Crown's transformation program is discussed in turn in the following sections.

3.4.1 Development of the MRAP

As noted in the Special Manager's June 2022 interim report, Crown developed the MRAP to document the activities underway to respond to the specific issues raised and recommendations made by the Finkelstein Royal Commission in relation to Crown Melbourne. The MRAP was initially developed at a high level in March 2022 and was in draft form as at June 2022.

Following the Blackstone Inc. acquisition, Crown developed an 'enhanced' MRAP in August 2022 and is continuing to update it, although it has not yet received Board endorsement and thus remains a 'working draft'. Accordingly, the Board-endorsed June 2022 version of the MRAP remains the version against which progress is reported to the Board. References to the MRAP in this report are to the June 2022 version.

As the Special Manager's June 2022 interim report observed, the MRAP did not provide an effective guide for overarching organisational transformation and was primarily process focused, with a large number of step-by-step tasks to correct individual issues or faults, rather than being outcomes focused. During August and early September 2022, Crown acknowledged that the MRAP as it then stood was not sufficient for the task of addressing the findings and recommendations of the Finkelstein Royal Commission. In order to fill this gap, Crown engaged PwC to help deliver a transformation strategy (see section 3.4.6).

Crown is continuing to implement the MRAP, but it has become clear during the current reporting period that a number of the deadlines initially set out in the MRAP were either overly optimistic or ultimately not feasible. This is demonstrated by the significant number of formal change requests to the MRAP deliverable timeframes made by Crown during this period – 10 requests were made in July, 19 in August, 6 in September and 12 in October. This is not necessarily a negative trend, as reflection on – and improvement of – the transformation program are key aspects of enabling its success. Furthermore, it is important that Crown is focused on securing a meaningful outcome to these activities, rather than simply working to an arbitrary completion date that will not contribute to sustainable improvement. Accordingly, in tandem with the development of the transformation strategy, Crown also engaged Ernst & Young to undertake a ‘health check’ of the MRAP (the Crown GTO MRAP Health Check) in order to assess the current state of the MRAP and recommend further enhancements (section 3.4.5). The OSM expects that Crown will complete development of its updated MRAP ready for Board endorsement in early 2023.

3.4.2 Crown Transformation Steering Committee

Prior to the establishment of the Transformation Steering Committee, the transformation program was primarily governed at Board level. However, because of the infrequency of Crown Melbourne Board meetings in the first half of 2022 and the need for greater day-to-day involvement in and coordination of the program, the Special Manager encouraged Crown to set up a committee with sole responsibility for management of the process. This would help Crown to have a greater level of control and governance over the program, and to manage it in a standardised and structured manner. Crown established the Transformation Steering Committee as a result, which first met in June 2022.

The membership of the Transformation Steering Committee consists of the CEO and COO of Crown Melbourne, the General Manager for Melbourne Transformation, the Chief Transformation Officer, and any other individual approved by an ordinary resolution of the committee. It is chaired by the CEO of Crown Melbourne.

The committee meetings are usually attended by all or the majority of the senior executives of Crown Melbourne. The committee reports directly to the Crown Melbourne Board, and the Chief Transformation Officer provides updates on the progress of the transformation program to the Crown Melbourne Board at its meetings.

The OSM has observed the operations of the Transformation Steering Committee becoming more robust and mature. At its initial meetings in June and July 2022, the committee had a broad reporting approach that did not appear to identify key issues and risks or the true status of projects and deliverables. However, over the course of this reporting period, members have become more comfortable telling the ‘real story’ and more willing to report significant delays and issues.

This has extended to reporting on the identification and management of risks, more active management of resources, and stronger attendance from key stakeholders. The OSM has observed the meetings are still more focused on reporting the ‘good news’ and positive developments, although the quality of discussion has improved notably over this reporting period.

Additionally, a number of discussions are still being held and decisions made at ‘pre-meetings’ before Board and committee meetings, providing limited transparency about the decision-making process.

The OSM understands that part of Crown’s transformation strategy will involve setting out clear performance indicators and tools for measuring its success. The OSM will monitor the establishment and utilisation of these performance metrics, as they will provide crucial indicators of Crown’s success in improving its governance and reporting, and in the implementation of its reforms.

3.4.3 Group Transformation Program Management Office

Crown established the Group Transformation PMO in June 2022 as a Group-wide business unit to govern the transformation program across all of Crown’s properties. As noted in the Special Manager’s June 2022 interim report, prior to its establishment, Crown did not have a dedicated business unit to coordinate its reforms, including the progress of the MRAP. The PMO was given responsibility for managing and closing overdue milestones on the MRAP.

However, the issue with slippage in delivery timeframes noted in the Special Manager’s June 2022 interim report has continued. MRAP status reporting indicates that a large number of deadlines have slipped and been pushed back to 2023 through formal change requests from Crown work streams.

Another issue identified by the OSM is the impact on the PMO of the different reporting requirements of the three different state monitors and regulators. This has manifested itself in two ways. First, the Crown PMO has had to manage conflicting priorities. Second, the OSM has observed capability gaps in the management of the MRAP closure packages process. Specifically, there has been a disconnect between Crown’s internal reporting of MRAP deliverables and its ability to demonstrate evidence of completion to the OSM.

The OSM has also observed that closure packages were not always complete, their accuracy was sometimes poor, and the quality and content of evidence included in them varied significantly across work streams.

The PMO has taken steps to resolve these issues throughout the reporting period, and has re-designed the closure package process at multiple stages during this time, presenting the latest proposed structure in November 2022. Ernst & Young will now validate all Crown closure packages (historical and new), including confirming that work has been completed, reviewing the design adequacy of deliverables, testing operating effectiveness and conducting a quality review to ensure that the work meets the closure criteria in the MRAP. This new structure is aimed at eliminating quality issues, clearing bottlenecks and ensuring that there is one, company-wide view about what activities have been completed.

In summary, the PMO has a number of capacity gaps and is reliant on the support of external consultants. It is important that Crown recruits resources into the PMO function to ensure that capability and capacity are built within Crown, and Crown has less reliance on external consultants. Crown has advised this is occurring.

3.4.4 Root cause analysis

Appendix I of the Finkelstein Report requires the OSM to evaluate whether a root cause analysis has been undertaken into the failures that led to the events described in that report. Crown contracted Ernst & Young to undertake the root cause analysis in June 2022, and Ernst & Young proposed the following three-phase approach:

- Phase 1: Agree on scope, review information and commence the root cause analysis
- Phase 2: Validate and complete the root cause analysis using the 11 'root cause hypotheses' identified in phase 1
- Phase 3: Gap analysis and recommendations.

Crown provided a draft version of Ernst & Young's root cause analysis report to the OSM on 11 October 2022.⁸ It was comprehensive and constructive, and it is clear that significant resources and time were dedicated to it. The analysis covered several key areas, most notably:

- an overall finding that the root cause of Crown's failure was a poor risk culture that prioritised revenue and profit over risk management and compliance, which manifested in significant shortcomings in three core elements of risk and compliance management:
 - risk awareness and appreciation shortcomings
 - governance and accountability shortcomings
 - capability, capacity and controls shortcomings
- several key areas of failure throughout the organisation, including:
 - an incentive structure that promoted excessive risk taking
 - a lack of a people and culture strategy
 - poor governance of risk and understanding of obligations
 - insufficient training for employees
 - poor investment in systems and data.

The OSM was encouraged by the level of detail and the extent to which the draft addressed many of the concerns highlighted by the Finkelstein Royal Commission. However, while the draft root cause analysis was comprehensive, in discussion with Crown the OSM noted several areas where Crown could seek deeper analysis and insights:

- The analysis could include greater consideration of the impact of external factors, such as the expectations of patrons, or pressures created by broader industry norms, and of how Crown can better manage these factors.
- In some areas, the analysis relies on attributing failures to individual action and responsibility rather than potential systemic issues.
- The analysis concludes that the primary root cause of Crown's failure was an unsound risk culture, but does not fully explain the systemic drivers of Crown's unsound risk culture, especially the specific factors that might have reinforced this culture in different subgroups across the organisation.

⁸ Ernst & Young, Initial Root Cause Analysis Draft, 11 October 2022.

- While the analysis notes that Crown did not align ethics and community expectations to its business strategies, further attention could be given to why Crown so blatantly disregarded its social and community responsibilities.
- The analysis could go further in contextualising and outlining the actions that individual work streams and business areas must take, and providing more detail on how individual teams can address the issues.
- Based on the documentation provided to the OSM and discussions with Crown and its advisors, it remains unclear whether some areas of the Finkelstein Report have been covered by the root cause analysis, including:
 - Crown's approach to external advice
 - Crown's disregard for social and community responsibility.

In response, Crown and its advisors committed to further exploring the areas highlighted above, and Crown provided an updated version of the draft root cause analysis to the OSM and to the Crown Resorts Board on 26 October 2022.⁹ Ernst & Young then provided a final version of the root cause analysis to Crown on 14 November 2022.

The updated draft and final analysis addressed some of the points raised by the OSM and made some adjustments to expand certain findings of the analysis. However, the final root cause analysis still did not fully address the areas noted by the OSM, and the OSM is continuing to engage with Crown on how it will resolve these concerns.

The OSM is of the view that the focus on risk culture may have precluded the analysis from taking a wider-ranging consideration of other factors, and therefore may not fully capture the extent of the root causes. It will be important for Crown to seek further insight into the drivers that led to such a culture existing within the business, and what actions it must undertake to prevent that culture from returning.

The reporting on phase 3 of the analysis comprises recommendations for addressing any gaps between the root causes identified and Crown's MRAP. While the analysis found that the MRAP had broadly covered the root causes, there were several areas where the coverage was only partial. The analysis made a total of 18 recommendations across four key categories, later refined to 14 recommendations in the final report.

The final Crown Resorts root cause analysis, including the findings and recommendations, is provided at Appendix 1, Document 1.1. The OSM considers that the recommendations not only provided genuine value and were worthwhile additions to Crown's MRAP, but that they also represented appropriate responses to the gaps identified by the root cause analysis.

However, between the draft and final versions of the analysis, Crown removed some of the specificity and detail within the recommendations. This has resulted in a degree of inconsistency between the recommendations. While some were very specific, others were broader and lacked specificity. For example, one of the original recommendations regarding RSG read 'Develop an RG strategy and supporting harm minimisation program which articulates how RG risk is managed at Crown'. In the final version, this recommendation became 'Develop an implementation plan for the Player Health Strategy', and Crown removed the recommendation 'Define how Crown's marketing strategy and approach will consider

¹⁰ Ernst & Young, *Updated Draft Root Cause Analysis*, 20 October 2022.

Responsible Gambling harm including the definition of vulnerable customers'. Further, no clear explanation was provided for how the recommendations were reached.

Given the reduced specificity of some of these recommendations, and the greater responsibility placed on the Transformation Steering Committee, it will be critical for Crown to demonstrate on an ongoing basis that it is addressing the root causes and effectively implementing the recommendations.

Crown has indicated an awareness of the need to meaningfully implement the findings from the root cause analysis. The Transformation Steering Committee has taken on the responsibility of integrating them into the transformation program, and ensuring the recommendations are carried out.

It is positive that Crown has already begun to act on its root cause analysis findings. Crown has reported the following activities will commence in 2023:

- the Internal Audit team will take account of the analysis and its recommendations when assessing progress. The team will particularly focus on identifying changes and key activities to remedy any gaps moving forward (for example, the team has already identified, and begun seeking to remedy, an identified concern around policy effectiveness and a lack of policy document hierarchy)
- the Internal Audit team will also be reviewing external advice provided to Crown, with a focus on ensuring that any external advice is independent
- internal awareness and education campaigns will take place as part of Crown's new brand strategy.

While Crown and its advisors have mapped the root causes identified to the key categories that they identified in phase 1 of the analysis, this is a separate exercise from mapping the root causes – and the actions Crown is taking to address them – to Appendix I of the Finkelstein Report. The OSM will continue to focus on understanding how Crown is applying the root cause analysis to address the issues raised in Appendix I.

The OSM considers that Crown's commitment to undertaking a detailed and comprehensive root cause analysis indicates a serious desire to fully understand the causes of the organisation's failures, and to address them. The OSM also considers it positive that Crown has placed a strong focus in the analysis on investment in systems and data, which was a notable area of concern for the Finkelstein Royal Commission, as well as undertaking detailed consultations with employees and external bodies. However, although the root cause analysis itself is complete, Crown has much more work to do to implement the findings. The activities mentioned above are important, but in future reporting periods, the OSM will also expect Crown to demonstrate:

- development of a consolidated plan for how all of its transformation program activities, including those relating to the root cause analysis, will address the issues identified in the Finkelstein Report
- translation of the insights developed through the root cause analysis into an implementation strategy containing clear and actionable items for the different areas of the Crown business

- a clear articulation or roadmap of the actions that Crown is undertaking across all parts of its business to address the findings of the analysis
- a clear communication strategy for how these root cause recommendations will be embedded to develop internal knowledge and understanding.

3.4.5 Crown Group Transformation Office MRAP Health Check

As noted in section 3.4.1, the Crown Group Transformation Office (GTO) undertook an MRAP Health Check to understand the current state of the MRAP and identify areas for improvement, with the following key objectives:

- ensuring Crown prioritises the appropriate initiatives within the MRAP
- ensuring Crown implements the right processes in both the design and delivery of those initiatives.

The health check also involved a full review of the MRAP for any ambiguous terminology, inconsistencies between deliverables and closure criteria, or other deficiencies. The Crown GTO Health Check report was finalised in December 2022, and is provided at Appendix 1, Document 1.2.

The work undertaken has identified the following areas as needing to be addressed:

- **Resourcing:** A lack of resourcing is a consistent issue affecting all areas of the business. To address this, in early 2023 Crown will prioritise the development of a resourcing plan to cover BAU activities and all transformation activities.
- **Dependencies:** There is a need for greater clarity on dependencies, particularly in IT and culture. To address this, Crown will manage identified dependencies as a work program item and this will be included in work program reporting.
- **Timing and sequencing:** Crown's transformation program does not currently identify any prioritisation of activities based on importance. To address this, Crown is reviewing the timing and sequencing of activities in the MRAP.
- **Rationale:** Many MRAP items did not have robust rationales for why they are being undertaken. To address this, Crown will now review and consider the rationale for each MRAP item as part of the closure reporting process, to ensure there is a record of how decisions were arrived at.
- **Closure criteria:** The closure criteria for many MRAP items are unclear or plainly insufficient. To address this, Crown is reviewing its criteria across the MRAP to improve the clarity of the objectives and show a clear connection with the rationale of activities.

Crown is currently updating its MRAP and broader transformation program to address these areas.

The OSM considers Crown's progress in undertaking this work to be positive. The health check will act as an important foundational step to ensuring that the various activities and programs Crown is undertaking are aligned, integrated and appropriately prioritised; that the different programs and business units do not work at cross-purposes; and that time and resources are not invested in unnecessary work. This suggests an improving level of maturity in the organisation and a greater regard for long-term strategy and reflection.

The OSM will assess the actions undertaken to implement its recommendations and findings in the first reporting period of 2023.

3.4.6 Group Transformation Strategy

The Crown Group Transformation Strategy provides a summary view of how Crown intends to proceed with its business transformation in the short, medium and long term. Detailed performance indicators of how progress will be recorded, measured and governed will be prepared by Crown in early 2023.

The development of the strategy was a 12-week process, with a delivery date of mid-October 2022 for the final draft. This draft was then circulated among key stakeholders for comment during November and progressed to the Crown Melbourne Board for final approval in December.¹⁰

The strategy is divided into three 'time horizons' and based on three 'pillars'. The Crown Group Transformation Strategy, including the key initiatives, work streams and detailed timeframe, is provided at Appendix 1, Document 1.3.

The three time horizons are as follows:

- Horizon 1 was expected to run until the end of 2023 and focus on Crown's foundational activities, and its progress in addressing Appendix I of the Finkelstein Report.
 - The OSM notes that in its discussions with Crown, it has been acknowledged by Crown that a number of the activities in Horizon 1 will not be given full effect by the end of 2023. Therefore, the OSM's focus will be on the extent to which Crown is building an effective and sustainable foundation to carry forward the transformation program and embed change into the long term.
- Horizon 2 will run from 2024 to 2025 and focus on refining the broader Crown strategy for its business and optimising and building on the foundations laid in Horizon 1.
- Horizon 3 will run from 2025 onward and focus on how Crown can continue to build the business sustainably. It will aim to drive sustainable and continuous enhancements and innovation across Crown.

Crown is currently developing a charter for each initiative, including implementation arrangements and measures for monitoring progress.

The OSM understands that the GTO is working alongside the individual parts of the business to develop these charters, which will include performance metrics, and that Crown expects to finalise them by February 2023.

Crown has indicated to the OSM that part of the immediate focus for Horizon 1 – addressing the findings and recommendations of the Finkelstein Royal Commission – involves creating a strong sense of urgency and momentum, and ensuring there is a clear and structured approach. This also includes effective prioritisation of resources to make sure Crown is able to achieve its goals effectively and efficiently. The OSM observes that Horizon 1 does not represent a 'hard deadline' by which all actions must be completed, but rather a target milestone that must be assessed at a key point in time to measure Crown's progress.

¹⁰ Crown, Crown Draft Group Transformation Strategy, 26 October 2022, received by the OSM on 26 October 2022.

The transformation strategy aims to provide strategic vision for Crown over the next five years and will underpin the prioritisation of activities and resources during that period. Crown intends this strategy to be an overarching guide for its transformation process and a key enabler for its other strategies, including the Crown Resorts Corporate Strategy and Player Health Strategy. The OSM expects that the way in which the various strategies integrate with each other and align to guide Crown's progress will be a key aspect of Crown's efforts to address the findings and recommendations of the Finkelstein Royal Commission.

There will be two key points of focus for the OSM in the coming reporting periods:

- that the messaging of this strategy is clear and is effectively communicated to all employees in a way that ensures it is understood and is capable of being widely implemented
- that Crown continues to follow through with the implementation of the strategy and ensures it is effective and well managed.

Alongside the Group Transformation Strategy, Crown has also begun the development of a brand strategy. Importantly, it will include several components that will impact the transformation program, such as the objective of changing the perception of Crown internally (as well as externally); an initial phase of 'active listening' to key stakeholders; and refining internal and external communications to ensure change is effectively communicated and embedded.

Crown is still developing its criteria for envisioning a 'transformed' Crown. While its Group Transformation Strategy was presented to the Crown Melbourne Board on 7 December 2022, several final elements of the strategy, including objectives and performance measures, remain in development. It is clear, however, that beyond considering the specific conduct and compliance outcomes Crown must deliver – that is, 'what' must be delivered – the OSM must also consider 'how' Crown delivers them; this will be an important indicator of effectiveness and sustainability.

3.5 Key transformation enablers

The OSM has identified several key aspects of the transformation program that it considers are likely to act as important enablers for Crown's overall transformation. These initiatives and programs are long-running activities the OSM intends to track across the Special Manager's term, and should serve as touchstones for understanding Crown's progress across the work streams.

These key transformation enablers and relevant work streams are:

- technology and digital transformation: enterprise-wide system improvements (transformation; see section 3.5.1)
- performance management and incentives (culture; see section 4.2.5).

The OSM has included a snapshot for each enabler in the following sections of this report, exploring the details and impacts of the enablers in greater depth and demonstrating how they are expected to support wider improvements throughout the business.

3.5.1 IT program and strategy

As a key pillar of its transformation program, the Crown Resorts Board approved in March 2022 the planning and delivery of an integrated, enterprise-wide IT program and strategy.¹¹ Crown expected this program and strategy, and the array of IT enhancement programs that fell within it, to benefit all business areas within Crown, including risk, governance, compliance, RSG, security and surveillance.

Following the Blackstone Inc. acquisition of Crown Resorts in June 2022 and the subsequent recruitment of a new Crown Chief Technology Officer in September 2022, this IT program and strategy was reviewed, and a decision was made to realign it with a focus on Crown's response to the Finkelstein Royal Commission, cyber security, and the creation of a sustainable and efficient business. The OSM has observed this is consistent with the overarching themes Crown's new leadership is aiming to drive: greater simplification and clearly articulated practices and values throughout the business.

The OSM considers Crown's IT program and strategy, including data management, to be vital for the transformation program as a whole. It will not only act as a key enabler for the business to develop greater operational capabilities, but will also support middle and senior management by integrating the different business areas, and providing systems and tools to support greater cooperation and collaboration, and initiatives such as improved 'know your customer' (KYC) capabilities for RSG and anti-money laundering (AML).

Examples of some of these important functionalities include:

- the implementation of Salesforce as a single case management solution, which will enable Crown to better manage and utilise customer data to enhance both RSG and the prevention of financial crime
- the planned rollout of the Archer governance, risk and compliance (GRC) system, which aims to significantly improve risk and compliance management, and reporting across the business
- the ongoing rollout of Workplace communication and engagement software (developed by Meta Platforms Inc.), which Crown expects will be an important tool for coordinating and supporting employees across the business.

Crown recognises IT as a key enabler of success in all areas of the business and has outlined its commitment to investing heavily in it. During the next reporting period the OSM will focus on specific IT projects to monitor the progress of key aspects of the IT program and strategy, especially those relating to RSG and financial crime.

The snapshot below gives an overview of the enterprise-wide system improvements Crown has planned.

¹¹ Crown Resorts Limited, Memorandum to the Board of Directors – IT Strategy, 22 March 2022.

Snapshot: Technology and digital transformation: enterprise-wide system improvements

Work stream: Transformation

Introduction

As identified in the Finkelstein Royal Commission, programs such as the Financial Crime and Compliance Change Program and RSG require significant uplift to their controls, data and systems that can only be delivered through technology enhancements.

During this reporting period Crown has realigned its IT program of work and demonstrated an improved understanding of the importance of IT as an enabler to its transformation program.

Crown's realigned program

Crown's draft IT program framework and structure¹² was provided to the OSM in October 2022. The framework,¹³ approved by the Crown Resorts Group IT Steering Committee on 7 November 2022, comprises five programs:

1. Digital and Technology Enablement – Suitability

Technology enhancements to support Crown's response to the findings and recommendations of the Finkelstein Royal Commission, including IT deliverables in the MRAP, and major reforms to tackle gambling-related harm and prevent financial crime at Crown Melbourne.

As an example, the OSM considers the implementation of Salesforce as a single case management solution should enable key outcomes for both Crown and its customers. This system will provide a single source of truth for the customer profile, including their transactions, KYC information, risk ratings and interactions with frontline employees. Effective implementation of the single customer view and improved data management and monitoring will be important to enable enhanced capabilities to support more integrated management and operational reporting and insights.

2. Digital and Technology Enablement – Customer

Technology enhancements and associated customer automations to support Crown's customer strategy and related marketing programs.

3. IT Core Capability – Application Simplification and Standardisation

Standardisation of core enterprise systems and processes to simplify usability across properties and support data consistency with reporting.

4. IT Core Capability – Data

Provision of data and technical capabilities via centralised and governed services to support the organisation in delivery of Crown Resorts Corporate Strategy (to be released in 2023).

5. IT Core Capability – Cyber and Infrastructure

Sustain its technology infrastructure to support the demands of the properties and ensure it is secured to protect and prepare Crown Resorts to withstand evolving threats.

The Crown Resorts Group IT Steering Committee 'Kick Off' meeting pack for the November Group IT Steering Committee, including the IT program framework and definitions, is provided at Appendix 1, Document 1.4.

¹² Crown Resorts Limited, Group Technology Program – Current Update and Strategic Roadmap – BX Update, October 2022.

¹³ Crown Resorts Limited, Group IT Steering Committee – Kick Off, 7 November 2022.

It is important to note that the five programs will further support the centralisation (moving away from the current decentralised model) and protection of all technology at a group IT level, overseen by the Chief Technology Officer and Group IT Steering Committee.

The OSM has observed that the Group IT Steering Committee has made positive steps to ensure they are aware of Crown’s full IT program and potential impacts to its transformation program. This includes the committee approving all IT initiative requests before they proceed to technical assessment. The agreed communications plan, which sets out the new governance arrangements that are expected to be established during December 2022 and January 2023, should ensure authority and accountability are clearly defined at all levels of the IT program.

However, observations from the December Group IT Steering Committee meeting identified the committee is still developing its purpose, responsibilities, processes and governance arrangements. Executive sponsors had not been suitably briefed on their respective IT initiatives and there was a lack of understanding on the outcomes and impacts from decisions. Prioritisation was limited to ‘return to suitability’ initiatives, and resource requirements to complete technical assessments were not discussed. The committee will need to settle its charter in early 2023 to ensure all members understand its purpose and their role to operate effectively and move the IT program of work forward.

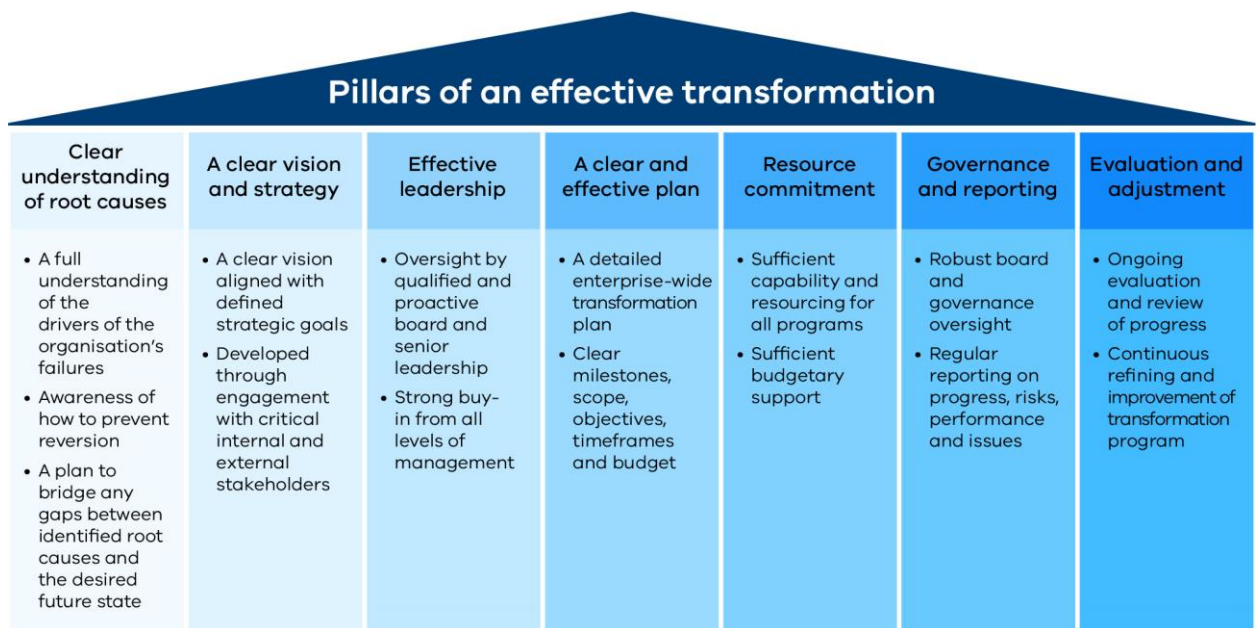
3.6 Further observations of the effectiveness and progress of the transformation program in 2022

3.6.1 Elements of a successful transformation program

The six-stage framework outlined in section 2.4 is an important tool the OSM will use for assessing Crown’s transformation program and its efforts to address the findings and recommendations of the Finkelstein Royal Commission; however, it is also essential for the OSM to assess Crown’s transformation at a more detailed level. In the Special Manager’s June 2022 interim report, the OSM identified seven ‘pillars’ that it considers to be critical to an effective transformation.

Figure 2 depicts the pillars of a successful transformation.

Figure 2. Transformation pillars



Certain elements have already been the subject of specific and focused work by Crown, and the OSM's assessment of them was discussed earlier:

- Clear understanding of root causes – see section 3.4.4
- A clear vision and strategy – see section 3.4.6
- A clear and effective plan – see section 3.4.1 and 3.4.5
- Governance and reporting – see sections 3.4.2 and 3.4.3.

The OSM's assessment of the other three elements is discussed below.

3.6.2 Effective leadership

Crown's leadership continues to attempt to drive change in the organisation and, in some areas, has begun to demonstrate strong values and commitment to ongoing improvement. There is evidence that the new executive leadership and Board of Crown Melbourne are strongly supporting the transformation program.

The OSM considers the leadership's communication of its focus on integrity and ownership of activities to be an encouraging sign that demonstrates Crown's ongoing commitment to the transformation program. However, further effort will be required to demonstrate that the commitment to the transformation program is sustainable and ongoing.

It is notable that many of the newly appointed leaders across the business – including in risk, RSG, compliance and IT – are experts in their fields. The appointment of these leaders and the clear vision they have for Crown as a business are key components of a much broader business strategy including meaningful and ongoing development. The OSM understands that Crown intends to prepare a detailed plan for organisational development to address this in the first quarter of 2023.

In November 2022, Crown held its first Leaders Forum under its new leadership. This was a valuable opportunity for Crown to demonstrate the leadership team's commitment to ongoing transformation, and the OSM made several observations about the messaging to the leadership team:

- There is a sustained campaign around the importance of responding to the findings and recommendations of the Finkelstein Royal Commission, the need to adhere to Crown's new values, and the need to invest heavily in the business. This was clearly articulated in this forum, where the leadership stressed a focus on 'relaunching' all of Crown's programs and systems in line with its values.
- The new Crown Melbourne CEO stressed the need for a 'mind shift' to a more people-centric approach (for example, 'team members' and 'guests' rather than 'employees' and 'customers').
- There was a strong focus on improving the company culture, and on driving change through Crown Group-wide initiatives such as the Leadership Activation Program workshops for all leaders, the implementation of a new performance management framework, and the release of a new Code of Conduct and 'your voice' survey.

This Leaders Forum was a positive demonstration of how Crown is beginning to communicate its values and new leadership approach across the business, and its plans to integrate and embed those values in the long term.

The OSM will expect this leadership attitude and behaviour to continue to drive ongoing change in the organisation and will monitor, in particular, how effective the senior leadership is at continuing to drive the transformation program. The OSM hopes to observe demonstrated evidence of change at all levels of the business.

3.6.3 Resource commitment

Resourcing remains one of the key challenges causing delays within Crown's transformation program. Crown has attributed the majority of the work stream delays and MRAP change requests to resourcing issues, and is still reporting shortfalls in a number of key positions and teams. Crown's insufficiency of resources refers both to capacity (the number of employees) and capability (the available skillsets of employees).

As a result, Crown work streams continue to struggle to effectively balance the requirements of BAU activities and transformation activities, especially in smaller teams such as Human Resources and RSG.

Many teams (such as the Risk Management team) are actively recruiting but have not yet been able to fill some key positions. While these delays are understandable in the context of a major ownership transition, they have resulted in a number of change requests and delays to MRAP deliverables. It will be important for Crown to deal with them promptly now the Blackstone Inc. ownership transition is complete. The OSM acknowledges, however, the current 'tightness' of the employment market and the resulting difficulty in filling positions with suitably qualified personnel.

Several crucial parts of the transformation program (such as the PMO) are heavily reliant on support from external consultants.

The OSM recognises that given the urgency of the task before Crown, and the current challenging recruitment market, it was reasonable and necessary for Crown to seek external support to undertake this work during the current reporting period. It is also a demonstration of accountability and increasing maturity for Crown to recognise and acknowledge its own capability gaps. In some cases, such as the culture survey, outside assistance may have contributed objectivity and additional rigour to Crown's problem solving, and provided some assurance to stakeholders as to the robustness of the process. However, such external support also reflects an acknowledgement by Crown that it does not have the resources to support BAU activities, transformation activities and the development of its business of the future.

While the OSM considers this approach to be broadly positive, it is important to note that it also represents a significant risk. If Crown is not able to successfully develop its internal capability, it will remain heavily reliant on external experts, and will not be able to take ownership of its own activities and transformation program.

Resourcing continues to be an area of concern because Crown does not yet have an overall governance approach to resource management; accordingly, resource management is neither standardised nor well reported. The OSM understands, however, that Crown is developing an integrated organisation-wide workforce strategy to address this issue, and to ensure that all parts of the business have the capability and capacity to service BAU and transformation needs, as well as future business needs. This is expected to be completed early in 2023.

While the current resourcing issues are of concern, the OSM acknowledges that Crown is taking active steps to resolve them. Both the transformation strategy being developed in conjunction with PwC and the health check that Ernst & Young is undertaking on the MRAP have resourcing as a key focus. The OSM expects that the organisation-wide resourcing plan will be developed alongside the transformation strategy, allowing Crown to continue filling existing capability gaps and resolving these issues in the coming reporting period.

The focus of the OSM in the following reporting period will be on:

- assessing how effectively Crown implements its resourcing strategy to address both capacity and capability constraints
- assessing how effectively Crown is able to manage its resourcing so that BAU requirements and transformation activities both receive appropriate support.

3.6.4 Evaluation and adjustment

Crown's ongoing refinement of its transformation approach is a positive sign for the organisation. While Crown has acknowledged that many closure packages and MRAP deliverables are behind schedule, it has nevertheless indicated it does not wish to 'cut corners' and has expressed a commitment to ensuring that necessary assurance steps are undertaken. While delays are not ideal, Crown deserves credit for seeking to prioritise the quality of outcomes from the transformation process.

The delays in Crown's work program stem from a variety of causes, including resourcing issues, the Blackstone Inc. acquisition and strategic re-thinking. The OSM acknowledges that many of the delays were to be expected following Crown's change in ownership, and are a by-product of the new leadership's reset of Crown's transformation program and of the time required to undertake the new foundational activities that will enable more efficient progress.

Several work streams have continued to re-evaluate the systems and processes they use, with a particular focus on removing redundant programs and streamlining other programs for effectiveness. This work has been driven by a combination of the governance and reporting structures discussed in sections 3.4.12 and 3.4.3, and efforts by newly appointed leaders to enhance existing programs.

The OSM will continue to monitor how effectively Crown reprioritises activities and reallocates resources to ensure that this remains a positive trend. It will be important for Crown to ensure that the reprioritisation of activities does not sideline or delay key actions that will be necessary for the implementation of the Finkelstein Royal Commission's recommended reforms, or that the pursuit of an improved strategic vision and approach does not unduly delay the necessary corrective implementation and embedding of reform-related activities.

3.7 Focus of the OSM for the next reporting period

The first reporting period of 2023 will represent an important assessment point for the OSM in evaluating the wider implementation of Crown's transformation program. Carrying out the implementation activities successfully will be a vital – if not the most vital – step in Crown's efforts to demonstrate progress towards addressing the requirements of Appendix I of the Finkelstein Report.

During 2023, the OSM's focus will be an assessment of Crown's progress in translating the foundational activities undertaken by Crown in 2022 into business outcomes, as well as the effectiveness and sustainability of the ongoing transformation program. The OSM will undertake

its analysis by applying the assessment framework set out in section 2.4 and will take into account the matters discussed in section 3.1. This will include an assessment of Crown's approach to:

- alignment of transformation program objectives – ensuring that all elements of the transformation program are aligned and working towards clearly established objectives
- strategy integration – effectively integrating different strategies, policies and related documents within its transformation program; for example, ensuring the new Crown Resorts Corporate Strategy is aligned with the values and principles outlined in the transformation strategy
- governance – managing the transformation program to ensure an integrated approach to its implementation in conjunction with the conduct of BAU activities
- planning and monitoring – developing specific measures of progress, clear articulation of target outcomes, and establishment of performance indicators to track transformation progress to help improve focus, momentum and practical impact
- change resistance – actively fostering fresh thinking in order to help shift embedded mindsets and behaviours and ensure that transformation is lasting
- program management – actively managing the sequencing, resourcing and dependencies within the transformation program to ensure that high-priority projects are identified and completed more quickly than lower-priority ones, and receive the resources they require
- transformation ownership and capacity building – taking responsibility for achieving its transformation deliverables and integrating change in a way that facilitates effective and sustained improvement. This includes taking ownership of initiatives, the transfer of knowledge from external advisors into the organisation and building internal capability and capacity to support ongoing requirements.

In addition, the OSM will assess the effectiveness of the transformation program by analysing how new systems, policies and behaviours are being enacted in practice. To do this, it will select Crown transformation initiatives that are expected to have a significant positive impact on customers, Crown employees and/or the business, then assess these through a combination of reviewing documentary evidence, sample testing, and direct engagement with leadership and employees at all levels plus stakeholder perspectives and insights.

One of the priorities of the OSM during the next reporting period will be to attend a wide cross-section of meetings and forums within Crown to apply its assessment framework and observe Crown's implementation process. This will include developing an understanding of the process by which Crown arrives at, communicates and implements its activities, and then reviews their impact. The information gained through this process will inform the OSM's assessment of the effectiveness and sustainability of Crown's implementation and ongoing management of its transformation program.

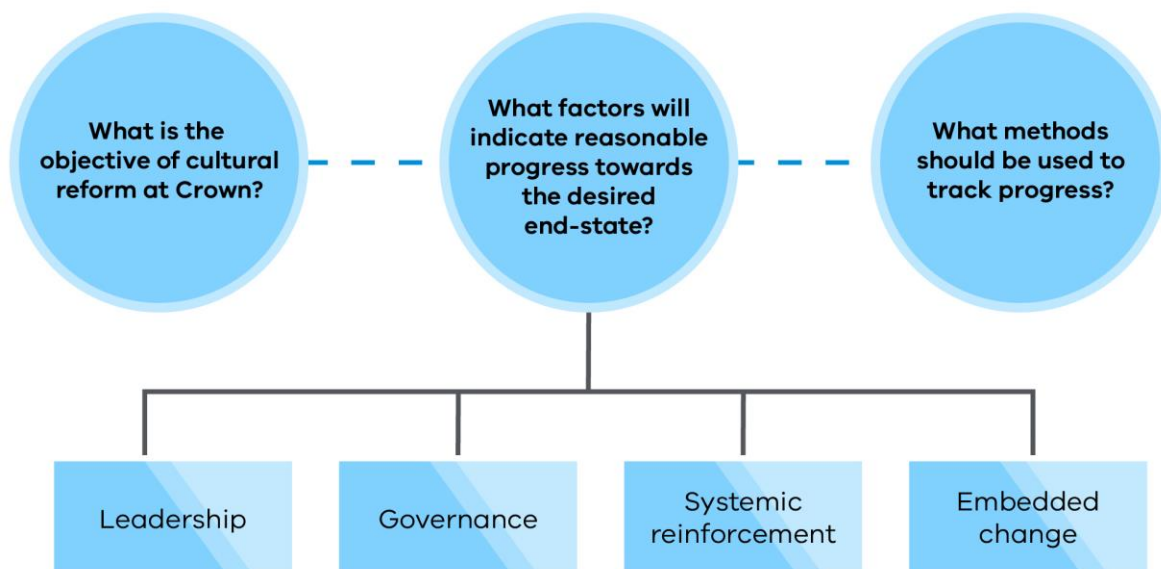
The OSM is also engaging with Crown on the development of a standardised approach for Crown to report its progress against Appendix I during 2023, both internally and to the OSM. The intention is that Crown's reporting approach will focus on tracking the progress of its transformation program against its key objectives from an integrated, outcomes-based perspective, and analyse implementation risks, risk mitigation strategies, and opportunities for continuous improvement.

4. Culture change

4.1 Overview

Culture change is central to Crown's transformation, as both a driver and an outcome. It is, however, somewhat artificial to examine culture as an individual topic, given its inherently interdependent nature and the multi-faceted role it plays within an organisation. A range of observations with relevance to culture are found throughout this interim report. However, this section specifically discusses Crown's Culture Reform Program (CRP), and other efforts to address the culture-related recommendations made by the Finkelstein Royal Commission. This includes considering the steps taken by Crown to implement the Deloitte Roadmap, and how well Crown's overall transformation program is moving towards a sound culture, where good conduct and effective management of risk are self-sustaining. To evaluate Crown's progress in these areas, the OSM has considered several questions, illustrated in Figure 3.

Figure 3. Questions to evaluate the progress and effectiveness of Crown's Culture Reform Program



The OSM has formed its views, as described below, with reference to:

- a range of evidence, including Crown's documentation of its policies and plans, observations of and discussions with Crown employees, and the review of data and reporting collated by Crown
- especially critical markers of change, such as Crown's focus on integrity, its balancing of multiple strategic objectives and its incentivisation of employees (see the snapshots in this section on international premium player program and performance management and incentives).

In addition, the OSM's assessment has been informed by the perspectives of key stakeholders, including regulators, union representatives and community groups.

The OSM has observed clear efforts by Crown to implement the initiatives recommended by the Deloitte Roadmap and, in line with the current stage of Crown's overall transformation, the OSM notes that Crown has taken a number of steps to establish a foundation on which to systemically reinforce behaviour change across the organisation. However, it needs to be recognised that it will take a number of years to embed desired changes through all areas of the business.

4.1.1 Background

As noted in the Special Manager's June 2022 interim report, after some reluctance to admit to cultural issues in earlier inquiries, Crown acknowledged to the Finkelstein Royal Commission that it needed to significantly improve in this area. In late 2020, Crown engaged Deloitte to conduct a current state assessment of its culture, co-design an aspirational culture, and recommend a roadmap for cultural reform (collectively the Deloitte cultural review). At the conclusion of the Finkelstein Royal Commission, the first three stages of the Deloitte cultural review had been completed, with only the roadmap for reform yet to be delivered.

Section 4 of Appendix I of the Finkelstein Report requires the Special Manager to:

- determine whether Deloitte has completed the final stages of its cultural review
- evaluate the implementation of the Deloitte Roadmap and the effectiveness of Crown's CRP.

The June 2022 interim report noted that the OSM considered Deloitte to have completed phase 4 of its work; that is, the design of an aspirational culture for Crown and a roadmap to achieve it. Therefore, as the OSM's work plan for this period reflects, the OSM has focused its evaluation on the implementation and effectiveness of Crown's CRP, and this section reports on these observations (for conclusions related to specific work plan activities, see Appendix A). In order to understand Crown's approach to implementation, including how it plans to embed its new expected behaviours and cultural tools, the OSM has also assessed the development and initial rollout of Crown's updated Code of Conduct, a critical element in its broader integrity framework, discussed in detail in section 5.

4.1.2 Key evidence of progress: implementation of the Deloitte Roadmap

In terms of relative progress, Crown has made more headway in implementing the Deloitte Roadmap than advancing the effectiveness of its CRP. Hence, the remainder of section 4.1 outlines the steps Crown has taken to utilise the MRAP process for implementing the roadmap; while section 4.2.1 contains observations in relation to the effectiveness of Crown's CRP (see also Appendix A, 2.1, 2.2 and 2.3).

Alignment of CRP to Deloitte Roadmap

Crown's MRAP identifies 11 culture-related initiatives, and these represent Crown's initial steps towards the implementation of the Deloitte Roadmap. Clear linkages to the work streams outlined by Deloitte can be seen in Table 2. In addition to these 11 items, a range of other MRAP items – mapped to other work streams – are relevant to the Deloitte Roadmap. These are not within the direct control of Crown's Culture Reform team, but are tracked as dependencies within the CRP. In addition to the MRAP items, the OSM has also assessed the design of other key activities undertaken by Crown throughout the period to support cultural change, such as work to improve its integrity framework (see section 5). Overall, the OSM notes

that the scope and nature of the initiatives identified by Crown appear well aligned to the Deloitte Roadmap and provide a sound basis for initiating implementation.

Table 2. Mapping of culture-related MRAP items to the Deloitte Roadmap

Deloitte Roadmap work stream/initiative	Culture-related MRAP items	Other MRAP items noted as culture dependencies
1. Enabling aspirational culture and capability	<ul style="list-style-type: none"> Finalise CRP Roadmap initiatives 	
2. Communications, engagement and external stakeholder relationships	<ul style="list-style-type: none"> Assess and implement employee feedback from the 2022 survey (Design) Assess and implement employee feedback from the 2022 survey (Implement) 	<ul style="list-style-type: none"> Develop employee communications program
3. Measure impact and respond	<ul style="list-style-type: none"> Culture measurement dashboard and quarterly reporting Culture survey 	
4. Leadership behaviour and commitment	<ul style="list-style-type: none"> Leadership development program 1 Leadership development program 2 Leadership development program 3 	<ul style="list-style-type: none"> Executive/senior management training
5. People and performance practices	<ul style="list-style-type: none"> Performance development systems Variable Pay Program 	<ul style="list-style-type: none"> Targeted face-to-face training content uplift
6. Operating model and ways of working		<ul style="list-style-type: none"> Knowledge process outsourcing Acquire a diversity of Responsible Gaming employees Responsible Gaming customer relationship management
7. Accountability, risk and compliance	<ul style="list-style-type: none"> Ethical and risk-intelligent decision making 	<ul style="list-style-type: none"> Enhanced anti-money laundering/counter-terrorism financing awareness online module Implement enhanced responsible gaming training for Responsible Gaming employees Implement enhanced responsible gaming training for other relevant employees

Deloitte Roadmap work stream/initiative	Culture-related MRAP items	Other MRAP items noted as culture dependencies
8. Policy alignment, implementation and review		<ul style="list-style-type: none"> Implement international time limits on play
9. Controls effectiveness and business processes		No items noted in Crown's MRAP Transformation Roadmap. The OSM considers a number of other work stream items to be relevant to this work stream/initiative.

Source: Crown Melbourne Transformation Steering Committee, MRAP Transformation Roadmap, September 2022; Deloitte, *Draft Culture Change Roadmap*, August 2021; OSM analysis and discussions with Crown.

Execution of initiatives

During this reporting period, Crown's Culture Reform team faced several challenges to the timely execution of its work program. In particular, the OSM has observed Blackstone Inc.'s acquisition of Crown and subsequent changes in senior leadership have created a need to repeat certain activities (such as leadership training) and have delayed decisions on other activities (such as 'variable pay'). By October 2022, the culture-related MRAP items were noted as 'amber' in status, meaning that Crown's Culture Reform team was reporting significant issues/delays, but that there was a clear path for resolution.

Notwithstanding these delays, the OSM has observed the Culture Reform team progressing in a range of key tasks, summarised in Table 3.

Table 3. Key Culture Reform Program achievements June to December 2022

Key progress on culture-related MRAP items	Additional culture-related progress outside the MRAP
Board culture deep dive session – designed and implemented by October	Integration of culture and other work stream activities – focus from September
Group-wide culture assessment – designed and commenced by November	Stakeholder engagement and alignment of expectations regarding the assessment of cultural progress
Performance management enhancements – design commenced by October	Uplift in culture capability – ongoing augmentation of the CRP resourcing with culture related expertise
Culture measurement dashboard – design commenced by August	Identification of Human Resources system uplift requirements – focus from September

Ownership

The OSM notes that the scope and nature of Crown's culture-related initiatives reflect a reasonable translation of the Deloitte Roadmap into the MRAP, and that Crown has been engaged in various culture-related activities. However, the OSM has also observed several opportunities for Crown to demonstrate greater ownership of the intended outcomes from the effective implementation of the roadmap.

While recognising that there may be unavoidable factors necessitating changes to the CRP work plan, Deloitte recommended high-level timeframes for the delivery of each initiative to achieve material progress by the end of 2023. So far, Crown's progress has not kept pace with these timings and, to demonstrate sound ownership of its cultural change process, stronger evidence is needed of Crown's revised plan for achieving the required level of progress by the end of 2023 (see also Appendix A, 2.3.1). At this stage, simply compressing the same set of initiatives into a shorter timeframe is unlikely to be a realistic solution to ensure the effective delivery of the CRP agenda.

Further, Deloitte provided only a brief description of each initiative in the roadmap. A number of these initiatives have been transferred to the MRAP, but there is limited evidence of Crown's detailed plans for executing these initiatives to address specific behaviour change challenges in different functions within the business, or to embed them into the broader operating environment.

Summary

Notwithstanding the opportunities for greater ownership noted immediately above, the OSM recognises that Crown has considered Deloitte's recommendations and has taken steps to begin implementing them via the MRAP. In assessing the implementation and effectiveness of Crown's CRP, the Special Manager is less concerned with Crown's letter-for-letter execution of the Deloitte Roadmap; rather, over the remainder of the Special Manager's term, the OSM will monitor and assess, through the lens of its assessment framework, how Crown demonstrates competent ownership and implementation of its cultural transformation agenda.

4.2 Assessment of effectiveness

In addition to considering Crown's progress in relation to its implementation of the Deloitte Roadmap, the Special Manager is also required to evaluate the effectiveness of Crown's CRP. This section describes what the OSM has considered in order to form a view of Crown's cultural reform progress, and the nature of the progress observed.

4.2.1 Objective of cultural reform at Crown

Appropriate target state

The Finkelstein Report, in particular Appendix I, places the onus on Crown to define its target culture. However, the extent to which Crown's aspirational culture is likely to reinforce good conduct and effective management of risk is considered relevant to the OSM's mandate, as set out in Appendix I.

Prior to the Finkelstein Report, Deloitte conducted a series of workshops with Crown employees (at all levels) to design an aspirational culture for the organisation. The output included a total of 29 behaviours and 27 mindsets mapped to Crown's values, including a number with clear alignment to the risk and conduct outcomes required to support the goals of Crown's transformation, such as:

- We speak up when we see the wrong thing happening or have something to contribute.
- We are honest and transparent when interacting with everyone.
- We ask 'should we' not just 'can we'.
- We follow the spirit of our rules, code of conduct, and the laws and regulations that govern us.
- We share our knowledge and lessons learnt from our mistakes.
- We acknowledge and are concerned for people's wellbeing, health and safety.

The OSM will use the behaviours and mindsets above, among others, as reference points when evaluating stakeholder feedback on the observable signs of Crown's transformation efforts at all levels and functions of the organisation.

At a high level, these behaviours and mindsets appear to reflect a sound cultural goal for Crown. However, it is 12 months since this aspirational state was documented by Deloitte, and Crown now has new ownership, Board members and executives. In order to effectively cascade these expectations across the organisation, further work will be necessary to:

- align these expectations to the transformation and corporate strategies
- describe them in a way that is tailored, meaningful and compelling for employees in different functions and management levels (see also Appendix A, 2.2.1)
- embed them into key mechanisms such as the Code of Conduct, and associated communications, training and tools.

Addressing root causes of prior failures

Central to the OSM's assessment is ensuring Crown has identified, understood and remediated the root causes of its previous culture – a culture that prioritised revenue over both good conduct and effective risk management outcomes. Successful cultural remediation involves identifying and effectively mitigating factors known to have reinforced prior cultural traits, whether this involves removal of the drivers (for example, problematic leaders), or implementing strategies to effectively manage the impact of drivers that cannot be removed (for example, inherent financial crime risk).

The OSM has observed slow but steady progress in Crown's insights regarding the formal and informal drivers of this critical issue (see also Appendix A, 2.1.3). Preliminary findings from Crown's root cause analysis (discussed in section 3.4.4) have emphasised culture as a root cause of many issues. However, the root cause analysis has not yet provided a comprehensive view of the systemic drivers that created and sustained this cultural trait of profit prioritisation, and whether these drivers were different in various pockets of the organisation. Without these insights, there remains a risk that Crown might overlook, and therefore fail to address, the continued existence (or future re-emergence) of driving forces behind its previously problematic culture. The OSM will therefore closely monitor the progression of Crown's understanding of these issues and the integration of deeper insights from the root cause analysis into its CRP over the coming period.

Aligned understanding of success

It is considered critically important that stakeholders with a material interest in Crown's CRP have an aligned view of what 'successful cultural reform' for the organisation entails. Without a shared view of success, sustained progress towards this end-state will likely be hampered by conflicting priorities and interests.

Crown shared the aspirational culture documented by Deloitte in training sessions with senior leaders and the Crown-wide change network of employees from all areas and levels of the business. However, the OSM notes that Crown's engagement with internal and external stakeholders on the topic of its target culture has not been extensive to date. This creates a risk that some stakeholders, especially external parties with specific interests, may have different or additional expectations that have not been captured in Crown's current target state. It also limits the extent to which stakeholders can evaluate and provide feedback to Crown on their observations of how Crown is demonstrating progress towards its aspirations. The OSM will continue to monitor Crown's transparency and openness to external stakeholder engagement in relation to its target culture.

Methods Crown should use to track its progress towards cultural reform

In addition to identifying key activities and drivers underpinning progress towards the target state, a robust assessment of culture change also requires the development of: (a) criteria that will be used to judge or rate the extent of change towards the target state; and (b) methods for collecting and analysing evidence used to form a valid and reliable assessment in relation to the criteria. An important element of Crown's willingness and capacity to own and sustain cultural change beyond the Special Manager's term is the establishment of appropriate assessment criteria and methods.

Crown's MRAP reflects its commitment to self-assessment, including items 4.A – culture measurement dashboard and quarterly reporting, and 4.B – culture survey 2022. As discussed further in section 4.2.3, the OSM has observed sound work by the Culture Reform team in designing a second Group-wide culture survey to enable the comparison of survey responses with data collected by Deloitte in 2021 (see also Appendix A, 2.3.3). In particular, the OSM has observed genuine effort in the development of an assessment process that:

- facilitates direct comparison of results by minimising changes to item wording
- facilitates a deeper understanding of results by planning to supplement the survey process with focus groups

- provides for external perspective and challenge with the use of an expert vendor
- supports the development of internal capability to conduct ongoing diagnostics in the future.

The survey and focus group outcomes will generate data points on employee perceptions of their environment. This will provide a critical lens through which to view Crown's culture both now and over time. However, the direct experience of culture, as measured by employee perceptions, is only one indicator of embedded mindsets and behaviours. The existence of appropriate and effective formal mechanisms to reinforce desired behaviour, perceptions of external stakeholders, and fact-based outcome metrics linked to culture (such as conduct and risk management measures) are also important data points to consider.

The OSM has noted encouraging early work by Crown in designing a culture measurement dashboard (MRAP item 4.A), including a range of perception-based and fact-based metrics to track changes and improvements in key culture metrics over time. However, progress has slowed in the second half of 2022 due to resourcing and data challenges. In particular, it is expected that a culture measurement dashboard would include criteria (and possible targets) for measuring the extent or pace of change over certain periods of time, facilitating a focus on specific improvement priorities in different functions and management levels, and supporting the implementation of rewards for achievement of goals. Crown will need to focus further on this initiative in the next six months.

Factors indicating progress towards cultural reform at Crown

The OSM acknowledges that Crown is developing its approach for measuring cultural reform progress, as outlined immediately above. However, alongside careful consideration of the dimensions that Crown perceives as being indicators of successful change, the OSM also needs to ensure the independence of its own assessment regarding the effectiveness of Crown's efforts. To support the Special Manager's evaluation, the OSM will apply the assessment framework set out at section 2.4, particularly the key areas that are generally regarded as fundamental pillars of cultural reform: leadership, effective governance, systemic reinforcement and embedded change. Observations about these pillars are detailed in the following sections.

4.2.2 Leadership

It is commonly accepted that leadership plays a fundamental role in shaping culture. This is especially true during periods of cultural change. Hence the words and actions of Crown's leaders (including the 'tone from the top' and 'tone from the middle') are critically important at this relatively early stage of Crown's cultural reform (see also Appendix A, 2.1.1). As shown in Figure 3, leadership is the first critical element of cultural reform the OSM will evaluate over the course of the Special Manager's term. This evaluation includes:

- assessing leadership's commitment to the CRP
- assessing the communication of a compelling case for change by leaders
- assessing evidence that Crown's leaders are personally and collectively role-modelling behaviours (including decision making) that exemplify good conduct and effective risk management.

To gain insight on Crown's progress in each of these areas, the OSM considered a range of evidence, including key leadership decisions made during this period, feedback from internal and external stakeholders, direct observations of leadership engagement and interactions with employees, and documented communications and initiatives designed to shift leadership behaviour.

Overall, the OSM considers that Crown's senior leaders are demonstrating reasonable progress in engaging employees with regard to the need for change. The OSM has observed a range of communications illustrating the positioning of Crown's cultural change imperative by senior leaders, including the prior and current CEOs, Chief Legal and Compliance Officer, and Chief Human Resources Officer. As an example, the current Crown Resorts CEO, Mr Ciarán Carruthers, in his September 2022 introductory speech, said that the business had been in a state of crisis, and the reality was that Crown had a finite amount of time to prove that it was suitable to continue operating; but he believed that if everyone at Crown worked together, Crown could prove its suitability and work towards an aspirational culture, reinforced by its values, and in line with stakeholders' expectations. He finished this point by stating that failure was not an option.

To help support aligned understanding and consistent messaging in leader communication, the Crown Board and its Executive Committee received training via a Board Culture Deep Dive Session and the Culture Working Session respectively. In addition, Leaders Forums were held with senior leaders on the vision for culture at Crown, and the Crown Melbourne Chair and Crown CEO have been observed emphasising the critical importance of leaders role-modelling target behaviours such as accountability and respect. Crown has also advised that its top 130 leaders have been provided with the Crown Leadership Series training. The training comprises four half-day workshops across a range of topics including psychological safety, ethical decision making, living and leading Crown's values and authentic performance conversations.

On the other hand, the OSM has observed that tangible evidence of new leadership behaviour and decision making is still limited, and these changes are at an early stage. In discussions with the OSM, several stakeholders reported noticeable examples of changes in leadership behaviour, including increased respect, openness and responsiveness to feedback from employees. Conversely, the same stakeholders observed to the OSM that this did not necessarily hold true for all leaders, and that buy-in to change by frontline employees may be hampered by perceptions that the middle management cohort is largely unchanged – and indeed, that some middle managers who were seen as occupying key roles during Crown's prior misconduct have moved into new roles important to reform.

More explicit role-modelling of new behaviours – especially in relation to salient decisions that employees will likely perceive as symbolic of change or lack of change – may be needed to show employees (rather than just 'tell' them) that Crown's leaders are genuinely committed to the espoused aspirational culture. For example, the decision by Crown executives to seek Board approval for an international VIP strategy during a period when the new leadership was in transition suggests a lack of awareness regarding the significance of the decision. This is discussed further in section 4.2.5. In addition, the OSM notes that change leadership at lower levels may need more support. For example, feedback on perceived needs from the Culture

Change Network included ‘more support from my leaders’ and ‘to have our senior leaders engage with us as to their role in the change network’.¹⁴

In summary, the OSM has assessed Crown’s progress in relation to change leadership as reasonable for this stage of the transformation, but with key areas where the OSM will monitor Crown’s ongoing focus over the coming period.

4.2.3 Effective governance

The second pillar of cultural reform the OSM is evaluating over the Special Manager’s term is effective governance. Cultural reform is a complex, sustained investment that requires clear goals, and appropriate adaptation, oversight and risk management to maximise the likelihood of success (see also Appendix A, 2.1.2). In particular, during this reporting period the OSM has concentrated on mechanisms established by Crown to:

- provide a clear direction regarding the goals of the CRP
- provide support for the design and implementation of the CRP through formal governance structures, resourcing, and integration with the GTO and other work streams
- focus on high-priority areas and issues to ensure that behaviour change is embedded in those groups of employees who are required to act in a significantly different way than previously
- solicit feedback throughout the process, and adapt the activities in the CRP to respond to that feedback and other changing circumstances.

To monitor Crown’s progress in establishing effective governance of its CRP, the OSM evaluated a range of evidence, including formal documentation, observations and discussions, as well as stakeholder feedback regarding the evolution of the CRP strategy, work plan development, resourcing, approval processes, change controls, reporting mechanisms, and coordination with the GTO and work streams.

Overall, the OSM considers that Crown has demonstrated sound progress in establishing the foundations of its CRP. In particular, the Culture Reform team has been well resourced, and includes several team members with demonstrated relevant experience; for example, Mr Tony Weston and Ms Joanne Ackermann – both with significant experience in culture, transformation and organisational development – and Redacted, who is experienced in change design and agile methodology.

The CRP also appears to be focused on delivering its objectives in an effective and outcome-oriented manner. A key CRP deliverable for this period was the second culture survey, and Crown has interacted closely with external providers Mercer and Oliver Wyman to help develop diagnostic tools, including partnering with Mercer to refine the culture survey and hosting it on their technology platform. Through its regular interactions with Crown’s Culture Reform team, the OSM observed that the team responded constructively and collaboratively to feedback from a range of stakeholders. Suggestions on the wording of questions were incorporated from the OSM and Kroll, the independent monitor of Crown Sydney, as well as from other work streams and stakeholders within Crown. As a critical mechanism for self-assessment and monitoring of

¹⁴ Crown Resorts, Change Network Pulse Check Insights 2022, p. 5

Crown's progress over time, the second culture survey is an important piece of Crown's culture governance infrastructure, and Crown's diligence in establishing a robust survey foundation is very positive.

Despite this progress, the CRP has been largely focused on high-level concepts and processes, and detailed implementation issues will need further attention in the next period in order for Crown to demonstrate genuine traction with culture-related initiatives. In order to focus the CRP on tangible, high-priority issues, Crown first needs to have a clear understanding of the specific challenges in relation to behaviour change in key employee groups (that is, employees at different functions and levels). At this stage, the high-level target behaviours articulated as part of Crown's aspirational culture, which were developed alongside the Deloitte Roadmap, have not yet been translated into specific behaviours for employees in different functions or levels; for example, via Crown's employee competency framework.

The OSM has also noted this lack of connection between CRP initiatives and 'on-the-ground' behaviour change in the patchy integration between the CRP and other work streams. Earlier in the reporting period, the OSM observed some notable examples of poor coordination; for example, an updated RSG performance indicator strategy was designed and provided to the OSM without consultation with or input from the Culture Reform team. At this stage, the OSM has observed only limited evidence of other work streams leveraging the CRP to facilitate the embedding of new behaviours linked to RSG and financial crime policy improvements.

Finally, the OSM appreciates that events over the past six months – including the Blackstone Inc. acquisition and associated leadership changes – have had a considerable impact on the CRP work plan. At the same time, however, few CRP deliverables have been completed within their original timeframe. At its September 2022 meeting, the Crown Transformation Steering Committee noted that culture had been in 'amber' or 'red' status for the previous two months. To demonstrate concrete delivery of the CRP, Crown will need to drive more consistent completion of CRP initiatives in the coming period.

In summary, the OSM has assessed Crown's progress in relation to governance of the CRP as effective in establishing a foundation, but with more focus required over the coming period to ensure delivery of specific behaviour change outcomes.

4.2.4 Systemic reinforcement

The third pillar of cultural reform the OSM will evaluate over the Special Manager's term is systemic reinforcement; that is, comprehensive support for new behaviours via Crown's policies, training, communications and other mechanisms. If Crown's CRP initiatives (especially key ones) have not been designed to effectively reinforce behaviour change in critical employee subgroups, the overall program is unlikely to be successful. Key subgroups identified by the OSM include senior leadership, middle management/supervisors and frontline employees in table games, electronic gaming machines, surveillance and security. In its examination of systemic reinforcement, the OSM will endeavour to closely observe:

- the alignment of current mechanisms to the target mindsets and behaviours
- the sufficiency (for example, number and scope) of formal mechanisms to signal clear expectations for employees
- the effectiveness (for example, specificity, practicality and sustainability) of mechanisms to reinforce target mindsets and behaviours.

To monitor Crown's progress in establishing the systemic reinforcement of target mindsets and behaviours among key cohorts, the OSM considered various forms of evidence. This included observations, discussions and the formal documentation of relevant policies, processes, systems and procedures, with a particular focus on those included in the CRP – such as the Policy Uplift Program, performance management system enhancements, planned changes to incentives, leadership communications, leadership and employee training programs, role descriptions and recruiting tools.

Overall, the OSM considers that Crown has shown clear efforts to introduce mechanisms designed to reinforce its values and target behaviours. The OSM's assessment noted a number of mechanisms that had been re-designed by Crown to incorporate and reinforce its corporate values of 'We act with integrity', 'We work together', 'We care' and 'We strive for excellence'. These include the Code of Conduct, the performance management system, formal leadership communications, employee recruitment materials, the induction program and the Leadership Series training. In terms of individual values, the OSM has noted particular progress in relation to the reinforcement of integrity (refer to section 5).

In terms of target behaviours, Crown identified eight high-priority Horizon 1 behaviours that will be a focus for reinforcement efforts over the next 12 months. These are 'Be honest and transparent', 'Speak up', 'Collaborate with each other', 'Welcome diversity and inclusion', 'Concern for safety and wellbeing', 'Nurture authentic relationships', 'Show passion when creating exceptional experiences' and 'Recognise and celebrate excellence'. The OSM has noted that Crown has given particular emphasis to 'Speak up' behaviour in this period, and instigated a number of initiatives to promote this behaviour and encourage employees to raise any concerns they may have. These included emphasising the behaviour in leadership communications, leadership and employee training, and the revised Code of Conduct. For example, the revised Code of Conduct clearly communicates the expectation that employees will raise any concerns they might have:

If you see or know of something that you believe doesn't meet the requirements of the Code, you should not hesitate to raise your concerns. Crown Resorts is committed to a culture where concerns may be raised with confidence and to protect you from detriment in doing so.¹⁵

Despite these actions, the OSM considers more work may be required to ensure and demonstrate that these early steps are having the desired effect in practice. In particular, in several areas, Crown's existing mechanisms may need review and refinement to go beyond just telling employees what is expected – the mechanisms should also support people to behave in accordance with these expectations. One example relates to ensuring that individuals feel safe to speak up, including using the whistleblower channel to raise concerns confidentially. As set out in sections 5.1 and 5.2, following a recent internal audit that found Crown's whistleblower process to be 'unsatisfactory', substantial changes to policy and processes are underway, including communications and the development of training to raise awareness of whistleblower protections.

¹⁵ Crown Resorts, Crown Resorts Draft Code of Conduct, November 2022, p. 17.

Another example illustrating the possible need for Crown to focus on the end result of proposed CRP initiatives relates to the ability of the new performance management system to shape behaviours, given that its direct influence is currently limited to salaried employees, who make up only a subset of the total Melbourne workforce. For this mechanism to have a broader impact, Crown would need to expand the coverage of the performance management system to include a much broader set of salaried and contracted employees.

Finally, a third example relates to leaders' responsiveness to employee feedback. So far, the OSM notes that only introductory training on psychological safety has been conducted with the top 130 leaders as part of the Leadership Series training. The Culture Reform team have planned feedback sessions with leaders to cascade detailed results by leadership area in the first two months of 2023; however, given that this is the first time leaders have received this style of personal feedback, and there are pre-existing concerns about psychological safety – including prior perceptions of management defensiveness to feedback – additional support may be needed to ensure the cascading process is constructive.

In summary, the OSM has noted Crown's progress in beginning to put in place mechanisms to encourage target behaviours, but with more focus required over the coming period to systemically support new behaviours and ensure that mechanisms are effective in practice.

4.2.5 Embedded change

The fourth pillar of cultural reform the OSM is assessing over the period of special management is the extent to which mindset and behaviour change is embedded in Crown in line with its aspirational culture. In assessing this, the OSM will particularly focus on characteristics identified as critical for the delivery of required RSG and financial crime risk management outcomes. At this stage of Crown's cultural reform process, the OSM does not expect solid evidence that mindset and behaviour change is embedded. However, in addition to a focus on leadership behaviour (discussed in section 4.2.2), observations during this reporting period have focused on demonstrated change in some key behaviours, and in some functions.

Evaluation of progress in this area has been limited by a lack of data due to delays in implementing the second culture survey. The OSM will be able to more thoroughly examine the issue in the next reporting period. In the meantime, the OSM has gained insight into Crown's progress through direct observations, discussions with Crown employees, and feedback from stakeholders.

Overall, the OSM has noted some areas where new behaviours are emerging. Discussions with stakeholders have provided several anecdotal observations related to key functions and groups. One important example is from the expanded and maturing financial crime function. Internal and external stakeholders have indicated that Financial Crime employees have demonstrated diligence, proactivity and openness in relation to their financial crime improvement and monitoring responsibilities. Further, analysis of Crown's financial crime reporting indicates that these behaviours appear to be translating into improved control outcomes (refer to section 7).

Crown has also shown increased engagement with government and law enforcement agencies. For example, the OSM has noted that Crown has engaged proactively with the Victorian Government in relation to implementation of the Tranche 2 legislative reforms, and Victoria Police has noted Crown's increased engagement and willingness to collaborate in relation to financial crime risks. Crown has also demonstrated a constructive approach to sharing information with the OSM. Another positive sign is the fact that Crown's new brand strategy includes a stakeholder 'listening' component designed to understand external perceptions of Crown. However, as noted in section 4.2.1, much scope remains for Crown to improve the level and quality of its external stakeholder engagement.

As noted above, it is too early to expect new behavioural norms to be embedded across the organisation. The last round of feedback captured from the change network suggested that frontline employees may not fully recognise the need to change, or what new expectations mean for them. As one member of the network commented:

*The frontline staff at our table don't seem to have a full appreciation of the need for change. In their minds, in their day-to-day roles, they don't fully understand the past issues with Crown's past practices ... I think there is an opportunity to explain Crown's past issues and why we need to change ...*¹⁶

Other stakeholders have shared examples of past behaviour continuing to the present day, with a perception that longstanding employees, especially in middle management, may be resistant to new ways of working. These views suggest that systemic behavioural change is still a way off.

In summary, the OSM considers that it is as yet too early to expect systemic behaviour change, but some early signs of change are promising. It will continue to monitor changes in behaviour alongside broader behavioural change goals in future reporting periods.

Culture change snapshots

Leadership

In the opinion of both the Finkelstein Royal Commission and its own root cause analysis advisors Ernst & Young, Crown's failures stemmed from a culture that put profit above all else, including prudent risk management. As a cultural trait, prioritisation of profit was a systemically reinforced norm embedded into many facets of Crown's organisation, including its business strategy, leadership decision making and operations. Identifying these elements and replacing them with new mechanisms will be a critical task for Crown's transformation to ensure past patterns do not re-emerge.

Crown's past approach to international premium players was a particularly relevant example of its propensity to pursue profit despite clear risks. Not only did Crown allow junkets to operate in its casinos despite known financial crime and other risks, it made them a core part of its strategy, especially in the planning of Crown Sydney. In effect, Crown's financial performance relied heavily on revenue generated from premium offshore players. Following the cessation of Crown's dealings with junket operators, the OSM is monitoring Crown's approach to dealing with the international player market.

¹⁶ Crown, Culture Network Pulse Check Insights, 2022.

The snapshot below gives an overview of Crown's leadership decision making in relation to its international premium player program during this reporting period.

Snapshot: International premium player program

Work streams: Culture and financial crime

Introduction

The OSM considers that Crown's navigation of the international player market represents an important symbol of its leaders' ability to demonstrate an effective balance between profit and other objectives. Observations in relation to this topic will therefore form an ongoing case study over the course of the period of special management.

Current reform status

Crown has started taking steps to improve its ability to control risks that are relevant to an international premium player business, including a jurisdiction risk assessment, which is expected to be completed in 2023. In preparation for establishing its domestic and international Premium Player Program, Crown has also improved its Internal Control Statement, which was approved by the VGCCC in November 2021, and is undertaking due diligence reviews of Significant Players, being patrons who have reached a set threshold through their rated gaming activity. This process is currently undertaken by Gaming Operations but will be integrated with processes undertaken by the Enhanced Customer Due Diligence team in December 2022.

Despite having ceased its dealing with them, Crown needs to remain vigilant to risks and threats associated with junket operators and pseudo-junkets. As Crown increases its dealings with international players, whether as VIPs, through an International Premium Player Program, or as general patrons, there is an increase in money-laundering/terrorism financing risks. It is integral that Crown enhance and implement its money-laundering/terrorism financing risk assessments so that it can establish procedures and controls to minimise the associated risks and threats.

Leadership decision making is a symbol of change

In preparation for a Board meeting to be held on 28 July 2022, the executive leadership at Crown Resorts submitted a paper discussing the need to start phasing in a new international VIP service. At the time, the Board was in transition, as pre-Blackstone Inc. Board members departed, and Blackstone Inc. appointees came on to the Board.

On reviewing the paper, the Chair of the Crown Resorts Board quickly decided it was not appropriate to consider a new international VIP service at that time, given the transition to new ownerships, Boards and senior leadership, and in the context of Crown's previous illegal and unethical operations. The paper was therefore withdrawn at the Chair's request, noting the Board will reconsider the issue at a later date.

On the positive side, the Chair's decision suggests the Crown Board recognised the significance of the issues raised by the paper (and the delicacy of the timing) and took an action reflecting careful consideration of Crown's reputation, remediation, governance and regulatory standing. The commercial opportunities presented in the proposal may have been attractive; however, requiring a new Board, one not well-versed in the illegal activities that resulted from the previous strategy, to make a decision to re-enter that market before Crown had the structures in place to ensure it acted legally and ethically, may have been interpreted as the company continuing the 'old ways' of putting profit above the right thing to do.

Less positive was the fact that some members of the executive leadership team thought it appropriate to consider entering this very high-risk market during a time of transition, and before Crown has developed and embedded internal controls to manage relevant risks. Presumably those who made this decision had every intention of ensuring ethical and honest conduct, but given Crown is still in the process of introducing systems to safeguard against inappropriate behaviour, it seemed premature to consider reintroducing an area of service that caused such serious problems in the past.

This series of events reflects a discrete but symbolic example of the challenge Crown is facing to embed a new leadership mindset and approach into its decision-making patterns.

Reinforcing mechanisms

To successfully shift its culture, Crown will need to understand which mechanisms were previously driving poor behaviour and build new ones to reinforce desired behaviour. This will likely include a broad range of policies, procedures and systems across the employee lifecycle. The OSM has selected performance management and incentives to closely monitor throughout the period of special management in order to test Crown's approach to addressing core people practices that will support sustained change in the future.

The snapshot below summarises Crown's progress with its employee performance management and incentives this reporting period.

Snapshot: Performance management and incentives

Work stream: Culture

Introduction

Performance management and incentives send a powerful signal to employees about what leaders value in practice. A range of evidence suggests individual performance management is a critical area for Crown to address. The Finkelstein Report and Crown's root cause analysis highlighted that Crown's prevailing culture was found to have prioritised revenue and profit over ethical and lawful conduct, prudent compliance and risk management, and the welfare of employees and customers. Performance management and incentives are a key way to operationalise priorities for individual employees.

Crown's progress in relation to individual performance management

Despite delays in reaching milestones due to factors such as new leadership appointments, Crown has demonstrated some progress during this reporting period in designing a new performance management process. The initial design shared with the OSM included the following features that align to leading practice and reinforce behaviours Crown has highlighted as part of its target state in relation to culture, including a mandated risk goal for all employees; explicit assessment of target behaviours to include values in the scorecard; use of behavioural statements to support employees and leaders in making evidence-based assessments; and mechanisms to mitigate incentivisation of excessive risk taking including deferrals and bonus caps.

Areas where further progress may be needed

Given deadlines for the implementation of changes to performance management and incentives have shifted with updates to the MRAP, it is difficult to form a comprehensive view on the adequacy of progress made in this area. However, based on what Crown has communicated so far, the OSM notes several risks that may warrant close attention in future reporting periods:

- workforce coverage: While the proposed changes to the performance management system are promising, Crown has indicated that they will currently apply only to salaried employees. Unless the performance management system applies to a reasonably broad cohort of employees, including those on enterprise agreements, its impact on culture is likely to be limited
- tighter reinforcement of desired behaviours: in preliminary drafts of the proposed scorecard, the OSM has observed that there may be a need to ensure employees recognise the importance of conduct-related elements in the Customer section, not just customer experience and satisfaction elements. The planned system also allows considerable flexibility in goal setting for individual employees. There may be an opportunity to provide clearer direction in relation to goal setting for employees in different functional areas to support managers, and to gain momentum and scale in relation to key behaviour change priorities
- development of leaders and supervisors: Crown has identified that employees do not trust the performance management process, and that their psychological safety is low. The new process is likely to require significant investment in training and support from Human Resources to ensure that performance conversations remain constructive and support desired outcomes
- likely implementation challenges: Crown notes that its performance management infrastructure and capability is starting from a 'foundational' level. This includes Crown's need to implement a technology solution to administer the performance management process. The proposed 2023 financial year timeline for implementation suggests the new process will commence on 31 December 2022, which may be an ambitious goal, given the level of training and oversight required to do this effectively.

As the draft of Crown's performance management re-design is finalised and implemented, the OSM will monitor the above risks as part of its assessment of reinforcing mechanisms required to embed new mindsets and behavioural norms across Crown.

4.3 Focus of the OSM for the next reporting period

As noted above, and as for transformation more generally, Crown's progress in relation to culture this reporting period has been heavily characterised by reflection, fact finding and program refinement. It has primarily focused on implementing the Finkelstein Royal Commission recommendations by adopting Deloitte's Roadmap as the basis for culture-related MRAP items.

While Crown has made positive progress in planning and establishing a foundation for its cultural transformation, significant initiatives such as the culture survey, performance management changes and incentives enhancement are still to be completed. In the next reporting period, Crown will need to take significant action to make material and measurable progress in relation to these initiatives.

Throughout this implementation process, the OSM will closely monitor Crown's activity in addressing the core issues identified by the Finkelstein Royal Commission and by Crown's own root cause analysis, as well as Crown's implementation of cultural change initiatives to address these. In particular this will include addressing the 'permafrost' layer of middle management at Crown, and the organisation's lack of an effective conduct and risk culture (see also Appendix A, 2.2.1 and 2.3.4). As the Special Manager's June 2022 interim report outlined, the ability to implement meaningful behavioural and systemic change often relies on supervisors and leaders at middle management levels role-modelling appropriate behaviour to frontline employees, and guiding and supporting them to behave likewise. Therefore, the 'tone from the middle' within specific areas of the business remains a focus.

In monitoring the evolution of Crown's commitment to cultural reform, the OSM will be looking for signs that leaders across the organisation are demonstrating a transformation mindset. In particular, the OSM will assess the extent to which leaders demonstrate the following behaviours:

- personally acknowledge the organisation's past mistakes and demonstrate they know how to lead differently to create new patterns of behaviour
- take ownership of outcomes as well as process, including (re)integrating activities provided by external providers into Crown's own accountability structure
- explicitly commit to openness and transparency with all stakeholders, even when the news is not good
- prioritise organisational development, especially in relation to building risk and compliance culture change leadership from the board level down.

5. Assessing Crown's integrity framework

An organisation's integrity framework brings together the policies, systems and practices required to foster integrity and prevent misconduct. This includes a robust code of conduct, and effective whistleblower regime, complaints system, and anti-bribery and corruption strategies. Importantly, to be effective, an organisation's integrity framework needs to be supported by clear communication, and ongoing education and training on the standards of conduct required.

An assessment of Crown's integrity framework provides a critical mechanism for the OSM to evaluate how Crown is instilling and continuously reinforcing a culture of acting lawfully, ethically and responsibly across the organisation as part of its transformation.

As set out in the June 2022 interim report, the OSM is reviewing core elements of Crown's integrity framework, including key policies, systems and practices. It is also reviewing how Crown supports its employees to demonstrate its values and act with integrity through communications and training to promote understanding of their integrity obligations and Crown's values.

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

- whistleblower regime
- Code of Conduct, including specific issues such as political donations.

This work is discussed further below.

5.1 Crown's whistleblower regime

A sound whistleblower regime is a critical part of effective risk management and good corporate governance. Encouraging and supporting employees (and others) to speak up if they see or suspect wrongdoing is an important way of detecting and addressing improper conduct that could otherwise go undetected.¹⁷

The OSM asked Crown to provide its whistleblower policies and processes in July 2022.¹⁸ The information provided indicated Crown was undertaking an internal audit of its whistleblower processes. In response to a subsequent Information Request,¹⁹ Crown provided the then most recent draft internal audit report (dated 16 September 2022) on 4 October 2022.

The internal audit assessed the design and effectiveness of Crown's key whistleblower management processes and controls as 'unsatisfactory'. The internal audit found Crown's Whistleblower Policy was not fully compliant with the provisions of the *Corporations Act 2001* (Cth) and that due to inadequate governance, Crown risked failing to:

- properly assess whether a disclosure is eligible for protection under the Corporations Act
- maintain the confidentiality of a whistleblower's identity
- provide adequate information and training to employees and contractors
- report and ensure oversight by the Board.²⁰

¹⁷ Australian Securities and Investments Commission, *Regulatory Guide 270, Whistleblower Policies*, November 2019, p. 4.

¹⁸ This request was made pursuant to Information Request 9.

¹⁹ Information Request 13 was issued on 27 September 2022.

²⁰ Crown, Whistleblower Processes Internal Audit, In Draft, 26 September 2022.

The internal audit also revealed that:

- the number of disclosures received by Crown during the relevant period was very low (12 whistleblower disclosures between 1 July 2021 and 27 May 2022). The audit report stated a benchmark for median reports is 1.3 per 100 employees. For Crown, this would translate to around 260 reports per year. The internal audit suggested that the low number of disclosures indicated the absence of a 'culture of whistleblowing reporting', and/or potentially matters not being appropriately escalated.²¹ This finding is consistent with Crown's root cause analysis, which highlighted that employees feared speaking up, stating that 'frontline staff felt powerless to raise issues or highlight risks that may have compromised Crown's commercial interests'²²
- during the period under review, responsibility for the management of whistleblower matters rested largely with one senior officer in the compliance unit.²³ After this officer left, it became apparent there was a lack of documented procedures and controls.²⁴ Concerns about this lack of documentation, particularly worrying in a risk management context, were highlighted in Crown's root cause analysis report (as discussed in section 3.4.4).

On receipt of the draft internal audit report, the OSM proactively engaged with Crown regarding the seriousness of these findings. It asked Crown:

- what immediate, interim actions it would take to mitigate the risk of ongoing non-compliance with its whistleblower obligations
- whether it intended to notify the VGCCC of the audit findings,²⁵ and whether it had considered informing the Australian Securities and Investments Commission (ASIC) of the findings²⁶
- why it had not already advised the VGCCC of the findings as part of its report on the implementation of the ASX corporate governance principles and recommendations, given this report post-dated the draft audit report by 10 days
- about its failure to provide the auditors with all information requested, which would have enabled auditors to assess how it handled and investigated individual disclosures.

In response, Crown advised:

- it was committed to taking immediate action over the remainder of 2022 to address the internal audit findings, including updating the Whistleblower Policy to comply with the Corporations Act, nominating a whistleblower protection officer, and reconstituting a whistleblower committee²⁷

²¹ Crown, Whistleblower Processes Internal Audit, In Draft, 26 September 2022, p. 4.

²² Crown Resorts Ltd, Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage, 11 October 2022, p. 13.

²³ The former General Manager – Compliance and Regulatory Affairs, and subsequently the Group Executive General Manager – Regulatory and Compliance.

²⁴ Crown, Whistleblower Processes Internal Audit, In Draft, 26 September 2022, p. 2.

²⁵ Section 27A of the *Casino Control Act 1991* (Vic) requires Crown to notify the VGCCC of significant breaches, including breaches of the Casino Agreement and the Management Agreement, which require Crown to comply with all applicable laws.

²⁶ ASIC is responsible for administering the whistleblower protection provisions in the *Corporations Act 2001* (Cth).

²⁷ Email from Crown Group Executive General Manager – Compliance and Regulatory Affairs to the OSM Deputy Special Manager – Operations and Strategy, 16 October 2022.

- it had developed initial internal communications, including a video message from the Chief Legal and Compliance Officer, to help raise employee awareness of whistleblower protections and encourage reporting
- its failure to notify the VGCCC of the draft audit findings in its September 2022 corporate governance report was an inadvertent omission.²⁸ Crown has subsequently advised the OSM that at the time its corporate governance report was submitted to the VGCCC, the final audit findings had not been received.²⁹

Crown was unable to advise why it had not provided all requested information to the auditors, but indicated that concerns regarding information confidentiality may have been a factor (including possible legal professional privilege (LPP)), as well as the departure of the senior officer who had been responsible for whistleblower matters. In relation to the LPP issue, the Chief Legal and Compliance Officer informally advised the OSM that he has instructed Crown's Legal team that there is no justification for invoking LPP to withhold information from an internal audit.

On 21 October 2022, Crown received the final internal audit findings and on this day, formally notified the VGCCC of the 'potential breaches' of the Corporations Act, Casino Agreement and Consolidated Management Agreement.³⁰ The notification occurred once the matter had been resolved at Crown's Breach Determination Forum and following a meeting between the OSM and Crown, at which the OSM encouraged Crown to advise the VGCCC of the internal audit findings without further delay. On 10 November 2022, Crown advised the OSM that it had verbally notified ASIC of the audit findings and potential non-compliance with the Corporations Act, something it was not required by statute to do, and therefore deserves some credit for doing.

On 25 November Crown provided the OSM with its whistleblower uplift work plan,³¹ which summarises the key activities to be completed by February 2023 with the objective of better aligning Crown's whistleblower program with industry leading practice. Areas of focus, in addition to those above, include:

- assessing Stopline and other service providers
- reviewing the existing whistleblower investigation workflow to improve the approach to, and management of, disclosures, from receipt to close
- conducting training in whistleblower management for relevant Crown senior management
- developing a Crown whistleblower e-learning module.

Substantial work is required to ensure Crown is compliant with its obligations under the Corporations Act, and to ensure that employees (including contracted staff) have sufficient confidence in the whistleblower arrangements to encourage them to speak up if they see or suspect something that is not right. Crown appears committed to undertaking this work.

²⁸ Email from Crown Group Executive General Manager – Compliance and Regulatory Affairs to the OSM Deputy Special Manager – Operations and Strategy, 16 October 2022.

²⁹ Letter from Crown CEO to OSM Special Manager, 2 December 2022.

³⁰ Letter from Crown Executive General Manager – Compliance to VGCCC Director – Compliance, 21 October 2022, CRW.598.031.0829. 221021; Email attachment – Whistleblower Policy Issue – M Georgiou (Regulatory and Compliance), VGCCC, CRW.598.031.0829.pdf.

³¹ Crown Resorts, Crown Compliance Program Whistleblower Uplift Planning, Draft for discussion, 9 November 2022.

At the December Board meeting, an updated Crown Whistleblower Policy was approved (attached at Appendix 1, Document 1.5). Crown states that its focus is on more quickly establishing a whistleblower governance model, and supporting procedures aligned to agreed-upon management action plans.³²

The OSM will monitor Crown's work over the next reporting period, and expects Crown to promptly establish interim measures to comply with the Corporations Act requirements.

5.2 Crown's response to whistleblower disclosures

Crown's internal audit did not examine the way in which Crown had investigated disclosures. As noted above, Crown did not provide the Internal Audit team with documents that would have facilitated such a review, despite the auditor's requests.

To assess the adequacy of Crown's disclosure investigation process, the OSM conducted its own review of four disclosures received in 2021/22. The OSM requested Crown to provide its investigation file relating to each disclosure and as a result received copies of correspondence in the form of emails and one investigation report, which Crown advised is the only evidence of Crown's response to each disclosure.

Each of the four disclosures was received by Stopline, Crown's external whistleblower hotline provider that operates independently and confidentially.

The OSM assessed the documents provided and found that for each disclosure, there is no, or limited, documentation that provides evidence of:

- an assessment as to whether the disclosure is a Protected Disclosure pursuant to the Whistleblower Policy
- efforts to ensure eligible disclosers retain their confidentiality
- an assessment as to whether a formal, in-depth investigation is required
- how an eligible disclosure investigation should be undertaken
- the development of an investigation plan with timelines
- whether disclosers are kept up to date and provided with feedback, where this is possible.

Further, based on this review, the OSM considers that only one of the four disclosures assessed meets the definition of 'Protected Disclosure' pursuant to Crown's Whistleblower Policy (November 2021).

The OSM will review Crown's management of whistleblower disclosures in the next reporting period, to assess whether Crown can demonstrate that its processes and practices have sufficiently improved.

³² Crown Resorts Board meeting pack for 7 December 2022.

5.3 Crown's Code of Conduct

A code of conduct is a critical element of an organisation's integrity framework, as it outlines the standards and behaviours expected across the organisation, and acts to reinforce a culture of acting ethically, lawfully and with integrity. The ASX Corporate Governance Principles require listed entities to have and disclose a code of conduct for employees, senior executives and directors, and to inform the board or relevant committee of material breaches of the code.³³

During this reporting period, Crown undertook a review of its Code of Conduct. In late September 2022, the OSM requested Crown's revised draft Code of Conduct,³⁴ which was provided to the OSM in early October 2022.³⁵

The OSM provided Crown with observations and suggestions for further improvement to consider as part of its review process. Crown was receptive to this feedback, providing its response to the OSM suggestions and amending the draft code accordingly (Appendix 1, Document 1.6, sets out the issues noted by the OSM on the draft code and Crown's responses). Crown has also agreed to develop further policy guidance in the following areas where the OSM considers it would be beneficial:

- declarable associations; that is, employee associations with individuals or groups who may be engaged in criminal or improper activity. Such associations risk adversely impacting the standing or reputation of the employee and/or Crown
- secondary or outside employment of Crown employees, including outlining when secondary employment is prohibited, and how employees should declare and/or seek approval for such employment.

Crown has advised that supporting policies will be developed in relation to these matters in 2023.

The final Code of Conduct (attached at Appendix 1, Document 1.7), was approved by the Crown Melbourne Board on 7 December 2022.

Crown's new Code of Conduct adopts a principles-based approach and is a considerable improvement on the organisation's previous code (dated April 2021). The OSM welcomes the following positive changes:

- there is new emphasis on the importance of speaking up and a stated commitment to protect those who do speak up from detrimental action. The code includes positive statements such as 'when things go wrong, we need to be open and honest, so we can put things right'
- the code includes a 'can we' and 'should we' framework to help employees decide how to act.

³³ ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, Fourth edition, February 2019, p. 15.

³⁴ This request was made pursuant to Information Request 13.

³⁵ Email from Crown Group Executive General Manager – Compliance and Regulatory Affairs to the OSM Deputy Special Manager – Operations and Strategy, 9 October 2022.

5.3.1 Political donations

Between 2011/12 and 2020/21, Crown Resorts donated \$1.6 million to Australian political parties.³⁶ However, in March 2021 Crown announced it would cease making political donations.³⁷ This announcement was made shortly after the Western Australian state election, during which both major parties stated they would not accept Crown donations following the release of the Bergin Report in February 2021.³⁸

Crown's cessation of political donations was reflected in its April 2021 Code of Conduct. The code stated that Crown and its associated entities would no longer make monetary or in-kind donations. It also stated that Crown directors and their spouses were prohibited from donating to New South Wales political parties (this provision reflects Crown's obligations under the *Electoral Funding Act 2018 (NSW)*).

Although the prohibition on political donations is a positive integrity initiative, the OSM engaged with Crown to strengthen and clarify the provisions. The OSM suggested that Crown:

- add content to the code to provide more context around the prohibition and to frame the ban as an important integrity measure
- consider expanding the prohibition on donations by directors and their spouses to all political parties, regardless of the jurisdiction
- clarify what donations are considered 'monetary' and what are 'in-kind'; for example, whether things such as employee time, goods and services, or payments for events where all or a portion of funds will be used for political purposes are monetary or in-kind.

In response to this feedback, Crown's revised Code of Conduct clarified monetary and in-kind donations. However, the OSM still had concerns. It raised the issue that due to a change in how the code is drafted and Crown's adoption of a principles-based approach, there is a risk that its clear corporate position as stated in the April 2021 code – that Crown would cease making political donations – could now be overlooked. The code states:

We do not act in a manner which could be seen as Crown interfering with political processes, and we ensure that public confidence in Crown is not compromised by undue perceptions of political influence. We ensure that any political donations we make in our personal capacity comply with any applicable laws.

...

[You] do not make monetary or in-kind political donations (for example, employee time, provision of goods and services, or payments for events where all or part of that payment will be used for political purposes) in any jurisdiction on behalf of Crown, or where it might be perceived that you are acting to advance any interest of Crown. If you become aware of any such donations or are in doubt about whether a payment may be a political donation, contact your Compliance Manager for guidance, either directly or via your People Leader³⁹

³⁶ 'Annual Donor Returns, 2011/12 – 2020/21', *Australian Electoral Commission* (Web Page) <<https://transparency.aec.gov.au/AnnualDonor>>.

³⁷ ASX, *Political donations*, Media Release, 16 March 2021 (accessed at www.asx.com.au/asxpdf/20210316/pdf/44tpsc8lndq0md.pdf).

³⁸ Hamish Hastie, 'Crown Ditches Political Donations Days after WA Election', *Sydney Morning Herald*, 16 March 2021 <www.smh.com.au/national/crown-ditches-political-donations-days-after-wa-election-20210316-p57b66.html>.

³⁹ Crown Resorts, Code of Conduct, approved by the Crown Melbourne Board on 7 December 2022.

Crown has also indicated its intention to develop a stand-alone policy on political donations to supplement the code; the OSM will monitor Crown's progress in this work.

5.4 Focus of the OSM for the next reporting period

Overall, during this reporting period, Crown has demonstrated positive progress to improve its Code of Conduct, and a clear commitment to overhauling its whistleblower regime and promoting a culture where employees (including contracted staff) are supported to speak up. In future reporting periods, the OSM will assess whether Crown is effectively implementing its new Code of Conduct, and continuing to make progress on enhancing its whistleblower policy and processes, including through effective employee training and communications.

The OSM will also assess other integrity-related policies and procedures, including those relating to political donations, anti-bribery and corruption, secondary employment, conflicts of interest, gifts and benefits, and fraud and complaint handling.

6. Responsible service of gambling

6.1 Overview

The Finkelstein Report described Crown's conduct in relation to its RSG and failure to prevent gambling harm as arguably the Royal Commission's 'most damning discovery'.⁴⁰

Crown is at a relatively early stage in designing and implementing an RSG program that is significantly more focused on minimising gambling harm and supporting customer welfare than anything before. This represents a major change in Crown's strategy and operations and hence requires clear objectives, good measures to assess progress, effective governance and leadership, and systemic reinforcement if it is to be implemented effectively and lead to better outcomes for customers and the community more broadly.

Developing a Player Health Strategy has been a key part of Crown's RSG-related work this reporting period. This is a positive and ambitious framework for embedding harm minimisation across the organisation. However, the Player Health Strategy is high level and needs to more clearly define the range of strategic initiatives and activities and how these will be effectively delivered. To this end, Crown is currently developing a plan to implement and evaluate the strategy and is considering how this will align with corporate strategy and individual employee performance plans.

The OSM has observed Crown has made progress against each of the relevant RSG areas identified in Appendix I of the Finkelstein Report. It has increased RSG resourcing and employee training, enhanced monitoring of excluded customers and implemented a revised Play Periods Policy to better monitor and limit how long customers are gambling. However, key parts of Crown's operations have been slower to develop strategies and approaches that consider harm minimisation. For example, there is limited evidence to date that harm minimisation has been considered at a strategic level in customer communications, marketing and promotions, the Crown Rewards Loyalty Program, technology and data, and the internal evaluation and reporting of RSG outcomes. Consequently, the OSM has been unable to assess Crown's progress in these areas in this reporting period.

Crown is working with the Victorian Government to inform the design and implementation of key Tranche 2 legislative reforms such as those relating to carded play, cashless play, pre-committed play limits and sharing data for research and evaluation through the government-led Gambling Data Committee. Implementing and evaluating the effectiveness of these reforms has the potential to both improve Crown's RSG practice significantly and prevent financial crime.

In future reporting periods, the OSM will look to apply the assessment framework outlined in section 2.4 of this report to identify whether there is clear alignment and integration between Crown's RSG-related objectives as outlined in the Player Health Strategy, and its broader corporate strategies and activities. It will also look for evidence of effective governance and leadership and established systems, behaviours, practices and policies to embed the effectiveness and sustainability of this major organisational change.

⁴⁰ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.

6.2 Introduction

Appendix I requires the Special Manager to assess Crown Melbourne's RSG program, including by examining:

- the adequacy and effectiveness of employee numbers, training, funding and services
- the effectiveness of the self-exclusion program and related programs
- the effectiveness of a series of RSG enhancements committed to by the Crown Resorts Board in May 2021, called the May 2021 enhancements
- whether Crown Melbourne complies with its Gambling Code (also known as the Responsible Gambling Code of Conduct) and Play Periods Policy.

In the Special Manager's June 2022 interim report, the OSM noted that Crown's draft Responsible Gaming Change Program (RGCP) was expected to be revised and finalised in late July/August 2022 and that Crown's MRAP of 10 June 2022 was still in draft. The OSM expressed the view that the RGCP would need to:

- be clearly integrated with the MRAP and Crown's overall transformation program
- outline priorities and timelines, with resourcing for key initiatives to be confirmed
- reflect Crown's forward business strategy, including balancing gambling harm minimisation and revenue generation priorities.

The OSM noted that it would look for Crown to adopt an integrated customer-centred approach to RSG that focuses on preventing gambling harm. It welcomed Crown's expressed plan to innovate and lead industry practice in RSG and acknowledged that RSG is closely linked to Crown's transformation and culture change programs.

Crown's efforts to respond to the findings and recommendations of the Finkelstein Royal Commission rely on the success of its various change programs. In turn, an enhanced focus on gambling harm minimisation will provide important evidence of the effectiveness of those programs.

As noted in the following section, the draft RGCP has not been finalised and instead Crown has shifted its focus to developing an overarching strategy to provide a clear vision and strategic direction for its RSG initiatives. While Crown has been developing the new Player Health Strategy during this period, it has also continued to implement various initiatives listed on the MRAP and the previous draft RGCP.

The OSM work plan as listed in Appendix A of the June 2022 interim report was directly linked to the MRAP, which includes 87 RSG-related deliverables. Consistent with other areas of focus, the OSM observes that the RSG items included in the MRAP are narrowly focused and task oriented, rather than strategic initiatives that are contributing to an overarching strategy for improving RSG outcomes.

As at the end of November 2022, Crown reported that 54 RSG MRAP deliverables were considered as complete by the work stream.⁴¹ However, the OSM has received closure packages for only 13 of these. The closure packages received to date were either draft, incomplete or yet to go through Crown's validation processes. This has required the OSM to make additional information requests, hold meetings with relevant senior managers and consider how Crown's activities more broadly have helped enhance RSG outcomes.

As a result, in this reporting period the OSM has continued to track both Crown's development of its new Player Health Strategy and the implementation of various RSG initiatives related to RSG strategy and governance; staffing, training and service effectiveness; RSG-related communications; player monitoring and controls related to exclusions and play periods; the Crown Rewards Loyalty Program; referrals and support networks; and data, research and evaluation.

As described in section 10.3.3, the OSM has continued to engage broadly with government agencies, community organisations, academics and other stakeholders to inform its assessment of Crown's RSG reform program.

6.3 Development of Crown's Player Health Strategy

A key focus for Crown during this reporting period has been developing a Player Health Strategy, which replaces Crown's draft RGCP developed in late 2021.

To inform its consultation and engagement with key stakeholders, the OSM has developed a set of principles to help guide its assessment of the Player Health Strategy (as set out in Appendix F). Based on a review of the research literature, practice in other jurisdictions and consultation with key stakeholders, the principles consider the hallmarks of an effective casino RSG strategy, success measures or desired outcomes and the key challenges that need to be considered.

Crown presented an initial draft Player Health Strategy to the OSM in mid-October 2022. The Player Health Strategy has now been approved by all four Boards, including the Crown Resorts and Crown Melbourne Boards. A copy of the approved Player Health Strategy is attached at Appendix 1, Document 1.8.⁴²

As Figure 4 highlights, the strategy sets an aim for Crown to have the safest gambling environment and healthiest players in the world. It has a people-centric focus on customers, employees and the community. It includes five key mission pillars that seek to address failings identified by the Finkelstein Royal Commission and proposes broad strategic initiatives to increase the focus on key areas for reform, including data and technology, prevention, stakeholders and culture. Crown expects to deliver the strategy over three years.

⁴¹ Crown Melbourne, MRAP Status Report: 1–30 November, Melbourne Monthly Progress Dashboard, December 2022, p. 8.

⁴² Crown Melbourne Board, Meeting agenda item 9.1, Responsible Gaming – Player Health Strategy, 7 December 2022, pp. 164–182; Crown Resorts Board, Meeting agenda item 15, Player Health Strategy, 7 December 2022, pp. 383–401.

Figure 4. Player Health Strategy at a glance



Source: Crown Melbourne Board, Meeting agenda item 9.1, Responsible Gaming – Player Health Strategy, 7 December 2022, p. 177.

The OSM considers the Player Health Strategy a positive and ambitious initiative, which shows Crown is embracing its responsibility to minimise gambling harm across all areas of its business. The Player Health Strategy also explains why player health and welfare are important for Crown's business. The emphasis on player health encompasses all customers, recognising that Crown delivers products and services that can cause harm to anyone. By using more positive language such as 'player health', Crown seeks to reduce the stigma associated with terms like 'problem gambling' and 'responsible gaming'. It also emphasises the importance of taking a preventative approach to gambling harm.

However, the strategy is still in development and several issues remain that the OSM considers must be addressed. For example, it needs:

- a clear objective and goals that are closely aligned to corporate strategy and supported by clearly articulated and measurable outcomes
- acknowledgement of how implementing the major reforms recommended by the Finkelstein Royal Commission – carded play, cashless play and pre-commitment – will help minimise harm
- further detail about the scope of each of the proposed strategic initiatives planned and how they will reduce harm
- an accompanying strategy for enhancing data collection, management and analytics
- clear links to Crown's broader culture change plan, and more detail about how the business can prioritise harm minimisation
- a framework and approach for evaluating the effectiveness of individual programs and driving continuous improvement
- detail on governance arrangements and progress reporting.

The Player Health Strategy also needs to be supported by a well-developed implementation plan outlining priorities, milestones, timelines and resourcing, noting the draft strategy already references some current and planned key work.

In September 2022, Crown approved the recruitment of four further Group-level responsible gaming roles to support implementation of the strategy.⁴³ Recruitment is underway for these positions, which are expected to be filled by the end of 2022. Despite this progress, it is as yet unclear whether the planned resources will be sufficient to implement the strategy.

Crown has advised that it has shared the draft Player Health Strategy with other jurisdictional regulators and it would brief the VGCCC during December 2022. The OSM has encouraged Crown to engage with a broader set of stakeholders, including gambling harm community organisations and groups, support service providers and academics, in relation to the strategy. In the OSM's view, this would:

- ensure the strategy is well considered and informed by external perspectives
- demonstrate Crown's commitment to transparency and openness to external views and input.

At this stage, it is unclear how Crown intends to communicate and consult externally in relation to the new Player Health Strategy.

The OSM will continue to monitor the further development and rollout of the Player Health Strategy through the next reporting period.

6.4 Crown's progress in reforming its RSG program

The OSM has used the areas identified in Appendix I to guide its assessment of Crown's progress in reforming its RSG program.

During this reporting period, Crown has progressed various remediation and improvement activities, including outstanding matters from the *Sixth Review of the Casino Operator and Licence*, recommendations from Crown's former Responsible Gaming Advisory Panel (RGAP), and initiatives it introduced during the Finkelstein Royal Commission including the May 2021 enhancements.

Crown has also implemented several further reforms beyond these agreed initiatives, which have progressed reform of the RSG program in line with the matters listed in Appendix I or otherwise noted by the Finkelstein Royal Commission. Crown is also actively considering other opportunities to prevent gambling harm; for example, it has signalled to the VGCCC that it intends to significantly reduce customer access to its 1,000 'unrestricted mode' electronic gaming machines.⁴⁴

Crown's progress against each of the main RSG requirements outlined in Appendix I is addressed in the following sections.

⁴³ The approved roles included Planning and Performance Manager, Training and Prevention Manager, Policy and Controls Senior Manager and Programs and Research Senior Manager.

⁴⁴ Email from Group General Manager – Product, Strategy and Innovation, Peter Herring, 3 December 2022.

6.4.1 Adequacy of RSG resourcing

The Finkelstein Royal Commission was highly critical of the inadequate level of funding and employee resources Crown had for its responsible gaming function. In particular, the Commission was concerned about Crown's ability to effectively monitor customers at risk of experiencing gambling harm. However, it did not make specific recommendations on an 'adequate' or target level of resourcing, recommending instead that the OSM consider the adequacy of Crown's RSG resourcing in terms of both funding and employee numbers.

Funding

Crown Melbourne's funding of its responsible gaming function has increased significantly over recent years. The forecast budget for the 2023 financial year is \$5.86 million, compared with \$1.91 million in the 2021 financial year. Employee expenses account for most of this budget (with \$4.37 million forecast for the 2023 financial year), and the increase since the 2021 financial year is driven by increased staffing. Consulting expenditure on professional services has also increased in the 2023 financial year forecast budget (\$1.07 million) compared to the 2022 financial year (\$0.41 million). The purpose of this professional services engagement is to support both policy and strategy development, and RSG remediation activities.⁴⁵

Staffing

The Finkelstein Royal Commission noted the important role of Responsible Gaming Advisors (RGAs) in monitoring risky play in line with Crown's Gambling Code and internal policies. RGAs are responsible for managing and resolving the most serious issues with customers and helping customers access external support. Prior to 2018, Crown Melbourne employed only seven RGAs; in 2018, this was increased to 12 RGAs.⁴⁶

In 2021, Crown reviewed the Responsible Gaming team's resourcing and remuneration and concluded that the team was under-resourced. It determined that RGA employee levels should be increased across all three properties.⁴⁷ Underpinning this recommendation were two objectives: (a) to provide 24/7 coverage; and (b) to allow RGAs to spend more time on the floor so they can proactively monitor whether customers may be at risk of gambling harm.

Between January 2021 and November 2022, Crown hired nine new RGAs.⁴⁸ Crown has also hired four Responsible Gaming Shift Managers whose role encompasses providing advice and being called on by Crown RGAs and other employees (such as the Table Games Player Welfare team), as well as other duties such as coordinating on-shift tasks and staffing levels, and reviewing documentation and reporting generated during shifts.⁴⁹

Crown Melbourne now has a total of 18 RGAs plus four Responsible Gaming Shift Managers reporting through the General Manager – Responsible Gaming to the Group Casino Officer (Figure 5).

⁴⁵ Crown Melbourne, RSG Budget – FY21, FY22, Forecast FY23, 31 August 2022.

⁴⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 24.

⁴⁷ Crown Resorts, Responsible Gaming department – Resourcing and Remuneration Review, 2021.

⁴⁸ Crown Melbourne, RG Staff Listing for Assessment, 14 September 2022; Crown Resorts, Crown Resorts – Responsible Gaming Organisational Structure, provided to the OSM 22 November 2022.

⁴⁹ Crown Resorts, Response to Section 26 Notice – Responsible Service of Gambling, 1 August 2022, p. 22.

Figure 5. Crown Melbourne Responsible Gaming organisation chart



Source: Crown Resorts, Crown Resorts – Responsible Gaming Organisational Structure, provided to the OSM 22 November 2022.

By comparison, Crown Sydney has 13 RGAs and five Responsible Gaming Shift Managers for a much smaller gaming operation that does not cater to the mass market or offer gaming machine play.⁵⁰ Crown Perth has 14 RGAs and four Responsible Gaming Shift Managers.

Crown Melbourne’s RGAs work 12-hour shifts across a 24/7 roster. The aim is to have at least three RGAs on shift at any time, one of whom is a Shift Manager.⁵¹ Currently, Crown Melbourne appears to have sufficient resources to ensure RGAs are available 24/7, although it is not always able to have three RGAs on duty at any one time due to leave and other factors. Three RGAs per shift may not however be sufficient to:

- manage the workload relating to an RGA’s many duties, including assisting with self-exclusion and revocation applications, responding to play period alerts, monitoring customers for observable signs and proactively interacting with them, and delivering RSG training for employees
- mitigate the risk of employee absences (due to leave, illness and turnover), which may reduce the effectiveness of Crown’s monitoring and responsiveness to customers.

Further, having the same number of RGAs on the floor at all times (that is, ‘flat’ rostering) does not account for peaks and troughs in customer activity such as on Friday, Saturday and Sunday nights and public holidays. Data captured in the Responsible Gaming Register (RG Register)⁵² shows that the number of play period alerts for ‘10 hours and above’ peaks after 10 pm,⁵³ suggesting that an RGA’s workload also peaks after 10 pm and therefore that more RGAs should be rostered on in these peak periods. In contrast, the Table Games Player Welfare team is rostered over eight-hour shifts with additional employees rostered on during peak periods.

⁵⁰ Crown Resorts, Crown Resorts – Responsible Gaming Organisational Structure, provided to the OSM 22 November 2022.

⁵¹ Crown Resorts, Response to Section 26 Notice – Responsible Service of Gambling, 1 August 2022, p. 22.

⁵² The RG Register keeps a record of customer interactions and activities. It is stored in a program called SEER.

⁵³ OSM analysis of RG Register entries for July 2022.

Crown is currently evaluating the adequacy of its RGA resourcing and has provided the OSM with a copy of a draft report on this issue recommending an increase in the number of RGAs and Responsible Gaming Shift Managers.⁵⁴ In November 2022, Crown approved the recruitment of a further 10 part-time RGAs for Crown Melbourne (eight FTE positions) to provide flexibility to increase resources at peak periods. The OSM will monitor Crown's further analysis of the adequacy of its resourcing, including employee rostering and allocation to better manage periods of peak demand.

In 2021 Crown Melbourne also appointed a Responsible Gaming Operations Manager and a Responsible Gaming Administration Officer.⁵⁵ Crown Melbourne states that the Responsible Gaming Administration Officer deals with much of the paperwork that would otherwise need to be completed by RGAs, enabling RGAs to spend more time attending to customers. However, Crown Melbourne has only one Responsible Gaming Administration Officer and one Responsible Gaming Office Manager to support 18 RGAs and the four Responsible Gaming Shift Managers. It remains to be seen if this support is sufficient to allow RGAs to focus on customer engagement and ensure that administrative tasks are completed in a timely and accurate manner.

Support from other teams to deliver RSG services

RGAs are not the only employees involved in implementing RSG policy at Crown Melbourne. Both Gaming employees and the Table Games Player Welfare team are responsible for actioning three, six and eight-hour play period alerts and monitoring customers for signs they are at risk of gambling harm ('observable signs'). Anecdotal evidence suggests there has been an increased number of matters escalated to the Responsible Gaming team over the last 12 months.

The Table Games team redeployed some of its employees in October 2021 to establish a Player Welfare team to better manage these alerts and customer interactions. The Player Welfare team comprises approximately 39 employees – seven Player Welfare Managers and 32 Player Welfare Officers, responsible for responding to the low level (three, six and eight-hour) play period alerts and working with the Responsible Gaming team to provide information to table games customers about play periods and player welfare.

The OSM will continue to assess Crown's resourcing having regard to:

- customer interactions, as reported in the RG Register and play period statistics
- changes in how often teams across Crown are referring matters to the Responsible Gaming team, as reported in the RG Register.

Crown Resorts Responsible Gaming strategic roles

Crown Resorts also hired several strategic roles over 2021/22, including the Group Data Reporting Manager in March 2021 and the Group Executive General Manager – Responsible Gaming in March 2022.⁵⁶

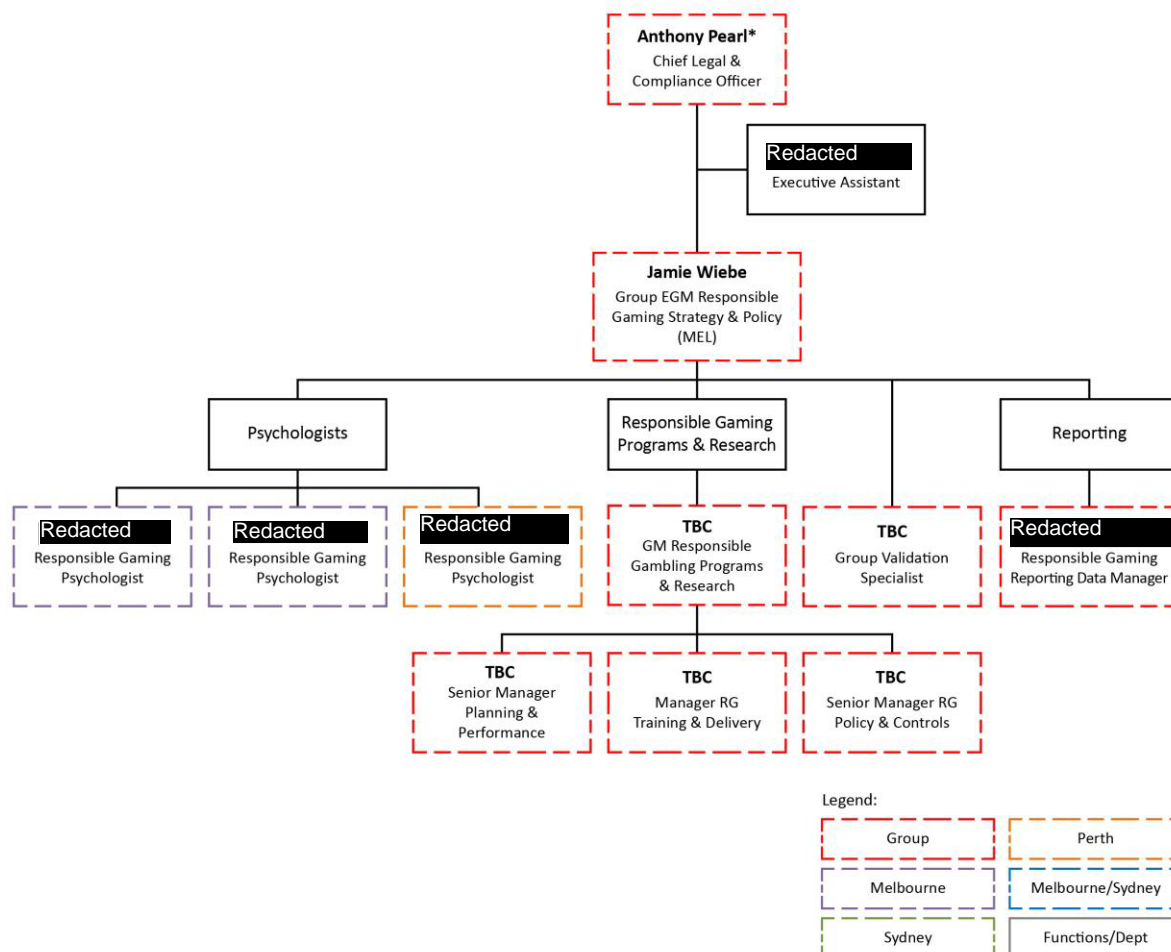
⁵⁴ Crown Melbourne, Responsible Gaming Labour Evaluation, Draft, October 2022.

⁵⁵ Crown Resorts, Response to Section 26 Notice – Responsible Service of Gambling, 1 August 2022, p. 22.

⁵⁶ Crown Resorts, Response to Section 26 Notice – Responsible Service of Gambling, 1 August 2022, p. 22.

In September 2022, Crown Resorts approved the recruitment of four additional RSG roles: Group General Manager – Programs and Research, Senior Manager – Responsible Gaming Policy Controls, Senior Manager – Planning and Performance and Manager – Responsible Gaming Training and Delivery. An organisational restructure in November 2022 resulted in the creation of the Responsible Gaming Strategy and Policy team, reporting to the recently engaged Chief Legal and Compliance Officer, Mr Anthony Pearl (Figure 6).

Figure 6. Crown Resorts Responsible Gaming Strategy and Policy team



Note: Edited by the OSM for design purposes.

Source: Crown Resorts, Chief Legal and Compliance Officer – Responsible Gaming Strategy and Policy as at 27 October 2022, CRW.510.285.0477.

This recent change in oversight essentially separates the RSG strategy and assurance role from the RSG operations role and may help improve focus on compliance, assurance and continuous improvement. However, it also creates a risk that RSG strategy and policy could become siloed and disconnected from RSG operations. It will be important that these organisational changes are supported by effective governance structures to ensure that implementation of Crown’s new Player Health Strategy is effectively coordinated and driven throughout Crown to achieve buy-in across the business.

Responsible Gaming Centre

Crown Melbourne's Responsible Gaming Centre provides free and confidential RSG programs, services and resources to customers. It is staffed 24 hours a day and seven days per week by the Responsible Gaming team and is located on the level below the main casino floor.

Over this reporting period, Crown Melbourne has been considering expansion and relocation of the Responsible Gaming Centre to accommodate increasing RGA resources and enhancements for customers. Despite planning originally to relocate the Responsible Gaming Centre to an available retail space in the casino complex,⁵⁷ Crown now plans to expand and refurbish the Responsible Gaming Centre in its current location by July 2023. Crown is also exploring options to provide a more prominent space dedicated to RSG on the casino floor in addition to the Responsible Gaming booth located at one of the casino entrances, which provides information on Crown's responsible gaming services.⁵⁸

6.4.2 Effectiveness of RSG training

A key factor underpinning the effectiveness of Crown's RSG program is the skills, capability and behaviour of its employees. Relevant and effective training is therefore necessary to support and develop employees and improve harm minimisation outcomes at Crown Melbourne.

Enhancement of the RSG training program

Both the Finkelstein Royal Commission and the RGAP, in its 2020 *Review of Crown Resort's Responsible Gaming Programs and Services*, identified the need for enhanced RSG training. Over 2022, the Crown Perth Responsible Gaming General Manager, with support from Crown's Responsible Gaming psychologists, assessed the current state of Crown's Responsible Gaming training program against obligations, recommendations and leading practice.

Crown identified the training materials developed by Professor Alexander Blaszczynski (a former member of the RGAP and long-term advisor to Crown) for hotels and clubs in New South Wales as the most advanced RSG employee training materials available. Crown is currently reviewing these training materials to make them suitable for Crown Melbourne and the casino environment. The OSM has suggested Crown should also consider how its training materials align with and leverage the Victorian Government mandatory training for pubs and clubs, as delivered by the Victorian Responsible Gambling Foundation (VRGF).

The OSM has observed Crown Melbourne's progress in reviewing and revising its training programs has been slow. Given the importance of training to future RSG outcomes, Crown needs to accelerate this important work. Importantly, Crown Resorts has now appointed a consultant to focus on developing a strategy and plan to enhance the Responsible Gaming training program content and delivery across all properties, including Crown Melbourne.

The OSM will monitor the development of Crown's RSG training strategy and plan, and the timely delivery of enhanced RSG training that is aligned with both its Player Health Strategy and its enhanced focus on gambling harm minimisation, and cultural change.

⁵⁷ Responsible Gaming Management Committee papers for the meeting held 30 May 2022.

⁵⁸ On multiple visits to the casino, the OSM has observed that the Responsible Gaming booth on the main casino floor has been unattended.

Completion of required training

All Crown employees are required by legislation and Crown's own policies to complete RSG training within six months of commencing work and to undertake refresher training at least every three years. Crown Melbourne provided the OSM with a detailed record of training completed by employees that shows, as at 15 September 2022:

- nine Responsible Gaming team employees were overdue to complete training courses⁵⁹ (including several senior managers)
- 109 training courses for people with a leadership designation in their role (manager, executive and so on) were overdue for completion
- 1199 training courses were overdue for completion (from a total of 12,960 training modules required to be completed).⁶⁰

Overall, approximately 10 per cent of mandatory training courses were overdue for completion. Of some concern is the RSG training non-compliance rate within Crown's broader management and leadership, who should be leading change by example. Compliance with mandatory responsible gaming training requirements remains an ongoing issue. In December 2022, Risk Appetite Statement (RAS)⁶¹ reporting to the Crown Melbourne Board indicated that the percentage of full-time/part-time employees who have completed mandatory responsible gaming training remains outside of tolerance limits. The Responsible Gaming team has proposed an action plan to increase compliance with this requirement.

Crown also provides regular information sessions or 'musters' to communicate RSG messages to employees. As at 1 September 2022, 34 briefing sessions had been delivered over 2022, mostly to table games employees. The sessions have covered a range of topics, with the most common being Crown's Gambling Code, third party exclusion and observable signs. The cumulative attendance is 327 employees, although it is unclear whether this includes employees who have attended multiple sessions. Based on this data, the sessions attract a low proportion of employees. The OSM has encouraged Crown to consider how it can increase participation.

Evaluation of training

It is better practice to have a process for gathering, evaluating and actioning feedback on training courses. This is especially so for Crown Melbourne, because Crown uses an in-house training delivery model and therefore needs evaluation data to assess whether training is effective and value for money. However, while Crown maintains good records of training completion, it does not appear to have a culture of evaluating and reviewing training outcomes.

A Crown internal audit report of responsible gaming identified a 2020 request by the then regulator, the Victorian Commission for Gambling and Liquor Regulation (VCGLR), for an independent third party to evaluate all Crown-approved training courses. The audit report noted that the evaluation was outstanding and was expected to commence in late 2021.⁶²

⁵⁹ For this analysis, 'training courses' refers to completion of MXAATB Responsible Gaming for Managers and ME015 Online RSG/ME015R Online RSG Refresher.

⁶⁰ Crown Melbourne, Responsible Gaming Training Report, 15 September 2022.

⁶¹ Crown Melbourne Board, Meeting agenda item 17.1, Risk Management Report, 7 December 2022, p. 460.

⁶² Crown Melbourne, Internal Audit Report, Responsible Gaming, June 2021, p. 6.

Despite requests, Crown has not yet provided the OSM with the independent evaluation and the OSM has not been able to see records of training evaluation and feedback. This may explain why Crown has been slow in reviewing its current training offering. The OSM will continue to monitor and assess how Crown evaluates and continues to refine its RSG training approach and content.

Key performance indicators related to responsible service of gambling

Crown's employees need to be clear about their roles and responsibilities with respect to RSG. Meaningful RSG-related performance indicators are also considered important to help drive behaviour changes that help minimise harm, for example by linking remuneration and other incentives to the achievement of clearly defined RSG outcomes.

Crown's People and Culture and Responsible Gaming teams have each acknowledged the need for effective RSG-related performance indicators. Crown's Responsible Gaming team has developed an initial set of performance indicators to be applied to the Responsible Gaming team and other business units, but these need to be integrated by Crown's People and Culture team into broader work to establish an effective performance management system. The work of both teams depends on the completion of the Player Health Strategy, which will set the overarching RSG-related outcomes and indicators of success.

The development of Crown's performance management system is further discussed in section 4.2.5. The OSM will continue to monitor the development and rollout of Crown's performance management system, including looking at the extent to which performance indicators have been developed across different employee cohorts to support the delivery of enhanced RSG.

6.4.3 Effectiveness of RSG employee services

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
- recording customer interactions in the RG Register to build knowledge of customers
- monitoring and responding to play period alerts
- running the Crown Model,⁶³ a predictive model that generates a list of patrons for RGAs to monitor, as they exhibit behaviour suggesting that they are at risk of experiencing gambling harm.

During this reporting period, Crown has taken steps to improve the effectiveness of its RSG services, including appointing a translation services provider to support service delivery to culturally and linguistically diverse (CALD) customers, refreshing its website material and developing an automated dashboard to monitor service delivery effectiveness.

However, as discussed in further detail below, opportunities remain to:

- better utilise data and technology to monitor customers for risk of gambling harm
- improve case management to support a KYC approach to service delivery.

⁶³ 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*, 2013.

Better utilisation of data and technology to prevent and reduce harm

In response to the Sixth Review and since the Finkelstein Royal Commission, Crown has been investigating further options to identify and monitor risky play and at-risk players more effectively by better utilising data and technology.

While the Crown Model is used to identify players who may be at risk of experiencing harm, it has its limitations⁶⁴ and cannot identify risky play in real time. Crown has been exploring a range of tools that can better identify and respond to risk for its carded players, and commissioned PRET Solutions to provide a report outlining commercially available technological solutions and recommending suitable options for Crown to implement on its gaming floors. Crown is still assessing some of the options PRET Solutions recommended.

A key challenge in monitoring gambling harm risk is that nearly half of Crown's customers gamble uncarded,⁶⁵ and customers can also switch to uncarded play at any time. Crown is currently participating in research projects with Focal Research and SenSen Networks to better monitor play in the uncarded environment for gaming machines and table games, respectively.

Concurrently, as required by Victorian Government reforms implementing the Finkelstein recommendations, Crown Melbourne is moving towards implementing mandatory carded play. Mandatory carded play will significantly improve the ability to identify and monitor risky play and at-risk customers over time.⁶⁶

Regardless, carded play will not be a 'silver bullet'. While mandatory carded play will produce more data on customers' gambling activity, the data will require careful analysis and carded play will not fully replace the need for observation and employee intervention.⁶⁷ Therefore, the work Crown is currently doing to monitor uncarded play and review resourcing levels remains critical.

Improved case management to support a 'know-your-customer' approach to service delivery

PRET Solutions recommended that Crown incorporate case management capabilities into its selected technology solution to identify and respond to risk, noting that 'case management approaches are increasingly becoming an important element of operators' risk response controls, with encouraging outcomes seen by operators conducting escalating personalised interventions with high-risk players'.⁶⁸

Case management at Crown is currently performed inconsistently across Financial Crime, Compliance and Responsible Gaming.⁶⁹ It also involves several manual processes; for example, the Melbourne Responsible Gaming team manually records customer interactions in the RG Register using a program called SEER. Further, this risk-based data is not well

⁶⁴ For example, the model is trained on data from participants who have self-excluded in the past as a proxy for harm (Royal Commission into the Casino Operator Licence, Exhibit RC0322 Annexure M, Attachment A – Crown Model). This may only represent the severe end of the spectrum of harm.

⁶⁵ PRET Solutions Inc., *Review of Risk Identification and Response Solutions (Carded Play)*, Report to Crown Melbourne, 16 November 2022, p. 4.

⁶⁶ At this stage, Crown Melbourne is not required to fully implement mandatory carded play across all customer cohorts and products until December 2025, although an earlier commencement date of December 2023 for Australian resident gaming machine customers is expected to be prescribed via Ministerial Direction.

⁶⁷ The PRET Solutions report also noted a '[m]ulti-pronged, flexible approach should complement an eventual solution, combining automated responses, staff intervention, and case management, and varying tactics over time' (p. 26).

⁶⁸ PRET Solutions Inc., *Review of Risk Identification and Response Solutions (Carded Play)*, Report to Crown Melbourne, 16 November 2022, p. 36.

⁶⁹ Crown Resorts, *Salesforce Case Management: Responsible Gaming Update to the OSM*, October 2022.

integrated with other customer risk data held by Crown – the Responsible Gaming teams in Sydney and Perth, as well as the Security and Surveillance teams at Crown Melbourne (who help monitor customers breaching exclusion orders), use iTrak instead of SEER.

As part of the Financial Crime and Compliance Change Program, Crown conducted a pilot program using Salesforce as the user interface for better front-end case management.⁷⁰ The pilot included deploying Salesforce in Responsible Gaming, where it was used to manage play period alerts, replacing the current MS Teams solution to provide better functionality and user experience.

While the deployed Salesforce app has some case management capability (for example, it shows recent employee interactions with customers) it has not been deployed as a full case management system for RSG data, and the Melbourne RG Register is still stored in SEER.

Crown's proposed approach in the short to medium-term is to consolidate the RG Registers for all properties, including Melbourne, in iTrak and to integrate the registers with the Salesforce play period alert tool. Subject to a suitability assessment, Crown proposes to store all RSG data in Salesforce so that the Responsible Gaming team has a single system to use and maintain.

However, this will not address integration with other customer data Crown holds. A fully integrated case management system will enable Crown to better utilise customer data to enhance RSG and the prevention of financial crime. The OSM will continue to monitor the Salesforce project at Crown Melbourne, as well as wider IT uplift activities (refer to section 3.5.1), in the next reporting period.

6.4.4 Effectiveness of exclusion and related programs

Self-exclusion is one of the most common RSG tools used by casino operators across the world. Crown Melbourne must provide a Self-Exclusion Program as a condition of its licence.⁷¹ Crown Melbourne is also required to ensure customers who have been excluded are not able to gamble at the casino and to provide a revocation process whereby customers can return to the casino only 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 (TPE), where family members or other third parties can apply for Crown to consider excluding a customer involuntarily
- 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.

TPE and Time Out are programs offered by Crown Melbourne but not by other gaming venues in Victoria. Some 555 customers have excluded themselves from Crown Melbourne over the past 12 months, and a further 57 have been issued a Time Out. Numbers of TPEs are much smaller, with only two applications approved between February and August 2022.⁷²

⁷⁰ Crown Resorts, Salesforce Case Management: Responsible Gaming Update to the OSM, October 2022.

⁷¹ 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).

⁷² RGMC papers for meetings held 30 May 2022 and 13 September 2022.

Improvements to the Self-Exclusion Program

Crown has not changed its Self-Exclusion Program significantly since the Finkelstein Report but has prepared a report outlining current processes for monitoring exclusions, including recommendations to move to a uniform approach across its properties. An internal audit of Crown's Self-Exclusion Program identified opportunities for improvements such as:⁷³

- reviewing all Workplace Instructions (WPIs) to confirm they are relevant and current
- establishing controls to monitor accuracy and completeness of the Self-Exclusion Register
- developing a principles-based guideline as a WPI to assist management in decision making regarding multiple breaches.

Crown's Risk Assurance team has also conducted current state assessments examining self-exclusions (and revocations) and TPEs and has identified further opportunities for improvement such as periodically checking the daily exclusion list report to ensure data accuracy.

The OSM's consultation with external stakeholders, including community organisations providing gambling harm services, suggests there are significant opportunities for Crown to improve awareness of and accessibility to its exclusion programs. Observations from stakeholders include that:

- processes and paperwork are complex (noting this is a criticism of all Victorian venues)
- while the self-exclusion process can be completed remotely, it is time intensive and reliant on some in-person interactions (Crown's Responsible Gaming psychologists consider that the human interaction is an important opportunity to encourage help-seeking)
- customers may not know that exclusion is an option, and particularly family and friends may not know that TPE is an option
- the Time Out Program is not actively advertised, and only offered when customers decide not to proceed with self-exclusion.

The OSM has shared these observations with Crown.

Monitoring exclusion programs

The Finkelstein Royal Commission found that the Self-Exclusion Program and Time Out Program were not effective.⁷⁴ Poor monitoring and enforcement of exclusion orders were the main reasons for this assessment.⁷⁵ In 2022, Crown Melbourne has installed a further 10 new facial recognition technology (FRT) cameras, bringing the total number of FRT cameras to 91. Monthly breach data shows an increase in identified breaches since March 2022.⁷⁶

However, further analysis is required to understand if this increase is attributable to camera installation or to other factors, noting that there are also some difficulties in interpreting these statistics due to COVID-19-related closures. Annual data does not suggest there has been

⁷³ Crown Resorts, Internal Audit Report, Self-Exclusions, June 2022.

⁷⁴ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, pp. 22–3.

⁷⁵ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 46.

⁷⁶ Crown Resorts Responsible Gaming Committee papers for the meetings held 15 June 2021, 10 August 2021, 7 October 2021, 30 November 2021, 8 February 2022, 30 March 2022; Responsible Gaming Management Committee papers for the meetings held 30 May 2022 and 13 September 2022.

much change in detected breaches in the past 12 months (1,726 detected breaches) compared to the 2019 financial year (2,445 detected breaches).⁷⁷

The RGAP also made recommendations in its 2020 report to assist with further dissuading people from attempting to breach, such as increasing communications regarding the use of FRT at Crown and resulting actions for those found breaching. The OSM has raised with Crown that it should revisit these recommendations and consider their implementation.

The OSM will continue to assess how effectively Crown Melbourne is monitoring excluded customers and identifying opportunities for further improvement.

Referrals to support networks

When customers seek an exclusion from the casino (or other kinds of support), the RGAs refer them to specialist gambling support services where appropriate. In most cases, these referrals are to Gambler's Help or another relevant service.

With support from the VRGF, Crown Melbourne has improved its referral process to Gambler's Help services in this reporting period by:

- introducing an online consent form that enables Gambler's Help services to follow up directly with Crown customers
- establishing direct telephone access to Gambler's Help from the Responsible Gaming Centre.

Data collected on successful referrals is currently limited. However, feedback indicates that most counselling occurs when a person is seeking to revoke their exclusion order. Thus, there may be greater opportunities to support customers to access the help they need when they first exclude. The OSM understands Crown is also considering how it can financially contribute to the support system, including reviewing the Crown Resorts Foundation philanthropic fund.

A review by the OSM of the referral network prepared by Crown Melbourne identified an opportunity to further connect and engage with the stakeholders from its current network, and noted a recent session held with 17 external stakeholders including Gambler's Help, Chinese Peer Connection, Australasian Gaming Council, IPC Health and Settlement Services International.⁷⁸ Crown Resorts has also developed a 60-day plan⁷⁹ that identifies new organisations to engage with in Melbourne, Sydney and Perth. The OSM has encouraged Crown to engage further with referral networks and will continue to monitor how it implements and then refreshes this 60-day plan over the next reporting period.

Improvements to the revocation process

Once they have met certain eligibility criteria, excluded players must apply for revocation of their exclusion order if they wish to return to the casino. Applications to revoke an exclusion order are considered by Crown's Self Exclusion Revocation Committee.

⁷⁷ RGMC papers for the meeting held 13 September 2022.

⁷⁸ Closure report for MRAP deliverable 17.D, Referral network.

⁷⁹ The version of the plan sighted by the OSM was current at 14 November 2022.

Crown Melbourne’s revocation policy is described in its updated Responsible Gaming Policy and is supported by detailed WPIs.⁸⁰ Apart from improving documentation of the process, the main improvement in the updated policy has been to introduce a financial crime risk assessment process and more active monitoring of customers against their agreed plan for returning to the casino.

While the revocation process appears to work well and decisions are well considered, the OSM has indicated to Crown that there are opportunities to strengthen the process:

- Across the Responsible Gaming Policy and WPIs, there are areas of ambiguity and potential inconsistency, including whether exclusions are automatically revoked after defined periods, and whether a revocation at one Crown property allows gaming at all properties.
- The conditions on which customers are allowed to return to the casino after their revocation application is accepted do not always require carded play and use of YourPlay, and often allow a longer duration of play than permitted under the first play period of three hours continuous play.
- The current guidance provided to external counsellors about reports they need to prepare to support the Self Exclusion Revocation Committee decision-making process should be reviewed to ensure greater consistency and quality of reporting.

The OSM will follow up in the next reporting period to understand whether Crown has considered these and other opportunities to strengthen the revocation assessment process and ongoing monitoring of returning customers for signs of gambling harm.

6.4.5 Effectiveness of the May 2021 enhancements

As noted earlier, in May 2021, and in direct response to the Finkelstein Royal Commission, the Crown Resorts Board endorsed a plan to introduce RSG enhancements. Appendix I requires the OSM to assess the effectiveness of Crown’s implementation of these May 2021 enhancements. While progress has been made on most enhancements, some related to marketing, the Crown Rewards Loyalty Program and employee payment incentives require further attention from Crown (Table 4).

Table 4. Crown’s progress against the approved May 2021 enhancements

Enhancement description	Progress
FTE increase Employ at Crown Melbourne a Manager – Responsible Gaming, Responsible Gaming Administration Officer, four new RGAs and a part-time Responsible Gaming Psychologist (Research).	These positions have been created and filled (see section 6.4.1).
Remuneration uplift Increased remuneration for RSG employees.	Crown Melbourne has increased Responsible Gaming employees total package remuneration by either 20 per cent or 25 per cent.

⁸⁰ WPI 5, Revocation, version 1, June 2022; WPI 6, Processing Revocation Applications, version 1, June 2022.

Enhancement description	Progress
<p>Time limits on play New play period time limits for domestic players (12 hours in a 24-hour period, with 'observation/intervention' at hours eight and 10, and 48 hours in a seven-day period) and international premium program players staying fewer than seven days (18 hours in a 24-hour period with interventions at hours 12, 14 and 16).</p>	<p>Domestic play periods have been implemented. International premium program players are currently subject to domestic play period limits. Crown's Executive is developing its position on international play periods, which is also being considered as part of government consultation on the mandatory casino play periods recommended by the Finkelstein Royal Commission.</p>
<p>State-wide exclusion register Support a state-wide exclusion register (dependent on agreement with other industry participants and privacy considerations).</p>	<p>Crown is investigating how it can contribute to a state-wide exclusion register, but it cannot progress this initiative without support from other industry participants. Currently, there are multiple industry-operated programs in Victoria.</p>
<p>Bingo Cease offering Bingo to Crown Rewards members.</p>	<p>This program has ceased and Crown has indicated that it does not intend to restart it. The OSM notes that the VGCCC will be issuing a direction prohibiting reintroduction of these programs and other programs that might have the effect of facilitating or targeting the attendance of at-risk gamblers or segments of the community.⁸¹</p>
<p>Red Carpet Program Cease the Crown Melbourne Red Carpet Program.</p>	
<p>Diversity of Responsible Gaming employees Recruit additional RGAs with priority to those with CALD backgrounds or skills underrepresented in employee profile but overrepresented in people experiencing gambling harm.</p>	<p>Crown advises that only 25 per cent of RGAs recruited since May 2021 have a second language and around half of all RGAs (10) have a second language. Crown is looking to introduce diversity training for its RGAs.</p>
<p>Cashless Subject to Victorian Government direction, move to cashless gaming at Crown Melbourne.</p>	<p>To be progressed as part of implementation of Tranche 2 reforms requiring a \$1,000 daily cash use limit and daily winnings of more than \$1,000 to be paid by cheque/electronic funds transfer.</p>
<p>Marketing offers Cease marketing program 'stretch targets' that incentivise extending play counter to responsible gaming.</p>	<p>Crown has guidelines controlling offers of gambling inducements to Crown Rewards members, but they do not stop inducements being offered to people at risk of gambling harm, unless they have been excluded or have opted out of gambling promotions.</p>
<p>Crown Rewards (operational) Replace gaming vouchers received on sign-up to Crown Rewards with a non-gaming/ promotional voucher.</p>	<p>Crown has ceased issuing promotional gambling vouchers to Crown Rewards members when they sign up to its loyalty program but has not stopped issuing members with subsequent gambling inducements.</p>
<p>Crown Rewards (review/research of the loyalty program) Research to determine whether aspects of the Crown Rewards Loyalty Program are causing harm and identify measures to control that risk.</p>	<p>Crown has commissioned a study of the impact of Crown Rewards membership and offers made to members, and correlations with gambling harm. Initial results for Crown Melbourne are expected by March 2023.</p>

⁸¹ Victorian Gambling and Casino Control Commission, Reasons for decision in the matter of disciplinary action against Crown Melbourne Ltd pursuant to the *Casino Control Act 1991* (Vic), November 2022, paragraphs 728–732.

Enhancement description	Progress
<p>Gaming sales employee incentives</p> <p>Ensuring all future employee incentive plans consider responsible gaming implications.</p>	<p>Crown has removed Crown management and employee payment incentives to encourage players to wager higher stakes for longer periods. Crown is continuing to develop its performance management system and incentives framework, including to reinforce a focus on RSG.</p>

Source: Exhibit RC0122, Letter from Allens Linklaters to Solicitors Assisting the Finkelstein Royal Commission, 26 May 2021, tendered 2 June 2021; Blackburn, S, 'Responsible Gaming Enhancements', Memorandum to the Crown Resorts Board, 24 May 2021; Crown's response to the VGCCC section 26 notice Responsible Service of Gambling, 1 August 2022; various meetings between OSM and relevant Crown Responsible Gaming, Marketing and Crown Rewards management.

6.4.6 Compliance with the Gambling Code and Play Periods Policy

The key compliance documents that guide Crown Melbourne's approach and commitments regarding RSG are the Gambling Code and the Crown Resorts Responsible Gaming Policy. The Responsible Gaming Policy was established in June 2022 as a single policy consolidating previous RSG-related policies at each Crown property, including the Play Periods Policy. Nine supporting Crown Melbourne WPIs have also been reviewed and updated. Ultimately, Crown will need to align both the Gambling Code and Responsible Gaming Policy with its new Player Health Strategy.

Amended Gambling Code

The Gambling Code is a key public document outlining Crown's commitments and approach to minimising gambling harm, available on Crown Melbourne's website and required to be provided to anyone who requests it.⁸² Approximately 75 per cent of respondents to Crown's 2022 Code of Conduct survey were aware of this document, with the majority knowing about it via posters or signage.⁸³ The Gambling Code takes a minimalist compliance approach and has not been updated since May 2021 (version 7). By comparison, Crown Perth issued a new updated Gambling Code in June 2022,⁸⁴ which addresses many of the criticisms identified in both the Finkelstein and Owen Royal Commissions and sets a higher standard for some areas such as marketing and promotions.

Crown Melbourne initiated a review of its Gambling Code in November 2021 but in April 2022 deferred finalisation pending the development of a new Player Health Strategy and an anticipated Ministerial Direction (now due to be issued in 2023).

Crown recommenced a revision of the Gambling Code in October 2022 to ensure alignment across properties and clearer understanding of requirements for employees and customers.⁸⁵ A revised version of the Gambling Code was provided to the Crown Melbourne Executive Risk and Compliance Committee in November 2022 and is expected to be presented to the Crown Melbourne Board in the new year.

⁸² Section 69 of the *Casino Control Act 1991 (Vic)* requires a Gambling Code to be developed and implemented, and its content is regulated via a Ministerial Direction issued pursuant to the *Gambling Regulation Act 2003 (Vic)*, s 10.6.6, 17 September 2018.

⁸³ Crown Melbourne, Responsible Gambling Code of Conduct: 2022 Annual Member Review, March 2022.

⁸⁴ Crown Perth, Responsible Gambling Code of Conduct, version 8, June 2022.

⁸⁵ Crown Melbourne Executive Risk and Compliance Committee, Agenda item 4, Responsible Gaming Update, 21 November 2022.

The OSM has not had an opportunity to assess whether the revised Gambling Code addresses the criticisms raised in the Finkelstein Report, but has advised Crown that it should consider whether it is: accessible and written in plain English; aligned with current policy (including play periods); an accurate reflection of current service offerings; and has been subject to appropriate governance sign-off processes.

It is anticipated that Crown Melbourne will need to revise its Gambling Code again once a new Ministerial Direction is issued, noting government consultation on the Ministerial Direction concludes in December 2022.

Revised Play Periods Policy

The Finkelstein Royal Commission identified that Crown Melbourne had consistently failed to comply with its Gambling Code and Play Periods Policy, with customers gambling continuously for 12 hours or more without any observation by or interaction with Crown employees.⁸⁶ Further, Crown employees encouraged customers towards high-risk gambling; for example, by rarely asking them to take breaks.⁸⁷ In addition, it noted that various versions of the Play Periods Policy did not 'appropriately guide Crown employees in how to comply with the Gambling Code'.⁸⁸

Crown Resorts implemented a revised Play Periods Policy as part of the May 2021 enhancements approved by the Crown Resorts Board. Crown Melbourne launched its new policy on 29 October 2021 (prior to the Finkelstein Report being released), which specified that customers would be:

- asked to leave if they played for more than 12 hours in any 24-hour period (previously 18 hours) or more than 48 hours in a seven-day period
- monitored if they played continuously for more than 3.5 hours on a device (that is, without a break) or were on site for more than six, eight, 10 and 12 hours (previously a maximum of 18 hours).⁸⁹

While a significant change, the play periods defined were developed and operationalised quickly in response to the Finkelstein Royal Commission hearings.⁹⁰ There was no reference to expert advice nor an implementation plan that considered communications to customers and employees, resource implications, key risks or evaluation. These changes to policy have not yet been reflected in the current version of the Gambling Code,⁹¹ and based on materials Crown has provided to the OSM, communication of the policy appears to have been limited to verbal discussions with customers, an email sent to members, minor updates to the website and preparation of a brochure.

⁸⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 22.

⁸⁷ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 43.

⁸⁸ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 37.

⁸⁹ Crown's response to the VGCC section 26 notice Responsible Service of Gambling: Letter from Alan McGregor (Acting CEO, Crown Resorts Limited) to Annette Kimmitt, 1 August 2022; Crown Resorts, MRAP, June 2022.

⁹⁰ OSM discussions with Crown Melbourne General Manager – Responsible Gaming regarding development of Play Periods Policy, 1 July 2022.

⁹¹ However, they are reflected in relevant internal documents (the updated Responsible Gaming Policy and WPI 7, Play Periods).

An annual member review of the Gambling Code undertaken in March 2022 suggested customers had a low understanding of the new policy (at that time, only two in five respondents were aware that Crown Melbourne had a 12 Hour Daily Visit Policy),⁹² although at the time of the survey, the policy had only been in place for a short period. Crown says that complaints have been decreasing as employees explain the policy to customers; however, the OSM's review of Crown Melbourne's complaints data suggests that it receives only five to six complaints per month (mainly related to play periods).

On 1 September 2022, Crown Melbourne moved from a 3.5-hour to a three-hour continuous play period, aligning the first defined play period with recommendations from both the Finkelstein and Owen Royal Commissions and applying a uniform approach across properties. This further change also aligns with recent recommendations of the Star Casino inquiries in New South Wales and Queensland.⁹³ From 8 December 2022, Crown has reduced the limit on the amount of play in a seven-day period from 48 hours to 36 hours.⁹⁴

Crown Melbourne's Play Periods Policy goes beyond Commissioner Finkelstein's recommendation (10) in some respects as it applies across all forms of play (that is, gaming machines and table games). The policy is also currently applied to international visitors, although Crown is currently considering whether the policy should be adapted for international customers staying fewer than seven days.⁹⁵ The OSM will monitor the development of Crown's policy for international players to understand how it balances its focus on attracting international players and visitors with minimising gambling harm.

Monitoring compliance with the Play Periods Policy

Crown's new approach to play periods is intended to go beyond mere observation to requiring employee interaction with customers regardless of observable signs (in the case of 'on-site' time alerts). The Finkelstein Report referenced RG Register extracts that showed instances of customers playing for over 24 hours without taking a break, with no interventions recorded.⁹⁶ The WPI now instructs employees to approach and conduct a conversation (on, to take some key examples, welfare, customer service and observable signs) as well as to be vigilant for any observable signs.⁹⁷

Crown employees monitor compliance with the Play Periods Policy in two ways:

- For carded players, Crown has an alerting system that prompts employees to have a discussion with customers at various touchpoints or request them to leave the casino if they have been on site for 12 hours without a continuous six-hour break or have accumulated 12 hours of play in the last 24 hours.
- For uncarded players, Crown employees must actively monitor customers to ensure they are not playing for long periods without a break.

⁹² Crown Resorts, Responsible Gambling Code of Conduct: 2022 Annual Member Review, March 2022.

⁹³ Review of The Star Pty Ltd Inquiry under sections 143 and 143A of the *Casino Control Act 1992* (NSW), *Report – Volume 3*, August 2022, p. 140; External Review of Queensland Operations of Star Entertainment Group: An external review involving an inquiry into the operation of casinos under s 91 of the *Casino Control Act 1982* (Qld) and consideration of enhanced regulation, *Report*, September 2022, p. 129.

⁹⁴ Crown Melbourne, Responsible Gaming Management Committee Papers, 13 December 2022, Agenda item 10 Play Period.

⁹⁵ The May 2021 enhancements included limits for international premium program players staying fewer than seven days (18 hours in a 24-hour period with interventions at hours 12, 14 and 16).

⁹⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, pp. 32–5.

⁹⁷ WPI 7, Play Periods, version 4.0.

As summarised in Figure 7, Crown has implemented enhancements to its play periods alerting system over the past 14 months to improve how effectively the system operates.

Figure 7. Enhancements to the play period alerting system

Webex Pre-Play Period Enhancement Project	MS Teams Implemented 28 October 2021	Salesforce Implemented 19 October 2022
<ul style="list-style-type: none"> • Crown uses SPLUNK software to identify length of play (play period) events based on carded gaming activity. • SPLUNK sends identified events and associated information to a bridging application in the form of alerts that can be actioned by operational floor staff. • The bridging app used prior to the Enhancement Project was Webex. • One limitation of Webex was that it did not 'talk back' to SPLUNK. This meant that there was no visibility over how many play period events were being actioned. 	<ul style="list-style-type: none"> • The Play Period Enhancement Project was instigated to operationalise the new Play Periods Policy. • It also involved replacing Webex with Microsoft Teams as the bridging application for receiving and actioning alerts. • MS Teams was already used for this function at Crown Perth. • The use of MS Teams allowed: <ul style="list-style-type: none"> ◦ actioning of RSG alerts on a mobile device, rather than relying on a desktop computer ◦ recording of how many play period events had been actioned. 	<ul style="list-style-type: none"> • Salesforce was implemented as a replacement to MS Teams, offering benefits including: <ul style="list-style-type: none"> ◦ better application stability ◦ case management capability, allowing task ownership/ allocation, visibility of recent historical information relating to a customer's play period interactions and escalation of unacknowledged alerts ◦ greater front-end reporting capability ◦ visibility of interactions by non-RG staff and functionality for them to report/escalate RSG-related observations to the RG team via the mobile app.

Source: Crown Melbourne, Play Period Enhancement Project and Timeline document, undated – provided to the OSM on 28 October 2022.

Crown's real-time play period monitoring represents a significant improvement in monitoring compliance with the new Play Periods Policy.

Most play period alerts, which frontline employees are responsible for actioning, occur at the six-hour on site mark (Figure 8).

Recent extracts from the RG Register provide evidence that when a 10-hour play period alert occurs, employees are subsequently speaking to those players and advising them that they will need to leave at 12 hours. There are numerous examples of employees engaging with and continuously monitoring customers until they leave the premises at the 12-hour mark.⁹⁸

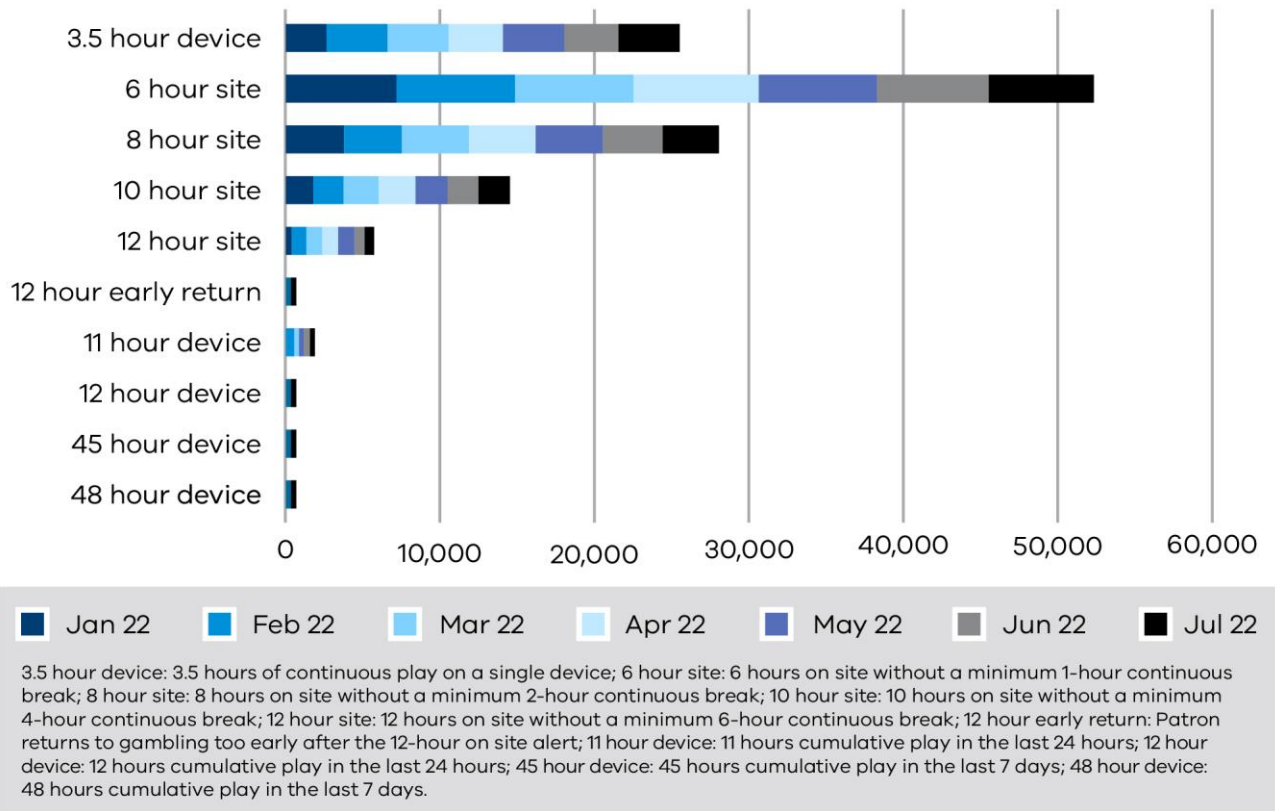
This increased vigilance is encouraging; however, several implementation issues remain:

- the play periods are complicated – some alerts are triggered by time 'on device' while others are triggered by time 'on site', and some 'on site' alerts may be triggered when little gambling activity has occurred
- the monitoring system sends alerts only for players who are playing using their loyalty card, and employees are still required to monitor play periods for uncarded players on the floor by identifying observable signs, which the Finkelstein Report deemed 'an impossible task'⁹⁹
- Crown reports that customers have been shifting to uncarded play to attempt to bypass the policy. This limits the ability of employees to properly monitor these customers and exacerbates resourcing challenges.

⁹⁸ The OSM has reviewed monthly RG Register extracts from March to August 2022.

⁹⁹ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 25.

Figure 8. Total play period alerts by type, January to July 2022



Note: For this period of analysis, the first play period alert occurred at 3.5 hours on a single device.

From 1 September 2022, Crown changed the first play period to three hours.

Source: Crown Melbourne, Play Period Statistics, CRW.598.020.0132.

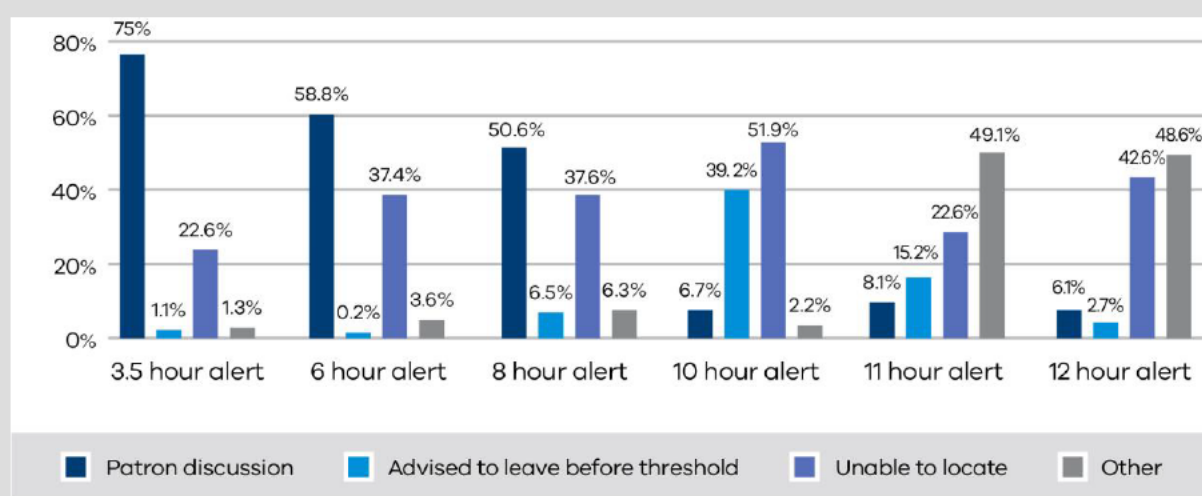
The OSM will continue to monitor how Crown reviews and adjusts its Play Periods Policy to address these issues, and how it evaluates the policy’s effectiveness. A draft evaluation report prepared by the RGAP in September 2022 provides some useful initial insights, but further work is required to ensure that the policy is well designed (see Table 5). However, given the RGAP has been disbanded, it is unclear whether this work will continue. Crown should use the findings of any evaluation to ensure it is deploying its resources effectively and efficiently to minimise gambling harm at the Melbourne casino.

Table 5. Key findings of the Responsible Gaming Advisory Panel’s analysis of the Play Periods Policy

The draft report by the RGAP included analysis that used Crown Melbourne data from January to July 2022. It showed that:

- on average, carded players play for 5.6 hours before triggering an alert (which may reflect the fact that the initial 3.5 hour alert requires continuous play on one device)
- just under half of all first alerts resulted in a discussion with a player – 40.4 per cent of alerts recorded the action ‘unable to locate patron’
- employee conversations that recommend cessation of gambling and to leave the premises occur at the eight-hour ‘on-site’ alert, with the majority occurring at 10 hours (Figure 9). This is consistent with policy requirements.

Figure 9. Actions taken for all alerts



Note: ‘Other’ includes customer located off-site, and insufficient break taken.

Source: Responsible Gaming Advisory Panel, Crown Resorts Melbourne Casino Play Periods Policy: An initial analysis of carded player objective data, August 2022.

6.5 Areas requiring further attention

The OSM’s assessment has identified several areas warranting Crown’s further attention as it progresses its RSG reform and development of the new Player Health Strategy, including marketing and the Crown Rewards Loyalty Program, customer and employee RSG communications, RSG governance and reporting, and initiatives aimed at embedding a focus on RSG and gambling harm minimisation in Crown’s culture.

6.5.1 Marketing and the Crown Rewards Loyalty Program

Crown Melbourne is prohibited from marketing its gambling products and services to the general public.¹⁰⁰ However, Crown’s marketing activities to its customers promote the resort and its offerings (including the casino) to a broad audience. Promotions are generally targeted at loyalty program members and offer additional rewards points or other benefits for undertaking the promoted activity (for example, playing gaming machines at a particular time of day, playing regularly, or spending a certain amount of money).

¹⁰⁰ See, for example, *Gambling Regulation Act 2003* (Vic), s 3.5.34AA(2).

The OSM has observed that, until very recently, Crown has made little change to its marketing activities and promotions, beyond ceasing programs such as Bingo and Red Carpet and now offering Crown Rewards members non-gaming vouchers upon signing up.

Crown Resorts' revised marketing policy commits to designing marketing activities and promotions responsibly from an RSG point of view. Crown Resorts has also instituted operational policies requiring the Responsible Gaming team to review and sign off on the mechanics of promotions; for example, the spend required over a defined period to qualify for rewards. However, there is scope for Crown to better document the Responsible Gaming team's approvals or recommendations related to its assessment of any advertising or promotions.¹⁰¹

Crown has recently started to consider how it will apply a harm minimisation lens to its marketing and promotions; for example, by providing more selective offerings of inducements to gamble and considering which channels of advertising may be inappropriate. While these represent positive actions, Crown is still to develop a clear strategy and plan that applies a harm minimisation lens to its marketing activities. There is an immediate opportunity for Crown to better segment customers from a harm minimisation perspective by identifying characteristics from customer data that are known risk indicators. Marketing and promotions should then be tailored appropriately to minimise the risk of gambling harm. Crown has outlined initial steps in a draft marketing and player health plan that proposes to tailor messaging and channels in line with customer risk profiling.¹⁰²

The OSM expects to see further substantive progress in the next reporting period. In particular, the new Player Health Strategy notes the proposed development of marketing 'guardrails', which should provide further clarity about how harm minimisation will be considered in marketing.

Crown has also been slow to consider how it can adapt the Crown Rewards Loyalty Program to minimise gambling harm, apart from the Responsible Gaming team now reviewing Loyalty Program tier upgrades.

As foreshadowed to the Finkelstein Royal Commission, Crown has commenced a review into the Crown Rewards Loyalty Program. However, the Finkelstein Report noted that, while the commitment to conduct research into the loyalty program is 'in principle a good initiative', more immediate action on the loyalty program is warranted given that at-risk customers are overrepresented in these programs, and it is inherently likely a membership program incentivising gambling has the potential to cause harm.¹⁰³

The results of Crown's loyalty program study have been delayed. Results from a Perth study are expected in late 2022 and initial results from a Melbourne study are expected in March 2023. The delays in completing this study have delayed Crown's consideration of any further changes to the Crown Rewards Loyalty Program member promotions that could minimise harm.

The OSM will monitor and assess what actions Crown is taking to ensure that the design and operation of the Crown Rewards Loyalty Program prevents gambling harm.

¹⁰¹ Crown Resorts, Current State Assessment: Responsible Gaming Obligations Report Advertising and Trade Promotions, 23 November 2022, p. 3.

¹⁰² Crown Resorts, Draft Marketing Plan, 14 November 2022 and Standard Operating Procedures – 2.4.2 Campaign Review and Approval – Responsible Gaming.

¹⁰³ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 53.

6.5.2 RSG communications

Crown's RSG customer communications appear to focus on compliance with the Casino Control Act and other regulatory requirements. In this regard, Crown appears to be undertaking appropriate actions to manage potential non-compliance.¹⁰⁴ However, Crown has acknowledged that such a narrow compliance focus is unlikely to minimise harm.

The OSM understands research is now underway to inform a more strategic approach to RSG communications objectives, channels and evaluation of effectiveness of RSG messaging. This should include consideration of whether messaging is appropriately tailored to different customer cohorts (for example, young men or recently arrived migrant communities) and their preferred delivery channels.

The OSM notes that, as an immediate interim measure, new generic RSG messaging was rolled out by Crown to customers in late November 2022 across a range of channels, including new prominent signage on the casino floor with a new tagline encouraging customers to set and play within limits.¹⁰⁵ The new tagline draws on research suggesting that customers are likely to respond better to communications encouraging self-reflection in addition to action.¹⁰⁶

The finalisation of the new Player Health Strategy provides an opportunity for Crown to significantly enhance targeted communication to customers and the community about its renewed focus on harm minimisation. Crown Resorts is currently undertaking a survey of customers and employee focus groups across all its properties to provide an evidence base to inform its approach to customer communications.

In relation to employee communications related to RSG, Crown has developed an RSG communication plan and provided the OSM with a timetable of employee communications initiatives for calendar year 2022. The plan reinforces key training messages about RSG but does not appear to reflect a marked change in the approach adopted prior to the Finkelstein Royal Commission. RSG communications have included use of Workplace Facebook and Crown team meetings ('musters'). The schedule of events in the employee communications plan ends in December 2022. Crown has indicated that it is looking to develop a fully integrated employee communications strategy that supports the rollout of the new Player Health Strategy.

6.5.3 Governance

Prior to the Blackstone Inc. acquisition, the Crown Resorts Board had established a Responsible Gaming Committee. Crown Melbourne did not operate a Board-level committee but did have a Responsible Gaming Management Committee (RGMC). Since the acquisition, both Crown Resorts and Crown Melbourne have established Board-level Compliance, Safety and Responsible Gaming Committees.

While establishing a Board committee with a more specific focus on RSG is desirable, the OSM has concerns that the focus on RSG may be diluted by combining it with compliance and safety. Given the scale and importance of RSG enhancements required as part of Crown Melbourne's efforts to return to respond to the findings and recommendations of the Finkelstein Royal

¹⁰⁴ Crown Melbourne, Internal Audit Report, Responsible Gaming, June 2021.

¹⁰⁵ The new tagline reads: 'Is money all you're losing? Set your limit. Play within it. Speak to a Crown Rewards team member, or a member of the Responsible Gaming Team, to set your own confidential spend or time limit.'

¹⁰⁶ Gainsbury, S. et al, 'Optimal content for warning messages to enhance consumer decision making and reduce problem gambling', *Journal of Business Research*, 68 (10), 2015, pp. 2093–101.

Commission, it is difficult to see how a Board-level committee focusing on various functions, meeting quarterly for one hour, will be sufficient to drive the significant reform required in RSG.

The OSM understands that the new Chair of the Crown Melbourne Board is continuing to consider the ideal committee structures going forward, including what structure will provide proper focus on RSG.

The OSM has reviewed the papers for the various Crown Resorts and Crown Melbourne Board level committees throughout 2022 and observed the Crown Melbourne Compliance, Safety and Responsible Gaming Committee meeting on 8 September 2022. However, the changing nature and composition of these committees means that the OSM has not yet properly observed, in practice, the effectiveness of these committees in discharging their functions and their level of engagement.

Crown Melbourne has two management committees that include a focus on responsible gaming:

- the Executive Risk and Compliance Committee (ERCC) – supports the CEO in fulfilling duties related to risk, compliance, safety and responsible gaming and is chaired by the COO, meeting quarterly
- the RGMC – chaired by the General Manager – Responsible Gaming, meeting quarterly.

Both committees include overlapping functions to monitor and review the operation and effectiveness of responsible gaming policies and practices and to promote opportunities for continuous improvement. The RGMC Charter does not indicate how its functions relate to those of the ERCC. There is overlap in the senior executives that attend these committees. Neither charter recognises the role and relationship with other management committees, although the RGMC Charter notes that its activities will be communicated to the Crown Resorts Responsible Gaming Committee as relevant.¹⁰⁷ The nature of reporting to both committees is in the form of updates to current activities as distinct from any review of the operation and effectiveness of RSG policies and practices. Crown should review the roles and responsibilities of these committees with respect to RSG.

The OSM will continue to monitor any further changes to Crown's board and management committees and assess their effectiveness in overseeing RSG in future reporting periods.

6.5.4 RSG reporting

Crown's internal reporting on RSG has been improved since the Finkelstein Royal Commission. Crown has:

- commenced reporting against five RSG-related activity-based metrics as part of its new RAS reporting
- designed a new automated RSG internal reporting dashboard that presents RSG-related data
- created the new role of Responsible Gaming Reporting and Data Manager in March 2021, which has been central to developing a better understanding of existing RSG data and improving RSG reporting.

¹⁰⁷ Crown Melbourne, Responsible Gaming Management Committee Charter, June 2022; Crown Melbourne, Executive Risk and Compliance Committee Charter, August 2022.

A key limitation of the existing reported data is that it is largely activity-focused rather than outcome-focused. While activity-based measures may be informative and useful for operational management, reporting of RSG performance to the Board and its committees should include more outcome-focused measures aligned with strategic objectives. The importance of defining outcome-based measures was also identified by RGAP in its 2020 review of Crown's responsible gaming programs and services.¹⁰⁸ The OSM notes that Crown is leveraging a report prepared for the British Columbia Lottery Corporation to inform the further development of its outcome-based measures.¹⁰⁹ It is also proposing to undertake a customer survey in January 2023 to establish a baseline in order to assess progress over time.

Further, the OSM has observed Crown's reported statistics are not usually accompanied by any analysis, making consistent interpretation of the reported data challenging. RSG reports to Board and management committees now include more comparative data. However, comparisons across time and between properties need to appropriately consider the impact of COVID-19-related operational restrictions. This underscores the importance of meaningful analysis of the available data.

The Player Health Strategy also emphasises the importance of data collection as a key enabler of better RSG performance and improved evaluation of key policies and programs. However, Crown is yet to develop an agreed set of metrics to measure and track progress. The OSM considers Crown should continue to enhance RSG data analytics and reporting capability to ensure that the increased emphasis on data, research and evaluation in the Player Health Strategy is supported.

6.5.5 A culture of evaluation and continuous improvement

The OSM will be looking for evidence that Crown is embedding a commitment to RSG, and a culture of evaluation and continuous improvement, through its business. To date, well targeted and robust evaluation of RSG policies and programs has been limited. However, the Player Health Strategy identifies some opportunities for evaluation of stand-alone programs. 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.

The Finkelstein Royal Commission commended Crown for establishing the RGAP to provide independent advice in relation to Crown Resorts' RSG program and services.¹¹⁰ However, on 31 August 2022, Crown disbanded the RGAP as its members were being increasingly involved in conducting Crown research and could no longer be considered independent. At this stage, it is not clear how Crown proposes to draw on independent expert advice and engagement to support both its ongoing reform program and continuous improvement of RSG and harm minimisation practices. The OSM notes that Crown is continuing to engage with the VGCCC regarding the appointment of independent researchers to evaluate Crown's programs initiated by the Sixth Review.

¹⁰⁸ Responsible Gaming Advisory Panel, Review of Crown Resort's Responsible Gaming Programs and Services, August 2020, pp. 7–8.

¹⁰⁹ Gamres (Dr Richard Wood), *Development of a Responsible Gambling Program Evaluation Framework that Measures Responsible Gambling as an Outcome*, Draft Report, June 2022.

¹¹⁰ Royal Commission into the Casino Operator and Licence, *The Report – Volume 2*, October 2021, p. 50.

The OSM will continue to monitor Crown's approach to commissioning research and expert advice and conducting evaluations of its RSG programs in the next reporting period.

6.6 Contributing to Tranche 2 legislative reforms

During this reporting period, Crown has demonstrated that it is actively working with the Victorian Government towards implementing Tranche 2 reforms, some of which passed into law in late September 2022.¹¹¹

6.6.1 Mandatory pre-commitment and carded play

Crown has commenced significant planning towards the implementation of two key reforms:

- a mandatory, binding pre-commitment scheme to apply to Australian residents who play on electronic gaming machines (recommendation 10), due to be implemented by December 2023¹¹² using YourPlay, the existing voluntary pre-commitment scheme applying to all electronic gaming machine play in Victoria
- mandatory carded play (recommendation 2) for all players and products, due to be implemented by December 2025.¹¹³

In this reporting period, Crown has established a technology and systems project to implement mandatory carded play and pre-commitment. This is overseen by the Crown Resorts Chief Technology Officer, Group Casino Officer and Chief Information Officer as executive sponsors. Crown has also commissioned several reports from BMM Testlabs in relation to feasibility and timing issues.

Crown is also actively participating in regular meetings of a government-led Technical Working Group established to implement the above recommendations which will also consider cashless play (recommendation 3), player data collection (recommendation 9) and patron identification (recommendation 1). The OSM understands Crown tabled a draft implementation outline for initial discussion at the Technical Working Group meeting on 21 September 2022.

On 7 November 2022, Crown commenced a program to incentivise existing loyalty program customers to register for YourPlay, ahead of a statutory deadline of 1 August 2023. Over an initial two-week period, this resulted in 2,002 additional customers registering for YourPlay.¹¹⁴

¹¹¹ *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic) received Royal Assent on 27 September 2022.

¹¹² Expected to be required to be implemented by December 2023, pending ministerial gazettal: see The Honourable Daniel Andrews, *Nation-leading reforms to hold casino to account*, Media Release, 2 August 2022 and *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic), s 36.

¹¹³ Required by 1 December 2025; see *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic), s 41.

¹¹⁴ Intralot data provided by the DJCS to Crown for the period 7–21 November 2022, provided to the OSM by email 24 November 2022.

6.6.2 Revised Gambling Code

Crown is actively participating in a government-led policy working group that is considering:

- the matters to incorporate into a Ministerial Direction for a revised Gambling Code, including the positive duties and compulsory casino play periods recommended by the Finkelstein Royal Commission (recommendation 11)
- other policy matters arising out of the implementation of mandatory pre-commitment and carded play (for example, pre-set loss limits, patron identification).

The OSM understands Crown has provided feedback to government on several matters, including casino play periods, loss limits, and overseas and premium players. It is also conducting further research on approaches to assessing customer affordability in anticipation of discussions with government.

6.6.3 Data access

In response to recommendations 12 to 14, Crown has engaged with the VRGF in relation to the setting up of the government-led Gambling Data Committee, which will oversee the collection and use of relevant data for research purposes. The terms of reference for the committee have been endorsed within government and were noted by the Committee when it met for the first time on 2 December 2022. The Committee comprises VRGF (Chair), the Department of Justice and Community Safety (DJCS) and the VGCCC, with Crown recognised as a special member to assist the Committee in relation to available data and other relevant matters.¹¹⁵ Crown has recommended that a subcommittee is also established to deal with any perceived conflicts on the provision of data to be analysed by independent researchers.

6.6.4 Cashless play

Crown has liaised with the VGCCC and DJCS in relation to challenges it has identified with the timing of implementation of aspects of cashless play legislative requirements (recommendation 3), given that there is a dependency with compulsory carded play for table games.

6.7 Focus of the OSM for the next reporting period

Crown is at a relatively early stage in designing and implementing the major reforms required to significantly reduce gambling harm. In recent months, the OSM has observed an increased commitment and focus by Crown in identifying and driving the implementation of a harm minimisation approach. However, by comparison with other work streams such as financial crime, there is still much work required to fully articulate the new Player Health Strategy and implement what is required to embed gambling harm minimisation in practice across the business.

In the future reporting periods, the OSM will be adopting the assessment framework set out in section 2.4 to assess the implementation of Crown's Player Health Strategy and related initiatives.

¹¹⁵ Gambling Data Committee, Terms of Reference, endorsed by RCCOL Interdepartmental Steering Committee, November 2022.

Subject to finalisation and approval by the Board, the Player Health Strategy will define how the various activities and initiatives being undertaken in relation to RSG will contribute to improved harm minimisation outcomes and drive greater integration across the organisation. As the Player Health Strategy is finalised and aligned to a broader Crown corporate strategy, and various RSG initiatives are implemented, the OSM will focus on whether there is evidence of:

- alignment and integration between Crown's RSG-related objectives, and the broader corporate strategies and activities
- Crown having clearly articulated its criteria for success, and established an effective methodology for testing its progress against those criteria
- strong governance structures that ensure discipline, self-assessments and continuous improvement within the RSG program
- leadership continuing to drive change through words, actions, symbolic decisions and self-correcting behaviours
- established systems, behaviours, practices and policies to embed effectiveness and sustainability
- embedded change demonstrated by key influencers, such as middle management, and clear demonstrations of top-to-bottom organisational change.

In the next reporting period, the OSM will also continue to monitor Crown's engagement and progress towards implementation of the Victorian Government's Tranche 2 legislative initiatives, which have the potential to position Crown Melbourne as a world leader in RSG practice, something that will amount to monumental change for Crown should it occur.

7. Financial crime

7.1 Overview

The Special Manager is required to evaluate a range of financial crime-related matters pursuant to Appendix I¹¹⁶ and other recommendations of the Finkelstein Report, including:

- whether Crown has effectively implemented the recommended reforms set out in its Financial Crime and Compliance Change Program (FCCCP)
- whether Crown has effectively implemented the financial crime-related recommendations made in various external reports
- whether Crown has undertaken further investigations in regard to the McGrathNicol report of July 2021, and whether any changes to Crown's Joint Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Program are necessary following such further investigations
- the effectiveness of the Joint AML/CTF Program, and whether Crown is complying with it
- the adequacy of Crown's AML/CTF resourcing and budget
- whether Crown Melbourne's Board is providing effective oversight of the Joint AML/CTF Program
- whether Crown has remediated any non-compliance identified in internal or external audits conducted on any part of the Joint AML/CTF Program
- the effectiveness of information sharing with state and federal law enforcement agencies.¹¹⁷

At the time of the Special Manager's June 2022 interim report, Crown's financial crime reforms were relatively well advanced, compared to its other reform areas. The OSM's focus for this reporting period was to evaluate the design of these reforms and, where applicable, assess the effectiveness of their implementation.

Specifically, during this reporting period the OSM assessed Crown's progress with regard to its enterprise-wide risk assessment (EWRA), applicable customer identification procedures (ACIP), ongoing customer due diligence (OCDD), enhanced customer due diligence (ECDD), reporting and notification obligations, resourcing and budgeting, governance and oversight, and Joint AML/CTF Program compliance.

Crown's remediation activities are largely driven by its FCCCP and the OSM has confirmed that Crown has implemented many FCCCP activities to date; in particular, enhancements to ACIP, OCDD (including transaction monitoring) and AML/CTF awareness training. That said, a number of initiatives are behind schedule, largely due to the requirement for technology improvements and the diversion of financial crime resources to Crown Sydney ahead of the Barangaroo site opening for business in August 2022.

Accordingly, there is significant work to be completed by Crown in the next reporting period to ensure the FCCCP meets target timelines.

¹¹⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, pp. 137–8.

¹¹⁷ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 18, recommendations 4 and 5.

In the key area of KYC and customer due diligence (both OCDD and ECDD), the OSM's view is that Crown has enhanced a number of its procedures and processes, improving the controls environment. However, due to the delay in implementing the customer risk assessment solution in Melbourne that has been introduced in the Barangaroo property, as well as delays in implementing technology improvements, Crown still needs to complete significant work if its KYC and customer due diligence processes are to reach their target state.

The OSM work plan for the current reporting period was set out in Appendix A of the June 2022 interim report. Appendix A of this interim report summarises the status of that work plan.

7.2 Assessment of Crown's progress to date

The OSM's assessment of Crown's progress in addressing the financial crime matters noted in the Finkelstein Report, including those set out in Appendix I and other relevant recommendations, is summarised under the areas of focus outlined in Table 6. Each of these is discussed in the following sections.

Table 6. Financial crime – assessment of Crown's progress to date

Appendix I/Finkelstein Report reference	Assessment focus
Appendix I: items 9–10	Implementation of the FCCCP
Appendix I: items 6–8, and Finkelstein recommendation 6	Crown's patron bank accounts and the McGrathNicol report
Appendix I: item 5	Implementation of recommendations from external experts' reports
Appendix I: items 12–13	Resourcing of Financial Crime team
Appendix I: items 14–16	Compliance with Joint AML/CTF Program and effectiveness of Board oversight
Finkelstein recommendations 4 and 5	Information sharing with state and federal law enforcement
Finkelstein recommendation 8	Prohibition of junkets

The OSM considers Crown to have achieved demonstrable improvements in many of the core elements required to support effective financial crime risk management that complies with AML/CTF legislation. Examples include an enhanced EWRA methodology, and a Joint AML/CTF Program that includes all elements required by AML/CTF legislation. In addition, the OSM recognises the enhancements that Crown has made in key components of the Joint AML/CTF Program, including ACIP, OCDD and ECDD, and compliance with its external reporting obligations.

Crown recognises, and the OSM concurs, that it still has significant work to do in implementing complex technology solutions during the first half of 2023 to improve its financial crime and compliance (FC&C) framework.

7.2.1 Implementation of the FCCCP

The FCCCP is one of a number of MRAP work streams relevant to financial crime. However, it began as, and remains, the primary roadmap and driver of Crown's financial crime remediation program. It is designed to enhance, evolve and improve Crown's approach to financial crime and compliance, and to manage and mitigate financial crime risk, resulting in an effective Joint AML/CTF Program that complies with AML/CTF legislation.

Crown started implementing the FCCCP in May 2021. The FCCCP takes into consideration recommendations contained in the Finkelstein Report, together with Crown's AML/CTF obligations in accordance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and associated Rules.

The FCCCP comprises 10 specific work programs, described by Crown as 'Initiatives':

1. money laundering/terrorism financial (ML/TF) risk assessment
2. transaction monitoring and reporting
3. AML/CTF training implementation
4. customer/product uplift
5. financial crime obligations and controls
6. people and governance
7. Policy Uplift Program¹¹⁸
8. OCDD
9. GRC
10. supplier due diligence.

These 10 programs comprise 254 individual activities or 'milestones' (which include ARAP, MRAP and non-MRAP activities). Figure 10 shows Crown's progress in completing these activities as at 4 November 2022,¹¹⁹ which is based on Crown's targeted delivery timelines.

The overarching stated objective of the FCCCP was originally for Crown to achieve 'advanced'¹²⁰ FC&C maturity by December 2022. While the OSM acknowledges Crown's ambitions in this regard, its assessment is focused on whether Crown achieves a legislatively compliant and effective financial crime risk-based program. This needs to include, but not be limited to:

- a financial crime EWRA
- a compliant Joint AML/CTF Program
- documentation of all processes and procedures and, to the extent possible, automation of processes and procedures in line with relevant internal control statements (ICS)
- independent assurance over the financial crime risk management program
- adequate budget, resources and capability.

¹¹⁸ The OSM notes that this Initiative is no longer solely an FCCCP activity.

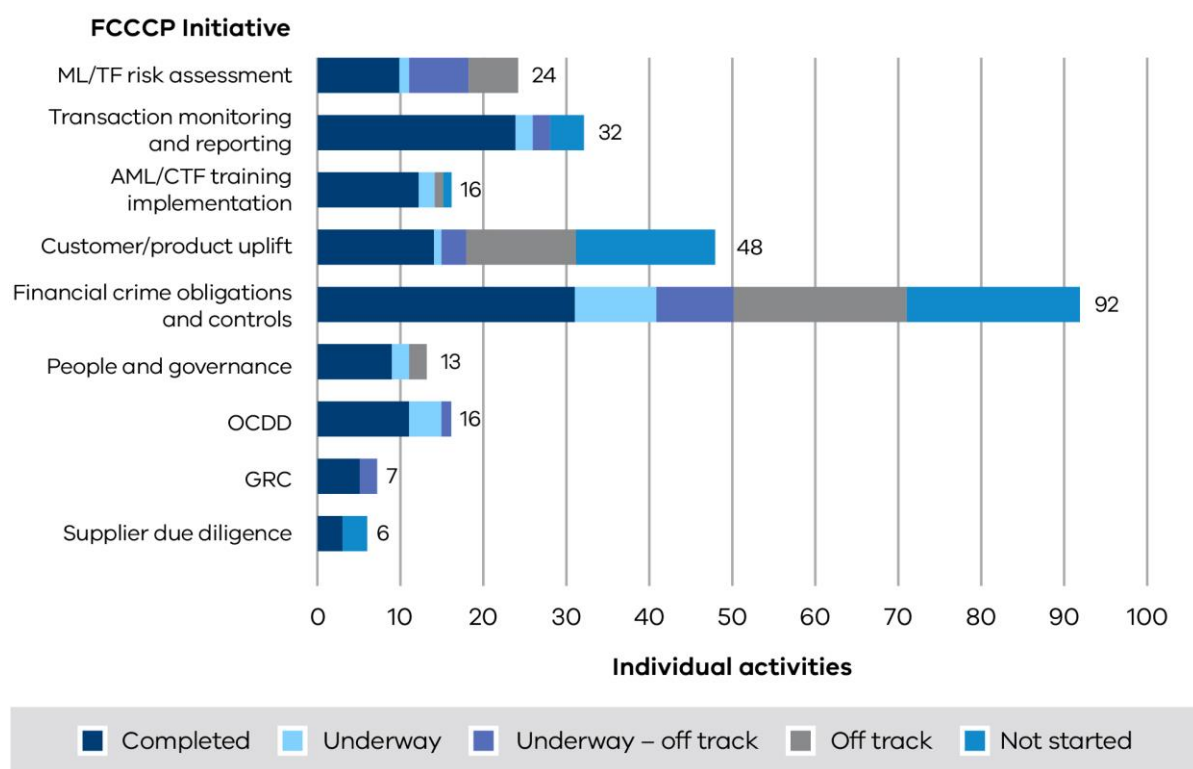
¹¹⁹ FCOC Pack, November 2022, p. 32.

¹²⁰ As defined in Crown's Financial Crime Ecosystem – Maturity Arc.

The OSM considers that if Crown achieves the above, it should have a compliant and effective program. In future reporting periods, the OSM will be adopting the assessment framework set out in section 2.4 to assess the progress of Crown’s financial crime reform in terms of effectiveness and sustainability.

As Figure 10 shows, a number of FCCCP activities have been delayed beyond Crown’s targeted completion timeframe. Based on progress to date, the OSM considers that Crown is more likely to complete the FCCCP between July and December 2023.

Figure 10. FCCCP Initiatives¹²¹



The OSM has assessed Crown’s progress in implementing the FCCCP based on interviews, reviews of relevant documents, and data and transaction testing, and believes that Crown has made considerable progress in some areas. In particular, the improvements to EWRA, ACIP, and OCDD (including ECDD and transaction monitoring) that Crown has achieved to date have enhanced its control environment and are important steps towards an effective KYC framework. However, the OSM also notes that Crown has significant work to do in a number of other areas. Crown’s challenge for the next 12 months and beyond is to complete and embed the outstanding Initiatives and ensure that the controls are operating effectively. Of the outstanding Initiatives, the highest-priority items in the OSM’s view include:

- implementing the customer risk assessment solution in Melbourne that has been introduced in the Barangaroo property. The OSM understands that this customer risk assessment solution requires significant investment in IT before Crown can effectively implement it in Melbourne, due to Melbourne’s different customer base and business model

¹²¹ Data was presented in percentage form, which the OSM has converted to a number. There may be minor differences due to rounding error.

- fully rolling out and embedding the Salesforce system to assist with OCDD
- completing the implementation of additional ML/TF customer and product controls, and ensuring they are operating effectively.

Money laundering/terrorism financing risk assessment

The *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* (Cth) requires Crown to establish appropriate risk-based processes, systems and controls to inform its Joint AML/CTF Program. The OSM understands that Crown's risk-based approach is achieved by undertaking an EWRA, which is designed to provide:

- a holistic, point-in-time identification and assessment of the inherent ML/TF risks across the organisation
- an assessment of the controls in place to manage those risks
- action plans to mitigate the residual risks.

Crown is currently undertaking an ML/TF EWRA in accordance with its enhanced EWRA Approach and Methodology dated August 2022 (currently in draft). The EWRA Approach and Methodology incorporates relevant recommendations from the March 2022 Exiger report, which was an independent review of Part A of the Joint AML/CTF Program commissioned by Crown Resorts.

The OSM considers that the draft EWRA Approach and Methodology is robust enough to enable Crown to identify, manage and mitigate the ML/TF risks it reasonably expects to face in providing its designated services.

However, Crown recognises, and the OSM agrees, that it is essential for Crown to implement technology-driven solutions to improve financial crime risk identification and assessment, and the controls designed to manage those risks, if Crown is to reduce its heavy reliance on manual processes. This applies particularly to ACIP, customer risk assessments and the submission of Suspicious Matter Reports (SMRs) to AUSTRAC. The OSM understands Crown intends to implement an improved electronic customer identification system in Melbourne in 2023 (using technology provided by OCR Labs). This will enable Crown Melbourne's ACIP to more accurately capture patron identification information, and in a more automated way.

The OSM will closely monitor Crown's progress in implementing these IT solutions over the next reporting period.

Transaction monitoring and reporting

The OSM considers that Crown has made significant progress in enhancing its transaction monitoring system. It has, inter alia:

- completed a current state assessment of transaction monitoring and developed a transaction monitoring detection strategy¹²²
- established the Transaction Monitoring Council (TMC), which provides a forum for discussion on relevant issues, including development of and updates to rules; transaction monitoring issues; and outcomes from testing

¹²² FCCCP High Level Plan 20221010.pdf, p. 3.

- developed manual and automated transaction monitoring rules registers and typologies, which incorporate external report recommendations.

During this reporting period, the OSM conducted 'walk-throughs' of live examples of customer transactions to understand how policies, procedures and technology solutions designed to manage financial crime risk work in practice. In each walk-through, an OSM representative sat with Crown employees and had them step through and explain the workflows and processes involved in the sample cases, transactions and customers the OSM selected from Crown's 'live' financial crime systems and databases.

The OSM also undertook sample testing of Crown's systems and data to better understand their effectiveness in managing AML/CTF-related transactions. For example, it looked at how Crown identified and reported International Funds Transfer Instructions, Threshold Transaction Reports and SMRs to AUSTRAC. The OSM selected a sample of transactions from each category and asked Crown to provide a data extract and/or the supporting documents containing the full details for each selected transaction, which the OSM then analysed.

The OSM found each of the transactions tested to be compliant with Crown's procedures and the AML/CTF legislative reporting requirements.

However, the OSM notes that Crown's process for submitting SMRs to AUSTRAC requires the manual transfer of data from the Crown AML portal to SYCO, where an XML file is generated for upload to AUSTRAC's reporting tool. This manual process creates a risk that human error could result in the late submission of SMRs – a risk that materialised at Crown Perth where Crown identified the late submission of SMRs in October 2022.¹²³ The manual SMR submission process employed in Perth is sufficiently similar to that used in Melbourne to cause concern that a similar breach could occur at the Melbourne property.

Crown is currently reviewing Crown Melbourne's SMR submissions between January and November 2022 to verify that all SMRs were submitted within required timeframes. The OSM will analyse and seek to validate the findings from that review.

In addition, Crown has implemented a remediation and training program in Perth and Melbourne, including a specific quality control procedure to regularly test and confirm that SMRs have been submitted within the required timeframes. The OSM will continue to monitor this quality control procedure to ascertain if there are any ongoing issues.

As at 30 November 2022, Crown is still progressing through its Unusual Activity Report (UAR) backlog. The OSM notes Crown is dealing with UARs rated as 'High+' and 'High priority' within its designated service level agreement (SLA) timeframes. It intends to address 'Medium priority' UARs by December 2022 and 'Low priority' UARs by mid-2023 to ensure that all are within the SLA timeframes. The OSM will continue to monitor Crown's adherence to its SLA timeframes.

The OSM also monitored Crown's engagement with its stakeholders. For financial crime, the key stakeholder is AUSTRAC. Crown has demonstrated proactive engagement with AUSTRAC. In particular, the OSM has observed the Executive General Manager – Financial Crime Risk notifying AUSTRAC of potential breaches of reporting requirements in a timely manner, including immediate verbal notification, followed by written correspondence after internal reviews. The OSM considers this proactive approach to be appropriate.

¹²³ Financial Crime Breach Determination Forum, Agenda for meeting held on 28 October 2022, p. 23.

7.2.2 Crown's patron bank accounts and the McGrathNicol report

The Finkelstein Report made the following recommendations in respect of Crown's patron bank accounts:

That a direction be given to Crown Melbourne in June 2022, pursuant to section 23(1) of the Casino Control Act, to the effect that on and from 30 June 2022 it must keep and maintain a single account as approved by the regulator at an authorised deposit-taking institution in the state for use for all banking transactions by patrons.¹²⁴

That the Special Manager determines whether the further investigation recommended by McGrathNicol has occurred and, if so, whether any changes to Crown's AML/CTF Program are necessary and have been implemented.¹²⁵

The OSM has assessed Crown's response to these recommendations; its findings are summarised below.

Single patron bank account

The OSM has confirmed that Crown closed its patron bank accounts at Commonwealth Bank of Australia on 31 December 2019 and has retained a patron bank account at ANZ as its single patron bank account going forward (this account has been in existence since before 2014). The OSM notes that Crown completed this action before receiving the direction issued by the VGCCC pursuant to section 23(1) of the Casino Control Act.

Upon closure of the Commonwealth bank accounts, Crown transferred the residual funds held on behalf of patrons to the ANZ bank account referred to above. Crown's Deposit Account Balance (DAB) ledger records the allocation of these funds to specific patrons.

In considering how to deal with the residual funds and, in particular, whether they could or should be returned to patrons, Crown sought external legal advice. Based on this advice, Crown has implemented a risk-based approach that means it will, over a period of up to three years, either disburse the residual funds to the patrons who made the original deposits, have the funds confiscated,¹²⁶ or otherwise deal with them as appropriate in the circumstances. The OSM is satisfied that Crown's proposed approach to dealing with these residual funds is sound.

The OSM also notes that Crown has fully implemented recommendations from the Deloitte Phase 1 report, which primarily addressed controls relating to patron accounts and transaction monitoring – see section 7.2.3.

The McGrathNicol report

In 2021, McGrathNicol undertook a forensic review of Crown Melbourne's DAB ledger, and the bank accounts holding patron funds, in particular those established by Southbank Investments Pty Ltd (Southbank)¹²⁷ and Riverbank Investments Pty Ltd (Riverbank).¹²⁸ McGrathNicol delivered its findings in a report dated July 2021, in which it identified preliminary indications of 'structuring' and 'parking' (known money laundering techniques) by reference to transactions

¹²⁴ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 17, recommendation 6.

¹²⁵ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 137, item 8.

¹²⁶ By notifying the relevant law enforcement agency and cooperating with any action taken by the law enforcement agency to confiscate the funds.

¹²⁷ Southbank Investments Pty Ltd was a subsidiary of Crown Melbourne Limited.

¹²⁸ Riverbank Investments Pty Ltd was a subsidiary of Burswood Limited.

recorded in the DAB ledger. McGrathNicol recommended further investigation of those transactions.

In response to the McGrathNicol recommendation, Crown commenced an investigation of all transactions that were identified as exhibiting potential indicators of structuring and/or parking. This exercise, which Crown called Project Peyo, consisted of two streams: structuring and parking.

Stream 1: Structuring

Crown investigated approximately 4,100 transactions within the period 1 July 2019 to 15 June 2021. Of these, it referred 218 transactions (approximately 5 per cent) relating to 13 patrons to its Financial Crime Operations team for further investigation. Following that additional work, Crown deemed seven of these transactions sufficiently suspicious to warrant submitting an SMR to AUSTRAC.

Aside from those specific referrals, Project Peyo found that the remaining transactions were not suspicious, and that the deposits were legitimate and in line with legitimate patron gaming activity.

As a result of the findings from Project Peyo, Crown determined that it was not necessary to broaden the investigation to capture additional transactions, or to extend the testing over a longer period of time. Crown also determined that the findings did not necessitate making changes to the Joint AML/CTF Program.¹²⁹ However, Crown did review its relationship with each patron, and in some cases exited patrons as a result of its findings.

The OSM has carefully reviewed the Project Peyo findings and is satisfied that the conclusions Crown reached in respect of the structuring investigation are reasonable.

Stream 2: Parking

As at 30 November 2022, Crown's investigation into indicators of parking identified by McGrathNicol is ongoing. The OSM will report on this investigation in the next reporting period.

Summary

In conclusion, and subject to any findings that may emerge from Crown's ongoing investigation into indicators of parking, the OSM can confirm that Crown has undertaken the further investigation recommended by McGrathNicol, and considers that no changes to the Joint AML/CTF Program are necessary following that further investigation. This acquits item 8 of Appendix I of the Finkelstein Report.

7.2.3 Implementation of recommendations from external experts' reports

During 2020 and 2021, various external advisors undertook reviews or investigations of financial crime-related matters at Crown. As set out in Appendix I of the Finkelstein Report, there are eight reports relevant to financial crime, each of which contains recommendations for Crown to implement.

¹²⁹ Crown, Project Peyo Report, 7 September 2022.

In response to those eight reports, Crown reviewed all recommendations and generated activities (described by Crown as 'Commitments') that are designed to fully acquit the recommendations and enhance Crown's overall financial crime control environment. In addition, Crown identified further Commitments (outside the eight external experts' reports) that came from other sources, such as Crown Board meetings and internal reports (these additional Commitments do not directly correspond with the external reports set out in Appendix I of the Finkelstein Report). As at 31 October 2022, Crown has a total of 374 Commitments.

Each Commitment can be linked to an element (or elements) of the FCCCP, and in aggregate the Commitments address, in whole or in part, the 10 FCCCP Initiatives listed in section 7.2.1.

The Commitments broadly deal with Initiatives such as ML/TF risk assessment, OCDD (including transaction monitoring) and reporting, and are designed to either:

- improve or enhance a process or control
- mitigate a risk or detect unusual activity, or
- enhance or update a policy.

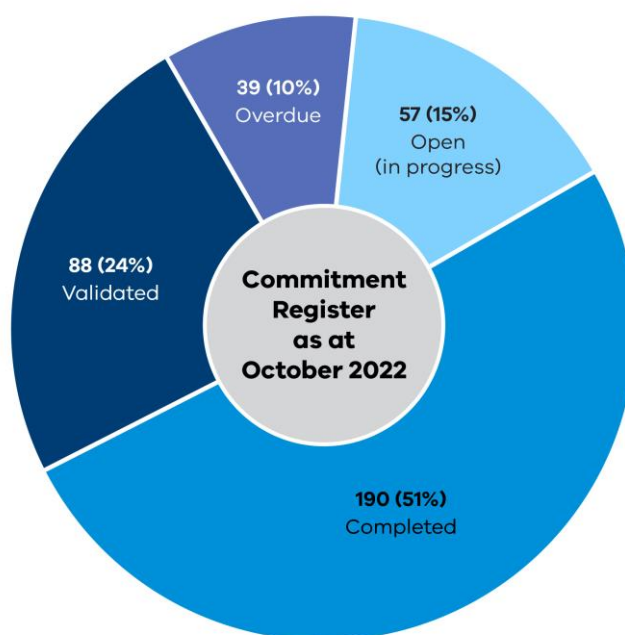
Crown's Risk Assurance team has recorded the Commitments in a register and assigned each one to a Crown business unit, so that it can 'own' implementation. This work is supported by a project management tool (JIRA) that Crown uses to track and manage implementation of the Commitments. Crown aims to acquit the external experts' report recommendations in full. Following this, the Risk Assurance team will undertake its validation, which it expects to complete by the end of 2023.

Crown's process for validating completion of the Commitments is as follows:

- When a business unit finalises a Commitment, it completes an 'action closure form', updates JIRA and reports to Crown's Risk Assurance team.
- The Risk Assurance team validates that the Commitment has been implemented and is working as intended and, if satisfied, signs off the action closure form. The action closure form summarises the action taken by the business unit and the validation work performed by the Risk Assurance team, together with the evidence it relied upon.
- Following satisfactory validation, Crown provides the action closure form and evidence to the OSM for review.

The Group General Manager – Risk Assurance presents progress on implementation of the Commitments in monthly dashboards to the Financial Crime Oversight Committee (FCOC) and Financial Crime Working Group (FCWG). Figure 11 shows the status of this work, as recorded in the Commitment Register, as at 31 October 2022.

Figure 11. JIRA Commitments as at 31 October 2022



Source: Email to the OSM from Kavi Seevathian Attygalle, 6 December 2022.

To date the OSM has received 51 action closure forms from Crown that relate to 75 of the 88 validated Commitments. Of these action closure forms, 32 correspond to the 18 recommendations in the Deloitte Phase 1 report. These recommendations primarily address enhancements to Crown's patron account controls and to its transaction monitoring program, insofar as it applies to patron accounts.

The OSM has assessed the action closure forms and evidence related to the Deloitte Phase 1 report recommendations and considers that Crown has satisfactorily implemented these recommendations.

Significant work remains outstanding if Crown is to close out all Commitments, and the OSM's ability to assess this work is reliant upon receiving validated action closure forms from Crown in a timely manner, together with appropriate supporting evidence.

During this reporting period, Crown recognised that resource constraints were slowing the process of validating completed Commitments, so in October 2022 it engaged Ernst & Young to undertake future validation activities. The OSM expects the current backlog of completed Commitments to be validated in early 2023 and future validated action closure forms to be provided in a far timelier manner.

Implementation of the various experts' recommendations in full will enhance and improve Crown's financial crime control environment across a range of domains, specifically in OCDD (including ECDD, transaction monitoring and reporting) and ML/TF risk assessment.

Project DeLorean

In October 2021 Crown initiated a stand-alone project known as Project DeLorean to respond to various external reports¹³⁰ that indicated potential ML activities took place at Crown between February 2014 and June 2021. Specifically, this project was established to undertake a risk-based investigation of the identified historical transactions and associated customers so that Crown could:

- better understand the precise nature of the activities
- determine whether any AUSTRAC SMR obligations arise because of the activities
- based on the investigation findings, including any ECDD performed where relevant or required, assess whether it should continue its relationship with specific customers.

Project DeLorean was completed in August 2022 and Crown's Risk Assurance team recently completed a review of the work undertaken. The OSM will evaluate the Risk Assurance team's findings in the next reporting period.

7.2.4 Resourcing of Financial Crime team

The OSM considers that the organisational structure of the Financial Crime team has the pillars needed to adequately address Crown's financial crime and compliance obligations. It also considers that the structure and resourcing appear appropriate to meet Crown's current reform activities and ongoing operational requirements.

The OSM notes the following structural changes to the Financial Crime team in October 2022 resulting, at least in part, from the resignation of Crown's CRO (who had overall responsibility for financial crime):

- FC&C Operations and Solutions is now known as Group Risk Operations and Solutions, and has moved to a 3LOD Line 1 function (refer to section 8.4.1). The Executive General Manager – Risk Operations and Solutions now reports to the Group Casino Officer.
- Financial Crime Risk remains a Line 2 function. The Executive General Manager – Financial Crime Risk (and the Money Laundering Reporting Officer (MLRO)) now report to the Chief Legal and Compliance Officer.
- FC&C Assurance is now known as Risk Assurance and remains a Line 2 function. The General Manager – Risk Assurance reports to the Chief Legal and Compliance Officer.

The OSM considers it may be consistent with the 3LOD approach for Group Risk Operations and Solutions to sit within Line 1, based on its BAU functions and accountabilities. However, the OSM will monitor how the function is working in practice. The OSM also supports the approach to separate Risk Operations and Solutions from the oversight roles of Financial Crime Risk and FC&C Assurance.

Separately, the OSM has observed that Crown supplements its current financial crime resources with a range of consultants to help clear bottlenecks in working through its transformation program activities. This approach seems appropriate for now.

¹³⁰ Specifically, the Grant Thornton and Initialism report, 16 November 2020, Deloitte Phase 2 review, 15 October 2021, Deloitte Hotel Card Transactions review, 2 November 2021 and McGrathNicol AML/CTF review, 5 July 2021.

However, during the period under review, some financial crime remediation activities were delayed due to the need to re-deploy resources to deal with issues that had occurred at Crown Sydney. Given the likelihood of unforeseen issues arising from time to time, the OSM considers it would be prudent for Crown to have contingency resource planning in place to avoid impacting important remediation work.

The OSM also notes that some FCCCP activities have been held up due to delays in Crown's IT uplift work in the lead-up to the Blackstone Inc. acquisition in June 2022 and for some time post-acquisition. This exacerbated Crown's delays in meeting FCCCP milestones for technology-dependent control enhancements. The OSM understands that these technology impediments have now been largely resolved and expects to see greater progress with implementation of outstanding FCCCP activities in the next reporting period. The OSM also expects that the FC&C resource mix will change over 2023 as these technology enhancements reduce the need for workforce supplementation.

Subject to the Financial Crime team being supported as needed with technology and other investment, the OSM considers that the structure and resource mix within FC&C should be sufficient to meet the current remediation and ongoing BAU needs.

Leadership

Based on its observations to date, the OSM's view is that the leadership of Crown's Financial Crime team is providing appropriate direction and support to drive financial crime change within the organisation in accordance with the FCCCP, while managing day-to-day financial crime risk. The OSM has witnessed the leaders demonstrating strong values and a commitment to ongoing change as they progress the FCCCP.

The OSM is, however, cognisant of the potential disruption caused by changes to the structure and reporting lines of the Financial Crime team leaders, as summarised above. The OSM considers that the stability of the Financial Crime team structure, and the retention of its key leaders, are critical to the success of the FCCCP. As such, and in view of the scale of work still to be completed, the structural changes may threaten Crown's ability to successfully complete the FCCCP.

During 2023, the OSM will monitor and assess the impact of the FC&C restructure and Crown's progress towards a BAU resourcing model.

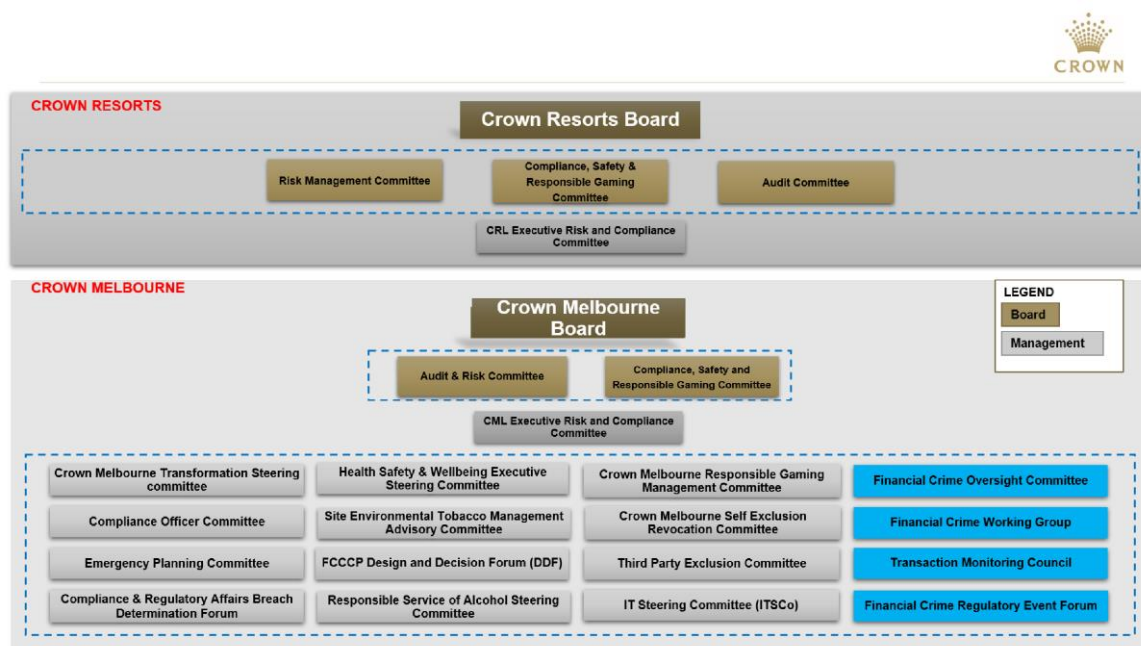
Financial crime oversight

Crown's Financial Crime team ultimately reports to the Crown Resorts Board and CEO, and to each Crown entity Board within the Designated Business Group.

The Financial Crime team also reports to the Crown Resorts Risk Management Committee and the FCOC, and participates in the FCWG, the TMC and the Financial Crime Breach Determination Forum (which was formerly called the Financial Crime Regulatory Event Forum, but was renamed in June 2022).

Figure 12 highlights the financial crime components of Crown's Board and management committee structure and illustrates reporting lines via the Executive Risk and Compliance Committee (ERCC) up to the various Boards.

Figure 12. Board and management committee structure as at 14 October 2022



Note: FC&C governance committees are highlighted in blue.

Source: Crown Board and Management Committees, version 5, provided on 18 November 2022.

Oversight at Board level

Financial crime is an agenda item for each Crown Resorts and Crown Melbourne Board meeting. Typically, the agenda includes updates from:

- the Group Executive General Manager – Financial Crime Risk in relation to the implementation of the AML/CTF recommendations set out in external reports and (when relevant) updates to the Joint AML/CTF Program
- the Group Executive General Manager – FC&C Operations in relation to Risk Operations and Solutions matters, including updates on FCCCP progress

Both the Executive General Manager – Risk Operations and Solutions and the Executive General Manager – Financial Crime Risk have independently advised the OSM that Board members are engaged and active in presentations and discussions regarding financial crime matters. The Special Manager and the OSM have attended Board meetings and their observations support this view.

The OSM notes that the Crown Melbourne Board has a standing agenda item for the Executive General Manager – Financial Crime Risk to provide an update in relation to AML/CTF and Joint AML/CTF Program compliance. This includes discussion regarding any investigations and regulatory compliance engagement with AUSTRAC, updates to the Joint AML/CTF Program and Policy, the EWRA, AML/CTF obligations and any outstanding issues-related obligations, the AML/CTF Compliance Officer’s assessment of compliance effectiveness, and other status updates.

Further, the Group Executive General Manager – Risk Operations and Solutions also provides updates to the Board on the progress of the FCCCP, which includes monthly Financial Crime Operations dashboards that report progress on matters such as:

- FCCCP deliverable milestones
- Project DeLorean.

The OSM considers that Board members could benefit from more qualitative material to support the dashboard information, as the performance statistics in isolation do not always convey a complete picture.

The OSM has confirmed that during 2022, all current Board members received AML/CTF Board training facilitated by both the Executive General Manager – Financial Crime Risk and the General Manager – Financial Crime Advisory, either face-to-face or virtually. In addition, as at 15 November 2022,¹³¹ all current Board members except one¹³² have completed AML/CTF risk awareness training via the standard online training module.

In regard to Board capability in the financial crime domain, a number of Crown Melbourne Board members have had previous experience with financial crime risk management. In particular, Mr Stephen Revell has had a role with the International Bar Association AML Forum and has assisted in drafting AML legislation in foreign jurisdictions. In addition, the OSM notes that Mr Ian Silk and Ms Helen Silver AO bring financial crime experience from their previous senior roles in financial services.

In addition to Board oversight, the FCOC – which consists of the senior leadership of Crown, including the Group CEO and the CEO of each property – provides oversight of the Joint AML/CTF Program. At each meeting the FCOC reviews and discusses issues or concerns pertaining to:

- AML/CTF obligations dashboards
- Financial Crime Operations dashboards
- Financial Crime Intelligence Unit (FCIU), Financial Crime Operations, Risk and Assurance updates
- COO and CEO updates for each property
- FCCCP progress updates
- The AML/CTF Compliance Officer's qualitative assessment of the Joint AML/CTF Program's effectiveness
- FCWG updates and matters for escalation and decision.

The comprehensive pack tabled at the FCOC provides the OSM with some confidence that Crown has appropriate oversight measures in place and that, where non-compliance is identified, mechanisms exist for such incidents to be appropriately escalated. The OSM has observed senior executives actively participating in FCOC meetings.

¹³¹ Email from Armina Antoniou to the OSM, 15 November 2022.

¹³² The OSM understands this person has been followed up about completing the online module.

Oversight at executive management level

The OSM notes that financial crime matters, although not a standing agenda item, have periodically been dealt with at monthly ERCC meetings. In this regard, section 7 of the ERCC Charter states that:

[the] Crown Melbourne ERCC does not have primary responsibility for oversight of the management of financial crime risk at the Crown Melbourne casino. That responsibility lies with the Financial Crime Oversight Committee (FCOC). Although the matters under consideration by the Crown Melbourne ERCC and the FCOC may intersect from time to time, the FCOC is ultimately responsible for that oversight.¹³³

As Figure 12 shows, financial crime oversight is supported by four financial crime committees, each of which is governed by an approved charter.

During this reporting period, OSM representatives attended relevant financial crime committee meetings. The OSM considers that Crown has made significant improvement to its reporting at these committees, including but not limited to:

- dashboard functionality, noting that these reports will require ongoing refinement to allow appropriate analysis of what is being reported
- FCIU assessments
- management of the UAR backlog (for example, the backlog of 'High+' and 'High' UARs has been cleared) and the ongoing meeting of 'High+' and 'High' UARs within SLA timeframes
- identification of AML/CTF obligations for each relevant business unit and the oversight and management of these obligations
- development and management of transaction monitoring rules.

An area for improvement for Crown is the distribution of meeting information packs to committee members in a timely manner. The OSM will monitor Crown's progress in addressing this.

Summary

In summary, based on its observations to date, the OSM is satisfied that financial crime matters are currently subject to an appropriate level of oversight at executive management and Board level.

7.2.5 Compliance with Joint AML/CTF Program and effectiveness of Board oversight

Program compliance

Crown undertook a significant re-draft of its Joint AML/CTF Program in late 2021, which was approved by the Crown Resorts Board and subsidiary Boards in December 2021 and January 2022 respectively.

¹³³ Papers of ERCC meeting held 16 August 2022, Section 7, pp. 19–20.

The 2021 Part A Program underwent additional enhancements in 2022, including changes to wording describing Crown’s risk-based approach, employee due diligence, OCDD and AUSTRAC feedback. These changes were partly based on new controls introduced in 2022 as a result of recommendations from Crown’s Risk Assurance team.

The updated Part A Program was approved by the Crown Resorts Board and relevant subsidiary Boards, including the Crown Melbourne Board, in their September 2022 meetings. The revised Joint AML/CTF Program became effective from 1 November 2022.

Redacted

Redacted

Redacted

A comprehensive AML/CTF risk assessment is the foundation of the Program. It must demonstrate that it is able to identify, mitigate and manage the risks that Crown may reasonably face.

Redacted

Redacted the OSM is not in a position to assess the program’s compliance until the 2022 EWRA is finalised, and the program is aligned to this EWRA.

Crown has indicated that it will not be able to fully demonstrate the operating effectiveness of its Part A Program until it has undertaken all risk assessment and implemented relevant controls.

The OSM will continue to monitor any program changes that are introduced as Crown designs, implements and embeds the required risk assessment elements and associated policies, procedures and controls.

The OSM notes that Crown has engaged an external party to undertake an independent review of its Part A and Part B Program and to report its findings by April 2023.¹³⁴ The OSM will consider the outcome of the review and any resulting recommendations in respect of the Joint AML/CTF Program’s compliance in the next reporting period.

7.2.6 Information sharing with state and federal law enforcement

The Finkelstein Report made the following recommendations in respect of information sharing with state and federal law enforcement:¹³⁵

It is recommended that a direction be given to Crown Melbourne pursuant to section 23(1) of the Casino Control Act to the effect that it enter into an information sharing protocol with Victoria Police. The protocol must set out, to the satisfaction of Victoria Police, the information-sharing arrangements between Crown Melbourne and Victoria Police, which against the background of what Victoria Police needs, prescribes what information

¹³⁴ FCOC Pack, November 2022, p. 20.

¹³⁵ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 18, recommendations 4 and 5.

Crown Melbourne must provide, and the format and timeframes for the provision of that information.

It is recommended that the regulator, if it deems appropriate, give a direction to Crown Melbourne pursuant to section 23(1) of the Casino Control Act to the effect that Crown Melbourne enter into a similar arrangement with the Australian Criminal Intelligence Commission and the Australian Federal Police.

In response to these recommendations, Crown has developed draft Memoranda of Understanding with both Victoria Police and the Australian Federal Police, respectively. The OSM notes that the agreement with Victoria Police is a 'Letter of Agreement', execution of which was endorsed at the Board meeting on 7 December 2022. The OSM will continue to monitor the development of these arrangements.

As noted in the Special Manager's June 2022 interim report, Crown has agreed a Memorandum of Understanding (MOU) with the Australian Criminal Intelligence Commission (ACIC).

7.2.7 Prohibition of junkets

The Finkelstein Report made the following recommendation in respect of junkets:¹³⁶

It is recommended that the Casino Control Act be amended to prohibit a casino operator from dealing with junket tour operators.

The OSM notes that Crown has since banned junket operators and that in May 2022, Crown's FCIU started work to identify and understand alternative practices that may arise, such as 'pseudo-junkets'. In the FCIU's paper presented to the FCWG,¹³⁷ it noted that pseudo-junkets provide a full-service (or partial) alternative to traditional junket arrangements and are vulnerable to infiltration and exploitation by transnational serious organised crime groups.

In May 2022, the FCIU delivered an interim assessment of emerging VIP customer acquisition practices. It found that:

[p]seudo-junkets are more likely to be established by former junket representatives or ex-VIP business casino employees, applying their industry expertise and key contacts to facilitate casino patronage for high-net-worth individuals.¹³⁸

The FCIU continues to research and investigate how pseudo-junkets may manifest to inform Crown's ability to detect such activity. Crown has recently delivered training to its Sydney employees in identifying behaviours that may indicate the presence of pseudo-junkets. The OSM notes that the Crown Resorts CEO has directed that this training also be delivered to relevant Crown Melbourne employees.¹³⁹

The OSM will monitor the delivery of the AML/CTF training in Melbourne and any plan by Crown to return to the international premium business to understand how Crown intends to mitigate the risk of financial crime. Refer to the snapshot in relation to the international premium player program in section 4.2.5.

¹³⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 18, recommendation 8.

¹³⁷ Papers of FCWG meeting held 29 June 2022, p. 22.

¹³⁸ Financial Crime Investigation Unit, Report into Emerging VIP Acquisition Practices, 31 May 2022.

¹³⁹ Papers of FCOC meeting held 22 November 2022.

7.2.8 Internal control statements

Under Part 9 of the Casino Control Act, Casino Internal Controls, a casino operator must not conduct operations in the casino unless the VGCCC has approved in writing a system of internal controls and administrative and accounting procedures for the casino, known as internal control statements (ICSs).¹⁴⁰

Crown currently has 15 ICSs that address a range of systems and controls, including for example those relating to Cage operations, cheque cashing and credit facilities, various gaming operations, surveillance and internal audit. Many if not all of these systems and controls affect financial crime risk management.

Following an independent investigation by Dr Ian Freckleton AO, KC on behalf of the VGCLR in late 2021, the VGCLR required 10 of the 15 ICSs to be amended. The required changes also took into consideration allegations raised in the media regarding junket operations and related issues identified in the Bergin and Finkelstein inquiries, and the Freckleton investigation. In accordance with the regulator's requirements, Crown is making these amendments in four tranches; tranches 1 to 3 have been completed and approved by the Commission. Tranche 4 is with the VGCCC for review prior to final approval.

The OSM will review and evaluate, where relevant, standard operating procedures that support the ICSs.

7.3 Focus of the OSM for the next reporting period

In the future reporting periods, the OSM will be adopting the assessment framework set out in section 2.4 to assess the progress of Crown's financial crime reform in terms of effectiveness and sustainability.

In particular, the OSM will also continue to assess Crown's effective implementation of:

- FCCCP action items
- remaining recommendations from the external experts.

The OSM will continue to monitor and assess:

- Crown's financial crime budget and resources
- the effectiveness of Crown's Joint AML/CTF Program
- Crown's compliance with its Joint AML/CTF Program
- any internal or external audits conducted on any part of Crown Melbourne's Joint AML/CTF Program and evaluate whether any non-compliance identified has been remedied
- the effectiveness of Crown's information sharing with state and federal law enforcement agencies.

¹⁴⁰ Section 121, Approved system of controls and procedures to be implemented.

8. Governance, risk and compliance

8.1 Overview

The Finkelstein Royal Commission, Bergin Inquiry and Owen Royal Commission each identified significant deficiencies in Crown's overall corporate governance, risk and compliance (GRC). 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 was reaffirmed in Crown's recently completed root cause analysis as noted in section 8.2.1 and previously discussed in section 3.4.4.

Crown Melbourne has committed to various MRAP and other activities aimed at uplifting its policy frameworks, risk management, and compliance frameworks and systems (including obligations mapping). Together, these activities aim to ensure that Crown Melbourne's legislative, contractual and policy obligations are clear and understood across the business, and there are appropriate processes and systems for managing risk and compliance.

Throughout this reporting period, the OSM has maintained regular engagement with key senior managers responsible for designing and driving the uplift of these key areas, namely the Group General Manager – Risk, and Group Executive General Manager – Compliance and Regulatory Affairs. The OSM has also reviewed papers and observed various Board and management committee meetings with a focus on risk management and compliance, including Crown Melbourne's Transformation Steering Committee, Risk Committee, ERCC and Compliance Officer Committee, and relevant committees under the pre-Blackstone Inc. governance structure.

Crown has made steady progress with its various 'uplift' activities, but much remains to be done for these systems to be fully implemented and operational. Accordingly, it is not yet possible for the OSM to assess the extent to which Crown is adequately managing risk and compliance.

This section provides an overview of Crown's current progress with implementing the key policy, risk management and compliance uplift programs – namely the Policy Uplift Program, the Risk Uplift Plan and the Compliance Uplift Program. In addition to monitoring these major uplift programs, Section 9 provides information on the OSM's monitoring and assessment of Crown's 'current operations' related to GRC as part of the Special Manager's broader responsibilities.

In future reporting periods, the OSM will be adopting the assessment framework set out in section 2.4 to assess the progress of Crown's governance, risk and compliance uplift activities in terms of effectiveness and sustainability.

8.2 Background

Appendix I of the Finkelstein Report requires the Special Manager to review whether Crown Melbourne is complying with its legislative and contractual obligations and has implemented various recommendations aimed at improving its approach to risk management, including whether:

- Crown Melbourne has conducted a suitable root cause analysis

- Crown Melbourne has implemented, completely and effectively, the recommendations of Mr Peter Deans (a risk management expert who provided advice to the Finkelstein Royal Commission) in relation to Crown’s Risk Management Strategy (RMS) and RAS
- an external review has been undertaken of the robustness and effectiveness of Crown Melbourne’s Risk Management Framework (RMF), systems and processes.

8.2.1 Root cause analysis

Crown has completed a root cause analysis. It attributes the root cause of Crown’s failures to ‘a culture that prioritised revenue and profit over risk management and regulations and customer welfare’,¹⁴¹ which had manifested itself in failures in three core elements of risk and compliance management:

- risk awareness and appreciation
- governance and accountability
- capability, capacity and controls.

These elements are all critical for a sound risk culture. The OSM’s analysis of Crown’s root cause analysis is set out in section 3.4.4.

8.2.2 Recommendations of Mr Peter Deans

The OSM has verified that Crown has actioned all of Mr Deans’ recommendations. Crown has also retained Mr Deans to further enhance the RMS and RAS to achieve better practice. The OSM has further verified that:

- Crown has revised the RMF and RAS to address the recommendations of Mr Deans and has presented these to the Board¹⁴²
- Crown has established new charters containing Mr Deans’ recommended enhancements, and these have been approved by the Crown Resorts Board.

8.2.3 External review of Crown Melbourne’s Risk Management Framework, systems and processes

With the commencement of a new Group General Manager – Risk, Crown has taken the opportunity to rebuild the RMF (attached at Appendix 1, Document 1.9) and related artefacts from the ground up. This has resulted in delays to the implementation of the Risk Uplift Plan and a reframing of implementation timeframes targeting completion by the end of March 2023. The RMF and RAS Policy was approved by the Crown Resorts Board on 20 September 2022.

Given the delay in implementation of the Risk Uplift Plan activities, Crown has postponed engaging an external party to independently review its RMF, systems and processes. The OSM expects this review to commence in mid-2023 – after the Risk Uplift Plan has been in place long enough for the review to be meaningful.

¹⁴¹ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022, p. 7.

¹⁴² The Crown Resorts Board approved the RMF and RAS on 13 May 2022 and Crown Melbourne Board was advised of this on 3 June 2022. The Crown Resorts Board approved subsequent revisions to these documents on 20 September 2022.

8.3 Policy Uplift Program

8.3.1 Design of the Policy Uplift Program

As part of the MRAP,¹⁴³ Crown has committed to a Policy Uplift Program that aims to rationalise existing policies, creating consistency and improving governance and compliance across the organisation. Most policies will be set at the Group level and expected to set out consistent expectations for all employees, customers and suppliers. The Policy Uplift Program is being managed by the Compliance and Regulatory Affairs Group through the Group Executive General Manager – Compliance and Regulatory Affairs.

Crown has completed Policy Uplift Program Phase 1, the design phase, which focuses on understanding the existing policy environment at Crown and designing the intended future state policy. As a result, the target number of policies applying to Crown Melbourne was reduced from 154 to 61. PwC was engaged to design a target state framework which was reviewed and finalised by relevant stakeholders and approved by the then CRO. As part of implementation closure, uplifted policies will need to be reviewed and approved by policy owners.

The Policy Uplift Program seeks to achieve greater streamlining and consistency in policies across the Crown Group. However, the internal audit function continues to identify standards, policies and procedures as the key root cause of failures.¹⁴⁴ Key themes and observations from audit activity undertaken in this reporting period include:

- Business units continue to operate in siloes which, among other things, is creating gaps in the effectiveness of policies and procedures. Where operational policies and procedures intersect with overarching frameworks (such as privacy, AML/CTF requirements, and information security) there is a lack of clarity regarding who is responsible and accountable for the accuracy of the technical information and ensuring compliance with those requirements.
- There is no overarching ‘hierarchy’ to provide guidance on how policies, regulatory documents (for example, ICSs, ICMs) and other guidelines interact. Nor is there clarity on what each document’s intended outcome is and how the controls and requirements within these documents are effectively monitored for compliance.¹⁴⁵

The Internal Audit team is finalising a report examining Policy Uplift Program governance. The OSM understands that this internal audit has questioned whether the Policy Uplift Program will be sufficient to address underlying weaknesses and gaps in Crown’s overall approach.¹⁴⁶

Crown will need to do further work, concurrently with policy implementation, to:

- review the new suite of policies to ensure that they are clear and consistent with better practice
- ensure policies are updated as obligations mapping is completed
- address any findings arising from the internal audit of the Policy Uplift Program governance.

¹⁴³ The Policy Uplift Program is also a key deliverable on the ARAP.

¹⁴⁴ Crown Melbourne Audit and Risk Committee, Internal Audit Activity Report, 8 September 2022, p. 6.

¹⁴⁵ Information provided by Group General Manager – Internal Audit to the OSM, 24 November 2022. Documentation of controls is one of the four pillars within the implementation closure criteria due in February 2023.

¹⁴⁶ Crown Melbourne Audit and Risk Committee, Internal Audit Activity Report, 8 September 2022, p. 6.

8.3.2 Implementation of the Policy Uplift Program

Crown has commenced Phase 2 of the Policy Uplift Program, which is the implementation phase. Phase 2 involves uplifting the existing policy environment to meet the agreed target state. The Phase 2 finalisation and release of policies is being undertaken in four waves to be completed by March 2023.

Crown has made steady progress with this work. By 30 June 2022, it had finalised and released seven priority Wave 1 policies. By 30 September 2022, it had also finalised and released 13 Wave 2 policies, but these did not include the Compliance Policy and the Anti-bribery and Corruption Policy and Whistleblower Policy, which were approved by the Crown Resorts Board in December 2022.¹⁴⁷

A further 35 policies are yet to be finalised and released as part of Wave 3 and Wave 4. Wave 3 is expected to be finalised and released by the end of December 2022, and Wave 4 is expected to be finalised and released by the end of February 2023.

Wave 1 and Wave 2 policies have been centralised and posted on SharePoint, initial high-level communications have been issued to all employees informing them of the new policies and how to access them, and old policies have been decommissioned. Full implementation of each policy is currently scheduled for 28 February 2023. However, Crown is seeking to delay this to 30 June 2023 as a result of closure criteria re-baselining. As part of re-baselining activities across all work streams, Crown has performed a health-check assessment of implementation and embedment closure criteria. The health check uncovered a need for more work across the implementation phase of specific policies as well as a more granular plan supporting embedment.

Full implementation of the Policy Uplift Program policies is expected to include:

- approval of procedures so that the policies can be operationalised
- design of critical controls to support employees to comply with their obligations under the policies
- establishment of governance and reporting elements, including any associated policy implementation timeframes, to support operationalisation of the policies
- initial communication to alert employees of new or updated policies, including making them aware of changes to their obligations because of the new or updated policies.

Timely communication and training in relation to the new policies is particularly critical to ensuring that employees understand their obligations and that effective controls are in place to maximise compliance. This, together with the design of critical controls to support employees to comply with their obligations under the policies, will be essential to ensuring that policy failures consistently identified through external inquiries and internal audits are effectively addressed.

As part of its embed phase of the Policy Uplift Program, Crown proposes to meet with policy owners to undertake a 'health check' against implementation criteria to ensure that Crown employees have received an appropriate level of communications and training in relation to the uplifted policies. Crown will also collect the necessary evidence to demonstrate and assure itself that the uplifted policies have been implemented effectively.

¹⁴⁷ Crown Resorts Anti-Bribery and Corruption Policy, and Crown Resorts Compliance Framework, as presented to the Crown Resorts Board, 7 December 2022.

The OSM will continue to monitor Crown's progress in implementing the uplifted policies, including the design of effective controls supporting the policies and the effectiveness of communications and training.

8.3.3 Policy Management Framework

In addition to developing revised policies, Crown has developed a Policy Management Framework (PMF), attached at Appendix 1, Document 1.10. The PMF is an important document that sets out how policies will be developed, implemented, reviewed and approved, as well as responsibilities of policy owners, policy approvers and the Compliance and Regulatory Affairs Group.

Among other things, the PMF indicates that the approval process related to Crown policies will be overseen by Crown's Chief Legal and Compliance Officer and managed by the Compliance and Regulatory Affairs team.¹⁴⁸ It further indicates that:

- the nature of the policy will determine who approves a new policy or approves changes to an existing policy
- key risk policies (namely those required by a regulator or legislation) will require final approval from the Crown Resorts Board, and these policies will be reviewed at least annually
- all other Group Policies will receive final approval from the Crown Resorts Executive Risk and Compliance Committee, and will be reviewed at least every two years
- Crown's Chief Legal and Compliance Officer has the discretion to refer any Group Policy to the Property Boards or the Crown Resorts Board for approval.

Following feedback from the OSM, the PMF now identifies nine key policies that are expected to be approved by the Crown Resorts Board and also indicates which policies need to be endorsed by either property Boards or property based Executive Risk and Compliance Committees.¹⁴⁹ The OSM notes that the Crown Resorts and Crown Melbourne Boards both approved the Responsible Gaming Policy in December 2022, and it would be appropriate for this policy to be included in the list of key policies that require Board rather than management approval, given its strategic importance to Crown's operations.

The PMF was approved by both the Crown Resorts and Crown Melbourne Boards in December 2022. Several key policies identified in the PMF were approved by the Crown Resorts Board in December 2022,¹⁵⁰ and these have also been approved (rather than endorsed) by the Crown Melbourne Board. An exception is the Anti-bribery and Corruption Policy, which is yet to be presented to the Crown Melbourne Board.

¹⁴⁸ Crown Resorts, Crown Resorts Policy Management Framework, as presented to the Crown Resorts Board, Agenda Item 13.1, 7 December 2022.

¹⁴⁹ The Crown Resorts Board is expected to provide final approval for policies related to anti-bribery and corruption, board governance and suitability, conflict of interest and whistleblower protection, as well as the Code of Conduct, Compliance Framework, Joint AML/CTF Program, PMF, Risk and Controls Framework, RAS and RMF.

¹⁵⁰ At its meeting on 7 December 2022, the Crown Resorts Board approved policies related to anti-bribery and corruption and whistleblower protection and its Code of Conduct, Compliance Framework and PMF. It had approved the RMF and RAS at its meetings in June and September 2022.

8.3.4 Evidence of embedded change

Crown's Internal Audit team notes that non-compliance or insufficient policies and procedures are a recurring theme in audits performed to date in 2022.¹⁵¹

Given the Policy Uplift Program implementation is still in progress, and only 20 of the 61 target state policies have been finalised, it is too early to assess whether the new policy framework is driving improved awareness and consistency of policy obligations across the business. The full implementation of the new policies will require supporting procedures to be identified, controls to be assessed, governance and reporting to be established, and effective communications and training to be provided to all employees.

As noted in section 8.3.1, beyond finalisation of the Policy Uplift Program, policy owners will need to ensure policies are updated as obligation mapping is completed. They will also need to move beyond consolidation and rationalisation, and review and align the new suite of policies to better practice. To emphasise this obligation, the PMF requires policy owners to review policies at least every two years.

8.4 Risk management

8.4.1 Methodology: the three lines of defence

As discussed in section 8.1, Crown is progressing a Risk Uplift Plan. This is aimed at significantly enhancing Crown's approach to risk management across the business.

Crown has committed to adopting a three lines of defence (3LOD) model across all its operations. The following parties undertake the key responsibilities under Crown's 3LOD:

- Line 1: All frontline employees
- Line 2: Risk management function
- Line 3: Internal audit function, CEO, executives and senior management.

In assessing the 3LOD model, the OSM has considered whether at a minimum:

- Line 1 is clear about its role and accountabilities for managing risks.
- Line 2 is properly resourced and provides sufficient support and assurance to Line 1 so that Line 1 both understands and applies its responsibilities in a manner that manages risk effectively.
- Line 3 is appropriately resourced and targets internal audit to the areas of key risk.

Crown's RMF describes in detail the key responsibilities for each of the 3LOD at Crown, including the key responsibilities for the CEO, executives and senior management, and all other employees. However, as noted in section 8.2.3, Crown's implementation of the Risk Uplift Plan is still in progress. Crown's Internal Audit team also notes that risk maturity and ownership – including risk and control accountability and ownership – require greater focus, as well as increased awareness and training.¹⁵² The Risk Uplift Plan will help to address this, but there is a lack of clarity in the interim.

¹⁵¹ Internal Audit Activity Report, as presented to Crown Melbourne Audit and Risk Committee, 8 September 2022, p. 88.

¹⁵² Internal Audit Activity Report, May – July 2022, as presented to the Crown Melbourne Audit and Risk Committee, 8 September 2022, p. 6.

Line 1: All frontline employees

It is not currently possible for the OSM to assess the effectiveness of Line 1 because:

- obligations mapping across the business is continuing and is not expected to be completed until March 2023
- policies, processes, systems and internal controls are still being developed to effectively identify, assess, manage and monitor the risks faced by the organisation
- work is underway but not concluded to develop accurate, complete and up-to-date risk profiles for specific lines of business
- reporting of risks is still at a rudimentary level and, to date, has only been through one Board cycle
- monitoring processes are yet to be fully established by Line 2 because the Risk Management team has not been fully resourced, as outlined in the next section.

As the Risk Uplift Plan enhancements continue to be implemented, Risk team resources are hired and the risk model matures, the OSM expects to see greater evidence of the effectiveness of Line 1 in managing risks through 2023 and beyond.

Line 2: Risk management function

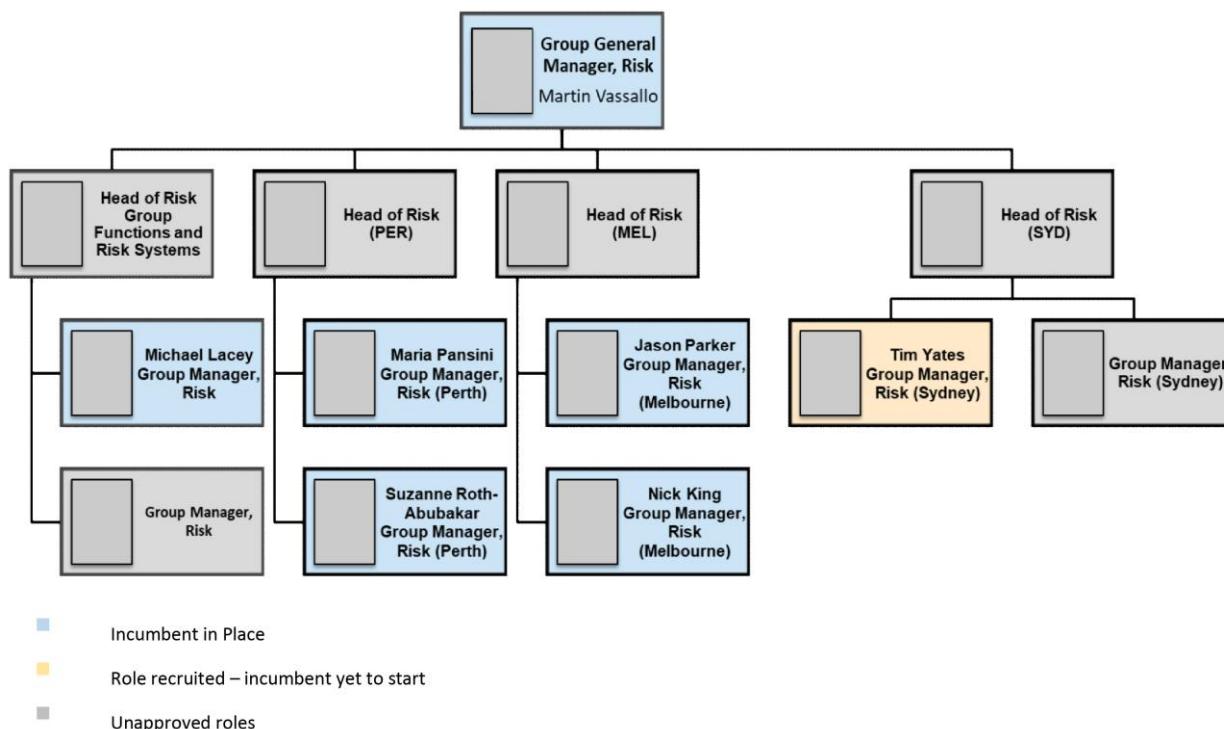
The risk management function at Crown has undergone significant change over the past 12 months, both in its structure and resourcing. In October 2021, the former CRO departed and in December 2021 Mr Steven Blackburn was appointed as the new CRO. In October 2022, Mr Blackburn departed Crown, and the CRO role was subsumed into the new Chief Legal and Compliance Officer role, held by Mr Anthony Pearl.

In late March 2022, the then CEO approved a proposed restructure of the risk management function that contemplated, among other things, the hiring of a new Group General Manager – Risk and 13 FTE roles. Crown filled seven roles prior to the pausing of further hiring in April 2022.

When the new Group General Manager – Risk, Mr Martin Vassallo, commenced in his role in June 2022, he inherited a proposed Risk team structure that adopted a centralised/horizontal approach to delivering the risk management function, with a Head of Risk across all properties. He proposed an alternative structure, with a Head of Risk for each property (including for Betfair) reporting to him. The revised model was aimed at fostering greater engagement and relationships with Line 1 at a local property level.

Figure 13 illustrates the current structure and resourcing of the risk management function.

Figure 13. Crown Resorts risk management function



Source: Crown Melbourne, Audit and Risk Committee, Papers, 8 September 2022, p. 136 (photo removed by the OSM).

In September 2022, the risk management function received approval to recruit the remaining six roles required for the proposed structure, including a critical senior Head of Risk position in each of the three Crown properties. This recruitment is now underway, and Crown expects to fill these roles by the new year.

The former CRO and current Group General Manager – Risk had focused on enhancing the RMF and RAS, progressing the Risk Uplift Plan, and meeting MRAP and ARAP requirements. The lack of Risk team resources has reduced the capacity of the risk management function to both engage with and support the business, and to deliver on MRAP and ARAP commitments. Given the ongoing focus on improving risk management, the ability to have an effective Line 2 function remains a challenge.

Other Line 2 risk functions are financial crime risk and risk assurance. Each risk function operates independently, although all report to the Chief Legal and Compliance Officer. While there is potential for role confusion and siloed operations across these risk functions, Crown has advised the OSM that the leaders of each function liaise with each other (and with the Internal Audit team) on matters of joint interest to address this.

Financial crime risk

The financial crime risk function is solely focused on providing Line 2 support and advice with respect to the management of financial crime risk; that is, AML/CTF, anti-bribery and corruption, and sanctions compliance. The financial crime risk function is responsible for, inter alia, undertaking Crown’s financial crime EWRA, developing and maintaining Crown’s AML/CTF Program, and maintaining Crown’s relationship with AUSTRAC.

Risk assurance

The risk assurance function – formerly financial crime and compliance assurance – provides Line 2 support primarily directed at mapping Crown’s various obligations and undertaking controls effectiveness testing across the enterprise. Given this role, the OSM considers risk assurance to be an important element of Crown’s Line 2. During this reporting period, the OSM has observed the risk assurance function providing effective support to Line 1.

Line 3: Internal audit function

Crown’s internal audit function represents the crucial third line of defence in the 3LOD framework. Crown’s revised Internal Audit Charter recognises the internal audit function’s independence from management, and its role in providing independent and objective advice to senior management and the Board on the adequacy and effectiveness of the corporation’s governance and risk management.¹⁵³

The Group General Manager – Internal Audit commenced in May 2021 and has since focused on enhancing the capacity, capability and rigour of internal audit activities, including by:¹⁵⁴

- broadening the scope of audit work to cover IT risk and external expert assistance; for example, for AML/CTF audits and the effectiveness reviews of Line 2 assurance providers
- improving the link between the Risk Register and Internal Audit Plan
- recruiting additional capability related to IT audit, investigations and data analytics
- engaging Ernst & Young as a co-source internal audit partner to provide additional capacity, opportunities for internal capability development and specialist audit support
- developing a process to improve implementation of internal audit recommendations
- changing the internal audit activity reporting to be more specific and relevant to the individual subsidiaries.

The Group General Manager – Internal Audit has a dual reporting line, functionally reporting to the Crown Resorts Audit and Corporate Governance Committee Chair and administratively reporting to the Crown Resorts CFO.¹⁵⁵ This position also has dotted-line reporting responsibilities to the Chairs of subsidiary Audit and Risk Committees as those responsibilities relate to their properties and remit. The Group General Manager – Internal Audit has direct and unlimited access to all Boards across the Group, including any subcommittees and the CEOs.

The Internal Audit team has increased its capacity and capability over the last 18 months. Between January 2021 and August 2022, the Internal Audit team dedicated to Melbourne audits has increased from 3.5 to 13 FTE employees.

¹⁵³ Crown Resorts, Internal Audit Charter (draft), as presented to the Crown Melbourne Audit and Risk Committee, 8 September 2022.

¹⁵⁴ Ms Jessica Ottner, Witness Statement to Perth Casino Royal Commission, as amended 27 October 2021, p. 15.

¹⁵⁵ Crown Resorts, Internal Audit Charter (draft), as presented to the Crown Melbourne Audit and Risk Committee, 8 September 2022.

The OSM considers that the size of the Internal Audit team is appropriate for a business of this scale and risk profile. The 2023 financial year Internal Audit Plan includes 23 Crown Melbourne audits and 15 Crown Resorts audits, including audits of subsidiary properties. The program for the 2023 financial year assumes 1,359 available audit days for Crown Melbourne, comprised of 1,204 internal days and 155 co-source (Ernst & Young) days. This does not include Line 3 assurance over the MRAP or the root cause analysis, which has been overseen by internal audit and funded separately.

Crown Melbourne has allocated its co-source budget to assist with audits that require subject matter expertise, including audits focused on financial crime. As part of the 2023 financial year Internal Audit Strategy, the Internal Audit team has advised the OSM it has undertaken initial training in financial crime and hopes to begin building additional in-house capacity in this area.

Crown has mapped the Internal Audit Plan for the 2023 financial year broadly to the risk categories outlined in its RMF to ensure that the plan aligns to the risks of each property. It includes a significant focus on regulatory and legal, including financial crime, regulator engagement and compliance, as well as a focus on other key areas of risk.¹⁵⁶ The Internal Audit team maintains a regular dialogue with each of the risk management and assurance function leaders.

During this calendar year, the OSM has observed significant improvement in the quality of internal audit reports and reporting to committees and the Board in relation to the performance of the Internal Audit team, although transparency of report findings would be enhanced by distributing copies of internal audit reports to the Audit and Risk Committee, rather than providing a summary.

The Internal Audit team has commenced quarterly reporting against a balanced scorecard that measures and monitors performance across four key areas: quality and timelines, team, stakeholder engagement, and value and innovation. It has identified measures and targets relevant to each of these four areas, including a target of 95 per cent of final reports issued in relation to the financial year 2023 Internal Audit Plan. The OSM notes it will be important for this work to be aligned with broader work being undertaken by the people and culture function to enhance Crown's performance management system.

8.4.2 Risk Uplift Plan

Design of the Risk Uplift Plan

Crown has established a Risk Uplift Plan setting out a range of enhancements intended to deliver improved risk management, including:

- uplifted, operationalised 3LOD with clear roles and accountabilities (see section 8.4.1)
- effective collaboration and dependency management across Line 2 (incorporating risk, compliance, financial crime and RSG)
- a fit-for-purpose operating model for risk management across Crown, resourced with the necessary capabilities
- increased engagement with and input from the Risk team into strategic decision making

¹⁵⁶ Crown Melbourne Audit Committee, Minutes, 31 May 2022, p. 4.

- an updated RAS and reporting that supports it
- an effective Controls Assurance Program (including a risks and controls framework, and Line 2 involvement and oversight)
- linking performance management and remuneration for salaried employees to the management of risk.

The OSM considers the approach and sequencing of activities to uplift Crown's risk management systems and process is appropriate and should ultimately provide a holistic, prioritised and sequenced roadmap for the organisation.

It was originally envisaged that most aspects of the Risk Uplift Plan would be implemented by June 2022, allowing for an independent expert review of the effectiveness of the uplifted frameworks and practice to take place within the current reporting period, as recommended by the Finkelstein Royal Commission.¹⁵⁷ However, progress in implementing the Risk Uplift Plan over the early part of 2022 was hampered by the lack of Risk team resources, including the position of Group General Manager – Risk, which was vacant at that time.

New Group General Manager – Risk, Mr Vassallo, took the opportunity to review and rebuild the RMF from the ground up, and has made steady progress – building a well-structured, integrated and sequenced program that has generally been delivered as planned. His approach has also given due consideration to developing an effective risk management culture, including by making business units accountable for managing their own risks, supported by the Risk team, and by a coherent RMF and effective risk management tools. However, continuing to drive a risk-focused culture will need to be an important ongoing activity for Crown.

The resulting delays to the implementation of the Risk Uplift Plan have necessitated a reframing of timeframes. The OSM expects the embedding of the Risk Uplift Plan to progress over the course of 2023, with the Archer GRC system (see below) to be rolled out in March 2023, and fully enabled risk profiling and reporting to be completed by June 2023. Progress with implementation of the key elements of the Risk Uplift Plan is further discussed below.

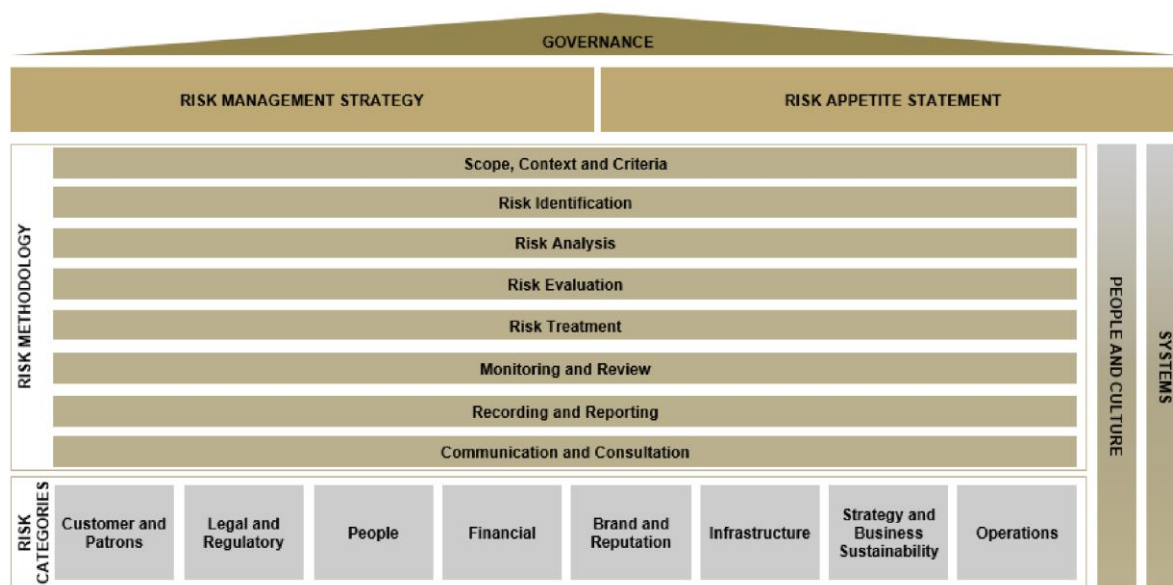
Risk Management Framework

Crown Resorts has developed a RMF (originally referred to as a Risk Management Strategy) that sets out the Group-wide approach to managing risk, and reinforces behaviours designed to create and support a positive risk culture (see Figure 14). It articulates Crown's principles, roles and responsibilities for risk management, and the basic principles that support the identification of management and risk, aligning to International Organization for Standardization ISO31000:2018 – Risk Management.

The RMS and RAS are the key documents defining Crown's approach to managing risk. Since the Finkelstein Royal Commission, Crown has revised the RMS and RAS to address the recommendations of Mr Deans (see section 8.2.2).

¹⁵⁷ The Risk Uplift Plan was originally presented to the Crown Resorts Risk Management Committee for its input in November 2021 by external consultant, Ms Amy Gleeson.

Figure 14. Key elements of Crown’s Risk Management Framework



Source: Crown Resorts Limited, Risk Management Framework, p. 6, as presented to the Crown Resorts Risk Management Committee, Agenda item 4.3.1, 9 September 2022.

Crown has further enhanced the RMS and RAS to incorporate Mr Deans’ additional recommendations, including:

- revising the previous RMS into a standalone RMF and separate RAS (see below), documenting business risks in greater detail
- updating the RMF to include a new risk and controls framework (see below), defining roles and responsibilities for identifying risks and controls across Crown
- establishing a new roles and responsibilities matrix aligning to the 3LOD model (see section 8.4.1)
- including new RMF requirements for controls assessment and effectiveness review to ensure a more comprehensive approach to defining risks and controls across Crown.

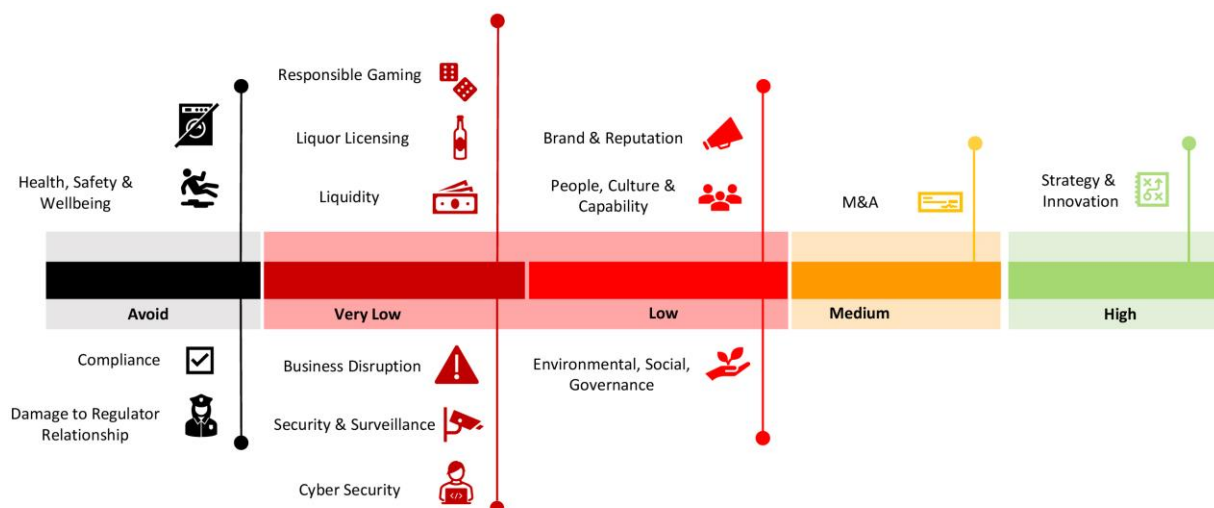
However, at the time of writing this report, neither the RMF (nor the RAS) have been presented, endorsed or approved by the Crown Melbourne Board.

Risk Appetite Statement

Crown’s newly developed enterprise-wide RAS¹⁵⁸ (attached at Appendix 1, Document 1.11) defines its appetite for its material risk categories. It sets limits, triggers and target risk profiles for its material risks. Crown specifies four risk categories where it has no appetite to accept risks and will seek to avoid these risks wherever possible. Figure 15 summarises Crown’s risk appetite tolerances.

¹⁵⁸ Crown’s RAS describes its risk appetite as ‘a balanced one that allows [Crown to take] measured commercial risk as it pursues strategic objectives whilst aiming to manage and minimise risk in its operations’.

Figure 15. Crown's risk appetite continuum



Source: Risk Appetite Statement, as presented to Crown Resorts Risk Management Committee, 9 September 2022, Agenda item 4.3, Figure 2.

The Crown Resorts Board approved a previous version of the RAS in early 2022, with tolerance measures applied against eight material risk categories and 15 subcategories. The Crown Resorts Risk Management Committee endorsed the current RAS in September 2022, and it was approved by the Crown Resorts Board that same month.

Crown is in the process of developing property specific RAS, including a RAS for Crown Melbourne, drawing on the risk profiling work currently being conducted and assisted by risk management expert Mr Peter Deans. As a result, Crown Melbourne is yet to approve its own RAS but is monitoring risk in line with the Crown Resorts approved RAS, metrics and tolerances.

The RAS must be reviewed annually by the Group risk function and Group CRO and endorsed by the RMC for Board approval. It is expected that the Crown Melbourne Board will be presented with a property specific RAS in 2023.

Business unit risk profiling

While risk profiles currently exist for some Crown business units, these have not previously existed across all business units. Crown has commenced a process of reviewing and broadening its risk profiling at each property and across the Group. The approach to risk profiling aims to embed effective risk management into a standard business process, with the ultimate objective of identifying and addressing control gaps before an incident occurs. The resulting data is intended to provide the basis for accurate and insightful risk management reporting.

The risk profiling work at Crown Melbourne commenced in August 2022, assisted by PwC. The OSM understands this will be completed progressively and finalised in February 2023.

The risk function will leverage the data generated through risk profiling to develop property-specific RAS, and to enhance risk reporting, insights and trend analysis – all of which will contribute to remediation of controls and control environments, control testing activities, and accurate risk assessment and change management. Ultimately, the Archer GRC system will facilitate this.

Risk and controls framework

Crown's risk and controls framework defines Crown's approach to managing the identification and analysis of risk in its day-to-day operations. It is aimed at supporting:

- the design and operating effectiveness of Crown's control environment
- the linkage of issues, events and breaches to controls in order to monitor weaknesses or gaps
- maintenance of the risk and controls self-assessments across each operating line of the business
- the adequacy, appropriateness and effectiveness of the activities supporting the RMF
- a culture of risk awareness and accountability.

The framework provides a detailed and functional methodology for how Crown employees will identify, manage and escalate key risks throughout the business, and incorporates a clear process for continuous improvement.

Dashboard reporting

Crown's RAS dashboard covers Crown Group and each of the subsidiary properties, including Crown Melbourne. It applies both qualitative and quantitative measures to each material risk category to support monitoring and reporting against defined risk tolerances.

Where an indicator falls outside tolerance, the relevant accountability owner is responsible for designing action plans to return the exposure to within appetite.

The OSM expects Crown to continue to improve the RAS dashboard with updated measures and reporting, as it further refines individual tolerance measures and indicators. This will take place concurrently with the enhancements developed by Mr Deans, and as business unit risk profiles are established.

Governance, risk and compliance system (Archer)

Crown currently does not have an effective central electronic repository for risk management and compliance data, or a centralised system for capturing, categorising and recording incident data. In early 2022, Crown conducted a sourcing exercise for a new GRC system and selected 'Archer'.

Archer is highly configurable, and supports risk-related data, functions and activities. Once deployed, risk-related activity conducted by Lines 1 and 2 (including incident and breach data capture) can be entered directly into Archer, offering the significant advantage of electronic data capture, categorisation, audit trail and attachment of documentary evidence.

Deployment of Archer is currently scheduled to take place in March 2023, which aligns with Crown's target completion of its risk profiling and control mapping exercise for Internal Control Manuals for each property and Group function.

Cultural change

Crown's root cause analysis identified a deficient risk culture as one of the key contributors to the events that led to the failures described by the Finkelstein Royal Commission.¹⁵⁹

Crown has demonstrated progress in communicating the importance of risk with frontline employees. However, as noted in section 4, the OSM considers that steps taken by Crown to strengthen risk culture and capability are foundational in nature and further work is needed to systemically reinforce a risk culture by clearly articulating risk and compliance expectations for employees in relation to their specific role, broadly incentivising good risk and compliance performance, and building risk and compliance skills and knowledge.

Crown is currently in the process of redesigning its messaging and procedures around risk and speaking up about risk concerns.¹⁶⁰ The OSM has observed that the primary focus has been on the design and implementation of the new systems and processes surrounding risk, and limited progress has been made to implement systemic reinforcement of Crown's aspirational risk culture.

The OSM expects that Crown's focus on greater reporting and the easier management of risk enabled by IT improvements will also support behaviours aligned to Crown's aspirational culture, such as being 'honest and transparent when interacting with everyone'. In the next reporting period, the OSM will monitor Crown's risk reporting training to see if key learnings identified in the root cause analysis have been incorporated and the RMF is understood across the business. The OSM will also assess whether other cultural improvement tools, such as the performance management system, have been sufficiently updated such that they can support a sound risk culture.

Embedding improved risk management

Crown's Board and committees play a critical role in driving a focus on effective risk management, and set the organisation's tolerance for risk. Under Crown's revised governance structure:

- The Crown Resorts Board is ultimately responsible for establishing the approach to managing risk, implementing the necessary frameworks and policies, and setting the risk appetite for the Group business.
- The Crown Resorts Risk Management Committee assists the Board in fulfilling its responsibilities and is expected to recommend changes to the RMF, risk and controls framework, Risk Management Policy and RAS.
- Crown Resorts has delegated authority to the Crown Melbourne Board to oversee risks in relation to its operations, informed by the RMF and the RAS set by the Crown Resorts Board. The Crown Melbourne Board is expected to review and approve its own property-specific risk profile, which is currently in development. The OSM understands that the Crown Melbourne Board will continue to review its RAS bi-annually, and that it will be used to inform the Crown Resorts risk profile. The Crown Melbourne Audit and Risk Committee supports the Crown Melbourne Board in its risk oversight role.

¹⁵⁹ Ernst & Young, *Root Cause Analysis of Issues from the Regulatory Inquiries and Remediation Plan Coverage*, 14 November 2022.

¹⁶⁰ Crown Resorts, Culture Change Program, FY23 Board Deep Dive, 17 October 2022, slide 21: How we position culture.

Crown's implementation of the redesigned risk management function is still in progress, and the OSM does not expect it to be substantively completed until June 2023. While the improvement in risk reporting is continuing, Crown is yet to establish an operating rhythm of Board and committee meetings with a full complement of directors to engage and further drive risk management. As a result, it is too early for the OSM to assess the effectiveness of the new risk management function.

As outlined in section 8.2.3, Crown is expected to undertake an independent expert review of the effectiveness of the RMF. Given delays in Risk Uplift Plan implementation, Crown proposes to delay this review until mid-2023, when all aspects of the RMF will be operational (including Archer and all Line 2 resources).

The scope, methodology and timing of this review will be important to ensure that it can adequately test the effectiveness of what Crown has implemented. The OSM considers that the delay in the review is appropriate given the need for Crown to complete implementation of the Risk Uplift Plan, commence the process of embedding improved risk management across the business, and ensure that it is well aligned with Crown's corporate strategy, which Crown expects to be developed in early 2023.

8.5 Compliance Uplift Program

8.5.1 Obligations mapping and breach protocols

Crown's MRAP includes commitments to undertake an obligations mapping exercise and to improve its breach escalation framework.

As part of this exercise, Crown has identified and prioritised obligations for AML/CTF, RSG and gaming operations to be included in its consolidated obligations register. These obligations are those included in legislation, internal control statements, agreements and internal policies.

The OSM understands Crown has completed a current state assessment for AML/CTF obligations and is nearing completion of a current state assessment for responsible gambling obligations. It has commenced its current state assessment for gaming operations obligations.

The purpose of the current state assessment is to review the processes for managing obligations and how these are documented, assess the effectiveness of controls and identify any gaps, and recommend improvement opportunities. It is expected that Crown will have mapped all obligations by March 2023.

To uplift its breach escalation framework, Crown finalised and released an Issues Management and Breach Reporting Policy, which took effect from 1 July 2022 and is supported by a procedure to help employees navigate policy requirements.

Crown Melbourne has also established a Breach Determination Forum to provide a structured approach and governance to identifying, reviewing and assessing compliance incidents and determining whether they constitute a breach, including a serious breach under section 27A of the Casino Control Act. The forum meets weekly and is chaired by the Group Executive General Manager – Compliance and Regulatory Affairs and attended by the Chief Operating Officer – Group General Counsel and key Crown management responsible for overseeing compliance of gaming machines and table games. Breaches are assigned to the responsible area within Crown for remediation.

The introduction of the forum has coincided with increased reporting of breaches to the VGCCC (as reported in section 9.3.2), and the provision of greater detail related to the identified root cause of breaches and proposed remediation actions.

8.5.2 Compliance framework

As required by the Crown Major Change Approval Deed Poll, Crown has developed a Group Compliance Program comprising a Compliance Framework (attached at Appendix 1, Document 1.12) and a three-year Compliance Strategy (attached at Appendix 1, Document 1.13) under the leadership of Ms Martha Georgiou, Group Executive General Manager – Regulatory Affairs and Compliance.

Crown's Compliance Framework is designed to reflect its values, compliance process and commitment to a culture of compliance. It follows the key principles and guidelines in Australian Standard ISO 37301:2021 – Compliance Management Systems – Guidelines as well as relevant ASX Corporate Governance Principles (which Crown has chosen to adopt). Crown has also had regard to Compliance Frameworks from various institutions across a range of industries including gaming.

The framework comprises 10 compliance elements supported by documented policies, processes and procedures for monitoring and assessing regulatory change, reporting breaches to regulators, upskilling employees, and monitoring and testing compliance with regulatory obligations.

Figure 16 depicts Crown's compliance framework elements.

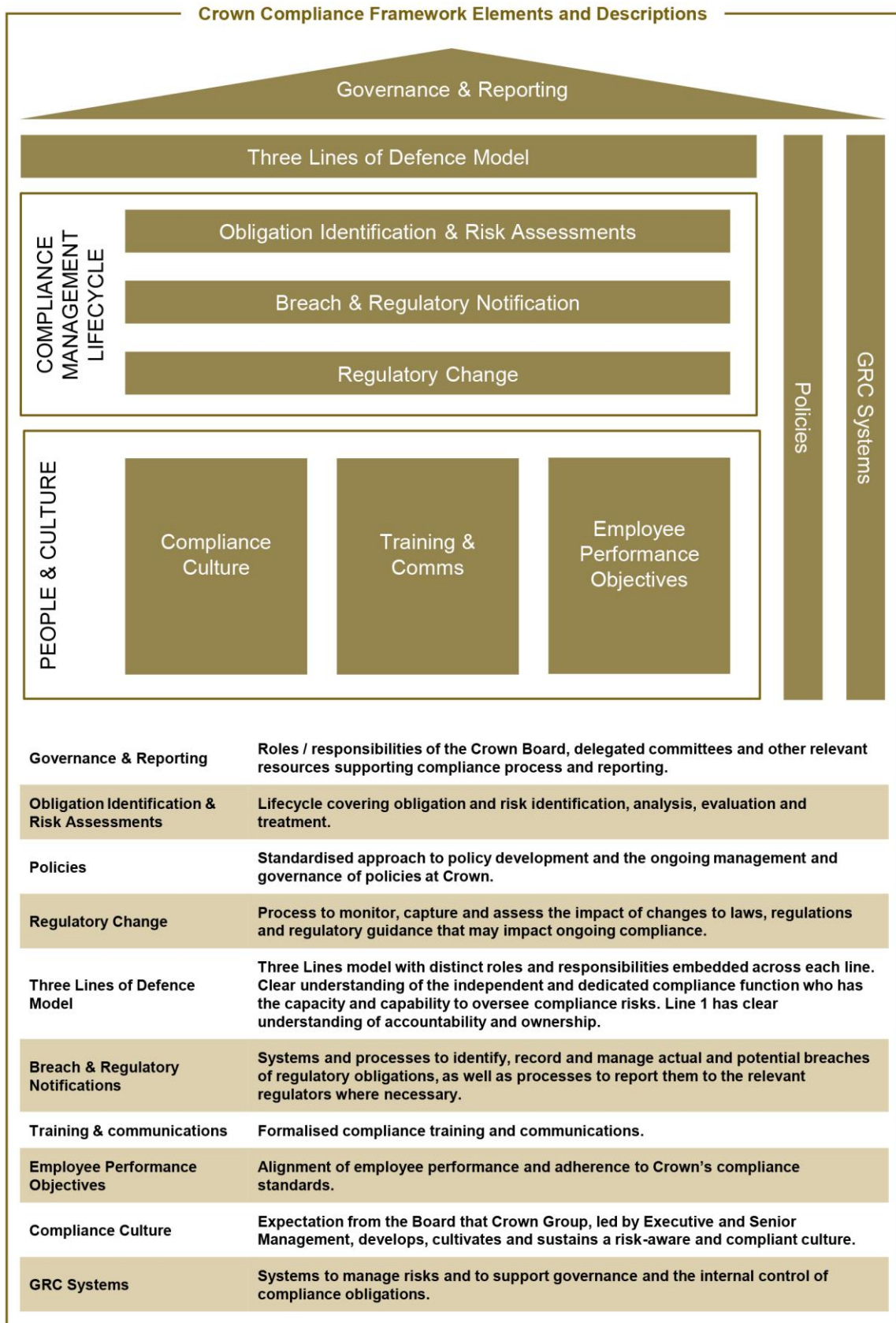
Crown has assessed each of the 10 compliance elements as being at an 'initial' level of maturity.¹⁶¹ Crown's Compliance Strategy targets an 'advanced' state of maturity on all compliance elements and sets out the actions needed to move towards that target level of compliance over a three-year horizon. The Compliance Strategy incorporates several MRAP (and ARAP) remediation commitments and other actions aimed at uplifting compliance capabilities more broadly.

The development of the Compliance Framework and Compliance Strategy is an important initiative aimed at improving Crown's compliance outcomes. The Compliance Strategy clearly sets out the work that Crown needs to undertake in each of its compliance elements to achieve the desired improvement.

Crown shared the draft Compliance Framework and draft Compliance Strategy with regulators in Victoria and New South Wales for comment. The Compliance Framework and Compliance Strategy were presented to the Crown Resorts Board for approval in December 2022.

¹⁶¹ Crown's Compliance Maturity Model identifies four levels of maturity – initial, foundational, advanced and optimal – as well as the features each compliance element would need to display to reach these levels of maturity.

Figure 16. Compliance framework elements



Note: Edited by the OSM for design purposes.

Source: Crown Resorts, Compliance Program – Compliance Strategy, Final Draft, 28 September 2022.

8.5.3 Summary

Crown has made good progress with implementing its Compliance Strategy, including the:

- completion of a maturity self-assessment for compliance elements that has resulted in an operational strategy and set of key actions for Crown to reach its desired target state over the next three years
- identification and prioritisation of the obligations for AML/CTF, RSG and gaming operations that it will include in its consolidated obligations register
- completion of current state assessments for all the AML/CTF obligations, nearing completion of current state assessments for RSG obligations and the commencement of current state assessments for gaming operations obligations
- establishment of a Breach Determination Forum that provides a structured approach and governance to identifying, reviewing and assessing compliance incidents and determining whether they constitute a breach, which has resulted in the improved quality of monitoring and reporting of breaches
- commencement of the implementation phase of its Policy Uplift Program, which involves uplifting the existing policy environment to meet the agreed target state
- development of a PMF, which sets out how policies will be developed, implemented, reviewed and approved, as well as responsibilities of policy owners, policy approvers and the Compliance and Regulatory Affairs Group
- development of a new charter for the ERCC that provides a framework for management to identify, manage and mitigate risk in relation to compliance with all legislative and regulatory requirements
- commenced implementation of a new GRC system (Archer) that will enable significant operational efficiencies and a reduction in risk across the business by providing a fit-for-purpose and configurable solution that will be easily accessible across all Crown properties.

Crown expects to achieve a more rapid acceleration in its compliance uplift during the middle of 2023, as it refreshes and improves its core capabilities. In the next reporting period, it will continue to implement the remaining elements of its Compliance Strategy. For example, it aims to implement elements related to how employees throughout the organisation manage compliance, which involves establishing its 3LOD model, a culture of compliance, and formalised training and communications. Crown anticipates it will complete most of the required actions under its Compliance Strategy by December 2023.

As a result, it is too early for the OSM to assess the effectiveness and sustainability of Crown's compliance uplift program. However, the OSM will continue to track the progress of Crown's Compliance Strategy throughout the next reporting period. In particular, the OSM will be looking for evidence that Crown has developed metrics to assure itself it is on track to achieve its target state.

9. General oversight of Crown's current operations

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 arrangements, including issues associated with Board independence
- risk management and internal audit practices
- compliance with legislative and regulatory obligations, including with the Casino Agreement, taxation obligations, requirements related to controlled and significant contracts, and privacy law in implementing FRT
- engagement with regulators.

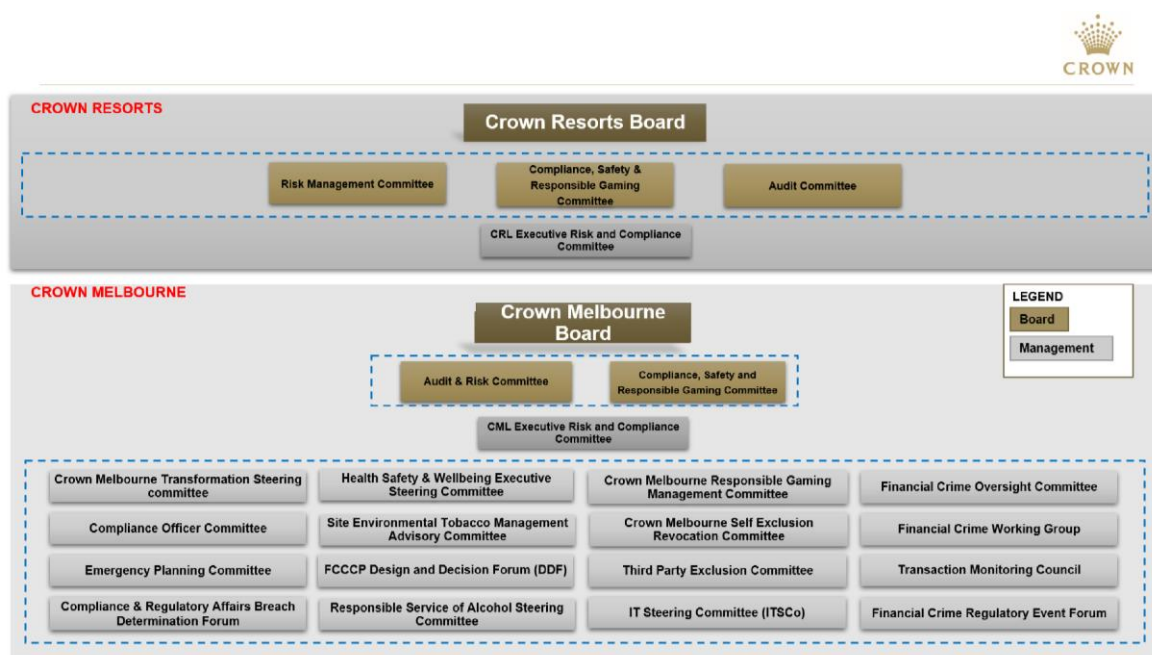
9.1 Crown's corporate governance arrangements

9.1.1 Board level

The Special Manager's June 2022 interim report addressed Crown's corporate governance arrangements, including the Board committees, management committees and other working groups reporting to the Crown Resorts and/or Crown Melbourne Board. At that time, Crown Resorts had five Board committees: Risk Management; Responsible Gaming; Safety and Sustainability; Audit and Corporate Governance; and People, Remuneration and Nomination. Crown Melbourne had two Board committees: Audit and Risk; and Compliance.

Blackstone Inc.'s acquisition of Crown Resorts resulted in significant changes to Crown Resorts and Crown Melbourne Board membership and committees, as outlined in Figure 17 and discussed below.

Figure 17. Crown Boards, Board committees and management committees



Departing Crown Melbourne Board members¹⁶² attended their final Board meeting on 3 June 2022, except for Mr Steve McCann, who continued as a Crown Melbourne Board member until 30 September 2022. New interim Crown Melbourne Board members¹⁶³ attended their first meeting on 28 July 2022,¹⁶⁴ with several proposed directors who had not yet received necessary regulatory approvals attending as observers.¹⁶⁵

At the Crown Resorts level, the key change has been to reduce five Board committees to three: Risk Management; Compliance, Safety and Responsible Gaming; and Audit.

At the Crown Melbourne level, the Audit and Risk Committee has been retained. The key change has involved reconstituting the Compliance Committee as the Compliance, Safety and Responsible Gaming Committee. The OSM was informed that Blackstone Inc. and the new interim Crown Melbourne Board considered that safety and responsible gaming should be within the remit of one or more Crown Melbourne Board committees due to their importance to Crown’s operations in Melbourne.

Crown’s root cause analysis currently recommends expanding the Compliance, Safety and Responsible Gaming Committee Charter to include overseeing the resourcing, operation and effectiveness of compliance and responsible gaming. The OSM is, however, concerned that the remit of the Compliance, Safety and Responsible Gaming Committee may be too broad and questions whether that committee would be able to devote requisite time and attention to all matters within its areas of responsibility. This is also discussed in section 6.5.3.

¹⁶² Mr Nigel Morrison (Chair), Mr Bruce Carter, Ms Jane Halton, Dr Ziggy Switkowski and Ms Anne Ward.

¹⁶³ Mr Bill McBeath (Chair), Mr James Carnegie, Mr Stephen Revell and Mr Christopher Tynan.

¹⁶⁴ Mr Alan Miyasaki was an apology.

¹⁶⁵ Ms Henriette Rothschild, Ms Helen Silver AO, Mr Ian Silk.

Proposals to change Crown Resorts and Crown Melbourne Board committee structures were presented to both Boards on 7 December 2022. These changes would see the establishment of Crown Resorts and Crown Melbourne Board committees focusing on: People and Culture; Audit and Finance; and Risk, Compliance and Responsible Gaming.

The OSM understands the new Crown Melbourne Board Chair, Mr Ian Silk, is considering which of the new directors will be appointed to each of the Board committees, including whether they have the requisite skills and experience.

The Crown Melbourne Board has a charter dated August 2021.¹⁶⁶ It states that the Board will comprise a minimum of five directors,¹⁶⁷ with a quorum of three, and that it will meet at a frequency and otherwise regulate its meetings as it sees fit. The Charter contains high-level information about the expertise expected of Board appointees and the responsibilities of the Board – including matters reserved for the Board – and states that the Board may delegate any of its powers to an officer, agent or attorney, as well as to Board committees. The OSM considers that there are opportunities to refresh and enhance the Crown Melbourne Board Charter, including by:

- aligning the Charter more closely to the ASX Corporate Governance Principles and Recommendations;¹⁶⁸ for example, by more clearly delineating the respective roles and responsibilities of the Board and senior management, and setting out the roles and responsibilities of the Chair
- incorporating the content required by the Major Change Approval Deeds Poll¹⁶⁹
- clearly identifying which policies must be approved by the Board
- updating the delegations section to reflect new legislative requirements in relation to matters that may be delegated by the Board¹⁷⁰
- incorporating new legislative requirements related to Board independence (discussed in section 9.2).

A newly amended Crown Melbourne Board Charter was presented to the Board on 7 December 2022, but was deferred with an amended version to be circulated in accordance with changes requested by directors. The version of the Charter included in the Board papers partially addresses the matters highlighted above. Noteworthy changes include: an annual Board review by the Chair and recommended independent review of the performance of the Board every three years; an expanded and comprehensive list of director responsibilities as well as a new requirement for directors to take proactive steps to familiarise themselves with the business and operations of Crown Melbourne; information about the relationship between Crown Resorts and Crown Melbourne; and an expectation that the Board will meet at least 10 times each year. The OSM will continue to assess and report on the Charter in the next reporting period.

¹⁶⁶ The Charter states that the Board must review the Charter on an annual basis, but the OSM understands this has not occurred due to the evolving Crown Melbourne Board composition following the Blackstone Inc. acquisition.

¹⁶⁷ The Casino Agreement requires a minimum of five directors to be appointed.

¹⁶⁸ ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, Fourth edition, February 2019.

¹⁶⁹ Clause 2.9 of the Crown Major Change Approval Deed Poll and the Blackstone Inc. Major Change Approval Deed Poll requires relevant Board and committee charters to be amended to include the contents of Recital G, which sets out the VGCCC's expectations of Crown and Blackstone Inc. to conduct themselves with integrity and minimise the harmful effects of gambling.

¹⁷⁰ New legislative requirements in the *Casino Control Act 1991 (Vic)* will implement recommendation 30 of the Finkelstein Royal Commission. The new section 36ZB(2) will make it a condition of the casino licence that Crown Melbourne and its Board do not delegate prescribed functions to anyone other than a subcommittee of the Board or an individual director.

The OSM also notes that the agendas of various Board and committee meetings do not include an agenda item prompting the identification of any conflicts of interest, and the minutes do not record any conflicts of interest. It is considered that these inclusions would be better practice, and would provide an important signal and reminder of the need to regularly monitor for emerging conflicts of interest, and to ensure such matters are declared and managed appropriately.

Crown has a Board Skills Matrix dated March 2022 that applies to both Crown Resorts and Crown Melbourne. The OSM will be seeking information on:

- how Crown records and collates individual director skills ratings, allocations to committees and/or overall skills assessments for each Board committee as changes occur over time
- which director or directors have the requisite skills and experience, and their ratings for each of the Board committees.

The OSM acknowledges this is a time of change at director level at Crown and will continue to monitor developments, including how the Crown Melbourne Board satisfies itself that it has the necessary skills and governance arrangements in place to properly acquit its functions and duties.

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 E lists the meetings the OSM has attended to date.

As the Crown Melbourne Board and its committees establish a new operating rhythm, the OSM will be looking to see that they are operating effectively. This will include reviewing whether the directors are engaging actively in meetings and demonstrating their ability to balance various considerations, including risk, compliance and broader objectives; for example, related to minimising harm and upholding Crown's values and obligations consistent with its social licence to operate.

Most importantly, the OSM will look for evidence that the Crown Melbourne Board has carefully considered and addressed the root cause analysis finding that previous Boards and committees were ineffective and did not give sufficient time and attention to risk and compliance,¹⁷¹ and that the Crown Melbourne Board relied on the Crown Resorts Board to make decisions on its behalf.¹⁷²

9.1.2 Executive level

The new Crown Resorts CEO¹⁷³ and new Crown Melbourne CEO¹⁷⁴ have now commenced their positions. The position description of the latter states that the Crown Melbourne CEO reports to the Crown Resorts CEO.

A key concern identified by the Finkelstein Royal Commission was that Crown Resorts exercised effective control of Crown Melbourne's management team.¹⁷⁵ The Finkelstein Report concluded that, upon the proper construction of relevant Casino Agreement provisions, Crown

¹⁷¹ Ernst & Young, Root Cause Analysis, 14 November 2022, pp. 20–21.

¹⁷² Ernst & Young, Root Cause Analysis, 14 November 2022, p. 21.

¹⁷³ Mr Ciarán Carruthers.

¹⁷⁴ Mr Michael Volkert.

¹⁷⁵ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 40.

Melbourne's CEO must be the head of Crown Melbourne's management team and take instructions from, and be answerable to, the directors of Crown Melbourne, not the CEO of the holding company.¹⁷⁶ While Crown Melbourne's current operating arrangements are not consistent with this approach,¹⁷⁷ these arrangements are assumed to be interim and will change to align with the Finkelstein Report. The OSM will continue to monitor this matter.

Like the Board committees, the OSM understands the number and focus of Crown's management committees are also likely to remain fluid and will be monitored by the OSM.¹⁷⁸

As discussed in section 9.4, despite Crown's increased willingness to provide access to information, the OSM has faced ongoing challenges in obtaining up-to-date information about the operation of Crown's management level committees. The OSM considers there remains much scope for Crown to improve its management-level committee processes and expects Crown to do so during the coming reporting period.

9.2 Board independence

During this reporting period, the OSM monitored outside influence and Crown Melbourne Board independence in accordance with recommendations 28 and 29 of the Finkelstein Royal Commission.

The Finkelstein Royal Commission found that Mr James Packer (as effective owner of Consolidated Press Holdings Pty Limited, which held approximately 37 per cent of Crown Resorts shares at the time of the Royal Commission) exerted powerful and undue influence and control over Crown Resorts and Crown Melbourne. To prevent this from happening again, the Finkelstein Royal Commission recommended that the Casino Control Act be amended to impose a 5 per cent limit on shares held directly or indirectly in a casino operator, which can be exceeded only with the regulator's approval (recommendation 28).

The Finkelstein Royal Commission also found that '[o]ne obvious area for regulatory improvement is the board of the casino operator'¹⁷⁹ and that 'Crown Melbourne is a striking example of the ineffectiveness of independent directors, at least when the directors are not independent of the holding company'.¹⁸⁰ Accordingly, it recommended that the Casino Control Act be amended to require a majority of the casino operator's board directors to be independent, including being independent of any ultimate or intermediate holding company (recommendation 29).¹⁸¹

¹⁷⁶ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 41.

¹⁷⁷ Note that the new section 36ZC of the *Casino Control Act 1991* (Vic) will make it a condition of the casino licence that Crown Melbourne employ or appoint certain senior executive roles, and that those persons do not report to, or take instructions from, any person other than a Crown Melbourne director or officer.

¹⁷⁸ For example, the OSM understands a specific Whistleblower Management Committee (formerly known as the Internal Sources Committee) is to be re-established.

¹⁷⁹ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 35.

¹⁸⁰ Royal Commission into the Casino Operator and Licence, *The Report – Volume 3*, October 2021, p. 36.

¹⁸¹ Amendments to the *Casino Control Act 1991* (Vic) implementing recommendations 28 and 29 will commence on 1 August 2023 unless proclaimed earlier.

Blackstone Inc., which previously held 9.99 per cent of Crown Resorts shares, completed its 100 per cent acquisition of Crown Resorts on 24 June 2022, divesting Consolidated Press Holdings Pty Limited of its shareholding and making Crown Resorts a wholly owned subsidiary of Blackstone Inc. The new shareholding limit provisions in the Casino Control Act will require any person seeking to acquire 5 per cent or more of shares in Crown Resorts or Crown Melbourne to be subject to VGCCC approval.

As part of the VGCCC's regulatory process for approving the Blackstone Inc. acquisition, Crown and Blackstone Inc. were required to sign the Major Change Approval Deeds Poll. Blackstone Inc. agreed to a non-interference clause confirming that it would not influence or attempt to influence any Crown Melbourne officer or employee in the exercise of their powers or performance of their duties.¹⁸²

Considering the new shareholding limit legislative provisions in the Casino Control Act and the non-interference clause in the Blackstone Inc. Major Change Approval Deed Poll, Crown and Blackstone Inc. will need to remain mindful of their legal obligations to ensure that Crown Melbourne's history of outside influence is not repeated.

Maintaining board independence is of central importance to the reform of Crown Melbourne's corporate governance arrangements. The current Crown Melbourne Board Charter, dated August 2021, includes guidelines to assess whether a director will use independent judgement and act in the best interests of the entity and its security holders. The guidelines largely reflect the factors set out in the ASX Corporate Governance Principles and Recommendations.¹⁸³ However, the Crown Melbourne Board Charter is vague as to how the Board will apply the guidelines and assess materiality.

One guideline in the Crown Melbourne Board Charter specifically relates to associations between directors and substantial security holders of Crown Melbourne or its parent companies. However, Crown's approach to date does not appear to consider cross-directorships between Crown Resorts and its subsidiary boards¹⁸⁴ to be material to a director's independence.

This approach is confirmed in the newly amended Crown Melbourne Board Charter, presented to the Board on 7 December 2022, which explicitly carves out Crown Resorts directorships from the assessment of matters that bear on independence.

Prior to the Blackstone Inc. acquisition of Crown Resorts, five out of the six Crown Melbourne Board members were also on the Crown Resorts Board, with the sixth director being the CEO of both Crown Resorts and Crown Melbourne. Following the Blackstone Inc. acquisition of Crown Resorts, the new interim Crown Melbourne Board had no directors independent of Crown Resorts, Blackstone Inc. or executive management.

Crown submitted to the Victorian Government in early 2022 that it did not agree that a majority of the Crown Melbourne Board should be independent, including independent of Crown Resorts, instead contending that one independent director would be sufficient.¹⁸⁵

¹⁸² Clause 2.3 of the Blackstone Inc. Major Change Approval Deed Poll.

¹⁸³ ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, Fourth edition, February 2019, Box 2.3, p. 14.

¹⁸⁴ Crown Melbourne, Crown Perth and Crown Sydney.

¹⁸⁵ Crown Melbourne Observations on the Tranche 2 Recommendations, 9 March 2022, pp. 39–41.

Nevertheless, the Victorian Government decided to implement recommendation 29 in full, with new legislative provisions taking effect from 1 August 2023 as follows:¹⁸⁶

36ZB Casino operator to have independent board

1. *It is a condition of a casino licence that the majority of directors of the casino operator are persons –*
 - a. *who are free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the directors; and*
 - b. *who are free to act in the best interests of the operator as a whole rather than those of an individual security holder or other person; and*
 - c. *who are not connected in any way with any holding company of the operator.*

New paragraphs (1)(a) and (b) reflect the wording in the ASX Corporate Governance Principles and Recommendations.¹⁸⁷ Paragraph (1)(c) goes further and means in practice that an independent Crown Melbourne Board director must not be connected in any way with Crown Resorts or Blackstone Inc. (whether as a director, employee or otherwise).

Crown has informed the OSM that it intends to have an independent Crown Melbourne Board in place by 1 August 2023, when the new legislative requirements come into effect. The Board will be comprised of: Mr Ian Silk (Chair), Mr Christopher Tynan, Ms Helen Silver AO, Ms Henriette Rothschild and Mr Ciarán Carruthers, with Mr Silk, Ms Silver AO and Ms Rothschild designated as independents. Mr Silk currently attends Crown Resorts Board meetings as an observer.

From a compliance perspective, Crown will need to satisfy the VGCCC that it maintains a properly independent Board, and that its Board Charter reflects legislative requirements.

From a 'better practice' perspective, the OSM also considers that Crown should:

- ensure a majority independent quorum at all Crown Melbourne Board meetings and update the Crown Melbourne Board Charter to include this requirement¹⁸⁸
- ensure that all Crown Melbourne Board committees have majority independent membership and an independent Chair
- update the Crown Melbourne Board Charter to reflect the new legislative requirements
- update the Crown Melbourne Memorandum and Articles of Association to reflect contemporary independence requirements, noting the document is outdated and in need of revision, subject of course to the VGCCC's approval as per the Casino Agreement.

The OSM will continue to monitor these matters in the next reporting period.

¹⁸⁶ *Casino Legislation Amendment (Royal Commission Implementation and Other Matters) Act 2022* (Vic), s 22, inserting a new s 36ZB into the *Casino Control Act 1991* (Vic).

¹⁸⁷ ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, Fourth edition, February 2019, p. 13, recommendation 2.3.

¹⁸⁸ Note that the newly amended Crown Melbourne Board Charter presented to the Board on 7 December 2022 includes a quorum requirement of three with a minimum of two independent non-executive directors.

9.3 Compliance with legislative and regulatory obligations

The Finkelstein Royal Commission, Bergin Inquiry and Owen Royal Commission all identified significant deficiencies in Crown's corporate GRC systems. These resulted in contraventions of laws, regulations, licence conditions and codes of conduct.

Crown's compliance breaches evidenced shortcomings in corporate conduct, governance, risk management and harm prevention strategies for casino customers and others, ultimately leading to the Finkelstein Royal Commission's finding that Crown was unsuitable to hold the Victorian casino licence.

Under the Finkelstein Report Appendix I, the Special Manager is required to monitor Crown's compliance with its legislative, regulatory and other compliance obligations.

Crown's compliance obligations stem from a diverse range of sources, including legislation, regulation, subordinate instruments, ministerial directions, agreements, internal policies and approved gaming rules. These external and internal sources form a complex array of obligations with which Crown is required to comply to conduct its operations lawfully and free from maladministration or improper conduct.

The OSM has closely tracked Crown's identification, escalation, management, reporting and remediation of potential and actual compliance incidents and breaches. This has included reviewing records of and attending Board and management committee meetings; reviewing correspondence between Crown and its regulators; engaging directly with Crown and its regulators to gather and verify records associated with identified incidents of non-compliance; monitoring litigation and disciplinary proceedings; and monitoring other publicly available sources of information, such as media reports, publications from regulators, and materials published on Crown's website.

The OSM's monitoring of Crown's compliance activities has relied upon the manual collation of information from a range of sources. This reflects the fact that, to date, Crown has not established a centralised compliance data management system. As noted in external consultant Exiger's March 2022 independent review of Crown's AML/CTF Program, Crown's current records management tools and data analysis capabilities are not sophisticated:

... when Exiger requested a list of the breaches and incidents reported in 2021, a full list could not be provided. The monthly compliance certificates are retained in CURA,¹⁸⁹ and not readily searchable. This limits Crown's ability to track incidents/breaches to conclusion and identify trends in incidents – both of which are important components of an effective incident escalation process.¹⁹⁰

As noted earlier, Crown is currently in the process of implementing a new centralised GRC system (Archer) to record and track all incidents and breaches. Archer is expected to enhance its compliance functions, improve reporting, and enable it to leverage regulatory data to drive future actions, such as targeted improvement of processes and controls. The new system is scheduled to be operational by the end of March 2023.

¹⁸⁹ Crown's existing GRC tool.

¹⁹⁰ Exiger, Independent Review of AML/CTF Program (Part A) Crown Resorts Limited, *Final Report*, 31 March 2022, p. 27.

9.3.1 Significant disciplinary proceedings

During the Special Manager’s term, Crown has been engaged in several substantive disciplinary proceedings, set out in Table 7, arising from alleged non-compliance with its legislative and regulatory obligations. All the proceedings except item 3 stem from the Finkelstein Royal Commission.

Table 7. Disciplinary proceedings – active and complete

Disciplinary proceedings (brought by)		Status
1	AML/CTF Program and customer due diligence compliance proceedings (AUSTRAC)	Active: Matter being litigated in the Federal Court of Australia, with the parties currently engaged in mediation
2	Disciplinary investigation into bank and blank cheque practices (VGCCC)	Active: Disciplinary action being considered by the regulator
3	Disciplinary investigation into a banned Crown Melbourne customer entering Crown Perth (VGCCC)	Active: Disciplinary action being considered by the regulator
4	Disciplinary investigation into paid out transactions ¹⁹¹ (VGCCC)	Active: Disciplinary action being considered by the regulator
5	Junket and premium player programs (VGCCC)	Complete: \$1 million fine imposed
6	China union pay investigation (VGCCC)	Complete: \$80 million fine imposed
7	Disciplinary investigation in respect of RSG obligations and breaches of Crown’s Responsible Gambling Code of Conduct (VGCCC)	Complete: \$100 million fine imposed
8	Button pick investigation (VGCCC)	Complete: \$20 million fine imposed

The VGCCC conducted each of the completed proceedings (items 5–8) and provided substantive reasoning for its decisions, and imposed significant fines. The OSM does not propose to comment on active matters between Crown and its regulators, nor on completed matters between Crown and the VGCCC.

9.3.2 Monitoring of compliance incidents

The OSM has monitored 141 compliance incidents¹⁹² between January and December 2022, of which 68 have been resolved and 73 remain active.¹⁹³ As Figure 18 shows, the compliance incidents cover a broad range of regulated activities across several categories, which have been adapted from Appendix G of the Finkelstein Report.

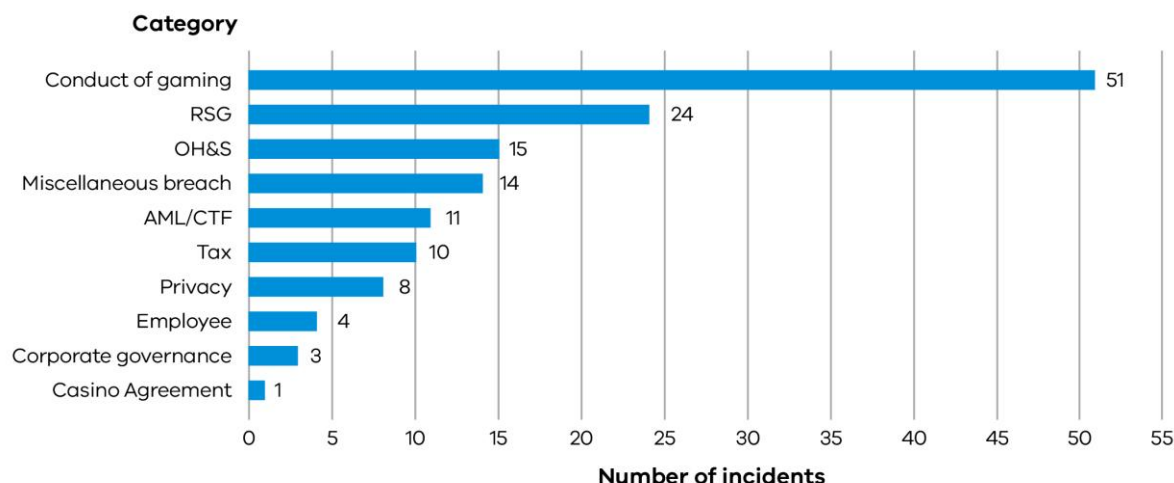
Most of Crown’s compliance incidents are reported to the VGCCC as the relevant regulator, with the balance of compliance incidents distributed primarily between AUSTRAC, ASIC and WorkSafe.

¹⁹¹ This disciplinary investigation relates to alleged remittance services conducted through Crown Towers Hotel.

¹⁹² ‘Compliance incidents’ refers to occasions where an actual or potential breach of a compliance obligation has occurred.

¹⁹³ OSM monitoring of compliance incidents is ongoing. All data relating to compliance incidents monitored is up to date as at 9 December 2022.

Figure 18. Number of compliance incidents under each category



The category with the largest number of reported incidents relates to ‘conduct of gaming’. This category comprises general breaches of internal control statements, the Casino Control Act, the *Casino (Management Agreement) Act 1993* (Vic), the *Gambling Regulation Act 2003* (Vic) or the *Gambling Regulations 2015* (Vic) associated with gameplay and gaming operations.

The majority of ‘RSG’ incidents have related to the detection of minors on the casino floor,¹⁹⁴ while ‘miscellaneous breaches’ have involved a range of actual or potential breaches of the Casino Control Act, the Management Agreement Act, the Gambling Regulation Act or the Gambling Regulations, with examples similar to those contained in the Finkelstein Report, section 8 of Appendix G.

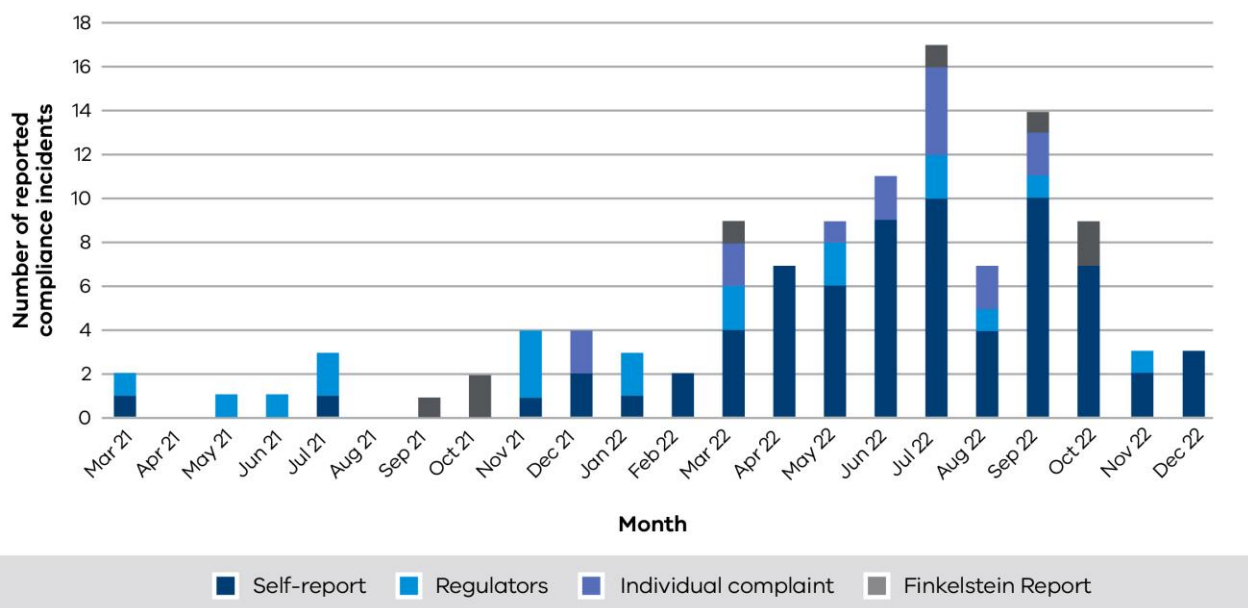
As Figure 19 shows, the number of compliance incidents has increased significantly in 2022 compared to 2021, and this increase has been driven largely by increased self-reporting to regulators as distinct from other sources, such as individual complaints, the regulators and the Finkelstein Royal Commission findings. This increase in self-reporting of compliance incidents may reflect the fact that Crown has adopted a conservative reporting stance, erring on the side of reporting incidents to relevant regulators (including in instances where mandatory reporting thresholds – such as those imposed by section 27A of the Casino Control Act – have not been triggered).

Notably, Figure 19 shows a reduction in the number of self-reported incidents in the month of November 2022. However the OSM is aware of three self-reported incidents that Crown has communicated to its regulators in the first calendar week of December 2022.

Of the 81 incidents that have been self-reported by Crown, Crown has advised regulators of the steps it has taken to identify and remediate compliance incidents in respect of 73 of them. No further remediation action was required in relation to four compliance incidents, and four incidents are still being monitored.

¹⁹⁴ Twelve out of 24 reported incidents.

Figure 19. Number of compliance incidents reported each month by source (excluding active disciplinary proceedings)¹⁹⁵



The OSM has further observed that the overall quality of reporting by Crown on compliance incidents has improved since March 2022. This is supported by evidence in: the conduct of internal investigations, the identification of incident root causes, the consideration of relevant statutory thresholds such as the new ‘significant breach’ regime imposed by section 27A of the Casino Control Act, and the volunteering of information – such as CCTV references and statements – and demonstrated remediation (where applicable).

Crown is making further improvements to its compliance system (as described in section 8.2 of this report) that have the potential to further strengthen and mature its compliance approach. Crown has recently approved the appointment of a further seven positions to strengthen both its enhancement of the compliance system and its BAU functions.

The OSM will continue to monitor Crown’s compliance activities and assess whether it is reporting incidents to regulators in an open and transparent manner, including in circumstances where mandatory reporting thresholds are not triggered.

9.3.3 Litigation report

Between January and November 2022, Crown has been a party to eight separate litigation proceedings, as outlined in Table 8. Four of these proceedings have been completed.

¹⁹⁵ Figure 19 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.

Table 8. Crown's litigation monitored – January to November 2022

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)	Active: Parties engaged in ongoing discovery processes; matter unlikely to proceed to trial in the current reporting period
2 Civil claim relating to an allegation of unconscionable conduct in respect of a problem gambler (Federal Court)	Active: Mediation listed on 21 December 2022
3 Claim 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)	Active: Negotiations taking place between the parties; matter not yet filed
4 Review of income tax treatment of payments made to the Victorian Government under a Deed of Variation pertaining to the Management Agreement Act for the 2015 financial year (Administrative Appeals Tribunal)	Active: Further directions hearing listed on 12 December 2022
5 Application for special leave to the High Court to appeal a decision of the Federal Court (High Court)	Complete: Proceedings between Crown and the ATO concerning the GST treatment of commissions and win and loss rebates in respect of foreign customers who attended Crown's casinos as part of a junket; on 13 May 2022, the High Court refused Crown's appeal, with costs payable to the ATO
6 Civil claim by Promontory Financial Group – Australia in respect of legal fees incurred as part of its response to the Finkelstein Royal Commission (claim not filed)	Complete: Matter resolved on commercial terms between the parties
7 Unfair preference claim relating to Dinner by Heston / Topsy Cake (in liquidation) (claim no filed)	Complete: Matter resolved on commercial terms between the parties
8 Unfair dismissal claim by a former employee whose employment was terminated after it was identified that they failed to notify New South Wales and Victorian regulators of their involvement in a criminal matter, as required by special employee licensing laws (Fair Work Commission)	Complete: Matter resolved prior to a scheduled conciliation conference

The OSM has also monitored Crown's reporting to the VGCCC – in accordance with clause 35(1)(e) of the Casino Agreement – in respect of various personal injury and/or public liability claims for incidents that occurred at the Crown Melbourne complex. Between 1 July 2021 and 30 June 2022, there were 23 open matters:

- 12 matters related to 'slips or falls' at the complex
- nine matters related to intoxicated patrons being restrained and escorted from Crown premises, and allegedly assaulted or falsely imprisoned by Crown security in Crown's loading dock

- one matter related to a customer assault by unknown males in the complex carpark
- one matter related to a security officer alleging psychological injury.

These incidents were reported as occurring between December 2015 and 30 March 2021, and hence generally represent aged claims.

The OSM has sought to ascertain how the incidents described above inform and contribute to the development of Crown's risk management strategies. Crown has advised that this work is in train and will likely build upon data analysis that is currently represented in a Patron Safety Injury Report. Crown has advised that this work is unlikely to be progressed until the new year, given competing work demands currently faced by all three contributing departments.

9.4 Compliance with taxation obligations

9.4.1 Casino tax obligations

The Special Manager's June 2022 interim report noted that there were four outstanding issues regarding Crown's compliance with its casino tax obligations. Three of the issues have been resolved as follows:

- Category 8: Bonus Jackpots – this issue was finalised on 1 July 2021, with Crown remitting an additional \$100,744 to the State of Victoria representing the balance of tax, super tax and penalty interest due on unresolved variances identified following a VGCCC validation exercise.
- Penalty interest on tournament fees – all issues regarding penalty interest have been resolved, resulting in a future tax credit of \$237,026 granted to Crown following an overpayment of penalty interest, super tax and tournament tax.
- Player Program Revenue Report – the VGCCC has completed an audit of this issue, which has resulted in a future tax credit of \$469,188 granted to Crown following an overpayment of tax and associated penalty interest.

The Category 3: Pokie Credits (Matchplay) issue remains an open item that the DJCS is managing on behalf of the State of Victoria. To date, this matter has not been referred to the VGCCC either for review or to conduct a field audit; nor has Crown Melbourne been formally notified of a potential claim for unpaid taxes. The OSM understands that the DJCS is still reviewing this matter and that Crown is not required to provide any further information at this stage.

In addition to the matters above, in November 2022 the VGCCC identified Crown had failed to comply with its taxation obligations under section 22A.3 of Schedule 3 of the Casino Management Agreement Act for the 2021 and 2022 financial years.¹⁹⁶ The OSM observed that Crown responded promptly to this issue, clearly identified the root cause of the incident and advised the regulator of the remediation activities it was taking to prevent such an incident from occurring in future. The OSM's understanding is that Crown will engage with the Department of Treasury and Finance in regard to a waiver request in respect of this tax obligation.

The OSM will continue to monitor Crown's ongoing compliance with its tax obligations.

¹⁹⁶ 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.

9.4.2 Crown Melbourne's compliance with land tax obligations

In the course of its monitoring during the current reporting period, the OSM identified an issue regarding land tax potentially owing to the Victorian State Revenue Office in relation to the Capital Golf Club (located at Centre Dandenong Road, Heatherton). This golf club is owned by Capital Club Pty Ltd, which is ultimately a wholly owned subsidiary of Crown Melbourne Ltd.

Since its inception in 1997, Capital Club has enjoyed an exemption from land tax in respect of the Heatherton land. The State Revenue Office wrote to Crown on 24 May 2022 indicating that this exemption may have ceased, and that Crown may be liable to pay land tax from 31 December 2013. During the financial years 2021 and 2022, Capital Club had loaned significant sums (\$6 million and \$11.5 million respectively) to Crown Melbourne on an interest-free basis, without any specified repayment terms.

After obtaining legal advice and engaging in correspondence with the State Revenue Office, Capital Club entered into deeds of intercompany loan with Crown Melbourne to document the loan arrangements and to specify that the funds are repayable to Capital Club at call. Crown's legal advice was to the effect that documenting the loans in this manner would enable Capital Club to maintain its exemption status. Crown is currently waiting for the State Revenue Office to respond to its correspondence of 14 July 2022 regarding whether it will allow Capital Club to retain its exemption status.

The Special Manager considers this issue does not raise any apparent compliance issues, but rather is a matter to be resolved by Crown and the State Revenue Office. As such, the OSM does not propose to investigate this matter further but will continue to monitor any further developments.

9.4.3 Crown's compliance with other ATO obligations

The ATO's engagement with Crown (as a Top 100 public and multinational taxpayer in Australia) under its Action Differentiation Framework is with Crown Resorts as the primary taxpayer, rather than Crown Melbourne. The ATO's report dated 15 August 2022, following completion of its 'pre-lodgement compliance review' for the income tax years 2019 and 2020, deals with Crown Group issues rather than subsidiary-specific issues. As such, the ATO's dealings with Crown Resorts are beyond the scope of the OSM's remit.

However, the OSM notes that the ATO's report indicates it has obtained a medium level of assurance over a significant proportion of Crown's economic activities in respect of Crown's taxation compliance for the 2019 and 2020 income tax years. The report commended Crown for registering as a signatory to the Board of Taxation's voluntary Tax Transparency Code, which resulted in Crown publishing its first tax transparency report in respect of the 2021 income tax year.

The OSM notes that the ATO obtained a similar medium level of assurance in respect of Crown for the 2018 income tax year.

9.5 Compliance with Casino Agreement

Crown has systems, processes and controls in place to monitor compliance with its Casino Agreement obligations and to identify and address any breaches. However, actual and potential instances of non-compliance suggest these may not be working effectively.

Since around 2017, Crown has documented its Casino Agreement obligations in CURA, Crown's current GRC tool. While CURA reports are discussed at monthly Compliance Officer Committee meetings, the minutes from January to September 2022 did not identify any instances of non-compliance with the Casino Agreement.

However, in March 2022 an issue of non-compliance with the Casino Agreement was identified by the Crown Legal team in relation to clause 35.1(a)(i), which requires Crown Melbourne to maintain business interruption insurance, including for the payment of all casino taxes. Crown reported this to the VGCCC on 4 April 2022.

Crown has advised the OSM that responsibility for ensuring that the required insurance arrangements are in place traditionally sat with the Crown Legal team but was temporarily moved to the risk function in 2019. The Head of Risk (at that time) and Crown's insurance brokers removed coverage for the payment of all casino taxes for the insurance years beginning 1 December 2019 until the error was picked up by the Crown Legal team in March 2022 and subsequently corrected.

The requirements in clause 35.1(a)(i) of the Casino Agreement were not in CURA or Compliance Alerter.¹⁹⁷ Meeting those requirements relied on corporate knowledge and the memory of personnel. The failure to maintain the necessary insurance coverage once responsibility moved from one Crown division to another reflected 'key man risk' and the absence of a system or controls to ensure compliance.

Crown's Compliance and Regulatory Affairs team proposes to capture Casino Agreement requirements in the new Obligations Register that is being prepared and will be reflected in the new GRC system (Archer) to be introduced by the end of March 2023.

Crown's MRAP specifically commits to capturing Casino Agreement and other obligations and assigning them to relevant persons. However, it is presently unclear whether replacing CURA and Compliance Alerter with Archer will prevent actual and potential instances of non-compliance with the Casino Agreement such as those outlined above. In the next reporting period, the OSM will look for further evidence of the effectiveness of Crown's new GRC system.

The Finkelstein Royal Commission posited another area of possible non-compliance. Clause 22.1(r) of the Casino Agreement requires Crown to use its best endeavours to ensure that its other similar businesses in Australia are:¹⁹⁸

- also beneficial to Crown Melbourne, and promote tourism, employment and economic development generally in Victoria
- not detrimental to Crown Melbourne's interests.

Further, clause 22.1(ra) provides that Crown's headquarters must remain in Melbourne and the Melbourne Casino must remain as Crown's dominant 'Commission Based Player'¹⁹⁹ and flagship casino in Australia.

¹⁹⁷ An automated compliance alert and reminder system the primary function of which is to ensure that regulatory and compliance obligation reporting occurs on time.

¹⁹⁸ The restriction on Crown owning and operating other casino businesses was removed from the Casino Agreement in 2005.

¹⁹⁹ This term is not defined in the Casino Agreement but means a person who participates in an approved premium player arrangement or an approved junket.

The Finkelstein Royal Commission raised Crown's possible non-compliance with clause 22.1(r) in failing to undertake a detailed analysis to determine whether the opening of Crown Sydney was consistent with the clause.

The VGCCC's predecessor, the VCGLR, had previously considered the development of the Barangaroo casino in its Fifth Review in 2013 and concluded that:

*the nature, size and timing of the current Barangaroo proposal mean that it is unlikely that it will threaten the Melbourne Casino's position as the dominant commission-based player casino in the next review period. However, it is too early to make a judgment of the Barangaroo project's impact beyond that time.*²⁰⁰

The issue was not explicitly considered in the VCGLR's Sixth Review in 2018.²⁰¹ This was understandable, with Barangaroo yet to commence gaming operations. More recently, the Crown Major Change Approval Deeds Poll include Crown's agreement to maintain a level of investment in the Melbourne Casino sufficient to ensure compliance with its clause 22.1(ra) obligations.

Since the issue was highlighted by the Finkelstein Royal Commission, Crown has been considering how it will satisfy itself and the VGCCC as to its compliance with clauses 22.1(r) and 22.1(ra), referred to in short as the 'Benefits and Detriments' and 'Dominant Casino' clauses, respectively. A draft policy²⁰² emphasises the need for Crown to comply with the clauses in formulating its marketing, promotional and related activities across the Crown Group for all its similar integrated resort business activities.²⁰³

In addition, the Crown Legal team has been preparing detailed analyses and advice examining whether specific marketing and promotional strategies pose a low, medium or high risk of Crown breaching the Benefits and Detriments clause.

Crown has advised the OSM that it intends to share the draft policy with the VGCCC and to implement suitable metrics to measure its compliance.

The OSM considers that Crown's development of a sound policy, supported by effective compliance metrics, is important, and will continue to monitor Crown's ongoing work to provide assurance around compliance with these clauses.

9.6 Compliance regarding controlled and significant contracts

The OSM has assessed the probity vetting controls and procedures utilised by Crown in respect of its self-regulation of 'controlled contracts',²⁰⁴ including compliance with relevant legislation and associated subordinate instruments, the relevant internal control statement and standard operating procedures.

²⁰⁰ Victorian Commission for Gambling and Liquor Regulation, *Fifth Review of the Casino Operator and Licence*, 2013, p. 137.

²⁰¹ Victorian Commission for Gambling and Liquor Regulation, *Sixth Review of the Casino Operator and Licence*, 2018.

²⁰² The preliminary draft is entitled 'Clauses 22.1© and (ra) of the Casino Agreement (Victoria): The "Benefits and Detriments" and "Dominant Casino" clauses'.

²⁰³ Including casino/gaming, hotel operations, conferences and events, food and beverage, and so on.

²⁰⁴ A class of supplier contract, as defined by section 29 of the *Casino Control Act 1991* (Vic).

This assessment was conducted in part due to adverse findings made by the Finkelstein Royal Commission and external consultants regarding probity vetting controls and procedures used by Crown in other regulated areas of activity that impose similar obligations, namely international junket operations and premium player programs.

The OSM's review of the regulatory regime applying to controlled contracts and Crown's controls and procedures to comply with its obligations reveals that:

- between 2013 and the present, the range of contracts subject to this regulated regime has reduced significantly
- in the same period, the regime has continued to be orientated towards a system of self-regulation
- the VGCCC (and its predecessors) has previously identified two incidents where Crown was not compliant with the requirements of the Casino Control Act and the controlled contracts regime²⁰⁵
- employees in Crown's Compliance and Regulatory Affairs team have advised the OSM that neither the VGCCC nor its predecessors have objected to a controlled contract and that no controlled contract has failed to be approved by their department.

The OSM notes that while Crown complies with its legislative obligations associated with the controlled contracts regime (but for the two reported incidents of non-compliance mentioned above), the legislative requirements of that regime present a low threshold for compliance, and the significantly reduced range of scope of the regime may not represent the types of contracts that are at the highest risk of criminal influence or exploitation in the casino industry.

Crown's probity vetting, when weighed against the risk associated with the parties who are subject to current classes of controlled contracts, appears satisfactory if followed. However, certain controls and procedures could be strengthened by incorporating relevant recommendations made by Crown external reviews and internal audits over the last few years, which highlight good practice related to probity vetting controls and procedures.²⁰⁶

In the next reporting period, the OSM will follow up with Crown as to how it has addressed these recommendations.

9.7 Compliance with privacy law in implementing facial recognition technology

Crown Melbourne commenced trials of FRT in 2013, and subsequently expanded upon and upgraded its use of this technology.

By May 2019, Crown had installed and rolled out FRT at all entrances of the Melbourne complex and commenced providing quarterly updates to the VCGLR on the effectiveness of the technology.

²⁰⁵ These incidents occurred in October 2009 (exceeding a contract expenditure threshold) and February 2022 (failing to conduct a criminal record check in respect of a key person).

²⁰⁶ Deloitte, *Junket Due Diligence and Persons of Interest Process Review*, 26 August 2020; FTI Consulting, *Review of Due Diligence Procedures for Operators and Premium Players*, 10 September 2019; Crown Resorts, Internal Audit, Controlled Contracts Internal Control Statement, 19 May 2022.

The Crown Melbourne precinct currently uses 91 FRT cameras, capturing patrons from the Riverwalk, through the casino and entertainment precinct and into the gaming rooms. Crown's Security and Surveillance team manages this hardware and the software that powers it (Neoface). The technology is used to identify customers who have been excluded or received a withdrawal of licence. It also supports Crown's cooperation with law enforcement as required. This technology is not always accurate, however, which means Crown security employees must perform identification checks prior to removing a customer or preventing their entry.

Crown continues to provide quarterly reports to the VGCCC on the effectiveness of FRT. The 30 September 2022 report stated that this software was responsible for identifying 89 per cent of all breaches/attempted breaches detected by Crown. This is consistent with previous quarters, which reported 84 per cent (30 June 2022) and 76 per cent (31 March 2022).

In July 2022, the use of FRT in the private sector drew the attention of both the public and the national privacy and freedom of information regulator, the Office of the Australian Information Commissioner. Investigations by the Commissioner, along with recent examples of data breaches resulting in the personal information of consumers being compromised,²⁰⁷ have highlighted the need for businesses to carefully consider the purpose for using FRT, and to ensure that the use of the technology is proportionate to potential privacy harm to individuals.

Following a review, the OSM is satisfied that when preparing for the trial and installation of FRT, both at the time of trialling and later at installation, Crown considered the purposes for using the technology, and sought and followed the internal legal advice that the purpose of FRT be restricted to providing the capability for Crown to automatically recognise patrons issued with withdrawal of licence or self-exclusions, and persons of interest in security matters.

The Crown Legal team has issued standing advice that it is to be informed if any Crown department is considering using FRT for any other purpose, so that the team may consider the ongoing compatibility of any such novel purpose with the Australian Privacy Principles enunciated under the *Privacy Act 1988* (Cth). The Privacy Principles require that biometric information be kept secure and retained for only the period in use. Crown's recently updated Records Management Policy states that when personal information retained by Crown is no longer required for the primary purpose for which it was collected, or for another permissible secondary purpose pursuant to the Privacy Act, it must be 'purged' (that is, destroyed in a secure manner, deleted or de-identified).

Crown has advised that its FRT software and database of images are held on a private IT server that is secure and only accessible by the Security and Surveillance and Responsible Gambling teams. Access to the database is carefully managed and logged. The software allows 'watchlists' to be used to facilitate identification for the purposes of exclusion and withdrawal of licence. While a customer may be placed on or withdrawn from a 'watchlist', their image remains in the database. Crown's Security and Surveillance team has advised the OSM that the images retained on the database are held 'indefinitely'.

²⁰⁷ Including Optus and Medibank.

The OSM notes that the indefinite retention of customer images on the database appears to be at odds with both the Privacy Act and Crown's own Records Management Policy. Crown's legal counsel has advised the OSM that responsibility for compliance with Crown's privacy obligations in respect of FRT sits with the Security and Surveillance team, and that this team has recently prepared a Business Unit Personal Information Register that addresses its retention of this information.

The Information Register will state the purpose for holding this data indefinitely (or otherwise) and set out the requirements for so doing. The Information Register is currently being reviewed by Crown's Privacy Manager. The OSM will examine this Information Register once the Privacy Manager has approved it and will assess the retention period for this information on Crown's FRT database, as well as any underlying rationale.

Given the novelty of FRT, there is a dearth of specific laws, rulings or guidelines that relate to its use. The OSM acknowledges that Crown has agreed to participate in a case study of FRT implementation in workshops being developed by the Department of Home Affairs, which will explore the need for a National Biometrics Strategy.

9.8 Engagement with regulators

Crown has developed a new Regulator and Law Enforcement Agency Engagement Policy, which took effect on 1 October 2022. The Engagement Policy is an important step in enhancing the aligned purpose, trust and respect that is foundational to Crown's relationship with its regulators. It attempts to respond to significant criticisms Crown faced as a result of the serious failings exposed by recent commissions of inquiry, external reporting and adverse regulatory decisions, by setting out a series of 'engagement principles'. These aim to enable Crown to:

- engage in open, transparent and productive relationships with its regulators
- provide timely responses to enquiries and/or requests for information
- clarify the roles and responsibilities of Crown's agreed 'Relationship Owners' responsible for representing Crown and managing the relationship with assigned regulators and law enforcement agencies.

The Relationship Owner responsible for Crown's dealings with the VGCCC is the General Manager – Compliance and Regulatory Affairs, Crown Melbourne.

The Engagement Policy requires employees to retain appropriate records of their dealings with regulators, including in relation to Crown employee interactions with gaming inspectors. These requirements aim to enhance accountability in respect of Crown's dealings with regulators and enable Crown to respond on a more timely basis to regulator queries and requests.

The OSM will monitor whether Crown's adherence to these engagement principles enhances its relationships with its various regulators. This is particularly so given that the nature of the engagement can vary from regulator to regulator.

For example, both AUSTRAC and the ATO have reported to the OSM that they have observed Crown being more proactive in its engagement with them:

- AUSTRAC reports that Crown has maintained a regular quarterly schedule of meetings to discuss Crown's compliance with its AML/CTF obligations. Crown has also conducted 'walkthroughs' with the regulator to facilitate greater shared understanding about casino operations, build upon subject matter knowledge and align purposes in respect of AML/CTF matters. In addition, Crown has recently proposed to AUSTRAC the establishment of a 'Gaming Alliance' between various public and private organisations with AML/CTF reporting obligations to support law enforcement. AUSTRAC is considering this request
- Similarly, Crown's ongoing focus on tax compliance has contributed to the ATO maintaining Crown's recent recategorisation from a reporting entity with a 'low' level of assurance under its risk differentiation framework to an entity with a 'medium' level of assurance in its most recently audited tax years.²⁰⁸ Despite ongoing Court proceedings involving Crown and the ATO,²⁰⁹ the ATO has indicated that Crown has been proactive and transparent in bringing issues to its attention. The ATO has been particularly pleased by the voluntary disclosures made by Crown in relation to its recent GST grouping.

In contrast, commentary in recent VGCCC decisions²¹⁰ suggests that there is scope for Crown to significantly enhance its engagement with its primary regulator in this state. Based upon the VGCCC's reasoning, and being an important area the Finkelstein Royal Commission highlighted for Crown to address, aspects of the relationship between Crown and the VGCCC do not provide clear evidence of aligned purpose, trust and mutual respect consistent with Crown's espoused Engagement Policy.

As part of its draft Compliance Strategy, Crown has committed to developing a Regulator Engagement Plan by March 2023 to formalise its strategy for improving its engagement with regulators. The OSM notes that the Compliance and Regulatory Affairs group is planning to prioritise the development of the Regulator Engagement Plan to strengthen the VGCCC relationship.

In further developing its Regulatory Engagement Plan, the OSM has encouraged Crown to consider any guidance or expectations expressed by its regulators in sources such as Recital G of the Major Change Deeds Poll²¹¹ and reasons for decisions produced upon the conclusion of recent disciplinary proceedings.

²⁰⁸ Relating to the 2018–2020 financial years.

²⁰⁹ The dispute between Crown and the ATO relates to a review of the income tax treatment of payments made to the Victorian Government in the 2015 financial year under the Deed of Variation pertaining to the *Casino (Management Agreement) Act 1993* (Vic).

²¹⁰ See, for example, Victorian Gambling and Casino Control Commission, Decision and Reasons for Decision in the matter of disciplinary action against Crown Melbourne Ltd pursuant section 20(1)(dc) of the *Casino Control Act 1991*, 7 November 2022.

²¹¹ Crown Melbourne Group (comprising Crown Melbourne Limited, Crown Resorts Limited and Crown Entertainment Group Holdings Pty Ltd) (Major Change Deed Poll), July 2022, Recital G.

9.9 Focus of the OSM for the next reporting period

As noted already, Blackstone Inc.'s acquisition of Crown Resorts resulted in significant changes to Crown Resorts and Crown Melbourne Board membership and committees in the current reporting period. The new Crown Melbourne Board has recently approved the establishment of three Board committees. Namely, Finance and Audit; Risk, Compliance and Responsible Gaming; and People and Culture. Crown is yet to decide the directors who will be appointed to each of these committees (including consideration of the requisite skills and experience). The OSM will continue to monitor developments in relation to both Board and management committees. The OSM will also monitor the manner in which the Crown Melbourne Board satisfies itself that it is independent, has the necessary skills and governance arrangements in place to properly acquit its functions and duties, has sufficient time and attention given to risk and compliance, and that Crown Melbourne's CEO is accountable to the directors of Crown Melbourne (and not to the CEO of the holding company).

The OSM will also continue to monitor Crown's compliance with its legislative and regulatory obligations, tax obligations, the Casino Agreement, privacy law (in relation to FRT), and with controlled and significant contracts requirements.

Importantly, the OSM will monitor Crown's adherence to its new Regulator and Law Enforcement Agency Engagement Policy and its ongoing relationships with its key regulators.

10. Special Manager's activity and exercise of powers

10.1 Overview

The Special Manager's June 2022 interim report outlined the Special Manager's establishment, powers, functions and responsibilities. It also set out details of the Special Manager's engagement with stakeholders, and the exercise of his Information Requests and Directions powers up until June 2022. This section provides an update on engagement with stakeholders, and the exercise of Information Requests and Directions powers for the period from July to December 2022.

10.2 Structure and resources

As at 30 November 2022, the Special Manager was supported by a team of 11 officers at 9.7 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 public harm minimisation.

Professional services firm FTI Consulting continues to support the work of the Special Manager in assessing Crown's reform program.

10.3 Stakeholder engagement

10.3.1 Engagement with Crown

In this six-month reporting period, the OSM has continued to develop constructive working relationships across Crown to assist the Special Manager in performing his functions and activities. A key focus of engagement at the executive level has been on understanding Blackstone Inc.'s approach to Crown's business and reform work and establishing effective working relationships with the new leadership. The Special Manager acknowledges the cooperation of the new leadership in this engagement.

The Crown Melbourne Board has met four times in this reporting period, compared with two meetings in the January to June 2022 period (noting that one of those two meetings was a joint board meeting with Crown Melbourne, Crown Sydney and Crown Perth). The Special Manager and Deputy Special Managers have attended all meetings. The Special Manager also attended a preliminary joint board meeting regarding the then pending AUSTRAC proceeding mediation.

The Special Manager and/or OSM representatives have also attended or engaged with the work of relevant Crown committees as outlined in section 9.1.1 and Appendix E.

The Special Manager has met with:

- new Crown Melbourne Board directors, to discuss the Special Manager's functions and powers and the Board's scrutiny in helping to drive Crown's transformation program
- newly appointed senior executives leading the reform work, to better understand their roles and hear their insights into Crown's reform program. These were one-on-one meetings
- the newly appointed Crown Melbourne CEO, Mr Mike Volkert, and Crown Resorts CEO, Mr Ciarán Carruthers, to discuss the progress of Crown's reforms and current operational matters. These meetings generally occurred weekly and fortnightly respectively.

The Special Manager has also met with Las Vegas based Crown Resorts Chair, Mr Bill McBeath, and has met several times to date with the new Crown Melbourne Chair, Mr Ian Silk. These meetings have provided an opportunity to discuss issues relevant to Crown's operations and the progress of its reform agenda, and to raise any issues or concerns.

Regular meetings are also continuing between the OSM and Crown at officer level and have been extended further across the business, to understand Crown's reform work and to facilitate the OSM's information gathering. The dedicated office space Crown has provided the OSM within its Melbourne complex helps to facilitate ongoing engagement and information sharing between Crown and OSM staff, particularly as the OSM has started its more detailed assessment work.

The Special Manager is also taking opportunities to engage with Crown employees more broadly. In July 2022, the Special Manager sent Crown employees a message via the Crown CEO advising them of the publication of the June 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 its website. The Special Manager and OSM staff have also attended a range of Crown internal forums, including leadership and employee town hall style briefings.

As well as regularly visiting Crown's complex, the Special Manager and senior staff undertook an extensive tour of Crown Melbourne on a Friday night in November to better understand operations on the casino floor and the challenges posed during one of the casino's busiest periods. In October, the Special Manager and a Deputy Special Manager also toured Crown's casino at Barangaroo Point, Sydney.

The OSM has met a second time with the United Workers Union (UWU) workplace delegates from various areas within Crown Melbourne to discuss issues facing Crown and its employees. The OSM will continue to engage with the UWU as work progresses on monitoring and assessing Crown's reform program.

10.3.2 Engagement with VGCCC

During this period the Special Manager has continued to liaise regularly with the Chair of the VGCCC to provide updates on the performance of his functions. The OSM has also provided four separate high-level briefings to the VGCCC Commissioners, CEO and senior executives in relation to the OSM's assessment approach and key focus areas under each work stream.

Ongoing close liaison to facilitate information sharing is continuing as appropriate at officer level. This includes the establishment of a referral protocol between the OSM and VGCCC for public complaints received via the OSM's enquiry inbox (see section 10.3.3).

In October 2022, the Special Manager spoke about his role at the International Association of Gaming Regulators Conference, 'A Kickstart for Collaboration: Sparking Innovation in Regulatory Practice', hosted by the VGCCC in Melbourne. The conference was attended by several hundred local and international delegates. Delegates expressed much interest in the casino reform work underway in Victoria and other Australian jurisdictions. At their request, the Special Manager also hosted a delegation from the Tokyo-based Japan Casino Regulatory Commission at the OSM offices.

10.3.3 Broader stakeholder engagement

The OSM has continued to expand and deepen 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. The OSM has sought to update these stakeholders about its activities, and to gather information and insights to inform its work, and in particular, its approach to assessment of Crown's reforms.

Interstate regulators and monitors

The OSM has continued regular engagement with the New South Wales regulator, now the New South Wales Independent Casino Commission (NICC)²¹² and Kroll, the independent monitor of Crown Sydney, particularly about the ARAP. The OSM has met at least monthly with Kroll, to share information and coordinate assessment approaches as relevant.

The Special Manager has also met with the independent monitor for Crown Perth, former Western Australian Police Force Assistant Commissioner Paul Steel, who was appointed on 31 October 2022.

The three Crown monitors intend to meet on a monthly basis and will continue to liaise regularly during 2023.

Financial crime, and governance and compliance

In relation to financial crime, and governance and compliance issues, the OSM has continued to engage with key state and federal agencies, including AUSTRAC, Victoria Police, the Australian Federal Police, ACIC, ASIC and ATO. Meetings have focused on potential areas of mutual interest and opportunities to share information.

The ACIC provided a briefing to the OSM on ML/TF typologies. The OSM has also commenced discussions with the ACIC and Victoria Police regarding a strategic intelligence assessment of Crown's operating environment, and current and emerging criminal activity issues and risks.

The OSM's discussions with Victoria Police and the Australian Federal Police included updates on the development of MOUs between these respective agencies and Crown to support information and intelligence sharing. These MOUs are in the final stages of development (in addition to the one completed earlier this year with the ACIC).²¹³

²¹² The NICC took over casino regulation from the Independent Liquor & Gaming Authority, effective 5 September 2022.

²¹³ Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 200.

Gambling harm minimisation

In relation to gambling harm minimisation, the OSM has continued its engagement with key parts of government and broadened its engagement with the community and non-government sector.

The OSM is monitoring RSG reforms²¹⁴ through regular officer-level liaison with the DJCS Office of Liquor and Gaming and the VGCCC. Liquor & Gaming NSW²¹⁵ also provided a briefing to RSG and financial crime work stream leads on its 'regulatory sandbox' cashless gaming trials.

The OSM has continued to engage closely at executive and officer level with the VRGF which, in addition to monthly information sharing meetings, has provided several key briefings and access to its sector development sessions. It has also facilitated OSM consultation with gambling harm service providers and its Lived Experience Advisory Committee.

A key purpose of expanded engagement with the community and non-government sector has been to gather insights from a diverse range of stakeholders about what constitutes effective RSG strategy in a casino context. These principles are set out in Appendix F (see also section 6.3). In addition to continued regular engagement with the Alliance for Gambling Reform, the OSM has engaged with a range of:

- academic experts – for example, Professor Dan Lubman AM, Monash Addiction Research Centre and Turning Point addiction research and education centre (part of Eastern Health)
- service providers – for example, Gamblers Help delivery partners, including those providing services to culturally and linguistically diverse communities
- peak bodies – for example, the Australasian Gaming Council and Financial Counselling Victoria
- other interested parties – for example, international student advocates VicWISE in relation to international student experience with Crown Melbourne.

Further details are set out in Appendix D. The OSM will continue to actively engage with community and government stakeholders to inform its oversight and assessment of Crown's RSG reform program.

Public enquiries

As noted above, the OSM established a public enquiry inbox, accessible via its website, to support the release of the Special Manager's June 2022 activity report. Six enquiries have been received and responded to during this reporting period. Matters have ranged in complexity from simple enquiries about the OSM's work, to customer complaints in relation to Crown and the conduct of other customers. The OSM has responded to more complex matters following consultation with the VGCCC, and has referred one matter, an allegation of criminal conduct by a Crown customer, anonymously (at the informant's request) to the VGCCC for further consideration. The OSM has appreciated the VGCCC's support in handling these types of complaints from the public.

²¹⁴ Nine Finkelstein Report recommendations relating to RSG are being implemented through government regulatory and administrative actions. These are discussed in section 6.

²¹⁵ Liquor and Gaming NSW administers the regulatory framework for the liquor, gaming, wagering, casino and registered clubs sectors in New South Wales.

10.4 Exercise of Information Requests power

Crown provided a large volume of information to the OSM in this reporting period. Prompt, informal access to records as and when requested by OSM staff facilitated the OSM's day-to-day work, while the Special Manager issued seven formal statutory requests (Information Requests) under section 36F of the Casino Control Act. These Information Requests focused on different priority areas in the OSM work plan or were issued where it was appropriate for the Special Manager to use his power to require information notwithstanding any pre-existing duty of confidentiality, statutory prohibition or legal privilege.

In addition, Crown continues to supply the OSM with documents it requires on a routine basis, such as Board papers and minutes, and government correspondence.

Crown maintains a running list of all documents provided informally and formally to the OSM.

Appendix B details each Information Request and summarises Crown's response. Each request is also briefly outlined below:

- Request 9 (19 July 2022): internal audit documents and whistleblower investigation reports, register and training materials
- Request 10 (23 August 2022):
 - documents in relation to Crown's tax compliance including letters and assurance reports issued by the ATO to Crown Resorts for the past five years
 - a copy of the internal report relevant to items 6 to 8 of Appendix I of the Finkelstein Report, being Crown's response to indicators of money laundering in customer accounts identified by McGrathNicol
 - various RSG documents
- Request 11 (6 September 2022): documents and information relevant to Crown's design and implementation of FRT at the Melbourne complex
- Request 12 (20 September 2022):
 - documents and information relevant to Crown's management of controlled contracts
 - terms of reference for risk management work being undertaken for Crown by Mr Peter Deans
- Request 13 (27 September 2022):
 - a suite of materials relating to Crown's integrity framework including current and revised policies, workplace instructions and training, and a draft internal audit whistleblower report
 - documents relevant to the OSM's assessment of Crown's identification and handling of suspicious matter reporting to AUSTRAC
- Request 14 (3 October 2022): a variety of planning, research and other documents relating to Crown's approach to RSG
- Request 15 (2 November 2022): Crown culture and transformation documents including staffing and resourcing statistics and information, business targets and leadership communications.

As in the previous reporting period, Crown has been generally responsive to the Special Manager's Information Requests but has on occasion, and in relatively narrow circumstances, sought to put limits on the information provided to the OSM, such as requests involving Commonwealth legislative secrecy requirements. This has not impeded the OSM's work.

There has been a noticeable increase in Crown's willingness to provide access to information informally, and to volunteer additional documents or materials that the OSM may wish to request via Information Requests.

Despite this increased willingness, the OSM has faced ongoing challenges in obtaining up-to-date information about the operation of Crown's management level committees; for example, Crown has not consistently provided associated agendas, papers and minutes in as timely a manner as the OSM might wish. The OSM recognises that these committees are not administered through the centralised company secretariat unit, and that there have been several changes in responsible executive roles during this reporting period; however, there remains much scope for Crown to improve its management level committee processes.

10.5 Exercise of Directions power

The Special Manager made eight new Directions under section 36E of the Casino Control Act in this reporting period, each based on Crown's best interests having regard to the Special Manager's objectives and functions.

Crown did not seek to make any written submissions in response to each of the Special Manager's eight Notices of Intention to give Directions, each of which was heralded before being issued.

Appendix C details each Direction made by the Special Manager to Crown. A summary of each Direction is also given below:

- Directions 13 to 16 require Crown to provide updated versions of documents, as well as all appendices, annexures and attachments to documents, when OSM staff request them
- Directions 17 and 18 require Crown to immediately provide all circular resolutions sent to Crown Melbourne directors, as well as ones sent to Crown Resorts directors that in any way concern the affairs of Crown Melbourne. This ensures the Special Manager remains properly informed of all relevant Board matters
- Direction 19 requires Crown to provide records of its dealings with local government authorities on an ongoing basis. This is an extension of Directions 4 and 11, which already require Crown to keep the OSM informed of dealings with state and federal agencies. Given the volume of information captured by these Directions, the OSM regularly liaises with Crown to focus on information most beneficial to the OSM's work
- Direction 20 requires Crown to notify the Special Manager when any Crown Resorts Board or committee meeting is scheduled to discuss matters that in any way concern Crown Melbourne. This ensures the Special Manager remains properly informed of all matters affecting Crown Melbourne and its affairs.

Crown has generally complied with Directions, noting that it took Crown one month to implement Direction 19 across the business and that there was at least one early instance where Crown inadvertently failed to comply with Direction 20. Neither matter was of concern to the OSM.

In the previous reporting period, the Special Manager issued Direction 12 requiring Crown to provide monthly updates on its progress against the MRAP. Crown is now complying with Direction 12 by providing its Transformation Steering Committee meeting packs in a timely way. Finally, the June 2022 interim report noted that the Special Manager had sought an amendment to section 36E(5) of the Casino Control Act to allow more than three days to determine whether a Direction should be given after receiving any submissions from the casino operator. Helpfully, the time limit was removed by legislative amendment as of 28 September 2022.

