



THE STAR

## ASX Announcement

27 September 2022

### RESPONSE TO NSW INDEPENDENT CASINO COMMISSION NOTICE

Further to the announcement of 13 September 2022, The Star Entertainment Group Limited (ASX code: SGR), on behalf of its wholly owned subsidiary and NSW casino licence holder The Star Pty Limited, has responded to the NSW Independent Casino Commission's (NICC) show cause notice (**Notice**) under section 23(2) of the Casino Control Act 1992.

The Notice relates to the Report prepared by Mr Adam Bell SC in connection with his review of The Star Sydney.

Attached is an extract – the “Introduction and Overview” – from the comprehensive response to the NICC and the “Remediation Plan Structure” annexed to the response.

**Authorised by:**

Board of Directors

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## Introduction and overview

This document is The Star Entertainment Group's (TSEG) response on behalf of its wholly owned subsidiary and NSW casino licence holder, The Star Pty Ltd (The Star Sydney), to the Notice Under Section 23(2) of the Casino Control Act 1992 (NICC Notice or the Notice), dated 13 September 2022, relating to the Report prepared by Mr Adam Bell SC (the Bell Report or the Report). As you will appreciate, it is an extensive response, prepared expeditiously, and we would welcome an opportunity to meet with you to provide further clarity, explanation, or detail after you have had the opportunity to read it.

TSEG and The Star Sydney accept the findings of the Bell Report, including the finding of unsuitability. TSEG and The Star Sydney also acknowledge the gravity of the conduct which is raised in the Bell Report. TSEG has taken significant and urgent remedial steps, including increased risk, compliance, and security staff, approval of upgrades to surveillance technology as well as permanently exiting junkets and closing the Marquee nightclub. TSEG is committed to taking additional necessary and appropriate action in clear timeframes to address the issues raised by Mr Bell so the Commission (the NSW Independent Casino Commission or NICC) can be satisfied that The Star Sydney has taken sufficient steps, and has bound itself to take further steps, so that it may continue to hold its licence.

TSEG has developed a comprehensive Remediation Plan (the Plan) for a multi-year transformation of the governance, accountability and capabilities, culture, and risk and compliance management practices of the organisation – we intend to do whatever is necessary, in consultation with NICC, to restore The Star Sydney to suitability. We submit that the appropriate action NICC should take is to allow TSEG to continue to operate the licence, under strict supervision and being held accountable to the milestones on the Remediation Plan. Achieving those milestones should give NICC confidence that TSEG has restored suitability.

### Significant changes in leadership

The team to lead us on the path to suitability will be very different to those who led TSEG in the past. We have appointed three new Non-Executive Directors to the TSEG Board (Michael Issenberg, Anne Ward, David Foster) and have recently announced the appointment of Robbie Cooke as the new Chief Executive Officer (**CEO**), subject to regulatory approval. We have appointed Scott Wharton as CEO The Star Sydney & Group Head of Transformation. In addition, we have a new Group Chief Risk Officer, Company Secretary, and acting General Manager (**GM**) Compliance, all subject to regulatory approval. There have also been a number of key Executives resignations.

We have announced a dedicated and fully accountable Executive Team for the New South Wales (**NSW**) licensee led by the CEO The Star Sydney, which will include a Sydney Controls Officer and a Sydney Chief Risk Officer, subject to regulatory approval. Interim appointments in these roles have been put in place, with changed reporting lines to create better accountability and independence for risk management, to ensure we move swiftly to strengthen The Star Sydney's operations and risk and controls management. By 31 October 2022, we will have an independent Compliance Committee for The Star Sydney as recommended in the Bell Report.

### Development of a comprehensive plan including urgent actions

TSEG has developed a comprehensive plan for a multi-year transformation. We are committed to working swiftly, constructively and transparently with NICC, our other regulators, and the Independent Monitor. This is important not only for the business but for our thousands of committed and hard-working employees. We owe it to them to do everything in our power to get this right.

Mr Bell noted and welcomed that there was early work underway, but it is plain that we had not acted with the necessary urgency. You have made this clear to us. We have a lot to do to restore a constructive and open working relationship with NICC.

We attach the first version of the Plan which will further evolve, and a second version is expected to be completed, with resource and budget commitments, by the end of October. We have overhauled our approach including undertaking a frank and rigorous assessment of the root causes of our unsuitability. The Plan, with absolute focus and urgency, also incorporates and significantly expands on the prior work that was part of TSEG's Renewal Program. The Bell recommendations have been mapped to the Workstreams and Initiatives and reflected in the Milestone descriptions. This will enable the Plan to form the basis of any remediation directions or Enforceable Undertaking NICC may determine as necessary. The Plan, as our pathway to suitability, will address all relevant recommendations and expectations from the Report, the Gotterson Report (once received), and the Australian Transaction Reports and Analysis Centre (AUSTRAC).

Importantly, the Plan contains immediate actions (some have already been undertaken) to make changes urgently wherever feasible in order to accelerate the change process and provide near-term mitigation to TSEG's root-cause failings. They include significant organisational changes, role and reporting-line changes, and real actions, to demonstrate that the commitment to cultural change is real. They are incorporated into the Plan as Initiatives 1.0, 2.0, 3.0, and 4.0 with underlying Milestones. These build on decisions already taken such as the closure of the Marquee nightclub and the actions taken prior to Mr Bell delivering his Report, including to suspend all rebate-play programs, close international offices and bank accounts, cease international junkets and China Union Pay in connection with gaming.

### **Objectives, workstreams and milestones**

TSEG recognises that they will not be judged by the Plan, but by the extent to which TSEG actually delivers better risk, compliance, culture and community outcomes. Actions in the business, particularly at The Star Sydney, will speak far louder than words on a page. TSEG will have succeeded when its business leaders have a deep sense of accountability, and can hold themselves, their teams and each other to account for the outcomes they deliver. This includes instilling a culture of 'calling it out' – with the 'should we?' question clearly established, providing transparency, breaking down silos and improving communication to the Board, inviting constructive challenge, raising issues, and having open, constructive and respectful relationships with regulators. As an example, we have changed our Whistleblower Policy to support greater disclosure of inappropriate conduct by our employees, and appointed a new Whistleblower hotline with Your Call (to be established by 30 November 2022).

The Plan is structured along nine Workstreams: Governance, People, Culture, Risk and Compliance Management, Financial Crime, Safer Gambling, Investigations, Technology and Data, and Communications. All Workstreams, apart from Communications as an enabler, have a defined problem statement and target state, and in aggregate there are 48 specific Initiatives and 130 Design and Implement Milestones. Each of these Initiatives and Milestones has been specified in the detailed version of the Plan submitted to NICC. For each Milestone, there are specific closure criteria and evidence to enable TSEG and the Independent Monitor to transparently track progress as it is made and provide early warning if things go off track.

Beyond meeting the specific recommendations, TSEG's aspiration is to become a better organisation and to not only live up to the standards others expect from us, but those we expect from ourselves. We are committed to adopting better industry practices expected for an entertainment group of TSEG's stature. TSEG is aware of the extent of change required and the effort and investment to address the Report recommendations and our thematic root causes.

### **Strict governance and accountability for delivery**

From a formal Plan governance perspective, TSEG considers that the Bell recommendations and findings will be addressed, and the Remediation Program outcomes achieved once all Design and Implement Milestones have been completed across the nine Workstreams. TSEG plans to conclude the Plan by end of 2024 but acknowledges that post implementation and achievement of Remediation Program outcomes, the business-as-usual operations will require sustainability and continuous improvement to ensure proper embedding of change, ongoing compliance with regulatory requirements, and alignment with industry standards.

Accountability for delivery will be consistent with our target Three Lines of Accountability (**3LoA**) model, including linking the remuneration outcomes and setting consequences for Executives based on the successful delivery of the Remediation Plan and their personal contributions. Each of the nine Workstreams has an Executive Sponsor who is accountable for delivery and each Initiative has a Business Owner who is responsible for delivering the Initiative by completing the underlying Milestones by defined due dates. Our business and function leaders are accountable for implementing the Plan, supported by a central Transformation Office, playing a Line 1 role as the owner of the project execution risk related to the Program. This will be managed through establishing appropriate controls, including the adoption of a rigorous project execution approach and drawing on third-party advisors to provide external perspectives and challenge. Operating as Line 2, the Group Chief Risk Officer and their team will provide oversight and challenge of the accountable Executives' fulfilment of their obligations under the Plan and overall Remediation Program effectiveness. Operating as Line 3, Internal Audit will provide assurance to the CEO and Board that the accountable Executives are fulfilling their obligations under the Plan and that the Remediation Program is operating effectively.

### **Assurance and transparency through Independent Monitor**

TSEG has appointed Allen & Overy as the Independent Monitor to provide independent assurance and reporting to the Board and regulators on the progress of TSEG's Remediation Program. Allen & Overy are a renowned company with experience in the Independent Monitor role; they have confirmed that they comply with the Australian Securities & Investments Commission (ASIC) and AUSTRAC requirements for an Independent Monitor in relation to TSEG. For this Planning phase, the Independent Monitor is providing independent monitoring of the scope, delivery and governance arrangements of the Plan to give the Board a level of comfort that the Plan will address the root causes of the risk and compliance failings in a sustainable way. The Independent Monitor will write a report to the Board and the regulators summarising their assessment outcomes for the Planning phase by 31 October 2022.

Once the Plan has been finalised and approved by the Board, the Independent Monitor will monitor TSEG's continuous progress against the Plan and its Milestones, including assessment of whether Milestones are both complete and effective. In addition, the Independent Monitor will write a quarterly report to the Board and the regulators, which provides their assessment of progress against the Plan. It will include the status of each Initiative and Milestone including those that are currently under independent review and those recommended for closure. This process will also apply for those Initiatives and Milestones where Board members are the accountable Executives.

### **Additional resources, investment, and expertise**

We have acted with urgency to bolster resources in priority areas. We have signed statements of work with PricewaterhouseCoopers (**PwC**) and Deloitte to increase headcount by 53 in Safer Gambling, Financial Crime, Risk and Compliance functions with the onboarding of people commencing today. This includes 25 external Financial Crime specialists, lifting our total staffing in Financial Crime to 56. In the longer term, we will replace the seconded staff with permanent employees.

We have approved an uplift in security staff to strengthen entry controls and regulatory compliance for the property and will add 15 facial-recognition cameras (from 55 to 70) strategically positioned on perimeter entry locations to augment early-detection capability and prevent entry of excluded persons to the casino, to be fully implemented by end of December 2022. We have also approved enhanced Underage Prevention Technology, Face-to-Photo Verification, to be implemented by end of November 2022 across all entry points to the casino, and have entered into an information-sharing protocol with Crown in relation to self-exclusions to ensure that guests who self-excluded at Crown are also excluded at The Star Sydney and vice versa.

In addition to the immediate increase in headcount by 53, TSEG estimates a significant investment into resources to deliver the Plan, which includes project managers, change managers, subject-matter experts, and other staff to support delivery at quality and in time. The change resource profile will shift over time from a high share of external resources to largely internal resources, in line with our capability-building plans.

The Plan also incorporates significant technology upgrades. These will be for existing systems underpinning the Financial Crime and Safer Gambling functions, as well as the development of new systems as the company transitions to compulsory carded play and cashless gaming as required under the recent amendments to the NSW Casino Control Act. This includes, for example, to further improve NICC access to Synkros Gaming System and commence connection with the state-licensed Centralised Monitoring System (and any other systems to which it requires access).

The Board will finalise the budget for the Plan over the next month following your feedback, and consideration of the Gotterson Report (once received) and relevant recommendations and findings from AUSTRAC. We are committed to do what it takes to deliver our Remediation Plan and restore The Star Sydney to suitability.

Ben Heap,  
Executive Chairman  
on behalf of the Board of The Star Entertainment Group



# REMEDIATION PLAN STRUCTURE<sup>1</sup>

Workstreams      Enabling streams

| # | Workstream title               | #   | Initiative title                                                |
|---|--------------------------------|-----|-----------------------------------------------------------------|
| 1 | Governance                     | 1.0 | Immediate actions (Governance)                                  |
|   |                                | 1.1 | Board and management 'tone from the top'                        |
|   |                                | 1.2 | Board governance                                                |
|   |                                | 1.3 | Executive governance and accountability                         |
|   |                                | 1.4 | Board and management risk and compliance reporting              |
|   |                                | 1.5 | Board assurance                                                 |
|   |                                | 1.6 | Ongoing reviews and enhancements of the Remediation Program     |
|   |                                | 1.7 | Sustainability of Remediation Program outcomes                  |
| 2 | People                         | 2.0 | Immediate actions (People)                                      |
|   |                                | 2.1 | 3LoA operating model                                            |
|   |                                | 2.2 | Organisation design                                             |
|   |                                | 2.3 | Risk and compliance capability framework, assessment and uplift |
|   |                                | 2.4 | Training curriculum                                             |
|   |                                | 2.5 | Training policies                                               |
|   |                                | 2.6 | Remuneration and consequence management                         |
| 3 | Culture                        | 3.0 | Immediate actions (Culture)                                     |
|   |                                | 3.1 | TSEG culture and leadership culture                             |
|   |                                | 3.2 | Overall culture assessment and uplift                           |
|   |                                | 3.3 | Culture reporting                                               |
| 4 | Risk and compliance management | 4.0 | Immediate actions (Risk and compliance management)              |
|   |                                | 4.1 | Policy architecture, governance and prioritised uplift          |
|   |                                | 4.2 | ICMs and SOPs uplift                                            |
|   |                                | 4.3 | Risk appetite and implementation                                |
|   |                                | 4.4 | Risk and compliance reporting                                   |
|   |                                | 4.5 | Risk management and controls uplift                             |
|   |                                | 4.6 | Compliance and obligations management                           |
|   |                                | 4.7 | Incident management and breach reporting                        |
|   |                                | 4.8 | GRC technology uplift                                           |
|   |                                | 4.9 | Regulator engagement                                            |

| # | Workstream title    | #                                                                               | Initiative title                                                                                                                                                                                                                                                               |
|---|---------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | Financial Crime     | 5.1                                                                             | Financial Crime strategy                                                                                                                                                                                                                                                       |
|   |                     | 5.2                                                                             | Financial Crime organisation and people                                                                                                                                                                                                                                        |
|   |                     | 5.3                                                                             | Financial Crime policy, controls and compliance                                                                                                                                                                                                                                |
|   |                     | 5.4                                                                             | Financial Crime data & reporting                                                                                                                                                                                                                                               |
|   |                     | 5.5                                                                             | Financial Crime technology                                                                                                                                                                                                                                                     |
|   |                     | 5.6                                                                             | Financial Crime process                                                                                                                                                                                                                                                        |
|   |                     | 5.7                                                                             | Financial Crime performance management                                                                                                                                                                                                                                         |
| 6 | Safer Gambling      | 6.1                                                                             | Team member awareness, capability, and resourcing                                                                                                                                                                                                                              |
|   |                     | 6.2                                                                             | Proactive identification tools                                                                                                                                                                                                                                                 |
|   |                     | 6.3                                                                             | Guest enablement for self-management                                                                                                                                                                                                                                           |
|   |                     | 6.4                                                                             | Marketing and sales practices                                                                                                                                                                                                                                                  |
|   |                     | 6.5                                                                             | Integrative approach                                                                                                                                                                                                                                                           |
|   |                     | 6.6                                                                             | Time play management                                                                                                                                                                                                                                                           |
| 7 | Investigations      | 7.1                                                                             | Investigations operating model                                                                                                                                                                                                                                                 |
|   |                     | 7.2                                                                             | Investigations policy, procedures and processes                                                                                                                                                                                                                                |
|   |                     | 7.3                                                                             | Investigations technology                                                                                                                                                                                                                                                      |
| 8 | Technology and data | 8.1                                                                             | Carded play & cashless transition                                                                                                                                                                                                                                              |
|   |                     | 8.2                                                                             | Industry CMS (MaxGaming) Connectivity                                                                                                                                                                                                                                          |
|   |                     | 8.3                                                                             | The Star Sydney CMS (Synkros) access<br>Tech delivery support: <i>Support Workstreams on tech delivery of, e.g. LMS (WS 2); Protecht (WS 4); TrackVia, Factiva &amp; iBase (WS 5); Responsible Gambling Technology like Time Play (WS 6); Investigation tech uplift (WS 7)</i> |
| 9 | Communication       | Communication support: <i>Support Workstreams in communication requirements</i> |                                                                                                                                                                                                                                                                                |

The Remediation Plan includes 130 milestones that will be delivered over the next 2 years. 8 milestones have already been completed and another 29 will be completed by the end of December as immediate actions on our Path to Suitability.

1. Each Workstream will be sponsored by an accountable Executive

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THE STAR ENTERTAINMENT GROUP