

Independent Monitor of The Star Entertainment Group's Remediation Program

First Report

Prepared by Allen & Overy

20 October 2022



ALLEN & OVERY

Executive Summary

This is the first report (**Report**) of Allen & Overy (**A&O**) as the Independent Monitor for The Star Entertainment Group (**TSEG**) Board of Directors (**Board**) in relation to its organisation-wide program of work for uplifting culture, governance, accountability and capability, and risk and compliance management.

A&O has been appointed as the Independent Monitor by the TSEG Board to provide it with ongoing assurance in respect of the delivery of TSEG's multi-year Remediation Program (**Program**).

This Report covers our assurance relating to the *planning* phase of the Program, from August 2022 to October 2022. The assessments in this Report are informed by a review of 46 documents, the observation of 12 hours of planning meetings and interviews with 20 employees across different workstreams, business lines and support functions over a four week period.

Based on this fieldwork, in our opinion the Program is sufficiently developed for the TSEG Board to consider commencing the execution phase.

In forming this opinion, we note:

1. the Program features clear Workstream Problem Statements / root causes, Workstream Target States, and Milestones;
2. the scope of the Program is designed to address the root causes identified to date, as well as the overall themes and actions raised in the Bell and Gotterson Reports, acknowledging TSEG intends to investigate potential root causes further as part of the Program;
3. TSEG has arrangements in place to govern and oversee Program delivery;
4. TSEG has identified individual executives who are accountable for Program design and implementation;
5. the overall timeline for the design and implementation of changes proposed under the Program is reasonable for a program of this scale and complexity; and

6. TSEG has completed preliminary funding and resourcing forecasts, projecting a significant investment.

We have, however, raised a number of preliminary enquiries with TSEG relating to Program scope, delivery and governance arrangements (see the Appendix for a list of these enquiries).

The key enquiries relate to a need to consider:

- updating Program timelines to incorporate a post-implementation phase, in order to ensure the Program Sponsor and Workstream Sponsors remain accountable for the sustainability of the changes being delivered; and
- updating executive-level performance measures in relation to the Program.

In our view, these enquiries do not preclude TSEG from moving into execution phase. Instead, they should inform the iteration of planning documents to ensure the Program delivers sustainable change. We will monitor developments closely in this respect, including by seeking input from the newly appointed Manager of The Star Sydney, as well as any other person(s) that may be appointed to a similar Manager role in relation to The Star Gold Coast and Treasury Brisbane.

While we haven't yet had an opportunity to interview the incoming CEO, we have, in the course of preparing this Report, engaged with a number of TSEG's senior leaders including the Interim Chair of the Board (Mr Ben Heap). On the basis of these conversations, and reflecting on the scale of TSEG's investment and the degree of senior focus being shown, we believe TSEG recognises the degree of challenge it faces in remediating the root causes and restoring trust, and has shown an intention to do so.

We are pleased to submit our first Report.

Allen & Overy

Content

This section explains the structure of this Report.

- **Section 1** provides some of the background to TSEG's Program and this Report
- **Sections 2 to 6** set out our point-in-time view of the Program's planning phase:
 - **Section 2:** relates to the Program's **scope and structure**
 - **Section 3:** relates to the Program's **governance and oversight**
 - **Section 4:** relates to **accountability** for the Program
 - **Section 5:** relates to **dependency management** for the Program
 - **Section 6:** relates to the Program's **timelines, resources and funding**

We also include, for completeness:

- **Appendix:** summarising the fieldwork done to support this Report

1. Introduction

This section explains some of the background to the Program and this Report.

About TSEG

TSEG is an Australian incorporated corporate group. Its holding company, The Star Entertainment Group Limited, is listed on the Australian Securities Exchange (ASX: SGR).

TSEG is involved in the operation of three casinos:

- **The Star Gold Coast** casino through its subsidiary Star Entertainment QLD Custodian Pty Ltd;
- **Treasury Brisbane** casino through its subsidiary The Star Entertainment QLD Limited; and
- **The Star Sydney** casino through its subsidiary The Star Pty Limited.

TSEG is also involved in the construction of a further casino in Queensland, to be known as **The Star Brisbane**.

Recent Inquiries

TSEG's gaming operations have been the subject of two recent formal inquiries.

- **Bell Inquiry:** In September 2021 the Independent Liquor and Gaming Authority of New South Wales appointed Mr Adam Bell SC to undertake a review of The Star Sydney. Mr Bell SC delivered his final report in August 2022 (**Bell Report**), including a finding that The Star Sydney is presently unsuitable to be concerned in or associated with the management and operation of a casino in New South Wales.
- **Gotterson Review:** In August 2022, the Hon. Robert Gotterson AO QC (as he was then) was appointed to conduct an external review of TSEG's Queensland operations under the *Casino Control Act 1982* (Qld). Mr Gotterson KC delivered his report on 30 September 2022 (**Gotterson Report**). The report states that it was open to the relevant decision maker to make a finding of unsuitability on the part of the TSEG subsidiaries licensed to operate casinos in

Queensland. Immediately following its release, the Queensland Attorney General announced that she had formed a view that the relevant TSEG entities were unsuitable.

TSEG has also commissioned various external reviews of its operations, including those set out in the Appendix.

'Show cause' notices

On 13 September 2022, the NSW Independent Casino Commission (**NICC**) issued The Star Sydney a notice under section 23(2) of the *Casino Control Act 1992* (NSW) relating to the Bell Report (**Notice**). The Notice afforded TSEG, as the owner of The Star Sydney, the opportunity to show cause why disciplinary action should not be taken against The Star Sydney.

TSEG delivered its response to the Notice on 26 September 2022, submitting that the appropriate action the NICC should take is to allow TSEG to continue to operate the casino license under strict supervision, and be held accountable for delivery of the Program.

At the time of this Report, we understand that:

- the NICC has determined to suspend The Star Sydney's casino licence, impose a fine of \$100m and appoint a manager to take control of the casino until it can be determined whether the matters identified in the Bell Report can be rectified; and
- the Queensland Attorney General has asked the Office of Liquor and Gaming Regulation to prepare materials to issue The Star Gold Coast and Treasury Brisbane a similar notice in relation to the Gotterson Report.

We will continue to monitor the impact of these regulatory developments in our assurance work/activities.

The Program

These developments provide the backdrop to the Program, designed to transform the culture, governance, accountability and capability, and risk and compliance management practices across the organisation.

Program planning documents show that TSEG anticipates Program design and implementation to be complete by 30 September 2024, with post-implementation assurance work expected to continue into 2025 and beyond (as part of business-as-usual operations) to ensure the sustainability of the change delivered.

A&O's role

The TSEG Board has appointed A&O as the Independent Monitor to report on TSEG's progress and execution of the Program, and to assess the effectiveness of the changes delivered, on an ongoing basis.

This is our first Report in that capacity. It relates to the Program planning phase, to assess whether the Program is sufficiently developed to allow TSEG to move into execution phase, in terms of its:

1. **Scope and structure** – whether the Program addresses the root causes identified to date, as well as the overall themes and specific required actions referred to in the Bell Report, the Gotterson Report, and various external reviews commissioned by TSEG (as set out in the Appendix);
2. **Governance and oversight** – whether TSEG has sufficiently robust arrangements in place to govern and oversee delivery of the Program;
3. **Individual accountability** – whether TSEG has established clear individual accountabilities in relation to the delivery of the Program that are appropriately reinforced through performance measures;
4. **Dependency management** – whether TSEG has sufficiently robust processes and tools in place to identify and manage material dependencies impacting the Program; and
5. **Timelines, resources and funding** – whether TSEG has applied sufficient rigour to ensure timelines, resourcing and funding are reasonable given the Program's scale and complexity.

Our fieldwork for this Report is summarised in the Appendix.

We will continue to monitor the iterative development of the Program, and provide an update in our next report.

2. Scope and structure

The Program’s scope and structure provide a sound foundation for commencing execution work to design and implement the changes necessary to address the themes and actions raised in the Bell and Gotterson Reports. It is reasonable to expect the Program to evolve iteratively over time, including as TSEG undertakes planned root cause analysis, and in response to regulatory expectations.

Scope

The Program aims to remediate the thematic root causes (as identified to date) of the key findings made in the Bell and Gotterson reports, as well as a series of external reviews commissioned by TSEG relating to risk culture, risk and compliance management, financial crime compliance and responsible gambling, as set out in the Appendix.

These thematic root causes, as identified and articulated by TSEG to date, are:

1. **Governance.** Governance mechanisms have not been effective in setting the right culture and adequately overseeing risk and compliance management.
2. **Accountability/Capability.** The three lines of accountability have not operated effectively, and capability (and capacity) of risk and compliance-related teams have not been adequate.
3. **Culture.** TSEG has had a culture where business goals were prioritised over risk and compliance, and individual behaviours of Executives and senior management have been inappropriate and set a wrong ‘tone from the top.’
4. **Risk and compliance management.** Risk and compliance management policies, operating procedure, processes and controls as well as risk and compliance practices have been ineffective.

We note TSEG plans to perform further root cause analysis as part of the Program delivery, including:

- holding Board and Executive level ‘reflection sessions’ on the root causes identified to date, and the issues and cultural traits identified in the Bell and Gotterson Reports;

- conducting detailed investigations regarding the major incidents raised in the Bell and Gotterson Reports (e.g. CUP, Salon 95);
- performing an in-depth culture and risk culture review to understand the key drivers and root causes of past incidents; and
- on a six-monthly basis, performing a foundational review of the Program and making adjustments to ensure it is delivering the desired outcomes and addressing identified root causes.

As such, it is reasonable to expect the identified root causes to evolve over time, including in response to regulatory feedback.

Structure

TSEG has developed an extensive program of work to deliver the Program, comprising nine workstreams (**Workstream/s**): Governance; People; Culture; Risk and Compliance Management; Financial Crime; Safer Gambling; Investigations; Technology and Data; and Communications.

Each Workstream features:

- a **Workstream Sponsor** who is accountable for overall delivery of the Workstream;
- a **Workstream Problem Statement** / root causes which particularises the deficiencies being addressed;
- a **Workstream Target State** which describes how TSEG intends to operate once the Workstream has delivered each Initiative; and
- a series of **Initiatives** designed to achieve the Workstream Target State;

- a set of **Milestones** (136 in total) relating to either the Design phase or the Implement phase of the Initiative; and
- **Closure Criteria** to indicate whether the relevant Milestone has been achieved, as well as the **Evidence Requirements** to substantiate the achievement.

Program planning documents indicate that TSEG Management expect to refine the Program through iterative revisions, including to take account of emerging issues, further identified root causes, and regulatory change as the remediation activities progress.

A&O's initial observations

TSEG is developing a large-scale remediation program which will result in extensive organisational change. This would be a substantial undertaking for any business.

While we have submitted a number of preliminary enquiries for TSEG to review (see the Appendix), based on our fieldwork, and subject to any direction or guidance given by the Manager of The Star Sydney, in our opinion the Program's scope and structure is sufficiently developed to allow TSEG to commence execution, given:

- the Program features clear Workstream Problem Statements / root causes, Workstream Target States, and Milestones;
- the scope of the Program is designed to address the root causes identified to date, as well as the overall themes and actions raised in the Bell and Gotterson Reports; and
- the Program contemplates further root cause analysis, with the direct involvement of the Board and Executive levels.

We encourage TSEG to expand the Program to incorporate updating Program timelines to incorporate a post-implementation phase, in order to ensure the Program Sponsor and Workstream Sponsors remain accountable for the sustainability of the changes being delivered.

Given the complexity of this task, it is reasonable to expect the Program to evolve over time. We will continue to monitor its development.

3. Program governance and oversight

TSEG has arrangements in place to govern and oversee Program execution. Given the Program's scale and significance, TSEG must ensure that it maintains strong Board-level oversight.

Program governance

TSEG has established a dedicated central team (**Transformation Office**) to coordinate and support overall program delivery.

The Transformation Office's role includes:

- developing and managing the overall project plan, including centralised timeline and resource mapping, to the agreed governance standards;
- providing transparent reporting on progress to the TSEG Board and Remediation Steering Committee (**RSC**);
- supporting each Workstream Sponsor to develop the Problem Statement / root causes, Workstream Target State, Initiatives and Milestones for their workstream;
- facilitating weekly workstream-level working meetings, comprising the Workstream Sponsor, business owner and the Transformation Office to discuss workstream-level scope changes, dependencies, resourcing and / or delivery risk;
- facilitating weekly cross-team check-in meetings, comprising all business owners across the Program to discuss updates from the RSC and priorities for the upcoming fortnight; and
- facilitating meetings between the operational leads for each Workstream to discuss and prioritise dependencies across the Program.

The Transformation Office is developing Program Governance guidelines, including roles and responsibilities, a risk and issues management process, a milestone closure process, and Program tools and templates. Procurement documents show that TSEG has also commissioned external advisors to enhance program governance, focusing on different aspects of project management and reporting.

Program oversight

The TSEG Board is primarily responsible for ensuring the Program achieves its objectives in a sustainable way. This includes approving the Program and monitoring its delivery. This reflects the TSEG Board's published Terms of Reference, which reserves for the Board matters relating to the effectiveness of the TSEG's governance, culture and accountability frameworks and practices, amongst other things.

The TSEG Board has delegated day-to-day supervision to the fortnightly RSC, chaired by the Program Sponsor (Mr Robbie Cooke) and comprising members of the Executive team.

We understand the Board has been provided with updates on the Program's planning phase.

A&O's initial observations

Based on our dealings with the various program governance forums and the Transformation Office so far, TSEG appears to have appropriate governance and oversight arrangements to support Program execution.

- We observed the RSC providing check and challenge to various developing Program planning documents, including timelines, risks and issues, material dependencies, and resourcing and funding requirements.
- We observed a collective commitment to rigour within the different Workstreams, particularly relating to the criticality of meeting timelines.
- We observed discussion in the cross-Workstream governance forums which demonstrated an appropriate understanding of the need for identification and management of dependencies to ensure the Program is aligned and coherent – e.g. in relation to the design and

delivery of staff training to implement updated policies and procedures.

- We note the Transformation Office comprises experienced program and change management professionals, led by the CEO of The Star Sydney and Group Head of Transformation (Mr Scott Wharton).

Given the Program's scale and significance, it will be important to maintain the authority and capability of the Transformation Office.

The TSEG Board must also ensure that it maintains active and effective oversight. To this end, TSEG should consider implementing:

- standing Board agenda items to review Program progress, to support consistent Board oversight;
- routine Board deep dive sessions into individual Workstreams to support intensive oversight;
- regular meetings between individual directors and the TSEG CEO as Program Sponsor, to give each director sharper insight into the delivery of the Program; and
- regular meetings between individual directors and the individual Workstream Sponsors, to give each director sharper insight into the individual workstreams.

TSEG will also need to:

- introduce Line 2 and / or Line 3 assurance that Milestones have been delivered in accordance with the Program; and
- ensure these assurance reports are included as part of the evidence provided to A&O to substantiate the achievement of individual Milestones.

4. Individual accountability

TSEG has allocated individual (executive-level) accountability for each Workstream to support commencing the execution phase. We understand that TSEG intends to reinforce these accountabilities through formal accountability statements and performance measures in due course.

Program sponsorship

TSEG has identified the Group Chief Executive Officer (Mr Robbie Cooke) as the Program Sponsor, responsible for delivery of the Program's outcomes, including:

- chairing the RSC;
- holding the Workstream Sponsors to account;
- managing dependencies and resolving / escalating risks and issues; and
- reporting progress to the TSEG Board.

We note that Mr Robbie Cooke only assumed this role on 17 October 2022. The Program Sponsor role was previously held by the Interim Chair of the Board (Mr Ben Heap).

Workstream sponsorship

Each Workstream has a Workstream Sponsor who is personally accountable for Workstream delivery. The Workstream Sponsor's responsibilities include:

- maintaining appropriate Workstream governance (with support from the Transformation Office);
- reporting on progress to the Program Sponsor and RSC; and
- resolving or escalating challenges.

These responsibilities are shared by six Workstream Sponsors, as follows:

- The Interim Chair of the Board is the Workstream Sponsor for Workstream 1 (Governance);

- The Chief People and Performance Officer is the Workstream Sponsor for Workstreams 2 (People) and 3 (Culture);
- The Chief Risk Officer is the Workstream Sponsor for Workstreams 4 (Risk and Compliance), 5 (Financial Crime), 6 (Safer Gambling), and 7 (Investigations);
- The Chief Information Officer is the Workstream Sponsor for Workstream 8 (Technology and Data); and
- The Group Executive External Affairs and the Chief Marketing Officer are the Workstream Sponsors for Workstream 9 (Communications).

We understand TSEG is currently developing the accountability statements for each Executive, including Workstream Sponsors, with the intention this work will be complete by 31 December 2022.

Property and Group function leaders

We understand that the Property Leader for each of TSEG's three casinos, as well as the Group function leaders, are accountable for implementing the changes delivered under the Program in their respective properties/functions. This includes:

- establishing their own delivery governance, plan and resource requirements; and
- reporting to the Program governance bodies regarding key events, risks and issues.

The Transformation Office intends to provide a level of central support and coordination to the Property Leaders to meet these responsibilities.

A&O's initial observations

Based on our stakeholder interviews, as well as observing the RSC and several Workstream level governance forums, the Workstream Sponsors:

- showed a good preliminary understanding of the issues and the fact that significant change is required (such as the Chief Information Officer's focus on the scale of technology uplift); and
- provided a good initial level of check and challenge in the development of the Program (such as the Chief Risk Officer's focus on ensuring clear roles and responsibilities relating to the development of staff training).

These are early indicators of management's commitment to delivering sustainable change. We will, however, continue to monitor:

- whether appropriate accountability statements and performance measures for Program delivery are implemented; and
- whether and how the Program Sponsor and Workstream Sponsors are held to account.

We also recognise Mr Robbie Cooke's leadership will be pivotal to the Program's success.

5. Dependency management

TSEG has structured an approach for the identification of dependencies, and has a complex task ahead to manage these effectively.

Identification

TSEG has structured an approach to the identification of dependencies impacting the Program's execution.

Program planning documentation shows the Transformation Office has mapped dependencies arising between different Workstreams at a Milestone level; and between Workstreams and other TSEG programs of work.

Once identified, each dependency is categorised as either an 'inbound' or 'outbound' dependency from the relevant Workstream's perspective.

In addition to these individual dependencies, the Program also identifies three thematic 'enablers' – training, technology and communication – and tracks which enabler(s) each workstream requires.

Management

Ultimate responsibility for dependency identification, management and resolution remains with the Workstream Sponsors for each Workstream. The Transformation Office intends to provide a level of central support in this respect.

TSEG also has different tools and mechanisms in place to help the Workstream Sponsors identify, manage and resolve dependencies, including dependencies registers, and program governance forums such as dependency forums, weekly working-meetings, and the RSC.

A&O's initial observations

TSEG is planning on delivering a complex, highly integrated program of work, involving cross-cutting organisational issues with significant technology, training and communication components. This means effective dependency management is critical to mitigate the risk of delivery failure.

Based on our fieldwork to date, TSEG's executives appear to understand this criticality, and have put structures in place to identify and manage dependencies.

- We note that the confirmed dependencies are separately identified in the detailed Program planning documents. We also sighted the dependency register for each Workstream to confirm that dependencies have been identified.
- We observed dependencies being discussed as a high-priority item during Workstream-level governance forums, as well as at the cross-Workstream dependency forum and the RSC. We also observed the Workstream Sponsors promoting cross-Workstream interactions to proactively identify and manage dependencies.

Given the Program's complexity, we encourage TSEG to consider:

1. clarifying the scope and relative prioritisation of each Workstream's needs by each 'enabler', to ensure these complex dependencies are clearly understood; and
2. creating a thematic dependency matrix to support strategic discussion at a RSC and Board level.

We will continue to monitor these developments closely.

6. Timelines, resources and funding

The Program’s overall timeline for the delivering the Design and Implement Milestones appears to be reasonable for a program of this scale and complexity. TSEG has also completed preliminary forecasts projecting that the Program will require a significant investment of resources and funding. A&O expects TSEG to review the Program’s timeline, resourcing and funding on an ongoing basis.

Timeline

TSEG has developed a multi-year timeline for its Program. Key Program deadlines include:

- December 2022. TSEG to complete the delivery of a set of ‘immediate actions’ under the Program, which are understood to be critical to its continued operation.
- September 2023. TSEG to complete all the Design Milestones.
- September 2024. TSEG to complete all the Implement Milestones.
- 2025 and beyond. TSEG to continue with post-implementation activities as part of the business-as-usual operations.

This timeline was developed with a range of factors being considered such as sequencing of Milestones, resource and funding needs, and regulatory expectations.

The Workstreams have taken account of dependencies in the sequencing of Milestones.

Funding and Resources

Based on our observation of Workstream-level and RSC discussions:

- TSEG is taking a centrally coordinated, bottom-up approach to developing funding and resourcing forecasts – i.e. each Workstream is creating a resourcing profile to deliver the Design and Implement Milestones, with support from the Transformation Office; and

- the RSC has reviewed an initial Program resourcing and costs estimate, and have provided check and challenge for the Workstream Sponsors to continue to revise.

Program documentation indicates that this preliminary work remains ongoing, and is expected to continue until at least the end of October 2022.

A&O’s initial observations

Based on our documentation review, as well as our dealings with the RSC, Workstream Sponsors, and Transformation Office, the Program timelines, resourcing and funding arrangements appear to be sufficiently developed to allow TSEG to commence execution.

The overall timeline for delivering the Program’s Design and Implement Milestones is reasonable for a program of this scale and complexity.

We expect TSEG to review the Program’s timeline, resourcing and funding on an ongoing basis. Careful consideration should be given to:

- the governance of funding prioritisation decisions;
- the use of external resources, and the need to build internal capabilities; and
- the organisational capacity to deliver and absorb change to mitigate the risk of burnout / turnover in key Program and business roles.

These challenges are common for a program of this kind.

Appendix – Fieldwork

This Appendix summarises the fieldwork done over a four week period to support this Report, including our preliminary enquiries submitted to TSEG relating to the Program.

Stakeholder interviews

Workstream 1: Governance

Ben Heap (Interim Chair of the Board, Workstream Sponsor)

Nawal Silfani (TSEG Company Secretary)

Workstream 2: People

Paula Hammond (Chief People and Performance Officer, Workstream Sponsor)

Janette Illingsworth (GM Talent and Organisational Capability)

Judith MacKenzie (GM People Partnerships)

Workstream 3: Culture

Paula Hammond (Chief People and Performance Officer, Workstream Sponsor)

Joanne McPhee (GM People Consulting and Projects)

Amanda Dobson (GM People Experience & Culture)

Workstream 4: Risk and Compliance Mgmt.

Debra Frances (Acting TSEG Chief Risk Officer, Workstream Sponsor)

Alison Crosby (GM Risk and Insurance)

Chris Bishop (Acting GM Compliance)

Workstream 5: Financial Crime

Debra Frances (Acting TSEG Chief Risk Officer, Workstream Sponsor)

Howard Steiner (GM AML & CTF Compliance)

Workstream 6: Safer Gambling

Debra Frances (Acting TSEG Chief Risk Officer, Workstream Sponsor)

Junior Toleafoa (Group Manager Responsible Gaming)

Meredith Roach (Group Manager Corporate Social Responsibility)

Workstream 7: Investigations

Debra Frances (Acting TSEG Chief Risk Officer, Workstream Sponsor)

Patrick Paroz (Acting GM - Investigations)

Workstream 8: Technology and Data

Laurent Fresnel (Chief Information Officer, Workstream Sponsor)

Carolyn Anderson (GM Shared Services Technology)

Workstream 9: Communications

Peter Jenkins (Group Executive External Affairs)

George Hughes (Chief Marketing Officer)

Anita Finlayson (Head of Internal Communications)

Meeting observation

Workstream alignment sessions

People Workstream (30 September 2022)

Culture Workstream (30 September 2022)

Financial Crimes Workstream (4 October 2022)

Safer Gambling Workstream (4 October 2022)

Risk & Compliance Management Workstream (5 October 2022)

Investigations Workstream (7 October 2022)

Technology & Data Workstream (11 October 2022)

Governance Workstream (18 October 2022)

Program governance forums

Interdependency Mapping session (27 September 2022)

Program Steering Committee Meeting (13 October 2022)

Cross-workstream Check-In (13 October 2022)

Documentation review

Regulatory inquiries

Review of The Star Pty Ltd, Inquiry under sections 143 and 143A of the Casino Control Act 1992 (NSW), dated 31 August 2022, prepared by Adam Bell SC (**Bell Report**)

External Review of the Queensland Operations of The Star Entertainment Group Limited, dated 30 September 2022, prepared by the Honourable R W Gotterson AO KC (**Gotterson Report**)

External reviews (commissioned by TSEG)

Independent Review of the Part A AML/CTF Program, The Star Entertainment Group Limited, dated 16 May 2018, prepared by KPMG

The Star Entertainment Group, Independent Review of Anti-Money Laundering / Counter-Terrorism Financing Program Phase 2 reporting (Transaction Monitoring), dated August – September 2021, prepared by BDO (Draft)

Regulatory Compliance Transformation Draft Report, dated August 2022, prepared by Spedding Torres & Associates

The Star Entertainment Group Limited, AML/CTF Maturity Evaluation – Status Report, dated 29 July 2022, prepared by RSM

Review of The Star Entertainment Group Limited's Joint AML/CTF Part B Program, dated 16 May 2018, prepared by KPMG

Draft Report on NED views re Star culture, dated 15 March 2020, prepared by Dr Michael Crawford

The Star Entertainment Group Venue Analysis dated July 2022, prepared by RG Check

The Star - Risk and compliance culture review, Board Discussion, dated January 2022, prepared by PwC

The Star Risk and Compliance Maturity Assessment (draft report), dated May 2022, prepared by PwC

The Star Culture Blueprint – Summary Report, dated January 2022, prepared by EY

Program planning documentation

Renewal Program Structure

Draft Program plan (several versions, the latest dated 14 October 2022)

Dependencies register for each of the 8 Workstreams

Program governance documentation

SteerCo Packs, including agenda and minutes for meetings held on 16 August 2022, 30 August 2022, 13 September 2022, 27 September 2022 and 13 October 2022.

Terms of reference for the TSEG Board

Terms of reference for the Program Steering Committee

Charter of the Transformation Office

Draft TSEG Transformation Office Program Governance Playbook, dated 17 October 2022

Presentation titled 'TSEG's approach to root-cause analysis' dated October 2022

Statement of work with external partner (PwC) to provide program governance services for the Transformation Office, dated 24 August 2022

Terms of reference for internal audit to conduct assurance over the program governance, reporting and management of risk, issues and dependencies, dated 24 August 2022

Preliminary enquiries

This schedule sets out our preliminary enquiries submitted to TSEG relating to the Program’s scope, based on the fieldwork to date.

In our view, these enquiries do not preclude TSEG from moving into the execution phase. Instead, they should inform the iteration of planning documents to ensure the Program delivers sustainable change.

We will monitor developments closely in this respect, reporting TSEG’s response in our next report.

Program-level enquiries

- P1.E1 TSEG to consider expanding the Program to incorporate a post-implementation phase, in order to ensure the Program Sponsor and Workstream Sponsors remain accountable for the sustainability of the changes being delivered.
- P1.E2 TSEG to consider creating standing Board agenda items to review Program progress, to support consistent Board oversight.
- P1.E3 TSEG to consider scheduling routine Board deep dive sessions into individual workstreams to support intensive oversight.
- P1.E4 TSEG to consider scheduling regular meetings between individual directors TSEG’s CEO as Program Sponsor, to give each director sharper insight into the delivery of the Program.
- P1.E5 TSEG to consider scheduling regular meetings between individual directors and individual Workstream Sponsors, to give each director sharper insight into the individual workstreams.
- P1.E6 TSEG to consider introducing Line 2 and / or Line 3 assurance into the Milestone closure process to confirm that Milestones have been delivered in accordance with the Program, including ensuring these assurance reports are included as part of the evidence provided to A&O to substantiate the achievement of individual Milestones.
- P1.E7 TSEG to consider clarifying the scope and relative prioritisation of each Workstream’s needs by each ‘enabler’, to ensure these

complex dependencies are clearly understood.

- P1.E8 TSEG to consider creating a thematic dependency matrix to support strategic discussion at a SteerCo and Board level.

Workstream 1: Governance

- W1.E1 TSEG to consider updating the evidence requirements relating to Milestones 1.0.3 and 1.0.4 to include Committee meeting minutes evidencing the functioning Committees.
- W1.E2 TSEG to consider updating the closure criteria and evidence requirements for Milestone 1.1.2 to include material relating to the implementation of the identified short-term cultural interventions, as well as The Board and Executives’ continued promotion and embodiment of target cultural traits, behaviours and practices.
- W1.E3 TSEG to consider updating Milestones 1.0.6. and 1.3.1 (and their associated closure criteria / evidence requirements) to include references to CEO’s and Executives’ individual performance measures or scorecards, in order to reinforce individual accountability.

Workstream 2: People

- W2.E1 TSEG to consider splitting Milestone 2.0.7 into two Milestones, given the components appear unrelated.
- W2.E2 TSEG to consider expanding Milestone 2.1.2 closure criteria and / or evidence requirements to clarify what is meant by “Leaders have done so and continue to role-model the 3LOA principles in day to day activities (e.g. in risk committees)”.
- W2.E3 TSEG to consider expanding Milestone 2.2.2 closure criteria and / or evidence requirements to clarify what is intended by “The organisation structure has been supporting and is aligned with the 3LoA operating model”, and how the evidence requirements substantiate this.

W2.E4 TSEG to consider updating Milestone 2.4.1 evidence requirements to ensure the evidence of required training shows the training has covered the issues discussed in the Bell Report relating to legal professional privilege.

W2.E5 TSEG to consider the interaction of:

- Milestone 2.6.1 relating to remuneration metrics due March 2023;
- Milestone 2.6.2 relating to the remuneration strategy due June 2024;
- Milestone 3.0.8 relating to the implementation of the refreshed purpose, values and principles in the remuneration framework due December 2022; and
- Milestone 6.4.2 relating to Sales staff KPI due June 2023,

to confirm the material dependencies have been identified, and delivery dates appropriately sequenced.

Workstream 3: Culture

W3.E1 TSEG to consider updating the evidence requirements for Milestone 3.0.1 to include linkage of thematic root causes to both Bell Report and Gotterson Report quotes, for completeness.

W3.E2 TSEG to consider including a ‘should we?’ decision tree, either as part of the Purpose, Values and Principles uplift contemplated by Milestone 3.1.1, or as a ‘targeted intervention to uplift TSEG’s organisational and risk culture’ as contemplated by Milestone 3.2.2, in order to address issues raised as part of the PwC Risk and Compliance Culture Review.

W3.E3 TSEG to consider updating Milestone 3.2.1 to include a particular focus on the importance of psychological safety, willingness to escalate bad news and constructive challenge as critical aspects of TSEG’s organisational and risk culture, in order to address issues raised during the PwC Risk and Compliance Culture Review and in the Bell Report.

W3.E4 TSEG to consider updating Milestone 3.2.2 to expressly contemplate the use of storytelling as part of the the culture roadmap of targeted interventions, to showcase examples and reinforce key messages, including the benefits of raising issues in a safe space, in order to address issues raised during the PwC Risk and Compliance Culture Review.

Workstream 4: Risk and Compliance

W4.E1 TSEG to consider updating Initiative 4.6 to specifically provide for the design and implementation of regulatory change management processes, in order to ensure TSEG respond appropriately to legislative change, as contemplated in the KPMG Report.

Workstream 5: Financial Crime

W5.E1 TSEG to consider updating Milestone 5.1.1 closure criteria / evidence requirements to expressly refer to consideration of the Bell Report and the Gotterson Report.

W5.E2 TSEG to consider updating Initiative 5.5 and related Milestones, closure criteria and evidence requirements to clarify what is meant by automated regulatory reporting, and what the reference to it being “largely automated” in the Target State refers to.

W5.E3 TSEG to consider updating Initiative 5.7 and related Milestones, closure criteria and evidence requirements to clarify how KPI metrics will be used, and the consequences of these not being met.

Workstream 6: Safer Gambling

W6.E1 TSEG to consider updating the Workstream 6 Target State to include a reference to continual improvement “through ongoing monitoring and continuous improvement processes”.

W6.E2 TSEG to consider updating Initiatives 6.1 and / or 6.2 and related milestones, closure criteria and evidence requirements to provide for routine qualitative and quantitative reporting of TSEG’s performance against its Safer Gambling Strategy to support Board oversight.

W6.E3 TSEG to consider updating Milestone 4.0.1. to include the implementation of facial recognition technology at Star's casino in Queensland in order to manage the risks of financial crime and to promote safer gambling, as recommended in the Gotterson Report.

W6.E4 TSEG to consider updating Milestone 4.0.1 and related closure criteria and evidence requirements to specify that it requires the elimination of both free and discounted alcoholic drinks to all customers, as recommended in the Bell Report.

Workstream 7: Investigations

W7.E1 TSEG to consider updating Milestones 7.1.2 and 7.2.2 to require the training of Patron-Facing Staff in relation to the Investigations Team's purpose, mandate and operating model as well as how to identify high risk guests or circumstances requiring investigation by the Investigations Team, as contemplated by the Bell Report.

Workstream 8: Technology and Data

Nil.

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