

SkyCity Entertainment Group 2023 Annual Meeting

Julian Cook - Chair's Address, SkyCity Board

Introduction

The past financial year has been another busy time for SkyCity as we continue to navigate a number of industry and regulatory issues. Offsetting this has been the return to performance of the underlying business with our first full financial year without any COVID-related impacts since FY19.

Firstly, I would like to acknowledge the work of our current Chief Executive Officer, Michael Ahearne. As you will be aware, Michael tendered his resignation last week following three years as Chief Executive Officer and a total of six years with the Group. Michael has led the business through a very complex and demanding period and has worked hard to set a platform for the business going forward. Michael will make some comments on his resignation in his address shortly.

Michael has given us six months' notice and the Board is underway with a search for a successor which will include internal and external candidates.

Board Renewal/Governance

Progress has continued on the renewal of the SkyCity Board with two new non-executive directors appointed during 2023. We now have a whole new Board compared to two years ago.

David Attenborough was appointed to the Board in March 2023. David brings significant gaming sector experience with over 12 years' experience at ASX-listed Tabcorp Holdings Limited as Chief Executive Officer and Managing Director.

Last month, Donna Cooper was appointed to the Board. Donna has over 25 years' experience in the financial services industry, most recently as Chief Executive Officer of TSB Bank where she had a particularly strong focus on introducing stronger anti-money laundering controls and improving the risk culture.

Both new directors will address the meeting later.

Stepping down from the Board at the close of the Annual Meeting today is Sue Suckling. I would like to acknowledge Sue's contribution. Sue has been on the SkyCity Board for 12 years and has been a great advocate for diversity and inclusivity, and sustainability, and has played an important part in our Community Trusts. The last three years have been difficult for the business and Sue has given her full commitment through this time and provided valued continuity whilst the Board refresh has been undertaken.

As we have signalled previously, the Board intends to appoint a seventh non-executive director over the coming financial year to complement the current mix of skills and experience.

A key Board focus which I talked about last year has been to strengthen governance across the key risk areas, particularly financial crime prevention and host responsibility. A dedicated Risk and Compliance Committee was established in August 2022 and independent non-executive directors were appointed to the separate SkyCity Adelaide Board in September 2022. These governance groups have been operating effectively and are a key mechanism for directing and governing the compliance enhancement programmes we have in place in Adelaide and across the wider Group.

The Board and Management recognise the critical importance of protecting our casino licences and enhancing our social licence to operate and we remain committed to providing safe and responsible experiences and environments for our people and customers.

Regulation

Over the past financial year, we have seen a continuation of the heightened regulatory scrutiny that has become a significant feature of our industry.

On 7 December 2022, AUSTRAC filed civil penalty proceedings in the Federal Court of Australia against SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) alleging contraventions under the Australian Anti-Money Laundering and Counter-Terrorism Financing Act (**AML/CFT Act**).

In August 2023, we booked a A\$45 million provision for a potential AUSTRAC civil penalty and associated legal costs. I would note that considerable uncertainty remains regarding the amount of any civil penalty SkyCity Adelaide may be required to pay and any eventual civil penalty may differ materially from the amount provisioned.

It is likely that any resolution with AUSTRAC would involve SkyCity Adelaide admitting serious breaches of the AML/CFT Act and a material fine. As these proceedings remain underway, there is limited further information I can provide, but we are hopeful of achieving a resolution to the proceedings.

In the past financial year, the South Australian gaming regulator, Consumer and Business Services (**CBS**), initiated an independent review into the suitability of SkyCity Adelaide to continue to hold the Adelaide casino licence. This process was put on hold by CBS in February this year pending the resolution of the AUSTRAC proceedings. Recently, at CBS' direction, SkyCity Adelaide appointed an independent expert to review and monitor the implementation of the AML/CFT and host responsibility enhancement programmes underway at SkyCity Adelaide. The independent expert appointed is Kroll, a firm with experience in financial crime and independent expert reviews at other Australian casinos.

We are acutely aware and very disappointed that in Adelaide we have not met the standard to which we need to hold ourselves. This has resulted in the action by AUSTRAC and CBS. Since late 2021, we have had in place a large-scale enhancement programme in Adelaide to uplift our AML/CFT programme and capabilities. This has involved

significant resource and financial investment. Work has progressed well but there is still more to do.

In September 2023, the New Zealand Department of Internal Affairs made an application to the Gambling Commission to temporarily suspend SkyCity's casino operator's licence in New Zealand for a period "in the range of 10 days". The application followed a complaint made in February 2022 to the Department by a former customer who gambled at our Auckland casino between 2017 and 2021. The application and SkyCity's initial submissions are currently before the Gambling Commission, who will timetable a hearing and consider whether to make an order to suspend our New Zealand casino operator's licence and, if so, the duration of any such suspension. A decision may be months away.

In responding to the Department, we identified an issue with regards to one component of a system that monitors long periods of play which was disappointing. We have rectified this issue. We have made significant investments in people and technology as part of our host responsibility programme over the years. We will continue to do so as it is critical we can be confident in our systems in this area.

You will note that the large part of my address thus far has been taken up with regulatory issues and our programmes of work to address our compliance systems and correct historical shortcomings. This reflects the focus of the Board and Management team, and indeed will be the focus for the business over the coming years.

Over the last financial year, we have seen good progress in the implementation of the Adelaide AML/CFT enhancement programme, improvements in our Auckland host responsibility programme, the appointment of a new Chief Risk Officer and the first full year of operation of the Board's Risk and Compliance Committee. However, shareholders should be cognisant that there is a multi-year period of work ahead of the business which will require focus, time and investment. This will be a key deliverable of the new Chief Executive Officer to be appointed following Michael's departure.

You will shortly hear from Carolyn Kidd, SkyCity's Chief Risk Officer, on some of our initiatives in these areas.

Concluding Remarks and Outlook

We were pleased to be able to declare a final dividend of 6 cents per share off the back of the Group's strong FY23 financial performance. This takes the full year dividend for FY23 to 12 cents per share. The Board took a prudent approach in determining the level of dividend payable reflecting the strength of the Group's balance sheet, which includes a healthy level of liquidity, but which will also allow us to manage our future potential commitments including the repurchase of the Auckland car park concession and a potential AUSTRAC fine. This is reflected in the dividend pay-out rate being 65%, toward the lower end of our allowable range.

The Board remains committed to maintaining an investment-grade credit rating whilst paying out a sustainable dividend to shareholders. As we resolve some of the current

short-term challenges and see improvement in the underlying earnings and cashflows of the Group, we would expect to be able to pay higher dividends.

A number of significant events are due to take place in FY24, including the opening of the new Horizon Hotel in Auckland and the reintegration of the car park operations. We are currently preparing for the opening of the New Zealand International Convention Centre in 2025.

Online gaming remains a key strategic growth opportunity for SkyCity and policy announcements made by the National Party ahead of the General Election regarding the proposed regulation of the New Zealand online gaming market are very encouraging. We believe these changes would provide significantly improved harm minimisation protection for customers plus a new revenue stream for the New Zealand Government that is currently not being collected.

Work done by SkyCity suggests the New Zealand online gaming sector represents a very significant market opportunity. SkyCity is planning our response to this initiative as well as supporting the industry to meet the necessary responsible gaming elements that are essential in any regulatory framework.

Whilst the workload on regulatory issues is high at the moment, this will be dealt with over time, and the developments around the New Zealand International Convention Centre and online gaming mean the growth prospects for SkyCity are positive. The Board is committed to realising these opportunities to the benefit of shareholders.

I would like to thank our shareholders and bondholders for their ongoing support as we look forward to an exciting future. And a big thank you to our staff and customers who continue to support us.