

SkyCity Entertainment Group 2023 Annual Meeting

Kate Hughes - Chair's Address, Risk and Compliance Committee

Tēnā koutou, good morning.

My name is Kate Hughes, and I am the Chair of the SkyCity Risk and Compliance Committee.

I am really delighted to be here today and to address our shareholders.

The Risk and Compliance Committee was established last year to enhance our focus on risk management and compliance across the SkyCity Group.

The Committee has met five times since the last Annual Meeting, and has had four primary areas of focus - anti-money laundering, host responsibility, risk management uplift, and health and safety. I will outline some of the company's activities in each of these areas over the last financial year in my address today.

Host Responsibility

With respect to host responsibility, we have continued to invest in our host responsibility programmes and now have more than 50 dedicated host responsibility staff across our land-based sites.

In Auckland, we have updated our analytic capabilities for carded players and enhanced our facial recognition technology to monitor repeat withdrawals and multiple declined transactions by patrons at some ATMs located within the premises for potential indicators of problem gambling. This allows our host responsibility staff to take appropriate steps should we identify any potential indicators of problem gambling. Earlier this month, we rolled out this technology at our Hamilton ATMs.

In June this year, we trialled the use of ID scanners at the Auckland casino – this technology helps minimise the risk of minors entering our casinos. Following a successful trial, we implemented these ID scanners across our New Zealand sites in July.

We also undertook some scenario-based mystery shopping assurance activities across our New Zealand sites this year and the results were generally positive - showing strong staff awareness around identifying and minimising gambling related harm.

During the year, we also opened a new host responsibility area in the Auckland casino adjacent to the main gaming area. This new space includes an area for our host

responsibility staff so that they can be more responsive to issues that may arise on the gaming floor, a meeting room where our host responsibility staff can meet with patrons who may need advice in private, and a public resource room where patrons can find information on responsible gambling, including our host responsibility programme, provided in multiple languages.

External audits were also conducted on our host responsibility programmes across our New Zealand casinos during the year. Importantly, these audits included both reviews of our host responsibility documents and testing of our implementation of our policies. These were also supplemented by interviews with staff to identify any systemic cultural issues.

Whilst no material compliance issues were noted in the external audits, various areas of continuous improvement were raised and are being actioned by management. However, the recent action by the New Zealand Department of Internal Affairs in relation to a customer in New Zealand is evidence that continued vigilance is required. The Department's suspension application is currently before the New Zealand Gambling Commission and it will be some time before an outcome is known. We have made it clear to our regulators that we have a strong commitment to host responsibility, and we will do better.

We are currently undertaking some external benchmarking of our host responsibility programmes to understand global best practice, and this will inform our programmes going forward.

Anti-Money Laundering

With respect to anti-money laundering, the civil penalty proceedings filed by AUSTRAC against SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) in December 2022 for alleged serious and systemic non-compliance with the Australian Anti-Money Laundering and Counter Terrorism Financing Act 2006 has continued to engage an enormous amount of Board, Committee and management time during the year.

SkyCity Adelaide and AUSTRAC are currently working towards agreeing facts and potential admissions before the Federal Court identifies a process for any remaining disputed issues (if any). In August this year, we advised the market that we had booked a NZ\$49 million provision as at 30 June 2023 for any potential civil penalty and associated legal costs.

During the year, SkyCity Adelaide was subject to an independent review by Consumer and Business Services, our Adelaide gambling regulator, but this review was placed on hold in February 2023 pending resolution of the AUSTRAC proceedings. Whilst this

review remains on hold, SkyCity Adelaide has agreed to appoint an independent expert (Kroll) to review and monitor SkyCity Adelaide's anti-money laundering and counter terrorism financing and host responsibility enhancement programmes.

We feel that we are making good progress, however we understand that our processes for assessing money laundering risks are dynamic and we know that the job of minimising risk within the casino will never be complete. We must ensure that our risk assessment processes are based on the best information available and remain dynamic.

Given the seriousness of the matter, anti-money laundering risk governance has continued to remain a focus of the full Board for much of the 2023 financial year.

Risk Management Uplift

The third area of the Committee's key focus areas in 2023 was adopting a 'Three Lines of Defence' model and uplifting our capability in relation to risk management.

This year, we appointed an experienced senior executive, Carolyn Kidd, to the role of Chief Risk Officer, reporting to the Chief Executive Officer. This is a strong signal of our commitment to enhancing risk management at SkyCity. Carolyn has a broad remit and brings financial crime and host responsibility in both Australia and New Zealand into the risk management team.

Introducing the Three Lines of Defence model and consolidating our most significant compliance risk areas under the Chief Risk Officer will improve consistency in compliance practices and culture across our sites.

As part of this revised model, we have separated the internal audit function from risk management so that it can provide truly independent assurance to the executive and Board. The internal audit function now has a reporting line to the Chair of the Audit Committee, Chad Barton, who you will hear from next.

Health and Safety

The final area of focus for this Committee was health and safety.

This year, the Committee received reports on safety performance using both lag and lead indicators, as well as detailed reporting on all significant safety incidents. We also did several deep dives into areas of critical risks for SkyCity and the whole Board participated in several safety walks with the head of the SkyCity health and safety team. These safety walks are an important way for the Board to see how our safety protocols work in practice and they also send a strong signal to our staff about our commitment to a safe workplace.

This year, SkyCity also commissioned an independent health and safety review to assess its approach to health and safety management across the business. The review considered the requirements of the New Zealand Health and Safety at Work Act 2015 and the Australian Work Health and Safety Act 2011, and what would be considered good practice in health and safety management. The review found that there has been significant improvement in health and safety management at SkyCity over the last 3 years.

No areas of immediate concern were raised, however several improvements were suggested and these are being actioned by management.

Conclusion

It's been a challenging year, but the establishment of the Risk and Compliance Committee has meant that we have had dedicated focus on these four critical areas, and we will continue to drive performance improvement in risk and compliance at SkyCity.