
Special Manager and External Adviser advice to the Minister
The Star's Amended Remediation Plan

18 September 2024

Contents

- 1 Introduction..... 2**
- 1.1 Overview..... 2
- 1.2 Disclosures 2
- 2 Background..... 2**
- 2.1 Approval and implementation of the Approved Plan 2
- 3 Overview of the Amended Plan 3**
- 3.1 Process..... 3
- 3.2 Final version of the Amended Plan..... 4
- 4 Commentary and observations on the Amended Plan..... 4**
- 4.1 Content 4
- 4.2 KPMG’s assessment of the Amended Plan..... 6
- 4.3 NSW Inquiry..... 6
- 4.4 Budget..... 7
- 4.5 Capability and leadership 7
- 4.6 Executive certifications 7
- 5 Assessment of the Amended Plan..... 7**

Annexures

A: Proposed conditions to approval of the Amended Plan

1 Introduction

1.1 Overview

In October 2023, the Attorney-General and Minister for Justice and Minister for the Prevention of Domestic and Family Violence (**Minister**) approved a remediation plan submitted by The Star Entertainment Group Limited (**The Star**) (**Approved Plan**) in accordance with section 91AC of the *Casino Control Act 1982 (Qld)* (**the Act**). I provided advice in relation to the Approved Plan by way of my report to the Office of Liquor and Gaming Regulation (**OLGR**) dated 3 October 2023 (**October 2023 Report**).

The Star is now seeking to vary the Approved Plan. On 18 September 2024 The Star submitted an amended remediation plan for approval by the Minister under section 91AC of the Act (**Amended Plan**). The Star has submitted that the Amended Plan will apply to The Star Entertainment Group, including The Star Sydney, The Star Gold Coast and the operator of The Star Brisbane. The Amended Plan will replace the Approved Plan.

The purpose of this report is to provide advice in relation to the Amended Plan in accordance with my functions as Special Manager and External Adviser as set out in the Instrument of Appointment of Special Manager, the Deed of Appointment of External Adviser, and the Act.

The report of the 2024 Inquiry into The Star Pty Ltd under sections 143 and 143A of the *Casino Control Act 1992 (NSW)* by Mr Adam Bell SC (**NSW Inquiry Report**) also deals with The Star's Remediation Program (**Program**) and should be considered in conjunction with this report.

1.2 Disclosures

In the context of providing this advice it is prudent for me to make two disclosures, both of which are matters that are on the public record:

- I am appointed as Manager in respect of The Star's Sydney casino by the NSW Independent Casino Commission (**NICC**). That appointment commenced on 21 October 2022 and is scheduled to conclude on 31 March 2025 unless terminated earlier by the NICC; and
- I worked with The Star's recently appointed CEO and Managing Director, Mr Steve McCann, at Crown Resorts from June 2021 to April 2022. I reported to Mr McCann who at that time was CEO and Managing Director of Crown Resorts.

I do not consider that my appointment as Manager in respect of The Star's Sydney casino or my previous professional relationship with Mr McCann impedes my ability to provide this advice in accordance with my functions as Special Manager and External Adviser.

2 Background

2.1 Approval and implementation of the Approved Plan

As noted above, the Approved Plan was approved in October 2023. The Star commenced implementing the Approved Plan in the second half of 2023, prior to its approval.

The Star has advised that it has completed 343 milestones of the Approved Plan, or just over 50% of the 638 total milestones. The Star's independent assurance provider in respect of the Program, KPMG, has assessed that 211 milestones have been completed, or 33% of the Approved Plan. While this represents material progress, it falls well short of the progress The Star committed to making in the Approved Plan, which was the completion of approximately 441 milestones by 17 September 2024.

The Star's difficulties implementing the Approved Plan has been caused by several factors:

- The Star has not met the due dates specified in the Approved Plan. This has been the case for several months and it is unlikely that The Star will be able to return to compliance with those due dates. In the NSW Inquiry Report, these delays were attributed to the commencement of assurance on milestones after the submission of the Approved Plan, and to The Star having set “unduly ambitious and unrealistic dates” in the Approved Plan.
- To my observation, a range of factors have impacted The Star’s ability to consistently submit work that is of a quality required to achieve the stated objectives of the Approved Plan. Such factors have included the manner in which the Approved Plan was constructed, the work required by The Star to participate in the NSW Inquiry, and the breadth of changes to the Group Leadership Team (**GLT**) and other personnel during 2024.
- There are imperfections in the organisation and content of the Approved Plan that create a risk that the problem statements and target states described in the Approved Plan may not be satisfactorily addressed and achieved.

The Approved Plan forms part of The Star’s approved control system under the Act. The Act requires The Star to comply with the Approved Plan. The Star has been materially non-compliant with the Approved Plan for several months. Based on my observations to date, there is little prospect that The Star will be able to return to compliance with the Approved Plan. Even if The Star was able to become compliant with the Approved Plan, implementation of it may, in my view, lead to suboptimal outcomes given the findings in the NSW Inquiry Report.

As such, my view is that it is necessary and appropriate for the Approved Plan to be amended as soon as possible to address these matters. It was similarly noted in the NSW Inquiry Report that “[t]he proposed reset is a positive and necessary development”. I concur with that finding.

3 Overview of the Amended Plan

3.1 Process

The Star wrote to me on 24 April 2024 to advise that “[The Star] is embarking on a 6-week period to review the Plan and recommend refinements for consideration”.

The process for The Star to submit the Amended Plan for consideration by the Minister has taken approximately four months to date. There have been several reasons for this, including a number of departures and changes to The Star’s Board and GLT that have occurred in 2024 and the NSW Inquiry. More broadly, The Star’s focus in implementing the Approved Plan and amending it has been compromised by the direction of resources to competing critical business objectives, such as implementing mandatory carded and cash-limited gambling at The Star Sydney from 19 August 2024, opening of The Star Brisbane from 29 August 2024 and addressing urgent financial matters.

The Star has prepared four drafts of the Amended Plan. Several rounds of feedback have been provided by my team and KPMG, which The Star has sought to incorporate into the Amended Plan. The Star has also sought to respond to feedback from other sources, including the findings from the NSW Inquiry. Updates have been provided to the Board about the status of this work as it has progressed.

On 4 September 2024 the Board of The Star met to consider a draft of the Amended Plan. The Board resolved at that meeting to delegate its approval of the final version of the Amended Plan to a sub-committee of two Directors of the Board.

On 9 September 2024, this sub-committee of the Board approved the draft Amended Plan and authorised management to submit the Amended Plan to the OLGR for consideration by the Minister once finalised.

3.2 Final version of the Amended Plan

The Amended Plan was submitted to the OLGR for consideration by the Minister on 18 September 2024.

There are several components of the Amended Plan that have been submitted for consideration. These components are broadly consistent with the components that were submitted as part of the Approved Plan and can be summarised as follows:

- an “Executive Synopsis”, that provides “an overview of the development of [The Star’s] remediation program and provide[s] a summary of the Program’s objectives, scope, timeline, budget and governance arrangements”;
- The Star’s detailed remediation plan;
- “Executive Certifications” about the content and delivery of the Amended Plan signed by the members of The Star’s GLT that are “executive sponsors” of the Program and have received probity approvals as well as each of the Non-Executive Directors; and
- a report from KPMG dated 12 September 2024.
- a “Capability and Capacity Review”, which assessed leadership, skills, culture, processes, systems and capacity relevant to the Program.

There are other documents that support the Amended Plan that I have received that have not been submitted for approval.

4 Commentary and observations on the Amended Plan

As noted above, in my view it is necessary and appropriate to amend the Approved Plan as soon as possible given the issues that have emerged in the implementation of the Approved Plan.

4.1 Content

The extent of changes to different parts of the Approved Plan varies significantly by “workstream”, which refers to an area of the business The Star is seeking to reform as part of the Program.

There have been modest changes to the following workstreams:

- Compliance, Regulatory Engagement and Investigations
- Exclusions Management;
- Financial Crime;
- Safer Gambling;
- Internal Audit and Assurance;
- Strategy for International and Interstate Premium Players; and
- Legacy Issues.

I have not identified material changes to the nature or scope of work that is proposed in these workstreams nor material changes to the key outcomes and objectives. Changes in these workstreams have focused on the manner in which “milestones” (being tasks within each workstream that must be completed) are documented to ensure that expectations are articulated more clearly, identified issues

and recommendations from historical reports and inquiries being addressed are recorded more comprehensively, and change is managed and delivered with greater rigour and care.

In the case of the Safer Gambling workstream, the scope of work has been amended to seek to respond to several issues that emerged in the NSW Inquiry in relation to this part of The Star's operations.

There has, however, been material changes to the balance of the Approved Plan. Material changes to workstreams can be summarised as follows:

- the workstreams in the Approved Plan titled "Organisational Readiness", "People (Capability, Leadership & Accountability)", "Culture" and "Training & Leadership Development" have been removed;
- the workstream in the Approved Plan titled "Risk Management and Controls" has been split, such that there are now two separate workstreams titled "Risk Management" and "Controls"; and
- new workstreams have been added, titled "Values & Ethics", "Leadership", "Capability" and "Strategy", which has been combined with the existing workstream "Legacy Issues" and is now titled "Strategy and Legacy Issues".

The changes to the content and organisation of these workstreams can be summarised as follows:

- The outcomes and scope of work contemplated in the old Organisational Readiness, People, Culture, and Training & Leadership Development workstreams have been broadly reflected in the new Values & Ethics, Leadership, Capability and Strategy & Legacy Issues workstreams. These workstreams have changed substantially and have been prepared with the assistance of an organisational culture expert engaged by The Star, Ms Elizabeth Arzadon. The NSW Inquiry Report found that there were flaws in the approach The Star has taken to cultural reform to date. These new workstreams have been materially changed to seek to address these matters. A significant volume of work is contemplated in these workstreams. In my view, the program of work set out in these new workstreams is documented more clearly, has a greater focus on outcomes rather than tasks and has more achievable due dates.
- There were a range of findings from the NSW Inquiry Report that relate to governance, and the Governance workstream in the Approved Plan. In my view these findings necessitated material change to the Governance workstream. The changes to the Governance workstream have begun to respond to the NSW Inquiry Report's findings about governance shortcomings. Further consideration is required however to develop a detailed plan that will deliver a well-functioning governance model that provides close and direct supervision for each casino. As such, the governance workstream at present largely resembles a "plan for a plan". That is appropriate in my view given the time that has been available to respond to the NSW Inquiry Report, however amendments to this workstream will be required in the future to describe in greater detail the program of work that will be undertaken to reform governance of The Star.
- The structure of the Risk Management workstream has changed materially. Milestones related to The Star's control environment have been moved into a separate workstream. The Star has consolidated a number of milestones and added new milestones to support the embedment of change. The approach to some key initiatives has changed, such as the implementation and uplift of The Star's governance, risk and compliance software solution. Due dates have extended materially in response to these changes and other issues that have emerged in delivery of the Approved Plan to date.

- Consistent with The Star’s revised operating model, the new Controls workstream is owned by the property CEOs and the Group Chief Operating Officer. It is comprised of milestones that have been moved from other workstreams and new milestones focused on ensuring properties have a well-documented control environment that is monitored, tested and enables each property to discharge regulatory obligations. Given the amount of work required to remediate and uplift The Star’s control environment, it is appropriate to establish a new workstream for this work.
- The Technology & Data workstream has expanded materially in scope. Additional milestones have been added to document how cash-limited and mandatory carded gambling will be implemented in Queensland. Milestones have also been added that record work The Star will undertake to respond to additional risks and issues that have emerged in this project to date, and to maintain consistency with regulatory requirements. Several due dates have been extended in this workstream which is appropriate in my assessment.

Across the Amended Plan, due dates for milestones have been extended. The Amended Plan contemplates the completion of the Program in or around June 2027, whereas the Approved Plan contemplated the completion of milestones during the second half of 2026. This material extension of time for completion of the Program is appropriate in my opinion. My assessment is informed by The Star’s inability to comply with the due dates in the Approved Plan, which the NSW Inquiry Report found were “unduly ambitious and unrealistic”. It is also informed by the evidence of two experts in organisational culture to the NSW Inquiry who observed that cultural transformation takes between three to five years. Finally, it is informed by my observations of the challenges associated with The Star’s task of advancing several important business objectives in the context of a deteriorating financial position. A more conservative delivery timetable is appropriate in these circumstances.

4.2 KPMG’s assessment of the Amended Plan

KPMG, The Star’s assurance provider in respect of the Program, has provided its assessment of the Amended Plan in recent months, including in a report dated 12 September 2024. The report notes that KPMG has formed a view that the core outcomes and target states in the Approved Plan will still be achieved under the Amended Plan. Notwithstanding that there has been significant changes to several workstreams, I share this view. KPMG will validate this assessment by conducting an audit to “ensure that all elements of [the Approved Plan] have been captured within [the Amended Plan] and that where an item has been deleted or replaced, there is appropriate rationale to explain the change and why”.

The report also notes a range of other improvements to the Amended Plan that KPMG has identified. I agree with KPMG’s views generally about these improvements to the content of the Amended Plan.

4.3 NSW Inquiry

In my view it is important that The Star has a carefully constructed approach to addressing the findings of the NSW Inquiry. Many of the findings of the NSW Inquiry are relevant to the whole Group.

The Star received the NSW Inquiry Report on 30 August 2024. Since then, The Star has sought to make changes to the Amended Plan to ensure that delivery of it will address the findings of the NSW Inquiry. For several matters this has already occurred, including, for example, findings about deficiencies in some problem statements. However, for other matters, such as in relation to governance, further consideration is required to ensure findings are properly addressed. While progress has been made to consider the NSW Inquiry in the Amended Plan in the time available, further amendments will be required once The Star has had a further opportunity to review and consider the NSW Inquiry Report and design solutions to the matters raised therein.

4.4 Budget

The Star has estimated that a material investment will be required for the Program. The Star has calculated that c.\$157m has been spent in the Program during FY23 and FY24 and that approximately \$205m will be required from FY25 to completion in FY27, for a total budget of \$362m. This is a material investment given the size and nature of The Star's business. It is also an increase of c.\$147m from the budget in the Approved Plan.

The information The Star has provided in relation to the budget is limited. I am unable to form a view about the adequacy of the budget with the information I have received. There is also uncertainty as to The Star's ability to fund the estimated costs of the Program in light of emerging financial challenges.

4.5 Capability and leadership

As noted above, there have been a range of changes to The Star's GLT, Board and other senior personnel during 2024. Several of these individuals that have departed have been responsible for aspects of the Program. Some GLT and other senior roles need to be filled on a permanent basis, and The Star is also making changes to its operating model and organisational structure.

In my view the manner in which the Program is led and the capability available to deliver it are important factors that will bear on the success or otherwise of the Program in achieving its objectives. In a letter to me on 7 August 2024, The Star acknowledged the importance of these matters and identified steps it committed to take to ensure the effective delivery of the Program. It will be important for the Program that these commitments are met.

4.6 Executive certifications

As noted above, The Star has submitted "Executive Certifications" signed by applicable members of The Star's GLT and each of the Non-Executive Directors about the content and delivery of the Amended Plan.

I note that the new section 91E of the Act, which will impose duties on particular officers relating to the lawful and appropriate operation of The Star's Queensland casinos, will also be relevant to The Star's approved remediation plan under the Act.

5 Assessment of the Amended Plan

In my view, the content of the Amended Plan is a material improvement from the Approved Plan. There are two reasons for this:

- In my view the changes to the Approved Plan will increase the prospect that the Star will be able to comply with the Plan as required by the Act. The Amended Plan is documented more clearly and due dates appear more appropriate.
- In my view the changes to the Approved Plan increase the prospect that, if implemented, the Program will lead to the successful remediation of the management and operations of The Star. The Amended Plan seeks to respond to issues that have been identified by various stakeholders since October 2023 as well as findings of the NSW Inquiry.

At the same time, The Star has also made changes to the budget as well as capability, capacity and leadership for the Program, aimed at supporting the successful delivery of the Program.

There remain some information gaps and imperfections in the Amended Plan that should be addressed. There are also matters that warrant further consideration from The Star in the future. In my view these are not matters that should preclude the Amended Plan from being approved, however they will be important to the successful implementation of the Amended Plan.

These matters relate to the budget, executive certifications, the NSW Inquiry, reporting, and other administrative matters. A mechanism should be put in place to ensure that these matters are satisfactorily addressed by The Star should the Minister determine to approve the Amended Plan. Amongst these matters, I recommend that by February 2025 The Star conduct a review of the Program and produce a report to the Minister that reports on progress, assesses compliance with the Plan, considers whether the Plan remains fit for purpose and documents whether any enhancements or amendments are appropriate. I have described these post-approval matters in **Annexure A** to this report should the Minister determine to approve the Amended Plan.

A range of risks continue to face the Program. Among those risks are:

- The Star's present financial situation, which both requires significant attention and focus from several members of the GLT and the Board and creates a risk that the Program may not be able to be adequately funded;
- The Star's ability to execute effectively on the range of priorities and volume of work it is facing at present, both within and separate to the Program;
- execution risk on account of capability gaps and personnel and operating model changes; and
- based on my observations, strained morale and fatigue among employees at multiple levels of the organisation.

Changes made to the Approved Plan and to supporting structures to it have sought to mitigate some of these risks where possible. One aspect of my work in the coming months will be to monitor the delivery of the Program, including these risks.

Finally, should the Minister determine to approve the Amended Plan, in my view there may be benefit in requiring The Star to provide regular reporting to stakeholders and the Queensland public about its progress to deliver the Program and its compliance with the Plan. It may also be beneficial for the Queensland public that further details about The Star's Amended Plan are released. While it will be appropriate for some aspects of the Program to remain confidential, I anticipate there will be further detail that The Star can provide to the Queensland public.

Annexure A: Proposed conditions to approval of the Amended Plan

Budget

1. The Star to provide detailed information about the budget for the Program that itemises all costs that have been included in the budget within two weeks of the approval of the Plan.
2. The Star to provide a document describing the point in the Program to which the budget is presently funded within one month of approval of the Plan.
3. If the budget for the Program is not presently fully funded to completion, The Star to provide a document describing how the balance of the Program will be funded, as soon as possible but in any case, not less than three months before funding is fully exhausted for the Program.

Capability and leadership

4. The Star to complete the steps described in the letter to the Special Manager dated 7 August 2024 in relation to “transformational capability and capacity” by 31 December 2024.

Executive certifications

5. The Star to procure certifications from the Group Chief Executive Officer and Managing Director and the Group Chief Legal Officer substantially in the form of the certifications submitted on and around 7 September 2024 or as otherwise agreeable to the OLGR within one week of all necessary regulatory approvals being received for individuals to commence in those roles.
6. To the extent that there are new or additional Accountable Executives for the Program or new Non-Executive Directors, The Star to procure from those individuals certifications substantially in the form of the certifications submitted on and around 7 September 2024 or as otherwise agreeable to the OLGR within two weeks of those individuals being formally appointed and having received all necessary regulatory approvals in respect of their roles.

Plan administration

7. The Star to produce an audit of all changes to all milestones between the first approved and current approved Plan as described in the KPMG report dated 12 September 2024 within two weeks of approval of the Plan.

NSW Inquiry

8. The Star to further review and consider the Report of the Inquiry into The Star Pty Ltd under sections 143 and 143A of the *Casino Control Act 1992 (NSW)* by Mr Adam Bell SC dated 31 August 2024. The Star to propose further amendments to the Plan to fully address its within two months of approval of the Plan.

Reporting

9. The Star to produce a report monthly to the OLGR that documents progress on delivery of the Plan and assesses compliance with the Plan. The report should be prepared consistent with a template approved by the OLGR and may form the basis of periodic public reporting on the progress of implementation.
10. By 14 February 2025 The Star to conduct a review of the Program and produce a report to the OLGR that reports on progress, assesses compliance with the Plan, considers whether the Plan remains fit for purpose and documents whether any enhancements or amendments are appropriate. The review is to be conducted in line with a scope that is agreed with the OLGR.