

3 September 2020

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AUCKLAND

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Dear Charlotte

SkyCity Auckland Host Responsibility Programme – 2019 Audit

1. We refer to the Department of Internal Affairs' (**DIA**) interim audit report (**Interim Report**) of SkyCity Auckland's Host Responsibility Programme (**HRP**), which was received on 19 December 2019.
2. Thank you for your subsequent emails of 5 June 2020 attaching DIA's response to SkyCity's letter of 31 January 2020 and various supporting appendices.
3. Senior management and the Board have reviewed and discussed the issues raised in the Interim Report, the factual background of SkyCity practice and steps taken by SkyCity in relation to this practice since the audit work was conducted. Those reviews and discussions are reflected in this response.
4. We have worked through and carefully considered the further material provided by DIA. It remains clear from those documents that DIA and SkyCity have quite different views in relation to the nine areas identified by DIA in the Interim Report where SkyCity is deemed to have either not met or only partially met its obligations under the HRP. Having carefully considered the documents, our initial comments on those nine areas (as set out in our letter of 31 January 2020) remain unchanged (subject to our comments referred to in paragraph 17 below).
5. Nonetheless, we value DIA's input and will take on board DIA's feedback. SkyCity has already implemented a number of initiatives since DIA's audit in early 2019, which we believe address some of DIA's concerns as further outlined below.
6. SkyCity, the Gambling Commission and DIA all have an interest in ensuring the delivery of a high quality and compliant HRP and working with one another to ensure that objective is satisfied. The Interim Report is no doubt designed to contribute to that objective, but does raise wider issues which we believe warrant discussion with DIA as outlined in further detail below.

Jurisdictional issues

7. The purpose of the audit was, as set out in the Interim Report, “*to ensure SkyCity Auckland Casino has implemented its HRP and is meeting its obligations to reduce harm*”. The audit focused on ten components of SkyCity Auckland’s host responsibility practices (which mirrors various subject headings in the HRP’s Table of Contents), such areas being “*what [DIA] considered to be the greatest areas of risk based on [DIA’s] 2015 audit report and recent incidents at SkyCity Auckland Casino*”.
8. SkyCity’s obligations in relation to host responsibility are to operate the casino in accordance with its HRP (which includes the Problem Gambler Identification Policy) and specific statutory provisions, regulations, minimum equipment standards and minimum operating standards relevant to this area. As such, SkyCity reasonably expects that any finding of non-compliance would reference the specific obligation not complied with.
9. In our letter to you dated 31 January 2020 and accompanying table, we identified a range of areas where the observations purporting to support the findings of non-compliance do not address an obligation specified in the HRP or any of the other regulatory instruments referred to above.
10. Notwithstanding the additional information supplied in the emails of 5 June 2020, SkyCity has not been able to readily reconcile many of DIA’s findings of non-compliance against the regulatory instruments which establish SkyCity’s obligations. Instead, it appears from your response of 5 June 2020 that the Interim Report has assessed SkyCity against the general objectives set out in the HRP and not against the specific processes specified therein to give effect to those objectives. This suggests that the DIA views the HRP processes as deficient in their perceived failure to satisfy the objectives, which appears to be a criticism of the HRP itself. Our concern in this sense is that SkyCity is being held to an additional standard that is not currently documented in the HRP or other instruments.
11. It does seem to us that issues which are not addressed or required by the HRP might be better addressed by DIA engaging directly with the Commission via its three yearly review process of the HRP. That would seem to be the most appropriate forum for proposing changes to the HRP to enable the pros and cons of adopting new processes to be debated.

Audit Process

Interviews

12. The areas where SkyCity was assessed by DIA as non-compliant or only partially compliant (as set out in the Interim Report) are supported by 59 observations by DIA, which are largely based on information derived from interviews with a range of SkyCity personnel.
13. Some of the findings/observations appear to represent a misunderstanding of the processes in place at the SkyCity Auckland Casino. The discursive nature of at least some of the discussions may have contributed to some misunderstanding or it may be that the SkyCity personnel did not articulate their responses as well as they might have.
14. Irrespective of the cause, to avoid any similar issues in the future, we suggest that those who are interviewed as part of a future DIA audit process are requested to sign a record of the interview notes as confirmation that responses have been captured accurately.
15. In addition, if DIA is able to provide us with a list of the questions it wants addressed during the course of an audit we will ensure that the personnel most suited to respond to those matters are made available for interviews. The Interim Report's methodology makes clear that it is the responsibility of SkyCity to provide evidence of compliance with the HRP and other requirements and in that context it seems only reasonable that SkyCity puts forward the personnel best placed to do so.

Changes to Original Findings

16. In our letter to you dated 31 January 2020 we attached a table which identified each of the findings and bullet point observations from the Interim Report together with our comments in response. That table has been reproduced in DIA's letter of 5 June 2020 with a further column incorporated setting out DIA's comments.
17. However, we note that three of the original findings have been amended in the revised table – at 1 (e), 7(b) and 9(b). Consequently, SkyCity's earlier comments in response to those issues no longer apply.

Audit Recommendations

18. The Interim Report includes a number of:
 - (a) 'recommended actions' with corresponding dates by which such actions are to be completed; and
 - (b) 'further recommendations' with no corresponding completion dates.
19. There is no explanation for the distinction between 'recommended actions' and 'further recommendations'. However, given the way in which the two categories have been presented, we assume that DIA expects only the 'recommended actions' to be completed by SkyCity.
20. Given the passing of time, many of the dates by which the 'recommended actions' are required to be complete have now passed.
21. SkyCity does not believe it is required to adopt actions and/or recommendations which are not compliance driven. In addition, there does not appear to be any mechanism which entitles DIA to impose requirements on a casino operator other than by way of licence conditions approved by the Commission or through minimum operating standards specified by the Secretary for Internal Affairs pursuant to section 141 of the Gambling Act.
22. Nonetheless, in keeping with our common interest to ensure a high quality HRP, SkyCity will, once DIA has finalised the Interim Report, consider any recommendations that DIA considers may enhance operating practices and procedures to ensure effective compliance with the HRP. A number of initiatives have already been implemented since the audit was carried out as part of SkyCity's ongoing efforts to continuously improve host responsibility practices and further measures are being considered, including a 12-month roadmap of host responsibility as outlined below.

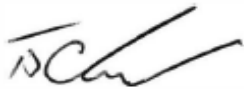
12 – Month Roadmap of Improvements

23. Since the audit was undertaken, SkyCity has identified potential areas for improvement in the execution and evolution of operational policies and procedures at its various sites. This has led to the development of a 12-month roadmap to support the Group's Harm Minimisation Framework as **attached**.

Conclusion

24. We remain committed to the delivery of a high quality and compliant HRP and working constructively with the DIA to ensure such an outcome.
25. Once DIA finalises its Interim Report, it will be tabled for consideration by the Host Responsibility Senior Management Group at its next monthly meeting.
26. We are happy to continue the dialogue on the matters raised in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'POConnell', written in a cursive style.

Phil O'Connell
Group General Manager, Regulatory Affairs and AML

Board Oversight

Sustainability Committee and full Board governance and oversight of performance of harm minimisation framework

Senior management Governance & Oversight

Host Responsibility Senior Management Group (chaired by COO, meets monthly)

Host Responsibility Programmes

site-specific plans approved by Gambling Commission detailing host responsibility obligations (refer to over page for key components)

Annual Report to the Gambling Commission

annual report on the effectiveness of the Host Responsibility Programmes

CSAs (Customer Service Ambassadors)

roles and activities focused on customer care and host responsibility monitoring

SkyCity New Zealand Harm Minimisation Framework

Live Floor View

Bally feature for real time monitoring of continuous use of gaming machines

Communications & Brand

internal brand communications campaign to promote awareness of host responsibility

Independent Assurance

external independent audit of each site's compliance with HRP every two years; internal independent assurance programme (internal audit & continuous improvement); and mystery shopping

Facial Recognition

facial recognition and alert technology used to detect banned patrons

Focal "Alert Bettor Protection"

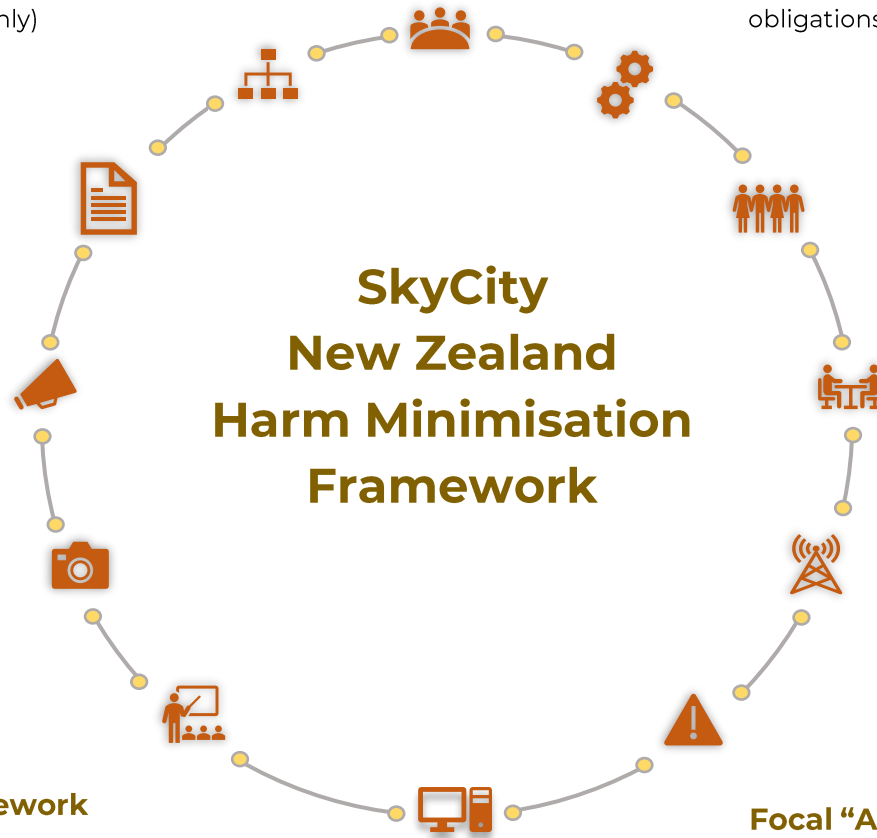
application software for analysis and insight into player behaviour and spend/visitation traits, contributes to PGI identification

Learning & Development Framework

suite of host responsibility modules for all relevant staff, including online courses, in person courses, and annual refreshers

iTrak (Monitoring & Reporting)

record management tool for host responsibility incidents and assessments, including reports for ongoing oversight



Key components of the Host Responsibility Programme include:

- **Policies and procedures** – including the Problem Gambling Identification Policy and SOPs: exclusion, unattended children, underage persons, responsible service of alcohol, long hours of play, undesirable behaviors, gambling limitations, information collection and collation, analysis and intervention, and exclusion.
- **Host responsibility information for customers** – range of host responsibility resources for customers, translated into variety of languages consistent with the cultural make-up of SkyCity customer base and displayed where appropriate in SkyCity gambling areas. The information is also available on SkyCity website in electronic form including the full HRP.
- **Employee gambling-related harm** – range of measures concerning the potential for employee gambling-related harm. These measures aim to: prevent and minimise gambling-related harm amongst SkyCity employees and in the community.
- **Stakeholder engagement** – constructive relationships with members of the local community, including: convening of a bi-monthly Auckland Host Responsibility Community Liaison Group, invitation of the government agencies, public health providers, treatment service providers and researchers.
- **Environmental design** – describes safe environments put in place for responsible gambling and consumption of alcohol.
- **Provision of safe gambling environments** – includes the following steps: a customer plays no more than one gaming machine at a time, SkyCity does not permit loan transactions by third parties for financial gain at the SkyCity casino, Host Responsibility must monitor and record the activities of any customer who has credit arrangements with SkyCity.
- **Marketing practices** – rules and process for marketing activities to comply with applicable laws, regulations and license conditions.
- **Display of signage and provision of gaming information to customers** – content and process for provision of appropriate signage about host responsibility.
- **Staff learning and development** – learning & development requirements to satisfy host responsibility compliance.
- **Identification of problem gamblers** – Problem Gambler Identification Policy (“Policy”) outlining all reasonable steps to identify actual or potential problem gamblers and to act on that information.
- **Gambling limitation** – information or advice about problem gambling, including information about self-exclusion, issues an exclusion order if requested by a customer or issue an exclusion order without any request. Includes self-imposed gambling pre-commitment limits.

Currently in place	Continuous improvement planned in next 12 months	Owner	Date
<p>Host Responsibility Programmes</p> <ul style="list-style-type: none"> The Host Responsibility Programmes for Auckland, Hamilton and Queenstown are refreshed and updated every 3 years, and submitted to the Gambling Commission for feedback and approval. The HRPs form the basis for training and operationalisation of harm minimisation procedures. 	<p><u>Risk and Harm Assessments (RHA)</u></p> <ul style="list-style-type: none"> a) Implement annual refresher training for all Host Responsibility Executives about the importance of RHA documentation (or reason if not required) in iTrak b) Implement new SOP for HREs to remind them about RHA documentation and process <p><u>Recording host responsibility incidents in iTrak</u></p> <ul style="list-style-type: none"> c) Refresher training for HR team on recording incidents in iTrak d) Frontline education and reference material for staff using iTrak for HR incidences e) Random QA of HR files in iTrak to ensure complete/thorough recording of information f) Performance feedback to individuals not meeting required standards, including feedback to managers for half year and year end performance appraisals <p><u>Pre-commitment facilities</u></p> <ul style="list-style-type: none"> g) Ensure information about pre-commitment facilities and how to speak to customers about this are included in all HR training h) Implement a monthly review of random customers with pre-commitment facilities who have in the last quarter either breached, increased or disabled their pre-commitment limit to ensure adherence to program i) Ensure information about pre-commitment facilities and how to speak to customers about this facility are including in all HR training <p><u>Responsible service of alcohol</u></p> <ul style="list-style-type: none"> j) Every month F&B Management will review all F&B menus to ensure they specify the availability of non-alcoholic beverages and report the finding to Host Responsibility Management <p><u>Re-entry plans for excluded persons</u></p> <ul style="list-style-type: none"> k) Review current processes for imposing and monitoring compliance with any re-entry plans imposed on previously excluded customers returning to the casino <p><u>Other components</u></p> <ul style="list-style-type: none"> l) Work with the business to determine if certain contractors should be allowed to gamble on site or not; refer policy at http://intranet.sceg.com/media/212209/compliance_training.pdf m) Management will ensure all brochures are available on the website in at least English and Chinese n) Direct line to Gambling Helpline - The Call Centre will also be appraised of how to direct callers to the Gambling Helpline directly o) Host Responsibility Management will refresh all department managers on the procedure for patrons asking about their gaming activity and ensure this information is cascaded p) Security to ensure consistent coverage of the main site carpark, documenting when it is patrolled in person or by CCTV. Also, to refresh communications to the business about unattended children. q) Security to review signage at entry points informing customers of entry restrictions and the number of officers deployed to these locations to police entry restrictions 	<ul style="list-style-type: none"> Host Responsibility Management 	<ul style="list-style-type: none"> a) Ongoing b) September 2020 c) to f) immediate g) September 2020 h) September 2020 i) September 2020 j) Ongoing k) End of December 2020 l) End of September 2020 m) End of July 2020 n) May 2020 o) By end of July 2020 p) Immediate action q) Immediate action
<p>CSAs (Customer Service Ambassadors)</p> <ul style="list-style-type: none"> Auckland has 9 CSAs which report to a newly created management position. These are dedicated roles for customer care and host responsibility monitoring – required for Auckland due to size and complexity of site Specific requirement for a dedicated role may in time be diminished by improved, integrated technology solutions Equivalent role and activities embedded into frontline gaming personnel roles in Hamilton and Queenstown – smaller, less complex sites 	<ul style="list-style-type: none"> a) Regularly review staffing resources to determine if they remain adequate to maintain consistent compliance with the HRP and coverage to support reliable monitoring of gaming customers b) Ensure management oversight and continuous training for CSA roles 	<ul style="list-style-type: none"> Host Responsibility Management 	<ul style="list-style-type: none"> Ongoing
<p>Live Floor View (and Bally System)</p>	<ul style="list-style-type: none"> a) Continue to develop Live Floor View Technology by: <ul style="list-style-type: none"> - reviewing and improving technical bugs/issues as they arise; 	<ul style="list-style-type: none"> ICT & Host Responsibility Management 	<ul style="list-style-type: none"> a) Ongoing

SkyCity Harm Minimisation Roadmap (for New Zealand sites)



Currently in place	Continuous improvement planned in next 12 months	Owner	Date
<ul style="list-style-type: none"> Live Floor View is a solution within Bally that monitors continuous (uncarded) play on EGMs. Alerts are sent to the Host Responsibility Team after 4.5hours continuous play who will then seek Surveillance support to determine if the same player has been on the machine continuously An entry made into iTrak with an appropriate assessment when a patron is confirmed gaming continuously for 4.5hrs and spoken to by the Host Responsibility team member This technology has been rolled out in Auckland and Hamilton 	<ul style="list-style-type: none"> upgrading to new versions; and assessing if the system is still operationally reliable To investigate automation of pop up messaging and guest acknowledgement touch point on EGM screens for Long Hours Play criteria or algorithm appearances Investigate the possibility of implementing audit logs in Bally for continuous presence, continuous play, disabling and breach of pre-commitment limits. The Host Responsibility team will implement a QA process to ensure all email alerts are entered into ITrak Live Floor View under consideration for Queenstown (noting it is a small site and feasible to easily identify long players) 		<ul style="list-style-type: none"> b) By December 2020 c) June 2021 d) September 2021
<p>Independent Assurance</p> <ul style="list-style-type: none"> Ad hoc external audits of HRP from time to time Periodic mystery shopping exercises 	<ul style="list-style-type: none"> Programme independent audit of each site's compliance with the HRP every two years Review and consider refreshing scenarios used in mystery shopping exercise Engage a further role within Group Risk to carry out continuous quality assurance (combination of internal audit and continuous improvement recommendations) 	<ul style="list-style-type: none"> Group Risk & Host Responsibility Management 	<ul style="list-style-type: none"> a) Immediate b) By October 2020 c) By September 2020
<p>DNA Spaces</p> <ul style="list-style-type: none"> DNA Spaces is currently under development, which will support mobile device monitoring for patrons on site who have their wifi enabled. More advanced patron identification is possible if they have connected to SkyCity public wifi. 	<ul style="list-style-type: none"> Continue trialling of DNA Spaces, and deploy if successful 	<ul style="list-style-type: none"> IT & Host Responsibility Management 	<ul style="list-style-type: none"> a) December 2020
<p>Focal Research Model</p> <ul style="list-style-type: none"> Focal algorithm for assisting in the identification of high risk gambling activity, in place in: <ul style="list-style-type: none"> Auckland since 2014 Hamilton since June 2020 Algorithm recently upgraded, and using a feature called "Alert Bettor Protection" providing additional, more timely insights into player behaviour and spend/visitation trains. Note: Focal not optimal for Queenstown due to small size, feasible to monitor local player spend. 	<ul style="list-style-type: none"> Formulate SOP's around how data from Focal is used in the identification of actual or potential problem gamblers Determine if Marketing will limit inducements to those identified by the Focal model as high risk 	<ul style="list-style-type: none"> Host Responsibility Management 	<ul style="list-style-type: none"> a) September 2020 b) November 2020
<p>iTrak (monitoring and reporting) and other systems/technology</p> <ul style="list-style-type: none"> iTrak is a commonly deployed system in the casino industry and was implemented at SkyCity in 2009. iTrak is used for security, surveillance, and host responsibility incident recording. Other systems lack some automation and integration features, resulting in some processes being relatively manual still. 	<ul style="list-style-type: none"> To investigate automation of Long Hours indicator report and pre-commitment alert into an iTrak subject/incident file To investigate automation of GOI and banned player lists for Marketing (instantaneous data for marketing for mail outs, etc) Investigate integration of PIDS into guest SkyCity mobile app. Allows for guests to receive and review daily combined EGM PID data to their personal device to make their own informed decisions, separate to pre comm Mobile devices for HR execs and possibly security TMs/ATMs - iPad/Tablet with "iTrak live" enabled possibly via site wifi Review of iTrak to ensure that current system used is fit for purpose Host Responsibility Management will determine a suite of reports which would be useful for ongoing oversight and monitoring of iTrak, which may also provide more efficient support for demonstrating compliance with the HRP Review SOP's to improve on consistency and discipline around the completion and accuracy of documentation in iTrak Investigate if there are more automated or efficient ways to complete manual tasks, to reduce the risk of errors and improve productivity and accuracy in reporting Implement a quarterly process to review and update access to iTrak for host responsibility purposes <p><i>Longer term next steps include investigating how various technology (Live Floor View, iTrak, Focal and Facial Recognition may be integrated to support more automated, real time alerts and reporting.</i></p>	<ul style="list-style-type: none"> ICT & Host Responsibility Management 	<ul style="list-style-type: none"> a) February 2021 b) February 2021 c) May 2021 d) November 2020 e) October 2020 f) October 2020 g) September 2020 h) December 2020 i) June 2020
<p>Learning and Development Framework</p> <ul style="list-style-type: none"> The Learning & Development framework includes online and in person courses (introduction through to advanced) as well as refresher courses available on request. 	<ul style="list-style-type: none"> Review the structure of how Host Responsibility training is delivered and by which department. Include a full review of the content delivered and where appropriate refresh the learning modules Implement a new process to review and confirm that all roles that require relevant training have been enrolled in training 	<ul style="list-style-type: none"> L&D & Host Responsibility Management 	<ul style="list-style-type: none"> a) October 2020 b) September 2020

Currently in place	Continuous improvement planned in next 12 months	Owner	Date
<ul style="list-style-type: none"> Training completion rates are monitored by Departmental Management and reported to Host Responsibility Management (on-reported to the Host Responsibility Senior Management Group and the Sustainability Board Sub-Committee). 	<ul style="list-style-type: none"> c) Provide education from L&D to department managers on how to access training completion rates in real time through the LMS dashboard d) Implement a monthly report to Host Responsibility Management regarding completion rates of host responsibility training – also reported to the Host Responsibility Senior Management Forum each month e) Host Responsibility Management to take ownership of ensuring learning completion rates are as close to 100% as possible f) A refreshed coaching and education programme will also be developed for front line staff to improve capability around identifying un-carded and excluded players, with increased emphasis on performance management feedback to staff and their managers. 		<ul style="list-style-type: none"> c) July 2020 d) August 2020 e) Immediate f) December 2020
<p>Facial Recognition</p> <ul style="list-style-type: none"> The first phase of facial recognition technology has been successfully deployed in Auckland, Hamilton and Adelaide. 	<ul style="list-style-type: none"> a) The next two phases will focus on long stay players will be installed by the end of 2020, subject to a successful trial in Hamilton. 	<ul style="list-style-type: none"> IT & Host Responsibility Management 	<ul style="list-style-type: none"> a) December 2020
<p>Communications, brand and external stakeholders</p> <ul style="list-style-type: none"> Various communications (internal and external) have been in place around harm minimisation. However, these is scope for these to be formalised in areas. 	<ul style="list-style-type: none"> a) Develop a regular communication campaign to remind staff where to seek help for employee problem gambling b) Develop and deliver an internal Brand and 'Campaign' for Host Res, with activation of this through: <ul style="list-style-type: none"> - quarterly focussed online training refresher courses - 24/7 staff canteen activation and presence - Wildcard and other communication around key areas of focus, and reminder for all staff to always be vigilant c) Ensure that as part of employee engagement processes (engagement surveys, exit surveys, other pulse surveys) there are questions asking for feedback about host responsibility, including free form feedback. d) Revisit feasibility of the Customer Information Resource Centre nearer to MGF to house HR team BOH and may house a counsellor FOH from the stakeholder group for immediate customer assistance e) Investigate Online Self Exclusion facility for SCNZ casino sites via our website f) Add a standing agenda item of "feedback" to SC for stakeholders to raise their concerns and have it documented as part of the external stakeholder meetings 	<ul style="list-style-type: none"> Internal Comms, Marketing & Host Responsibility Management 	<ul style="list-style-type: none"> a) b) October 2020 c) September 2020 d) March 2021 e) December 2020 f) Immediate implementation
<p>Oversight and reporting to Gambling Commission</p> <ul style="list-style-type: none"> Annual report prepared by Management for submission to the Gambling Commission on the outcomes and effectiveness of the HRP. Annual review of HRP sent to Gambling Commission for feedback and approval. 	<ul style="list-style-type: none"> a) Management may apply to have the requirement for SkyCity to work with Class 4 entities removed at the next Gambling Commission review due to no success to date with such local venue 	<ul style="list-style-type: none"> Host Responsibility Management 	
<p>Senior management and board governance and oversight</p> <ul style="list-style-type: none"> The Host Responsibility Senior Management Group (chaired by COO, and meets monthly) with an emphasis on host responsibility leadership and capability across the organisation. Regular reporting to Sustainability Committee on performance of the Host Responsibility pillar, including up to date training statistics. 	<ul style="list-style-type: none"> a) Independent audit assessing compliance with HRP to be obtained from external party every two years for each site b) Regular reporting from Group Risk on independent QA assurance c) Host Responsibility Senior Management Group to self-assess effectiveness of harm minimisation framework 	<ul style="list-style-type: none"> Group Risk 	<ul style="list-style-type: none"> a) Immediate b) Once role established c) Ongoing