

SkyCity Entertainment Group Limited

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21 May 2024

Client Market Services
NZX Limited
Level 1, NZX Centre
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WELLINGTON

Copy to:

ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

**RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
SKYCITY REACHES AGREEMENT TO SETTLE NEW ZEALAND AML/CFT
PROCEEDINGS**

Please find **attached** a market release which provides an update on the civil penalty proceedings commenced by the Department of Internal Affairs in February 2024 against SkyCity Casino Management Limited.

Authorised by:



Jo Wong
Company Secretary
Phone: +64 9 363 6143
Email: jo.wong@skycity.co.nz



MARKET RELEASE

SkyCity Entertainment Group Limited (SKC.NZX/SKC.ASX)

21 May 2024

SKYCITY REACHES AGREEMENT TO SETTLE NEW ZEALAND AML/CFT PROCEEDINGS

SkyCity Entertainment Group Limited (**SkyCity**) advises that SkyCity Casino Management Limited (**SCML**) has reached an agreement with the Department of Internal Affairs (**DIA**) to resolve the civil penalty proceedings commenced in February 2024 relating to historical non-compliance by SCML with the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**Act**).

The agreement is subject to approval by the High Court of New Zealand, for which a hearing will be sought at the earliest opportunity.

Under the agreement:

- SCML has admitted that it has breached its obligations under the Act to undertake and review a fully-compliant risk assessment, establish, implement, and maintain a fully-compliant AML/CFT compliance programme, adequately conduct account monitoring, conduct compliant enhanced customer due diligence, and terminate business relationships when required.
- The proceedings cover matters noted in DIA or audit reports from 2014 onwards indicating certain deficiencies in SkyCity's AML/CFT risk assessment and programme which were not fully remediated until July 2021.
- The breaches which SCML has admitted span from 2018 to 2023 and relate to largely, although not exclusively, historical matters.
- SCML and the DIA have agreed to jointly recommend that the Court impose a civil pecuniary penalty of NZ\$4.16 million in respect of SCML's admitted breaches of the Act.

SkyCity Executive Chair, Julian Cook, said "SkyCity has been subject to regulatory enforcement action in both Australia and New Zealand and those regulators are rightly holding SkyCity to account.

"Over the past few years, considerable progress has been made towards upgrading our anti-money laundering and countering terrorism financing (**AML/CFT**) systems. This does not lessen the seriousness with which we take these breaches and we are disappointed that SkyCity is in this position. As a casino operator, we play a key role in combatting money laundering and terrorism financing and we take that responsibility seriously.

"On behalf of the SkyCity Board and management team, I accept and apologise for these long standing failings.

"We have fallen short of the standards we should hold ourselves to, alongside failing to meet the expectations of our regulators, customers, shareholders and the communities we

are part of. We are committed to, and have begun, delivering the level of change that is required to meet these expectations.”

Since late 2021, SkyCity has had in place a significant AML/CFT enhancement programme to address compliance systems and correct historical shortcomings. This has included:

- completing a refresh of the SkyCity Board;
- recruitment of directors to the Board with specialist risk expertise;
- creation of a dedicated Board Risk and Compliance Committee to oversee our AML/CFT, host responsibility, risk and other compliance obligations;
- adopting a three lines of accountability control framework within the Group;
- increased internal audit capabilities and enhanced external audit scrutiny with oversight by the Audit Committee and the Risk and Compliance Committee;
- appointment of a Group Chief Risk Officer;
- significant enhancement and investment in our internal AML/CFT resourcing and capability, processes and systems, including development of enhanced transactional monitoring capabilities;
- applying higher standards of due diligence on customers as appropriate, lowering cash thresholds before enhanced customer due diligence is required, and ceasing to deal with junket operators;
- continuing to increase capacity in our financial crime, risk and compliance and host responsibility teams, with approximately 100 employees as at 1H24;
- reducing risk and complexity in the business by changing policies in line with a lower risk tolerance, limiting ways in which customers can transact; and
- committing to implement mandatory carded play across SkyCity’s New Zealand properties by mid 2025, which once operational will further strengthen SkyCity’s ability to manage AML/CFT risks.

Following the agreement reached with AUSTRAC on Friday 17 May 2024, Mr Cook noted “Our enhancement activities remain ongoing and we have further important work to do in New Zealand and Australia which will take time to complete. We have commenced a comprehensive multi-year transformation programme to strengthen how we manage risk across the SkyCity Group. We are determined to continually lift our AML/CFT practices, comply with our obligations and uphold our customer, community and regulatory expectations.

“We remain committed to ensuring that we provide safe and responsible experiences and environments for our people and customers, and will continue to engage cooperatively and constructively with our regulators.”

SkyCity continues to work towards resolving its other regulatory matters expeditiously and is seeking early resolution where possible, including (as previously announced):

- the application to temporarily suspend SCML’s casino operator’s licence in New Zealand; and
- Consumer and Business Services’ (**CBS**) independent review of SkyCity Adelaide, (which commenced in July 2022 but was put on hold in February 2023 pending resolution of AUSTRAC’s civil penalty proceedings against SkyCity Adelaide) and the appointment of Kroll Australia Pty Limited (**Kroll**) as an independent expert by SkyCity Adelaide pursuant to a direction notice issued by CBS under section 10 of the

Gambling Administration Act 2019 (SA). SkyCity Adelaide continues to work closely with CBS and Kroll in relation to its enhancement activities.

SkyCity will provide further updates on these matters as new material information becomes available.

ENDS

For more information, please contact:

Investors and analysts	Media
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