

INSPECTOR BRYANT: This is a recorded interview between Inspector Bryant of the Victorian Commission for Gambling and Liquor Regulation and Rowen Craigie, conducted at the Victorian Commission for Gambling and Liquor Regulation at Richmond, on 14th March 2018. Also present is Inspector Brown.

Q1. Do you agree, Rowen, the time is now 10.02?

A Yes.

Just for the purposes of the tape, could everyone just state their name and position please?

INSPECTOR BROWN: Inspector Brown, an inspector of VCGLR, ID No. 116.

MR PRESTON: Josh Preston, Chief Legal Officer of Australian Resorts for Crown and Rowen Craigie.

MR MURPHY: Richard Murphy, partner Minter Ellison for Mr Craigie and for Crown.

MR CRAIGIE: Rowen Craigie, formerly CEO of Crown Resorts.

INSPECTOR BRYANT:

Q2. Rowen, what is your full name?

A Rowen Bruce Craigie.

Q3. Your current address?

A

Q4. Your date of birth?

A

Q5. Are you happy to be referred to as Rowen through this?

A That's fine.

Q6. Thank you. The purpose of today's interview is to seek information in relation to the circumstances surrounding the arrest of Crown employees in China,

as part of an ongoing investigation under s.24 of the Casino Control Act 1991. Anything you say in this interview or any information you provide may be considered by and relied upon by the Commission as part of this investigation, and any subsequent action that may be taken by the Commission. Do you have any questions about the purpose of the interview?

A (No audible response.)

Q7. Do you understand the purpose of the interview?

A Yes.

MR MURPHY: Tim, can I say for the purpose of the transcript, the interview is being conducted in accordance with a notice in writing by way of a letter to Rowen Craigie, dated 21 February 2018, from the Commission, and the letter from Minter Ellison to the Commission dated 1st March 2018.

INSPECTOR BRYANT:

Q8. What is your current occupation, Rowen?

A I'm a consultant but also a director of Racing Victoria.

Q9. What qualifications do you hold?

A I've got a Bachelor of Economics Degree from Monash.

Q10. Now could you please detail your employment history whilst at Crown for the last five years, starting from the position you last held?

A Yeah, it was CEO of Crown Resorts and that was until February of 17.

Q11. What boards were you on at Crown at the time?

A Crown Resorts, Crown Melbourne, Crown Perth. Over that period obviously I was on the board of Crown Entertainment but not for the full period, and then on a range of Crown subsidiaries. So the list is two pages long or whatever and that's in every licence renewal and application I put in, it's substantial.

Q12. I won't do a memory test on you. You were on the boards for risk management committees?

A Yeah, so I'm on a number of sub-committees of Crown Resorts Board.

Q13. Okay, we'll get into more detail anyway, thank you. Could you detail your reporting lines in relation to being the CEO of Crown Resorts?

A Yeah, I report to the board of Crown Resorts.

Q14. How was the reporting upwards to you structured?

A I had five direct reports; Barry Felstead who was the head of the Australian resorts, he was the CEO of the Australian Resorts. Ken Barton the CFO, Michael Nielson the general council, Todd Nisbet who was head of our development projects and Karl Bitar who was head of government relations.

Q15. Did any departments report directly to you?

A No.

Q16. What was your relationship with the VIP International Department?

A As CEO of Crown Resorts the VIP Department did not report to me, it reported to Barry as CEO of Australian Resorts and head of - responsible for VIP.

Q17. How did VIP International fit in with your responsibilities?

A Well I didn't have direct operational involvement but as CEO of the overall company, then the activities would be reported to me through business plans, budgets, the regular reporting to the board.

Q18. I think you've answered my next question but I'll just clarify. Was there any sort of matrix reporting to you in relation to certain departments, so they'd report to you as well as some - an individual position at any stage?

A Not when I was CEO of - prior to 2013 there was probably a line from VIP to me, but when Barry assumed responsibility for VIP early 13, that discontinued.

Q19. Okay. Now I'm going to ask some questions, I've got the documents here, just about Crown's overall corporate governance in your role. So in your own words from a cascading effect, whichever way you want to explain it, would you be able to detail Crown's overall corporate government's approach?

A Yeah, so there was - there was Crown Resorts Board, there was various subcommittees of Crown Resort's Board. Then each of the businesses had their own board, they also had subcommittees and then there was obviously the management structure within each of those businesses and the management structure which I just outlined (indistinct).

Q20. I'll show you a document. It's taken from the 2015 annual report, Crown Resort Ltd Annual Report 2015

and it's the corporate governance statement, so it's 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 pages. If you just want to confirm that's the document I'm showing you?

A Yes.

Q21. Do you think that's an accurate reflection of Crown Corporate Governance for the time when you were the CEO?

A Yes.

Q22. How did Crown's Corporate Governance operate specifically with regards to their overseas operations?

A The overseas operations were an important part of the operations of Crown Melbourne and Crown Perth, so they were obviously reflected in the business plans and the budgets for Crown Melbourne and Crown Perth, which obviously then gets rolled up into the Crown Resorts business plan and budget, and then reporting to the board on the implementation of those business plans again would occur through audit of the separate businesses and then reporting to the Crown Resorts Board.

Q23. So I'll just - just in relation to specifically the Risk Management Board, you were a member of the Crown Resorts Ltd Risk Management Board committee for the last five years. Is that correct?

A Yes, yes.

Q24. I'll just show you another document. It's the Crown Resorts Ltd Risk Management Policy, and it's 1, 2, 3, 4 pages here and I've got a date of the

volume on the third page, it's February 2008. Do you agree that's the document I'm showing you now?

A Yes.

Q25. Okay. So the policy states that while the Crown Board assumes ultimate responsibility for the risk management at Crown it has delegated the oversight responsibility for risk management internal control of major risks of the company to the Risk Management Committee. What are your thoughts on that statement?

A Yeah, that's true.

Q26. I've got another Crown - this is the Crown Resorts Ltd Risk Management Committee Charter, it's 1, 2, 3, 4, 5. So it's Crown Resorts Ltd Risk Management Committee Charter, five page document. The date down the bottom is 22 June 2016. Do you agree that's the document I'm showing you there?

A Yes, that is correct. It gets updated on a reasonably regular basis.

Q27. Just in relation to that, it talks about committee papers and talks about papers being circulated before meetings. What sort of papers can you recall being distributed?

A The papers would have include the risk management plan and reports against that plan, if there's any change in risk ratings, any new risks. There were also matters to do with insurance that came up and internal controls and audit matters.

Q28. Can you recall any papers being distributed regarding Crown's VIP International strategy?

A VIP business would have been captured with a number of the risks identified in the plan, but there wasn't a plan at the Crown Resorts level for each department within each business. They would be rolled up into the risk management plan for each entity and that - but all the risks for that entity would be in that plan. So some of the risks would apply to VIP business, some of the risks would apply to the domestic business, some would apply to both.

Q29. Okay. So just to clarify, so nothing specific in relation to Crown's VIP International strategy papers being distributed?

A No, not that I can recall. It would be risk based.

Q30. It also talks about - in the charter about engaging external consultants to provide advice on risk management practices within the Crown group. Can you recall that happening?

A Yes, there was a number over the time I was there. I think Ernst & Young did some work on the risk management system at Crown.

Q31. Can you recall when that was?

A It was a reasonably regular review of our risk management practices.

Q32. Can you recall outcomes from those reviews?

A Nothing major or dramatic but the risk management structure was assessed as meeting Australian Standards and was comparable to the approach adopted by other corporates.

Q33. Josh, we might seek to get any of those reviews for

a certain period. I'll put it on the record now if that's all right and they (indistinct words) separately. Okay, it also states in the charter that each separate Crown business, and I know you've touched on this, will have a risk register that will catalogue material risk businesses. So just so I fully understand, so the Crown businesses we'll be referring to will be like Crown Melbourne, Perth, Melco at the time. Is that correct?

A Yeah, and probably Aspinalls as well.

Q34. In London, yeah.

A Yeah.

Q35. What about Crown Resorts Pte Ltd, the Singaporean registered company that was based in Hong Kong?

A No.

Q36. Why would that be?

A I think that company was not an operational company. It was a company which employed - was the vehicle to employ staff, rent office space et cetera. The operation was at the Crown Melbourne level.

Q37. Okay, thanks. You've actually jumped ahead, I'll just go through, just I've got some questions in relation to Crown (indistinct words). So you were a director of that company since 10th May 2011, is that correct?

A Probably that's right.

Q38. Sorry, I don't want it to be a memory test. I'll show you the document. Here's the - I was going to say ASIC, the Singaporean registered company

records and I know it was a while ago.

A Well that's right.

Q39. Okay. I'll go through the process, so 1, 2, 3, so four pages - it's a four page document that Crown's provided to us and it's headed "Enhanced Instant Search", 6th of the 11th 2015 is the date of the request and it's Crown Resort Pte. If you just want to familiarise yourself with that.

A Yeah. I'm sure that's right.

Q40. Thank you. So just explain again, so what actual business did that company undertake during your time as director?

A It was the vehicle for employing staff and renting office space, matters like that but as I said it didn't have - it wasn't the - it wasn't the focus of the operations that was at Crown Melbourne level.

Q41. The company's sole shareholder is listed as Crown Australia Pty Ltd. So can you just give us the history then of how Crown Australia Pty Ltd fits into the Crown structure?

A Again, I think that's just a vehicle to facilitate those in the international operations.

Q42. So how did your role fit in with Crown Australia Pty Ltd then?

A I'm not sure - - -

Q43. No, that's okay. If you're not sure - - -

A I'm not sure I understand the question.

Q44. Okay. So Crown Australia Pty Ltd, what's their position in the Crown group of companies then?

A My understanding is it's a subsidiary which again was used for - to facilitate the international operation but it's not - it wasn't part of the operational day to day business that was at the Crown Melbourne level.

Q45. Okay, thanks. So was anyone responsible for the day to day operations of the company Crown Resort based in Hong Kong?

A No, not in - the day to day operations of the VIP were conducted within the VIP structure of Crown Melbourne. The subsidiaries were just used as employing identities or to facilitate offices.

Q46. So as a director of that company, what oversight did you have in relation to the application?

A Just to put in annual returns et cetera, to the relevant authorities. It wasn't an operational business.

Q47. It's our understanding that that company, Crown Resort Pte, employed the sales employees and others who worked in China. Is that correct?

A Yes.

Q48. Why were they employed through an overseas company such as that?

A To comply with local employment law and to do things like rent office space, rent photocopiers, things like that. It's an administrative structure, it's not an operational structure.

Q49. Can I just confirm. The Singaporean directors, I take it they were - how can I phrase this - they were put in as you needed two overseas directors?

- A Yeah, they were - yeah, so it's a passive - - -
- Q50. Two Singaporean directors?
- A It's a passive - these subsidiaries are passive not active would be the way I'd describe it.
- Q51. I appreciate you saying they're passive companies, but I'd just like to ask, as a director of the company how did you ensure that that company adhered to Crown's procedures and policies with regard to say OH&S?
- A Yeah, so the employment practices were part of the responsibility of the VIP department. So the VIP department would undertake those responsibilities as part of its general OH&S obligations.
- Q52. With the same be for the staff following Crown's code of conduct?
- A Yes.
- Q53. What about risk assessment?
- A Yeah, risk assessment again is at the Crown Melbourne level not at this subsidiary level.
- Q54. Did the company have a risk register?
- A No, not that I'm aware of. Risk management, operations, all of that was at the Crown Melbourne level.
- Q55. Thanks. I'll just go back there. The Crown Melbourne Ltd Audit Committee Charter, I'll just - sorry, can I grab those documents back. So I'll just show the Crown Melbourne level now, 1, 2, 3, 4 page document. The dates of the last thing, August 2012. Do you just agree that that's the document I'm showing you?

- A Yes.
- Q56. What was your involvement in Crown Melbourne's internal audit processes or policies?
- A No direct involvement but that obviously got reported up to the Crown Melbourne Board and got reported up to the Crown Resorts Risk Management Committee, and if there was a significant matter related to Crown Resorts Board.
- Q57. Were you a member of the committee at the Crown Melbourne level?
- A No.
- Q58. Ever?
- A I don't think - I would have been when I was CEO of Crown Melbourne but not in the year - if we're talking the five year period, no.
- Q59. No, okay. It sounds like you were on enough committees and boards.
- A Yes.
- Q60. Now I just want to move onto - let's talk specifically about China and Crown's operations in China. Prior to say 2013, what was the strategy to attract persons from China to the Melbourne casino?
- A So China prior to 2013 was a major market for all casinos, including Australia, Macau, Singapore, casinos in the region and in Camden in the US, and those customers would either come to Australia as premium players or come as part of a junket.
- Q61. What was sort of the breakdown at that stage between premium and junket?
- A Premium play overall was if you're going back pre

Macau, premium play was the majority of the play and junket was whilst significant was a minority, and Macau changed that.

Q62. How did Macau change that?

A Well Macau saw the creation of larger junkets and Macau was overwhelmingly junket, was almost 95 per cent junket, and that around that time with the growth in adjuncts and the size of the Macau market, that's when other casinos in the region started trying to get Macau junkets to bring customers to Australia.

Q63. From about 2013 onwards, did Crown's engagement strategy regarding China change?

A No, I don't think so. China was always recognised as an important market and I guess Macau dramatically increased the significance of that market for the other casino operators as well. But you know China was always an important - an important market but its prominence definitely increased as a result of the expansion in Macau VIP.

Q64. So going through the budgets you can see an increase in Crown's budget around for engagement in China and Hong Kong, around that period. Basically kept going up.

A Yeah.

Q65. Why was that?

A I think generally with China there's been an increase in the economy. They eased restrictions on travel over that time period. Almost all

tourism authorities had recognised that Chinese tourism is now the major market in world tourism and particular high end tourists. So I think the increase well for the economy, the privatisation of the economy, freeing up the ability to travel, that probably increased China's share of the market relative to other, you know, Asian economies and other regional.

Q66. It'd be fair to say China's always been the biggest market in that area to attract customers?

A Yeah, although when Crown first opened it was Indonesia was more important than China.

Q67. Okay.

A So you've seen northern Asia grow in importance relative to southeast Asia over a 20 year period if you like, but that reflects I think the rising strength of the Chinese economy in trade, tourism, just generally.

Q68. Was there ever a particular document that would be - like you could point to for the Chinese strategy of engagement to attract customers?

A Not so described but it's reflected in all our sort of annual reports, result presentations, business plans, budgets. You can see the importance - you can see the importance of VIP and you can see the importance of China within VIP.

Q69. I'm just going to go over some of the news articles about the time we want to talk about and what we've referred to as sort of the crack down that was announced around late 2014, and more particularly

in early 2015, regarding China basically increasing scrutiny over gambling and in particular Chinese gamblers going to Macau and overseas to gamble. Could you talk to me about what you recall back at that stage?

A Yeah, so I think there was a corruption crack down in China which pre-dates I think the reference you're referring to. So the corruption crack down in China was throughout 2014 and you know you can see the decline in Macau VIP activity in 14, particularly the second half of 14. We refer to that in our results presentations in 14, the corruption crack down was referred to in the AGM in 14. So the corruption crack down was on everybody's radar in 14.

Q70. Did that affect your Melbourne and Perth businesses?

A I think it's a factor, the two things that also I think were more important around that time is we had a reduction in the VIP tax rate in Perth.

Q71. Yes.

A We had the abolition of super tax in Victoria. That enabled us to be more competitive. We put additional resources into VIP marketing activity and so I think they were probably more important but I think it's probably also true that high end tourism from China probably went further afield than Macau and Hong Kong during the crack down.

Q72. Why was that?

A So I think the sort of thinking was during the

corruption crack down it wasn't the time for ostentatious expenditure in Hong Kong jewellery shops or luxury car dealerships, so they - - -

Q73.

In your back yard?

A

Yes, they had big drops in activity. Whereas tourism, Chinese tourism continued to grow strongly over that period. There was Canada, US, New Zealand or Australia, all the tourism numbers were showing that there was no downturn in China tourism over that period. So could Australian casinos and other casinos further apart have got business that otherwise would have got to China? Probably.

Q74.

When you talk about additional resources in the VIP marketing, what sort of resources?

A

Well rather than scaled back resources because Macau had turned down, there was no sign of a downturn in that high end tourism out of China. So the opportunity, the increasing opportunity to get that business was still there, so rather than cut back on staff we weren't experiencing a downturn so we increased staff.

Q75.

When you say increased staff, what sort of roles?

A

Principally sales staff.

Q76.

On the ground in China and Hong Kong.

A

But elsewhere in the region as well, so Australia was still seen as an attractive destination.

Q77.

What sort of media monitoring did Crown have at the time you were CEO?

A

Yeah, we had a number of services which monitored media in the gambling sector.

Q78. Were you being provided daily snapshots or weekly snapshots?

A Yeah, daily.

Q79. I'll just go over some of the articles. This is a 1, 2, 3, 4, 5, 6, 7, 8, 10 page document dated February 7, 2015 and it's "Chinese President just declared war on global gambling". Do you agree that's the document I'm showing you?

A Yes.

Q80. Can you recall having articles like that brought to your attention, or that specific article?

A I don't recall that specific article but certainly articles saying that Macau was going to be impacted by the corruption crack down. They were - that was well ventilated across the industry.

Q81. So one of the lines in that is that a fair numbering of neighbouring countries have casinos and they have set up offices in China to attract and drum interest from Chinese citizens to go abroad and gamble. This will also be an area that we'll crack down on. What's your comment to that?

A In terms of what?

Q82. In the context of a potential escalating risk of operating in a country like China.

A Yeah, so we obviously as part of the risk management process were receiving advice from experts in China, is my understanding, about what is a particular - is there a particular focus, what are our operating procedures, are they still appropriate?

Q83. So at the time can you recall this being escalated as a concern to you?

A Not at this time. I recall about - with the Korean arrests receiving advice but I don't recall getting advice on this matter.

Q84. I'll just draw your attention to a news article that was 3 February 2015, it's headed, "China's corruption crack down still weighs on James Packers casino joint venture", that's referring to Melco, it's two pages. Could you just - do you agree that that's the document I'm showing you?

A Yes.

Q85. Do you just want to familiarise yourself or have a look at that document?

A Yes.

Q86. So what were the opportunities you saw there to grow Crown's share of the VIP market?

A So to the extent that Chinese high network tourism was no longer or was going to Macau and Hong Kong at a reduced level, that was the opportunity for - as you say - places further afield to pick up a share. The point being here is because we're only a small part of the global VIP market, you wouldn't need much diversion from Macau or Hong Kong of that tourism to be beneficial to Australia.

Q87. I understand. We've got another similar article then. It's The Australian dated 20th February 2015 and it's "VIP influx a windfall for Crown Resorts", it's one page. Do you agree that's the document I'm showing you?

- A Yes.
- Q88. Once again, so what are the efforts you're referring to in that document?
- A That if we can use the lower tax rates that we had if we didn't wind back the operation, China was still a very big market and Australia had a smaller share. So the effort was additional resources and negotiating lower tax rates for VIP and, you know, as I said, it's possible Australia experienced very good growth in VIP even if Macau's in decline is what actually occurred.
- Q89. At that time what sort of percentages - I know it's very general - would have Macau been attracting before the crack down, as opposed to - - -
- A Would have had 80 per cent of the world market. Maybe that dropped to 75 or something like that but Macau was still over (indistinct) of the market and Australia just had a very small part of that. So one per cent leakage of share from Macau to Australia could represent a 40 per cent, 50 per cent increase in Australia but Macau wouldn't.
- Q90. So as a general question, at that time what sort of internal reporting within Crown would there have been about the developments in China?
- A The people on the ground would have been reporting to Michael Chen who in turn would have been reporting to Jason O'Connor, who would have been reporting to Barry.
- Q91. It'd be fair to say you were relying on the people on the ground in China to report upwards?

- A Yeah, and if they were, you know, plus whatever experts they had access to.
- Q92. Okay. So where would Crown Resorts Ltd point in their internal reporting to any records regarding the change in China's position?
- A Sorry, the change in which position?
- Q93. Well if China's position appears to be changing in relation to a corruption crack down and all that, what documents would that be captured in at that stage at Crown?
- A That would be in - yeah, that would be in the - the impact of that which has been felt in the Macau joint venture, plus the growth in the Australian VIP business would be reflected in the regular reporting to the board on how the Australian business was going, and how the Macau business was going. So reporting against budgets, reporting operational highlights was part of the report, it would have been reported to the Crown Melbourne Board and then returned to the - to the Crown Resorts Board.
- MR MURPHY: Can I just jump in there, just with one question to Rowen and that is at this time of these articles in February 2015, do you recall it being elevated that there was an issue in relation to foreign casinos as opposed to just (indistinct) - - -
- MR CRAIGIE: No, it was about the corruption, yeah. It was about gambling. It was about a corruption crackdown and the impact of that on Macau and Australia if that was - if that diversion of the

market was occurring.

INSPECTOR BRYANT: Thank you.

Q94. Do you mind if we just have a quick five minute break?

A Sure.

Q95. Is that okay?

A Yeah.

Q96. Do you agree that the time is now 10.44?

A Yeah.

Thank you.

INTERVIEW SUSPENDED

INTERVIEW RESUMED

INSPECTOR BRYANT: Interview is recommenced.

Q97. Rowen, do you agree the time on that's 10.57?

A Yes.

Q98. Okay. You've just mentioned before in relation to media monitoring. Do you want to expand on that for us please?

A Yes, I've resumed a receipt, daily receipt of three media monitoring services. Two were Australian based but also covered major international stories. The other was a US service which covered international media stories. In total there would have been probably 50 stories per day that they gave you the headline and, you know, the first paragraph of the article. If there had been a sustained series of articles, if that had been accompanied by briefing notes from either Barry or his direct reports raising a red flag, obviously that would have come to my attention.

- Q99. Would you expect that to come from the actual business line that it was relevant to?
- A Depending on the significance of the issue, it would start at that business line and escalate up.
- Q100. Anything else?
- A No.
- Q101. Around February 2015, Crown engaged the services of WilmerHale and Mintz group regarding China. Who made the decision to engage them?
- A VIP. I'm not sure whether that was Michael or - Michael Chen or Jason but it would have been VIP. Because they would have been familiar with who was on the ground in China that were an expert in that area.
- Q102. What was your knowledge of that engagement at that time?
- A I didn't have any knowledge of that particular engagement. Obviously, I'm aware that they gave advice on the Korean detentions but whether they are engaged to do other things for VIP I'm not - I don't - - -
- Q103. Can you recall when you were first made aware of it?
- A Of?
- Q104. The engagement of WilmerHale and Mintz group?
- A Probably around the time of the Korean - but I understand that they might have been offering advice prior to that.
- Q105. At the time of the engagement of Mintz, can you recall that being reported to Crown's risk

management or internal audit committees?

A No. No.

Q106. The Mintz group provided a risk assessment and it's entitled Project Wager, and I'll just show you the document. There's a covering email, 1, 2, 3, 4, 5, 6, 7, 8, 9, I've got 10 pages here but the last page is blank. So 10 pages, covering email from Michael Chen to Jason O'Connor dated 26th March 2015, headed up "Final memo Project Wager" and then it's got the memorandum dated 25th March 2015. Do you just agree that's the document I'm showing you firstly?

A Yeah.

Q107. Can you recall ever receiving a copy of that document?

A (No audible response.)

Q108. Sorry, Rowen - - -

A No, I don't recall receiving that document.

Q109. The engagement of someone like Mintz or that, would that decision be made at a business level?

A Yeah, departmental.

Q110. Departmental. Can you recall if that document is something or something similar was a document ever provided to the Crown Resorts Ltd Risk Management Committee, or any other areas of Crown responsible for corporate governance?

A No, not that I remember.

Q111. I know you've only had a quick look at it. Do you think it's the sort of document that should have been escalated upwards?

A Just looking at the conclusion it says, "Given this current state of affairs it would still seem prudent to proceed with planned marketing efforts but keep them low key. It is very important to stay strictly within the legal guidance provided thus far concerning assessment of relevant Chinese law restricting groupings to less than 10 persons". So it's not saying change the current operation which you might think would be escalated, it's saying continue to proceed in a low key manner.

Q112. Do you think it's the sort of document though that informs risk management decisions?

A It is, yeah, it informs the risk rating, yeah. So you would expect the department to reflect that advice in their risk assessment of what risks the VIP business faces.

Q113. We'll just go onto the Korean arrests then. So around June - 20th June 2015, there was open source news articles reporting the South Korean casino operators hit by arrests in China. I'll just - I'll join the two together. There's one on 20th June and on the 19th. That one, 21st June, just agree I'm showing you two different articles attached together in relation to that?

A Yes.

Q114. Can you recall around that time being advised of that situation?

A Yes, I recall being briefed I think by Barry about this but also I recall this in the media monitoring because it was quite relative to the earlier 2015

media clippings there was - this was more prominent.

Q115. Do you think you need to go through an escalation of risk?

A It could do depending on what they were detained for.

Q116. Can you recall details of the briefing you received from Barry Felstead?

A It was along the lines from memory that the South Koreans that were engaged in inappropriate practices, there was references I think to prostitution, foreign currency violations et cetera, but the thrust of the advice was that it was peculiar to South Korean practices as opposed to casino operators across the board.

Q117. Can you recall if it was a - just a verbal briefing or a written briefing?

A I'm not sure. I suspect - I think - I think there might have been an email but it might have been verbal. It's some time ago.

Q118. I'll just show you - there's an email chain here, it's 20th June 2015, it's Randy Phillips. Can you ever recall that - hearing that name?

A I now know he's part of Mintz but at the time I wouldn't have recalled that.

Q119. At the time. To Michael Chen, and you're aware of who Michael Chen was at the time?

A Yes.

Q120. It's one page and it's just an email correspondence in relation to the Koreans.

- A Yes.
- Q121. Any comment to offer in relation to that?
- A I haven't seen that but obviously as Michael Chen ascertained it was the Korean thing, did the Korean issue have implications to Crown.
- Q122. Just in relation to Michael Chen, were you involved in his employment at all?
- A I met him at the end of the process. I wasn't on the interview panel.
- Q123. I'm now going to move onto another instance that occurred on 10th July, correspondence we've got where a Crown member we believe was - I understand was questioned in China at the time. So I'll show you, this is a two page email, it's from Randy Phillips to Michael Chen and it starts off, I don't know, it's got Lizzie Dobell at the top. Do you just want to have a read of that?
- A Sure. Yeah.
- Q124. Okay. Can you recall being made aware of that incident?
- A That's the first time I've seen it.
- Q125. The talks in relation to Mintz say that - it's asking for a letter to be provided on Crown letterhead but it also talks about it might contribute to an evidentiary pile that PSV could decide to drawn upon in the future. Would you like to offer a comment in relation to that?
- A No, I haven't - this is the first time I've seen it, so.
- Q126. So my reading of that indicates that well - I'll

just take it back if that's all right.

A Sure.

Q127. It talks about, "Hi Randy, we had another staff member yesterday in Wuhan visited by local police on the tip off. The Pat", it says here, "he was organising tours for gambling. He was brought into the police station for interviews and released. He was requested to furnish a letter from the company providing that he worked for a Crown. Please do let me know if there are any new changes in policy approach et cetera". So "by another staff member", it's indicating to me two, and I am aware that another - there was another Crown staff member was questioned by police as well. Are those the sort of instances that you think should have been escalated?

A Yeah, they should - they should have been escalated.

Q128. To what level do you think it should have been escalated?

A I would have thought to my level and probably above.

Q129. Why's that?

A Well it's a police investigation. Very different from a newspaper article.

Q130. Why do you think it wasn't escalated, would you like to offer - - -

A No idea. If Randy and - this call asks for Randy's advice which I also haven't seen. If Randy's advice was - - -

- Q131. Just to give context, I'd rather have you have a read of it than - - -
- A Yeah.
- Q132. Take your time.
- A "Chances are good that there's no problem here but just something to keep in mind. Will definitely let you know if we hear of any change to policy and approach". So Randy's not saying, you know, oh my God but nonetheless the fact that the police have interviewed Crown staff, that would normally have been - should have been escalated to Jason to Barry to me and that is the sort of thing that's of concern.
- Q133. So a letter was, from what we've requested off Crown, a letter was provided and we understand this letter would have been then provided to the authorities. It's dated 9 July 2015, and it's "To whom it may concern", can you just agree that that's the document I'm showing you. It's got a signatory there Tim Spearman?
- A Yes.
- Q134. Were you aware that that letter was furnished?
- A No.
- Q135. What's your - - -
- A But Tim Spearman's in our HR Department. This is confirming that an employee works for Crown.
- Q136. How would Tim Spearman be authorised to sign that on behalf of Crown Resort Pte Ltd?
- A Because he is a senior manager within the HR Department of Crown Melbourne and Crown Resorts Pte

is a subsidiary of Crown Melbourne. So Crown Resorts Pte doesn't have its own HR Department, Finance Department et cetera, it's - as I said it's this passive subsidiary. All the operations are conducted at Crown Melbourne. So if you like Tim Spearman is effectively the HR Manager for the employees of Pte.

Q137. I understand. Is that the sort of letter in the context of what's transpired you think should have been brought to your attention?

A I don't know - I don't know if Tim was briefed in the context of it or not. That I think is accurate. Whether - what exchange Tim had with Michael Chen, I don't know.

Q138. Would Michael Chen have had the authority to ask for that off him?

A Tim would have known that those staff report to Michael. If Michael said I need a letter confirming, you know, the particulars of their employment, Tim would clearly have the authority to write that sort of letter. Tim's not expressing any opinion in there, it's a factual statement. So my guess is if the boss of an employer's asked for such a letter, Tim would produce it.

Q139. Just in relation to the structure, and I know I touched on this before but I just want to get it clear in my head. So the 100 per cent shareholding of Crown Resort Pte Ltd is actually Crown Australia Pty Ltd?

A Which in turn is 100 per cent subsidiary of Crown

Melbourne.

Q140. Thanks for clarifying that for us because when I look at this I think Crown Australia Pty Ltd is a shareholder - - -

A Is not Crown Resorts.

Q141. Is not Crown Resorts?

A No.

Q142. But is 100 per cent owned by Crown Resorts?

A Yes, and these are all - and there's many subsidiaries. They're all - and the word I use is passive, that is they do not have their own HR Department, Finance Department et cetera.

Q143. I think you've answered this but if you don't mind, - - -

A Sure.

Q(cont'd) - - - as a director of the company Crown Resorts Pte, do you think that letter should have been brought to your attention at the time?

A Not this letter. I think the other memo about staff being interviewed by police in China, not in my capacity as a director of Pte but it should have come further up the chain; Jason, Barry to me.

Q144. Okay. I appreciate that. Just one thing, do you think in the context of a letter and the Crown employees in China being questioned by the police, it indicates an escalating risk of environment?

A In the absence of any advice saying, you know, explaining what had happened prima facie, you would want to reassess the risk. But having just read the email, Randy's tone is not - the tone in his

response is not waving a big red flag.

Q145. I suppose if I wanted to challenge that I'd say an evidentiary pile is of concern, just using that phrase.

A Yeah, and people being interviewed by police is of concern.

Q146. Thanks. The next sort of flag we've got with an escalating risk environment is Michael Chen to Randy Phillips on 14th October 2015. It's Randy saying to Michael Chen, "Have you seen the CCTV report", and it's a China news article. Now it's a 1, 2, 3, 4, 5, 6, 7, 8 pages, I'll get you to have a look at. I'd like you to take your time and we did a translation of the news report and I'd just like you to have a look at it. Do you agree that that's the document I'm showing you? I've done a photo page of the news article.

A Mm.

Q147. May I just ask you, can you speak or read Cantonese or Mandarin?

A No.

Q148. So it's dated 14th October.

A Sure.

Q149. Just in the context of that, were you made aware of - can you recall being made aware of that occurring around that time?

A No.

Q150. Do you think it's the sort of thing that should have been escalated again?

A Yes, and the advice from - such advice from Randy

should have been escalated as well. Obviously the advice that had been received up to that point was 10 or more was the trigger point, and that's referred to in that article.

Q151. It clearly shows to me an escalation of risk in that they're actually specifying what that legislation means or what that law means about accumulative effect and not just (indistinct), and then just the wording, "highly concerned about foreign casinos and their infiltration". So you agree that that's a matter that should have been raised further up the chain?

A Yes, but I would say that obviously the South Korean prosecutions were to do with the currency movements.

Q152. Yes.

A So I'm not - whether at the time people focused on the 10 or more - in the case of the Koreans, the currency movements.

Q153. But I'd certainly agree that this article, you know, is definitely in relation to South Korea but it's also beyond South Korea and currency movements in what the - almost the warning's been given. Would you agree that's a fair statement?

A I think it focuses attention on that Article 303 and the advice is whether you - obviously whether the practice you engaged in is breaching 303 or not.

Q154. What was your knowledge of 303, in your role, of Chinese law?

A At the time, probably broad in the sense of knew about group gambling but obviously subsequently looked at the wording and obviously the - and there was - I think there was a court interpretation of what group gambling or what the definition of that and the 10 or more is obviously - was the focus there. My understanding is that staff were instructed not to meet groups, just meet with small groups.

Q155. When we interviewed Jason O'Connor and the risk stuff that came back from him, so talking about - we touched on it before about what's the word, low key activities. Low key activities, they talked about not using phones purchased in mainland China, not meeting large groups, someone looking in might see that as well why are you going to those lengths in China. What's your comment to that?

A I think it's about behaving in a low key not ostentatious, you know, manner and I think in accordance with the concept of not organising group gambling. So don't allow yourself to be on the wrong side of Article 303. I think one of the difficulties in operating in China, even though it's the major market, is it's not possible to go to the Minister for Gaming, the Department of Gaming or the regulator and say here is Article 303, it makes a reference to organising group gambling. What exactly does that mean? Where's the line? Because we don't want to cross that line so what can and can't you do? Everyone's forced to

rely on Chinese legal experts or strategy experts and say what do you think, and those experts go and look at court cases and whatever and say here's what we think, but it's just a completely different system to a western jurisdiction. It's one sentence as opposed to a casino control act of 200 pages. There is no equivalent to your organisation or Department of Justice or Minister for Gaming that you could meet with, write to or whatever. It's not - it's hard to look at - it's a different system to the one we're used to in Australia. So you rely on - you're forced to rely on local experts as to what the dos and don'ts.

Steve, have you got any - - -

INSPECTOR BROWN:

Q156. In relation to your last statement that you talked about you were reliant on your local experts to advise you guys what you were doing, you know, whether it's - you know, the interpretation of the law 303. What we're still trying to grasp from one of you is if your activities are not illegal or relevant to whether you're not breaching any laws, why would you need to do the risk assessments and so on that you've (indistinct words) obtain this information? What was the proviso or what was the reason behind it?

A All the risk management plans identify the risk of breaching legislation or regulation or rules, so that's a risk whether it's Victoria, New South Wales, WA, UK, Macau or China. In Victoria, I have

legislation regulations, I have an authority, I have a department, I have a minister to clarify any uncertainty about the legislation. And there is uncertainty in Victorian legislation. A word like responsible gaming, a word like inducements, a word like promotion, these are - - -

INSPECTOR BRYANT:

Q157. In any legislation, that's why - - -

A Parliament has not been helpful to you and us when it adopts some of these words and they have to be - you have to go back to the regulator or the department say what does that mean? What can we do and what can't we do? That's not possible either in China. So China has a degree of complexity and difficulty that is not shared back in Australia. So it's high risk and the risk, all the risk management plans will have high risk for Crown to breach gaming legislation and gaming regulation. How you could breach is the complexity in China.

INSPECTOR BROWN: Correct, okay.

MR MURPHY: Can I ask Rowen, did you understand that Crown was doing anything differently to junket operators operating in mainland China or to other foreign casinos?

MR CRAIGIE: Yeah, so junket operators, the Macau junket operators were clearly organising groups of 10 or more and still are today, post the detentions. Are they part of China? Some maybe. Prima facie Article 303 would apply to them. It hasn't been applied to them and we've seen a massive recovery

in VIP volumes in Macau over the last year or so. Our people were not junket operators, they were talking to individual customers, the premium players that we were talking about. They weren't trying to become junket operators. The junket operators were doing that. So why the Macau junket operators haven't fallen foul of 303, I don't know.

INSPECTOR BRYANT:

Q158. I suppose the point I'm being quite on I think is notwithstanding the Chinese interpretation of the law, there was clearly what I'd consider was an escalating risk from the announcements early in 2015, that was brought to the attention to clearly the staff on the ground in Hong Kong and China.

A Yeah.

And then whether or not that was escalating to the appropriate levels. Can I just go onto another point now please?

MR MURPHY: Can I just ask one question there. Did you see it as an escalating risk for Crown in particular?

MR CRAIGIE: No, Crown was - other than the staff being interviewed by the police which is new news, there was nothing that Crown was doing differently to both past practices and nothing Crown was doing differently to all the other casino operators on the ground in Crown, save for I think the South Koreans where I believe the articles - there were stories, you know, of prostitution and foreign currency violations et cetera.

INSPECTOR BRYANT:

18/0033 Craigie
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- Q159. On the ground in China at that time, apart from Crown, what other major casinos were operating?
- A The Star, Sky in New Zealand, Casino (indistinct), the Americans. Everyone was - everyone in the VIP business was targeting Chinese customers because it's the biggest market.
- Q160. I understand. Did you hear of them changing their strategies at any stage around 2015/16?
- A No, no, there were - I think there was some speculation about one of the American operators but I think in the end that wasn't substantiated and everyone was still operating there and doing what they always - - -
- Q161. Can you recall who that American operator would be?
- A It was MGM but I'm not - - -
- Q162. 100 per cent?
- A Yeah. It was one of the - one of the Americans who had a licence in Macau, so it was other MGM or Wynn or Venetian but I think it - or LVS, it was (indistinct).
- Q163. What did you hear they did or the speculation?
- A They were scaling down their marketing efforts but that turned out not to be the case.
- Q164. Okay. How big would have Crown been in the Chinese market compared to the other international players?
- I suppose as far as sales staff - - -
- A In terms of - - -
- Q165. Sales staff on the ground?
- A I'm not sure. In terms of turnover - - -
- Q166. Yeah.

- A - - - at that time we were bigger than Star but Star was catching up. Both Crown and Star were bigger than the Sky, the Americans collectively were bigger than the Australians collectively.
- Q167. That's on turnover?
- A Yeah.
- Q168. What about like feet on the ground over there?
- A Don't know. But you know you would have thought the Americans would have had turnover matching Crown or higher, so I would have thought similar size.
- Q169. Slight change. Casino review, VCGLR casino review back in 2013.
- A Yes.
- Q170. Can you recall being involved?
- A Yes, yes.
- Q171. Okay. I suppose I want to go over to some of the comments that were made in relation to risk management processes and practices. So once again, I don't want it to be a memory test, so I've got some of the documents - - -
- A Sure.
- Q(cont'd) - - - I've copied from it and if you want to take some time. So 1, 2, 3, 4, 5, 6 pages and it's VCGLR findings. There's a bit there, so if you just give us two secs.
- A Sure.
- Q172. I did have it highlighted but I copied it. Okay, look, you start having a look at that document.
- A Sure.

- Q173. I'll go back over what I've written here, thanks for your patience. What was your involvement in the review?
- A I think I gave a presentation to the officers of the Commission and the consultant as to what was happening in the broader Crown space - - -
- Q174. Group?
- A Broader Crown group.
- Q175. This was Melco expansion - - -
- A Yeah, Sydney, Macau, probably the UK et cetera, and I didn't sit in on all the presentations for the Melbourne operation and obviously I think there was a Crown response as well, so I would have reviewed that.
- Q176. Yes. One of the paragraphs in there talks about, "As Crown group expands its business, interest in the region", it's talking about especially China, "so must its risk management processes grow to meet the different challenges posed by operating in new markets".
- A Yeah.
- Q177. Would you like to offer a comment?
- A Yeah, so the risk management committee gets reports from Melco Crown and Aspinalls, as well as Crown Melbourne and Crown Perth. So they have their own risk management practices and plans et cetera, so they get reported too as part - to the Crown Resorts (indistinct) the CrownBet was part of that incorporation. So it was - if you like the scope of the Crown Resorts risk management committee is

broadened to include - - -

- Q178. The overseas operations.
- A - - - the overseas operations and other Australian partly owned vehicles like CrownBet.
- Q179. So what about any - specifically in relation to operating in China, any changes to Crown's risk management processes?
- A No, because it was - that's covered by the existing risks that have been identified. So the risk ratings come up for review all the time but the existing risks deal with that breach of gaming legislation, gaming regulation et cetera, which has consistently been rated as the highest risk.
- Q180. So if I could paraphrase. So this was seen in the context of risk of the new or the existing overseas operations like Melco and Aspinalls?
- A Yeah. So operating in new markets was Melco in those (indistinct words) going on, Melco Crown Philippines et cetera. Crown had been operating in China, in the sense of trying to get Chinese customers to Crown and had been doing that for, you know, 15, 20 years.
- Q181. Yeah. It also talks about - goes onto say, "Crown does not have - currently have a specific framework for assessing public sector governance risks".
- A Sorry, where's that?
- Q182. Okay, the paragraph starts, "The involvement of Melco Crown or other Crown group companies". If you can't find it I'll try. I'll just go over and highlight it.

A Yeah, yeah. Yes, that was targeted at the Philippines. The next paragraph says, "The VCGLR sought information about the measures the Crown group took to assess and manage the risk of entering the Philippines project and meet its obligations under that entity bribery laws". So there was the concept in the minds of the officers of the VCGLR and the consultant backing the review that Philippines as a jurisdiction is probably - what's the word - not as robust as maybe Singapore or Hong Kong or whatever. So I think people got comfortable with Melco in the Philippines but the Philippines is not the same as operating in the UK, for example.

Q183. I understand. I just wanted to get the context about the review of that.

A Yeah. So I think the Commission was saying by all means expand internationally but be mindful of the jurisdictions you're going into.

Q184. Would you mind if we had another five minutes, Rowen, it that's okay?

A Yeah, sure.

Q185. Do you agree that the time is now 11.43?

A Thank you.

Thank you.

INTERVIEW SUSPENDED

INTERVIEW RESUMED

INSPECTOR BRYANT: Interview recommenced.

Q186. Do you agree the time is 11.56 - up the top?

A Yes.

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Q187. Thanks, Rowen. Some more general questions. Just in relation to overall with Crown Melbourne Ltd, Crown Resorts and the documentation, where would it be shown that risk assessments were actually followed?

A In the risk management plans. So the risk management plans get reviewed as to risk ratings and mitigation strategies. Because the mitigation strategies effect the rating, so if you had a mitigation strategy that was not following, for example, the risk rating prima facie would need to be changed. Unless you found another mitigation strategy to do that. And if the mitigation strategies are of a nature that they involve expenditure, they'll be reflected in budgets and obviously there's a whole reporting process against the budget. So it's a combination of risk management plans, business plans and budget.

Q188. That would be drilling down into individual levels, VIP International business level?

A Yeah, at a department level but obviously if they're big enough it gets rolled up into the other Crown Resorts budget. So an example, let's say, smoking bans on the casino floor involves capital expenditure, would have a revenue impact, as it did, so all of that gets - the mitigation strategy is to build the external smoking lounges, modify the floor layout et cetera. All of that you would find in business plans and budgets.

Q189. So if the circumstances in China were changing,

should this have been documented in those sort of claims?

A If you had a mitigation strategy in China, let's say you had - you had halved the number of staff that would have been reflected obviously in a business plan and budget.

Q190. In this context of this matter, if you'd engaged the services of Mintz and WilmerHale?

A Not if - it would have been in the VIP budget somewhere but unless they're very expensive, it wouldn't have shown up at the corporate level, at the Crown Melbourne and Crown Resorts level. To the extent it was unbudgeted expenditure it would have shown up in the VIP budget.

Q191. Just in the - - -

A But I don't know if we're talking \$10,000 or \$100,000.

Q192. But apart from the expenditure in relation to the budget to mitigate the risk - - -

A If the operation had changed?

Q193. Yes.

A To mitigate the risk?

Q194. Yes.

A That would have impacted on either revenue or labour costs or marketing costs or whatever. It would have been in the business plan and the budget, you would have seen explicit reference to it and you'd be able to track that through the budget process.

Q195. Do you consider that there was a change to the

engagement strategy in China from 2013 onwards?

A No, I don't think there was a change in the strategy. It was still - it was still - there was a major market in 13 - there was a major market, I mean it's still a major market but not there, but it's still the largest market in the world and I think the whole industry worldwide was, you know, targeting that market.

Q196. But there was certainly an increase in the budget you put into that on the ground level there?

A Oh yeah, and there's no doubt Macau has stimulated that market and as we talked about previously, just the increasing wealth of China, the ability to travel, the privatisation of the economy, all of that Chinese tourism continues to be the biggest tourist market in the world and, you know, it's got some of the lowest growth rates.

Q197. So can you recall did the Crown Resorts Ltd Board or Crown Melbourne Board or the risk management committees endorse the increased engagement strategy in China?

A When you say increased engagement, the importance of China was recognised at all levels and the importance of China to Crown's VIP operation was recognised and that's, you know, that's a theme of, you know, business plans, budgets and reports in the presentations to shareholders, presentations to analysts. Crown being engaged with China is pretty well known.

Q198. What about an increased focus on the risk

assessment component of that operation?

A No, the risks - when you say the increased risk component, any increase in risk would be handled through the risk management committee, and if it led to the need for risk management strategies, that would have, you know, been reflected in business plans, budgets, operational reports et cetera. The point is I'm not sure Crown's operation in China changed over that period.

Q199. When we're talking, say 13 onwards?

A Yeah.

Q200. Just to - correct me if I'm wrong, so at Crown Resorts Ltd level of the risk management committee level, those sort of risks would have been considered?

A Yeah, the risk of breaching gaming legislation across the board was identified as one of the top risks facing the company. There was not any explicit discussion that I recall about Article 303 and, you know, group gambling et cetera.

Q201. What about at Crown Melbourne level, was there a risk - - -

A Not that - I don't - not that I'm aware of but if there had been and it was assessed as a major risk specifically it would have come up through their risk management plan. So there were regular reports about what risk ratings had increased. So it would be wrong to characterise the risk management process that once a risk had been assigned a rating it just sat there. They were

reviewed all the time and every meeting there would be a change either up or down of risk ratings.

Q202. When you say of - - -

A There's a risk of mergers - - -

Q203. Yeah.

A Or if a risk came up. So during an enterprise agreement negotiation, right, the risk rating for industrial action becomes high once the enterprise agreement here's settled, that risk rating drops.

Q204. I understand. Going through the annual report, so 2015 and 16 there were two risk management committee meetings held each year, sorry.

A Yes.

Q205. That you can recall?

A Yeah, I would have thought three but two or three, yeah.

Q206. Okay. Can you recall any out of session risk management committee meetings in relation to China?

A No.

Q207. What experience do the committee members have in relation to risk management?

A At Crown Resorts level? Geoff Dixon's a pretty experienced CEO has run an airline in a highly regulated space, international operations et cetera. I think Geoff's pretty familiar with risk management processes, planning the structures et cetera. So I think - I think he'd be regarded as highly qualified to performed the role of Chair. Rowena Danziger's long term director of Crown and (indistinct) so she's very familiar with the Crown

operation, her particular expertise is in occupational health and safety. A lot of HR experience in her career and since with Crown, so obviously all of the risks related to an organisation that was employing 10,000 people. She's qualified you know in that space.

Q208. I have to ask, yourself?

A Well that's probably for others to judge but I've been with Crown for the best part of 20 years and have been there from the start. So I knew the history of the company and where risks have occurred in the past and now they've been dealt with et cetera.

Q209. Do you have any formal training in risk management?

A No.

Q210. Look, I think we've gone over this before, if you don't mind me asking. What discussion, if any, took place regarding - at the risk management committees regarding China, that you can recall?

A China as a whole?

Q211. As part of your - as a significant part of your VIP business?

A Only as it came up in the identified risks. So nothing dedicated solely to China but as part of the risks of, you know, compliance, reputation et cetera, those - the VIP business was part of that - those risk assessments.

Q212. Was arriving at decisions like risk ratings documented as well as the final result?

A Yeah, there's a matrix of probability of outcome

and impact of outcome and there's a table - this is the standards as to how you cross-tab all that. So the legislative - breaches of legislation got the highest rating which was the cross product of likelihood and - - -

Q213. Consequence.

A - - - consequence, yeah.

Q214. Can you recall where CRL's Risk Management Committee was first told of potential changes in China from 2015 onwards?

A I don't think they were explicitly told about changes in China. As I said, I'm not sure Crown's operation in China changed over that period. Crown continued to do what it was doing previously and what the rest of the industry was doing.

Q215. Some specific documents I'll just show you. This is 1, 2, 3, 4, 5 pages, Crown Resorts Ltd Risk Profile. Now I believe this covers May 2015 and June 2016, it's just got an underscore and crossed out, this has been provided to us as approved by the Risk Management Committee. Do you just agree that's the document I'm showing you?

A Yes, so I think this will be - this looks like it's a marker of some changes to the risk profile between those two periods, the fact that that paragraph's underlined et cetera.

Q216. I'd imagine that would mean it's been included?

A Or changed.

Q217. Okay.

A So it could have been included, whatever, that

looks like there's no changed to the rating.

Q218.

Yes.

A

Right, likelihood too so it's up the - it's not highly likely but it's the next one down. The consequence is major and therefore it gets a risk rating of significant. That wouldn't change from year to year, that's the cross tabulation and that's the basis on which you assess whether the impact is severe or not.

Q219.

In there it talks about the controls referring to ongoing communication with government and regulators in relevant jurisdictions.

A

Yeah.

Q220.

What's that referring to?

A

That's the point we talked about before. If there is any ambiguity in issues of compliance with legislation or regulations, talk to the regulator or the responsible department to make sure that you fully understand how to be compliant.

Q221.

But as you touched on before, in China?

A

No, it can't be done in China. You have to rely on, you know, third party advice. You can't rely on government advice. We don't have access to government.

Q222.

So in that plan drilling downwards, who would be responsible for the ongoing communication with government regulators in the relevant jurisdictions?

A

Depends on the issue. So if it was a gaming machine issue, it's probably the head of the gaming

machine department in conjunction with, you know, the compliance department. You know, Michelle Fielding or someone like that.

Q223. Can I just grab that back?

A Yeah, sure.

Q224. Thanks. So it'd be correct in saying that this is the risk title that was considered most appropriate to Crown's VIP international operations?

A That and probably the brand reputation, and that relates back to that Philippines discussion that we were having as well. So there's something about compliance but there's also something about the company - - -

Q225. I think that drills further down into one of the risk management plans that we'll get into in a minute, just in case I haven't missed something in this document. But I think at this level it didn't have the - at that time, the brand reputation.

A It would have at Crown Resorts level but not Crown Melbourne.

Q226. Yeah, I think at Crown Melbourne - well I could be wrong, I'll double check with the documents I've got.

A It will probably go under - it might go under another risk title but that brand reputation is certainly a risk category.

Q227. I understand what you're saying, I just might - - -

A Yeah, I'm not familiar - - -

Q228. It could be - - -

A To check the language, yeah.

Q229. And I'll check to make sure I've got the whole document. Crown Melbourne Ltd Risk Management Plan dated November 2015 details at risk 19, "Foreign political policy".

A Yeah.

Q230. "The impact on Crown Melbourne's performance from political actions in a country from which a significant volume of international business is derived; e.g. Chinese central government policy, restricting one or more currency movement, real estate development, international travel of politicians and dignitaries. It is treated as significant risk with controls being detailed as annual strategic planning and business planning process including monitoring and review of premium gaming strategy." What input did you have into that risk assessment?

A At the risk management committee level you would be reviewing back assessment. So VIP would do an assessment, that would go to Barry as the Head of Crown Melbourne, Crown Melbourne Risk Assessment Committee and then to the Crown Resorts Risk Committee.

Q231. So if I wanted to drill down into the details - - -

A And it was shown as significant - - -

Q232. Yeah, so if I want to drill down into the details of risk assessment, I'd have to go to VIP international business planning to feed into that?

A Yeah, but it's not a surprising score given the size of Crown's VIP business relative to its total

operation.

Q233.

I understand.

A

So even if - even if it scored a middle score on likelihood, the impact is always going to be high. It's a consequence of being high just because of the size of the business, whereas if it was a car park or something it's probably the other way round.

Q234.

Yeah, okay. I understand. So the control in the annual strategic planning and business planning processes, including monitoring and review of premium gaming strategy, would that then happen at that business level?

A

Yeah, but that obviously gets rolled up because it's an important part of the business, it's a major section of the Crown Melbourne business plan which in turn is a major section of the Crown Resorts business plan. But it starts at that departmental level and gets rolled up.

Q235.

Escalated upwards. Now just on another - so the internal audit plan. So what input would you have into internal audit plans at the Crown Melbourne level?

A

I would get - I would get copies of the internal audit plan through the Crown Resorts Risk Management Committee and would see reports at Crown Melbourne board meetings. So the minutes of that the audit committee would say you know the plan for the following year's been approved and - - -

Q236.

I'll just show you. This is the Crown Melbourne

Ltd F16 to F18 internal audit plan, four pages. Do you agree I'm showing you that document?

A Yes. So that would be part of the internal audit plan.

Q237. So the treatment there of two foreign political policy being dealt with with other strategies, that would be decided at that CML level and then that would be provided to you if I'm paraphrasing this correctly.

A Sorry - - -

Q238. Okay, so I'll just step through it.

A Yeah, so that says it's got a significant rating.

Q239. Significant rating.

A Yeah.

Q240. And then the notes to internal audit approach for foreign political policy brand is 2, which you then read here which is, "No internal audit work proposed for compliance and/or risk (indistinct) is managed using other strategies".

A Yeah, so the internal auditor, right, is saying that they're not auditing that risk.

Q241. Yeah, I understand. I just want to - and so the other strategies would then be - - -

A Through the department, its business plan, people on the ground, the seeking of external advice et cetera. So the internal auditor is saying that's not part of his plan for that period.

Q242. Can you ever remember any discussions in relation to whether that was appropriate, that it was treated in that manner and not with internal audit

considerations?

A No, other than obviously the internal auditor has to decide, you know, which projects they're going to look at in any particular period. But I don't recall any explicit discussion about that. But not every risk would identify internal auditors (indistinct) strategy.

Q243. What would be the overall guidance for whether it was an internal audit or other strategies?

A I guess it would be horses for courses. So if the risk was that the federal government was considering mandatory pre-commitment for gaming machines nationally.

Q244. Yes.

A That's not an issue I would suggest that naturally fits into an internal audit compared to looking at purchasing procedures involving, you know, million dollar contracts - - -

Q245. Be a more financial based, would that be a fair generalisation?

A Yeah, probably or - yes, but the concept of would an internal auditor have much to say about political risk, that's much more likely going to be okay, who within the organisation would identify political risk in the international VIP space? Answer, the international VIP department.

Q246. I understand.

A Similarly, domestically you would go to government relations or you would go to legal or whatever if you were worried about the risk of federal

government legislation. I'm not sure your first port of call is the internal auditor.

Q247. I understand.

A Once you've responded to something and you then want to check ongoing compliance, that's much more likely an internal audit.

Q248. I understand.

A Make sure the right form's been filled in et cetera.

Q249. Okay, I understand. Now I just want to move onto staff on the ground, I suppose. Where would you consider the risk to actual staff best be assessed?

A VIP certainly and I think the fact that Michael Chen, Jason O'Connor and Barry Felstead made numerous visits to China during, you know, the period that we're talking about. It's not as if they'd downshifted the risk, you know, further down the organisation chart. They were assessing that risk from not a position of just sitting in Melbourne and reading reports, they were up in China.

Q250. Are you aware of what sort of action was taken to advise other staff of the risks?

A Yeah, I think you know Michael Chen was briefing staff, you know, throughout this period about you know the dos and don'ts of conducting business in China and that obviously was a key part of his job.

Q251. From what we've so far in the investigation, it would appear that Michael Chen was left to basically be in charge of what was happened on the

ground in China.

A Yeah, he was in charge of the sales team but in turn reported to Jason who reported to Barry, et cetera.

Q252. So it'd be fair to say Michael Chen was left in charge of the risk assessment on the ground?

A He was the principal player in that risk assessment, yeah and I think as you've seen he was commissioning the reports et cetera from third parties.

Q253. So are you aware - - -

A And that to me is you know consistent with the head of gaming machine department assessing risks for gaming machines et cetera. They've got the expertise.

Q254. Just in relation to the expertise, what expertise do you know Michael Chen to have in relation to risk assessment?

A I don't know if Michael's done any formal training in risk assessment but he's clearly an experienced operator in the region, and you know at the time we're talking about a lot of experience in this - in VIP operations. He was based in Hong Kong, made frequent visits to China, had lots of contacts with the rest of the industry.

Q255. Do you think the risk to the staff were adequately addressed at the Crown Melbourne level?

A Yeah, I think in terms of what we've spoken about previously about the absence of the ability to go to government or regulators to draw the clear line,

I think Michael and the others sought expert advice for each staff, and went to China themselves. The rest of the industry was still conducting their operations so I think they're - - -

Q256. Do you think - do you think the staff members should have been advised that other staff members had been detained and questioned?

A Yeah, as I said that's the first I've heard of staff members being questioned.

Q257. But in your role as the CEO, would you expect that to have occurred?

A Yeah, if that - if that had happened, I would have thought that would have been sent up the line and I also would have thought it would have been the subject of staff briefings.

Q258. I want to move on just now to post detection, post what happened to the staff in China, what governance occurred. I know you finished up in February?

A Yeah.

Q259. Okay, so what occurred after the time of the arrests?

A I guess there were a number of streams of activity. One stream was trying to secure the early release of the detainees. Another stream was to look after the families and then another stream was to restructure the operation in the light of the detentions.

Q260. So what steps have been taken by the Crown Resorts board, the Melbourne board, the executive or

various risk management committees to appropriately address the risks to its staff and shareholders?

A They were all briefed on those three streams of activities, so they - the boards were aware of the actions that Crown took in those three areas.

Q261. Any changes to your knowledge about Crown's overall governance policy since the arrests, more specific?

A No, I think - not to my knowledge. I think Crown still is confident in its risk management framework and an approach which as I said is fairly standard across major corporates. It complies with the Australian Standards but clearly the operation needed to - the VIP operation had to change given the staff detentions.

Q262. What changes do you think had to be made?

A The whole process of how to deal with Chinese customers who still wanted to come to Australia, how that was to be handled given the detentions that that all change.

Q263. What about if you had to point to like one area that might have fallen down, from what we've gathered in the investigation that a lot relied on Michael Chen on the ground. Do you want to offer a comment in relation to that?

A No, but I take your point about the question of staff, that should have been - it should have been signalled further.

Q264. Have there been any other changes related to interactions with patrons in other countries in light of this experience in China?

A Yeah, the - I think the whole - there was a review of all the sales activity, not just in China and obviously when this happens in one jurisdiction, increased focus on, you know, what is - what is the particular risk of breaching gaming legislation regulation. That was given more focus than or given more focus in the light of what happened in China. But as you've seen from the recent results for both Star, Sky and Crown, VIP, the VIP business is recovering from the impact immediately after.

Q265. Do you think the government structure failed in this instance?

A I don't think the structure failed. The risk assessment of the experts and the people on the ground and the practice of the rest of the industry didn't force the - what was going to happen in October 16. So I think it still remains unclear why Crown and why October 16 given the two events in 15 that you've focused on.

Q266. Yeah, going back over it again, sorry, from - we haven't got much in relation to risk assessment occurring after that last - that news report I showed that was on the CCTV, as far as engagement with Mintz. I think they were kept on a retainer, so we - - -

A I haven't - I haven't - - -

Q267. So we weren't seeing much in the way of any risk assessments and that, and I appreciate then there's a gap until - well what appears to be a gap until the Crown staff were detained.

A I guess my point is I haven't seen anything which would answer the question why Crown and why October 16.

Q268. Do you think there was - - -

A It's speculation.

Q269. Yeah.

A There's nothing that's come out definitive - to my knowledge that's come out in China on that point.

Q270. Do you think there was a failure in the protection of staff in what occurred in China?

A The staff - that's a bit of a loaded - obviously no one wanted the staff detained. They were detained. Why they were detained, not clear. I think management of VIP themselves were up in China, management sought advice, the advice didn't say get out of China or change your practice, so - but, you know, everyone regrets that the staff were detained and everyone was very relieved that they've all been released.

Steve, have you got any other questions?

INSPECTOR BROWN: I've nothing further at this point in time.

INSPECTOR BRYANT:

Q271. Have you got anything else you'd like to say, Rowen, in relation to the matter?

A I don't think so.

Q272. Okay. Can I just ask, have you been happy with the way this interview's been conducted?

A Yeah.

Q273. Thank you. Do you agree the time is now 12.38?

A I do.

This interview is now concluded. Thank you.

INTERVIEW CONCLUDED