
TRANSCRIPT OF PROCEEDINGS

COMMISSIONER: HON. RAY FINKELSTEIN AO QC

**IN THE MATTER OF A ROYAL COMMISSION
INTO THE CASINO OPERATOR AND LICENCE**

MELBOURNE, VICTORIA

09.32 AM, WEDNESDAY, 07 JULY 2021

Counsel Assisting the Commission (instructed by Corrs Chambers Westgarth as Solicitors Assisting the Commission)	MS PENNY NESKOVICIN QC
Counsel for Crown Resorts Limited	MS CATHERINE BUTTON QC MR MICHAEL BORSKY QC
Counsel for Victorian Commission for Gambling and Liquor Regulation	MR PETER ROZEN QC MR JUSTIN BRERETON MS SARALA FITZGERALD
Counsel for Consolidated Press Holdings	MR OREN BIGOS QC
Counsel for the State of Victoria	MR PETER GRAY QC MR GLYN AYRES MS GEORGIE COLEMAN MS HELEN TIPLADY

08:50 1 **HEARING IN CAMERA**
08:50 2
08:50 3
09:35 4 COMMISSIONER: Good morning. Thank you.
09:35 5
09:35 6 MS NESKOVCIN: Commissioner, the next witness is Ms Sarah
09:35 7 Jane Halton who is appearing via video link.
09:35 8
09:35 9 COMMISSIONER: Yes, okay. I will just check.
09:35 10
09:35 11 Can you hear me?
09:35 12
09:35 13 MS NESKOVCIN: Ms Halton, can you hear the Commission?
09:35 14
09:35 15 WITNESS: Was that addressed to me? Yes, I can, thank you.
09:35 16
09:35 17 COMMISSIONER: Yes, it was addressed to you, and you can
09:35 18 hear me, thank you, and I can hear you so the system is working
09:35 19 fine.
09:35 20
09:35 21 MS NESKOVCIN: Ms Halton, you will now be sworn in or take
09:35 22 an affirmation.
09:35 23
09:35 24
09:36 25 **MS SARAH JANE HALTON, AFFIRMED**
09:36 26
09:36 27
09:36 28 **EXAMINATION-IN-CHIEF BY MS NESKOVCIN**
09:36 29
09:36 30
09:36 31 MS NESKOVCIN: Thank you, Ms Halton. Would you please
09:36 32 state your full name.
09:36 33
09:36 34 A. Sarah Jane Halton.
09:36 35
09:36 36 Q. Business address?
09:36 37
09:36 38 A. 8 Whiteman Street.
09:36 39
09:36 40 Q. Your current occupation?
09:36 41
09:36 42 A. Director.
09:36 43
09:36 44 Q. Ms Halton, you've prepared a statement in response to
09:36 45 a Request for Statement, correct?
09:36 46
09:36 47 A. Correct.

09:36 1
09:36 2 Q. And you are attending today under a Notice to Attend?
09:36 3
09:36 4 A. Correct.
09:36 5
09:36 6 Q. Do you have a copy of your statement with you?
09:36 7
09:36 8 A. Yes, I think there is one here next to me. I haven't actually
09:36 9 checked.
09:36 10
09:37 11 Q. Does it have a document identification number in the top
09:37 12 right-hand corner?
09:37 13
09:37 14 A. It does.
09:37 15
09:37 16 Q. Is it CRW.998.001.0152?
09:37 17
09:37 18 A. Yes, that's right.
09:37 19
09:37 20 Q. Is that statement true and correct to the best of your
09:37 21 knowledge and belief?
09:37 22
09:37 23 A. To the best of my knowledge and belief.
09:37 24
09:37 25 MS NESKOVICIN: I tender that statement and the attachments,
09:37 26 Commissioner.
09:37 27
09:37 28 COMMISSIONER: Statement of Jane Halton dated 28 April
09:37 29 2021, Exhibit 428.
09:37 30
09:37 31
09:37 32 **EXHIBIT #RC0428 - STATEMENT OF MS SARAH JANE**
09:37 33 **HALTON (WITH ATTACHMENTS) DATED 28 APRIL**
09:37 34 **2021**
09:37 35
09:37 36
09:37 37 MS NESKOVICIN: Ms Halton, you've been a non-executive
09:37 38 director of Crown since May 2018; is that correct?
09:37 39
09:37 40 A. That's correct.
09:37 41
09:37 42 Q. You are also a director and chair of the Crown Sydney
09:37 43 licensee; correct?
09:37 44
09:37 45 A. Correct.
09:37 46
09:37 47 Q. You are not a director of Crown Melbourne Limited?

09:37 1
09:37 2 A. Correct.
09:37 3
09:37 4 Q. You are a member of the Audit & Corporate Governance
09:38 5 Committee?
09:38 6
09:38 7 A. Correct.
09:38 8
09:38 9 Q. You are also a member of the following committees: the
09:38 10 People, Remuneration & Nomination Committee, the
09:38 11 Responsible Gaming Committee and the Safety and
09:38 12 Sustainability Committee?
09:38 13
09:38 14 A. Correct.
09:38 15
09:38 16 Q. You are the Chair of the Crown Board Risk Management
09:38 17 Committee?
09:38 18
09:38 19 A. Correct.
09:38 20
09:38 21 Q. That's a position you've held since December 2019?
09:38 22
09:38 23 A. Yes, in terms of the appointment. In practice that actually
09:38 24 commenced at the beginning of 2020.
09:38 25
09:38 26 Q. Thank you. You are familiar with the suitability
09:38 27 requirements under the Casino Control Act?
09:38 28
09:38 29 A. Yes, I am.
09:38 30
09:38 31 Q. And you understand that a matter relevant to suitability is
09:38 32 whether or not Crown complies with its obligations and whether
09:38 33 it complies with the law?
09:38 34
09:38 35 A. Yes, I am aware of that.
09:38 36
09:38 37 COMMISSIONER: Can I just interrupt for a minute. Ms Halton,
09:38 38 it is very difficult to hear you, which makes recording, making of
09:38 39 a transcript difficult. I don't know whether we can turn you up at
09:38 40 this end or whether you can move the speaker a little closer to
09:39 41 you so everything is properly recorded?
09:39 42
09:39 43 A. Well, short of shouting, Commissioner, I'm not sure that
09:39 44 I can do anything further. The laptop is literally six inches from
09:39 45 me.
09:39 46
09:39 47 COMMISSIONER: If you speak with that volume that seems to

09:39 1 be a little better. That's less than shouting.
09:39 2
09:39 3 A. It is louder than my normal speaking voice.
09:39 4
09:39 5 COMMISSIONER: Part of the problem with the technology,
09:39 6 that's all. Go ahead.
09:39 7
09:39 8 MS NESKOVCIN: Ms Halton, Crown has zero appetite for
09:39 9 breaking the law; is that correct?
09:39 10
09:39 11 A. That's correct.
09:39 12
09:39 13 Q. In relation to the activities and conduct that was occurring
09:39 14 in China, I appreciate that that was before your appointment, but
09:39 15 you are aware, aren't you, that Crown documents show that senior
09:39 16 staff within Crown's China operation acknowledge that Crown
09:40 17 was operating in the grey zone in terms of legality in China; you
09:40 18 are aware of that?
09:40 19
09:40 20 A. I'm aware of the evidence that came forward in the Bergin
09:40 21 Inquiry. I'm sorry, what was your name? It is not on my screen.
09:40 22 I do apologise.
09:40 23
09:40 24 Q. I am Ms Neskovicin, Counsel Assisting.
09:40 25
09:40 26 A. Sorry, can you say that again? It's just your name doesn't
09:40 27 come up. I do apologise.
09:40 28
09:40 29 Q. Neskovicin.
09:40 30
09:40 31 A. Thank you. I am sorry.
09:40 32
09:40 33 Q. Would you like me to repeat the question?
09:40 34
09:40 35 A. So --- well, am I aware of, as you put it, grey zone activity,
09:40 36 is that my understanding of your question?
09:40 37
09:40 38 Q. Yes, and that Crown's documents show that senior staff
09:40 39 within Crown's China operation understood that Crown was
09:40 40 operating in the grey zone in terms of legality in China.
09:40 41
09:40 42 A. Well, my understanding from, as I said, the evidence that
09:40 43 came forward in the Bergin Inquiry is that a reasonable statement,
09:41 44 yes.
09:41 45
09:41 46 Q. You are also aware from the evidence that came forward in
09:41 47 the Bergin Inquiry that Crown managed the risk, or that risk, by

09:41 1 instructing its staff to keep everything low-key?
09:41 2
09:41 3 A. I can't talk about whether that was the only way they
09:41 4 managed it, Ms Neskovicin, but I can say that and the evidence
09:41 5 that came forward in Bergin was one of the things that they did,
09:41 6 yes.
09:41 7
09:41 8 Q. Thank you. 19 staff were arrested and detained in China
09:41 9 between October 2016 and the middle of 2017. You are aware,
09:41 10 from your subsequent appointment, aren't you, that in early 2017
09:41 11 Crown restructured its overseas operations?
09:41 12
09:41 13 A. I am aware of that, yes, I am.
09:41 14
09:41 15 Q. It closed offices in Asia and created what it described as
09:42 16 a regional hub in Hong Kong?
09:42 17
09:42 18 A. That is my understanding.
09:42 19
09:42 20 Q. And staff based in Hong Kong were provided with
09:42 21 operating procedures to follow whilst working in Hong Kong and
09:42 22 visiting other centres in Asia?
09:42 23
09:42 24 A. That's my understanding.
09:42 25
09:42 26 Q. You were appointed in May 2018, and you are aware that
09:42 27 in late 2018 Crown decided to revisit its operations in Asia?
09:42 28
09:42 29 A. In late 2018 there was a proposal to do that.
09:42 30
09:42 31 Q. I will show you the minutes of the meeting of the Crown
09:42 32 Resorts Ltd Board on 11 December 2018 to refresh your memory,
09:42 33 Ms Halton.
09:42 34
09:42 35 Operator, could you please call up CRL.506.007.5589. Could
09:43 36 you scroll down so Ms Halton can see the cover page.
09:43 37
09:43 38 Do you see that, Ms Halton?
09:43 39
09:43 40 A. I see the cover page, yes, thank you.
09:43 41
09:43 42 Q. Could you go to page 5779, please, operator. Can you
09:43 43 enlarge that?
09:43 44
09:43 45 I will give you a moment to scan from the reference to
09:43 46 Mr Murphy.
09:43 47

09:43 1 A. Yes.
09:43 2
09:43 3 Q. At the bottom of the page, please, operator.
09:43 4
09:43 5 I direct you to the second-last paragraph on the page.
09:43 6
09:43 7 A. Yes.
09:43 8
09:43 9 Confidential
09:43 10
09:43 11
09:43 12
09:43 13
09:43 14 A. Yes, I do.
09:43 15
09:43 16 Q. The item, or that matter was an idea on the agenda of the
09:44 17 Risk Management Committee on 7 February 2019 and
09:44 18 Mr Felstead prepared a paper. I will take you to that briefly to
09:44 19 refresh your memory.
09:44 20
09:44 21 Operator, could you please call up CRW.507.004.0879.
09:44 22
09:44 23 You see the cover page there, Ms Halton?
09:44 24
09:44 25 A. I do, thank you.
09:44 26
09:44 27 Q. I take you to page 0890. I will give you a moment to ---
09:44 28 blow up the top part of page, please, operator.
09:44 29
09:44 30 I'm just taking you to this document to refresh your memory. I
09:44 31 won't take you to the detail of it because it was repeated in the
09:44 32 later paper, but you will see that as at 7 February, Mr Felstead
09:44 33 was proposing an amendment to the VIP operating model to
09:45 34 include staff based in Malaysia and Singapore.
09:45 35
09:45 36 Could you just scroll down that page so Ms Halton can see the
09:45 37 bottom half, thank you?
09:45 38
09:45 39 I will take you to page 0895.
09:45 40
09:45 41 A. I just need to see this first. Sorry.
09:45 42
09:45 43 Q. Take your time.
09:45 44
09:45 45 A. Thank you. Yes, thank you.
09:45 46
09:45 47 Q. We'll go to 0895 if we might. You will see the conclusion

09:45 1 and recommendation under the first few paragraphs under that
09:45 2 heading?

09:45 3

09:45 4 A. I do.

09:45 5

09:45 6 Confidential

09:45 7

09:45 8

09:45 9

09:46 10 A. Yes, I recall that.

09:46 11

09:46 12 Q. The next step in the sequence was this paper was submitted
09:46 13 to the Risk Management Committee on 11 February, we'll go to
09:46 14 that next. We'll go to that next. It's CRL.506.006.5619. Just
09:46 15 over the page, please, operator.

09:47 16

09:47 17 You see above the heading "Risk Reporting", if we could please
09:47 18 blow that up, please, operator.

09:47 19

09:47 20 A. Sorry, just to interrupt, is it possible not to have this thing
09:47 21 faded out in the way that it currently is?

09:47 22

09:47 23 Q. No. Can I just explain, the faded out section is to depict
09:47 24 a claim for legal professional privilege.

09:47 25

09:47 26 A. Oh, is it? Okay. It makes it hard to read, I do apologise.

09:47 27

09:47 28 Q. No, I share the challenge and I appreciate the struggle, but
09:47 29 it is the best we can do, I'm sorry, Ms Halton.

09:47 30

09:47 31 A. No, thank you for explaining.

09:47 32

09:47 33 Q. You see there at the last paragraph it says:

09:47 34

09:47 35 *The Committee agreed that a further meeting would be*
09:47 36 *held with Barry Felstead prior to the 20 February 2019*
09:47 37 *Board meeting to further discuss the proposal, potential*
09:47 38 *risks and the associated risk mitigation strategies*
09:47 39 *proposed.*

09:47 40

09:47 41 A. Yes.

09:47 42

09:47 43 Q. So it was put before the Risk Management Committee on 7
09:48 44 February but there was no resolution. It was going to be the
09:48 45 subject of a further meeting prior to the board meeting on 20
09:48 46 February 2019. What in fact occurred was, the Board meeting
09:48 47 occurred on 19 February and there was no Risk Management

09:48 1 Committee meeting between this meeting and the Board meeting.
09:48 2 After the Board meeting Mr Felstead prepared a further memo,
09:48 3 that is 22 February, and management separated the Singapore and
09:48 4 Malaysia proposals; do you recall that?
09:48 5
09:48 6 A. Yes, I do.
09:48 7
09:48 8 Q. So now I can show you another document to piece that
09:48 9 together, please, because Singapore and Malaysia were separated,
09:48 10 the Risk Management Committee approved the amendment to the
09:49 11 VIP operating protocol in relation to Singapore, and it was the
09:49 12 Malaysia proposal that was dealt with subsequently, and that's
09:49 13 what I want to ask you some questions about.
09:49 14
09:49 15 A. Thank you.
09:49 16
09:49 17 Q. I will take you to this paper prepared by Mr Felstead for the
09:49 18 meeting on 8 May. It's CRW.507.004.1786.
09:49 19
09:49 20 You see this is the pack for the Risk Management Committee
09:49 21 meeting on 8 May?
09:49 22
09:49 23 A. Yes.
09:49 24
09:49 25 Q. If we can please go to page 1789. I will ask the operator to
09:50 26 blow up the section under the heading "Background". It says:
09:50 27
09:50 28 *We refer to the "VIP Operating Model - Malaysia and*
09:50 29 *Singapore" paper dated 7 February 2019 that was*
09:50 30 *considered at the Risk Management Committee meeting*
09:50 31 *held on Monday, 11 February 2019. That paper sought*
09:50 32 *approval from the Committee to adjust the approved VIP*
09:50 33 *Operating Model to now permit staff to be based in*
09:50 34 *Malaysia and Singapore*
09:50 35
09:50 36 *The Singapore element of the proposal was separated*
09:50 37 *from the Malaysian element and was recently approved*
09:50 38 *by both the Committee and Crown Resorts Limited Board.*
09:50 39
09:50 40 *Management has now progressed the Malaysian element*
09:50 41 *.....*
09:50 42
09:50 43 Do you see that?
09:50 44
09:50 45 A. Yes.
09:50 46
09:50 47 Q. If we scroll down, under the heading "Risk Assessment",

09:51 1 Mr Felstead said:
09:51 2
09:51 3 *To support the Malaysia Proposal, management has*
09:51 4 *prepared a Risk Assessment*
09:51 5
09:51 6 You see that?
09:51 7
09:51 8 A. I do.
09:51 9
09:51 10 Q. And:
09:51 11
09:51 12 The Risk Assessment articulates the risks, controls

09:51 13
09:51 14 If we could go over the page, please, operator, if at any time you
09:51 15 want to pause and read something, please let us know and we'll
09:51 16 blow it up. I direct you to the section under "independent
09:51 17 advices".
09:51 18
09:51 19 A. Yes, thank you. And again, okay, this has legal
09:51 20 professional privilege. I now know what this means, thank you.
09:51 21
09:51 22 Q. Yes.
09:51 23
09:51 24 To support the Risk Assessment and assist the committee
09:51 25 *we've obtained further advice from MinterEllison who*
09:51 26 *have engaged* (Hakluyt) *to assist*
09:51 27
09:51 28 Do you see that?
09:51 29
09:51 30 A. I do.
09:51 31
09:51 32 Q. That was attachment B?
09:51 33
09:51 34 A. Yes.
09:51 35
09:51 36 Q. If we scroll down the page, operator, please.
09:51 37
09:51 38 You see Mr Felstead had more or less taken a survey of what
09:51 39 other casino operators were doing?
09:51 40
09:51 41 A. Yes, I do see that.
09:51 42
09:52 43 Q. Over the page, please, operator. If we could go to
09:52 44 "Proposed Resolution":
09:52 45
09:52 46 Management advises that the Malaysia Proposal contains
09:52 47 *a range of existing and enhanced protocols designed to*

09:52 1 *address and reasonably mitigate the risks, with the*
09:52 2 *residual risk rating being LOW, as supported by*
09:52 3 *MinterEllison, Hakluyt and local Malaysian lawyers.*
09:52 4
09:52 5 For the Commission's benefit, the reference to the residual risk
09:52 6 rating, that is a reference to Crown's risk appetite?
09:52 7
09:52 8 A. It is the risk that would be presented by this initiative
09:52 9 should it be initiated, post the treatment.
09:52 10
09:52 11 Q. Thank you.
09:52 12
09:52 13 A. Treatment and controls.
09:52 14
09:52 15 Q. Yes. So if we could then go to attachment A and I will give
09:52 16 you a moment to remind yourself what that looked like, that was
09:52 17 the proposed --- so 1793, please, operator. This was the proposed
09:53 18 operating protocol. I will give you a moment to familiarise
09:53 19 yourself with that. Under "External Legal and Risk
09:53 20 Assessments", you see the reference to the local Malaysian law
09:53 21 firm advice and MinterEllison's advice, plus Hakluyt.
09:53 22
09:53 23 Under the shaded session you see a reference there to Malaysia
09:53 24 remaining a 65 per cent Muslim country and, as such, gaming
09:53 25 continues to be restricted. That was the relevant part of the
09:53 26 background to the risk assessment, was it not, Ms Halton?
09:53 27
09:53 28 A. It wasn't the only part that was relevant, but it was certainly
09:53 29 a relevant part.
09:53 30
09:53 31 Q. Thank you.
09:53 32
09:53 33 Over the page, please, operator. This is still part of attachment A.
09:53 34
09:54 35 You see with the "Risk Assessment", in the third paragraph the
09:54 36 protocol identifies the main risks, including ---
09:54 37
09:54 38 A. Sorry, I'm not clear what you're referring --- what do you
09:54 39 mean by third paragraph to be completely clear?
09:54 40
09:54 41 Q. You see the third paragraph begins "the main risks
09:54 42 identified are as follows"?
09:54 43
09:54 44 A. Yes.
09:54 45
09:54 46 Q. Then there are six numbered paragraphs.
09:54 47

09:54 1 A. Yes.
09:54 2
09:54 3 Q. Breach of local regulations and/or legislation is paragraph
09:54 4 1. Paragraph 2, staff failing to follow operational protocols.
09:54 5 Paragraph 3, breach of local expectation, cultural beliefs and
09:54 6 unwritten rules. I wanted to highlight paragraph 3 ---
09:54 7
09:54 8 A. Yes.
09:54 9
09:54 10 Q. --- which then appears on page 1796, please, operator. You
09:54 11 see there this is the risk of breaching local expectations, cultural
09:55 12 beliefs and unwritten rules. On the left-hand side, or the second
09:55 13 column, there is an identification of existing controls, and on the
09:55 14 right-hand --- the right-hand column which begins "No proactive
09:55 15 engagement will take place with ethnic Malays" ---
09:55 16
09:55 17 A. Yes.
09:55 18
09:55 19 Q. That was the enhanced controls that were proposed;
09:55 20 correct?
09:55 21
09:55 22 A. That's my memory of it, yes.
09:55 23
09:55 24 Q. That included no proactive engagement to take place with
09:55 25 ethnic Malays and so on. I will give you a moment to familiarise
09:55 26 yourself with that.
09:55 27
09:55 28 You are not aware of any protocol or procedure that staff were
09:55 29 meant to follow in identifying who was an ethnic Malay, are you,
09:55 30 Ms Halton?
09:55 31
09:55 32 A. No, although having dealt with Malaysia a lot
09:56 33 professionally, I think it is usually pretty clear who is ethnically
09:56 34 Chinese, Indian or Malay.
09:56 35
09:56 36 Q. I see.
09:56 37
09:56 38 Could we go to attachment B, 1799, please, operator.
09:56 39
09:56 40 This is the advice from MinterEllison. You might recall that this
09:56 41 advice also incorporated conclusions from Hakluyt's assessment.
09:56 42
09:56 43 If you just go to the paragraph under "Basis", please, operator.
09:56 44
09:56 45 Mr Murphy has confirmed that the extracts in this letter attributed
09:56 46 to Hakluyt come from Hakluyt's advice, and the bolded sections
09:56 47 are in the original. So just looking at the bolded sections on this

09:56 1 page, it refers to Confidential
09:56 2 Confidential
09:56 3
09:57 4 A. Yes.
09:57 5
09:57 6 Q. If we go to the next page, please, operator, scroll down
09:57 7 a little further, please, operator, and again.
09:57 8
09:57 9 You see about two-thirds down the page there is a reference to
09:57 10 Confidential I took you?
09:57 11
09:57 12 A. Sorry, I can't see that. Oh, it is a heading.
09:57 13
09:57 14 Q. Yes, in bold.
09:57 15
09:57 16 A. Yes.
09:57 17
09:57 18 Q. I took you to the operating protocols which mentioned the
09:57 19 risk ---
09:57 20
09:57 21 Confidential
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09:58 39
09:58 40 Q. That was an expectation that you had of staff based in
09:58 41 Malaysia?
09:58 42
09:58 43 A. Well, they weren't at this point. This was the whole
09:58 44 question about whether there would be.
09:58 45
09:58 46 Q. When they were engaged?
09:58 47

09:58 1 A. If they were to be, yes.
09:58 2
09:58 3 Q. But you know that they were engaged?
09:58 4
09:58 5 A. Subsequently, but this was a whole conversation about
09:58 6 whether this should occur.
09:58 7
09:58 8 Q. Yes, okay.
09:58 9
09:58 10 Can we please go to page 1805 --- and go to the heading
09:59 11 Malaysian law advice.
09:59 12
09:59 13 So it appears from paragraphs 5 and 6, and we'll go to those in
09:59 14 a moment, that paragraph 5 is summarising local lawyers' advice
09:59 15 received so far, and paragraph 6 is summarising updated legal
09:59 16 advice.
09:59 17
09:59 18 And in paragraph 5, MinterEllison say that:
09:59 19
09:59 20 Confidential
09:59 21
09:59 22
09:59 23
09:59 24
09:59 25 Do you see that?
09:59 26
09:59 27 A. I do.
09:59 28
09:59 29 Q.
09:59 30
09:59 31 Confidential
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09:59 34 Confidential
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10:03 32

10:03 33 Q. You recall that the assessment or recommendation by
10:03 34 Mr Felstead included an overall assessment that the risk rating
10:03 35 remained low?

10:04 36

10:04 37 A. Mm-hmm.

10:04 38

10:04 39 Q. That was the risk to Crown; was it?

10:04 40

10:04 41 A. It was the risk writ large.

10:04 42

10:04 43 Q. Including to employees?

10:04 44

10:04 45 A. Absolutely.

10:04 46

10:04 47 Confidential

10:04 1 Confidential

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10:05 14 A. So, Ms Neskovicin, can I explain that this matter was the
10:05 15 subject of at least six months, of discussion, advice-seeking, push
10:05 16 back and testing by the Risk Committee.

10:05 17

10:05 18 Mr Dixon was the Chair of the Committee at the time. He and I,
10:05 19 in particular, were not comfortable until a whole series of risk
10:05 20 mitigants, including supervision of staff, the training of staff ---
10:05 21 and it is absolutely the case that this was about compliance with
10:05 22 the law, and ensuring that they understood and they were
10:05 23 properly managed and supervised, including the "no individual on
10:05 24 their own" component to ensure that they were compliant with
10:05 25 the law.

10:05 26

10:05 27 Q. You would agree that it is not acceptable for Crown to
10:05 28 expect its staff to engage in conduct that is potentially illegal and
10:05 29 carries a low risk of imprisonment?

10:06 30

10:06 31 A. It's not acceptable and that was made very clear to
10:06 32 management, and that is why extensive work on further advices
10:06 33 and mitigation in respect of staff, who if they are on their own
10:06 34 you wouldn't know what they were doing, ensuring that they were
10:06 35 actually always accompanied.

10:06 36

10:06 37 Q. And how often were the activities in Malaysia audited?

10:06 38

10:06 39 A. As you know, there was a compliance officer. And
10:06 40 remembering that this --- this was what --- beginning --- I think it
10:06 41 wasn't until May 2019, and there was a compliance officer
10:06 42 dedicated in Hong Kong, and of course most of these activities
10:06 43 with COVID stopped pretty --- well, it was less than a year later.

10:06 44

10:06 45 Q. And you want to point that out for what reason?

10:06 46

10:06 47 If the conduct is potentially illegal and risk-taking, it doesn't

10:06 1 matter that COVID has mitigated that.

10:06 2

10:06 3 A. I'm sorry, I do not accept that the conduct was potentially
10:07 4 illegal. In the way it was structured and the way management
10:07 5 were instructed, and the way the risk mitigation arrangements
10:07 6 were structured, was to ensure that the conduct was absolutely
10:07 7 legal.

10:07 8

10:07 9 Confidential

10:07 10

10:07 11

10:07 12

10:07 13

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10:08 43

10:08 44 Q. Are you aware of the phrase "below-the-line advertising"?

10:08 45

10:08 46 A. I am.

10:08 47

10:08 1 Q. That involved handing out individual --- not personalised,
10:08 2 but individual invitations to gambling events and competitions at
10:08 3 the Crown Casino?
10:08 4
10:08 5 A. I'm not aware of those.
10:08 6
10:08 7 Q. They were available for distribution in Malaysia; weren't
10:09 8 they?
10:09 9
10:09 10 A. Not that I'm aware of.
10:09 11
10:09 12 Q. You don't know about that?
10:09 13
10:09 14 A. I do not.
10:09 15
10:09 16 Q. Ms Halton, you agree that it is not acceptable for a licensed
10:09 17 regulated entity like Crown to analyse its conduct or intended
10:09 18 conduct in terms of risk and not compliance, and whether its
10:09 19 conduct is within the law; do you agree with that?
10:09 20
10:09 21 A. I don't understand the meaning of your question, I'm sorry.
10:09 22 Every --- (overspeaking) ---
10:09 23
10:09 24 Q. No, I'll repeat it.
10:09 25
10:09 26 A. No, no, you need to explain it to me because the terms you
10:09 27 use are --- (overspeaking) ---
10:09 28
10:09 29 Q. I will repeat it.
10:09 30
10:09 31 A. Thank you.
10:09 32
10:09 33 Q. You agree that it is not acceptable for a licensed regulated
10:09 34 entity such as Crown --- Ms Halton, are you writing, making
10:09 35 a note?
10:09 36
10:09 37 A. No, I'm looking down so I can concentrate. Sorry, I'm
10:09 38 struggling to concentrate. Please continue.
10:09 39
10:09 40 Q. All right, I will start again.
10:09 41
10:09 42 You agree that it is not acceptable for a licensed regulated entity
10:10 43 like Crown to analyse its intended conduct in terms of risk, rather
10:10 44 than what is compliant or legal?
10:10 45
10:10 46 A. I agree our conduct absolutely should be analysed in terms
10:10 47 of whether it is legal. The truth is, we also analyse and mitigate

10:10 1 risks in the operations of the --- (inaudible) ---
10:10 2
10:10 3 Q. Yes, but --- (overspeaking) ---
10:10 4
10:10 5 A. The first ---
10:10 6
10:10 7 Q. Sorry, go ahead.
10:10 8
10:10 9 A. --- and we put in place mitigation to try and ensure that
10:10 10 there is no deviation from that in respect of our approach, our
10:10 11 desired approach.
10:10 12
10:10 13 Q. I understand, but the number one consideration should be
10:10 14 compliance and whether or not Crown is operating legally; do
10:10 15 you agree with that?
10:10 16
10:10 17 A. I do.
10:10 18
10:10 19 Q. And matters that we've explored through the hearings in
10:10 20 this Commission, Ms Halton, have identified that there seems to
10:11 21 be a practice within Crown. We've seen it in a number of topics
10:11 22 which I will mention in a moment, where employees, managers
10:11 23 --- management and the board, operate on the basis of
10:11 24 approaching things in terms of risk, not compliance.
10:11 25
10:11 26 So I've taken you to this example and I submit to you this is
10:11 27 an approach where Crown has principally approached on the
10:11 28 basis of risk, not compliance. But other examples we've seen
10:11 29 include --- you've heard about the tax issues, the underpayment of
10:11 30 gaming revenue tax?
10:11 31
10:11 32 A. Yes.
10:11 33
10:11 34 Q. And we've seen that. This will be our submission in
10:11 35 relation to the China UnionPay practice --- have you --- you are
10:11 36 familiar with that?
10:11 37
10:11 38 A. Yes, I am.
10:11 39
10:12 40 Q. Those matters we will submit demonstrate a practice within
10:12 41 Crown of approaching matters on the basis of risk and not
10:12 42 compliance. Is that something that you are familiar with and
10:12 43 have seen from time to time?
10:12 44
10:12 45 A. What I would say to you is that, and let's be clear, the
10:12 46 approach to compliance, and certainly since the significant
10:12 47 changes in the board, we have been completely unambiguous

10:12 1 about the need to be compliant. And that's with the law and with
10:12 2 our regulatory obligations.
10:12 3
10:12 4 Now I want to make the point that you have a risk management
10:12 5 framework precisely to make sure that in terms of inadvertent
10:12 6 behaviours or other risks that you manage those as well. Because
10:12 7 what you don't want --- if you simply tell people we need to be
10:13 8 compliant, it doesn't necessarily put in place the checks, balances
10:13 9 and mitigations to ensure that we actually deliver that outcome.
10:13 10
10:13 11 So I understand the point that you are making, I think, but what I
10:13 12 would say to you is it comes from your overarching risk appetite
10:13 13 --- (inaudible) ---
10:13 14
10:13 15 Q. Ms Halton, I want to see whether you have insight into this
10:13 16 issue. This Commission has explored the China UnionPay issue.
10:13 17 It has demonstrated that Crown approached it on the basis of risk.
10:13 18 Low risk of getting caught, not compliance; right? I want you to
10:13 19 assume that.
10:13 20
10:13 21 A. I'm assuming that. I wasn't there so it's hard for me --- it
10:13 22 happened well before I joined, but if you are asking me to assume
10:13 23 that ---
10:13 24
10:13 25 Q. Actually, let's just explore that. The board of Crown
10:14 26 obtained advice recently from counsel about the China UnionPay
10:14 27 issue; correct?
10:14 28
10:14 29 A. Yes.
10:14 30
10:14 31 Q. You have familiarised yourself with that advice?
10:14 32
10:14 33 A. Well, I've --- I've read it. I wouldn't say I have a forensic
10:14 34 memory for every element of it.
10:14 35
10:14 36 Q. No, I understand. But you --- was that a practice that you
10:14 37 detected from reviewing the advice, namely Crown approaching
10:14 38 it on the basis of low risk of getting caught, not compliance?
10:14 39
10:14 40 A. So how I would characterise this is --- if you think about
10:14 41 things that are black and things that are white, and things that are
10:14 42 grey, it strikes me that very often people operated in the grey until
10:14 43 someone told them they couldn't. And I think that is a fair
10:14 44 characterisation. I've talked to staff about this issue. The truth of
10:14 45 the matter is if it's white, fine, if it's black, fine, and, frankly, if it's
10:14 46 grey, unless you get it ticked that it's white, you don't do it.
10:15 47

10:15 1 Q. And that's exactly what occurred with the tax issue, isn't it?
10:15 2
10:15 3 A. Sorry, which tax issue are we talking about.
10:15 4
10:15 5 Q. The bonus jackpots tax issue. Staff were operating on the
10:15 6 basis that they could do it because they hadn't been told that they
10:15 7 couldn't?
10:15 8
10:15 9 A. Well, I wasn't there. I don't understand the motivations for
10:15 10 that particular thing. I'm describing to you what I've observed,
10:15 11 what I believe, and you asked me about that other piece of
10:15 12 advice, about China UnionPay.
10:15 13
10:15 14 In terms of this other issue, I suspect that it is correct, I can't say
10:15 15 it is correct because I wasn't there at the time, but it has all the
10:15 16 hallmarks, yes.
10:15 17
10:15 18 Q. But in the answers that you've just given me in this
10:15 19 exchange, you have demonstrated that you have some insight into
10:15 20 the problem. You've mentioned in your own words, if it's not
10:15 21 black or white and it's grey, people think they can do it until they
10:15 22 are told to stop.
10:15 23
10:16 24 A. I think --- (inaudible) --- that --- I think ---
10:16 25
10:16 26 MR BORSKY: I think the evidence was that that was the past
10:16 27 culture. In the past, people operated in the grey until they were
10:16 28 told they couldn't --- they had to stop.
10:16 29
10:16 30 A. That is, I think entirely correct in terms of what I was
10:16 31 saying.
10:16 32
10:16 33 MS NESKOVICIN: Well, I suggest to you that that is a practice
10:16 34 that is still going on in recent times and the tax issue is
10:16 35 a demonstration of that.
10:16 36
10:16 37 Do you not accept that?
10:16 38
10:16 39 A. Well, can we be a little clear about what time frame you are
10:16 40 talking about?
10:16 41
10:16 42 Q. Up until at least March 2021.
10:16 43
10:16 44 A. Well, certainly there is ambiguity and there's no doubt in
10:16 45 some respects, tax has been underpaid. I think that's been ---
10:16 46 I think we agree with that. I don't think there is any dispute about
10:16 47 that.

10:16 1
10:16 2 Q. At what point in time did you say --- do you say that people
10:16 3 stopped operating in the grey until they were told to stop?
10:17 4
10:17 5 A. Well, the --- I find it hard to answer that question with
10:17 6 a particular specific date because I think the message from
10:17 7 leadership about this has been absolutely unambiguous since
10:17 8 midway through February, when the composition of the board
10:17 9 changed and management changed. Some of us have been
10:17 10 delivering that message for the whole time we have been there.
10:17 11
10:17 12 In fact, the discussion we just had about that particular issue that
10:17 13 came before the Risk Committee, which was therefore --- over
10:17 14 the six months, to challenge the seeking of additional advice,
10:17 15 putting in place arrangements to make sure staff were doing what
10:17 16 they should have done. So a number of us have been very, very
10:17 17 clear about that for the whole time we have been there.
10:17 18
10:17 19 MS NESKOVCIN: All right.
10:17 20
10:17 21 Commissioner, I'm going to move to the next topic unless you've
10:18 22 got anything further from Ms Halton?
10:18 23
10:18 24 COMMISSIONER: No, nothing from me.
10:18 25
10:18 26 MS NESKOVCIN: And Ms Halton, we are going to move into
10:18 27 an open hearing so we'll have a short break to change the audio
10:18 28 configuration.
10:18 29
10:18 30 A. How long is "a short break"?
10:18 31
10:18 32 COMMISSIONER: 10 minutes.
10:18 33
10:18 34 A. Oh cool, thank you.
10:18 35
36 COMMISSIONER: Okay.
37
38
39 **HEARING IN CAMERA ENDED**
40
41
10:18 42 **ADJOURNED** **[10.18 AM]**
10:18 43
10:18 44
45
46
47

10:32 1 **RESUMED** **[10.32AM]**
10:32 2
10:32 3
10:32 4 **MS SARAH JANE HALTON, PREVIOUSLY AFFIRMED**
10:32 5
10:32 6
10:32 7 **EXAMINATION-IN-CHIEF BY MS NESKOVCIN,**
10:32 8 **CONTINUED**
10:32 9
10:32 10
10:32 11 COMMISSIONER: Thank you.
10:32 12
10:32 13 MS NESKOVCIN: Thank you, Ms Halton. Can you hear us?
10:32 14
10:32 15 A. Yes, I can, thank you.
10:32 16
10:32 17 Q. You are aware that allegations were aired in the media in
10:32 18 late July and early August 2019 which alleged, among other
10:32 19 things, that Crown had partnered with junket operators that had
10:32 20 links to organised crime?
10:32 21
10:32 22 A. Yes.
10:32 23
10:32 24 Q. And you are aware that Crown published a response to
10:33 25 those media allegations in late July 2019?
10:33 26
10:33 27 A. Yes.
10:33 28
10:33 29 Q. Specifically in relation to junket operators, that media
10:33 30 response said that Crown had robust processes for vetting junket
10:33 31 operators with whom it dealt, and undertook regular ongoing
10:33 32 reviews in light of new or additional information that comes to its
10:33 33 attention?
10:33 34
10:33 35 A. Yes.
10:33 36
10:33 37 Q. You are aware, aren't you, that in early August 2019
10:33 38 MinterEllison, on behalf of Crown, engaged FTI Consulting after
10:33 39 the media allegations had aired, to review Crown's junket due
10:33 40 diligence program?
10:33 41
10:33 42 A. I was aware there was a proposal to do that?
10:33 43
10:33 44 Q. It was more than a proposal, wasn't it?
10:33 45
10:33 46 A. That's not my memory, but I was aware at the time that they
10:33 47 had proposed that.

10:33 1
10:34 2 Q. That MinterEllison had proposed that?
10:34 3
10:34 4 A. I don't remember who proposed it. I remember that there
10:34 5 was, at some point, a reference to that proposal?
10:34 6
10:34 7 Q. And you thought it was just a proposal and nothing more
10:34 8 than that?
10:34 9
10:34 10 A. I don't have a detailed memory of this, I'm sorry. I
10:34 11 remember that there was a reference to it at some point. That is
10:34 12 what I remember about it.
10:34 13
10:34 14 Q. Ms Siegers has confirmed that --- you are now aware that
10:34 15 a report was obtained by MinterEllison from FTI Consulting?
10:34 16
10:34 17 A. I've recently become aware of that.
10:34 18
10:34 19 Q. And the report was also the subject of correspondence
10:34 20 between MinterEllison and Joshua Preston?
10:34 21
10:34 22 A. I'm not aware of that, I'm sorry.
10:34 23
10:34 24 Q. The correspondence between MinterEllison and Mr Preston
10:34 25 went into detail about the substance of the FTI report?
10:34 26
10:34 27 A. I'm not aware of that, I'm sorry.
10:34 28
10:35 29 Q. Ms Siegers confirmed that the FTI report was never
10:35 30 provided to the Risk Management Committee; you would agree
10:35 31 with that?
10:35 32
10:35 33 A. Absolutely.
10:35 34
10:35 35 Q. And was never considered by the Risk Management
10:35 36 Committee; you would agree with that?
10:35 37
10:35 38 A. Yes.
10:35 39
10:35 40 Q. You were a member of the Brand Committee in
10:35 41 August 2019?
10:35 42
10:35 43 A. Yes.
10:35 44
10:35 45 Q. The Brand Committee was established to deal with
10:35 46 reputational brand issues arising out of the media allegations?
10:35 47

10:35 1 A. Correct.
10:35 2
10:35 3 Q. It had no risk function in the sense of the sorts of things that
10:35 4 the Risk Management Committee was set up to do?
10:35 5
10:35 6 A. Correct.
10:35 7
10:35 8 Q. The only meeting of the Brand Committee, we've been able
10:35 9 to find a record of the FTI report, is the minutes of 22 August
10:35 10 2019. Have you gone back and had a look at those minutes?
10:35 11
10:35 12 A. I looked at them a while ago.
10:35 13
10:36 14 Q. Operator, could you please call up CRL.622.001.0112.
10:36 15
10:36 16 This was three weeks after the media allegations. There had been
10:36 17 a lot of activity to respond to the media allegations; do you recall
10:36 18 that?
10:36 19
10:36 20 A. I do.
10:36 21
10:36 22 Q. Who were the primary people tasked with organising the
10:36 23 response to the media allegations?
10:36 24
10:36 25 A. I haven't refreshed my memory on this, I'm sorry, but
10:36 26 I think it is a fair assumption that it is by invitation the people
10:36 27 listed there together with legal advisors.
10:36 28
10:36 29 Q. I see. And so you were across the proposed responses to
10:36 30 the media allegations?
10:36 31
10:36 32 A. In terms of which proposed responses, just to be clear what
10:36 33 we are talking about?
10:36 34
10:36 35 Q. First of all, the response that was published?
10:37 36
10:37 37 A. Yes, I was.
10:37 38
10:37 39 Q. After that response was published there was going to be
10:37 40 ongoing work to review the substance of the allegations?
10:37 41
10:37 42 A. That was --- yes.
10:37 43
10:37 44 Q. MinterEllison reported to the board in relation to the
10:37 45 investigative work from time to time?
10:37 46
10:37 47 A. There were a series of reports over a period.

10:37 1
10:37 2 Q. But August especially was an intense period in organising
10:37 3 that and getting everything moving?
10:37 4
10:37 5 A. That would --- yes.
10:37 6
10:37 7 Q. And broadly there were three allegations, the first was in
10:37 8 relation to the China arrests?
10:37 9
10:37 10 A. Yes.
10:37 11
10:37 12 Q. The second was in relation to money laundering?
10:37 13
10:37 14 A. Yes.
10:37 15
10:37 16 Q. And the third was in relation to junkets?
10:37 17
10:37 18 A. Yes.
10:37 19
10:37 20 Q. So you had to have a piece for each of those three
10:37 21 allegations, didn't you?
10:37 22
10:37 23 A. Well, some of them were interlinked with each other,
10:37 24 but --- I don't know that they were seen in quite that sort of
10:37 25 bifurcated, trifurcated way that you've just outlined, but the
10:38 26 substance of what you have outlined was correct.
10:38 27
10:38 28 Q. But they were each individual, significant allegations that
10:38 29 required investigation and response?
10:38 30
10:38 31 A. That's a fair characterisation.
10:38 32
10:38 33 Q. And in August 2019, Crown's only proposed response in
10:38 34 relation to the junket issue was to --- for MinterEllison to engage
10:38 35 FTI Consulting to review the processes?
10:38 36
10:38 37 A. I haven't refreshed my memory on the detail of this, I'm
10:38 38 sorry, but certainly there were a series of inquiries made of
10:38 39 management, including and in respect of due diligence that I can
10:38 40 recall in some detail. And, yes, Minters were part of the process.
10:38 41
10:38 42 Q. Could we go to the second page of this document at the
10:38 43 bottom of the page. Can that black redaction be lifted, thank you.
10:38 44
10:39 45 Just a moment, please, Ms Halton. The only reference to the
10:39 46 junket issues, in this minute at the bottom half of this page,
10:39 47 Ms Halton, and first of all you see a reference to a request for

10:39 1 information from the VCGLR because the media announcements
10:39 2 had prompted the VCGLR to make inquiries and Mr Preston was
10:39 3 reporting on that; do you see that?

10:39 4
10:39 5 A. I do, thank you.

10:39 6
10:40 7 Q. Under that you said the heading in bold and italics, "Junket
10:40 8 due diligence review (confidential and legally privileged)"?

10:40 9
10:40 10 A. Yes.

10:40 11
10:40 12 Q. And it says:

10:40 13
10:40 14 *Joshua Preston advised the committee that*
10:40 15 *FTI Consulting had been engaged by MinterEllison to*
10:40 16 *undertake a review of the Company's current junket due*
10:40 17 *diligence procedures and detailed due diligence searches*
10:40 18 *on Mr Chau and Mr Song.*

10:40 19
10:40 20 You understand Mr Chau and Mr Song to be at the centre of the
10:40 21 media allegations?

10:40 22
10:40 23 A. They were two of the names in the media allegations; that
10:40 24 is correct.

10:40 25
10:40 26 Q. Do you have any recollection of what Mr Preston said at
10:40 27 this meeting?

10:40 28
10:40 29 A. I --- I --- no, I don't in any sort of detail, I'm sorry.

10:40 30
10:40 31 Q. But the minutes report that FTI had been engaged.
10:40 32 I suggest to you it was more than just a proposal. Do you agree
10:41 33 with that?

10:41 34
10:41 35 A. Well --- yes.

10:41 36
10:41 37 Q. For the transcript, Ms Halton, you have to give an answer.

10:41 38
10:41 39 A. I'm sorry. It's in the minutes, correct.

10:41 40
10:41 41 Q. It's a habit, that's all right.

10:41 42
10:41 43 In fact it was the only external review at this stage that had been
10:41 44 initiated to prepare a defence in relation to the media allegations
10:41 45 concerning the junkets; correct?

10:41 46
10:41 47 A. So Mr Preston --- so my memory of this is that Mr Preston

10:41 1 was tasked with looking at this issue. I think I said before about
10:41 2 due diligence. Now, I did not have memory of this particular
10:41 3 reference, but I do have a memory that he was tasked with this
10:41 4 work and, in fact, I think it is on the record in Bergin, I pressed
10:41 5 him on this on a number of occasions.

10:41 6
10:41 7 Q. What did you press him on?
10:41 8

10:41 9 A. I pressed him on our due diligence on junkets. And what
10:42 10 we were doing, and whether it was adequate.

10:42 11
10:42 12 Q. But did you press him on what FTI Consulting ---
10:42 13

10:42 14 A. No, no, I didn't. He --- he was responsible for coming back
10:42 15 and advising us on these matters. He was responsible for these
10:42 16 matters, and he was responsible to come back to us to advise on
10:42 17 these matters.

10:42 18
10:42 19 Q. As I said, what I've just put to you, Ms Halton, I heard your
10:42 20 answer, but what I put to you was, this was the only initiative to
10:42 21 obtain external assistance to defend the allegation in relation to
10:42 22 the junket operators; wasn't it?
10:42 23

10:42 24 A. Well, I don't know the answer to that question.
10:42 25

10:42 26 Q. Can you think of any others?
10:42 27

10:42 28 A. I --- I can think of a number of things that were outlined to
10:42 29 us in relation to dealing with our (audio distorted) information
10:43 30 providers about the accuracy of that information. I can remember
10:43 31 a whole series of descriptions about the basis on which they were
10:43 32 doing this work and whether that information was adequate. I do
10:43 33 not remember specific references to this consulting, but I do
10:43 34 remember them taken through those broad elements, if I can put
10:43 35 it that way.

10:43 36
10:43 37 Q. I take it from your answers that you don't recall having any
10:43 38 subsequent discussions with anyone else on the committee or any
10:43 39 other directors in relation to the FTI report?
10:43 40

10:43 41 A. No.
10:43 42

10:43 43 Q. Have you since seen the FTI report?
10:43 44

10:43 45 A. No. Oh, that might not be true, sorry. Have I seen it? I've
10:43 46 read so many papers, I do apologise. I blur which one is which. I
10:44 47 can't be confident the thing I'm thinking of is the FTI report, I

10:44 1 apologise.
10:44 2
10:44 3 Q. That's all right. I will bring the document up and you can
10:44 4 have a look and see if you can recall it.
10:44 5
10:44 6 A. Thank you.
10:44 7
10:44 8 Q. Operator, FTI.0001.0001.3087. It's called a draft report
10:44 9 dated 10 September 2019. Just go over the page, please,
10:44 10 operator. The contents page.
10:44 11
10:44 12 I will take you to the introductory page so you can see the
10:44 13 context. Again, one more page. You see the "Background"
10:44 14 section, Ms Halton?
10:45 15
10:45 16 A. Yes.
10:45 17
10:45 18 Q. This is seven days before the meeting I just took you to:
10:45 19
10:45 20 *FTI Consulting was engaged on 15 August 2019 to*
10:45 21 *conduct an independent review of the current policies and*
10:45 22 *procedures implemented at Crown for conducting due*
10:45 23 *diligence research into existing and new Junket*
10:45 24 *Operators and Premium Players.*
10:45 25
10:45 26 Do you see that?
10:45 27
10:45 28 A. Yes, in the second paragraph.
10:45 29
10:45 30 Q.
10:45 31
10:45 32 *FTI Consulting has been engaged to review the sources of*
10:45 33 *information, the research methodology and relevant*
10:45 34 *third-party research platforms currently utilised by*
10:45 35 *Crown in its internal due diligence process, with a view to*
10:45 36 *providing an assessment as to the effectiveness and*
10:45 37 *defensibility of its approach to due diligence on*
10:45 38 *Operators and Premium Players*
10:45 39
10:45 40 Do you see that?
10:45 41
10:45 42 A. I do.
10:45 43
10:45 44 Q. And then the next sentence talks about specifically as it
10:45 45 relates to identifying potential legal and reputational risks; do you
10:46 46 see that?
10:46 47

10:46 1 A. I do.
10:46 2
10:46 3 Q. Having refreshed your memory from the background
10:46 4 section, do you recall reading this report?
10:46 5
10:46 6 A. No, I don't.
10:46 7
10:46 8 Q. But you are aware it came up in the context of this
10:46 9 Commission?
10:46 10
10:46 11 A. Only recently did I become aware of that. I've not seen all
10:46 12 of the testimony. I apologise.
10:46 13
10:46 14 Q. Yes. You are not in a position to disagree with me that the
10:46 15 effect of this report to Crown in September --- on 10 September
10:46 16 2019 was that its due diligence processes were not robust?
10:46 17
10:46 18 A. Well, I can't agree or otherwise to that statement.
10:46 19
10:46 20 Q. Are you familiar with the Deloitte junket due diligence
10:46 21 review?
10:46 22
10:46 23 A. Yes, I am.
10:46 24
10:46 25 Q. You agree that the effect of the Deloitte report in August
10:46 26 2020, about 11 months later, was also to the effect that Crown's
10:46 27 junket due diligence process was not robust?
10:46 28
10:46 29 A. Indeed.
10:46 30
10:46 31 Q. Ms Siegers agreed that there were similarities between the
10:47 32 FTI report and the Deloitte report. I want you to assume that to
10:47 33 be the case.
10:47 34
10:47 35 A. Thank you.
10:47 36
10:47 37 Q. It would also follow that the FTI report identified that
10:47 38 Crown's due diligence process in relation to junkets was not
10:47 39 robust?
10:47 40
10:47 41 A. Well, if that is correct, that is correct.
10:47 42
10:47 43 Q. The Deloitte report was a matter that had been put before
10:47 44 the Bergin Inquiry in response to the issues that it was
10:47 45 investigating in relation to junkets and Crown's probity processes;
10:47 46 is that correct?
10:47 47

- 10:47 1 A. That's my understanding.
10:47 2
- 10:47 3 Q. And you recall that the sequence of events after that or
10:47 4 around that time was that on 10 August 2020, the Crown Resorts
10:47 5 Board resolved to suspend all junket relationships pending
10:47 6 a comprehensive review; correct?
10:47 7
- 10:47 8 A. Correct.
10:47 9
- 10:47 10 Q. Ms Coonan said at the time, or has said in a statement to
10:47 11 this Commission, that that decision arose because of concerns
10:47 12 raised in the evidence before the Bergin Inquiry regarding certain
10:47 13 individuals and junkets with whom Crown had historical business
10:48 14 dealings, and it was to permit Crown to undertake
10:48 15 a comprehensive review. You would agree with that?
10:48 16
- 10:48 17 A. I do.
10:48 18
- 10:48 19 Q. On 10 September the Crown Resorts Board resolved to
10:48 20 approve an extension on the junket suspension until the end of
10:48 21 the 2020/21 financial year; you recall that?
10:48 22
- 10:48 23 A. I do.
10:48 24
- 10:48 25 Q. On 11 November 2020, the Crown Resorts board resolved
10:48 26 to permanently cease dealing with all junket operators, and only
10:48 27 recommence if that junket operator was licensed or otherwise
10:48 28 approved by the gambling regulator in each State; do you agree
10:48 29 with that?
10:48 30
- 10:48 31 A. Correct.
10:48 32
- 10:48 33 Q. And presumably the Deloitte report informed that decision
10:48 34 by the Board?
10:48 35
- 10:48 36 A. Amongst other things, correct.
10:48 37
- 10:48 38 Q. And you understood that the junket program was regulated
10:48 39 under an internal control statement?
10:48 40
- 10:48 41 A. I did.
10:48 42
- 10:48 43 Q. And that internal control statements in relation to junkets
10:49 44 required that it have robust processes in place to consider
10:49 45 ongoing probity of junket operators; correct?
10:49 46
- 10:49 47 A. Yes.

10:49 1
10:49 2 Q. You understood non-compliance with an internal control
10:49 3 statement was a potential breach of the Casino Control Act?
10:49 4
10:49 5 A. I did.
10:49 6
10:49 7 Q. I want to suggest to you that the failure to put the FTI
10:49 8 report in front of the Risk Management Committee, after it was
10:49 9 received in September 2019, was a missed opportunity to
10:49 10 consider whether Crown was in breach ---
10:49 11
10:49 12 MR BORSKY: Commissioner, the evidence has been that it was
10:49 13 a draft report, not a report, in September 2019.
10:49 14
10:49 15 MS NESKOVCIN: I will rephrase it with "draft".
10:49 16
10:49 17 But the evidence is there was no subsequent report. That was the
10:49 18 only report that was provided.
10:49 19
10:49 20 There was advice from MinterEllison summarising the report but
10:49 21 you are not aware of that. Take it from me that the evidence is
10:49 22 that the FTI report, although it is draft, was the only report that
10:50 23 was received by Crown.
10:50 24
10:50 25 I am going to put to you that the failure to put the FTI report in
10:50 26 draft before the Risk Management Committee in September 2019
10:50 27 or shortly thereafter, was a missed opportunity to consider
10:50 28 whether Crown was in breach of the Casino Control Act.
10:50 29
10:50 30 A. Agreed.
10:50 31
10:50 32 Q. You agree?
10:50 33
10:50 34 A. I do.
10:50 35
10:50 36 Q. And you agree that it was a missed opportunity to consider
10:50 37 whether Crown was operating outside its risk appetite?
10:50 38
10:50 39 A. Agreed.
10:50 40
10:50 41 Q. Similarly, the failure to bring the matter back before the
10:50 42 Brand Committee was a missed opportunity?
10:50 43
10:50 44 A. I completely agree.
10:50 45
10:50 46 Q. That missed opportunity can be explained by either
10:50 47 Mr Preston's failings or the Board and Committee's --- sorry, I

10:50 1 withdraw that.
10:50 2
10:50 3 That missed opportunity to bring it back before the Brand
10:50 4 Committee can be explained by Mr Preston's failings or the
10:50 5 Committee's failure to follow up or a combination of both; do you
10:50 6 agree?
10:50 7
10:50 8 A. I would agree that Mr Preston should have been brought it
10:51 9 to our attention. The inquiry ---
10:51 10
10:51 11 COMMISSIONER: Can you hold on a minute.
10:51 12
10:51 13 MS NESKOVICIN: You need to speak up.
10:51 14
10:51 15 COMMISSIONER: We are having problems with the volume
10:51 16 again.
10:51 17
10:51 18 A. I apologise.
10:51 19
10:51 20 COMMISSIONER: That's all right.
10:51 21
10:51 22 A. Mr Preston should have brought it to our attention but the
10:51 23 committee, both the Brand Committee and also the Risk
10:51 24 Management Committee under Geoff Dixon's chairmanship, was
10:51 25 unambiguous about its desire to actually understand whether our
10:51 26 processes were robust. I think I've already indicated I personally
10:51 27 pursued a number of people in the business and in fact got emails
10:51 28 from them, but they outlined to us their views in respect of
10:51 29 robustness. I think --- and it is interesting if I might, that the
10:51 30 terms in here in relation --- when you put this report about the
10:51 31 issues and the third-party research platforms, you see that in that
10:51 32 second sentence ---
10:52 33
10:52 34 Q. Yes.
10:52 35
10:52 36 A. --- that was --- I think when I answered one of your earlier
10:52 37 questions I talked about that was very clearly --- we were told
10:52 38 that that process was underway. But the absence of tabling, as
10:52 39 you say, a draft report, it should have been tabled and the inquiry
10:52 40 that was being made was actually very clear, that we wanted to
10:52 41 see --- we were seeking assurance.
10:52 42
10:52 43 Q. I understand that, but you appreciate, don't you, that this
10:52 44 report, and I'm putting this to you, this report identified Crown's
10:52 45 processes were not robust, and as a consequence there was
10:52 46 information available to Crown in September 2019. But, it
10:52 47 continued to deal with junket operators for a further 11 months

10:52 1 before it made its decision in August 2020. That's the case, isn't
10:52 2 it?
10:52 3
10:52 4 A. Well, on the basis of what you have informed me and I
10:53 5 understand that this draft was provided to an officer of the
10:53 6 company, I agree with you.
10:53 7
10:53 8 Q. And, moreover, Crown continued to defend its position up
10:53 9 until August 2020 in the Bergin Inquiry; correct?
10:53 10
10:53 11 A. Well, I think there is a big --- I think a number of people
10:53 12 took different positions in the Bergin Inquiry.
10:53 13
10:53 14 Q. You are familiar with the Show Cause Notices in relation to
10:53 15 junket operators issued by the VCGLR in October 2020?
10:53 16
10:53 17 A. I wasn't at the time. More recently I have become familiar
10:53 18 with it.
10:53 19
10:53 20 Q. And you are aware that Crown continually resisted the
10:53 21 VCGLR's propositions in relation to that disciplinary action?
10:53 22
10:53 23 A. Well, I've become aware of that.
10:53 24
10:53 25 Q. And that was a complete waste of the VCGLR's time; do
10:53 26 you accept that?
10:53 27
10:53 28 A. I think it was deeply regrettable.
10:53 29
10:54 30 Q. What we've just identified is a breakdown, a failure of some
10:54 31 description. And you want to emphasise, Ms Halton, that you
10:54 32 were very clear in the instructions and the eagerness of the
10:54 33 committee to ensure the processes were robust, but there was also
10:54 34 a failure to follow up; wasn't there?
10:54 35
10:54 36 A. Well, based on these minutes, there probably should have
10:54 37 been a question asked. I would make the point that there was
10:54 38 a vast amount going on and the inquiry in relation to the
10:54 39 processes and their robustness was ongoing. In respect of this
10:54 40 particular sentence and that report, I accept that.
10:54 41
10:54 42 Q. Do you accept responsibility for that failing, or some
10:54 43 responsibility for that failing?
10:54 44
10:54 45 A. Should I have been aware --- should I have seen that and
10:54 46 then remembered it some weeks later and asked, yes, I should.
10:54 47

10:54 1 Q. Thank you. I want to move on to culture. You are aware
10:54 2 that the culture reform program is a very important part of
10:55 3 Crown's ongoing Remediation Plan?
10:55 4
10:55 5 A. Absolutely.
10:55 6
10:55 7 Q. It might have started before this point, but it was certainly
10:55 8 the subject of a presentation by Mr Barton in December 2020?
10:55 9
10:55 10 A. Yes.
10:55 11
10:55 12 Q. You are aware of the scope of Deloitte's engagement to
10:55 13 conduct a culture review on behalf of Crown?
10:55 14
10:55 15 A. Yes, I am.
10:55 16
10:55 17 Q. Have you met with the Deloitte partner, Ms Victoria
10:55 18 Whitaker, to discuss the progress and findings so far?
10:55 19
10:55 20 A. I've had a couple of meetings with Ms Whitaker.
10:55 21
10:55 22 Q. When were they, Ms Halton?
10:55 23
10:55 24 A. Oh, I can't tell you the precise dates, I apologise, but over
10:55 25 the last couple of months, I suppose. Most recently, when did I
10:55 26 see her I want to say three weeks ago, but please don't hold me
10:55 27 to that.
10:55 28
10:55 29 Q. Thank you. That's helpful.
10:55 30
10:55 31 A. In the absence of my diary, I can't tell you, I'm sorry.
10:55 32
10:56 33 Q. I wasn't going to ask you about anything precise. I just
10:56 34 wanted to know if you had met.
10:56 35
10:56 36 Secondly, has Ms Whitaker passed on any observations about
10:56 37 what her perceptions are about Crown's culture?
10:56 38
10:56 39 A. So we went through a series of observations. She talked
10:56 40 about the fact that there had been focus groups and what she was
10:56 41 detecting. I asked a series of questions because of my particular
10:56 42 interest about whether, for example, the changed tone and the
10:56 43 tone from the top and the messaging to staff in her experience or
10:56 44 focus group work had been heard, what the reaction if they are
10:56 45 being heard is. We talked about the breadth and the variety of
10:57 46 different components of the business.
10:57 47

10:57 1 Commissioner, I think you know that we've got like 11,500 staff
10:57 2 in Melbourne. About half of those, or more, have nothing to do
10:57 3 with gaming. So we have different components of the business. I
10:57 4 talked to her about food and beverage, the hotel component,
10:57 5 et cetera. So I wanted to hear from her what the difference was.
10:57 6 I was particularly interested in her observations about whether
10:57 7 people had heard the messages and her views about AML,
10:57 8 Responsible Gaming, when she was talking to the people in that
10:57 9 side of the business. I was trying to get a feel from her about
10:57 10 what she was detecting, the kind --- that's the way I would
10:57 11 summarise it.

10:57 12

10:57 13 Q. In regards to the tone from the top and people's reaction
10:57 14 and whether they were getting the message, what was her
10:58 15 response?

10:58 16

10:58 17 A. She said she had been having it reflected back to her, and in
10:58 18 fact I took from that meeting a level of comfort that
10:58 19 notwithstanding the relatively short period since we exited the
10:58 20 vast number of directors and a series of senior management, that
10:58 21 those messages, and I was very --- I mean, I had been very keen
10:58 22 for the Executive Chairman to send regular messaging to staff, all
10:58 23 staff, and I was trying --- she was telling me that those messages
10:58 24 were being looked at and were being heard. So they are not just
10:58 25 read but the message was being absorbed.

10:58 26

10:58 27 And what I was testing was --- when I test those things if I talk to
10:58 28 people in the business, when I floor walk and talk to a security
10:58 29 guard or talk to a Responsible Gaming person, talk to someone in
10:59 30 food and beverage, I wanted to see whether her assessment was
10:59 31 the same as what I had seen.

10:59 32

10:59 33 Q. Thank you. We'll come back to the floor walks and matters
10:59 34 of that kind a bit later, Ms Halton. I will give you an opportunity
10:59 35 to talk about that.

10:59 36

10:59 37 In her evidence in this Commission, Ms Whitaker spoke about
10:59 38 her interviews with Mr Barton and Ms Gleeson, the head of HR
10:59 39 at Crown Melbourne, and Mr Barton and Ms Gleeson conveyed
10:59 40 to Ms Whitaker their perceptions of Crown's culture in December
10:59 41 2020. Are you familiar with the feedback that they gave
10:59 42 Ms Whitaker?

10:59 43

10:59 44 A. I've heard of it. I haven't seen the transcript or anything,
10:59 45 but I've certainly heard what I believe to be the thing you are
10:59 46 referring to.

10:59 47

10:59 1 Q. For my learned friends the transcript reference is at P-1939,
10:59 2 but Ms Whitaker agreed that the perceptions of Crown's culture
11:00 3 that were conveyed to her by Mr Barton and Ms Gleeson was that
11:00 4 there was an issue with psychological safety. You understand
11:00 5 what that means?

11:00 6
11:00 7 A. Given my background, yes, I do.

11:00 8
11:00 9 Q. The board not providing feedback, permafrost in middle
11:00 10 management, people not being held to account, lack of clarity in
11:00 11 escalating issues, and people trying to deal with problems
11:00 12 themselves rather than escalating issues and complacency. You
11:00 13 understand what complacency means in a management context?

11:00 14
11:00 15 A. I do.

11:00 16
11:00 17 Q. So that we are on the same page: something happens,
11:00 18 nothing gets done?

11:00 19
11:00 20 A. Or you ignore it.

11:00 21
11:00 22 Q. Or you ignore it. Thank you.

11:00 23
11:00 24 Ms Whitaker agreed that those things paint a pretty grim picture
11:00 25 of Crown's culture. You would agree with that wouldn't you,
11:00 26 Ms Halton?

11:01 27
11:01 28 A. I would agree with that.

11:01 29
11:01 30 Q. When I mention psychological safety, were you nodding
11:01 31 your head. Do you agree that is a very significant issue and one
11:01 32 that the board would want to take seriously?

11:01 33
11:01 34 A. Absolutely.

11:01 35
11:01 36 Q. And, in fact, it could be used as a lens to analyse some of
11:01 37 the conduct we've been exploring here and some of the conduct
11:01 38 that was explored in the Bergin Inquiry; wouldn't you agree?

11:01 39
11:01 40 A. Psychological safety, could be?

11:01 41
11:01 42 Q. Yes.

11:01 43
11:01 44 A. Yes, absolutely.

11:01 45
11:01 46 Q. So particularly China arrests, staff were not comfortable,
11:01 47 didn't feel they could speak up because management is pushing

11:01 1 them to promote the casino; correct?
11:01 2
11:01 3 A. I completely agree with you.
11:01 4
11:01 5 Q. It could also explain the bonus jackpots tax issue?
11:01 6
11:01 7 A. It could, yes.
11:01 8
11:02 9 Q. We've heard evidence that people recognised that the
11:02 10 VCGLR hadn't been informed about the bonus jackpots issue,
11:02 11 and they were uncomfortable about it. You understand that?
11:02 12
11:02 13 A. I haven't seen all the evidence, I'm sorry. If you are telling
11:02 14 me that is the evidence, I accept that.
11:02 15
11:02 16 Q. If that was the case, and there are numerous senior people
11:02 17 within the organisation are that are aware that there is an issue
11:02 18 but they don't speak up, that could potentially be explained on the
11:02 19 basis of a psychological safety issue?
11:02 20
11:02 21 A. That is one potential explanation, yes.
11:02 22
11:02 23 Q. What is another potential explanation?
11:02 24
11:02 25 A. An approach which has a different risk appetite.
11:02 26
11:02 27 Q. So, instead of compliance, we'll go ahead with what the
11:02 28 business wants?
11:02 29
11:02 30 A. Well, we are back to grey.
11:02 31
11:02 32 Q. Back to grey. Thank you.
11:03 33
11:03 34 Operator, can you call up DTT.010.0003.0040.
11:03 35
11:03 36 Ms Halton, this is the result of the employee experience survey
11:03 37 with the assistance of Swinburne University of Technology in
11:03 38 2018. Are you familiar with this report?
11:03 39
11:03 40 A. Is this a Crown Melbourne report, could you just clarify?
11:03 41 Or Crown Resorts?
11:03 42
11:03 43 Q. It is Crown Resorts.
11:03 44
11:03 45 A. Thank you. Look, I've become recently aware that this
11:03 46 existed, but it was very recently.
11:03 47

11:03 1 Q. Within the last month or so, is that what you mean by
11:03 2 recent or in the last six months?
11:04 3
11:04 4 A. Look, I think it is somewhere more than a month and less
11:04 5 than six months but again ---
11:04 6
11:04 7 Q. Thank you.
11:04 8
11:04 9 Can we go to page 00 --- you note the date August 2018 on the
11:04 10 front page?
11:04 11
11:04 12 A. Yes, I have noticed that.
11:04 13
11:04 14 Q. If we just go to _0014, what the people who are doing the
11:04 15 survey did was to segment the employees into four, five segments
11:04 16 and you will see that they are coloured coded, diligent
11:04 17 contributors, ambitious achievers, reliable co-workers, aspiring
11:04 18 careerists and disenchanting leaders; you see that?
11:04 19
11:04 20 A. I do.
11:04 21
11:04 22 Q. You can actually tell from the bottom of the page the
11:04 23 proportion of people in Crown Melbourne and Crown Perth that
11:04 24 were surveyed.
11:04 25
11:05 26 A. Sorry, surveyed? Is that sample size?
11:05 27
11:05 28 Q. If you look at diligent contributors, for example, and you
11:05 29 run down the page you will see Crown Melbourne, statistics,
11:05 30 45 per cent and then Crown Melbourne statistical size,
11:05 31 44 per cent. Do you see that?
11:05 32
11:05 33 A. No, they've now focused it in. Could you go back out again
11:05 34 please, I'm trying to see the whole page. The operator is giving
11:05 35 me four of these bars, there are five. Am I right?
11:05 36
11:05 37 Q. Yes, go out a little more, please, operator.
11:05 38
11:05 39 A. And then move it over if you wouldn't mind.
11:05 40
11:05 41 Could you --- sorry to be slow, can you ---
11:05 42
11:05 43 Q. No, no, that's fine.
11:05 44
11:05 45 A. What are you trying to get me to look at?
11:05 46
11:05 47 Q. First of all, you've noticed there are five segments for the

11:05 1 employees?
11:05 2
11:05 3 A. Yes, thank you.
11:05 4
11:05 5 Q. If you look at the first category of diligent contributors --
11:05 6
11:05 7 A. Yes.
11:05 8
11:05 9 Q. --- and run down the page, I wanted to draw your attention
11:06 10 to the fact that the employees that were surveyed were the Crown
11:06 11 Melbourne employees and Crown Perth employees. You asked
11:06 12 whether this was Crown Resorts.
11:06 13
11:06 14 A. Yes. Thank you.
11:06 15
11:06 16 Q. That is what I'm relying on as to who were the individuals
11:06 17 that were the subject of the survey.
11:06 18
11:06 19 A. Thank you.
11:06 20
11:06 21 Q. All right?
11:06 22
11:06 23 A. Yes.
11:06 24
11:06 25 Q. And now, operator, if we could please go to page 0059.
11:06 26
11:06 27 You will appreciate that the employees were asked a range of
11:06 28 questions and then the questions are used to analyse various
11:06 29 categories of behaviour. And if we just blow up the chart, don't
11:06 30 worry about the boxes for a moment, please, operator, can I direct
11:06 31 your attention to the horizontal axis where the description of
11:07 32 categories is "Communication", "Processes", "Leadership",
11:07 33 "Psychological Safety".
11:07 34
11:07 35 A. Thank you.
11:07 36
11:07 37 Q. You see the colour coding with the five segments of
11:07 38 employees, diligent contributors, ambitious achievers, reliable
11:07 39 co-workers which are yellow. Do you see that at the bottom of the
11:07 40 page?
11:07 41
11:07 42 A. I do, thank you.
11:07 43
11:07 44 Q. Just looking at the psychological safety entries and the
11:07 45 various colour codings there, you will see that 19 per cent of
11:07 46 disenchanted leaders agreed with the questions about
11:07 47 psychological safety and the sorts of questions were "Do I feel

11:07 1 comfortable expressing my opinion"; you would agree that is the
11:07 2 sort of question asked when you are trying to identify how people
11:07 3 feel about speaking up?

11:07 4

11:07 5 A. Would you --- could you rephrase is there a question that
11:07 6 this is responding to?

11:07 7

11:07 8 Q. There is a lot of questions that I want to take you to.

11:07 9

11:08 10 A. Just pose me the question again, in terms of how you would
11:08 11 summarise the question.

11:08 12

11:08 13 Q. Yes. So you are familiar with employee surveys, I take it?

11:08 14

11:08 15 A. Yes.

11:08 16

11:08 17 Q. You understand they are asked a number of questions but
11:08 18 then each question can be used to analyse a particular type of
11:08 19 behaviour or issue, like communication, leadership,
11:08 20 psychological safety?

11:08 21

11:08 22 A. I have conducted these more times than I can count, yes,
11:08 23 I am very familiar with them.

11:08 24

11:08 25 Q. In relation to the psychological safety questions, I'm putting
11:08 26 to you, and I ask you to accept, that the sorts of questions they
11:08 27 were asked were questions like, "Do you feel comfortable
11:08 28 expressing your opinion?"; that is a relevant question to
11:08 29 understand psychological safety; do you agree?

11:08 30

11:08 31 A. I do.

11:08 32

11:08 33 Q. What this chart shows is that in the category of
11:08 34 disenchanted leaders, the score was 19 per cent agree, and the
11:08 35 interpretation can be there --- the interpretation of that result can
11:09 36 be 19 per cent of disenchanted leaders agree they feel safe in
11:09 37 speaking up.

11:09 38

11:09 39 A. Thank you. On that other chart that you showed me, am I
11:09 40 right in remembering that the size of the population who
11:09 41 responded who were in disenchanted leaders was about
11:09 42 4 per cent?

11:09 43

11:09 44 Q. I think it was about 2 per cent.

11:09 45

11:09 46 A. 2 per cent. It was a small group of people, yes?

11:09 47

11:09 1 Q. It was a small proportion. If we go up to the reliable
11:09 2 co-workers, only 38 per cent felt comfortable in speaking up; do
11:09 3 you see that?

11:09 4
11:09 5 A. I do.

11:09 6
11:09 7 Q. And so on and so on for the different categories. The
11:09 8 highest being the aspiring careerists. Even for the aspiring
11:09 9 careerists, a score of 68 per cent is not particularly good; is it?

11:09 10
11:09 11 A. I don't remember, to be honest with you, what benchmarks
11:10 12 would be the case. And I don't have a specific knowledge of
11:10 13 benchmarking in this industry. I probably should. But one of the
11:10 14 things I would be asking myself about this is how it does compare
11:10 15 to benchmarks. That said, we need to be unambiguous. People
11:10 16 have to have psychological safety, particularly in a regulated
11:10 17 environment.

11:10 18
11:10 19 Q. Exactly. So benchmarking is completely irrelevant, isn't it,
11:10 20 Ms Halton, because you want 100 per cent of your workforce to
11:10 21 feel safe in speaking up? That is the message you are trying to
11:10 22 get across at the moment, isn't it?

11:10 23
11:10 24 A. No, it's not, actually. What I would say is I want to know
11:10 25 what would be considered benchmark, you aspire to better than
11:10 26 benchmark, you always do, but how much time it takes you to get
11:10 27 above benchmark and how you do that is one of the things you
11:10 28 think about. If you are significantly below benchmark, it tells
11:10 29 you something about your existing processes. That's not the point
11:11 30 I'm making. The point I'm making is this particularly important,
11:11 31 but then how you respond to it is one of the things you would be
11:11 32 thinking about.

11:11 33
11:11 34 Q. Ms Halton, I would accept your answer in any other
11:11 35 circumstance other than the present circumstance where Crown
11:11 36 has lost its licence in Sydney and is addressing issues about
11:11 37 present suitability. I want to suggest to you that what Crown is
11:11 38 aspiring to now is 100 per cent on this scorecard.

11:11 39
11:11 40 A. I agree with you. I agree with you. And can I make the
11:11 41 point that the licence in Sydney is on foot, it is not lost. That's
11:11 42 an important point.

11:11 43
11:11 44 Q. I beg your pardon. Thank you.

11:11 45
11:11 46 What did the Board do to address the low psychological safety
11:11 47 scores identified in the survey in August 2018?

11:11 1
11:11 2 A. I'm not aware that this came before the Board.
11:11 3
11:11 4 Q. This presentation, the employee survey or something else?
11:11 5
11:11 6 A. This presentation. I'm not aware of it having come before
11:11 7 the Board.
11:11 8
11:11 9 Q. Does the presentation need to come to the Board or just
11:12 10 a report to the Board?
11:12 11
11:12 12 A. Well, as you know, there is a committee, an HR
11:12 13 Committee --- I do not know --- I think we discussed already
11:12 14 when I became aware of this, it is less than six months and
11:12 15 probably more than a month. I'm not aware of it having appeared
11:12 16 in the Board. Whether it appeared in the HR Committee I can't
11:12 17 comment on.
11:12 18
11:12 19 Q. All right, let's take this in stages. You didn't answer my
11:12 20 question. My question was what did the board do to address the
11:12 21 issue of psychological safety identified in this report, and you
11:12 22 chose to answer the question ---
11:12 23
11:12 24 A. I'm sorry.
11:12 25
11:12 26 Q. --- (overspeaking) --- so is the answer to my question
11:12 27 "nothing"?
11:12 28
11:12 29 A. Sorry? I misunderstood your question. If I understand your
11:12 30 question, is what did the Board do in respect of psychological
11:12 31 safety as appears in this report? My point is that I'm not aware
11:12 32 that psychological safety as presented in this survey came before
11:13 33 the Board, in terms of what the Board was doing about staff and
11:13 34 their capacity to report in terms of psychological safety.
11:13 35 Psychological safety, I'm not aware has been separately
11:13 36 discussed. But issues in respect of staff welfare have been.
11:13 37
11:13 38 Q. Are you aware that in your report or her interview with
11:13 39 Deloitte Ms Gleeson said, among other things, that sometimes
11:13 40 she reports elements of culture and people elements to the Board,
11:13 41 but she can't say she's ever gotten questions from the Board. Are
11:13 42 you aware of that?
11:13 43
11:13 44 A. I'm not aware that she said that explicitly.
11:13 45
11:13 46 Q. Do you accept her comment?
11:13 47

11:13 1 A. Actually, I don't. In terms of issues in respect of culture, I
11:13 2 mean, culture is a matter that has been talked about in the Board
11:13 3 in the time that I've been there.

11:13 4
11:14 5 Q. So you are just trying to isolate the culture issue, are you?
11:14 6

11:14 7 A. What I'm saying is the broad topic of culture has been
11:14 8 a matter of discussion, but in terms of the specific (inaudible) you
11:14 9 were going to in respect of psychological safety, we might have
11:14 10 moved on from that, I apologise if that's the case ---
11:14 11

11:14 12 Q. No. No. Please go ahead.
11:14 13

11:14 14 A. So I do --- certainly as individual directors, that is
11:14 15 a matter --- I've certainly spoken to people about that over the
11:14 16 period I've been on the Board.
11:14 17

11:14 18 Q. It would concern you, though, wouldn't it, to hear that the
11:14 19 HR manager who reports regularly to the board has the
11:14 20 perception ---
11:14 21

11:14 22 A. Yes.
11:14 23

11:14 24 Q. --- that she doesn't get feedback or questions from the
11:14 25 Board; do you agree?
11:14 26

11:14 27 A. Absolutely that concerns me.
11:14 28

11:15 29 Q. Ms Manos reported on the employee experience survey to
11:15 30 the Board in the middle of June 2019. I will take you to
11:15 31 a document. I take it you have no recollection of that?
11:15 32

11:15 33 A. No.
11:15 34

11:15 35 Q. Operator, could we please go to CRL.506.007.8404.
11:15 36

11:15 37 If you look at the cover page, Ms Halton, you will recognise that
11:15 38 this is a meeting pack for the Board meeting on 12 June 2019?
11:15 39

11:15 40 A. Yes.
11:15 41

11:15 42 Q. We'll go to 8822, please, operator.
11:15 43

11:15 44 You recognise this as a paper that Ms Manos prepared for the
11:16 45 board on company values?
11:16 46

11:16 47 A. Yes. I don't recall it intimately but I recognise it as a paper

11:16 1 for the Board.

11:16 2

11:16 3 Q. But this is the starting or a starting point for the rollout of
11:16 4 the company values challenge were eventually rolled out in 2020;
11:16 5 correct?

11:16 6

11:16 7 A. That's my understanding, yes.

11:16 8

11:16 9 Q. If I could just take you to the bottom of the page where it
11:16 10 says "purpose", you see it says:

11:16 11

11:16 12 *In 2018 and independently of New Recommendation 3.1,*
11:16 13 *the Crown Melbourne and Crown Perth Human*
11:16 14 *Resources teams, in partnership with the Executive of*
11:16 15 *both properties, embarked on a journey to create*
11:16 16 *a purpose and set of values for Crown's Australian*
11:16 17 *Resorts.*

11:16 18

11:16 19 *This extended from the work conducted around Crown*
11:16 20 *Resorts Customer Experience/Employee Experience*
11:16 21 *initiative and in part responded to our employees'*
11:17 22 *feedback requiring greater clarity as to our purpose as*
11:17 23 *a company and our guiding values.*

11:17 24

11:17 25 Do you see that?

11:17 26

11:17 27 A. I do.

11:17 28

11:17 29 Q. Do you agree that the reference to the customer
11:17 30 experience/employee experience is most likely the document I
11:17 31 took you to a moment ago, in 2018?

11:17 32

11:17 33 A. I wouldn't want to speculate because I don't know the
11:17 34 answer to that question.

11:17 35

11:17 36 Q. That's my point. This is the only reference that we can see
11:17 37 in the Board minutes to any report on the customer
11:17 38 experience/employee experience initiative that was embarked
11:17 39 upon in 2018. You are not in a position to dispute that?

11:17 40

11:17 41 A. I'm not. It is also consistent with what I think I already
11:17 42 said, which is these issues in respect of staff were discussed at the
11:17 43 Board and the issue --- so I think we are not at cross purposes
11:18 44 here.

11:18 45

11:18 46 Q. Yes. That's right. It concerned me that you couldn't recall
11:18 47 what this might be referring to, because ---

11:18 1
11:18 2 A. I'm --- (overspeaking) ---
11:18 3
11:18 4 Q. Go ahead.
11:18 5
11:18 6 A. What I'm saying to you is, that doesn't refer to a report. It
11:18 7 talks about an initiative.
11:18 8
11:18 9 Q. Well, how many other reports or initiatives were in place at
11:18 10 the time? What concerns me is that an important initiative or
11:18 11 report has been embarked upon in 2018 and we don't see
11:18 12 a reference to it in a Board pack, and you can't recall having
11:18 13 a report --- reading a report or having the report summarised for
11:18 14 you.
11:18 15
11:18 16 A. Because I don't believe it was. There was a conversation,
11:18 17 though. As I've already indicated --- discussion, it goes on about
11:18 18 values, about purpose, about employees, about engagement with
11:18 19 the employees around those things, and actually building those
11:18 20 things up from the ground up.
11:18 21
11:19 22 Q. Is this an example of the Board not asking questions?
11:19 23
11:19 24 A. The Board did talk about the process that would be
11:19 25 followed in this respect, and asking about the work that would be
11:19 26 done with staff on these matters, and ---
11:19 27
11:19 28 Q. Did you ask --- sorry, go ahead.
11:19 29
11:19 30 A. In fact if the operator scrolls down a little, essentially the
11:19 31 issue about talking about staff and my memory of this discussion,
11:19 32 albeit potentially imperfect, was that it was about engaging with
11:19 33 staff at all levels in the business in respect of our purpose. And
11:19 34 you can see those values, which had come, as I understood it,
11:20 35 from preliminary work done with staff and this was about driving
11:20 36 those issues right across the business. So there was --- I mean,
11:20 37 this was not a small conversation.
11:20 38
11:20 39 Q. But you didn't ask about the results? You didn't ask to see
11:20 40 the results?
11:20 41
11:20 42 A. Results of what?
11:20 43
11:20 44 Q. The survey, the initiative that we've just been discussing;
11:20 45 you didn't ask --- you didn't sit down and have the conversation
11:20 46 you had with Ms Whitaker about what was her assessment of the
11:20 47 results that were coming back so far?

11:20 1
11:20 2 A. Because it was not clear there had been a particular survey.
11:20 3 We've just gone through that. The paper --- the document doesn't
11:20 4 refer to that.
11:20 5
11:20 6 Q. You know that these things start with a survey or some
11:20 7 focus groups or something like that, don't you, Ms Halton?
11:20 8
11:20 9 A. That was exactly what I had referred to. The fact that there
11:20 10 had been consultation with a small group of staff in respect of
11:20 11 these values. That is as I understood it.
11:20 12
11:20 13 Q. You are diverting by talking about values and I'm talking
11:20 14 about survey results ---
11:20 15
11:20 16 A. --- (overspeaking) ---
11:20 17
11:21 18 Q. I beg your pardon?
11:21 19
11:21 20 A. I apologise, I'm trying to focus on your question. I
11:21 21 apologise.
11:21 22
11:21 23 Q. You accept that the Board didn't ask questions about the
11:21 24 survey, what were the results, what are people telling you about
11:21 25 how they feel, their issues with management, their issues with
11:21 26 leadership?
11:21 27
11:21 28 A. I did not know, as a member of the Board, that that survey
11:21 29 existed. We've already gone to that question.
11:21 30
11:21 31 Q. We have, and I put to you you didn't ask; what do you say
11:21 32 about that?
11:21 33
11:21 34 A. And I've put to you that I have basically asked a series of
11:21 35 questions in the context of the paper as it was presented which
11:21 36 actually went to engagement with staff.
11:21 37
11:21 38 Q. These values took 12 months to roll out, didn't they,
11:21 39 Ms Halton?
11:21 40
11:21 41 A. Yes, I believe it would have been 12 months.
11:21 42
11:21 43 Q. Do you agree that your employees could be forgiven for
11:21 44 being sceptical about whether the board is going to do anything
11:21 45 when they get the results from the Deloitte's survey?
11:21 46
11:21 47 A. I would actually suggest to you that the employees are very

11:22 1 clear and we've already discussed what Ms Whitaker has
11:22 2 indicated, together with certainly some informal soundings I and
11:22 3 other members of the current Board have taken, that people
11:22 4 detect very clearly the change in tone from the top. That is the
11:22 5 message that we have (inaudible). And so, no, I do not accept
11:22 6 that staff will not approach this with an open mind. I actually
11:22 7 think, and this is the feedback that I think Mr McCann has
11:22 8 already got since his arrival a mere five weeks ago, that people
11:22 9 are very hungry for some clear leadership and some very
11:22 10 unambiguous messages. That is what we are on about.

11:22 11

11:22 12 Q. Clear leadership includes accountability, holding others to
11:22 13 account; correct?

11:22 14

11:22 15 A. Absolutely.

11:22 16

11:22 17 Q. Would it surprise you to learn that that was another point
11:22 18 that was provided by way of feedback in the 2018 survey, that
11:23 19 there was a lack of accountability?

11:23 20

11:23 21 A. No, it wouldn't surprise me, actually, given what we now
11:23 22 know.

11:23 23

11:23 24 Q. What did the Board do about that issue after the survey in
11:23 25 2018?

11:23 26

11:23 27 A. We've already established --- I can't comment for the rest of
11:23 28 the Board. We've already established that I had no visibility of
11:23 29 that document.

11:23 30

11:23 31 Q. Do you agree that, or accept that employees and the general
11:23 32 public could be sceptical about the reaction to the Remediation
11:23 33 Plan on the basis that it is purely reactive to the Bergin Inquiry
11:23 34 and comes a little bit late?

11:23 35

11:23 36 A. Sorry, that was a long question with several barrel parts to
11:23 37 it. What am I sceptical about or what is the public sceptical
11:24 38 about? I apologise.

11:24 39

11:24 40 Q. That's all right. I will do it a different way. You are
11:24 41 familiar with the Remediation Plan and the cultural reform
11:24 42 program?

11:24 43

11:24 44 You accept that that was a reaction to the decision by
11:24 45 ILGA following the Bergin Inquiry?

11:24 46

11:24 47 A. It certainly the Bergin Inquiry was material, very definitely.

11:24 1 As you would appreciate, a number of the changes that have been
11:24 2 underway, certainly in the time I've been on the board, they
11:24 3 pre-date the Bergin Inquiry.

11:24 4

11:24 5 Q. And some of the changes that predate --- there are some
11:24 6 changes that pre-date Bergin Inquiry and there are other changes
11:24 7 that don't. There are a number of changes that could have been
11:24 8 initiated a long time ago; do you accept that?

11:24 9

11:24 10 A. I accept that.

11:24 11

11:24 12 Q. So why did it take so long?

11:24 13

11:24 14 A. Well, I think we've established that there was a difference
11:24 15 of view on some issues amongst Board members, and we've also
11:25 16 established that there wasn't necessarily full transparency with all
11:25 17 members of the board on some issues. That issue is resolved.
11:25 18 And certainly, certainly the work that is being undertaken is
11:25 19 being undertaken --- and I think again Mr McCann made the
11:25 20 comment about how hard people are working --- to actually really
11:25 21 firmly put in place the arrangements that are consistent with our
11:25 22 social licence going forward, that are exactly as you suggest, that
11:25 23 our regulators, our stakeholders, shareholders would expect.

11:25 24

11:25 25 Q. Can I ask you to have a look at paragraph 186 of your
11:25 26 statement, please.

11:25 27

11:25 28 A. Yes. I have the statement in front of me. I assume it is
11:25 29 okay to look at the hard copy?

11:25 30

11:25 31 Q. Yes, thank you.

11:25 32

11:25 33 A. Sorry, I beg your pardon, 186 did you say?

11:25 34

11:25 35 Q. Yes. It is around page ---

11:26 36

11:26 37 A. Got it. Thank you.

11:26 38

11:26 39 Q. Thank you.

11:26 40

11:26 41 You were asked the question in bold, which is question number
11:26 42 34:

11:26 43

11:26 44 *What deficiencies in Crown Resorts' or Crown*
11:26 45 *Melbourne's risk management framework, systems or*
11:26 46 *processes contributed to the failures identified in the*
11:26 47 *conclusions in the Bergin Report.*

11:26 1

11:26 2 And in paragraph 186 you say:

11:26 3

11:26 4 *A number of specific failures including in reporting,*
11:26 5 *escalation, skill, knowledge, culture, appropriate*
11:26 6 *diligence and care and lack of questioning are reported in*
11:26 7 *the Bergin Report. In some instances these go to the*
11:26 8 *operation of the risk management framework.*

11:26 9

11:26 10 Do you see that?

11:26 11

11:26 12 A. I do.

11:26 13

11:26 14 Q. Do you accept --- it's not clear to me, Ms Halton, whether
11:26 15 you are intending to summarise what the Commissioner found
11:26 16 were the failings or what you've identified as the failings. Could
11:27 17 you please clarify that?

11:27 18

11:27 19 A. I'm not --- my interpretation of the question is what led,
11:27 20 what systems or processes led, contributed to the failures. So
11:27 21 what I believe the question I have addressed here is what I think
11:27 22 the factors were that led to those failings.

11:27 23

11:27 24 Q. Thank you. And so just to confirm, they are the factors that
11:27 25 you have identified as leading to the failings, not simply reporting
11:27 26 on what the Commissioner found?

11:27 27

11:27 28 A. No.

11:27 29

11:27 30 Q. We've heard in oral evidence given to this Commission and
11:27 31 we've been provided with statements and other documents about
11:27 32 the cultural reform program. One message that comes through
11:28 33 repeatedly is the Board's desire to reset the tone. Ms Coonan, I'm
11:28 34 not sure if you are aware of her statement, but she's provided
11:28 35 examples of some things that she believes the Board is doing to
11:28 36 reset the tone. I wanted to give you to speak, Ms Halton, to speak
11:28 37 about what you have done to reset the tone at the top.

11:28 38

11:28 39 A. Thank you. So one of the first things that I did was actually
11:28 40 talk about a range of senior managers in the business to reinforce
11:28 41 the messages that, firstly, we needed to find all examples of
11:28 42 non-compliance and behaviour that is below the standard we
11:28 43 should be expected to adhere to. That is a higher standard than
11:29 44 just straight compliance. I've delivered that message personally
11:29 45 to a whole series of senior managers. I have also talked
11:29 46 whenever I've been in the properties, and I've been --- well,
11:29 47 before all the assorted shutdowns, I've been in the Melbourne

11:29 1 property more than the Sydney property, but I've always taken the
11:29 2 opportunity just to talk with individual staff members --- I
11:29 3 describe it as being harassed by a director. You know, somebody
11:29 4 in a lift, talking to a guy on the security at the door as you go in,
11:29 5 floor walking through the casino.

11:29 6
11:29 7 I've also, and I think the directors have been doing this, is
11:29 8 basically trying to get into --- and this is not normally a director's
11:30 9 responsibility, which I'm sure you appreciate, as we have been
11:30 10 exiting people from the Board who need and needed to go.

11:30 11
11:30 12 We've also been looking to recruit very high quality executives
11:30 13 who are, and if I can put this term colloquially, are not beholden.
11:30 14 In other words, they bring the professional skills and experience
11:30 15 and many of them (inaudible) to bring them to bear in
11:30 16 an environment where we need a complete reset.

11:30 17
11:30 18 So it has been both personal advocacy, looking at the decisions
11:30 19 we have taken since basically you might as well say the
11:30 20 beginning of March. It has been about talking with individual
11:30 21 staff, walking around the properties. I can properly think of other
11:30 22 things but that probably gives you at least a bit of a flavour.

11:30 23
11:30 24 Q. When did you start doing those things?

11:30 25
11:31 26 A. Well, I've always talked --- I mean, I've always done the
11:31 27 talking to people. Because of other things I do, I'm usually on the
11:31 28 property in Melbourne, COVID aside, probably about once every
11:31 29 three weeks. So I have always harassed people on the floor to
11:31 30 talk to them. It is a habit ---

11:31 31
11:31 32 Q. We'll edit that from the transcript!

11:31 33
11:31 34 A. Yes, thank you. You know what I mean, though.

11:31 35
11:31 36 Q. I do.

11:31 37
11:31 38 A. And you know I got this habit very early in my career when
11:31 39 I was responsible for things like aged care, there is no substitute
11:31 40 for going to talk to people pushing a trolley or somebody who is
11:31 41 on the door, et cetera, et cetera. So I've always done that.

11:31 42
11:31 43 I've always talked also to the people in my committee
11:31 44 responsibility. You mentioned that I took over the
11:31 45 Risk Committee at the beginning of 2020. I work very closely
11:31 46 with all the people involved in that bit of the business to provide
11:31 47 guidance, and to push and to test and to challenge.

11:31 1
11:32 2 So I guess what I would say to you is that part of the way I
11:32 3 undertake my role hasn't changed, but I think we've had much
11:32 4 more authority with these business-wide messages basically since
11:32 5 late February, early March.
11:32 6
11:32 7 Q. Do you have any observations to make --- you have been
11:32 8 very clear about what you have done and walking the floor is
11:32 9 something you have said you have always done, some other
11:32 10 things you said you have more recently done. Do you accept they
11:32 11 could have been done before that?
11:32 12
11:32 13 A. I've always talked to senior management --- I don't want to
11:32 14 be misinterpreted. I've always talked to senior management. I've
11:32 15 always actually delivered. And in fact, you can see in the Bergin
11:32 16 Inquiry I went back and tested and I tested a series of times in
11:32 17 relation to particular issues.
11:32 18
11:32 19 I have always basically engaged with senior management and
11:33 20 asked them these sorts of questions. One of the messages that I
11:33 21 had --- so that process is ongoing. I think I sometimes irritate
11:33 22 senior management because of it, but one of the things that I have
11:33 23 been able to deliver is not just my personal message, which is
11:33 24 something I've always done about what I think is important on
11:33 25 risk or whatever it might be, but I've also been able to deliver
11:33 26 an unambiguous message from the Board, an unambiguous
11:33 27 message about our approach, our appetite, and the appetite is
11:33 28 very, very, very important, but also what we value.
11:33 29
11:33 30 And we go back to social licence: how should we be running this
11:33 31 business? That is now much clearer and, frankly, I have been
11:33 32 delighted to be able to communicate that message.
11:33 33
11:33 34 Q. And in how you are running the business, is that now
11:33 35 including asking more questions when you are on the Board and
11:34 36 in the meetings?
11:34 37
11:34 38 A. Look, what I would say to you is I have always asked
11:34 39 questions. I can't say that I think that the responses have always
11:34 40 been, as we now know, what I would describe as fulsome. What
11:34 41 I would say to you is that questioning, but also now the ability to
11:34 42 drive the things that we've already talked about here this morning,
11:34 43 that culture change, being able to be confident in the people, the
11:34 44 new people we've brought in who are high quality, very
11:34 45 experienced executives. So they will continue to get asked the
11:34 46 questions. I have more confidence that I will get appropriate
11:34 47 answers.

11:34 1
11:34 2 Q. Just picking up on the point you mentioned about getting
11:34 3 appropriate answers and people being forthcoming; is that
11:34 4 something you didn't appreciate was not happening in the past?
11:34 5
11:34 6 A. Look, I think that is a fair enough observation. It takes
11:35 7 a while, when you join a Board, to get the line and length, I think,
11:35 8 of people, and certainly over time that became clearer, yes.
11:35 9
11:35 10 MS NESKOVCIN: Commissioner, I'm going to go to a different
11:35 11 topic. Perhaps we could have a 10-minute break.
11:35 12
11:35 13 COMMISSIONER: Yes, we'll do that.
11:35 14
11:35 15
11:35 16 **ADJOURNED** [11.35AM]
11:49 17
11:49 18
11:49 19 **RESUMED** [11.49AM]
11:49 20
11:49 21
11:49 22 MS NESKOVCIN: Thank you, Ms Halton.
11:49 23
11:49 24 When did you first learn about the potential unpaid liability for
11:49 25 gaming tax?
11:49 26
11:49 27 A. I believe it was 7 June, if that is the date of the media
11:49 28 report.
11:49 29
11:49 30 Q. Sorry, if that is the date of?
11:49 31
11:49 32 A. When it was reported in the media. I believe it was the 7th.
11:49 33 Maybe I'm wrong about the actual date.
11:49 34
11:49 35 Q. No, I think that was the date following Mr Mackay's
11:50 36 evidence. You were in a meeting with the other directors, I'm not
11:50 37 sure if it was a Board meeting or just a meeting? Which was it?
11:50 38
11:50 39 A. That day, having looked at my diary, we had a Risk
11:50 40 Committee meeting followed by a Sydney board meeting.
11:50 41 My memory, that meeting, and it was I believe at the end of the
11:50 42 Risk Management Committee meeting when that report came
11:50 43 through.
11:50 44
11:50 45 Q. From whom?
11:50 46
11:50 47 A. I believe it would have been the person who sends media

11:50 1 reporting to members of the Board.
11:50 2
11:50 3 Q. So it was a media report about some evidence given in this
11:50 4 Royal Commission; is that correct?
11:50 5
11:50 6 A. That's correct.
11:50 7
11:50 8 Q. What happened? Who said what, how did you react?
11:50 9
11:50 10 A. Well, I and everybody else who was there was shocked.
11:50 11
11:51 12 Q. And what did you say?
11:51 13
11:51 14 A. Well, what is it, where did it come from, what is this? I
11:51 15 can't tell you the exact words but I can tell you the --- I mean, we
11:51 16 could use a three-letter acronym.
11:51 17
11:51 18 Q. I think we are all following.
11:51 19
11:51 20 What was the follow-up? Did you get someone on the phone, did
11:51 21 somebody say "Look, I will follow it up and report back what
11:51 22 happened"?
11:51 23
11:51 24 A. Yes, certainly the intention was to find out exactly what
11:51 25 this was meant to be and to inform us of what the evidence was in
11:51 26 relation to, because none of us knew. And I should clarify, my
11:51 27 memory is it was at the end of that Risk Management Committee,
11:51 28 so the people who were in attendance in terms of the directors did
11:51 29 not include, is my memory, Mr Carter, who whilst he's not
11:52 30 confirmed as a director had been sitting in on the meeting, but my
11:52 31 memory is he had to go to another appointment. He was on
11:52 32 virtually, he wasn't there physically, I think. And I think he had
11:52 33 another engagement.
11:52 34
11:52 35 Q. Were there any executives present at the meeting?
11:52 36
11:52 37 A. I would have to refresh my memory. Ms Siegers was
11:52 38 certainly there. Some of it was on video so I can't completely
11:52 39 recall who was on the video --
11:52 40
11:52 41 Q. That's right.
11:52 42
11:52 43 A. --- at that point.
11:52 44
11:52 45 Q. The reason I asked was whether there was anyone present
11:52 46 that could have said, "Oh, I know all about that, it is this", but I
11:52 47 take it that didn't happen?

11:52 1
11:52 2 A. No. That is certainly not consistent with my memory.
11:52 3
11:52 4 Q. Then, after that meeting, what did you find out?
11:53 5
11:53 6 A. Well, I found out that there was the suggestion that there
11:53 7 had been a significant underpayment of this particular tax, and I
11:53 8 found out that this had been given in evidence, it was in respect
11:53 9 of a schedule or spreadsheet, however we would like to describe
11:53 10 it, the number I think that had been reported was in that
11:53 11 document.
11:53 12
11:53 13 Q. All right, and who did you find that out from? Your
11:53 14 lawyers, or inquiries you made of Crown staff?
11:53 15
11:53 16 A. We, we were all --- a number of us, as I think I indicated,
11:53 17 and I can't tell you the precise answer to that question because
11:53 18 there were a number of people who were there at the time as part
11:53 19 of both the Risk Management Committee and Sydney Board
11:53 20 meeting. So all I can say is it became clear later on that afternoon
11:54 21 what the reference was to.
11:54 22
11:54 23 Q. After that, what did you do, or what did the Board do in
11:54 24 terms of investigating? Did you get advice, what happened?
11:54 25
11:54 26 A. So certainly the request was to get advice about this, what
11:54 27 was it, what was the quantum, what were the issues were in
11:54 28 respect of it, and I think what is known, a number of advices were
11:54 29 sought, including (inaudible) advices.
11:54 30
11:54 31 Q. Did you follow the evidence that Mr Walsh gave in this
11:54 32 Commission?
11:54 33
11:54 34 A. Bits of it. I can't say all, but bits of it.
11:54 35
11:54 36 Q. Are you aware of the evidence he gave that he raised the
11:54 37 issue with you on 3 or 4 March 2021?
11:54 38
11:54 39 A. I'm certainly aware he had said he met with me --- I think
11:54 40 he said 3rd or 4th. It was the 4th.
11:54 41
11:54 42 Q. He said it was a catch-up at the Crystal Club at the casino.
11:54 43 You recall having a catch-up with Mr Walsh at the Crystal Club
11:55 44 on 4 March, do you?
11:55 45
11:55 46 A. I do.
11:55 47

11:55 1 Q. What is your recollection about --- did you discuss a variety
11:55 2 of things?

11:55 3

11:55 4 A. Mm.

11:55 5

11:55 6 Q. I'm not interested in the other things, I'm just interested in
11:55 7 the tax issue or the bonus jackpots issue. I'm not exactly sure
11:55 8 how he described it, but can you tell the Commission what he
11:55 9 said to you on that topic on 4 March?

11:55 10

11:55 11 A. Yes, I can. My memory is that he told me, and it is in the
11:55 12 context of a "bring out your dead" broader admonition. This
11:55 13 wasn't a discussion about all of the things --- it was a discussion
11:55 14 about operation of the business, et cetera, et cetera, but he said to
11:55 15 me, "One thing that I've become aware of, it reflects badly on
11:55 16 culture, it is an issue from two thousand" --- and I believe he said
11:55 17 "12" --- "in respect of something that wasn't fulsomely disclosed
11:56 18 and there is a note, a document, that talks about not telling the
11:56 19 VCGLR something."

11:56 20

11:56 21 I believe he said "jackpot", he didn't say "tax", and he said that,
11:56 22 however this matter was disclosed to the VCGLR in ---
11:56 23 subsequently in 2018. And that was about the extent of it.

11:56 24

11:56 25 Q. I see. So did he describe it as a tax, an unpaid tax issue?

11:56 26

11:56 27 A. No.

11:56 28

11:56 29 Q. He just described it as something that reflects badly on
11:56 30 culture that happened in 2012 that was not disclosed
11:56 31 fulsomely ---

11:56 32

11:56 33 A. Correct.

11:56 34

11:56 35 Q. --- but it was fixed up in 2018?

11:56 36

11:56 37 A. That was what I took from that conversation. Correct.

11:56 38

11:56 39 Q. His evidence was he talked about advice that had been
11:56 40 received in 2012 and 2018 which he described as equivocal. You
11:57 41 don't recall that?

11:57 42

11:57 43 A. No, I don't, I'm sorry.

11:57 44

11:57 45 Q. He said that there was a presentation; you don't recall him
11:57 46 referring to a presentation although you recall him saying
11:57 47 something?

11:57 1
11:57 2 A. A document. He did say a document.
11:57 3
11:57 4 Q. He didn't have the document to show you?
11:57 5
11:57 6 A. No.
11:57 7
11:57 8 Q. You didn't ask to see the document?
11:57 9
11:57 10 A. No.
11:57 11
11:57 12 Q. What was the overall impression that you were left with
11:57 13 after that meeting, was it that it was a small matter that might be
11:57 14 a little bit embarrassing but it would be okay?
11:57 15
11:57 16 A. That it went to culture, yes. And, in fact, I mean, in fact my
11:57 17 memory is I said "Well, you should make sure the Executive
11:57 18 Chairman knows about that, but we are all about full disclosure
11:58 19 of sins, misdemeanours and bad --- all of these things and that
11:58 20 will rightly come out." And then the conversation moved on.
11:58 21
11:58 22 Q. And knowing what you now know, was there anything
11:58 23 about what he said at the time that made you think, "Oh, I should
11:58 24 have probed a bit about that" or was it the case ---
11:58 25
11:58 26 A. (Nods head).
11:58 27
11:58 28 Q. --- it just sounded like it was something he was on top of?
11:58 29
11:58 30 A. He told me he was worried about --- I took from it that he
11:58 31 was worried about the way it presented culture. But no, it was
11:58 32 not something that I got a clear message needed to be followed
11:58 33 up. And I think, if I might observe, that when we discussed
11:58 34 earlier, when that media report came through, I had no notion,
11:58 35 and it took some time to figure out that that media reporting in
11:58 36 respect of the underpayment of tax had any connection with that
11:59 37 issue.
11:59 38
11:59 39 Q. And he certainly didn't tell you that was something he'd
11:59 40 been aware of since at least 2018, did he?
11:59 41
11:59 42 A. No, I don't believe so.
11:59 43
11:59 44 Q. You now know that he was one of the people that was
11:59 45 aware of the issue when it emerged in 2018; correct?
11:59 46
11:59 47 A. My understanding that others were aware, yes.

- 11:59 1
11:59 2 Q. But Mr Walsh was one of them, but he didn't tell you that
11:59 3 personally?
11:59 4
11:59 5 A. No.
11:59 6
11:59 7 Q. He certainly didn't tell you the full extent of the issue,
11:59 8 according to your evidence, namely the advice, proceeding with it
11:59 9 nevertheless, and the issue of non-disclosure to the VCGLR?
11:59 10
11:59 11 A. The issue about the VCGLR, as I said earlier, that there was
11:59 12 the cultural thing, what we didn't tell the VCGLR, and then we
11:59 13 had disclosed in 2018. So he did explain we hadn't been
12:00 14 fulsome ---
12:00 15
12:00 16 Q. But you now understand the issue about not being fulsome
12:00 17 is a potential issue about concealment?
12:00 18
12:00 19 A. Well, I understand that we did not --- I mean, I don't know
12:00 20 what your technical definition of the word "concealment" is, but
12:00 21 certainly we were not full, open and fully disclosed to the
12:00 22 VCGLR at the time, absolutely.
12:00 23
12:00 24 Q. And Mr Walsh did not make that clear to you on 4 March?
12:00 25
12:00 26 A. No.
12:00 27
12:00 28 Q. Now, one way of looking at that disclosure to you on 4
12:00 29 March is that in itself represents something about culture. What
12:00 30 it suggests is the Board's attempts to send a message of speaking
12:00 31 up and delivering bad news hasn't gotten through to Mr Walsh.
12:01 32 Do you think that is the problem?
12:01 33
12:01 34 A. I wouldn't want to speculate. What I would say is in
12:01 35 subsequent discussions with Mr Walsh, including when I was
12:01 36 preparing my statement where I put a series of questions I found
12:01 37 him to be open. I would say that the changes that we made to the
12:01 38 composition of the board, which you are very familiar with, they
12:01 39 occurred really basically up until about that point. So this is
12:01 40 literally immediately after we are in the process of exiting
12:01 41 directors. It was a very difficult time. So I accept your point that
12:01 42 this happened after we made those changes. I think we were in
12:01 43 the early stages and demonstrating that we were going to exit
12:01 44 people from the business, and we were going to take a different
12:01 45 approach. So the temporal reference is (inaudible).
12:01 46
12:02 47 Q. It concerns you, though, that he downplayed it?

- 12:02 1
12:02 2 A. It does.
12:02 3
12:02 4 Q. And it concerns you now, knowing that he was in the midst
12:02 5 of it in 2018; didn't it?
12:02 6
12:02 7 A. It does.
12:02 8
12:02 9 Q. And it concerns you now that having sent that clear
12:02 10 message that you were trying to send, you and the Board were
12:02 11 trying to send in December 2020 that he assumed the role of CEO
12:02 12 in December 2020 and he didn't speak up; that concerns you,
12:02 13 doesn't it?
12:02 14
12:02 15 A. It does. I would make the point that in December 2020 we
12:02 16 had the full complement of previous directors, the unambiguous
12:02 17 message --- we've already discussed this --- was basically from
12:02 18 the point at which we exited all of those people. But, yes, it
12:02 19 concerns me.
12:02 20
12:02 21 Q. Well, you've put your faith in him as the CEO of Crown
12:02 22 Melbourne; correct?
12:02 23
12:02 24 A. He is in that role, correct.
12:02 25
12:03 26 Q. And that is a very senior role with responsibility, and
12:03 27 you assume, when someone takes on that responsibility, that they
12:03 28 appreciate the need to do the right thing; correct?
12:03 29
12:03 30 A. Correct.
12:03 31
12:03 32 Q. And regardless of who the directors are at the time, who
12:03 33 were his reports at the time, in 2018 or later, once he becomes the
12:03 34 CEO you expect him, regardless of anything that you might say
12:03 35 and who else is there, to speak up, don't you?
12:03 36
12:03 37 A. I do.
12:03 38
12:03 39 Q. And he didn't do that, did he?
12:03 40
12:03 41 A. Not in this instance.
12:03 42
12:03 43 Q. Do you feel comfortable that Crown Melbourne is in the
12:03 44 right hands while Mr Walsh is the CEO and a director of Crown
12:03 45 Melbourne?
12:03 46
12:03 47 A. So what I would say to you is we have a range of issues to

12:03 1 manage inside the business. Mr Walsh, in my subsequent
12:04 2 dealings with him, has been quite candid. I have not talked to
12:04 3 him yet about why, on this particular --- in this particular instance
12:04 4 he did not tell me in words of one syllable that this potentially
12:04 5 meant a tax --- do you know what I mean? And my strong
12:04 6 preference in dealing with people is firstly to treat them on face
12:04 7 value in terms of how they behave, and I should make the point I
12:04 8 have had very little to do with him before he took on this
12:04 9 particular role. And as you have already observed, I haven't been
12:04 10 on the Crown Melbourne Board so my interactions with him were
12:04 11 very limited.

12:04 12
12:04 13 So I would say there are very questions here, definitely, but I
12:04 14 haven't had the opportunity to talk to him, and it wouldn't have
12:05 15 been appropriate for me to talk with him before coming to talk to
12:05 16 you today.

12:05 17
12:05 18 Q. I understand that, and I understand that this is a very public
12:05 19 forum but you need to do your best to assist the Commission on
12:05 20 this ---

12:05 21
12:05 22 A. I do.

12:05 23
12:05 24 Q. --- because this is the future of the organisation --

12:05 25
12:05 26 A. I agree.

12:05 27
12:05 28 Q. --- and the Commission needs to understand that you feel
12:05 29 comfortable with the organisation going forward. You've said
12:05 30 your message has been delivered loud and clear. The first
12:05 31 opportunity Mr Walsh takes, not the first opportunity he has, the
12:05 32 first opportunity he takes to raise it with you, he downplays it.
12:05 33 He's at the centre of it. He had responsibilities from the end of
12:05 34 December 2020. What faith do you have that this sort of thing
12:05 35 won't happen again?

12:05 36
12:05 37 A. Well, I would say to you I am concerned about that. I am
12:05 38 also concerned to give somebody an opportunity to put a view,
12:05 39 and my dealings with him in the last few months, he's been very
12:06 40 open, honest and straightforward. So I am concerned, that is
12:06 41 absolutely correct. I would also make the point that Mr McCann
12:06 42 has arrived, Mr McCann is going to make an assessment about all
12:06 43 of our senior management team going forward. I'm conscious
12:06 44 that whilst the directors have had to step in in ways that are not
12:06 45 normally what we do, to do recruitments to actually change all
12:06 46 these things over a very short period of time, I would also like to
12:06 47 give Mr McCann the opportunity to be part of this journey. It is

12:06 1 not up to me now on my own. But you are right, I am sceptical.

12:06 2

12:06 3 Q. Thank you, Ms Halton.

12:06 4

12:06 5 One other matter if I might, and this is something that has only
12:06 6 recently come up for both of us. Yesterday we received
12:07 7 a memorandum from Ms Siegers regarding recommendations
12:07 8 made in an expert report prepared for this Commission in relation
12:07 9 to Crown's risk management frameworks. I will have the
12:07 10 document brought up. CRW.512.210.0001.

12:07 11

12:07 12 I understand that there was a Risk Management Committee
12:07 13 meeting yesterday and this was a paper that Ms Siegers prepared
12:07 14 and presented to the Committee; that is correct?

12:07 15

12:07 16 A. No, no. I think Ms Siegers had been provided with a copy
12:07 17 of the expert report, she has diligently analysed it. I had read it
12:07 18 already, and I think this is her contribution to the members of the
12:07 19 Risk Management Committee about her views on that report.

12:07 20

12:07 21 Q. I see. So can you clarify, you've had an opportunity to read
12:08 22 the report; that is correct?

12:08 23

12:08 24 A. Correct.

12:08 25

12:08 26 Q. And, as I understand, and you've had an opportunity to read
12:08 27 Ms Siegers's paper?

12:08 28

12:08 29 A. Very briefly. It's only --- when was it dated? Was that
12:08 30 yesterday? I think so.

12:08 31

12:08 32 Q. I will ask the operator to go to the end of the second page.
12:08 33 It is recommended that the 22 recommendations be discussed at
12:08 34 the next meeting in August; you see that?

12:08 35

12:08 36 A. I do.

12:08 37

12:08 38 Q. I wanted to understand your intention and the process from
12:08 39 here, and I will summarise it.

12:08 40

12:08 41 My assessment of this paper is Ms Siegers has read the expert
12:08 42 report, she's taken on board some of the recommendations, she's
12:08 43 effectively disagreed with some, but what is going to be the
12:08 44 process on your part as Chair of the Risk Management
12:08 45 Committee and the broader Committee to consider the
12:08 46 recommendations in the expert report?

12:09 47

12:09 1 A. So this is a very helpful report, so thank you to the
12:09 2 Commission for this report. Obviously any of this kind of input
12:09 3 is going to be considered and considered very carefully. She
12:09 4 makes the point, and --- as it happens, one of our incoming
12:09 5 directors, Mr Carter, has actually worked with (inaudible) very
12:09 6 closely at the Bank of Queensland. She does make the point,
12:09 7 which I think is accurate, that his experience is in financial
12:09 8 services, and speaking as a director of a large ADI, I can agree
12:09 9 that there are some differences between financial services and
12:09 10 this particular institution.

12:09 11
12:09 12 That said, and I would say that because we've just split the audit
12:09 13 and risk function as I think you would be aware from my
12:09 14 statement, what we need to do is then --- and what I would say to
12:09 15 you is a lot of the practice is actually in play, we are doing
12:10 16 a number of these things but we have to have a documentation
12:10 17 catch-up.

12:10 18
12:10 19 The other thing I want to do, and I've said this in my statement
12:10 20 and I said it very clearly is obviously the work on the risk
12:10 21 framework, particularly the metric has to continue. That is the
12:10 22 way you get a sense of where you are at a particular point in time
12:10 23 on individual issues.

12:10 24
12:10 25 So, yes, I mean, this will be given very careful consideration. We
12:10 26 are not scheduled at the moment to meet until August. I would
12:10 27 be hoping that prior to that time we will be able to consider this.
12:10 28 There are a number of these things that could be implemented
12:10 29 immediately and they will be.

12:10 30

12:10 31 Q. Thank you, that's helpful, Ms Halton. So you agree it is
12:10 32 a considered report?

12:10 33

12:10 34 A. I do. I think some of the issues in it are --- and he
12:10 35 acknowledges this at the outset, that he is not familiar with this
12:10 36 industry. He also of course hasn't had the opportunity to talk with
12:10 37 people but it will be treated very seriously.

12:10 38

12:11 39 Q. You mention that Mr Carter has worked with the author of
12:11 40 that report previously and regards him highly, no doubt?

12:11 41

12:11 42 A. Indeed.

12:11 43

12:11 44 Q. And you've effectively given an assurance to the
12:11 45 Commission that the matter will be considered very carefully by
12:11 46 the Risk Management Committee?

12:11 47

12:11 1 A. Absolutely. And, in fact, I'm grateful to the Commission
12:11 2 for having done the work. We have to make sure --- risk
12:11 3 management doesn't stop. You have to keep working on it, and
12:11 4 so this is very helpful.

12:11 5
12:11 6 MS NESKOVCIN: Thank you, Ms Halton.

12:11 7
12:11 8 I have nothing further for Ms Halton. I'm not sure if there are any
12:11 9 questions.

12:11 10

12:11 11

12:11 12 **QUESTIONS BY THE COMMISSIONER**

12:11 13

12:11 14

12:11 15 COMMISSIONER: I have a couple of questions. Can you bring
12:11 16 that note up again. I haven't seen it before.

12:11 17

12:11 18 MS NESKOVCIN: It came in last night, Commissioner.

12:11 19

12:11 20 Mr Peter Deans has provided the report to this Commission in
12:11 21 relation to the framework. Ms Siegers, it appears, has considered
12:11 22 Mr Deans' recommendations and agreed with some, made
12:12 23 comments on others, and as we have just heard, the process is the
12:12 24 Risk Management Committee will consider the report in more
12:12 25 detail.

12:12 26

12:12 27 COMMISSIONER: I see.

12:12 28

12:12 29 Can I just ask, Ms Halton, if you look at the first paragraph ---

12:12 30

12:12 31 A. Yes.

12:12 32

12:12 33 COMMISSIONER: --- the second sentence strikes me as not
12:12 34 insignificant. Ms Siegers obviously doesn't like the report.

12:12 35

12:12 36 A. Actually on the contrary, Commissioner, I think she does
12:12 37 like it.

12:12 38

12:12 39 COMMISSIONER: Done by a person who doesn't know what
12:12 40 he's talking about, "without knowledge or engagement with
12:12 41 Crown staff". In other words the opening paragraph she is
12:12 42 critical of the report. I don't regard that as such a good start.

12:12 43

12:12 44 A. So, Commissioner, can I just make an observation.

12:12 45 Ms Siegers's first language is not English, and ---

12:12 46

12:12 47 COMMISSIONER: I've heard Ms Siegers. She has given

12:12 1 evidence.
12:12 2
12:12 3 A. I know, and she is very, very direct and factual.
12:12 4
12:12 5 COMMISSIONER: She's in good company, Ms Halton!
12:12 6
12:12 7 A. Indeed. So, knowing her as I do, I do not regard that as
12:13 8 a critical statement. It is a statement of fact. The Commission
12:13 9 has commissioned this. As I said, that is welcome, and I think
12:13 10 very helpful. So I actually don't --- knowing her as I do, I do not
12:13 11 regard that as a criticism.
12:13 12
12:13 13 COMMISSIONER: Yes, okay.
12:13 14
12:13 15 Can I ask you a question about a topic you haven't been asked
12:13 16 about at all, but I did raise it with other people, one other person
12:13 17 from Crown the other day, and that is the organisational structure
12:13 18 between Crown Resorts and Crown Melbourne. I don't know
12:13 19 whether anybody told you that I'm interested in that. What I'm
12:14 20 trying to work out is where the real responsibility and
12:14 21 decision-making lies and makes place. To be quite frank about it,
12:14 22 I've seen inconsistent material. In some of the witness statements
12:14 23 or some of the evidence I've got, it speaks about a proposal to
12:14 24 centralise.
12:14 25
12:14 26 The Sixth Review by the regulator says the exact opposite, it says
12:14 27 that there has been centralisation and in the Sixth Review there is
12:14 28 a list of every major function that is carried on by Crown
12:14 29 Melbourne has been centralised.
12:14 30
12:14 31 There is advice obtained from Freehills about whether to do or
12:14 32 not to do it, and the risks and advantages, and the Freehills advice
12:14 33 assumes that it hasn't taken place.
12:14 34
12:15 35 So there is a disconformity between what people are saying and
12:15 36 what is happening on the ground, but I'm interested --- I don't
12:15 37 really care whether people make mistakes or the timing is
12:15 38 different, I don't really care about that, but I tell you what I do
12:15 39 care about: I'm very much concerned that Crown Melbourne,
12:15 40 which I know is a subsidiary company, but is the main company
12:15 41 in the group --
12:15 42
12:15 43 A. It is.
12:15 44
12:15 45 COMMISSIONER: --- in the sense it has the biggest business, it
12:15 46 makes the most money, it employs the most staff and therefore
12:15 47 carries the greatest responsibility of the group in terms of

12:15 1 compliance and financial concerns, all the rest of it. It is the
12:15 2 central company. I'm looking at it from the position of the
12:15 3 regulator. Just assume that the regulator needs to have close
12:15 4 contact or close oversight with the decision-making. You should
12:16 5 assume it is of great concern to me that that decision-making is
12:16 6 shifting out of Crown Melbourne where the main tasks have to be
12:16 7 carried out and moving elsewhere.

12:16 8
12:16 9 Now, I understand the logical and practical reasons why you
12:16 10 might do that because it is at least cost-efficient, if nothing else,
12:16 11 and it might be there are lots of other benefits as well.
12:16 12 Ms Siegers and Ms Bauer are people who are managing across
12:16 13 the field, but if I was the regulator and wanted to see exactly what
12:16 14 was going on and who was doing it and how it was being done
12:16 15 and is it being done properly, the Victorian regulator only cares
12:16 16 about Melbourne, doesn't care --- well, you know what I mean.
12:16 17 They care about what happens elsewhere as well because it is
12:16 18 a reflection of the Melbourne organisation --

12:16 19
12:16 20 A. I know.

12:16 21
12:16 22 COMMISSIONER: --- but if they want to really sit on top of what
12:17 23 is going on and see what is going on, they don't want see risk
12:17 24 management meetings taking five minutes because they adopt
12:17 25 what happens at central office, they don't want compliance
12:17 26 committee meetings having five minutes because they adopt the
12:17 27 recommendations from head office, and the Responsible Service
12:17 28 of Gambling is on the floor, on the ground problems. They want
12:17 29 people who know and can see and oversight it properly.

12:17 30
12:17 31 I'm worried about lots of things, but one of the organisational
12:17 32 things I'm worried about is that if you shift decision-making, I
12:17 33 mean control of --- if you shift control, any part of the control of
12:17 34 Melbourne away from Melbourne, it makes the regulator's
12:17 35 position almost, I wouldn't say impossible because nothing is
12:17 36 impossible, but much more difficult than it otherwise would have
12:17 37 to be. I'm very interested in your take on that.

12:17 38
12:18 39 A. Okay, thank you, Commissioner. I completely understand
12:18 40 your concern, and in fact, I've been highly conscious. As
12:18 41 a former regulator myself, highly conscious of the challenge that
12:18 42 regulators have and the assurance they have to have about how
12:18 43 things actually work and operate. So there is a couple of
12:18 44 observations I would make.

12:18 45
12:18 46 Firstly, Crown Melbourne is the operator of and has those
12:18 47 structures in place that we've talked about already. You know,

12:18 1 and it was in my statement, it has an Audit Committee,
12:18 2 Compliance Committee, Enterprise Risk, et cetera, all those
12:18 3 committees.

12:18 4
12:18 5 When you say things being moved away from Melbourne, in a
12:18 6 corporate structure, and I want to draw a parallel with other
12:18 7 industries if you will just indulge me for a second. In the
12:18 8 corporate structure, we have Melbourne, we have Sydney as
12:18 9 a separate entity and we have WA. The things that you want to
12:18 10 be able to do to actually run efficiently is make sure that you
12:19 11 do --- you actually have economies of scale in terms of your
12:19 12 systems, and, indeed, your capacity to, for example, get expert
12:19 13 advice, et cetera, et cetera. But what you don't want to do is you
12:19 14 don't want to take away from the responsibilities of the people on
12:19 15 the Melbourne board or, indeed, the staff who are actually
12:19 16 running Crown Melbourne. What you see in a number of other
12:19 17 industries, efficiency that comes --- all of this work is done in
12:19 18 Melbourne, I assure you of this. The efficiency that comes with
12:19 19 one approach to automating, for example, the data you get from
12:19 20 electronic gaming machines, table games, et cetera, and ingesting
12:19 21 that into an AML program, you would know about that work
12:19 22 from I think what Steve Blackburn would have told you. But
12:19 23 what you do with it is then, apart from the fact that it is available
12:20 24 to the regulator, it is implemented by Crown Melbourne, and I
12:20 25 agree with you. This is confusing. Some people get confused
12:20 26 about the structures. But what I would say to you is, some of
12:20 27 these capabilities are organised and then rolled out across the
12:20 28 group, they are all rolled out from Melbourne. So the IT
12:20 29 department is in a building at Southbank. The people working on
12:20 30 AML are in the buildings at Southbank. They are all there, they
12:20 31 are in different parts of the complex.

12:20 32
12:20 33 So it is important I think to make that distinction. If you look at
12:20 34 groups who do a number of things, some of whom are subject to
12:20 35 different regulations, and let me take you to hospitals, if I might,
12:20 36 and particularly private hospitals and private hospital groups.
12:20 37 Probably we shouldn't talk about aged care, given what is going
12:20 38 on, but what you have are specific regulations in each of the
12:21 39 States, and the individual entities are responsible to those States
12:21 40 in respect of the regulations that they have; does that make sense?

12:21 41
12:21 42 COMMISSIONER: Yes, it does.

12:21 43
12:21 44 A. And they respond to that regulator. What they sometimes
12:21 45 do, though, and this is for efficiency and actually to get a better
12:21 46 outcome for the entity and also for the regulator, is they
12:21 47 prepare --- they will do once the work that they need to do on IT.

12:21 1 So you get economies of scale and you get, in my experience,
12:21 2 a better quality product in terms of the IT, because you can
12:21 3 actually take the costs of doing that development across all of
12:21 4 those entities rather than just across, in this case, the Melbourne
12:21 5 entity. But what you are doing still, as a regulated entity with
12:21 6 activities in different regulatory zones, it is the gift of federation,
12:22 7 you still have to be responsive to your regulator. You are still the
12:22 8 decision-maker in all of these things, but what you get is the
12:22 9 benefit of the economies of scale that comes across the Group.
12:22 10 And in our case, all of that work across the Group is done pretty
12:22 11 much --- there are a few IT people in WA, there is a few people
12:22 12 elsewhere, but that work is driven out of Melbourne.
12:22 13
12:22 14 COMMISSIONER: I understand fully the economic benefits that
12:22 15 you get from centralised administration, particularly the kind of
12:22 16 thing you are talking about, economies of scale, but that is really
12:22 17 talking about in the main, not exclusively of course, but in the
12:22 18 main we are talking there about capital expenditure, an IT system
12:22 19 across ---
12:22 20
12:22 21 A. Your own ---
12:22 22
12:22 23 COMMISSIONER: There are two things that worry me about it.
12:23 24 There are two levels. I'm talking at board level and senior
12:23 25 management level. At board level I'm worried about having
12:23 26 a close overlap between the parent company board and the
12:23 27 subsidiary board. I don't worry about that generally, but in a case
12:23 28 where I have the kind of regulation that I see is imposed by the
12:23 29 law here, I regard that as a real potential, not only the regulation
12:23 30 but agreements that exist between Crown Melbourne and the
12:23 31 State of Victoria and the regulator, I see the genuine --- a real
12:23 32 possibility for conflicts of interest. That is, head office will have
12:23 33 one view, taking into account the interests of the group, but the
12:23 34 interests of the group as a whole might not be in the interests of
12:23 35 Crown Melbourne. I will give you one simple example.
12:23 36
12:24 37 You take the benefit, the instrument that ASIC has published
12:24 38 many years ago, that if you are a published group accounts, as
12:24 39 you do, you comply with the dictates of instrument, one set of
12:24 40 accounts, very efficient, probably save you tens of thousands, if
12:24 41 not hundreds of thousands of dollars. So I get the efficiency.
12:24 42 And Crown does that because I see from its annual reports. The
12:24 43 cost though, is there a cost of guarantee. Every company in the
12:24 44 Group has to guarantee one another. That is fine for the Group, it
12:24 45 is fine for the parent company, fine for a West Australian
12:24 46 subsidiary, but Crown Melbourne, if it continues to exist, is
12:24 47 indebted to the State Government, it has to pay several hundreds

12:24 1 of millions of dollars, some in 2023, some in 2033, and all the
12:24 2 rest of it, the financial commitments which are ongoing. It might
12:25 3 not be in Crown Melbourne's interests, bearing in mind that it is
12:25 4 indebted, future debt by hundreds of millions of dollars, to
12:25 5 guarantee head office, guarantee Crown Resorts' debts and
12:25 6 guarantee WA's debts, and I don't know what other companies
12:25 7 might be operating companies. So I regard that --- and it's
12:25 8 a problem every time you group accounts, to take advantage of
12:25 9 the instrument that ASIC publishes or has put out.

12:25 10
12:25 11 So that is an easy conflict of interest. But I suspect that there are
12:25 12 very many other conflicts of interest, like even setting up a casino
12:25 13 in Sydney might not be in the best interests, it might be contrary
12:25 14 to the best interests of the Melbourne operation. You see my
12:25 15 problem. So I have a problem at two levels. That's at the Board
12:25 16 level where major decision-making takes place.

12:25 17
12:26 18 I don't like also the idea of say the Risk, Compliance
12:26 19 Committees, effectively, or the people in charge, or even
12:26 20 Responsible Gaming. Every State has a Responsible Gambling
12:26 21 manager but they report to head office. Can I tell you, I do not
12:26 22 like that. I think it is giving responsibility to a place where it
12:26 23 doesn't belong. In Melbourne, the Melbourne operation should
12:26 24 be fully responsible and have full oversight of its operations here.

12:26 25
12:26 26 Partly it is a philosophical debate as much as anything else, but in
12:26 27 one sense it is real because under the Management Agreement
12:26 28 you have to have --- it is written on the assumption that
12:26 29 management of the Victorian operation have to live here.

12:26 30
12:26 31 A. (Nods head).

12:26 32
12:26 33 COMMISSIONER: All the senior executives have to be
12:26 34 Victorian. The structure of the agreement is that it is run from
12:27 35 Victoria. That doesn't mean having staff here, it means the head
12:27 36 of every major section of the business has to be located here and,
12:27 37 I'm being quite frank about it, I don't like the idea of having
12:27 38 an overlap of board membership where the interests may and
12:27 39 often will not coincide. So that's a short speech, but it is very
12:27 40 important for you to deal with it and tell me what you think about
12:27 41 it.

12:27 42
12:27 43 A. Thank you, and thank you for putting that out for me to
12:27 44 perhaps engage with. If I could make a couple of points.

12:27 45
12:27 46 Firstly, I do work on another large Melbourne-based board which
12:27 47 has a subsidiary in another jurisdiction where we have a separate

12:27 1 board and the regulator there is very clear about the need for that
12:27 2 business to be run in a way that is not dictated, if I can put it in
12:28 3 that way. There is one cross-member across that board. Now,
12:28 4 the thing I would say to you, and you would know this, that
12:28 5 directors' duties are that you serve the purpose of the particular
12:28 6 company, so unless the parent has in some way indebted you,
12:28 7 which I'm not aware that we have in any way, shape or form,
12:28 8 those directors actually have that obligation.

12:28 9

12:28 10 Your point about overlap, I think that is a fair enough point to
12:28 11 make, you could have a difference of view or maybe not about
12:28 12 the likelihood of separating their obligations to one versus the
12:28 13 other. And you made a point about that maybe being
12:28 14 a philosophical discussion, I think that is a conversation we
12:28 15 would have perhaps not in this hearing, if I can put it that way.

12:28 16

12:28 17 COMMISSIONER: Don't think it is unimportant for this
12:28 18 hearing!

12:28 19

12:28 20 A. No, it's not, but my point is it could potentially be a long
12:28 21 conversation. But what I would say to you is this: that firstly,
12:28 22 you've expressed some concern, I think, in your remarks that, for
12:29 23 example, it might not be in the best interests of Crown Melbourne
12:29 24 in respect of the opening of Crown Sydney. One of the things I
12:29 25 do want to give you some assurance about is --- I arrived after
12:29 26 Sydney was agreed as an entity. It was a project on foot, it was
12:29 27 happening. But all the advice I've always had about that was it
12:29 28 would accretive to the entire business. In other words, everyone
12:29 29 gets a better financial outcome out of that particular investment.
12:29 30 There is nothing I've seen, or ever been told, that actually
12:29 31 suggests otherwise. In fact, the very consistent advice, and it is to
12:29 32 do with particularly international visitors and how they tend to
12:29 33 move across the properties and actually getting more of the
12:29 34 people who are in Sydney to come actually to our property in
12:29 35 Melbourne. So that is the one point I would make.

12:29 36

12:30 37 In terms of --- you mention Responsible Gambling as being
12:30 38 something that shouldn't be dictated by elsewhere. Again I would
12:30 39 ask you, because my view on this is it is a really important issue,
12:30 40 and the better capability we have, remembering that our RSG
12:30 41 function is located in Melbourne, and Mr Blackburn, I think he
12:30 42 talked to you about --- what we did was elevate it in terms of
12:30 43 senior manager so it wasn't down the structure --- sorry, I'm
12:30 44 waving my hands around now, that's not great.

12:30 45

12:30 46 COMMISSIONER: That's okay.

12:30 47

12:30 1 A. If you think about it as a top layer sitting under the CEO,
12:30 2 we elevated Responsible Gaming to one of that (inaudible),
12:30 3 which is where it should be, in my opinion. The work that you
12:30 4 can do, you have the resources which are across the whole group
12:31 5 in terms of bringing in the expertise, and I think you know
12:31 6 because these were the things that we have agreed to that we will
12:31 7 spend more time and energy on the research component to keep
12:31 8 current on that stuff. So I understand completely and agree with
12:31 9 you about Melbourne being heart of the operation, it absolutely
12:31 10 is, but I would suggest to you that removing the capacity to get
12:31 11 those synergistic benefits --- that's a terrible term and I apologise
12:31 12 for it --- it comes from the bigger group, enables you to spend
12:31 13 more money on that research and, I would argue then, improve
12:31 14 the practice. That's my experience trying to take research into
12:31 15 (inaudible) over a long time.
12:31 16
12:31 17 But your concern, I understand your concern, but I do think that
12:31 18 board is and has been (inaudible). You talked about the notion of
12:31 19 the corporate structure and some discussion about that. I have
12:32 20 been very aware of the importance to Victoria of having an entity
12:32 21 in Victoria, which is the Melbourne entity, and being responsible
12:32 22 to Melbourne, and the fact that all of our senior people should be
12:32 23 there. I understand that completely. There is the opportunity for
12:32 24 economies of scale that does not diminish the importance of
12:32 25 Melbourne and its responsiveness. I'm very confident of that.
12:32 26
12:32 27 That probably doesn't answer your questions.
12:32 28
12:32 29 COMMISSIONER: No, but it is an interesting conversation.
12:32 30 One of the reasons why it comes to mind necessarily --- I am
12:32 31 going to disclose some privileged advice but it doesn't matter ---
12:32 32 one of the things that Freehills advised about, the risks of
12:32 33 centralised management is the board of the head company, the
12:32 34 holding company, the parent company, they, the board members
12:32 35 have to take into account the interests of everybody: the parent
12:33 36 company, holding company and the subsidiaries. And that is
12:33 37 quite right; Freehills, when they point out the structure and deal
12:33 38 with the risks, quite correctly point out that that is a serious
12:33 39 potential risk when directors are trying to carry out their duties
12:33 40 because they have now a number of masters, or a number of areas
12:33 41 of responsibility, and I'm looking at it from the reverse, from the
12:33 42 bottom --- they were looking at it from the top down and I'm
12:33 43 looking at it from the bottom up. It's exactly the same problem
12:33 44 manifesting itself from a different starting point.
12:33 45
12:33 46 A. Yes. And what I'm saying to you in my experience is those
12:33 47 things actually are reconcilable. And I do think --- you have

12:33 1 made an important point about the independence of the
12:33 2 Melbourne board. It is legally constituted, it is independent and
12:33 3 your point about the cross-membership is a fair and valid point.
12:33 4 But what I would say to you is elsewhere that I am, I see that
12:33 5 issue managed on a very regular basis, and managed effectively.

12:33 6
12:34 7 Now, to my mind actually, this is the advantage of being
12:34 8 a publicly listed company because, I mean, these things are
12:34 9 properly regulated and scrutinised. So I completely understand
12:34 10 your concern, but my experience is it can be managed.

12:34 11
12:34 12 COMMISSIONER: Okay. Thanks. I don't have any other
12:34 13 questions to ask at the moment, Ms Halton. I think other people
12:34 14 might have a go.

12:34 15

12:34 16 A. Great!

12:34 17

12:34 18

12:34 19 **CROSS-EXAMINATION BY MR ROZEN**

12:34 20

12:34 21

12:34 22 MR ROZEN: Thank you, Commissioner.

12:34 23

12:34 24 Ms Halton, my name is Mr Rozen. I represent the VCGLR in this
12:34 25 proceeding. I'm conscious of time constraints and will keep it as
12:34 26 brief as I can.

12:34 27

12:34 28 I want to ask you briefly about two matters that have arisen in the
12:34 29 answers to questions asked by Counsel Assisting.

12:34 30

12:34 31 The first is with Mr Walsh earlier in March of this year about the
12:34 32 tax matter. You would agree that that was an informal
12:35 33 conversation?

12:35 34

12:35 35 A. It wasn't in a meeting as in a formally minuted meeting, but
12:35 36 yes, you could characterise it that way.

12:35 37

12:35 38 Q. And although you may not have appreciated it at the time,
12:35 39 you now realise it was about a very serious matter?

12:35 40

12:35 41 A. Of all the issues we discussed, which were many, this issue
12:35 42 was serious.

12:35 43

12:35 44 Q. Does the fact that it occurred in that informal way and
12:35 45 certainly from your perspective, Mr Walsh was not fulsome in his
12:35 46 description of the problem, does that tell us something about
12:35 47 culture at Crown?

12:35 1
12:35 2 A. I think we've already gone to that issue.
12:35 3
12:35 4 Q. Well, I'm not so much interested in the aspect of it in
12:35 5 relation to the fulsomeness of what Mr Walsh said, but rather the
12:35 6 informality of the occasion.
12:35 7
12:36 8 A. No, I don't, actually. The reality is that there would be
12:36 9 limited numbers of formal occasions, particularly in that period
12:36 10 immediately after the huge change that we went through, you are
12:36 11 aware of those dates, Mr Rozen, and this was --- and I've already
12:36 12 indicated Xavier is not somebody I had worked with
12:36 13 particularly closely or knew very well. The fact this is my
12:36 14 reaching out to meet with him, and in fact that was the beginning
12:36 15 of the first week that Mr Blackburn had started, and I met with
12:36 16 him as well to impress on him a range of issues, so this was
12:36 17 taking that opportunity. I'm not aware, I would have to go back
12:36 18 and refresh my memory, Mr Rozen, of whether there were other
12:36 19 venues or meetings at that time where this issue could have been
12:36 20 raised.
12:36 21
12:36 22 Q. You told Counsel Assisting it was in the context of the
12:36 23 "bring out your dead" request. Is that what you said earlier?
12:37 24
12:37 25 A. What I said was, and if I miscommunicated, I apologise.
12:37 26 What I said was there was a broad admonition which was being
12:37 27 issued by the Executive Chairman and the balance of the Board,
12:37 28 remembering that for all intents and purposes, at this point there
12:37 29 are three, four --- the actual working Board at this point is three.
12:37 30
12:37 31 Q. Yes.
12:37 32
12:37 33 A. So the message is, "We want to know, we need to find out
12:37 34 all this stuff, and we need to rectify it" because the way we want
12:37 35 to run this company is different and our approach going forward
12:37 36 should be not in any contention, or people should not
12:37 37 misunderstand us. That was late February. I don't have the
12:37 38 precise dates in front of me. So we're talking almost immediately
12:38 39 after that.
12:38 40
12:38 41 Q. I understand that. My point is, and perhaps I'm not making
12:38 42 it clear, that from Mr Walsh's perspective it was important
12:38 43 enough to raise with you in that context, coming clean about the
12:38 44 past; is that right?
12:38 45
12:38 46 A. Well, I can't impute his motives or reasons, I simply know
12:38 47 what was discussed or what he said.

12:38 1
12:38 2 Q. You didn't ask him what the subject matter was of the
12:38 3 concealment?
12:38 4
12:38 5 MS NESKOVCIN: Commissioner, I've asked about all of this.
12:38 6
12:38 7 COMMISSIONER: I think that is probably fair.
12:38 8
12:38 9 MR ROZEN: I will move on, Commissioner.
12:38 10
12:38 11 The other matter I wanted to ask about which you gave evidence
12:38 12 about this morning, in answer to a question from Counsel
12:38 13 Assisting, you said that in recent times Crown had appointed
12:38 14 senior executives who were not beholden. Do you recall saying
12:38 15 that earlier, Ms Halton?
12:38 16
12:38 17 A. I do.
12:38 18
12:38 19 Q. What did you mean by that?
12:38 20
12:38 21 A. What I mean by that is they weren't in the debt of or had
12:39 22 loyalties to people --- their only debt or loyalty is to the company.
12:39 23 They did not have historical relationships with people who had
12:39 24 been around for a long time, and they were bringing their best
12:39 25 professional selves to apply to the interests of the company, the
12:39 26 shareholders, the staff, and that was their motivation.
12:39 27
12:39 28 Q. Do you mean they weren't beholden to CPH?
12:39 29
12:39 30 A. They had no history with CPH.
12:39 31
12:39 32 Q. Yes.
12:39 33
12:39 34 A. They had no history with a number of the long-standing
12:39 35 directors.
12:39 36
12:39 37 Q. Okay. So that is a yes?
12:39 38
12:39 39 A. Yes.
12:39 40
12:39 41 Q. In your witness statement you responded to a question
12:39 42 about the confidential VCGLR draft China arrest report which
12:39 43 was provided to the board in May of 2019; do you know what I'm
12:39 44 referring to?
12:39 45
12:39 46 A. Can you point me to the bit in the witness statement,
12:40 47 please.

12:40 1
12:40 2 Q. Certainly. The question appears in your statement at the
12:40 3 bottom of page 20 and it is question number 20. I might give you
12:40 4 a moment to read question 20 at the bottom of the page to
12:40 5 yourself, Ms Halton, that might contextualise the conversation.
12:40 6
12:40 7 A. Yes, thank you, Mr Rozen, I have that section.
12:40 8
12:40 9 Q. I suggest to you that correspondence between the regulator
12:40 10 and the Board, and that's what this was, wasn't it? This was
12:40 11 correspondence from the VCGLR to the directors seeking input
12:40 12 in relation to the draft report; do you appreciate that?
12:40 13
12:40 14 A. Well, I did not appreciate it was correspondence with the
12:40 15 directors of Crown Resorts. Maybe I

12:41 16
12:41 17 Q. I want to try and do this without necessarily going to the
12:41 18 documents, but if it will help you, I am happy to. You see at
12:41 19 paragraph 141 of your statement, you say:
12:41 20
12:41 21 *The Crown Board received the confidential draft report in*
12:41 22 *the papers for the 12 June 2019 meeting.*
12:41 23
12:41 24 Do you see that?
12:41 25
12:41 26 A. Yes, my memory is that actually the Crown Board in this
12:41 27 context refers to Crown Melbourne. I could be wrong about that.
12:41 28
12:41 29 Q. I had understood otherwise because you refer --- do you see
12:41 30 at paragraph 147, looking at that, you say that after ---
12:41 31
12:41 32 A. 147 or 148?
12:41 33
12:41 34 Q. 147 you say that "it was agreed", and I've taken that to
12:42 35 mean that it was agreed by the Crown Resorts board "that it be
12:42 36 recommended that Crown Melbourne prepare a draft response";
12:42 37 do you see that?
12:42 38
12:42 39 A. Yes.
12:42 40
12:42 41 Q. Does that suggest then that the reference to the Crown
12:42 42 Board in paragraph 141 is in fact the Crown Resorts board?
12:42 43
12:42 44 A. To be honest, with you, without going back to the
12:42 45 document, it's been some time since I looked at this, I apologise,
12:42 46 Mr Rozen. I suspect you are right but I don't want to say
12:42 47 definitively in case that is not right.

12:42 1
12:42 2 Q. You will see in the second sentence that really clarifies it,
12:42 3 doesn't it:
12:42 4
12:42 5 *The Crown Board received the draft report and the*
12:42 6 *covering memorandum from Josh Preston to the Crown*
12:42 7 *Melbourne Board via a memorandum from Ms Manos.*
12:42 8
12:42 9 You see that?
12:42 10
12:42 11 A. Yes, thank you.
12:42 12
12:42 13 Q. This went to the Crown Resorts Board, which you are
12:43 14 a director of ---
12:43 15
12:43 16 A. Yes.
12:43 17
12:43 18 Q. --- and I know it is a while ago, but are you able to tell us
12:43 19 whether you also received, in addition to the report and
12:43 20 Mr Preston's memorandum, did you also receive the letter from
12:43 21 the VCGLR that provided the draft report?
12:43 22
12:43 23 A. I have no memory of that.
12:43 24
12:43 25 Q. I will ask it to be brought up and see if that assists you at
12:43 26 all. It is VCG.0001.0002.3370.
12:43 27
12:43 28 A. I honestly can't recall. I've seen this letter subsequently but
12:43 29 whether it was attached to the board papers or not, I can't recall. I
12:44 30 apologise.
12:44 31
12:44 32 Q. I'm interested in the last paragraph that you can now see on
12:44 33 the screen. If you scroll up a little bit, do you see the one that
12:44 34 says:
12:44 35
12:44 36 *The draft report is provided to you on a confidential*
12:44 37 *basis. Please be aware that as the report contains*
12:44 38 *protected information, disclosure of it may contravene*
12:44 39 *section 10.1.34 of the Gambling Regulation Act*
12:44 40 *Accordingly, it is requested that you ensure that access*
12:44 41 *and disclosure of this document is appropriately limited*
12:44 42 *to key personnel necessary to prepare a response.*
12:44 43
12:44 44 Do you see that?
12:44 45
12:44 46 A. I do.
12:44 47

12:44 1 Q. Did you read the draft report when it was presented in the
12:44 2 papers to the Board, Ms Halton?

12:44 3

12:44 4 A. I think I've said previously, I read the executive summary or
12:44 5 whatever it is called of the report. I skimmed the rest at the time.

12:44 6

12:44 7 Q. You would have noted, without going to detail, that the
12:45 8 VCGLR had formed the view, based on the investigation that it
12:45 9 had conducted, that the risk management systems of Crown and
12:45 10 processes that form the framework were never engaged to assess
12:45 11 the warning signs and the risk of Crown staff being detained in
12:45 12 China. Did you see that that was the conclusion that the
12:45 13 Commission had come to in its draft report?

12:45 14

12:45 15 A. Yes, I did, Mr Rozen, that's (inaudible).

12:45 16

12:45 17 Q. And there was, I suggest to you, a detailed explanation in
12:45 18 the draft report of the basis for that conclusion that the VCGLR
12:45 19 had come to; do you agree with that?

12:45 20

12:45 21 A. I do.

12:45 22

12:45 23 Q. I want to take you in particular to one part of the conclusion
12:45 24 of the draft report. This is VCG.0001.0001.0005 at native
12:46 25 page 10, which is _0010.

12:46 26

12:46 27 Paragraph 27, just to contextualise this, if you just go back to the
12:46 28 previous page, operator, paragraph 26 is where the conclusion is
12:46 29 that the risk management framework had failed to deal with the
12:46 30 risks. And then paragraph 27 of the report says:

12:46 31

12:46 32 *The inadequacy of the risk management framework in*
12:46 33 *relation to Crown's activities in China is demonstrated by*
12:46 34 *following incident. In May 2016, an Australian Crownbet*
12:46 35 *employee requested Crown's China based staff to promote*
12:46 36 *Crownbet. The Crown senior manager in China emailed*
12:46 37 *his sales staff in China to promote Crownbet. A China*
12:46 38 *staff member responded noting that internet gambling is*
12:47 39 *illegal in China and that the sales team will take a high*
12:47 40 *risk, so please think carefully. The senior manager*
12:47 41 *replied commenting on how could the staff member*
12:47 42 *develop the regions if they were 'too worried about*
12:47 43 *something within the grey line' and suggested they think*
12:47 44 *seriously about their role.*

12:47 45

12:47 46 Did you read that paragraph when the draft report was provided
12:47 47 to the Board, Ms Halton?

12:47 1
12:47 2 A. Yes, I did.
12:47 3
12:47 4 Q. That is a very concerning incident, is it not?
12:47 5
12:47 6 A. Absolutely.
12:47 7
12:47 8 Q. I won't go through the report in any more detail, but you
12:47 9 understood, didn't you, that what the VCGLR wanted was
12:47 10 a considered response dealing with the substantive matters and
12:47 11 any factual inaccuracies; do you agree with that?
12:47 12
12:47 13 A. I understood there was a draft report and there was to be
12:47 14 some discussion about that draft report.
12:47 15
12:47 16 Q. Yes, but the discussion was with a purpose, to provide
12:48 17 a response to the VCGLR about the report. You understood that
12:48 18 was the purpose of the exercise?
12:48 19
12:48 20 A. Sorry, which exercise? I'm confused, Mr Rozen. I
12:48 21 apologise.
12:48 22
12:48 23 Q. That's all right. A draft report had been sent to the Crown
12:48 24 Board by the VCGLR; agree?
12:48 25
12:48 26 A. To the Crown Melbourne Board. Isn't the letter addressed
12:48 27 to the Chairman of the Crown Melbourne board?
12:48 28
12:48 29 Q. I think you've already agreed with me that the Board ---
12:48 30 your Board, the Crown Resorts Board, was considering this
12:48 31 report at its meeting in June 2019?
12:48 32
12:48 33 A. Absolutely.
12:48 34
12:48 35 Q. It was doing that to respond to the invitation from the
12:48 36 VCGLR to comment on the draft report; do you agree with that?
12:48 37
12:48 38 A. Well, as I've said in my statement, Mr Rozen, I believe it
12:49 39 was sent to the Crown Melbourne Board and we've had
12:49 40 a conversation about the role and the pre-eminence of that Board
12:49 41 in respect of Melbourne, which was the home of VIP and the
12:49 42 China work. It came then, indeed, to the Resorts Board, I think
12:49 43 you have helpfully pointed to 141 as the context for this
12:49 44 particular statement. And it was brought to the Board for a brief
12:49 45 of advice and then for a discussion.
12:49 46
12:49 47 Q. In your statement, page 22 at paragraph 155, you say:

- 12:49 1
12:49 2 *In the broader risk context and as there was a prediction*
12:49 3 *on providing the draft report to management, it was*
12:49 4 *necessary to consider the recommendations in the context*
12:50 5 *of existing work and changes to the risk management*
12:50 6 *framework*
12:50 7
12:50 8 Do you see that?
12:50 9
12:50 10 A. Yes, in the broader risk context, yes.
12:50 11
12:50 12 Q. Why do you say there was a prohibition on providing the
12:50 13 draft report to management?
12:50 14
12:50 15 A. Because we were told very clearly that it could only go, and
12:50 16 this was the advice we received, that it could only go to a very
12:50 17 small number of selected executives.
12:50 18
12:50 19 Q. This was the advice you received from Mr Preston?
12:50 20
12:50 21 A. I can't recall who exactly the advice came from. In the
12:50 22 meeting, I'm very clear that in fact as a member of the Risk
12:50 23 Committee I had thought about this from a risk perspective, and
12:50 24 was clear that we actually consider the draft in terms of any
12:50 25 implications. We were told that it could not be circulated through
12:50 26 the broader group.
12:50 27
12:50 28 Q. You said you weren't sure who told you that but it is clear
12:50 29 from your statement, Ms Halton, that it was both Mr Preston and
12:50 30 Mr Murphy from MinterEllison?
12:50 31
12:51 32 A. They were the people who did the majority of the briefing,
12:51 33 as to the specifics of your question, I would not be confident who
12:51 34 of the people doing the briefing would have actually said that.
12:51 35
12:51 36 Q. There is no trick to this. It is in your statement, Ms Halton,
12:51 37 at paragraph 143.
12:51 38
12:51 39 A. Yes, you've asked me and I'm telling you Mr Murphy and
12:51 40 Mr Preston did deliver the briefing. That is accurate. You asked
12:51 41 me who said it couldn't be provided. I can't remember who of the
12:51 42 two. I can't remember who actually said it. I'm very confident it
12:51 43 was said.
12:51 44
12:51 45 Q. There is no trick about this. You say in your statement that
12:51 46 they both said it. They both made it clear that it couldn't be
12:51 47 shared other than with a few key officers. Do you see that?

12:51 1
12:51 2 A. Which particular paragraph are you on, sorry?
12:51 3
12:51 4 Q. That's all right. 143 in the second sentence.
12:52 5
12:52 6 A. Yes. And I'm going to a particular question I asked, so we
12:52 7 might be at cross purposes here. I asked in respect of risk. This
12:52 8 is a generalised statement, you are quite right, that it couldn't be
12:52 9 circulated.
12:52 10
12:52 11 Q. There was no prohibition at all in the letter from VCGLR
12:52 12 on circulating of it with senior officers was there Ms Halton?
12:52 13
12:52 14 A. Well, perhaps you go back to the letter ---
12:52 15
12:52 16 Q. Let's do that.
12:52 17
12:52 18 A. --- talk about --- anyway, my understanding of that letter
12:52 19 (inaudible) was it was not to be widely shared.
12:52 20
12:52 21 Q. But it had to be shared with senior managers to enable the
12:52 22 Board to provide a comprehensive response to the VCGLR's
12:52 23 invitation?
12:52 24
12:52 25 A. Well, my understanding at the time, and it is a long time
12:53 26 ago now, was that the senior managers who were material to
12:53 27 providing that response were actually engaged already in the
12:53 28 issue.
12:53 29
12:53 30 Q. Can we go to the response that came to the VCGLR's
12:53 31 invitation. It is VCG.0001.0001.6027. You will see that it
12:53 32 refers --- it is a letter to Mr May whose name appeared on the
12:54 33 earlier letter that I took you to, and without going to each of the
12:54 34 letters, would you take it from me, please, Ms Halton, that there
12:54 35 was subsequent correspondence from the VCGLR in relation to
12:54 36 the same matter, which is the explanation for the first line, the
12:54 37 reference to the letter of 24 June 2019? Do you see that? I just
12:54 38 ask you to accept that.
12:54 39
12:54 40 Did you see this letter before it was sent to the VCGLR?
12:54 41
12:54 42 A. No.
12:54 43
12:54 44 Q. So is it the way it was left, that after the discussions at the
12:54 45 Crown Resorts Board, it was for Crown Melbourne to respond to
12:54 46 the letter?
12:54 47

12:54 1 A. I think as I said, remembering of course that I'm not on the
12:54 2 Melbourne Board, when I inquired about this issue in response to
12:54 3 the questions for the preparation of the statement, that statement
12:54 4 at 147, which was the recommendation that Crown Melbourne
12:55 5 prepare a draft response, that is my belief as to what happened at
12:55 6 the time. And this correspondence, I am not aware of ever having
12:55 7 seen. I can't see all the correspondence. I can see down to
12:55 8 paragraph 6 on the screen, so

12:55 9

12:55 10 Q. Can I ask you to have a look at paragraph 10 on the second
12:55 11 page, please. Do you see that Crown's lawyers wrote to the
12:55 12 VCGLR:

12:55 13

12:55 14 *Given that our clients agree with the conclusion that no*
12:55 15 *regulatory or disciplinary action is warranted, and that*
12:55 16 *our clients accept the thrust of the proposed*
12:55 17 *recommendations, no purpose is served by the*
12:55 18 *Commission making any further findings for the purposes*
12:55 19 *of any report to the Minister.*

12:55 20

12:55 21 Do you see that?

12:55 22

12:55 23 A. I see that.

12:55 24

12:55 25 Q. Without taking you to each of the paragraphs, is that a tone
12:55 26 that you're comfortable with in correspondence with the
12:56 27 VCGLR?

12:56 28

12:56 29 A. Well, as a general rule, no, I'm not. We've discussed that
12:56 30 I think already, Mr Rozen, as in the tone issue. But to be clear,
12:56 31 and if I might provide a context, these matters occurred before I
12:56 32 joined the Board. It is true. In terms of the accuracy or otherwise
12:56 33 of all of the detail in the draft of the report, it was not something I
12:56 34 had a particular --- I had no capacity to judge that one way or the
12:56 35 other. You would know the summary, the draft of the
12:56 36 recommendations which were brought to the attention of the
12:56 37 board were as they were. You are familiar with them.

12:56 38

12:56 39 In terms of the "no purpose is served", in terms of any further
12:56 40 findings, I'm not sure why they've written that. It is frankly
12:57 41 (inaudible) but I've never seen this correspondence that I am
12:57 42 aware before.

12:57 43

12:57 44 Q. I understand that. It then goes on, I won't take you to the
12:57 45 detail, but it goes on and argues the toss again about the
12:57 46 interpretation of the Chinese law and whether it has in fact been
12:57 47 breached by employees back in 2015 and 2016. Would you agree

12:57 1 with me that no useful purpose was served by that being dealt
12:57 2 with in detail in this letter in the middle of 2019?
12:57 3
12:57 4 A. Well, I haven't reviewed the entire correspondence. On the
12:57 5 basis that you've put the question, I suspect you are correct.
12:57 6
12:57 7 Q. We'll leave that.
12:57 8
12:57 9 Before leaving this topic, here was an opportunity for both
12:57 10 boards, Crown Resorts and Crown Melbourne, to address some
12:57 11 very serious matters that were set out in a detailed report from the
12:58 12 regulator; do you agree with that?
12:58 13
12:58 14 A. Historical or current, yes.
12:58 15
12:58 16 Q. Well, both, really, because they were historical in the sense
12:58 17 they were referring to events that were happening earlier, but
12:58 18 were also talking about existing processes and procedures; do you
12:58 19 agree?
12:58 20
12:58 21 A. I'm not sure it talks much about existing processes and
12:58 22 procedures, but the broad sweep and issues in respect of risk were
12:58 23 very relevant, of course.
12:58 24
12:58 25 Q. Indeed. And it was, I suggest to you --- I withdraw that.
12:58 26
12:58 27 And the timing is important, isn't it? This is prior to the 60
12:58 28 Minutes expose about the China arrests?
12:58 29
12:58 30 A. Just before.
12:58 31
12:58 32 Q. Yes, and it is of course before the Bergin Inquiry; isn't it?
12:58 33
12:58 34 A. Yes.
12:58 35
12:58 36 Q. I suggest to you it was a missed opportunity for Crown to
12:58 37 take those matters on board and conduct a thorough internal
12:59 38 investigation into the matters that were described in the VCGLR's
12:59 39 report.
12:59 40
12:59 41 A. Well, it wasn't entirely wasted, Mr Rozen. As I think I've
12:59 42 indicated in my statement, certainly from a risk management
12:59 43 perspective, one thing that I did and in fact --- I think I discussed
12:59 44 this with Mr Dixon, but it is a long time ago now, having another
12:59 45 look at our risk frameworks we had to be confident, in my view,
12:59 46 that we couldn't have this kind of thing happen again. As you
12:59 47 probably know there were a whole series of changes made to VIP

12:59 1 in 2017, so I wouldn't describe it as completely wasted, as you
12:59 2 have contended it, but the question to be reminded of, I think,
12:59 3 here is that this came to the Board, it was going for further
12:59 4 correspondence to the VCGLR as we understood it, and over
13:00 5 a very regular --- on a very regular basis thereafter the
13:00 6 information we were provided is that the report had not been
13:00 7 finalised. Now, we've done COVID, we've done all these other
13:00 8 bits and pieces, (inaudible) but it is a statement of fact.

13:00 9

13:00 10 Q. I should say, in fairness to you, in addition to the changes
13:00 11 made about the VIP business, of course, there was work being
13:00 12 done on the risk management framework, particularly by
13:00 13 Ms Siegers at this time?

13:00 14

13:00 15 A. Precisely, and the point at which I arrived on the Board and
13:00 16 became a member of the Risk Management Committee, we were
13:00 17 working through and I think in fact very early after I arrived, it
13:00 18 was the agreement to the risk statements, so there was very
13:00 19 considerable effort being put into those kind of risk metrics.

13:00 20

13:00 21 I think, Commissioner, that one of the attachments in my
13:00 22 statement is the chronology of all the changes that we were
13:01 23 making through that period. We were getting regular reports on
13:01 24 a whole series of things that were material.

13:01 25

13:01 26 And that is my point, Mr Rozen. I'm very conscious of all those
13:01 27 changes and settings during this period.

13:01 28

13:01 29 Q. The next matter I want to ask you about, Ms Halton,
13:01 30 concerns the Show Cause Notice that was served in October of
13:01 31 2020 about the Junkets ICS. You were asked about that earlier.
13:01 32 You said you weren't aware of it at the time?

13:01 33

13:01 34 A. I didn't see it at the time, no.

13:01 35

13:01 36 Q. When did you become aware of that disciplinary process?

13:01 37

13:01 38 A. I suspect at the end of that year. I can't probably be much
13:01 39 more definitive than that.

13:01 40

13:01 41 Q. So is your evidence that the Show Cause Notice, which you
13:01 42 understand is a formal legal process commenced by the
13:01 43 regulator ---

13:01 44

13:02 45 A. (Nods head).

13:02 46

13:02 47 Q. You understand that, don't you?

13:02 1

13:02 2 A. I do.

13:02 3

13:02 4 Q. It was commenced with a letter that had been sent to

13:02 5 Mr Barton who at the time --- sorry, to Mr Felstead who at the

13:02 6 time was the Chief Executive Officer of Crown Resorts or Crown

13:02 7 Melbourne?

13:02 8

13:02 9 A. Resorts.

13:02 10

13:02 11 Q. The Notice detailed that one of the disciplinary actions that

13:02 12 could result from the process was the cancellation of Crown's

13:02 13 licence; do you now appreciate that?

13:02 14

13:02 15 A. Only subsequently. As I said, I wasn't aware of it at the

13:02 16 time, and certainly I don't believe I ever saw the correspondence,

13:02 17 and I'm not sure when I became aware of it, that it was certainly

13:02 18 brought to certainly my attention in respect of the cancellation of

13:02 19 licence (inaudible), Mr Rozen, but as I see it (inaudible).

13:02 20

13:03 21 Q. As you are sitting there now, Ms Halton, given what you

13:03 22 now know and what I've just explained about the seriousness of

13:03 23 the matter, is it a concern that it wasn't raised with you as

13:03 24 a director by the CEO, the then CEO Mr Felstead?

13:03 25

13:03 26 A. Well ---

13:03 27

13:03 28 MR BORSKY: Sorry to interrupt my friend, but just for

13:03 29 accuracy, it has been put to this witness that Mr Felstead was the

13:03 30 CEO of Crown Resorts at the time. That was incorrect. He was

13:03 31 the head of Australian Resorts at the time, which is a distinction

13:03 32 not without a difference. He certainly did not report directly to

13:03 33 the Board. It was a far less senior position than my friend has

13:03 34 suggested.

13:03 35

13:03 36 MR ROZEN: I'm grateful for that clarification.

13:03 37

13:03 38 Take that onboard, please, Ms Halton.

13:03 39

13:03 40 As you sit there now, given the serious consequences, including

13:04 41 the potential cancellation of the licence and the imposition of

13:04 42 a fine not exceeding a million dollars, does it concern you that

13:04 43 this is not a matter that was brought to your attention at the time

13:04 44 it was commenced?

13:04 45

13:04 46 A. Yes.

13:04 47

13:04 1 Q. Without trawling through the history, I think you
13:04 2 acknowledged earlier that the process and the response by Crown
13:04 3 to the show cause process was deeply regrettable; did you recall
13:04 4 saying that earlier?
13:04 5
13:04 6 A. It was not --- it was not okay.
13:04 7
13:04 8 Q. And central to the response was the CEO of Crown
13:04 9 Melbourne Ltd, Mr Xavier Walsh?
13:04 10
13:04 11 A. I don't know that I can answer that question in terms of who
13:04 12 actually provided that response. I wasn't privy to ---
13:04 13
13:04 14 Q. I would ask you to accept from me, and Mr Walsh certainly
13:05 15 acknowledged his appearance on behalf of Crown together with
13:05 16 Crown's lawyers in the proceedings. You've read the final
13:05 17 decision by the VCGLR in relation to the matter?
13:05 18
13:05 19 A. I've certainly read the summary and again, I can't profess
13:05 20 a forensic knowledge of every single sentence, but there are
13:05 21 a couple of key parts of it which I think are pretty unambiguous.
13:05 22
13:05 23 Q. Yes. I will go to it if I need to. But the VCGLR, I suggest
13:05 24 to you, expressed in the strongest terms that it was disappointed
13:05 25 that on Crown's first opportunity to demonstrate by its deeds the
13:05 26 commitments that Ms Coonan had made by her words late in
13:05 27 2020, that it had not lived up to the promises of transparency and
13:05 28 openness. That's a fair paraphrasing of the VCGLR's response, I
13:06 29 suggest.
13:06 30
13:06 31 A. (Nods head).
13:06 32
13:06 33 Q. And that's what you are concerned about?
13:06 34
13:06 35 A. Yes.
13:06 36
13:06 37 Q. Is it further cause for concern for you that Mr Xavier Walsh
13:06 38 might not be the right CEO for Crown Melbourne at this time?
13:06 39
13:06 40 A. We've already discussed my attitude to his ---
13:06 41
13:06 42 MS NESKOVICIN: Yes, and I object.
13:06 43
13:06 44 COMMISSIONER: No. It has been asked and answered.
13:06 45
13:06 46 A. Yes.
13:06 47

13:06 1 MR ROZEN: Well, it was asked about the earlier matter. I'm
13:06 2 asking if this is further cause.

13:06 3

13:06 4 A. I have nothing to add to my earlier answer, but Mr Rozen,
13:06 5 can I make one additional comment, if I might.

13:06 6

13:06 7 I was particularly disappointed with the tone and the content
13:06 8 when I saw it after it had been lodged, in terms of the written
13:06 9 response on this matter. Your observation that that written
13:06 10 response was not consistent with openness and transparency, and
13:07 11 remember, as I understand it, that occurred in January. That was
13:07 12 again before we had managed to put ourselves in a position where
13:07 13 we could confidently, and without any ambiguity, change the
13:07 14 tone. So I would say to you --- and I have to say the tone of that
13:07 15 correspondence, I think, is deeply regrettable.

13:07 16

13:07 17 Q. And your evidence to this Commission is that it should
13:07 18 have confidence that this is going to change now because of those
13:07 19 unambiguous statements you have made, is that --- is that --- am I
13:07 20 understanding correctly, your evidence?

13:07 21

13:07 22 A. I have two components to this answer, if I might. The first
13:07 23 of which is, the lawyers who actually prepared that draft written
13:07 24 response are no longer actually advising us. This is something
13:07 25 which a number of us have been concerned about for some time.
13:08 26 And we were in a position to make that change once we had
13:08 27 a major change of the board.

13:08 28

13:08 29 And it is the case that when you can clear away the ambiguity
13:08 30 and the mixed messaging and I think, overly contorted
13:08 31 communication, you can cut through this to get a different
13:08 32 outcome. I have been a CEO myself for a very long period of
13:08 33 time. I know that this is doable. So, yes, my evidence is, with
13:08 34 concerted effort, you have already taken a lot of evidence about
13:08 35 that, with the right people and the right will, this can and it will
13:08 36 change. I'm very, very confident of that. That written response
13:08 37 which went in, and the old regime, was not okay.

13:08 38

13:08 39 Q. Has the VCGLR's decision in this matter been the subject
13:08 40 of discussion at the Crown Resorts Board?

13:09 41

13:09 42 A. I'd have to go and refresh my memory. I mean the fact of
13:09 43 it, absolutely, has been discussed, but as to the nature of that, I
13:09 44 couldn't answer that off the top of my head.

13:09 45

13:09 46 Q. Finally, Ms Halton, I asked earlier you about the draft
13:09 47 China arrest report produced by the VCGLR. That, of course, has

13:09 1 now been finalised. Have you had an opportunity to read the
13:09 2 final report?

13:09 3

13:09 4 A. Yes, I have.

13:09 5

13:09 6 Q. You will have noted that, as in the case of the show cause
13:09 7 matter, the VCGLR, in its final report, raises a series of concerns
13:09 8 about the way Crown responded to the investigation; have you
13:09 9 seen that?

13:09 10

13:09 11 A. I have.

13:09 12

13:09 13 Q. It also states in the report that that made the investigation
13:09 14 a far longer process than it ought to have been?

13:10 15

13:10 16 A. (Nods head).

13:10 17

13:10 18 Q. You are nodding. Is that a "yes"?

13:10 19

13:10 20 A. Sorry, yes, I have read that, Mr Rozen.

13:10 21

13:10 22 Q. I know it's only very recently been provided to Crown, but
13:10 23 has that --- those observations, have they been the subject of
13:10 24 consideration by the Crown Resorts Board?

13:10 25

13:10 26 A. One of the messages, Mr Rozen, that I took and I think is
13:10 27 consistent with the now much slim-lined --- and we are hoping
13:10 28 soon to have other directors to help take some of this work --- is
13:10 29 clarity of communication, honesty in communication and
13:10 30 attending to matters in a timely way, not putting up barriers,
13:10 31 absolutely have to be a feature of how we deal with our
13:10 32 regulators.

13:10 33

13:10 34 The Commissioner, I think, made a comment about me being
13:10 35 relatively direct. I can't be more direct than that, Mr Rozen. I've
13:10 36 been a regulator. You want to have an open, honest, respectful
13:10 37 relationship with your regulator. Sometimes, there are problems
13:10 38 you both have. Unless you've got that, you're not going to get the
13:11 39 outcome. We need to be better than the bare minimum on our
13:11 40 regulatory obligations, Mr Rozen. I can't be clearer than that.

13:11 41

13:11 42 Q. Just so that you are clear on where I'm coming from, I don't
13:11 43 doubt your personal commitment ---

13:11 44

13:11 45 A. Yes.

13:11 46

13:11 47 Q. --- but actions speak louder than words, don't they,

13:11 1 Ms Halton?

13:11 2

13:11 3 A. They do. And, as I think we've already discussed, we have
13:11 4 a whole series of bits of work which are underway. We have
13:11 5 brought in a series of people who are really, really high-quality
13:11 6 executives, none of whom have worked with each other before,
13:11 7 none of whom owe residual or other loyalties and all of whom
13:11 8 will bring their best professional selves to the office.

13:11 9

13:11 10 Now, I indicated in my statement, Mr Rozen, that we are working
13:11 11 as hard as we can --- one, to fix the culture, but, two, to find
13:12 12 things so they can be dealt with. That is a very serious intent, and
13:12 13 it is a universal intent on the Board. I really can't emphasise that
13:12 14 enough.

13:12 15

13:12 16 What I would say to you is, what I have seen so far from the
13:12 17 senior executive, and I think Mr McCann went to this in his
13:12 18 evidence, is a great commitment, and in fact a hunger for this
13:12 19 kind of clarity and a great willingness to work in that way. Now,
13:12 20 do I have a crystal ball, can I give you a guarantee, no. What
13:12 21 I can give you, Mr Rozen, is however many years of professional
13:12 22 experience, including 15 --- or six weeks short of it --- experience
13:12 23 as a CEO, as a person who has been a board member. That is
13:12 24 why I have confidence --- (inaudible) ---

13:12 25

13:12 26 MR ROZEN: Thank you, Ms Halton.

13:12 27

13:12 28 Thank you, Commissioner.

13:12 29

13:12 30 COMMISSIONER: Thank you.

13:12 31

13:12 32

13:12 33 **CROSS-EXAMINATION BY DR BIGOS**

13:12 34

13:12 35

13:12 36 DR BIGOS: Ms Halton, I am counsel for CPH. I only have a
13:12 37 few questions for you. I know you've been giving your evidence
13:12 38 for a long time.

13:12 39

13:13 40 You've been an independent non-executive director of Crown for
13:13 41 about three years?

13:13 42

13:13 43 A. That's correct.

13:13 44

13:13 45 DR BIGOS: And also, you hold other directorships including of
13:13 46 another listed company, ANZ Bank; correct?

13:13 47

13:13 1 A. Correct.
13:13 2
13:13 3 Q. You agree that the board of directors is important to the
13:13 4 culture of a company?
13:13 5
13:13 6 A. I do.
13:13 7
13:13 8 Q. You agree that the CEO of a company is important to the
13:13 9 culture of a company?
13:13 10
13:13 11 A. I do.
13:13 12
13:13 13 Q. And you agree that the CEO's reporting of issues to the
13:13 14 Board is important for the culture of the company?
13:13 15
13:13 16 A. I do.
13:13 17
13:13 18 Q. You agree that the CEO's communicating of messages
13:13 19 downstream is also important for the culture of the company?
13:13 20
13:13 21 A. I think I've given that evidence already. Correct.
13:13 22
13:13 23 Q. And you agree that the remuneration policy of the company
13:13 24 and the extent to which remuneration is influenced by KPIs is
13:13 25 important to the culture of a company?
13:13 26
13:13 27 A. I think that the structure of remuneration, which may
13:13 28 include KPIs, are important to how the actual culture is
13:14 29 developed and expressed.
13:14 30
13:14 31 Q. And you agree that each of these things that I put to you
13:14 32 and you agreed with, were important to the culture of Crown
13:14 33 since you became a director?
13:14 34
13:14 35 A. Well, yes. I think each of those things are relevant in the
13:14 36 culture that existed, yes.
13:14 37
13:14 38 Q. You agree that it is necessary to examine each of these
13:14 39 things that I've put to you and you agreed with, in order to assess
13:14 40 the culture of a company?
13:14 41
13:14 42 A. I think you can assess the culture of a company in a number
13:14 43 of ways.
13:14 44
13:14 45 I'm sorry, I don't recall your name, I apologise. What was it?
13:14 46
13:14 47 Q. Mr Bigos.

13:14 1
13:14 2 A. Bigos.
13:14 3
13:14 4 Q. Yes.
13:14 5
13:14 6 A. Thank you, Mr Bigos.
13:14 7
13:14 8 So there are a number of things you can do to assess the culture
13:14 9 of a company --- one of which is simply talking to people, the
13:14 10 other of which is to look at documents, the other of which is to
13:14 11 talk with the company's interlocutors. We've just, I think,
13:14 12 established that KPIs and things of that sort are important, but
13:14 13 they are not the only things that go to culture.
13:14 14
13:14 15 Q. Yes, it is important to have a broad look at a number of
13:15 16 things in order to assess culture; you would agree?
13:15 17
13:15 18 A. I do.
13:15 19
13:15 20 Q. Yes. And Crown has engaged Deloitte to perform
13:15 21 a detailed assessment of the culture of the company?
13:15 22
13:15 23 A. Did you say "Deloitte", Mr Bigos?
13:15 24
13:15 25 Q. Yes.
13:15 26
13:15 27 A. That's correct.
13:15 28
13:15 29 Q. Yes. And Deloitte's work on the culture assessment
13:15 30 includes surveying thousands of staff and interviewing many staff
13:15 31 in focus groups; is that correct?
13:15 32
13:15 33 A. That's correct.
13:15 34
13:15 35 Q. You agree that a company can have a number of cultures or
13:15 36 subcultures, for example, between different areas or business
13:15 37 units or functions, between different geographic locations?
13:15 38
13:15 39 A. Yes, that is absolutely true.
13:15 40
13:15 41 Q. You agree that there might be cultural problems in
13:15 42 particular areas of a company?
13:15 43
13:15 44 A. I agree with that.
13:15 45
13:15 46 Q. One example in which cultural problems have been
13:15 47 identified during this Royal Commission is in relation to the

13:15 1 deductions for calculation of the gaming tax, which is an issue
13:15 2 that's been around for several years; is that right?
13:15 3
13:15 4 A. Sorry, would you mind repeating that question?
13:15 5
13:15 6 Q. Sure. One example of an area in which cultural problems
13:16 7 have been identified in the course of this Royal Commission is
13:16 8 the deductions for calculation of the gaming tax, which is
13:16 9 an issue that's been around for several years?
13:16 10
13:16 11 A. You could characterise it as being about culture. I think it's
13:16 12 more than that personally, but you could characterise that as
13:16 13 being one of the things that it represents.
13:16 14
13:16 15 Q. Yes, and you've given evidence about finding out about this
13:16 16 tax issue on 7 June this year during this Royal Commission?
13:16 17
13:16 18 A. Correct.
13:16 19
13:16 20 Q. Is that correct?
13:16 21
13:16 22 A. Yes.
13:16 23
13:16 24 DR BIGOS: Thank you.
13:16 25
13:16 26 COMMISSIONER: Thank you.
13:16 27
13:16 28 Do you want to ask any questions?
13:16 29
13:16 30 MR BORSKY: I do. I am conscious of the time. It will be just
13:16 31 a few minutes with your indulgence, Commissioner, and Ms
13:16 32 Halton.
13:16 33
13:16 34 COMMISSIONER: Not more than five?
13:16 35
13:16 36 MR BORSKY: No more than five.
13:16 37
13:16 38 COMMISSIONER: Are you okay ---
13:16 39
13:16 40 MR BORSKY: No more than five.
13:16 41
13:16 42 COMMISSIONER: Let me ask Ms Halton.
13:16 43
13:16 44 Are you okay for another five minutes?
13:16 45
13:16 46 A. Absolutely.
13:16 47

13:16 1 MR BORSKY: Okay, thank you.
13:16 2
13:16 3 Ms Halton, can you hear me clearly?
13:16 4
13:16 5 A. I can. And now I can see you. Previously, I was looking at
13:16 6 a microphone and not you. But that's much better, thank you.
13:17 7
13:17 8 MR BORSKY: Ms Halton ---
13:17 9
13:17 10 COMMISSIONER: That's a debatable topic!
13:17 11
13:17 12 MR BORSKY: I am just going to ask the witness questions,
13:17 13 Commissioner. I wouldn't dare ask you for comment on that or
13:17 14 other things!
13:17 15
13:17 16 Ms Halton --
13:17 17
13:17 18 A. I'm not going there!
13:17 19
13:17 20
13:17 21 **RE-EXAMINATION BY MR BORSKY**
13:17 22
13:17 23
13:17 24 MR BORSKY: Ms Halton, you are a director of the ANZ Bank,
13:17 25 Clayton Utz and other organisations; correct?
13:17 26
13:17 27 A. That's correct.
13:17 28
13:17 29 Q. You chair the Council on the Ageing and you are a council
13:17 30 member of the Australian Strategic Policy Institute?
13:17 31
13:17 32 A. That's correct.
13:17 33
13:17 34 Q. You are a very experienced director?
13:17 35
13:17 36 A. It's probably for others to judge, but I certainly feel like I
13:17 37 have ---
13:17 38
13:17 39 Q. Fair enough.
13:17 40
13:17 41 A. --- enough road miles, yes.
13:17 42
13:17 43 Q. At Crown, you currently chair the Risk Management
13:17 44 Committee, you are a member of the Audit & Corporate
13:17 45 Governance Committee, you are a member of the People,
13:17 46 Remuneration & Nomination Committee, you are a member of
13:17 47 the Responsible Gaming Committee, and a member of the Safety

13:17 1 and Sustainability Committee; is that right?

13:17 2

13:17 3 A. Yes.

13:17 4

13:17 5 Q. In your experience as a director, is that an unusually heavy
13:17 6 load of committee memberships for a non-executive director to
13:18 7 carry?

13:18 8

13:18 9 A. I use the word "extraordinary".

13:18 10

13:18 11 Q. You gave evidence today that the three directors, that
13:18 12 continued to direct Crown post-Bergin, have had to step in in
13:18 13 ways that are not normal for directors, particularly for
13:18 14 non-executive directors. Could you explain why that is?

13:18 15

13:18 16 A. Well, I think it is well-documented --- we saw the vast
13:18 17 majority of the directors on the Board depart, and we've seen
13:18 18 a very significant number of the senior executives of the company
13:18 19 exit the company.

13:18 20

13:18 21 What I would say is, it is not normal for the directors themselves
13:18 22 to run the recruitment processes to bring in some of these new
13:18 23 executives, but that is essentially what we've had to do. This has
13:18 24 been really, without any ambiguity, one of the most intense
13:19 25 periods to try and get the company on to a very solid footing with
13:19 26 the assistance of senior, experienced, credible executives. And
13:19 27 that's what we've been focused on. So you are right, this is not
13:19 28 what I have had to do anywhere else, but I mean, essentially that
13:19 29 is what a board does. If there is a crisis of this kind, you have to
13:19 30 step up. It goes with the territory.

13:19 31

13:19 32 Q. You agreed --- I withdraw that. Aside from the additional
13:19 33 workload, what, if any, other changes have you observed in
13:19 34 Crown, particularly in the culture, since the departure of the eight
13:19 35 former directors in recent months?

13:19 36

13:19 37 A. Well, so the messaging about we want to hear, I have
13:19 38 actually seen a genuine change in the candour and the
13:19 39 engagement of the senior management. I have been, at one level,
13:20 40 heartened, and sometimes saddened, by the fact that people have
13:20 41 rung me to raise issues with me, things they are concerned about.

13:20 42

13:20 43 I have been heartened by the fact that even, and we know that this
13:20 44 is a difficult and controversial issue, that, for example, China
13:20 45 UnionPay actually came through --- (inaudible) --- post these
13:20 46 sorts of changes.

13:20 47

13:20 1 So what I have seen is a huge amount of effort amongst staff who
13:20 2 are there who, for example, Commissioner, respond to all of the
13:20 3 notices, deliver all of those documents, and they have literally
13:20 4 worked around the clock, and they have been very positive about
13:20 5 the messages we have been giving, about what it takes to put this
13:20 6 company back on the straight and narrow, back in the position it
13:20 7 should and wants to be in.

13:20 8

13:20 9 So I guess I would say that I find that just literally about every
13:21 10 conversation I have with somebody, and I've been very heartened
13:21 11 by that.

13:21 12

13:21 13 Q. Earlier today, I think it was this morning, you agreed with
13:21 14 Counsel Assisting's proposition that complacency, lack of
13:21 15 escalation and permafrost, paint a grim picture of Crown's
13:21 16 culture. Could you clarify, please --- do you say that paints
13:21 17 a picture of Crown's culture today or at some other time?

13:21 18

13:21 19 A. So, of course that came from, as I understand it, the file
13:21 20 notes from the discussions with senior --- former senior staff.
13:21 21 And the concept of "permafrost" in management is actually pretty
13:21 22 well known. The notion that there is a layer by which messages
13:21 23 don't come up and they don't go down. What I would say to you,
13:21 24 and one of the reasons, I think I outlined this earlier, I was very
13:21 25 keen to see us start communicating directly with every staff
13:22 26 member on a really regular basis. But then to actually be very
13:22 27 clear that people had the opportunity, and we actively encouraged
13:22 28 them to come forward. And I've just outlined when that started
13:22 29 happening for me.

13:22 30

13:22 31 So I think that the approach, which is so tangibly different to
13:22 32 previously --- so I would not say that is what I'm currently seeing.
13:22 33 I am not saying that we are there yet.

13:22 34

13:22 35 And Commissioner, I don't know whether you have had the
13:22 36 opportunity to read the --- how do you say it, the Arzadon report,
13:22 37 she talks about the immediate changes, that there is a crisis, we're
13:22 38 moving, and then other issues. But I do detect, categorically,
13:22 39 those changes. Now, some of it will take a little while longer, but
13:23 40 I do detect them very definitely.

13:23 41

13:23 42 Q. Finally, Ms Halton, do you have confidence that Crown
13:23 43 will stay the course on this cultural --- these cultural reform
13:23 44 efforts, rather than going back to its old ways, even after this
13:23 45 Commission and the various other inquiries that Crown is going
13:23 46 through, have concluded?

13:23 47

13:23 1 A. I do. If I could explain why.
13:23 2
13:23 3 Q. Please tell the Commissioner why.
13:23 4
13:23 5 A. I would be delighted.
13:23 6
13:23 7 There are a series of influences on the company that meant that
13:23 8 all was not as it had always been. We are a publicly-listed
13:23 9 company and actually, the opportunity to have daylight and
13:23 10 accountability through those arrangements, I think, is very real,
13:23 11 and we've just discussed the issue about one board versus another
13:24 12 board, which is think is an element of that.
13:24 13
13:24 14 The reason I am very confident, and I've already --- (audio
13:24 15 distorted) spoken to this a couple of times, is all of the executives
13:24 16 that we are bringing in bring their professional capability, and
13:24 17 they --- they have no obligation other than to deliver the right
13:24 18 outcome for the company, for our staff, for our shareholders and
13:24 19 in a respectful way, with our regulators. That is who we have
13:24 20 brought into the company, these are people who have huge
13:24 21 credibility.
13:24 22
13:24 23 You saw, yesterday, Mr McCann being absolutely determined
13:24 24 about the culture of the place, something he is very committed to.
13:24 25 So I am very confident about that. This is not the same as it has
13:24 26 been and, in my contention, it cannot go back because of those
13:24 27 very material changes.
13:25 28
13:25 29 COMMISSIONER: Thank you, Ms Halton.
13:25 30
13:25 31 Sorry?
13:25 32
13:25 33 MS NESKOVGIN: Thank you, Ms Halton. If Ms Halton could
13:25 34 be excused.
13:25 35
13:25 36 COMMISSIONER: Yes.
13:25 37
13:25 38 You are excused from further attendance, Ms Halton.
13:25 39
13:25 40
13:25 41 **THE WITNESS WITHDREW**
13:25 42
13:25 43
13:25 44 MS NESKOVGIN: The next witness is Ms Korsanos.
13:25 45
13:25 46 COMMISSIONER: Can we have a break first?
13:25 47

13:25 1 MS NESKOVCIN: Yes, of course. And Ms Korsanos will be
13:25 2 available at 2.00.
13:25 3
13:25 4 COMMISSIONER: Okay. Also on videolink?
13:25 5
13:25 6 MS NESKOVCIN: Also on videolink.
13:25 7
13:25 8 Sorry, we are starting in private session and that might take about
13:25 9 half an hour, the private hearing.
13:25 10
13:25 11 COMMISSIONER: We will do that first?
13:25 12
13:25 13 MS NESKOVCIN: Yes.
13:25 14
13:25 15 COMMISSIONER: All right.
13:25 16
13:25 17 I've got an issue that you want to resolve. No, all done?
13:25 18
13:25 19 MR BORSKY: No, no. As I indicated yesterday afternoon to
13:25 20 you that we would, Allens have written to Solicitors Assisting in
13:25 21 relation to the non-publication order. From my perspective, there
13:25 22 is nothing further to raise, but of course ---
13:25 23
13:25 24 COMMISSIONER: I haven't seen it.
13:25 25
13:25 26 MR BORSKY: Well, when you get an opportunity to see it if
13:26 27 you have questions for me, I will endeavour to answer them.
13:26 28
13:26 29 COMMISSIONER: Okay, thanks. We will adjourn to 2.00 pm.
13:26 30
31 MS HALTON: And I can hang up, Commissioner?
32
33 COMMISSIONER: You can hang up, yes. Thank you very
34 much.
35
36
13:26 37 **ADJOURNED** **[1.26 PM]**
13:26 38
13:26 39
40
41
42
43
44
45
46
47

13:34 1 **RESUMED** **[2.03PM]**
14:03 2
14:03 3
14:03 4 **HEARING IN CAMERA**
14:03 5
14:03 6
14:03 7 COMMISSIONER: Thank you.
14:03 8
14:03 9 MS NESKOVCIN: Commissioner, the next witness is
14:03 10 Antonia Korsanos, appearing via videolink.
14:03 11
14:04 12 Good afternoon, Ms Korsanos.
14:04 13
14:04 14 WITNESS: Good afternoon, counsel.
14:04 15
14:04 16 MS NESKOVCIN: The associate will now swear or affirm your
14:04 17 evidence.
14:04 18
14:04 19
14:04 20 **MS ANTONIA KORSANOS, AFFIRMED**
14:04 21
14:04 22
14:04 23 **EXAMINATION-IN-CHIEF BY MS NESKOVCIN**
14:04 24
14:04 25
14:04 26 COMMISSIONER: Thank you, Ms Korsanos.
14:04 27
14:04 28 MS NESKOVCIN: Thank you, Ms Korsanos. Could you please
14:04 29 state your full name?
14:04 30
14:04 31 A. Antonia Korsanos.
14:04 32
14:04 33 Q. Your business address, please.
14:04 34
14:04 35 A. It is 8 Whiteman Street, Southbank.
14:05 36
14:05 37 Q. And your occupation?
14:05 38
14:05 39 A. I'm a non-executive director.
14:05 40
14:05 41 Q. You've provided a statement in response to a Request for
14:05 42 Statement, and you are present today under a Notice to Attend; is
14:05 43 that correct?
14:05 44
14:05 45 A. That's correct.
14:05 46
14:05 47 Q. Do you have a copy of your statement with you?

14:05 1
14:05 2 A. Yes, I do.
14:05 3
14:05 4 Q. Does it have the document identification number
14:05 5 CRW.998.001.0104?
14:05 6
14:05 7 A. Yes, it does.
14:05 8
14:05 9 Q. Is that statement true and correct to the best of your
14:05 10 knowledge and belief?
14:05 11
14:05 12 A. Yes, it is.
14:05 13
14:05 14 MS NESKOVCIN: I tender that statement and the attachments,
14:05 15 Commissioner.
14:05 16
14:05 17 COMMISSIONER: Statement of Antonia Korsanos, 27 April
14:05 18 2021, Exhibit 429.
14:05 19
20
21 **EXHIBIT #RC0429 - STATEMENT OF MS ANTONIA**
22 **KORSANOS DATED 27 APRIL 2021**
23
24
14:05 25 MS NESKOVCIN: Thank you, Ms Korsanos.
14:05 26
14:05 27 You are a director of Crown Resorts, Ltd; correct?
14:05 28
14:05 29 A. Yes, I am.
14:05 30
14:05 31 Q. You became a director in May 2018, didn't you?
14:05 32
14:05 33 A. Yes, yes, I did.
14:05 34
14:05 35 Q. You are also the Chair of Crown Melbourne Ltd, a position
14:06 36 you've held since 17 February 2021?
14:06 37
14:06 38 A. Yes.
14:06 39
14:06 40 Q. When did you become a director of Crown Melbourne,
14:06 41 please?
14:06 42
14:06 43 A. I think that was September of 2018.
14:06 44
14:06 45 Q. Thank you. In relation to committees, you are a member of
14:06 46 the Responsible Gaming Committee and the Risk Management
14:06 47 Committee; correct?

14:06 1
14:06 2 A. Yes, I am. Yes.
14:06 3
14:06 4 Q. You are also a member of the Safety and Sustainability
14:06 5 Committee; correct?
14:06 6
14:06 7 A. Yes, correct.
14:06 8
14:06 9 Q. You chair the following committees: the People,
14:06 10 Remuneration & Nomination Committee?
14:06 11
14:06 12 A. I do.
14:06 13
14:06 14 Q. The Audit & Corporate Governance Committee?
14:06 15
14:06 16 A. Yes, I do.
14:06 17
14:06 18 Q. They are all committees of Crown Resorts that I've just
14:06 19 mentioned, correct?
14:06 20
14:06 21 A. That is correct.
14:06 22
14:06 23 Q. There is a separate committee of Crown Melbourne which
14:06 24 you also chair, and that is the Audit Committee; correct?
14:07 25
14:07 26 A. That's correct. Yes.
14:07 27
14:07 28 Q. We are in a private hearing at the moment, Ms Korsanos. I
14:07 29 will ask you some questions about a topic. We are then going to
14:07 30 go to open hearing.
14:07 31
14:07 32 A. (Nods head).
14:07 33
14:07 34 Q. I just wanted you to understand what that format was going
14:07 35 to be.
14:07 36
14:07 37 A. Thank you.
14:07 38
14:07 39 Q. Casting your mind back to when you joined Crown, I will
14:07 40 call them collectively "Crown" unless I'm trying to distinguish
14:07 41 between one of the entities. At the time you joined Crown, the
14:07 42 Sixth Review was in progress ; do you recall that?
14:07 43
14:07 44 A. Yes, it was nearing completion. I learnt that after I started,
14:07 45 yes.
14:07 46
14:07 47 Q. And around the time you joined, the VCGLR provided

14:07 1 a draft report in relation to its Sixth Review; do you recall that?
14:07 2
14:07 3 A. Yes.
14:07 4
14:07 5 Q. You might recall that an issue of sensitivity within Crown
14:07 6 at the time was whether or not --- whether that report in relation
14:08 7 to the Sixth Review was going to say anything about the
14:08 8 VCGLR's investigation into the China arrests; do you remember
14:08 9 that?
14:08 10
14:08 11 A. No, I don't recall specific conversations about that.
14:08 12
14:08 13 Q. But, looking back, do you recall that what I said is correct;
14:08 14 there was some sensitivity at the time about whether the Sixth
14:08 15 Review would include anything about the VCGLR's investigation
14:08 16 into the China arrests?
14:08 17
14:08 18 A. What I recall, off the back of looking back, or what I've
14:08 19 understood from looking back, was an advice or
14:08 20 a communication or a notification, I'm not sure, that the China
14:08 21 review was going to be separated from the Sixth Review. But I'm
14:08 22 not sure if those conversations were had before or after I had
14:08 23 arrived.
14:08 24
14:08 25 Q. That's all right. I'm just trying to set context for the
14:08 26 moment.
14:08 27
14:08 28 A. It was separated from the Sixth Review, yes.
14:08 29
14:08 30 Q. That is absolutely right. So the Sixth Review report was
14:09 31 handed down on around 2 July 2018, and the VCGLR's
14:09 32 investigation into the China arrests continued from that point; you
14:09 33 are aware of that?
14:09 34
14:09 35 A. Yes. Yes, I think they commenced the review in the middle
14:09 36 of 2017, based on my lookback.
14:09 37
14:09 38 Q. Yes, and certainly by mid-July to August 2018 the
14:09 39 investigation was ongoing by the VCGLR?
14:09 40
14:09 41 A. Yes, confirmed to be ongoing.
14:09 42
14:09 43 Q. All right. Do you recall that in about May 2019 the
14:09 44 VCGLR provided Crown with its draft report in relation to the
14:09 45 China Arrests Investigation?
14:09 46
14:09 47 A. Yes, May or June. It may have been June. I'm not sure.

14:09 1 But yes, it was about a year after.
14:09 2
14:09 3 Q. Yes.
14:09 4
14:09 5 A. After the Sixth Review.
14:09 6
14:09 7 Q. The draft report was provided to the Board ahead of its
14:09 8 meeting in June 2019.
14:09 9
14:10 10 A. (Nods head).
14:10 11
14:10 12 Q. Do you recall looking at the draft report in any detail prior
14:10 13 to that meeting?
14:10 14
14:10 15 A. I had read the report, yes.
14:10 16
14:10 17 Q. You would agree with me that it had some alarming
14:10 18 findings and conclusions?
14:10 19
14:10 20 A. It had some findings, yes, I would agree with that.
14:10 21
14:10 22 Q. But you agree with the word "alarming"?
14:10 23
14:10 24 A. I was --- I remember being surprised with some of the
14:10 25 content --- with a fair bit of the content I should say.
14:10 26
14:10 27 Q. When you say "surprised", do you mean concerned?
14:10 28
14:10 29 A. Yes, concerned based on what I had understood the issues
14:10 30 were, versus what more was aired or represented, I should say, in
14:10 31 that report.
14:10 32
14:10 33 Q. Are you distinguishing between what you understood based
14:10 34 on what was said to you and what you read in the report? Are
14:10 35 you distinguishing between those two things?
14:10 36
14:10 37 A. That's correct. That's correct. The report gave me some
14:11 38 more insight that I didn't have.
14:11 39
14:11 40 Q. That insight was in relation to what the VCGLR regarded
14:11 41 as warning signs prior to the detention of 19 Crown staff
14:11 42 members in China; correct?
14:11 43
14:11 44 A. That, but elements of warning signs, yes.
14:11 45
14:11 46 Q. Elements of warning signs, failure to appreciate the
14:11 47 warning signs and failure to escalate the warning signs, correct?

14:11 1
14:11 2 A. Escalation I was aware of, but what I wasn't aware of was
14:11 3 the level of knowledge that existed within the organisation.
14:11 4
14:11 5 Q. And it separately raised issues about Crown's risk
14:11 6 management framework; correct?
14:11 7
14:11 8 A. Yes. Yes.
14:11 9
14:11 10 Q. I want to take you to the board minutes from 12 June 2019
14:11 11 when the report was discussed.
14:11 12
14:12 13 Operator, could you call up CRL.503.001.0005.
14:12 14
14:12 15 A. I have a hard copy as well.
14:12 16
14:12 17 Q. You will see have seen from the minutes that you were in
14:12 18 attendance at this meeting?
14:12 19
14:12 20 A. Yes.
14:12 21
14:12 22 Q. I wanted to ask you to please go to page 0008.
14:12 23
14:12 24 A. Yes.
14:12 25
14:12 26 Q. You will note the heading there the "Litigation Update"?
14:12 27
14:12 28 A. Yes.
14:12 29
14:12 30 Q. Over the page, operator, can you remove the redaction ---
14:12 31 Ms Korsanos, the redaction is on account of privilege. The black
14:12 32 redaction will be removed but it will remain as a perforated or
14:12 33 a yellow redaction, depending what your screen looks like.
14:12 34
14:12 35 Over the page, please, operator, the litigation report continues.
14:13 36 There is an update on the GST matter and an update on the class
14:13 37 action.
14:13 38
14:13 39 Please go to the next page, operator.
14:13 40
14:13 41 It's in the middle of the page that I wanted to direct your
14:13 42 attention, Ms Korsanos, to the China update.
14:13 43
14:13 44 A. Yes.
14:13 45
14:13 46 Q. Mr Murphy was doing a presentation at this point. Do you
14:13 47 recall anything about his presentation?

14:13 1

14:13 2 A. What I've read here has reminded me of some of the
14:13 3 discussion. It was a while ago, sorry.

14:13 4

14:13 5 Q. Of course. No, I'm just seeing if you do have
14:13 6 an independent recollection. But your recollection really is just
14:13 7 assisted by what you've read in the minutes; is that correct?

14:13 8

14:13 9 A. Yes. So in reading this I do recall elements of the
14:13 10 discussion and that meeting, yes.

14:13 11

14:13 12 Q. Thank you. So, in the first dot point --- and we've heard
14:14 13 that Mr Murphy would prepare some notes for his presentation,
14:14 14 he would broadly speak to his notes and then there would be
14:14 15 some questions and answers at the end. In the minute it records
14:14 16 he's given an update to the Board about since the last Board
14:14 17 meeting, Crown Melbourne has received two letters from the
14:14 18 VCGLR. You see that?

14:14 19

14:14 20 A. Yes, I do.

14:14 21

14:14 22 Q. The second, enclosing the draft China Report. The next dot
14:14 23 point about is document production. We'll pass over that. The
14:14 24 third dot point, Mr Murphy reported that:

14:14 25

14:14 26 *In relation to the draft China investigation report, the*
14:14 27 *VCGLR concluded that there should be no adverse*
14:14 28 *licence consequences or disciplinary action against*
14:14 29 *Crown Melbourne.*

14:14 30

14:14 31 Then he made a comment about the class action. Just pass over
14:14 32 that, please.

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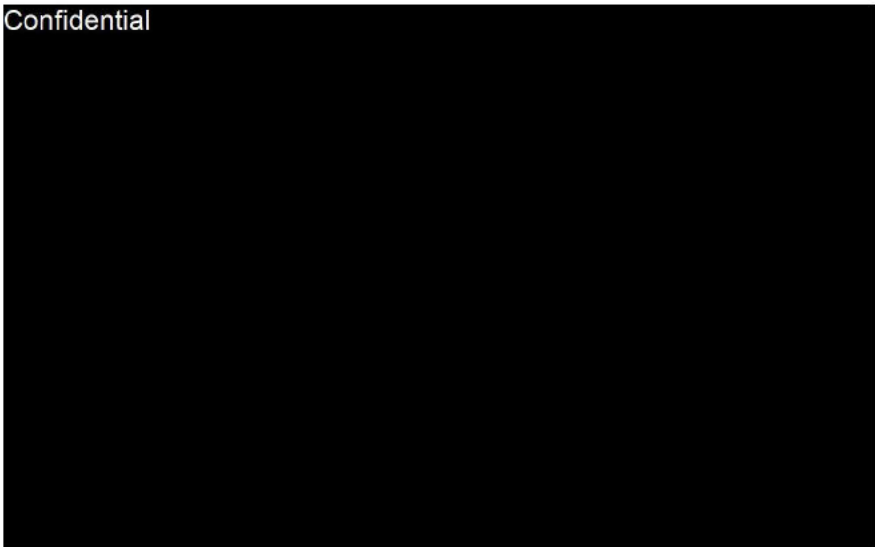
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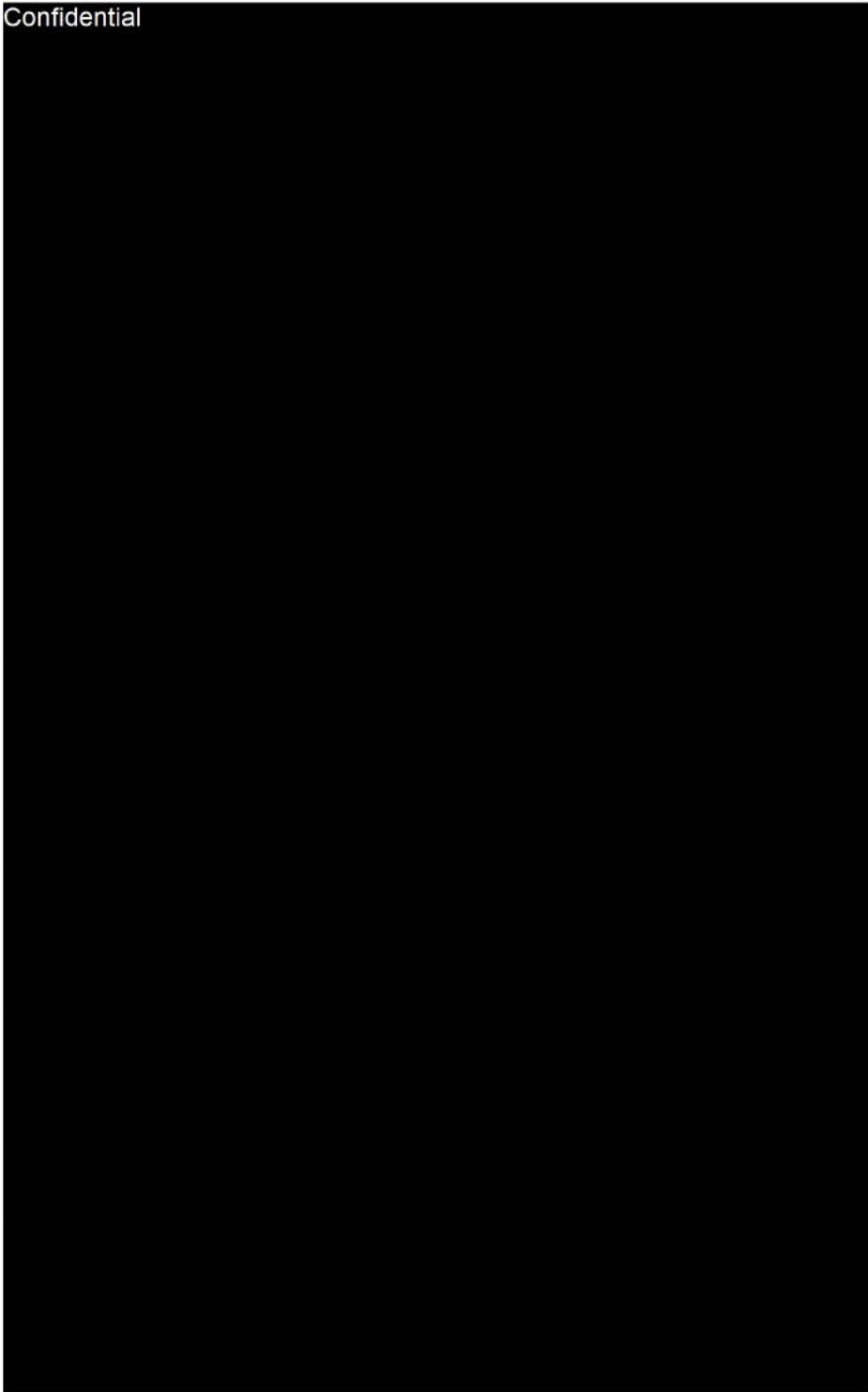
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14:16 42 Q. Did you request or challenge the recommendation and the
14:17 43 Board's ultimate conclusion?

14:17 44

14:17 45 A. No. There was a fair bit of discussion in the meeting but
14:17 46 no, I didn't. The conversation --- the action here was being
14:17 47 discussed from the perspective of protecting another --- affording

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14:18 22 Q. So you weren't specifically aware of the VCGLR's
14:18 23 functions and obligations? Did you have any general
14:18 24 understanding that it had various obligations under the Casino
14:18 25 *Control Act to investigate matters and ---*

14:18 26

14:18 27 A. Yes.

14:18 28

14:18 29 Q. --- if thought appropriate, report to the Minister?

14:18 30

14:18 31 A. Yes. They were the regulator.

14:18 32

14:18 33 Q. Yes, and you understand and appreciate the importance of
14:18 34 the relationship with the regulator; do you not?

14:18 35

14:18 36 A. Yes, I do.

14:18 37

14:18 38 Q. And part of the --- part of the relationship that is important
14:18 39 is the aspect of honesty and openness and cooperation?

14:19 40

14:19 41 A. Absolutely.

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14:19 11 Q. All right. But what I'm discerning is there was no separate
14:19 12 consideration to what the company should be doing in terms of its
14:19 13 relationship with the regulator?

14:19 14

14:19 15 A. No, but I don't think there --- well, there was no discussion
14:19 16 here on whether this would hurt the relationship with the
17 regulator.

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30 Q. Because what is of concern to this Commission is that in
31 the papers that we've seen on this issue and in the minutes, and
32 this is a matter that's gone on for 12-months plus, we don't ever
33 see recorded in the minutes or in any papers any regard to
34 Crown's relationship with the regulator or the regulator's statutory
35 functions and obligations and how Crown's position might impact
36 on that. What do you say about that?

37
38 A. I can't say that --- in the discussions that I've had in the
39 business, or discussions that I've had say on the Crown
40 Melbourne board or the Resorts board when it has come to our
41 responses, for example, in the Sixth Review recommendations,
42 that there's never been any conversation around withholding
43 information or a poor relationship with the regulator.

44
45 Q. No, that's not really what my point is. There doesn't seem
46 to be any conscious attempt to turn one's mind to the broader
47 context, not just Crown's commercial interests, it is a regulated

1 entity, it has to get on with the regulator, the regulator has a job
2 to do, what is the best thing to do vis-à-vis the investigator? Do
3 you feel comfortable that that is a matter that is properly assessed
4 by Crown?

5
14:26 6 A. I think it is. I think every meeting, whether it is the Crown
14:26 7 Resorts meeting or the Crown Melbourne meeting, there is
14:26 8 a regulatory and compliance update in those meetings, and there
14:26 9 is always reference to various engagements with the VCGLR.
14:26 10 And over that period as well, regular review of where the
14:26 11 business was at with regard to the responses to the Sixth Review.
14:26 12 So responding and engaging with the VCGLR was always front
14:26 13 of mind and was always relevant on the agendas. I'm sorry if I'm
14:26 14 missing your question. My apologies.

14:26 15
14:26 16 Q. No. Thank you for that answer, but what we've seen from
14:26 17 this update is that the response is often combative. It's not
14:26 18 withholding information but it's giving the bare minimum of
14:26 19 information. And as I said, it is combative. Is that an observation
14:27 20 that you made at the time?

14:27 21
14:27 22 A. No. Well, what I've realised, and what I've learnt, over my
14:27 23 period with Crown, and now recognise, is that there was
14:27 24 a defensive culture. And if I look back into this meeting, the one
14:27 25 we started with and the conversation there, I would say that
14:27 26 defensive culture was coming through. I didn't read it as that at
14:27 27 the time because I had no background on China. I read the
14:27 28 report. There was some further discussion in the in-camera
14:27 29 discussion around the content of the report which covers the
14:27 30 elements that I was alarmed at, but I didn't have history to China
14:27 31 so I didn't know whether this was right or wrong and couldn't
14:27 32 read that response as being defensive.

14:27 33
14:27 34 I think progressively, particularly as we went through the Bergin
14:27 35 Inquiry and a lot more evidence came to light, and I think a little
14:28 36 bit before that as well, I would say I could see that there was
14:28 37 a defensive culture.

14:28 38
14:28 39 Q. What did you do to try and arrest that?

14:28 40
14:28 41 A. Well, I think at the time that we started to see what was ---
14:28 42 well, as I said, a lot more knowledge, I have to say, came through
14:28 43 what was coming through the Bergin Inquiry. So that allowed ---
14:28 44 that gave me more insight on what I had experienced or seen
14:28 45 prior to the inquiry and then during the inquiry. And I think
14:28 46 beyond that, the changes that we started to put through,
14:28 47 particularly from the perspective of changes to the Board and

14:28 1 changes to management, I think they are the more significant
14:28 2 changes that have come through outside of all the effort that has
14:28 3 gone into the reform agenda. But for me, the biggest changes
14:29 4 were changes in management and Board.

14:29 5

14:29 6 Q. You appreciate now, looking back, that it contributed to
14:29 7 a deterioration in the relationship with the regulator?

14:29 8

14:29 9 A. I think the defensiveness, yes, it would have. I can't say it
14:29 10 was obvious at the time. If I think about various meetings that
14:29 11 I was in, particularly because there was regular discussion around
14:29 12 the responses to the Sixth Review. There was regular concern
14:29 13 from a Board level that the timelines have been met and the
14:29 14 commitments were being met. As you were aware, there was no
14:29 15 debate about the acceptance of those recommendations. There
14:29 16 was reference to discussions around what those recommendations
14:29 17 meant, but I saw that as being good engagement with the VCGLR
14:29 18 at the time, and also more broadly particularly around the
14:29 19 Responsible Gaming recommendations, so I can't say, at the time,
14:30 20 I saw the defensiveness. Looking back, I can see that there was
14:30 21 a level of defensiveness and it was the culture.

14:30 22

14:30 23 Q. Is it your evidence that that was something that came to
14:30 24 light during the Bergin Inquiry and that attempts were made to try
14:30 25 and address that at some point during or after the Bergin Inquiry?

14:30 26

14:30 27 A. I think progressively we pursued the changes that have
14:30 28 gradually become what we refer to as our reform agenda. So
14:30 29 I think there was a level of acceptance of issues, and initially
14:30 30 starting to work and put changes in or start to make --- to effect
14:30 31 changes that would respond to those issues, and I think a lot more
14:30 32 traction has been achieved post the Bergin Inquiry, particularly
14:30 33 driven by the changes from the top, being changes at a Board
14:31 34 level and management level.

14:31 35

14:31 36 I think there was traction to change before that. I think there was
14:31 37 traction --- there was change that was being implemented
14:31 38 post-China, there was change being implemented post-July 2019
14:31 39 when the media allegations were made. There were changes
14:31 40 leading up to Bergin and then there were changes that accelerated
14:31 41 through Bergin.

14:31 42

14:31 43 Some of those were, as I said, in place. Some were a response to
14:31 44 what we saw. I think that response in itself starts to show a bit of
14:31 45 a --- breaking down that defensive culture, but as a member of
14:31 46 this Board, I believe we've had more traction post the leadership
14:31 47 changes, and that is both at Board level and executive level.

14:31 1
14:31 2 Q. I see. You are aware of the Show Cause Notices issued by
14:31 3 the VCGLR late last year?
14:31 4
14:32 5 A. Yes, I am.
14:32 6
14:32 7 Q. And you are aware of the outcome of the disciplinary
14:32 8 action taken by the VCGLR?
14:32 9
14:32 10 A. Yes, I absolutely am.
14:32 11
14:32 12 Q. Have you read the VCGLR's decision in relation to that
14:32 13 action?
14:32 14
14:32 15 A. I have. I read the Show Cause Notice and then I read the
14:32 16 decision as well.
14:32 17
14:32 18 Q. I will just show you a couple of parts of the decision, if I
14:32 19 might.
14:32 20
14:32 21 Operator, could you call up VCG.0001.0002.6984. Could we
14:32 22 please go to page 0070.
14:32 23
14:33 24 A. Sorry, it's not moving on my screen.
14:33 25
14:33 26 Q. No, neither ours, sorry.
14:33 27
14:33 28 A. Okay. So it's not just me. Thank you.
14:33 29
14:33 30 Q. I want to go to paragraph 270, please, operator.
14:33 31
14:33 32 Can I draw your attention to paragraph 270 at the bottom of this
14:33 33 page. Please let me know if you've read this notice before.
14:34 34
14:34 35 A. Yes.
14:34 36
14:34 37 Q. I want to draw your attention to 271, 273 and 274.
14:34 38
14:34 39 A. Yes, thank you, I've read that.
14:34 40
14:34 41 Q. Had you read this before today when you previously read
14:34 42 this decision, Ms Korsanos?
14:34 43
14:34 44 A. Yes. I can't say I specifically remember this bit, though I
14:34 45 did read the report at the time it was provided. Sorry.
14:34 46
14:34 47 Q. You mentioned before that you thought that there had been

14:34 1 changes introduced post or shortly after the Bergin Inquiry, and
14:35 2 that the Board had started to get some traction with changing ---

14:35 3

14:35 4 A. Yes.

14:35 5

14:35 6 Q. --- things. But this is late last year where the regulator is
14:35 7 moved to voice its disappointment in relation to what it regards as
14:35 8 a step backwards in the tone that Ms Coonan was trying to set for
14:35 9 the Board. And you agree that this is very regrettable?

14:35 10

14:35 11 A. I do. And this doesn't represent the tone that we as
14:35 12 a Board, today, seek to set. This is before we had changes in
14:35 13 Board and management. This is why I'm saying that I feel the
14:35 14 traction we've had --- so outside of a number of decisions and
14:35 15 organisational structure changes that were made before we saw
14:35 16 changes in leadership --- and when I say leadership I mean Board
14:35 17 and executive --- this sort of tonality had not gone away. It has
14:36 18 gone away now, and I truly believe it is driven by those changes.

14:36 19

14:36 20 Q. Can we be clear about when you say the changes at Board
14:36 21 and management level occurred, is there a turning point that
14:36 22 you've just described?

14:36 23

14:36 24 A. Yes, and I think "turning point" is the best way to really
14:36 25 describe it. The turning point really was from mid-February
14:36 26 onwards.

14:36 27

14:36 28 Q. Why?

14:36 29

14:36 30 A. There was a significant difference between --- from
14:36 31 mid-February onwards and more clarity from --- I would say the
14:36 32 beginning of March onwards.

14:36 33

14:36 34 Q. But can you explain why mid-February? What was the
14:36 35 change prior to mid-February?

14:36 36

14:36 37 A. Sorry --- (overspeaking) --- I mean the change from
14:36 38 mid-February onwards where we had significant change in
14:36 39 executive and in the Board.

14:36 40

14:36 41 Q. Because it is very concerning to this Commission to see
14:37 42 that Ms Coonan as the Executive Chair is making a very clear
14:37 43 impression to the Commission --- the VCGLR, I beg your pardon,
14:37 44 that things are going to change, the most senior executive at
14:37 45 Crown hears that message, and the minute Ms Coonan is out of
14:37 46 the room, figuratively, he goes back to his old ways. And it is
14:37 47 a concern that this Board is not able to get its message across.

14:37 1 What do you say about that?

14:37 2

14:37 3 A. I think in the current environment, we are more able to get
14:37 4 our message across than we were in that environment. I think ---
14:37 5 look, there is a reason why --- there is a clear reason why the
14:37 6 changes in leadership in this business have started at a Board
14:37 7 level down through to an executive level, and there has been
14:37 8 a very significant, significant change in the number of Board
14:38 9 members and the number of executives. And there was ---
14:38 10 outside of this I think you are aware we've changed our legal
14:38 11 counsel, Board has different representation, there was a way this
14:38 12 business operated that needed to --- we needed a circuit breaker,
14:38 13 and the circuit breaker were those changes. That gave us the
14:38 14 ability --- despite the message being out there, it gave us the
14:38 15 ability to actually effect what we meant with that message, and
14:38 16 see change. This was January, it is not today. I'm comfortable
14:38 17 that it is not today. I feel better that it's not today.

14:38 18

14:38 19 Q. Another issue that is of concern, Ms Korsanos, is that --- I
14:38 20 appreciate you were new in May 2018, it takes you time to
14:38 21 familiarise yourself with the organisation and individuals. We
14:38 22 get to the middle of June 2019. You now appreciate things that
14:39 23 you didn't appreciate then, and it may be that there was not
14:39 24 enough information being given to the Board, and it may be that
14:39 25 part of that was addressed by your change in personnel, but if I
14:39 26 may say, there doesn't seem to be, at least on paper, an inquisitive
14:39 27 board asking questions, challenging management. What do you
14:39 28 say about that? Is that something that you agree with, and is it
14:39 29 something that you think --- if not, or if it is, is that something
14:39 30 you think needs to change?

14:39 31

14:39 32 A. I think it was an inquisitive Board, but it was driven by
14:39 33 a different culture. So I think today the Board is highly
14:39 34 inquisitive and the Board is much, much closely aligned with the
14:39 35 business. I think the occurrences of last year and, well, beyond,
14:39 36 before that and present, and being limited in size has involved us
14:40 37 more heavily in the business, but I don't mind that; I think it
14:40 38 allows us to set that tone from the top, more formally through
14:40 39 a less formal engagement. I think that is appropriate.

14:40 40

14:40 41 I think the inquisitiveness was there but the defensive culture led
14:40 42 us down the path of discussions that probably weren't as relevant
14:40 43 as the ones we should have been having.

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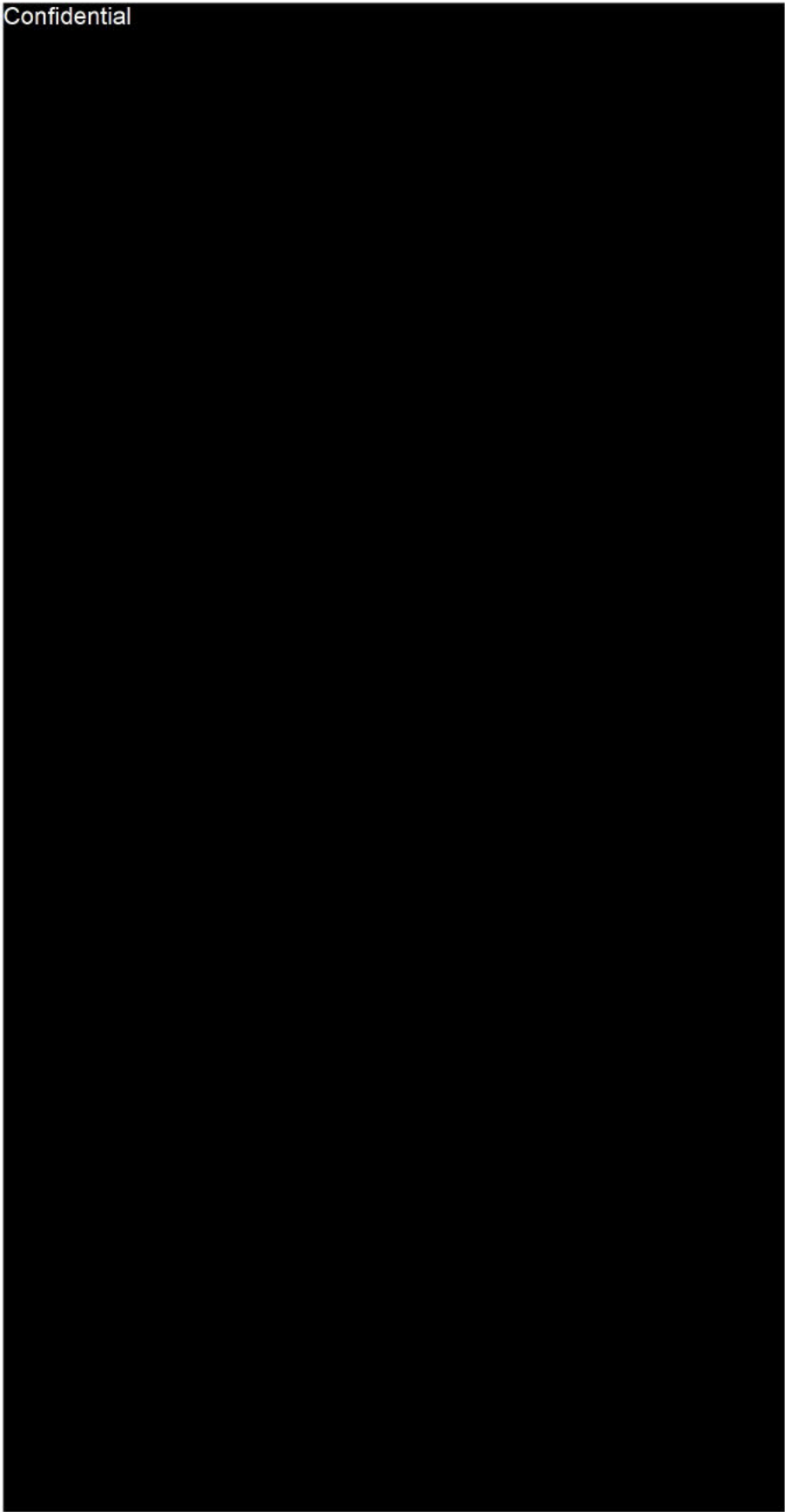
14:40 46 MS NESKOVICIN: They are the questions that I had for
14:40 47 Ms Korsanos on that topic.

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14:40 2 Mr Borsky might want to ask questions about that before we
14:40 3 move on to the next.
14:40 4
14:40 5 MR BORSKY: Thank you. I do not have questions on the topic.
14:40 6
14:40 7 COMMISSIONER: So we go to the open session?
14:40 8
14:40 9 MS NESKOVCIN: Yes, we need to let Ms Korsanos know so
14:40 10 she doesn't think it's all over.
14:40 11
14:40 12 A. I'm here, I'm not going anywhere.
14:40 13
14:41 14 Q. We are about to go into open session. The audio will be
14:41 15 reconfigured. We will have a break for 5 minutes.
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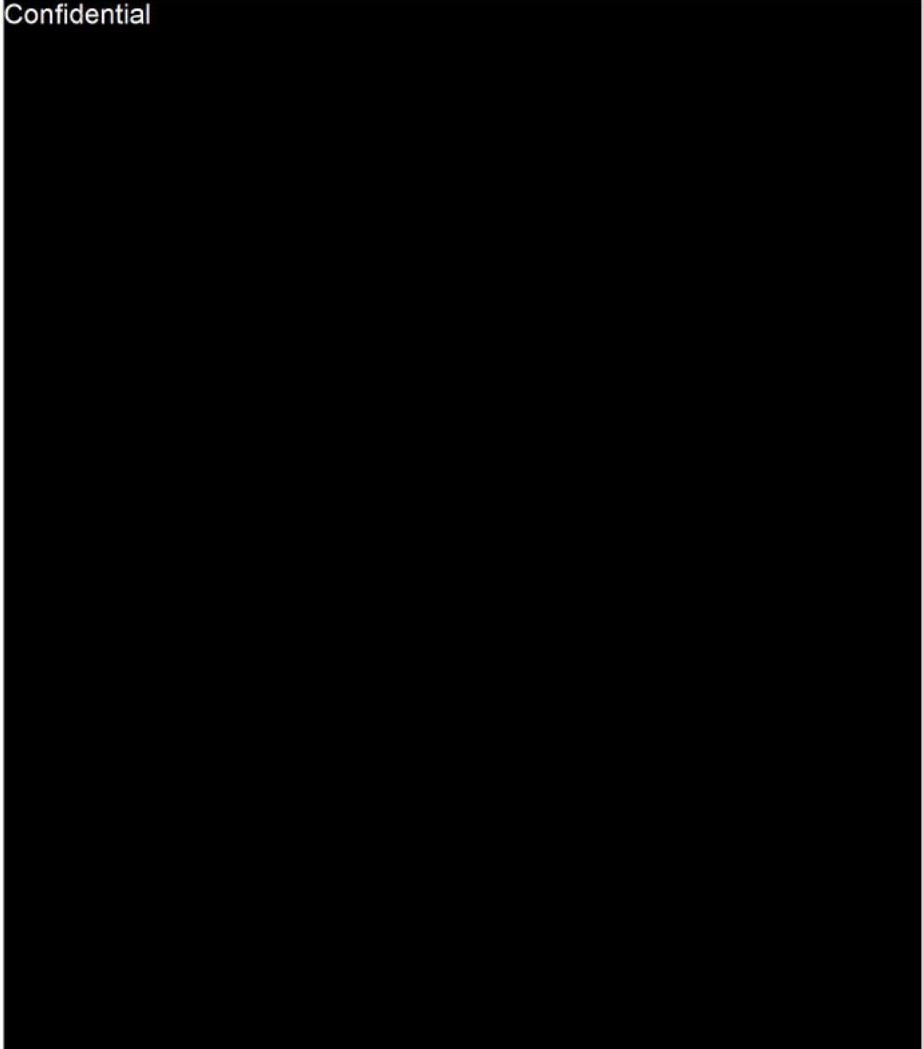
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[2.49PM]

14:54 1
14:54 2 **RESUMED** [3.00PM]
15:00 3
15:00 4
15:00 5 COMMISSIONER: Thank you. At least you should say thank
15:01 6 you.
15:01 7
15:01 8 MS NESKOVCIN: I did.
15:01 9
15:01 10 COMMISSIONER: I said at least you should say thank you.
15:01 11
15:01 12 MS NESKOVCIN: Oh, sorry, that was directed to Mr Borsky.
15:01 13 Yes, he should say thank you.
15:01 14
15:01 15 MR BORSKY: Thank you. I will say a bit more than that. We
15:01 16 will also, as requested, upload the redacted version to the hearing
15:01 17 book expeditiously.
15:01 18
15:01 19 COMMISSIONER: Thanks.
15:01 20
21
22 **MS ANTONIA KORSANOS, PREVIOUSLY AFFIRMED**
23
24
25 **EXAMINATION-IN-CHIEF BY MS NESKOVCIN,**
26 **CONTINUED**
27
28
15:01 29 MS NESKOVCIN: Thank you, Ms Korsanos. We will start now.
15:01 30
15:01 31 Crown recognises the need to restore the relationship with the
15:01 32 regulator, doesn't it?
15:01 33
15:01 34 A. Yes, I believe it does.
15:01 35
15:01 36 Q. You assumed the role of Chair of Crown Melbourne in
15:01 37 mid-February this year?
15:01 38
15:01 39 A. Yes.
15:01 40
15:01 41 Q. We are instructed that prior to June 2021 you personally
15:01 42 had not taken the opportunity to meet with the VCGLR; is that
15:01 43 the case?
15:01 44
15:01 45 A. That's correct. At this stage I haven't.
15:01 46
15:01 47 Q. Why is that, Ms Korsanos?

15:01 1
15:01 2 A. Well, a lot of --- there is a lot going on at the moment and
15:01 3 with this Royal Commission as well. Ms Coonan has taken
15:02 4 carriage of all the interactions that we are having with regulators.
15:02 5 The effort is very much focused on the reform agenda and
15:02 6 ensuring that there is consistency in communications. So that
15:02 7 engagement has been carried by Ms Coonan in this environment.
15:02 8
15:02 9 Q. I see. You understand that it is important for Crown
15:02 10 Melbourne to convey its position, communicate to the VCGLR
15:02 11 what it sees as important to re-establishing the relationship, but
15:02 12 that is something that Ms Coonan has taken carriage of; is that
15:02 13 the case?
15:02 14
15:02 15 A. That's correct, and the message is consistent. The message
15:02 16 is consistent at a Crown Melbourne level and a Crown Resorts
15:02 17 level. They are the same message and they are --- I think it is
15:03 18 clear.
15:03 19
15:03 20 Q. That is a good segue into the next topic I wanted to discuss
15:03 21 with you, Ms Korsanos, and that is the issue about the structure,
15:03 22 corporate structure, the relationship between Crown Resorts,
15:03 23 Crown Melbourne, and the committee structure I will also talk
15:03 24 about in a moment or towards the end of that topic.
15:03 25
15:03 26 We learnt from you around August/September last year, Crown
15:03 27 started to give consideration to the organisational structure of the
15:03 28 group, and it sought advice from Herbert Smith Freehills on that
15:03 29 topic. You are aware of all of that?
15:04 30
15:04 31 A. Yes.
15:04 32
15:04 33 Q. I don't want you to go into the detail of the advice, but
15:04 34 essentially the advice was sought in relation to best practice and
15:04 35 recommendations on the appropriate structure, having regard to
15:04 36 governance and other issues, correct?
15:04 37
15:04 38 A. Correct.
15:04 39
15:04 40 Q. We have seen from Crown's Remediation Plan that there
15:04 41 has been a recommendation to adopt a centralised governance
15:04 42 model, correct?
15:04 43
15:04 44 A. Not a recommendation, there is still --- it is still under
15:04 45 consideration.
15:04 46
15:04 47 Q. I see.

15:04 1
15:04 2 A. There is effort put towards considering and understanding
15:04 3 the options, a centralised versus a decentralised model.
15:04 4
15:04 5 Q. Thank you. And management has been authorised to
15:04 6 commence discussions with the regulators in each jurisdiction
15:04 7 which Crown operates to start to canvas the issue with the
15:04 8 regulators; correct?
15:04 9
15:04 10 A. I think there is more consideration before we engage with
15:04 11 regulators. Engagement with regulators is critical on this matter.
15:05 12 That is absolutely understood and recognised.
15:05 13
15:05 14 Q. We are interested in hearing from you what you perceive to
15:05 15 be the advantages to Crown Melbourne in particular, so I want
15:05 16 you to specifically focus on Crown Melbourne, having regard to
15:05 17 the proposed centralised corporate structure. What do you
15:05 18 perceive first of all to be the benefits to Crown Melbourne?
15:05 19
15:05 20 A. I think the ability to centralise certain functions,
15:05 21 particularly the compliance functions, allows us to, I believe,
15:05 22 achieve better quality. Crown Resorts is --- we can argue Crown
15:05 23 Resorts is comprised of a number of subsidiary entities or it's
15:06 24 comprised of a number of operations through property, and often
15:06 25 you do see this in regulated business. This is what I would call
15:06 26 a small company with large company complexity because it
15:06 27 operates in a regulated industry. Not unusual.
15:06 28
15:06 29 But our goal, to be --- if our goal is to be best in class when it
15:06 30 comes to compliance, Responsible Gaming compliance, I think
15:06 31 by pooling resources and focusing across the business, I think we
15:06 32 can achieve a better quality. It doesn't and shouldn't take away
15:06 33 from the focus or priority of any of the operations, so I think what
15:06 34 Crown Melbourne gets is bigger bang for its buck because of the
15:06 35 fact that you are pooling resources and focusing. There is
15:06 36 consistency in the operations. This isn't a business that has made
15:06 37 up of a conglomerate of different operations. They are consistent.
15:06 38 And I think we can achieve better outcomes, better quality
15:07 39 outcomes and a higher benchmark in compliance, financial
15:07 40 crimes, Responsible Gaming, by looking consistently across the
15:07 41 business.
15:07 42
15:07 43 To do that right, though, you need to make sure you have the
15:07 44 right resources in each business, and Melbourne would have to
15:07 45 have ownership of its resources and how its actions, how these
15:07 46 better policies and processes, systems, are actioned locally, and
15:07 47 then there also has to be accountability for that as well.

15:07 1
15:07 2 Q. Let's try and conceptualise that. Imagine there is a group
15:07 3 structure with the various --- in charge of risk management or
15:07 4 providing risk management services, the AML services, but
15:07 5 Crown Melbourne has specific obligations to its regulator under
15:07 6 the statutory framework ---
15:07 7
15:07 8 A. Yes.
15:07 9
15:07 10 Q. --- here. How do those obligations get discharged in
15:08 11 a practical sense? Who are the people on the ground?
15:08 12
15:08 13 A. Well, the process of compliance can be consistent. What
15:08 14 you are measuring compliance against will vary, because
15:08 15 obviously every State has a different Casino Control Act. But
15:08 16 when we look at financial crimes, that is different, that is
15:08 17 legislated Australia-wide. But the responsibility of ensuring
15:08 18 compliance to the CCA for Melbourne would sit with a team that
15:08 19 owns that. But the process of ensuring there is compliance can be
15:08 20 enterprise-wide.
15:08 21
15:08 22 I have a gaming background but from a supplier side, so I spent
15:08 23 a number of years in another company that was regulated. In that
15:08 24 company, as a supplier, games were produced for markets, and
15:09 25 even in the Australian market, and the company distributed
15:09 26 products Australia-wide, even within States there were different
15:09 27 compliance requirements for one particular game. So they
15:09 28 varied.
15:09 29
15:09 30 All of that was centrally managed from a process and systems
15:09 31 perspective, and the company was highly compliant and there
15:09 32 was quality product introduced into the market. So what I'm
15:09 33 saying is the ownership and accountability can lie at each
15:09 34 location, and accountability is important, how you measure that is
15:09 35 important, and that's how you enforce the job getting done and
15:09 36 the focus. But I do believe that we can achieve a better quality
15:09 37 and a higher benchmark, and we can be better than our
15:09 38 competition, I'll put it that way, by pooling our resources.
15:09 39
15:09 40 I think there is a level of consistency and then there is a level of
15:09 41 ownership and accountability. All of that has to be appropriately
15:10 42 structured and actioned.
15:10 43
15:10 44 Q. You mentioned that there still needs to be resources.
15:10 45 Crown Melbourne still has to have its own resources. What did
15:10 46 you mean by that? Did you mean physical things at the
15:10 47 Melbourne property?

15:10 1

15:10 2 A. Yes.

15:10 3

15:10 4 Q. Could you elaborate?

15:10 5

15:10 6 A. You would need people on the ground. So you would still
15:10 7 need your Responsible Gaming team on the ground, you need
15:10 8 risk managers on the ground. You would need your financial
15:10 9 crimes team on the ground. You need teams training the broader
15:10 10 gaming team on financial crimes and AML on the ground. So
15:10 11 you have to make sure you have the right resources locally. So
15:10 12 there is a balance between what you centralise and not control,
15:10 13 but define on a central level and what you have working on the
15:10 14 ground. So you have to get the balance right. As I said, though,
15:10 15 the accountability and visibility as well.

15:10 16

15:10 17 I do think, in this sort of structure, one of the issues we've had is
15:11 18 one of transparency, and I do think trying to get consistency
15:11 19 across what matters the most at each property level, and to the
15:11 20 company as a whole, is important, and I think you can get that
15:11 21 through an enterprise-wide model. You can get it through
15:11 22 a decentralised model as well. I think culture is just as important
15:11 23 as well.

15:11 24

15:11 25 Q. You mentioned that not everything would be centralised.
15:11 26 Would you envisage would not be centralised in order to best
15:11 27 protect Crown Melbourne's interests?

15:11 28

15:11 29 A. Sorry, I think you can essentially influence where you want
15:11 30 to set your financial crimes and compliance and Responsible
15:11 31 Gaming. How you activate it by property has to be driven by
15:11 32 those resources and those resources held accountable. The same
15:12 33 different culture. I don't think --- we don't want a separate culture
15:12 34 for each property. We want one culture for Crown Resorts and
15:12 35 that has to be right for each property. It should be appropriate. If
15:12 36 we get it right at the top level then it works consistently across
15:12 37 the business.

15:12 38

15:12 39 Q. What about the relationship with the regulator? Where
15:12 40 does that fit in a centralised governance model?

15:12 41

15:12 42 A. The relationship with the regulator, the regulator should
15:12 43 have interface at the Crown Resorts and Crown Melbourne level.
15:12 44 If we get this right, we should be engaging as the Crown Resorts
15:12 45 Board with the regulator, our Crown Resorts CEO should be
15:12 46 engaging with all our regulators, and the people who are
15:12 47 managing and operating at a business or a property level should

15:12 1 also be engaging with the regulator.

15:12 2

15:12 3 Q. What do you see are the risks for Crown Melbourne in

15:12 4 a centralised governance structure?

15:12 5

15:13 6 A. If we don't get the accountability right, things could fall
15:13 7 through the cracks. But I think as long as there is good line of
15:13 8 sight on what is expected at every level of the business, and that
15:13 9 is, your accountability is appropriately established, and there is
15:13 10 line of sight and measurement, I think it is achievable. It's
15:13 11 execution is where the risk lies, for many of these things.

15:13 12

15:13 13 Q. I think as you were discussing your thoughts on this issue
15:13 14 you've identified a number of mechanisms or controls that could
15:13 15 be put in place to ensure that there is consistency across all
15:13 16 properties and compliance with all regulatory regimes. I asked
15:14 17 you a question about risks; to the extent you haven't already
15:14 18 answered the questions, do you think there are controls that you
15:14 19 think need to be put in place to mitigate the risks to Crown
15:14 20 Melbourne?

15:14 21

15:14 22 A. I think the controls that need to be put in place are all the
15:14 23 controls that really we are seeking to enforce through the various
15:14 24 actions that we've identified as part of the reform agenda. So it
15:14 25 is --- to date, for me, the risks today remain operational. We need
15:14 26 to make sure we get Responsible Gaming right, we get
15:14 27 compliance right, and we get financial crimes right, and we're on
15:14 28 the journey with regard to all of that.

15:14 29

15:14 30 Q. I want to explore the issue board committees or
15:14 31 subcommittees both in the context of the present structure and the
15:14 32 proposed centralised structure. Let's start with the present
15:15 33 structure at the moment. I want to look at board composition
15:15 34 and then current committee structure and you have addressed
15:15 35 partly this in your ---

15:15 36

15:15 37 COMMISSIONER: Before you move on.

15:15 38

15:15 39 Ms Korsanos, I just want to check we get our language right.
15:15 40 When you talk about, and sometimes when I talk about
15:15 41 centralised management in a group of companies, what I have in
15:15 42 mind, I'm not sure you have this in mind, is that the
15:15 43 decision-making is taken out of the hands of the operating
15:15 44 subsidiaries and located effectively at head office.

15:15 45

15:15 46 A. No --- well, I don't think you can do that with all
15:15 47 decision-making. You have delegated authority, and ---

15:15 1
15:15 2 COMMISSIONER: No, I'm just trying to work out what you
15:15 3 mean by the word "centralisation" and "centralisation of
15:15 4 functions". So let's say I take centralisation of compliance. You
15:16 5 have a Compliance Committee at Crown Melbourne because you
15:16 6 are required to have one, and you have a Compliance Committee
15:16 7 in Sydney and a Compliance Committee at Crown at the
15:16 8 Burswood company as well. But when you talk about centralised
15:16 9 functions, am I right to think that you mean that the decision
15:16 10 making for --- at the moment we're talking about compliance ---
15:16 11 is not located in any one of those operating subsidiaries but is
15:16 12 centralised in the holding company, in this case Crown Resorts
15:16 13 --- doesn't really matter, but talking about the principle --- and the
15:16 14 decision-making is not made at level of the subsidiary
15:16 15 companies?
15:16 16
15:16 17 A. No. Essentially you would have oversight --- the way I
15:16 18 would envisage it, you would have oversight of compliance at a,
15:17 19 call it a Group level, there would be a Compliance Committee
15:17 20 that covered all properties, this is at a Board Compliance
15:17 21 Committee level, that provides ---
15:17 22
15:17 23 COMMISSIONER: Who sets the rules?
15:17 24
15:17 25 A. The rules are essentially --- from a compliance perspective
15:17 26 the rules are set, in my mind they are set by the regulators and we
15:17 27 are compliant to those.
15:17 28
15:17 29 COMMISSIONER: Let's pick another one where you actually
15:17 30 make decisions about what to do and what not to do.
15:17 31
15:17 32 A. Yes.
15:17 33
15:17 34 COMMISSIONER: Do we spend \$50, don't we spend \$50? Do
15:17 35 we buy a new machine, don't we buy a new machine? Do we
15:17 36 have capital expenditure, don't we have capital expenditure? I'm
15:17 37 talking about real decisions, not ones you are forced to make
15:17 38 because an Act of Parliament says you must make them, and
15:17 39 make them in a particular way. There are very few regulations,
15:17 40 actually --- there are a few for the industry you are in, but I'm
15:17 41 trying to understand exactly what happens when you speak about
15:18 42 a centralised system. I understand that to mean that decision
15:18 43 making is removed from the operating subsidiaries and put
15:18 44 somewhere else. I'm not talking about responsibilities, I'm not
15:18 45 talking about people on the floor, I'm talking about those persons
15:18 46 who actually make decisions.
15:18 47

15:18 1 A. I agree. I understand. I understand. So, in a centralised
15:18 2 structure you have a level of decision-making at that central
15:18 3 structure, at the top, but there is always a delegated level of
15:18 4 responsibility as well, and decision-making ---

15:18 5
15:18 6 COMMISSIONER: But delegated. They are not the real
15:18 7 decision-makers.

15:18 8
15:18 9 A. Oh, they are, because they --- sorry, when I say delegated,
15:18 10 there is a level of --- there is a level at which, you know, the
15:18 11 example you gave was acquiring machines. That would be, in
15:18 12 my mind, that would be a decision at a property level.

15:18 13
15:18 14 COMMISSIONER: Yes, that was a silly example. Well, the
15:19 15 particular ones that I've got in mind are decisions about gaming,
15:19 16 surveillance, international and domestic VIP business and
15:19 17 compliance, and I also have in mind the real Chief Executive
15:19 18 Officer and the real Chief Financial Officer. Those people who
15:19 19 make the actual decisions that a Chief Executive Officer makes,
15:19 20 and the actual decisions that a Chief Financial Officer makes, and
15:19 21 I will add to the list, the Chief Operating Officer as well.

15:19 22
15:19 23 In a centralised function, if you have three operating subsidiaries
15:19 24 with three CEOs, that is not a centralised system. That is
15:19 25 a decentralised system of decision-making or control. If you have
15:19 26 a centralised system, what happens to the three CEOs?

15:19 27
15:20 28 A. You would still have ---

15:20 29
15:20 30 COMMISSIONER: What do you --- I know you have them, you
15:20 31 give them names, you can give anybody names, I'm talking about
15:20 32 real decision-making.

15:20 33
15:20 34 A. The way I've seen this operate before is the centralisation
15:20 35 more at the board level and the committee level, and where I've
15:20 36 seen this before has been where businesses had different
15:20 37 geographic locations and every geography or different business in
15:20 38 the group has had a managing director, which in the case of
15:20 39 Crown would be the CEOs of each property, and they have
15:20 40 an ability to make decisions on the day-to-day business, on
15:20 41 capital, on --- there are many levels of decision-making that are
15:20 42 afforded to either the subsidiary or --- the centralisation we are
15:20 43 talking about is really removing layers in governance so that there
15:20 44 is a flatter governance layer and a better transparency. So I don't
15:21 45 see a lot being taken away.

15:21 46
15:21 47 COMMISSIONER: Sorry, just give me a second. Sorry about

15:21 1 that. I'm trying to find a document and a comment in a document
15:21 2 to discuss it with you. I will pick it up in a minute or at some
15:21 3 stage.

15:21 4
15:21 5 You are drawing a distinction between decision-making on
15:21 6 matters of principle and decision-making on operational matters.
15:21 7 Your centralised governance structure has the ultimate
15:21 8 decision-making at the top, which will be centralised, and then
15:22 9 you will leave it to the delegated or non-delegated, if you don't
15:22 10 like that word, the day-to-day operations to the local subsidiaries,
15:22 11 wherever they happen to be, in the same city or around the world.
15:22 12 That is the sort of model you are thinking about, yes?

15:22 13

15:22 14 A. Yes ---

15:22 15

15:22 16 COMMISSIONER: And it is worse, really, because if you
15:22 17 centralise board decision-making, then the local boards have
15:22 18 nothing to do other than adopt annual accounts and almost other
15:22 19 irrelevant functions. There is two aspects of it, really; one is
15:22 20 whether you are allowed to do this under your agreement, and
15:22 21 under your agreement you may not be allowed to do it, and I don't
15:22 22 know if anybody has looked at it --- --- (overspeaking) --- so one
15:22 23 is whether it is permissible at all, and the second thing is whether
15:22 24 it is an appropriate way to proceed, the Victorian regulator has to
15:23 25 regulate Victorian operations and check out Victorian
15:23 26 decision-making --- when I say decision-making I mean Crown
15:23 27 Melbourne --- when it might not be Crown Melbourne
15:23 28 decision-making but it might be decision-making by Crown
15:23 29 Resorts taking people from wherever. Like you have a Crown
15:23 30 Resorts CEO. The way I heard him speak, he is a very
15:23 31 impressive gentleman, he wants to run the show, but he's not
15:23 32 Crown Melbourne. But he wants to run the show from Crown
15:23 33 Resorts. And I fear, or I suspect, leave aside the word "fear", I
15:23 34 suspect that is what you want to do centralising everything, that
15:23 35 is, run it from Crown Resorts, not run it from Crown Melbourne.
15:23 36 And there is a nice question, as I said, whether you are allowed to
15:23 37 do that as a matter of your agreement with the State of Victoria
15:23 38 and, secondly, whether it is an appropriate thing to do in any
15:23 39 event when the regulator has to manage what is happening with
15:23 40 Crown Melbourne and has got no jurisdiction to regulate. And
15:24 41 part of the problem is, you identified it yourself, the connection
15:24 42 has to be with --- the relationship has to be with Crown Resorts
15:24 43 as well, but the regulator has very little supervisory authority to
15:24 44 deal with Crown Resorts. In a practical sense, almost none. And
15:24 45 zero with the Crown operations in Perth or in London, if you
15:24 46 want to go that far. Do you understand my problem?

15:24 47

15:24 1 A. I do.
15:24 2
15:24 3 COMMISSIONER: I'm trying to work out whether there is a way
15:24 4 through it. One way through it is to isolate and bar centralisation
15:24 5 on those things that the agreement with the State thinks should be
15:24 6 run by Crown Melbourne. That's one way of doing it, which will
15:24 7 give you part centralisation and part decentralisation. It is
15:24 8 a difficult question.
15:24 9
15:24 10 For instance --- and the Freehills report, I think, I haven't read it
15:25 11 for a while, but my recollection is that it suggests very little
15:25 12 function for the local Board.
15:25 13
15:25 14 Now, you should assume at the moment I think it is wholly
15:25 15 unacceptable that the Board of the Melbourne operation will have
15:25 16 very little functions taken over, to the extent that Crown Resorts
15:25 17 may want to delegate a few things. I don't like it.
15:25 18
15:25 19 A. I understand that, Commissioner, and ---
15:25 20
15:25 21 COMMISSIONER: I'm making it obvious.
15:25 22
15:25 23 A. --- there is --- the operational, functional, compliance
15:25 24 elements of any of our properties shouldn't change. But like I
15:25 25 said previously or earlier in this conversation, this is all under
15:25 26 consideration. What ---
15:25 27
15:25 28 COMMISSIONER: Can I tell you, the thing I was looking at is
15:25 29 in the Sixth Report, it doesn't say it is under consideration, it says
15:25 30 it was implemented years ago, and when you say it is under
15:26 31 consideration, the Freehills advice says it is under consideration,
15:26 32 but whoever has been dealing with the regulator says that it is
15:26 33 a fait accompli, happened, and gives the same justifications that
15:26 34 you have --- efficiency, cost-efficient, better knowledge across
15:26 35 the field, I mean, it is in the Sixth Report. Somebody will find it
15:26 36 in a minute and I will read it to you --
15:26 37
15:26 38 A. Okay.
15:26 39
15:26 40 COMMISSIONER: --- but from my perspective, I don't care
15:26 41 whether it has happened or it is a plan. According to the
15:26 42 regulator, it has happened. According to you and others it's
15:26 43 a plan, but if I give you the list of functions that are, according to
15:26 44 the regulator, according to what Crown Melbourne has told the
15:26 45 regulator, there is nothing left --- there is no significant or
15:26 46 insignificant functions that haven't been centralised. And your
15:26 47 CEO speaks like he is running the show, in any event. Anyhow.

15:27 1 We have to deal with this. It is an important point. I don't care
15:27 2 whether anybody else thinks it's important, but I think it is
15:27 3 important.
15:27 4
15:27 5 A. No, I don't disagree. It is an important point. I mean, this
15:27 6 is a great example of where there has to be collaboration,
15:27 7 discussion, with the regulator, and the outcome has to be
15:27 8 an outcome that the regulator accepts and we abide by.
15:27 9
15:27 10 COMMISSIONER: It might not be for the regulator to decide
15:27 11 this question.
15:27 12
15:27 13 A. Understand. Understand. Today, though, there is a level of
15:27 14 duplication because there is a lot --- there is a lot happening at the
15:27 15 Melbourne level, at the Melbourne Board level, that then just gets
15:27 16 duplicated the Crown Resorts level.
15:27 17
15:27 18 COMMISSIONER: I could do it the other way. If I didn't care
15:27 19 about the other jurisdictions, I would say your main company is
15:28 20 Crown Melbourne, make that the --- although it is not the holding
15:28 21 company, make that the central company and make everybody
15:28 22 else subsidiary to that. Let NSW and WA worry about it.
15:28 23
15:28 24 A. No, no, no. The Crown Melbourne business is the biggest
15:28 25 business in the Group and that is definitely the way we view it --
15:28 26
15:28 27 COMMISSIONER: Good.
15:28 28
15:28 29 A. --- and assess it.
15:28 30
15:28 31 COMMISSIONER: Then centralise it there.
15:28 32
15:28 33 A. (Laughs).
15:28 34
15:28 35 MS NESKOVCIN: Ms Korsanos, I will take you to the Casino
15:28 36 Agreement that the Commissioner was referring to in terms of the
15:28 37 obligations.
15:28 38
15:28 39 COM.0005.0001.0985, please, operator. Page 29 of the
15:28 40 document, please.
15:28 41
15:28 42 Clause 22.1 contains conditions relating to the company's
15:29 43 structure. You see that from the heading? Don't worry about
15:29 44 sub-paragraph a.
15:29 45
15:29 46 A. Okay, sorry. Yes.
15:29 47

15:29 1 Q. I'm just asking you to note the heading.

15:29 2

15:29 3 A. Yes.

15:29 4

15:29 5 Q. We'll go over the page, please, operator. You will see
15:29 6 paragraph (b):

15:29 7

15:29 8 *the Company must ensure that at least 75% of the*
15:29 9 *meetings of the Company's board of directors are to be*
15:29 10 *held in Melbourne each calendar year;*

15:29 11

15:29 12 *the Company must ensure that at least 75% of the*
15:29 13 *meetings of the Company's Senior Executive Managers*
15:29 14 *are to be held in Melbourne each calendar year;*

15:29 15

15:29 16 *the Company must ensure that its Senior Executive*
15:29 17 *Managers reside in Victoria.*

15:29 18

15:29 19 *..... at least one Company Secretary resides in Victoria.*

15:29 20

15:30 21 Can you assume for me that the senior executive managers
15:30 22 include the CEO, CFO, and COO, so there is no requirement for
15:30 23 directors to be resident of Victoria, there are requirements for
15:30 24 75 per cent of meetings to occur, and senior executives are to
15:30 25 reside in Victoria. Have Crown's obligations under clause 22 of
15:30 26 the Casino Agreement been taken into account in formulating the
15:30 27 strategy on the centralised governance structure or is that a matter
15:30 28 to be addressed later?

15:30 29

15:30 30 A. It hasn't been --- this, I have been not been in any
15:30 31 conversations where we have considered this, but I do know that
15:30 32 when it comes to Crown Melbourne this is absolutely what the
15:30 33 company is doing. So we haven't --- and I don't see this changing
15:30 34 in a centralised structure. So you would still have your local
15:30 35 property ---

15:30 36

15:30 37 COMMISSIONER: I'm sorry to interrupt, but what I'm worried
15:31 38 about is it might be playing lip service to the obligations that are
15:31 39 assumed to take place under the agreement. I found the bit I was
15:31 40 looking for. I will show how computer literate I am --- or not --- it
15:31 41 says here in the Sixth Review, page 52, I will read it to you, it's
15:31 42 a bit of fun:

15:31 43

15:31 44 *It has been noted earlier in this report that some Crown*
15:31 45 *Melbourne executives roles now extend beyond the*
15:31 46 *management of the Melbourne business --- that is, they are*
15:31 47 *"group" roles. The following aspects of the business are*

15:31 1 *now managed at a Crown group level: Information*
15:31 2 *Technology; Regulatory & Compliance; Responsible*
15:31 3 *Gambling; International Business Operations; Learning*
15:31 4 *& Development, Public Relations; Product, Strategy &*
15:31 5 *Innovation; Procurement & Supply; Risk & Audit;*
15:31 6 *Finance; Anti-Money Laundering; Enterprise Reporting;*
15:31 7 *Legal; VIP International; Customer Analytics; Strategy &*
15:32 8 *Finance; Hotels, Retails and Food and Beverage.*
15:32 9
15:32 10 I don't know what other operations you have, but that looks to me
15:32 11 to be every single function within the organisation, all managed
15:32 12 from a Crown group level. And, quite fairly, the explanation
15:32 13 given to the regulator which it records is that:
15:32 14
15:32 15 *..... the benefits of group level management are: greater*
15:32 16 *consistency in approach [which you mentioned] across*
15:32 17 *the group and developing executives with great expertise*
15:32 18 *[which you said] through having a broader experience*
15:32 19 *[which you identified].*
15:32 20
15:32 21 So all the justifications are there. The only difference between
15:32 22 you and what the regulator understands is this has happened, the
15:32 23 whole thing is run at a group level, whereas I understand your
15:32 24 evidence to be you are still thinking about it and haven't even
15:32 25 worked out whether you are allowed to do it under the agreement.
15:32 26 It is a complication for me.
15:32 27
15:33 28 A. I understand. Understand. And the discussions on
15:33 29 centralisation are very much governance-driven. I understand
15:33 30 what this is saying and how it would be interpreted, but every
15:33 31 property has got --- if I think about Responsible Gaming, there is
15:33 32 a Responsible Gaming lead localised in each property. If I think
15:33 33 about risk areas ---
15:33 34
15:33 35 COMMISSIONER: Of course they have, but I'm interested ---
15:33 36
15:33 37 A. I am not sure, I think we are talking cross purposes and it
15:33 38 may be terminology I'm using ---
15:33 39
15:33 40 COMMISSIONER: No, I don't think we are talking cross
15:33 41 purposes at all. This agreement assumes where the head
15:33 42 decision-making people are going to be, and centralisation is
15:33 43 moving them away.
15:33 44
15:33 45 You will have a CEO, but he won't operate like a real CEO
15:33 46 because there will be another CEO sitting on top of his or her role
15:33 47 making the real CEO decisions. So you can say technically, and

15:34 1 one thing that will --- well, technically you might be right, you
15:34 2 will have a person called head of gaming, but my question is,
15:34 3 where is the real head of gaming? And you will have a person
15:34 4 called CEO, and my question will be, where is the real CEO? In
15:34 5 other words, I'm not just interested in what people's titles are but
15:34 6 what they are actually doing and who is actually the
15:34 7 decision-making person, the real decision-making person, or the
15:34 8 real decision-making group.

15:34 9

15:34 10 I'm now repeating myself. I can't make myself any clearer.

15:34 11

15:34 12 A. I understand that and there has to be clarity --- we
15:34 13 absolutely need to provide the clarity so we can ensure that our
15:34 14 regulator is comfortable, you are comfortable. I don't disagree.
15:34 15 We need to provide the clarity. But I don't see the properties --- I
15:34 16 see there is a localised operation of the properties.

15:34 17

15:34 18 MS NESKOVICIN: Ms Korsanos, are you saying that what will
15:35 19 change, going forward, is the attempt to eliminate duplication
15:35 20 between what the boards do and what the committees do as
15:35 21 opposed to what ---

15:35 22

15:35 23 A. What the properties do.

15:35 24

15:35 25 Q. I see.

15:35 26

15:35 27 A. Correct. So what the boards and the committees do versus
15:35 28 what the properties do, because I think from a governance
15:35 29 perspective there should be better transparency and avoiding that
15:35 30 duplication means that we do get clear visibility and line of sight
15:35 31 of compliance issues that we haven't had before.

15:35 32

15:35 33 Q. I will come to the committees next. But can I just finish off
15:35 34 on the Casino Control Agreement that we were just on, because,
15:35 35 as reflected in this agreement, it demonstrates or its intention is
15:35 36 for there to be a certain connection and a real connection, I
15:35 37 suggest, with this jurisdiction, Victoria. And the way they are
15:35 38 trying, or the way the agreement is trying to reflect that is by at
15:36 39 least having the requirement of the senior executive managers
15:36 40 resident in Victoria. Can I just ask you whether you think that
15:36 41 there would be benefit to also having a requirement for resident
15:36 42 directors in Victoria?

15:36 43

15:36 44 A. I think there is a balance there. And I think from
15:36 45 a Melbourne perspective this is more than being met, and from,
15:36 46 call it a group function perspective as well, there are a number of
15:36 47 group roles that are also sitting in Melbourne and a lot of the ---

15:36 1 most of the --- pre-pandemic, which feels like a long time ago,
15:36 2 we had most of the Resorts Board meetings in Melbourne as well.
15:36 3 So there is gravitation to Melbourne because it is our largest
15:36 4 property. But this, as I said, this is being met. There is no
15:37 5 conflict with this. And the way I would see it is that every
15:37 6 property would have its localised management leadership and
15:37 7 clarity of decision-making, and that is how I've seen it run before
15:37 8 in industry, but not on the operating side.

15:37 9

15:37 10 Q. And you recognise the importance of having the connection
15:37 11 between the directors and the property because it is
15:37 12 an opportunity for them to walk the floor, speak to people
15:37 13 face-to-face, get a first hand assessment of what things are like on
15:37 14 the ground; do you accept that?

15:37 15

15:37 16 A. Yes, that applies whether I'm a Melbourne or Crown
15:37 17 Resorts director, because I have responsibilities as
15:37 18 a non-executive director of a listed company. We need that
15:37 19 closeness, irrespective of the fact that we are regulated in
15:37 20 different jurisdictions.

15:37 21

15:37 22 Q. All right.

15:37 23

15:37 24 Let's have a look at the committee point then, please. Can we go
15:38 25 to your statement, please? I want to ask you about board
15:38 26 composition and then the committee structure.

15:38 27

15:38 28 If you look at page 0105, paragraph 8, you have a table of the
15:38 29 board composition as at 2020 in the annual report in the left-hand
15:38 30 column, and as at now in the right-hand column plus Mr Carter?

15:38 31

15:38 32 A. Yes. Mr Carter hasn't --- I don't think he has received
15:38 33 regulatory approval yet. He may have, but I'm not aware of it.
15:38 34 I don't think that's been communicated so its pending.

15:38 35

15:38 36 Q. Crown are attempting to recruit further directors to the
15:38 37 Board of Crown Resorts; correct?

15:38 38

15:38 39 A. Yes. Yes, we are.

15:38 40

15:38 41 Q. What do you see as the ideal composition in terms of
15:38 42 numbers of directors for that Board?

15:39 43

15:39 44 A. Well, we'd like to have six to seven non-executive directors
15:39 45 plus the CEO and Managing Director. So one executive and six
15:39 46 to seven. Ideally it is seven. The reason I say six to seven is to
15:39 47 allow for succession planning. When you have a resignation --- it

15:39 1 takes time to get a new member on through the approval process.

15:39 2

15:39 3 Q. Yes. And then, looking at the Crown Resorts committees,

15:39 4 you have the Audit & Corporate Governance Committee, the

15:39 5 Corporate Responsibility Committee no longer exists.

15:39 6

15:39 7 Over the page, please, operator.

15:39 8

15:39 9 You have the Finance Committee and the Investment Committee

15:39 10 no longer exist, so what you have at the moment is the Audit &

15:39 11 Corporate Governance Committee, then the People,

15:39 12 Remuneration & Nomination Committee, the Safety and

15:39 13 Sustainability Committee, the Responsible Gaming Committee,

15:40 14 and the Risk Management Committee. So that is five board

15:40 15 committees and you've got five board members. So I don't need

15:40 16 to suggest to you that you are a bit thin on the ground and there

15:40 17 needs to be more representation on individual committees, but

15:40 18 when you look at your note, Ms Korsanos, I think that some of

15:40 19 the committee meetings used to be run concurrently with the

15:40 20 board meetings. Is that still the case?

15:40 21

15:40 22 A. They are run --- there are a couple that run concurrently

15:40 23 with the board meetings because of the fact that we just don't

15:40 24 have a full complement of board members. So at the time when

15:40 25 we went to three continuing members, we reduced --- we kept the

15:41 26 People, Remuneration & Nomination Committee, the Risk

15:41 27 Management Committee and the Audit Committee separate,

15:41 28 under the governance rules you do need a PRN and the audit, but

15:41 29 we felt risk was important as well to keep separate, and the

15:41 30 Responsible Gaming and Safety went into the Board meeting.

15:41 31

15:41 32 Q. So ordinarily the committee meetings would not be run

15:41 33 concurrently with the board meetings, but that is just for

15:41 34 convenience due to numbers?

15:41 35

15:41 36 A. Yes.

15:41 37

15:41 38 Q. Have you considered whether you have too many board

15:41 39 committees?

15:41 40

15:41 41 A. That will be considered, yes. We haven't as yet made

15:41 42 a decision, but I do think that there will probably be an element

15:41 43 of consolidation going forward, and I think there are certain

15:41 44 committees that are probably better served at a board level given

15:41 45 the priorities of the business going forward.

15:41 46

15:41 47 Q. Can you just identify which of those, because it is relevant

15:41 1 to this discussion we have are having about centralisation, which
15:41 2 committees do you think are better run at board level and
15:42 3 which could possibly be done at some other executive level?

15:42 4

15:42 5 A. This is my view in response to the question you are asking
15:42 6 me, so we haven't had discussion, but I think being in the
15:42 7 business we are, I think safety and sustainability can, and I've
15:42 8 seen that on many other boards ---

15:42 9

15:42 10 Q. Can what?

15:42 11

15:42 12 A. Can be a standing agenda on your board meeting because
15:42 13 I think it does represent --- I think it is important --- it is
15:42 14 an important committee and the subject matter, I think, given the
15:42 15 compliance requirements at board level and company level,
15:42 16 I think that is important.

15:42 17

15:42 18 Q. I think --- that's one that I would roll up. I wouldn't roll up
15:42 19 the PRN committee. These are all --- if I think about the work
15:42 20 that we've been doing, even with a smaller board over the last
15:43 21 three months, I think all of these committees are valid
15:43 22 committees separately.

15:43 23

15:43 24 Q. I see.

15:43 25

15:43 26 A. I think Responsible Gaming, there is merit in keeping that
15:43 27 separate. I think you wouldn't find it in other companies but
15:43 28 I think it is very important in the business that we are in. So that
15:43 29 is one that I would recommend. But, as I said, that is my view in
15:43 30 response to the question you've just asked me, not one that we
15:43 31 have discussed internally, and I have colleagues to discuss this
15:43 32 with.

15:43 33

15:43 34 Q. Noted. How many board meetings do you tend to have at
15:43 35 the Crown Resorts board level each year? Is it one a month or
15:43 36 every six weeks?

15:43 37

15:43 38 A. Pre --- we've had a lot of meetings but the standing --- if
15:43 39 I was to say the standing meetings is about eight a year, of
15:43 40 standing meetings.

15:43 41

15:43 42 Q. What ---

15:43 43

15:43 44 A. And there have been a lot of meetings.

15:43 45

15:43 46 Q. What about the committees? What would be a standard
15:43 47 number of committee meetings?

15:43 1

15:44 2 A. The committees vary as well. I think from an audit
15:44 3 perspective I look for four meetings minimum a year in terms of
15:44 4 covering the standard agenda. But there are always more. From
15:44 5 a Risk Committee perspective, we do six a year but again, if
15:44 6 required, we do more, but the six are there to accommodate for
15:44 7 what we call our standing agenda.

15:44 8

15:44 9 And then from a PRN committee, I think, and I haven't been on
15:44 10 that committee before, but I don't think there should be less than
15:44 11 four, but there's been more than that.

15:44 12

15:44 13 Q. All right.

15:44 14

15:44 15 A. So there is a level of responsiveness that you need.
15:44 16 Responsible Gaming was more often. Responsible Gaming was
15:44 17 a lot more frequent per annum.

15:44 18

15:44 19 Q. Assuming you get to target directors at six or seven, even
15:44 20 then the number of meetings, the number of committee meetings
15:45 21 is quite demanding. I've seen the board packs. We are all
15:45 22 familiar with the volume of reading material. Have you
15:45 23 considered whether there will be merit on having external
15:45 24 consultants or experts, whatever you want to call them, as
15:45 25 committee members to assist with the workload, provide
15:45 26 independent expertise? Is that something you have given
15:45 27 consideration to?

15:45 28

15:45 29 A. Again, I will --- this is my perspective because we haven't
15:45 30 discussed it internally, but in the thoughts I've had in considering
15:45 31 this I think there is merit in bringing external support to the
15:45 32 Responsible Gaming Committee. We do have an advisory panel
15:46 33 that we do lean on, but I think having somebody sitting around
15:46 34 the table with that level of expertise is something that could
15:46 35 enhance these efforts.

15:46 36

15:46 37 With regard to the other committees, no, I think there is --- when
15:46 38 we look at the committees as we've been running them more
15:46 39 recently, Ms Halton on the Audit Committee, me on the Risk
15:46 40 Committee, I think that is a good overlap because we ensure that
15:46 41 the committees are working well together, so if something needs
15:46 42 to get across to risk, or if audit has to monitor what comes out of
15:46 43 the Risk Committee, I think that works well. So the duplication
15:46 44 in membership there I think works.

15:46 45

15:46 46 From a PRN committee perspective we do lean on external
15:46 47 consultants as we need them. The one that stands out for me, and

15:46 1 I think would have value, is the Responsible Gaming Committee.
15:46 2

15:46 3 Q. Thank you for that. I will come to the Crown Melbourne
15:46 4 committees next and the duplication issue, how that might be
15:47 5 consolidated. Before I do, one other question because it bears on
15:47 6 workload.
15:47 7

15:47 8 You've been at Crown for a few years now, you appreciate the
15:47 9 workload. I know you have other external appointments. Do you
15:47 10 think there is a maximum number of external appointments or
15:47 11 directorship appointments that a Crown director should have so
15:47 12 as to ensure they have sufficient time to devote to their duties as
15:47 13 director?
15:47 14

15:47 15 A. No, I don't. And I think it comes down to the individual
15:47 16 and what the individual wants. I have colleagues who really don't
15:47 17 want to ---- keep their board portfolio at a minimum. I personally
15:47 18 am somebody who left an executive role and wanted to keep
15:47 19 busy, and I wanted a broad portfolio, and I like the portfolio
15:48 20 I have. Having said that, Crown in its current state means that I
15:48 21 really don't get many weekends to myself, but that is what I've
15:48 22 signed up to and that's fine. I think it comes down to the
15:48 23 individual and your commitment, and if somebody isn't pulling
15:48 24 their weight, isn't contributing, they will have to make their own
15:48 25 decision or they will be asked to leave. That's the conversation
15:48 26 and the assessment that boards make of themselves.
15:48 27

15:48 28 Q. Thank you, Ms Korsanos. Looking at Crown Melbourne
15:48 29 over the page, I take it Ms Danziger has resigned or is intending
15:48 30 to resign?
15:48 31

15:48 32 A. I believe she is intending to resign and hasn't resigned as
15:48 33 yet.
15:48 34

15:48 35 Q. There are currently four directors. I don't think you are
15:48 36 looking to increase the numbers on the Crown Melbourne Board;
15:48 37 is that correct?
15:48 38

15:48 39 A. Currently --- no, we have five at the moment. There is five
15:49 40 directors for Melbourne. Melbourne requires five directors.
15:49 41

15:49 42 Q. Thank you. Yes, thank you for reminding me of that.
15:49 43 There are two committees that Crown Melbourne is required to
15:49 44 have under the Management Agreement, I think it is.
15:49 45

15:49 46 COMMISSIONER: Can I interrupt again, sorry, but I'm
15:49 47 interested in the directors of the Melbourne board.

15:49 1
15:49 2 Is there any reason why it is not appropriate to think that some
15:49 3 directors at least of the Melbourne Board should be independent,
15:49 4 and by independent I mean independent of Crown Resorts?
15:49 5 I.e. don't overlap them and have no connection with them?
15:49 6
15:49 7 A. Sorry, your question, Commissioner? Sorry.
15:49 8
15:49 9 COMMISSIONER: Directors on Crown Melbourne that are
15:49 10 independent of Crown Resorts. Don't double up.
15:49 11
15:49 12 A. There is no reason not to have that.
15:50 13
15:50 14 COMMISSIONER: Well, I know that. But is it a good reason to
15:50 15 have it? I don't think it disadvantages the board if there is
15:50 16 somebody who is not associated with Resorts.
15:50 17
15:50 18 COMMISSIONER: Somebody who won't ever have a conflict of
15:50 19 interest?
15:50 20
15:50 21 A. I don't see a disadvantage --- I suppose if there were
15:50 22 conflicts of interest, I get there is value in having somebody who
15:50 23 is independent to Crown Resorts. I think whether you, and I
15:50 24 haven't seen conflicts of interest, I suppose, having been on the
15:50 25 board. I haven't seen conflicts of interest. There have been ---
15:50 26 I don't think Melbourne has been disadvantaged by having
15:50 27 an overlap, having management on the board helps there, having
15:51 28 an independent director outside of Crown Resorts would help as
15:51 29 well. I think I like it for the fact that there is diversity, really, and
15:51 30 I think it would help more diverse thinking, but I'm not --- I don't
15:51 31 think that we've made any decisions at this level that have been
15:51 32 disadvantageous to Melbourne because of the Resorts
15:51 33 association.
15:51 34
15:51 35 COMMISSIONER: You guaranteed all of Crown Resorts debts.
15:51 36 That's a disadvantage to Crown Melbourne. You never know
15:51 37 how things turn out in the future. It could be
15:51 38 a multimillion-dollar disadvantage. Did anybody think about
15:51 39 that?
15:51 40
15:51 41 A. --- (overspeaking) ---
15:51 42
15:51 43 COMMISSIONER: The answer is no.
15:51 44
15:51 45 A. The corporate structure is there, though. I see that as
15:51 46 an outcome of the corporate structure and the ownership, not the
15:51 47 operation.

15:51 1
15:51 2 COMMISSIONER: I don't know what that means.
15:51 3
15:52 4 A. Well, the operations are run out of Melbourne. I see it as it
15:52 5 is there because of the corporate structure. There is the listed
15:52 6 company and the listed company has a number of subsidiaries,
15:52 7 Melbourne is one of them. It doesn't --- I suppose I haven't
15:52 8 thought of it that way because I see it as just an outcome of the
15:52 9 corporate structure, the ownership structure of this business like
15:52 10 many other businesses.
15:52 11
15:52 12 COMMISSIONER: Yeah, I don't quite see it the same way.
15:52 13
15:52 14 MS NESKOVICIN: Ms Korsanos, just looking at the committees
15:52 15 on page --- under paragraph 11, there are two committees the
15:52 16 Crown Melbourne Board are required to have, the Audit
15:52 17 Committee and the Compliance Committee. Do you say there is
15:52 18 presently duplication between those committees and the functions
15:52 19 that the Crown Resorts Committees are discharging?
15:53 20
15:53 21 A. Not with regard to the Compliance Committee. The Audit
15:53 22 Committee essentially is --- it does --- there is a level of what we
15:53 23 do at the Audit Committee for Melbourne that goes up into
15:53 24 Crown Resorts, and that is really driven by the fact that
15:53 25 Melbourne is the largest operating unit in the group.
15:53 26
15:53 27 Q. So under the centralised structure, what would you
15:53 28 envisage would occur if you have Crown Resorts as the ultimate
15:53 29 holding company, and we are looking at the issue of delegated
15:53 30 decisions, assisting the board discharge functions; what
15:53 31 committees would you see in the centralised structure model that
15:53 32 would no longer exist?
15:53 33
15:53 34 A. Well, you wouldn't have the level of board meeting that we
15:54 35 are having at the moment at Melbourne, but the operations of the
15:54 36 business would still run the way they run. And you wouldn't have
15:54 37 the duplication that we have in the Audit Committee. That would
15:54 38 be absorbed in Audit Committee for Resorts and Risk Committee
15:54 39 for Resorts, and then compliance would be taken up to that level
15:54 40 and consolidated across the Group.
15:54 41
15:54 42 Q. I see. So ---
15:54 43
15:54 44 A. To the previous question you had, compliance is another
15:54 45 area where you could bring external specialist or representatives
15:54 46 from your regulator as well. I've seen that done elsewhere in the
15:54 47 industry as well.

15:54 1
15:54 2 Q. So really the centralised structure would involve the Crown
15:54 3 Melbourne committees disappearing and everything being --- the
15:54 4 functions that those committees discharged being subsumed by
15:55 5 committees at the Crown Resorts level, is that correct?
15:55 6
15:55 7 A. Centralised governance, yes, centralised, so by removing
15:55 8 those layers by operationalised --- localised operations.
15:55 9
15:55 10 Q. Effectively, is the only change going to be, looking at what
15:55 11 occurs now, the committees are going to change, there will be no
15:55 12 Crown Melbourne Board committees, they will all be committees
15:55 13 of the Crown Resorts Board?
15:55 14
15:55 15 A. As I said earlier, there is a lot of work to do on this and we
15:55 16 haven't --- that is a direction that could be taken, but this has
15:55 17 definitely --- we are far from having fully considered this,
15:55 18 debated it, and even be ready to recommend it.
15:55 19
15:55 20 Q. I understand.
15:55 21
15:55 22 A. In terms of driving the transparency and governance, I think
15:55 23 there is value in centralised governance and getting the right
15:55 24 transparency, and there is value in driving certain principles
15:55 25 across the business from a separate, call it a group function, but
15:55 26 you have to make sure you have the resources, the ownership and
15:56 27 the local execution and accountability.
15:56 28
15:56 29 Q. I understand that. I understand that it is a work in progress,
15:56 30 but it certainly is part of the remediation plan. It is something
15:56 31 that this Commission is interested in because it is going to affect
15:56 32 Crown going forward. We are trying to understand what is going
15:56 33 to change and we are trying to understand whether Crown
15:56 34 Melbourne is going to be left behind.
15:56 35
15:56 36 A. And --- and --- so it is part of the Remediation Plan for
15:56 37 consideration. No definitive decision and absolutely insufficient
15:56 38 discussion to date to even put something forward. And I feel like
15:56 39 I'm putting more of my views than the view of the Board together
15:56 40 forward here. It needs to be discussed. It absolutely needs to be
15:56 41 discussed.
15:56 42
15:56 43 There is also, and I think it was the Commissioner who said there
15:56 44 is no reference in the HSF report on the regulatory environment.
15:56 45 That is absolutely understood by everybody on this Board and in
15:57 46 the business, and in order for this --- first of all, we need to get
15:57 47 through what we think is best ---

15:57 1
15:57 2
15:58 3 **(PAUSE --- WITNESS VIDEOLINK DISCONNECTED)**
15:58 4
15:58 5
15:58 6 COMMISSIONER: Is somebody helping Ms Korsanos?
15:58 7
15:58 8 MR BORSKY: Yes. We are making efforts to have things
15:58 9 reconnected. Commissioner, you would recall, when Melbourne
15:58 10 was in lockdown, you just had to ask me and I just had to agree,
15:58 11 hey, presto, the image reappeared. Sydney lockdown may be
15:58 12 a tougher problem for you and I to solve immediately, but we're
15:58 13 on it.
15:58 14
15:58 15 COMMISSIONER: Something is happening.
15:58 16
15:58 17 MR BORSKY: It will be momentarily restored and if it isn't we
15:58 18 might propose a short adjournment.
16:00 19
16:00 20 A. Hello?
16:00 21
16:00 22 COMMISSIONER: We're back.
16:00 23
16:00 24 A. Was that deliberate!?
16:00 25
16:00 26 MS NESKOVCIN: We were wondering that ourselves! What is
16:00 27 the answer?
16:00 28
16:00 29 A. I have no controls on this end but I can't see you, counsel.
16:00 30
16:00 31 MS NESKOVCIN: Someone is attending to that.
16:00 32
16:00 33 A. I can see the room but the camera is not aimed at you. Yes,
16:00 34 okay.
16:00 35
16:00 36 I think where I was, was it is on the reform agenda but it is there
16:00 37 for consideration and there is a lot to be done to ensure that there
16:01 38 is comfort in the recommendation. If we arrive at a position, and
16:01 39 we all agree, and there is a recommendation to be made, it is also
16:01 40 not lost on us that there are different regulatory requirements that
16:01 41 we need to comply with. A change here would mean
16:01 42 an engagement with our regulator and the stakeholders who have
16:01 43 the ability to make the decisions or accept these
16:01 44 recommendations and make the changes.
16:01 45
16:01 46 So I think in an environment where we are operating the way we
16:01 47 should be operating, as a business and with our regulator, these

16:01 1 conversations are to be --- are available to be had.
16:01 2
16:01 3 Q. Yes.
16:01 4
16:01 5 A. If we can't get --- if we believe this is the right thing to do
16:01 6 and we can't represent the why and the how, and there isn't the
16:01 7 confidence, then it won't happen. It won't happen. But we are
16:01 8 looking at a past where there was a lack of transparency, there
16:01 9 was a lack of escalation, the implications of what has happened in
16:02 10 Melbourne have hurt Sydney. And we've got Royal Commissions
16:02 11 across the country. So we would not be recommending this if we
16:02 12 did not think there was benefit out of it. But, as I said, a lot more
16:02 13 consideration and discussion. It will either get ticked because we
16:02 14 get to the end of this and think, no, this or that is a better option,
16:02 15 but it won't be done without consultation with the regulator and
16:02 16 open consultation. And it has to be accepted by all sides. The
16:02 17 onus is on us to represent something that if we believe it is better,
16:02 18 make it understood. If we can't, then it doesn't happen.
16:02 19
16:02 20 Q. Thank you, Ms Korsanos. I will move to another topic
16:02 21 now, thank you.
16:03 22
16:03 23 When did you first become aware of the underpayment of gaming
16:03 24 revenue tax?
16:03 25
16:03 26 A. 7 June.
16:03 27
16:03 28 Q. You were in a meeting with Ms Halton, Mr Morrison and
16:03 29 others?
16:03 30
16:03 31 A. Yes, we had a Risk Committee meeting that day, that
16:03 32 morning.
16:03 33
16:03 34 Q. As I understand it, somebody provided a media release or
16:03 35 something similar reflecting the evidence that had been given to
16:03 36 that effect, or to some effect in this Royal Commission?
16:03 37
16:03 38 A. Yes, it was a media article. As they come through we
16:03 39 receive feeds from the team, and that popped up that day during
16:03 40 that meeting.
16:03 41
16:03 42 Q. What was the reaction? Who said what?
16:03 43
16:03 44 A. Shock. Honestly, I don't remember who said what. There
16:04 45 may have been some expletives but there was definitely, a, "What
16:04 46 has gone wrong here?" So, yeah, it was --- yeah, it wasn't a great
16:04 47 read.

16:04 1
16:04 2 Q. From the reaction in the room, nobody was able to
16:04 3 enlighten you on what the issue was?
16:04 4
16:04 5 A. No. And I don't remember who was in the room when I
16:04 6 read it because, yeah, I think it was towards the conclusion of the
16:04 7 meeting and I'm not sure --- because there had been management
16:04 8 in the Risk Committee meeting, but I can't who was in and out at
16:04 9 that time (inaudible - audio interference).
16:04 10
16:04 11 Q. It was on videoconference, so people were coming in and
16:04 12 out of the videoconference?
16:04 13
16:04 14 A. Yes. And I think Nigel was on the video that day as well.
16:04 15
16:04 16 Q. What happened after you got over the shock, was
16:04 17 somebody tasked to find out more and report back?
16:05 18
16:05 19 A. I know there was a meeting subsequent. We all had
16:05 20 meetings subsequent to that, but the agreement was, yes, we
16:05 21 would find out what it was and we would reconvene and there
16:05 22 were further discussions through the day and that evening on
16:05 23 what it pertained to and so forth. But it was something that we
16:05 24 were not aware of.
16:05 25
16:05 26 Q. Further discussions between whom, Ms Korsanos?
16:05 27 Between you and the other directors or you and staff?
16:05 28
16:05 29 A. The directors and staff as well.
16:05 30
16:05 31 Q. Ultimately the directors sought legal advice and you are
16:05 32 aware of that?
16:05 33
16:05 34 A. Yes.
16:05 35
16:05 36 Q. All right. Did you follow Mr Xavier Walsh's evidence in
16:05 37 this Royal Commission?
16:05 38
16:05 39 A. I saw parts of Mr Walsh's evidence. I didn't see all of it.
16:05 40
16:06 41 Q. Did you follow his evidence about a meeting he said he had
16:06 42 with you and Mr Morrison on 9 March 2021?
16:06 43
16:06 44 A. Yes. I think I was listening to that. I'm sorry, I can't
16:06 45 remember what I've read and what I've listened to. Apologies.
16:06 46 I think I was listening to that bit.
16:06 47

16:06 1 Q. I'm really trying to work out whether you are aware of his
16:06 2 evidence about a discussion he said he had with you and
16:06 3 Mr Morrison on the 9th.

16:06 4
16:06 5 A. Yes, I am.

16:06 6
16:06 7 Q. What do you remember about that meeting? What was the
16:06 8 purpose of the meeting? He said it was at Crown Towers in the
16:06 9 executive office; is that correct?

16:06 10
16:06 11 A. Yes, it was. I had gone down to Melbourne for a couple of
16:06 12 days and I was meeting a lot of the management team and also
16:06 13 walk through the floor. There was multiple meetings over two
16:06 14 days, interfacing with management.

16:06 15
16:06 16 Q. Was this meeting to discuss a number of matters?

16:07 17
16:07 18 A. It was an open meeting, I hadn't been down to the property
16:07 19 because of multiple border closures, so that was the first
16:07 20 opportunity I had to go down. This was more around engaging
16:07 21 with the team, the message on change that we were looking for,
16:07 22 the message on transparency that we were looking for, and it was
16:07 23 as much a well-being review of people, as well as, "I'm here and
16:07 24 I'm here to listen." So there was no, I didn't go there --- I went
16:07 25 there with a schedule of people to meet but not an agenda. There
16:07 26 was no agenda.

16:07 27
16:07 28 So this was a meeting that I had scheduled with Xavier, Nigel
16:07 29 was accompanying me on some of those meetings because as part
16:07 30 of his induction we were to meet with Xavier. Then we were
16:07 31 going to meet with a couple of members from his team, do a walk
16:07 32 of the floor. The premises were still on restriction, and we had
16:08 33 lunch and then moved on to my next meeting. So there wasn't
16:08 34 a specific agenda.

16:08 35
16:08 36 Q. Just focusing on the underpayment of gaming revenue tax,
16:08 37 what do you remember Mr Walsh telling you in that meeting on 9
16:08 38 March?

16:08 39
16:08 40 A. The discussion was focused on more a cultural issue.
16:08 41 Mr Walsh mentioned that he'd come across a presentation from
16:08 42 2012 that made some references that represented the poor culture
16:08 43 and lack of transparency in a change that was made to the tax
16:08 44 calculation at the time. The focus was about the comment in the
16:08 45 presentation and what --- and how that would be looked upon.
16:08 46 He did mention that there was a reference, can I see say this,
16:09 47 an internal advice.

16:09 1
16:09 2 Q. Yes.
16:09 3
16:09 4 A. And also that the situation had been --- sorry, the
16:09 5 calculation had been audited a few years ago, about three years
16:09 6 ago, and full transparency had been made and then also
16:09 7 subsequently cured through a technical requirements document
16:09 8 update. So the conversation was about the lack of transparency,
16:09 9 the lack of engagement and openness with the VCGLR, and again
16:09 10 representative of poor culture. Focused on the comment more
16:09 11 than anything --- (overspeaking) ---
16:09 12
16:09 13 Q. You said that he mentioned internal advice. Did he also
16:09 14 mention external advice?
16:09 15
16:09 16 A. No, he didn't.
16:09 17
16:10 18 Q. Did he tell you what that advice said or the effect of the
16:10 19 advice?
16:10 20
16:10 21 A. Along the lines of "It can be done but the VCGLR could
16:10 22 argue against it." Something along those lines.
16:10 23
16:10 24 Q. What did you take away as the concern that he was raising
16:10 25 with you at that point? Was it the issue about non-disclosure to
16:10 26 the VCGLR or transparency to the VCGLR?
16:10 27
16:10 28 A. It wasn't an issue --- it was definitely a culture and lack of
16:10 29 transparency and poor engagement with the VCGLR. It wasn't
16:10 30 an issue on whether there was a concern on that calculation.
16:10 31
16:10 32 Q. So he didn't mention it was an issue about underpayment of
16:10 33 tax?
16:10 34
16:10 35 A. Correct. I did not walk away from that meeting believing
16:10 36 that there was a concern that tax had been underpaid.
16:10 37
16:11 38 Q. You had no idea about the quantum in mind either?
16:11 39
16:11 40 A. No, no, but the presentation reference to change that was
16:11 41 made in 2012 around what I would reference as ---
16:11 42
16:11 43 Q. Did that make you think it might be a significant number or
16:11 44 you made no connection there?
16:11 45
16:11 46 A. No, I made no connection there. And when the article
16:11 47 came out on 7 June I made no connection again to having any

16:11 1 relevance.
16:11 2
16:11 3 Q. You now know that the quantum is significant; correct?
16:11 4
16:11 5 A. There is a difference, and there is a couple of opinions we
16:11 6 have got that vary in number.
16:11 7
16:11 8 Q. Leaving that aside, on any view it is significant?
16:11 9
16:11 10 A. I think I would say that, yes.
16:11 11
16:12 12 Q. We now know it's not just about disclosure or transparency
16:12 13 to the VCGLR; it is a potential issue about concealing and hoping
16:12 14 that the VCGLR won't notice?
16:12 15
16:12 16 A. I think the change wasn't revealed at the time ---
16:12 17
16:12 18 Q. The change wasn't revealed at the time, but there was
16:12 19 an internal view that the VCGLR won't notice.
16:12 20
16:12 21 A. Yes, that was the comment in the presentation, something
16:12 22 along those lines, the concern that Xavier raised.
16:12 23
16:12 24 Q. According to what you said that he said on 9 March, he left
16:12 25 you with the comment that he had just come across this
16:12 26 presentation recently?
16:12 27
16:12 28 A. Yes, that's how I understood it, that it was something he
16:13 29 had come across recently and was concerned about those
16:13 30 comments and what it represented from a culture and engagement
16:13 31 perspective.
16:13 32
16:13 33 Q. You now know that he had come across that presentation in
16:13 34 the middle of 2018?
16:13 35
16:13 36 A. I do.
16:13 37
16:13 38 Q. Bearing in mind what you now know, what he disclosed to
16:13 39 you on 9 March and what he failed to disclose to you on 9 March
16:13 40 is of concern to you?
16:13 41
16:13 42 A. Yes, it is. If that is correct, it is a concern to me.
16:13 43
16:13 44 Q. What particular aspect is a concern to you?
16:13 45
16:13 46 A. Well, as I said, it was --- the way the matter was relayed to
16:13 47 me left me to believe --- well, I walked out of that meeting not

16:13 1 thinking that there was an issue in the calculation of tax. As I
16:13 2 said, I didn't put that discussion, I didn't connect that discussion
16:14 3 with the significant, or the reference made in the media that day.
16:14 4 So it was --- as I said, it was represented to me as an issue of
16:14 5 transparency and poor culture, not as one that raised doubt on the
16:14 6 calculation.

16:14 7

16:14 8 Q. How did the meeting end with regard to that topic? Was
16:14 9 Mr Walsh going to do something about it?

16:14 10

16:14 11 A. No. We completed that discussion and moved on to talking
16:14 12 about the property and performance, and then went --- how we
16:14 13 were managing, or how the team, I should say, were managing
16:14 14 the COVID restrictions, and then we went for a walk around the
16:14 15 property to see it.

16:14 16

16:14 17 Q. So what was your expectation that something embarrassing
16:14 18 might come up in the future about that topic that Mr Walsh had
16:14 19 raised with you on that day?

16:15 20

16:15 21 A. Yes, I think it was reaffirming the --- it was reaffirming
16:15 22 what we had understood had come out of the Bergin Inquiry, in
16:15 23 terms of the culture of the business and, you know, the lack of
16:15 24 transparency and, yes, it would have been embarrassing but, yeah,
16:15 25 not inconsistent with what we understood at the time.

16:15 26

16:15 27 Q. This is in the context where you had specifically come to
16:15 28 Melbourne to talk about the message on change and transparency.
16:15 29 Here you have your CEO of the Crown Melbourne property
16:15 30 delivering a message to you in a way where he had to soften it,
16:15 31 sugar coat it a little bit; what do you think that says about your
16:15 32 endeavours to convey this message of transparency and bringing
16:16 33 up bad news and speaking up?

16:16 34

16:16 35 A. I think --- I don't know --- to be honest I haven't had a good
16:16 36 conversation with Mr Walsh about this, and I would like to. And
16:16 37 I don't know whether he was confused at the time in terms of
16:16 38 what he knew and what he didn't know, and what he realised
16:16 39 later, I don't know, and I think people have to be afforded the
16:16 40 fairness to have that conversation. But it does concern me with
16:16 41 regard to the message that we have been putting to the teams and
16:16 42 the employees in the business. But I do believe we have had
16:16 43 traction there. I really do. And that comes back from feedback
16:16 44 I am getting from people that I speak to, and also feedback that
16:16 45 I'm getting from new people who have joined the business and
16:16 46 how they are seeing that the change is being embraced. No one is
16:16 47 putting up obstacles and everyone is engaged and this place is ---

16:16 1 well, the people in this business are working so hard at the
16:17 2 moment, and they are choosing to do so, and they are motivated
16:17 3 to do so. We are concerned about their well-being because the
16:17 4 work is that difficult. But you wouldn't get that sort of
16:17 5 engagement in a business if people weren't onboard. Now, that's
16:17 6 not saying everyone is, but the tide has turned, and I'm pleased
16:17 7 with what we are seeing and how people are embracing change.
16:17 8 That message is coming up.

16:17 9

16:17 10 Q. I hear what you say about that but it seems, I'm suggesting
16:17 11 to you that message has been lost on the CEO of your Crown
16:17 12 Melbourne property; what do you say about that?

16:17 13

16:17 14 A. Like I said, I want to have a good conversation with
16:17 15 Mr Walsh. Was he confused, was he not? If he wasn't, it is
16:17 16 disappointing. It is.

16:17 17

16:17 18 Q. You now know that he was involved, he had knowledge of
16:17 19 these matters since 2018, he became the CEO in December 2020,
16:18 20 that was a time and occasion on which he had the opportunity to
16:18 21 speak up and raise this with the board, didn't he?

16:18 22

16:18 23 A. Yes. Yes. If he had considered it at that point and didn't
16:18 24 raise it, yes, he had the opportunity.

16:18 25

16:18 26 Q. Yes. And you feel you've made your position very clear
16:18 27 and you are approachable and he didn't do it. And in fact, he
16:18 28 didn't do it until 9 March and that is a concern, isn't it?

16:18 29

16:18 30 A. Yes.

16:18 31

16:18 32 Q. Do you suspect he was trying to protect his own position?

16:18 33

16:18 34 A. I don't know. I don't know. As I said, I don't know whether
16:18 35 he --- I don't know. I honestly don't know. If he knowingly didn't
16:19 36 tell me certain things, then it is disappointing and inappropriate.
16:19 37 But if he didn't remember and remembered later, I get that. I still
16:19 38 would have liked to understand it before 7 June.

16:19 39

16:19 40 Q. If he knew about it and didn't raise it, having had ample
16:19 41 opportunity to do that, do you feel comfortable that Mr Walsh is
16:19 42 the appropriate person to be the CEO of Crown Melbourne Ltd?

16:19 43

16:19 44 A. If that's the assumption, if that is what occurred, I wouldn't
16:19 45 feel comfortable.

16:19 46

16:19 47 Q. Because you couldn't have faith in him in the future?

16:19 1
16:19 2 A. Well, I would have to understand. I really would have to
16:19 3 understand. I think people can change but, you know, this needs
16:19 4 to be discussed and understood.
16:19 5
16:19 6 Q. This is an important role, the CEO. It carries huge
16:19 7 responsibility ---
16:19 8
16:19 9 A. It is.
16:19 10
16:19 11 Q. --- but also huge obligations, and it's an obligation of
16:19 12 a CEO is to bring up important matters like this with the Board,
16:20 13 isn't it?
16:20 14
16:20 15 A. It is. It is.
16:20 16
16:20 17 Q. If the Board can't have faith in the CEO to be able to
16:20 18 recognise the obligations and then meet them, the Board can't
16:20 19 work with the CEO; can they?
16:20 20
16:20 21 A. It's faith and trust.
16:20 22
16:20 23 Q. One more matter I want to ask about ---
16:20 24
16:20 25 COMMISSIONER: Before you leave that topic.
16:20 26
16:20 27 There is one thing I'm unclear about, Ms Korsanos. In the
16:20 28 conversation that you had with Mr Walsh on 9 March or
16:20 29 whatever day it was, I thought you suggested that whatever the
16:20 30 problem that he identified was, he said it had been fixed by some
16:20 31 technical requirement being changed, or being accepted by the
16:20 32 regulator.
16:20 33
16:20 34 A. Yeah, well, three years ago there was a full review of the
16:21 35 calculations by the regulator and full disclosure of the
16:21 36 calculations, and then over and above that, also cured through ---
16:21 37 and I didn't understand the full background on this, but also cured
16:21 38 through a technical requirements document that documents the
16:21 39 calculation. So there were two points ---
16:21 40
16:21 41 COMMISSIONER: Two levels.
16:21 42
16:21 43 A. Yes, two levels. It wasn't that it got reviewed three years
16:21 44 ago and everything was okay, it got reviewed three years ago and
16:21 45 also cured subsequently in 2020, I think I wrote in my notes.
16:21 46
16:21 47 COMMISSIONER: At any time since the 9 March conversation

16:21 1 did Mr Walsh tell you that he had received advice, or the
16:21 2 company had received advice that the technical requirements
16:21 3 document didn't fix up anything so far as the tax was concerned?
16:21 4
16:21 5 A. Not until after the matter had been raised. It was on a call
16:22 6 recently that I understood that that technical requirements
16:22 7 document wasn't so relevant.
16:22 8
16:22 9 COMMISSIONER: No, in other words, irrelevant.
16:22 10
16:22 11 A. Mm.
16:22 12
16:22 13 COMMISSIONER: But he led you to believe in the 9 March
16:22 14 conversation that it had fixed the problem, if there was still
16:22 15 a problem?
16:22 16
16:22 17 A. It was part of the fix, yeah. Yes, if there was still
16:22 18 a problem, but it wasn't represented as if it was still a problem,
16:22 19 there were two layers of comfort there where there is not an issue.
16:22 20
16:22 21 COMMISSIONER: But you now know that the advice received
16:22 22 in 2019 was that it had nothing to do with fixing any problem?
16:22 23
16:22 24 A. Yes. I do know that now, Commissioner.
16:22 25
16:22 26 COMMISSIONER: Thank you.
16:22 27
16:22 28 MS NESKOVCIN: Ms Korsanos, you have been interviewed by
16:22 29 Ms Whitaker and Dr Lawson of Deloitte for the purpose of the
16:22 30 Crown culture review; correct?
16:22 31
16:23 32 A. Yes, I have.
16:23 33
16:23 34 Q. And that interview took place, I think in March, or, perhaps
16:23 35 you can assist us with when that took place? Just roughly?
16:23 36
16:23 37 A. 7 June, actually. A lot of things happened on 7 June!
16:23 38
16:23 39 Q. Busy day.
16:23 40
16:23 41 A. I think it was 7 June. I have had a look at my diary and
16:23 42 I think it was 7 June. It was a busy day. It was a busy day.
16:23 43
16:23 44 Q. Operator, could you please call up DTT.010.0006.0006.
16:23 45
16:23 46 During the interview, Ms Korsanos, was somebody taking notes
16:23 47 to record your answers to questions that Deloitte had raised with

16:23 1 you?
16:23 2
16:23 3 A. Yes. Yes, they were taking notes. I have had a look at the
16:23 4 notes since. I've seen this evidence shared with me. I would like
16:23 5 to say this is by no means a transcript of what was said on the
16:24 6 day.
16:24 7
16:24 8 Q. Noted. It's not a transcript.
16:24 9
16:24 10 A. There was a piece missing to this. In asking the questions,
16:24 11 I was provided with --- for each of the values I was provided with
16:24 12 a schedule for each of them that said what we do, how we do ---
16:24 13 what we do and --- how we do behave and how we don't behave.
16:24 14 What you do to behaviour under that value and what behaviours
16:24 15 don't represent that value and we were talking to that.
16:24 16
16:24 17 Q. It is not a transcript, but do you agree it broadly reflects the
16:24 18 answers you gave in response to questions asked of you during
16:24 19 this meeting?
16:24 20
16:24 21 A. Look, in some respects there is bits missing. Yes, in some
16:24 22 respects but I can try and tell you what I said.
16:24 23
16:24 24 Q. Thank you. Operator, if we could go to line 14. The entry
16:25 25 in line 14 in the middle where it says "Response" and blow that
16:25 26 up, please.
16:25 27
16:25 28 So the note records you say --- the question is, or the prompt
16:25 29 "How do you see this value being lived at Crown" and the value
16:25 30 is "We do the right thing", you are recorded as having said:
16:25 31
16:25 32 *I think this is happening. We're challenging*
16:25 33 *inappropriate behaviour, making changes, there's*
16:25 34 *changes to responsibility and accountability. What I*
16:25 35 *haven't tested yet is accountability. The fact people are*
16:25 36 *present and working and engaged in ridiculous hours*
16:25 37 *People would not be doing it if they weren't accountable.*
16:25 38 *They'd be saying "not my problem".*
16:25 39
16:25 40 Do you recall saying something along those lines?
16:25 41
16:25 42 A. Yes.
16:25 43
16:25 44 Q. When you talk about challenging inappropriate behaviour,
16:25 45 making changes, are you talking about the post-February,
16:25 46 mid-February 2021 world?
16:25 47

16:26 1 A. Yes.

16:26 2

16:26 3 Q. Then in the next line it says:

16:26 4

16:26 5 For example, the China pay announcement to the market,

16:26 6 *I don't know why this has not come out before. I don't*

16:26 7 *think the previous leadership would have brought it out.*

16:26 8 *At board --- there was CPH influence noted during the*

16:26 9 *NSW Inquiry --- it was not obvious at the board level but*

16:26 10 *it was obviously there.*

16:26 11

16:26 12 Just pausing there. You were talking about the China Pay
16:26 13 announcement presumably as an example of accountability, is
16:26 14 that right?

16:26 15

16:26 16 Q. It's an example people calling out, saying they are
16:26 17 uncomfortable, as I said, this is not a transcript. A lot more was
16:26 18 said --- that doesn't connect. The reference to board influence has
16:26 19 nothing to do with China Pay.

16:26 20

16:26 21 Q. Okay, where you say "I don't know why this has not come
16:26 22 out before", you are referring to the fact that it came out as a
16:27 23 result of a surveillance report?

16:27 24

16:27 25 A. Yes, so the China Pay matter surprised me that it didn't
16:27 26 come out earlier, and I think that to me is representative of the
16:27 27 fact that the biggest change came with change in leadership,
16:27 28 change in Board and executive leadership in the business.

16:27 29

16:27 30 Q. Well, the next thing ---

16:27 31

16:27 32 A. I think that has signalled significant change to the business,
16:27 33 and that's why somebody came out and declared that China
16:27 34 UnionPay had occurred.

16:27 35

16:27 36 Q. I'm just wondering about that. It didn't really happen under
16:27 37 leadership directly or as a result of any Board inquiry. It was
16:27 38 some person noting it in a surveillance report and it being
16:27 39 escalated ---

16:27 40

16:27 41 A. Yes.

16:27 42

16:27 43 Q. --- that is what you are referring to, is it?

16:27 44

16:27 45 A. I'm saying somebody felt comfortable enough to put
16:27 46 forward a whistleblower report on this. So what I'm saying is
16:27 47 people are seeing and they are feeling comfortable that they can

16:27 1 actually bring out bad news or make this known. It was
16:28 2 obviously --- what surprised me was that China UnionPay was
16:28 3 not ever disclosed by anybody in the business, despite what we
16:28 4 went through during the Bergin Inquiry, and I think the biggest
16:28 5 change between then and now is, I think a lot has been achieved
16:28 6 through the progress that we've made against the reform agenda,
16:28 7 but the signalling of change is the strongest through the change in
16:28 8 Board and executive leadership. We went down to a board of
16:28 9 three people. That is, eight people left this Board. And all key
16:28 10 executives that were there at the time are not here today, and
16:28 11 I think that signals the seriousness of what has occurred and the
16:28 12 change that we are trying to drive. And we can put a lot of effort
16:28 13 in everything else that we are doing, but I think this has really
16:29 14 pushed forward the signalling of change. It's not an early win,
16:29 15 but a very strong message that has come through loud and clear
16:29 16 and somebody came through and said "I want to report China
16:29 17 UnionPay."

16:29 18
16:29 19 Q. All right.

16:29 20
16:29 21 COMMISSIONER: Can I pick up on that. I wonder whether
16:29 22 that's an accurate description. The China UnionPay issue was
16:29 23 reported by, call him a whistleblower, and recorded in notes and
16:29 24 then management got the young fellow and spoke to him and did
16:29 25 nothing about it except --- actually, did nothing about it at all.
16:29 26 And then I thought the sequence of events was that after the
16:29 27 Royal Commission was announced, somebody said "We should
16:29 28 go and conduct an inquiry." The impression I have is that
16:29 29 everybody was worried it was going to come out. Not that --- it
16:29 30 didn't come out in the ordinary course of business. I may have
16:29 31 my timing wrong, but if this was raised as an issue for
16:30 32 investigation before the Royal Commission was announced then
16:30 33 I'm completely wrong. If it was raised for investigation after the
16:30 34 Royal Commission was announced, then I might be right. So it is
16:30 35 a timing question.

16:30 36
16:30 37 A. Yeah, I might have --- I understood it to be after the Royal
16:30 38 Commission was announced.

16:30 39
16:30 40 COMMISSIONER: So did I.

16:30 41
16:30 42 A. It was after, but that was ---

16:30 43
16:30 44 COMMISSIONER: Management knew about it well before and
16:30 45 did nothing; I think gave this young fellow a different job so he
16:30 46 was dealing cards, and you put him to count people coming in
16:30 47 and out of the building. I don't know whether it was a demotion.

16:30 1 I didn't ask him whether he lost income or anything like that. But
16:30 2 after his report, I think he was interviewed by management, and
16:30 3 was closed. Nothing happened until the Royal Commission was
16:30 4 announced.

16:31 5
16:31 6 A. I'm sorry, Commissioner, I could be wrong, but I don't
16:31 7 understand the events in that sequence. I thought this came out
16:31 8 after the messaging from the Board after the Royal Commission,
16:31 9 there was a level of investigation at management level and then it
16:31 10 was investigated.

16:31 11
16:31 12 COMMISSIONER: You might be right.

16:31 13
16:31 14 A. I could be wrong.

16:31 15
16:31 16 COMMISSIONER: Me too.

16:31 17
16:31 18 A. We'll leave it to others to work out. I thought it was
16:31 19 subsequent.

16:31 20
16:31 21 COMMISSIONER: I will ask Ms Neskovicin, she might know.
16:31 22
16:31 23 Do you know the sequence of events?
16:31 24

16:31 25 MS NESKOVCIN: It was raised in a --- I think your associate
16:31 26 has ---
16:31 27

16:31 28 COMMISSIONER: 16 March. I'm wrong. I withdraw it.
16:31 29

16:31 30 A. Sorry, that's how I understood it. This is after those
16:31 31 changes.
16:31 32

16:31 33 COMMISSIONER: I might get something wrong now and again!
16:31 34

16:31 35 A. I'm sorry, Commissioner. That's how I understood it.
16:31 36

16:31 37 MS NESKOVCIN: I was actually trying to clarify with
16:31 38 Ms Korsanos whether her note, whether in her note she says,
16:32 39 "I don't think the previous leadership would have brought it out",
16:32 40 I was thinking she meant the current leadership didn't, that's why
16:32 41 I raised it and she's clarified how it came about.
16:32 42

16:32 43 COMMISSIONER: Okay.
16:32 44

16:32 45 MS NESKOVCIN: Thank you, Ms Korsanos, we've got to the
16:32 46 bottom of that.
16:32 47

16:32 1 A. Sorry.

16:32 2

16:32 3 Q. No need to apologise. The next sentence says:

16:32 4

16:32 5 *At the board there was CPH influence noted during the*
16:32 6 *NSW Inquiry. It was not obvious at the board level but it*
16:32 7 *was obviously there.*

16:32 8

16:32 9 Did you make that statement and what did you mean by it?

16:32 10

16:32 11 A. I think I would have made that statement, but that in fact
16:32 12 wasn't relevant to China UnionPay. It was really relevant to
16:32 13 doing the right thing and --- yes, I think I learnt a lot more about
16:32 14 the CPH influence through the inquiry.

16:32 15

16:32 16 Q. You say in the next line:

16:32 17

16:32 18 *Has there been change? It's like night and day.*
16:33 19 *Historically it was "Why can't I do this". Now the "no" is*
16:33 20 *accepted. There is more agreement and acceptance of*
16:33 21 *people's opinions. There is more seeking to understand*
16:33 22 *the risks and asking is it something we can do and if not*
16:33 23 *accepting that.*

16:33 24

16:33 25 So that is your observation, Ms Korsanos?

16:33 26

16:33 27 A. That is my view from discussions that I have had with
16:33 28 people in the business. That's how they would describe it. So
16:33 29 this was --- I've not had anybody object to something I've asked
16:33 30 them to do, but in terms of how I've engaged with different
16:33 31 members of the management team and the conversations we are
16:33 32 having, this is how they would describe it and have described it to
16:33 33 me. Finding it a lot easier to do their job and feeling good about
16:33 34 it as well.

16:33 35

16:33 36 Q. Because what it implies is that there was historically
16:33 37 a position where people wouldn't say --- they wouldn't take no,
16:34 38 they would expect to be able to do things regardless, and that was
16:34 39 an observation that you made but didn't do anything about?

16:34 40

16:34 41 A. No, I wasn't aware of this. This has really come through
16:34 42 conversations that I have had recently with people, stepping down
16:34 43 deeper into the organisation having conversations.

16:34 44

16:34 45 Q. Why weren't you aware of that? What was the problem that
16:34 46 meant you weren't aware of that?

16:34 47

16:34 1 A. It was never brought to my attention and I never noticed it.
16:34 2 You know, it wasn't obvious to me that people were being pushed
16:34 3 in certain --- or bullied in certain ways --- bullied, I don't know if
16:34 4 that is the right word for it, but we've seen it in how decisions
16:34 5 were made around the tax matter, the tax matter, the CUP. That
16:34 6 is what that is describing. People skirting around the edges of
16:35 7 compliance, people raising a level of concern and it being pushed
16:35 8 back. That's what that describes and that's come from my
16:35 9 conversations with people in the business. As a director I could
16:35 10 never be this close to it. I'm a lot closer to it now because
16:35 11 I believe I have to be in the context of what we are managing, and
16:35 12 eventually we will lift ourselves out of the business, but have
16:35 13 gotten very close to the business because it is a necessity if we are
16:35 14 going to get this right and we are going to make change. All I'm
16:35 15 saying here is not my observation but what is being relayed to
16:35 16 me.

16:35 17
16:35 18 Q. But what you have identified is that you didn't know before,
16:35 19 and "we have to ensure that it doesn't happen again."

16:35 20
16:35 21 A. Yes.

16:35 22
16:35 23 Q. Your understanding has arisen because you've gotten close
16:35 24 to management, you've spoken to people, is that the level of
16:35 25 engagement that is necessary for this organisation to make sure it
16:36 26 doesn't happen again, that directors have to ---

16:36 27
16:36 28 A. I don't think it is. I like working this way. So I will stay
16:36 29 close to the employees, but I don't think it is because --- I mean,
16:36 30 one of the --- it was very clear that China was this and a number
16:36 31 of other issues were this, the lack of escalation in the business.
16:36 32 And there was a, as I said, core change in leadership and layers in
16:36 33 the business that have been removed, and I think under new
16:36 34 leadership, I think under much better levels of compliance and
16:36 35 risk management, I think, and accountability, right, which will
16:36 36 come with the cultural program. I don't think we need to be this
16:36 37 close to everybody, because leadership will do that. So I think
16:37 38 there was an obstacle there that was really driven by a lack of
16:37 39 reporting by leadership at the time --- (overspeaking) --- not all of
16:37 40 it.

16:37 41
16:37 42 Q. Just to finish off this section I will direct you to the next
16:37 43 paragraph. Tell me when you have read that to yourself,
16:37 44 Ms Korsanos.

16:37 45
16:37 46 A. The fourth one in that section?

16:37 47

16:37 1 Q. Yes.
16:37 2
16:37 3 A. Yes. Yes.
16:37 4
16:37 5 Q. The last sentence reads:
16:37 6
16:37 7 *Previously, it was "how do I get around this", pushing the*
16:37 8 *boundaries.*
16:37 9
16:37 10 Was that an observation you made at the time or you've learnt
16:37 11 from more recent inquiries you've made?
16:38 12
16:38 13 A. This is all based on feedback that I've recently received
16:38 14 from people.
16:38 15
16:38 16 Q. You agree that that is not the way to approach compliance,
16:38 17 how can I get --- what is the workaround ---
16:38 18
16:38 19 A. Yes.
16:38 20
16:38 21 Q. --- and that is a good description for how the China Pay
16:38 22 issue was managed; would you agree?
16:38 23
16:38 24 A. Yes. Yes.
16:38 25
16:38 26 Q. Now, we have at various points in our discussion today,
16:38 27 Ms Korsanos, spoken about culture and change and the efforts
16:38 28 that the current board is going to. Is there anything else that you
16:38 29 want to say about your intentions going forward and your belief
16:38 30 in the reforms that Crown can carry out?
16:38 31
16:38 32 A. Thank you. Yes, there is. I wouldn't be here if I didn't
16:39 33 believe that we could change Crown. I think me, like everybody
16:39 34 in the business, has had a choice that we could make. I think the
16:39 35 way I think means I didn't see this as a choice, it was a duty I had.
16:39 36 I signed up as a director, fell into --- well, I got a great
16:39 37 understanding out of the Bergin Inquiry and unfortunately more
16:39 38 surprises out of this one, but I like to look --- I am a glass
16:39 39 half-full person and I like to look at every problem from the
16:39 40 perspective of how do you solve it. And back in February I could
16:39 41 have made a choice to move on, but I didn't, because I had signed
16:39 42 up. I held myself accountable for what I now understood and I
16:39 43 could see that I could be part of the solution.
16:39 44
16:39 45 The other reason for staying was very much the employees in this
16:39 46 business, all of them, all Crown Resorts employees, not just
16:39 47 Melbourne, I have to be fair there, Commissioner, but also our

16:40 1 shareholders. So I had a duty to all of them and I could see that I
16:40 2 could be part of a solution. But I have seen really bad culture
16:40 3 change and I've been involved in a program of change and the
16:40 4 culture was not unlike this one; it was arrogant, it was defensive.
16:40 5 The real difference though is that in my history, bad culture
16:40 6 caused financial loss, in this environment bad culture has caused
16:40 7 harm. And that is something that I really dislike and I struggle
16:40 8 with. And I think most of our employees struggle with it as well.
16:40 9

16:40 10 But I truly believe that we are on the right path and in my
16:40 11 experience you start with your strategies and you start to act as
16:40 12 quickly as you can with changes like those that we are engaging
16:41 13 in through the reform agenda. And then you follow through with
16:41 14 your cultural program, right. And the cultural program really is
16:41 15 about establishing the baseline. I think with the team we have
16:41 16 today it is about reinforcing, well, revisiting our values,
16:41 17 reinforcing what is the right purpose for the business going
16:41 18 forward, recognising all our stakeholders, not just our patrons,
16:41 19 and the values that align with that, and in that effort we still need
16:41 20 to work through the resources and capabilities that we need.
16:41 21 We've done that across a number of our functions but there is still
16:41 22 more to be done. But I think we have definitely --- the change
16:41 23 I've seen here versus how I saw cultural change in my prior
16:41 24 experience, this change has been a lot faster. I don't think we can
16:42 25 dismiss the signalling of change from the top down, what the
16:42 26 signalling of that change, and also the experience of the NSW
16:42 27 Inquiry and the Royal Commission, I don't think we can dismiss
16:42 28 the effect that that has had in terms of speeding up the effort and
16:42 29 the outcomes.
16:42 30 There is still a lot to do, there is still a lot to do and what is to be
16:42 31 done is more about the longevity of maintaining and sustaining
16:42 32 that change and making sure we have the right accountabilities in
16:42 33 the business and people understand and have a line of sight of
16:42 34 what their job means in the context of doing the right thing in the
16:42 35 context of respect, working together and passion, or whatever the
16:42 36 values are when we define what is relevant going forward.
16:42 37

16:42 38 I will finish with where I started; I wouldn't be here if I didn't
16:43 39 believe it could be achieved. I don't believe in failure. I do
16:43 40 believe I can support this change. I've seen it before. I think we
16:43 41 have a group of people who are, despite the fatigue, are
16:43 42 completely committed and motivated to do this.
16:43 43

16:43 44 I'm really pleased with the talent we've brought on. One of the
16:43 45 opportunities that this experience has afforded me is the ability to
16:43 46 go out and recruit a lot of these people. Kind of put me back into
16:43 47 my old executive space but I really enjoyed doing that because

16:43 1 they reminded me of me when I joined a broken company. And
16:43 2 this place isn't broken, but it has got a bad culture. Where I
16:43 3 started it was broken and these challenges cause people to rise to
16:43 4 the challenge. And we have a burning platform, I think we can
16:43 5 do this because a burning platform always helps. We didn't have
16:43 6 to create it. It's been created for us. But the responsiveness, the
16:43 7 motivation, I can't flaw that and it is a lot better than what I
16:44 8 experienced in my past.

16:44 9

16:44 10 Q. Thank you, Ms Korsanos. I have no further questions.

16:44 11

16:44 12 COMMISSIONER: I've just got one. Do you still have any
16:44 13 connection with Ellerston Capital?

16:44 14

16:44 15 A. I do. But it's --- yes, I do. I am a director, an investment
16:44 16 director, on one of the private equity funds that Ellerston is
16:44 17 a partner to, Ellerston Capital is a partner to.

16:44 18

16:44 19 COMMISSIONER: Is that a potential problem?

16:44 20

16:44 21 A. I don't believe it is. I don't know that there is. I don't know
16:44 22 that there is any --- in fact, old Ellerston engagement on that,
16:44 23 there is no investment in the fund that I'm an investment director
16:44 24 on from Ellerston.

16:44 25

16:44 26 COMMISSIONER: I was rather wondering about where most of
16:44 27 the funds come from that are to be invested?

16:44 28

16:44 29 A. The investment --- the funds that come into the --- it's
16:44 30 called the Jade Fund, but they come from --- they don't come
16:45 31 from Ellerston, they come from high wealth individuals and fund
16:45 32 managers of other funds.

16:45 33

16:45 34 COMMISSIONER: I thought a large part of the fund is from the
16:45 35 Packer family?

16:45 36

16:45 37 A. I don't think it is, Commissioner. I'm not aware of any
16:45 38 involvement or what involvement the Packer family have at all
16:45 39 with Ellerston. I deal with the principals of Ellerston Capital
16:45 40 today, which I understand is led by Ashok Jacob.

16:45 41

16:45 42 COMMISSIONER: Who has worked for Packer for many years?

16:45 43

16:45 44 A. I understand he has, yes. I'm not sure there is any
16:45 45 connection there at all. I've not seen any and I don't have any
16:45 46 involvement with Packer family investments other than this one.
16:46 47 But I don't know, I'm not aware of any connection with what I do

16:46 1 and my connection with Jade.
16:46 2
16:46 3 COMMISSIONER: Okay. Thank you.
16:46 4
16:46 5 MS NESKOVCIN: Thank you, Ms Korsanos. Others may have
16:46 6 questions for you.
16:46 7
16:46 8 COMMISSIONER: Mr Rozen goes first, as always.
16:46 9
16:46 10 MR ROZEN: If there is any ground left to traverse.
16:46 11
16:46 12 COMMISSIONER: Fair comment.
16:46 13
16:46 14
16:46 15 **CROSS-EXAMINATION BY MR ROZEN**
16:46 16
16:46 17
16:46 18 MR ROZEN: Ms Korsanos, my name is Peter Rozen. I represent
16:46 19 the VCGLR. I want to ask you about one matter.
16:46 20
16:46 21 You would be aware that Crown Melbourne was fined a million
16:46 22 dollars by the VCGLR in April of this year?
16:46 23
16:46 24 A. Yes, I am.
16:46 25
16:46 26 MR BORSKY: Sorry to interrupt my friend, Mr Rozen, and he is
16:46 27 not to know this, so this is no criticism, but the Commissioner
16:46 28 will recall that in private session this topic was covered in our
16:46 29 respectful submission thoroughly by Counsel Assisting.
16:47 30
16:47 31 MR ROZEN: It puts me in a very difficult position.
16:47 32
16:47 33 MR BORSKY: I wasn't criticising, Mr Rozen.
16:47 34
16:47 35 COMMISSIONER: I will give him bit of ---
16:47 36
16:47 37 MR ROZEN: If I traverse an area that has been covered,
16:47 38 obviously I will be stopped. I understand that.
16:47 39
16:47 40 I'm not sure I got your answer, Ms Korsanos, I'm sure it is yes.
16:47 41
16:47 42 A. Yes, it is, Mr Rozen. Yes.
16:47 43
16:47 44 Q. That particular disciplinary process started back in October
16:47 45 of last year when the regulator sent a letter to Mr Felstead,
16:47 46 a formal Show Cause Notice. You were on the Crown
16:47 47 Melbourne board at that time, October 2020?

16:47 1
16:47 2 A. Yes.
16:47 3
16:47 4 Q. Were you aware of the Show Cause Notice at that time?
16:47 5
16:47 6 A. Yes. I was made aware of the Show Cause Notice at that
16:47 7 time. At some time, but I was aware of it.
16:47 8
16:48 9 Q. Well, the timing is important, Ms Korsanos. Were you
16:48 10 aware of it before formal submissions were made in response to
16:48 11 the Show Cause Notice by Crown?
16:48 12
16:48 13 A. I can't say --- I don't recall, Mr Rozen. I really don't recall.
16:48 14 I remember the notice, I remember reading the notice and I
16:48 15 remember having a conversation with Ken Barton about the
16:48 16 notice. I did pull that notice apart. It did help me understand
16:48 17 certain things that led to other decisions at the time around
16:48 18 junkets.
16:48 19
16:48 20 Q. I see.
16:48 21
16:48 22 You are aware, aren't you, that the response to the notice was to
16:48 23 dispute all the allegations in it that Crown had breached the
16:48 24 Casino Control Act? Are you aware of that?
16:48 25
16:48 26 A. I am aware of that now, yes. I was not provided --- I was
16:48 27 not furnished with the response.
16:48 28
16:48 29 Q. I see. You've read the final decision by the Commission in
16:49 30 April of this year have you?
16:49 31
16:49 32 A. Yes, I have.
16:49 33
16:49 34 Q. And you will have seen in it that the Commission expressed
16:49 35 in quite strong language its concern that the response by Crown
16:49 36 to the notice, and its conduct, including the conduct of Mr Walsh,
16:49 37 was from the Commission's perspective contrary to the
16:49 38 undertakings or proposals that had been made by Ms Coonan late
16:49 39 in 2020 about a new more cooperative more transparent
16:49 40 relationship; are you aware of that?
16:49 41
16:49 42 A. Yes, I am.
16:49 43
16:49 44 Q. Is your evidence that despite being on the board of Crown
16:49 45 Melbourne, were you not aware of the approach that Crown was
16:49 46 taking to that particular disciplinary process?
16:49 47

16:49 1 A. Correct. I did not see the response and it doesn't --- the
16:50 2 response didn't align to the conversation that I had in terms of
16:50 3 what my views were when I read the Show Cause Notice.
16:50 4

16:50 5 Q. Can I ask you to explain that if you could, please. What
16:50 6 were your views?
16:50 7

16:50 8 A. Well, my views were that this should not be contested. I
16:50 9 just, you know --- you know the content of it, I know the content
16:50 10 of it. I just don't think --- I think poor decisions were made, or
16:50 11 information wasn't available. But I think in most cases most of
16:50 12 the information was available and poor decisions were made.
16:50 13 I think the benchmark for making some of these decisions was
16:50 14 wrong, was set with a higher risk appetite than that which we had
16:50 15 and should have had.
16:50 16

16:50 17 Q. And do you also agree that the litigation strategy, if I can
16:50 18 call it that, that is the response to the notice, was misconceived as
16:50 19 well?
16:50 20

16:50 21 A. Yes, and I think there is a reason that this is all
16:51 22 happening --- this all happened well before, not well before, but
16:51 23 before there was what I would have referenced as significant
16:51 24 change at both a board and a management level in the business
16:51 25 where I think at that point in time where we saw that significant
16:51 26 change we've been able to better represent who we want to be and
16:51 27 how we want to engage with the VCGLR.
16:51 28

16:51 29 Q. That's what I'm trying to understand, Ms Korsanos. Surely
16:51 30 part of that change was the beating Ms Coonan had with
16:51 31 Mr Walsh and the VCGLR only in December last year at which
16:51 32 she indicated to senior officers of the VCGLR that there was
16:51 33 going to be a change to the way in which Crown dealt with the
16:51 34 regulator and then only a month later we've got the submissions
16:51 35 that were made in this matter; do you see the difficulty there? I'm
16:51 36 trying to understand ---
16:51 37

16:51 38 A. I understand that, but I think the point of change --- the
16:51 39 point of change, let's say controllable change, was after we saw a
16:52 40 significant change in board and executive. In January, that wasn't
16:52 41 there. We've also, I think you are aware, we've changed our legal
16:52 42 counsel and the board has different representation as well. All of
16:52 43 that signals --- I think it is obvious why we needed to make those
16:52 44 changes.
16:52 45

16:52 46 MR ROZEN: Thank you, Commissioner.
16:52 47

16:52 1
16:52 2 **RE-EXAMINATION BY MR BORSKY**
16:52 3
16:52 4
16:52 5 MR BORSKY: Could the operator please bring up
16:52 6 CRW.520.018.9523. Could we go to the second page of the
16:52 7 document first.
16:52 8
16:52 9 Do you recognise this document, Ms Korsanos, as a Surveillance
16:53 10 Log Entry Report dated 17 March 2021?
16:53 11
16:53 12 A. Yes, I have seen this before.
16:53 13
16:53 14 Q. Could we go back to the first page, please.
16:53 15
16:53 16 COMMISSIONER: I don't think the document got on to the
16:53 17 livestream.
16:53 18
16:53 19 MR BORSKY: Thank you, Commissioner.
16:53 20
16:53 21 Is it possible for the witness to see the document without it going
16:54 22 onto the livestream? If not, I can handle it another way.
16:54 23
16:54 24 COMMISSIONER: We'll find out. Hang on. Have a go without
16:54 25 it.
16:54 26
16:54 27 MR BORSKY: Yes, I will. Ms Korsanos, you recognised the
16:54 28 document as ---
16:54 29
16:54 30 A. Yes.
16:54 31
16:54 32 Q. --- as the Surveillance Log Entry Report, which was made
16:54 33 on 17 March, referring to what the author of the report had heard
16:54 34 the day prior on 16 March; correct?
16:55 35
16:55 36 A. Yes. I did see it at the time.
16:55 37
16:55 38 Q. Yes, that is 16 March this year; correct?
16:55 39
16:55 40 A. That's correct, yes.
16:55 41
16:55 42 Q. And you recall that in the Surveillance Log Entry Report,
16:55 43 or what I think you referred to a little earlier in response to the
16:55 44 Commissioner's report was a whistleblower's report ---
16:55 45
16:55 46 A. Yes, I referenced it that way.
16:55 47

16:55 1 Q. --- there was reference to what the whistleblower had
16:55 2 heard the day prior on 16 March by another person within Crown
16:55 3 who was speaking about historical money laundering; correct?
16:55 4
16:55 5 A. Yes. I've read it and, yes, I think that is the gist of what
16:55 6 was being said. I haven't read it recently so I'm sorry.
16:55 7
16:55 8 Q. No, that's all right and I'm sorry I can't assist you with the
16:56 9 full text of it. There is a name on both pages which we are not go
16:56 10 to live stream but I think your answer is sufficient for present
16:56 11 purposes.
16:56 12
16:56 13 COMMISSIONER: I get the dates. You don't need to press any
16:56 14 further.
16:56 15
16:56 16 MR BORSKY: Thank you.
16:56 17
16:56 18 And then if I may just show the witness another document,
16:56 19 CRW.512.137.0008.
16:56 20
16:56 21 A. It's very faint.
16:56 22
16:56 23 Q. This is the first page of a bundle which you've seen before;
16:56 24 is that correct, Ms Korsanos?
16:56 25
16:56 26 A. I'm not sure if I've
16:56 27
16:57 28 Q. Okay, I will identify the document for you and you tell the
16:57 29 Commissioner whether you've seen it before or not. It is
16:57 30 a handwritten note dated 22 March this year which was the cover
16:57 31 page to a bundle of documents relating to the issue, the subject of
16:57 32 the whistleblower's report on 17 March; have you seen this?
16:57 33
16:57 34 A. I'm sorry, I can't recall. I can definitely identify with the
16:57 35 log but I can't remember if I've seen this one. I'm sorry.
16:57 36
16:57 37 Q. Very well.
16:57 38
16:57 39 Are you aware, Ms Korsanos, that in late March, following the
16:57 40 whistleblower's report, Crown management investigated the
16:57 41 whistleblower's report urgently and escalated it within a short
16:57 42 period to the board and to external lawyers?
16:57 43
16:57 44 A. Yes. Yes, that's was my understanding. It was --- the log
16:57 45 was discovered, there was a level of investigation by management
16:58 46 and then it was escalated up and I recall the meeting that we had
16:58 47 with board and counsel and the direction and action that came out

16:58 1 of that.
16:58 2
16:58 3 Q. And you, Crown, resolved, didn't you, more particularly the
16:58 4 Crown Board resolved to appoint independent counsel to
16:58 5 investigate and get to the bottom of the allegations as thoroughly
16:58 6 and as quickly as possible; correct?
16:58 7
16:58 8 A. Yes, and also to disclose to the Commission the pending
16:58 9 investigation --
16:58 10
16:58 11 Q. Yes.
16:58 12
16:58 13 A. --- because it was --- and I think this is something that
16:58 14 I think is representative of what we are trying to do, and that is be
16:58 15 completely upfront and transparent, and we didn't wait to see or
16:58 16 understand that it was an issue. It was pretty clear there was an
16:58 17 issue here, but it was really about disclosing, advising that we are
16:58 18 investigating, and then providing the outcomes of that.
16:58 19
16:58 20 Q. Yes, and subsequently you did receive a report from
16:59 21 independent counsel and that was provided almost immediately
16:59 22 to the Commission; correct?
16:59 23
16:59 24 A. Correct, and there --- (overspeaking) ---
16:59 25
16:59 26 Q. At no stage has Crown sought to claim privilege over any
16:59 27 of the report ---
16:59 28
16:59 29 A. No.
16:59 30
16:59 31 Q. --- or related documents; correct?
16:59 32
16:59 33 A. Correct.
16:59 34
16:59 35 Q. One other matter if I may, then changing topics, on 24 May
16:59 36 this year Mr Blackburn presented his Financial Crime &
16:59 37 Compliance Change Program to the Board; do you recall that?
16:59 38
16:59 39 A. Yes.
16:59 40
16:59 41 Q. The Board endorsed that program that Mr Blackburn
16:59 42 proposed; correct?
16:59 43
16:59 44 A. Yes, we did.
16:59 45
16:59 46 Q. Could the operator please bring up CRW.512.081.1750.
16:59 47

17:00 1 Can you see that page there on your screen, Ms Korsanos?
17:00 2
17:00 3 A. Yes, I can, thank you.
17:00 4
17:00 5 Q. You recognise that as the first page of the change ---
17:00 6 Financial Crime & Compliance Change Program that
17:00 7 Mr Blackburn took to the board on 24 May?
17:00 8
17:00 9 A. Yes, I do.
17:00 10
17:00 11 Q. Could we go please to page 1785. I just want to ask you
17:00 12 a matter of some detail in relation to this plan. Could we zoom in
17:00 13 please on the bottom right corner. There is text which
17:00 14 commences "It is anticipated that". Are you able to read that text,
17:00 15 Ms Korsanos?
17:00 16
17:00 17 A. Yes, I can. They've enlarged it for me. Thank you. Give
17:01 18 me a moment. Sorry. Yes.
17:01 19
17:01 20 Q. In his plan Mr Blackburn sought approval to expand the
17:01 21 Financial Crime & Compliance team quite considerably, didn't
17:01 22 he?
17:01 23
17:01 24 A. Yes.
17:01 25
17:01 26 Q. And the Board approved ---
17:01 27
17:01 28 A. Yes, almost doubling it, yes.
17:01 29
17:01 30 Q. The board approved additional funding in excess of
17:01 31 \$20 million for that purpose?
17:01 32
17:01 33 A. I think the uplift in headcount, if we are only talking the
17:01 34 uplift in headcount, I think it was about \$10 million plus oncosts,
17:01 35 but, yes, roughly that much.
17:01 36
17:01 37 Q. And in this text that has been enlarged for you, it was noted
17:01 38 that Mr Blackburn anticipated that the change program would
17:02 39 require support from resources from other teams; that is to say
17:02 40 outside his Financial Crime & Compliance team. Do you recall
17:02 41 that?
17:02 42
17:02 43 A. Yes. And that is not unusual. There is a collective effort
17:02 44 here, and that is something that is also different today in the
17:02 45 business, cross-functional engagement. But this is not unusual in
17:02 46 terms of effecting a change plan like that.
17:02 47

17:02 1 Q. Yes, but the point that this document recorded was that
17:02 2 further support and resources might be required in other teams ---
17:02 3
17:02 4 A. Yes.
17:02 5
17:02 6 Q. --- in order to deliver Mr Blackburn's program; do you
17:02 7 agree?
17:02 8
17:02 9 A. That's correct. Yes.
17:02 10
17:02 11 Q. Mr Blackburn didn't, in May, make a specific proposal for
17:02 12 those further or additional resources in the other team, did he?
17:02 13
17:02 14 A. No.
17:02 15
17:03 16 Q. But if and when he does bring that to the Board, what will
17:03 17 your attitude be to approving those additional resources?
17:03 18
17:03 19 A. Well, our attitude will be to support them. I think from the
17:03 20 financial crime technology effort, there is a fair bit of that that is
17:03 21 already started, or has been recognised as part of the responses to
17:03 22 the Deloitte work on --- the work that Deloitte did as part of the
17:03 23 review of patron account, cash controls around patron accounts,
17:03 24 and there are technology changes there that are already being
17:03 25 scoped, and HR and recruitment engagement, I've had
17:03 26 discussions with the new chief HR officer on the requirements
17:03 27 there as well. But there is an understanding of more resource
17:03 28 requirements, and that will either come through the
17:04 29 reprioritisation of effort in these functions, or additional resources
17:04 30 and that is understood. Absolutely.
17:04 31
17:04 32 MR BORSKY: Thank you. Thank you, Ms Korsanos.
17:04 33
17:04 34 MS NESKOVCIN: That concludes the evidence for today.
17:04 35 Thank you, Ms Korsanos.
17:04 36
17:04 37 If she could be excused.
17:04 38
17:04 39 COMMISSIONER: You are excused.
17:04 40
17:04 41 A. Thank you.
17:04 42
17:04 43
17:04 44 **THE WITNESS WITHDREW**
17:04 45
17:04 46
17:04 47 MS NESKOVCIN: The next witness is at 9.30 am tomorrow.

17:04 1
17:04 2 COMMISSIONER: Okay. I will adjourn until 9.30 in the
17:04 3 morning.
17:04 4
5
6 **HEARING ADJOURNED AT 5.04 PM UNTIL THURSDAY,**
7 **8 JULY 2021 AT 9.30 AM**

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