

Royal Commission into the Casino Operator and Licence

STATEMENT OF HELEN COONAN

Name: Helen Coonan

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Occupation: Executive Chairman

Date: 28 April 2021 [\(marked up corrections applied 5 July 2021\)](#)

1. I make this statement on behalf of Crown Resorts Ltd (**Crown Resorts** or **Crown**) in response to the Royal Commission's Request for Statement – RFS-Crown-007-Program of Improvements.
2. I am the interim Executive Chairman of Crown, having been appointed on 15 February 2021 following the resignation of the former CEO, Ken Barton. I have been an independent non-executive director of Crown since December 2011 and I was appointed Chairman of Crown in January 2020. I am also the Chair ~~of~~[of](#) Crown Resorts Foundation Limited.
3. This statement is true and correct to the best of my knowledge. I am not authorised to waive privilege in respect of any confidential communications made, or any confidential document prepared, for the dominant purpose of legal advice being provided to Crown and/or legal services being provided to Crown relating to actual, anticipated or pending legal proceedings, and nothing in this statement is to be construed as involving a waiver of any such privilege.

Following the resignation of a number of former Directors I have assumed a number of roles in addition to that of Executive Chairman. These include membership on the Responsible Gaming Committee, Risk Management Committee and Safety and Sustainability Committee of Crown Resorts, and the Audit Committee and Compliance Committee of Crown Melbourne. As additional Directors join the Crown Board, membership of committees and roles will be adjusted accordingly.
4. Previously, I was a senator for New South Wales serving in the Australian Parliament from 1996 to 2011. In Parliament, I served as the Deputy Leader of the Government in the Senate. I was appointed to Cabinet as the Minister for Communications, Information

Technology and the Arts and was shareholder Minister for Telstra Corporation and Australia Post. I also served as the Minister for Revenue and Assistant Treasurer and had portfolio oversight of the Australian Taxation Office and the Australian Prudential Regulation Authority.

5. Prior to my service in the Australian Parliament, I practised law for approximately 25 years, as a solicitor, an attorney-at-law at the New York Bar, and as a barrister ~~in~~ at the New South Wales Bar.
6. I am the inaugural Chair of the Australian Financial Complaints Authority, ~~in~~ and Chair of the Minerals Council of Australia. I am a member of the J.P Morgan Advisory Council and Chair of GRACosway (a subsidiary of the Clemenger Group). I have formerly served as a non-executive director of Snowy Hydro Limited and as Chair of HGL Limited. I was until recently the Chair of the Placemaking NSW Advisory Committee and Chair of Supervised Investments Australia Limited.

The decision to cease operations in China and to close a number of other offshore offices following the China Arrests

1. Who made the decision to cease operations in China?

- (a) On 15 October 2016, nineteen of Crown's twenty China-based employees were detained by Chinese authorities. This comprised almost all of Crown's China-based operations. The arrests and detention of our staff in China was deeply distressing for both the Board and Management. Our first priority in the immediate aftermath of the arrests was to provide whatever support could be provided to the detained employees and their families.
- (b) On 19 October 2016, Mr Michael Neilson (Company Secretary of Crown Resorts) provided an update to the Crown Resorts Board on the measures being adopted in the VIP International business to have no further direct dealings with Chinese premium customers. The Board noted the decision made by Management of the VIP International business to implement these measures. I considered that ceasing operations in China was a prudent course of action in the circumstances.
- (c) The decision was followed by detailed restructure of the VIP model and rationalisation of operations in Asia by management, which was adopted by the Crown Board at a meeting held on 27 April 2017.

2. When was that decision made?

Refer to question 1.

3. What were the reasons for making that decision?

- (a) The detention of Crown's staff in China was the catalyst for the decision to cease operations there.
- (b) The decision was made to ensure no inadvertent breaches of Chinese law and prevent further exposure of staff based in China to risk of arrest and detention.

4. Was internal or external advice obtained before making that decision? If yes, what was the nature of that internal or external advice?

- (a) Internal advices were obtained from Management on a number of occasions between 16 October 2016 and 27 April 2017.
- (b) External advices were obtained from Wilmer Hale.
- (c) External advices ~~where~~ were obtained from Minter Ellison.
- (d) The nature of the external advices from Wilmer Hale related to the legality of operations in China and earlier arrests in Korea. The substance of the advice was that Chinese law itself had not changed in respect of organising overseas gambling.
- (e) Internal advice from Deborah Tegoni in Crown's legal team, summarised advice provided by Wilmer Hale confirming the "offences are aimed at individuals. Foreign corporations such as Crown Resorts will not be subject to the offences and Chinese authorities do not have extra territorial jurisdiction".

REDACTED - PRIVILEGE

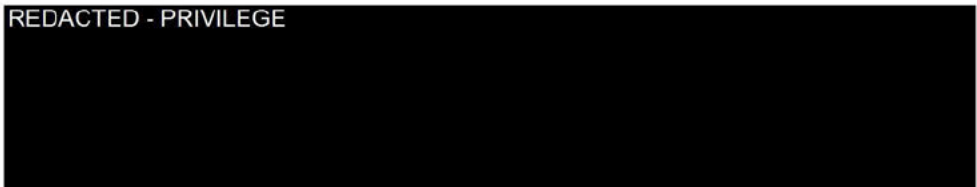


REDACTED - PRIVILEGE



5. Who made the decision to close a number of other offshore offices?

(a) REDACTED - PRIVILEGE



- (b) On 15 January 2021, the Crown Resorts Board agreed with a recommendation from Management to close overseas offices in Hong Kong and Auckland and to cease employing a number of overseas domiciled employees. This was subject to consultation with the VCGLR.
- (c) On 28 January 2021, the Crown Resorts Board resolved that management be authorised to close Crown's remaining overseas offices in Hong Kong and Auckland, and to proceed with ceasing the employment of members of the overseas based sales team.

6. Identify the locations of those offshore offices.

See question 5 above.

7. When was the decision made?

See question 5 above.

8. What were the reasons for closing each of those offices?

- (a) After the China arrests, the reasons for closing the other Asian offices in 5(a) were taken on advice referring to the various degrees of uncertainty as to the law in those jurisdictions and unpredictability in its application.
- (b) The principal reason for closing Crown's overseas offices in Hong Kong and Auckland was on advice as to the emerging risks relating to the Chinese regulatory

environment concerning Hong Kong and the stance on overseas gaming operators. Also relevant was the impact of the pandemic on travel and pre-pandemic trends of the reduced international VIP activity.

<p>9. What financial impact, if any, have these decisions had on Crown Melbourne and/or Crown Resorts?</p>

- (a) In relation to the decision to cease operations in China, I have been provided with a copy of Alan McGregor's statement prepared in response to RFS-Crown-010 dated 16 April 2021 (CRW.998.001.0023). Mr McGregor is the Chief Financial Officer of Crown Resorts. I refer to paragraph 24 and following of Mr McGregor's statement, which answers this question in relation to the decision to cease operations in China.
- (b) In respect of the January 2021 decision to close Crown's overseas offices in Hong Kong and Auckland, the Board sought advice as to the financial impact the decision would have on the business. A memorandum dated 14 January 2021 was prepared by Alan McGregor and Xavier Walsh in response to this request recommending that the overseas offices in Hong Kong and Auckland be closed, Crown cease to employ overseas domiciled employees and overseas markets ~~will~~ be serviced by employees based in Australia in the future (CRW.507.001.7275). In summary, the recommendation was made on the basis that:
 - (i) Ongoing labour savings were estimated at \$2 to \$2.2m per annum and ongoing leasing savings were calculated at \$0.6m per annum;
 - (ii) As international travel recovers it is expected that the VIP International Business wholly dedicated to premium direct customers will generate a contribution of approximately \$7m in F22 growing to around \$30m in F25;
 - (iii) Under the new model, revenue per customer was expected to be significantly smaller, but at a higher margin; and
 - (iv) The one-off financial cost expected to be incurred as a result of the proposed closure of the overseas offices and likely redundancy payments to overseas based employees was estimated to total \$3.8m.

The termination of the Services Agreement and Controlling Shareholder Protocol between Crown and CPH

10. Who made the decision to terminate the Services Agreement between Crown and CPH?

11. When was that decision made?

- (a) The Services Agreement and Controlling Shareholder Protocol were terminated by resolution of the Crown Resorts Board.
- (b) That resolution was made on 21 October 2020.

12. What were the reasons for making that decision?

- (a) During the course of the Bergin Inquiry, evidence was heard about the type and frequency of information flowing to CPH and Mr Packer. I was not aware of the nature of the information being provided and the frequency with which it was being provided until it came out in evidence during the Bergin Inquiry. In response to that evidence, I instructed the CEO, Ken Barton to suspend the provision of information to CPH or Mr Packer pending further consideration of the matter by the Board.
- (b) At my direction, Mr Barton provided a memorandum to the Board dated 16 October 2020 in support of the agenda for the 21 October 2020 Board meeting. Mr Barton's memorandum confirmed that until the Board had the chance to consider the arrangements with CPH:
 - (i) daily reporting to CPH had been suspended;
 - (ii) Crown has ceased engaging CPH in relation to any services except in one limited circumstance in connection to a treasury function; and
 - (iii) the suspension of information sharing had been notified to each Authorised Representative (as defined in the Protocol) until further notice.
- (c) On 21 October 2020, prior to the scheduled Board meeting I received a call from Mr Mike Johnston about the agenda and we discussed the likely termination of the Services Agreement and Controlling Shareholder Protocol. During that meeting, Mr Johnston indicated he would be sending a letter recording CPH's position regarding termination of the Services Agreement and Protocol.
- (d) Following that telephone conversation, I received the foreshadowed letter from CPH seeking to terminate the Services Agreement and offering the view that the Controlling Shareholder Protocol should also cease (CRW.518.004.7714).

- (e) I acknowledged receipt of the letter and requested that the then Company Secretary, Mary Manos, provide a copy of the letter to the Non-Executive Directors of Crown Resorts on a confidential basis.
- (f) At the Board meeting held on 21 October 2020 at an in-camera session the Non-Executive Directors resolved to terminate the Services Agreement and the Controlling Shareholder Protocol (CRW.518.004.6750).

13. How was the decision implemented?
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- (a) Following the Board resolution on 21 October 2020, the Company Secretary was instructed by me to write to CPH advising that the Board had resolved to terminate the agreements. An email was sent by the Company Secretary to Mr Johnston on the same day (CRL.742.001.0180).
- (b) As the provision of information to CPH or Mr Packer under the Protocol was already suspended, no further implementation of the decision was required. To the best of my knowledge, the provision of any information ceased from the time of the suspension.
- (c) I instructed the CEO, Ken Barton, to check whether there was any outstanding work that had been undertaken pursuant to the Services Agreement and, if so, to take the necessary arrangements to terminate it, and to notify his direct reports.
- (d) The termination was also announced to the ASX on 21 October 2020 (CRW.516.009.1836).

14. Was CPH or Mr James Packer consulted prior to the making of the decision?
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Mr Packer was not directly consulted prior to making the decision. CPH was represented by its nominees on the Crown Resorts Board and, as explained above at 12, a discussion took place between Mr Johnston and myself.

15. If yes, what was the nature of that consultation?
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See response to 12 and 14 above.

16. What, if any, other protocol or policy dealing with services provided by CPH to Crown was proposed, drafted or implemented either before (up to six months before), or after the decision to terminate the Services Agreement was made?

(a) While no other policy or protocol was proposed, drafted or implemented, I note for completeness that:

(i) REDACTED - PRIVILEGE

(ii) on 31 July 2020, I sent a letter dated 29 July 2020 to Guy Jalland, CEO of CPH, reinforcing the terms of the Protocol and requesting that he ensure that requests for information by CPH be made in accordance with the Protocol (CRW.515.003.5292).

17. Does CPH currently provide, either informally or formally, services to Crown?

No.

18. What services are provided?

Not applicable.

19. Who made the decision to terminate the Controlling Shareholder Protocol?

See response to question 10 above.

20. When was that decision made?

See response to question 11 above.

21. What were the reasons for the making of that decision?

See response to question 12 above.

22. How was the decision implemented?

See response to question 13 above.

23. Was CPH or Mr James Packer consulted prior to the making of the decision?

24. If yes, what was the nature of that consultation?

25. If yes, who on behalf of Crown consulted each of CPH and Mr Packer?

See responses to questions 12 and 14 above.

26. What, if any, other protocol or policy dealing with communication between Crown and CPH was proposed, drafted or implemented either before (up to six months before), or after the decision to terminate the Controlling Shareholder Protocol was made?

See response to question 16 above.

27. How do communications between Crown and CPH now occur?

- (a) On 16 April 2021 the Independent Liquor and Gaming Authority (ILGA) announced the terms of an agreement it had reached with CPH governing future communications between Crown and CPH (CRW.512.042.0001).
- (b) Crown will abide by the terms of the undertakings by CPH and will communicate with CPH in the same manner that it does with all Crown shareholders.

28. How do communications between Crown and Mr Packer now occur?

There are now no direct communications between Crown and Mr Packer.

The commencement of board succession process

29. Describe the process of board succession for the Boards.

- (a) Board succession is a continual process. By way of example:
 - (i) Jane Halton and Toni Korsanos were appointed to the Board on ~~21 November 2017~~ 23 May 2018.
 - (ii) In January 2020, I was appointed by the Board as the first independent Chairman and additional steps were taken to rebalance the contribution of independent directors.
 - (iii) Prof John Horwath was appointed Deputy Chair and each of Andrew Demetriou, Jane Halton, and John Poynton were appointed to chair the subsidiary boards of Crown Melbourne, Sydney Gaming and Burswood respectively.
- (b) In July 2020, the Directors of Crown Resorts completed a Board Evaluation and Skill Matrix to assist the process of reforming and refreshing the Board and to identify and address skills deficiencies (CRW.516.003.6116).

- (c) In addition, the objectives with respect to Board renewal were to refresh the Board having regard to long tenured Directors who would retire, replaced by new Directors who met the criteria for independence and skills.
- (d) Securing the appointment of Directors who are close associates of a casino operator can be a long and painstaking process. After finding and appointing a candidate who agrees to join the Board, there is a regulatory process which requires the candidate to pass probity requirements in all jurisdictions where the casino operates. Until probity clearances are received, the announced additional Director is not able to ~~formerly~~ formally commence their appointment as a Director. Whilst they can be invited to observe Board and committee meetings, they cannot participate in any decisions or hold any Board committee positions.
- (e) As part of the succession process being undertaken in relation to Crown Resorts, the Board of Crown Melbourne will also be refreshed with new appointees with appropriate independence and the right mix of skills. Recently, Nigel Morrison was appointed to the Crown Melbourne Board. Part of the search criteria for further independent directors is that at least one of them be based in Melbourne with a view to them joining the Crown Melbourne Board. This will allow the longer tenured Directors to retire. I refer further to the steps currently being taken in the Board succession process for Crown Melbourne in answer to question 30 below.

30. What steps are presently being taken in the board succession process?
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- (a) In November 2020, I asked Toni Korsanos to assist me and Harold Mitchell, who was then Chair of the People, Remuneration and Nominations Committee, to progress the process for Board renewal with assistance of leading recruitment firms specialising in Board search. Three recruitment firms were approached to conduct the search with proposals received from Korn Ferry and Russell Reynolds, Spencer Stewart being conflicted.
- (b) Korn Ferry who had provided a presentation on 11 November 2020 (CRW.516.009.7264) was approved to assist with a Board search at a Board meeting on 19 November 2020 (CRW.518.004.6792).
- (c) The objectives of the Board renewal strategy is to achieve a renewal of independent Board representation, ideally with three new directors to be appointed by the next AGM and, over time, to manage independent Board representation of six to seven directors to support orderly succession recognising requirements to manage tenure of Board members and ensure required skills to support Crown's reform agenda. The objectives of the Board Renewal Strategy were endorsed by the Board at the same meeting on 19 November 2020.

- (d) Throughout December 2020 and January 2021 there were numerous conversations between me and Toni Korsanos with the Korn Ferry team about the skills and experiences required to build a Board that met modern governance standards and would be fit for Crown's future needs. A long list of candidates were discussed, and the list of potential candidates was refined.
- (e) Toni Korsanos and I interviewed a number of candidates and, together with Harold Mitchell, we interviewed those recommended for closer consideration.
- (f) In January 2021 the Board resolved to accept the recommendation of the People Nomination and Remuneration Committee to appoint Nigel Morrison, an experienced former CEO of SkyCity with over 20 years executive gaming experience, to the Board. On 6 April 2021, Mr Morrison received probity clearance.
- (g) Following the publication of the Bergin Report, there were major changes to the Board with resignations of the following directors:
 - (i) Mr Michael Johnston (10 February 2021);
 - (ii) Mr Guy Jalland (10 February 2021);
 - (iii) Mr Andrew Demetriou (12 February 2021);
 - (iv) Mr Harold Mitchell (22 February 2021); and
 - (v) Mr John Poynton (28 February 2021).
- (h) In addition:
 - (i) Mr John Alexander resigned on 22 October 2020;
 - (ii) Mr Ken Barton, who was the CEO and Managing Director, resigned on 15 February 2021; and
 - (iii) Prof John Horvath gave notice of his resignation on 22 October 2020, pending the appointment of a replacement Director to the Board. Prof Horvath's resignation became effective on 14 April 2021.
- (i) These resignations left Jane Halton, Toni Korsanos, Nigel Morrison and me as the current directors of Crown.
- (j) The search for new directors to populate vacancies up to a total of seven non-executive directors has continued.

- (k) On 10 April 2021, the Board resolved to appoint Mr Bruce Carter as a director subject to probity clearances. Mr Carter brings significant and diverse skills to the Board with experience on the boards of ASX listed companies, regulatory experience and a strong governance focus, as well as experience in Chairman roles.
- (l) The search for another two non-executive Directors continues with particular attention to identifying another qualified Melbourne based director in addition to Nigel Morrison and a director based in Perth. In both respects, potential candidates have been identified and interviews will be scheduled in the near future.
- (m) Once the Board refresh is completed it will comprise seven independent non-executive directors with appropriate geographical locations and a diverse mix of skills and capabilities. The search for a new CEO, who will join the Board as an executive director in addition to the seven independent directors, is well advanced.
- (n) Out of this process there will be opportunities to consider the composition, requirements and capabilities of the subsidiary boards in Melbourne, Burswood and Sydney. Rowena Danziger, a long tenured director of Crown Melbourne will retire. Recently, Prof John Horvath retired from the Board of Crown Melbourne and was replaced by Nigel Morrison. As the reforms are implemented there will be opportunities to attract other independent directors for appointment to subsidiaries, to provide an additional level of accountability and independence.
- (o) In the course of the Bergin Inquiry, I made a commitment to see through the successful implementation of Crown's remediation reforms that I had driven during the course of 2020 and rehabilitation of the company so as to be found suitable. My decision was reinforced by the need to stabilise the company in the face of a depleted board and to provide continuity as we understood the depth of the problems and worked through the shortcomings of the past.
- (p) On balance I came to the view that it was in the best interests of Crown that I stayed to head up the remediation of Crown and to complete the recast of the Board and Management.
- (q) Although my position is ultimately a matter for Crown's shareholders, whilst I retain the confidence of the board, my intention is that once the reforms are completed there should be an orderly handover from me as part of orderly succession.

<p>31. Describe what external assistance, if any, Crown Resorts and Crown Melbourne have used to identify potential candidates to join the Boards.</p>

The external assistance used by Crown to identify potential candidates is set out in 30 above.

The appointment of a new external independent auditor

32. Outline the reasons for the appointment of a new external independent auditor.

The key reasons for the appointment of KPMG as Crown's new external independent auditor were:

- (a) EY had been the auditors for Crown since 1994, an excessively long tenure;
- (b) Concerns had been raised by proxy advisors and shareholder advocates over the level of non-audit fees paid to EY;
- (c) There was a perception of a lack of independence arising from the significant level of non-audit fees paid to EY;
- (d) ASIC had raised a query in relation to the ratio of audit to non-audit fees paid to EY and asked whether they were compatible with general standards of independence and whether that may have compromised the auditor independence requirements; and
- (e) There had also been significant increases to the base audit fees over recent years.

33. When was that decision made?

- (a) On 4 December 2019, [the](#) Crown Resorts Audit and Corporate Governance Committee resolved to recommend to the Board that a tender process be undertaken to consider alternative statutory auditors.
- (b) On 12 December 2019, [the](#) Crown Resorts Board resolved to undertake a tender process to consider alternative statutory auditors.
- (c) On 18 August 2020, [the](#) Crown Resorts Board resolved to appoint KPMG as the new external independent auditor (CRL.689.001.0005).

34. What discussion, if any, was had at board-level regarding that appointment?

Careful consideration was given by the Board over a number of meetings, including those referred to at 33 above, to the reasons for appointing a new external independent auditor. Notwithstanding market perceptions, the Board was of the view that the independence of EY as the group's auditor had been maintained at all times, but on balance resolved to address the concerns outlined in question 32 above to proceed with a tender process to consider alternative statutory auditors.

35. Was there any, and if so what, dissatisfaction with the services or performance of the previous external independent auditor?

- (a) The motivation for appointing a new external independent auditor was not grounded in dissatisfaction with the audit services or performance of EY, who continue to be retained by Crown in respect of some non-audit work.
- (b) The reasons were primarily related to governance best practice to address the fact that EY had been Crown's auditors since inception in 1994 and had also performed non-audit work for Crown that resulted in fees exceeding the recommended ratio of audit to non-audit fees.

Ceasing all dealings with junket operators

36. Who made the:

- (a) **China junkets decision;**
- (b) **August 2020 junkets decision;**
- (c) **September 2020 junkets decision;**
- (d) **November 2020 junkets decision.**

- (a) In respect of the China junkets decision, I have no first-hand knowledge of how the China junkets decision was made. The China junkets decision was the subject of evidence given by Mr Johnston and Mr Preston in the Bergin Inquiry. In preparing this statement I reviewed their evidence and have sought to confirm the position with assistance from Management. Based on both the evidence of Mr Johnston and Mr Preston, and the information provided to me by Management, my understanding is that the decision was made by members of the VIP International team following the China arrests in late 2016 or early 2017.
- (b) On 10 August 2020, the Crown Resorts Board resolved to suspend all junket relationships pending a comprehensive review of those relationships (CRW.507.005.2226).
- (c) On 10 September 2020, the Crown Resorts Board resolved to approve an extension of the junket suspension for the balance of FY2021 (CRW.518.004.6768).
- (d) On 11 November 2020, Crown Resorts Board resolved to permanently cease dealing with all junket operations and only recommence if that junket operator is licensed or otherwise approved by the gaming regulator in the state in which it operates (CRW.507.005.5423).

37. What were the reasons for making each of those decisions?
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- (a) I have no first-hand knowledge of why the China junkets decision was made. I note, however, that the decision was made in the period following the arrests of Crown's staff in China. The arrests increased the risk of Crown doing business in China. I am informed by Management that the decision was made in the context of a review of junkets in late 2016 and early 2017 by the VIP International team.
- (b) The August 2020 junkets decision arose because of concerns raised in evidence before the Bergin Inquiry concerning certain individuals and junkets with whom Crown had historical business dealings and to permit Crown to undertake a comprehensive review of its relationships with those individuals and junkets.
- (c) The reasons for the September 2020 junkets decision, which involved an extension of the junket suspension under the August 2020 junkets decision, were that Crown had come to the view that it was constrained in its ability to get full visibility around the history and associations of its potential junket customers. While detailed due diligence processes were in place, due diligence carried out on some junket operators either did not identify all necessary information or was not analysed sufficiently to accurately assess the risk.
- (d) The reasons for the November 2020 junkets decision were noted in the "Future junkets Relationships" paper presented to the Board dated 12 November 2020 (CRW.507.005.5421), including:
 - (i) Crown aspires to be best in class and not deal with unsuitable counterparties;
 - (ii) the cessation of dealings with junket operators would substantially reduce the risk of Crown dealing with unsuitable counterparties; and
 - (iii) a reduction in the risk of dealing with unsuitable counterparties is imperative.
- (e) The paper also noted that:
 - (i) the Crown Melbourne Consolidated Casino Agreement requires that "the Company will endeavour to maintain the Melbourne Casino as the dominant Commission Based Player Casino in Australia";
 - (ii) any immediate actions taken by Crown may have implications for the competitive landscape and impact stakeholder interests; and
 - (iii) it would be necessary for Crown to, as a matter of urgency, to consult with each of the gaming regulators to ascertain their respective views before implementing

a decision to cease dealing with junkets having regard to the terms of existing agreements in place with each of those gaming regulators.

38. How were those decisions implemented?

- (a) At a meeting of a Board on 11 November 2020, the Board resolved to procure that each of Crown Melbourne, Crown Sydney and Crown Perth:
 - (i) subject to (ii) below, permanently cease dealing with all junket operators; and
 - (ii) promptly consult with their respective gaming regulators in Victoria, New South Wales and Western Australia to ascertain their respective views before implementing a decision to cease dealing with junkets having regard to the terms of existing agreements in place with each of those gaming regulators and competitive neutrality principles and to determine whether they have any objections to Crown taking the decision at (i) above.
- (b) It was further resolved that any future dealings with junket operators would only occur with a junket operator if that junket operator is licensed or otherwise approved or sanctioned by each of the gaming regulators in the states in which Crown operates.
- (c) Ken Barton, the then CEO, subsequently wrote to recent known junket operators with whom Crown had dealings advising that Crown had permanently ceased dealing with junkets and implemented the Board's decision.
- (d) The Bergin Inquiry recommended that the Casino Control Act be amended to prohibit Casino operators in New South Wales from dealing with junket operators. Crown has offered to provide ILGA an undertaking in a form suitable to the Authority to the effect that Crown will not deal with a junket operator in the future without regulatory authority.

Separation of the Risk and Internal Audit Functions and creation of new Chief Risk Officer role

40. When was the new Chief Risk Officer role created?

- (a) The Board gave in principle support for Management to separate the risk and audit functions at a Board meeting on 10 August 2020 (CRW.507.005.2226).
- (b) The decision to appoint Ms Anne Siegers to the new role of Chief Risk Officer (CRO) was made on or about 1 December 2020.

41. Why was it created?

- (a) On 10 August 2020, the Crown Resorts Board reviewed, considered and discussed a strategic plan for structural changes and proposals relating to organisational, structure

and compliance processes, which included the creation of a second and third lines of defence and the appointment of a CRO.

- (b) Included in the review was a proposal for an independent risk and compliance function and an independent internal audit function to provide appropriate independence and line of sight to the Board.
- (c) Existing reporting lines had been identified as an area of concern in the Bergin Inquiry denoting a perceived lack of independence from the commercial operations and lack of visibility to the Board.
- (d) In considering whether risk and audit functions should be independent or combined, the Board considered the value of having one person overseeing both functions against the perceptions that combining the two functions may not be sufficiently independent.
- (e) Noting that APRA now requires the banking sector to have separate reporting lines, the Board decided on balance that Risk and Internal Audit Functions should be separated and the role of CRO should be created.

42. Has someone been appointed to this new role and if so, who?

43. Was that person recruited from inside or outside Crown?

Yes, Anne Siegers has been appointed the CRO. Anne Siegers was an internal appointment, having previously been the Group General Manager – Risk and Audit.

44. Who does the Chief Risk Officer report to?

45. Describe the duties of the Chief Risk Officer.

- (a) The CRO reports to the CEO, (currently the Executive Chairman) and to the Risk Management Committee of the Crown Resorts Board.
- (b) The overarching responsibilities of the CRO are Reporting to the Chief Executive Officer (CEO) and independently to the Crown Resorts Board via the Risk Management Committee (RMC). The CRO is responsible for the development, implementation and maintenance of the risk management strategy and frameworks, the Resilience and Business Continuity strategy and framework and the coordination of the corporate insurance portfolio for the Crown Group.
- (c) The CRO is responsible for providing advice and challenge across the Executive team(s), and for providing second line assurance and independent reporting to the

Board on the risk management strategy, the effectiveness of that strategy and implementation of the risk framework across the Group, as well as emerging matters.

- (d) The CRO attends the RMS, The Crown Melbourne Audit Committee, and the three property Boards; they will chair Crown College International Higher Education's (CCIHE) Risk and Governance Board Committee and they will co-chair the Executive Risk and Compliance Committee for each property and the Fraud Management committee and be a key member ~~te~~-of governance committees such as the Group Persons of Interest Committee, the AML Committee and the Compliance Committee.
- (e) The breadth of the role includes Crown Resorts, all Australian properties and other subsidiaries (Aspinalls, Betfair, DGN).

46. How will the creation of this new role affect the way that risk is managed at Crown?

- (a) The CRO is an important role in the three lines of defence, governance and accountability structure that was adopted by the Board on 10 August 2020. Previously, the risk function reported through the Chief Legal Officer within the Australian Resorts business unit.
- (b) The new CRO role elevates the risk function to a direct report to the CEO and the Board through the Risk Management Committee. It enables the risk management strategy and frameworks to be kept under review and for emerging issues to be brought promptly to the attention of the Board. It addresses the issue identified in the Bergin Inquiry that Crown's risk management processes had not been sufficiently engaged which had resulted in matters not being properly escalated to the Board.

The establishment of the role of Chief People and Culture Officer

47. When was the new Chief People and Culture Officer role created?

The role was approved by resolution of the Crown Resorts Board on 10 September 2020.

48. Why was the Chief People and Culture Officer role created?

The Chief People and Culture Officer is a key role in Crown's organisational structure designed to drive cultural change and consistency throughout the organisation and to promote a strong culture of transparency, compliance and risk management in accordance with Crown's values and risk appetite.

49. What precise “cultural change” within Crown will this officer be tasked with driving?

50. How is it proposed that this officer drive the desired cultural change?

- (a) The Chief People and Culture Officer is tasked with implementing the People and Culture Program described in a memorandum from Ken Barton to the Crown Resorts Board dated 7 December 2020 and presented to the Board on 9 December 2020 (CRW.518.004.8953). The program is more particularly described in my response to question 82 below.
- (b) Tony Weston entered into a contract of employment as the Chief People and Culture Officer on 5 March 2021, to commence on or earlier than 7 June 2021. His position description [sets out](#) the goals, key activities and tasks of the role. Schedule 2 of the position description outlines his duties, which is set out at CRW.512.010.0273.
- (c) In addition, Crown retained the services of Deloitte to undertake a review and to provide an additional source of expertise and advice to Tony Weston for implementation of the cultural reforms at Crown.

51. Who does this officer report to?

The Chief People and Culture Officer reports to the Managing Director and CEO (currently Executive Chairman) and will have a reporting line to the Board through the People, Remuneration and Nomination Committee.

52. Will this officer have any dedicated staff and resources?

The Chief People and Culture Officer will have 3 direct reports.

Paring back of VIP team

74. Who made the decision to pare back the VIP team?

75. When was this decision made?

- (a) In a memorandum to the Board of Directors dated 14 January 2021 Alan McGregor and Xavier Walsh recommended inter alia that the overseas offices in Hong Kong and Auckland be closed and that overseas markets be serviced by employees based in Australia.
- (b) The recommendations in the memorandum were discussed and a resolution adopting those recommendations was passed by the Crown Resorts Board on 15 January 2021.

76. Describe the integration of the VIP team into Crown Melbourne's operations.

- (a) The integration of the VIP team into Crown Melbourne's operations (the Melbourne Based Model) is more particularly set out in the memorandum referred to in response to question 74 and considered and adopted by the Board on 15 January 2021 (CRW.507.001.7275).
- (b) Further structural changes resulting from transition of the former VIP international business into a purely sales function is ongoing, including determining whether the operating protocols in each market remain appropriate. Herbert Smith Freehills have been retained to provide that advice. The VIP marketing function will also be incorporated into the general marketing division of the business.

Deloitte Review of patron bank accounts and control

- 77. What are the terms and scope of the Deloitte forensic review of Crown's patrons bank accounts and controls?**
- 78. Who made the decision to engage Deloitte to perform the Deloitte Review?**
- 79. When was that decision made?**

- (a) The terms and scope of the Deloitte Forensic Review of patron bank accounts and controls are set out in the Deloitte Forensic Review engagement letter dated 22 February 2021 (CRW.522.001.0854) and a variation to the engagement letter dated 19 March 2021 (CRW.512.025.0085).
- (b) Essentially the scope is structured as follows:
 - (i) Phase 1 – Controls assessment;
 - (ii) Phase 2 – Forensic review;
 - (iii) Phase 3 – Further controls assessment.
- (c) The 'look back' period was initially three years and this was extended to seven years in the variation referred to above dated 19 March 2021.

(d)

REDACTED - PRIVILEGE

REDACTED a decision was taken in a conference call between Toni Korsanos, Jane Halton, Mary Manos and myself on 13 February 2021 to proceed with engaging Deloitte.

80. Who decided on the terms of the Deloitte Review?

- (a) The terms of Deloitte's engagement REDACTED - PRIVILEGE set out in an email to Mary Manos and John Salomone dated 20 February 2021.
- (b) On 21 February 2021, I signed a letter to Mr Philip Crawford describing the scope of the review and engagement of Deloitte.

81. When is the Deloitte Review expected to be completed?

- (a) 30 April 2021, Phase 1.
- (b) 13 August 2021, Phases 2 and 3.

Cultural uplift program

82. Describe the cultural uplift program.

- (a) The cultural uplift program is a key component of Crown's reform program.
- (b) The objectives in embarking on the cultural uplift program include:
 - (i) To have all of Crown's employees delivering our services in a way that does not compromise risk and compliance in delivering outstanding customer experiences;
 - (ii) To create in our organisation Crown's standard of compliance as a source of pride equivalent to our approach to customer service;
 - (iii) Have an open and transparent organisation where people are unafraid to call out issues and risks and to readily escalate problems, mistakes and bad news and learn from mistakes with an open mind to change.
- (c) This program starts with tone from the top. The ILGA Inquiry was a difficult but necessary process to enable the Board, Management and the organisation more broadly to understand and reflect on the issues canvassed and the findings made. It has enabled a process to refresh the Board with an independent "cast of mind". The Board has had an opportunity to truly reflect on past shortcomings and is determined to carry out "root and branch" reform of the organisation.
- (d) Tone from the top has changed, ranging from understanding and accepting the problems of the past to setting new governance standards and reforms across an extensive program of rectification across AML and financial crimes, audit and risk, and culture. The Board has clearly signalled the setting of higher standards for the

organisation, including through its decisions in relation to junkets, phasing out smoking across all properties and ceasing all political donations.

- (e) The Board and Management have reset expectations that all of us from the Board down and throughout the organisation will do the right thing. The Board has been clear in communicating to all staff what is expected of them. We want our people to be confident about coming forward and if they "see something, say something". I now write a weekly message to all staff which includes an invitation to voice their concerns either anonymously or to have a direct communication with me, with details of how to do so.
- (f) The Board is acutely aware of the importance of culture as a risk mitigant. In addition to the Chief People and Culture Officer, the Board has recently appointed Nick Weeks as Executive General Manager – Transformation & Regulatory Response. He will report directly to the Board and be tasked with coordinating all the rectification and reform programs throughout the organisation and ensuring the cultural uplift stays on track. Crown is in the course of engaging PwC to provide extra support to Nick Weeks in his coordination role.
- (g) The Board has changed the way in which it operates and engages with Management and staff. I have personally visited each of Crown's venues in Sydney, Melbourne and Perth and addressed the Business Operation Teams at each of the properties. I have established a weekly Executive Team meeting, including the CEOs of each property and direct reports, including Steve Blackburn (Group Chief Compliance and Financial Crime Officer) and Anne Siegers (Chief Risk Officer). When he starts, Tony Weston (Chief People and Culture Officer) will join this weekly meeting. The Directors of the Board are also undertaking more direct interaction with Management and staff. Each of us "walk the floor" at the venues and speak with staff. This has already had a positive effect with staff, who have raised issues for the Board to be aware of. Motivating staff to bring matters to the Board's attention is the first line of defence working as intended in our cultural uplift initiative.
- (h) Key areas of cultural uplift in aid of the Board's agenda include:
 - (i) as described, reinforcing tone from the top;
 - (ii) reviewing and refining our strategic intent;
 - (iii) assessing current culture;
 - (iv) clarifying our purpose and values;
 - (v) determining the gaps and remediating as necessary;

- (vi) implementing a governance structure that reinforces the second and third lines of defence; and
 - (vii) developing and implementing a measurement process for culture throughout the organisation.
- (i) The purpose and importance of culture in Crown's reform program ~~is~~ reinforced by the engagement of Deloitte to carry out an organisational review. The ultimate objective is to define a target culture that aligns Crown's values, strategic direction and risk appetite.
 - (j) Crown has received Phase 1 of Deloitte's Culture Review dated 31 March 2021 and on 15 February 2021 signed a Letter of Engagement for Phases 2 and 3. Phases 2 and 3 of the Review are expected to be delivered in May or June 2021. Crown will assess the outcomes of Phases 2 and 3 before deciding to proceed with Phase 4.
 - (k) The cultural uplift includes both governance and organisational changes, more particularly described in the letter ~~to~~ from Crown to ILGA dated 15 March 2021.
 - (l) Also, closely aligned to the cultural reset is reform of remuneration structures, including the ~~instruction~~ introduction of values based "hurdles" as part of the performance management framework and revised structures, including partial deferral and forfeiture for Crown's key management in the event of any adverse compliance or regulatory events. A deferral and forfeiture mechanism will also apply to the new CEO, once appointed.
 - (m) With the structural reforms to lines of reporting and accountability, the Board now has a direct line of sight to key functions and responsibilities around the cultural uplift initiatives and is committed to ensuring the program continues to be implemented and maintained.
 - (n) I am engaged in direct negotiations with the Chair and Board Members of ILGA on delivery of the rectification program to achieve suitability to operate the Restricted Gaming License at Crown Sydney. These reforms are addressing issues across the broader organisation and how Crown operates in each jurisdiction.
 - (o) The Board and Management now have an open and direct relationship with each of the Regulators in Victoria, NSW and WA. We proactively bring issues to their attention as we seek to achieve a compliant culture that is open to change and continual improvement.
 - (p) The cultural uplift is an evolving process and I intend to keep the Commission informed of progress.

Decision to phase out smoking in all its Australian premises by the end of 2022

83. Who made this decision?

- (a) At a Board meeting on 17 February 2021 the Board considered and discussed a Memorandum from Ken Barton and Chris Reilly dated 4 December 2020 ~~relates~~ [related](#) to phasing out smoking at Crown's properties.
- (b) The matter was further considered by the Board on 5 March 2021 and a decision was made by the Board for a phased cessation of smoking at all Crown properties.

84. What were the reasons for making this decision?

- (a) The reasons for this decision ~~where~~ [were](#) that a proactive phasing out of smoking was in the best interests of Crown, its employees and patrons. It was also consistent with a decision of our competitor, Star, to phase out smoking at its properties.
- (b) The Board accepted that there are no safe levels of exposure to smoking and the decision was also a response to approaches from the Australia Council of Smoking and Health.
- (c) The decision will also involve some capital expenditure to modify premises and consultation as the changes are implemented.

Cessation of donations to political parties

85. Who made this decision

- (a) On 15 March 2021, the Crown Resorts Board resolved that Crown and its associated entities would immediately cease making monetary or in-kind donations to political parties.

86. What were the reasons for making this decision?

- (a) On 16 February 2021, Karl Bitar [provided](#) a memorandum to [the](#) Board in which he referred, inter alia, to varied and inconsistent provisions relating to political donations in New South Wales, Victoria, Western Australia and [the](#) Commonwealth. It was of concern to the Board that donations to political parties are susceptible to perceptions of influence. Also of concern was Crown's reputation and criticism in the media directed at Crown for making donations to political parties.

- (b) Crown is a non-partisan organisation without affiliation to any political party and the decision to cease making political donations facilitates the implementation of this policy.

Signed: _____

Date: 28 April 2021