

Inquiry by the Honourable Patricia Bergin SC under section 143 of the *Casino Control Act 1992 (NSW)*

Terms of Reference dated 14 August 2019

SECOND STATEMENT OF ANTONIA KORSANOS

Name: Antonia Korsanos

Address: Crown Towers, Level 3, 8 Whiteman Street, SOUTHBANK VIC 3006

Occupation: Director

Date: 13 September 2020

Introduction and background

1. I am a director of Crown Resorts Limited ACN 125 709 953 (**Crown Resorts**) and have held this position since 23 May 2018. Since 18 February 2020 I have been Chair of the Crown Resorts Audit and Corporate Governance Committee (member since 20 June 2018). I am also a member of the following committees of the Board:
 - (a) the Crown Resorts Responsible Gaming Committee since 20 June 2018;
 - (b) the Crown Resorts Finance Committee since 20 June 2018; and
 - (c) the Crown Resorts Risk Management Committee since 23 October 2019.
2. I have been a director of Crown Melbourne Ltd (**Crown Melbourne**) since 5 September 2018 and Chair of the Crown Melbourne Audit Committee since 5 September 2018.
3. Before joining the Crown Resorts Board, I was the Chief Financial Officer of Aristocrat Leisure Limited (**Aristocrat**). I was at Aristocrat for nearly 11 years and in the role of Chief Financial Officer from July 2009. Prior to Aristocrat I held senior finance roles at Kellogg's Australia and New Zealand, Goodman Fielder Limited and Coopers & Lybrand.
4. In addition to my directorship at Crown Resorts and Crown Melbourne, I am also a non-executive director of Webjet Limited and Treasury Wine Estates Limited.
5. On 9 July 2020, the solicitors assisting the Inquiry issued correspondence to Crown containing a set of questions and requesting that I provide a Statement of Evidence responding to those questions (**Request**). This statement is provided in response to the Request. It is my second statement to the Inquiry. My first statement is dated 6 March 2020.

6. 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 nothing in this statement is to be construed as involving a waiver of any such privilege.

Media reports in July 2019

7. I watched part of the 60 Minutes program when it was broadcast on the evening of 28 July 2019. I watched a recording of the program in full later that evening. I also read some of the articles published in the Fairfax papers that weekend and in the following days.
8. I was sceptical of the reporting. Having previously spent a number of years working in the gaming industry in my role at Aristocrat, I knew that casinos had arrangements with junket operators. I also knew that the casino industry was highly regulated, and I had not seen any evidence to indicate that Crown Resorts did not fully and appropriately engage with its regulators. I was also sceptical because of the way in which the story was presented, with some interviewees called upon to express opinions on matters about which I did not think they could have had any direct knowledge (as that knowledge could only be within Crown Resorts or its regulators) with the journalist then portraying those opinions as facts. All of that said, there were allegations about connections to organised crime which were concerning to me and which I considered needed to be followed up by management in order to ascertain whether there was any substance to them.
9. I became aware that management were investigating the allegations the day after the 60 Minutes program aired. While I cannot now recall how I was informed, I recall being told that a meeting of the Board would be convened by telephone at 1pm the following day to discuss the allegations and how Crown Resorts should respond. At 9.17pm that evening (29 July 2019), Mary Manos, Crown Resorts General Counsel and Company Secretary, sent me and the other directors an email stating that papers for the Board meeting had been uploaded to Diligent, the platform used by Crown Resorts for providing information to directors. Mary Manos wrote that a paper had been prepared by Joshua Preston and Barry Felstead to assist the Board's discussion (**Internal Report**). A copy of Mary's email is at CRL.501.011.4394 and the Internal Report is at CRL.506.007.8870.
10. I accessed the Internal Report on Diligent that evening. I recall reading the Internal Report in advance of the meeting. The Internal Report confirmed some of my scepticism about the reporting. For example, aside from Crown's ongoing relationship with Suncity, the Internal Report indicated that to the extent Crown dealt with the junkets referred to in the 60 Minutes report, those dealings had ended some time ago. My impression in reading the articles and watching 60 Minutes was that the journalist was suggesting that Crown continued to deal with each of these junkets and knew or turned a blind eye to their criminal connections. To my mind the Internal Report demonstrated that these allegations were unsubstantiated.

Board meeting of 30 July 2019

11. At the Board meeting, there was a discussion relating to the allegations and the enquiries that management had since undertaken, as set out in the Internal Report. Richard Murphy of MinterEllison and Joshua Preston and Barry Felstead talked to the matters in the Internal Report. The Board discussed how to respond. I recall that several directors, including myself, expressed concern about the sensational style of the reporting and the lack of balance. I considered that the 60 Minutes story was a crisis for the business. There was discussion about the damage these allegations could have on Crown Resorts' reputation and their impact on Crown staff. All directors agreed that Crown Resorts should issue a response and that this response should come from the directors both in defence of the Crown Resorts brand, and in support of all employees, shareholders and stakeholders.
12. I recall that in agreeing to proceed with an advertisement the directors discussed the need for the advertisement to be properly reviewed and verified by management.
13. The minutes of the meeting are at CRL.506.006.5574. The Board resolved that:
 - *management, in consultation with the Board, be authorised to prepare a full page advertisement as a message from the Board for publication in the newspapers in the next 48 hours which responds to the Nine allegations, highlights the factual inaccuracies in the allegations, the sensationalised nature of the reporting and the unsupported connections;*
 - *following publication of the advertisement, further consideration be given to engaging a third party to assist the Company with its communications strategy regarding the Nine allegations.*

Preparation of advertisement

14. On 31 July 2019, at 11.05am, Mary Manos sent an email attaching a draft of the letter that we had resolved be prepared at the Board meeting the previous day. Ms Manos wrote:

"Dear Directors

Further to discussions yesterday, Karl Bitar and Mark Arbib have worked with Richard Murphy at Minter Ellison to prepare the attached draft letter for publication.

They are (sic) asked for any feedback as quickly as possible as they have strict deadlines. The deadline is 12pm today.

Karl will be co-ordinating a verification process in support of the statements made in the letter.

Please let us know as soon as possible if you have any comments or concerns with the letter which is intended to be published in the Australian, the Daily Telegraph, the Herald Sun and the West Australian tomorrow as a full page advertisement.”

A copy of Ms Manos' email is at CRL.501.082.3526.

15. I reviewed the draft immediately upon receiving it. I sent some minor suggested drafting comments to Ms Manos at 11.46 am. A copy of my email is at CRL.586.024.6814 and the draft with my comments is at CRL.586.024.6815. In my cover email I wrote: *“Strong statement and note that we are validating content”*.
16. The draft advertisement drew heavily on the content of the Internal Report and I relied on the work that management had undertaken in investigating the allegations and preparing that report. I understood that the report had also been prepared with the assistance of Richard Murphy, Crown Resorts' long-standing external legal advisor.
17. For the reasons outlined above, I did not personally verify each statement in the advertisement. I was not in an operational role at Crown and it was not possible for me to do so. That said, as I set out earlier, I recall that the directors agreed to proceed with the advertisement on the basis that management would validate and verify each of the factual statements within it. This understanding was confirmed to me by Mary Manos' email attaching the draft advertisement which stated that there would be a verification process coordinated by Karl Bitar. This is what I meant in my email to Ms Manos where I referred to validating the advertisement's content. Further, the advertisement would be reviewed from a legal perspective by an external lawyer, Richard Murphy from MinterEllison.
18. At 5.35pm on 31 July 2019, Lauren Harris, Crown Resorts' Legal Counsel and Assistant Company Secretary, sent me and the other directors the final typeset version of the advertisement in the form in which it would be published the following day. Ms Harris wrote that: *“We consider it appropriate that this be placed on the ASX platform which we will do now”*. A copy of Ms Harris' email is at CRL.501.025.6929.
19. Because I understood that management were verifying the statements in the draft advertisement, I assumed upon receiving this email from Ms Harris that the verification process had been completed and the factual statements in the advertisement had been verified.

Junket operators

20. I relied on the Internal Report as providing the basis for the statements in the advertisement regarding Crown's relationships with junket operators.
21. At the time Nine's stories were published I had heard of Suncity, but not in the context of it operating junkets with Crown. I knew that Suncity was a well-established organisation in the gaming industry through my industry background at Aristocrat. I knew that Suncity operated junkets all over the world. I was therefore not surprised to learn that it operated junkets at Crown's casinos. But this

was not something I recall knowing about before the media allegations. I was not aware of any arrangements Crown had with the individuals or entities referred to in the media reports. I relied on the Internal Report in this regard.

22. Based on the Internal Report, and subject to one matter, I did not have concerns about Crown's arrangements with junket operators. The Internal Report informed me that in the case of junket operators where criminal connections had been established, such as with Roy Moo, Crown Resorts had taken steps to discontinue any relationship.

23. The one concern I had was in relation to the adverse entries in due diligence media reports and the law enforcement enquiries made in connection with Alvin Chau (also known as CCW), who was associated with Suncity. Because Crown was continuing to deal with Suncity I thought this connection was concerning. The Internal Report did note, however, that Suncity held a junket operator's licence in Macau and that this must be renewed annually and required Mr Chau to undertake probity checks. It also noted, as was my understanding, that Suncity was a publicly listed company on the Hong Kong stock exchange. These matters allayed my immediate concerns. REDACTED

REDACTED - PRIVILEGE

24. I also read and relied on the content towards the back end of the Internal Report about Crown's processes for vetting junket operators. It appeared to me from my reading of the Internal Report that those processes were compliant and satisfactory to our regulators, and I therefore assumed that they were adequate.

25. I do not recall being aware before the media allegations that Suncity had a dedicated room at Crown Melbourne. However, I was not surprised that they did, given Suncity was a very large and established operator. About a fortnight after the media allegations I was informed that Suncity had decided to pare back its junket operations in Australia and operate only as a 'casual' junket at Crown Melbourne with no dedicated room. I refer to this in further detail below.

REDACTED - PRIVILEGE

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REDACTED - PRIVILEGE

29. I am aware that Crown management has continued, with the support of the Board, to work on strengthening the due diligence applied to junket operators. I was informed through the Board papers for the meeting held on 18 February 2020 that Crown had engaged Nick Kaldas, the former Deputy Commissioner of NSW Police. Mr Kaldas attended the meeting of the Crown Resorts' Risk Management Committee on 10 June 2020. At that meeting, Mr Kaldas provided an update on the work he had been undertaking for Crown, which included working with law enforcement agencies to improve the exchange of information between those agencies and Crown.
30. Crown has also engaged Deloitte to conduct a review of its due diligence process and how decisions are made in relation to junkets. Further, on 18 August 2020, a draft report of Deloitte's findings and recommendations was presented at a meeting of the Crown Board. At that meeting, the Crown Board resolved to adopt the recommendations proposed by Deloitte. A copy of the minutes of the Crown Resorts' Board meeting of 18 August 2020 is at CRL.689.001.0005.
31. On 10 August 2020, I attended a Crown Resorts Board meeting at which the Board decided to suspend all junket activities. The Board considered that, in light of the issues that had emerged during the course of the Inquiry in relation to the operation of junkets, it was appropriate to undertake a comprehensive review so that a decision could be made about whether, and if so how, Crown should deal with junkets in the future. While these decisions on junket arrangements are in response to matters which have been raised during the course of the Inquiry, they have been undertaken immediately and reflect the attention that management and the Board is paying to the Inquiry and the seriousness with which the company is treating the matters raised. A copy of the minutes of the Crown Resorts' Board meeting of 10 August 2020 is at CRL.689.001.0001.
32. On 10 September 2020, I attended a Board meeting at which management's progress in respect of the matters considered at the 10 August meeting (including Crown's junket arrangements) was discussed. At that meeting the Board resolved to extend the suspension of junket operations until 30 June 2021.

China arrests

33. I have not seen the Four Corners program. I relied on the statement in the Internal Report that the 60 Minutes story rehashed content from Four Corners.
34. I also relied on statements in the Internal Report to the effect that Crown at all times understood its staff were operating in a manner which did not breach the law. The arrests and detention of Crown staff in China occurred before my time on the Crown Resorts Board.
35. I do not have a copy of the "legal and government relations advice" referred to in the advertisement.

Anti-money laundering

36. The statements in the advertisement about Crown having a comprehensive anti-money laundering (AML) program that is subject to ongoing regulatory supervision by AUSTRAC reflected my understanding of Crown's AML processes based on information provided on AML matters to the Crown Resorts Board, the Crown Melbourne Board and the Crown Resorts Risk Management Committee.
37. At the time the advertisement was published I was also aware that Crown was well advanced in the process of implementing responses to the VCGLR's sixth review of the Melbourne Casino Licence published in June 2018 (**VCGLR Review**). Among the VCGLR's recommendations was a recommendation that, by 1 July 2019, Crown Melbourne undertake a robust review (with external assistance) of relevant internal control statements, including with input from AUSTRAC, to ensure that AML risks are appropriately addressed. Crown Melbourne accepted and adopted each recommendation made in the VCGLR Review, including the recommendation regarding AML risks.
38. At meetings of the Crown Resorts Responsible Gaming Committee and the Crown Melbourne Board, I have received updates on progress against each of the recommendations made by the VCGLR. A document titled 'Section 25 – Implementation of Recommendations Table' (**Section 25 Table**) was included in the papers provided to the Crown Resorts Responsible Gaming Committee and Crown Melbourne Board. A copy of the most recent Section 25 Table, which was tabled to the Crown Melbourne Board on 11 August 2020, is at CRL.677.001.4949.
39. On 20 August 2019 I attended a meeting of the Crown Resorts Board at which Neil Jeans, an AML expert engaged by Crown to conduct a review of Crown Melbourne and Crown Perth's AML transaction monitoring program, reported on his key findings. A copy of the minutes of this meeting is at CRL.515.001.0001.
40. I believe that more needs to be done to effectively manage the risk that money laundering presents to Crown. The risk is inherent in running a casino business and it is critical that the company manages that risk effectively.
41. Crown has introduced a number of measures over the past 12 to 18 months to enhance Crown's AML process and resources, including:
- (a) The development of a joint AML program across Crown Melbourne and Crown Perth. The Crown Resorts directors were given an overview of this program at the meeting on 20 August 2019. I approved the joint AML/CTF program as a director of Crown Melbourne at a meeting of the Crown Melbourne Board on 4 September 2019. I also received updates about the implementation of the joint program at Crown Resorts Board meetings I attended on 12 December 2019 and 16 June 2020.
 - (b) Commencing implementation of the automated transaction monitoring system AML Sentinel. I have been aware that Crown was proposing to transition its transaction monitoring program from a manual to an automated system since August 2019. I was first

informed that AML Sentinel was the system that Crown was proposing to use to automatically monitor transactions in reviewing the pack for the Crown Resorts Board meeting held on 15 April 2020.

- (c) Expansion of the AML team including appointment of designated analyst and analytics resources.
 - (d) Appointment of Group General Manager, AML. I was aware that Nick Stokes has been appointed in this role in November 2019.
42. While Crown has continued to work on and improve its AML program, resourcing and the way in which it manages the risk of money laundering, more needs to be done. At the 10 August 2020 meeting, the Board resolved that:
- (a) the company commence a recruitment process for a dedicated AML compliance officer who will report directly to the Board; and
 - (b) a review be undertaken of the current level of resourcing in the AML team.
43. At the 10 September 2020 Crown Resorts Board meeting the directors again discussed Crown's proposed improvements in the AML area. In this regard, Mr Barton proposed the establishment of a new Compliance and Financial Crimes department which will be independent of Crown's operational business units and will have direct reporting lines to the Board. At this meeting, the Board resolved:
- (a) to approve the addition of further resources in the area of AML/CTF;
 - (b) to approve the new role of Head of Compliance and Financial Crimes, who will report directly to the Board.
44. I see the work that we have been doing in the AML/CTF area, and the work we are continuing to do, as part of a considered and comprehensive response to the AML concerns that have been raised. I believe that ultimate responsibility for AML needs to be separate from operations and other compliance functions, and there needs to a direct reporting line on AML issues to the Risk Management Committee and the Board.

Southbank Investments Pty Ltd and Riverbank Investments Pty Ltd

45. Although I cannot recall precisely when, I recall the bank accounts controlled by Southbank Investments Pty Ltd (**Southbank**) and Riverbank Investments Pty Ltd (**Riverbank**) being discussed at a Board meeting shortly after allegations were made about the use of these accounts in the Fairfax papers. I recall someone at the meeting saying (but I cannot now recall who) that these accounts were not treated any differently from an AML perspective to any other Crown transaction account and that suspicious transactions were reported in the usual way. The only prior knowledge I had of Southbank was from seeing a reference to the company in the pack for the 31 October 2018 Board meeting. I had not heard of Riverbank before the Fairfax article.

Visa processing

46. I am not aware of any arrangements that were in place to assist high rollers on a fast track through immigration when visiting Crown Melbourne or Crown Perth. The extent of my knowledge as to any visa processing arrangements is only by reference to the Internal Report.

Signed:



Date: 13 September 2020