



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**TUESDAY, 13 OCTOBER 2020
AT 10.01 AM**

Continued from 12.10.20

DAY 42

Any person who publishes any part of this transcript in any way and to any person contrary to an Inquiry direction against publication commits an offence against section 143B of the *Casino Control Act 1992* (NSW)

MR A. BELL SC appears with MR S. ASPINALL as counsel assisting the Inquiry

MR N. YOUNG QC appears with MS R. ORR QC and MS C. HAMILTON-JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary Limited and Ms Korsanos

**MR T. O'BRIEN appears for CPH Crown Holdings Pty Ltd and Mr Packer
MR J. STOLJAR SC appears with MS N. CASE for Melco Resorts & Entertainment Limited**

10 COMMISSIONER: Yes, Mr Aspinall.

MR ASPINALL: Commissioner, could I tender some more documents, please.

COMMISSIONER: Yes, of course.

15 MR ASPINALL: Listed in a document called additional exhibit AJ.

COMMISSIONER: Yes.

20 MR ASPINALL: Documents AJ40 to AJ48 are documents that were referred to yesterday which had not yet been tendered.

COMMISSIONER: Yes, I will mark those AJ40 to AJ48, yes.

25 **EXHIBIT #AJ40 TO AJ48 ADDITIONAL EXHIBIT AJ**

MR ASPINALL: Documents AJ49 to AJ52 are the notes which Mr Demetriou has
30 provided overnight.

COMMISSIONER: Yes, they will be AJ49 to AJ52.

35 **EXHIBIT #AJ49 TO AJ52 NOTES PROVIDED BY MR DEMETRIOU**

COMMISSIONER: Thank you, Mr Aspinall.

40 <ANDREW DEMETRIOU, ON FORMER OATH [10.02 am]

<EXAMINATION BY MR ASPINALL
45

MR ASPINALL: Mr Demetriou, have you given evidence as a witness before? I don't think I can hear you.

5 COMMISSIONER: Just pardon me for a moment. Yes, ask that again, if you wouldn't mind, Mr Aspinall.

MR ASPINALL: Mr Demetriou, have you given evidence as a witness before?

10 MR DEMETRIOU: Yes, I have, Mr Aspinall.

MR ASPINALL: When was that?

15 MR DEMETRIOU: Probably about 18 months ago in an ATO matter relating to Acquire Learning.

COMMISSIONER: I just can't quite hear you, Mr Demetriou. If you could keep your voice up, I would be grateful.

20 MR DEMETRIOU: Can you hear me now, Madam Commissioner?

COMMISSIONER: Yes. Go ahead.

25 MR DEMETRIOU: Yes. I – the last time I gave witness – gave as a witness evidence was about 18 months ago at an ATO matter relating to Acquire Learning.

COMMISSIONER: I see.

MR ASPINALL: And any other occasions, Mr Demetriou?

30 MR DEMETRIOU: Not that I can recall, Mr Aspinall, no.

MR ASPINALL: And was that the liquidator's examination that you were referring to?

35 MR DEMETRIOU: Yes, it was, Mr Aspinall.

MR ASPINALL: And you didn't take any notes into the box with you when you gave evidence there?

40 MR DEMETRIOU: No, I did not, Mr Aspinall.

MR ASPINALL: Can we bring up document CRL.719.001.0001 to the open feed, please. That's AJ49.

45 COMMISSIONER: Yes.

MR ASPINALL: Can you see that, Mr Demetriou?

MR DEMETRIOU: It's not up on my screen yet, Mr Aspinall.

MR ASPINALL: We will wait.

5 COMMISSIONER: I think you have a hard copy of it.

MR DEMETRIOU: Yes, I can see it.

COMMISSIONER: Which is – yes.

10 MR ASPINALL: Can you see it now, Mr Demetriou?

MR DEMETRIOU: Yes, I can.

15 MR ASPINALL: Can you see you've made some notes there on culture?

MR DEMETRIOU: Yes, I have.

MR ASPINALL: And you said:

20 *Culture is a way of life of a group of people, the behaviours, the beliefs, values and symbols that they accept, essentially without thinking about them.*

MR DEMETRIOU: Yes.

25 MR ASPINALL: Where did you get that definition from?

MR DEMETRIOU: It's a definition that I researched probably off the net – the net, Mr Aspinall, but it's a definition that I subscribe to.

30 MR ASPINALL: And was that one of the definitions that you referred to when you were giving evidence yesterday?

MR DEMETRIOU: Yes, it was.

35 MR ASPINALL: Can I take you to INQ.009.003.3982 and if we could look at transcript page 3952.

COMMISSIONER: Yes.

40 MR ASPINALL: Do you see at the bottom of the page, line 40, if you blow that up for us, operator, please.

MR DEMETRIOU: Yes.

45 MR ASPINALL: And the Commissioner asked you a question:

What did it mean in terms of the culture of compliance?

MR DEMETRIOU: Yes, I do.

5 MR ASPINALL: And you've said:

Well, the culture of an organisation, fundamentally, Madam Commissioner, is the behaviours and the values, the beliefs, the symbols that people accept.

10 MR DEMETRIOU: Yes.

MR ASPINALL:

And they virtually accept them without thinking about them.

15

Do you see that?

MR DEMETRIOU: Yes.

20 MR ASPINALL: And that was an answer that you gave reading from your notes, wasn't it?

MR DEMETRIOU: No, it was not.

25 MR ASPINALL: Well, when we look at that answer there and look at the notes that you've made, you see you've said in your notes:

A culture is a way of life for a group of people, the behaviours –

30 and you see in this answer you have given, you refer to the behaviours?

MR DEMETRIOU: Yes.

35 MR ASPINALL: "The beliefs", and you see in your answer, you have referred to the beliefs?

MR DEMETRIOU: Yes.

40 MR ASPINALL: "Values", and you've referred there in your answer to the values?

MR DEMETRIOU: Yes.

45 MR ASPINALL: And "symbols", and you see in your answer you have referred to the symbols?

MR DEMETRIOU: Yes.

MR ASPINALL: And you say in your answer:

...accept them without even thinking about them.

5 MR DEMETRIOU: Yes.

MR ASPINALL: And that's what your notes say, don't they? They say:

...and they accept essentially without thinking about them.

10

MR DEMETRIOU: Yes, they do.

MR ASPINALL: So this was one of the notes you were referring to when you were answering the Commissioner's question?

15

MR DEMETRIOU: Yes, it was.

MR ASPINALL: And wasn't the reason you did that in order to give the Commissioner the impression that you had an easy familiarity with the concept of culture in a corporate governance setting?

20

MR DEMETRIOU: Can you repeat the question, Mr Aspinall?

MR ASPINALL: Wasn't the reason that you gave that answer in that form so that you would give the Commissioner the impression that you had an easy familiarity with what culture meant in a corporate governance setting?

25

MR DEMETRIOU: I gave the answer that I gave because that's what I believe, Mr Aspinall.

30

MR ASPINALL: But you made the notes because, in fact, you didn't have an easy familiarity with what culture meant in a corporate governance setting, didn't you?

MR DEMETRIOU: No, I reject that, Mr Aspinall.

35

MR ASPINALL: What you were, in fact, trying to do was give the Commissioner the impression that you did have an easy familiarity by reading from the notes that you had made; is that true?

40

MR DEMETRIOU: Mr Aspinall, I repeat, I did not read from the notes on the answer that related to culture.

MR ASPINALL: I'm sorry?

45

MR DEMETRIOU: I did not read from the notes in relation to the answer I gave on culture.

MR ASPINALL: I think just a few moments ago you admitted to me that you did.

MR DEMETRIOU: No, I did not. I did not say that. I agreed with you that some of the words – some of the words used in my answer are from the notes – that are in
5 the notes that you’ve displayed. But I didn’t read from that note.

MR ASPINALL: I suggest to you you did, Mr Demetriou. It’s clear that you did, isn’t it?

10 MR DEMETRIOU: I did not.

MR ASPINALL: Well let’s have a look at the culture of compliance on your note.

COMMISSIONER: Just bring it up. Yes.
15

MR ASPINALL: You see in your note you say:

A culture of compliance means weaving compliance into the fabric of your organisation.
20
Do you see that?

MR DEMETRIOU: It’s blown up, it’s not on that part but, yes, I did say that.

25 MR ASPINALL: No, no, I’m talking about your note.

MR DEMETRIOU: Sorry, I can see it now.

MR ASPINALL: Yes. And also it says:
30

Your company’s culture should be a valued asset.

MR DEMETRIOU: Yes.

35 MR ASPINALL: And if we go back to the transcript, do you see in the answer you gave at page 3952, line 34. You say:

The culture of compliance, which is a consequence of having a good culture, which is what you weave into your organisation, which is to be a valuable asset of the organisation.
40

Do you see that?

MR DEMETRIOU: Yes, I do.
45

MR ASPINALL: And that was another answer that you gave with respect to the notes that you had made, isn’t it, relying upon them?

MR DEMETRIOU: I was relying upon those, but I didn't read them – those notes to that answer either.

5 MR ASPINALL: That's not true, is it? You referred to these notes when you were giving that answer, didn't you?

MR DEMETRIOU: Mr Aspinall, I repeat: I did not read the notes in relation to those two answers.

10 MR ASPINALL: And the reason you made the note of what culture of compliance is, is because you don't have an easy familiarity with that, isn't it?

MR DEMETRIOU: I reject that.

15 MR ASPINALL: And in giving the answer that you gave to me on that page, you were attempting to give the impression that you did have an easy familiarity with that concept, weren't you?

20 MR DEMETRIOU: I don't agree with your proposition, Mr Aspinall.

COMMISSIONER: The difficulty that I face, Mr Demetriou, is that the very words that are in your note are the very words that came out of your mouth. You understand that, don't you?

25 MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: And so, in trying to work out whether you were giving evidence freely or being helped by your notes is a very difficult situation, isn't it, when the notes appear to be translated into the transcript. Do you accept that?

30 MR DEMETRIOU: I accept that it's a difficult proposition for you, Madam Commissioner but I – the only note I read from was the note in relation to the independent directors which I said yesterday.

35 COMMISSIONER: The one in the red writing?

MR DEMETRIOU: Yes, I did.

40 COMMISSIONER: I understand that's what you say. Yes, Mr Aspinall.

MR ASPINALL: And if we look down the page a little more, you have put some words there in capital letters.

45 MR DEMETRIOU: Yes.

MR ASPINALL: Education, transparency, communication, awareness, effective technology, incident reporting.

MR DEMETRIOU: Yes.

MR ASPINALL: Why did you write those words on your note?

5 MR DEMETRIOU: Because they're all aspects – they're all factors that go into, in my view, effective compliance.

MR ASPINALL: Yes, but why did you write them down? Why did you write them down, Mr Demetriou?

10

MR DEMETRIOU: Sorry, you broke up, Mr Aspinall, I apologise.

MR ASPINALL: Why did you write those words on your note?

15 MR DEMETRIOU: As I said before, to remind myself of the factors that I believe go to the – the culture of compliance, the aspects that are important.

MR ASPINALL: It was so, in giving evidence, you could drop those words into the evidence you were giving so that you would give an impression that you had an easy familiarity with those concepts, isn't it?

20

MR DEMETRIOU: I – I don't agree with your proposition, Mr Aspinall. I had the full understanding of the culture of compliance.

25 MR ASPINALL: You wrote them down because you needed to be reminded of them, didn't you? You just said that.

MR DEMETRIOU: Mr Aspinall, I wrote them down because they are what I believed.

30

MR ASPINALL: You wrote them down because you couldn't remember them without writing them down; isn't that why you wrote them down?

MR DEMETRIOU: No. I – that's not correct.

35

MR ASPINALL: And you put them there because you wanted to be able to refer to them and be reminded to drop them into your evidence at spots you thought would enhance your standing as someone who had a knowledge of corporate governance, didn't you?

40

MR DEMETRIOU: I reject your proposition, Mr Aspinall.

MR ASPINALL: And I suggest to you, Mr Demetriou, that in doing what you did with respect to these notes, you weren't acting with honesty and integrity, were you?

45

MR DEMETRIOU: Respectfully, I disagree with you, Mr Aspinall.

MR ASPINALL: You were trying to give an impression to the Inquiry that your familiarity with corporate governance culture was better than it really is; isn't that right?

5 MR DEMETRIOU: I – I respectfully disagree with you, Mr Aspinall.

MR ASPINALL: Thank you, Mr Demetriou.

10 COMMISSIONER: Yes. I suppose one explanation that I might find is that you were trying to be accurate, if you did read them; correct?

MR DEMETRIOU: Madam Commissioner, as I said yesterday – and not wishing to evade the - - -

15 COMMISSIONER: Could you please listen. Could you please listen.

MR DEMETRIOU: Yes, yes.

20 COMMISSIONER: One finding might be that you were trying to be accurate in your evidence if you did read them; correct?

MR DEMETRIOU: That would be correct, if I did read them. Yes.

25 COMMISSIONER: But you're saying you didn't read them.

MR DEMETRIOU: I didn't read them when I gave my answer yesterday, only the answer that I gave in relation to the independent director.

30 COMMISSIONER: But you see how it looks. You've got notes that translate into the transcript that looks as though you are being prompted by them secretly, doesn't it?

35 MR DEMETRIOU: I know how it looks, Madam Commissioner, but I stand by the answer that I gave.

COMMISSIONER: Would you agree with the proposition, please, or not?

MR DEMETRIOU: I don't agree with the proposition, Madam Commissioner.

40 COMMISSIONER: So it looks as though you are trying to be prompted by secret notes. That's one view I might take; correct?

MR DEMETRIOU: Yes.

45 COMMISSIONER: Another view is that you were trying to be very careful and honest with me and you were just being prompted in a fairly neutral way; correct?

MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: But putting it in a position – or putting yourself in a position as a director of a public company and one that has a licence to run a casino, in doing
5 such a thing, you put yourself at risk of being in a position of having to have those findings chosen; you agree with that?

MR DEMETRIOU: Sorry. Madam Commissioner, could you repeat the question?

10 COMMISSIONER: You have put yourself in a position where I have to decide whether you took them in secretly to try and read them into the transcript at the appropriate time that you thought you might give that evidence, rather than taking them in to assist me in trying to work out whether your company, Crown Resorts, is an appropriate close associate or a suitable close associate. Do you understand that?

15 MR DEMETRIOU: Yes. I understand that, Madam Commissioner.

COMMISSIONER: And so you put yourself at risk by that sort of conduct, don't you?

20 MR DEMETRIOU: Well, you do, Madam Commissioner. But as I said yesterday – and I apologise – I was unaware that I couldn't bring in notes. No one had advised me of such.

25 COMMISSIONER: So you've never had any advice that you're not allowed to take scripts into the witness box with you? Nobody has ever said that to you; is that right?

MR DEMETRIOU: Not in this matter. No.

30 COMMISSIONER: In any other matter?

MR DEMETRIOU: In – in – in the matter that I went – that I appeared in person, yes, absolutely.

35 COMMISSIONER: Yes. But you feel this is a different environment, do you?

MR DEMETRIOU: No – no, I don't – I don't at all. I understand fully the obligation. But, as I said, I wasn't advised that I couldn't.

40 COMMISSIONER: Yes, Mr Aspinall.

MR ASPINALL: Going down the note, Mr Demetriou, do you see you've written a new heading Business Partner?

45 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And you've written:

An individual company which has a degree of involvement with another business dealings.

5

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Why did you write that down?

10 MR DEMETRIOU: That was a note I wrote in relation to the 60 Minutes program in relation to that we partnered with – with the junket operators.

MR ASPINALL: And you were proposing to give me that definition, if I asked you whether you thought that Crown had partnered with junket operators; is that right?

15

MR DEMETRIOU: That would have been one of the things I would have said. Yes, Mr Aspinall.

MR ASPINALL: That was one of the things that was denied in the advertisement?

20

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Can I show you this document, which is CRL.527.001.1826, which is exhibit M109.

25

MR DEMETRIOU: Yes, I see that.

MR ASPINALL: That's a Crown document called the VIP Marketing Kick-off Workshop.

30

MR DEMETRIOU: Yes, I see that.

MR ASPINALL: Have you seen this document before?

35 MR DEMETRIOU: No, I have not, Mr Aspinall.

MR ASPINALL: If you go to 1872, do you see point 3 there?

MR DEMETRIOU: Yes, Mr Aspinall.

40

MR ASPINALL: It says:

Activating junkets/partner marketing.

45 And the script there says:

Working with key junket partners - - -

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL:

5 - - - *and activating Crown on their marketing platform.*

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

10 MR ASPINALL: Do you see Crown, itself, in this document is using the language
of partnering with junkets?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

15 MR ASPINALL: In those circumstances, what relevance is your definition of what
a business partner is?

20 MR DEMETRIOU: Well, first of all, I don't know why they're using that language
in the context of this document. I wasn't party to it. But, as I said in my note, that
I've always viewed partners as – as something that you've got involvement with the
other person's business, or the other entity's business. So, I mean, when I was at the
AFL, we used to call our broadcast partners, our broadcast partners, the networks.
But, in fact, they weren't really partners, they were – they were people we had
relationships with. But we weren't sharing in their upside of their business or their
downside. I think it's a - - -

25 MR ASPINALL: You see, this document has been shown to this Inquiry before.
And it appears that you came to give evidence to refute the proposition that they
were a business partner in circumstances where you haven't even reviewed the
Crown documents that have been put before this Inquiry to date. Is that the case?

30 MR DEMETRIOU: I haven't reviewed this document. Correct, Mr Aspinall.

MR ASPINALL: I'll show you another document, which is CPH.001.700.1866.

35 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR O'BRIEN: Pardon me, Mr Aspinall, does that have an exhibit number?

40 MR ASPINALL: Yes, I'll find it for you. AF29.

COMMISSIONER: Thank you.

MR ASPINALL: Have you read that now, Mr Demetriou?

45 MR DEMETRIOU: Yes, I have, Mr Aspinall.

MR ASPINALL: You see Mr Ratnam is discussing there the revenue sharing arrangement with Meg-Star?

MR DEMETRIOU: Yes, I do.

5

MR ASPINALL: Do you know what Meg-Star is?

MR DEMETRIOU: I think Meg-Star is a junket operator, if my memory serves me correctly.

10

MR ASPINALL: Correct. And so do you see from this document that Crown was, or was proposing to, enter into a revenue sharing arrangement with a junket?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

15

MR ASPINALL: And do you see so even under your definition, Crown was partnering with junkets, wasn't it?

MR DEMETRIOU: Well, I don't know whether this proposition was consummated, whether it actually got off the ground. I don't know what the arrangements were, what they ultimately were. This is a note that it's a proposal around a revenue share model, but I don't know the details of it, Mr Aspinall.

20

MR ASPINALL: And that's because you haven't looked at any of these details, have you, even though this information is contained in Crown's own documents and it has been presented before to this Inquiry?

25

MR DEMETRIOU: Mr Aspinall, I haven't followed every day of the Inquiry, but I haven't read emails between Mr Packer and Mr Ratnam in detail.

30

MR ASPINALL: Then what position are you in, as a director, to come here prepared to deny the proposition that Crown partnered with junkets, Mr Demetriou?

MR DEMETRIOU: Well, again, I go back to the 60 Minutes program and the board meeting that we had shortly after that, and I was presented with a paper, as were my fellow board members which went to great length to explain our position in relation to all the allegations. And it was made very clear then that we didn't have any partnerships with junket operators.

35

MR ASPINALL: Yes, but time marches on, Mr Demetriou; we are now one year or more later and the landscape has changed. All of this evidence has been put before the Inquiry already and you're a director, the chair of Crown Melbourne and you don't know about any of it?

40

MR DEMETRIOU: Well, this email is dated 5 January 2018 and is a year before the 60 Minutes program. I don't know the context of whether this arrangement went forward or didn't go forward.

45

COMMISSIONER: Well, see, Mr Demetriou, Mr Packer helpfully described the arrangements between the junket operators and the company, one of which is a straight revenue share. You understand that that's an arrangement that the company enters into, do you?

5

MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: And if it is an arrangement that is entered into between Crown, Crown Melbourne or Crown Perth, and a junket operator, to have a revenue share, you would agree, would you not, that it's in a business arrangement with the junket operator?

10

MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: But as I apprehend what you have told Mr Aspinall in answer to his questions, you are not across the detail of the arrangements that have been entered into by Crown Melbourne with its junket operators. Is that right?

15

MR DEMETRIOU: That is correct, Madam Commissioner.

20

COMMISSIONER: And what Mr Aspinall is suggesting to you is it's all very well to talk about the board paper that you received 15 months ago, but as he said "Time marches on" and what he is asking you to do is to tell me today honestly whether you regard a revenue share arrangement as a matter that might be reasonably described as one where you partner with someone. Do you understand that?

25

MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: And what is your answer to that?

30

MR DEMETRIOU: I can understand the use of the word "partner" in that context but it's not a word that I would use to describe that arrangement.

COMMISSIONER: And, in fact, it's a word that you rejected when you wrote your advertisement, isn't it?

35

MR DEMETRIOU: Yes, it is, Madam Commissioner.

COMMISSIONER: But if, at the time you, had understood what you understand today, you would then understand that the journalist might reasonably describe it as a partnership arrangement; correct?

40

MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: Yes, Mr Aspinall.

45

MR ASPINALL: Mr Demetriou, could I take you to CRL.719.001.002, exhibit AJ50.

COMMISSIONER: Thank you.

5

MR ASPINALL: Do you see that, Mr Demetriou?

MR DEMETRIOU: Yes, Mr Aspinall, I've just got it.

10 MR ASPINALL: When I was asking you about Southbank and Riverbank yesterday, that was one of the memoranda, that you were looking at; is that correct?

MR DEMETRIOU: Yes, Mr Aspinall.

15 MR ASPINALL: You told the Commissioner at transcript page 3966 that:

The report I recently received had ascertained that there were approximately 100 to 102 transactions that occurred of 34,000.

20 Do you remember saying that?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: I want you to look at paragraph 3 of the note. Could that be
25 enlarged, please. Did you read this carefully, Mr Demetriou?

MR DEMETRIOU: I read it. I suppose I read it carefully, Mr Aspinall. I haven't had the benefit of a briefing yet from Mr Barton because it hasn't come to the board meeting yet.

30

COMMISSIONER: You are just being asked about your reading of it at the moment, don't worry about the briefing.

MR DEMETRIOU: Yes.

35

COMMISSIONER: Yes.

MR ASPINALL: So you suppose that you read it carefully?

40 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Do you see what it is referring to are instances.

MR DEMETRIOU: Yes. Yes, Mr Aspinall.

45

MR ASPINALL: And it says:

We have identified 102 instances where, firstly, two or more catch deposits of less than \$10,000 but totalling more than \$10,000,000 were made to either Riverbank or Southbank.

5 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And the deposits were within a 72-hour period.

MR DEMETRIOU: Yes, Mr Aspinall.

10

MR ASPINALL: And the deposits were credited to a nominated patron account.

MR DEMETRIOU: Yes, Mr Aspinall.

15 MR ASPINALL: Do you see that under this definition, there must be at least 204 transactions to have made up 102 instances?

MR DEMETRIOU: Yes, Mr Aspinall.

20 MR ASPINALL: So when you gave evidence to me yesterday, to the commission, and you said:

Well, the report received recently has ascertained that there are approximately 100 to 102 transactions that occurred of 34,000.

25

That was wrong, wasn't it?

MR DEMETRIOU: Yes, Mr Aspinall.

30 COMMISSIONER: And so if Mr Aspinall had not identified that you were reading the documents, other than perhaps, luckily, your barrister might – your silk might have found the document, I would have been left in the belief that the evidence that you had given me was truthful, wouldn't I?

35 MR DEMETRIOU: Yes, Madam Commissioner. I apologise for that mistake.

COMMISSIONER: Mr Demetriou, why did you do it?

MR YOUNG: Commissioner, can I raise something, please?

40

COMMISSIONER: If you must.

MR YOUNG: The reference that was just made by Mr Aspinall to the transcript and the evidence is not complete.

45

COMMISSIONER: That's all right - - -

MR YOUNG: There was a later correction. I beg your pardon?

COMMISSIONER: I see.

5 MR YOUNG: There was a later correction of that very matter.

COMMISSIONER: The 609 cash deposits?

MR YOUNG: Yes, Commissioner.

10

COMMISSIONER: That's not a correction of that, I'm afraid, Mr Young. It's a different page. Yes, I will go back to what I was asking Mr Demetriou. You see, Mr Demetriou, the problem that you have got yourself in, is to use documents that you haven't disclosed either apparently to your silk or to the commission – or the Inquiry.
15 You understand that, don't you?

MR DEMETRIOU: Yes, Madam Commissioner.

20

COMMISSIONER: And so if you had just given the documents to your silk and to the Inquiry this embarrassing line of questioning would not have happened. Do you understand that?

MR DEMETRIOU: Yes, Madam Commissioner.

25

COMMISSIONER: When you told me it was a little different, I think you said it was different here than it was before the court in the liquidation; do you remember giving me that evidence?

MR DEMETRIOU: Yes, Madam Commissioner.

30

COMMISSIONER: I presume that you took an oath in the previous litigation, did you?

MR DEMETRIOU: Yes, I did, Madam Commissioner.

35

COMMISSIONER: And you took an oath to tell the truth before me as an inquirer, didn't you?

MR DEMETRIOU: Yes, Madam Commissioner.

40

COMMISSIONER: What's the difference?

MR DEMETRIOU: Well, there shouldn't be a difference, Madam Commissioner. It's the same.

45

COMMISSIONER: All right then. Yes. Yes, Mr Aspinall.

MR ASPINALL: Mr Demetriou, if we go to the second page of this document at 0003, do you see there's a table which sets out the distribution across the years.

MR DEMETRIOU: Yes, Mr Aspinall.

5

MR ASPINALL: And in 2016 it refers to the Southbank account as having three instances.

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

10

MR ASPINALL: But you haven't looked at the statements; is that right?

MR DEMETRIOU: No, I have not.

15

MR ASPINALL: I just wanted to take you to look at some of them now, which is CRL.563.001.0719. You see that is one of the Southbank statements from 2016?

MR DEMETRIOU: Yes, I have that.

20

MR ASPINALL: You see, if we go to 0723.

MR DEMETRIOU: Yes, I have that.

25

MR ASPINALL: I don't. We'll just have to wait a moment. Perhaps I can work off the paper while the technology is coming through. Do you see at the top of that page there are a series of 15 cash deposits, all under \$10,000 made at different branches of the Commonwealth Bank around Sydney?

MR DEMETRIOU: From 9 June?

30

MR ASPINALL: Yes.

MR DEMETRIOU: Yes, I can see that.

35

MR ASPINALL: And do you see on 10 June there are another set of eight cash deposits made at other branches around Sydney, all under \$10,000?

COMMISSIONER: This is 2016, is it, Mr Aspinall?

40

MR ASPINALL: Correct.

MR DEMETRIOU: Is that starting with Eastwood, the branch?

MR ASPINALL: Yes.

45

MR DEMETRIOU: Yes, I can see that.

MR ASPINALL: Do you see, if we go over to 0725.

MR DEMETRIOU: Yes, I have that.

5 MR ASPINALL: There's another set of cash deposits, all of roughly \$7500.

MR DEMETRIOU: Yes, I see that.

MR ASPINALL: On 14 June.

10 MR DEMETRIOU: Yes, I see that.

MR ASPINALL: Do you see, if you go down underneath the – there are some more down the page, Newtown, Petersham, Ashfield; do you see?

15 MR DEMETRIOU: Yes, Newtown, Broadway, Petersham. Yes, I see – yes - - -

MR ASPINALL: And then there's one at Epping?

20 MR DEMETRIOU: Yes, I do.

MR ASPINALL: Then there's one at Hornsby on the 15th?

MR DEMETRIOU: Yes, I do.

25 MR ASPINALL: You see there's one at Burwood Road on the 15th.

MR DEMETRIOU: Yes, all for the same amounts.

30 MR ASPINALL: If we turn over the page to 0726, you see there's another suite of them on the 17th. I count 25 but you can count, if you would like.

MR DEMETRIOU: I will take your word for it. I see them.

35 MR ASPINALL: Do you see that all these cash deposits that I've been giving you haven't got a patron number associated with them?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

40 MR ASPINALL: Do you know if those were included in the instances that were in the table that we just showed you?

MR DEMETRIOU: No, I'm sorry, I don't know, Mr Aspinall.

45 MR ASPINALL: But having looked at this account, do you see that it's not a minor problem. It's endemic through this account, isn't it?

MR DEMETRIOU: It appears that way, Mr Aspinall.

MR YOUNG: Just a moment, Mr Demetriou. I object to that question.

5 COMMISSIONER: Yes, Mr Young.

MR YOUNG: Mr Aspinall has not identified what the problem is that is said to be the subject of his question.

10 COMMISSIONER: I will ask him to do that.

MR ASPINALL: The making of multiple cash transactions under \$10,000 on the same day at different branches of the Commonwealth Bank.

15 COMMISSIONER: Yes. You agree with that, Mr Demetriou?

MR DEMETRIOU: Yes, I do, Madam Commissioner.

20 COMMISSIONER: And you would agree that that may well be a very large red flag for structuring in anti-money laundering parlance; do you agree with that?

MR DEMETRIOU: Yes, I do, Madam Commissioner.

25 COMMISSIONER: Yes. Yes, Mr Aspinall.

MR ASPINALL: Can we look at a new statement, which is also from Southbank in June and July 2016, which is CRL.563.001.0586, which is exhibit BA224, Commissioner.

30 COMMISSIONER: Thank you.

MR ASPINALL: Do you see that one, Mr Demetriou?

35 MR DEMETRIOU: I have that, Mr Aspinall.

MR ASPINALL: If you go to the next page, which is 0587, you see there's, I think, 12 cash deposits made at different branches around Sydney and they're either \$8500 or \$6500.

40 MR DEMETRIOU: Yes, I can, Haymarket, Burwood, Strathfield; yes, I see those.

MR ASPINALL: Correct. If we go to the next page, 0588, you can see on 24 June there's another set - - -

45 MR DEMETRIOU: Haymarket - - -

MR ASPINALL: - - - Haymarket.

MR DEMETRIOU: Yes, I see that, Mr Aspinall. Yes, I do.

MR ASPINALL: And then if we go over the page to 0589 – do you see that – they carry on, on the 24th; there's another eight of them there.

5 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: So I could give you another one but going back to the table which was at CRL.719.001.0002, at 0003, do you remember that it was reported that there were three instances?

10 COMMISSIONER: For Southbank.

MR DEMETRIOU: Yes, I see that.

15 MR ASPINALL: For Southbank.

MR DEMETRIOU: Yes, I see that.

20 MR ASPINALL: From what we've seen, that seems to be wrong, doesn't it, because it appears that there were more than three instances?

MR DEMETRIOU: Based on what you've shown me, it appears to be wrong, but I didn't prepare the report. So I take – I take what you say seriously and I accept your proposition.

25 MR ASPINALL: Can I show you another account, which is CRL.563.001.0632, please. That's BA214, Commissioner.

30 COMMISSIONER: Thank you.

MR ASPINALL: If we go to 0638, please. Do you see on 8 January, Mr Demetriou, there are a series of QuickCash deposits around Perth?

35 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And do you see they all have the same patron reference number?

MR DEMETRIOU: Yes, starting 210.

40 MR ASPINALL: Yes, it starts in 210.

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

45 MR ASPINALL: And it's for amounts of between 35,000 and \$50,000 in cash?

MR DEMETRIOU: Yes.

MR ASPINALL: Were you aware of the issue with QuickCash, were you?

MR DEMETRIOU: No, I don't – I don't understand your question, Mr Aspinall.

5 MR ASPINALL: Are you aware that it's possible to deposit – or at this time it was possible to deposit cash into a QuickCash machine anonymously, if you had an account number that you typed in?

10 MR DEMETRIOU: No, I was not aware of that, Mr Aspinall.

MR ASPINALL: Just assuming that and looking at the entries on 8 January, you would agree with me that that is indicative of, or at least a red flag for money laundering because somebody is going around various QuickCash machines in Perth depositing large amounts of cash to the credit of the same patron number?

15 MR DEMETRIOU: Yes, and I would have expected that those would have been reported, given they are above \$10,000.

20 MR ASPINALL: Yes. And you haven't looked at these accounts yourself, but I can let you know that this is not an isolated occurrence. Do you accept that?

MR DEMETRIOU: Yes, I accept that, Mr Aspinall.

25 MR ASPINALL: Going back to the memorandum at CRL.719.001.0002. If you look again at the definition in subparagraph (3).

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

30 MR ASPINALL: Do you see deposits of above \$10,000 in the QuickCash machines wouldn't be caught by that definition and so they wouldn't appear as an instance.

MR DEMETRIOU: I accept that.

35 MR ASPINALL: And having looked at all that, do you agree that the problem within, at least, the Southbank account is more serious than you represented yesterday to the Inquiry?

MR DEMETRIOU: It appears that way, Mr Aspinall.

40 COMMISSIONER: Just let me, if we can go to CRL.719.001.0004, please, operator. Mr Demetriou, to be fair to the author of this report to the directors, it would appear the focus of the author was on aggregation in paragraph 8; do you see that?

45 MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: And what he was doing – or perhaps not – what the author was doing was trying to notify you that the aggregation in the SYCO system had affected a percentage of the totality of the credits. Do you understand that now?

5 MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: And yesterday your evidence blurred the line between what you said was “it appears that structuring or aggregation”. Do you remember saying that, or perhaps not?

10

MR DEMETRIOU: No. I do remember saying that, Madam Commissioner.

COMMISSIONER: At page 3966 you said:

15 *It appears that structuring or aggregation of those amounts had taken place.*

MR DEMETRIOU: Yes.

20 COMMISSIONER: What this particular person at Crown was trying to do was to assist you to understand the aggregation issue that had arisen in the Inquiry previously, as I apprehend it. Do you understand that now?

MR DEMETRIOU: Yes, Madam Commissioner.

25 COMMISSIONER: So whilst there may be a small percentage of aggregation that occurred in the SYCO system, the hard facts are, as shown to you by Mr Aspinall, of the smurfing around the various suburbs of Sydney. Do you see that?

MR DEMETRIOU: Yes, Madam Commissioner.

30

COMMISSIONER: Yes, all right. Thank you. Yes. Thank you, Mr Aspinall.

MR ASPINALL: Mr Demetriou, if we could go back to the speech you gave at the 2015 annual general meeting, which is at CRL.545.001.1113. And your speech is at 35 1800. I’m sorry. The number is at the bottom of the page, 1126. Do you remember we looked at this yesterday?

MR DEMETRIOU: Yes, Mr Aspinall.

40 MR ASPINALL: And you said you were humbled and honoured. You said:

45 *I think independent directors play a very, very, very important role in companies, particularly public companies. Having come from an environment in sport, AFL, in particular, we have an independent commission which is absolutely sacrosanct that the independence of each commissioner, including myself, who serve on that commission, our role and obligations and our fiduciary duties to act independently - - -*

MR DEMETRIOU: Yes.

MR ASPINALL: :

5 *- - - in the best interests of all our stakeholders. That was something that was very, very important to me.*

Do you see?

10 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: What do you understand are the fiduciary responsibilities?

15 COMMISSIONER: As a director of Crown?

MR ASPINALL: Yes, as a director of Crown. What were the fiduciary responsibilities you were referring to there?

20 MR DEMETRIOU: To act ethically, honestly at all times and discharge my duties to the best of my ability, keep matters of the board confidential, keep myself informed at all times of business within Crown.

25 MR ASPINALL: Do you agree one of the fiduciary duties is to put your duties to the company ahead of your duties to others?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

30 MR ASPINALL: Can we look at this email, which is AND.500.001.3614; that's exhibit AA99.

MR DEMETRIOU: Yes, Mr Aspinall.

35 MR ASPINALL: Do you see at the bottom of the page that's an email from you to Mr Packer on the 4th of April 2019?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And you've said:

40 *James, just dropping you a note to see how you are. Hope all well and that you're looking after yourself. Reminding you that if there's anything you need don't hesitate to reach out.*

45 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: Do you see that the next day at 11.54, Mr Packer responds to you:

Andrew, thanks for reaching out and always good to be in touch. Interesting times at Crown, obviously. Guy is going to be in Melbourne next week to express our views.

5 Who is Guy?

MR DEMETRIOU: Mr Jalland, Mr Aspinall.

10 MR ASPINALL: And who was he going to express “our views” to, as you understood it?

MR DEMETRIOU: To the board.

15 MR ASPINALL: I see. And then Mr Packer continues:

Simplistically, I think we should engage with W.

That was Wynn, wasn’t it?

20 MR DEMETRIOU: Yes, it was, Mr Aspinall.

MR ASPINALL: :

25 *Their latest offer, I believe, is one we should accept.*

MR DEMETRIOU: Yes, I see that.

30 MR ASPINALL: So he is telling you, as a director of Crown, that CPH proposes to accept the offer from Wynn?

MR DEMETRIOU: Yes. I think that’s what he was saying.

MR ASPINALL: And then he says:

35 *As 46 per cent controlling shareholder, I have thought long and hard about this. Our business is not growing. In fact, it’s going backwards, and it’s not good enough. We have spent the capex we have.*

40 MR DEMETRIOU: Yes, I see that.

MR ASPINALL: And then he says:

45 *We have to get rid of all the senior management, including JA, if we want to stand alone, and I don’t want to do that.*

MR DEMETRIOU: Yes, I see that.

MR ASPINALL: And, as you understood it, Mr Packer had the power to get rid of all the senior management, including Mr Alexander, if he wanted to; correct?

5 MR DEMETRIOU: No, I didn't – I didn't accept that. I mean, the decision for the senior management, in particular, the CEO, is a decision for the board.

MR ASPINALL: Yes, that's right. When we look at your reply, which is the same day, 15 minutes later you say:

10 *James, I hear you. It certainly has created an opportunity to look at ourselves and see where we want to be in the future. Of course you were right - - -*

MR DEMETRIOU: Yes.

15 MR ASPINALL:

- - - to say it is a compliment that they are looking us. Also the opportunity to tap into a global brand is telling. Haven't seen the latest offer after we wrote back and rejected their first overture.

20

When you're speaking about "we", who are you talking about?

MR DEMETRIOU: The board, Mr Aspinall.

25 MR ASPINALL: The board of Crown wrote to Wynn rejecting the offer by Mr Packer, is that right.

MR DEMETRIOU: Yes, yes. Yes, it is, Mr Aspinall.

30 MR ASPINALL:

I expect it should be made known to us in the coming days. It should be an interesting board meeting. I have absolute confidence that the board will consider all before it makes the right call – and make the right call.

35

MR DEMETRIOU: Yes, I see that.

MR ASPINALL:

40 *I look forward to discussing the next chapter with you after Guy's presentation.*

MR DEMETRIOU: Yes.

MR ASPINALL: Do you see that?

45

MR DEMETRIOU: Yes, I see that.

MR ASPINALL: That was because you took Mr Packer and Mr Jalland's view of what should happen with Crown very seriously, didn't you?

5 MR DEMETRIOU: I took their views – I took their views as views that they were expressing but, I, as a board member, I took the Wynn overtures as very seriously for Crown to consider.

MR ASPINALL: Then you said:

10 *As previously said, I remain committed to serving the best interests of Crown and, most importantly, you.*

MR DEMETRIOU: Yes, Mr Aspinall.

15 MR ASPINALL: Mr Demetriou, how can such a statement be consistent with you claiming to be an independent director of Crown?

MR DEMETRIOU: I think it's absolute consistent. I say:

20 *I remain in committed to serving the best interests of Crown and, most importantly, you.*

But I don't say "and, more importantly, you".

25 MR ASPINALL: You say "most importantly", don't you? "Most importantly".

MR DEMETRIOU: Yes, but it wasn't in – it wasn't in deference to the best interests of Crown. Crown has always been my first priority to serve the interests of all shareholders.

30 MR ASPINALL: So you were misleading Mr Packer, were you?

MR DEMETRIOU: No. The – I stand by the choice of words. I – I happy to serve the best interests of Crown and Mr Packer, but I'm absolutely committed – still am –
35 to serving the best interests of Crown, first and foremost.

MR ASPINALL: Then why did you say "most importantly" you were committed to serving the interests of Mr Packer?

40 MR DEMETRIOU: No particular reason, Mr Aspinall. I wouldn't read too much into it. I still stand by that I would remain committed to serving the best interests of Crown. I suspect if I hadn't have used the first words, "best interests of Crown", I think – and only "importantly to you", I understand your proposition. But I repeat, I remain committed to serving the best interests of Crown.

45

COMMISSIONER: But if I did read something into it, that you did mean that, would you agree that there would be, to a reasonable bystander, a question about whether you were truly independent?

5 MR DEMETRIOU: I think there may be, Madam Commissioner.

COMMISSIONER: Yes, Mr Aspinall.

10 MR ASPINALL: In the operator could now arrange to play to all parties the link – the video footage of yesterday’s hearing from time stamp 11.45 am and 50 seconds to time stamp 11.47 am and 15 seconds. You said you thought it would take a long time to fix; is that right?

15 **VIDEO SHOWN**

MR ASPINALL: Do you see that, Mr Demetriou?

20 MR DEMETRIOU: Yes, I did.

MR ASPINALL: It’s clear from that footage, isn’t it, that you were reading from the notes.

25 MR DEMETRIOU: No, it’s not, Mr Aspinall.

MR ASPINALL: That’s not true, is it Mr Demetriou? And you know it’s not true?

30 MR DEMETRIOU: Mr Aspinall, I repeat what I said earlier. I did not read from the notes in relation to the answer of culture.

COMMISSIONER: I think it was put to you that it was in answer to, when I asked you “What does it mean?”, you saw yourself look down there, did you not, Mr Demetriou?

35 MR DEMETRIOU: I did – I did see myself look down, Madam Commissioner, but I suspect I would have looked down for a lot of the day.

40 COMMISSIONER: I’m not so sure about that. But let’s have another look at it, Mr Aspinall.

MR ASPINALL: Could that be played again please, operator. I invite your attention, Commissioner, to the section which is following 11.46.30.

45 COMMISSIONER: Thank you.

VIDEO SHOWN

5 COMMISSIONER: Do you agree that you were looking down at your notes or not, Mr Demetriou?

MR DEMETRIOU: I – I wasn't looking at the notes in relation to culture, Madam Commissioner.

10 COMMISSIONER: What were you looking at?

MR DEMETRIOU: I – I was looking at what was before me which was basically the desk, Madam Commissioner.

15 COMMISSIONER: I see. Yes, Mr Aspinall.

MR ASPINALL: Can we look at INQ.550.002.0135; do you remember we looked at this yesterday?

20 MR DEMETRIOU: It's not up on my screen yet, Mr Aspinall.

MR ASPINALL: That's AH7.

25 COMMISSIONER: Thank you.

MR DEMETRIOU: Yes, Mr Aspinall.

30 MR ASPINALL: Do you remember I drew to your attention that all three fund managers which the journalist spoke to said that they did not regard the non-independent directors of Crown as being truly independent?

MR DEMETRIOU: Yes, I remember that.

35 MR ASPINALL: And you denied that was so?

MR DEMETRIOU: No, I think I – the way I expressed it was that was a view they held. It was a view I didn't agree with.

40 MR ASPINALL: But having looked at the email that you wrote to Mr Packer, you would agree that the view that they held was reasonable?

MR DEMETRIOU: No, I don't agree with that.

45 COMMISSIONER: You see, in an independent director's role, you would agree, wouldn't you, that you would expect an independent not to be supine to anyone's interest; would you agree with that?

MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: To stand independently to bring to the board table an independent view about the matters with which the public company is dealing; you
5 agree with that?

MR DEMETRIOU: Yes, absolutely, Madam Commissioner.

COMMISSIONER: And so any perception that you are aligned with someone in the
10 views that they have expressed, which may not be seen to be independent, is unfortunate, isn't it?

MR DEMETRIOU: It's unfortunate, Madam Commissioner, but I – it's a reasonable proposition to put; it's just that I don't agree with it.
15

COMMISSIONER: I understand that you don't agree with it, but when a person wants to be perceived to be independent, a great deal of care has to be taken to ensure that that independence is not toxified by some alignment with someone else; would you agree with that?
20

MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: And so great care has to be taken in your dealings with those who may be majority shareholders or even minority shareholders; do you agree with that?
25

MR DEMETRIOU: Yes, I do.

COMMISSIONER: Yes, Mr Aspinall.
30

MR ASPINALL: Commissioner, if we look at INQ.550.002.0072 - - -

COMMISSIONER: Just before we do, can you tell me why it is good for the health of a public company to have independent directors?
35

MR DEMETRIOU: Can I use an analogy, Madam Commissioner, to answer your question?

COMMISSIONER: Yes.
40

MR DEMETRIOU: I came from a background – well, I spent many years on the AFL Commission as chief executive officer. Every commissioner on that board, of which there were probably nine or 10, were all independent. And the reason they were independent was, in the old days, the – the – the board members of the then
45 VFL, were all chosen by the clubs and at every board meeting everyone acted out of their own vested interests, so not much could get done and decisions weren't being made because each club would bring their own views based on their own club's

experiences. The independent commission which came into operation in 1985 made decisions on behalf of the competition in the best interests of the competition.

5 And that's why the competition flourished because they would make decisions without fear or favour which was always in the best interests of football in general. So an independent director or independent directors, the majority of independent directors are very important because they act in the best interests of the whole.

10 COMMISSIONER: So that's why you say it's important to have independent directors on a public company; is that right?

MR DEMETRIOU: It's very important to have them so that they always act in the best interests of all shareholders.

15 COMMISSIONER: Yes. Yes, Mr Aspinall.

MR ASPINALL: Yes. Do you see this is a newspaper report from the ABC dated 27 February last year?

20 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And it relates to you giving evidence in the liquidator's examination of Acquire Learning; is that correct?

25 MR DEMETRIOU: Yes, that's correct, Mr Aspinall.

MR ASPINALL: And that was the giving of evidence that you referred to when I asked you earlier today whether you had given evidence before?

30 MR DEMETRIOU: That's correct, Mr Aspinall.

MR ASPINALL: Now, in the second paragraph, it says:

35 *Mr Demetriou was never a director of the company.*

That's true, is it?

MR DEMETRIOU: That's correct, Mr Aspinall.

40 MR ASPINALL:

But was executive chairman of an advisory board.

45 Is that true?

MR DEMETRIOU: I was chairman of the advisory board, Mr Aspinall.

MR ASPINALL: And:

Was paid \$75,100 a month and \$1.6 million in shares for three days a week of work in an office downstairs from the directors.

5

Is that true?

MR DEMETRIOU: I don't know about the three days a week, but certainly the remuneration was correct, Mr Aspinall.

10

MR ASPINALL: What is true in terms of how much time you were spending there?

MR DEMETRIOU: It varied, Mr Aspinall, in amongst other things I was doing.

15 MR ASPINALL: Well, in an average week how long would you spend?

MR DEMETRIOU: On average it might have been two to three days a week.

MR ASPINALL: And then the newspaper article says that:

20

As the company was teetering on the edge of trading while insolvent, Mr Demetriou asked the company to approve a \$150,000 bonus payment for professional services as agreed.

25 Do you see that?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: Now, leaving aside whether it was teetering on the edge of trading while insolvent, did you ask for such a bonus?

30

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And a couple of paragraphs down, the newspaper reports that you were asked by counsel for the liquidator what the basis for seeking the \$150,000 bonus was and that you told the commercial court of the Supreme Court of Victoria that you could not remember. Is that true?

35

MR DEMETRIOU: Yes, that's correct, Mr Aspinall.

40

COMMISSIONER: Is it correct that you said it?

MR DEMETRIOU: Yes, I did say that - - -

45 MR ASPINALL: Is it true you said it?

MR DEMETRIOU: Yes, I did say that, Mr Aspinall.

MR ASPINALL: But that was an amount that was paid shortly after?

COMMISSIONER: Shortly after the request was made?

5 MR ASPINALL: Shortly after the request?

MR DEMETRIOU: I don't think it was paid, Mr Aspinall. I'm not sure. I would have to check whether it was paid.

10 MR ASPINALL: You don't know whether the \$150,000 was paid?

MR DEMETRIOU: I – I can't recall, Mr Aspinall.

15 MR ASPINALL: Is there some reason that you are able to give us as to why you may not be able to recall what services you provided?

COMMISSIONER: For the bonus.

20 MR ASPINALL: For the bonus?

MR DEMETRIOU: I can't recall specifically, like as I answered over 18 months ago and I couldn't recall whether it was in relation to the performance of the business or whether it was related to some qualitative aspects, and I – I still can't recall. It was many years ago.

25 MR ASPINALL: Well, wasn't it around May 2017?

COMMISSIONER: 2016?

30 MR DEMETRIOU: I think it was 2016, Mr Aspinall, yes.

MR ASPINALL: And your explanation for being unable to remember is just passage of time, is it?

35 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And if we go to the next article, it's INQ.500.002.0177 – it's INQ.550.002.0177; AJ4 is the exhibit number.

40 COMMISSIONER: Thank you for that.

MR ASPINALL: Do you see that, Mr Demetriou?

45 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And if we go to the next page, you see at the third paragraph from the bottom, it is reported that your nephew, Tim, co-founder of Acquire, told a court that you were – you was – you were executive chairman.

5 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And you deny that, I take it?

10 MR DEMETRIOU: Yes, I was never executive chairman, Mr Aspinall.

MR ASPINALL: The next paragraph says that the examination also heard that Mr Demetriou billed Acquire for his \$900,000 a year job at Acquire the night before it appointed administrators in May 2017; do you see that?

15 MR DEMETRIOU: Yes, I see that.

MR ASPINALL: Was that true?

20 MR DEMETRIOU: I don't think so, Mr Aspinall.

MR ASPINALL: You are unable to remember?

25 MR DEMETRIOU: I'm certain I didn't bill the company \$900,000 for the night before the liquidators were appointed.

MR ASPINALL: Did you present any bill the night before or the day before administrators were appointed.

30 MR DEMETRIOU: Not that I can recall but that may be related to the bonus. I can't be exactly sure and I'm not sure whether the bonus note was the night before or weeks before, I'm not sure.

35 COMMISSIONER: So it may have been that the bonus was in 2017, the claim for the bonus?

MR DEMETRIOU: I don't – I – I don't think so, Madam Commissioner. I think it might have been 2016. But I certainly didn't bill the company the night before administrators, that's not true.

40 MR ASPINALL: And, in terms of the bonus requests, were they a regular occurrence or was this a one-off?

MR DEMETRIOU: No, I received bonuses, Mr Aspinall annually.

45 MR ASPINALL: Was the bonus of \$150,000 your annual bonus; is that right?

MR DEMETRIOU: Yes, it – it would have been the annual bonus.

MR ASPINALL: And so, although you said you couldn't recall what it was for, is the likely answer that it was your annual bonus?

MR DEMETRIOU: Most – most likely, Mr Aspinall.

5

MR ASPINALL: Could we look at the next article, which is INQ.550.002.0180. You see that is a newspaper article from the 13th of May this year?

MR DEMETRIOU: Yes, I see that.

10

MR ASPINALL: It's AJ5, Commissioner.

COMMISSIONER: Yes. Thank you.

15 MR ASPINALL: And it reports that you are facing court action over your involvement in the collapse of Acquire Learning and Careers.

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

20 MR ASPINALL: And it reports that the liquidator had filed an action in the Federal Court this week against your family trust?

MR DEMETRIOU: Yes, Mr Aspinall.

25 MR ASPINALL: Is that correct?

MR DEMETRIOU: They had filed an action; that is correct.

30 MR ASPINALL: Do you understand the nature of the claim that's being made against your family trust?

MR DEMETRIOU: Yes, it relates to preferential payments, Mr Aspinall.

MR ASPINALL: And are you named as a defendant to that claim?

35

MR DEMETRIOU: Yes, I am, Mr Aspinall.

MR ASPINALL: Have you notified ILGA or the VCGLR of that claim being made against you?

40

MR DEMETRIOU: I've notified our company secretary who – and we've written – I've written to ILGA – sorry – to the VCGLR. And I'm just trying to recall whether we wrote to ILGA. I'd have to check that, Mr Aspinall.

45 MR ASPINALL: But you accept that you need to inform ILGA of that?

MR DEMETRIOU: Yes, absolutely, Mr Aspinall.

MR ASPINALL: I'm going to move on. Could the operator play
INQ.700.001.0018, please. This is a recording from the AGM, Mr Demetriou.

5 **RECORDING PLAYED.**

MR ASPINALL: Did you hear that, Mr Demetriou?

10 MR DEMETRIOU: Yes, I did, Mr Aspinall.

MR ASPINALL: You were present at the AGM when that answer was given?

15 MR DEMETRIOU: Yes, I was.

MR ASPINALL: Did you hear that Mr Mayne addressed that question to the
independent directors?

20 MR DEMETRIOU: Yes, I did.

MR ASPINALL: And do you accept that the answer which Mr Barton gave to the
question was not the whole truth?

25 MR DEMETRIOU: Well, he should have said that we've got a controlling
shareholder protocol in place.

MR ASPINALL: And if he'd said that, the answer would have been that we do give
Mr Packer special treatment and he is able to contact us and get briefings, and so
forth; correct?

30 MR DEMETRIOU: Yes, it would have been. Correct.

MR ASPINALL: Why, as an independent director, did you sit by and allow Mr
Barton to give that answer without correcting it?

35 MR DEMETRIOU: Look, before any of the independent directors, including
myself, had a chance to speak, Mr Barton had intervened and was giving the answer.
In hindsight, one of the independent directors, including myself, should have correct
him and – and said that there's a controlling shareholder protocol in place. It would
40 have answered Mr Mayne's question. I'm not – I'm not sure why I didn't. But I
accept that Mr Barton should have mentioned the controlling shareholder protocol.

MR ASPINALL: And do you accept that that was part of your role as an
independent director, because one of the – because this question was from a minority
45 shareholder who wanted to know information about what was going on regarding the
company's relationship with the majority shareholder; do you accept that?

MR DEMETRIOU: Yes, I do.

MR ASPINALL: And do you accept that it speaks ill of your independence as a director that you didn't step in and correct the answer to provide that information to the minority shareholders?

MR DEMETRIOU: No. I don't accept that proposition. I think it would have been preferable if the independent directors were given a chance to answer the question before Mr Barton had stepped in and given the answer that he'd given, because it then took away the opportunity for an independent director to speak first.

COMMISSIONER: Well, Mr Demetriou, I get the impression that you are a very robust individual and that if you wanted to speak your mind, you'd do so. Is that unreasonable of me to think that?

MR DEMETRIOU: No, I – I agree, Madam Commissioner, that it would have been preferable for the independent – one of the independent directors, including myself, to answer Mr Mayne's question. I accept that.

COMMISSIONER: Yes. Yes, Mr Aspinall.

MR ASPINALL: I have no further questions.

COMMISSIONER: Yes. Anything, Mr Young?

MR YOUNG: Yes, I do, Commissioner.

COMMISSIONER: Yes, please, Mr Young.

<EXAMINATION BY MR YOUNG [11.22 am]

MR YOUNG: Mr Demetriou, you were taken this morning to the memorandum from Mr Marais to Mr Barton, of 29 September, which is AJ51, is the exhibit number. Commissioner, I don't have the CRL number. It may have been applied overnight.

COMMISSIONER: It's CRL.719 – it's CRL.719.001.0002. Thank you, Mr Young.

MR YOUNG: And I think I might have given the wrong exhibit from my note of what Mr Aspinall said this morning, I'm reminded; AJ50, it may be.

COMMISSIONER: Thank you. Just let me check that for you.

MR YOUNG: Yes, I have that.

COMMISSIONER: Yes, it is AJ50; correct. Yes, Mr Young.

MR YOUNG: Mr Demetriou, do you recall being taken, by Mr Aspinall, to the table in paragraph 6 of that document?

5

MR DEMETRIOU: Yes, I do, Mr Young.

MR YOUNG: Now, he didn't take you to some following passages, but can I direct your attention to the sentence that appears beneath the table in paragraph 7A. And could you read that sentence to yourself for a moment. It starts off, "The instances of aggregated deposits referred to above".

10

MR DEMETRIOU: Yes, I see that.

MR YOUNG: Yes. And could you also read the similar sentence, at the end of the table, in paragraph 7B to yourself.

15

MR DEMETRIOU: Yes, I see that.

MR YOUNG: And would you please read paragraph 8 to yourself.

20

MR DEMETRIOU: Yes, I see that.

MR YOUNG: Now, can I take you back to paragraph 6 in the table that Mr Aspinall asked you about. Do you recall that Mr Aspinall took you to a number of CBA bank accounts for Southbank, and pointed to various multiple deposits of small amounts below a reporting limit in those accounts?

25

MR DEMETRIOU: Yes, I recall that.

30

MR YOUNG: Yes. Now, what he put to you was that the instances he identified, in 2016, for Southbank, totalled more than three, which is the figure you see in the column in the table in paragraph 6.

MR DEMETRIOU: Yes, I see that.

35

MR YOUNG: And he asked you a question whether that appeared to be a mistake. And you said it appeared to be; do you recall that?

MR DEMETRIOU: Yes, I see that. I might have also said that I didn't prepare this report and I'm not sure of the context, or something – words to that effect.

40

MR YOUNG: Yes.

MR DEMETRIOU: I accept the proposition.

45

MR YOUNG: I want to ask you a question based on an assumption. Now, I want you to assume that the table in paragraph 6 is only referring to those multiple deposit transactions which were not reported to AUSTRAC by reason of an aggregation error. Can you make that assumption?

5

MR DEMETRIOU: Yes, I can.

MR YOUNG: If you make that assumption, can you tell the Commissioner whether you're in any position to make any comment about the accuracy of that item for Southbank, in 2016, of three instances?

10

MR DEMETRIOU: If what you're telling me is correct - - -

COMMISSIONER: You're really being asked to make an assumption, Mr Demetriou.

15

MR DEMETRIOU: Well, I - I would assume, then, that it may be correct.

MR YOUNG: Thank you. Now, a short while ago - I'm leaving that document, Commissioner.

20

COMMISSIONER: There's nothing - - -

MR YOUNG: A short while ago, you were asked - - -

25

COMMISSIONER: There's nothing - Mr Young, is there anything in the document that I have missed that refers to the reports to AUSTRAC?

MR YOUNG: Yes, paragraph 8.

30

COMMISSIONER: I see, where you are referring to the AML transaction; is that right?

MR YOUNG: AML transaction monitoring. Yes.

35

COMMISSIONER: But there's no suggestion there that there's been any reporting.

MR YOUNG: No, there's not in that paragraph.

COMMISSIONER: Is there anywhere in the document?

40

MR YOUNG: No.

COMMISSIONER: I may have missed it. I see. All right. Yes. I'm sorry.

45

MR YOUNG: I probably should have used the word "monitoring".

COMMISSIONER: Perhaps you should have.

MR YOUNG: Yes.

5 COMMISSIONER: Yes.

MR YOUNG: Mr Demetriou, I will ask you the question: if you make the assumption that the table in paragraph 6 is only dealing with transactions affected by the aggregation problem, are you in a position to express any view as to whether the
10 third line for Southbank, three instances, is accurate or inaccurate?

MR DEMETRIOU: Based on what you've put before me, then I would assume that the table relating to the three instances is correct.

15 COMMISSIONER: Well, how could that be, really, Mr Demetriou? You've been shown transaction after transaction. And if you look at them as two in 72 hours, it has to be more than three, surely?

MR DEMETRIOU: Well, I think what Mr Young is saying is that the multiple
20 transactions - - -

COMMISSIONER: Just address my question, if you'd be kind enough. If you assume that this author is calculating it on the basis of two or more cash deposits less than 10,000 but totalling more than 10,000 over a period of 72 hours, and you saw
25 them going around the city, it's clear that, over a 72 hour period, Mr Aspinall showed you more than three.

MR DEMETRIOU: I - I - I - - -

30 COMMISSIONER: Or did you not appreciate that?

MR DEMETRIOU: No, I did, Madam Commissioner. I think, based on what's been put to me by Mr Young, that these relate to ones that weren't reported.

35 COMMISSIONER: No, no, no. Mr Young has withdrawn that. So you can forget that. You see, what I'm trying to establish is what you took from this document when you told me yesterday that it appeared that structuring or aggregation had taken place. But what you accept, don't you, is this document is focused on aggregation only. Do you understand that?
40

MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: Yes. Yes, Mr Young, let's move on.

45 MR YOUNG: A short while ago, Mr Demetriou, you were asked a question about exhibit AJ5, which was a newspaper article referring to the liquidator of Acquire

Learning having commenced an action against your family trust. Do you recall that question?

MR DEMETRIOU: Yes. Yes, Mr Young.

5

MR YOUNG: What is the current position in relation to that Federal Court action?

MR DEMETRIOU: It is listed to be handed – or to be dealt with in November. And we're – I'm currently in discussions with the liquidators about trying to settle that matter.

10

MR YOUNG: All right. Thank you. I want to, now, go back to some questions yesterday. Mr Demetriou, at transcript 3940 to 3941, you were asked whether – by Mr Aspinall – whether Crown should undertake a review looking at all areas of its business. And you answered him at page 3941 by saying that Crown is constantly reviewing how it operates. And you gave an example of reviews undertaken at the request of VCGLR. Do you recall that?

15

MR DEMETRIOU: Yes, I do, Mr Young.

20

MR YOUNG: Now, in relation to any issues identified by VCGLR, has Crown addressed them?

MR DEMETRIOU: Yes, Mr Young.

25

MR YOUNG: Now, are there other examples where regulators have conducted a review and where issues have been identified, Crown has addressed them?

MR DEMETRIOU: Yes, Mr Young.

30

MR YOUNG: Can you give some other examples, please?

MR YOUNG: Does that include or exclude the VCGLR as one of the regulators, Mr Young?

35

MR YOUNG: You've given the example of the VCGLR. I'm asking you if you can identify other examples?

MR DEMETRIOU: I think one example may be the discussions that Mr Barton has had ongoing on AUSTRAC in relation to our AML processing and to automate that, and to talk about much better information flow; that would be one example.

40

MR YOUNG: All right. Now, can I ask you a slightly – a related question, but slightly different: has Crown itself commissioned consultants to carry out reviews since 2017?

45

MR DEMETRIOU: Yes, it has.

MR YOUNG: And is that occurring on an ongoing basis?

MR DEMETRIOU: Yes, it is. We – some of the reviews we commissioned were, obviously, Initialism, through Mr Neil Jeans, in relation to our AML program.
5 Deloitte did an extensive review on junket operations; provided some 20 recommendations. We're now going to do another review with Mr Neil Jeans, through Initialism. We've retained Freehills to do – help the management to do a review of the culture of the organisation – sorry, sorry – a review around – around the governance of the organisation. We've retained – we did the Berkeley report,
10 which is an investigation into some of the junket – some of the junket operators. So we're conducting several reviews, Mr Young.

MR YOUNG: Thank you. Now, you want to go to another document, Mr Demetriou, that you were asked about. This is exhibit AG7, CRL.579.019.3755.

15 MR DEMETRIOU: Yes, I've got that.

MR YOUNG: This was a player history relating to Mr Qin Si Xin that Mr Aspinall asked you about.

20 MR DEMETRIOU: Yes, I see that.

MR YOUNG: Now, Mr Aspinall directed you to some allegations against that gentleman that appear in the document. Can I remind you where they appear: under the heading World-Check, the second point; under the heading Wealth Insight, the
25 second-last point.

MR DEMETRIOU: Yes, I see that.

30 MR YOUNG: Under the heading C6 Group, the last point.

MR DEMETRIOU: Yes, I see that.

MR YOUNG: And over the page, under the heading Google, there's one point.
35

MR DEMETRIOU: Yes, I see that.

MR YOUNG: Now, Mr Aspinall put to you that there were many allegations against Mr Si Xin and your - - -

40 COMMISSIONER: The transcript

MR YOUNG: - - - answer was it's, on balance - - -

45 COMMISSIONER: Could you give me the transcript – could you give me the transcript number, please, Mr Young?

MR YOUNG: I'm sorry, Commissioner. I thought I had. 3942 to 3944.

COMMISSIONER: Thank you.

5 MR YOUNG: I'll start again, Commissioner.

COMMISSIONER: Thank you very much.

10 MR YOUNG: At 3944, at the top of the page – or, I'm sorry – at the bottom of 3943 to 3944, Mr Aspinall asked whether he was the sort of person that Crown should have been dealing with and, at the top of the next page, your answer was:

On balance, it's probably preferable not to be dealing with a person who has got so many allegations against him.

15

And you also mention:

You also have to ask whether he is playing elsewhere; is he playing at Star?

20 And at line 10 you said:

It's a factor to consider as part of our review.

25 Now, in giving those answers, you assumed that there were multiple allegations against Mr Si Xin, did you not?

MR DEMETRIOU: Yes, I did, Mr Young.

30 MR YOUNG: Now, I want you to assume that there is nothing other than the allegation of a single incident in 2012 against this gentleman. And I also want you to assume that there was no evidence that he was ever charged or convicted in relation to that incident. Now, if you make those two assumptions, does that affect the opinion you expressed that:

35 *On balance, it's probably preferable not to be dealing with a person who has got so many allegations against him?*

40 MR DEMETRIOU: Well, having several allegations compared to having one allegation that is 2012 and not been convicted obviously would influence my decision. But again, that should form part of the review process with the board.

45 MR YOUNG: Yes. Now, in the course of the answer that I referred you to, you said you also have to ask the question, is he approved to play elsewhere, is he playing at Star? Now, I want you to make another assumption. I want you to assume that as recently as February 2020 this gentleman, Qin Si Xin was playing at the Star Casino in Sydney, that's February 2020. Is that a relevant factor to take into account in Crown's future review concerning junket players?

MR DEMETRIOU: It's a factor. But it's one of several factors, Mr Young.

MR YOUNG: Yes. And why is that a factor?

5 MR DEMETRIOU: Well, you would assume that Star – and if he's playing in other jurisdictions would have gone through their own due diligence processes, whatever they may be, or however stringent they may be and they have deemed that he was a fit and proper person to have in their casino. And there may be some very legitimate reasons why they think that and it would be – it would be good to – when assessing
10 what we do with junkets as part of the review, to try and ascertain as to what that information is that helped them to make that decision.

MR YOUNG: All right. Thank you. Commissioner, I have no further questions.

15 COMMISSIONER: Yes, thank you, Mr Young. Yes, Mr d'Arville – I'm sorry, it's not Mr d'Arville, I do apologise, very sorry.

MR O'BRIEN: It's Mr O'Brien and there are no questions from me, thank you.

20 COMMISSIONER: Yes. And Ms Case?

MS CASE: No questions from me, thank you Commissioner.

COMMISSIONER: Yes, thank you, Mr Demetriou. We can terminate the link now
25 to Mr Demetriou.

MR DEMETRIOU: Thank you, Madam Commissioner.

30 <THE WITNESS WITHDREW [10.42 am]

COMMISSIONER: I will take the adjournment and I will resume the hearings at about quarter past 12, yes.

35 MR YOUNG: Commissioner, I just – could I - - -

COMMISSIONER: Mr Young, I am resuming the public hearings of Ms Korsanos at – I think it's Ms Korsanos, is it?

40 MR YOUNG: Yes, I just wanted to mention some housekeeping matters, if I might. Ms Korsanos will be represented by Mr Craig, another member of our team, senior counsel.

45 COMMISSIONER: Thank you.

MR YOUNG: But I had understood that there was an issue about the scheduling of
- - -

5 COMMISSIONER: Yes, I'm going to adjourn that until – I'm going to have an
application not in the public stream but there's an application, I think you want to
make, is there?

10 MR YOUNG: Well, there are matters we wanted to raise about timing,
Commissioner.

COMMISSIONER: I see. Do you want to do that publicly?

15 MR YOUNG: Well, because it touches on very personal matters, we would like to
do it in a private session. I can raise it if we do it immediately after the break, if that
would suit?

COMMISSIONER: Are there matters that you can raise in the public application
with the private matters just being dealt with in a sensitive way?

20 MR YOUNG: Yes.

25 COMMISSIONER: I think it would be preferable, if you just deal with it and I can
read anything in private. I understood that you wanted to have an application in
private but if you are able to do it in public, Mr Young, I can deal with it and then
just take your confidential exhibits, if you wish me to take them in?

MR YOUNG: Well, I can explain what the nature of the matter is I want to raise.

30 COMMISSIONER: Yes, of course.

MR YOUNG: Because it goes into personal matters that I can't provide documents
about, I need to raise that privately, if it's necessary to go into the grounds, as it
were.

35 COMMISSIONER: I see. All right.

MR YOUNG: But I can certainly give you, Commissioner, an indication of the
nature of the issue, if I may?

40 COMMISSIONER: Yes, of course.

45 MR YOUNG: It is this, Commissioner: yesterday we received an indication from
the Inquiry that rather than proceeding with what we thought was the agreed
arrangement for a statement to be filed by Mr Dixon, he was requested to give
evidence.

COMMISSIONER: Give oral evidence.

MR YOUNG: The issue I want to raise is about the timing of that evidence.

COMMISSIONER: All right, then.

5 MR YOUNG: It's not feasible for Mr Dixon to give evidence this week because of his personal circumstances.

COMMISSIONER: I see.

10 MR YOUNG: The first feasible day would be Wednesday next week.

COMMISSIONER: Yes, all right, then. Well, Mr Young, if that's the application, I will take that application on board and consider it in the adjournment. I have some materials that I think have been sent across to those assisting me, and it would be at
15 10 o'clock next Wednesday, as I understand it. Is that right?

MR YOUNG: That's what we put forward, yes.

COMMISSIONER: All right, then. Thank you. So Mr Aspinall, is there any
20 objection to that course being adopted?

MR ASPINALL: No, Commissioner.

COMMISSIONER: All right, then. Yes, that will be suitable then, Mr Young.
25

MR YOUNG: Thank you, Commissioner. I'm grateful for the opportunity to raise it, thank you.

COMMISSIONER: That's all right. So we will adjourn now for a short time and
30 then I can resume a little earlier. I wasn't sure of the nature of the time that we would take. So I will resume at 12 noon for Ms Korsanos but Mr Craig will be appearing from your team, I understand it, Mr Young; is that right?

MR YOUNG: Yes. As I understand it, yes.
35

COMMISSIONER: Yes, thank you. I will adjourn until 12 noon.

40 **ADJOURNED** [11.46 am]

RESUMED [12.04 pm]

45 COMMISSIONER: Yes, thank you. Yes, Mr Aspinall.

MR ASPINALL: The next witness is Ms Korsanos, Commissioner.

COMMISSIONER: Yes. Thank you, Ms Korsanos.

<ANTONIA KORSANOS, AFFIRMED

[12.04 am]

5

<EXAMINATION BY MR ASPINALL

10 COMMISSIONER: Yes. Thank you, Ms Korsanos. Yes, Mr Aspinall.

MR ASPINALL: What is your full name?

MS KORSANOS: Antonia Korsanos.

15

MR ASPINALL: And what is your occupation?

MS KORSANOS: Well, my background is a chartered accounting. I'm qualified as a chartered accountant. And today I do various things, but, in the main I'm a non-executive director. In the past, I've been a chief executive officer.

20

MR ASPINALL: What are your qualifications – educational qualifications?

MS KORSANOS: University degree, and then chartered accountant. They're the core qualifications. I've done additional learning post that, but they're the core qualifications that I have relied on.

25

MR ASPINALL: Thank you. Are you able to give us a precis of your work history with some indication of the time periods, please?

30

MS KORSANOS: Yes. I started in the chartered accounting profession with Coopers & Lybrand, I was there for about six years; and I left there as a senior management – manager, and moved into numerous commercial – senior commercial finance roles in multinational corporations here in Australia. First, it was Goodman Fielder. I was there, I think, again, for another six years and, following that, Kellogg's for about four years. And it was in 2007 – middle of 2007 – that I moved to Aristocrat. From – at Aristocrat, within – it was about 2009, I was promoted to the chief financial officer role, and was there till about March 2018. That role, as chief financial officer, I, and over that period, I had the opportunity to take on more responsibilities than – than a – a usual chief financial officer role entails.

35

40

I had the opportunity to manage, more broadly, some of the corporate functions and some operational functions. So I had custody of – or responsibility, I should say, of areas like strategy, mergers and acquisition, IR, corporate coms, supply chain, IT, and then for a period as well, I took care of HR and our Japanese business, while it was still part of the group. And, as I said, I finished there in March 2018, following

45

which I've built out a portfolio of – of responsibilities, which include non-executive director roles and Crown is one of those.

5 MR ASPINALL: And other than Crown, which boards do you sit on at the moment?

MS KORSANOS: At the moment I sit on Webjet, Treasury Wines. And I've recently taken a position on a US board, Scientific Games.

10 MR ASPINALL: And, within the past year or so, have there been any other boards you have sat on.

MS KORSANOS: Yes. I previously sat on the Ardent Leisure board as well.

15 MR ASPINALL: Is there any particular reason why you left that board?

MS KORSANOS: Yes. There was a conflict in – in – in me holding directorships on that board and another board. So I had to resign from that – chose to resign from one of the two, but that didn't relate to Crown in any way.

20 MR ASPINALL: Now, in relation to your work at Aristocrat, did you have any experience in the realm of the regulation of gambling in that sphere?

MS KORSANOS: Yes. Yes, I did. From – but I have to stress that's from a supplier perspective, but - - -

MR ASPINALL: Yes.

MS KORSANOS: - - - the same regulators, though. The same regulators oversee all businesses in the industry.

MR ASPINALL: And in relation to the manufacture of gaming machines, is there the concept of suitability to be able to do that sort of work?

35 MS KORSANOS: Yes, there is.

MR ASPINALL: And probity checks are required, as they are for casino workers?

MS KORSANOS: Yes. Yes, and extensive ones.

40 MR ASPINALL: Yes. And in relation to that issue, have you reviewed the legislation in respect of the Australian jurisdictions for casino controls, for example?

MS KORSANOS: No. No. I understand there are casino Acts in every jurisdiction where casinos operate but, no, I haven't gone into the detail of – of what's in the Acts.

MR ASPINALL: Are you aware of the concept of a control contract?

MS KORSANOS: No. I haven't read about any – about control contracts.

5 MR ASPINALL: You're not aware that, at least, in New South Wales, for a casino to enter into a contract for the supply of gaming machines requires permission from the regulator or approval from the regulator?

10 MS KORSANOS: I am aware of – though, through my experience at Aristocrat, I am aware that there were certain requirements that regulators put on how suppliers and their customers contracted.

MR ASPINALL: But you are – were you aware that there was a special provision in relation to the supply of gaming machines; it was a particular class?

15 MS KORSANOS: No, I – I have seen in the Inquiry, the reference, but, no, not prior to that.

MR ASPINALL: I see. Are you able to tell us whether you had any background in anti-money laundering before you joined the board of Crown?

20

MS KORSANOS: No. No. No detailed or in-depth knowledge.

MR ASPINALL: I see. And can you tell us how you came to join the board of Crown?

25

MS KORSANOS: Yes. We – in my transition from Aristocrat was planned – well-planned, and we announced early. We announced around July of 2017; that was really because we wanted to drive an appropriate transition process and do it openly. Following that, I had a reach-out from John Alexander's office. And I met with John. And he – he talked to me about – well, he wanted to understand what I was seeking to do post leaving Aristocrat. And that ended up in discussions around directorships and me joining the board.

30

35 MR ASPINALL: Do you know Mr Alexander from your work at Aristocrat?

MS KORSANOS: No, I did not.

MR ASPINALL: Did you know Mr Alexander beforehand?

40

MS KORSANOS: No, I did not. Mr Alexander's executive assistant reached out to mine, so it was a - - -

MR ASPINALL: I see.

45

MS KORSANOS: Yes.

MR ASPINALL: So, in colloquial terms, it was a cold call, was it?

MS KORSANOS: Yes, it was, actually. I saw it in the diary.

5 MR ASPINALL: And at the time that you were approached, what was the procedure? I've seen an email from you to Mr Alexander which attaches a CV and what's called a blurb of your background. Was there anything more to the process?

10 MS KORSANOS: Well, we met a couple of times. And, you know, I'm trying to recall. We met a couple of times. The first time was – was more exploratory. The second time it was, you know, I had considered the options and reached out and said, "Yes. I would like to consider joining the board." And then, from there, I don't – I'm not sure what happened, but I do know, at one point, he did ask me for my details and – I'm not – I'm assuming that was after he discussed internally or maybe
15 it was in preparation for discussing it internally. But at – at one point, yes, I did provide my CV on request.

MR ASPINALL: Did you know or had you met Mr Packer before you joined the board?
20

MS KORSANOS: No. I – I've never met Mr Packer.

MR ASPINALL: I see. Now, in terms of your independence, were you aware that there was any debate within Crown as to whether or not you would be appointed as
25 an independent or a non-independent director?

MS KORSANOS: I was not aware of what was presented yesterday.

MR ASPINALL: I see. And so were you told anything about whether or not you
30 would be a non-independent or an independent when you were approached?

MS KORSANOS: I wasn't – no, not at that point. No. At one point – and it was closer – I think it was closer to when I joined, which was after I'd left Aristocrat, I was advised that the independence considerations, I had been considered and
35 determined independent, but not aware of you anything that I saw yesterday.

MR ASPINALL: It was presented to you as a decision that had already been made?

MS KORSANOS: Correct. Correct.
40

MR ASPINALL: And, within yourself, did you have any disquiet as to whether or not you should be classified in that way, given that you'd just come from Aristocrat?

MS KORSANOS: I had – from my perspective, understanding, yes, that I had come
45 from Aristocrat, but understanding my role and how I executed my role, I felt comfortable with – with the determination of independence. I didn't – in my mind, it wouldn't have mattered one way or another if I sat out as a non-independent for a

period or was deemed an independent. And I know that, under the governance principles – and they are recommendations and they are required for consideration and discretion can be applied – and I didn't think there was anything untoward in the decision from my own personal perspective and understanding the knowledge I had
5 and the lack – lack of knowledge, I should also say, I had about the relationship between Crown and Aristocrat and the intricacies of any supply agreements.

MR ASPINALL: Now, when it comes to – one of the concerns which you might have seen yesterday raised in the correspondence was that Aristocrat was a supplier
10 of Crown.

MS KORSANOS: Yes.

MR ASPINALL: And that the board, whilst it didn't decide from whom the machines were to be bought, did decide the size of the capital expenditure each year
15 on gaming machines?

MS KORSANOS: Yes.

MR ASPINALL: And in regard to that in recent times, had you taken any steps to remove yourself from the meeting when things like that are decided or do you sit in?
20

MS KORSANOS: I haven't removed myself from any meetings but those decisions have been made annually as part of the budget planning process and, really, it's a
25 discussion around a significant capital budget, which gaming machines are not – in the context of the broader development program, are not as significant.

MR ASPINALL: Now, I've seen from your annual report that you do sit on a lot of the subcommittees; is that right?
30

MS KORSANOS: Yes.

MR ASPINALL: So you are on the audit and corporate governance committee and the current chair of that; is that right?
35

MS KORSANOS: Yes. I took the chair role, I think, in February of this year.

MR ASPINALL: You're on the finance committee?

MS KORSANOS: Yes.
40

MR ASPINALL: Just stopping there, can you tell us what the finance committee does?

MS KORSANOS: The finance committee is not a committee that meets regularly. It sort of – it's an as needs or as required meeting. There's – there's, I have to try and remember what the – essentially, if I'm to group the core areas of responsibility
45

of the finance committee, it is around any major capital commitments, any major funding, any long-term leases, acquisition structuring. So it really gets called if there is a particular transaction that needs the oversight of the finance committee and is – has got that delegated authority from the board. If, however, those matters can go to board, then there's no need for the finance committee to convene.

MR ASPINALL: I see. And has there been much need for it to convene since you joined in June 2018?

MS KORSANOS: There was very early on one meeting associated with a hedging transaction that we convened a meeting for. But outside of that, while there has been transactions that would fall in the remit of the finance committee, they have not been – the committee hasn't been required because we have managed those at a board level.

MR ASPINALL: And you are on the board of Crown Melbourne, the licensee?

MS KORSANOS: Yes.

MR ASPINALL: In terms of that entity, how do you see that entity fitting into the picture of the regulation of the casino vis-a-vis Crown Resorts and its board?

MS KORSANOS: It is – I think there is a level of, possibly, in our structure, a couple of – too many layers, I would say, but it is – it is a licensee and the board exists to support our licence requirements. It does report up, so essentially what we manage at that level does work its way through to the Resorts board or relevant Resorts committees.

MR ASPINALL: And as regards the way you see your role on that committee, do you regard yourself as a guardian of the licence for Crown Melbourne, sort of a final barrier to get that licence or do you see that role as Crown Resorts'?

MS KORSANOS: I don't think the responsibility stops at that board. I think the responsibility stops at the Crown Resorts board, so I don't think Crown Melbourne takes away from the responsibility that we all carry at the Crown Resorts board.

MR ASPINALL: And in terms of – you have been to some meetings of the Crown Melbourne board?

MS KORSANOS: Yes, I have.

MR ASPINALL: What are the sorts of matters that get decided at the Crown Melbourne board level?

MS KORSANOS: Well, we cover off on areas of performance. We cover off on areas of risk. We cover off on the VCGLR Sixth Review responses. So there's regular – it's very much a recurring agenda. But it does drive that – go across that

spectrum of – of performance, risk, compliance, financials twice a year – once a year, I should say.

5 MR ASPINALL: Now, you're on the two boards and three subcommittees; is that right?

MS KORSANOS: Yes.

10 MR ASPINALL: I'm just interested in the amount of time you might spend per week or per month relating to your duties in those roles?

15 MS KORSANOS: Well, it's hard for me to give you a time. I don't measure the time, and my role, I suppose, on any board and in particular this one as well, really comes down to more than just the preparation that I give to the board meeting or the committee meeting. It comes down to other effort that I put behind what I see as required from me as a non-executive director. And more broadly, educating myself on whether it's specific industry – company, industry, broadly economy, locally, international. So it's hard for me to give you – break that down into number of days. But I – I provide the time that's required, whether it's company specific or whether it's role specific in consideration to me as a non-exec director.

MR ASPINALL: Would you be able to give me a rough idea. Would it be three, four, days a month or something like that?

25 MS KORSANOS: I – I would really be guessing at it, Mr Aspinall. I really would, I'm sorry, but I'm comfortable to take a punt at it.

MR ASPINALL: When you joined the board, did you have any induction training?

30 MS KORSANOS: Yes, I did.

MR ASPINALL: And what did that consist of?

35 MS KORSANOS: A number of things, actually. I did get a very comprehensive tour of the Melbourne facilities, and a few months later, maybe four or five months later, I was in Perth and I also saw the Perth facilities. That entailed front of house, back of house, security, F&B, a lot of the training facilities, the different hotel offerings, the different membership – gaming membership rooms and, obviously, the main gaming floor as well. So there was a very comprehensive tour of the operations. And then outside of that as well, there was one-on-one meetings and in some cases just the team meetings as well that were really taking me across areas of the responsible gaming service that the company provides; understanding some of the background in the financial and the tax positions that had been taken by the business over time.

45 Other areas included, you know, meeting with HR. I did cover off – soon after I had started, the VCGLR Sixth Review findings were delivered, so I sat and when through

that with Josh. And then there was also a fair bit of work at that time was also occurring with regard to updating the risk management framework and I had one-on-one meetings with Ms Siegers to get across that as well. So it was quite comprehensive and as – at an out-start, say. Obviously, there has been more – more
5 meetings and updates progressively as I felt they were required.

MR ASPINALL: And so you were generally satisfied with the level of induction that you got?

10 MS KORSANOS: Yes, I was, actually. If I compare it to what I would have done at Aristocrat, yes, absolutely.

MR ASPINALL: One thing that has been occupying the time of this Inquiry is the VIP management agreement and the commitments which entities within Crown had
15 given to the New South Wales Government regarding interests taken by Stanley Ho or associates of Mr Ho. Do you understand that?

MS KORSANOS: I do now, yes.

20 MR ASPINALL: When you joined, were you given any information as to the nature of those or the existence of those undertakings to the New South Wales Government?

MS KORSANOS: No – no, I wasn't. And I wasn't aware of that until much later.

25 MR ASPINALL: When actually was that; do you recall?

MS KORSANOS: As a result of – it was post the transaction that was undertaken, the Melco transaction.

30 MR ASPINALL: Now, in terms of - - -

COMMISSIONER: Was it close in time or was it after the Inquiry was announced or can you recall, Ms Korsanos?

35 MS KORSANOS: I'm – Commissioner, I – I think it was raised soon after the Melco transaction – it was a concern that was raised soon after the Melco transaction.

COMMISSIONER: Within the Crown board, I presume?

40 MS KORSANOS: Yes, Crown Resorts board.

COMMISSIONER: Yes, thank you.

MR ASPINALL: Ms Korsanos, I just wanted to raise with you the China arrests.
45 They obviously occurred before you joined the board.

MS KORSANOS: Yes.

MR ASPINALL: But as a member of the risk committee and the board, did you think it would be a good idea to undertake some sort of review of what had gone wrong from a corporate governance perspective in relation to the China arrests once you joined?

5

MS KORSANOS: Well, I did discuss China at the time that I met Mr Alexander. I understood that there hadn't been any finding of contravention of law, and that there was – employees were being taken care of and that there had been some leadership changes and, obviously, I also saw that there wasn't – there was a lot less VIP business in Crown beyond – post the China situation. I wasn't aware that an investigation hadn't been undertaken, and so I hadn't inquired, but I didn't also request one to be because I felt that China by – you know, by May 2018, China had occurred and the business was – was responding to that – had responded and I think the risk management framework was a continuation to that.

10
15

MR ASPINALL: I see. Well, Ms Siegers gave us some evidence that when she joined, whether she decided or a decision was made for her, that it was decided that she wouldn't look back and would move forward; are you aware of that?

20 MS KORSANOS: No.

MR ASPINALL: Looking at it now, and are you aware that no review from a corporate governance perspective what went wrong with relation to the China arrests has been taken?

25

MS KORSANOS: I'm not – I'm not sure what has been undertaken. As I said, there was obviously a response from the perspective of changes with regard to people on the ground in China. I know that any foreign – any engagement on – on – in foreign jurisdictions has to be approved by the risk committee. I know that change has happened. I know there were leadership changes. And from my discussions with Ms Siegers, when we went through the risk management framework and the effort she put behind it, I understood or had got the impression that there really wasn't – this was a significant change from where the business was.

30

35 So I'm not sure that looking back from a risk management framework would have given her much to go with. I think – I'm not sure if she was starting with a strong risk management framework and she came in and built that out.

MR ASPINALL: You see, one of the issues that we've been examining in the Inquiry, and I don't know if you have been following, is what is described as a risk escalation issue. Have you been following the evidence?

40

MS KORSANOS: I – yes, I have. I understand that is a key – the key issue that occurred with regard to China, an emerging risk that did not escalate and was managed on the ground and not taken to a board level.

45

MR ASPINALL: Exactly. And some directors I've shown an email from a person called Ari Lee who mentions patrons having connections to the underground network and passes it up to Mr Theiler and Mr Chen. Have you seen me examine on that?

5 MS KORSANOS: I – I've heard some of it, Mr Aspinall. I'm not sure if it was during your – your sessions.

MR ASPINALL: Yes. Well, I've asked, I've been asking the directors whether there isn't two sides to this problem. What seems to have happened in some
10 instances, for example with risks that were emerging in China and in the Ari Lee example, is that persons within the organisation knew certain things which were important and they rose to a level within the organisation which was relatively senior and then stopped. Are you aware of that issue?

15 MS KORSANOS: Yes, I am.

MR ASPINALL: And some people have suggested that that represents a problem with those individuals in terms of failing in their duties to report it up to the risk committee or the board; you understand?

20

MS KORSANOS: Yes, I do.

MR ASPINALL: What I wanted to ask you is, would you accept that there is also – that it might also indicate a problem with the risk management committee structure
25 itself in that either the board or the risk management committee was not proactive enough in trying to work out what was going on within the organisation itself?

MS KORSANOS: I – I honestly can't – can't comment. I don't know what was there at the time. I can comment on the risk management framework and how it
30 works today, and risk really needs engagement across an organisation. It doesn't sit just with the – it doesn't sit with your risk manager. Your risk manager is just ensuring there is appropriate engagement at a line manager level where operations are being discussed, therefore risks are being brought to people's attention. That then escalates up to an executive level, then to the committee and then to the board.
35 And that's the framework I understand we're working to today.

It is – people can stop information flow but the more engagement you have and the more discussion you have at an operational level, it is – the idea is to make it discoverable. I feel that the management structure today – the risk management
40 framework today seeks to ensure that that occurs. I'm not sure what was there before, though.

MR ASPINALL: And in terms of your time on the risk management committee, have you done anything to be more proactive in reaching out to parts of the
45 organisation to understand what's going on within them?

MS KORSANOS: No. I can't say I have specifically gone – gone into functions but I do have, and have had, conversations with – with various of the executive and their direct reports at times. I joined the risk committee late '19 but I had numerous discussions and continue to have discussions around risk, whether it's with – directly
5 with Ms Siegers or whether we discuss the matter at a Crown Melbourne audit committee level or at the risk committee level. But we do go to a level of granularity around the assessment of risks and ensuring that we're comfortable in terms of how we understand what's going on in the business; there is representation of that in our risk matrix and in the emerging risk report.

10 MR ASPINALL: And practically speaking, is that by a series of meetings with senior executives?

MS KORSANOS: It's – it can be – it's not always formal meetings that I schedule.
15 Sometimes they're just calls. So I have numerous calls with Ken in particular and I've had numerous calls with the CFO. And I speak with – with Anne as required. We have discussions in the board meeting as well. They're live documents.

MR ASPINALL: One of the things we've been - - -

20 COMMISSIONER: Just remind me, if you wouldn't mind; the CFO to whom you are referring there was whom?

MS KORSANOS: Today it's Alan McGregor.

25 COMMISSIONER: Thank you.

MR ASPINALL: One of the ASX principles that we have been looking at for boards is the concept of the board constructively challenging management. Are you
30 aware of that principle?

MS KORSANOS: Yes. Yes.

MR ASPINALL: And from your experiences at Crown, does that actually occur?

35 MS KORSANOS: Well, I think it does. I think there isn't just an acceptance. There is – of what's presented. There is – I think that there are discussions and appropriate challenge. It depends on what we're discussing, obviously.

40 MR ASPINALL: You see, one of the issues that has been given a lot of evidence time at this Inquiry is the fact that most members of the board in respect of the China arrests didn't know quite important facts about what was happening in China and the level of risk that the employees were facing. Have you appreciated that?

45 MS KORSANOS: I – yes, I have.

MR ASPINALL: And one way of looking at that might be to suggest that the board was not inquisitive enough about what was happening within the organisation; do you agree with that?

5 MS KORSANOS: Yes.

MR ASPINALL: And from your point of view, do you think Crown needs to do more in terms of having the board be more inquisitive as to what's going on within the organisation going forward?

10 MS KORSANOS: I think there's a fair bit of inquiry from the board today, and I – I – I think that where the gaps have been, putting aside the – what I understand today is a more robust risk management framework, I think the gaps really have lied in – remained in – in structure and in skills and capabilities.

15 MR ASPINALL: In terms of risk appetite, you would, maybe, have seen the evidence that Ms Siegers gave to the inquiry?

MS KORSANOS: No. I didn't see Ms Siegers' evidence.
20

MR ASPINALL: Ms Siegers' evidence was to the effect that, prior to her arrival, the board had not set a level of risk appetite?

MS KORSANOS: I – I – I understand that through my – my earlier conversations
25 with Ms Siegers, when she took me through the effort she put behind the risk management framework.

MR ASPINALL: Yes. And in terms of some of the potential causes of the problems that had arisen in China and in junkets, which you might have heard about,
30 one possibility seemed to be that the people making the decisions or responsible for issues that were arising did not know from the board the level of risk that they should be taking with regard to decisions they were making; do you understand that?

MS KORSANOS: I understand that, yes.
35

MR ASPINALL: And, then, when we looked at the risk appetite statement that Ms Siegers took us to, it contained a relatively long explanation of the risk appetite, particularly with respect to compliance with regulatory requirements. Have you seen that document?
40

MS KORSANOS: I'm not sure which document was referred to. I – I do know that – I don't – I don't see the risk appetite as being a very lengthy document. I think you can also look at it from a succinct perspective. There's seven categories of risk, and brand reputation and regulation and legal are two of those categories.
45

MR ASPINALL: Yes. Well, that's what I was wanting to ask you about. Don't you think, in terms of the risk appetite statement, that it needs to be simple and easy for the employees to understand?

5 MS KORSANOS: I – I don't disagree with that. Yes.

MR ASPINALL: And do you agree that the reason it needs to be simple is that the employees have no doubt as to what they are expected to do?

10 MS KORSANOS: No. I agree with that. I agree with that. I'm not sure which document was shared, though. I'm thinking the – the document I'm thinking of feels concise – sufficiently concise and pretty clear on where the risk appetite on regulation lies, and it references any event. So I think that, to me, I feel that's concise, but I'm not sure what – what was viewed or shared at the time that the
15 was - - -

MR ASPINALL: We might find it for you.

MS KORSANOS: Yes.
20

MR ASPINALL: It's CRL.668.001.0019, which is exhibit W32.

COMMISSIONER: Thank you. That will come up on the screen, I hope. Yes.

25 MR ASPINALL: And that's the - - -

MS KORSANOS: Yes.

MR ASPINALL: - - - that's the risk management strategy. Are you familiar with that?
30

MS KORSANOS: I'm sorry. It hasn't come up yet.

COMMISSIONER: It will come up shortly.
35

MS KORSANOS: Yes. Yes. Yes. Yes. I've got it in paper form as well.

MR ASPINALL: If you could have a look at 0031.

40 MS KORSANOS: Yes.

COMMISSIONER: What date is this, Mr Aspinall?

MR ASPINALL: It's June 2020.
45

COMMISSIONER: Thank you.

MR ASPINALL: Go to the next page.

MS KORSANOS: Yes.

5 MR ASPINALL: Do you see there's a table there, 7.2?

MS KORSANOS: Yes.

10 MR ASPINALL: One – the question I was wanting to ask you about in relation to regulatory and legal is the qualitative statement in the second row – sorry, second column.

MS KORSANOS: Yes. Which section is that?

15 MR ASPINALL: Do you see in the first – yes:

Maintain systemic compliance with regulatory, legal, statutory and contractual obligations.

20 MS KORSANOS: Yes.

MR ASPINALL: I'm wondering if you think that's simple enough for an employee to understand what they need to do?

25 MS KORSANOS: I – I would think so. That – so this is the schedule that I was referencing in terms of I think it – it broadly covers the risk categories. And I think that the qualitative statements give a level of understanding, but, in a regulated business, I think everybody understands compliance is important. And so, I think, if anything, you err on the conservative and say everything applies, because - - -

30 MR ASPINALL: Well, that - - -

MS KORSANOS: - - - by default, we are a regulated business, and that's well understood.

35 MR ASPINALL: That's kind of what we've been looking at in this Inquiry, which seems to have been instances where that culture, if you might call it that, didn't work, which is why it might be suggested the problems arose. I'm wondering if you, looking at it now, think that it might be better just to give the employee the simple message that Crown has no appetite for risking the licences or risking breaching the regulatory requirements?

40 MS KORSANOS: Yes. I think – I think, in the context of the experience that everyone's had today, they absolutely would understand that. I'd hope they would. I think it goes back to the values as well. And one of the values is that we do the right thing. So, when I – when I think about what I've observed at a board level and just in the engagements I've had directly with individuals, I think regulation and

compliance is at the forefront of people's thinking. What I – what I can't explain or have got history in is – is where – where that failure did occur, why – why it occurred back then. But I'm – I'm not sure that the message isn't clear today.

- 5 COMMISSIONER: Ms Korsanos, the beauty of a successful company is that the employees, in a vibrant company, will be happier than one that's heading for insolvency; you agree with that?

MS KORSANOS: Absolutely. Yes.

10

COMMISSIONER: And so if you can create wealth or create profit to an extent where you can be successful, whilst complying with the obligations of a licence, that seems to be about the right mix; would you agree with that?

- 15 MS KORSANOS: I do, Commissioner, but I think, in industries like ours, that compliance is a higher priority.

COMMISSIONER: Yes, and - - -

- 20 MS KORSANOS: You wouldn't compromise on compliance for profit is – sorry to talk over you.

COMMISSIONER: Yes, you go ahead.

- 25 MS KORSANOS: I don't compromise compliance for profit.

COMMISSIONER: Yes.

- 30 MS KORSANOS: You're – you're – you're – I'd see, gaming is very unique and, in my experience in gaming, your licence is your right to operate. And then you operate well and you will make profits. And, yes, everybody – you know, it is a vibrant business and everyone is happy, but not at the compromise of – of compliance.

- 35 COMMISSIONER: You see, when you look at the top of this chart and you read the words "quantitative metrics".

MS KORSANOS: Yes.

- 40 COMMISSIONER: You see that:

RMC reporting triggers.

- 45 Look, I know that there's jargon in the industry but, frankly, if this is a charter, there's very little prospect that an employee's concentration will go over the top of the quantitative metrics; would you agree with that?

MS KORSANOS: Yes.

COMMISSIONER: So all this jargon that I've heard from people who tell me about
5 pyramids and metrics, it's all very well to have these things, but it looks to me as
though it's counterproductive; is that unreasonable?

MS KORSANOS: I – I think – it is – if you think about – well, the way I see a risk
– the risk appetite and how you define it and – and many companies define these in
different ways. Some will go down to a single statement and others will go down to
10 this level. I don't see fault in the outline here and how comprehensive it is, even in –
in this summarised format. But I can understand that if there is – if things get lost in
translation, then the communication has to be better. And, I suppose, from a broad
employee base, do you expect everybody to read this and understand it? We have to
make sure they understand the content of it. And so, if our communication has to be
15 better, then that's what we need to do.

COMMISSIONER: And why should a croupier only be concerned about significant
breaches - - -

20 MS KORSANOS: Well - - -

COMMISSIONER: - - - in the middle column there? You see, one of the problems
you face, I presume, in any of these sorts of publications, is the very thing that
you've identified, which you have called "lost in translation", which I, perhaps
25 pejoratively, called gobbledygook. Is that unreasonable?

MS KORSANOS: I can understand that – we can't have an expectation of people at
that level to read this. We need to be translating it for them for their jobs. We need
to give them line of sight to how it relates to their job.

30 COMMISSIONER: And if it is the case, and if it were to be found that – or to be
accepted by Crown, that the problems were very serious and they need a very serious
fix, then the simple translation to all levels of employees will provide, obviously, to
them a clear indication of what is expected of them, surely?

35 MS KORSANOS: Yes.

COMMISSIONER: And so when somebody writes an email to a superior, the
superior will know that it is not acceptable to keep it within the superior's bailiwick
40 when it's obviously dangerous for the company and it should be elevated; you
would agree with that?

MS KORSANOS: I agree with that, Commissioner.

45 COMMISSIONER: How do you do it? I just don't know how you do it, from this
document.

MS KORSANOS: Yes, well, I think – I think it does have to come down – well, it has to get broken down. It has to – communication has got to cascade down and there is an – there's a training side of it but there's a communication side of it. I think you can also ensure that you're measuring people's performance off the back of
5 their compliance. So performance – people's performance against their KPIs and they should include compliance measures. They should include their ability to represent the culture of the business, the culture that we want to promote in the business.

10 So bringing – call it a qualitative element of measure to people's performance reviews. That's another way as well. So I think it is training, it is communication and it is making it real through forcing those discussions in performance evaluations.

COMMISSIONER: Yes, I'm sorry to interrupt. Thank you, Ms Korsanos.
15

MR ASPINALL: Ms Korsanos, I wanted to take you to a document that I've shown several directors, which is a due diligence report on Si Xin Qin. Have you heard me ask about that?

20 MS KORSANOS: I did hear that, yes.

MR ASPINALL: Have you looked at that document?

MS KORSANOS: No, I haven't.
25

MR ASPINALL: I will show it to you, it's CRL.579.019.3755, and it's exhibit AG7, Commissioner.

COMMISSIONER: Thank you.
30

MR ASPINALL: We will just enlarge the top half so that you can read it. I will just give you some orientation to the document.

MS KORSANOS: Yes.
35

MR ASPINALL: It relates to a Si Xin Qin and it was this document – it's a Crown document which was updated in January 2017. But if you look in the first line, you can see that he has had a credit limit with Crown since 2008. And if you look at the turnover figures as a former CFO, you will see that they are very handsome; do you
40 see?

MS KORSANOS: Yes.

MR ASPINALL: There has been some debate how many zeros you add on to the
45 numbers in the top row, but any way you look at it, it's a big amount; you agree?

MS KORSANOS: Yes.

MR ASPINALL: Now, the issues that I wanted to raise with you arise in respect of some, what might be called due diligence reports. Are you aware of what those are?

MS KORSANOS: Yes, I am.

5

MR ASPINALL: Would you look at the one – the box relating to World-Check.

MS KORSANOS: Yes, I've read it.

10 MR ASPINALL: Could you scroll down and have a look at the one for Wealth Insight, please, operator.

MS KORSANOS: Yes.

15 MR ASPINALL: And for Wealth-X.

MS KORSANOS: Yes.

MR ASPINALL: And to C6 Group.

20

MS KORSANOS: Yes.

MR ASPINALL: Scroll down, please, operator, and over to the next page, please; if you could enlarge that, please. You see the final one is a Google search which relates to a report in the Wall Street Journal in 2012.

25

MS KORSANOS: Yes.

MR ASPINALL: I now want to show you a photograph, which is CPH.001.700.0090; do you see that?

30

MS KORSANOS: Yes.

MR ASPINALL: I want you to assume that that's a photo of Mr Qin with Mr Felstead, and you can see Mr O'Connor behind him.

35

MS KORSANOS: Yes.

MR ASPINALL: In 2015. I want you to assume that photo was taken in 2015.

40

MS KORSANOS: Yes.

MR ASPINALL: Do you see that? And now if we look at CRL.001.004.0422, exhibit AE3. The photograph is exhibit AE2, Commissioner.

45

COMMISSIONER: Thank you.

MR ASPINALL: If you look at the top half of that page, Ms Korsanos, you see it's a junket settlement sheet from last year?

MS KORSANOS: Yes.

5

MR ASPINALL: Have you seen these junket settlement sheets before?

MS KORSANOS: No, I haven't.

10 MR ASPINALL: Well, this is a sort of a tallying up at the end of a junket and it ends up with an amount that you either have to pay or receive from the casino, by the operator. So I can tell you that this shows that Crown is still dealing with Mr Qin last year.

15 MS KORSANOS: Yes.

MR ASPINALL: My question to you is, having seen what I have shown you, do you think that Mr Qin is the sort of person that Crown should be dealing with?

20 MS KORSANOS: I think there's – there's – there was a number of negative findings that would go to concern around the – the reputation of the individual, and I would say that unless those findings can be run to ground, and, you know, burden of proof can be put on the junket, the player or their junket operator or representative, whatever he was, but without pursuing, I think, clarity of – of understanding, I would
25 say no.

MR ASPINALL: Yes.

30 MS KORSANOS: I think although – I was just going – sorry, if I may, if – it is a measure of reputation. So yes, you could run it to ground and feel very comfortable or you could say, "I still don't feel comfortable". I suppose there is a discretion that has to be applied there but on face value, you would have to ensure that you've run to ground those – those claims and you're comfortable that they are – they're not true and that there is no implication on the reputation of the individual.

35

MR ASPINALL: Well, I can tell you that some witnesses I've asked about that give evidence to the effect of, "Well, these are just allegations and unless and until they're proven to be true or I can get some more information, then I think we should let Mr Qin continue to operate a junket." What do you say to that sort of line of reasoning?

40

MS KORSANOS: I would – I would say that you would actually make the determination first before you let the individual on to the property. And – and I think it – I've been regulated in many jurisdictions, and I do see that if the burden of proof is on – on me, and you – you have to – you have to prove out whether these people
45 are – are good or not. And it does go to reputation as well sometimes as, you know, one allegation that can be run to ground and proven not to be accurate is fine, but many would concern me.

MR ASPINALL: One issue that we discussed with – before the Inquiry with Ms Whitaker from Deloitte was what tests should be applied in deciding whether or not Crown should deal with a junket operator. Did you see that evidence?

5 MS KORSANOS: No, I didn't, Mr Aspinall.

MR ASPINALL: And I think Ms Whitaker told us, in effect, that that was something that she recommended needed to be looked at, but nothing had been decided yet, and it was really a matter for Crown. Can you assume that to be right?
10

MS KORSANOS: I – I'll accept that.

MR ASPINALL: Are you aware of any formulation of words or directions which, going forward, would deal with that issue of what standard we apply, or Crown applies, to junket operators?
15

MS KORSANOS: Well, I think the – the effort is ongoing. What we have done is we've stopped – well, we've made a decision to – to pause on all junkets. Be it at the moment borders are closed, we have made the decision to pause all junkets, because
20 all of that needs to be looked at. And I think the – it – it's – the structure in the business has got to change and, as I said earlier, I think decision-making has been an issue. And it really must sit with compliance and the right bar has to be set. And that bar is not just accepting allegations to be proven right or wrong; it's an reputational assessment as well. And I think, as a board and – and – and the risk
25 committee will be setting parameters, but that's still work in progress.

MR ASPINALL: I see. And do you happen to have looked at the Berkeley Group report in respect to Alvin Chau, which Crown had obtained?

30 MS KORSANOS: No, I haven't seen the Berkeley report, but I – I have seen some of the evidence that refers to it.

MR ASPINALL: I see. And having regard to the evidence you've seen, do you think Mr Chau is the sort of person that Crown should be dealing with?
35

MS KORSANOS: On – on the face of what – and Mr Aspinall, I haven't seen the actual documents. I've heard the references during the Inquiry, but I – I'd have to have a look – have a look. But if I accept that evidence, then there would be a concern.
40

COMMISSIONER: What did you say, if you accept that evidence - - -

MS KORSANOS: If – so on the – if I accept that that evidence is there – and I – I haven't seen it, but if there are those allegations are present – unless, again, they're run to ground, then I would say, no, until we're – we're sure and we're comfortable about the reputation of this individual.
45

COMMISSIONER: So if you – if you just take an analogy of becoming a certified practising accountant, or even a barrister, one has to inform the regulator – that is, the Bar Association, CPA, I suppose – if there are serious allegations that have been made against you publicly. You agree with that?

5

MS KORSANOS: Yes.

COMMISSIONER: And the purpose of that is to notify those who are licensing you to practice, that there may be something that they wish to ask you about in your life that is relevant to you being a fit and proper person to practise in the relevant jurisdiction; you'd agree with that?

10

MS KORSANOS: Yes.

COMMISSIONER: And so I get the impression that Crown has been saying to itself from time to time, "Well, look, Star's doing it, so we can do it." And I don't get the impression that Crown has been saying to the junket operators, "I know that you have allegations of underground banking, money laundering, and you've been detained in China. Tell me all about it." That hasn't happened; is that right?

20

MS KORSANOS: I – I agree, Commissioner. It appears that that burden of proof has not been placed on the junket operators. I – I think it's not just putting the burden on – of proof on them, it is also the company running to ground these allegations. It's – and that's what I mean about there – there has to be an appropriate bar set, and I think the bar was set at the wrong level. And I – and I think the decision-making was not sitting with compliance alone, which is where it should be.

25

COMMISSIONER: Yes, I see. Mr Aspinall, would that be a convenient time for your examination?

30

MR ASPINALL: Yes, Commissioner.

COMMISSIONER: Ms Korsanos, I'm going to take a luncheon adjournment now.

MS KORSANOS: Yes, Commissioner.

35

COMMISSIONER: And I will resume at 2 pm.

MS KORSANOS: Thank you, Commissioner.

40

COMMISSIONER: Thank you.

ADJOURNED

45

[1.00 pm]

RESUMED

[2.01 pm]

COMMISSIONER: Yes, thank you. Yes, Mr Aspinall.

MR ASPINALL: Thank you, Commissioner. Ms Korsanos, I wanted now to turn to Southbank and Riverbank. You are aware of the problems that have been examined
5 in those accounts?

MS KORSANOS: Yes, I am, Mr Aspinall.

MR ASPINALL: And have you had a look at the bank accounts yourself?
10

COMMISSIONER: You mean the bank statements.

MR ASPINALL: statements.

15 MS KORSANOS: No, Mr Aspinall.

MR ASPINALL: One question that has been playing on the minds of those assisting is why nobody seemed to look at the bank accounts.

20 COMMISSIONER: Bank statements.

MR ASPINALL: Bank statements.

MS KORSANOS: I suppose in – in my - I wouldn't expect that I – I would expect
25 that management would investigate and go to the source, but I – honestly, I wouldn't know where to find the bank statements. I'm not in the business. I think there is a delineation between what I would do as a director and what management would do, but I do have an expectation that where we have an issue and we review, we - our management team goes back to bank statements, yes.

30 MR ASPINALL: You see, the concern is that the allegations were made in a national newspaper in August last year and it apparently took until July of this year when this inquiry raised it with Mr Preston, for anyone within the entire organisation to go and see what was happening in the accounts. You would accept that is
35 unacceptable, wouldn't you?

MS KORSANOS: It is disappointing.

MR ASPINALL: And so how do you stop that – and, I suppose, you would accept
40 and you would have looked at the advertisement that was put out in the wake of the 60 Minutes program and you would accept now that there were numerous errors in it, wouldn't you?

MS KORSANOS: There were some errors in the advertisement, yes.
45

MR ASPINALL: And as I read your statement, you signed on to that advertisement because you believed what management and the solicitors had put in the draft or the internal report?

5 MS KORSANOS: I relied on the internal report and we had stipulated an expectation for a validation process as well, in terms of the response and how we – we defined that response.

10 MR ASPINALL: My question is: looking back now, what would or could you have done differently? You accept that the publishing of the ad was a bad thing in the long-term?

COMMISSIONER: You mean a bad idea?

15 MR ASPINALL: A bad idea?

MS KORSANOS: I suppose if we go to the ad, I – when we deliberated on the ad, and if I think about the time, the context, the number of accusations against the company, the concern that we had for, obviously, our reputation and our employees
20 and shareholders, it was – would we – would we today or would I today not support the need to respond? I think I would support the need to respond. I think the strategy – there was a decision to be made around response and I think the answer is yes. The form – form of response, I suppose that was the form available to us in the context of that crisis.

25 The content of that response could vary, I think, and – the key change that I would make today - there's a couple of changes but the key change I would make is more one of tone and balance whereby I would suggest that we also very openly recognise that there is work to be done and more reviews to be undertaken and we would
30 disclose that as we found it, if we found anything that needed to be – and the reality is that's what we were going to do. We didn't represent that and to me that's the most substantive change. There may be others there but that's the most substantive change that I would make, with the benefit of hindsight.

35 MR ASPINALL: And how would you address a situation such as what happened with the allegations made with Southbank and Riverbank, no one looking at the bank accounts for nearly a year?

MS KORSANOS: As I said, that – that's disappointing. I think - I can only talk
40 from my perspective. I – you know, as I described this, I saw this as a crisis. If I am to look back at how I would have responded to this, I would have gone to the source. I suppose I relied on expectation as opposed to making the inquiry of it. In my mind, whether it's right or wrong, and again I go by my own principles, I would have – I had the expectation that that is exactly what would have been done.

45

MR ASPINALL: You would have seen that there has been some discussion regarding the CPH services agreement and the controlling shareholder protocol at the Inquiry?

5 MS KORSANOS: Yes, Mr Aspinall. Yes.

MR ASPINALL: The services agreement predated your joining the board, but I think the controlling shareholder protocol might have been entered into after?

10 MS KORSANOS: Yes, it wasn't – initially, the first time I saw that wasn't too far after I had joined the board. I think it's – it's – it has brought back twice.

MR ASPINALL: Have you watched the evidence as to what information was provided under that controlling shareholder protocol and the circumstances in which
15 it was provided?

MS KORSANOS: I've heard the references and also seen some of the documentation, or a fair bit of the documentation in the materials.

20 MR ASPINALL: Would your view be that it's not a good idea to continue to be part of the controlling shareholder protocol going forward?

MS KORSANOS: That would be my preferred position, yes.

25 MR ASPINALL: What about in respect of the CPH services agreement, what are your views on that?

MS KORSANOS: I think there may have been a time and a place for that agreement. From my understanding, there's a bit of corporate knowledge and history
30 there, that has assisted with some matters. But if I consider this business as it stands today and going forward, I think that that agreement can be broken down into either the sorts of resources we should have internally or using other – other resources outside of the CPH team.

35 MR ASPINALL: I wanted to now move to the future with you, and what you see as the issues that Crown needs to address at this point in its life and how, from your point of view, it's going to address them. Are you able to talk to that topic?

MS KORSANOS: Yes, Mr Aspinall.
40

MR ASPINALL: Could you let me know your views on that?

MS KORSANOS: Absolutely, my apologies. Look, I think we know the areas of concern, and the way I would break it down is obviously the focus on AML. There's
45 the focus on junkets. I think there's governance and structure. And I think there's more broadly, culture. If I start with the – start with AML, there's – there was effort in – I'm sorry, would you like me to talk to that or - - -

MR ASPINALL: Yes, please.

MS KORSANOS: Okay. Thank you. There was, obviously, effort in – in play with regard to AML, but I think a lot of that effort has been around the reporting as
5 opposed to the front-end; right? So what's coming in. What's going out was absolutely captured. I know there was some issues with some aggregation in those two – two accounts that you referenced – bank accounts you referenced earlier, but I do think it's – it's what comes in, it's what goes out, and the reporting covered it, but I think there needs to be more proactivity at the front-end. And while there's been a
10 level of review, there is a more significant piece of work being undertaken. We've procured Promontory to do that. And that effort really starts at the front end, looking at where we have a – vulnerabilities; it looks at due diligence process around our customers; our – it will look at the reporting; it will look at what's called link analysis. And it's about stepping back and saying, "Okay. While I'm completing
15 and fulfilling all my reporting requirements, am I picking up any anomalies here, any connectivity, any trends? What is the data telling me?" Assessing our skills and then they'll also come back and ensure that actions we've implemented are in place and that we're well positioned to continue to improve it, because I think that's – that's also important. I don't think – I think part of the history is not challenging the
20 status quo. And I think we need to be positioned to continuously improve. And I think the business has made those attempts, but we have to make sure that we are well positioned for that.

The other part to AML is the structuring. And I think others have spoken to the
25 separation of compliance from operational functions, financial crimes and compliance officer, which is a very different skill set, also reporting to the board, but leading that function. So separate decision-making, separate review and separate reporting to the board and no alignment or connectivity with the operations. There's probably more there that I'm missing, but that's – that's how I would summarise
30 AML. Junkets, we've – we have stopped the dealings and, I think, you know, that decision can continue if we don't feel we've sufficiently resolved, but there is work being undertaken at the moment with regard to the review that was undertaken by – by Deloitte. So implementations of those actions, and that is progressing.

35 There's, obviously, going back and reassessing our existing junket dealings and, over and above that, again, it's a structural decision. But I do think it's – and – sorry – going back to that structure decision, again, it goes into that financial crimes and compliance team, separate decisions, reporting to the board and, I think, as a board, we need to set the parameters. And, as I said, with junkets, I believe the issue was
40 where the decisions were made, but also where the bar was set. So we need to get good clarity and alignment to the regulations on where that bar has to be and – and where the burden of proof lies.

Governance and structure, a bit of what I've already covered, but the other moves
45 that we've made are around separating risk from internal audit. So a separate focus; reporting into risk committee and audit committee respectively. And, I think, with regard to culture, another structural change there, and that is bringing in a more

strategic HR leadership that takes it to a level above the function of HR and really focuses on culture. And I think that's – that's important. And it goes back to the questions that the Commissioner asked around that risk appetite and how do people understand it. We can put a cultural message out there, but we need to make sure
5 that we're helping everybody in the business understand how they contribute to that and how their roles contribute to that and then we need to measure people by that.

MR ASPINALL: In terms of the incentivisation and short-term and long-term incentivisation, have you given any thought to whether that has a role to play?
10

MS KORSANOS: Absolutely. I think reward is important. And you reward people for doing the right thing. Reward shouldn't – is not a reason to – to do the wrong thing. But I think aligning rewards to not just quantitative, but qualitative measures as well, and those qualitative measures aligning to values and behaviours. In my
15 experience – and this was a change that I had, very early on, seen at Aristocrat, we had put the behaviours and the values conversation in performance discussions ahead of the quantitative delivery. That way you could never say, "All right. You made your numbers, but you didn't behave well." So it's got to be front of mind and these simple changes – they are simple changes – but they have to be impressed upon
20 individuals and, you know, consistently relayed and applied.

MR ASPINALL: And in respect of your role on the corporate governance committee, what are your views on board renewal?

25 MS KORSANOS: I think – well, I think succession planning for the board are – is important. And I think there should be rotation. And I think there should be a view on – and this is something for the board to deliberate – on size of board, independent versus non-independent representation on board and tenure on board.

30 MR ASPINALL: Are you concerned that the tenure of the board at the moment might be a bit lengthy?

MS KORSANOS: I think it's great – you always want – you need – you need the right balance of new and old. And I don't want to offend anybody by saying that.
35 You do need the right balance, because there is corporate history, and that's why you need to manage that succession. So there has to be a – the progress of rotating board members has got to be managed to ensure there's sufficient background knowledge as well as new knowledge on the board. I think the – the recommend – the recommended time lines for board members are somewhere between nine and 12, in
40 terms of maximum.

MR ASPINALL: I'm just going to move to a new topic, Commissioner.

COMMISSIONER: All right.
45

MR ASPINALL: Can I play you this recording, please. It's INQ.700.001.0018.

RECORDING PLAYED

5 MR ASPINALL: Were you able to hear that, Ms Korsanos?

MS KORSANOS: Yes, Mr Aspinall.

MR ASPINALL: Were you present when that answer was given?

10 MS KORSANOS: I was, Mr Aspinall.

MR ASPINALL: I think you can guess the question that I'm going to ask you, which is why, as an independent director, did you allow Mr Barton to give that answer without then standing up and correcting it to tell Mr Mayne that, yes, there
15 was a controlling shareholder protocol and Mr Packer was getting information that was not available to the minority shareholders?

MS KORSANOS: I – I've heard that – that segment replayed through this Inquiry, Mr Aspinall, and I – I have to be honest, I don't recall picking up the discrepancy.
20 Absolutely understand, yes, there is a major shareholder protocol. The only way I can justify it – and I can't say this is what I thought at the time, it's just me trying to understand why I missed it – really comes back to the – the – the shareholder protocol does reference the ability to – to send – to provide information via CPH. And I did not have the awareness, while there were references in the shareholder
25 protocol for access to Mr Packer and Mr Packer to have access to management, I did not have the knowledge of how it operated on the ground in the business and I was not aware of that – that – the interaction and, again, in my mind, in the context of the support that Mr Packer gets from CPH, I expected that's where it would be coming from so – and I can't say that justifies me not responding and why I missed it but
30 that's the only – in my own thinking and reflection, that's – that's how I can – I think it happened, but I didn't pick it up at the time.

MR ASPINALL: Thank you. I have no further questions, Commissioner.

35 COMMISSIONER: Ms Korsanos, before I invite Ms Orr, can I just go back to something that you said to me before the luncheon adjournment in relation to the Melco transaction.

40 MS KORSANOS: Yes, Commissioner.

COMMISSIONER: You informed me that there was concern expressed after the transaction was completed and at board level there was expressed concern about the transaction. Do you remember telling me words to that effect?

45 MS KORSANOS: Yes, I do, Commissioner.

COMMISSIONER: Can you tell me what the concern was?

MS KORSANOS: I remember – I had – I had a concern but I remember Mary Manos mentioning the - that there had been reference to making a change to that particular agreement – sorry, the reference to the agreement escapes me – and the reason for that had been associated – related to reporting that we would have had to
5 comply with, because of owner – to confirm there was no ownership from that particular party – ownership of - - -

COMMISSIONER: Stanley Ho?

10 MS KORSANOS: Yes, Stanley Ho. And this would then – this may mean that that reporting needs to come back into play.

COMMISSIONER: Yes, I see. And so far as the notification to you was concerned, I think that you received the email that was sent around that notified you; is that
15 right?

MS KORSANOS: Yes, that's correct. Yes, that morning - the following morning - the day – the day of the announcement receiving - the first email I picked up, purely the way I read emails, was - was Mary's email that referenced the announcement and
20 then I caught up on the rest. Yes, no awareness prior and only on that morning and, yes, the rest, I think, followed.

COMMISSIONER: And some of the evidence that has been given relating to the controlling shareholder protocol and the flow of information from Crown through to
25 Mr Packer and the receipt of information by Mr Johnston and Mr Jalland during the month of May 2019 when the transaction was in play, you understand that that occurred, do you?

MS KORSANOS: I only have awareness of that through the Inquiry.
30

COMMISSIONER: I see. But that is the very sort of thing that the board would want to protect itself against happening, that if there's a transaction and there's a flow of information about the inner workings of Crown to a party who is selling its shares, you would want to prohibit that, wouldn't you?
35

MS KORSANOS: Absolutely, and it's – it's – well, you may not - you may choose not to prohibit it, but if you were – you would want to know about it and then, you know, I've seen situations where a major shareholder has been assisted in selling their stake but the company being asked for that information, the company in the particular example I've seen, the company controlled the information and ensured
40 relevant parties signed the appropriate NDAs. So it is doable and it can be done, yes. But from our perspective, I would have liked to have been aware of it. I think it would have been appropriate for us to be aware of it.

45 COMMISSIONER: Yes. And as I apprehend what you have told me, both in your written statement and today in your oral evidence, you were certainly unaware of it until after the transaction was concluded?

MS KORSANOS: That's correct, Commissioner.

COMMISSIONER: In your written evidence of your statement of 13 September 2020, you informed me that you were sceptical of the reporting when you saw the
5 production, the 60 Minutes production and the publications thereafter; do you remember that?

MS KORSANOS: Yes, I do.

10 COMMISSIONER: Had you been aware – this is obviously prior to you joining the board – but had you been aware that there had been previous similar allegations in relation to junkets and connections to Crown that had been aired in 2014 in a program called High Rollers - High Risk?

15 MS KORSANOS: No. I wasn't aware of any of those specifics. I don't – I've not seen that program and, honestly, I haven't gone back to even look at it now. I know that there had been from time to time negative media around Crown, but I see that as negative media around not just Crown, you know, we copped the same at Aristocrat. You know, gaming – gaming can sometimes draw negative media. And so I took – I
20 was only aware of that level of negativity so, no, no, no, not aware of the specific program that raised concerns.

COMMISSIONER: And so when you came to consider putting your name to the company's, or the directors' advertisement and the ASX announcement, is it the case
25 that you were not informed that these allegations had been similarly published some years in 2014, 2017 about Crown?

MS KORSANOS: There was reference to that program and the fact that old information had been rehashed but, again, it was dismissed in the context of why it
30 was appropriate to respond and supported by the information that was provided.

COMMISSIONER: Yes, and I very much appreciate your candour about what you have said in respect of going towards an advertisement again, but in the circumstances of the publication of the advertisement, and the position that I think
35 you have indicated now, you do accept that there have been some problems that were identified by the press that were, in fact, accurate? Is that right?

MS KORSANOS: I think – yes – there are some – yes, what I can't say is whether they were raised at that time or following that - - -
40

COMMISSIONER: Yes.

MS KORSANOS: - - - the specifics of when – yes, so I agree there are some allegations that have been raised that, you know, do – that are accurate or have –
45 have led to us realising certain – certain failures. But I'm not sure if they were announced at that point - they had been raised at that point.

COMMISSIONER: No, and so you have, for instance, the problems that beset the Riverbank and Southbank accounts.

MS KORSANOS: Yes.

5

COMMISSIONER: They were real problems; I think you would agree?

MS KORSANOS: I – I – I agree. I think that the core problem there - for me, again, reporting was there, but there was a lack of – and, again, I don't know whether you'd put this down to skill or proactivity – the practice of accepting cash into the bank accounts, irrespective of whether you are reporting them is – is a practice that I'm glad we've stopped.

COMMISSIONER: Yes, but the actual – extraordinarily the allegations that were made – and goodness knows how the investigative journalists get it, but the allegations that were made about those accounts seem to have rung true.

MS KORSANOS: Yes, I agree those accounts were problematic.

COMMISSIONER: And so one of the things that is on my mind, which is why I am putting it to you in this way, is that back in January this year, before COVID struck us, that is, our community – and when counsel assisting opened the Inquiry, it was hoped that anything that was not really in issue could have been identified and indicated. But that the position is that we've had to, in one sense, ask all the managerial staff, the CEO who was the CFO, and the directors all about these bank accounts. And I'm just wondering why it couldn't have been, if you know, why it couldn't have been that Crown could have said publicly, "We've got some problems here. Don't worry about proving this. We've got some problems."

MS KORSANOS: I think, Commissioner, with the benefit of hindsight, it would have been appropriate.

COMMISSIONER: And that's part of what you see, as I apprehend what you've told me, Ms Korsanos, as a recalibrating of culture; would that be right?

35

MS KORSANOS: Yes. I think it is – the recalibration of culture. And I think that the messages are right. I think they just have to get through. But, yes, we do need to recalibrate culture from the perspective of compliance and risk management is – is not just about the reporting, it's about the proactivity at the front-end. And we need to be stopping and not just reporting. So there needs to be better balance. Absolutely.

COMMISSIONER: And I'm grateful for your observations about the junkets – and I won't go through it with you, but in paragraph 23 of your statement that you made, you did identify your concerns about the Suncity arrangement. Do you remember that?

45

MS KORSANOS: Yes. I do remember that.

COMMISSIONER: But circumstances of COVID and the unsatisfactory situation in which everyone finds themselves, in a business sense, has given you the
5 opportunity to suspend these junket arrangements, as I understand what's happened, but you haven't informed the junket operators of that formally; is that right?

MS KORSANOS: I understand that they now – most – I think but one – and this is an update, Ken provided us – have now been notified. I think the – that the – and I
10 don't want to call border closures a benefit, because we all hate the restrictions that we're living by – but the benefit of that means that the team's been able to continue the effort on actioning the improvements through that Deloitte report that I referenced and not have to turn their focus on stopping what was – would have been planned visits to – to the properties. But they have all been – and my last
15 conversation with Ken as well, they have all been advised, I think, bar one, at that time, which was last week some time.

COMMISSIONER: I see. And do you have a feel for how long the review will take?
20

MS KORSANOS: The – are you talking about the – the which – sorry. The Deloitte's work is in play at the moment.

COMMISSIONER: How long will that take, do you think?
25

MS KORSANOS: That – the review's been undertaken and the actions are – are being executed now from - - -

COMMISSIONER: They're the recommendations from Deloitte's?
30

MS KORSANOS: Recommendations, yes. They've been – they are being implemented now, but I can't say – sorry, I can't, off the top of my head, tell you how soon that will be – they will be completed. There was – I was provided with that update, but – I – don't recall. I know, with Promontory, which is that sizeable
35 effort around the AML review, that the work on the ground will be done by – before the end of November.

COMMISSIONER: And so far as the company – I'll just call it Crown for the moment, but it encapsulates all of the licensees – in respect of its attitude to junkets
40 and the review that has been referred to, because of the suspension and the time to do it, how long do you think that will take?

MS KORSANOS: The time to complete the review on junkets?

45 COMMISSIONER: Yes.

MS KORSANOS: I – I don't see that needing to take – I think the – as I said, the actions that have – or the recommendations that have come out of the Deloitte report are already being progressed. I just don't have an end date. There's the Berkeley review that's come through. I think, really, the – it comes down to how quickly we
5 can stand up, this leadership – the leadership of the financial crimes and the compliance function and also, I think, as I mentioned earlier, we need to define what the parameters are and where we want to set the bar. So I don't think that's months away. Well, recruitment is one thing; that's already in progress. But getting someone on the ground can take a bit longer. But I think, from our perspective, we
10 need to maintain that pause until we're comfortable that we've achieved the work we wanted to achieve. So I think the effort can be done pretty quickly, but we need to make sure we've got the right resources on the ground as well.

COMMISSIONER: Of course. So if I can press you, if I may. You see, the terms
15 of reference of this Inquiry require, if it is to be getting to the second question, if any aspect were to be found that Crown were unsuitable, then the second question is relating to how to convert unsuitability to suitability; you understand that?

MS KORSANOS: Yes, I do.
20

COMMISSIONER: And so if I have no idea how long all this is going to take, on the assumption that that has to be done, it is a little difficult, is it not? Would you agree?

25 MS KORSANOS: It is, but I think – I think we can define – if we know what needs to be done, I think there can be definition on timelines there, absolutely. And that will guide us.

COMMISSIONER: And so it's for the company to indicate, may I suggest, because
30 where you have suspended, till June 2021, all the junkets operations, one would anticipate that you've given yourself a breather through to June 2021 to get it right: whether you deal with them in the future; if you're going to deal with them in the future; how you are going to measure your dealings, and the like. And so I'm just a little in the dark, I have to admit, as to what you are planning in that regard. And do
35 you have an idea of what it is that the company has in mind in what it will do between now and June 2021 in relation to junkets?

MS KORSANOS: I – well, yes, I do. There's – as I referenced, the actions that came from the Deloitte's review, some of which has got to do with regard to adding
40 resources, training, expanding the process. There's the restructuring around the finance crimes and compliance function, so resourcing that.

COMMISSIONER: Just pause there. I understand that an advertisement has gone out. Have there been interviews or has anyone been identified in a short list. Or
45 what's the position, do you know?

MS KORSANOS: I think the short list has progressed from the last conversation I had with – with Mr Barton. I think there is a short list. I think that – and the timeframe put on that, I – I’m not sure it goes out to – I think it’s 60 days, maybe 90. I can’t recall, apologies. But there is a – there is a confined period for searching,
5 putting together the short list, presenting that short list and then doing interviews. The real timeline that’s uncontrollable at the moment – and I have to say Ken – Ken was quite positive about the list – but the real timeline that’s uncontrollable is in terms of candidate selection and the candidate’s availability - - -

10 COMMISSIONER: Yes, I see.

MS KORSANOS: - - - and where they would be coming from. I think, to me, 30 June 2021 sounds like sufficient time in the context of what needs to be done, because I don’t think it has to take the risk committee or the board too long to define
15 where the right parameters are. I think we know what they are. It’s more – and I think we know what the process improvements are; we know how the decision should be made. But it’s more making sure we’ve got the arms and legs and the right skills and capabilities and leadership in the business to execute and, if anything is going to slow us down, it’s that – and that’s my opinion – but, you know, we can’t
20 execute what we put into place if we don’t have the right people in place, and I feel that that is a real – that is one of our biggest gaps, and that’s the one that it’s going to – that timing’s going to hinge on.

COMMISSIONER: Yes, I understand. Yes. Just pardon me for a moment. Thank
25 you for that, Ms Korsanos. Ms Orr, I’m sorry I didn’t recognise you were appearing again, I apologise for that. You’re appearing for Ms Korsanos.

MS ORR: Yes. Thank you, Commissioner. Commissioner, if I could - - -

30 COMMISSIONER: Do you have any questions?

MS ORR: If I could, I would like to just ask some questions about that last topic, about the recruitment process for the head of financial crime.

35

<EXAMINATION BY MS ORR

[2.39 pm]

COMMISSIONER: Yes. Your voice is just a little soft, if you could somehow - - -
40

MS ORR: I’m sorry, I will try and keep my voice up. Is that adequate, Commissioner?

COMMISSIONER: Yes, that’s better.
45

MS ORR: Thank you.

COMMISSIONER: I hope that Ms Korsanos can hear you.

MS ORR: Yes, please tell me, Ms Korsanos if you have any difficulty with that. I was hoping to take you, Ms Korsanos, to a memorandum that Mr Barton provided to the board of directors on 7 October this year, which is exhibit AJ51, CRL.719.001.0005.

COMMISSIONER: Yes, if you can bring that up.

MS KORSANOS: We're just waiting for it.

MS ORR: Now, there are some topics in this - - -

MS KORSANOS: Sorry, Ms Orr, it's not up here yet.

COMMISSIONER: It won't be long, Ms Korsanos.

MS KORSANOS: Yes, I have got it, thank you, Commissioner. Yes, we've got it in hard copy too, so yes.

MS ORR: There are, Ms Korsanos, some topics in this memorandum that were the subject of questions from the Commissioner. Could I ask you to first look at the last page, 0007.

MS KORSANOS: Yes.

COMMISSIONER: You are being asked to look at the last page, yes.

MS ORR: Ms Korsanos, you will see there some information that Mr Barton provided to the board about notification of junket operators of Crown's suspension of junket arrangements. Could I ask you just to read that information to yourself, Ms Korsanos?

MS KORSANOS: Yes. Yes, Ms Orr.

MS ORR: This is the information that Mr Barton has provided the directors about 99 per cent of the junket operators being notified of the suspension of junket activities; is that correct?

MS KORSANOS: Yes, that's correct, there was only one - one operator - junket operator they couldn't contact but they completed the rest.

MS ORR: And now could I take you to the second last page - - -

COMMISSIONER: Can I just ask you to pause for a moment, Ms Orr. Sorry to interrupt. When did that process commence?

MS KORSANOS: It was - - -

COMMISSIONER: Do you know?

5 MS KORSANOS: It was 28 September.

COMMISSIONER: I'm sorry?

10 MS KORSANOS: 28 September, Commissioner.

COMMISSIONER: I see. Thank you. Yes.

MS ORR: The other topic, Ms Korsanos, is dealt with on the second page of the memorandum, 0006. You were asked some questions about the recruitment process
15 for the head of compliance and financial crimes. Do you see the heading Resourcing on that page, Ms Korsanos?

MS KORSANOS: Yes.

20 MS ORR: Could I ask you to read that first paragraph to yourself.

MS KORSANOS: Yes, thank you, Ms Orr.

MS ORR: So are we to understand from that paragraph, Ms Korsanos, that as at the
25 date of this memorandum, which was 7 October, the recruitment process for that position was underway; a list of candidates had been assembled; preliminary discussions with the candidates had occurred; and over the next two to three weeks from that date of 7 October, a short list was to be developed?

30 MS KORSANOS: Yes, that's correct, Ms Orr.

MS ORR: And Mr Barton's advice to the directors was that thereafter another two to three weeks would be required to meet with the short-listed candidates with a decision expected by mid-November?

35 MS KORSANOS: Yes, and that's my assessment, 50 days, roughly, from when we signed off with to support the process.

MS ORR: In your answers, Ms Korsanos, to the Commissioner's questions about
40 the timelines for the processes that are being undertaken in relation to the review of junket operators, in your answers, you connected that process with this person, with the new head of compliance and financial crimes; is that correct?

MS KORSANOS: Yes.

45 MS ORR: And what role do you understand that person, who is recruited to this position, will play in that review of junket operators?

MS KORSANOS: It's more where the decision for approving junkets will sit in terms of the compliance function. So the actual review around our processes and due diligence efforts and so forth is underway and it's on the last – there's a Gantt chart on the last page of that update that talks to all the effort that is going on and
5 timelines, but in terms of who will have custodianship, call it internally and be responsible for reporting to the board of that function, it's that role that we're recruiting. But the effort today is ongoing. There's nothing that slows the effort down in terms of putting – actioning the recommendations and they're already underway.

10 MS ORR: Yes, thank you, Ms Korsanos. Those are the questions that I have for Ms Korsanos, Commissioner.

COMMISSIONER: Yes, thank you. Are there any other questions from anyone
15 else?

MS CASE: No, Commissioner, thank you.

MR O'BRIEN: No, Commissioner, thank you.

20 COMMISSIONER: Ms Korsanos – you're still there, Ms Korsanos?

MS KORSANOS: Yes, Commissioner.

25 COMMISSIONER: We have been here for a long time with the suspension because of COVID and this all looks rushed to me. I'm not sure but I get the impression that it's all to do with the opening date that has been apparently announced in December. Is that an unreasonable assumption?

30 MS KORSANOS: I – I don't think we are pushing forward. I suppose we've got existing operations and Melbourne is shut down at the moment but we've got existing operations that we want to make sure are fit for purpose and meeting compliance. In our conversations with regard to progressing this effort, there hasn't been a specific discussion that this needs to be done for Sydney and, in my own mind
35 as well, Commissioner, we need to do this, regardless of whether – we would need to do this regardless of whether we are seeking to open Sydney or not. So Sydney is – you know, continues to progress but this effort is associated with our overall business irrespective of – of the location of Sydney, yes.

40 COMMISSIONER: Yes, I understand that now. And of course, it would be very unfortunate, were you to rush it.

MS KORSANOS: We don't want to make any wrong decisions and there has been -
45 in arriving at these decisions, there has been deliberation at board level. One of the decisions we still haven't made is – is just the internal governance and the structure around our boards and our committees and so forth. And that's because we want to make sure that we appropriately deliberate on that and a recommendation that that is

put forward is a right one. So I don't think we're rushing decisions. Or we're not looking to rush decisions; we want to make the right decisions. And some have been made and there's others still to be made.

5 COMMISSIONER: I understand. Thank you, Ms Korsanos. Anything arising?
No. Ms Korsanos, thank you. I will now take a short adjournment because the next witness can then be beamed in. Thank you, Ms Korsanos.

10 MS KORSANOS: Thank you, Commissioner.

<THE WITNESS WITHDREW

15 **ADJOURNED** [2.48 pm]

RESUMED [2.53 pm]

20 COMMISSIONER: Yes, Mr Bell.

MR BELL: Commissioner, before I start could I tender three additional documents?

25 COMMISSIONER: Yes.

MR BELL: Exhibit AB57 and 58 have been notified to the interested parties and the position is reserved with respect to the confidentiality of those documents. I also tender exhibit P16B.

30 COMMISSIONER: Yes, all right then. I will mark those documents AB57, AB58, and P for person, 16B. Thank you.

35 **EXHIBIT #AB57 & AB58 DOCUMENTS**

EXHIBIT #P16B DOCUMENT

40 MR BELL: I call John Horvath.

COMMISSIONER: Professor Horvath, would you like to take an oath or make an affirmation to give your evidence?

45 PROF HORVATH: Make an affirmation, thank you, Commissioner.

<EXAMINATION BY MR BELL

5

COMMISSIONER: Yes, thank you, yes, Mr Bell.

10

MR BELL: Could I ask you to state your full name please?

PROF HORVATH: John Stephen Horvath.

15

MR BELL: Your business address is known to those assisting this Inquiry. Please state your occupation.

PROF HORVATH: Medical practitioner.

20

MR BELL: You have been a non-executive director of Crown Resorts for 10 years since September 2010; is that correct?

PROF HORVATH: That's correct, Mr Bell.

MR BELL: You are currently the deputy chair of Crown Resorts?

25

PROF HORVATH: That is correct.

MR BELL: And you've been a member of the occupational health and safety committee of Crown Resorts since September 2010?

30

PROF HORVATH: That is correct, Mr Bell.

MR BELL: And you've been the chair of the occupational health and safety committee since December 2017; is that correct?

35

PROF HORVATH: That is correct.

MR BELL: And you've been approved by the Independent Liquor and Gaming Authority of New South Wales as a close associate of the licensee of the Barangaroo restricted gaming facility?

40

PROF HORVATH: That is correct.

MR BELL: How long have you had a connection with the Packer family?

45

PROF HORVATH: I originally - with Mr Packer, 1998, to the best of my recollection. End of 1998, or early '99.

MR BELL: Are you referring there to Mr James Packer?

PROF HORVATH: No, Mr Kerry Packer.

5 MR BELL: I see. So you've had a connection with the Packer family since 1998; is that correct?

PROF HORVATH: Not so much the family, with Mr Packer as a patient.

10 MR BELL: I see. Can I show you the code of conduct for employees of Crown Resorts which was issued in 2008, and in force until July this year. It's exhibit M3. INQ.010.003.0082.

PROF HORVATH: Thank you. I have it here.

15

MR BELL: Thank you. And if I could ask you to turn to clause 1 on the page ending in 0084. Do you see that it states that:

20 *It's a fundamental principle of Crown Resorts Limited that all of our business affairs shall be ducked legally, ethically and with strict observance of the highest standards of integrity and professionalism.*

I take it that you are aware that there's a new code of conduct issued in July this year to similar effect?

25

PROF HORVATH: I am, sir, yes.

MR BELL: And do you say that at all times since you've been a director of Crown Resorts that you've expected everyone at Crown Resorts to comply with that core principle?

30

PROF HORVATH: Yes, Mr Bell.

MR BELL: Can I take you to the third edition of the Australian Stock Exchange corporate governance principles which were in force in the period up to October 2016, exhibit O5 and INQ.100.001.0308.

35

PROF HORVATH: Thank you, I have got it, yes.

40 MR BELL: And if I could ask you to look at page 28 of the principles which is the page ending in .0337.

PROF HORVATH: Thank you, Mr Bell, yes.

45 MR BELL: Do you see that it states in the second last paragraph of the left-hand column that:

The board of a listed entity is ultimately responsible for deciding the nature and extent of the risks prepared to meet its objectives.

I take you agree with that statement of principle?

5

PROF HORVATH: I do, Mr Bell.

MR BELL: And I take it that you accept that this principle applied in relation to the risks involved in Crown Resorts pursuing its business strategy in China in the period up to October 2016?

10

PROF HORVATH: Yes, Mr Bell.

MR BELL: And do you see that it states in the last sentence in the left-hand column that:

15

It's the role of the board to set the risk appetite for the entity, to oversee its risk management framework and to satisfy itself that the framework is sound.

I take it that you would also agree with that statement of principle?

20

PROF HORVATH: Yes, Mr Bell.

MR BELL: And I take it that you would accept that that principle applied to Crown Resorts in relation to the risks involved in pursuing its business strategy in China in the period up to October 2016?

25

PROF HORVATH: Yes, Mr Bell.

MR BELL: And do you agree that it follows, from these principles, that it was a matter for the board of Crown Resorts in that period to decide whether the business strategy being pursued in China remained within the board's risk appetite?

30

PROF HORVATH: Yes, Mr Bell.

35

MR BELL: And do you agree that in order for the board of Crown Resorts to decide if the business strategy remained within its risk appetite, the board needed to be informed of all material facts?

PROF HORVATH: Yes, that is correct, Mr Bell.

40

MR BELL: And do you also agree that – I withdraw that. Can I ask you to look at the current fourth edition of the ASX corporate governance principles which is exhibit P22, INQ.100.001.0408.

45

PROF HORVATH: I – I have it, Mr Bell.

MR BELL: And if you could look at:

Commentary on laying solid foundations for management and oversight -

5 at page point 0416, please.

PROF HORVATH: Yes, I have it, Mr Bell.

MR BELL: Thank you. And do you see that in the right-hand column in about the
10 middle of the page, the principle states that:

*The board of a listed entity should be responsible under its charter for ...
whenever required challenging management and holding it to account.*

15 COMMISSIONER: What page is that?

MR BELL: .0416.

PROF HORVATH: Which dot point is it, Mr Bell? I'm having difficulty finding it.
20

MR BELL: Just so we make sure we are on the right page, this is page 6 of the
document, the page that ends in .0416 in the top right-hand corner.

PROF HORVATH: That is correct; I have that page.
25

MR BELL: All right. And if you look to the right-hand column, the fifth bullet
point when read with the opening words, do you see provides that - - -

PROF HORVATH: Thank you, yes.
30

MR BELL: So:

*The board of a listed entity should be responsible under its charter for ...
whenever required challenging management and holding it to account.*
35

Do you agree?

PROF HORVATH: Yes, I've got that. I agree.

MR BELL: If you look at footnote 15 on that page - perhaps we could blow it up,
40 please, operator - which relates to that point. Do you see that the principles refer to a
statement by Commissioner Hayne in his report on the Royal Commission into
Misconduct in the Banking, Superannuation and Financial Services Industry that:

45 *Boards cannot operate properly without having the right information and
boards do not operate effectively if they do not challenge management.*

I take it that you would acknowledge the fundamental importance of that principle in the operation of Crown Resorts?

PROF HORVATH: I do.

5

MR BELL: And do you agree that the board of a listed entity plays an important role in setting the tone and influencing and overseeing the culture of the entity?

PROF HORVATH: I do, Mr Bell.

10

MR BELL: At any time up to October 2016, did you read any legal advice provided to Crown Resorts about whether the activities of the staff in China employed by Crown Resorts complied with the business laws of China?

15 PROF HORVATH: No, I did not read any advice.

MR BELL: Were you aware in the period up to October 2016 that neither Crown Resorts nor any subsidiary had any licence or permission from the Chinese authorities to conduct any business activities in China?

20

PROF HORVATH: No, I was not aware.

MR BELL: Were you aware in that period that it was possible for operators of foreign integrated resorts to obtain a representative licence from the Chinese authorities to conduct an office to market their hotel and leisure facilities?

25

PROF HORVATH: No, I was not aware.

MR BELL: Were you aware, in the period up to October 2016, that Chinese business law advice obtained by Crown Resorts was interpreted by management to mean that the staff in China would comply with the business laws of China if they conducted business activities there without a licence as long as they did not operate an office?

30

35 PROF HORVATH: I can't accurately say whether it was before or after that date, but the legal advice you refer to, Mr Bell, I don't remember precisely when I became aware of it.

MR BELL: At some point did you understand that business law advice had been interpreted by management to mean that the staff could conduct business activities in China without a licence as long as they were not operating an office?

40

PROF HORVATH: I've never been aware of that level of granularity.

45 MR BELL: Did you believe in the period, up to October 2016, that Crown Resorts had made a conscious decision not to open offices in mainland China?

PROF HORVATH: No, I was not aware of that.

MR BELL: Was it your understanding, in the period up to October 2016, that Crown Resorts did not, in fact, have any offices in China?

5

PROF HORVATH: That was my understanding.

MR BELL: And did you understand that the staff in China were working from their homes?

10

PROF HORVATH: I can't accurately recall that I was aware that there were staff resident in China or not.

MR BELL: Sorry. Are you saying you're not sure if you knew there were staff in China at all?

15

PROF HORVATH: I was aware there were frequent visits to China and that, certainly, senior executives made multiple visits to China, and that Crown employees were in China. I – I wasn't aware whether they were residing in China or went to and from Hong Kong.

20

MR BELL: I see. Can I ask you to look at exhibit CG6 which is CRL – confidential link CRL.506.007.8870.

25

PROF HORVATH: Thank you.

MR BELL: Do you see this was a board paper on the media allegations made in July 2019, which you considered prior to agreeing to publish the board's response to those allegations?

30

PROF HORVATH: Yes, Mr Bell.

MR BELL: And if I could ask you to look, please, at page ending in .8882, do you see in the first bullet point - - -

35

PROF HORVATH: Could that be blown up?

MR BELL: Yes, of course. So the first bullet point, under paragraph 3, do you see says that:

40

Crown made a conscious decision not to open offices in mainland China.

PROF HORVATH: Yes, Mr Bell.

45

MR BELL: And is that something you only learnt when you read this board paper?

PROF HORVATH: The best of my recollection, yes.

MR BELL: And do you see that, in the second bullet point immediately below that, you are informed that other casino operators did have dedicated offices in China?

PROF HORVATH: Yes, Mr Bell, I see that.

5

MR BELL: And does that mean that it was only when you read this board paper that you came to understand that Crown Resorts was operating in a different manner to other casino operators who did have dedicated offices in China?

10 PROF HORVATH: To the best of my recollection, Mr Bell, this was certainly brought to my attention then. Whether this was discussed at previous board meetings, I can't recollect – I can't accurately recollect.

15 MR BELL: Were you aware, prior to the China arrests, that, despite what you now know was a conscious decision by Crown Resorts not to open offices in China, the company was conducting an office in Guangzhou, without any signage, in the period from August 2015 to October 2016, was leased in the name of two employees who were then reimbursed for the rental?

20 PROF HORVATH: I was not aware of that, Mr Bell.

MR BELL: And were you aware, prior to the China arrests, that this unofficial office contained gifts, computers and customer information and was used to process visa applications for VIP gamblers from all over China?

25

PROF HORVATH: I not aware of that fact, Mr Bell.

MR BELL: You aware there was there was a previous unofficial office used Guangzhou from at least 2012 till August 2015?

30

PROF HORVATH: No, I was not aware, Mr Bell.

MR BELL: Were you aware that this previous unofficial office was run from premises which were not legally registered, in a semi residential building, which a Crown Resorts executive described as being "subject to random checks by authorities and posing many risks".

35

PROF HORVATH: I was not aware of that fact, Mr Bell.

40 MR BELL: Are you aware that Mr Craigie, the managing director of Crown Resorts at the time, has given evidence to this Inquiry that this unofficial office was apparently an attempt to disguise from the Chinese authorities the fact that Crown Resorts was conducting an office in Guangzhou and was not authorised by him?

45 PROF HORVATH: I did not see Mr Craigie's testimony, Mr Bell, but I have heard that during other people's examination that – that that was the evidence by Mr Craigie.

MR BELL: If you'd assume that that was the case, please. And could you also assume, please, that both Mr Alexander, the executive deputy chairman of Crown Resorts at the time, and Mr Packer, the executive chairman of Crown Resorts at the time, have given evidence that this unofficial office was not authorised by either of
5 them as well?

PROF HORVATH: I'm sorry, Mr Bell, what's the question?

MR BELL: My question is would you kindly assume that the evidence given to this
10 Inquiry by both Mr Alexander and Mr Packer was that this unofficial office in Guangzhou was not authorised by either of them.

PROF HORVATH: Yes, Mr Bell.

MR BELL: And do you agree that, if what I've put to you is correct in relation to this unofficial office, Crown Resorts was acting contrary to management's understanding of the business laws of China which were interpreted to mean that it will be legal to operate there without a licence as long as they were not conducting an office?
20

PROF HORVATH: That would be correct, Mr Bell.

MR BELL: And do you agree that, if what I've put to you is correct, this conduct by Crown Resorts management is contrary to the fundamental principle of Crown
25 Resorts that all of its business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity?

PROF HORVATH: That is a correct construction.

MR BELL: Mr Alexander has given evidence to this Inquiry that if Crown Resorts was operating unofficial offices in Guangzhou contrary to the direction of senior management, whilst other casinos openly conducted offices, then trying to operate under the radar like this may have increased the danger to the staff in China if what Crown Resorts was doing came to the attention of the Chinese authorities, would you
35 agree with Mr Alexander?

PROF HORVATH: Yes, that's a reasonable construct, Mr Bell.

MR BELL: And do you agree that if Crown Resorts was operating an office in this manner in Guangzhou, this was a matter that needed to be drawn to the attention of the risk management committee of Crown Resorts?
40

PROF HORVATH: It should have been, yes, Mr Bell.

MR BELL: And can we look again at the board paper which you considered prior to approving the media announcement, exhibit CG6, confidential link
45

CRL.506.007.8870. And hopefully you still have page .8882 in front of you. If the information that I've put to you is correct - - -

PROF HORVATH: I've just lost that – I've just lost that page, Mr Bell.

5

MR BELL: Can we return to that, please, operator, .8882. So if the information that I've put to you is correct, Professor Horvath, it would indicate what the board was told in relation to whether there were offices in China was, to put it neutrally, incomplete; do you agree?

10

PROF HORVATH: In hindsight, you're – that is correct.

MR BELL: And do you know what it was who prepared this section of the board paper?

15

PROF HORVATH: The presentation of the material – and I don't know which bits were which, Mr Bell. The presentation was by Mr Felstead, Mr Preston, with the assistance of Mr Richard Murphy from MinterEllison.

20

MR BELL: Has there been any review by the Crown Resorts board to challenge management how it came to be that Crown Resorts was conducting an unofficial office in Guangzhou contrary to its own legal advice and its own ethical standards?

PROF HORVATH: Not – not up to the present time.

25

MR BELL: Now, the evidence given to this Inquiry indicates that, in 2012, at least three executives of Crown Resorts, who remain executives today, were aware that the company was conducting an unofficial office in Guangzhou in a semi-residential area subject to random checks by authorities and posing many risks. Furthermore, Mr O'Connor has given evidence to this Inquiry that, as far as he was aware, it wasn't being kept a secret at Crown Resorts that these unofficial premises, without any branding or signage, were operating in Guangzhou since at least 2012. In these circumstances, has the board of Crown Resorts taken any steps to challenge management about how this state of affairs has occurred?

30

PROF HORVATH: Not at the present time.

MR BELL: At any time in the period up to October 2016, did you read any legal advices provided to Crown Resorts about whether the activities being conducted by the employees in China complied with Chinese criminal laws in relation to gambling?

40

PROF HORVATH: No, I did not, Mr Bell.

45

MR BELL: Have you read any of those legal advices since October 2016?

PROF HORVATH: No. I've been appraised of them by our general counsel, but I've not read them myself.

5 MR BELL: In the period prior to the China arrests, did you personally turn your mind to whether the conduct of the employees operating in China, to the extent to which you were aware they were operating in China, complied with Chinese criminal laws, or is that something that you first considered after the arrests?

10 PROF HORVATH: I believe it's – the first time it was brought to my notice was after the arrests.

MR BELL: In the period up to October 2016, were you aware of any advices as to whether the activities being conducted by the employees in China complied with the criminal laws? By that I mean were you aware of the existence of any such advices?

15 PROF HORVATH: The only recollection I have is a discussion following the arrest of the Korean casino workers and the discussion there that they had been undertaking activities that were different to what we were doing in China. What they were doing was not legal and our activities were consistent with Chinese gaming laws.

20 MR BELL: Well, I'll come back to that a little bit later, if I may. Can I ask you to look at the advertisement that was published by the board, exhibit CG11, CRL.501.025.6932.

25 PROF HORVATH: Yes. I have – I have it, Mr Bell.

MR BELL: And, operator, if we could blow up the section in the right-hand column headed Detentions in China in 2016, please, for Professor Horvath. Do you see that, in relation to the detentions in China you wrote:

30 *Also, at all relevant times, Crown obtained legal and government relations advice from reputable independent specialists. The fact that staff were nevertheless detained and convicted is not an indication that the advice was wrong or disregarded, but an illustration of the challenges involved in*
35 *anticipating how foreign laws could be interpreted and enforced.*

Do you agree that the implication of what you have written is that Crown relied upon all of the legal advices which it had obtained at the time?

40 PROF HORVATH: That is correct.

MR BELL: As you didn't see those advices yourself, did you seek any assurances from management prior to approving this advertisement that Crown Resorts had, in fact, relied upon all the legal advice which it had obtained from the external lawyers
45 prior to the arrests?

PROF HORVATH: Between – if I just may put in context, Mr Bell, between the time of the arrests and the approval of that paragraph, the board had frequent updates from management and from Minters’ lawyers that the activities of what our staff were doing were consistent with Chinese criminal law. That is the basis of my belief in that paragraph.

MR BELL: So your knowledge at the time was an aggregation of what you had learnt since the arrests, and what you learnt in reading this paper; is that a fair way of putting it?

PROF HORVATH: Yes, Mr Bell.

MR BELL: And were you aware, prior to authorising this advertisement, that after the Crown Resorts staff were arrested in China in October 2016 the internal lawyers of Crown Resorts realised that they didn’t have a significant number of the legal and government relations advices which had been provided to VIP international executives?

PROF HORVATH: I was not aware of that till this Inquiry, Mr Bell.

MR BELL: And so I take it you were not aware until this Inquiry that after the arrests, the internal lawyers had to request copies of all of the advices to find out what advice had, in fact, been given?

PROF HORVATH: I was not aware of that fact.

MR BELL: Could I ask you to look at exhibit M154, CRL.545.001.0128.

PROF HORVATH: I have it, Mr Bell.

MR BELL: Now, do you see at the bottom of the first page there’s an email from Mr Michael Chen which goes over to the next page, .0129, to the external lawyer in Beijing in which he says:

The climate has gotten quite destabilised. We have competitors that have pulled their entire teams out of China. Could you please advise whether you think our executives should be avoiding entering China, whether we should be pulling staff out.

I take it that you were not aware, prior to approving the advertisement in July 2019 that the VIP international business unit had sought advice in these terms from the lawyer in Beijing?

PROF HORVATH: I was not aware, Mr Bell.

MR BELL: And if you look back at page .0128, you see that the lawyers’ response is:

5 *I agree that it seems prudent to limit travels of senior executives to mainland China at this point, given that the regulatory environment has been tightened up and the picture is not entirely clear. I'm not sure whether it has come to the point that you have to pull the entire team out of China. One option is that you could have some key employees tentatively work outside China, eg, Hong Kong.*

10 I take it that you weren't prior to approving the advertisement that the VIP international business unit had obtained legal advice in these terms from the lawyer in Beijing?

10 PROF HORVATH: No, I was not aware, Mr Bell.

15 MR BELL: Do you agree that you should have been informed that advice was being sought and given in these terms before you committed yourself to the announcement in July 2019?

15 PROF HORVATH: In hindsight, I do agree, Mr Bell.

20 MR BELL: And do you agree that the advice - the fact that advice was being sought and given in these terms should have been drawn to the attention of the board of Crown Resorts at the time?

25 PROF HORVATH: I believe it should have been brought to the attention of the board.

30 MR BELL: Were you aware, prior to authorising the advertisement that the Crown Resorts management had not sought confirmation from Crown Resorts internal lawyers about the soundness of the opinions which were being expressed by the external lawyers?

30 PROF HORVATH: I was not aware, Mr Bell.

35 MR BELL: Were you aware, prior to authorising the advertisement, that Crown Resorts management had not sought confirmation from Crown Resorts internal lawyers about the soundness of the factual assumptions which the external lawyers were making in the advices which they provided?

35 PROF HORVATH: I was not aware of that fact, Mr Bell.

40 MR BELL: Were you informed prior to authorising the advertisement that Crown Resorts management were relying upon VIP international executives who were not themselves lawyers to interpret the legal advice about Chinese criminal law which had been provided?

45 PROF HORVATH: I was not aware of that fact, Mr Bell.

MR BELL: And were you informed prior to authorising prior to authorising the advertisement that Crown Resorts management did not ever seek assurances from VIP international executives about the factual assumptions which the external lawyers were making?

5

PROF HORVATH: I was not aware of that fact, Mr Bell.

MR BELL: Do you agree that if what I have put to you is correct, it indicates that the management of the legal advices being received about the Chinese criminal law prior to the arrests was inadequate from a risk perspective?

10

PROF HORVATH: Yes, Mr Bell.

MR BELL: And has the board of Crown Resorts challenged the management of the Crown Resorts internal legal team to explain how this inadequate state of affairs occurred?

15

PROF HORVATH: I can't – I can't answer that question. Whether prior to members of that legal team leaving the employ there was any challenge or discussions about it, I don't know, Mr Bell.

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MR BELL: Are you aware of any changes which had been made by the legal department of Crown Resorts to ensure that this kind of inadequate management of external legal advice will not occur in some other context?

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PROF HORVATH: I'm not – I am not aware of any specific actions within the legal department.

MR BELL: Were you aware, prior to approving the announcement by the Crown Resorts board in July 2019 that the allegations made in the media in relation to the China arrests included allegations that Crown Resorts failed to heed warning signs from the Chinese government that its employees were at risk and thereby disregarded their welfare?

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PROF HORVATH: Could you repeat the question, Mr Bell?

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MR BELL: Yes. Were you aware, prior to approving the announcements in July 2019 that the allegations made by the media in relation to the China arrests included allegations that Crown Resorts failed to heed warning signs from the Chinese Government that its employees were at risk, thereby disregarded their welfare?

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PROF HORVATH: No, I don't agree with that, Mr Bell. The media allegations were that we knowingly allowed practices to occur which were illegal and put our staff in danger; and we did not do that knowingly because we did not have knowledge of it.

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MR BELL: I don't disagree with you for a moment that that was a component of the media allegations. But my question was did you appreciate at the time that the allegations made by the media were wider and more nuanced than that and included allegations that Crown Resorts failed to heed warning signs from the Chinese authorities, and thereby placed its employees at risk?

PROF HORVATH: That was not my interpretation on reflection.

MR BELL: All right. There has been evidence given to this Inquiry that it was widely understood by Crown Resorts management prior to the China arrests that there was a potential for arbitrary action by the Chinese authorities. Was that a matter that you personally recall turning your mind to in the period prior to October 2016?

PROF HORVATH: No, because I was not made aware of it by management.

MR BELL: No. And there's also been evidence given to this Inquiry that it was widely understood by Crown Resorts management that China was a country where the law could be enforced inconsistently. Was that a matter that you can personally recall turning your mind to prior to October 2016?

PROF HORVATH: Not as a Crown director. There had been detention of other Australian executives across a range of industries, and so I was aware of that as a conceptual problem. I did not relate it to Crown employees because, as I said earlier, I was not cognisant whether they were in China, travelling through China. The nature of their activities in China were not – I was not aware of.

MR BELL: I see. Can I ask you to look again at exhibit CG6, confidential link CRL.506.007.8870, and if you could turn to page .8881. Operator, if you could blow up the bottom quarter of the page, with the heading (2) Illegal to Promote Gambling in China. Do you see, Professor Horvath, that it states in the last bullet point that it was understood based on legal and government advices that the promotion of gambling was not illegal if it was to groups of less than 10 and no kickbacks were being received. Is that something you have only come to understand since the arrests?

PROF HORVATH: That is correct, Mr Bell.

MR BELL: An so you now understand that there are two questions, the size of the group, first, and, secondly, whether kickbacks were being received?

PROF HORVATH: That is correct, Mr Bell.

MR BELL: And did you understand prior to approving the announcement that in relation to the first aspect, the size of the group being organised, that management of VIP international understood that it would be illegal to organise more than 10 people

to go on a gambling tour on a single occasion, but that it would be legal to organise more than 10 people to go on gambling tours on two occasions cumulatively?

PROF HORVATH: That was the advice that the board received.

5

MR BELL: Yes. And did you understand, in relation to the second aspect, that management of VIP international understood that it would be illegal to organise gambling tours if the person received a fee from the gambler but that it would be legal to organise gambling tours if the person received a fee from his or her employer based on the turnover from the gambling?

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PROF HORVATH: I don't remember that advice being given.

MR BELL: All right. If that were the case, would you agree that both of those are points that appear to involve fine distinctions?

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PROF HORVATH: That is correct, Mr Bell.

MR BELL: And do you agree that there was an element of risk in management of VIP international relying on those fine distinctions having regard to their view about the potential for arbitrary action by the Chinese authorities and their view that China was a place where the law could be enforced inconsistently.

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PROF HORVATH: In hindsight, I agree, particularly in a jurisdiction with grey letter law where arbitrary interpretation of such fine distinctions could occur.

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MR BELL: Yes. And do you agree that this emphasised the importance of the board of Crown Resorts being kept fully informed of all factors which escalated the risk to the safety of the staff in China?

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PROF HORVATH: I agree, Mr Bell.

MR BELL: And do you agree that it also emphasised the importance of the board of Crown Resorts challenging management about the risks being faced by the staff in China?

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PROF HORVATH: I agree, Mr Bell.

MR BELL: May I ask you to look at exhibit M30, M for Mike 30, CRL.505.001.0611. Sorry, I will repeat that again, CRL.545.001.0611.

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PROF HORVATH: Thank you. I have it, Mr Bell.

MR BELL: And do you see it's an email from Mr Chen to Mr Felstead, dated the 26th of March 2013. And if I could take you to the last substantive paragraph on that page. You see Mr Chen says:

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This is one thing that it's important to understand when it comes to the China team: they are living in constant fear of getting tapped on the shoulder. In a country where due processes inconsistently applied, it's a risky place to be for all our team.

5

Do you see that, Professor Horvath?

PROF HORVATH: I do, Mr Bell.

10 MR BELL: Mr Packer has given evidence to this inquiry that it's unacceptable for the staff of a public listed Australian company to expressing fears for their safety in performing the work that they've been hired to undertake; do you agree?

PROF HORVATH: Totally.

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MR BELL: Were you ever informed, at any time up to October 2016, that the staff in China were expressing fears as to their safety?

PROF HORVATH: No, I was not.

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MR BELL: As a long- serving member of the occupational health and safety committee of Crown Resorts, do you agree that this matter should have been drawn to the attention of that committee?

25 PROF HORVATH: I totally agree, Mr Bell. It's unacceptable.

MR BELL: And do you agree that the fact that the staff in China were expressing fears as to their safety was of sufficient moment that it ought, also, to have been drawn to the attention of the risk management committee and, indeed, the full board of Crown?

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PROF HORVATH: I agree, Mr Bell.

MR BELL: Do you see this this email was provided today Mr Felstead more than three years before the China arrests. At the time, he was the chief executive officer of Australian Resorts and was the executive with ultimate responsibility for the VIP international business, reporting to Mr Craigie. As I understand it, he remains in that position today. Do you still have confidence in Mr Felstead occupying a senior executive position at Crown Resorts?

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PROF HORVATH: This is a matter that is currently under review as, I think, the Commission has seen the minutes of a recent board meeting, that position is currently under review.

45 MR BELL: I understand that's the position of the board, but I'm asking you, as a long-standing member of the board and as chair of the occupational health and safety

committee, whether, in these circumstances, you personally still have confidence in Mr Felstead as a senior executive of Crown Resorts?

PROF HORVATH: I have to say no.

5

MR BELL: Has the occupational health and safety committee of Crown Resorts taken any steps to challenge management as to how and why the expression of fears for their safety by the staff in China was ignored by Crown Resorts management?

10 PROF HORVATH: Not as yet, because this is – this material, really, has only come to light very recently, in part, by the VCGLRs draft report, but more so by the material uncovered by this Inquiry. But there is no doubt that this is something that the committee will look at, because I agree with you, this is a situation that should not have occurred.

15

MR BELL: Were you aware at the time that, in February 2015, the Chinese authorities announced a crackdown on foreign casinos luring Chinese citizens to gamble overseas?

20 PROF HORVATH: No, I was not aware.

MR BELL: Such a crackdown would be an obvious escalation of the risk to the safety of the staff in China, would it not, especially having regard to management's view about the potential for arbitrary action by the Chinese authorities and their view that China was a place where the law could be enforced inconsistently?

25

PROF HORVATH: Yes. I agree with that.

MR BELL: And are you aware of any notification, at all, to the board of Crown Resorts, prior to the China arrests, that, in February 2015, the Chinese authorities had announced such a crackdown?

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PROF HORVATH: I don't recall such a discussion.

MR BELL: You did mention in your evidence a little earlier that there was a discussion in which you participated in relation to the arrest of a South Korean casino staff.

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PROF HORVATH: That is correct, Mr Bell.

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MR BELL: And can I ask you to tell the Commission as much as you can about the context of that discussion and the substance of that discussion?

PROF HORVATH: There was a number of directors and senior management in the Crown boardroom prior to a meeting and, to the best of my recollection, Mr Johnston mentioned the arrests of the Koreans. And the discussion that ensued was along the lines that they had been carrying currency across borders; that this was something

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our staff – Crown staff – did not engage in; and that the activities of our Crown employees were consistent with Chinese gaming law. That’s the best of my tone of recollection, Mr Bell.

5 MR BELL: And, Professor Horvath, was it Mr Michael Johnston who was conveying this information to those present?

PROF HORVATH: To the best of my recollection, yes.

10 MR BELL: And should I take it from what you’ve described that not all members of the board were present at the time of this discussion?

PROF HORVATH: No, they certainly weren’t. No.

15 MR BELL: And did Mr Johnston convey to you that the arrest of the South Korean operators was in the context of a wider crackdown by the Chinese authorities against foreign casinos luring Chinese citizens to gamble abroad?

PROF HORVATH: I don’t recollect that that was the context of the discussion.

20

MR BELL: And do you say that this discussion didn’t cause you to appreciate that there were staff of Crown Resorts in mainland China living and working there at the time?

25 PROF HORVATH: I did not make that connection at the time.

MR BELL: Were you aware that, in June 2015, in response to the arrests of the South Korean casino operators, Mr Robert Rankin, who was soon to become the new chairman of Crown Resorts, had said that Crown Resorts needed to be on high alert for the risk of similar regulatory action against Crown Resorts employees in China?

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PROF HORVATH: I only became aware of that fact during the course of this Inquiry and the evidence that has been given.

35 MR BELL: So, returning to February 2015, if I may take you back to that time when there was, in fact, an announcement by the Chinese authorities that they were cracking down on foreign casinos, are you aware that Mr Felstead, Mr O’Connor and Mr Ratnam have given evidence to this Inquiry that they were aware of that announcement at the time?

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PROF HORVATH: I was not aware of that fact.

MR BELL: If could you assume that that’s the evidence that they’ve given to this Inquiry, please?

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PROF HORVATH: Yes.

MR BELL: And are you aware that Mr Michael Johnston has given evidence to this inquiry that, in February or March 2015, he became aware of reports that the Chinese authorities were cracking down on foreign casinos luring Chinese citizens to gamble overseas?

5

PROF HORVATH: Yes.

MR BELL: Are you aware that the chairman of the risk management of Crown Resorts at the time, Mr Geoffrey Dixon, has made a statement that he was not aware, in the period up to October 2016, of any reports of an announcement to the effect that foreign casinos would be targeted as part of a Chinese government crackdown?

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PROF HORVATH: I'm not aware of the contents of his statement, Mr Bell.

MR BELL: If you – if you could make that assumption, please.

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PROF HORVATH: Yes. Thank you, yes.

MR BELL: Are you aware that a second member of the risk management committee at the time, Ms Danziger, has given evidence to this Inquiry that she was not aware of the crackdown in foreign casinos by the Chinese authorities?

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PROF HORVATH: Yes.

MR BELL: And - - -

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PROF HORVATH: Sorry. I take that as an assumption. Yes.

MR BELL: All right. And you say that you were not aware of that crackdown?

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PROF HORVATH: That is correct, Mr Bell.

MR BELL: Do you agree that the failure to ensure that the crackdown on foreign casinos announced by the Chinese authorities was drawn to the attention of the risk management committee of the board demonstrates a failure in the risk management processes of Crown Resorts at the time?

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PROF HORVATH: That was a failure. I acknowledge that, Mr Bell.

MR BELL: And do you agree that this information – I think you've agreed that this information should've been given to the full board at this time; is that correct?

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PROF HORVATH: Yes. It should've gone to the risk management committee, being appropriately evaluated and brought to the attention of the full board.

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MR BELL: Yes. And are you able to offer any comment or insight as to how this failure occurred?

PROF HORVATH: My supposition, in hindsight, was that senior executives responsible for that area chose not to elevate that information on the basis that they thought they could manage it within the realms of their own responsibility.

5 MR BELL: Are you referring again to Mr Felstead?

PROF HORVATH: Well, a range of executives were involved, but, ultimately, he was the most senior of the executives involved.

10 MR BELL: An outside observer might think that Crown Resorts had processes in place to deal with risk management issues, but that the management on the ground completely ignored those processes. Would that be a reasonable conclusion to draw, do you think?

15 PROF HORVATH: Whether they ignored them or misunderstood them or had an error of judgment, I would prefer to say a significant error of judgment. I don't think there was – I don't believe there was an active decision to ignore. I think it's a different motivation: ignoring versus an error of judgment.

20 MR BELL: As you've said, this wasn't one or two individuals, but the entire senior management of the VIP international unit. Does that suggest to you a flaw in the business culture of Crown Resorts in relation to engagement with risk management issues at the time?

25 PROF HORVATH: In hindsight, I'd have to agree with you.

MR BELL: Were you aware, in July 2019, that one of the allegations made in the media about the China arrests was that Crown Resorts instructed staff to falsely claim to the Chinese authorities that they were not working for Crown Resorts in
30 China, but were working in other locations?

PROF HORVATH: Sorry. Could you repeat the question, Mr Bell?

MR BELL: Yes. My question is about your awareness of the nature and extent of
35 the media allegations in relation to the China arrests in July 2019 and, specifically, my question was whether you were aware that one of the allegations made by the media was that Crown Resorts instructed staff to falsely claim to the Chinese authorities that they were not working for Crown Resorts in China, but were working in other locations?

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PROF HORVATH: There was so much media activity, Mr Bell, that I was – I'm – I can't accurately recall that that was one of the allegations that was front of mind.

MR BELL: All right. Can I read you an email. It's exhibit M139. M for Mike 139.
45 And that's CRL.545.001.0025.

PROF HORVATH: Thank you. I have it, Mr Bell.

MR BELL: So this is an email from Mr Michael Chen to VIP international offices dated 9 February 2015 and, Professor Horvath, you can take it that the recipients of the email to VIP international offices included all of the staff in China at the time. And do you see that about a third of the way down the page, Mr Chen says:

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Just as we departed our all-hands meetings a number of articles came out this past weekend regarding the Chinese government seeking to crack down on Chinese gambling abroad.

10 Do you see that?

PROF HORVATH: Yes, I do, Mr Bell.

MR BELL: And a little bit further down the page, he says he “shares with you what we are doing”, and at paragraph number 2 he says:

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We will be applying for Hong Kong/Singapore work permits for all of our China staff that does not currently hold a foreign passport. This is purely a precautionary measure that will allow you to say that you work out of an overseas location and are on business travel to China.

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Do you see that?

PROF HORVATH: Yes, Mr Bell.

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MR BELL: And do you agree that this proposal was inconsistent with Crown Resorts fundamental principle that all of its staff should act legally and ethically and in accordance with strict observance of the highest standards of integrity?

30 PROF HORVATH: I do, Mr Bell.

MR BELL: Can I ask you to assume that Mr Drew Stuart, who was the general manager, risk and assurance, Crown Melbourne from 2007 to 2018, has given evidence to this Inquiry that he would have taken that fundamental principle into account in identifying appropriate risk mitigation strategies for Crown Resorts - Crown Melbourne; please make that assumption.

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PROF HORVATH: Yes, Mr Bell.

40 MR BELL: Do you agree that this proposal by Mr Chen illustrates a problem with risk mitigation strategies being dealt with on the ground rather than through proper risk management processes, namely, that strategies developed on the ground may focus insufficiently on the company’s core business principles?

45 PROF HORVATH: Yes, I agree.

MR BELL: And another response of management of the VIP international unit to the crackdown on foreign casinos in February 2015 was to remove Crown Resorts logos from the tails of the private jets used to transport high rollers to Australia. Were you aware in 2015 that it was decided to remove the Crown Resorts logos from the private jets?

PROF HORVATH: I was not aware of that fact, Mr Bell.

MR BELL: Part of the response – I withdraw that. An outside observer might conclude that part of the response by management of the VIP international unit to the crackdown on foreign casinos seems to be to try and make the business activities in China less visible. Do you agree that this also illustrates a problem with risk management strategies being dealt with on the ground rather than through the proper risk management processes?

PROF HORVATH: I do, Mr Bell. I think that in hindsight, the risk management processes should have been separate from the business – the income generating part of the business, to properly be able to manage the risk and act accordingly. There was an inherent tension and conflict there.

MR BELL: And to ensure that the risk management processes were properly engaged, required there to be an appropriate risk culture in Crown Resorts, recognising the need for those processes to be engaged; do you accept that as a fair conclusion?

PROF HORVATH: In respect of the VIP activities, not in respect of the rest of the business where I believe that culture was very apparent and real.

MR BELL: Were you aware at any time up to the China arrests that two employees in China were questioned by the Chinese police in about July 2015?

PROF HORVATH: No, I was not.

MR BELL: Were you aware at any time up to the China arrests that one of those employees in Wuhan was questioned by the Chinese police about whether he was organising gambling tours and

PROF HORVATH: I've – I lost the last half of your question, Mr Bell.

MR BELL: Were you aware at any time up to the China arrests that one of those employees in Wuhan in China was questioned by the Chinese police about whether he was organising gambling tours and he falsely denied that allegation?

PROF HORVATH: No, I was not aware.

MR BELL: Were you aware at any time up to the China arrests that this employee had been required by the Chinese police to provide a letter from Crown Resorts

which Mr Chen had said in an email was to corroborate the employee's statement to the Chinese police?

PROF HORVATH: No, I was not aware of this.

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MR BELL: Were you aware at any time up to the China arrests that a Crown Resorts subsidiary did provide a letter to the Chinese police on behalf of the employee in Wuhan?

10 PROF HORVATH: No, Mr Bell, I was not aware of that fact.

MR BELL: Do you agree that if what I have put to you is correct, the questioning of a staff member in Wuhan, coming as it did only a matter of weeks after the arrest of the South Korean employees, was an obvious escalation of the risk to the safety of the staff in China?

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PROF HORVATH: Yes, I do agree, Mr Bell.

MR BELL: Are you aware that the evidence given to this Inquiry indicates that Mr Felstead knew of the questioning of the staff in Wuhan and the requirement for a letter from Crown Resorts, but informed only one member of the board, Mr Michael Johnston?

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PROF HORVATH: No, I was not aware of that evidence.

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MR BELL: If you could assume, please, that that's the evidence that has been given to this Inquiry.

PROF HORVATH: Yes, Mr Bell.

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MR BELL: Please also assume that Mr Michael Johnston did nothing about it. Can you make that assumption?

PROF HORVATH: Yes, Mr Bell.

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MR BELL: The evidence provided to this Inquiry indicates that Mr Felstead failed to report the matter to Mr Craigie, the managing director, to whom he directly reported at the time. Would you agree that the failure of Mr Felstead to report this matter to Mr Craigie in circumstances where he did report the matter to Mr Johnston, indicates that the proper lines of reporting for VIP international had somehow been compromised?

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PROF HORVATH: I – I agree with that, Mr Bell.

MR BELL: And do you agree that the failure of a senior executive and a member of the board of Crown Resorts to inform the rest of the board or any member of the risk

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management committee of the board demonstrates a failure in risk management processes of Crown Resorts at the time?

PROF HORVATH: I do agree, Mr Bell.

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MR BELL: And do you agree that the board as a whole needed to be aware of the questioning of the staff in Wuhan and the provision of a letter by Crown Resorts so that the board could consider whether the strategy in China remained within its risk appetite and, if so, whether any risk mitigation strategies were appropriate?

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PROF HORVATH: I agree with that, Mr Bell.

MR BELL: Mr Packer, Mr Alexander and Mr Craigie have all given evidence to this Inquiry that, if what I have stated is correct about the questioning of the staff member in Wuhan, and the provision of a letter from Crown Resorts, it suggests a corporate governance problem because, for whatever reason, material information which the board needed to know, was not shared by Mr Johnston with the full board of Crown Resorts. Do you agree with them?

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PROF HORVATH: Yes, there's an obvious breakdown in communication that information that should have got to the risk management committee and then the board to allow it to make those decisions didn't happen.

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MR BELL: Now, focusing on corporate governance, I'm asking if you agree with Mr Packer, Mr Alexander and Mr Craigie the fact that Mr Johnston didn't share this information with the rest of the board suggests a corporate governance problem. Do you agree with them about that?

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PROF HORVATH: I'm just trying to think whether – in what capacity Mr Johnston was made aware of it.

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COMMISSIONER: It's a very good question, Professor.

MR BELL: Whatever hat he was – he had chosen to wear at this time, do you agree with the executive chairman, Mr Packer, the executive deputy chairman, Mr Alexander, and the managing director, Mr Craigie, that the failure of Mr Johnston to share this information with the rest of the board in circumstances where they needed to know about it, suggests a corporate governance problem?

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PROF HORVATH: It's definitely a failure. Whether I would – it's a failure of process, Mr Bell. Whether it is a corporate governance problem, whether – there's no doubt Mr Felstead should've passed it up the line and it really comes down to in what capacity Mr Johnston was aware of that fact.

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COMMISSIONER: But to be fair to Mr Felstead, for a moment, Mr Felstead did pass it up the line to Mr Johnston. You understand that?

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PROF HORVATH: Yes.

COMMISSIONER: And there it met a full stop. So, in the light of that, you have it at board level. Assume for the moment that he's wearing the hat as a Crown
5 director. Mr Felstead gives the information to Mr Johnston, and nothing is done. So how do you characterise that failure to let you know, as his co-director, that this had happened?

10 PROF HORVATH: It's a structural failure.

COMMISSIONER: A structure in the board or a structure in the company, totally?

PROF HORVATH: Well, in both.

15 COMMISSIONER: Yes, I see. Thank you. Thank you, Professor.

MR BELL: Professor Horvath, if I could explore with you a little further, your evidence that it might matter what role Mr Johnston had at the time. You're aware that he was a CPH executive providing services to Crown Resorts; correct?
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PROF HORVATH: Correct.

MR BELL: And in his capacity as a CPH executive providing services to Crown Resorts, you would understand that he owed obligations to Crown Resorts in relation to those services?
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PROF HORVATH: Correct.

MR BELL: And he was also a director of Crown Resorts at the time; correct?
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PROF HORVATH: Correct.

MR BELL: And, in that capacity, he also owed duties to Crown Resorts as a director; correct?
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PROF HORVATH: Correct.

MR BELL: So why would it make any difference what hat he chose to wear? Whatever hat he was wearing, he had obligations to Crown Resorts, didn't he?
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PROF HORVATH: If I can clarify for a second, Mr Bell: whether – I wasn't – when I said what hat he was referring, I wasn't referring to either CPH or Crown. I assumed it was a Crown hat at all times. So, yes, he had an obligation.

45 MR BELL: And bearing in mind your acceptance that his obligation was to Crown Resorts, and your acceptance of the fact that the whole board needed to be aware of

this important information, does it not follow that Mr Packer, Mr Alexander and Mr Craigie are correct when they say it suggests a corporate governance problem?

5 PROF HORVATH: Yes, I agree with that.

MR BELL: Has the board of Crown Resorts conducted any review, itself, of the circumstances which led to this corporate governance problem?

10 PROF HORVATH: Not that I'm aware of.

MR BELL: And do you still have Michael – I withdraw that. Do you still have full confidence in Michael Johnston as a colleague of yours on the board of Crown Resorts in these circumstances?

15 PROF HORVATH: I do.

MR BELL: Could I ask you to look at exhibit Y13, CRL.525.001 – sorry. Before I do that, I think I really should explore that. Bearing in mind what's occurred, how is it that you still have full confidence in Mr Johnston?

20 PROF HORVATH: Well, Mr Johnston, over many years, has demonstrated an enormous commitment and ability as a director of the company and that particular incident was a clear failure of judgment on a single occasion.

25 MR BELL: And Mr Johnston has also given evidence that it's possible that, if he had informed the full board of Crown Resorts of this serious matter, it may have led to the full board taking mitigation strategies, including removing the staff from China, which could have resulted in the China arrests not occurring. So would you agree that this failure of judgment had, potentially, very serious consequences?

30 PROF HORVATH: I do, Mr Bell. It did have serious consequences.

MR BELL: Can we look at exhibit Y13; that's CRL.525.001.0001. Do you see this is the services agreement between Crown Resorts and Consolidated Press Holdings?

35 PROF HORVATH: Yes, Mr Bell.

MR BELL: I'll refer to Consolidated Press Holdings as CPH; do you follow?

40 PROF HORVATH: Yes.

MR BELL: And I take it you've been aware, since July 2016, that this agreement has been in place?

45 PROF HORVATH: I am aware, yes, Mr Bell.

MR BELL: And did you understand that the purpose of this agreement was to provide for Crown Resorts to pay CPH for services provided by certain CPH executives to Crown Resorts?

5 PROF HORVATH: That is correct, Mr Bell.

MR BELL: And if I could ask you to look at the schedule of CPH executives who can provide services under this contract, page .0024. You were aware at the time of the agreement that Mr Johnston and Mr Jalland were executives who were providing
10 services under this agreement?

PROF HORVATH: That is correct.

MR BELL: And if I could ask you to look at clause 11.1, which is at page .0015,
15 were you aware at the time of the agreement that, if a CPH executive perceived an actual or potential conflict of interest in providing services to Crown Resorts, there was a mechanism for it to be resolved?

PROF HORVATH: Yes. I was aware of it at the time.
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MR BELL: Yes. And if you look at clause 14.4, starting on page .0017 - .0018, you were aware at the time of the agreement, were you, that it made provision for confidential information of Crown Resorts to be provided to CPH and the CPH executives so that the executives could provide the services to Crown Resorts?
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PROF HORVATH: That is correct.

MR BELL: And you understand that information about the services agreement and the amounts paid under it have been disclosed in the annual reports of Crown Resorts
30 since 2017?

PROF HORVATH: I am aware of that, Mr Bell.

MR BELL: If I could ask you to look at exhibit Y6, confidential link
35 CRL.506.006.5500. You see that these of minutes of a meeting of the directors of Crown Resorts on the 31st of October 2018, which you attended?

PROF HORVATH: Yes, Mr Bell.

MR BELL: And if you could look at page .5580, you see that, at this meeting, you
40 joined in a resolution with your colleagues to approve the controlling shareholder protocol?

PROF HORVATH: That is correct, Mr Bell.
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MR BELL: And did you understand, at the time, that a purpose of the controlling shareholder protocol was to permit Crown Resorts to provide its confidential

information to Mr Packer despite the fact that he was no longer on the board of Crown Resorts or CPH?

PROF HORVATH: That is correct, Mr Bell.

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MR BELL: And if I could ask you to look at the protocol itself, at exhibit Y5, confidential link CRL.509.014.8430 and, in particular, if you could look at clause 2.10, Professor Horvath, at page .8433.

10 PROF HORVATH: Yes, I have it. Sorry, what's that – I've got the page, Mr Bell. What paragraph are we looking at?

MR BELL: 2.10.

15 PROF HORVATH: Thank you, yes.

MR BELL: You were aware at the time that under this agreement there were a number of people who were authorised to share confidential information under the protocol, including the directors and officers and key management personnel?

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PROF HORVATH: Yes, Mr Bell.

MR BELL: And you were aware, I take it, that after this controlling shareholder protocol was entered into on 31 October 2018 the information was provided on a regular basis by board members and senior management of Crown Resorts to Mr Packer?

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PROF HORVATH: I was not aware of – I was aware of the potential but not the content until some of the evidence at this Inquiry.

30

MR BELL: I see. Are you aware that Mr Michael Johnston has given evidence to this Inquiry that in the second half of May 2019 at a time when the company of which he was the director was negotiating the sale of 19.99 per cent of the shares in Crown Resorts to Melco Resorts, Mr Johnston was reviewing confidential financial forecasts as part of the budget process in his capacity as a CPH executive providing services under the services agreement?

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PROF HORVATH: I'm aware of that through the conduct of this Inquiry.

40 MR BELL: Yes. And are you aware that Mr Johnston has given evidence to this Inquiry that he provided comments on Crown Resorts financial forecasts knowing that those forecasts had been specifically requested by Mr Packer from Mr Barton?

PROF HORVATH: Again, through the conduct of this Inquiry.

45

MR BELL: Yes. And are you aware that Mr Johnston has given evidence to this Inquiry that the financial forecasts provided to him by Mr Barton were relevant to

financial information which he subsequently provided to Melco Resorts prior to the sale?

5 PROF HORVATH: Again, through the content – through the conduct of this Inquiry, Mr Bell.

MR BELL: And are you aware that Mr Johnston has given evidence to this Inquiry that at the time he failed to declare CPHs interest in the financial forecasts or to notify Crown Resorts that the company of which he was a director was negotiating a sale of Crown Resorts shares to Melco Resorts?

PROF HORVATH: Again, through the conduct of this Inquiry.

15 MR BELL: Does it concern you as a director of Crown Resorts that Mr Johnston failed to notify a conflict of interest in these circumstances when he says he was providing services to Crown Resorts as a CPH executive under the services agreement?

20 PROF HORVATH: Yes, it does concern me.

MR BELL: Does it concern you that there appears to be a conflict between Mr Johnston providing services to Crown Resorts as a CPH executive under the services agreement in circumstances where he's also sitting on the board of Crown Resorts?

25 PROF HORVATH: It didn't concern me up until the issues you've just outlined. I didn't recognise a conflict, particularly as the services were of significant value to Crown and all its shareholders. I now have some concerns following the issues we have now been discussing.

30 MR BELL: Yes. Well, what it meant was, wasn't it, that Mr Johnston was providing services to the company as an executive and then, as a member of the board, he was responsible for reviewing the services which he, himself, had provided. Do you see that that could give rise to an issue of conflict?

35 PROF HORVATH: No, I don't believe that's a conflict because the – to the best of my understanding of the operations of the service agreement, the Crown executives were the ones who initiated and requested the services and thereby controlled that element of the relationship.

40 MR BELL: But ultimately you would agree, wouldn't you, that it was a matter for the board of Crown Resorts to review the adequacy of those services?

PROF HORVATH: Yes, and I believe that was a regular occurrence.

45 MR BELL: Yes. And as a member of the board, necessarily Mr Johnston had to review the services which he had been providing as an executive under the agreement, do you - - -

PROF HORVATH: Any discussions around those issues, the CPH directors absented themselves from the discussion.

MR BELL: So - - -

5

PROF HORVATH: To manage that conflict.

MR BELL: Well, if I could return to the specific issues in relation to what Mr Johnston was doing in the second half of May 2019 in reviewing financial forecasts of Crown Resorts at a time when he was - the company of which he was a director was negotiating a sale of Crown Resorts shares, has the board of Crown Resorts taken any action in relation to the controlling shareholder protocol and how it has operated in practice, in light of the evidence which has been given to this Inquiry?

15 PROF HORVATH: To the best of my knowledge - because we haven't had a formal meeting during the conduct of the Inquiry, however, to the best of my knowledge, the chairman has instructed Mr Barton to cease any flow of information as per the shareholders' protocol, that it is effectively suspended.

20 MR BELL: I see. Can I ask you to look at exhibit AB44, INQ.010.003.0124.

PROF HORVATH: Thank you, I have it, Mr Bell.

MR BELL: Do you see that it's the Crown Resorts securities trading policy dated 11 December 2018. I take it that you are familiar with this policy?

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PROF HORVATH: I am.

MR BELL: And I'm sure you agree that it's an important policy designed to ensure that Crown Resorts and its directors and officers operate within both the letter and spirit of the law in relation to securities trading?

30

PROF HORVATH: Absolutely.

MR BELL: And do you agree that it's important that there's clarity as to when directors and officers of Crown Resorts can trade in shares in Crown Resorts?

35

PROF HORVATH: Yes, and we are regularly kept abreast of those obligations by Ms Manos.

40

MR BELL: Yes. Do you see that in paragraph 2 at page .0126, it states that:

The policy regulates dealing in Crown securities by Crown directors and employees.

45

PROF HORVATH: Correct.

MR BELL: And it goes on to say that:

The policy extends to dealing in Crown securities by any persons or entities which are close associates of Crown's directors and employees.

5

Do you see that?

PROF HORVATH: Yes, Mr Bell.

10 MR BELL: And closer associates are defined to include a company which is managed by a Crown director; do you see that?

PROF HORVATH: I've just lost that. Where - - -

15 MR BELL: It's 2(b)(i).

PROF HORVATH: Yes. Thank you, yes.

MR BELL: Or 2(b)(ii):

20

A company which is directly or indirectly controlled by a Crown director.

Do you see that?

25 PROF HORVATH: Yes.

MR BELL: And if you look at clause 4.1 at page .0127, do you see that it prohibits Crown directors and their close associates from trading in Crown securities whilst in possession of inside information.

30

PROF HORVATH: That is correct, yes.

MR BELL: And do you see that on this page a little further above that:

35

Inside information is defined to mean information which is not generally available, and if it were generally available a reasonable person would expect to have a material effect on the price or the value of the particular financial products in question.

40

PROF HORVATH: Yes, I see that, Mr Bell.

MR BELL: Are you aware that Mr Barton, the chief executive officer of Crown Resorts, has given evidence to this Inquiry that the financial plan which he provided to Mr Johnston in the second half of May 2019 had price sensitive information which was

45

PROF HORVATH: I've just lost the second half of your question, Mr Bell.

MR BELL: My question was whether you're aware that Mr Barton has given evidence to this Inquiry that the financial plan which he provided to Mr Johnston in the second half of May 2019 contained price-sensitive information which was not publicly available?

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PROF HORVATH: I was not aware of the granularity of that, that it was price-sensitive. The only issue I was aware of that he did provide that information. I don't know – I'm not aware whether it was price-sensitive or not. I'm not aware of that testimony.

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MR BELL: I know. Could you make this assumption, please, that, at transcript page 2888, line 7.

COMMISSIONER: Could you just go a little more slowly.

15

MR BELL: Me?

COMMISSIONER: Yes, you.

20

MR BELL: My apologies.

COMMISSIONER: That's all right.

MR BELL: Could I make the assumption, please, that Mr Barton has given evidence to this Inquiry that the financial plan which he provided to Crown Resorts in the second half of May 2019 contained price-sensitive information which was not generally available. Can you make that assumption?

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PROF HORVATH: Yes, Mr Bell.

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MR BELL: And can you also assume, however, that Mr Johnston has given evidence to this Inquiry denying that the financial plan which Mr Barton has provided to him in the second half of May 2019 contained price-sensitive information. Can you also make that assumption?

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PROF HORVATH: Yes, Mr Bell.

MR BELL: So, in these circumstances, where there's this divergence of opinion about whether information is or is not sensitive, do you have any concerns about how the securities trading policy of Crown Resorts is operating in practice?

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PROF HORVATH: This – you're asking me to opine on a technical, almost legal, question. If it is price-sensitive information, it shouldn't be shared. If it's not, then, it's a part of the budget process. I can't answer your question, because I don't have the technical skills to adjudicate on that.

45

MR BELL: And, with respect, I'm not asking you to. I'm really asking you to assume that when you have Mr Barton contending that it's price-sensitive information, Mr Johnston contending that it's not, do you, as a director, have a concern about how this policy is operating in practice?

5

PROF HORVATH: Okay. I – look, I – I do have a concern, and that is why I think there needs to be clarity and why – and, in answer to your question earlier, the protocol has, to my understanding, been suspended, and will be a matter for the board to discuss.

10

MR BELL: And has the board of Crown Resorts taken any action to review its securities trading policy in light of the evidence that has been given to this Inquiry?

PROF HORVATH: We haven't had a meeting since the Inquiry, other than, I think, the last one was September 18, so, no, we haven't.

15

MR BELL: I see. Can I ask you to look at exhibit AA240.

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COMMISSIONER: Do you mean the 18th of September 2020? Or do you mean - - -

PROF HORVATH: That is correct.

25

COMMISSIONER: Yes. Thank you. Yes. Thank you.

PROF HORVATH: That is correct, Commissioner.

COMMISSIONER: Yes. Thank you.

30

MR BELL: So, Professor Horvath, could I ask you to look at your statement to this Inquiry dated March 2020, which is exhibit AA240.

35

PROF HORVATH: Is this my first statement – is this my first statement or second statement?

MR BELL: It's your first statement. It's CRL.581.001.0030.

PROF HORVATH: I have that, Mr Bell.

40

MR BELL: And if I could ask you to look at paragraph 5, you give evidence there about the conversation that you had with Mr Johnston on the evening of the 30th of May 2019 when he informed you about the Melco transaction; do you see that?

45

PROF HORVATH: I do, Mr Bell.

MR BELL: And, according to you, you said that you were surprised to hear of this. Why were you surprised to hear of this?

PROF HORVATH: Well, I was surprised because Mr Packer had put such emotional investment in the Barangaroo project and looking forward to its completion and contributing to it. I was surprised that he would sell down any of his equity.

5

MR BELL: And can I ask you - - -

COMMISSIONER: Just pardon me. Did you not – you knew that there was a previous proposal by Wynn, didn't you?

10

PROF HORVATH: Yes.

COMMISSIONER: What did you understand that proposal to be?

15 PROF HORVATH: A failed excursion. There'd been a number of bids over the years, and proposals, and I was, at the time of the Wynn proposal, I didn't have any knowledge of whether it was supported by Mr Packer or not supported by Mr Packer.

20 COMMISSIONER: But so far as – assuming for the moment that it may have been supported by Mr Packer, it was a proposal that would have seen him have less involvement in Barangaroo. Would you agree or not?

PROF HORVATH: Yes, Commissioner.

25 COMMISSIONER: Yes. And so I'm just exploring with you where you said that you were surprised – or the reason that you said you were surprised, a couple of months later, because, previously, he had really done the same thing, as you might have seen it.

30 PROF HORVATH: Yes.

COMMISSIONER: So was there some other reason for the surprise?

35 PROF HORVATH: No, there – not that I can recall, Commissioner.

COMMISSIONER: All right then. Yes, Mr Bell.

40 MR BELL: Could we look at exhibit AA152, which is confidential link HCM.502.001.0149.

PROF HORVATH: Thank you, Mr Bell.

45 MR BELL: You see this is your email the following morning, 31st of May, just before 10 am, Mr Harold Mitchell, and you said:

We have a lot to decide, information flow, etcetera.

I was wondering when you meant by that?

5 PROF HORVATH: What I meant by that, at the time, was that, clearly, with a 20 per cent reduction in Mr Packer's holding, there would be there would be a review of the number of board positions that CPH would be entitled to. And I was referring, then, to the controlling shareholders agreement, as to the information flow and the services agreement.

10 MR BELL: And whether those agreements should continue; is that what I should understand?

PROF HORVATH: That's what – that is correct, Mr Bell.

15 MR BELL: And can I ask you to look at exhibit AA158, confidential link CRL.500.009.0008. Do you see this is an email from Ms Manos to Mr Alexander, of the same day, the 31st of May 2019 and, in the first bullet, point Ms Manos informed Mr Alexander that the independent directors wanted to meet separately from CPH to understand potential ramifications. Had you raised any concerns or issues with Ms Manos?

20 PROF HORVATH: Whether I – I'm trying to recall, Mr Bell. It's – whether I had a conversation with – whether I was one of the directors that had a conversation with her or not, I – I can't recall. I may have.

25 MR BELL: All right. And did you, in fact, meet with the other independent directors separately from the CPH nominees to discuss this issue?

30 PROF HORVATH: From the best of my recollection, there was an in-camera session at the end of another – of a board meeting that followed reasonably – CPH nominees spoke to us about the sale and I don't believe that the independent directors then had a meeting separate from them at that stage.

35 MR BELL: Should we take it there had been no meeting of the independent directors prior to that in-camera session of the board?

PROF HORVATH: Not that I can recall.

40 COMMISSIONER: So were you raising concerns about it as a group of independent directors?

PROF HORVATH: Yes – well, there were issues around – assuming that the – Commissioner, that the 20 per cent completion would occur, there was discussion about future representation by CPH. There was discussions, as I mentioned to Mr Bell, about the services agreement and there were certainly discussions as to whether Melco would want a board representation and how that would operate into the future.

COMMISSIONER: Was there any discussion about Stanley Ho?

PROF HORVATH: Not that I can recall.

COMMISSIONER: Did you have any concerns about Stanley Ho's involvement with Melco?

5

PROF HORVATH: Well, absolutely, because of the deed.

COMMISSIONER: Yes.

10 PROF HORVATH: But I was not aware, Commissioner, during those discussions of the corporate structure of Melco.

COMMISSIONER: Do you mean in July 2019, or June 2019?

15 PROF HORVATH: At the time of the – yes, that is correct.

COMMISSIONER: I see. Yes, Mr Bell.

20 MR BELL: Do you agree that it's important that directors are truthful and accurate in the information that they provide to shareholders?

PROF HORVATH: Yes, Mr Bell.

25 MR BELL: You attended the Crown Resorts annual shareholders meeting on 23 October 2019?

PROF HORVATH: I did, Mr Bell.

30 MR BELL: And if I could ask you to look at the transcript of that meeting which is exhibit AA218.

PROF HORVATH: Thank you, Mr Bell.

35 MR BELL: Yes, it's INQ.010.006.0312. If I could ask you to look at page 8 of the transcript, at the bottom of page 8 which is the page ending in .0319.

PROF HORVATH: Yes, I've got that.

40 MR BELL: Do you see there was a shareholder question. I will read it out. He says:

45 *Okay, now, what's the protocol? I mean, I'm suggesting that you're not communicating very well with your shareholders. What's the protocol with how we're communicating with Mr Packer? He just a shareholder. He's a big one, but he's just a shareholder. So what is – this is one for the independent directors. So is he getting access to company documents? Is he getting selectively briefed? Can he ring up and ask for a briefing on the scandal? So*

does he – does he get special treatment? Does he get access to information or is he treated like me and he is looking at the ASX announcements for Crown's response to front page to front page of allegations.

- 5 Then if you turn over, Professor Horvath, to the next page, .0320, do you see that Mr Ken Barton answered. He says:

10 *Perhaps, chairman, if I could raise - thanks for the question. I think if I could answer your question, the context of Crown's relationship with CPH is probably slightly broader than the question you asked. You will be aware from our accounts and disclosures for an extended period of time we have had an arrangement with CPH where they provide a range of services to Crown, valuable services around our management and around our strategy. In order for them to fulfil those services we provide information to CPH, so information*
15 *is provided to them to enable them to prepare those services and that has been disclosed for many years now in the accounts, both the existence of those arrangements as well as the amounts that have been paid under those arrangements.*

- 20 So returning to the shareholder's question on page 8, he was asking a question specifically about communications with Mr Packer, wasn't he?

PROF HORVATH: That is correct, Mr Bell.

- 25 MR BELL: And he said it was a question for the independent directors, didn't he?

PROF HORVATH: That is correct, Mr Bell.

- 30 MR BELL: And he was asking whether Mr Packer was getting selectively briefed, special treatment and so on; whether in effect he was being treated differently to the other shareholders, wasn't he?

PROF HORVATH: That is correct, Mr Bell.

- 35 MR BELL: And Mr Barton answered by referring to information provided to CPH to enable it to provide the services under the services agreement, didn't he?

PROF HORVATH: That is correct.

- 40 MR BELL: So putting this as neutrally as possible, it must have been clear to you that Mr Barton hadn't answered the question which had been asked?

PROF HORVATH: Looking at the material during this Inquiry, that is correct. The answer was an incomplete answer.

45

MR BELL: Well, he referred only to the services agreement, which as you knew or understood didn't permit access to Mr Packer because he was no longer a director of CPH or Crown; correct?

5 PROF HORVATH: That is correct.

MR BELL: The only mechanism, as you understood it, which allowed Mr Packer personally to receive information was under the controlling shareholder protocol; correct?

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PROF HORVATH: That is correct.

MR BELL: So it would be more accurate, would it not, to describe it as a non-answer, would it not?

15

PROF HORVATH: I accept that, Mr Bell.

MR BELL: Why didn't you make a statement at this point correcting what Mr Barton had said?

20

PROF HORVATH: I have no recollection of that interchange between Mr Mayne and Mr Barton at that meeting.

MR BELL: But it's not a matter of recollection. You were there at the time that these words were being said.

25

PROF HORVATH: I can't answer why I or another independent director didn't answer.

30 MR BELL: Do you accept that either you or one of the other independent directors should have said something to answer the question accurately?

PROF HORVATH: In hindsight, that would have been the correct response.

35 MR BELL: Now, Mr Packer has said in evidence to this Inquiry that he thought the board in the future would be more independent than it was in the past. Do you have any thoughts as to how the board can achieve more independence moving forward?

40 PROF HORVATH: I do, Mr Bell. I think that there needs to be board renewal. This has been on the – on the forefront of the chairman's mind, that it needs some refreshing. The question of the number of CPH directors is clearly a matter of some discussion. And some new and outside directors will need to slowly replace some of the existing directors. I think it's healthy for the organisation.

45 MR BELL: Yes.

PROF HORVATH: And the chairman has already indicated that he wishes to progress along those lines.

5 MR BELL: Are you aware that the constitution of the Star Entertainment Group Limited contains provisions which restrict the maximum shareholding of any shareholder to 10 per cent without the written consent of the New South Wales regulator?

10 PROF HORVATH: Not in detail but I'm vaguely aware of it, yes.

MR BELL: Yes. Leaving to one side the issue of whether such a restriction could be in the constitution or not, have you had cause to reflect upon the wisdom of maximum shareholding limits for shareholders of Crown Resorts?

15 PROF HORVATH: No, to this – to this date I have not.

MR BELL: Do you agree that greater board independence would be likely to follow from limits on the shareholding of any one shareholder?

20 PROF HORVATH: Not necessarily, as long as there was sufficient independence with diverse backgrounds to balance non-independent non-executive directors. I don't think that's a necessary conclusion.

25 MR BELL: When you learnt of the Melco transaction, one matter that crossed your mind was that it might reduce the number of CPH nominees on the board of Crown Resorts; correct?

PROF HORVATH: Yes, Mr Bell.

30 MR BELL: So if there were limits on the shareholding of any one shareholder, that would be likely to impact on the number of nominees that any one shareholder could have on the board; would it not?

35 PROF HORVATH: Yes. Yes, Mr Bell.

MR BELL: Are you familiar with the regulation of responsible entities for managed investment schemes under the Corporations Act?

40 PROF HORVATH: No, I'm not.

MR BELL: In general terms – in very board terms – under those provisions, the responsible entity has to have a compliance plan to ensure compliance with the relevant provisions of the Act. The entity has to have a compliance committee to monitor compliance with the plan. It has to engage an auditor to audit the compliance plan. Can you see any advantage in that kind of regime being put in place for casinos in this State to ensure compliance with the Casino Control Act?

45

PROF HORVATH: That's a complicated proposition you put to me. If I can simplify it, it's a partnership that the casino industry – if I can sort of broaden it from Crown, Mr Bell – needs to have with the regulator. There needs to be confidence of the regulator in the conduct of the casino and, perversely or reversely, the casino operator who invests large sums of money, needs to have some confidence that there might be arbitrary controls. Therefore, we need to work together to establish the type of structure you are describing. From my previous life, health moved dramatically from the late sixties, where there was a level of lack of control of the medical profession with some serious misgivings and some could call scandals, to a situation today where the industry has – is regulated in a mutually respectful way, and we don't see horrible stories and scandals. I apologise if I've strayed from your question.

MR BELL: Not at all. Not at all. I have no further questions, Commissioner.

COMMISSIONER: When you – Professor Horvath, when you told me about the Melco transaction being notified to you, and you said to Mr Johnston that you were surprised, and the subsequent discussion took place at board level, do you recall Ms Manos raising the topic of Mr Stanley Ho or Dr Stanley Ho?

PROF HORVATH: Commissioner, I have a vague recollection, but I really – to give you an honest answer, I can't say "yes".

COMMISSIONER: Yes, I see.

PROF HORVATH: Yes. I – I honestly can't say my recollection hasn't been contaminated by the evidence brought up at the Inquiry.

COMMISSIONER: Yes. I understand that point. Well, Professor, we're going to have a break now. If you'd be kind enough to come back in the morning, Ms Sharp will ask you some questions. If you'd be kind enough to come back a little before 10 – about 10 to 10 – so that we can ensure that the technology is happily in place. Anything further, before I rise, from any person? Well, thank you, Professor Horvath. I'll now adjourn until 10 tomorrow morning.

PROF HORVATH: Thank you, Commissioner.

<THE WITNESS WITHDREW

**MATTER ADJOURNED at 4.45 pm UNTIL
WEDNESDAY, 14 OCTOBER 2020**

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