



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**

**THURSDAY, 1 OCTOBER 2020
AT 9.58 AM**

Continued from 30.9.20

DAY 35

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)*

MS N. SHARP SC appears with MR A. BELL SC as counsel assisting the Inquiry

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

5 **MR A. D'ARVILLE appears with MR T. O'BRIEN for CPH Crown Holdings Pty Ltd and Mr Jalland**

MR J. STOLJAR SC appears with MS Z. HILLMAN for Melco Resorts & Entertainment Limited

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COMMISSIONER: Yes. Thank you. Yes, Mr Bell. Mr Poynton, would you prefer to give your evidence by oath or by affirmation?

MR POYNTON: By affirmation, please, Commissioner.

15

<JOHN HARTLEY POYNTON, AFFIRMED

[9.58 am]

20

<EXAMINATION BY MR BELL

COMMISSIONER: Yes, thank you, Mr Poynton. Yes, Mr Bell.

25

MR BELL: Mr Poynton, could I ask you to state your full name please.

MR POYNTON: John Hartley Poynton.

30

MR BELL: Your business address is known to those assisting this Inquiry. Can I ask you to state your occupation?

MR POYNTON: I'm an investment banker.

35

MR BELL: You've been a non-executive director of Crown Resorts since 20 November 2018; is that right?

MR POYNTON: Correct, yes.

40

MR BELL: And you have also been a non-executive director of Burswood Limited since September 2004?

MR POYNTON: Correct.

45

MR BELL: And you've been a chair of Burswood Limited since January 2020; is that correct?

MR POYNTON: Correct.

MR BELL: Burswood Limited operates the Crown Perth casino; is that correct?

5 MR POYNTON: Correct.

MR BELL: And you understand that as a director of Crown Resorts, you owe duties of care and diligence to Crown Resorts?

10 MR POYNTON: I beg your pardon, sorry; I'm having a little bit of trouble hearing you.

MR BELL: I'm sorry. You understand that as a director of Crown Resorts you owe duties of care and diligence to Crown Resorts?

15

MR POYNTON: Yes, I understand that.

MR BELL: And you understand as a director of Crown Resorts that you owe a duty to exercise your powers to discharge your duties in good faith in the best interests of Crown Resorts?

20

MR POYNTON: Yes, I understand that.

MR BELL: Were you appointed to the board of Crown Resorts as a nominee of Consolidated Press Holdings Proprietary Limited?

25

MR POYNTON: Yes, I was.

MR BELL: I'll refer to that company as CPH, do you follow?

30

MR POYNTON: I do.

MR BELL: And in the period since November 2018, have you been a director of CPH?

35

MR POYNTON: No.

MR BELL: Have you been a director of any subsidiary of CPH since November 2018?

40

MR POYNTON: No, I haven't.

MR BELL: Have you been an officer or employee of CPH or any subsidiary since November 2018?

45

MR POYNTON: No, I haven't.

MR BELL: And have been approved by the Independent Liquor and Gaming Authority of this state as a close associate of the licensee of the Barangaroo restricted gaming facility?

5 MR POYNTON: I'm not sure what you mean by "close associate".

COMMISSIONER: That is a very good question, Mr Poynton.

10 MR BELL: Do you understand that you have received some approval from the Independent Liquor and Gaming Authority of this state to act in your capacity as a director of Crown Resorts?

15 MR POYNTON: Yes, I approved – I received approval from the three relevant authorities in Western Australia, Victoria and in New South Wales through the period of March 2018 and November 2018. I'm not sure of the capacity in which that approval was given as it relates to New South Wales. I was only aware it was approval to act as a director.

20 MR BELL: Now, could I ask you to look at exhibit WA255 which is INQ.010.006.0346. Mr Poynton, are you aware this is the current Crown Resorts code of conduct which came into force in July this year?

MR POYNTON: Yes. Yes, I am.

25 MR BELL: And if I could ask you to look at clause 1.1, please, on page .0349, you see that - - -

MR POYNTON: Clause 1.1.

30 MR BELL: Yes. You see the second sentence of clause 1.1 states:

It is imperative that our services are carried out lawfully, ethically, honestly and responsibly and with the highest standards of integrity and professionalism.

35

Do you see that?

MR POYNTON: I do.

40 MR BELL: And you understand that this principle has been enshrined in Crown Resorts corporate governance documents for a long time?

MR POYNTON: Yes.

45 MR BELL: And do you agree that it's a standard which applies to everyone at Crown Resorts in all jurisdictions in which it is carrying on business activities?

MR POYNTON: I do.

MR BELL: Could I take you now to the current ASX Corporate Governance Principles and Recommendations which are the fourth edition, dated February 2019
5 at exhibit P22, which is INQ.100.001.0408.

MR POYNTON: Yes.

MR BELL: If you look at the commentary on recognising and managing risk at
10 page .0436.

MR POYNTON: I have that.

MR BELL: Do you see that under the heading Commentary in the left-hand it states
15 that:

Recognising and managing risk is a crucial part of the role of the board and management.

20 I take it that you agree with that principle.

MR POYNTON: I do.

MR BELL: And do you see in the right-hand column at the top of the page, it refers
25 to the role of a risk committee in a listed company. The fourth bullet point states that:

*One role of the risk committee is to receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures
30 that management has put in place to deal with those risks.*

I take it that you recognise the importance of that role of the risk management committee of Crown Resorts in all aspects of its business operations?

35 MR POYNTON: I do.

MR BELL: And if you look at the next page, .0437, under the heading Commentary in the left-hand column you see that the principles state:

*One of the key roles of the board of a listed entity is to monitor the adequacy of the entity's risk management framework and satisfy itself that the entity is
40 operating with due regard to the risk appetite set by the board.*

I take it you recognise the importance of that principle in Crown Resorts in all
45 aspects of its business operations.

MR POYNTON: Yes, I do.

MR BELL: Do you agree it follows from that principle that it is the role of the board of Crown Resorts to set the risk appetite of the company?

MR POYNTON: Yes, I do.

5

MR BELL: Now, I take it, as a director of the company operating the casino in Perth since 2004, you've come to be aware of the major casino operators in the world?

10 MR POYNTON: Not specifically, generally.

MR BELL: Yes. And does that include the major casino operators in Macau?

MR POYNTON: Not specifically, generally.

15

MR BELL: All right. Did you have any involvement in the joint venture between Crown Resorts and Melco International Development Limited to conduct casinos in the Asia-Pacific region?

20 MR POYNTON: No, none.

MR BELL: You were aware, were you, up to May 2019, that the joint venture company was the company that's now called Melco Resorts and Entertainment?

25 MR POYNTON: Yes.

MR BELL: And you were aware by May 2019 that Melco Resorts operated casinos in Macau and the Philippines?

30 MR POYNTON: Yes.

MR BELL: Did you become aware in the course of your experience up to May 2019 that Crown Resorts sold out of the joint venture with Melco International by May 2017 or thereabouts?

35

MR POYNTON: I became aware of it but, yes, not – no specific knowledge about it other than what I would have read in the press.

40 MR BELL: Yes. Were you aware that after Crown Resorts sold out of the joint venture, that Melco Resorts became a subsidiary of Melco International?

MR POYNTON: No.

45 MR BELL: You would have assumed that to be the case, though, wouldn't you, once Crown Resorts sold out of the joint venture?

MR POYNTON: I – I, yes, I would have assumed that.

MR BELL: Yes. Now, did you become aware in the course of your experience up to May 2019 that Melco Resorts and Melco International were companies associated with Mr Lawrence Ho?

5 MR POYNTON: Yes.

MR BELL: And were you aware in that period that Mr Lawrence Ho was the son of Dr Stanley Ho?

10 MR POYNTON: Yes.

MR BELL: And I take it in the course of your experience up to May 2019 you had heard of Dr Stanley Ho?

15 MR POYNTON: Yes.

MR BELL: And you were aware, I take it, that Dr Stanley Ho was a somewhat notorious figure in the casino industry?

20 MR POYNTON: Notorious is your adjective; I was aware that he was a high-profile participant in the gaming casino industry.

MR BELL: Well, were you aware that it had been alleged that he was associated with triad gangs in Macau?

25

MR POYNTON: Not specifically.

MR BELL: Were you aware that he had been refused permission to conduct casino operations in various jurisdictions around the world?

30

MR POYNTON: I was generally aware of that.

MR BELL: Yes. Were you aware in the period up to May 2019 that Dr Stanley Ho, or entities associated with him, had an interest in Melco International and Melco Resorts?

35

MR POYNTON: No, I wasn't.

MR BELL: At any time up to May 2019, did you ever look at an annual report of Melco International?

40

MR POYNTON: No, not at any stage.

MR BELL: Before you accepted the appointment as a non-executive director of Crown Resorts in November 2018 did you do extensive due diligence on Crown Resorts?

45

MR POYNTON: I did due diligence. Again, “extensive” is a relative term.

MR BELL: Is it a term that you would use?

5 MR POYNTON: I beg your pardon?

MR BELL: Is “extensive due diligence” a fair way of describing - - -

10 MR POYNTON: I did sufficient due diligence to satisfy myself that I would accept the role as a director.

MR BELL: Did you attend the annual general meeting of Crown Resorts in 2019?

15 MR POYNTON: Yes, I did.

MR BELL: Do you agree that it’s important for directors to be accurate and truthful at annual general meetings in the information they convey to shareholders?

20 MR POYNTON: Yes, I do.

MR BELL: Could I ask you to look at the minutes of the annual general meetings at exhibit AA218. I withdraw that. I said they were minutes, it’s, in fact, a transcript of that meeting. Do you see there what’s described as a Thompson Reuters edited transcript of the annual general meeting on the 25th of October 2019?

25 MR POYNTON: Yes.

MR BELL: And for the record that document is INQ.010.006.0312. Could I ask you to turn to page 15, which is the page ending in .0326. Do you see that, about two-thirds of the way down the page, you were asked a question by a shareholder about how you satisfied yourself concerning the media response or the board’s response to the media allegations in July 2019?

35 MR POYNTON: When you say two-thirds - - -

MR BELL: Well, do you see that - - -

MR POYNTON: Right. Well, as I’m sure you would imagine – okay.

40 MR BELL: Yes. So do you see there you told the shareholders that before you joined the board:

I did extensive due diligence.

45 Do you stand by what you told the shareholders at the annual general meeting?

MR POYNTON: Yes. Yes.

MR BELL: Now, the reason, no doubt, why you did do extensive due diligence, among other things, was so – because you perceived that it was necessary for you to understand the regulatory agreements that had been entered into by Crown Resorts with various regulators around Australia?

5

MR POYNTON: Yes.

MR BELL: And that included regulatory agreements entered into by Crown Resorts with the Independent Liquor and Gaming Authority of New South Wales?

10

MR POYNTON: I don't recall studying the regulatory agreement, specifically. I may have.

MR BELL: Well, you would have perceived that one of the reasons why you were doing extensive due diligence was to make sure that, in general terms, at least, you had a general understanding of Crown Resorts regulatory agreements with the government of New South Wales and its instrumentalities?

15

MR POYNTON: Yes.

20

MR BELL: And did you become aware, in the course of your due diligence, that one of the regulatory agreements which Crown Resorts had with the Independent Liquor and Gaming Authority of New South Wales was the VIP Gaming Management Agreement?

25

MR POYNTON: Not specifically.

MR BELL: All right. But you did appreciate, did you, that there were various important regulatory agreements.

30

MR POYNTON: Yes, I did, in a general sense. Yes.

MR BELL: Yes. Now, could I ask you to look at the VIP gaming and management agreement, which is exhibit Z12. So that's INQ.080.0120.1298, confidential link.

35

Could I ask you to turn to page 43, page ending in .1340. Do you see that clause 2.4 is headed Prevention of Associations with Stanley Ho?

MR POYNTON: Yes.

40

MR BELL: And do you see that clause 2.4(b) provides, among other things, that Crown Resorts is required to ensure, to the extent to which it's within its power to do so, that it prevents Stanley Ho or a Stanley Ho associate from acquiring any direct, indirect or beneficial interest in Crown Resorts?

45

MR POYNTON: Yes.

MR BELL: And if I could ask you to look at schedule 2, page .1347.

MR POYNTON: Sorry.

MR BELL: Do you see that it lists - - -

5 MR POYNTON: Page?

MR BELL: Yes. Sorry, .1347.

10 COMMISSIONER: Page 50.

MR BELL: Yes.

MR POYNTON: Right.

15 MR BELL: Do you see that it lists entities and individuals deemed associates of Stanley Ho?

MR POYNTON: Yes.

20 MR BELL: That includes, on the first page, a company called Great Respect Limited?

MR POYNTON: Great Respect Limited. Yes.

25 MR BELL: And if you turn to page .1349, page 52 of the document, you see that it includes a number of people who are members of the Ho family?

MR POYNTON: Yes.

30 MR BELL: And were you aware that Maisy, Daisy and Pansy Ho were sisters of Lawrence Ho?

MR POYNTON: Yes.

35 MR BELL: Now, these provisions, would you agree, are unusual, in requiring Crown Resorts to prevent a named individual or his associates from having any interest in Crown Resorts?

40 MR POYNTON: Associates of Stanley Ho?

MR BELL: Yes. What I'm asking you, in general terms, is whether clause 2.4(b) that I showed you and this list of entities is unusual in the sense that it's unusual for Crown Resorts to be prevented from having a particular individual or named associates from having any interest in Crown Resorts?

45

MR POYNTON: Unusual, in the sense that it wasn't commonplace. Yes.

MR BELL: Yes. And now, whether or not you read the VIP agreement as part of your due diligence, you did become aware, I take it, that the New South Wales Government had sensitivities about Stanley Ho or his associates taking any interest in casinos in New South Wales?

5

MR POYNTON: Yes.

MR BELL: And did you become aware that there were regulatory agreements in New South Wales which, in general terms, contained provisions intended to prevent entities associated with Stanley Ho taking an interest in Crown Resorts?

10

MR POYNTON: I don't specifically recall becoming aware of the – the details, but – yes.

MR BELL: Yes. Now, could I ask you to look at exhibit Y6, confidential link CRL.506.006.5500.

15

MR POYNTON: Yes.

MR BELL: Now, do you see this is a minutes of a meeting of the board of Crown Resorts Limited on the 31st of October 2018, which you attended by invitation?

20

MR POYNTON: Correct.

MR BELL: And I assume, as an invitee, you received the board papers for that meeting prior to the meeting?

25

MR POYNTON: I don't specifically recall, but I assume I did.

MR BELL: Yes. And can I take you to one of the board papers for that meeting. It's exhibit AB35, confidential link CPH.001.658.2699. Sorry. Keep it hearing room only. It's confidential link CPH.001.0658.2699. Do you see this is the board paper for that meeting concerning the controlling shareholder protocol?

30

COMMISSIONER: Can you take us to a particular page.

35

MR BELL: Perhaps I should take you to the second page, .2990.

COMMISSIONER: Yes.

40

MR POYNTON: 2190?

COMMISSIONER: I'm not quite sure whether that's the correct document on the screen. Take that down, thank you.

45

MR BELL: It's now the correct document on the screen.

COMMISSIONER: I see, yes.

MR BELL: You see, Mr Poynton that it's the board paper for the meeting on 31 October concerning the controlling shareholder protocol?

5

MR POYNTON: If that's up on the laptop, could someone enlarge it, please?

MR BELL: Yes.

10 COMMISSIONER: Do you have a hard copy there, Mr Poynton?

MR POYNTON: Yes.

COMMISSIONER: Yes.

15

MR BELL: Now, it's likely that you read this board paper prior to the meeting, is it?

MR POYNTON: Yes, if I received it, I would have read it.

20

MR BELL: Yes. And could I ask you to – well, you're on, I hope, page 2990. You understood, when you probably reviewed this protocol, that it was intended to regulate the sharing of information with CPH and Mr James Packer? I'm referring your attention to the first sentence of the memorandum at page .2990?

25

MR POYNTON: Yes.

MR BELL: And the draft protocol begins at page .2993, and if I could ask you to look at clause 1.2, page .2994.

30

MR POYNTON: Yes.

MR BELL: You see it says:

35

The purpose of the protocol is to establish a general guide for the sharing of information by the board of directors and management of the company with CPH and the ultimate owner of CPH, James Packer.

MR POYNTON: Yes.

40

MR BELL: Did you understand at the time that the reason why the protocol was necessary was because Mr Packer had gone off the boards of both Crown Resorts and CPH and was no longer entitled to receive information under the services agreement which was then in force?

45

MR POYNTON: Yes.

MR BELL: Now, may I ask you to look at clause 2.10 on page .2996.

MR POYNTON: Yes.

5 MR BELL: I take it that you were aware at the time that the protocol authorised certain representatives of Crown Resorts to provide confidential information to Mr Packer?

MR POYNTON: Subsequent to reading it, yes.

10

MR BELL: Yes. And that having read it, you absorbed, no doubt, that those representatives included directors and officers and key management personnel?

MR POYNTON: Yes.

15

MR BELL: Now, you were aware that the controlling shareholder protocol was ultimately entered into between CPH and Crown Resorts?

MR POYNTON: Yes.

20

MR BELL: And I take it that you were aware that after this controlling shareholder protocol was entered into, in October 2018, that information was provided on a regular basis by management to Mr Packer?

25 MR POYNTON: Yes.

MR BELL: Now, could I ask you to look at exhibit AA94, confidential link CRL.506.006.5552. Do you see that it details minutes of the meeting of the board of Crown Resorts on 19 February 2019, which you attended?

30

MR POYNTON: Yes.

MR BELL: And if I could ask you to look at page .5555.

35 MR POYNTON: Yes.

MR BELL: Do you see that the CEO report was taken as read?

MR POYNTON: Yes.

40

MR BELL: And if I could ask you to look at that CEO report at exhibit AA89, which is confidential link CRL.501.040.8377.

MR POYNTON: Yes.

45

MR BELL: Now, could I ask you to turn, in that document, to page .8411, and you will see that the CEO report at this page referred to two agreements with the New

South Wales regulator, the VIP management agreement and the Crown Group consents and approvals deed?

MR POYNTON: Yes.

5

MR BELL: And the report identified that under both agreements there were a series of undertakings required to be given to the New South Wales regulator in relation to its interest in Melco Resorts and Entertainment?

10 MR POYNTON: Yes.

MR BELL: And so you were being reminded in February 2019 of regulatory agreements with the New South Wales regulator requiring undertakings in relation to dealings between Crown Resorts and Melco Resorts?

15

MR POYNTON: Yes.

MR BELL: And you understood that the reason for the New South Wales regulator's sensitivity stemmed from its concern to ensure that Dr Stanley Ho didn't obtain a foothold in casinos in New South Wales?

20

MR POYNTON: Yes.

MR BELL: Now, you understood that in late April – I withdraw that. Can I ask you to look at exhibit AA245, confidential link CRL.581.001.0056.

25

MR POYNTON: Yes.

MR BELL: Now, this is a statement that you've provided to this Inquiry dated 6 March 2020.

30

MR POYNTON: Yes.

MR BELL: Now, if I could ask you to look at paragraph 8, please, at page .0057, you say there that on the morning of 30 May, at approximately 9.30 am Perth time you had a conversation with Mr James Packer, in which he told you that he agreed to make a sale of Crown Resorts' shares to Lawrence Ho; is that correct?

35

MR POYNTON: Yes.

40

MR BELL: He told you that the sale would be 19 per cent of the shares in Melco Resorts over two tranches at a price of \$13 a share?

MR POYNTON: Yes.

45

MR BELL: And I take it that you were told or understood that the sale was to Melco Resorts?

MR POYNTON: Well, I think he said Lawrence Ho. I'm not sure if he actually said Melco Resorts.

5 MR BELL: But if he said Lawrence Ho, you would have assumed it to mean Melco Resorts, I take it?

MR POYNTON: I don't recall what my assumption was at the time.

10 MR BELL: All right. Now, he told you that the sale would be announced later that morning, according to your statement; is that right?

MR POYNTON: Yes.

15 MR BELL: Did he tell you anything else?

MR POYNTON: Not that I recall.

20 MR BELL: You understood that contracts had not been signed or exchanged at the time of your conversation with Mr Packer?

MR POYNTON: I didn't understand the status of the documentation. He said he'd agreed to sell.

25 MR BELL: Yes. But is it the case that you had no understanding, one way or the other, about whether the contracts had yet been exchanged?

MR POYNTON: That is correct.

30 MR BELL: And you know now that, in fact, contracts were exchanged at about 6 pm Sydney time that day, do you?

MR POYNTON: Yes.

35 MR BELL: So you say in your statement that you didn't inform any other director or employee of Crown Resorts about your conversation or you received an email from Mr Johnston that night containing an announcement about the share sale; do you see that?

40 MR POYNTON: Yes. Yes.

MR BELL: At the time of your conversation with Mr Packer, you didn't owe any duties as a director to CPH or any CPH company, did you?

45 MR POYNTON: No.

MR BELL: However, you did owe directors duties to Crown Resorts; correct?

MR POYNTON: Yes.

MR BELL: According to your description of your conversation with Mr Packer, he didn't ask you to keep the sale to Mr Ho a secret, did he?

5

MR POYNTON: Not that I recall.

MR BELL: No. And you knew that there were regulatory agreements with the New South Wales regulator intended to prevent Lawrence Ho's father from having any interest in Crown Resorts, you've told us; correct?

10

MR POYNTON: Yes.

MR BELL: So did it occur to you at the time that the information which Mr Packer had given you might have an effect on Crown Resorts' obligations under its regulatory agreements?

15

MR POYNTON: The association between Stanley Ho and Lawrence Ho was that of father and son, as I understood it. I was not aware of any other financial fiduciary association with them at all.

20

COMMISSIONER: Just listen to the question again, if you'd be kind enough, Mr Poynton. Yes. Mr Bell, if you could ask it again.

MR BELL: Yes. The question I asked you, Mr Poynton, was whether it occurred to you at the time that this sale to Mr Ho might have an impact on Crown Resorts' obligations under its regulatory agreements in New South Wales.

25

MR POYNTON: Not specifically.

30

MR BELL: What do you mean by "not specifically"?

MR POYNTON: Well, because it was a purported – it was a sale that Mr Packer was telling me he'd agreed. I wasn't aware of the status of the negotiations, the ultimate acquirer entity or, indeed, any association between that entity and Mr Ho. Mr Packer was telling me, as a representative, in a sense, on the board of Crown of CPH, and I had no insight into who else he was going to tell or when. So I did not believe, at that point, that it would have specific ramifications to the agreements regarding Mr Stanley Ho.

35

40

MR BELL: Well, you've twice now used the word "specific", and I'm trying to explore the thought processes that you went through at this time. Did it occur to you, or did it not occur to you, that this sale to Lawrence Ho might have an impact on Crown's regulatory agreements in New South Wales?

45

MR POYNTON: No.

MR BELL: So it didn't occur to you, did it, that Crown Resorts might need the opportunity to consider whether this sale did have an impact on its regulatory agreements in New South Wales?

5 MR POYNTON: Not at the time. Subsequently.

MR BELL: Yes. So looking back on it now, do you agree, as a director of Crown Resorts, it would have been a good idea to inform your colleagues on the board of Crown Resorts about this transaction when you were informed about it by Mr
10 Packer?

MR POYNTON: No.

MR BELL: Why do you say that?
15

MR POYNTON: I didn't believe it was my responsibility to talk about a matter that Mr Packer was advising me about, because I'd assumed that he was going to tell other people in a timely manner. And, as I said, I had no insight into the understanding the agreement, the status of the documentation or anything. So, as far
20 as I was concerned, it was an agreement, but I had no insight as to whether it was a delivered agreement or not or, indeed, whether the chair of the company was going to take up the matters to which you're referring with Mr Packer.

MR BELL: No, but you knew that Mr Packer didn't owe directors' duties to Crown Resorts at the time; correct?
25

MR POYNTON: Yes.

MR BELL: And you didn't owe directors duties to CPH at the time, did you?
30

MR POYNTON: No.

MR BELL: You only owed directors duties to Crown Resorts in relation to this transaction; correct?
35

MR POYNTON: Correct.

MR BELL: So I'm asking you whether, looking back on it now, you would accept that it would have been a good idea to inform your colleagues on the board about this transaction which Mr Packer informed you about, given your directors duties.
40

MR POYNTON: Mr – no, what I'm trying to say is that I had a verbal conversation with Mr Packer, where he indicated he'd entered into an agreement. I had no status as to the – the nature of that agreement as it related to signed documents. And, in my
45 view, it was an incomplete transaction in the sense that I didn't think that it was my responsibility, given that he had two other executives on the board of CPH, to be the one to go about informing other directors.

MR BELL: Wasn't it the fact that it was an incomplete transaction which should have led to you considering whether this transaction might have an impact on Crown Resorts under its regulatory agreements, given the relationship between Lawrence Ho and Stanley Ho?

5

MR POYNTON: Well, as I said, I'm not aware of any – any specific relationship with Mr Ho – or the two Mr Hos – that would have given rise to there being a specific concern, and I'm still not sure about that. As I said, I took a view that there were other people involved with CPH who had a much more close, direct link with Mr Packer, who, I would have thought, would have been the ones charged with informing the rest of the board, because they would know more about the transaction than I did.

10

MR BELL: Did you say in your answer that you're still not sure whether there was any relevant connection between Stanley Ho and Lawrence Ho?

15

MR POYNTON: Well, what I'm trying to say is that there's been assertions about the connections between the two Mr Hos. I'm not sure – and I'm still not sure – about whether the associations led to Mr Stanley Ho having a beneficial interest in the companies in question. I'm not sure that's actually been established.

20

COMMISSIONER: I presume, Mr Poynton, that's not something that you have ever researched yourself; is that right?

MR POYNTON: No, it's not. It's not. It's anecdotal.

25

COMMISSIONER: But you have never looked into it from the point of view of - - -

MR POYNTON: Other than briefings I would have received over time, you know, and my – my research, in the sense, as a citizen as distinct from a director of Crown, I understand the concerns and I understand the sensitivities. But, as I said, I'm not aware of there being a specific link between the two. And I have a recollection that Mr Lawrence Ho was at pains to point out that he didn't have the links – fiduciary links and beneficial ownership links – with his father.

30

35

MR BELL: Is that something that he was at pains to point out to you personally, was it?

MR POYNTON: I beg your pardon? Sorry.

40

MR BELL: Sorry, was that something that Mr Lawrence Ho was at pains to point out to you personally?

MR POYNTON: I have never spoken to Mr Stanley Ho, nor Mr Lawrence Ho.

45

MR BELL: So how do you understand that he was at pains to point that out?

MR POYNTON: Well, from what I read.

MR BELL: Well, can I ask you to read, now, with me, the 2016 annual report of Melco International Development Limited, which is exhibit Y22, INQ.020.001.2353.
5 Do you see this is the annual report, 2016 for Melco International Development Limited, Mr Poynton?

MR POYNTON: Yes.

10 MR BELL: And did you understand, by May 2019, that Melco International Development Limited was listed on the Hong Kong Stock Exchange?

MR POYNTON: Yes.

15 MR BELL: So if I could ask you to turn to page 94 of the report, which is page .2448, you see it lists the large shareholders in Melco International at the time?

MR POYNTON: Yes.

20 MR BELL: And do you see that Great Respect Limited is recorded as owning 19.85 per cent of the issues shared in Melco International at the time?

MR POYNTON: Yes.

25 MR BELL: And if you look at the note – you see that it refers to note 4 next to that?

MR POYNTON: Yes.

MR BELL: If you look at note 4 on the right-hand side of the page, you see that it
30 says:

Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr Lawrence Ho and his immediate family members including his father, Dr Stanley Ho.

35

MR POYNTON: Right.

MR BELL: So this was publicly available information in 2016, would you agree?

40 MR POYNTON: Yes.

MR BELL: And it's important for a listed company to ensure that the information it provides in its annual report is truthful and accurate - - -

45 MR POYNTON: Yes.

MR BELL: So you would be satisfied, I take it, that this is satisfactory evidence, for your purposes at least, that there was an association between Dr Stanley Ho and Melco International?

5 MR POYNTON: Yes.

MR BELL: But you say, do you, that you were not aware of that in May 2019 - - -

10 MR POYNTON: No, I wasn't.

MR BELL: - - - when Mr Packer told you about the sale to Lawrence Ho?

MR POYNTON: Correct.

15 MR BELL: And you say, do you, that you still don't accept that there was any obligation on you to convey that information to anyone at Crown Resorts at the time you were informed of it?

20 MR POYNTON: No.

COMMISSIONER: Did you have an open line and discussion with your directors at the time or was it more to do with just around the board meeting times?

25 MR POYNTON: Just around the board meeting times.

COMMISSIONER: And so it wouldn't be the case that if events occurred, you would be ringing one of your co-directors to discuss the prospect in the usual course, I understand from what you have just said; is that right?

30 MR POYNTON: That's correct.

COMMISSIONER: And I presume this was rather stunning evidence, wasn't it, or stunning news?

35 MR POYNTON: Yes, although given that there had been a negotiation with another casino operator in the United States earlier, I suppose whilst it was news it was not completely unexpected.

40 COMMISSIONER: And I presume because of the other one falling over that's why you congratulated Mr Packer?

MR POYNTON: Yes, well, my understanding was, as evidenced by his attempts to sell the stake before, that he was still of a mind to reduce his ownership in the Crown Resorts business.

45 COMMISSIONER: So do I assume at the time, Mr Poynton, that the communications between board members being limited in the way that you have said

around board meetings, unless you had some close friendly association with one of your colleagues, it wouldn't be usual for you to contact them on the telephone and say, "Guess what?" etcetera; is that right?

5 MR POYNTON: That's correct. And I haven't been on the board that long. I didn't have a personal association with any of the other non-exec directors and, indeed, I have spent some time with Mr Alexander because he was the chair of Crown Perth but that was my primary relationship.

10 COMMISSIONER: Did you speak to him?

MR POYNTON: No, not – not immediately. I think I attempted to call him – I'm trying to recall – I think I attempted to call him and if I recall, he was – he was actually in transit on an aircraft. That's my recollection.

15

COMMISSIONER: So that was after Mr Packer called you?

MR POYNTON: Yes.

20 COMMISSIONER: Yes, Mr Bell. Did Mr Alexander call you back?

MR POYNTON: No, not that I recall.

COMMISSIONER: I see. Yes.

25

MR BELL: Mr Poynton, can I turn to another topic. Could I ask you to look at exhibit CN8, confidential link CRL.501.025.6932.

30 COMMISSIONER: Can I just pause there; I'm sorry, Mr Bell. Mr Poynton, when you were being examined by Mr Bell, you did say, as I apprehend what you said to me, that you didn't immediately speak to the other board members about this. Do you remember saying that?

MR POYNTON: Yes.

35

COMMISSIONER: So do I presume that you did, in close proximity to the time, be it a day or whatever it was, speak to the board members about this?

40 MR POYNTON: No, I didn't. As I said, my recollection is that I attempted to call Mr Alexander. I was unable to do so, didn't leave a message that I recall. So I didn't speak to him. I waited for there to be more general information sharing which occurred later in the day.

45 COMMISSIONER: Thank you. Yes, I'm sorry, Mr Bell.

MR BELL: So Mr Poynton, could you look at exhibit CN8, please. You see this is the ASX media announcement which you and your colleagues on the board of Crown Resorts authorised for publication on 31 July 2019?

5 MR POYNTON: Yes.

MR BELL: So prior to that announcement, were you aware that up to October 2016, that Crown Resorts and its subsidiaries had no business licence or other permission from the Chinese government to conduct any business activities in
10 China?

MR POYNTON: Sorry, at the time that this advertisement went in or prior to that?

MR BELL: At that time.
15

MR POYNTON: I was not aware of the specifics around a business licence, no.

MR BELL: All right. Prior to that announcement, were you aware that up to October 2016, 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 resort facility?
20

MR POYNTON: I became subsequently aware of that.

25 MR BELL: When you say subsequently, you mean subsequent to the ASX media release on 30 July 2019?

MR POYNTON: Well, you said back in 2016; I wasn't aware of it then. At the time of the advertisement going in, I would have been aware of that.
30

MR BELL: Right. Thank you. And were you aware, prior to the announcement in July 2019, that in the period up to October 2016 the Chinese business law advice obtained by Crown Resorts was interpreted to mean that the staff in China would be complying with the business laws of China if they conducted business activities there without a licence as long as they didn't establish an office?
35

MR POYNTON: As I was not on the board of Crown Resorts in 2016, my reliance on information around the operations in China had much more to do with the internal report and discussions with management at that board meeting as to what the actual understandings or licence arrangements were in China, not dating back to 2016.
40

MR BELL: All right. I'm not disputing that for a moment, Mr Poynton, but I'm just wondering if it follows from that, that you were not aware, prior to that announcement, that in the period up to October 2016, the Chinese business law advice obtained by Crown Resorts was interpreted to mean that the staff in China would be complying with the business laws of China if they conducted business activities there without a licence as long as they did not establish an office?
45

MR POYNTON: My understanding is, at the time the advertisement was put in, that it was Crown's belief that the company complied with regulations and laws in China for its operations.

5 MR BELL: Yes, but I'm just wondering if I could get an answer to my question, please. Do I understand from what you have said that prior to the announcement in July 2019, you were not aware that in the period up to October 2016, Chinese business law advice obtained by Crown Resorts was interpreted to mean the staff in China would be complying with the business laws of China - - -

10 MR POYNTON: I understand the question, yes, I understand. I was not aware.

MR BELL: All right. Great. Could I ask you to look at exhibit CN5, confidential link CRL.506.007.8870. This was the board paper on the media allegations which you considered prior to publishing the board's response, is that right?

15

MR POYNTON: Yes.

MR BELL: If I could ask you to look at page .8882.

20

MR POYNTON: Yes.

MR BELL: You were informed in the board paper that Crown Resorts made a conscious decision not to open offices in mainland China; do you see that?

25

MR POYNTON: Yes.

MR BELL: And you were informed in the next bullet point that Crown was aware that other casino operators did have dedicated offices in China; do you see that?

30

MR POYNTON: Yes.

MR BELL: So you understood, prior to the board's response, that Crown Resorts had been operating in a different manner to other casino operators who had dedicated offices in China?

35

MR POYNTON: Yes.

MR BELL: Now, were you informed, at the time of the board's response on 31 July of 2019, that in the period from August 2015 to October 2016, Crown Resorts was conducting an office in Guangzhou without any signage, which was leased in the name of two employees who were then reimbursed for the rental?

40

MR POYNTON: I wasn't aware of that.

45

MR BELL: And were you informed, prior to the announcement on 31 July 2019, that this Guangzhou office contained computers, customer information and gifts, and was used to process visa applications for VIP gamblers from all over China?

5 MR POYNTON: No.

MR BELL: And were you informed prior to the announcement that there had been a previous unofficial office used in Guangzhou without any signage from at least 2012 to August 2015?

10

MR POYNTON: No.

MR BELL: And were you informed 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 in 2012 as being “subject to random checks by authorities and posing many risks”?

15

MR POYNTON: No.

20 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 that had not been authorised by him?

25 MR POYNTON: No.

MR BELL: Well, do you agree that, if this conduct by Crown Resorts management occurred in the way in which I have described it to you, it was contrary to a core principle of Crown Resorts that all of its business affairs be conducted ethically and with strict observance and the highest standards of integrity?

30

MR POYNTON: Yes.

MR BELL: Can I tell you that it's clear from emails in June 2012 that this unofficial office in Guangzhou which was used at the time, was known to at least Mr O'Connor, Mr Theiler, Mr Mackay and Mr Chen, who were senior executives of the VIP international business, as well as two internal Crown Melbourne lawyers, Jan Williamson and Debra Tegoni. And emails indicate that all of these people were informed about the operation of the Guangzhou office and the risks that it posed.

40

MR YOUNG: Commissioner, I raised this the other day. I do object. There is a matter that is not fairly characterised by that question.

COMMISSIONER: That's all right. We can go to the email.

45

MR BELL: All right.

MR YOUNG: Yes.

COMMISSIONER: That's probably safer. Thank you, Mr Bell.

5 MR BELL: Can I take you, Mr Poynton, to exhibit R26. That's confidential link CRL.632.001.0043. And if I could ask you to start at the bottom of the second page, .0044. There's an email from Mr Stefan Albouy to Michael Chen. Do you see that email, Mr Poynton?

10 MR POYNTON: Yes.

MR BELL: And do you see that he says:

The current –

15 "GGHZ" refers to Guangzhou. He says:

The current Guangzhou office is not legally registered and the environment unsuitable for our team. We are based in a semi-residential building that are subject to random checks by authorities, and poses many risks.

20

See that?

MR POYNTON: Yes.

25

MR BELL: That email is then forwarded, it would appear, to Mr Jason O'Connor. Do you see that he replies to Mr Albouy?

MR POYNTON: Yes.

30

MR BELL: He copies in Michael Chen, Roland Theiler and William Mackay, who were executives with responsibilities for VIP international business at the time. Do you see that? I'm looking at the middle of page .0044, just looking at the email recipients.

35

MR POYNTON: Yes.

MR BELL: And if you turn to the first page, .0043, you see, in the bottom half of the page, Mr Albouy, on the 20th of June 2012, sends an email to Jan Williamson, senior legal counsel of Crown Melbourne, copying in Mr Michael Chen, Mr Jason O'Connor, Mr William Mackay and Mr Roland Theiler saying:

40

Pending the plan below, we have, of course, faced some recent issues surrounding our activities in China and want to know if it's advisable we proceed with the Guangzhou office. In a way, this move somewhat legitimises our operations, but we will await your urgent advice before proceeding.

45

Do you see that?

MR POYNTON: Yes.

5 MR BELL: Then, that email was forwarded by Ms Williamson to Debra Tegoni, executive general manager, legal and regulatory services, Crown Melbourne Limited; do you see that.

MR POYNTON: Yes.

10

MR BELL: The evidence is that the outcome of all of this was that the staff in Guangzhou remained in the office which Mr Albouy had described as not legally registered in a semi-residential building, subject to random checks by the authorities and posing many risks till August 2015.

15

MR YOUNG: I object to that. I object to that question.

COMMISSIONER: Yes. Yes, Mr Young.

20 MR YOUNG: That's not a fair characterisation of the evidence. The request for approval to proceed was rejected, is the evidence. But unbeknownst to a lot of people copied in, an unofficial office did continue to exist in Guangzhou; that's the evidence.

25 MR BELL: I'm happy with that – for it to be qualified in that way. I'm really just trying to, Mr Poynton, draw to your attention, if I may, that it would appear that a number of people in Crown Melbourne and Crown Resorts were aware of the way in which the staff in Guangzhou were operating in June 2012. Do you see that?

30 MR POYNTON: Yes.

MR BELL: And my question is whether this suggests to you that there were ethical flaws in the culture of Crown Resorts at the time, given that this wasn't a matter of one rogue employee, but Mr O'Connor has also given evidence that it wasn't a secret at the time. Does this suggest some ethical failing at the time, to you?

35

MR POYNTON: Well, given that I wasn't on the board and given that none of these issues came to my attention, essentially, until the discussion in July 2019, you're asking for my opinion about something about which I knew nothing, and I don't know all the circumstances. So I think I, respectfully, decline to speculate on something like that.

40

MR BELL: All right. Well, I won't take it any further. Thank you. Can I ask you to look at CN5 again, CRL.506.007.8870.

45

COMMISSIONER: Mr Poynton, I assume that any company of which you are a director would ensure that it complied with the law in foreign jurisdictions if it was operating therein; is that right?

5 MR POYNTON: Correct.

COMMISSIONER: And if it be the case that your management were reported as having flouted the law or, at least, had continued on in the face of directions not to continue, you would, in fact, make sure that you did something about that to make it
10 comply?

MR POYNTON: So I think there's two parts to that, Commissioner. One would be whether, as a director or, indeed, if I were management in the business, I actually knew about that; and what advice I might take to confirm that there was a flouting,
15 as you put it, of the law. And so, in those two circumstances, one, I did actually know about the behaviour and, two, I had independent corroboration that it was, in fact, flouting the law, of course, as a director or management, I would do something about it.

20 COMMISSIONER: And assume that you were aware of it, it wouldn't take the necessary time – I withdraw that. Assume that you were aware of it, you would be acting very promptly to ensure that they complied, would you not?

MR POYNTON: Yes, and I think there's a further part about the systems that enabled information of the type that we're discussing to, in fact, flow further up into
25 the organisation, so there's a systems and a procedures and a risk management issue to discuss as well, which is structural.

COMMISSIONER: Yes. Yes, Mr Bell.
30

MR BELL: Could I ask you to look at CN5 again, please, Mr Poynton. CRL.506.007.8870, and if I could ask you to turn to page .8881.

MR POYNTON: Yes.
35

MR BELL: You see in the second last bullet point at the bottom of the page in relation to the legality of the activities in China, it states that:

40 *Legal and risk advices were obtained by management regarding its activities in China.*

MR POYNTON: Yes.

MR BELL: And if I could ask you to turn forward to exhibit CN8, which is the
45 board's published response, CRL.501.025.6932, you see that in relation to the detentions in China, you wrote:

5 *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. It's an illustration of the challenges involved in
participating*

Do you see that?

10 MR POYNTON: Yes.

MR BELL: So would you agree that the implication of what you have written is that
Crown Resorts relied upon the legal advice that it obtained at the time?

15 MR POYNTON: Yes.

MR BELL: And did you ask to see any of the advices which you were told had been
obtained by management so that you could check them for yourself?

20 MR POYNTON: No, I didn't. I was actually in the United States in a somewhat
different time zone. So to that extent I was relying on management and my fellow
directors.

25 MR BELL: All right. Were you informed, prior to authorising the announcement in
July 2019, that none of the members of the board of Crown Resorts in the period up
to October 2016 had ever read any of these legal advices?

MR POYNTON: No, I wasn't informed of that.

30 MR BELL: Were you informed, prior to authorising the announcement, that after
the Crown Resorts staff were arrested in China in October 2016 that the internal
lawyers of Crown Resorts realised that they didn't have a significant number of the
legal government relations advices which had been provided to VIP international
executives?

35 MR POYNTON: No, I wasn't.

MR BELL: And that after the arrests, the internal lawyers had to request copies of
all of the advices to find out what advice had been given. I take it you weren't
informed of that?

40 MR POYNTON: No.

45 MR BELL: And could I ask you to look at exhibit M154, M for Mike, 154. It's
CRL.545.001.0128. Do you see there's an email from Mr Chen at the bottom of
page .0128; it goes over to page .0129 to the lawyer in China, Ken Zhou, in which
Mr Chen says:

The climate –

sorry, this is 24 February 2015 –

5 *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 and whether we should be pulling staff out.*

10 I take it that you weren't informed prior to approving the announcement on 31 July that the VIP international unit had sought advice in these terms from the Beijing lawyers?

MR POYNTON: No, I wasn't informed.

15

MR BELL: If you could look back at the first page, 0128, you see that the lawyers' response is:

20 *I agree that it seems prudent to limit travels of senior executives to mainland China at this point. Given that the regulatory environment is being tightened up, 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.*

25 I take it that you weren't informed prior to approving the announcement that the VIP international business unit had obtained advice in these terms from the lawyers in Beijing?

MR POYNTON: No, I wasn't informed.

30

MR BELL: And you are aware, I take it, that Crown Resorts didn't ever take any of its China-based staff out of China to work in neighbouring jurisdictions prior to the arrests?

35 MR POYNTON: I'm not aware of specifically what Crown did at the time. It was well before my involvement on the board. So I'm not aware at all specifically of what happened with particular employees.

MR BELL: So is this the first time you have seen these emails?

40

MR POYNTON: Certainly, some of these emails, yes; in fact, probably all of them.

MR BELL: Yes. Were you informed prior to authorising the announcement that Crown Resorts management had not sought confirmation from Crown Resorts
45 internal lawyers about the soundness of the opinions that were being expressed by the external lawyers in Beijing?

MR POYNTON: No.

MR BELL: And were you informed prior to authorising the announcement 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 had been provided?

MR POYNTON: No.

MR BELL: Were you informed prior to authorising the announcement that Crown Resorts management were relying upon VIP international executives who were not lawyers to interpret the legal advice about Chinese criminal law?

MR POYNTON: No.

MR BELL: Were you informed prior to authorising the announcement that Crown Resorts management didn't ever seek any assurances from the VIP international executives that the factual assumptions which the external lawyers were making were accurate?

MR POYNTON: No.

MR BELL: Do you agree that if what I have put to you is correct, it indicates that the management by Crown Resorts of the legal advices being received about the Chinese criminal law prior to the arrests was inadequate from a risk management perspective?

MR POYNTON: I would agree with that.

MR BELL: Were you aware, prior to approving the announcement by the Crown Resorts board, that the allegations made in the media in relation to the China arrests were not only that Crown Resorts knew that its employees in China were breaking gambling laws but also a wider allegation that Crown Resorts failed to heed warning signs from the Chinese government that its employees were at risk?

MR POYNTON: Can you ask the first part of the question again, please?

MR BELL: Yes. So were you aware, prior to approving the board's response, that the allegations in the media about the China arrests included an allegation that Crown Resorts failed to heed warning signs from the Chinese government that its employees were at risk?

MR POYNTON: I think that was the second part of the question. The first one had to do with the breaking Chinese law.

MR BELL: Yes, well, I put it slightly differently, but I'll put it the way I originally put it, which is this: were you aware prior to approving the announcement that the

media allegations in relation to the Chinese arrests were not only about whether Crown Resorts knew that its staff were breaking the law in China but also included allegations that Crown Resorts failed to heed warning signs from the Chinese authorities that its employees were at risk?

5

MR POYNTON: Yes, I'm aware of both allegations.

MR BELL: Now, was it explained to you, prior to approving the announcement in July 2019, 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?

10

MR POYNTON: No, I was not aware of that.

MR BELL: Was it explained to you prior to the board approving the announcement that it was widely understood by Crown Resorts management prior to the China arrests that China was a country where the law could be enforced inconsistently?

15

MR POYNTON: Not specifically informed of that. I suppose generally people have that view, that that's possible, but I wasn't specifically briefed about that.

20

MR BELL: And, now, can I ask you to look again at exhibit CN5.

COMMISSIONER: Can I just ask you, Mr Poynton, at the time that you were considering these allegations for the purpose of responding in this media way in the advertisement, had you looked at the previous publications in relation to some similar allegations against Crown in Four Corners and previously?

25

MR POYNTON: I – Commissioner, I hadn't actually seen the Four Corners program, but I was aware of the nature of the allegations regarding China. Yes.

30

COMMISSIONER: Yes. And, at the time that you considered this publication in 2019, you were aware, I presume, that the allegations that had been made previously were of a similar ilk, albeit that you may have not thought they were the same, they were similar; you agree with that?

35

MR POYNTON: I do. And, I think, Commissioner, the reference in the internal report to "rehashing" - - -

COMMISSIONER: Yes.

40

MR POYNTON: - - - indicates that the author of the report believed there was, shall we say, nothing new in the allegations.

COMMISSIONER: In other words, that they'd stuck around?

45

MR POYNTON: They'd stuck around.

COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: Thank you, Mr Poynton. If you could look again at exhibit CN5, CRL.506.007.8870. It's a confidential link. If you could turn to the page .8881,
5 please. Do you see that in the last bullet point the paper states:

It was understood, based on legal and government relations advice, the promotion of gambling was that it was not illegal to promote gambling whilst to groups of less than 10 and no kickbacks were being received.

10

MR POYNTON: Yes.

MR BELL: So was it explained to you, prior to approving the announcement, that, in relation to the first aspect, the size of the group being organised for gambling, that
15 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 a gamble be tour on two occasions, cumulatively?

20 MR POYNTON: I – I didn't have any particular detailed knowledge about the nuances about whether it was 10 or more or less people, so it's hard for me to comment. As written, it would appear what you say would be an assumption that people had made.

25 MR BELL: Yes. And so it was understood by – well, I withdraw that. So, if I'm right about that, it appears that Crown Resorts management understood that, in relation to this issue of whether the employees were committing a criminal offence, depended on the precise interpretation of whether it was 10 citizens on one occasion or 10 citizens on more than one occasion?

30

MR POYNTON: That appears to be the case, that interpretation. Yes.

MR BELL: And I wonder if it was explained to you, in relation to the second aspect, the issue of what's described as a "kickback", that management of VIP
35 international understood that it would be illegal to promote gambling tours if the person received a fee from the gambler, but it would be legal for the person to receive a fee from Crown Resorts based upon the amount of the gambler's turnover?

40 MR POYNTON: Again, that's a nuance that I was not specifically briefed about.

MR BELL: All right. All right. Well, if I'm right in suggesting that that was the basis upon which the VIP international unit operated, would you agree that both of these two points appear to rely upon precise legal questions?

45 MR POYNTON: Yes, they do.

MR BELL: And would you agree that there was an element of risk, from a risk management perspective, in management relying on those precise legal distinctions, having regard to their view at the time about the potential for arbitrary action and inconsistent enforcement of the law by the Chinese authorities?

5

MR POYNTON: Yes, I agree with that.

MR BELL: And do you agree that this emphasised the importance for the board of Crown Resorts at the time being kept fully informed of all factors which escalated the risk for the safety of the staff in China?

10

MR POYNTON: Yes. Yes.

MR BELL: Now could I ask you to look, please, Mr Poynton, at exhibit AA185, confidential link CRL.569.001.0011. So this is an email from Mr Dixon to Mary Manos, 10th of July, reporting on an in camera meeting of the board in June 2019, and it's in relation to the China arrests issue. Do you see that Mr Dixon says:

15

Concern was expressed by board members to some aspects of the document –
referring to the document VCGLR document –

20

particularly surrounding the implications in the document that some executives of Crown had not fully conveyed to the relevant board committees, and to the full board, the level of risk involving operating in China.

25

Do you see that?

MR POYNTON: Yes.

30

MR BELL: Do you have a recollection of that in camera session of the board?

MR POYNTON: Not specifically, no.

MR BELL: All right. You don't recall who it was who was expressing that concern?

35

MR POYNTON: No.

MR BELL: Does it accord with your recollection, generally, that there was a conversation of the nature that Mr Dixon is describing?

40

MR POYNTON: I'm just not sure where I was on the 10th of July, whether I was in the United States already and, obviously, it's always difficult when you're dialling in remotely.

45

MR BELL: Yes.

MR POYNTON: So, I'm sorry, I don't specifically recall the conversations.

MR BELL: I'm not sure if it will help you or not, but the evidence that's come to this Inquiry is this was an in camera session of the board back on 12 June 2019.
5 Does that assist you?

MR POYNTON: No, it doesn't, unfortunately. I was definitely in Australia at that time, in June, but I don't recall a specific discussion. I was certainly aware of the –
10 you know, the concerns expressed subsequently.

MR BELL: Mr Poynton, could I ask you to look at exhibit M for Mike 30, CRL.545.001.0611. Do you see this is an email from Mr Chen to Mr Felstead and others dated 26 March 2013. If I could direct your attention to the last paragraph on this page, where Mr Chen says to Mr Felstead:
15

This is one thing that it is 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 process is inconsistently applied, it's a risky place to be for all our team.
20

Mr Poynton, do you agree that it's unacceptable for staff of a listed Australian company to be expressing fears for their safety in performing the work that they have been requested to undertake?

25 MR POYNTON: Yes, I do.

MR BELL: And do you agree that the fact that the staff in China were expressing fears for their safety is a matter, of itself, which should have been drawn to the attention of the board of Crown Resorts at the time?
30

MR POYNTON: Indeed, I do.

MR BELL: And do you agree that the failure to draw this matter to the attention of the full board demonstrates a failure of the risk management processes of Crown Resorts at the time?
35

MR POYNTON: At the time, yes.

COMMISSIONER: Mr Felstead is the recipient of this email. Do you see that?
40

MR POYNTON: Yes.

COMMISSIONER: He was a co-director of yours in Perth; was he not?

45 MR POYNTON: He was.

MR BELL: And had been so, by this stage, for about – it looked like he was there from 2007, I think, wasn't he, as a director?

5 MR POYNTON: I'm not sure. I joined the board in '04, I think. Yes. It feels like it was three years or so later.

COMMISSIONER: Yes. You've been there for the last 16 years, but so far as Mr Felstead was concerned, when he was operating the VIP international business, he was in fact a director of Crown Perth with you, as I understand it.

10 MR POYNTON: He was, yes; correct.

COMMISSIONER: Do I apprehend that you're telling me that he didn't tell you any of this, the fears that were experienced in China for the staff?

15 MR POYNTON: I'm saying that.

COMMISSIONER: Thank you. Yes, Mr Bell.

20 MR BELL: Mr Poynton, were you aware, prior to the media announcement on 31 July 2019, that in February 2015 Chinese authorities had announced a crackdown on foreign casinos luring Chinese citizens to gamble overseas?

25 MR POYNTON: I wasn't aware of it at the time; I've become aware of it subsequently.

MR BELL: I see. Would you agree that such a crackdown would be an obvious escalation of risk to the safety of the staff in China particularly having regards to the management's perception at the time about the potential for arbitrary action by the Chinese authorities?

30

MR POYNTON: I would agree with that.

35 MR BELL: Are you aware that Mr Felstead and Mr O'Connor have given evidence to this Inquiry that they were aware of the announcement of the crackdown?

MR POYNTON: I haven't seen their evidence.

40 MR BELL: Are you aware that Mr Johnston has given evidence to this Inquiry that in about February or March 2015, he became aware of reports that the Chinese authorities were cracking down on foreign casinos, recruiting Chinese citizens to gamble overseas.

45 MR POYNTON: I haven't seen Mr Johnston's evidence.

MR BELL: Yes. Well, you can take it from me that's the gist of his evidence.

MR POYNTON: I'm happy to take it from you that that's what was said.

MR BELL: Yes, thank you. And are you aware that of the three members of the risk management committee of Crown Resorts in the period up to October 2016 that,
5 first, the chairman, Mr 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 were to be targeted as part of the Chinese government crackdown?

MR POYNTON: I wasn't aware of that.
10

MR BELL: If you could please just take that as an assumption.

MR POYNTON: I'm happy.

MR BELL: And 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 that the Chinese authorities had announced a crackdown on foreign casinos in February 2015?
15

MR POYNTON: I wasn't aware of that.
20

MR BELL: Again, if you would please make that assumption.

MR POYNTON: Happy to take that assumption.
25

MR BELL: Thank you. And are you aware that the third member of the risk management committee at the time, Mr Craigie, stated in evidence to this Inquiry that he doesn't recall if he became aware of that announcement but that if he had been informed of the crackdown it would have led to a discussion about the risks in
30 China and he doesn't recall any such discussion?

MR POYNTON: I wasn't aware; happy to take it as read.

MR BELL: Thank you. So on those assumptions, do you agree that the failure to ensure that this escalation in risk was drawn to the attention of the risk management committee and, indeed, the full board of Crown Resorts, demonstrates a failure in risk management processes in Crown Resorts at the time?
35

MR POYNTON: I do.
40

MR BELL: Were you made aware in July 2019 that one of the allegations raised by the media at the time in relation to the China arrests was that Crown Resorts had instructed staff to falsely claim to the Chinese authorities that they were not working for the Crown Resorts in China, but were working in other overseas locations?
45

MR POYNTON: I've – I'm aware of that because I've read it somewhere. I'm just not sure whether it was at that time.

MR BELL: All right. Could I ask you to look at exhibit M139, M for Mike, 139. This is an email from Mr Chen, 9 February 2015, to VIP international offices and the evidence is that the addressees of VIP international offices included the staff in China. And do you see that in – at CRL.545.001.0025. Do you see that about a third
5 of the way down the page there's a paragraph that says:

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?

MR POYNTON: Yes.

15 MR BELL: Then a little bit further down the page, he says:

Let me share with you what we are doing. Point 2. 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 your work out of an overseas location and you're on business travel to China.

20

Do you see that?

25 MR POYNTON: Yes.

MR BELL: Do you agree that this this proposal could only be characterised as an attempt to deceive the Chinese authorities in relation to the work status of the China-based staff?

30

MR POYNTON: I don't know I could assume it was to deceive. It would appear from this, this is a risk management process, a purely precautionary measure.

MR BELL: Yes, but to provide the staff that worked in China without a foreign passport, an overseas work permit so that they could say they work out of an overseas location and are on business travel to China.

35

MR POYNTON: Mr Bell, I'm sorry, I was not involved. I'm reading this, essentially, for the first time, and you're asking me to say that it indicates deception. I'm just not sure that I am in a position to – to agree with that.

40

MR BELL: All right.

COMMISSIONER: Well, if it weren't the case that they were in fact working overseas and if it was the case that they weren't on business travel to China but were working in China, that would be two factors that you would take into account to try and assess that position, I presume?

45

MR POYNTON: Of course, yes, I would. Look - - -

5 COMMISSIONER: And if you assume those two things and that this man is telling them that he is arranging this so that they can tell the authorities that, there would be a fairly reasonable assumption that they were going to propound a claim that was basically false.

10 MR POYNTON: Yes, I suppose, Commissioner, I was just referring to the word “deception” or “deceive”. It’s hard for me to comment on – on a specific adjectival word but, clearly, there is lots of possibilities of interpreting this.

COMMISSIONER: Yes.

15 MR POYNTON: The possibility - - -

COMMISSIONER: Sorry, this is correspondence of a company in Melbourne which was an associated company of yours at the time and I understand you’ve not seen any of this before today.

20 MR POYNTON: Yes.

25 COMMISSIONER: But the experience you have as a director, I think Mr Bell was simply just asking you to interpret it from the point of view of what you have read to the page.

30 MR POYNTON: Yes. Well – and I’m happy if that’s what he’s trying to do, to agree that the pattern of behaviour would appear to be both risk mitigation from – and it refers to the safety of the staff, and also the ability to essentially continue to conduct operations. So it’s just the word “deception”. It certainly seems it’s an arrangement to, shall we say, stay below the radar.

COMMISSIONER: Yes.

35 MR BELL: But if you make the assumptions that the Commissioner asked you to make that these staff were in fact working in China and were not on business travel to China, would you agree, Mr Poynton, that this proposal was inconsistent with Crown Resorts fundamental principle that all of its business affairs be conducted ethically and with integrity?

40 MR POYNTON: I would agree with that.

45 MR BELL: Were you informed prior to approving the board’s announcement to the Stock Exchange in July 2019 that in July 2015 a Crown Resorts employee in China had been questioned by the Chinese police about whether he was organising gambling tours?

MR POYNTON: I'm not aware of that – well, at the time in – in July of 2019, I was not aware of that. I've subsequently become aware of that.

5 MR BELL: And so the evidence to this Inquiry is that in July 2015 a Crown Resorts employee in China – in Wuhan in China was questioned by the Chinese police about whether he was organising gambling tours, and he falsely denied to the Chinese police that he was not. And the Chinese police requested a letter from Crown Resorts in relation to what the employee had told them. So if you could make the assumption that this is the evidence which has been provided to the Inquiry. And if 10 you could also assume that this event occurred only a few weeks after the arrest of 14 South Korean casinos in China, on those assumptions, would you agree that the questioning of the staff in China about whether he was organising gambling tours by the Chinese police and the requirement by the Chinese police for a letter from Crown Resorts confirming what the employee had said, coming only a few weeks after the 15 arrest of 14 South Korean casino operators, was an obvious escalation in the risk to the safety of the staff in China?

MR POYNTON: Yes. I agree with that.

20 MR BELL: And the evidence that's been provided to this Inquiry is that, with the exception of Mr Michael Johnston who was informed in an email by Mr Felstead of the questioning of the staff in Wuhan and the requirement for a letter from Crown Resorts, it appears that no other members of the board of Crown Resorts were made aware of those facts prior to the China arrests. So if you make those assumptions 25 that what I've told you is correct, 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 it could consider whether the strategy in China remained within its risk appetite and, if so, whether any mitigation strategies were appropriate?

30 MR POYNTON: I agree with that.

MR BELL: And do you agree that the failure, for whatever reason, of Mr Johnston and Mr Felstead to inform the rest of the board of Crown Resorts, including any member of the risk management committee of the board, demonstrates the failure in 35 the risk management processes at the time?

MR POYNTON: At the time, yes, I agree with that.

40 MR BELL: Now, I've taken you a little earlier to the transcript of the annual general meeting of Crown Resorts last year. Could I ask you to look again at that. It's exhibit AA218, INQ.010.006.0312. If I could ask you to turn to page 8 of the transcript, that's at 0319.

45 MR POYNTON: Yes.

MR BELL: Sorry, the ID – doc ID is INQ.010.006.0312.

MR POYNTON: One-two or one-nine? Sorry - - -

MR BELL: No. You're right, Mr Poynton, it starts at one-two, and I'm asking you to look, if you wouldn't mind, at page .0319.

5

MR POYNTON: I have that in front of me.

MR BELL: Can I just read you a question at the bottom of the page from a shareholder. It says:

10

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 with Mr Packer? He's 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? Did he ring up and ask for a briefing on the scandal? So does he get special treatment? Does he get access to information? Or is he treated like me and he is looking at the ASX announcement for Crown's response to front page after front page of allegations?

15

20

If we can turn to the next page, .0320, Mr Barton responded. He says:

Perhaps, chairman, if I could make – thanks for the question. I think, if I could answer your question in the context of Crown's relationship with CPH, probably slightly broader than the question you asked. You'll be aware from our accounts and disclosures that, for an extended period of time, we've had an arrangement with CPH where they provide a range of services to Crown – valuable services – around our management, around our strategy. In order for them to fulfil those services, we provide information to CPH. So information is provided to them to enable them to prepare those services. That's been disclosed for many years now in our accounts, both the existence of those arrangements as well as the amounts that are being paid under those arrangements.

25

30

35 Do you see that Mr Barton's response was referring to the services agreement, but failed to mention both the controlling shareholder protocol and the fact that he'd been providing Mr Packer with regular information concerning financial affairs of Crown Resorts. It didn't it occur to you at the time that Mr Barton had not answered the question which was asked?

40

MR POYNTON: Not at the time. No.

MR BELL: Do you agree that it's important for directors of a public listed company to answer questions truthfully and accurately at annual general meetings?

45

MR POYNTON: Yes, I do.

MR BELL: I have no further questions, Commissioner.

COMMISSIONER: Yes. Thank you. Mr Poynton, what we're going to do is take a short adjournment, just for about 10 minutes. And then we'll resume and Ms Sharp
5 will ask you some questions. But, before that happens, can you tell me, who was the chairman when you first were appointed to Crown Perth?

MR POYNTON: The chairman of Crown Perth?

10 COMMISSIONER: Yes.

MR POYNTON: Or the chairman of – I guess, it would have been PBL back then.

COMMISSIONER: Yes. Who was the chairman?
15

MR POYNTON: As I recall, back then, it would have been James Packer who would have been the chair of the subsidiary board.

COMMISSIONER: Yes. And then when it became Crown Perth or Burswood
20 Limited, as it went on, Mr Packer was then replaced by whom?

MR POYNTON: Well, as I recall, we'd had a couple of changes. I think Mr Rankin might have been the chair for a while and then, subsequently, Mr Alexander.

25 COMMISSIONER: Yes. And then you took over, in January, as the chairman, I think, of Burswood?

MR POYNTON: Correct. January of this year. Yes.

30 COMMISSIONER: And throughout the whole of that time, from 2017, Mr Felstead was a director, as I understand it; is that right?

MR POYNTON: That's correct, yes.

35 COMMISSIONER: And from about 2010, Mr Barton has been a director; is that right?

MR POYNTON: Yes, that's – I think that's correct. Yes.

40 COMMISSIONER: And then there was a recent appointment of Ms Fewster; is that right?

MR POYNTON: Yes. Maryna Fewster, she's the CEO of Seven West Media,
45 Western Australia.

COMMISSIONER: Yes. Have there been any other appointments in recent times or is Ms Fewster the most recent to the board?

MR POYNTON: She's the – Ms Fewster's the most recent. Prior to that, Mr Roberts – Mr Tim Roberts was a director and, prior to that, his brother, Mr Andrew Roberts. But that's many years ago.

5 COMMISSIONER: Yes, I see. Thank you for that clarification, Mr Poynton. We'll take a short adjournment and return in about 10 minutes. Thank you.

MR POYNTON: Thanks, Commissioner.

10

ADJOURNED [11.38 am]

15

RESUMED [11.51 am]

COMMISSIONER: Yes, I'm sorry. Yes, Ms Sharp.

20

<EXAMINATION BY MS SHARP [11.51 am]

MS SHARP: Mr Poynton, just following on from a question of the Commissioner, is it correct that your current fellow directors at Burswood Limited, which I will call
25 Crown Perth, are Maryna Fewster, Jane Halton, and Mary Manos.

MR POYNTON: Jane Halton no.

30

MS SHARP: Mary Manos?

MR POYNTON: Mary Manos is a joint company secretary, as I recall.

35

MS SHARP: And in the past, it's correct, isn't it, that many of the long-standing board members of Crown Perth have also been senior executives with Crown Resorts?

MR POYNTON: Correct. There has been a number of executive directors on the Crown Perth board who obviously are executives of Crown Resorts.

40

MS SHARP: Are you able to tell us how many times per year the board of Crown Perth met?

45

MR POYNTON: Before my appointment as chair, roughly four times a year, quarterly. More recently we're trying to meet more like every two months.

MS SHARP: And you were appointed as chair in January of this year?

MR POYNTON: Correct.

MS SHARP: Given the level of your service with the Crown Perth board, what is your level of familiarity with the operations at Crown Perth Casino?

5

MR POYNTON: I'm aware of the operations in the sense of – the broader sense, I suppose. I don't – I don't get involved specifically in gaming operations and names or locations or origins of particular gamblers or junkets or people like that. The role of the board – and certainly the role of the chair since I've taken it on, is one I see of an ambassadorial or advocacy role. We – we receive statutory accounts, etcetera, but the familiarity with the operations is limited to an overall sense of the way the business is going.

10

MS SHARP: And of course, one of the roles of the Crown Perth is to hold the casino licence which permits operation of the casino in Perth?

15

MR POYNTON: In Western Australia, yes.

MS SHARP: And you would agree that one function of the board of directors at Crown Perth is to ensure that conditions of the licence are being met?

20

MR POYNTON: Indeed.

MS SHARP: Do you agree that since at least 2014 the VIP international business has been a significant source of revenue for Crown Perth?

25

MR POYNTON: It depends what you mean by significant, and I'm not being semantic. It's significant but decreasing and has been significantly decreasing over that last six-year period.

30

MS SHARP: Could I just show you an exhibit please, Mr Poynton. It's exhibit AEC29, which I will brought up on the live feed and you should be able to see it on your screen. It's INQ.010.004.0546. And just while we're having that brought up for you, Mr Poynton, what it does is summarise some information in the annual reports of Crown Resorts since 2014, and what it does in respect of both Crown Melbourne and Crown Perth is identify VIP international revenue as a percentage of total revenue. So you can see – do you have that document in front of you now, Mr Poynton?

35

MR POYNTON: No, I don't. It's not on my screen and I don't have the paper document.

40

MS SHARP: I will wait for it to be shown on your screen. I beg your pardon, I have given you the wrong exhibit number. It's AC29 and I will have it called up on that screen for you.

45

MR POYNTON: And if it could be enlarged, that would be helpful, thank you.

MS SHARP: Certainly. Have you got the document now, Mr Poynton?

MR POYNTON: I do.

5 MS SHARP: Could I take your attention, please, to the entry for Crown Perth in 2014.

MR POYNTON: Yes.

10 MS SHARP: You will see in the right-hand column that VIP revenue as a percentage of total revenue is 19.59 per cent.

MR POYNTON: Correct.

15 MS SHARP: And then in 2015 for Crown Perth it's 25.56 per cent.

MR POYNTON: Yes.

MS SHARP: And then in 2016, it's twenty - - -

20

MR POYNTON: Two.

MS SHARP: I beg your pardon, yes, for 2016 it's 22 per cent.

25 MR POYNTON: Then 13, then 12.

MS SHARP: Yes. So I may confine my question, if I can. Would you agree that in the period 2014 to 2016 VIP revenue was a significant percentage of Crown Perth's all over revenue?

30

MR POYNTON: I would agree with that, and I guess it would also be helpful to have the profit alongside the revenue to understand the impact on P&L as well.

35 MS SHARP: Given that this was a significant source of revenue, did you endeavour to familiarise yourself with the operations of the VIP international team?

MR POYNTON: Not specifically, no.

40 MS SHARP: Did you have an understanding of who was involved in the VIP international team?

MR POYNTON: When you say who was involved: the gamblers, the junket operators or the staff?

45 MS SHARP: Yes, I apologise. From employees of Crown Perth or Crown Resorts?

MR POYNTON: Well, I was aware that Mr Felstead had an involvement in the VIP market for sure. Others, not so much.

5 MS SHARP: Who did you understand to set the strategy for the VIP international business?

MR POYNTON: I would imagine the CEO.

10 MS SHARP: Of which company?

MR POYNTON: Of Crown Resorts.

15 MS SHARP: But you're not able to identify the specific people who were involved in setting the strategy?

MR POYNTON: No, because the directors of Crown Perth, Burswood, were not involved in the setting of the strategy to do with the VIP international market.

20 MS SHARP: Now, you mentioned you had some familiarity - - -

COMMISSIONER: Except for Mr Felstead? Is that right?

MR POYNTON: Sorry, I didn't hear the question.

25 COMMISSIONER: Mr Felstead was a director of Crown Perth?

MR POYNTON: Yes, he was, and he was also, as I understood it, responsible for a significant part of the VIP operation.

30 COMMISSIONER: So when you said the directors of Crown Perth were not involved in setting the strategy - - -

35 MR POYNTON: Well, we weren't involved in the setting – sorry. Sorry, Commissioner. We were not involved in the setting of the overall strategy, and in the reporting of the performance of the VIP or international business, we weren't given detailed analysis of, you know, how many junkets there might have been or who the participants were. It was merely presented as a set of numbers to us.

40 COMMISSIONER: I'm just, really, focusing on the fact that your co-director Mr Felstead was deeply involved in the VIP international strategy but as I apprehended what you've told me, he didn't inform the board of directors of Crown Perth?

45 MR POYNTON: Well, I thought we were talking about the setting of the strategy and my understanding is the setting of the VIP strategy was done at the head co-level between Mr Felstead and other senior executives including, presumably at the time, the executive chair CEO. The board of Crown Perth was not involved in the setting of the strategy, nor indeed involved in detailed operations of the VIP business.

COMMISSIONER: No, I understood that when you said that the first time. Really, I'm just saying to you, is this right: you say that the board of Crown Perth was not involved but it is quite clear that one of the directors of Crown Perth was exquisitely involved. Do you agree with that?

5

MR POYNTON: I agree with that.

COMMISSIONER: All right. Yes, Ms Sharp.

10 MS SHARP: Were you aware, or have you been made aware during your tenure as a director of the board of Crown Perth, of the platform junket strategy?

MR POYNTON: Not specifically, no.

15 MS SHARP: When you say "not specifically", do you suggest that you had some knowledge of it or - - -

MR POYNTON: Well, I guess, as a director of Crown Perth, we were aware that there was a VIP business. Clearly, the capital expenditure at the property, at the time the mansions were constructed and at the time Crown Towers was instructed, included provision for high roller rooms and premium gaming rooms. So, clearly, as a director, I was aware that there was a significant business from overseas from VIPs. But in terms of the day-to-day arrangements, the board was not kept informed of any – any of those.

25

MS SHARP: So, just to clarify, please assume for me that Crown Resorts had a specific strategy, in the period from 2014 to mid-2016, called the platform junket strategy.

30 MR POYNTON: I'm not aware - - -

MS SHARP: Were you made aware of that strategy?

MR POYNTON: No, I'm not aware of that. And I don't recall, from my knowledge, that any of the discussions at Crown Perth or, indeed, any of the minutes, refer to discussions about that.

35

MS SHARP: As a director of Crown Perth – and I'm asking you at a time before you became a director of Crown Resorts – did you have an understanding of who Crown Perth key junket operators were?

40

MR POYNTON: No.

MS SHARP: Did you understand that it was the Crown Perth company that entered into contractual arrangements with the junket operators who operated at Crown Perth?

45

MR POYNTON: I didn't have specific knowledge of the arrangements between Crown Perth and junket operators, no. I relied on the – the board and management, in terms of the reporting of those arrangements and, indeed, I imagine the auditors, as well, in auditing the accounts.

5

MS SHARP: Prior to the time you became a director of Crown Resorts, did you have knowledge of any of the junket operators who operated at Crown Perth?

MR POYNTON: No. I've not met any of the junket operators, nor any of the gamblers at any time.

MS SHARP: When you say that the board of Crown Perth performed an ambassadorial role, what do you mean by that?

MR POYNTON: The assets involved in Crown Perth, I think, are around \$2 billion. The company employs over 5000 people. It's the largest single-site employer in Western Australia and, as such, has an important role to play in the community, both in terms of economic contribution, but also tourism. The – the board has the capacity, if it's so inclined, to be ambassadors for that – that particular precinct, and that's a role that I've always felt was one I would play as a director and, indeed, more prominently, as chair.

MS SHARP: At a time before you became a director of Crown Resorts, that is, before November 2018, were you aware that Crown Perth had its own AML/CTF compliance program?

MR POYNTON: Yes, I was.

MS SHARP: And you were one of the directors who approved the introduction of that program?

MR POYNTON: I was.

MS SHARP: At the time you approved that program, what steps, if any, did you take to familiarise yourself with the terms of that program?

MR POYNTON: As I recall, there was a paper put to the board, I think, on more than one occasion, outlining the CTF or the AML/CTF program and – and recommendations by management to adopt it, which were accepted.

40

MS SHARP: So we may take it that you have read that program?

MR POYNTON: You may take it as, yes, that I have.

MS SHARP: Now, are you familiar with the VCGLRs Sixth Review report that was published in 2018?

45

MR POYNTON: Yes.

MS SHARP: When did you first become aware of that document?

5 MR POYNTON: I can't recall.

MS SHARP: Was it before you became a member of the Crown Resorts board or after you became a member of the Crown Resorts board?

10 MR POYNTON: I can't recall, specifically, whether it was before or after. I'm aware of it now.

MS SHARP: I would like to take you to that report, if I can, Mr Poynton. You will find it in exhibit A91. And I'll have it called up on the screen for you. It's a public
15 document, so it can go to the live feed CRL.508.001.8052.

MR POYNTON: Yes.

MS SHARP: And just before we review this, you told Mr Bell this morning that,
20 prior to becoming a director on the Crown Resorts board, you conducted some due diligence. Do you think this is one of the documents you may have reviewed as part of that due diligence process?

MR POYNTON: It may have been.
25

MS SHARP: Are you aware that this report was somewhat critical of governance arrangements at Crown Melbourne and Crown Resorts?

MR POYNTON: I'm aware of it now.
30

MS SHARP: When did you first become aware of that?

MR POYNTON: Well, I'm not sure. As I said, I can't recall when I actually first read this document. I – I don't want to speculate that it was part of my due diligence.
35 So I can't answer the question. I'm aware of its contents now, and I'm aware that there were some critical aspects of it.

MS SHARP: I might just take you to a few statements in this report to see if this might prompt your memory. If I could, firstly, take you, please, Mr Poynton, to
40 pinpoint 8066. That's page 11 of the report.

MR POYNTON: I have that.

MS SHARP: And what you'll see at the bottom of the first page is a heading
45 Institutional Governance and the report states:

5 *Crown has a complex set of institutional governance arrangements, which can be seen to operate in a highly process-driven way. Despite the directors' and senior executives' belief that the processes work well, it was evident during the review period that there were shortcomings in internal controls and Crown's approach to regulations.*

10 Now, one of the recommendations that came out of that observation, Mr Poynton, is that recorded at .8067, and, indeed, it's the first recommendation under the heading Corporate Governance and Risk.

MR POYNTON: Yes.

15 MS SHARP: And perhaps you could read that – you could read that recommendation to yourself, but you'll agree that one part of the recommendation is considering elevation of the governance to the group board and committees?

MR POYNTON: Yes.

20 MS SHARP: Now, this report, of course, was examining the relationship between Crown Melbourne and Crown Resorts, but you would agree that it also had implications for the relationship between Crown Resorts and Crown Perth?

MR POYNTON: I would.

25 MS SHARP: But given those implications, do you think it most likely that you became aware of these recommendations at a time when you were a director of Crown Perth but before you became a director of Crown Resorts?

30 MR POYNTON: I'm not aware when I became aware of the – this particular report in detail. I simply can't recall.

MS SHARP: So this doesn't prompt any memory for you?

35 MR POYNTON: Not as to the timing of when I became aware of it. I'm – I'm confirming that I have, subsequently, read it.

MS SHARP: Could I take you to one further page please, which is pinpoint 8111, which is page 56 of the report.

40 MR POYNTON: I have that.

45 MS SHARP: What it, in the second column, in particular, it makes some observations about meetings of the board of Crown Melbourne. And then it states, in the third paragraph from the bottom, the duration of board minutes – sorry:

The duration of board meetings, the nature of the board resolutions, the frequency of meetings –

and so on:

...does not provide evidence that the Crown Melbourne board has an active role in overseeing the Melbourne Casino.

5

Now, while you were a director of Crown Perth but before you became a director of Crown Resorts, were you made aware that the regulator in Melbourne had picked this up as a difficulty with the Crown Melbourne board?

10 MR POYNTON: No.

MS SHARP: So you can't recall whether this review prompted the directors of Crown Perth to conduct any kind of investigation into Crown Perth's governance at this time?

15

MR POYNTON: No.

MS SHARP: Do you think it's most likely that that did not occur?

20 MR POYNTON: Most likely it did not occur.

MS SHARP: Now, you've said that you have now read this report. You do understand that this is a criticism of the governance structures as between Crown Resorts and its subsidiary companies that actually hold the casino licences?

25

MR POYNTON: Correct.

MS SHARP: So what's being done on this front to respond to this criticism?

30 MR POYNTON: As it relates to Crown Perth, do you mean?

MS SHARP: Yes, well as it relates to Crown Perth and as it relates to Crown Resorts?

35 MR POYNTON: Well, there's two aspects. Since I was appointed chair, as I indicated earlier, I've arranged for the meetings of Crown Perth to be held more frequently. The duration of the meetings, as evidenced by the minutes, is significantly longer than they used to be. I've also requested that the CEO of the group provides a more detailed briefing about operations at a group level as distinct from just relating to Crown Perth. So they're the three main changes.

40

Additionally, there has been a review of the governance structures and some recommendations which are currently under consideration by the Crown Resorts board, which may well see the collapse of the current governance structures and a – a group approach to the governance, so that all decision-making is held at a group level and if there is any ongoing involvement of a board in the – in the individual states

45

where the properties are located, it would be very much non-fiduciary and much more definitively advocacy and ambassadorial.

5 MS SHARP: And what about in relation to the fact that it's Crown Perth and Crown Melbourne and Crown Sydney, for that matter, which hold the casino licences?

10 MR POYNTON: Well, I think that would be a matter for discussion between Crown Resorts and the individual regulators. So that's – that's – the review of the governance structures is underway at the moment and that would clearly be a very important part of what ongoing governance structures will be adopted.

MS SHARP: And are you able to tell us where exactly that review is up to? Is it preliminary at this stage or - - -

15 MR POYNTON: No, I'm not. It's actually quite recent, per the board minutes that I'm sure you have, and that I was actually absent the meeting of 10 September and subsequently have made my position on the importance of the advocacy role clear. Clearly, there is an appetite, I would suggest, for there to be a more streamlined group approach to avoid some of the issues to which you and the VCGLR and others
20 have referred to. So there is an appetite to improve the governance structure.

COMMISSIONER: So you are in favour of a group approach with easing up of the burdens on the directors in the individual states; is that right?

25 MR POYNTON: Well, Commissioner, in view of the group structure as long as we don't lose the ability for individual, shall we say, directors, but individual people, residents of a particular state, to advocate on behalf of the individual properties. I think that this Inquiry and history would suggest there have been shortcomings in the governance structure. The board recognises that and is keen to redress them as soon
30 as possible without jeopardising regulatory arrangements that we have.

COMMISSIONER: Of course, the licence is the core of the business for the gambling, obviously.

35 MR POYNTON: Indeed.

COMMISSIONER: And the granting of the licence is to particular corporate entities who are subsidiaries of Crown Resorts, obviously.

40 MR POYNTON: Indeed.

COMMISSIONER: And so far as the regulation is concerned, the relationship between the licensee and the regulator is one thing, but what we're seeing here so far is that the corporate governance of the companies around the licensee are of the ilk
45 that you have just described, which creates a problem in a regulatory sense, you would understand?

MR POYNTON: Indeed. So I think – and I’ve seen various reports or discussions around duplication and the possibility of even where there is duplication for things to, shall we say, fall through the cracks. You would imagine at a group-wide structure that had control of all the important matters is less likely to see that possibility. It may well be that, say, the Western Australian Government doesn’t
5 approve or does not want the arrangements between Crown Perth and it to change, in which case one would imagine there has got to be then a focus on what shortcomings at an individual subsidiary level need to be addressed. So, as I said, those are discussions that are underway, not being conducted by me, but indeed by
10 management at Crown and, indeed, board members resident elsewhere. So that’s work in progress.

COMMISSIONER: Embryonic from the sounds of things?

15 MR POYNTON: Well, I think that, shall I say, that the Inquiry and other – other situations have led to the board accepting that changes need to be made, and are moving as quickly as possible to make them without jeopardising the core operations of the business and, therefore, the interests of the shareholders.

20 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: And do you accept that casinos are vulnerable to infiltration by organised crime?

25 MR POYNTON: As a general statement, hard to answer. I suppose they are but it’s a broad question. So I – I’d probably prefer to answer it in a specific way than are casinos subject to influence by organised crime. That’s a pretty broad question.

30 MS SHARP: I will put it a different way. Are you aware that one of the key objectives in the New South Wales Casino Control Act is to ensure that the management and operation of a casino remain free from criminal influence or exploitation?

35 MR POYNTON: Yes, and I would imagine that would be uniform across all the regulatory regimes.

MS SHARP: Now, given that that is one of the key objectives of the New South Wales casino regulatory regime, do you agree that the reason for this objective is because casinos are vulnerable to infiltration by crime?

40 MR POYNTON: I didn’t – I didn’t draft the regulations. If that was the intention, then I would accept it. As I said, I’m not sure - - -

45 COMMISSIONER: I think in Nevada, Mr Poynton, history shows that I think the Mob got hold of the casinos in Nevada.

MR POYNTON: Yes, yes.

COMMISSIONER: And history tells the story - - -

MR POYNTON: Okay. All right. All right. Yes, okay.

5 MS SHARP: Mr Poynton, I'm trying to understand whether, as a director of Crown Perth since 2004 and as a director of Crown Resorts since November 2018, it's on your radar that there is a risk that casinos can be infiltrated by organised crime?

MR POYNTON: There is a risk. I have no evidence of it.

10

MS SHARP: Well, casinos operate on a risk-based framework, don't they, in this country?

MR POYNTON: I would suggest that all businesses operate on a risk-based
15 framework.

MS SHARP: Well, in that respect, you would agree that a risk-based framework will only work if a risk is properly identified and understood in the first place?

20 MR POYNTON: Yes, that would be the case in this company and others.

MS SHARP: All right. Well, I want to understand, as a director, what exactly you understand the risk to be that casinos can be infiltrated by organised crime.

25 MR POYNTON: What are the risks that a casino been infiltrated by organised crime? I'd imagine that there is a danger that, if the casino doesn't know as much as it needs to know about an individual or a group of individuals, there is a risk that their history, if it's a history of illegal behaviour or criminal activity, will go undetected and, therefore, whether, by omission or commission, the casino would be
30 dealing with people it shouldn't.

MS SHARP: Have you still got the VCGLR Sixth Review report on the screen in front of you?

35 MR POYNTON: Yes.

MS SHARP: Can I take you, please, to pinpoint 8189, which is page 134.

MR POYNTON: Yes.

40

MS SHARP: And you will see there's a heading Junkets at the bottom of the second column.

MR POYNTON: Yes.

45

MS SHARP: It's there stated:

The VCGLR, other regulators and law enforcement agencies are aware of the significant potential risks of money laundering through casinos, particularly through junket operations.

5 Now, do you agree that there is a significant potential risk of money laundering through casinos, particularly, junket operations?

MR POYNTON: Yes, I do.

10 MS SHARP: And you'll see that there is a reference to Mr Horton's report in 2016 in New South Wales, and that report recording that the Australian Federal Police:

...had advised that junkets present –

15 and then if we go over the page –

the opportunity for the introduction of tainted funds at various entry points, including the junket participants, the junket operators and a source in Australia.

20

Do you agree with that proposition?

MR POYNTON: Yes.

25 MS SHARP: And is that a matter that you have, at all times, understood since you became a director of Crown Perth?

MR POYNTON: Yes.

30 MS SHARP: Now, in view of these risks which we have just identified, as a director of both Crown Perth and Crown Resorts, do you agree that it is important that casino operators ensure they only have business associations with persons of good repute?

35 MR POYNTON: I would say that it's important they don't have associations with people who are known criminals, as distinct from people of high repute. That's – that's a different bar, I would suggest. I understand the point you're making that it's important for casinos not to deal with criminal elements.

40 MS SHARP: Well, do you understand that one of the license – well, one of the criteria for obtaining a licence of Crown Sydney was to demonstrate to the regulator that the licensee only had business associations with those of good repute?

MR POYNTON: Of those of good repute?

45

MS SHARP: Yes.

COMMISSIONER: Yes.

MR POYNTON: No. I wasn't aware of that specific requirement, but I understand why it would exist.

5

MS SHARP: And you do understand that the requirement of good repute goes a little bit beyond known – what did you describe it as – criminal associations?

MR POYNTON: Yes.

10

COMMISSIONER: Known criminal activity.

MR POYNTON: Known criminal activity. Yes, I would accept that. It's a fairly subjective term, though, one would say.

15

MS SHARP: As a director of Crown Resorts, what steps, if any, have you taken to familiarise yourself with the risks to casinos of money laundering taking place in them?

20

MR POYNTON: I've relied upon management's assurances regarding the AML/CTF joint program. There is a board meeting at which I asked Crown's adviser on AML matters whether he believed that the company was compliant with its requirements. And I've taken comfort from the fact that AUSTRAC regulates our operations.

25

MS SHARP: And that adviser you are referring to is Neil Jeans, is it?

MR POYNTON: It is.

30

MS SHARP: But what steps have you taken to familiarise yourself with the means by which money can be laundered at casinos?

35

MR POYNTON: I've relied on assurances from management that we are compliant, or that the company is being compliant, with the requirements of the AML/CTF legislation and, as I said, I also have relied upon the company's expert adviser to give assurance that the company is compliant. As a non-exec director, I'm not sure what additional steps are available, other than a deep dive into an area that I'm not an expert in.

40

MS SHARP: Have you received any specific training in anti-money laundering?

MR POYNTON: No, I haven't. But the board is about to undertake director training in anti-money laundering.

45

MS SHARP: You are aware, aren't you, that the deposit of very large amounts of cash at a casino is, or could be, indicative of money laundering?

MR POYNTON: It could be.

MS SHARP: Well, that doesn't come as a surprise to you, does it?

5 MR POYNTON: No, I think it's a reasonable proposition.

MS SHARP: Well, I might just take you to some of the Crown training module in money laundering, if I could. Could I call up CRL.566.003.0001. That's exhibit BA106.

10 COMMISSIONER: It's open?

MS SHARP: Pardon me. It's a confidential document.

15 COMMISSIONER: Yes. Take it off the screen. Yes.

MS SHARP: What I'm showing you now is the slides for the program that this Inquiry has been told exists with respect to training staff at Crown in money laundering. Now, I understand that you haven't done this training program yet, but could I, please, take you to pinpoint 0041.

MR POYNTON: Yes.

MS SHARP: And you see there's a scenario there set out where a customer opens a briefcase full of cash and pulls out \$10,000.

MR POYNTON: Yes.

MS SHARP: And the question is:

30 *Is this a suspicious matter?*

And you will see the answer is:

35 *Yes.*

MR POYNTON: Yes.

MS SHARP: So you do agree with me, don't you, that the presentation to the casino of very large volumes of cash is a red flag for money laundering?

MR POYNTON: Well, they are – they are in a category of a suspicious matter, and so there might be a conclusion drawn about an attempt to launder money, but it might also not be nefarious.

45 MS SHARP: Yes. But it's the kind of matter that would reasonably put one on suspicion that money laundering may be taking place; do you agree?

MR POYNTON: That could be a conclusion that you drew.

MS SHARP: Well, that's what Crown Resorts is training its staff to be alert to, do you agree.

5

MR POYNTON: Yes, I'm not – I'm not disagreeing with you. I'm just saying that there are situations where a large amount of cash may not be, in fact, money laundering. It might well, as you say, give rise to suspicion.

10 MS SHARP: Are you familiar with the Suncity junket?

MR POYNTON: No.

15 MS SHARP: Sometimes referred to as the – you have no familiarity with the Suncity junket.

MR POYNTON: I – I had no familiarity at the time it was operating. I've, obviously, now been aware of it.

20 MS SHARP: So just to be clear, at the time of the – or prior to the time of the media allegations in July of 2019, you were not aware of the Suncity junket?

MR POYNTON: No, I wasn't.

25 MS SHARP: And do you understand now that the Suncity junket is related to Alvin Chau?

MR POYNTON: I do.

30 MS SHARP: But is it correct that you were not aware of Alvin Chau operating junkets at Crown Perth and Crown Melbourne prior to July 2019?

MR POYNTON: No.

35 COMMISSIONER: That's correct, is it, you weren't aware?

MR POYNTON: I was not aware.

COMMISSIONER: Yes, thank you.

40

MS SHARP: Were you aware, prior to July 2019, that there was an exclusive VIP salon at Crown Melbourne which was for the exclusive use of the Suncity Room, that is, the Alvin Chau junket?

45 MR POYNTON: No, I wasn't aware.

MS SHARP: So you were not aware that there was a room that was branded the Suncity Room and at which uniformed Suncity staff operated and at which a cash desk operated by Suncity representatives existed?

5 MR POYNTON: No, I was not aware of that.

MS SHARP: Are you aware of that now?

MR POYNTON: Yes, I am.

10

MS SHARP: I take it you became aware of that – I withdraw that. Given that Suncity operated a room for the exclusive use of the Suncity junket which was branded in Suncity signage, at which its uniformed staff operated, and which operated its own cash desk, isn't that an example of Crown partnering with a junket?

15

MR POYNTON: I'm not actually sure what you mean by "partnering". Partnerships normally share profits, staff, expenses. That's my understanding of a partnership. So I – I - - -

20 MS SHARP: What about - - -

MR POYNTON: My understanding is that there was a commercial arrangement between Crown and Suncity but that I didn't view it, and was not told that it was a partnership per se.

25

MS SHARP: What about – if we move away from the strictly legal definition of "partnership", would you accept that, on the basis of what you now know to be the arrangements, Crown had teamed with the Suncity junket?

30 MR POYNTON: Teamed with, I would accept.

MS SHARP: Can I take you to a document; it's not one that I expect you will have seen before but I would like to ask you some questions about it, please. It's exhibit BE89. It's an open document. It's CRL.609. – pardon me for a moment.

35

COMMISSIONER: It will come up on the screen, Mr Poynton.

MS SHARP: Yes, I left out a number.

40 COMMISSIONER: Suncity was operating in Perth, I presume, Mr Poynton?

MR POYNTON: As I understand it, Commissioner, yes. I was not aware of that at the time.

45 COMMISSIONER: And it had its salon in Perth in the casino?

MR POYNTON: I don't think it did. I'm – as I said, I wasn't aware of it – its operations in Perth so I'm not aware specifically.

COMMISSIONER: I see.

5

MR POYNTON: But I don't think it had its own salon.

COMMISSIONER: I see. Yes, thank you.

10 MS SHARP: I will give you the correct number now, just for the transcript; I think it has been given to you, Mr Poynton. It's CRL.609.007.8721. Now, I don't suggest you saw this document at the time, but it is a letter from Mr Preston, the chief legal officer at Crown Resorts, to AUSTRAC dated 25 May 2018. And can you see on the first page that it refers to a meeting occurring with AUSTRAC about the Chau Cheok
15 Wa Alvin junket at Crown Melbourne?

MR POYNTON: Yes.

MS SHARP: Now, may I take it that at all times up until after the advertisements on
20 31 July was published by the directors of Crown Resorts, you were not aware that Crown had been in discussions with AUSTRAC about the operation of the Suncity junket?

MR POYNTON: No, I wasn't aware of that.

25

MS SHARP: Were you aware that AUSTRAC had contacted Crown to ask how Crown could, consistent with its obligations under the anti-money laundering framework, continue to do business with Alvin Chau?

30 MR POYNTON: I was not aware of that.

MS SHARP: Can I just take you, please, to the schedule that appears at .8725.

MR POYNTON: Yes.

35

MS SHARP: And you will see that at the top, in item 10, Mr Preston is advising that Crown had informed Suncity staff on 17 April 2018 that it must remove its note-counting machine?

40 MR POYNTON: I didn't know that.

MS SHARP: And then if I take you to item 13, it's stated that Crown had met with Suncity representatives on 17 April 2018 to advise that all customer cash transactions had to be done at the cage rather than at the administration desk.

45

MR POYNTON: I'm – I'm reading 13.

MS SHARP: Yes, and this is the first time this has been made known to you?

MR POYNTON: Correct.

5 MS SHARP: And you will see also there, that Crown told Suncity, on 17 April, that no more than \$100,000 could be held at the administration desk?

MR POYNTON: Yes, I see that.

10 MS SHARP: And then could I take you over the page, please, pinpoint 8726; do you see at the top of that page there's a report of the two audits conducted at pit 86 which I will interpolate as the Suncity room?

MR POYNTON: Is this number 14?

15

MS SHARP: No, this is the top of 13 but on that page.

MR POYNTON: Top, okay. Yes.

20 MS SHARP: And do you see that the audit that occurred three days after the instruction was given about cash, revealed that \$5.6 million was being stored at pit 86?

MR POYNTON: Yes, I see that.

25

MS SHARP: Yes, so it does appear that Suncity representatives completely ignored the direction that had been given to them on 17 April 2018.

30 MR POYNTON: It certainly appears they didn't comply with the advice or the instructions.

MS SHARP: Does the fact that \$5.6 million was being held in the Suncity Room but not by Crown, does that give you any concerns that we may have a money laundering issue here?

35

MR POYNTON: Yes.

40 MS SHARP: Would this have been a helpful thing for you to know about at the time when you were publicly responding about Crown's compliance with its anti-money laundering obligations.

MR POYNTON: Yes, it would have.

45 MS SHARP: But this was not made known to you as a director at that time?

MR POYNTON: No, it wasn't.

MS SHARP: Given that you have been a director of Crown Perth since 2004, were you made aware of the Riverbank Investments Proprietary Limited account?

MR POYNTON: No, I was not aware of that.

5

MS SHARP: When did you first become aware of the existence of that account?

MR POYNTON: I think at the time of the allegations.

10 MS SHARP: So some time in July or August of last year?

MR POYNTON: Of 2019, yes.

15 MS SHARP: Now, you have indicated that you did not, in fact, attend the 10 September 2020 board meeting of Crown Resorts, but have you read the paper that was prepared for the purpose of discussion at that report?

MR POYNTON: Yes, I have.

20 MS SHARP: At that meeting. And may we take it that you have considered what was stated in that paper reasonably carefully?

MR POYNTON: I have, very.

25 MS SHARP: Can I take you, please, to a copy of that report. This is a confidential document, so it's to be brought up confidentially. It's CRL.695.001.0004. That document has now come up for you, Mr Poynton?

MR POYNTON: It has, Ms Sharp.

30

MS SHARP: And, for the transcript, this is exhibit CB6. Could I take you, please, to pinpoint 0019. And just to – really, in fairness to you, I need to take you to the previous page, pinpoint 0018, appendix. Do you understand the pages that follow this are observations made by Crown Resorts chief executive officer on the ILGA inquiry today?

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MR POYNTON: Indeed, yes.

40 MS SHARP: And, then, if I take you to pinpoint 0019, can you see there's a heading AML General Issues, and the second dot point is that:

The AML team has been under-resourced and lacking in qualified AML executives.

45 Is that an observation that you agree with?

MR POYNTON: Yes, it is.

MS SHARP: Mr Poynton, the Inquiry received evidence from a casino anti-money laundering expert, Ms Jessica Lin, earlier this year, that casino operators faced a great tension with respect to money laundering because, on the one hand, the law requires them not to deal with the proceeds of crime and to conduct thorough due
5 diligence, but, on the other hand, casino operators stand to make a lot of money from VIP patrons. Is that an observation with which you agree?

MR POYNTON: Yes, the tension certainly exists.

10 MS SHARP: Ms Lin also told this Inquiry that the way that casino operators can resolve this tension depends upon the culture of compliance within the organisation and strong leadership from the compliance and board levels of the organisation. Do you agree with that proposition?

15 MR POYNTON: I do.

MR BELL: Do you agree that a key position – the key position in engendering a culture of compliance with anti-money laundering requirements is the anti-money laundering compliance officer?
20

MR POYNTON: Yes, indeed.

MS SHARP: Now, Ms Tegoni was the anti-money laundering compliance officer for Crown Melbourne until March 2011. She gave evidence to this Inquiry and told
25 this Inquiry that she did not, in fact, know that she was the money laundering compliance officer, and that she thought it was Scott Howell. And she then told the Inquiry that whether she was the compliance officer was neither here nor there. Do you have any observations on that matter?

30 MR YOUNG: Commissioner, can I raise something about this question, please?

COMMISSIONER: Yes. Just pardon me for a moment. Was that 2011 or 2017?

MS SHARP: 2017.
35

COMMISSIONER:

MR YOUNG: You said '11.

40 COMMISSIONER: Yes, that needs to be – yes. Two thousand and - - -

MS SHARP: I apologise

COMMISSIONER: No, that's all right. Mr Poynton, just wait for a moment. Mr
45 Young has made an objection. Yes, Mr Young.

MR YOUNG: Yes, Commissioner, as a matter of fairness to Ms Tegoni - - -

MR YOUNG: - - - I would refer the questioner to the transcript, at 2329 to 2330, where Ms Tegoni's statement was that she took full responsibility for the discharge of the functions. And it was in that context that she added the words, that "the title was neither here nor there".

5

COMMISSIONER: Yes. Thank you, Mr Young. Yes, Ms Sharp.

MS SHARP: I'll go back to the two propositions and put them again. Ms Tegoni told this Inquiry that she did not think she was the anti-money laundering compliance officer, and whether she held that title was neither here nor there. Do you have any observations about that evidence?

MR POYNTON: Well, I think what we just heard was that she took full responsibility for the – the actions that would be covered by that role, so it's hard for me to say.

15

MS SHARP: She didn't know she was the compliance officer.

MR POYNTON: Well, can we - - -

20

MS SHARP: What does that say – what does that say about the commitment of Crown Melbourne to a culture of compliance?

MR POYNTON: Well – sorry. I'm sorry. I didn't hear her evidence and, obviously, have no prior knowledge of any of this. I think – I think that the point I would make is that Crown takes its obligations regarding compliance with AML/CTF legislation very seriously. And I think the changes that are the subject of a discussion at the 10 September board meeting reflect that.

25

COMMISSIONER: I think the problem seems to be, Mr Poynton, that – and I have assumed throughout the Inquiry that Crown complies with its reporting obligations; for a number of reasons, I've made that assumption. But one of the problems that's been identified is that, notwithstanding the focus on compliance with reporting obligations, there's been a failure to turn the focus back in and look at what the real problems are on the ground.

30
35

MR POYNTON: Okay.

COMMISSIONER: I'm not sure that you've been made aware of that, but that seems to be the evidence.

40

MR POYNTON: Well, I accept that. I accept that, Commissioner.

COMMISSIONER: Yes.

45

MR POYNTON: I think – I think that all I would say, again, without going into detail is that Crown is attempting to redress shortcomings in the systems, procedures,

lack of training, qualification of AML personnel, to get assurance that it takes the matter seriously.

5 COMMISSIONER: Yes. And it's, obviously, a process to which the minutes refer.
Yes, Ms Sharp.

10 MS SHARP: Do you agree that, prior to the media allegations that were aired from July of 2018, that Crown Resorts had not inculcated a culture of compliance with respect to money laundering?

15 MR POYNTON: No, I wouldn't accept that. Certainly, my understanding is, as a director of Crown Perth, is that it took its obligations seriously. It referred a number of times, or the minutes refer a number of times, to the AML/CTF joint program. And subsequent to my arrival as a director of Crown Resorts, there was a strong focus on compliance. I think what's subsequently been established is that there were system errors and shortcomings in the processes and systems that have been identified and are now being redressed.

20 MS SHARP: Do you agree that, in the past, Crown Resorts' focus was on reporting rather than preventing money laundering?

MR POYNTON: No, I don't accept that at all.

25 MS SHARP: Now, that's the evidence that Mr Barton gave this inquiry – and I will refer to page 2761 of the transcript. He also said it was a critical matter that needed to be considered immediately. Do you agree or disagree with his observation?

30 MR POYNTON: Well, I – I – I agree that any shortcomings need to be addressed immediately. I guess, what I was referring to in my answer is that I haven't seen a culture where there's a perfunctory kind of response to reporting that isn't commensurately matched by a concern about compliance with AML/CTF legislation.

35 COMMISSIONER: I think that's the point, though. Your point is a good one that it's compliance with legislation versus the reality on – the practice on the ground. You see, there are hoops through which a company must jump. And there are reports which must be provided to the regulating authority, AUSTRAC. But I have a confidence that if you were to ask any regulator, who has those sorts of reporting obligations to it, whether it can be sure that any company is complying with preventing anti-money laundering, there's no way that a regulator can give that assurance. It's up to the company to stop it on the ground. You'd agree with that?

40 MR POYNTON: I totally agree with that.

45 COMMISSIONER: Yes.

MR POYNTON: And, as I've said, to the extent shortcomings in systems and procedures and operations and individuals have been identified the company as a

result of this Inquiry and other – other places or situations, the company, according to my understanding of what’s underway, is taking those additional obligations very seriously.

5 COMMISSIONER: I have no doubt it’s taking it seriously, but there are some real complexities to it. Yes, Ms Sharp.

MS SHARP: Now, you’re aware that the board, in August of this year, determined to suspend all relationships with junket operators?

10

MR POYNTON: Yes.

MS SHARP: And you were part of that decision?

15 MR POYNTON: Yes.

MS SHARP: You agreed with that decision?

MR POYNTON: I did.

20

MS SHARP: So far as you were concerned, is this because of a recognition on your part that there had been due diligence failures with respect to junket operators in the past?

25 MR POYNTON: My position on it was that it was difficult to be 100 per cent confident that the – the, shall we say, reaching a standard or getting over the bar of – of being absolutely certain that there were no reputational risks of continuing to deal with junket operators was commensurately measured by the potential reward. I didn’t see that that risk/reward relationship worked any more. The requirement to
30 have a thorough study of the whole basis on which due diligence occurs about junket operators and their participants was important to me and the junkets needed to be suspended for a period long enough for that – that study or that analysis to be completed.

35 MS SHARP: Can I take you, please, to paragraph 21 of your second statement, Mr Poynton. Have you got a copy of your statement with you?

MR POYNTON: I do.

40 MS SHARP: What you say there, from the third line, is:

The Inquiry has reinforced the risks involved in dealing with junkets and the importance of understanding, insofar as is possible, the people or groups associated with or standing behind junket operators.

45

What are you referring to there?

MR POYNTON: The board has decided that it needs to do additional due diligence beyond the individuals associated with a junket, and needs to extend that due diligence to other participants or other associates, whether they be business associates, whether they be financiers, guarantors, etcetera, to ensure that the net captures anyone who might be associated with a junket operator in order to ensure that they are, in your words, of good repute.

MS SHARP: Can I take you to the investigation report, which was discussed by the Crown Resorts directors at a teleconference on 30 July 2019.

COMMISSIONER: Can I just clarify something before you do that?

MS SHARP: Yes.

COMMISSIONER: Mr Poynton, that net that you just referred to, capturing those people; how do you do that?

MR POYNTON: Difficult. I – I think – these matters are subjective, and I guess that’s what I was trying to say earlier. And as a director, there – there maybe comes a point at which it’s too difficult to actually be assured that the risks – the reputational risks, some of which we’ve been discussing, are offset sufficiently by the revenue or, indeed, can never be overcome or offset by revenue and shouldn’t be. And so, on the one hand, it’s easy to suspend junket operators while that review is underway. It has an implication to shareholders’ returns and so that’s something directors need to consider. But equally if the ground has shifted or, indeed, past behaviour is such that there is reputational damage or impact on the company, then that has to inform whether one stays in that business or not.

And that’s why we’ve agreed that we need to extend beyond just the individuals to as many of their associates as are relevant. That’s actually difficult, and so the review is going to take some time. I’m not sure what it will advise or recommend to the board.

COMMISSIONER: I understand those things that you have just referred to, but in this debate it is necessary to remember the community, because it’s the community, the government that has granted the licence.

MR POYNTON: Yes.

COMMISSIONER: And I know that shareholders’ returns are obviously very important but you can’t get them unless you’re licensed and the community has authorised – the government has authorised the granting of the licence on the specific basis that you don’t have people of bad repute, which is a very subjective term that you have said so.

MR POYNTON: Indeed.

COMMISSIONER: But in the consideration that the board is giving, may I suggest that there has to be a focus on what the community expects because of the privilege that has been referred to of the grant of the licence. And so rather than just looking at the subjective – I withdraw that – looking at the returns for the company, which is significant, obviously, there has to be a shift in focus to remembering that this all started - - -

MR POYNTON: Yes.

COMMISSIONER: - - - from an illegal process that was legalised on a very firm basis that you don't let the criminals in.

MR POYNTON: I fully and totally endorse and agree with what you are saying, Commissioner, and I refer to the words I used earlier. There may not be a situation where, whatever the returns might be in continuing operations on whatever basis due diligence is done with junket operators, is sufficient to justify the subjective damage being done to the reputation of the business amongst the community. Bearing in mind also that community standards change over time.

COMMISSIONER: Yes. A complex question. Yes, Ms Sharp.

MS SHARP: And you were aware, weren't you, Mr Poynton, that when the media allegations were aired from late July onwards, one of the allegations was that Crown Resorts had failed to conduct appropriate due diligence of its junket operators?

MR POYNTON: Yes.

MS SHARP: And that's one of the reasons why the ASX media release of 31 July asserted that Crown had robust due diligence procedures?

MR POYNTON: Indeed.

MS SHARP: And insofar as you signed on to that advertisement, you based your views on what had been notified to you in the investigation report that was tabled at the 30 July 2019 directors' meeting.

MR POYNTON: Yes. I relied on that internal report and, indeed, the fact that I had a number of directors, experienced directors, on the board upon whom I relied as well in terms of judgment about the matter.

MS SHARP: Could I just take you to the investigation report that was tabled at that board meeting, please. It is – and it's a confidential document, CRL.506.007.8870. And could I take you, please, to page 14 of that document, which is pinpoint 8886, and it's exhibit BA77.

MR POYNTON: Is this general information junket processes?

MS SHARP: Yes, thank you, Mr Poynton. You will see that there's another heading under that that says in Advance of Provision of Designated Services Under Junket Arrangement. Did you understand it to be this section of the investigation report which was telling you what due diligence was conducted on junket operators?
5

MR POYNTON: Sorry, what's – sorry, could you ask the question again?

MS SHARP: Yes, certainly, and if you need to look through the report, please do.
10

MR POYNTON: I have it in front of me; I'm just not sure what the question was.

MS SHARP: Did you understand that it was this part of the investigation report that briefed you on what due diligence procedures were in place for the vetting of junket operators?
15

MR POYNTON: Yes.

MS SHARP: Do you agree that there is nothing on this page that alerts you as to whom the decision-maker was for the purpose of this vetting process?
20

MR POYNTON: Correct, I do agree with that.

MR BELL: Did you have an understanding at the time as to who the decision-maker was?
25

MR POYNTON: About the actual acceptance of junkets and

MS SHARP: Yes, that is so. To be clear, did you - - -
30

MR POYNTON:

MS SHARP: I am terribly sorry; I will have to ask you to repeat that because the audio just cut out.
35

MR POYNTON: No problem. My understanding is that the three people who were responsible for the vetting and approval of junkets were Michael Johnston, Barry Felstead and Josh Preston.

MS SHARP: And was that a matter that you understood at the time you signed on to the ASX media release?
40

MR POYNTON: Yes.

MS SHARP: I see the time, Commissioner. Is this - - -
45

COMMISSIONER: You may continue.

MS SHARP: Continue?

COMMISSIONER: Yes.

5 MS SHARP: Thank you. Do you agree, Mr Poynton, that it is ultimately the board's responsibility to set guidance on the type of junket operators with which it should deal?

MR POYNTON: Yes, I – I do.

10

MS SHARP: And do you agree that a function reserved for the board is identifying areas of significant risk and ensuring arrangements are in place to adequately manage those risks?

15 MR POYNTON: Yes. I agree with that too.

MS SHARP: And you've already told Mr Bell that you consider it is for the board of directors to set the company's risk appetite?

20 MR POYNTON: Yes, I do.

MS SHARP: Can you tell me this, please: prior to these media allegations of July 2019, what was the Crown Resorts board's risk appetite with respect to junkets?

25 MR POYNTON: I don't recall there being a specific discussion about that. I think that things had evolved over time and, indeed, there wasn't – there wasn't specific reference to a level of concern or a level of risk regarding that particular part of the business that I'm aware of.

30 MS SHARP: Is it fair to say that, prior to the media allegations in July 2019, you, as a director of Crown Resorts, had not turned your mind to Crown Resorts' risk appetite with respect to junkets?

MR POYNTON: That's correct.

35

MS SHARP: Do you agree, Mr Poynton, that, in order to set the board's risk appetite for junkets, you need to take into account what level of proof will satisfy you as to the propriety of the persons with whom you have business associations?

40 MR POYNTON: I agree with that.

MS SHARP: Now, what should that level of proof be, Mr Poynton?

45 MR POYNTON: I think this is where we – where we stray into matters that are very subjective because, as we've seen in the past, certainly, the media allegations referred to them, there was lots of accusations made about persons that Crown was dealing with as junket participants. I've tried to discover whether, in fact, a number

of those people have actually been convicted of a crime and, indeed, I've found that difficult to ascertain. There was the comprehensive discussion in the papers of the 30th of July about individuals named, and there were, obviously, references to accusations made about them and their associates. But, again, I think this plays to
5 the point we were talking about before. If these were subjective measures or subjective criteria, and it's difficult to understand at a point whether one is achieving the standard required, then two things happen: you either cease dealing in the business altogether or you try and put a much more rigorous and objective set of criteria around what's required.

10 MS SHARP: Do you agree that it is most unlikely that a junket operator who has convictions for triad membership will put him or herself up as the junket operator?

MR POYNTON: Yes, I'd agree with that.

15 MS SHARP: And do you agree that it is most unlikely that somebody who has convictions for money laundering will put themselves up as the junket operator?

MR POYNTON: Yes, I agree with that.

20 MS SHARP: Indeed, it's most unlikely that anyone with convictions for serious offences will put themselves up for the position of the junket operator?

MR POYNTON: Indeed, and I think - - -

25 MS SHARP: So - - -

MR POYNTON: Sorry.

30 MS SHARP: Sorry.

MR POYNTON: So I think that informs the reason why the board is looking to extend its due diligence on any participants in junkets to their associates, their guarantors, their financiers, to try and capture that information.

35 MS SHARP: Do you agree that looking for convictions may not be the most useful way of approaching the question of whether somebody is of good repute?

MR POYNTON: Yes.

40 MS SHARP: Can I take you, please – I withdraw that. You're aware, aren't you, that the Crown Resorts recently arranged for the Berkeley Research Group to conduct detailed investigations of certain junket operators?

45 MR POYNTON: Yes.

MS SHARP: And is it right that the very reason that Crown Resorts commissioned this report was to obtain a comprehensive due diligence investigation on these persons?

5 MR POYNTON: Yes.

MS SHARP: And you have reviewed that report, have you?

MR POYNTON: I saw it yesterday afternoon for the first time.

10

MS SHARP: And you have reviewed it now, have you?

MR POYNTON: Yes, I have. It's quite a long report, but I have reviewed it.

15 MS SHARP: Why was it that you looked at it yesterday afternoon?

MR POYNTON: It was drawn to my attention.

MS SHARP: By whom?

20

MR POYNTON: I can't recall who, specifically, but I'm not sure if it was someone within Crown or someone within the Crown legal advice team, but it was – it was drawn to my attention.

25 MS SHARP: In any event, you have read it now since it was specifically drawn to your attention?

MR POYNTON: I have read it now, yes. But, as I said, in view of my appearance today – I have actually been time poor – I read it as quickly as I could, given I have other commitments.

30

MS SHARP: Do you understand that it is the result of a comprehensive investigation?

35 MR POYNTON: Yes.

MS SHARP: Can I take you to that report. It's a confidential document, so I will have it brought up on the - - -

40 COMMISSIONER: Confidential screen.

MS SHARP: - - - confidential screen. It's exhibit AB28 and it is CRL.703.001.0001.

45 MR POYNTON: It's on my screen.

MS SHARP: Thank you. Can I take you, please, to .0009.

MR POYNTON: If that could be enlarged, that would be good. Thank you.

MS SHARP: Yes, certainly. And you'll note that it relates to Chau Cheok Wa.

5 MR POYNTON: Yes.

MS SHARP: And you understand that is Alvin Chau.

MR POYNTON: Yes.

10

MS SHARP: And can I ask you to look under the arrow that says "alleged triad background".

MR POYNTON: Yes.

15

MS SHARP: And read that to yourself, please.

MR POYNTON: Yes. Yes.

20

MS SHARP: And could I ask you, please, to go to the next page, pinpoint 0010, and to look at the third dot point beginning "Discrete Sources".

MR POYNTON: Yes.

25

MS SHARP: So you understand that these investigators have consulted discretely with various sources?

MR POYNTON: Yes.

30

MS SHARP: And that is what they have found in relation to Mr Chau?

MR POYNTON: They speculated that Chau likely holds evidence that could implicate - - -

35

MS SHARP: I think, I'm not asking you to read that out, because this is a confidential document. But I will ask you to carefully read the first sentence of that dot point, please.

MR POYNTON: Yes, I can read it.

40

MS SHARP: Thank you. And you understood that that was the conclusion that the investigators arrived at after consulting with discrete sources?

45

MR POYNTON: Well – sorry. I'm not allowed to read it, but there is a word there which is not contextual in the case of people listening, but the word "alleged" isn't – isn't proof. I'm not trying to be pedantic here.

COMMISSIONER: Well, wait for the question. No. Wait for the question. Wait for the question. Yes, Ms Sharp.

5 MS SHARP: All right. I'm just trying to understand you did read and understand that last night, did you?

MR POYNTON: Yes, I did.

10 MS SHARP: And can I take you, please, to page 22 of the report and under the heading at the bottom of the page, could you look at the first paragraph, please, in relation to - - -

MR POYNTON: Could it be enlarged please?

15 MS SHARP: Yes, the one in relation to shell companies.

COMMISSIONER: Commencing "Financial".

20 MS SHARP: Commencing "Financial", Commissioner.

MR POYNTON: Yes.

25 MS SHARP: Now, could I then take you, please, to page 25 and could I take you to the issues identified and then the heading appearing under that.

MR POYNTON: Yes.

MS SHARP: And could you read that first paragraph to yourself.

30 MR POYNTON: Yes.

MS SHARP: And then once you have done that, could I take you to page 29 and you will note the heading of that page.

35 MR POYNTON: Yes.

MS SHARP: And you can see the first paragraph?

40 MR POYNTON: Yes.

MS SHARP: And can you see the second paragraph?

MR POYNTON: Yes.

45 MS SHARP: And you will note the reference to uniformity?

COMMISSIONER: Uniformly.

MS SHARP: Or uniformly.

MR POYNTON: Uniformly aware.

5 MS SHARP: Yes. And can I also take you to page 31 and can I draw your attention to the second full paragraph beginning “According”.

MR POYNTON: Yes.

10 MS SHARP: Now, on the basis of that material that I have taken to you, which you read last night, bearing in mind that this is the investigation report specifically convened or commissioned by Crown Resorts, does this report give you any comfort at all that Mr Chau is a person of good repute?

15 MR POYNTON: No.

MS SHARP: As a director of Crown Resorts, on the basis of this information, would you be prepared to have future dealings with Mr Chau as a junket operator?

20 MR POYNTON: Notwithstanding the fact that there’s a significant number of allegations as distinct from convictions, I would say that Mr Chau does not meet the standard required and so I would not want to deal with him any more.

MS SHARP: Now, can I ask you a little bit about the ASX media release that was published by the board on about 31 July, and compare that document with the board papers which the directors reviewed at their August and September meetings this year. Do you accept that there has been a distinct change of tone on the part of the directors with respect to the matters alleged in the media from July of last year?

30 MR POYNTON: Yes, I do, in regards to some matters, yes.

MS SHARP: Why is that?

35 MR POYNTON: I think that information has become available that the directors were not aware of at the time, back in July of 2019.

MR BELL: Knowing what you know now, Mr Poynton, was that ASX media release of 31 July 2019 rather ill-advised?

40 MR POYNTON: With the benefit of hindsight, yes.

MS SHARP: You will agree that there are a number of matters that are asserted in that release that are wrong?

45 MR POYNTON: I don’t have the release in front of me. I think there was a specific reference to the structure of Suncity that was certainly factually incorrect. I’m not sure about the other matters.

MS SHARP: Would you be confident to sign on to that release again, knowing what you know now?

MR POYNTON: Not in its historic form, no.

5

MS SHARP: General counsel, Mary Manos, gave evidence to this Inquiry that she told the board that a full page ad was something that should be approached with caution. Do you agree that she said that?

10 MR POYNTON: Yes, I do.

MS SHARP: Do you think that you did approach the question of whether to publish this advertisement with sufficient caution?

15 MR POYNTON: I've pointed out before that I was in the United States. It was a different time zone. I think it was night-time. I relied at the time on the internal report and the deliberations of my fellow directors. My view also was that this was a serious attack on the company and needed to be vigorously defended as quickly as possible to look after the staff and the shareholders and other counterparties dealing
20 with Crown upon whom they relied. So that was the reason why I was supportive of an urgent and strong response in the media to the allegations.

MS SHARP: Did it occur to you at the time that the allegations related to the way in which the company had been managed?

25

MR POYNTON: Yes.

MS SHARP: Did it occur to you at the time that the very people who were conducting the investigation, including Mr Felstead, were the people who were, in
30 fact, responsible for the matters alleged in the media?

MR POYNTON: It didn't – it didn't, specifically, occur to me. It's clear now. But, again, you know, one was relying upon people who'd been longstanding executives in the organisation and one's fellow directors who'd been on the board for a
35 substantial period.

MS SHARP: Do you feel, now, that you were let down by management in the preparation of that investigation paper?

40 MR POYNTON: It – it – yes. I suppose, yes, I was let down in a sense that some of the strong assertions or refutations made were not completely accurate.

MS SHARP: One final matter. One of the – I won't take you to the document – but one of the matters noted in the minutes of the 10 August 2020 meeting of the board of Crown Resorts was the board noting that the importance of setting the tone from
45 the top up. Was that a matter you agreed with?

MR POYNTON: Absolutely.

MS SHARP: And what does that mean, Mr Poynton?

5 MR POYNTON: Well, I think, it means that – that the entire organisation and all the counterparties with whom it deals, being regulators and suppliers, its staff, its shareholders, understand that the board holds itself and its employees to very high standards. And I think that needs to come from the chair and the rest of the board. And so, yes, I firmly believe that that's important.

10 MS SHARP: And do you agree that the culture of compliance and risk – of risk and compliance has fallen short at Crown Resorts in the past?

15 MR POYNTON: In the past, yes.

MS SHARP: And, as a director, do you accept any responsibility for that?

20 MR POYNTON: Given that most of the matters, if not all of them, pre-dated my arrival as a director, it's difficult for me to make a specific response to that, other than to agree there are systems failures and risk culture that needed addressing, which is being addressed, as you're aware. So I don't accept personal responsibility, other than I'm part of a board that needs to address – redress these issues and improve them.

25 MS SHARP: Commissioner, I have no further questions.

COMMISSIONER: Thank you, Ms Sharp. Mr Young, do you have any questions of Mr Poynton?

30 MR YOUNG: Yes, I do, Commissioner. They may take a little time and there's also - - -

COMMISSIONER: That's all right.

35 MR YOUNG: - - - something I need to clarify and take instructions on, firstly.

COMMISSIONER: I see. Yes. All right then. Well, I'll adjourn – sorry. Mr Poynton, just pardon me before I do this. I just can't quite envisage who's appearing. There's Mr Stoljar and who's now appearing in absence of Mr Hutley?

40

MR D'ARVILLE: It's Mr d'Arville and I have no questions.

COMMISSIONER: Yes. Thank you, Mr d'Arville. You have no questions, did you say?

45

MR D'ARVILLE: That's right.

COMMISSIONER: Yes. Thank you. Mr Stoljar, I presume you have no questions of Mr Poynton; is that right?

MR STOLJAR: I do not. Thank you, Commissioner.

5

COMMISSIONER: Thank you, Mr Stoljar. Mr Young, I will adjourn. Mr Poynton, let me just indicate to you Mr Young, now, wishes to ask you some questions, but he wishes to take some instructions before he asks you those questions. So I will adjourn until 2 pm. I think that's about 12 noon your time, at least, at the moment.

10

MR POYNTON: Indeed.

COMMISSIONER: That is right? Yes.

15

MR POYNTON: Yes.

COMMISSIONER: So we will see you back just a little before 12 noon in your time, 2 pm our time. Thank you, Mr Poynton. I will adjourn until then.

20

MR POYNTON: Thank you, Commissioner.

ADJOURNED

[1.21 pm]

25

RESUMED

[2.00 pm]

COMMISSIONER: Yes, Mr Young.

30

MR YOUNG: Thank you, Commissioner.

COMMISSIONER: That's all right.

35

MR YOUNG: May I just first mention one thing before I ask a couple of questions.

COMMISSIONER: Of course.

MR YOUNG: We have just endeavoured to send to the Inquiry a table which adds a column to exhibit AC29.

40

COMMISSIONER: Yes.

MR YOUNG: Now, I'm raising this because I'm not sure whether the Inquiry has received it as yet.

45

COMMISSIONER: We have. We have and I have it in front of me, Mr Young. I've just been handed it.

MR YOUNG: Thank you very much.

5

COMMISSIONER: Yes, that's all right.

<EXAMINATION BY MR YOUNG

[2.01 pm]

10

MR YOUNG: Now, Mr Poynton, may I ask whether you, too, have received by email a copy of a table which relates to the VIP program contribution which has some additional information compared to the exhibit AC29 that you were taken to? Yes, thank you. I think you are on mute, Mr Poynton.

15

MR POYNTON: My green button is on.

MR YOUNG: We can hear you now.

20

COMMISSIONER: We can hear you now, Mr Poynton. Thank you.

MR POYNTON: Sorry, someone else needed to unmute me. Yes, so as I was just demonstrating, I had printed off the relevant page from the email that you sent.

25

MR YOUNG: Thank you. Now, Mr Poynton, my question to which that's relevant is this: Ms Sharp showed you exhibit AC29 which contained the percentage revenue contribution of VIP for the years 2014 to 2018 at both Melbourne and Perth. That's INQ.010.004.0546. Now, do you recall when Ms Sharp asked you about that, and she asked you about the significance of the VIP business, your response was to the effect that you would be assisted if you had information as to the profit contribution from the VIP division. Do you recall saying that?

30

MR POYNTON: I do, yes.

35

MR YOUNG: Now, if you would look again at what you were sent by email a very short while ago, you will see that this table adds a set of columns dealing with the profit contribution of the VIP business for the years 2014 to 2019, in respect of both Melbourne and Perth. Do you see that?

40

MR POYNTON: Indeed, yes.

MR YOUNG: Now, explain with the benefit of that additional information which I will ask you to assume is accurate, what that additionally tells you about when making an assessment of the significance of the VIP business?

45

MR POYNTON: Yes. Well, as the document indicates, the actual contribution to profit is significantly lower in every circumstance than the actual revenue number as a percentage of overall. Indeed, in the case of Perth, except for one year where, I think 2014, there was a 10 per cent contribution to profit, in subsequent years the number did not go above three per cent, which was in 2018. So the point, I guess, that I was trying to make before was that the actual contribution to profit, certainly as it related to my time at Perth, was actually quite small, and subsequently my arrival on the board of Crown Resorts and, indeed, looking at Perth as well, the contributions, in fact, in a couple of cases were negative. So that's relevant, I think, to the discussion about the importance of the VIP business.

MR YOUNG: Now, Mr Poynton, the question of risk reward was something you mentioned in later discussion with the Commissioner when you were explaining your view about the nature of the review that would have to be undertaken in respect of junket business. Do you recall that?

MR POYNTON: I do.

MR YOUNG: Can you, with the benefit of this additional information about VIP profit contribution, can you expand on the points you were making about the risk/reward relationship needing to be carefully assessed going forward?

MR POYNTON: Yes. I was trying to make the point that accepting there's a lot of subjective elements to the review, one of the issues is obviously the – the – the potential impact on the overall profitability of the business if in fact one discontinued VIP or junket operations. And this evidence would suggest that certainly recent history sees us or shows that the contribution has actually been very modest.

I was also trying to make a point, I think, that as directors of the business, we need to be aware of implications to shareholders and their returns of decisions made about divisions of the business either operating in the future on a different basis or not operating at all. And I guess that's what I was trying to say about risk/reward. There's – there's subjective and, indeed, objective elements of risk in terms of reputation and regulatory impact. And then there's the impact on the financials of the business and, therefore, the shareholders.

MR YOUNG: All right. Thank you. Commissioner, I would seek to tender the table that Mr Poynton has just given evidence about.

COMMISSIONER: Yes. Thank you. I will mark it as exhibit AC29A, Mr Young.

EXHIBIT #AC29A EXHIBIT AC29 WITH ADDITIONAL COLUMNS

MR YOUNG: Thank you very much, Commissioner.

COMMISSIONER: Yes.

MR YOUNG: Mr Poynton, then I wanted to ask you a question about the 31 July decision by the board to publish the media statement. That's 31 July 2019. Your
5 evidence was that you considered that it was important and urgent for Crown to make a public response to the allegations that had been raised. Now, I will ask you to open the advertisement as well, which is exhibit CN8. That's an attachment to your statement, Mr Poynton. Could you have that beside you, if you would.

10 MR POYNTON: The advertisement itself. Thank you. Yes, Mr Young.

MR YOUNG: Yes. Now, going back to your answer that it was important and urgent in your view for the company to make a response to the allegations, what particular allegations and what particular responses did you consider that it was
15 urgent for Crown to make publicly?

MR POYNTON: There were several, and clearly there are four different areas: junket operations, anti-money laundering, detentions in China and visa processing. So in each circumstance, I believed that the accusations were not – not fair and were
20 inaccurate. And if you want me to go through the reasons specifically for each, I'm happy to do it.

MR YOUNG: Yes, please, could you do that one by one.

25 MR POYNTON: Right. Okay. So much is sought to be made in the program of the conduct of Crown's junket operations. So the point was that there was a lot of suggestion that Crown was, in fact, in partnership with junkets that had criminal elements to them. And at that point and, subsequently, I was of the view that in fact that was not an accurate accusation and, indeed, whilst we've talked about the
30 reputations of some of the participants, we were not in partnership with at any stage, in my view, criminals. And so it was important to make that point.

The anti-money laundering, it said that we facilitated it or turned a blind eye, both of which suggest complicit behaviour, which is against the law. I don't believe that
35 there was then or is now evidence that that's the case. In terms of detentions in China, we've talked a lot about that and, indeed, the view that I formed then was that the company was not actually in breach of the law in China, article 303. And visa processing, there was no evidence then, and I think subsequently it has been established that there was any circumventing of these requirements by Crown and/or
40 Border Force. So my view was that we were obligated to the shareholders and our staff to refute the allegations urgently and definitively.

MR YOUNG: Yes. In respect of the matters you've just been through, do you now, knowing what you now know, do you see anything wrong with the refutations you
45 made?

MR POYNTON: No. I did refer earlier in evidence to what I regard as a technical point about the corporate structure of Suncity which was the subject of an ASX announcement but that's the only thing that I think was inaccurate in the response.

5 MR YOUNG: Now, you can put the advertisement aside, Mr Poynton. I want to ask you about another attachment to your statement, exhibit CN5, which is the board paper of 31 July.

MR POYNTON: Yes.

10

MR YOUNG: Could you please turn to the general information section of the board paper, commencing at page 14?

MR POYNTON: I have that.

15

MR YOUNG: You have that? Now, there's a description there of the information that was collected. Do you see that?

MR POYNTON: Yes.

20

MR YOUNG: Now, aside from what the board paper told you about the details of the due diligence process, did you have any knowledge outside that of what due diligence steps were taken by Crown in approving junkets?

25 MR POYNTON: No, not specifically.

MR YOUNG: And in that respect, did you have any understanding about the process that was applied in conducting that due diligence?

30 MR POYNTON: No. I was of the view that there were senior executives in the organisation who reviewed applications for junkets and made decisions about accepting them. But no specific information about that.

35 MR YOUNG: Yes. Now, as at 31 July, I think you mentioned, or you were asked a question about a panel of three persons: Mr Johnston, Mr Felstead and Mr Preston?

40 MR POYNTON: Yes. I think I answered that when I was asked who I thought was, or who I understood was to be involved in the vetting of and acceptance of or approval of junkets and I said that it was my opinion, not so much it was a panel but that there were three people, Mr Johnston, Mr Felstead and Mr Preston. Upon reflection, I'm not actually sure when I knew that, whether it was at that particular time or subsequently but it was around that time I was aware of that. I'm not sure that I actually knew that beforehand.

45 MR YOUNG: All right. Thank you. Commissioner, I have nothing further.

COMMISSIONER: Yes, all right. Anything, Ms Sharp or Mr Bell? Yes. Mr Poynton, thank you very much for making yourself available at such an early time this morning and that completes your evidence, thank you. What I have said to other witnesses is that it is not anticipated that you will be required to give any further
5 evidence but should that eventuate then the solicitors assisting the Inquiry will make contact with Crown's solicitors; you understand that?

MR POYNTON: Thank you very much, Commissioner.

10 COMMISSIONER: Yes, thank you, Mr Poynton.

<THE WITNESS WITHDREW **[2.15 pm]**

15 COMMISSIONER: Yes, Mr Bell.

MR BELL: The next witness is Mr Alexander.

20 COMMISSIONER: Do we have a video link to Mr Alexander or is there a necessity for a short adjournment?

MR BELL: There's a necessity for a short adjournment.

25 COMMISSIONER: Yes. All right. I will adjourn shortly. Thank you.

ADJOURNED **[2.15 pm]**

30 **RESUMED** **[2.20 pm]**

35 COMMISSIONER: Yes, thank you. Yes, Mr Bell.

MR BELL: I call Mr John Alexander.

40 COMMISSIONER: Mr Alexander, would you prefer to take an oath or make an affirmation to give your evidence? I think you're on mute. We'll will just make sure that that is fixed. Can you hear me now, Mr Alexander?

MR J. ALEXANDER: I can hear you. Can you hear me, Commissioner?

45 COMMISSIONER: Yes, I can. Thank you, Mr Alexander. I missed what you said then.

MR ALEXANDER: I'm said I'm very happy to take an oath.

<EXAMINATION BY MR BELL

5

COMMISSIONER: Thank you, yes, Mr Bell.

10

MR BELL: Mr Alexander, could you please state your full name.

MR ALEXANDER: John Henry Alexander.

15

MR BELL: And your business address is known to those assisting this Inquiry. What is your occupation?

MR ALEXANDER: Company director.

20

MR BELL: And were you first appointed as a director of Publishing and Broadcasting Limited in December 1999?

MR ALEXANDER: December '99? No, that's not true.

25

MR BELL: When were you first appointed as a director of Publishing and Broadcasting Limited?

MR ALEXANDER: I'm not exactly clear. I joined the company in May 1998. I'm not sure of the exact time I went on the board, but I thought it was in the early 2000s, but I can't be completely clear about that. I'm sorry.

30

MR BELL: That's okay. Is it the case you were appointed as CEO and managing director of Publishing and Broadcasting Limited in June 2004?

MR ALEXANDER: Yes, that sounds right.

35

MR BELL: And when the company now called Crown Resorts was established in July 2007, you were appointed as a director and as executive deputy chairman; is that correct?

40

MR ALEXANDER: That's correct.

MR BELL: And you held the position of executive deputy chairman of Crown Resorts until February 2017, when you were appointed executive chairman?

45

MR ALEXANDER: Correct.

MR BELL: And during the period from 2007 until 2017, whilst you were the executive deputy chairman, were you working full time as an executive of Crown Resorts?

5 MR ALEXANDER: That was a full-time role. I was also the executive chairman of CMH, Consolidated Media Holdings from the end of 2007 until the end of 2012.

MR BELL: I see.

10 MR ALEXANDER: I had a – a third role.

MR BELL: All right. But, insofar as you're an executive of Crown Resorts in your capacity as executive deputy chairman, what were your executive responsibilities?

15 MR ALEXANDER: They were never specified at the time of the employment contract. The main purpose was to be available to fill in for James – James Packer – who was the executive chairman, whenever he was unavailable, for a variety of – not just of Crown itself, but for a variety of subsidiary companies. And – and to be available for certain projects inside the company, which included being involved in
20 the budget and reform process in around 2013/2014.

MR BELL: Thank you. And you were the executive chairman of Crown Resorts from February 2017 until January 2020?

25 MR ALEXANDER: Yes. Correct.

MR BELL: And you were a director of Crown Melbourne Limited from 2004 until January 2020?

30 MR ALEXANDER: Yes. And chairman, I believe, for the last three years of that period.

MR BELL: And were you a director of Burswood Limited from 2006 until January 2020?

35

MR ALEXANDER: Yes.

MR BELL: And in January this year, you stood down as executive chairman of Crown Resorts and were appointed as an executive director of Crown?

40

MR ALEXANDER: That's correct.

COMMISSIONER: Were you a chairman of Burswood, Mr Alexander?

45 MR ALEXANDER: I was for a period of time, Commissioner. Yes.

COMMISSIONER: Thank you.

MR BELL: And in the period from March 2017 until January 2020, you were a director of Crown Sydney Gaming Proprietary Limited, the licensee of the Barangaroo restricted gaming facility?

5 MR ALEXANDER: I believe so.

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 facility?

10

MR ALEXANDER: Yes.

MR BELL: Now, you're not a director of Consolidated Press Holdings Proprietary Limited; is that right?

15

MR ALEXANDER: That's correct.

MR BELL: I'll refer to that company as CPH; do you follow?

20

MR ALEXANDER: Yes.

MR BELL: You haven't been a director of CPH at any time since 2007; correct?

MR ALEXANDER: Yes. Yes, that's correct.

25

MR BELL: And have you been an employee of CPH at any time since 2007?

MR ALEXANDER: Yes, briefly, I believe, between about 2014 and about 2017. The exact dates, I'm not 100 per cent sure, but it was an employee of the company at that time.

30

MR BELL: So can you give us some more details about your role as an employee of CPH in the period 2014 to 2017?

35

MR ALEXANDER: There are no specific duties. I was – again, it was being on-call to help when required.

MR BELL: I see. Was there any particular company in the group that you were doing work for?

40

MR ALEXANDER: Mostly, it was focused on Crown.

MR BELL: All right. And is that why you had a CPH email address?

45

MR ALEXANDER: Correct. Yes, that's right.

MR BELL: I see. And is it the case that you first had a CPH email address at the time you took on that role in about 2014?

MR ALEXANDER: I believe so.

5

COMMISSIONER: What was your title?

MR ALEXANDER: I didn't have a – Commissioner, I don't believe I had a specific title.

10

COMMISSIONER: All right. Thank you.

MR BELL: Could I ask you to look at exhibit AA229, confidential link JHP.502.001.0058.

15

MR ALEXANDER: Yes. I have that, Mr Bell.

MR BELL: This is an email from Mr Poynton to Mr Packer and he says in the first line:

20

It's hard to think of anyone more loyal to you than JA.

“JA” was a moniker that you're known by?

25

MR ALEXANDER: Yes.

MR BELL: And in the book, *The Price of Fortune*, at page 256, Mr Packer is quoted as saying:

30

JA has been a great friend and has shown true and lasting loyalty to me.

Do you agree your first loyalty has been to Mr Packer for many years?

MR ALEXANDER: I like to think I'm a loyal person by nature.

35

MR BELL: But your first loyalty has been to Mr Packer for many years; is that a fair way of putting it?

MR ALEXANDER: Yes.

40

MR BELL: Now, 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. M for Mike 3. INQ.010.003.0082.

45

MR ALEXANDER: Yes. I have that, Mr Bell.

MR BELL: If you could look at page .0084, it states that it's a fundamental principle of Crown Resorts that:

5 *All of our business affairs should be conducted legally, ethically, with strict observance of the highest standards of integrity and professionalism.*

MR ALEXANDER: Yes.

10 MR BELL: I take it that, at all times since you've been a director of Crown Resorts, you'd expected everyone at Crown Resorts to act in accordance with this fundamental principle?

MR ALEXANDER: Yes.

15 MR BELL: And are you aware that there's a new code of conduct, issued in July 2020, which contains statements to similar effect?

MR ALEXANDER: Yes, I am.

20 MR BELL: So can I also 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. It's exhibit O5, INQ.100.001.0038.

25 MR ALEXANDER: I have that, Mr Bell.

MR BELL: Thank you. And if I could ask you to look at page 28 of the principles, which is the page ending in .0337.

30 MR ALEXANDER: Yes. I have that, Mr Bell.

MR BELL: And do you see that in the second last paragraph of the left-hand column, it states that:

35 *The board of a listed entity is ultimately responsible for deciding the nature and extent of the risks prepared to take to meet its objectives.*

I take it that you would agree with that statement of principle?

40 MR ALEXANDER: Yes, I agree.

MR BELL: And I take it you would accept that that principle applied to Crown Resorts Limited in relation to its business strategy in China in the period up to October 2016?

45 MR ALEXANDER: Yes.

MR BELL: And do you see that it states in the last sentence of the left-hand column that:

5 *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 agree with that statement of principle?

10 MR ALEXANDER: Yes.

MR BELL: And that you would accept that that principle applied to Crown Resorts in relation to its strategy in China in the period up to October 2016?

15 MR ALEXANDER: Yes.

MR BELL: And do you agree that it follows from those principles that it was a matter for the board of Crown Resorts in the period up to October 2016 to decide whether the business strategy being pursued by Crown Resorts in China continued to fit within the board's risk appetite?

20 MR ALEXANDER: Yes.

MR BELL: And do you agree that in order for the board of Crown Resorts to decide if the business strategy being pursued in China continued to fit within its risk appetite, it was necessary for the board to be informed of the material facts relevant to making that decision?

25 MR ALEXANDER: Yes.

30 MR BELL: Can I ask you to look at exhibit AB15 which is confidential link CPH.001.241.993, sorry, hearing room only.

MR ALEXANDER: Apologies, Mr Bell, I'm having some trouble finding it.

35 MR BELL: No trouble. Yes, I think we can go to the confidential link so we can come up on the screen for you, Mr Alexander. It should be a document in the right-hand corner, CPH.001.241.4993.

40 MR ALEXANDER: Yes.

MR BELL: Do you see that it's an email from Mr Neilson to you and others dated 16 March 2015 attaching papers for a CEO meeting?

45 MR ALEXANDER: Yes.

MR BELL: Is it the case that these meetings were organised whilst Mr Packer was chairman of Crown Resorts principally for the purpose of briefing him ahead of board meetings of Crown Resorts?

5 MR ALEXANDER: I don't know if Mr Packer was actually still chairman at this stage – 2015.

MR BELL: I think you can take it from me that he was chairman until a date in early August

10 MR ALEXANDER: I accept that.

MR BELL: Is that your understanding of the reason why these CEO meetings were occurring, to brief Mr Packer ahead of board meetings?

15 MR ALEXANDER: I can't recall.

MR BELL: How regularly did these CEO meetings occur?

20 MR ALEXANDER: I can't recall.

MR BELL: Did you usually attend CEO meetings?

25 MR ALEXANDER: I would have thought so.

MR BELL: Are you able to recall whether the recipients of this email were the usual attendees at a CEO meeting?

30 MR ALEXANDER: I can't recall in detail but I imagine so.

MR BELL: Right. Can you recall any occasion when Debra Tegoni, one of the lawyers of Crown Melbourne, attended a CEO meeting?

35 MR ALEXANDER: No, I can't recall.

MR BELL: Now, do you see that one of the documents attached to this email was a VIP update? The bottom document referred to in the email?

40 MR ALEXANDER: Yes, under attachments, yes.

MR BELL: Yes. And can I ask you to look at that document. It's the next exhibit, exhibit AB16, confidential link CPH.001.241.5285. It's going to be difficult for you if you have only got it on the screen but is it the case you've only got it on the screen, Mr Alexander, not a hard copy?

45 MR ALEXANDER: Yes, that is the case.

MR BELL: I see. Would it be possible, operator, to just slowly turn through the pages of this exhibit so Mr Alexander can get an idea of the information in it at a general level? Probably a bit faster than that. Yes, that's the end of the document, Mr Alexander. Are you able to recall whether the VIP international business updates
5 provided to CEO meetings were typically in the form of that document?

MR ALEXANDER: I can't recall but I imagine so.

MR BELL: And is it the case that someone from the VIP international business unit
10 would speak to these updates at the CEO meetings?

MR ALEXANDER: I can't recall.

MR BELL: Were you aware in the period up to October 2016 that there was a
15 group of senior people including Mr Michael Johnston who were providing guidance and advice to the executives of the VIP international business unit?

MR ALEXANDER: I was aware of Mr Johnston's role, yes.

MR BELL: Yes. It has been called various names in hearings of this Inquiry, but
20 did you refer to this group as the VIP working group?

MR ALEXANDER: Did I refer to it as a working group?

MR BELL: Yes.
25

MR ALEXANDER: I can't – I can't recall that but I imagine that would be a reasonable summary of it, yes.

MR BELL: Yes. But to summarise it, as you understood it there was a group of
30 senior people, including Mr Johnston, who gave guidance and advice to the executives in this group which has been described as the VIP working group. Is that a fair way of putting it?

MR ALEXANDER: Yes.
35

MR BELL: And were you aware that this working group included Mr Brad Kady of CPH?

MR ALEXANDER: No, I wasn't.
40

MR BELL: Can I ask you to look at exhibit M97, exhibit M for Mike, 97 CRL.527.001.4669.

MR ALEXANDER: Yes, I have that document.
45

MR BELL: Do you see that this email chain starts with an email from you at the bottom of the page to Mr Michael Johnston, copy to Mr Felstead, dated 28 August 2014?

5 MR ALEXANDER: Yes.

MR BELL: And, in your email, you refer to your thinking that it would be good idea to have some sort of planning get-together on VIP. Do you see that?

10 MR ALEXANDER: Yes, I do.

MR BELL: And you said that you'd spoken with Mr Felstead, and it seemed to you there were a number of confronting structural issues. Do you see that?

15 MR ALEXANDER: Yes, I do.

MR BELL: You referred, among other things, to:

20 *Growing competition abroad and a government crackdown on high rollers in China.*

MR ALEXANDER: Yes, I do.

MR BELL: And you refer to the need to:

25

...do to a top-to-bottom review planning scope of where we are now and what we'll need going forward.

Do you see that?

30

MR ALEXANDER: Yes, I do.

MS SHARP: And do you see that Mr Johnston replied to you saying:

35

We're planning a catch-up in the next two weeks, so will look to have a discussion aimed at refreshing our strategy at that time.

MR ALEXANDER: Yes, I do.

40 MR BELL: Do you see that Mr Johnston has forwarded that email to Mr Kady. Do you see that?

MR ALEXANDER: Yes, I do.

45 MR BELL: Did you have any role in this VIP working group at the time?

MR ALEXANDER: No.

MR BELL: But, by virtue of your executive role at the time, the CEO meetings and your dealings with Mr Johnston and executives, such as Mr Felstead, did you have some oversight of the VIP business in China beyond what was being reported to the Crown board?

5

MR ALEXANDER: No, I did not.

MR BELL: And at any time up to October 2016, did you read any legal advices to Crown Resorts about whether the activities of the staff in China employed by Crown Resorts or its subsidiary complied with the business laws of China?

10

MR ALEXANDER: No.

MR BELL: And 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 Government to conduct any business activities in China?

15

MR ALEXANDER: No.

MR BELL: Were you aware, in the period up to October 2016, that it was possible for operators of foreign-integrated resorts to obtain a representative licence from Chinese authorities to conduct an office to market their hotel and resort facilities?

20

MR ALEXANDER: No.

25

MR BELL: Were you aware, in the period up to October 2016, that China 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 didn't establish an office?

30

MR ALEXANDER: No, I wasn't.

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?

35

MR ALEXANDER: Yes.

MR BELL: And how did you come to have that belief?

MR ALEXANDER: I can't recall exactly, but, from memory, it was – I'm not sure what the rationale for – or the legal rationale was at the time, but it was perceived to be a less vulnerable presence to – not to have an office.

40

MR BELL: Right. Sorry. A less vulnerable presence not to have an office was how you understood it?

45

MR ALEXANDER: Exactly. Yes.

MR BELL: And was it your understanding, up to October 2016, that Crown Resorts did not have any offices in China?

MR ALEXANDER: Yes.

5

MR BELL: And that the staff in China were working from their homes?

MR ALEXANDER: Yes.

10 MR BELL: Now, can I ask you to look at exhibit CA10, at confidential link CRL.501.056.0536.

MR ALEXANDER: Yes.

15 MR BELL: And this is an internal board paper that you and your colleagues considered before the media response in July 2019. Could I ask you to look at the page ending in .545.

MR ALEXANDER: Sorry. Mr Bell, which number was that?

20

MR BELL: Yes. It ends in point 0545. It's page 10 of the document.

MR ALEXANDER: Yes, I've got that.

25 MR BELL: And do you see, in the first bullet point, it says:

Crown made a conscious decision not to open offices in mainland China.

And that reflects your understanding at the time?

30

MR ALEXANDER: Yes.

MR BELL: And if you look at the next bullet point, you see that it says that:

35 *Crown is aware that other casino operators did have dedicated offices in China.*

Do you see that?

40 MR ALEXANDER: Yes, I do.

MR BELL: And does that mean that you – was that something of which you were aware in the period up to October 2016, or something that you learnt subsequently?

45 MR ALEXANDER: I believe it was something I learnt subsequently.

MR BELL: All right. But, certainly, by the time you were considering this paper, you were given to understand that Crown's business in China was different to other operators in that it did not have offices in China; correct?

5 MR ALEXANDER: Yes.

MR BELL: Now, were you aware, prior to the China arrests, that, despite that 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 October
10 2015 to – I'll start again. I withdraw that. Were you aware that, prior to the China arrests, that, despite that decision by Crown Resorts, the company was conducting an office in Guangzhou without any signage in the period from August 2015 to August 2016 which was being leased in the name of two employees who were then being reimbursed for the rental.

15

MR ALEXANDER: No, I was not.

MR BELL: Were you aware, prior to the China arrests, that this unofficial office contained computers, customer information and gifts, and was used to process visa
20 applications for VIP gamblers from all over China?

MR ALEXANDER: No.

MR BELL: Were you aware that there'd been a previous unofficial office used in
25 Guangzhou from at least 2012 to 2015?

MR ALEXANDER: No.

MR BELL: Were you aware that this previous unofficial office was run from
30 premises, which were not legally registered, in a semi-residential building which Crown Resorts executive described at the time as being "subject to random checks by authorities and posing many risks"?

MR ALEXANDER: No.
35

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?
40

MR ALEXANDER: No, I wasn't aware.

MR BELL: Well, you can assume that that was his evidence. I take it this unofficial office in Guangzhou was not authorised by you either?
45

MR ALEXANDER: No, of course not. I was unaware of it.

MR BELL: Yes. And do you agree that if what I put to you occurred, this conduct by Crown Resorts management was contrary to the fundamental principles of Crown Resorts that all of its business affairs be conducted ethically and with the strictest standards of the highest standards of integrity?

5

MR ALEXANDER: Yes.

MR BELL: Now, Mr O'Connor has given evidence to this Inquiry that it wasn't being kept secret at Crown Resorts or Crown Melbourne that these unofficial premises were operating. Can I ask you to look at exhibit R26, confidential link CRL.632.001.0043. Can I just take you through the email. The chain starts at the bottom of page .0044, from a person called Stefan Albouy, who describes himself as senior vice-president China and Taiwan. And he says:

15 *Please see attached proposal for new GHZ –*

which means Guangzhou –

20 *office and upgrade. This forms part of my plan, as discussed, to give each region a more stable environment to work from without risking our presence. This has been part of my FY12 KPO –*

would that be key performance outcomes?

25 MR ALEXANDER: Yes, I imagine so.

MR BELL:

30 *...China and whilst it has taken some to develop, Guangzhou will undertake to be the test base for Shanghai and Beijing. The current Guangzhou office is not legally registered and the environment unsuitable for our team. We are based in a semi-residential building which is subject to random checks by authorities. It poses many risks.*

35 He proposes moving into new premises with business registration, near the Australian consulate. Do you see that?

MR ALEXANDER: Yes, I do.

40 MR BELL: There's then an email from Mr O'Connor to Mr Albouy copied to Mr Chen, to Roland Theiler, William Mackay saying:

45 *Do you understand the legal implications of doing something like this? Do we need to seek some guidance from our legal people?*

Just pausing there; do you know who William Mackay was or what his role was?

MR ALEXANDER: No, I don't.

MR BELL: And then there's some emails between Mr O'Connor and Mr Albouy in which Mr O'Connor suggests:

5

Jan is probably the best person to help.

And if you go back to the first page, .0043, there's an email from Mr Albouy to Jan, who is Jan Williamson, senior legal counsel Crown Melbourne saying:

10

Please see email chain below. Pending the plan, we have of course faced some recent issues surrounding our activities in China and want to know whether it's advisable to proceed with the Guangzhou office. In a way this move somewhat legitimises our operations but will await your urgent advice before proceeding.

15

Then you see Ms Williamson forwards the email chain to Debra Tegoni who was executive general manager, legal and regulatory services, Crown Melbourne. So it would appear at least at this time all of these individuals were being informed that there was an office in Guangzhou which was in a semi-residential building subject to random checks by authorities and posing many risks. Can you offer any comment on how this proposal could have been part of Mr Albouy's key performance outcomes?

20

MR ALEXANDER: No, I can't.

25 MR BELL: Do you know who would have set those key performance outcomes?

MR ALEXANDER: I don't know. I imagine it might have been – I don't know who he reported to. I don't know who Mr Albouy is, I'm sorry.

30 MR BELL: All right. And I appreciate you knew nothing of this, but are you able to offer any comment of how this could have been occurring with so many people in Crown Resorts or Crown Melbourne or wherever at the time in circumstances where neither you nor Mr Craigie had authorised an office in China?

35 MR ALEXANDER: No, I can't.

MR BELL: Leaving to one side any ethical issue, there are also perhaps some risk management considerations. If Crown Resorts was operating unofficial offices in Guangzhou contrary to the directions of senior management whilst other casinos were openly conducting offices, do you agree that trying to operate under the radar like this may have in fact increased the danger to the staff in China if what Crown Resorts was doing came to the attention of the Chinese authorities?

40

MR ALEXANDER: Yes.

45

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?

MR ALEXANDER: No.

5

MR BELL: Have you read any of those legal advices since October 2016?

MR ALEXANDER: I've read the – some of the advice post the arrests, yes, I have.

10 MR BELL: I see. And in the period up to October 2016, were you aware that advices existed which dealt with whether the activities being conducted by the employees in China complied with Chinese criminal laws in relation to gambling?

15 MR ALEXANDER: I was aware that the advice we received, not that it was particularly voluminous but whenever the topic of China came up and it was not very often in terms of our legal status, was that we were assured there were – that we were operating legally in China, yes.

MR BELL: And Mr Alexander, who was giving you those assurances?

20

MR ALEXANDER: In a broad sense, management.

MR BELL: You're unable to recall any particular individuals at this stage?

25 MR ALEXANDER: I believe, Mr Craigie.

MR BELL: Right. Now, do you recall any occasion prior to the China arrests when a question arose in any meeting which you attended about whether the staff in China – I withdraw that. Do you recall any occasion prior to the China arrests when a
30 question arose at any meeting which you attended in relation to whether what the staff in China was doing complied with Chinese criminal laws which was also attended by Debra Tegoni?

35 MR ALEXANDER: No, I don't.

MR BELL: So in terms of your state of mind, other than the assurances from Mr Craigie that you have referred to in a general sense, did you first personally turn your mind to the details of what was required to comply with Chinese criminal laws after the arrests had occurred?

40

MR ALEXANDER: Well, after the arrests had occurred, of course, the offices were closed and I went to a briefing not long after I assumed the position, with our lawyers in Melbourne to find out what had actually happened, because at that stage we weren't being given particularly clear information from the previous chair about –
45 about what he knew at least about the arrests. And I was taken through the advice on which we had operated under China in a legal sense and there was various levels of assurance that we were operating within the law.

MR BELL: Yes. And when you said the previous chair, were you referring to Mr Rankin?

MR ALEXANDER: Yes.

5

MR BELL: And were you indicating that he hadn't been able to clarify what the legal position was to your satisfaction at the time?

MR ALEXANDER: It wasn't so much that; there was just an absence of
10 information.

MR BELL: Yes, I see. Now can I ask you to look at the advertisement published by the board. I think it's exhibit CA16 is probably the most convenient way to see it. Exhibit CA16, CRL.501.025.6932. Do you see that in the right-hand column in
15 about the middle of the page, it states:

*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
20 wrong or disregarded. It's an illustration of the challenges involved in anticipating how foreign laws can be interpreted and enforced.*

Do you agree that it's an implication, that statement, that Crown Resorts relied upon the legal advice which was being obtained at the time?

25

MR ALEXANDER: Yes.

MR BELL: Now, as you hadn't seen the legal advises yourself, did you seek any assurances from management prior to approving this advertisement that Crown
30 Resorts had in fact relied on the legal advice which had been obtained from the external lawyers prior to the arrests?

MR ALEXANDER: Yes.

35 MR BELL: What assurance were you given?

MR ALEXANDER: I was given assurance that having looked at various – a variety of email correspondence between a number of legal firms and consultants about our position, and that was enforced by conversations with our external lawyers.

40

MR BELL: I see. Who was it who was providing these assurances to you?

MR ALEXANDER: Inside the company?

45 MR BELL: Yes.

MR ALEXANDER: Mr Felstead.

MR BELL: Were you aware, prior to authorising this announcement, 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 the VIP International executives?
5

MR ALEXANDER: No.

MR BELL: Or that, after the arrests, the internal lawyers had to request copies of all of the advices to find out what advice had been given?
10

MR ALEXANDER: No.

MR BELL: If I can ask you to look at exhibit M154. Exhibit M for Mike, 154. CRL.545.001.0128.
15

MR ALEXANDER: Yes, I have that.

MR BELL: You will see that, at the bottom of the first page, there's an email from Michael Chen to Kenneth Zhou, a lawyer at WilmerHale in Beijing, which goes to the second page. This is dated the 24th of February 2015. He says:
20

Hi Ken, the climate has gotten quite destabilised. We have competitors that have pulled their entire teams out of China. Will you please advise whether you think our executives should be avoiding entering China and whether we should be pulling staff out.
25

Mr Zhou's response which is back on page .0128 is:

I agree that it seems prudent to limit travels of senior executives to mainland China at this point, given the regulatory environment has been tightened up. The picture is not entirely clear. I'm not sure whether it's come to the point that you should have to pull the entire team out of China. One option is that could have some key employees tentatively work outside China, eg, Hong Kong.
30
35

Now, were you aware, prior to July 2019, that the VIP international unit had obtained advice in these terms from the lawyer in Beijing?

MR ALEXANDER: No.
40

MR BELL: Are you little surprised to see that advice in these terms was being sought and obtained by the VIP international unit at the time?

MR ALEXANDER: I'm surprised to see that it wasn't communicated to the wider group.
45

MR BELL: Do you mean by that – do you mean by that you’re surprised to see it wasn’t communicated by the VIP international unit to the upper echelons of Crown Resorts at the time?

5 MR ALEXANDER: Yes.

MR BELL: And I take it you’re aware Crown Resorts didn’t ever take any of the China-based staff and have them work in neighbouring jurisdictions, such as Hong Kong?

10

MR ALEXANDER: I’m unaware of that.

MR BELL: All right. Were you aware, prior to authorising the advertisement in July ’19, that Crown Resorts management had not sought confirmation from Crown Resorts internal lawyers about the soundness of the opinions that were being expressed by the external lawyers?

15

MR ALEXANDER: I’m not, no.

20 MR BELL: And 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 had been given?

25 MR ALEXANDER: No.

MR BELL: Were you aware, prior to authorising the advertisement, that Crown Resorts management were relying upon VIP international executives, who were not lawyers, to interpret the legal advice about Chinese Criminal Law which had been provided?

30

MR ALEXANDER: No.

MR BELL: Were you aware that Mr Craigie had not himself ever seen any of these advices and was relying upon what Mr Felstead and Chen were telling him?

35

MR ALEXANDER: No.

MR BELL: Were you informed, prior to authorising the advertisement, that Crown Resorts management didn’t ever seek assurances from the VIP international executives that the factual assumptions which the external lawyers were making were accurate?

40

MR ALEXANDER: No.

45

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 management perspective?

5 MR ALEXANDER: It could be interpreted that way.

MR BELL: Now, as the executive deputy chairman at the time – and I appreciate you weren't aware of these things – but are you able to offer any comment as to why the management of the legal advices could be interpreted as being inadequate in that
10 respect?

MR ALEXANDER: No, I can't.

MR BELL: Were you aware, prior to approving the announcement by the Crown
15 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?

20 MR ALEXANDER: Well, I was unaware that those – of the idea that staff were at risk, was not – was not – the board was not aware of that.

MR BELL: So what I'm putting to you, really, is that were you aware at the time, in
25 July 2019, that the media allegations were wider and more nuanced than simply whether the staff were complying with article 303 or not and raised risk management considerations?

MR ALEXANDER: Sorry. Would you mind repeating the actual question, please.

30 MR BELL: Yes, I'll try. Were you aware, prior to approving the announcement, that the media allegations in the – in relation to the China arrests were wider and more nuanced than simply whether the employees of China were complying with article 303 or not and raised wider issues about whether Crown Resorts failed to heed warning signs from the Chinese Government that its employees were at risk?
35

MR ALEXANDER: No, I wasn't aware.

MR BELL: All right. There's been evidence given to this Inquiry that it was widely
40 understood by Crown Resorts management prior to the Chinese arrests that there was a potential 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?

MR ALEXANDER: No.

45 MR BELL: There's also been evidence given – I withdraw that. There's also been evidence given to this Inquiry that it was widely understood by Crown Resorts management, prior to the China arrests, that China was a country where the law

could be enforced inconsistently. Was that a matter that you personally recall turning your mind to, prior to the China arrests?

MR ALEXANDER: No.

5

MR BELL: Can I ask you to look at exhibit CA10, confidential link CRL.501.056.0536. And if I could ask you to turn to page .0544.

MR ALEXANDER: Yes, I have that.

10

MR BELL: You will see, in the last bullet points, it states that:

15

It was understood, based on legal and government relations advices, that the promotion of gambling was that it was not illegal to promote gambling if it was to groups of less than 10 and no kickbacks were being received.

I take it from your evidence that this is something that you've come to understand since the China arrests in October 2016?

20

MR ALEXANDER: Yes.

MR BELL: And so your current understanding is that there were two questions: first, the size of the group; secondly, whether kickbacks were being received; is that correct?

25

MR ALEXANDER: That's correct.

30

MR BELL: And did you understand – I withdraw that. Did you understand, prior to approving the announcement in July 2016 in relation to the first aspect of the size of the group being organised for gambling 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 will be legal to organise more than 10 people to go on a gambling tour on two occasions cumulatively?

35

MR ALEXANDER: No, I did not.

40

MR BELL: All right. Well, if I could make that assumption, please. Did you understand, prior to approving the announcement, that it was understood by the management of VIP international that the issue of whether the employees in China were complying with the second aspect, 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 illegal to organise gambling tours if the person received a fee from his or her employer based upon the amount of turnover spent by the gambler?

45

MR ALEXANDER: No.

MR BELL: All right. Again, if you'd make that assumption, would you agree that both of those points appear to involve quite precise legal questions?

MR ALEXANDER: Yes.

5

MR BELL: And the safety of the staff in China relied upon those precise legal questions being resolved in accordance with the Crown Resorts' interpretation; do you agree?

10 COMMISSIONER: We seem to have lost him.

MR YOUNG: I do object.

15 MR BELL: Well, I withdraw the question. I don't want to waste time. I withdraw the question.

COMMISSIONER: That's all right.

MR BELL: Are you there, Mr Alexander?

20

COMMISSIONER: Not presently. All right. I'm going to take a short adjournment while the technology is adjusted.

25 **ADJOURNED** **[3.12 pm]**

RESUMED **[3.27 pm]**

30

COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: So, Mr Alexander, I'll just go back a few steps. We were looking at the requirements of the Chinese Criminal Law, and I'd asked you to assume, firstly, that
35 the VIP international team understood that it would be legal to organise more than 10 people to go on gambling tours on two occasions cumulatively, but illegal to organise more than 10 people to go to a gambling tour on a single occasion. Secondly, I had asked you to assume that the VIP international team understood that it would be legal for the employee to receive a fee from his or her employer based on
40 the amount of turnover spent by the gambler, but illegal to receive a fee directly from the gambler. And I think you had agreed with me that those were two precise questions of interpretations of law; is that right?

MR ALEXANDER: Yes.

45

MR BELL: And do you agree that there was an element of risk in management of the VIP international relying on those two precise legal questions having regard to

their view about the potential for arbitrary action and inconsistent enforcement of the law by the Chinese authorities?

MR ALEXANDER: Yes.

5

MR BELL: And do you agree this this emphasised the importance of the board of Crown Resorts being kept fully informed of all factors which escalated the risk of the safety of the staff in China?

10 MR ALEXANDER: Yes.

MR BELL: And could I ask you to look at M30. M for Mike, 30. That's CRL.505.001.0611. Mr Alexander, this is an email from Mr Chen to Mr Felstead, the 26th of March 2013. Could I direct your attention to the last paragraph on the
15 page where Mr Chen says this:

This is one thing that it is important to understand when it comes to the China team: they're living in constant fear –

20 of being tapped –

of getting tapped on the shoulder. In a country where due process is inconsistently applied, it's a risky place to be for all our team.

25 Do you agree that it's a serious matter for staff of a listed Australian company to be expressing fears for their safety in performing the work that they've been hired to undertake?

MR ALEXANDER: Yes.

30

MR BELL: And were you ever informed, at any time up to October 2016, that the staff in China were expressing fears for their safety?

MR ALEXANDER: No.

35

MR BELL: And do you agree that the fact that the staff in China were expressing fears for their safety was a matter which, of itself, should have been drawn to the attention of the board of Crown Resorts at the time?

40 MR ALEXANDER: Yes.

MR BELL: And do you agree that the failure to draw this matter to the attention of the full board of Crown Resorts demonstrates a failure in the risk management processes of Crown Resorts at the time?

45

MR ALEXANDER: Yes.

MR BELL: And I appreciate that you weren't aware of this, but as the executive deputy chairman at the time, are you able to offer some comment to the Inquiry on how this failure in the risk management processes of Crown Resorts could have occurred?

5

MR ALEXANDER: No, I can't.

MR BELL: You received media monitoring services in 2015, did you?

10 MR ALEXANDER: Almost certainly, yes.

MR BELL: Was it your practice to read them?

MR ALEXANDER: Not always.

15

MR BELL: All right. 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 MR ALEXANDER: I can't recall.

MR BELL: All right. Can I ask you to look at exhibit M131. Exhibit M for Mike, 131, INQ.100.001.0003. This is an article that appeared in Reuters on the 6th of February 2015. You see it says in the first paragraph:

25

China will fight attempts by foreign casinos to lure its citizens abroad, a senior police official said on Friday.

In the next paragraph it goes on:

30

Chinese, amongst the world most prolific gamblers, often travelling to the Chinese territory of Macau, South Korea, the Philippines or Australia, as gambling is illegal in mainland China.

35 Then a deputy bureau chief at the Ministry of Public Security was quotes as saying:

Some foreign countries see our nation as an enormous market, and we have investigated a serious of cases.

40 Then, turning over the next page, .0004, the official was quoted as saying:

A fair number neighbouring countries have casinos ... they have set up offices in China to attract and drum up interest from Chinese citizens to go abroad and gamble. This will also be an area that we will crack down on.

45

Now, do you agree that such a crackdown would be an obvious escalation of risk to the safety of the staff in China, especially having regard to the view of VIP

international that there was a potential for arbitrary action and inconsistent enforcement of the law by Chinese authorities?

MR ALEXANDER: Yes.

5

MR BELL: Can I ask you to look at exhibit O16. Exhibit O16. CRL.522.001.5174. Do you see this is News For Gaming media monitoring service sent to you at your CPH email address on the 7th of February 2015?

10 MR ALEXANDER: Yes.

MR BELL: And if you look at the second page, .5175, there's reference to the two articles referring to the crackdown on foreign casinos, including the one from Reuters that we just looked at.

15

MR ALEXANDER: Yes.

MR BELL: Does that assist you to recall if you were aware at the time that there was a crackdown on foreign casinos which had been announced by the Chinese authorities?

20

MR ALEXANDER: No, it doesn't. I don't recall seeing this.

MR BELL: Can I ask you to look at exhibit O21. Exhibit O21. CRL.522.001.5170. You see this is another News For Gaming media monitoring email to you dated the 10th of February 2015 which, down at the bottom of the first page, refers to the crackdown on casino marketing in China? Do you see that?

25

MR ALEXANDER: Yes, I do.

30

MR BELL: And is there – does that assist you to recall whether or not you were, in fact, aware of the crackdown on foreign casinos announced by the Chinese authorities in February 2015?

35 MR ALEXANDER: No, it doesn't.

MR BELL: And are you aware of any notification to the board of Crown Resorts prior to the China arrests notifying the board that, in February 2015, the Chinese authorities announced a crackdown on foreign casinos?

40

MR ALEXANDER: No, I'm not.

MR BELL: Are you aware that Mr Felstead and Mr O'Connor have given evidence to this Inquiry that they were aware of the announcement in February 2015 by the Chinese authorities of the crackdown on foreign casinos?

45

MR ALEXANDER: I haven't followed their evidence.

MR BELL: All right. If you could make that assumption, please.

MR ALEXANDER: I will make – I'm happy to make that assumption.

5 MR BELL: Thank you. And are you aware, and, if not, would you assume, that Mr Johnston has given evidence to this Inquiry that in about February or March 2015 that he became aware of reports that the Chinese authorities were cracking down on foreign casinos recruiting Chinese citizens to gamble overseas?

10 MR ALEXANDER: I haven't followed his evidence like the others, but I assume that's the evidence, as you described.

MR BELL: All right. Now, are you aware that, of the three members of the risk management committee of Crown Resorts in the period up to October 2016, that the
15 chairman, Mr 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 the Chinese Government crackdown?

MR ALEXANDER: I'm not aware of Mr Dixon's statement, but - - -
20

MR BELL: Please make that assumption.

MR ALEXANDER: I will make that assumption.

25 MR BELL: And are you aware that a second manager of the risk management committee, Ms Danziger, has given evidence to this Inquiry that she was not aware of the crackdown on foreign casinos by the Chinese authorities?

MR ALEXANDER: I'll make that assumption.
30

MR BELL: Thank you. And are you aware, and, if not, would be please assume, that the third member of the risk management committee at the time, Mr Craigie, has stated in evidence to this Inquiry that he does not recall if he became aware of that
35 announcement, but that, if he had been informed of the crackdown, it would have led to a discussion about the risks in China, and he does not recall any such discussion?

MR ALEXANDER: Well, I will accept that.

MR BELL: Thank you. On those assumptions, do you agree that the failure to
40 ensure that the crackdown on foreign casinos announced by the Chinese authorities was drawn to the full board of the Crown Resorts or the risk management committee of the board demonstrates a failure in the risk processes of Crown management at the time?

45 MR ALEXANDER: Yes.

MR BELL: And, again, if I could ask you, as you were executive deputy chairman, whether you're able to offer any comment on how that failure might have occurred?

5 MR ALEXANDER: I can't explain how it occurred. It's clearly just a failure of information to flow upwards. I can't explain why the information was not passed on.

MR BELL: Were you aware, in July 2019, that one of the allegations raised by the media at that time in relation to the China arrests was that Crown Resorts instructed staff to falsely claim to the Chinese authorities that they were not working for Crown
10 Resorts in China but were working in other locations?

MR ALEXANDER: No, I'm not aware of that.

MR BELL: Could I ask you to look at exhibit M139, M for Mike, 139. Mr
15 Alexander, this is an email from Michael Chen to VIP international offices and the evidence is that VIP international offices' emails went to all of the staff in China. The reference is CRL.545.001.0025. Mr Alexander, you will see in about a third way down the page, Mr Chen says:

20 *Just as we departed our all hands meetings a number of articles came out this past weekend.*

I should have identified for you, this is 9 February 2015. He says:

25 *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.*

Then he goes on just below halfway down the page to say:

30 *At this stage, it's critical that nobody overreacts while at the same time we take precautions to ensure the safety and security of our staff. Let me share with you what we are doing.*

35 And he says at point 2:

40 *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 now on business travel in China.*

I take it this is the first you have learnt of this proposal from VIP international?

45 MR ALEXANDER: Yes, it is.

MR BELL: Do you agree that this proposal was inconsistent with Crown Resorts fundamental principle that all of its business affairs be conducted ethically and with strict observance of the highest standards of integrity?

5 MR ALEXANDER: Yes.

MR BELL: Another response of management of the VIP international unit to the crackdown on foreign casinos in February 2015 was to suspend travel to mainland China by the top VIP international executives for a period of time. Were you aware that that suspension had occurred?

MR ALEXANDER: No.

MR BELL: Now, could I ask you to look at exhibit M144, exhibit M for Mike, 144. CRL.522.001.2864.

MR ALEXANDER: Yes.

MR BELL: It's an email dated 12 February. It starts at the bottom of the page with an email from Ishan Ratnam to a Matthew Csidei, copy Barry Felstead. He says:

With the announcement late last week from the Chinese government on targeting Chinese citizens visiting foreign casinos, what are your thoughts on losing the logo on the tails of the Globals?

Mr Ratnam's evidence to this inquiry is that he was referring to losing the Crown Resorts branding on the tails of Crown Resorts private jets that were used to transport VIP gamblers to the casinos in Australia. You see Mr Csidei says:

Great idea. Get rid of them.

And Mr Ratnam says "Will do." Were you aware at any time up to the China arrests that it was decided to remove the Crown Resorts logos from the Crown Resorts private jets having regard to the announcement in February 2015 from the Chinese government on targeting Chinese citizens visiting foreign casinos?

MR ALEXANDER: No, I wasn't.

MR BELL: In June 2015 did you learn that a number of employees of two South Korean casinos had been arrested in China?

MR ALEXANDER: Yes, we heard about that.

MR BELL: How did you find out about that?

MR ALEXANDER: I can't recall specifically.

MR BELL: Were you aware that in June 2019 Mr Robert Rankin, who was - - -

COMMISSIONER: 2015, I think you meant.

5 MR BELL: I'm sorry, I withdraw that.

COMMISSIONER: That's all right.

10 MR BELL: Were you aware that in June 2015 Mr Robert Rankin, who was at that time soon to become the new chairman of Crown Resorts, had said in an email that Crown Resorts needed to be on high alert for the risk of similar regulatory action against Crown Resorts' employees in China?

15 MR ALEXANDER: No, I wasn't.

MR BELL: When have you last had any communication with Mr Rankin?

MR ALEXANDER: I believe November 2016.

20 MR BELL: Can I ask you to look at exhibit R13, exhibit R13, confidential link CRL.512.001.7497. These are minutes of a meeting of the board of Crown Resorts Limited held on 12 August 2015 at which you are recorded as having been present and, indeed, chaired the meeting. Do you see that?

25 MR ALEXANDER: Yes.

MR BELL: Now, you can take it from me that there's nothing in the minutes about this, but do you recall Mr Johnston saying anything at this meeting about the arrest of the South Korean casino employees?

30 MR ALEXANDER: I don't.

MR BELL: Can you recall Mr Johnston saying anything to the board either in a board meeting or in the context of a board meeting about the arrest of the South Korean casino employees?

35

MR ALEXANDER: No, I can't recall.

40 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?

COMMISSIONER: Two Crown employees.

45 MR BELL: Yes, I withdraw that. I will ask the question again. Were you aware at any time up to the China arrests that two Crown Resorts employees in China were questioned by the Chinese police in about July 2015?

MR ALEXANDER: No, I wasn't.

MR BELL: Were you aware at any time up to the China arrests that one of those employees of Crown in Wuhan in China was questioned by the Chinese police about
5 whether he was organising gambling tours and he falsely denied that allegation?

MR ALEXANDER: No, I wasn't.

MR BELL: Were you aware at any time up to the China arrests that this employee
10 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 Chinese police?

MR ALEXANDER: No, I wasn't.

15

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?

20 MR ALEXANDER: No.

MR BELL: Do you agree that if what I have put to you is correct, questioning a staff member in Wuhan and the requirement by the Chinese police for a letter from Crown Resorts coming a matter of a few weeks after the arrest of the South Korean
25 employees was an obvious escalation in the risk to the safety of the staff in China?

MR ALEXANDER: It could be interpreted that way.

MR BELL: Can you assume, please, that Mr Felstead was aware of the questioning
30 of a staff member in Wuhan and, indeed, authorised the provision of a letter from a Crown Resorts subsidiary to the Chinese police and that he only informed one member of the board about the questioning of the staff in Wuhan and the requirement for the letter, Mr Michael Johnston. Can you make those assumptions, please.

35 MR ALEXANDER: Yes.

MR BELL: And would you please assume that Mr Michael Johnston did nothing about that email when he read it?

40 MR ALEXANDER: Yes.

MR BELL: Do you agree that the failure of a senior executive, Mr Felstead, and a member of the board of Crown Resorts, Mr Johnston, to inform the rest of the board and any member of the risk management committee of the board about the
45 questioning of the staff in Wuhan and the requirement by the Chinese police for a letter from Crown Resorts demonstrates a failure in the risk management processes of Crown Resorts at the time?

MR ALEXANDER: Yes.

MR BELL: 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
5 that it could consider whether the strategy in China remained within its risk appetite and, if so, whether any mitigation of the risk was appropriate?

MR ALEXANDER: Yes.

10 MR BELL: Do you agree that if what I have put to you is the case in relation to 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 being shared by one
15 member with the rest of the board?

MR ALEXANDER: Yes.

MR BELL: Can I ask you look at exhibit O40. Exhibit O40. Confidential link
20 CRL.512.001.8101. And if you could turn in to page .8103. Do you see that these are minutes of a meeting of the board of directors on the 16th of December 2015, which you attended?

MR ALEXANDER: Sorry. So what was the number again?

25 MR BELL: Yes. So it's exhibit O40. And I'm asking you to go to the third page in, to exhibit O40, which should be CRL.512.001.8103.

MR ALEXANDER: Yes.

30 MR BELL: And do you see that these are minutes of a meeting of the board of directors of Crown Resorts on the 16th of December 2015, which you attended?

MR ALEXANDER: Yes.

35 MR BELL: If I could ask you to turn to page .8104, the next page, you see, in the fourth paragraph, Mr Packer is recorded as saying that he had to leave the meeting?

MR ALEXANDER: Yes.

40 MR BELL: Now, in fact, Mr Packer resigned from the board of Crown Resorts some five days later on 21 December 2015. And you can take it from me that there's nothing in these minutes in which Mr Packer indicates an intention to resign from the board. Did Mr Packer tell you why he was leaving the board at this time?

45 MR ALEXANDER: No.

MR BELL: Did Mr Rankin tell you why Mr Packer was leaving the board at this time?

MR ALEXANDER: No.

5

MR BELL: Can I ask you to look at exhibit - - -

COMMISSIONER: Did you ask him?

10 MR ALEXANDER: I'm sorry, Commissioner?

COMMISSIONER: Did you ask Mr Packer why he was departing?

MR ALEXANDER: After he resigned?

15

COMMISSIONER: Yes. Any time.

MR ALEXANDER: Yes. I think – let me reflect.

20 COMMISSIONER: The question is, did you ask him?

MR ALEXANDER: I can't recall, Commissioner.

COMMISSIONER: That's on reflection, is it?

25

MR ALEXANDER: Yes.

COMMISSIONER: So you had no – absolutely no idea why the chairman – why the director had gone?

30

MR ALEXANDER: I think he was keen to hand over the responsibilities of being chairman to somebody else. And I think he saw in Mr Rankin somebody who was going to, perhaps, at that time, embark upon some value-adding, restructuring moves for the company.

35

COMMISSIONER: I see. Mr Rankin had been the chairman for about four months by then, since August, and I'm just interested to know you, as, obviously a, it appears, an ally or close personal friend of Mr Packer, he didn't tell you why he was leaving.

40

MR ALEXANDER: I genuinely can't recall.

COMMISSIONER: All right. Yes, Mr Bell.

45 MR BELL: Can I ask you to look at exhibit AA51. Exhibit AA51. CPH.001.635.7066. Do you see that – sorry. Just bear with me a moment, Mr

Alexander. Yes, exhibit AA51. Do you see it's a media release dated the 21st of December about Mr Packer stepping down?

MR ALEXANDER: Yes.

5

MR BELL: And do you see at about a third of the way down the page, Mr Packer is quoted as saying:

10 *Now is the right time for me to focus my endeavours on my new role with Crown.*

MR ALEXANDER: Yes.

15 MR BELL: And if you look at the bottom of the page, do you see that Mr Rankin is quoted as saying:

James will continue to have a very active involvement in Crown in his new role.

Do you see that?

20

MR ALEXANDER: Yes, I do.

MR BELL: And is it the case that, at this stage, it was contemplated that Mr Packer would take on an executive role with Crown Resorts?

25

MR ALEXANDER: Yes. From memory, president of international strategy or words – or a title like that.

30 MR BELL: And did you have any understanding of what the responsibilities of president international strategy, or whatever it was, would involve?

MR ALEXANDER: From memory, it was to drive new opportunities for the company, globally.

35 MR BELL: And is it the case that the executive position which appears to have been contemplated at this time was negotiated for some period after December '15, but was never put into effect.

40 MR ALEXANDER: Yes, that's true; it was never put into effect.

MR BELL: And do you recall whether, in that negotiation period, Mr Packer was, in fact, performing executive responsibilities for Crown Resorts?

45 MR ALEXANDER: I can't recall.

MR BELL: Can I ask you to look at exhibit Y13. CRL.525.001.0001.

MR ALEXANDER: Yes, I have that.

MR BELL: Do you see that this is a services agreement between CRL – Crown Resorts Limited and CPH, dated 1 July 2016.

5

MR ALEXANDER: Yes.

MR BELL: Did you understand that the purpose of this agreement was to provide Crown Resorts to pay CPH for services provided by certain CPH executives to Crown Resorts?

10

MR ALEXANDER: Yes.

MR BELL: And if I could ask you to look at clause 14.4 at page .0017.

15

MR ALEXANDER: Yes.

MR BELL: You understood that this agreement made provision for confidential information of Crown Resorts to be provided to CPH so that CPH and executives could provide the services to Crown Resorts?

20

MR ALEXANDER: Yes.

MR BELL: And do you understand that information about the services agreement, including the amounts paid under, it have been disclosed in the annual reports of Crown Resorts in 2017 and succeeding years?

25

MR ALEXANDER: Yes.

MR BELL: Could I ask you to look at exhibit AB24, INQ.010.002.1000. You see this is an ASX release dated the 10th of January 2017?

30

MR ALEXANDER: Yes.

MR BELL: And, among other things, it was announced at this time that you would become the executive chairman of Crown Resorts?

35

MR ALEXANDER: Yes.

MR BELL: And it also refers to Mr Packer having been appointed as a director of Crown Resorts following receipt of a nomination from CPH?

40

MR ALEXANDER: Yes.

MR BELL: And it refers to the fact that the board had been advised of the intention of CPH to nominate Guy Jalland to the next casual vacancy?

45

MR ALEXANDER: Yes.

MR BELL: If I could ask you to look at exhibit AB25, the next tab,
5 INQ.010.002.0721, you see it's an ASX release by Crown Resorts of the 3rd of
August 2017?

MR ALEXANDER: Sorry. Would you mind repeating that number, please. I'm
sorry.

10 MR BELL: Sorry, it's exhibit AB25, INQ.010.002.0721. Perhaps we can put it up
on the screen. Do you have it on the screen, Mr Alexander?

MR ALEXANDER: I can see that now, yes. Thank you.

15 MR BELL: Yes. You see it was announced at this time that Mr Packer was being
appointed to the board following the receipt of all necessary consents and approvals?

MR ALEXANDER: Yes.

20 MR BELL: So is it the case that the delay between January 2017 when it had been
announced that Mr Packer would be re-joining the board, and this announcement in
August was due to a requirement for certain regulatory approvals before he could
take up an appointment?

25 MR ALEXANDER: I assume so.

MR BELL: And if you could look at exhibit AB27, INQ.010.002.1004.

MR ALEXANDER: Yes.

30 MR BELL: You see that's an announcement in March 2018 that Mr Packer had
resigned as a director from the board of Crown Resorts?

MR ALEXANDER: Yes.

35 MR BELL: Could I ask you to look at exhibit Y5, Y5, confidential link
CRL.509.014.8430 do you see that this is a controlling shareholder protocol dated 31
October 2018?

40 MR ALEXANDER: Yes.

MR BELL: And if you look at page .8436, you have signed this agreement on
behalf of Crown Resorts?

45 MR ALEXANDER: Yes.

MR BELL: And did you understand that the principal purpose of this agreement was to provide a mechanism for Crown Resorts to provide its confidential information to Mr Packer in circumstances where he had left the boards of Crown Resorts and Consolidated Press Holdings and was therefore not entitled to receive
5 information under the provisions of the services agreement?

MR ALEXANDER: Yes, I did.

MR BELL: And are you aware that after the date of this controlling shareholder
10 protocol, a number of executives provided Crown Resorts confidential information to Mr Packer under the authority of the protocol?

MR ALEXANDER: Yes.

15 MR BELL: You were one of those people; is that correct?

MR ALEXANDER: Yes.

MR BELL: And you understood that Mr Barton and Mr Felstead were also
20 regularly providing confidential information to Mr Packer under the authority of the controlling shareholder protocol?

MR ALEXANDER: Yes.

25 MR BELL: Is that a convenient time, Commissioner?

COMMISSIONER: It is, yes, thank you. Mr Alexander, we will now adjourn until
tomorrow morning, and resume the hearing at 10 am. If you would be kind enough
30 to make yourself available just a little before 10 am so we can ensure that the technological link is made.

MR ALEXANDER: Yes, indeed, Commissioner. Thank you.

COMMISSIONER: Yes, I will adjourn now.
35

<THE WITNESS WITHDREW

[4.03 pm]

40 **MATTER ADJOURNED at 4.03 pm UNTIL FRIDAY, 2 OCTOBER 2020**

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