



NEW SOUTH WALES INDEPENDENT CASINO COMMISSION

**THE INQUIRY INTO THE STAR PTY LTD & THE STAR
ENTERTAINMENT GROUP LIMITED**

**PUBLIC HEARING
DAY 10**

TUESDAY, 30 APRIL 2024

INQUIRY BEFORE MR ADAM BELL SC

COUNSEL ASSISTING:

MR C. CONDE WITH MR D. HABASHY AND MS E. HALL

**MR B. WALKER SC, MR I. AHMED SC, MR D. WONG AND MR H. ATKIN
FOR THE STAR PTY LTD AND THE STAR ENTERTAINMENT GROUP
LIMITED**

DR J. RENWICK SC WITH MS J. ROY FOR WITNESS ROBERT COOKE

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<THE HEARING IN PUBLIC SESSION RESUMED AT 10.02 AM

MR BELL SC: Yes, Mr Conde?

5 **MR CONDE:** I call the next witness, Mr Hodgson.

<PETER JOHN HODGSON, AFFIRMED

<EXAMINATION BY MR CONDE

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MR CONDE: May I trouble you please to state your full name?

MR HODGSON: Peter John Hodgson.

15 **MR CONDE:** And are you aware that your address has been known on your behalf to the solicitors assisting Mr Bell's inquiry?

MR HODGSON: I am.

20 **MR CONDE:** Were you appointed as a non-Executive Director of The Star Entertainment Group Limited on 7 February 2024?

MR HODGSON: I was.

25 **MR CONDE:** And was your appointment to the board announced pending regulatory approval on 6 July 2023?

MR HODGSON: That's correct.

30 **MR CONDE:** And have you been the chairman of Judo Bank since 2017?

MR HODGSON: I have been.

35 **MR CONDE:** Before that were you Managing Director of the Myer Family Investments from 2009 to 2016?

MR HODGSON: That's correct.

40 **MR CONDE:** And were you chief risk officer and group managing director, institutional at ANZ Banking Group where you worked between 1997 and 2008?

MR HODGSON: Yes.

45 **MR CONDE:** At Star Entertainment is it correct that you were the Chair of the Risk Committee?

MR HODGSON: I am now, yes.

MR CONDE: And are you a member of the audit committee?

MR HODGSON: That's right.

5 **MR CONDE:** Are you a member of the culture, people and remuneration committee?

MR HODGSON: I don't think I am, but you may know better than I.

10 **MR CONDE:** No.

MR HODGSON: I don't think I am.

15 **MR CONDE:** Are you a member of a compliance committee, and if so, which one?

MR HODGSON: I'm a member of all three compliance committees.

MR CONDE: Right, in respect of each property, is that correct?

20 **MR HODGSON:** That's correct, yes.

MR CONDE: Right. Do you agree that in order to be suitable a casino operator or close associate must cooperate fully with the regulator?

25 **MR HODGSON:** I do.

MR CONDE: Do you agree that a casino operator, or close associate, must also be completely honest, candid and transparent with the regulator?

30 **MR HODGSON:** Absolutely.

MR CONDE: And are you aware that Star Entertainment's risk appetite statement provides that the company seeks to have an effective and transparent relationship with its regulator?

35

MR HODGSON: I am.

MR CONDE: Do you agree that it is important for the purposes of Star's business to have an effective and transparent relationship with the regulator?

40

MR HODGSON: Yes, indeed.

MR CONDE: And would you agree that that's amplified when the Sydney licence is suspended and a manager has been appointed?

45

MR HODGSON: No. Transparency is transparency at all times.

MR CONDE: Right. Are you aware that in Mr Bell's - the report from Mr Bell's first inquiry he spoke of a need for independent eyes at the level of the casino operator, focused exclusively on ensuring that the casino operator complies with its obligations under legislative requirements and its licence?

5

MR HODGSON: Yes, I'm aware of that.

MR CONDE: And are you aware that Star Entertainment announced the departure of Mr Wharton as The Star Sydney CEO and group head of transformation on 3 April 2023?

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MR HODGSON: Yes.

MR CONDE: And I appreciate this was before your time as a director, but are you aware that Mr Cooke was quoted in that announcement as saying "We're well positioned to announce shortly Scott's successor as CEO for Star Sydney"?

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MR HODGSON: I've only been made aware of that through these proceedings.

MR CONDE: Right. You're aware, I take it, that on 25 January 2024 Ms Janelle Campbell was announced as the Sydney CEO, pending regulatory approval?

20

MR HODGSON: Yes, I am.

MR CONDE: And do you have - well, would you agree that the time taken was too long to find a new Sydney CEO?

25

MR HODGSON: I would agree with that.

MR CONDE: Are you aware that throughout the time that, since Mr Wharton departed, the person that has been practically in charge of the Sydney property has been Mr Peter Humphreys?

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MR HODGSON: Yes, I am.

35

MR CONDE: And are you aware that Mr Humphreys is also the interim chief operating officer at The Star Sydney?

MR HODGSON: Yes.

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MR CONDE: Are you aware he is also the General Manager, gaming machines and cashier services at Star Sydney?

MR HODGSON: Yes.

45

MR CONDE: Would you agree that it's not a long-term solution to have Mr Humphreys or any other individual in all of those roles?

MR HODGSON: Completely agree. It would have been desirable to have identified at an earlier point a CEO of The Star Sydney.

5 **MR CONDE:** So far as you're aware, is it correct, since you've been a director of Star Entertainment, the board has met, I think only once, 13 February 2024, but I think since you've been an observer it's also met on 27 October 2023?

MR HODGSON: Yes, I'm aware of that.

10 **MR CONDE:** And would you regard that as satisfactory?

MR HODGSON: No.

15 **MR CONDE:** Are you aware that Mr Bell's first inquiry recommended The Star Sydney should have its own risk officer?

MR HODGSON: Yes.

20 **MR CONDE:** Is it your observation that when important matters relating to risk at the Sydney property arise it is Mr Saunders, not Ms Vuong, who deals with those matters?

25 **MR HODGSON:** I think they would be both dealing with those matters. I met with Ms Vuong soon after I assumed the observer status and I was comforted in the way she was interacting with management, but I'm also conscious that she has a line of reporting through to Scott Saunders.

30 **MR CONDE:** Right. In terms of, this preceded your time, but I take it you're aware of the TICO fraud event involving the \$3 million coming out of the ticketing cash-out machines in June and July 2023?

MR HODGSON: Yes, I am.

35 **MR CONDE:** And so far as you're aware, has the company addressed the issues arising from that event?

MR HODGSON: It's had an exhaustive review and the issues arising and they have also been taken on board by Ms Campbell in her presumptive role as CEO Sydney.

40 **MR CONDE:** Are you satisfied that if there were a malfunction again today it would be detected a lot more quickly?

45 **MR HODGSON:** Probably, possibly more quickly, but in any large enterprise things happen.

MR CONDE: Yes, are you satisfied - well -

MR HODGSON: It's what you do when they happen that counts.

MR CONDE: Yes. Would you agree that it took too long for the event to be detected?

5 **MR HODGSON:** Yes - sorry - indeed, I would, it took much too long.

MR CONDE: So accepting what you said earlier that things happen, it's your expectation that they would be detected a lot more quickly than the TICO one was?

10 **MR HODGSON:** Yes.

MR CONDE: And what gives you that confidence?

15 **MR HODGSON:** I think the end to end accountability that we have now enabled in the Sydney operation will provide that level of insight and understanding as to the detailed goings on of the operation.

20 **MR CONDE:** Also at the Sydney property has been the Guest Support Officer issue involving false entries in TrackVia to suggest patrons had been checked on when they had not. Do you agree that that is a very serious issue?

MR HODGSON: It certainly is.

25 **MR CONDE:** Are you aware of Guest Support Officers' statements to investigators about being short-staffed since day one and about it being physically impossible to do their job?

MR HODGSON: I am.

30 **MR CONDE:** Would you agree that although, of course, there is no excuse for falsifying records, if people don't have resources they need there's an increased risk of them adopting unacceptable workarounds?

35 **MR HODGSON:** As you say, there's no excuse for falsifying records. But it is our responsibility to ensure they have adequate resources.

MR CONDE: And if there are inadequate resources would you agree there's an increased risk of unacceptable workarounds?

40 **MR HODGSON:** Yes.

MR CONDE: Are you aware that this remains the subject of investigation and has now extended to some incidents at the Queensland properties?

45 **MR HODGSON:** I am aware of that.

MR CONDE: And is it the case that you and, to your observation your board colleagues, are taking a very keen interest in the ongoing investigation of this issue?

MR HODGSON: We are receiving daily summaries.

5 **MR CONDE:** Are you aware of the other issue that's been referred to as the ECDD or enhanced customer due diligence matter from last year, and in particular, a letter from Ms Saunders dated 13 September 2023 in which she said that ECDD for some 32,000 customers had been completed?

10 **MR BELL SC:** Mr Conde, I think you need to ask that question again, because I think you said Mr Saunders.

MR CONDE: I'm sorry. Start again. Are you aware -

15 **MR HODGSON:** I'm aware of that letter, yes, from Rav.

MR CONDE: From Ms Townsend?

MR HODGSON: Yes.

20 **MR CONDE:** Are you aware that Ms Townsend accepted in her evidence, and Mr Saunders agreed, that on the question whether this letter was misleading it could - she said it could be looked at in that way. Are you aware of that evidence?

25 **MR HODGSON:** I'm aware of that evidence.

MR CONDE: And do you have any comment on that in relation to a communication to the regulator?

30 **MR HODGSON:** That the communication could have been more fulsome.

MR CONDE: Is it your expectation that anti-money laundering and counter-terrorism finance-related checks should be rigorous and the processes used to perform them should be transparently shared with relevant regulators?

35 **MR HODGSON:** Totally.

40 **MR CONDE:** Does it concern you that Ms Townsend and Mr Saunders couldn't agree on the correctness or incorrectness of statements made in Ms Townsend's letter?

MR HODGSON: It does, though perhaps symptomatic of some miscommunication around what had been done in accordance with ICMs and what have you.

45 **MR CONDE:** Do you acknowledge that failures at the Sydney property might have been prevented if there had been closer and more direct supervision of Star Sydney?

MR HODGSON: Yes, though as I've said, issues will always arise, closer and direct supervision notwithstanding.

MR CONDE: Are you aware of the evidence that emerged in this inquiry about a mismatch between payments, public statements regarding candour, transparency and cooperation with the regulator and various private statements made by the former chair, Mr Foster, and the former CEO, Mr Cooke?
5

MR HODGSON: Yes, I'm aware of that.

MR CONDE: And do you agree that those communications indicated that the most senior levels of leadership at the time were not acting cooperatively with the regulator?
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MR HODGSON: I am, and I was very surprised at that.

MR BELL SC: Mr Hodgson, did you first become aware of those communications in the course of evidence in this inquiry?
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MR HODGSON: That's right, Mr Bell.

MR BELL SC: Yes, Mr Conde.
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MR CONDE: Your board colleague and now chair, Ms Ward, gave evidence that for the company to be saying one thing in public and its former chairman and former CEO to be saying the things that they were in private suggested the wrong leadership at Star Entertainment at the time. Do you agree?
25

MR HODGSON: I do agree.

MR CONDE: And so far as you're aware, did that feature in the recent decision for Mr Foster to step down as chairman of Star Entertainment?
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MR HODGSON: Yes.

MR CONDE: Ms Ward also said that both the messages themselves and the attitudes they revealed were likely to have damaged people's trust in what Star Entertainment says publicly. Would you agree with that?
35

MR HODGSON: Yes.

MR CONDE: On 29 November 2023 The Star Entertainment received copies of reports from the manager dated 3 October 2023 and 24 November 2023. Do you recall receiving those around that time?
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MR HODGSON: I do.
45

MR CONDE: And do you recall what your reaction was to those reports when you first saw them?

MR HODGSON: I thought the first report was very useful, highlighting areas of concern and issue. The second report adopted a somewhat different tone.

5 **MR CONDE:** And how would you describe the second report's tone?

MR HODGSON: It was a little more general.

10 **MR CONDE:** If we can call up STA.8102.0010.4676 please, do you see, Mr Hodgson, some minutes?

MR HODGSON: I do.

15 **MR CONDE:** Dated 7 December 2023? I can take you to the bullet points, but it may well be that you recall this. Do you agree that, or do you recall that in this meeting the NICC confirmed its view that it had lost confidence in Mr Cooke to execute the remediation plan as per their observed performance to date of him?

MR HODGSON: I do recall them saying that.

20 **MR CONDE:** And do you recall Star Entertainment communicating to the NICC that the first of the managers' reports was overall useful, that it agreed with many aspects and noted many areas remained a work in progress, but in contrast Star Entertainment found the second report short on examples and facts?

25 **MR HODGSON:** That's right.

MR CONDE: And Star Entertainment also undertook to provide a written response? Do you recall that?

30 **MR HODGSON:** Yes.

MR CONDE: If we can go to STA.8000.0140.0017 please. Have minutes of a 19 December 2023 meeting come up for you, Mr Hodgson?

35 **MR HODGSON:** They have.

MR CONDE: And do you recall the board's consideration in this meeting about whether Mr Cooke should stay or not?

40 **MR HODGSON:** I do.

MR CONDE: And if we could enlarge the second bullet point on this page please, for Mr Hodgson. If I could ask you to read that and then I'll ask you some questions. Read that to yourself.

45

MR HODGSON: Yes, I've read that, Mr Conde.

MR CONDE: Did you consider it was best practice to have this discussion with Mr Cooke present?

5 **MR HODGSON:** I thought it was appropriate to have the discussion with Mr Cooke present. Of course, the non-executive directors were also meeting without Mr Cooke.

10 **MR CONDE:** Right. There's been evidence from Ms Ward, Ms Page and Mr Issenberg about the board going around the room to ask each director for his or her view about whether Mr Cooke should stay. Do you recall that?

MR HODGSON: I do.

MR CONDE: And what do you recall you said?

15 **MR HODGSON:** Well, I was pleased that the chair asked me my opinion. My recollection was that I was not yet at a point where I felt it was necessary to exit Mr Cooke.

20 **MR CONDE:** Is it correct that, as best you can recall, it was only Ms Ward who said she wanted Mr Cooke to depart at that time?

MR HODGSON: As definitively as that, I think that's correct.

25 **MR CONDE:** And when you say that you were not yet at a point where you felt it was necessary to exit Mr Cooke, what was your - what is your recollection of your thinking, sort of talking about not being at a point?

30 **MR HODGSON:** Yes, so my thinking was coloured by a number of matters, not least of which was the work he was undertaking at the time around the Multiplex settlement, recruiting of key staff, including the intended CEO of Star Sydney. I had also been observing his performance as CEO through my time as an observer, which I was also bringing into account in thinking about his future position.

35 **MR CONDE:** Looking back on this now, would you accept that Star Entertainment made the wrong choice in December 2023 by not asking Mr Cooke to depart at that time?

40 **MR HODGSON:** I still think it was important for him to complete the Multiplex settlement, which admittedly occurred three or four days later, but that was a really critical piece of work. It would have been quite dislocating before Christmas to take action on Mr Cooke, but I think in general we could have asked him to leave earlier than we ultimately did.

45 **MR CONDE:** Do you recall Mr Cooke saying words to the effect around this time that going with an option of keeping him was a one-way street, because it's not easy to take that position and reverse out of it?

MR HODGSON: I don't recall those words.

5 **MR CONDE:** When you said earlier that "In general we could have asked him to leave earlier", is that - do you accept that Star Entertainment made the wrong decision to allow Mr Cooke to lead the drafting of Star's response to the managers' reports?

MR HODGSON: Having committed a response I think it was appropriate that the then CEO compiled that response.

10 **MR CONDE:** In terms of the content of the responses, Mr Foster gave evidence that Star could and should have taken a more conciliatory tone. Ms Ward gave evidence that on reflection she was not happy with the tone of the responses, particularly bold and underlined sentences, and Ms Page and Mr Issenberg gave similar evidence. Do you agree?

15 **MR HODGSON:** I do agree. I had said at the time to the board that I would prefer our response to be factual, sticking to the facts and also emphasising positives as well as negatives.

20 **MR CONDE:** Each of Mr Foster and Ms Ward also gave evidence to the effect that it would have been better to have involved other GLT members in reviewing and responding to Mr Weeks' reports. Ms Page gave evidence that the board could have asked the regulator about sharing the reports of the GLT. Do you have any comment on that?

25 **MR HODGSON:** I think we could have asked to share the reports. I do understand that members of GLT were involved in preparing or reviewing certain aspects of the final letters.

30 **MR CONDE:** Do you agree that Star Entertainment's response to the NICC antagonised the regulator?

MR HODGSON: Yes, it seems to have done so.

35 **MR CONDE:** Would you agree that that was foreseeable beforehand?

MR HODGSON: Possibly.

40 **MR CONDE:** And why is that? If I can ask you to elaborate.

MR HODGSON: One never knows how people respond, but I think possibly that was the case.

45 **MR CONDE:** If we can bring up the NICC's letter dated 1 February 2024, that's STA.8100.0063.7392. Has that come up for you, Mr Hodgson?

MR HODGSON: Yes, it has Mr Conde.

MR CONDE: Do you recall receiving a copy of this letter on or shortly after 1 February 2024?

MR HODGSON: I do.

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MR CONDE: If I could ask that the fourth and fifth paragraphs be enlarged for Mr Hodgson please, the fourth one being the paragraph beginning:

"The fact that you co-signed."

10

May I just ask you to read those paragraphs to yourself and then I'll ask some questions.

MR HODGSON: Yes, I've read that, Mr Conde.

15

MR CONDE: Do you recall having any reaction to those paragraphs at the time?

MR HODGSON: My heart sank, as clearly we had antagonised the regulator.

20

MR CONDE: And Ms Page gave evidence that her reaction was along the lines of "We failed in our endeavours". Mr Issenberg gave similar evidence, the feeling of the responses having failed. Would you agree?

MR HODGSON: Yes.

25

MR CONDE: Do you recall - that document can be taken down, thank you. Do you recall, Mr Hodgson, that this inquiry was announced on 19 February 2024?

MR HODGSON: I do.

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MR CONDE: Are you aware that The Star Entertainment received a whistleblower complaint dated 28 February 2024?

MR HODGSON: I'm aware of that.

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MR CONDE: And was that complaint brought to your attention at or about that time, in - on 28 February?

MR HODGSON: Yes, it was.

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MR CONDE: Is it the case that the board decided in early March 2024 to remove Mr Cooke as CEO?

MR HODGSON: That's right.

45

MR CONDE: And what were your reasons for participating in that decision of the board?

MR HODGSON: Sorry, Mr Conde, could you repeat that question? My reasons for participating?

5 **MR CONDE:** In the decision of the board. Sorry, I should have asked, was the - so far as you're aware was the board's decision to remove Mr Cooke as CEO a decision that you'd - you agreed with, or -

MR HODGSON: Yes, it was a decision I agreed with.

10 **MR CONDE:** And what were your reasons for agreeing?

MR HODGSON: I think the accumulation of factors, as we have discussed today, together with the regulatory response meant then warranted asking Mr Cooke to depart.

15 **MR CONDE:** In terms of the accumulation of factors that you've mentioned, would that include the fact of this inquiry and/or the fact of the whistleblower complaint?

20 **MR HODGSON:** They were factors, but as I have referenced to the conversation in December, at least my views around Mr Cooke at the time, his delay in appointing key management personnel et cetera, I think all of that moved me towards that position in March.

25 **MR CONDE:** Now, Mr Cooke's departure was announced on 22 March 2024. Do you recall Mr Cooke's exit statement?

MR HODGSON: I do.

30 **MR CONDE:** And I'd like to - there's been evidence from Ms Ward, Ms Page and Mr Issenberg about their thoughts on that statement, and I'd just like to run each of them past you and to ask whether you agree or not with those, if that's all right.

MR HODGSON: Yes.

35 **MR CONDE:** So the first thing is they considered that the exit statement was not helpful to Star Entertainment or Mr Cooke. Do you agree with that?

MR HODGSON: I agree with that.

40 **MR CONDE:** Second was that they thought the statement would potentially be damaging to the company's relationship with the NICC. Do you agree with that?

MR HODGSON: Yes.

45 **MR CONDE:** The third was they thought Mr Cooke was seeking to justify, or protect his reputation, in a way that he would come to regret. Do you agree with that?

MR HODGSON: I do.

MR CONDE: And they thought just sharing these kinds of details with the entire staff was ill-advised, would you agree?

5 **MR HODGSON:** In those terms, yes, I agree.

MR CONDE: And the fifth matter was that the exit statement presented a risk of sending a message to Star's some 8,000 or so staff that Mr Cooke was being pushed out by the regulator. Do you agree with that?

10

MR HODGSON: I do.

MR CONDE: And it's correct, isn't it, that that last point of a suggestion that Mr Cooke was being pushed out was false, because the board was responsible for Mr Cooke's departure, would you agree?

15

MR HODGSON: The board was responsible for Mr Cooke's departure, definitely.

MR CONDE: And so to suggest that Mr Cooke was being pushed out by the regulator would have been a false narrative, would you agree?

20

MR HODGSON: Yes, it was not factual.

MR CONDE: Now, there is some - do you recall discussing with your board colleagues an advanced draft of the exit statement on 21 March 2024?

25

MR HODGSON: I do.

MR CONDE: And if we can bring up the minutes, it's STA.8000.0173.0001. Have those come up for you, Mr Hodgson?

30

MR HODGSON: Yes, they have.

MR CONDE: And around the middle of the page in the row that says:

35

"Executive changes and retention framework."

It says in the second paragraph:

"The board discussed the status of a CEO exit statement, noted it was not for the board to approve and expressed concern about the statement being released and asked the chairman to encourage the CEO not to release the statement. The chairman advised that the CEO currently intended to release it as an internal email and agreed to speak to the CEO."

45

Do you see that?

MR HODGSON: I do.

MR CONDE: First of all, it's correct, isn't it, that as you recall on 21 March 2024 you and your board colleagues did not want that statement going out?

5 **MR HODGSON:** That's right.

MR CONDE: And is it correct that the language there in the minutes is perhaps a polite record of the discussion?

10 **MR HODGSON:** Yes, I think the word "encouraged" was actively discussed politely and not -

MR CONDE: Right, so is it your recollection that the board had a - sorry, the board, excluding Mr Foster and excluding Mr Cooke, expressed the view, quite strongly to
15 Mr Foster, that this message, this statement, should not be going out?

MR HODGSON: That's right.

MR CONDE: And are you aware that Mr Cooke's separation deed dated the next
20 day gave him a contractual right to send the statement not just to The Star employee team but to joint venture participants, business partners and key suppliers to The Star?

MR HODGSON: I became aware of that. That was not in the draft of the separation
25 deed I had received.

MR CONDE: So what, if any - when did you become aware of that?

MR HODGSON: I think I became aware of that through these proceedings.
30

MR CONDE: Ms Page gave evidence to the effect that she felt that part of the deed was not authorised by the board and that Mr Foster had gone beyond his authority by agreeing to it in negotiations, and Mr Issenberg agreed. Do you agree with that?

35 **MR HODGSON:** It certainly wasn't authorised by the board, that's correct.

MR CONDE: And what, if any, comment do you have on the terms of the separation deed?

40 **MR HODGSON:** The words in the announcement section of the termination deed, which I think were clause 3, were not authorised by the board and went beyond what I would have considered acceptable in the context of a negotiated deed.

MR CONDE: I can bring that up for you, Mr Hodgson, if you'd like to?
45

MR HODGSON: No, I don't need to see the words again because they've got them - they are starkly in my head, Mr Conde.

MR CONDE: Yes. There's been some evidence to this inquiry from Dr Lagan that a new internal story had emerged at Star, which was that the regulator doesn't like us, they don't like gambling, the special manager is too demanding and there is an us and them mentality. I will come back to ask you about culture, but in terms of
5 Mr Cooke's exit statement, would you agree that it risked encouraging a feeling within the company that the NICC is against Star?

MR HODGSON: Yes, I think it did.

10 **MR CONDE:** Dr Lagan also said that in the first half of 2023 Mr Cooke was extremely busy and industrious and he saved the business financially with the capital raisings, and she said "But it came at the cost of the cultural reform program". I appreciate this was before your time as a director, but do you have any comment on that, based on your observations?

15 **MR HODGSON:** Well, I obviously have to take Dr Lagan's views to account. My view was that there was activity around cultural remediation, but the absence, if it were the case, of the CEO's imprimatur on that would not have been helpful to that cultural journey.

20 **MR CONDE:** Would you agree, Mr Hodgson, that today the current regulatory landscape for Star, in particular in areas like VIP gaming and responsible service of gaming, is stricter than it has been in the past?

25 **MR HODGSON:** Yes, it is.

MR CONDE: And would you agree there are tighter controls around intervening when patrons have been at a gaming machine for hours and similarly for due diligence on patrons?

30 **MR HODGSON:** That's correct.

MR CONDE: In your mind, what is Star Entertainment going to look like in two years' time?

35 **MR HODGSON:** That's a great question. There's a number of strategic issues bound up with that question. Equally, and I think the comment's been made earlier in the inquiry around further revenue that won't be flowing as a consequence of the stricter environment. So there's a number of responses there.

40 **MR CONDE:** Do you have any, well, vision or aspiration for how the company will be placed in that time?

45 **MR HODGSON:** Well, a vision of a safe and compliant environment in which our customers can enjoy themselves and our staff can work.

MR CONDE: Would you also agree it's important for the company to have a positive and transparent relationship with the regulator?

MR HODGSON: Totally.

5 **MR CONDE:** Ms Page gave evidence of a potential change in model where Star Entertainment would have, well, continue as a holding company but have more independent and operational subsidiaries. Do you have any comment on that?

10 **MR HODGSON:** I obviously have heard Ms Page's evidence. I think culturally the end to end accountability residing with the CEO of each of the casinos is a very important cultural change. I think there's - and there's obviously a range of organisational design that flows from that. There's also what I would call group functions that need to remain group functions, I think of treasury, internal audit, finance and what have you, where I would not expect that to be decentralised, if you will.

15

MR CONDE: Yes, because there would be a risk of doubling up, is that -

20 **MR HODGSON:** Well, the group has the financial control. You wouldn't want the subsidiary to be going out and doing interest rate swaps, for example, or, as you put it, doubling up.

MR CONDE: If we can - sorry, I should also ask, Mr Hodgson, do you envisage the transformed - a transformed Star as being profitable at levels that the company has historically been able to achieve?

25

MR HODGSON: No, though as I commented, I'm hopeful that as we develop our more encompassing business strategy we will start to see other areas of profitability, if you will, from the broader asset base of the business.

30 **MR CONDE:** If we can now bring up STA.8100.0066.1340 please. There should be a letter - yes, do you see, Mr Hodgson, it's a letter dated 6 February 2024 from Mr Weeks to Mr Cooke, the then CEO?

35 **MR HODGSON:** I do see the letter.

35

MR CONDE: And this is on the question of remediation milestone dates. If we could enlarge please the second last, actually I think it's the third last paragraph, the one:

40 "In my capacity as manager..."

Do you see there was a direction for milestones to be completed by specified dates and for abundant clarity, those are all set out in what's called annexure A?

45 **MR HODGSON:** Yes, I see that.

MR CONDE: And if we could go please to page 1341, which is the annexure A, do you see there's various tranches of dates that finish up on 1 March 2025?

MR HODGSON: Yes.

5 **MR CONDE:** Now, Ms Burke, I think, has given evidence that these dates are too ambitious, and there's also evidence to this inquiry that the dates are not going to be met and The Star's going to pursue a reset of its remediation program. Does that accord with your understanding?

10 **MR HODGSON:** It does.

MR CONDE: Do you presently have an expectation about when milestones are likely to be completed in full?

15 **MR HODGSON:** Without the benefit of that reset, I don't at this point. I'm conscious of the milestones and, indeed, the backwards and forwards between the transformation team and KPMG and then Mr Weeks, again I think the general comment about accuracy and completeness of the work, and I think the latter is not acceptable and we need to address that and I'm hopeful through resetting the remediation we will start to be more timely and more comprehensive in our
20 responses through to the assurance program.

MR CONDE: Do you agree that there are - there will be challenges pursuing that in light of the current status of the GLT?

25 **MR HODGSON:** If I'm not mistaken, at least half of the milestones relate to risk and I'm very - I'm very comfortable is the wrong way of putting it. I'm assured that we have a very strong risk team to carry through those milestones.

30 **MR CONDE:** Dr Lagan was asked about the current status of the GLT, and in particular, the need for a new permanent CEO, CFO, chief legal officer, chief transformation officer, chief customer and product officer and Chief of Staff, and she said:

35 "I think they are great opportunities to bring in the right experience now."
Would you agree with her evidence on that?

40 **MR HODGSON:** I think we have a great opportunity to bring in the right experience. I'm not convinced about all of those roles, for example the Chief of Staff, but I think there is a great opportunity to bring in some talent.

MR CONDE: And when you say you're not convinced about the Chief of Staff, what do you mean?

45 **MR HODGSON:** I'm never quite sure what a Chief of Staff does.

MR CONDE: Right, so would it be your expectation that absent explanation of what the role involves, that role should cease?

MR HODGSON: I would say so.

5 **MR CONDE:** You agreed earlier that it is important for the purposes of Star's business to have an effective and transparent relationship with the regulator. What do you see as the path for ensuring, going forward, that Star has an effective and transparent relationship with the regulator?

10 **MR HODGSON:** Communication, perhaps no surprises, really important.

MR CONDE: Each of Mr Foster, Ms Ward, Ms Page and Mr Issenberg have given evidence to this inquiry that they do not consider that Star Entertainment is presently suitable. Would you agree with that?

15 **MR HODGSON:** I would.

MR CONDE: And are you aware the manager is due to end his role on 30 September 2024?

20 **MR HODGSON:** I am.

MR CONDE: And what is your view on the prospects of Star Sydney satisfactorily managing and operating without continuing external management of some kind after that date?

25 **MR HODGSON:** When I decided to join the board in February my working assumption was that there would be some form of continuing, either manager involvement, or monitoring or whatever then method was considered appropriate beyond that date.

30 **MR CONDE:** Right. Mr Bell, those are my questions for Mr Hodgson.

MR BELL SC: Mr Hodgson, do you recall that in the 2022 report I said that Star Entertainment's approach of having senior members of management with group responsibilities as directors of the company operating The Star Sydney plainly did not work?

MR HODGSON: I do, Mr Bell.

40 **MR BELL SC:** Other directors have given evidence that in their view there's not been enough done to ensure close and direct supervision and governance of The Star Sydney, do you agree with them?

45 **MR HODGSON:** I do.

MR BELL SC: And other directors have given evidence that they believe Star Sydney would be a better functioning casino if its leadership had greater autonomy from its ultimate holding company, do you agree with them?

MR HODGSON: I agree that it would be beneficial that it had end to end accountability. As to autonomy, it raises issues around, as I commented earlier, group functions and what have you, but end to end accountability I think is the key
5 for me and thinking about the subsidiaries.

MR BELL SC: And can you explain to me what you mean by "end to end accountability"?

10 **MR HODGSON:** So the individual in charge has accountability for everything that sits within that casino.

MR BELL SC: Yes, I see. Counsel Assisting asked you earlier about Ms Page's evidence about having a fully operating subsidiary with independent directors, but
15 one of the other recommendations of the Victorian Royal Commission, which has been put into Victorian legislation, is that senior executives of the casino operator must report only to the board of the casino operator. Do you agree that that might lead to a better functioning casino in Sydney?

20 **MR HODGSON:** I think dual reporting be it dotted or hard lined is actually important around certain functions within that structure. Hard lined to the CEO, dotted line to the CFO. I think there are various iterations. In general, I think that's a reasonable decision.

25 **MR BELL SC:** And would that dotted line, as you put it, be principally related to what you've described as the group function such as treasury and internal audit?

MR HODGSON: No, it could be the CRO or the head of risk in the casino. I would
30 not want to see that be separated from the group CRO, for example.

MR BELL SC: But I think you're accepting in general terms that there should be a reporting line to the board of the casino operator.

MR HODGSON: Sorry, as well as intergroup functions, that's right.
35

MR BELL SC: Yes. Mr Ahmed, do you have any questions?

MR AHMED SC: I don't, thank you, Mr Bell.

40 **MR BELL SC:** Dr Renwick, do you seek leave to ask any questions?

DR RENWICK SC: No, I don't think, thank you, Commissioner.

MR BELL SC: Thank you for your evidence and thank you for attending today, I
45 appreciate it was under compulsion but thank you anyway. The formal direction I'll make is that your examination be adjourned, but you won't be required to attend again unless you receive notification. Thank you again.

MR HODGSON: Thank you, Mr Bell.

<THE WITNESS WAS RELEASED

5 **MR BELL SC:** Yes, Mr Conde?

MR CONDE: The next witness is Ms Thornton. If we could take an adjournment with the changeover of witness.

10 **MR BELL SC:** Yes, I'll have a short break.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 10.52 AM

<THE HEARING IN PUBLIC SESSION RESUMED AT 10.59 AM

15 **MR BELL SC:** Yes, Mr Conde.

MR CONDE: The next witness, Mr Bell, is Ms Thornton.

20 **MR BELL SC:** Can you hear me, Ms Thornton?

MS THORNTON: Yes, I can.

25 **MR BELL SC:** Would you prefer to take an oath or an affirmation?

MS THORNTON: An oath please.

<ANTONIA HARRIET THORNTON, SWORN

30 **<EXAMINATION BY MR CONDE**

MR CONDE: Ms Thornton, may I trouble you, please, to state your full name.

35 **MS THORNTON:** Antonia Harriet Thornton.

MR CONDE: And are you aware that your address has been made known on your behalf to the solicitors assisting Mr Bell's inquiry?

40 **MS THORNTON:** Yes, I am.

MR CONDE: Were you appointed as a non-Executive Director of The Star Entertainment Group Limited on 7 October 2023?

45 **MS THORNTON:** Yes, I was.

MR CONDE: And was your appointment to the board announced pending regulatory approval in November 2022?

MS THORNTON: Yes, it was.

MR CONDE: Before your appointment have you previously had roles with JBWere and National Australia Bank?

5

MS THORNTON: Yes, I have.

MR CONDE: At Star Entertainment, are you a member of the culture, people and remuneration committee?

10

MS THORNTON: Yes, I am.

MR CONDE: And are you also a member of the risk and compliance committee?

15

MS THORNTON: Yes, I am.

MR CONDE: Is it correct that you are chair of the compliance committee for the Sydney licensee, The Star Pty Ltd?

20

MS THORNTON: Yes, that's correct.

MR CONDE: And are you also the chair of the compliance committees for each of the Brisbane and Gold Coast licensee entities?

25

MS THORNTON: Yes, I am.

MR CONDE: There seems to have been a joint meeting of the compliance committees in May last year. Do you recall that?

30

MS THORNTON: Yes, there's been a number of compliance committee meetings, yes.

MR CONDE: But a joint meeting, do you - is that something that you recall?

35

MS THORNTON: My initial recollections when we first started the compliance committee meetings was that they were joint, but we separated that shortly after.

MR CONDE: Right. And I'm sorry, I should have asked that this be brought up, it's STA.8000.0124.0004. Have documents come up, has the document come up, it says:

40

"Minutes of joint meeting of the compliance committees."

And it's dated 5 May 2023?

45

MS THORNTON: Yes, it has.

MR CONDE: And so is it correct that aside from this joint meeting, compliance committee meetings afterwards were separated?

MS THORNTON: Yes, that's correct.

5 **MR CONDE:** Right. Would you agree, Ms Thornton, that in order to be suitable a casino regulator - sorry, start again. Would you agree that in order to be suitable a casino operator or close associate must cooperate fully with the regulator?

MS THORNTON: Yes, I do.

10 **MR CONDE:** Do you agree that a casino operator or close associate must also be completely honest, candid and transparent with the regulator?

MS THORNTON: Yes, I do.

15 **MR CONDE:** Are you aware that Star Entertainment's risk appetite statement provides that the company seeks to have an effective and transparent relationship with its regulator?

20 **MS THORNTON:** Yes, I'm aware.

MR CONDE: And do you agree that it's important for the purposes of Star's business to have an effective and transparent relationship with the regulator?

25 **MS THORNTON:** Yes, I agree.

MR CONDE: Are you aware that in Mr Bell's report from his first inquiry he spoke of a need for independent eyes at the level of the casino operator focused exclusively on ensuring that the casino operator complies with its obligations under regulatory requirement and its licence?

30 **MS THORNTON:** Yes, I recall.

MR CONDE: And are you aware that the Sydney property was without a CEO from 3 April 2023 to 25 January 2024, when Ms Campbell was announced as the Sydney CEO pending regulatory approval?

35 **MS THORNTON:** Yes, I am.

40 **MR CONDE:** Would you agree that that period was too long to have taken to find a new Sydney CEO?

MS THORNTON: Yes, I agree it was too long. I would provide context. There was a potential appointment in between that time, which then didn't proceed. But I do agree it took too long.

45 **MR CONDE:** If we can then go, please, to STA.8102.0010.4823 and at page 4824, there should be an email from you dated 11 July 2023 at 11.33 am on that second page. Do you see that, Ms Thornton?

MS THORNTON: Yes, I do.

5 **MR CONDE:** And in the second paragraph - sorry, do you see the subject is:
"Re annual performance discussion with Robbie?"

MS THORNTON: Yes.

10 **MR CONDE:** And in the second paragraph there is an additional observation, you wrote:

15 "I think the people and culture piece is a pretty significant ongoing weakness, given the amount of cultural transformation, training, uplift in hiring capacity, uplift in speed of execution, the people space and obvious lack of ability to deliver it in the past."

And then two paragraphs down you wrote:

20 "My view is we need a much higher standard than most organisations and greater horsepower to actually deliver a very complicated and intricate people leadership piece and to achieve the remediation plan that relies heavily on this people and culture space."

25 Do you see that?

MS THORNTON: Yes, I do.

30 **MR CONDE:** And do you feel that Star has yet achieved that need for greater horsepower in people and culture that you referred to in your email?

MS THORNTON: I'm sorry, could you repeat that last question?

35 **MR CONDE:** Do you feel that Star has achieved that need for greater horsepower in people and culture that you referred to in your email?

40 **MS THORNTON:** I believe with the appointment of Elizabeth Arzadon it goes to the context of what I had referred to in that email regarding capability and a person who has examples of having achieved that level of transformation previously. Particularly surrounding culture.

MR CONDE: And in terms of - so far as you're aware, when was Ms Arzadon brought in?

45 **MS THORNTON:** We started speaking to Ms Arzadon late last year and started the process early this year, regarding - particularly regarding the cultural piece.

MR CONDE: And is it correct that having expressed the views you did in July 2023 you would have liked to have seen that occur more quickly?

5 **MS THORNTON:** The context around the email regarding the performance discussion was my thoughts on where I felt Robbie ought to focus his time and attention, particularly relating to the people piece. So it was examples of advice for him to focus on to improve over that time.

10 **MR BELL SC:** Ms Thornton, a number of other witnesses to this inquiry have told me that in their view the necessary cultural transformation at Star Entertainment is at a very early stage. Do you agree with that?

MS THORNTON: Yes, I do.

15 **MR BELL SC:** Yes, Mr Conde.

MR CONDE: Is it correct that between April 2023 and the announcement of Ms Campbell this year, that the person who has been practically in charge of the Sydney property, so far as you're aware, has been Mr Peter Humphreys?

20 **MS THORNTON:** Yes, that's correct.

MR CONDE: And are you aware that he has also been the chief operating - sorry, the interim chief operating officer and the General Manager gaming machines and cashier services?

25 **MS THORNTON:** Yes, I am.

MR CONDE: Would you agree that it's not a long-term solution to have Mr Humphreys or, indeed, any other individual in all of those roles at the same time?

30 **MS THORNTON:** Yes, I would agree.

MR CONDE: Is it correct that so far as you're aware since you've been a director of Star Entertainment the board of the Sydney licensee, The Star Pty Ltd, has met twice, once on 27 October 2023 and a second time on 13 February 2024?

MS THORNTON: Yes, I believe that's correct.

40 **MR CONDE:** And would you regard that as satisfactory?

MS THORNTON: My observations, no, I don't believe it's satisfactory. There is context to that, if you would like me to expand?

45 **MR CONDE:** Yes.

MS THORNTON: The casino licence subsidiaries, in order to be effective, functioning and creating an autonomous focus on the individual properties needed

the basic pillars of governance within which to govern, including fully functioning and operating compliance committees. So part of the steps to develop casino subsidiaries that were effective and functioning, there was a number of remediation activities that needed to occur to give rise to the property based risk statements and compliance for those particular subsidiaries.

MR CONDE: And in terms of those remediation - are there particular remediation activities you're referring to?

MS THORNTON: Yes, the creation of the compliance committees was not a function that The Star had had in the past, so creating a compliance committee that can act with independent members to provide insights and oversight through to the casino subsidiaries is an important part of that oversight and the process to establish that committee, achieve operating cadence and appoint independent members was part of the remediation activities for the second half of last year.

MR CONDE: And would you agree though that through that period the subsidiary board remained relatively dormant?

MS THORNTON: I would agree, yes.

MR CONDE: There was the TICO fraud event in June and July 2023, which involved about \$3 million coming out of ticketing cash-out machines. Are you aware of that?

MS THORNTON: Yes, I am.

MR CONDE: And would you agree that was a serious incident?

MS THORNTON: Yes, I would.

MR CONDE: And would you agree that malfunctions can be expected to arise, but another concern was the fact that this went undetected for more than a month while a large amount of money went out of the casino?

MS THORNTON: I would agree the funds went undetected. I wouldn't like to think that malfunctions would be expected to arise. I would like to think there was appropriate controls in place to ensure that doesn't occur.

MR CONDE: Right. And so far as you're aware, has the company identified and addressed both the malfunction issue and the detection issue?

MS THORNTON: As I understand it there was a significant investigation regarding the technical root cause of those issues which we have spoken about in previous evidence and the organisational factors that went to that issue going undetected. And as I understand it the steps are in place to remediate those actions.

MR BELL SC: Ms Thornton, Mr Weeks gave evidence that in his opinion that event also reflected on the culture at Star Sydney. Do you accept the force of that?

5 **MS THORNTON:** Yes, I do.

MR BELL SC: Yes, Mr Conde.

10 **MR CONDE:** Are you satisfied Ms Thornton that if there were another malfunction today it would be detected a lot more quickly?

15 **MS THORNTON:** Yes, I am, through the process of remediating those activities and the process of achieving greater governance uplift, which is the primary purpose of the remediation plan. The expectation is those events will occur far less frequently and be caught far more early in the piece.

MR CONDE: Also at the Sydney property has been the Guest Support Officer issue involving false entries in TrackVia to suggest that patrons had been checked on when they are not, do you agree that that is a serious issue?

20 **MS THORNTON:** Yes, I do.

MR CONDE: And are you aware of Guest Support Officers' statements to the investigator about being short-staffed since day one, and it being physically impossible to do their job?

25 **MS THORNTON:** Yes, I am.

MR CONDE: And would you agree that if people don't have resources there's an increased risk for Star of people adopting unacceptable workarounds?

30 **MS THORNTON:** Yes, I do.

MR CONDE: And would you agree that this issue reveals a challenge for Star's responsible service of gaming?

35 **MS THORNTON:** Yes, it does.

MR CONDE: You're aware, I take it, that the investigations are ongoing and have extended to some incidents at the Queensland properties?

40 **MS THORNTON:** Yes, I am. As the chair of compliance I have been heavily - under heavy oversight of that investigation and receiving daily updates.

45 **MR CONDE:** Well, that was my next question. Is it correct that - so the board's receiving daily updates, is that correct?

MS THORNTON: That is correct.

MR CONDE: And then also in your role as chair of compliance do you have increased involvement?

5 **MS THORNTON:** Yes, I do. I have been in constant contact with the chief risk officer regarding the remediative actions around the GSOs, the rostering, the training and replacement of those GSOs including the validation, verification, surveillance of ongoing discussions.

10 **MR CONDE:** In terms of enhanced customer due diligence are you aware of an issue of Ms Townsend sending a letter to New South Wales Liquor and Gaming, dated 30 September 2023 in which he wrote that ECDD for some 32,000 customers had been completed?

15 **MS THORNTON:** Yes, I am.

MR CONDE: And are you aware that Ms Townsend accepted, in her evidence, and Mr Saunders agreed, that on the question whether this letter was misleading it:

20 "Could be looked at in that way."

MS THORNTON: Yes, I'm aware.

25 **MR CONDE:** Do you have any comment on that as a communication to the regulator?

30 **MS THORNTON:** My comment would be it was not a well-rounded, well thought through response to a complicated state of affairs regarding the ICM and what was required with a significant number of customers who had been dormant within the casino, and I would expect a greater level of detail and closure of that issue to reflect the ongoing dialogue that had occurred with the regulator on that issue.

35 **MR CONDE:** As a general matter, is it your expectation that anti-money laundering and counter-terrorism financing-related checks should be rigorous and the processes used to perform them should be transparently shared with relevant regulators?

40 **MS THORNTON:** Yes, I'd agree, and I would add to that there is three touch points with regulators in New South Wales and, therefore, there is three levels of oversight regarding that issue and they each, in turn, need to be aware of how those issues are dealt with and managed.

MR CONDE: And just to be clear, what are the three touch points that you're referring to there, Ms Thornton?

45 **MS THORNTON:** The NICC, L&G New South Wales and the special manager.

MR CONDE: Right. Would you - do you acknowledge that failures at the Sydney property might have been prevented if there had been closer and more direct supervision of Star Sydney?

MS THORNTON: Yes, potentially, yes.

5 **MR CONDE:** Now - sorry - are you aware that Star Entertainment in the last year has made a number of public statements to the ASX to the effect that it's working cooperatively with its regulators, including the NICC and the manager?

MS THORNTON: Yes, I am.

10 **MR CONDE:** And I take it you're aware of the evidence that emerged in this inquiry about a mismatch between those statements and various private statements between the then chair, Mr Foster, and the then CEO, Mr Cooke?

MS THORNTON: Yes, I am.

15 **MR CONDE:** And when did you first become aware of those messages between Mr Foster and Mr Cooke?

MS THORNTON: During the process of the inquiry.

20 **MR CONDE:** Do you agree that the communications indicated that the most senior levels of leadership at that time were not acting cooperatively with the regulator?

MS THORNTON: Yes, I do.

25 **MR CONDE:** Would you agree that for the company to be saying one thing in public and its former chairman and CEO to have been exchanging the messages that they were in private suggested the wrong leadership at Star Entertainment at that time?

30 **MS THORNTON:** Yes, I do.

MR CONDE: And so far as you're aware, did that feature in the recent decision for Mr Foster to step down as chairman of Star Entertainment?

35 **MS THORNTON:** Yes, it did.

MR CONDE: Ms Ward gave evidence with which Ms Page, Issenberg, Mr Issenberg and Mr Hodgson have agreed, that both the messages themselves and also the attitudes they revealed were likely to have damaged people's trust in what Star Entertainment says publicly. Would you agree with that?

MS THORNTON: Yes, I do.

45 **MR CONDE:** Do you recall Star Entertainment receiving copies of reports from the manager on 29 November 2023?

MS THORNTON: Yes, I remember the reports. I'm not quite clear what date we received them, but thereabouts, yes.

5 **MR CONDE:** Do you recall having any reaction to those reports from the manager when you first saw them?

10 **MS THORNTON:** My thoughts were the October report contained some fair and accurate feedback, of which there was certain points that we felt needed clarification or we didn't necessarily a hundred per cent agree with, but the November report, to my mind, didn't contain a lot of examples of what specifically was tabled in that report.

15 **MR CONDE:** And is it your recollection that those thoughts were communicated to the NICC in a meeting on 7 December 2023?

MS THORNTON: Yes, correct.

20 **MR CONDE:** And do you also recall the NICC telling your board colleagues and you that it had lost confidence in Mr Cooke to execute the remediation plan as per his observed performance to date?

MS THORNTON: I'm sorry, Mr Conde, could you repeat the question?

25 **MR CONDE:** Yes. Do you also recall in that 7 December 2023 meeting with the NICC, the NICC communicating its view that it had lost confidence in Mr Cooke to execute the remediation plan as per the observed performance to date of him?

MS THORNTON: Yes, I do.

30 **MR CONDE:** If we - and is it correct then that, as best you can recall, you and your board colleagues, without Mr Cooke, had discussions about what to do in light of the NICC's loss of confidence?

35 **MS THORNTON:** Yes, we did.

MR CONDE: And is it correct that you then had a meeting on 19 December 2023 where it was discussed with Mr Cooke present whether he should continue as CEO?

40 **MS THORNTON:** Yes, we did.

MR CONDE: And Ms Ward, Ms Page, Mr Issenberg and Mr Hodgson gave evidence that the board - went around the room asking each director for his or her view about whether Mr Cooke should stay. Do you recall that?

45 **MS THORNTON:** Yes, I'm sorry Mr Conde, can I clarify? Are you talking about January or December?

MR CONDE: December.

MS THORNTON: December, yes, sorry, yes, we did, I recall that.

5 **MR CONDE:** And in fairness to you, if we could bring up STA.8000.0140.0017, there are some minutes of a 19 December 2023 board meeting which might refresh your memory. Has that document come up for you, Ms Thornton?

MS THORNTON: Yes, it has.

10 **MR CONDE:** And then if we enlarge for Ms Thornton, please, the second bullet point on this page.

MS THORNTON: Yes, I can see that.

15 **MR CONDE:** Now, it's not recorded in these minutes, but there's been evidence to the inquiry that the board went around the room asking each director for his or her view about whether Mr Cooke should stay. Do you recall that?

MS THORNTON: Yes, I do.

20 **MR CONDE:** And is it correct that, as best you can recall, only Ms Ward said that she wanted Mr Cooke to depart at that time?

MS THORNTON: Yes, I do, I recall that.

25 **MR CONDE:** And what did you - what was your reaction?

MS THORNTON: My thoughts were it was certainly an obvious question that the board needed to deliberate. There was a number of factors that went into that
30 deliberation, including the current state of affairs regarding some critical pieces of work in December, which I think have been mentioned in the inquiry to date. So from my perspective it felt like it was not the right time to move Robbie on and to look at and continue the discussions around what would be appropriate for the
35 business.

MR CONDE: Are you referring there to some negotiations relating to Multiplex?

MS THORNTON: There was a number of issues. Multiplex was one and some key
40 appointments to the GLT.

MR CONDE: Looking back on this now, would you accept that Star Entertainment made the wrong choice in December, late December 2023, by not asking Mr Cooke to depart?

45 **MS THORNTON:** I don't believe so. I believe we were balancing a number of factors across the business and shortly thereafter came to the conclusion that Robbie ought to move on.

MR CONDE: Do you recall around this time in December 2023 Mr Cooke saying words to the effect that continuing with him as CEO was a one-way street, because it's not easy to take that position and reverse out of it?

5 **MS THORNTON:** I don't recall him using those words relating to that matter, no.

MR CONDE: In terms of Star Entertainment's response to the managers' reports, do you recall that that was provided in mid to late January 2023?

10 **MS THORNTON:** I believe so. I would - I can't say exactly, but I believe so.

MR CONDE: In terms of the content of them, there's been evidence to the effect that, well, Mr Foster said that Star could and should have taken a more conciliatory tone. Ms Ward gave evidence that on reflection she was not happy with the tone of the letter, particularly bold and underlined sentences. Other directors have given
15 evidence agreeing with that. Do you agree?

MS THORNTON: Yes, I do.

20 **MR CONDE:** There was also evidence that it would have been better to have involved other GLT members in reviewing and responding to Mr Weeks' reports. Do you agree with that?

MS THORNTON: My understanding was a number of GLT provided feedback on their actions to date to Robbie to formulate the response. I don't believe they had
25 oversight of the report or the response, as such.

MR CONDE: Well, there was some evidence from Ms Page that the board, you know, with the benefit of hindsight, could have asked the regulator about sharing the reports with the GLT. Would you agree that that would have been a good approach?
30

MS THORNTON: Yes, potentially. I think the concern there was the reports contained some areas which may not be useful for the staff, and as I understood it, we had them under the assumption that it was for the board.
35

MR CONDE: Would you agree that Star Entertainment's response to the NICC antagonised the regulator?

MS THORNTON: Yes, I do.
40

MR CONDE: And do you agree that this was foreseeable beforehand?

MS THORNTON: I believe the intent of the response was to continue in a transparent manner regarding where the board felt The Star was positioned regarding a number of those remediation activities. I would agree the end tone of the report was not helpful.
45

MR CONDE: Well, if we can go to STA.8100.0066.2543, you see there's a message from Ms Page dated 23 January 2024 and the second sentence she wrote:

5 "I do worry that it will inevitably disturb the hornet's nest regarding relationships, so we need to be ready for that."

MS THORNTON: Yes, I can see that.

10 **MR CONDE:** Ms Page was correct, wasn't she?

MS THORNTON: Yes, she was.

MR CONDE: Mr Bell, I was going to go to another document. I see the time.

15 **MR BELL SC:** Yes, I'll adjourn now until 11.45.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 11.29 AM

20 **<THE HEARING IN PUBLIC SESSION RESUMED AT 11.48 AM**

MR BELL SC: Yes, Mr Conde.

25 **MR CONDE:** If we could bring up please STA.8100.0063.7392, and this should be a letter from the NICC to Star Entertainment dated 1 February 2024. Has that come up for you, Ms Thornton?

MS THORNTON: Yes, it has.

30 **MR CONDE:** And do you recall receiving a copy of this letter on or shortly after 1 February 2024?

MS THORNTON: Yes, I do.

35 **MR CONDE:** And if I could ask please that the fourth and fifth paragraphs be enlarged, the first of those beginning:

"The fact that you co-signed..."

40 And if I could trouble you to ask you to read those to yourself, Ms Thornton, and then I'll ask you some questions.

MS THORNTON: Yes, I've read that.

45 **MR CONDE:** Do you recall having any reaction to those paragraphs at the time?

MS THORNTON: Yes, I do.

MR CONDE: And what was that reaction?

MS THORNTON: One of concern. Obviously the regulatory relationship with the NICC is one of paramount importance.

5 **MR CONDE:** Ms Page gave evidence that her reaction was along the lines of "We've failed in our endeavours". Mr Issenberg gave similar evidence of a feeling of having failed and Mr Hodgson said his heart sank. Do you agree with that evidence?

MS THORNTON: Yes, I do.

10

MR CONDE: If we could take that down please. Do you recall that this inquiry was announced on 19 February 2024?

MS THORNTON: Yes, I believe so.

15

MR CONDE: And are you aware that Star Entertainment received a whistleblower complaint dated 28 February 2024?

MS THORNTON: Yes, I do.

20

MR CONDE: And was that complaint brought to your attention, as best you can recall, at or about that time of 28 February 2024?

MS THORNTON: It was brought to our attention shortly thereafter, yes.

25

MR CONDE: Is it correct that the board decided in early March 2024 to remove Mr Cooke as CEO?

MS THORNTON: Yes, that's correct.

30

MR CONDE: And was that a decision that you agreed with at the time?

MS THORNTON: Yes, I did.

35

MR CONDE: And what were your reasons for agreeing with the decision at that time?

MS THORNTON: It was clear over the time since the board had started those deliberations that it was time for Robbie to go.

40

MR CONDE: Well, is it correct that the fact of this inquiry was among the factors considered by you for Mr Cooke's departure?

45

MS THORNTON: My main concern was the concern the NICC held regarding Robbie's - the loss of confidence in Robbie and the lack of ability to address that in that timeframe.

MR CONDE: Did the whistleblower complaint feature in your consideration of it being time for Mr Cooke to go?

5 **MS THORNTON:** The whistleblower was a factor, albeit the investigation, as I understand it, had not fully commenced or completed during that time.

MR CONDE: So far as you're aware, is that continuing to being investigated?

10 **MS THORNTON:** Yes, I believe so.

MR CONDE: Mr Cooke's departure was announced on 22 March 2024, do you recall Mr Cooke's exit statement?

15 **MS THORNTON:** Yes, I do.

MR CONDE: There's been some evidence from Ms Ward, Ms Page, Mr Issenberg and Mr Hodgson about their thoughts on the exit statement and I'll ask you if you agree or disagree with each of them. There are five. So the first - first of all, they considered that the exit statement was not helpful to Star Entertainment or to
20 Mr Cooke. Do you agree?

MS THORNTON: Yes, I do.

25 **MR CONDE:** The second is they thought the statement would potentially be damaging to the company's relationship with the NICC. Do you agree with that?

MS THORNTON: Yes, I do.

30 **MR CONDE:** The third is that they thought Mr Cooke was seeking to justify or protect his reputation in a way that he would come to regret. Do you agree with that?

MS THORNTON: Yes, I do.

35 **MR CONDE:** The fourth is they thought that just sharing these kinds of details with the entire staff was ill-advised. Do you agree?

MS THORNTON: Yes, I do.

40 **MR CONDE:** And the fifth and final one was that the exit statement presented a risk of sending a message to Star's 8,000 or so staff that Mr Cooke was being pushed out by the regulator. Would you agree with that?

MS THORNTON: I believe some would interpret it in that way, yes.

45 **MR CONDE:** And would you agree that that last point was incorrect, because it was the board who was responsible for Mr Cooke's departure?

MS THORNTON: Yes, correct.

MR CONDE: Is it your recollection that - sorry, I'll ask that STA.8000.0173.0001 be brought up please. Has a document recording minutes of a meeting on 21 March 2024 been brought up for you, Ms Thornton?

5

MS THORNTON: Yes, it has.

MR CONDE: And do you see that among those present it's the board, but not Mr Cooke?

10

MS THORNTON: Yes, I do.

MR CONDE: And in the middle of the page there's a paragraph beginning:

15 "The board discussed the status..."

If that could be enlarged for Ms Thornton please. And if I could just ask you to read that, Ms Thornton.

20 **MS THORNTON:** Yes, I've read that.

MR CONDE: It's correct, isn't it, that on 21 March 2024 you and your board colleagues did not want this statement going out?

25 **MS THORNTON:** Yes, correct.

MR CONDE: And is it correct that this minute that is enlarged is, in fact, a polite record of the conversation?

30 **MS THORNTON:** In my observation it was an accurate record.

MR CONDE: Right, but sorry, do you have a recollection that the language used by board members to express their concern about the statement being released?

35 **MS THORNTON:** Yes, I believe they expressed a concern, yes.

MR CONDE: Right, do you recall saying anything on this issue yourself?

MS THORNTON: No, I endorsed my colleagues' comments regarding concern.

40

MR CONDE: Right, and are you aware that the next day, pursuant to a separation deed that was executed by the company and by Mr Cooke, Mr Cooke was given a contractual right to issue that statement not just to The Star employee team, but to joint venture participants, business partners and key suppliers to The Star immediately following the release of the ASX announcement?

45

MS THORNTON: I'm sorry, could you repeat the question, Mr Conde?

MR CONDE: Are you aware that the next day, 22 March 2024, pursuant to a separation deed that was executed by Star Entertainment and by Mr Cooke, Mr Cooke was given a contractual right to issue this exit statement not just to The Star employees, but to joint venture participants, business partners and key suppliers?

5

MS THORNTON: Yes, I'm aware now, yes.

MR CONDE: And when did you become aware of that?

10 **MS THORNTON:** Not until, not until after that had been executed. I don't recall being aware of that.

MR CONDE: Is it correct that you've become aware of it in the course - from the course of this inquiry?

15

MS THORNTON: No, I believe it was a short time after that had been agreed.

MR CONDE: And what, if any, reaction did you have on learning of that?

20 **MS THORNTON:** It was a concern that he was given a contractual right to make an exit statement, albeit I would acknowledge in a number of businesses CEOs do make exit statements, but I don't believe in this case it was useful.

25 **MR CONDE:** Ms Page gave evidence to the effect that she felt that part of the deed was not authorised by the board and that Mr Foster went beyond his authority by agreeing to it in negotiations, and Mr Issenberg and Mr Hodgson agreed with that. Do you agree?

30 **MS THORNTON:** I believe the board - yes, I do, yes.

MR CONDE: And would you agree that the exit statement risked evoking a feeling within the company that the NICC was against Star?

35 **MS THORNTON:** Yes, I do.

MR CONDE: Dr Lagan gave evidence that she'd observed, in the course of 2023, a new internal story, which was that the regulator doesn't like us, they don't like gambling, the special manager is too demanding and there was a sort of us and them mentality. Do you agree with that?

40

MS THORNTON: I would observe in a number of the culture reports there are subsets of culture and I would argue potentially parts of the business had that feeling and parts had a very good working relationship with regulators.

45 **MR CONDE:** So it was something that you'd observed, albeit in respect of parts of the business, is that correct?

MS THORNTON: Yes, I would say parts.

MR CONDE: Dr Lagan also said that, to her observation, in the first half of 2023, Mr Cooke was extremely busy and industrious and he saved the business financially with capital raisings, but she said it came at the cost of the cultural reform program.
5 Would you agree with that evidence?

MS THORNTON: I would agree he was very busy and industrious. I would agree the cultural program was very important. I do believe work was being done on the cultural program during that time. Whether it was effectual or not is - I would have
10 observations on, so I would agree some - I would agree to some of that statement, Mr Conde, yes.

MR CONDE: Do you agree that the current regulatory landscape that Star faces, in particular in areas like VIP gaming and responsible service of gaming, is stricter than
15 it was in the past?

MS THORNTON: Yes, I would agree.

MR CONDE: And, in particular, there are tighter controls around intervening when patrons have been at a gaming machine for hours and, similarly, for due diligence that needs to be performed on patrons?
20

MS THORNTON: Yes, I would agree.

MR CONDE: In your mind, and in light of that changed regulatory landscape, what will Star Entertainment look like in two years' time?
25

MS THORNTON: My observations would be, and I would endorse comments from my previous colleagues, from my lens, particularly sitting in the compliance
30 committee and chairing the compliance committee, would be that we would be a business that would be - have a laser-like focus on compliance and governance in all of our interactions and will have made significant improvements to our relationship with the regulators and we would have an environment and a culture where our staff are proud to work and continue to contribute to those elements of our strategic pillars
35 of work we should be in two years' time.

MR CONDE: Ms Page gave evidence of a potential change in model where Star Entertainment would have a holding company with more independent and fully operating subsidiaries. Do you have any comment on that approach?
40

MS THORNTON: My view would be the subsidiary boards of the various properties ought to have end to end accountability of what occurs on that property. I would make the observation from other industries that a group function around certain elements, including risk, financial crime, assurance, finance and treasury, et
45 cetera, would be best leveraged at a group level, but absolutely the end to end accountability for the property CEOs is a very important pillar of that governance structure.

MR CONDE: You mentioned risk among those elements, would that still allow though for a property level risk officer?

5 **MS THORNTON:** Absolutely, each property should have a strong risk function. They would be best supported by a group risk function to gain insights, knowledge, best practice across the properties.

10 **MR CONDE:** Do you envisage the transformed business as being profitable at levels that Star has historically been able to achieve?

15 **MS THORNTON:** I would separate the observations between gaming and non-gaming. The non-gaming portion of revenue I would suggest would be greater. The gaming revenue I believe was adjusted to a base of a client base that does not exist anymore.

20 **MR CONDE:** I see, and when you talk about non-gaming portion, is that things like the restaurants and other entertainment?

25 **MS THORNTON:** Correct. The hotel, the convention, events centre business, the restaurants, the F&B, yes.

30 **MR CONDE:** If we can bring up please STA.8100.0066.1340, this was a letter from Mr Weeks to Star Entertainment dated 6 February 2024 and there is a direction in relation to milestones. Are you familiar with this letter?

35 **MS THORNTON:** Yes, I am.

40 **MR CONDE:** And if we can go please to page 1341, do you see that there are various tranches of dates which finish up on 1 March 2025?

45 **MS THORNTON:** Yes, I do.

50 **MR CONDE:** And so far as the evidence to this inquiry suggests, those dates are not going to be met and Star is pursuing a reset of the remediation program. Does that accord with your understanding?

55 **MS THORNTON:** Yes, it does.

60 **MR CONDE:** And Ms Burke gave evidence to the effect that these dates were too ambitious, as she considered them. Do you agree with that?

65 **MS THORNTON:** Yes, I do.

70 **MR CONDE:** And do you presently have an expectation about when milestones are likely to be completed in full?

75 **MS THORNTON:** My observations, if I can answer that by talking about the reset. A lot of those milestones are very granular and the important feature of a reset is to

look at the really critical milestones that will have a big impact on governance, compliance, financial crime, et cetera. And as you can see the date, by the number of milestones, they are very front end loaded in that calendar and I would hazard a guess and say the last ones have an assurance function built into them regarding the milestones at the beginning. And so I would argue that the impactful items for the milestones could be completed earlier. The assurance and validation on those may be the dates that push out longer.

MR CONDE: Would it be correct then to say that there is a degree - that the reset will involve a degree of, sort of, quality assessment of milestones?

MS THORNTON: Yes. Impactful milestones, yes.

MR CONDE: Right. And it will be necessary, first of all, to identify impactful milestones before you could then give any kind of useful estimate of when they're likely to be completed, is that correct?

MS THORNTON: That remediation reset will provide us that clarity, yes.

MR CONDE: Yes, and you'd need that before then giving a useful estimate as to completion time, is that correct?

MS THORNTON: Yes, I'm a very precise and specific person, so for me that would be useful to have insight and guidance on that.

MR CONDE: Yes, in terms of the current state of the GLT where there's a need for a permanent CEO, CFO, chief legal officer, chief transformation officer and chief customer and product officer, would you agree that pursuing transformation is going to be challenged by the state of the GLT?

MS THORNTON: I believe if you look at the remediation areas of focus they focus heavily on financial crime, culture, technology as the key drivers, particularly in those governance streams, and those teams are intact and we've added Elizabeth Arzadon to the cultural piece. So whilst those appointments are important, and I won't diminish that, I don't believe there is large amounts of milestones in some of those critical elements of work that will be heavily impacted by those appointments, which the board will obviously make a priority.

MR CONDE: Mr Hodgson gave evidence that he wasn't actually sure what the role of Chief of Staff does, and whether it's necessary for that to continue. Do you have any comment on that?

MS THORNTON: I believe the organisational design that is most effective for this business would be well laid out by a CEO. The Chief of Staff is not necessarily a GLT appointment I would see as critical to achieving remediation.

MR CONDE: Do you see a path for - sorry, what do you see is the way forward for the company to ensure going forward that it has an effective and transparent relationship with the regulator?

5 **MS THORNTON:** From my observations, New South Wales is very different to Queensland. There is one regulator in Queensland and the interface between the business in Queensland and the regulator is clear and obvious. My observation would be there is three touch points to regulatory environment in New South Wales. The special manager, L&G and the NICC. And part of a relationship reset would be to
10 very clearly outline the lines of communication and go through a process of clearly establishing those communication lines and what ought to go to whom and when, and in what form.

MR BELL SC: Ms Thornton, aren't there two touch points in Queensland, the
15 regulator and the manager?

MS THORNTON: Well, I believe the business observes the NICC as separate to L&G. There is multiple touch points, when you have an issue you report to both - a
20 number of entities.

MR BELL SC: But the manager is appointed for Queensland as well, is he not?

MS THORNTON: Yes, he is.

25 **MR BELL SC:** So he is also a touch point for the Queensland regulation as well, is he not?

MS THORNTON: Yes, correct.

30 **MR BELL SC:** Yes, Mr Conde.

MR CONDE: Mr Foster, Ms Ward, Ms Page, Mr Issenberg and Mr Hodgson have all given evidence to this inquiry that they do not consider that Star Entertainment is presently suitable. Do you agree with that, Ms Thornton?
35

MS THORNTON: Yes, I would.

MR CONDE: And are you aware that the manager is due to end his role on 30
40 September 2024?

MS THORNTON: Yes, I am.

MR CONDE: And what is your view on the prospects of Star Sydney satisfactorily managing and operating without continuing external management of some kind after
45 that date?

MS THORNTON: I would agree with previous evidence that it would be an important consideration while we are still going through remediation activities as outlined in the plan, to have a version of supervision or monitoring as we progress.

5 **MR CONDE:** Yes. Those are my questions for Ms Thornton, Mr Bell.

MR BELL SC: Ms Thornton, I take it you're aware that one of the views I expressed in the 2022 report was the need for close and direct supervision and governance of The Star Pty Ltd, the owner of The Star Casino in Sydney?

10

MS THORNTON: Yes, I am aware.

MR BELL SC: And you're aware, I take it, that one of the recommendations which I made in the 2022 report was for a Sydney compliance committee to be established with a majority of independent members and reporting to the board of The Star Pty Ltd?

15

MS THORNTON: Yes, I am aware.

MR BELL SC: And you're also aware, I take it, that the charter for the Sydney compliance committee, which was approved on 30 November 2023, provides that the committee is to report to the board of Star Entertainment rather than to the board of The Star?

20

25 **MS THORNTON:** Yes, I'm aware.

MR BELL SC: There's been evidence given by various people that that's going to be changed, so that the Sydney compliance committee reports to the board of The Star as well, but why was the recommendation for reporting to the board of The Star Pty Ltd not implemented in the first place, as you understand it?

30

MS THORNTON: Yes, I've had close oversight of this in my capacity as compliance committee chair.

35 **MR BELL SC:** Yes.

MS THORNTON: The ICM stipulates the board of The Star. There was also a process to embed and build out the materials and the governance capacity, including an appropriate risk function in Sydney, to then have material to report to a board, for the board to have oversight and governance of its activities in a meaningful way. So that process is being undertaken and built out as we speak.

40

MR BELL SC: So should I understand that so far as you're concerned, the charter for the Sydney compliance committee should be amended so that it requires reporting to the board of The Star Pty Ltd as I have recommended?

45

MS THORNTON: Yes, absolutely. I have seen the draft of that and we have started discussions regarding changing the wording in the ICM.

MR BELL SC: Yes. You're aware, I take it, that the compliance auditor recently provided the first compliance audit report for The Star Sydney?

5 **MS THORNTON:** Yes, I am.

MR BELL SC: And you're also aware, I take it, that the auditor identified 19 exceptions of which 11 related to responsible gambling?

10 **MS THORNTON:** Yes, I am.

MR BELL SC: And is that a matter of serious concern?

15 **MS THORNTON:** It is a matter of ongoing concern, Mr Bell, and certainly something that the compliance committee and its independent members have close oversight of.

MR BELL SC: And as chair of the Sydney compliance committee, what steps are you taking to address that problem in relation to responsible gambling?

20 **MS THORNTON:** The responsible gambling issues, if I particularly take the GSO and GSM concerns as an example, I have had strong and direct ongoing discussions with the head of risk over the last few weeks regarding the compliance uplift, the reference to the property-based risk appetite statements and what management will be reporting back to in terms of their mitigations for those items.

MR BELL SC: And you may have had closer visibility over this than some of your board colleagues, what views have you formed in relation to why the problem with the Safer Gambling Team, if I can call it that, occurred?

30 **MS THORNTON:** The Safer Gambling Team function was a function that has not operated before and, therefore, taking examples from other industries is not possible. We observed more issues in New South Wales than Sydney and a number of those also have to do with the sheer size of the venue, versus Queensland, which are more intimate venues. The resourcing has been an issue to address the right skill set to do that job. And GSMs are more experienced and skilled, and therefore, had less of those behaviours. The GSOs were newer to the business and we identified issues around training and accountability and validation, which will be addressed and is being addressed as we speak.

40 **MR BELL SC:** You said you observed more problems in New South Wales than Sydney, I assume you mean problems in New South Wales and Queensland?

MS THORNTON: Sorry, correct, my apologies.

45 **MR BELL SC:** And do I understand that the preliminary views you're forming are that these problems related largely to training and resources?

MS THORNTON: I would suggest the training, resources and the validation and supervision of what was happening and the quality of what was happening.

5 **MR BELL SC:** Your board colleagues have given evidence to me that in their view there has not been enough done to ensure close and direct supervision and governance of The Star Sydney. Do you agree with them?

10 **MS THORNTON:** I would agree it has been a slower process than any of us would have liked, yes.

MR BELL SC: And should I understand from your earlier evidence that your vision for Star Sydney, The Star Sydney board, is that it will be a fully functioning subsidiary board?

15 **MS THORNTON:** Yes, with leveraging off the resources of group functions such as financial crime, audit, assurance, et cetera.

20 **MR BELL SC:** And the Victorian Royal Commission recommended the Crown Melbourne to ensure that the board of the subsidiaries fully functioning have a majority of independent members, independent of the holding company. Can you see some benefits in considering that approach?

25 **MS THORNTON:** I can certainly see benefits. I can also envisage a challenge in establishing independents who would have relevant experience who have not operated through an environment that we all would agree was not an appropriate nor considered compliance or governance approach. And so that model of independence could be challenged by finding that skill set and in absence of the skill set may be less useful than we think initially.

30 **MR BELL SC:** Yes, thank you Ms Thornton. Mr Ahmed, do you have any questions?

MR AHMED SC: I don't, thank you, Mr Bell.

35 **MR BELL SC:** Dr Renwick, do you seek leave to ask any questions?

DR RENWICK SC: I don't, thank you, Commissioner.

40 **MR BELL SC:** Ms Bell thank you very much for your evidence and thank you for your attendance today. The formal direction I'll make is that your examination is adjourned but you won't be required to attend again unless you receive notice to that effect, so thank you very much.

45 **MS THORNTON:** Thank you for having me.

<THE WITNESS WAS RELEASED

MR BELL SC: Yes, Mr Conde?

5 **MR CONDE:** Mr Bell, the next witness in these public hearings is Ms Arzadon, then followed by Dr Lagan. They have been given a not before marking of 10 am tomorrow. Accordingly, subject to matters to be raised in private session I would ask that the public hearings adjourn.

10 **MR BELL SC:** Yes, well I will adjourn the public hearings of this inquiry until 10 am tomorrow, but I would like to have some discussions with the parties in private session, so operator, can you take us into private mode please.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 12.19 PM