



NEW SOUTH WALES INDEPENDENT CASINO COMMISSION

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

**PUBLIC HEARING
DAY 11**

WEDNESDAY, 1 MAY 2024

INQUIRY BEFORE MR ADAM BELL SC

COUNSEL ASSISTING:

**MR C. CONDE WITH MS E. HALL; AND MS. A MUNRO WITH MS E.
HALL**

**MR B. WALKER SC WITH 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 10.01 AM

MR BELL SC: Yes, Mr Conde.

5 **MR CONDE:** Mr Bell, the next witness is Ms Elizabeth Arzadon.

MR BELL SC: Ms Arzadon, can you hear me?

MS ARZADON: Yes, I can

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

MS ARZADON: An oath, please.

15

<ELIZABETH ARZADON, SWORN

MR BELL SC: Yes, Mr Conde.

<EXAMINATION BY MR CONDE

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MR CONDE: Ms Arzadon, can you hear me?

MS ARZADON: I can.

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MR CONDE: Is it correct that your name professionally is Elizabeth Arzadon and your full legal name is Elizabeth Holly Morris?

MS ARZADON: That's correct.

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

MS ARZADON: Yes, I am.

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MR CONDE: Is it correct that you hold a Masters of Psychology and Bachelor of Science with Honours in Psychology?

MS ARZADON: That's correct.

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MR CONDE: And is it correct you have more than 20 years experience as a strategic and independent adviser looking at culture and designing change programs for organisations?

MS ARZADON: That's correct.

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MR CONDE: Is it correct that on 16 April 2024 you provided a report to Star Entertainment in the form of a letter with observations in it from phase 1 of a review that you were undertaking?

MS ARZADON: That's correct.

MR CONDE: And if we can pull that up please, it's STA.8000.0170.0001. Has that come up for you, Ms Arzadon?

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MS ARZADON: Yes, it has.

MR CONDE: And is this the document that you recall providing to Star Entertainment?

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MS ARZADON: Yes, I think it is.

MR CONDE: Do you see that your letter was addressed to Mr Foster who was the executive chairman at that time?

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MS ARZADON: Yes, that's right.

MR CONDE: And you're aware, I take it, that Mr Foster has stepped down as chair and Ms Anne Ward is now the chair of Star Entertainment?

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MS ARZADON: Yes, I'm aware of that.

MR CONDE: If we can go please to page 0003 of this document, in the third paragraph, the paragraph in the middle of the page, it's just been enlarged, at the end of the first line it says:

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"During this period I have observed that the CEO's departure and your transition into the role of executive chairman is producing some early but encouraging shifts in the organisation's approach to certain issues, including increased openness to stakeholder feedback."

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Do you see that?

MS ARZADON: I do.

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MR CONDE: And would you still make that observation about early, but encouraging shifts, albeit that Mr Foster has now left?

MS ARZADON: The specific examples that I was referring to in that sentence were two occasions where Mr Foster said that he had reached out to engage with the special manager team to understand better their feedback, and so I thought that - those were examples of a shift. That's what I was referring to.

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MR CONDE: Yes. But his change as chair though would not affect that, would you agree?

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MS ARZADON: I would agree with that, no. Absolutely.

MR CONDE: And is it too early for you to make any observations regarding the arrival of Ms Ward as chair, given that that only happened a couple of days ago?

MS ARZADON: Yes, I think it's too early.

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MR CONDE: If we can look at the bottom of this page 0003 please, in the last two lines, do you see there is a reference to the - at the end of the second last line, there is a reference to the Finkelstein Royal Commission acknowledging that, and then:

10 "'Cultural change takes time' and that 'embedding sustained cultural change can ...'"

Then if we go over to - I see, the operator has kindly pulled up from the following page, it says:

15 "'.. embedding sustained cultural change can take between three to five years'."

Do you see that?

MS ARZADON: Yes.

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MR CONDE: And then you wrote that:

"The TSEG cultural transformation program includes everything that I would expect to see over a reasonable 5-year transformation period. However, it has been condensed into a 2-year remediation time frame. This approach does not support genuine, sustained change, and creates a range of risks including unrealistic expectations, false assurance and a focus on actions versus outcomes."

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Do you see that?

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MS ARZADON: Yes, I do.

MR CONDE: In terms of where Star Entertainment finds itself today on that three to five-year journey to transformation that you have mentioned, would you agree that Star is very much at the beginning of that journey?

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MS ARZADON: Yes, I do.

MR CONDE: And if we could go to page 0007 please of the report, about two-thirds of the way down the page, under "Aligned views" do you see you wrote:

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"My discussions with stakeholders highlighted broad agreement that TSEG's cultural transformation remains at a very early stage. This understanding was reflected [in] a range of comments such as: 'We are very much at the start...we have a long way to go', 'It took a long time to deliver the PVP' ..."

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Which I think is purpose, values and principles:

".. and 'One year in, decisions that should have been made, just weren't'."

Do you see that?

MS ARZADON: Yes, I do.

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MR CONDE: And is it correct that suggests that so far as cultural transformation is concerned, not a lot has happened in the last 20 months since Mr Bell's report from his first inquiry in August 2022?

10 **MS ARZADON:** I would say that a lot of activity has occurred, but the impact of that activity, in terms of embedded change, not a lot has occurred in that regard.

MR CONDE: Right. And if we can go back please to page 0005, 2.3.1 about halfway down the page, do you see from the second line it says:

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"My review noted that the culture reform program has not received a level of resource commitment commensurate to the scale of the challenge, risk of failure and technical knowledge required for effective execution. This conclusion is also consistent with multiple views shared by internal and external stakeholders that the culture reform program requires additional resources with expertise in organisational culture and transformation, especially needed at a leadership level."

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Do you see that?

25 **MS ARZADON:** Yes, I do.

MR CONDE: Now, Dr Attracta Lagan has given some evidence to this inquiry, which I'll just read to you. She said that she started work with Star in January 2023 and she then said:

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"From the moment I went into the organisation I was flagging to the board and the CEO that they needed to bring in an organisational development specialist who had experience in major organisational transformations. They needed to recruit that position, that it was obvious to me it was missing and the cultural change program wasn't going to happen without them."

35

Are you aware of that evidence, Ms Arzadon?

MS ARZADON: Yes, I am.

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MR CONDE: And would you agree that that advice from Dr Lagan, from January 2023 or thereabouts, is the same advice, or at least very similar advice, to what you've said there in paragraph 2.3.1?

45 **MS ARZADON:** Yes, it is similar.

MR CONDE: So is it correct, in essence, that the three to five-year timeframe for cultural transformation of Star Entertainment is starting now?

5 **MS ARZADON:** Yes, it's close to starting now. I think the only thing I would clarify is that over the last 12 months I would expect there has been an increasing level of awareness of the need to change, so there are some frameworks which talk about - and I excuse the directness of this language - but the framework talks about being unconsciously incompetent versus being consciously incompetent. And I would suggest that over the last period of time Star has become conscious of the need for more competence in this - in its cultural reform. So that could be seen as progress, so they're not exactly right at the beginning, but there is still a very long way to go.

15 **MR CONDE:** Well, just on that point about awareness, if we could jump forward please to page 0008, do you see in the first bullet point from the fourth, I think it's from the fourth line, you wrote:

"In reality, there is a material difference between awareness of new expectations, and systemic embedding of behavioural change (ie, cultural transformation)."

20 Is the point there that being aware of a new expectation is good, but cultural transformation involves a lot more?

MS ARZADON: Absolutely.

25 **MR CONDE:** And in terms then of what I've referred to as that sort of three to five-year path, how far do you think awareness puts Star down that path, if at all?

MS ARZADON: Six months.

30 **MR CONDE:** If we can also - in the third bullet point on this page, in the second line it says:

".. I also noted an emotional desire for the task to be complete so 'we can all move on'."

35 Do you see that?

MS ARZADON: Yes, I do.

40 **MR CONDE:** And would it be correct to say that so far as Star's cultural transformation journey is concerned this sort of mindset of trying to move on indicates a relatively immature stage of transformation?

MS ARZADON: Yes, I do.

45 **MR CONDE:** Since the time of your report on 16 April 2024 there have been a number of developments. We have discussed the change of chair. Are you aware also of evidence to this inquiry that Ms Burke has resigned as chief transformation officer and Ms Mellor has resigned as the CEO of The Star Gold Coast?

MS ARZADON: Yes, I am aware of that.

5 **MR CONDE:** And are you aware of evidence that Mr Cooke's consultancy was terminated?

MS ARZADON: I'm not - I was not aware of that.

10 **MR CONDE:** Okay. Are you aware of the evidence regarding private messages exchanged between Mr Foster and Mr Cooke about abolishing the NICC, getting rid of Mr Weeks, preparing for war with the NICC and manager, looking in advance at details of a managers' meeting with the NICC and lawyers and an idea which Mr Foster and Mr Cooke later accepted was bizarre, of a shareholder class action against Mr Weeks and/or the NICC?

15 **MS ARZADON:** Yes, I am aware of that evidence.

MR CONDE: Would you agree that those messages revealed a hostile attitude to the regulator from various high levels of Star Entertainment's leadership at that time?

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

MR CONDE: And have you any comments - have you seen, sorry, any comments from within Star Entertainment's staff reacting to the evidence of those messages between the former chair and the former CEO?

25 **MS ARZADON:** I haven't seen specific examples, but possibly some surprise, but I haven't spoken in any systematic way with staff about that evidence.

30 **MR CONDE:** Are you aware of evidence from board members to this inquiry that in their view Mr Cooke and Mr Foster were not acting cooperatively with the regulator, and that this contrasted with Star's public statements about cooperation?

35 **MS ARZADON:** I'm not very familiar with the statements made in the inquiry about that, but that is consistent with my understanding.

MR CONDE: Right. There is also evidence from board members that the messages between Mr Cooke and Mr Foster were likely to have damaged people's trust in what Star Entertainment says publicly. Are you aware of that evidence?

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

MR CONDE: And would you agree that these matters mean that the challenge faced by Star is, in fact, a bigger challenge than what you would have been presented with at the time of doing your report on or about before 16 April 2024?

45 **MS ARZADON:** It's possibly somewhat bigger, but the observations around the unconstructive relationship with the regulator and with the special manager team were certainly highlighted as part of my report.

MR CONDE: Right. Would you agree that the departures of both Mr Cooke and now Mr Foster have provided an opportunity for Star Entertainment to pursue constructive engagement with the NICC?

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MS ARZADON: Yes, I do think that's an opportunity.

MR CONDE: If we can bring up please STA.8125.0001.0004. This should be an email from you to Mr Foster dated 23 March 2024 at 1.25 pm, do you see that?

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MS ARZADON: Yes, I do.

MR CONDE: And this followed Mr Cooke's departure on 22 March, and do you see in the second paragraph you wrote:

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"This was no doubt an incredibly difficult decision. But it was also certainly the right decision. For what it's worth, I had come to the same conclusion based on all my conversations with the board, GLT and others over the past 2 weeks."

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Do you see that?

MS ARZADON: Yes, I do.

MR CONDE: And as best you can recall, what made you form that view, that Mr Cooke had to go?

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MS ARZADON: From my conversations with a number of people in the review that I conducted it was clear that the relationship with the regulator had broken down and Mr Cooke was quite open about his belief that there was a biased view from the regulator that he didn't feel could be overcome, and I felt that tone from him would make it very difficult to move forward in a constructive way with the regulator.

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MR CONDE: And I think you've been engaged in March of this year, so you were able to form that view in about two weeks. Was the feedback that you were getting sufficiently strong that you were able to reach that view?

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MS ARZADON: Yes. That's correct. I think one thing I should also add is that one of the differences of opinion that appeared to have arisen between the regulator and Mr Cooke was that certain members of the team should be removed and Mr Cooke disagreed with that, and so that seemed to be an immovable difference of opinion.

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MR CONDE: And with that, is that something that Mr Cooke told you?

MS ARZADON: Yes.

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MR CONDE: Was he the only source of that information that you've just said?

MS ARZADON: Well, he told me that he believed that the regulator and possibly the special manager team, but I'll say the regulator because that's just what I remember, thought that some members of the team should be removed.

5 **MR CONDE:** Yep.

MS ARZADON: And he disagreed with that. I can't recall whether I heard other people talking about that, but it seemed, from my memory, to be a pretty open piece of knowledge that that was the view that Mr Cooke had.

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MR CONDE: Well, just to be clear, Ms Arzadon, I can understand that Mr Cooke was of that view and it sounds like he expressed that view to you very strongly, but doing your best is it correct that you don't recall anyone else expressing that view to you?

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MS ARZADON: I believe that some members of the special manager team may have also mentioned that view to me.

MR CONDE: Right. Do you recall who it was in the special manager's team?

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MS ARZADON: It would be Mr Weeks.

MR CONDE: In terms of Mr Cooke's exit statement, perhaps if we have that brought up, it's STA.8122.0001.0012. Are you aware of this document?

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MS ARZADON: I'm aware of the document but I didn't read it, I haven't read it before.

MR CONDE: Right. You haven't read it. Perhaps if I could ask you to read it please, and then I'll ask you some questions.

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MS ARZADON: Yes.

MR CONDE: I don't know if you need it enlarged, or -

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MS ARZADON: It's okay. Sorry, Mr Conde, just before I do that I want to go back to something you asked me, because I recall now that I also talked with members of the board about the view that - about this difference of opinion.

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MR CONDE: Yes.

MS ARZADON: And several members of the board did also say to me that they felt some people should leave and that that was not a view that was held by Mr Cooke at the time. I just wanted to clarify that.

45

MR CONDE: Right.

MS ARZADON: I've read that.

MR CONDE: Do you have any comment on the effect that this statement either had to your observation or would likely have had within Star Entertainment?

5 **MS ARZADON:** My view is that Mr Cooke felt that it was in the best interests of the company to leave because he'd done everything that he could, but it wasn't producing the outcomes that were required.

10 **MR CONDE:** But in terms of this statement being sent internally to all of Star's, some 8,000 employees, would you agree that whether this was how Mr Cooke felt or not, it positioned the regulator as the reason for Mr Cooke's departure?

MS ARZADON: Yes, I do agree with that.

15 **MR CONDE:** And it personally called out the chief commissioner in the seventh paragraph, do you see that?

MS ARZADON: Yes, I do.

20 **MR CONDE:** And are you aware of evidence to this inquiry, including from Mr Cooke himself, that the NICC was not the catalyst for his departure, it was the board who initiated his departure on about 10 March? Are you aware of that, Ms Arzadon?

25 **MS ARZADON:** Sorry, can you repeat the question?

MR CONDE: Are you aware of evidence to this inquiry, including from Mr Cooke himself, that the NICC was not the catalyst for his departure, it was the board who initiated it on about 10 March?

30 **MS ARZADON:** Yes, I'm aware of that.

MR CONDE: And what, in your view, does it do to culture within an organisation when a narrative like that is pushed to all of the employees?

35 **MS ARZADON:** My observation is that there is a widespread belief amongst staff within The Star that the changes have been enforced on them by an outside party, and from a cultural change perspective this is not the most effective way to drive change. It doesn't demonstrate ownership of why that change is important for the
40 fundamental transformation of the company, and so this type of message would reinforce that view.

MR CONDE: Yes. Have you seen evidence of a mindset within the company having emerged of, sort of, us against them with the regulator?

45 **MS ARZADON:** Yes, I have.

MR CONDE: And may I just ask you to elaborate on that, please?

5 **MS ARZADON:** So there is certainly at the senior levels, because I've mostly interacted with people at the senior levels of the company, a combative relationship with the regulator. I wouldn't say that that is amongst everybody. There are some members of the team who don't have that kind of relationship, but they do believe that the overall - they don't have that relationship individually, but they do agree that in general that is the nature of the relationship, and that tone was probably set by the senior people like Mr Cooke.

10 **MR CONDE:** Another point which emerged from this week's evidence was that multiple directors gave evidence that they felt that Mr Cooke's separation deed, or the contract by which he exited the organisation, it included - it gave him a contractual right to issue this exit statement, and multiple directors gave evidence that they felt that that was not actually authorised by the board. Do you have any comment on that?

15 **MS ARZADON:** I don't, I wasn't aware of that evidence.

20 **MR CONDE:** Right. Each of Ms Ward, Ms Page, Mr Issenberg, Mr Hodgson and Ms Thornton gave evidence about this exit statement and expressed some opinions. There were five of them, I'd just like to run them past you. The first is that they considered that the exit statement was not helpful to Star Entertainment or to Mr Cooke. Would you agree with that, Ms Arzadon?

25 **MS ARZADON:** I'm not sure what you mean by "helpful to Mr Cooke".

MR CONDE: Well, perhaps splitting it up, would you agree that it was not helpful to Star Entertainment?

30 **MS ARZADON:** In terms of supporting cultural change, no.

MR CONDE: Would you agree with the second opinion that they gave, which was that the statement would potentially be damaging to the company's relationship with the NICC? Would you agree with that?

35 **MS ARZADON:** Yes, I agree with that.

40 **MR CONDE:** There was a third opinion, which was that Mr Cooke was seeking to justify or protect his reputation in a way that he would come to regret. Would you agree with that?

MS ARZADON: I do agree with the first part of that statement, that it looks like he was trying to protect his reputation.

45 **MR CONDE:** Right. But whether or not he will come to regret that you're not sure?

MS ARZADON: I can't comment on that.

MR CONDE: The fourth point was that they felt, the directors felt that just sharing these kinds of details with the entire staff was ill-advised. Would you agree with that?

5 **MS ARZADON:** I think it probably was ill-advised.

MR CONDE: And the last one was that the exit statement presented a risk of sending a message to some 8,000 or so staff that Mr Cooke was being pushed out by the regulator, would you agree with that?

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MS ARZADON: It does appear to send that message, yes.

MR CONDE: And from your perspective, in light of evidence like that and your observations of comments from staff and so on, would you agree that the exit statement set Star Entertainment back, in terms of its cultural transformation journey?

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MS ARZADON: I think it may have set it back some, but these things can be overcome relatively quickly with the right actions and I think the change in leadership is one example of an opportunity to set things in the right direction quite quickly.

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MR CONDE: Yes, and is that both the change in leadership with Mr Cooke, but also Mr Foster as well?

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MS ARZADON: Yes.

MR CONDE: If I can show you STA.8000.0011.0020 at page 0122, this is going to be, I hope, part of Star's remediation plan dated 5 October 2023. And there is a row for milestone 3.2.1, which if we can enlarge that please, thank you. Do you see it refers to - that's perfect. Yep. It refers to:

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"Individual coaching provided to GLT members to support personal transformation and capability ..."

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And then just to the right it says:

"Milestone baseline due date 30-Nov-2024."

40 Do you see that, Ms Arzadon?

MS ARZADON: Yes, I do.

MR CONDE: There was evidence from Star's former CFO, Ms Katsibouba, who was the second-most senior executive when in that role, that she was unaware of any such coaching sessions and had not received any. Would you expect this to be implemented sooner, rather than later?

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MS ARZADON: Yes.

MR CONDE: Basically it's an easier milestone or task to get going, is that correct?

5 **MS ARZADON:** There shouldn't be anything stopping it from going, that's for sure. I'd just note that the milestone due date is 30 November 2024.

MR CONDE: Yep.

10 **MS ARZADON:** And from my observation of how the remediation plan is taking place, milestones tend to be addressed in order, and that's probably why it hasn't commenced yet. They have been busy doing other things that had due dates before this one.

15 **MR CONDE:** Right, and would you have expected to see this milestone further up the order, as it were?

MS ARZADON: Yes, I would have.

20 **MR CONDE:** And is that what you'd expect to - there's been evidence about a reset of the remediation program, and would you expect that that would involve an assessment of basically the importance of milestones, and which should come first and so on?

25 **MS ARZADON:** Yes, I do think that. In fact, my report included some recommendations that the GLT effectiveness should be one of the priorities now in the plan.

MR CONDE: Yes, and I'll come to that just after one, possibly two questions.
30 Would you agree in addition to needing - so Star needs a new permanent CEO, CFO, chief legal officer, chief transformation officer, chief customer and product officer and CEO of the Gold Coast property, as well as an organisational development specialist that we've discussed earlier, although I appreciate that you're doing work in that field. But do you agree that the state of the GLT presents a challenge?

35 **MS ARZADON:** Yes, I do agree with that.

MR CONDE: And would you agree also it presents an opportunity to bring in the right experience?

40 **MS ARZADON:** Yes, absolutely.

MR CONDE: And if we can go then to the recommendations in your report STA.8000.0170.0001, and then they appear at page - I'm very sorry, apparently
45 there's been a loss of connection for The Star legal team. We need to, we've got a technical issue.

MR BELL SC: I'll adjourn momentarily.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 10.33 AM

<THE HEARING IN PUBLIC SESSION RESUMED AT 10.42 AM

5 **MR CONDE:** Ms Arzadon, I was about to ask you about your recommendations. Have you still got up on your screen a copy of your 16 April report?

MS ARZADON: I do. It's on the first page.

10 **MR CONDE:** On the first page, yes. And if we can go then please to page 0011, and do you see there five recommendations?

MS ARZADON: Yes.

15 **MR CONDE:** And if I can just confirm please, is it correct that these recommendations are unaffected by the departure of Mr Foster and they otherwise stand as your recommendations?

MS ARZADON: Yes.

20 **MR CONDE:** And also I think we discussed earlier the reset and reprioritisation of milestones. Would that be bound up in what you've recommended in number 1 there, or somewhere else in the process?

25 **MS ARZADON:** The reset of the plan is probably more aligned to number 4.

MR CONDE: Yes, I see.

30 **MS ARZADON:** Yes, sorry, but it would involve number 2 and number 3 as well, because they are part of what's included in number 4.

MR CONDE: Yes, I understand. Is there any other comment that you wish to make about the recommendations, Ms Arzadon?

35 **MS ARZADON:** Maybe I would just highlight that number 1 is still an important point that I don't think has been resolved yet. It would be a task that I think still needs to be undertaken.

MR CONDE: Mr Bell, those were my questions for Ms Arzadon.

40 **MR BELL SC:** Yes, I'll just take a short adjournment momentarily.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 10.44 AM

45 **<THE HEARING IN PUBLIC SESSION RESUMED AT 10.47 AM**

MR BELL SC: Ms Arzadon, you say at page 7 of your report that your discussions with stakeholders highlighted a broad agreement that Star Entertainment's culture transformation program remains at a very early stage, is that correct?

5 **MS ARZADON:** Yes, that's correct

MR BELL SC: I think you told Counsel Assisting that your assessment was that The Star entity is very much at the beginning of cultural transformation, is that correct?

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MS ARZADON: Yes, that's correct.

MR BELL SC: You gave evidence at the Victorian Royal Commission into Crown Melbourne, is that right.

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MS ARZADON: Yes, that's right.

MR BELL SC: And I think in your report to the Victorian Royal Commission you talked about a two-stage process for cultural change, less than six months to remove the primary cause of problem behaviour, and three to five years to embed a culture that is self-sustaining, do you remember that?

20

MS ARZADON: Yes, that's right.

25 **MR BELL SC:** And you're aware, I take it, that the Victorian Royal Commission set a two-year period for Crown Melbourne to return to suitability?

MS ARZADON: Yes, I'm aware of that.

30 **MR BELL SC:** And you're also aware, I take it, that Crown Melbourne has successfully achieved suitability in that timeframe?

MS ARZADON: Yes, I'm aware of that.

35 **MR BELL SC:** And that's notwithstanding that there are still ongoing reforms in governance and culture and risk management to be carried out, correct?

MS ARZADON: Yes. Yes, that's right.

40 **MR BELL SC:** Now, you say at paragraph 1.1 of your report that the inputs to your report included my 2022 report.

MS ARZADON: Yes.

45 **MR BELL SC:** And you're aware my report was written some 20 months ago, on 31 August 2022?

MS ARZADON: Yes, I'm aware of that

MR BELL SC: And did you read chapter 26 assessing the governance and culture of Star Entertainment?

5 **MS ARZADON:** I did, but I can't probably repeat it word for word.

MR BELL SC: That's alright. Well, can I just remind you that - or are you aware that I set out in chapter 26.6 remediation work that was then underway at Star Entertainment, which I said was appropriate and to be welcomed?

10 **MS ARZADON:** Yes, I remember that.

MR BELL SC: And are you aware that I referred to a renewal program, which was commenced in November 2021 overseen by renewal steering committee?

15 **MS ARZADON:** I can't quite recall the details, but I think I remember that.

MR BELL SC: And are you aware that I mentioned that one of the work strands of the renewal steering committee since November 2021 was culture renewal?

20 **MS ARZADON:** Yes.

MR BELL SC: And are you aware that I referred to a transformation office which had been established to monitor and support the renewal program?

25 **MS ARZADON:** Yes.

MR BELL SC: And are you aware that I referred to an independent monitor who'd been engaged in August 2022 to oversee the renewal program to facilitate reporting on progress?

30 **MS ARZADON:** Yes.

MR BELL SC: And are you aware that I referred in the report to the fact that the work of the renewal program was being assisted by a risk and compliance culture review by PwC which had been commissioned in August 2021?

MS ARZADON: Yes.

40 **MR BELL SC:** It was put to me at the time by The Star entities that these and other steps made them suitable in August 2022. I didn't accept that submission, but I have no doubt that if I had sought it I would have been assured that the renewal program would be sufficiently advanced to achieve suitability in two years. So my question to you is why, in all of these circumstances, I am now being told 20 months later by The Star entities and by you that cultural transformation is still at a very early stage?

45 **MS ARZADON:** My observation is that there is not necessarily a good understanding of the time that it takes to genuinely change culture and sometimes

people are optimistic about the progress that can be made in a timeframe, like two years, and it only takes about two years to realise that it's going to be much longer.

5 **MR BELL SC:** Well, why does there seem to be such a stark contrast between the success of Crown Melbourne in achieving cultural renewal in two years and the position that The Star entities are in?

10 **MS ARZADON:** It's my observation that there is not that much difference. Crown Melbourne, from the work that I did, didn't transform its culture in two years, but it put in place the foundation for cultural transformation over a longer time period, so they were successful in establishing those foundations with an expectation that over the next several years that would then lead to embedded change.

15 **MR BELL SC:** Yes, I think that's what I was putting to you; that they had achieved suitability in two years, notwithstanding that the Victorian regulator noted there was still ongoing milestones to be achieved in culture and other areas.

MS ARZADON: Yes. Yes, that's right.

20 **MR BELL SC:** But would you agree that The Star entities are not in that position at all?

MS ARZADON: They're not in that position at this time, no.

25 **MR BELL SC:** So why is there such a stark contrast between the position they are in and the position that Crown Melbourne would appear to be in from the reports of the Victorian regulator, or can't you say?

30 **MS ARZADON:** I can't really say, but I think it's taken Star a long time to understand the task in front of them when it comes to culture change and possibly Crown realised that earlier.

35 **MR BELL SC:** Aspirational statements today are one thing, but past conduct is relevant. Putting it neutrally, it seems that there have been many lost opportunities and many missed steps in relation to cultural renewal, is that correct?

MS ARZADON: I would agree with that.

40 **MR BELL SC:** I would assume from the evidence you gave to Counsel Assisting that you agree with Dr Lagan's evidence that an informal cultural narrative has emerged at The Star entities that the regulator is against Star, the manager is too demanding and so forth?

45 **MS ARZADON:** Yes.

MR BELL SC: And should I understand that that's an informal narrative that's, in fact, developed since the 2022 review that I conducted?

MS ARZADON: Yes, it's quite - over the last year.

MR BELL SC: And would you agree that Mr Cooke's exit statement, among other things, has reinforced that negative narrative?

5 **MS ARZADON:** Yes, I would agree with that.

MR BELL SC: In view of the conduct that's emerged in this inquiry, that Counsel Assisting has taken you to, including but not limited to Mr Cooke's exit statement, are you able to assess yet how deeply embedded this informal negative narrative is of
10 us versus them, at Star Entertainment? If you think it's too early to say then I would understand that.

MS ARZADON: Yep, I haven't spoken to people at lower levels, so I would only be able to comment on the GLT level and maybe one or two levels below that in
15 particular pockets. But even saying that, I think there are - there are pockets of people who agree with that and there are some others that agree the dynamic is not constructive, but don't have, themselves, an opposition to the feedback that's coming from the regulator.

20 **MR BELL SC:** And in perfect fairness to you, I assume you haven't yet had an opportunity to make a considered assessment of how far that narrative is embedded at middle management or within the people at the coal face, if I can put it that way?

MS ARZADON: Yeah, I have not spoken to people at a lower level.
25

MR BELL SC: Bearing in mind that you are not able to make a considered assessment of the extent of the problem, but assuming that it is widespread, how would you go about trying to fix it?

30 **MS ARZADON:** I think a very important first step is for Star to develop and communicate a compelling case for change, which is based on its own business strategy and not a change that's enforced from outside.

MR BELL SC: Dr Lagan in her evidence to this inquiry talked about a vision, a
35 vision of a renewed Star, I think you're talking about much the same thing, is that correct?

MS ARZADON: Yes, that's correct. I think the only thing I would add to that is that it's very important, I believe, for Star to integrate the vision for change with its
40 business strategy, because that is what's going to make the change sustainable and make sense to the company. It has to be about integrating their commercial objectives with their social licence obligations.

MR BELL SC: If you make the assumption, and I appreciate it's only an
45 assumption, that this negative narrative has filtered down to middle and lower levels of management, how long is it going to take to fix it?

MS ARZADON: I think with the right focus from leadership, establishing a compelling case for change could take six months.

MR BELL SC: Yes. Thank you Ms Arzadon. Yes, Mr Ahmed?

5

<EXAMINATION BY MR AHMED SC

MR AHMED SC: Thank you Mr Bell. Ms Arzadon, my name is Mr Ahmed. I just had a couple of questions for you. You'll have to forgive me, but I think you used the term "tone from the top" in some of your answers.

10

MS ARZADON: Yes.

MR AHMED SC: Could you just expand on what you understand that term to mean?

15

MS ARZADON: So tone from the top would include both the words that leaders speak as well as their actions. And those things together set an expectation about what is valued and prioritised by leaders for staff at lower level.

20

MR AHMED SC: Yes, and could I ask you to just explain how, if at all, a change in CEO from Mr Cooke to a different CEO might be able to effect a change or drive cultural change within Star?

25

MS ARZADON: So there are two parts that I would highlight. One is that the act of changing the CEO could be seen as a symbolic effort by the board, for example, to set a different tone, and then depending on who that person is, and what style they take, that would also be an opportunity to set a different set of expectations about the way forward.

30

MR AHMED SC: Yes. Would you regard that - putting the right person in and their ability to effect that type of change, would you regard that as an important aspect of cultural change?

35

MS ARZADON: Yes, absolutely.

MR AHMED SC: And Mr Bell, I think, was asking you some questions where you were talking about that negative narrative that had developed. How, if at all, would a new CEO be able to effect a change in that negative narrative?

40

MS ARZADON: By directly addressing it and articulating a different path forward.

MR AHMED SC: Thank you. Thank you, Mr Bell, those are all the questions that I had.

45

MR BELL SC: Yes, Dr Renwick, are you seeking leave to ask questions of Ms Arzadon?

DR RENWICK SC: No I'm not thank you, Commissioner.

5 **MR BELL SC:** Ms Arzadon, thank you so much for your time today and for attending. It's very unlikely you'll be required again but I'll formally adjourn your examination in case it becomes necessary, but unless you hear from those assisting that won't be required. Thank you again.

MS ARZADON: Thank you.

10 **<THE WITNESS WAS RELEASED**

MR BELL SC: Yes, Mr Conde?

15 **MR CONDE:** The next witness, Mr Bell, is Dr Attracta Lagan, and we will need to take a short adjournment due to the change over of witness.

MR BELL SC: Yes, I'll adjourn momentarily.

20 **<THE HEARING IN PUBLIC SESSION ADJOURNED AT 10.59 AM.**

<THE HEARING IN PUBLIC SESSION RESUMED AT 11.03 AM.

MR BELL SC: Yes, Mr Conde?

25 **MR CONDE:** I call Dr Attracta Lagan.

MR BELL SC: Dr Lagan, can you hear me?

30 **DR LAGAN:** Hi.

MR BELL SC: Are you able to hear me okay?

DR LAGAN: Sorry?

35 **MR BELL SC:** Can you hear me?

DR LAGAN: Yes, I can, thank you.

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

DR LAGAN: An affirmation, please.

<ATTRACTA LAGAN, AFFIRMED

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

<EXAMINATION BY MR CONDE

MR CONDE: Dr Lagan, you've already given some evidence to this inquiry, but since that time there have been some developments. First of all, have you seen Ms Arzadon's report dated 16 April 2024?

5 **DR LAGAN:** Yes, I have.

MR CONDE: And if we can call that up please, it's STA.8000.0170.0001. Has that come up for you, Dr Lagan?

10 **DR LAGAN:** Yes, it has, thank you.

MR CONDE: And then if we go to page 0011, there should be five recommendations?

15 **DR LAGAN:** Yes.

MR CONDE: Do you see those?

20 **DR LAGAN:** I do. Thank you.

MR CONDE: And it is correct that you agree with those recommendations?

25 **DR LAGAN:** Yes, I would agree with them but since the Bell 2 Inquiry I would probably add another recommendation there, which would be around resetting the board's orientation towards monitoring the cultural progress of the organisation and resetting the board's orientation towards the regulator and resetting the board's orientation towards communicating to the organisation. I think the Bell Inquiry has provided a great opportunity to reset the internal story and it would be good if the board led out with that now while we were waiting to find a new CEO.

30 **MR CONDE:** And when you say that those matters have come since this inquiry, are you referring to various matters of evidence that have emerged during this inquiry?

35 **DR LAGAN:** Yes, in particular the board's support of the previous CEO and the concentration of power that happened within the CEO's office. So it would be good to see a different distribution of power within the organisation, so that they had distributed leadership rather than a concentrated power in the CEO's office.

40 **MR CONDE:** Do you also have any comment arising from the departure of the former chair, Mr Foster?

DR LAGAN: I think that's a good opportunity for the board to reset its orientation.

45 **MR CONDE:** Right.

DR LAGAN: To the regulator. And to the organisation.

MR CONDE: Would it be correct to say that you agree with much of Ms Arzadon's report and, indeed, evidence today?

DR LAGAN: Yes, I agree with everything she says, yep.

5

MR CONDE: Do you agree then that - well, are there any areas of disagreement that you have with Ms Arzadon's evidence?

DR LAGAN: Okay, so I agree with all the functional recommendations that Elizabeth has put forward to facilitate the cultural transformation. The only disagreement I had with her report was in her observations of perhaps there being a positive atmosphere within the organisation now that the CEO had left. My observations would be that the organisation has gone into shock and will be further shocked by the revelations from the Bell 2 Inquiry, and that there is a need to have some sort of communication out to the 8,500 staff about, well, just putting the facts straight so that there is the opportunity to lay a foundation for a new relationship with the regulator.

MR CONDE: One of the things Ms Arzadon gave evidence about earlier was a three to five-year timeline for achieving cultural transformation and she said that Star was about six months into that on account of an awareness of problems, or to use her expression, a degree of being consciously incompetent. Do you agree with that evidence?

DR LAGAN: Yeah, I think they have covered some ground in the six months because they have uplifted all the policies, they have put in the organisational systems, so they're not mature. So I think the tremendous efforts of the employees who have been working flat-out has raised the awareness that things have to change. So, yes, I would agree with her.

30

MR CONDE: If we can call up please, page 0007, and it's under "Aligned views". Do you see that it says:

"My discussions with stakeholders highlighted broad agreement that TSEG's culture transformation remains at a very early stage. This understanding was reflected in a range of comments such as: 'We are very much at the start', 'We have a long way to go', 'It took a long time just to deliver the PVP' ..."

That's purpose, values and principles:

40

".. and 'One year in, decisions that should have been made, just weren't'."

Do you see that?

DR LAGAN: Yes, I agree with that observation.

45

MR CONDE: Right, aside from the progress that you mentioned earlier in terms of awareness in the sort of six months or so, would you agree that this otherwise

suggests that there hasn't been a lot of progress in respect of cultural transformation in the last 20 months or so since Mr Bell's report from his first inquiry in August 2022?

5 **DR LAGAN:** I think in the latter half of the year, as new people were recruited into the organisation to be change agents, there's been a shift, but it's very much still at the start, yes. But there has been a shift in that there now are people within the organisation that recognise that it's not just about the activities you do, it's actually about the impact of those activities. So that's a major shift in awareness.

10 **MR CONDE:** Yes. Are you aware also - actually, we will bring it up, it's page 0005 of this document, point 2.3.1, do you see in the third line from the bottom it talks about the cultural reform program requiring "additional resources with expertise in organisational culture and transformation"?

15 **DR LAGAN:** Yes.

MR CONDE: And is that the same thing that you recall raising with Star?

20 **DR LAGAN:** Yes, continually, and even at the leadership level they needed changed leadership expertise, which is not yet in the organisation. And if I could just flag on top of what Elizabeth said, earlier in the new year I had recommended to the CEO that coaching for the GLT team start at last July. So that was a recommendation again that recognised that the GLT didn't have leadership change expertise amongst

25 them.

MR CONDE: Right, and is that - do you recall I explored with Ms Arzadon in the remediation plan there's a coaching milestone with a due date of November this year and there'd been some evidence of that not occurring; do you recall?

30 **DR LAGAN:** Yes.

MR CONDE: Would it be your expectation that a coaching milestone would be prioritised?

35 **DR LAGAN:** I think so, definitely. And then, of course, because so many people have left the GLT one could also recruit people with that expertise to begin with. So that could be a criteria for recruiting the right people and putting them in the right seats.

40 **MR CONDE:** Right. Are you aware of evidence over the last few days where board members have said that the former CEO, Mr Cooke, and the former chair, Mr Foster, by exchanging the private text messages that they were, were not acting cooperatively with the regulator and in contrast with Star's public statements?

45 **DR LAGAN:** Definitely, yes. That was role modelling that you didn't really want people to see, yes.

MR CONDE: Yes, and would you agree that with the evidence from board members that this would likely have damaged people's trust in what Star Entertainment says publicly?

5 **DR LAGAN:** Definitely, yes. Yeah.

MR CONDE: And does this mean that Star Entertainment faces a bigger challenge in terms of cultural transformation?

10 **DR LAGAN:** Yes, so trust is an outcome of basically transparency, and so those messages that were covert, undermined the trust that stakeholders would have in the organisation, in the organisational leaders, so they will have to rebuild that trust and maybe one of the ways they could do that is to adopt a stance of radical transparency with the regulator going forward.

15 **MR CONDE:** Do you agree that the departures of both Mr Cooke and now Mr Foster provide an opportunity for Star Entertainment to pursue constructive engagement with the NICC?

20 **DR LAGAN:** Perfect opportunity, yes.

MR CONDE: Yes. In terms of Mr Cooke's exit statement, are you aware of the document I'm referring to with that?

25 **DR LAGAN:** Yes, I am, yes.

MR CONDE: Perhaps if we can call it up, STA.8122.0001.0012, unless you wish to, Dr Lagan, I don't propose to ask you to read it, but this is the document I'm referring to.

30 **DR LAGAN:** I know it quite well, yes.

MR CONDE: So there's been some evidence from each of Ms Ward, Ms Page, Mr Issenberg, Mr Hodgson and Ms Thornton about this exit statement, and in particular, there were five things that they said, they all agreed, and I'd just like to run each of those past you, if that's okay.

DR LAGAN: Yes.

40 **MR CONDE:** The first is that they considered that the exit statement was not helpful to Star Entertainment, or to Mr Cooke. Would you agree?

DR LAGAN: I agree, yep.

45 **MR CONDE:** The second was that the statement would potentially be damaging to the company's relationship with the NICC, would you agree with that?

DR LAGAN: Definitely.

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

5 **DR LAGAN:** Yes, I agree with that.

MR CONDE: The fourth was that just sharing these kinds of details with the entire staff was ill-advised.

10 **DR LAGAN:** Yes, I agree with that.

MR CONDE: And the last was that the exit statement presented a risk of sending a message to some 8,000 or so staff that Mr Cooke was being pushed out by the regulator, would you agree?

15

DR LAGAN: Yes, I agree.

MR CONDE: And are you aware of some evidence from Mr Cooke himself, and others, that it was the board that initiated his departure?

20

DR LAGAN: Yes, I'm aware of that.

MR CONDE: And so would you agree that the exit statement really risked pushing out a false narrative about Mr Cooke's departure?

25

DR LAGAN: Yes, and what was really disappointing was the new values, one of the new values that the staff were being asked to step up to is to lead with integrity, and putting out a statement like this would call that into question.

30 **MR CONDE:** Right. Would you agree that the exit statement set Star Entertainment back, in terms of its cultural transformation journey?

DR LAGAN: That really depends on what sort of CEO gets recruited and what sort of action is taken, now that we have lessons learnt from the Bell 2 Inquiry, how quickly actions are taken to remediate the internal story. And I say that because the employees are very loyal to the organisation, they want the organisation to survive, so if you get a leader who can inspire them and engage them and take them on the changed journey they will sign up immediately.

40 **MR CONDE:** Right. I think you also gave evidence last time about a new, sort of, shadow value emerging of that the regulator is against us, a sort of us and them mentality. Would you agree that the exit statement would have fed into that?

DR LAGAN: It would have, it would have. It's more of a mindset that many people I've observed have within the organisation. So this would reinforce that.

45

MR CONDE: And how would one go about fixing that?

DR LAGAN: Well, I think the Bell 2 Inquiry has sort of reset the story also, because many people have reached out to me from the organisation, and now recognise that the special manager was providing feedback continually, but it wasn't being shared with the people. So I think the story is now being reassessed about its validity.

5

MR CONDE: Right. And that's, sort of, a reassessment occurring, as it were, of its own initiative within the company?

DR LAGAN: Yes, and then I think - well, the board has to come out immediately with a new story and then the new CEO has to reinforce that, that the regulator, just like we did with Crown, that the special manager's team is walking alongside the organisation trying to get it fit for purpose.

MR CONDE: Yes. Another point which emerged from this week's evidence was that multiple directors said that they felt that the separation deed by which Mr Cooke's departure was agreed, and in which Mr Cooke was given a contractual right to issue this exit statement, was not actually authorised by the board. Do you have any comment on that?

DR LAGAN: I think, again, it points to the concentration of power within those two actors, the CEO and the chair, and I'm sure that could have happened, that the board wasn't aware of it. It was a strange thing to give anyone permission to put out a statement like that.

MR CONDE: And is it correct then that with those two actors having departed from the respective roles of CEO and chair, you see a much improved opportunity?

DR LAGAN: Yes, definitely, yes, yes, I think so. Yes, I agree.

MR CONDE: You might recall I asked you last time about needing a lot of GLT members and I think in addition to, since our last discussion, there's now also a new CEO at the Gold Coast property required and evidence of the chief transformation officer departing as well. And you said at the time:

"I think though that they are great opportunities to bring in the right experience now."

And do you maintain that evidence in respect of the further vacancies?

DR LAGAN: Yes. I think having Elizabeth, although Elizabeth can't do it by herself, but Elizabeth knows, understands culture, which I'm not sure the board actually understood culture. So Elizabeth understands culture and so she - if she is part of the recruitment process I'm quite confident we'll get the right skill set, because that's what's critical, the right skill set within the GLT.

45

MR CONDE: Right. So would that also be perhaps not a recommendation necessarily at the level of feeding into Ms Arzadon's report, where I think you had an

additional one earlier of resetting the board's orientation, but you think it would be useful for Ms Arzadon to be involved in future recruitment, is that correct?

5 **DR LAGAN:** I think so, because Elizabeth has a lengthy experience of these organisational transformations. So although her specialty is in culture, culture actually runs through every function. It's the backdrop to everything, so it would be good to have her input when they're recruiting people in each of the positions. She can take a systems view, she is trained to take a systems view of the organisation rather than seeing it in terms of silos, which often head hunters do. They recruit for
10 the position rather than the organisational context.

MR CONDE: Dr Lagan, is there anything else that you wish to say, either in relation to Ms Arzadon's evidence or matters that you've observed coming out of the public hearings in this matter?
15

DR LAGAN: No, I think the Bell 2 Inquiry has provided that opportunity for the 8,500 staff to reassess the story that has been prevalent for the last, you know, six months that the regulator doesn't really like them. So now they can see that that was an internal narrative that was not reflective of the relationship that the regulator
20 wanted to promote with The Star Group.

MR CONDE: Yes. Mr Bell, I have no further questions for Dr Lagan.

MR BELL SC: Dr Lagan, did you have the opportunity to listen to or watch
25 Ms Arzadon's evidence this morning?

DR LAGAN: Yes, I did.

MR BELL SC: You will recall I took her to all the various positive steps towards
30 cultural transformation about which I had been told at the time of my 2022 report?

DR LAGAN: Yes.

MR BELL SC: And I appreciate you've, to some extent, addressed this in your
35 earlier evidence, but can I ask you the question that I asked her. Why, in all of these circumstances, am I now being told 20 months after that report that The Star entities are still at the beginning of their cultural transformation journey?

DR LAGAN: In my opinion, because culture was flagged as a root cause of much of
40 the deviant behaviour that emerged but cultural reform wasn't given a priority. As I think I said earlier, the priority was on saving the bottom line, saving the business, and so the proper expertise wasn't recruited from the very beginning to start that cultural transformation, to lay the foundations that were necessary for a cultural transformation to start.
45

MR BELL SC: And another question which I asked Ms Arzadon which I'd like to also ask you, is why does there seem to be such a stark contrast between the success

of Crown Melbourne in achieving cultural renewal in two years, and the position in which The Star entities find themselves?

5 **DR LAGAN:** So the difference, in my experience, working alongside Crown, was they had a CEO who championed cultural reform from the very beginning. They invested in building the internal capacity to enable - to enable that redesign of organisational systems, policies and processes so that you had an enabling context for people to understand what was expected of them, a re-aligned performance management system to reward them for a set of new behaviours. So there was awareness from day one that the old Crown was no longer fit for purpose. The world had changed, there was now a new public-

15 **MR BELL SC:** Operator, I fear we might have lost the connection to Dr Lagan. I might take a brief adjournment.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 11.24 AM.

<THE HEARING IN PUBLIC SESSION RESUMED AT 11.31 AM.

20 **MR BELL SC:** Dr Lagan, we lost your connection midway through an answer. I'll ask Mr Conde to read out my question and how far we got with your answer before we got cut off, and then I'll ask you to complete your answer please.

25 **MR CONDE:** So Mr Bell asked you, Dr Lagan, and another question which I asked Ms Arzadon which I'd like to also ask you: Why does there seem to be such a stark contrast between the success of Crown Melbourne in achieving cultural renewal in two years and the position in which The Star entities find themselves. Your answer, Dr Lagan, you'd said:

30 "So the difference in my experience working alongside Crown was they had a CEO who championed cultural reform from the very beginning. They invested in building the internal capacity to enable that redesign of organisational systems, policies and processes, so that you had an enabling context for people to understand what was expected of them, a reassigned performance management system to reward them for a set of new behaviours. So there was awareness from day one that the old Crown was no longer fit for purpose. The world had changed. There was now a new public ..."

40 And then the audio dropped.

45 **DR LAGAN:** So there was new a new public awareness of the harms from gambling, and so the casinos and the regulators were moving towards a public health approach to gambling and also, of course, they had the awareness of the junkets and all the money laundering issues, that that was no longer acceptable. So the organisation had to change. It had to reimagine itself and it had to reimagine its success formula.

MR BELL SC: Yes. Dr Lagan, I think it's fair to say Ms Arzadon agreed with you that an informal negative narrative has emerged within The Star entities of "us versus them", that "the regulator is against us, the manager is too demanding". Ms Arzadon has only been at Star for a relatively brief period and hasn't been able to assess how extensive that internal narrative has become. Her observation was that it existed within parts of the senior leadership team but she wasn't able to form a view, or hasn't been able to yet form a view about how far that narrative has become embedded at middle management and, as I put it, at the coal face. In light of your observations are you able to give me some information about how extensive this internal narrative has become, in your view?

DR LAGAN: Unfortunately I think it's quite extensive, because there is no other story. One would think, and I've tried to say this to suggest it to Robbie in the past, that you looked at casino and regulator environments like you have in Austria, like you have in Canada and Singapore, those organisations are still profitable even though they're operated in a regulated environment. So bringing the outside world in would have changed that story that "the business is unsustainable because the regulator is making us step up to a standard that's not been asked of anyone else". So in the absence of an alternative story the internal story has remained that "the regulator is too demanding, he's making us behave to a higher standard that's not actually conducive to business success". I think that's the ultimate concept, they actually can't reconcile the idea of a controlled environment and continuing to have a profitable business.

MR BELL SC: And how embedded has that negative narrative become, in your view?

DR LAGAN: People don't - well, it's fairly extensive, but I think it can be changed as well with a new story.

MR BELL SC: I think I asked Ms Arzadon to assume that it was extensive throughout the organisation. You say that it is. And Ms Arzadon expressed the view that it could take six months to eradicate that internal narrative. What's your comment on that?

DR LAGAN: Definitely, it would take at least six months. And it would take not just a new story, but you'd have to see people behaving differently. You'd have to see the board attending more of the public forums within the organisation, you'd have to see the new leaders modelling the new type of behaviour. So you would have to have a concerted plan of both a story and actions to convince people. Because as a sociologist I say people listen with their eyes, they have to see people behaving differently to believe that there is a different story.

MR BELL SC: When you say it would take definitely six months, assuming the right leadership and the right tone from the top, what is your best estimate of how long it would take to eradicate this problem?

DR LAGAN: I think it will still take at least six months.

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

MR AHMED SC: Thank you Mr Bell. Just one question.

5

<EXAMINATION BY MR AHMED SC

MR AHMED SC: Dr Lagan, one of the things you talked about was leadership change expertise.

10

DR LAGAN: Yes.

MR AHMED SC: Do you remember that?

15

DR LAGAN: Yes.

MR AHMED SC: I was just wondering what does leadership change expertise, what does that look like? What sort of expertise are you looking for?

20

DR LAGAN: So it's an understanding of the various stages of change that staff have to move through, so they have to move through a stage of unawareness to awareness, to confidence, to believing that they can actually behave in a new way. So someone needs to have that experience of the stages of change.

25

MR AHMED SC: And when you were talking about recruiting that type of expertise, is that the sort of expertise you'd have in a separate person, or would it be within the existing people among, say, the GLT, people who have that type of expertise?

30

DR LAGAN: One would like ideally for all the GLT members to have that ability, and that can be, again, provided. That's just a change leadership training course that they would have to take. Because the way organisations work, it's the direct managers who are actually shaping the behaviour of their teams, so anyone that has a team under them has to have change leadership capabilities.

35

MR AHMED SC: I see. And I think a moment ago you just mentioned that that's the sort of thing that someone would acquire through, for example, I think you mentioned a change leadership course, is that right?

40

DR LAGAN: Yes, yes, they could acquire those skills, yes.

MR AHMED SC: I see, thank you. Thank you very much. Thank you Mr Bell, those are all the questions I had.

45

MR BELL SC: Thank you, Mr Ahmed. Dr Renwick, are you seeking leave to ask questions of Dr Lagan?

DR RENWICK SC: No, I'm not, thank you, Commissioner.

5 **MR BELL SC:** Thank you. Dr Lagan, thank you for attending again and thank you for your evidence. I said last time you probably wouldn't be required again, I was wrong, but it's most unlikely you'll be required a third time. But if that does emerge you'll be notified, so thank you again.

DR LAGAN: Thank you, Mr Bell. Thank you, Mr Conde.

10 **<THE WITNESS WAS RELEASED**

MR BELL SC: I see the time, I'll now adjourn until 5 to 12.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 11.39 AM

15 **<THE HEARING IN PUBLIC SESSION RESUMED AT 11.55 AM**

MR BELL SC: Yes, Mr Conde.

20 **MR CONDE:** Mr Bell, first of all an administrative matter. Part F of the hearing book is ready to be tendered.

MR BELL SC: That will be Exhibit F.

25 **MR CONDE:** Another matter, Mr Bell, relates to Mr Giovanni Rizzo, if I might just address on that?

MR BELL SC: Yes.

30 **MR CONDE:** You will recall, Mr Bell, Ms Katsibouba gave evidence to this inquiry concerning being asked by Mr Giovanni Rizzo about booking the TICO losses against the month of November 2023, rather than July, and the transcript reference is day 2, pages 149-152. Mr Rizzo has provided a detailed statement to this inquiry and he denies any impropriety and he provides his own account of events and I will wish to tender that statement.

35 In light of the evidence before the inquiry with that statement and then the document at - and I'll ask this be brought up, please - STA.8000.0175.0004, which was a notification from Star Entertainment to the NICC dated 18 April 2024 about the allegations being investigated, and you'll see, in particular, paragraph 5 in that regard.

40 **MR BELL SC:** Yes.

45 **MR CONDE:** I can foreshadow that I will not be making any submission about these events which would require you to make a finding as to what happened, and in particular, as to whether the account of Ms Katsibouba or Mr Rizzo or some other account should be preferred. So on that basis I do not propose to seek to recall Ms Katsibouba or any other witness, nor to call Mr Rizzo.

MR BELL SC: Yes. Mr Rizzo's statement, should that be exhibit G?

MR CONDE: I'm sorry, Mr Bell, in fact that was in part F along with annexures which are referred to in that statement, so that was covered in that tender, I'm sorry.

5

MR BELL SC: Yes, thank you.

MR CONDE: Aside from that matter, I believe there might be - we had some discussions yesterday in private session, between yourself and counsel, which could continue. Otherwise I have nothing further. I believe there will then be a changeover in private session at 2 pm.

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MR BELL SC: Yes, that concludes the evidence to be heard in the public hearings. The remaining evidence to be heard relates to the financial suitability and viability of The Star. I have made directions under the Royal Commissions Act 1923 and the Casino Control Act 1992 that that evidence be given in private and is not to be published except in certain very limited circumstances.

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A schedule for closing submissions will be announced in due course. So the public hearing has been now concluded, I will now go into private session please, operator.

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<THE HEARING IN PUBLIC SESSION ADJOURNED AT 11.59 AM