



## REPORT

# **2024 Inquiry into The Star Pty Ltd**

Inquiry under sections 143 and 143A of  
the *Casino Control Act 1992* (NSW)

VOLUME 1



**Report of the Inquiry under section 143 of the *Casino Control Act 1992* (NSW)**

Published 31 July 2024

© State of NSW through the Inquiry under section 143 of the *Casino Control Act 1992* (NSW)

The Inquiry acknowledges the traditional owners of the land throughout the State of New South Wales and recognises their continuing connection to land, sea, culture and community. The Inquiry pays its respects to elders past and present.



31 July 2024

Mr Philip Crawford  
Chairperson  
NSW Independent Casino Commission  
Level 11, 2-24 Rawson Place  
Haymarket NSW 2000

Dear Mr Crawford

**Inquiry under sections 143 and 143A of the *Casino Control Act 1992 (NSW)***

I refer to the Instrument of Appointment dated 19 February 2024 to preside over an Inquiry under sections 143 and 143A of the *Casino Control Act 1992 (NSW)* into the matters referred to in the Terms of Reference annexed to the Instrument of Appointment.

I hereby submit to you the Report and Recommendations of the Inquiry.

I would like to express my sincere thanks to the Counsel and Solicitors Assisting for their outstanding work.

Yours sincerely

**[SIGNED]**

Adam Bell SC

# Counsel and Solicitors Assisting the Review

## **Counsel Assisting**

Caspar Conde  
Daniel Habashy  
Emily Hall

## **Counsel Assisting on Financial Suitability**

Amy Munro  
Emily Hall

## **Solicitors Assisting (Maddocks)**

Michelle Dixon  
Erin Hourigan  
Dr Emily Millane  
Brianna Nichols  
Sophie Baring  
Edward Howard  
Joel Carruthers  
Sam Porz  
Kiara Ricupito

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## Glossary

Term	Definition
<b>16 January 2023 Letter</b>	means the letter from the NICC to The Star Entities dated 16 January 2023 requiring The Star to take certain steps within a specified timeframe in relation to the recommendations of the 2022 Review.
<b>2022 Report</b>	means the report prepared by Mr Adam Bell SC entitled “Review of The Star Pty Ltd: Inquiry under sections 143 and 143A of the Casino Control Act 1992 (NSW)” dated 31 August 2022.
<b>2022 Review</b>	means the Review of The Star conducted by Mr Bell SC under sections 143 and 143A of the <i>Casino Control Act</i> .
<b>2022 Amendment Act</b>	means the <i>Casino Legislation Amendment Act 2022</i> (NSW).
<b>Amended Casino Operations Agreement</b>	means the Casino Operations Agreement originally entered into on 14 December 1994 as amended on 5 June 2009 by the Deed of Amendment and Restatement between the Authority, The Star and a number of other parties.
<b>Amended Compliance Deed</b>	means the Compliance Deed originally entered into on 22 April 1994 as amended by the Deed of Amendment and Restatement on 5 June 2009 between the Authority, The Star and other parties.
<b>AML</b>	means anti-money laundering.
<b>AML/CTF</b>	means anti-money laundering and counter-terrorism financing.
<b>AML/CTF Act</b>	means the <i>Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth).
<b>AML/CTF Program</b>	means an anti-money laundering and counter-terrorism financing program established under the <i>AML/CTF Act</i> .
<b>AML/CTF Rules</b>	means the <i>Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1)</i> (Cth).
<b>Arzadon Report</b>	means the report from Ms Arzadon to Star Entertainment dated 16 April 2024 comprising a letter with observations in it from phase 1 of a review undertaken by her (STA.8000.0170.0001).
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Ltd or the market operated by it.

<b>ATO</b>	means the Australian Taxation Office.
<b>AUSTRAC</b>	means the Australian Transaction Reports and Analysis Centre.
<b>BAU</b>	means business as usual.
<b>BDO</b>	means BDO (Australia) Limited.
<b>Bergin Report</b>	means the report dated 1 February 2021 of the NSW Casino Inquiry conducted by the Honourable P. A. Bergin SC into Crown Sydney and Crown Resorts under section 143 of the <i>Casino Control Act</i> .
<b>Bergin Inquiry</b>	means the NSW Casino Inquiry conducted by the Honourable P. A. Bergin SC into Crown Sydney Gaming and Crown Resorts under section 143 of the <i>Casino Control Act</i> .
<b>Cage</b>	means the cage operated at The Star Casino.
<b><i>Casino Control Act</i></b>	means the <i>Casino Control Act 1992</i> (NSW).
<b><i>Casino Control Regulation</i></b>	means the <i>Casino Control Regulation 2019</i> (NSW).
<b>CCTV</b>	means closed-circuit television.
<b>China Union Pay</b>	means a process previously adopted by The Star and Star Entertainment whereby a patron could swipe a China Union Pay card to debit funds for gambling, which was available via a ledger entry to the patron's front money account.
<b>Chow Tai Fook</b>	means Chow Tai Fook Enterprises Limited.
<b>CLO</b>	means Chief Legal Officer.
<b>CL Subsidiary</b>	means casino licensee subsidiary.
<b>CMS</b>	means customer management system.
<b><i>Corporations Act</i></b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Corrs</b>	means Corrs Chambers Westgarth.
<b>CRA Model</b>	means customer risk assessment model.
<b>Crown Melbourne</b>	means Crown Melbourne Limited.
<b>Crown Resorts</b>	means Crown Resorts Limited.
<b>Crown Sydney</b>	means Crown Sydney Gaming Pty Ltd.

<b>Current Duty Agreement</b>	means the Duty and Responsible Gambling Agreement entered into between The Star and the NSW Government dated 29 May 2020.
<b>DBC</b>	means Destination Brisbane Consortium, the joint venture 50% owned by Star Entertainment and 50% owned by Chow Tai Fook Enterprises Limited and Far East Consortium International Limited.
<b>Deloitte Root Cause Analysis</b>	means the report prepared by Deloitte entitled “The Star Entertainment Group Root Cause Analysis” dated 11 May 2023.
<b>EBITDA</b>	means earnings before interest, taxes, depreciation and amortisation.
<b>ECDD</b>	means enhanced customer due diligence.
<b>ECDD Measures</b>	means the seven ECDD measures identified in the ECDD SOP.
<b>ECDD SOP</b>	means the SOP styled “AML & CTF Customer Probity: Customer Due Diligence” (STA.8000.0133.3576).
<b>EGMs</b>	means electronic gaming machines, commonly referred to as “pokies”.
<b>Exit Statement</b>	means the document circulated to all Star Entertainment employees on 22 March 2024 (STA.8122.0001.0012).
<b>Far East Consortium</b>	means Far East Consortium International Limited.
<b>FCOC</b>	means the Financial Crimes Oversight Committee at Star Entertainment.
<b>Free Bet Vouchers</b>	means vouchers provided to patrons at The Star Casino to allow them to place a certain amount of free bets.
<b>GLT</b>	means the Group Leadership Team of Star Entertainment.
<b>ICM</b>	means an internal control manual of The Star for the purposes of s 124 of the <i>Casino Control Act</i> .
<b>ICM 3</b>	means “ICM 3: Customer Probity” effective from 1 July 2023.
<b>ICM 11</b>	means “ICM 11: Cage & Revenue” effective from 1 July 2023.
<b>ICM 12</b>	means “ICM 12: AML & CTF” effective from 1 July 2023.
<b>ICM 13</b>	means “ICM 13: Responsible Gambling & Exclusions” effective from 1 July 2023.

<b>ILGA</b>	means the NSW Independent Liquor & Gaming Authority (formerly the Casino Control Authority).
<b>Independent Monitor</b>	means Allen & Overy Consulting who were appointed by Star Entertainment in August 2022 to serve as the Independent Monitor of the design and implementation of its remediation program.
<b>Inquiry</b>	means the inquiry presided over by Adam Bell SC in accordance with the Terms of Reference and Instrument of Appointment.
<b>Instrument of Appointment</b>	means the appointment by the NICC on 19 February 2024 of Adam Bell SC to preside over an inquiry for the purpose of the exercise of the Authority’s functions including under sections 30 and 141 of the <i>Casino Control Act</i> .
<b>KWM</b>	means King & Wood Mallesons.
<b>KYC</b>	means Know Your Customer.
<b>L&amp;GNSW</b>	means Liquor & Gaming NSW.
<b>Manager</b>	means Mr Nicholas Weeks as appointed by the NICC in accordance with section 28 of the <i>Casino Control Act</i> , pursuant to the Deed of Appointment of Manager dated 17 October 2022.
<b>Manager’s Reports</b>	means the documents entitled “The Star Sydney Manager’s Report to the NSW Independent Casino Commission” dated 3 October 2023 (MGR.0001.0001.0001) and “The Star Sydney Manager’s Report to the NICC: Addendum” dated 24 November 2023 (MGR.0001.0001.0039) collectively, prepared by the Manager.
<b>Melbourne Casino</b>	means the casino operated in Melbourne by Crown Melbourne, including the areas in which money counting, surveillance, storage and other activities related to the conduct and playing of games are carried on.
<b>Melbourne Casino Licence</b>	means the casino licence held by Crown Melbourne in respect of the casino it operates in Melbourne.
<b>Minister</b>	means, from time to time, the responsible NSW Government Minister under the <i>Casino Control Act</i> .
<b>Minister’s Report</b>	means the report issued by the Minister for Gaming and Racing under section 170A of the <i>Casino Control Act</i> dated August 2023, which set out the Minister’s progress in addressing recommendations within the 2022 Report.

<b>Multiplex</b>	means Multiplex Constructions Qld Pty Ltd.
<b>NICC</b>	means the New South Wales Independent Casino Commission.
<b>NPAT</b>	means net profit after tax.
<b>NSW</b>	means the State of New South Wales in Australia.
<b>Office of Responsible Gambling</b>	means The NSW Office of Responsible Gambling, part of L&GNSW.
<b>OLGR</b>	means the Queensland Office of Liquor and Gaming Regulation.
<b>OSM</b>	means Office of the Special Manager for the Melbourne Casino Operator.
<b>PCP</b>	means prior comparative period.
<b>PCRC</b>	means the Perth Casino Royal Commission conducted by the Honourable Neville Owen AO, the Honourable Lindy Jenkins and Mr Colin Murphy PSM.
<b>PCRC Report</b>	means the final report of the PCRC dated 4 March 2022.
<b>PGRs</b>	means premium gaming rooms.
<b>Procedural Guidelines</b>	means the document entitled “ <i>Procedural Guidelines relating to Hearings of The Star Pty Ltd and The Star Entertainment Group Limited</i> ” issued by Mr Bell SC on 1 March 2024.
<b>Promontory</b>	means Promontory Financial Group.
<b>Protiviti</b>	means Protiviti Pty Limited.
<b>PVP</b>	means purpose, values and principles.
<b>PwC</b>	means PricewaterhouseCoopers.
<b>QWB</b>	means Queen’s Wharf Brisbane, the joint venture between Star Entertainment and Destination Brisbane consortium partners, namely, Hong Kong based Chow Tai Fook and Far East Consortium for the redevelopment of the Queen’s Wharf precinct in Brisbane announced in 2015 and due to complete in 2024.
<b>Queensland Report</b>	means the report dated 6 October 2022 of the External Review of the Queensland Operations of the Star Entertainment Group

	conducted by the Honourable R. W. Gotterson AO KC under section 91 of the <i>Casino Control Act 1982</i> (Qld).
<b>Queensland Review</b>	means the “External Review of the Queensland Operations of The Star Entertainment Group Limited” by The Hon. R W Gotterson AO KC dated 30 September 2022.
<b>RCCOL</b>	means the Royal Commission into the Casino Operator and Licence conducted by the Honourable Ray Finkelstein AO QC as Commissioner and Chairperson.
<b>RCCOL Report</b>	means the report of the RCCOL dated October 2021.
<b>Regulatory Engagement Policy</b>	means the document dated 28 February 2024 (STA.8000.0010.0895).
<b>Regulatory Engagement Strategy</b>	means the document dated 28 February 2024 (STA.8000.0010.0906).
<b>Relevant Period</b>	means the period between 1 September 2022 and 31 July 2024.
<b>Remediation ECDD cohort</b>	means the cohort of patrons referred to in The Star’s letter to the L&GNSW dated 19 May 2023 (STA.8105.0002.1353).
<b>Remediation Plan</b>	means Version 5 of The Star Entities’ remediation plan that was provided to the NICC and OLGR dated 5 October 2023.
<b>RFI</b>	means request for information.
<b>Royal Commissions Act</b>	means the <i>Royal Commissions Act 1923</i> (NSW).
<b>RSC</b>	means the Remediation Steering Committee contemplated by the Remediation Plan.
<b>Separation Deed</b>	means the document dated 22 March 2024 between Robert Cooke and Star Entertainment (STA.8122.0001.3882).
<b>SLA</b>	means service level agreement.
<b>SMEs</b>	means subject matter experts.
<b>SOF</b>	means source of funds.
<b>SOP</b>	means a standard operating procedure of The Star.
<b>SOW</b>	means source of wealth.
<b>Special Manager</b>	means Mr Nicholas Weeks as appointed by the OLGR in accordance with section 31 of the <i>Casino Control Act 1982</i> (Qld).

<b>Star Entertainment</b>	means The Star Entertainment Group Ltd (ACN 149 629 023) (formerly Echo Entertainment Group Ltd).
<b>Star Holdings</b>	means The Star Entertainment Sydney Holdings Limited.
<b>Suitability Assessment Decision</b>	means the document entitled “Crown Sydney Suitability Assessment Decision” issued by the NICC dated 23 April 2024.
<b>Synkros</b>	means the customer management system utilised by The Star Entities.
<b>Tabcorp</b>	means Tabcorp Holdings Pty Limited.
<b>Terms of Reference</b>	means the terms of reference included by the NICC under the Instrument of Appointment on 19 February 2024.
<b>The Ethics Centre Culture Review</b>	means the report prepared by The Ethics Centre entitled “Culture Review of The Star Entertainment Group” dated June 2023.
<b>The Star</b>	means The Star Pty Ltd (ACN 060 510 410) (formerly Sydney Skyline Casino Pty Ltd, Sydney Harbour Casino Pty Ltd and Star City Pty Ltd).
<b>The Star Casino</b>	means the casino operated by The Star in Pyrmont.
<b>The Star Entities</b>	means The Star and Star Entertainment.
<b>TTR</b>	means a threshold transaction report.
<b>TICO</b>	means Ticket In Cash Out.
<b>Transformation Office</b>	means the team responsible for integrating transformation initiatives throughout Star Entertainment.
<b>UAR</b>	means unusual activity report.
<b>USPP</b>	means United States Private Placements.
<b>VGCCC</b>	means the Victorian Gambling and Casino Control Commission.
<b><i>Victorian Casino Control Act</i></b>	means the <i>Casino Control Act 1991</i> (Vic).



**Chapter 1**  
**Executive Summary**

# Chapter 1. Executive Summary

## Chapter 1.1 Key Findings

### **Introduction**

1. The Star is the operator of The Star Casino. The Star is wholly owned by Star Entertainment. These two companies are referred to collectively in this Report as **The Star Entities**.
2. The Inquiry's Terms of Reference include a requirement to assess the suitability of The Star Entities to be concerned in or associated with the management and operation of The Star Casino. An assessment of the suitability of other close associates of The Star is not required.
3. This assessment of suitability is required in circumstances in which, in the 2022 Report, The Star Entities were found to be unsuitable to be concerned in or associated with the management and operation of The Star Casino.
4. In response to the findings in the 2022 Report, the NICC took disciplinary action against The Star on 17 October 2022. In addition to the suspension of The Star's casino licence and the appointment of the Manager, the NICC imposed a \$100 million pecuniary penalty on The Star.
5. The Manager was initially appointed for a period of 90 days. The Manager's appointment has been periodically extended and is currently scheduled to conclude on 30 September 2024.
6. The Terms of Reference identify the scope of this Inquiry to be the period following the date of the 2022 Report (i.e. 31 August 2022) until the date of this Report (**Relevant Period**).

### **Implementation of the recommendations of the 2022 Report (see Chapters 5, 7 and 8)**

7. The 2022 Report made 30 recommendations directed at addressing the issues identified in the course of the 2022 Review. Some of the recommendations related to past breaches by The Star of its Internal Control Manuals (**ICMs**), the *Casino Control Act*, the *Casino*

*Control Regulation* or regulatory agreements. These, and certain other recommendations, were directed to ILGA (which was then responsible for casino regulation). As The Star was found to be unsuitable, a number of recommendations were directed to the operator of The Star Casino, on the assumption that there would be a suitable casino operator in the future.

8. The Terms of Reference include a requirement to have regard to the recommendations made in the 2022 Report and the response of The Star Entities to the 2022 Report and the recommendations which it made.
9. Section 124 of the *Casino Control Act* requires a casino operator to implement and comply with ICMs to conduct its casino operations. ICMs are important features of the casino regulatory framework in NSW and must be approved in writing by the NICC. By virtue of section 124, a breach of an ICM is a breach of the casino operator's licence and is also an offence.
10. Sitting beneath the ICMs are Standard Operating Procedures (**SOPs**), which do not need to be approved by the NICC. Unlike ICMs, The Star is free to amend its SOPs from time to time as it sees fit without the approval of the NICC. However, The Star is required to give notice of any amendments to the NICC within seven days.
11. The 2022 Report recommended that the NSW regulator work with the operator of The Star Casino to review all of the ICMs to ensure that the ICMs had a greater level of prescription in relation to the essential operations of The Star Casino and on the basis that all important control mechanisms for the operation of The Star Casino should be provided for in the ICMs themselves, and not SOPs.
12. This recommendation was implemented by The Star in conjunction with the NICC. All of The Star's ICMs were updated. Fifteen new ICMs were approved by the NICC and took effect from 1 July 2023. The new ICMs included the introduction of Time Play Management standards to minimise harm from gambling which had also been recommended in the 2022 Report.
13. As at the date of this Report, six of the 30 recommendations made in the 2022 Report have not been implemented, or implementation has not been completed. Those are:
  - (a) recommendation 8 (regarding an independent expert assessment of rebate play and any adjusted duties owed by The Star to the NSW Government);

- (b) recommendation 9 (regarding the introduction of an objective test for when a player is considered “not normally resident in New South Wales”, to be incorporated into the Current Duty Agreement and relevant ICMs);
  - (c) recommendation 13 (regarding the introduction of mandatory carded play);
  - (d) recommendation 16 (regarding the sharing of carded play data with law enforcement agencies and researchers);
  - (e) recommendation 21 (regarding the amendment of clause 12(g) and deletion of clause 12(h) of The Star’s casino licence, which relate to The Star Casino’s opening hours); and
  - (f) recommendation 23 (regarding L&GNSW giving consideration to imposing on Crown Sydney or other licenced gambling venues obligations equivalent to any imposed on The Star).
14. In relation to the introduction of mandatory carded play, The Star has indicated that it will not be in a position to fully implement that recommendation by the time the regulations are due to commence on 19 August 2024.
15. In addition to those six outstanding recommendations, work remains to be done in respect of recommendation 30 of the 2022 Report, which related to the establishment of a Compliance Committee with a majority of independent members whose responsibilities would include reporting to The Star any actual or suspected breaches of the casino operator’s obligations. The Compliance Committee for The Star was not established as contemplated by the recommendation in that its primary reporting line was to the Board of Star Entertainment rather than to the Board of The Star. The Star Entities should not be criticised for this as a reporting line to the Board of Star Entertainment was approved by the NICC and is specified in an ICM. As at the date of this Report, further steps are being, or have been, taken in relation to recommendation 30 to ensure that the Compliance Committee has a reporting and escalation pathway to the Board of The Star.
16. One of the changes initially implemented by The Star Entities after the 2022 Report was the cessation of the provision of complimentary alcohol in private gaming rooms at The Star Casino. Recommendation 19 of the 2022 Report was to the effect that the regulator note and take such action as it sees fit in relation to the finding that The Star had contravened Regulation 15(a) of the *Casino Control Regulation* in the manner in which it

then provided complimentary and discounted alcohol in VIP gaming areas of The Star Casino. However, in the period since December 2022, The Star consulted with the NICC and L&GNSW regarding the reintroduction of complimentary and discounted alcohol and the various circumstances in which that might occur.

17. In June 2023, the NICC wrote to both The Star and Crown Sydney to the effect that it would closely scrutinise each casino operator's design and implementation of relevant policies and procedures in relation to gambling inducements. The NICC identified factors which it would take into account in relation to the way in which complimentary liquor was provided to determine whether a breach had occurred.
18. In November 2023, The Star reintroduced the service of complimentary alcohol in private gaming areas of The Star Casino after it had undertaken a risk assessment and obtained independent legal advice in relation to what was proposed. The reintroduction of complimentary alcohol has been monitored by the Manager who gave evidence to the Inquiry that it "was a reasonable process, if not well implemented".
19. Having regard to the approach taken by the NICC as communicated to both The Star and Crown Sydney, and the Manager's evidence, no further analysis was conducted by the Inquiry of the legality of the current procedures in place for the provision of complimentary and discounted alcohol in the VIP areas of The Star Casino.

#### **The Star Entities' Remediation Plan (see Chapter 6)**

20. Following the 2022 Report, Star Entertainment commenced work on a remediation plan. Planning went on hold in October 2022 following a communication from the Manager of areas that he wanted Star Entertainment to prioritise, which would inform the development of the remediation plan. These included an independent root cause analysis review and the development of a culture road map.
21. Star Entertainment engaged Deloitte on 16 December 2022 to prepare a root cause analysis of seven specific incidents which had been considered in the 2022 Review and in the Queensland Review. Deloitte provided its Root Cause Analysis report on 11 May 2023. Deloitte identified seven root causes that it considered were ultimately responsible for creating the environment in which incidents identified in those reviews occurred.

22. Star Entertainment commissioned The Ethics Centre to undertake a review of the culture of the group. The Ethics Centre provided its Culture Review report in June 2023. Some insights provided by The Ethics Centre were:
- (a) a significant majority of employees operate from a place of fundamental decency;
  - (b) the daily experience of this significant majority is typically aligned with their positive expectations of what a company like Star Entertainment should be doing;
  - (c) however, that is only half of the truth about the culture of Star Entertainment. The other half of the truth is that its employees have been exposed to a set of negative factors, in the form of “shadow” values that subverted the efforts and integrity of employees.
23. The “shadow” values identified by The Ethics Centre were summarised as follows:
- (a) profit matters most;
  - (b) just get it done;
  - (c) play politics to stay alive and thrive;
  - (d) stay in your swim lane; and
  - (e) do more with less.
24. On 16 June 2023, Star Entertainment sent the NICC and OLGR the first version of its remediation plan. In response to feedback from the Manager, further drafts of the remediation plan were prepared in August and September 2023.
25. The fifth draft of the remediation plan (Version 5.0) was submitted to the NICC and OLGR on 5 October 2023. This version is described as the **Remediation Plan** in this Report. The Remediation Plan was approved by the Queensland Attorney General on 23 November 2023. There is no legislative requirement for approval in NSW.
26. The Remediation Plan includes the following features:
- (a) activities are planned across three standard delivery phases: design, implement and embed;
  - (b) there are three levels: workstreams, initiatives, and milestones;

- (c) 638 milestones and 110 initiatives delivered across 15 workstreams;
  - (d) each workstream identifies a “problem statement” for that area, then describes the initiatives or activities required to complete an uplifted “target state”, which describes how the functional area will operate once the remediation activities have been completed.
27. The Remediation Plan was clearly the product of a great deal of hard work, high level thought and reflection to address fundamental problems identified in previous reviews and reports. There are, however, some imperfections in the Remediation Plan:
- (a) in the case of the culture workstream, the ‘problem statement’ does not sufficiently focus on addressing the shadow values identified by The Ethics Centre;
  - (b) some of the “problem statements” do not address the need for close and direct supervision at the level of The Star Casino identified in the 2022 Report;
  - (c) some milestone dates in the Remediation Plan are anomalous; and
  - (d) the Remediation Plan contains a detailed and prescriptive process designed to achieve the “target states” in a relatively short space of time. This creates a risk of the short timeframes specified in the Remediation Plan producing a mindset where meeting deadlines takes priority over ensuring that the underlying issues are satisfactorily and comprehensively addressed.
28. The Remediation Plan in the form in which it was submitted to the NICC and OLGR on 5 October 2023 did not provide for independent external assurance of milestones. However, this subsequently became a feature of the process. On 30 November 2023, Star Entertainment engaged KPMG to provide program assurance of the Remediation Plan. The introduction of an independent assurance process is plainly desirable in principle. However, the introduction of the KPMG assurance process after submission of the Remediation Plan to the NICC and OLGR and approval by the OLGR led to delays and a backlog in completion of milestones. This was compounded by Star Entertainment having set unduly ambitious and unrealistic dates in the Remediation Plan for the completion of milestones.
29. The Remediation Plan contemplated that by 8 March 2024 there would be 204 milestones completed. When the hearings of the Inquiry commenced on 15 April 2024, the Manager

had received just over 100 milestone closure packs. At that time there was a very significant execution risk in relation to implementing the Remediation Plan.

30. A reset of the Remediation Plan is proposed by The Star Entities. The proposed reset is a positive and necessary development. It appears to involve a more mature and realistic approach to remediation and transformation. A revised plan which appropriately identifies the problems to be resolved and which sets realistic milestone dates, including provision for satisfactory external assurance, would be the first step for the necessary change to occur in key areas including culture and governance. It would then be necessary for The Star Entities to successfully implement the plan and demonstrate to the NICC not only their capacity to meet deadlines on time but also to achieve real change.
31. The Star Entities accepted that the evidence presented to the Inquiry about the reset is “necessarily general” as it is still being developed. As matters stand, the content and scope of the reset remain unclear.

### **Governance and Management of The Star (see Chapter 7)**

32. The 2022 Report emphasised the importance of oversight at the level of the casino operator. It was observed that whilst the ultimate owner of The Star Casino may be a holding company conducting business in a number of jurisdictions, the casino operator in NSW must have close direct supervision and governance. The 2022 Report pointed out the 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.
33. Despite the recommendations and themes in the 2022 Report, in every area of activity reviewed by the Inquiry since 2022 there has been a concentration of power and responsibility for the affairs of The Star at the Star Entertainment group level rather than at the level of the casino operator. This concentration of power at the group level has contributed to the deficiencies in governance at The Star examined during the course of the Inquiry and to the failure to implement the necessary cultural renewal.
34. The Star Casino was without appropriate leadership for ten months from April 2023 until February 2024 whilst the role of Chief Executive Officer (CEO) of The Star was vacant. This was explained by the former CEO of Star Entertainment, as to part of that period, by the financial position of The Star “deteriorating dramatically”, such that it was not felt that



The Star could in good conscience induce an identified candidate to take the position. In their evidence to the Inquiry the directors of Star Entertainment agreed that the CEO position at The Star was vacant for too long, and that failures at The Star Casino in that period may have been prevented had there been closer and more direct supervision.

35. On 25 February 2024 Ms Janelle Campbell commenced in the role of CEO of The Star, subject to regulatory approval. On 15 July 2024, Star Entertainment announced that Ms Campbell's appointment had received all necessary regulatory approvals. Ms Campbell's appointment as permanent CEO of The Star is to be welcomed.
36. As at 26 February 2024, The Star employed a total of 2,872 employees. The number of employees of The Star at the commencement of the Inquiry was significantly lower than at the time of the 2022 Report (being 3,399 employees). That was partially a result of Star Entertainment's headcount reduction, announced to the market on 19 April 2023, which saw approximately 500 employees across The Star Entities and other subsidiaries of Star Entertainment made redundant.
37. An illustration of the serious operational failures at The Star Casino during the Relevant Period was seen in the misconduct by Guest Support Officers within the Safer Gambling function. Up to the time of the public hearings of the Inquiry, the most senior employee at The Star Casino with specific responsibility for safer gambling was the Patron Liaison Manager. The Patron Liaison Manager had a reporting line to Star Entertainment but no reporting line to the leadership team at The Star.
38. The Patron Liaison Manager resigned on 15 April 2024 and said that this was because "it was just not a pleasant working relationship anymore" and that he did not feel that he had sufficient resources to do his job properly. It is clear that morale within the Safer Gambling team at The Star is low.
39. Star Entertainment's Regulatory Engagement Strategy identifies the "regulatory relationship owners" for The Star Entities' various regulators. Relevantly, the relationship owner for the NICC is the Group CEO (now Mr Steve McCann, subject to regulatory approval), and for L&GNSW, which administers the regulatory framework for casinos in NSW under a delegation from the NICC, the relationship owner is Ms Campbell. A slightly different approach is taken in Queensland, where there is only one State regulator (i.e. the OLGR). There, the relationship owner is the CEO for each of the Brisbane and Gold Coast properties, respectively.

40. There is good sense in having The Star’s relationships with its NSW regulators being led by The Star Casino leadership team. The CEO of The Star needs to take an active role in those regulatory relationships, as is envisioned by the Regulatory Engagement Strategy at least insofar as L&GNSW is concerned. It may also require some critical reflection as to the basis on which the relationship with the NICC has been assigned to the Group CEO.
41. Recommendation 29 of the 2022 Report was that there be a risk officer focused exclusively on risk management for The Star Casino. A Head of Risk at The Star Casino was first appointed on 1 July 2023, with that appointment being formalised and made permanent on 17 August 2023.
42. However, in practice, risk issues in relation to The Star Casino are still largely being managed by Star Entertainment. The development of the role of Head of Risk at The Star Casino is still at a relatively immature stage. The current officeholder, Ms Vuong, said that the risk management framework and organisation structure were “still evolving” and that the structure in particular “hasn’t been stable” during her tenure.
43. Thus, although recommendation 29 of the 2022 Report (that there be a risk officer focused exclusively on risk management for The Star Casino) has been implemented, the Head of Risk, at The Star Casino needs to have more senior and independent responsibility for risk management at The Star Casino. This should include a reporting line to the CEO of The Star.
44. Recommendation 30 of the 2022 Report was that the Authority take steps to ensure that the operator of The Star Casino has a Compliance Committee, with a majority of independent members. It was recommended that the Compliance Committee have responsibility for (among other things) monitoring the casino operator’s compliance with its various statutory and licence obligations and reporting to the casino operator any breach of any relevant regulatory requirements or the terms of the casino licence.
45. The current reporting line for the Compliance Committee is being corrected but, as the Manager said in evidence, the Committee is “at the very early stages of maturity in terms of the work it is doing in integrating with the broader governance framework for the casino.”
46. Section 131A of the *Casino Control Act* commenced on 5 September 2022 and makes it mandatory for a casino operator to engage a person who has been approved by the NICC

as a compliance auditor for the casino. The compliance auditor must be independent and appropriately qualified. The functions of the compliance auditor are to report annually to the NICC on the casino operator's compliance and to give written notice to the NICC of certain risks and contraventions should they arise.

47. On 18 December 2023, the NICC approved the appointment of Protiviti as compliance auditor for The Star, subject to the engagement receiving approval from L&GNSW as a controlled contract. On 25 July 2024, the NICC informed the Inquiry that L&GNSW, under delegation from the NICC, provided a final no-objection outcome to The Star on 12 July 2024 concerning the controlled contract with Protiviti.
48. It is likely that in due course the function of the compliance auditor will materially improve compliance and supervision at the level of The Star Casino.
49. At the time of the 2022 Report, the executives of Star Entertainment who sat on the Board of The Star only met to pass statutory accounts and for other formal purposes. All key decisions affecting The Star were made by the Board and senior management of Star Entertainment.
50. Despite the criticisms that were made in the 2022 Report regarding that approach to the role of the Board of The Star, there was little substantive difference in the role of the Board of The Star by the time of commencement of this Inquiry.
51. Until the time of the Inquiry's hearings, the Board of The Star had met on only five occasions during the Relevant Period. In 2023, during which there was only one meeting of the Board of The Star, the Board and Board Committees of Star Entertainment met in excess of 120 times. It is plain that all important issues relating to The Star Casino were therefore continuing to be dealt with by Star Entertainment rather than by The Star.
52. In November 2023 at a workshop attended by members of the Board of Star Entertainment, the minutes record Board members endorsing the concept that the Board of The Star should only meet as necessary to discharge statutory functions.
53. On 9 February 2024, the Board of Star Entertainment resolved to adopt an annual cadence for meetings of the Board of The Star which required meeting twice a year.
54. In order to fill the 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, Chapter 26 of the 2022 Report considered an option of ensuring that a majority of the directors of the company operating the casino be independent. This option was not recommended because of evidence which suggested problems with a group of companies having an independent Board for the subsidiary operating the casino, in that it created complexity in terms of responsibility for strategy and governance between the Board of the subsidiary and the Board of the holding company. For that reason, the option which was recommended in the 2022 Report was for the company operating the casino to have a Compliance Committee separate from its Board with a majority of independent members in order to monitor the operator's compliance with relevant legislation and licence conditions.

55. The recommendation in the 2022 Report has not achieved the desired outcome. One reason for that is that the Compliance Committee is only at an early stage of maturity and has not reported to the Board of the casino operator as was recommended. Another reason is that the Board of the casino operator has essentially continued to function as it did at the time of the 2022 Report, meeting very infrequently and essentially only fulfilling statutory and other formal functions.
56. The Constitution of The Star imposes an obligation on its directors to use their best endeavours and to take all reasonable steps whilst the company remains the licensee of The Star Casino to ensure that the operations of The Star Casino comply with the conditions attaching to its licence and regulatory agreements.
57. The members of the Board of the casino operator in NSW therefore already have duties extending well beyond approving annual financial statements. Whilst acknowledging the force of the points made in The Star Entities' written submissions concerning the benefits of group-wide functions and the need to ensure coherence of strategy and culture among companies in the group, there is no inconsistency between achieving these aims and for the Board of the casino operator to be responsible and accountable for ensuring that the operations of The Star Casino are compliant with its licence and regulatory agreements, as required by The Star's Constitution.
58. The Board of The Star must meet often enough for its directors to discharge their significant legal responsibilities under The Star's Constitution. It would be desirable for meetings of the Board of The Star to have a similar cadence to meetings of the Compliance Committee.

59. There is clearly also a need for the Board of The Star to have a measure of independence from Star Entertainment. It is neither necessary nor desirable to recommend too prescriptive an approach to the composition of The Star’s Board. However, if the NICC decides that The Star should remain as the operator of The Star Casino, then the independence requirements for the Board of The Star should be no less rigorous than those which the NICC has required for Crown Sydney.

**Compliance with relevant ICMs (see Chapter 8)**

60. The Inquiry considered The Star’s compliance with the following ICMs by virtue of paragraph 3.4 of the Terms of Reference:
- (a) ICM 3 Customer Probity;
  - (b) ICM 11 Cage & Revenue; and
  - (c) ICM 12 Anti-Money Laundering & Counter-Terrorism Financing.
61. In addition, and in relation to the overall assessment of suitability, the Inquiry considered The Star’s compliance with ICM 13 Responsible Gambling and Exclusions. This arose for consideration as a result of serious misconduct by Guest Support Officers which was identified during the course of the Inquiry.

***ICMs 11 and 12 and the TICO fraud event***

62. The incident known as the “TICO fraud event” occurred in June and July 2023 at The Star Casino. Between 7 June 2023 and 24 July 2023, 43 patrons of The Star Casino received a combined amount of \$3,219,420 to which they were not entitled because of a flaw in Ticket In Cash Out (**TICO**) machines with coin reject functionality. Eighteen of those patrons were considered persons of interest and deemed to have engaged in deliberate and fraudulent conduct realising about \$3.16 million by conducting approximately 1,800 transactions on the TICO machines.
63. The genesis of this incident was a software issue. If a patron inserted two “Slot Payout Vouchers” into a TICO machine, then both of those vouchers would be paid but only one would be taken by the TICO machine while the second would be dispensed back to the patron along with payment in respect of both vouchers. The patron could use the unredeemed ticket again and reinsert it into the TICO machine with another ticket and repeat the process.

64. The Star’s Investigations Team conducted an investigation into the TICO fraud event and prepared a report afterward, which included extensive findings of failures at different levels within The Star.
65. The Star’s Investigations Team concluded that The Star breached paragraph 32 of ICM 11 between 7 June 2023 and 24 July 2023. Their report did not quantify the number of breaches during that period.
66. The Star’s Investigations Team also concluded that there had been breaches of six “Tasks” under the relevant SOP (i.e. the “Cage SOP”) in the period between 11 and 24 July 2023. In particular, there had been a failure by staff to identify balance and other errors and to investigate them in a professional or comprehensive manner.
67. The Star Entities accepted that in the period between 7 June 2023 and 24 July 2023, The Star’s staff breached ICM 11 in connection with the TICO fraud issue.
68. The Star Entities also accepted that the TICO fraud event involved a breach of paragraph 5 of ICM 12.
69. The Star Entities’ submissions acknowledging that the TICO fraud event involved breaches of ICMs 11 and 12 and the Cage SOP should be accepted. The evidence to the Inquiry establishes:
  - (a) numerous contraventions of paragraph 32 of ICM 11 during the period from 7 June 2023 to 24 July 2023.
  - (b) numerous contraventions of the Cage SOP during the period from 11 July 2023 to 24 July 2023; and
  - (c) numerous contraventions of paragraph 5 of ICM 12 during the period from 7 June 2023 to 24 July 2023.
70. In respect of all of the above contraventions, the precise number of contraventions cannot be quantified.

***ICM 12 and cash transactions***

71. Paragraph 17 of ICM 12 imposes a number of requirements relating to cash transactions occurring at The Star Casino.

72. Records produced to the Inquiry establish, and The Star Entities accept, that in the period from 1 July 2023 to 19 February 2024, there were repeated contraventions of paragraph 17 of ICM 12, in particular:
- (a) at least 148 breaches of the requirement in paragraph 17(c) of ICM 12; and
  - (b) at least 12 breaches of the requirement in paragraph 17(e) of ICM 12.
73. The number of breaches of paragraph 17 of ICM 12, and length of time over which they occurred (a period spanning several months), suggests that the issue was serious and systemic in nature. It is accepted that steps have now been taken to address the issue and that those steps appear to have produced an effective outcome to date. However, those steps were taken in 2024, despite numerous and repeated contraventions since July 2023.

### ***ICM 13 and the Guest Support Officer issue***

74. The Star's Time Play Management standard was formalised in ICM 13 with effect from 1 July 2023. Paragraph 12(a) and (b) of ICM 13 provides as follows:
- The Casino Operator must:
    - a) Not allow a customer to play on a gaming machine for more than 3 continuous hours without taking a 15 minute break;
    - b) Not allow a customer to play a gaming machine or *[Electronic Table Game]* for more than 3 continuous hours without interacting with the customer to determine whether the person requires intervention;
75. These requirements are important for the protection of vulnerable patrons and their families.
76. Although there have been some transitional provisions which applied in respect of ICM 13, there has been a requirement from 1 July 2023, for both carded and uncarded guests at The Star Casino, for The Star to comply with paragraphs 12(a) and (b) of ICM 13.
77. On 18 January 2024, two L&GNSW officers observed that a patron at The Star Casino had been playing continuously on a gaming machine for more than three hours without intervention. They brought to The Star's attention that the patron had played continuously for 3 hours and 41 minutes and they further identified that no Guest Support Officer had interacted with the patron. When The Star's TrackVia system was subsequently checked by the L&GNSW officers, there was an entry that there *had* been an intervention in the form of a conversation at the three hour mark.

78. The Star Entities instigated an internal investigation. Initially, an investigation report was produced in respect of the first incident on 22 January 2024, which confirmed that the Guest Support Officer had not interacted with the relevant patron and also that a review of CCTV identified that the Guest Support Officer had not interacted with another seven patrons on that shift, contrary to his entries in TrackVia recording that such interactions had occurred.
79. Following that investigation, a more comprehensive review was undertaken in relation to the Responsible Gaming Team to identify any similar conduct by team members. The Surveillance Team conducted reviews of 11 Guest Support Officers which identified further potential conduct by 10 Guest Support Officers similar to that identified in the first incident.
80. On 4 March 2024, Star Entertainment's Investigations Team commenced a broader investigation, which included an extension of the investigation to Guest Support Managers. As at 24 March 2024, the Investigations Team had concluded that six other Guest Support Officers had engaged in falsifying TrackVia records and additional incidents involving potential breaches were the subject of ongoing investigation. At the time of the Inquiry's public hearings The Star Entities' investigations into this misconduct were ongoing.
81. The relevant conduct by Guest Support Officers was systemic and extremely serious. The conduct in question involved repeated contraventions of paragraphs 12(a) and 12(b) of ICM 13 over a protracted period, as well as the dishonest falsification of records to conceal those contraventions. It is not possible to tell how long the breaches of ICM 13 and the dishonest conduct to conceal those breaches have persisted, given that CCTV footage only goes back three months. However, the conduct has occurred from at least January 2024. At least seven Guest Support Officers participated in the misconduct.
82. Although The Star Entities have initiated an appropriate response to this problem, the fact remains that serious breaches of the Time Play Management requirements in ICM 13 occurred. A primary object of the *Casino Control Act* identified in section 4A, which was introduced by the 2022 Amendment Act, is to minimise harm to individuals and families from activities associated with gambling in casinos. The relevant Time Play Management standard in the ICM was introduced as a result of a recommendation in the 2022 Report. Failure to check on the welfare of patrons as required by the Time Play Management standards is a serious matter. However, the subsequent deliberate falsification of records by staff of The Star Casino to falsely claim that intervention had occurred when it had not seriously compounded the risk of harm to patrons by making it likely that intervention



would not subsequently occur. This episode has exposed a serious failure of The Star to properly and safely operate The Star Casino, as required by the legislation.

***ICM 3 and ECDD***

83. ICM 3 is called “Customer Probity”.
84. Without setting out the specific provisions, in broad terms ICM 3 relevantly provides that The Star’s patrons determined to be high-risk must either be subject to Enhanced Customer Due Diligence (**ECDD**) or refused entry to the casino boundary. Also in broad terms, ICM 3 provides that the ECDD process must include source of wealth checks.
85. ICM 3 is supported by an SOP called “AML & CTF Customer Probity: Customer Due Diligence” (**ECDD SOP**). Version 3 of the ECDD SOP came into effect on 1 July 2023. The ECDD SOP contains seven ECDD “measures” (**ECDD Measures**) and provides that each of ECDD Measures 1 to 7 must be performed on all high-risk customers.
86. Version 4 of the ECDD SOP came into effect on 19 September 2023. The reasons for the change from Version 3 to Version 4 and for the timing of the change did not emerge in the hearings of the Inquiry.
87. ICM 3 arose for consideration in relation to The Star’s procedures to carry out ECDD on a cohort of approximately 25,000 customers following the introduction of The Star’s Customer Risk Assessment model in 2023 (**Remediation ECDD cohort**). There were two separate questions for consideration. The first question was whether the process adopted for the Remediation ECDD cohort complied with ICM 3.
88. As the terms of ICM 3 are confidential that question is considered in a Chapter in the accompanying Confidential Report. The Chapter concludes that The Star breached ICM 3 in relation to the process adopted for certain members of the Remediation ECDD cohort.
89. The second question, which is addressed in this Report, concerned communications between The Star Entities and the NICC and Manager in relation to the process adopted for the Remediation ECDD cohort, and the implications to be drawn from those communications.
90. On 30 September 2023, on behalf of Star Entertainment, Ms Townsend, then the Chief Controls Officer, sent a letter to L&GNSW. Ms Townsend wrote that “[a]s at 30th of September, all customers identified in the [Remediation ECDD] Cohort (32,205) have been

completed”. The letter contained a table representing that each of the ECDD Measures, including “Measure 5 (SOW)”, had been completed for all 32,205 customers.

91. In her evidence to the Inquiry, Ms Townsend said that for up to 25,000 of the 32,205 customers for whom she had written to Liquor & Gaming to say that ECDD had been “completed”, source of wealth checks had not in fact been performed for those customers. Ms Townsend said that whilst the letter stated that source of wealth checks had been “completed” for 32,205 customers, that was incorrect. Mr Saunders, the Chief Risk Officer of Star Entertainment, whilst agreeing that the letter could have had more clarity and was “a bit unhelpful”, did not agree that various statements in the letter were wrong.
92. Ms Townsend’s evidence that she had no intention to mislead the regulator in Star Entertainment’s letter of 30 September 2023 is accepted. Furthermore, the submission by The Star Entities that at no time did they have an intention to mislead the regulator is also accepted.
93. The context set out in detail in Chapter 8 of the Report establishes that it is not appropriate to consider Star Entertainment’s letter to L&GNSW dated 30 September 2023 in isolation. It is clear from the wider context that there had been a dialogue between The Star and the regulator and Manager from about June 2023 in relation to the difficulty of processing the Remediation ECDD cohort within the timeframe required by the regulator, and how that might be addressed.
94. Whilst the evidence to the Inquiry on this question unfolded in an unsatisfactory way, it is clear that by mid-September 2023 the Manager was aware that a different process was being taken by The Star for the Remediation ECDD cohort than what was prescribed for what may be called “business as usual” ECDD.
95. It is also clear from a letter sent by the NICC to Star Entertainment dated 28 September 2023 that by that date the NICC understood that a different process was being applied by The Star for the Remediation ECDD cohort, albeit that the NICC had made it clear that it was not satisfied with that process.
96. What is not clear is what L&GNSW understood at the time in light of Star Entertainment’s letter of 30 September 2023. Considered in isolation, Star Entertainment’s letter of 30 September 2023 was inadequate. So too were certain other communications to L&GNSW

in relation to the ECDD Remediation cohort considered in isolation. However, as indicated, they should not be considered in isolation.

97. An analysis of the relevant events reveals a more fundamental concern. It is clear that Mr Saunders genuinely believed that the process adopted by The Star in relation to the Remediation ECDD cohort complied with ICM 3. However, it should also have been clear to senior management of Star Entertainment at the time that this was a matter of interpretation and that both the Manager and the NICC were concerned that the process being adopted may not comply with the ICM. In its letter of 28 September 2023 the NICC had expressly reserved its position on the issue. It should also therefore have been clear to senior management of Star Entertainment at the time that there was a risk that the process being adopted might breach ICM 3 and that if that risk eventuated the consequences would be serious, involving not just a breach of The Star's licence but also an offence under the *Casino Control Act*.
98. Another important contextual element which senior management of Star Entertainment should have borne in mind at the time in evaluating the appropriate course of action to take was that The Star's licence to operate The Star Casino was suspended due to past misconduct, which included breaches of ICMs.
99. In all of the circumstances and particularly bearing in mind the serious consequences if the risk eventuated, the risk should have been mitigated by either seeking the regulator's prior approval to the course proposed in relation to the Remediation ECDD cohort, or at the very least obtaining independent legal advice that the course proposed was lawful before proceeding.
100. The manner in which The Star Entities proceeded in relation to the Remediation ECDD cohort reveals an approach to regulatory risk and regulatory engagement which is not yet fully mature.

### **Governance and Management of Star Entertainment (see Chapter 9)**

101. The senior executives of Star Entertainment are members of the Group Leadership Team. There were a number of changes to the membership of the GLT over the course of the Inquiry:
  - (a) Mr Cooke departed as Group CEO and Managing Director of Star Entertainment on 22 March 2024;

- (b) Star Entertainment issued an ASX release on 26 June 2024 announcing the appointment of Mr Steve McCann as its Group CEO and Managing Director;
  - (c) Ms Katsibouba departed as Chief Financial Officer on 22 March 2024;
  - (d) Ms Ivanoff resigned from her role as Group Chief Legal Officer with effect from 5 March 2024;
  - (e) Mr Hughes resigned from his role as Group Chief Customer and Product Officer on 29 February 2024, effective 31 May 2024;
  - (f) Ms Burke resigned from her role as Chief Transformation Officer on 19 March 2024, having been on a period of leave commencing in early March 2024;
  - (g) Ms Mellor resigned from her role as CEO of The Star Gold Coast, effective 24 May 2024;
  - (h) Mr Jenkins resigned from his role as Chief of Staff, effective 22 March 2024;
  - (i) Ms Townsend, the Chief Controls Officer, ceased to be employed by Star Entertainment on 31 May 2024;
  - (j) on 30 May 2024, Star Entertainment announced that Ms Jeannie Mok had been appointed as Group Chief Operating Officer at Star Entertainment, effective 11 June 2024 (subject to regulatory approvals); and
  - (k) on 31 July 2024, Star Entertainment announced that Mr Saunders had resigned, but would continue in his role as the Group Chief Risk Officer for six months until his expected departure date of 31 January 2025.
102. In his October 2023 report, the Manager expressed a concern relating to Star Entertainment’s decision to “rebuild its senior executive team primarily by appointing or promoting long-term [Star Entertainment] executives” and whether that decision would ultimately “make the task of culture reform and remediation more difficult”.
103. In response to a request for information from this Inquiry, The Star Entities informed the Inquiry that no formal procedures had been undertaken to determine whether any of its nine long-term senior executives were aware of, or participated in, the misconduct identified in the 2022 Report. That The Star Entities failed to make such enquiries is surprising,

particularly given that, as early as 10 May 2022, Star Entertainment’s external legal advisers had prepared a draft declaration for senior executives in response to an action item arising from a Board meeting regarding the interim executive appointments being made at that time.

104. On 13 March 2024, Star Entertainment asked each of its longer-serving executives to sign a declaration regarding their knowledge of, or involvement in, the misconduct identified in the 2022 Report. Ms Katsibouba, Mr Dodt, Ms Mellor, Ms Hammond, Mr Jenkins and Mr Fresnel provided declarations to the effect that they had no knowledge of, or involvement in, those matters. The Star Entities informed the Inquiry that they did not receive declarations from Mr Hughes or Ms Burke, both of whom had resigned by March 2024.
105. In Mr Humphreys’ case, after being asked on 13 March 2024, he provided a declaration promptly the next day. Mr Humphreys disclosed that he was aware of certain matters relating to China Union Pay. Eventually, after Mr Humphreys gave evidence to the Inquiry, it appears that there was an investigation of some kind and the Board took advice. However, such steps should have been taken much sooner after having received Mr Humphreys’ declaration. The issue was not explored during the hearings of the Inquiry and there is therefore no basis to make any finding regarding whether Mr Humphreys’ declared knowledge of matters relating to China Union Pay was such that it was inappropriate for Mr Humphreys to hold his various roles at The Star Casino. It may be that there is a perfectly acceptable explanation.
106. However, the fact that Mr Humphreys and other senior executives were not asked after the 2022 Report to confirm whether they were aware of, or had involvement in, the misconduct recorded in that report was a failure on the part of Star Entertainment in relation to an important matter. That failure is aggravated by the fact that Star Entertainment had been told from at least November 2023 – in no uncertain terms – that the Manager and regulators were concerned about the number of longer-term employees that filled the ranks of Star Entertainment’s senior management.
107. One of the themes that emerged during this Inquiry was the continued concentration of power and responsibility at the Star Entertainment level, rather than at the level of The Star Casino. This concentration of power can be seen in the organisational structure of Star Entertainment.

108. One problematic issue regarding organisational structure and reporting lines which arose during the Inquiry concerned the Group Company Secretary role. Ms Silfani was Group Company Secretary at Star Entertainment from September 2022 to October 2023. Ms Silfani said that when she started at Star Entertainment, she made it clear that if and when she received her close associate approval, her role as Company Secretary should involve reporting to the Chair of Star Entertainment directly, with an administrative reporting line to the CLO. That evidence was corroborated by the documentary record and the approach is consistent with the ASX Corporate Governance Council's recommendation 1.4, which provides “the company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board”. The Corporate Governance Principles and Recommendations also record that “each director should be able to communicate directly with the company secretary and vice versa”.
109. There was no good reason why Star Entertainment should not have followed the ASX Corporate Governance Council’s recommendation concerning the reporting line of the company secretary. The former CEO’s insistence that the company secretary should not have a direct reporting line and accountability to the Board concentrated the power of the CEO and deprived the Board of Star Entertainment of direct and unfiltered access to a separate guardian of the corporation’s governance and culture.
110. During the course of the public hearings of the Inquiry, a picture emerged of the GLT as a dysfunctional and divided group.
111. Mr Weeks gave evidence to the Inquiry that the GLT “wasn’t unified” and he had not yet seen the signs of enterprise-wide cultural change. Similarly, Dr Lagan said that the GLT, to her observation, “were not acting as a collective”. Ms Katsibouba, Ms Ivanoff and Mr Hughes gave evidence to similar effect. Ms Ward accepted that during the first half of 2023 her opinion was that the GLT was “fairly dysfunctional and siloed”.
112. In the course of the public hearings of the Inquiry, a number of particular incidents were raised which were illustrative of the problems affecting the GLT’s operations. In particular, there appear to have been systemic issues with sharing relevant information with members of the GLT, and in properly engaging members of the GLT in matters relevant to their respective functions. It cannot be doubted that those failures have had a material impact on the ability of the GLT, and of The Star Entities more broadly, to deliver the kind of transformation which is contemplated by the Remediation Plan.

113. Significantly, it reflects a very different state of affairs compared to what Ms Ivanoff observed at her time at Crown Resorts.
114. The departure of so many executives who had previously formed part of the GLT means that Star Entertainment is necessarily in the midst of a significant change in personnel. That presents both risks and opportunities.
115. In terms of the Board of Star Entertainment, during the course of the Inquiry, there were three changes to the composition of the Board. The *first* was the departure of Mr Cooke. At that time, Mr Foster took on additional duties as Executive Chair. The *second* was that on 29 April 2024, Ms Ward told the Inquiry that the Star Entertainment Board had met without Mr Foster and resolved to remove him as Chair. The Board elected Ms Ward to that role. Subsequently, on 24 June 2024, Star Entertainment announced that Mr Foster had ceased his executive responsibilities and resigned as a director of the Board of Star Entertainment and relevant subsidiary companies effective 21 June 2024. The *third* was that on 26 June 2024, Star Entertainment announced the appointment of Mr McCann as Group CEO and Managing Director.
116. In considering the effectiveness of the Star Entertainment Board over the Relevant Period, there are important respects in which the Board has operated, or proposes to operate, more effectively than the Board in place up to the time of the 2022 Report. This has included steps to improve the governance framework and operating effectiveness of the Board and Board Committees, and a “new mode of operation” proposed by a paper received and approved at the Board’s meeting on 9 February 2024.
117. Although the process for dealing with the Remediation ECDD cohort indicates a continuing lack of maturity by Star Entertainment in dealing with regulatory risk and engagement, the Board has been responsible for a material improvement in resources and systems for risk management and for instilling an improved risk management culture. In comparison to the Board in place up to 2022, the Board over the Relevant Period has better insight and visibility over the true state of the corporation’s affairs.
118. Furthermore improvements that have been in train relatively recently are positive, although it would have been better if they were actioned sooner. The Star Entities have had to deal with a number of competing priorities in the execution of the Remediation Plan, but a matter such as the Board education program is fundamental to the capability of the Board to provide the right leadership for The Star Entities.

119. Notwithstanding that improvements have been made, and are in the process of being made, it cannot be ignored that the Board of Star Entertainment has, in some important respects, failed to provide the necessary leadership and oversight during the Relevant Period, particularly in relation to the GLT, the relationship of The Star Entities with the Manager and the NICC, and in setting the right tone from the top to enable cultural transformation.
120. The dysfunctional state of the GLT appears to have been a product of two key matters. The *first* was the previous CEO's management style. Although it should be emphasised that this was not the view of all members of the GLT, several of Star Entertainment's executives who resigned during the Relevant Period indicated that his leadership was part of their reasons for leaving. The *second* was the failure to have proper frameworks and processes in place to assist the GLT in discharging its responsibilities.
121. To date the Board of Star Entertainment has had insufficient engagement with senior executives of Star Entertainment other than the Group CEO. That state of affairs cannot continue now that a new CEO has been appointed.

### **Relationship with the NSW Regulator (see Chapter 10)**

#### ***The appointment and work of the Manager***

122. On 17 October 2022, the NICC appointed Mr Weeks as Manager of The Star Casino.
123. Mr Weeks wrote in a report to the NICC dated 3 October 2023 that, at the commencement of his appointments in NSW and Queensland, Star Entertainment had been "cooperative and engaged constructively with us" and that "key representatives appeared willing to cooperate and engage with the form of supervision imposed by the NICC and OLGR".
124. In his report dated 24 November 2023, Mr Weeks wrote that Star Entertainment's "approach to regulatory engagement" had "deteriorated" since his report of 3 October 2023, as he had "observed an increasing number of instances where Star has lacked transparency, candour and rigour in its dealings with us". That said, Mr Weeks considered that he had a strong working relationship with Star Entertainment at this time and into January 2024, consistently with public statements by Star Entertainment about working cooperatively with its regulator, including the NICC and the Manager.



***Communications between Mr Foster and Mr Cooke in April 2023***

125. On 22 April 2023, the Chair of Star Entertainment, sent a text message to the CEO and Managing Director, Mr Cooke, in which Mr Foster wrote “Abolish NICC”.
126. Mr Foster’s comment, despite its unqualified and unfortunate wording, could not be sensibly understood as expressing a desire to abolish the regulation of casinos (as compared with abolishing the specific regulator, the NICC). Mr Foster’s explanation, to the effect that he was expressing a wish for Mr Cooke to raise with the NSW Government the prospect of a regulator having wider powers of supervision over all licensed gambling venues, is accepted.

***The Manager’s reports and meeting with the NICC in December 2023***

127. On 29 November 2023, the NICC provided the Manager’s two reports dated 3 October 2023 and 24 November 2023 to Star Entertainment. The covering letter from the NICC’s Chief Commissioner attaching the two reports asked that Mr Foster bring the letter to the attention of the full Board in advance of a meeting with Mr Foster and the non-executive directors scheduled for 7 December 2023.
128. Although Star Entertainment did not agree with observations in Mr Weeks’ second report dated 24 November 2023, Star Entertainment accepted that Mr Weeks’ first report dated 3 October 2023 was “overall useful” and Star Entertainment “agreed with many aspects” of it.
129. On 7 December 2023, the Board of Star Entertainment, excluding Mr Cooke, met with the Manager and the NICC. The Board communicated its thoughts on the Manager’s reports as noted above, and undertook to provide a written response to the Manager’s reports. The NICC communicated to Star Entertainment its view that it had lost confidence in Mr Cooke to execute the Remediation Plan.

***Star Entertainment’s response to the Manager’s reports in January 2024***

130. On 1 January 2024, Mr Cooke sent to Mr Foster an initial draft response to the 3 October 2023 report. In this draft, the proposed responses of Star Entertainment were in green and entirely in bold font. On 6 January 2024, Mr Cooke sent an email to the other directors attaching a draft document responding to the Manager’s Report. Mr Cooke stated that he had attempted “to keep the responses relatively clinical” and indicated that he was seeking

“additional input / verification from some of my team”. He noted he was “very happy to take on board any feedback or suggestions you may have – content or approach wise”. His annotations remained in bold at this point. However, the 6 January 2024 draft did not contain underlining or as many statements (compared to the final version) that Mr Weeks’ opinions were “rejected”, “incorrect” or “wrong”.

131. On 8 January 2024, Ms Page responded to the first draft (copying the other directors) “I think this is looking pretty good. I have marked up a couple of comments (and a few typos where I saw them!)”.
132. On 11 January 2024, Mr Cooke sent an email to the other directors attaching a draft cover letter to the NICC, and inviting “comments, suggestions, edits” from the Board. Later that day, there was a meeting of Star Entertainment’s Board. Mr Cooke requested feedback on the draft responses to the NICC by 14 January 2024.
133. From this time, various directors provided comments and suggestions and Mr Cooke worked on the response. In particular, on 13 January 2024, Ms Ward sent an email containing detailed comments on the draft response to the Manager’s reports, comprising more than 70 amendments or comments.
134. Star Entertainment’s formal response to the Manager’s reports was dated 23 January 2024 and comprised a cover letter and two mark-ups of the Manager’s October and November reports, with annotations in green text, sometimes in bold and underline.
135. In its cover letter, Star Entertainment outlined its main areas of disagreement with the Manager, including lack of recognition of pro-active steps, lack of recognition of the operating environment, the pace of development of the Remediation Plan, the timing of organisational restructure, the time taken to appoint key personnel, the pace of cultural reform, emphasis on regulatory priorities and the quality of Board reporting.
136. Both in the cover letter and in the response to both reports, Star Entertainment referred to the “existential threats” which it had faced since 2022. For example, in the response to the Manager’s November 2023 report, Star Entertainment stated (formatting in original):

.. there **is a lack of recognition ... that The Star is undertaking a complex and significant reform program** which has been compounded by an **unprecedented number of existential threats and significant challenges going to the core of The Star’s business.**

137. Whilst many of the responses to the Manager’s October 2023 report were relatively measured, examples of the tone of the response to the Manager’s November 2023 report can be seen from the following extracts (formatting in original):

- ...most of the **conclusions and observations made by the Manager are not supported by facts, misstate the position and/or are based on subjective opinion that lacks any substantive evidential base.**
- **These comments are superficial, without substance or evidence and incorrect.**
- **The absence of a Sydney CEO was not the root cause of the TICO issue and there is no evidence of a heightened risk exposure as suggested above.**
- The Manager’s suggestion that The Star is seeking “to do more with less” is **an incorrect conclusion that has no basis in fact.**

138. Star Entertainment’s responses to a comment by the Manager in the November report that recent staff surveys indicated that morale in Sydney was low and deteriorating included that (formatting in original):

- The statement ...is **factually incorrect.**
- If the reference being made by the Manager is to quantitative commentary, **to draw overall conclusions on morale, training, resourcing, senior management and/or or [sic] cynicism of the Sydney operation based on selective and limited individual comments would be a misrepresentation of the data and an inappropriate extrapolation with no statistical basis.**

139. The evidence establishes, and it was accepted by The Star Entities in their submissions, that aspects of Star Entertainment’s response to the Manager’s Reports were not conducive to the development of a strong and positive relationship with the NICC, but rather were aggressive, confrontational and inappropriate.

140. Although the evidence and submissions raised questions about who within Star Entertainment was responsible for the tone of the response to the Manager’s Reports, the Board of Star Entertainment as a whole must accept responsibility for the response in the form provided to the NICC. The evidence presented to the Inquiry indicates that the non-executive directors other than Mr Foster did not have the benefit of reading external lawyers’ advice, which included comments to the effect that the tone of the response could be less strident. However, all Board members either were, or had the opportunity to be, closely involved in the process of preparing the response. They allowed Mr Cooke to be the person with principal responsibility for The Star Entities’ response to the Manager’s Reports.

141. Although it was not clear in the evidence to the Inquiry who was consulted or involved in making the decision, a decision was made of which at least Mr Foster and Mr Cooke were aware to largely exclude the members of the GLT from considering the Manager’s reports and assisting in the preparation of Star Entertainment’s response. There is little doubt that Star Entertainment would have provided a far more measured and balanced response if senior management had been permitted to be involved. Further, to the extent that the Managers’ Reports raised matters that needed to be addressed by The Star Entities, the members of the GLT necessarily needed knowledge of the issues in order to address them as part of their usual executive responsibilities.
142. Separately to the tone of the response, it is apparent that issues raised by the Manager were dismissed without regard to knowledge sitting within the organisation. An example of this is the statement, contrary to the findings of The Ethics Centre Culture Review which had been received by the Board, that “The Manager’s suggestion that The Star is seeking ‘to do more with less’ is **an incorrect conclusion that has no basis in fact**” (original emphasis).
143. There is nothing wrong with a regulated entity expressing reasoned disagreement with its regulator, even robust disagreement. Dialogue of this nature ought not in principle be discouraged. There is no doubt that Star Entertainment’s response to the Manager’s Reports took place in the context of a very tense environment, as Mr Foster stated in his evidence. However the strident and confrontational nature of Star Entertainment’s response failed to take into account the wider context that in NSW The Star’s licence to operate a casino was suspended and its social licence to operate was at risk.
144. It is to be noted that the directors of Star Entertainment gave evidence to the Inquiry recognising and regretting that aspects of the responses to the Manager’s Reports were inappropriate.

#### ***Communications between Mr Foster and Mr Cooke in early 2024***

145. After Star Entertainment’s response to the Manager’s Reports had been provided to the NICC on 23 January 2024, Mr Foster and Mr Cooke became aware of a meeting at The Star Casino involving the Manager, the NICC and lawyers that was scheduled to take place on 1 February 2024.
146. Mr Foster carried out a Google search of invitees to the meeting, whose details had been sent to him.

147. Mr Foster and Mr Cooke then had this exchange the same day, on 31 January 2024:

[Mr Foster]: Ok they are prepping for war we better do the same should we talk to [ a lawyer at KWM] tomorrow

[Mr Cooke]: [A lawyer at KWM] thinks they may be grouping to work out how to respond to our response to [Mr Week]’s reports

We are meeting Monday to get ready for war though

148. The next day, on 1 February 2024, Mr Foster sent Mr Cooke an extract from Mr Weeks’ Deed of Appointment which provided, in clause 4.5, that the Manager’s indemnity did not extend to claims relating to any act or omission by the Manager that was found to have breached the Manager’s duty to exercise the Manager’s powers in good faith.

149. Mr Foster agreed that he had decided to do some research of the Manager’s deed of appointment to identify an exclusion from his indemnity. Mr Foster said that he had researched this issue because of complaints by employees relating to psychosocial safety as a result of interactions with a member of Mr Weeks’ team.

150. The day after that, Mr Foster wrote to Mr Cooke on 2 February 2024: “Another angle is establishing grounds if possible for a class action from shareholders against [Mr Weeks] and/or NICC”.

151. Mr Cooke replied on 2 February 2024: “Will run that by KWM Monday”.

152. In oral evidence, each of Mr Foster and Mr Cooke accepted that the class action idea was “bizarre”.

153. The objective facts support a conclusion that, Mr Foster having decided that the regulator was “prepping for war”, and being aware that Mr Cooke was soon to be meeting with Star Entertainment’s lawyers “to get ready for war”, sent messages to Mr Cooke prior to the date of that meeting suggesting “angles” for consideration in relation to possible litigation against the Manager or the NICC.

154. Close to a fortnight later, on 15 February 2024, Mr Cooke forwarded to Mr Foster some email correspondence from Mr Weeks expressing surprise at Mr Weeks’ message, writing “!!”. Mr Foster replied the same day: “Good faith?” Mr Foster denied that this communication indicated that he was still considering whether the exclusion in the

Manager's indemnity could apply. However, the only sensible explanation of this communication is that Mr Foster was still contemplating the Manager's indemnity at that time, most likely as an "angle".

155. The private communications considered in the evidence between Mr Foster and Mr Cooke in early 2024 were essentially suggestions made by Mr Foster to Mr Cooke. These communications were not merely private complaints or private posturing, but were suggestions coming from the highest level of Star Entertainment to consider action against the NICC and the Manager, however misguided that action appears on objective analysis.
156. Only a couple of weeks after these communications, on 20 February 2024, the Board of Star Entertainment announced to the public that Star Entertainment "will continue to do all in its power to work co-operatively with all its regulators including the NICC and its appointed manager". That public statement is irreconcilable with these private communications. It indicates that as recently as the time of commencement of this Inquiry, the NICC and the NSW public could not rely upon the complete truth of Star Entertainment's public statements.

#### ***Mr Cooke's Exit Statement in March 2024***

157. On 22 March 2024, Star Entertainment announced Mr Cooke's departure as CEO and Managing Director to the ASX. Shortly after that announcement, on the same day Mr Cooke sent an "Exit Statement" to all of Star Entertainment's employees by email. There is no evidence of whether, consistently with his contractual entitlement to do so, Mr Cooke circulated the Exit Statement more widely to Star Entertainment's joint venture participants, business partners and key suppliers.
158. That contractual entitlement arose under a Separation Deed executed earlier on 22 March 2024 by Star Entertainment and Mr Cooke. It was signed, for Star Entertainment, by Mr Foster and Ms Ward. It contained a copy of the Exit Statement in Schedule 4 and conferred a right on Mr Cooke to issue that statement both within Star Entertainment and also to third parties.
159. Among other things, Mr Cooke's Exit Statement said that a "determining factor in [my] decision [to step down]" was a view that he had formed that "continuing in the Group CEO role was not going to be conducive to the [NICC] determining to find The Star suitable to hold a casino licence in NSW". It continued:

That view is informed by my understanding that the NICC's Chief Commissioner had issues with my decision to retain a number of existing executives on my senior leadership team. Noting these individuals were not on The Star's executive committee at the time the offending conduct identified in the original Bell inquiry occurred, and I am not aware of any basis to suggest they were bad actors. Secondly, it also seems that the Chief Commissioner did not consider I was moving with sufficient speed with the reforms and changes being implemented at The Star – a view with which I respectfully and fundamentally disagree.

160. It does not require the benefit of hindsight to appreciate that Mr Cooke's Exit Statement was highly likely to further damage the relationship with the NICC, send a message which was false in material respects to Star Entertainment's 8,000 employees, and perpetuate a negative narrative of confrontation. These implications of the document were obvious at the time.
161. While a number of Board members gave evidence that they tried to persuade or counsel Mr Cooke not to send the Exit Statement, they could have directed him not to send it. This possibility was accepted by both Mr Foster and Ms Ward in their evidence. The Board did not do so.
162. Moreover, whilst the evidence indicates that a number of Board members were not aware that the terms of the Separation Deed conferred a right on Mr Cooke to issue the Exit Statement and did not authorise this provision, the fact is that Mr Cooke ultimately published the Exit Statement pursuant to a contractually conferred right, contained in a deed executed on behalf of Star Entertainment by its former Chair and current Chair.
163. The Board of Star Entertainment must accept responsibility for failing to prevent the obvious damaging outcomes which flowed from publication of the Exit Statement.

***Representations to the NSW regulator and to this Inquiry***

164. The evidence raised certain questions about the accuracy or otherwise of representations that were made to the NICC and to this Inquiry about the departures of Ms Ivanoff, Ms Katsibouba and Mr Hughes.
165. In relation to Ms Ivanoff, it is found that:
  - (a) Ms Ivanoff handed Mr Cooke a letter of resignation on 6 September 2023;
  - (b) Ms Ivanoff confirmed she would be proceeding with her resignation on or about 15 November 2023;

- (c) Mr Cooke made an innocent mistake in his evidence to the contrary;
  - (d) as a result of that innocent mistake by Mr Cooke, The Star Entities provided incorrect or incomplete information both to the NICC on 20 December 2023 and to this Inquiry on 8 March 2024; and
  - (e) The Star Entities corrected the incorrect or incomplete information that had been provided to the NICC and to this Inquiry promptly after becoming aware of the true position through Ms Ivanoff's evidence to this Inquiry in April 2024.
166. In relation to Ms Katsibouba and Mr Hughes, on 22 March 2024 Star Entertainment announced to the ASX the departure of Ms Katsibouba as CFO and there were media reports that day of other departures, in particular Star Entertainment's Group Chief Customer and Product Officer, Mr Hughes.
167. On 27 March 2024, Mr Foster sent an email to the NICC which referred to Ms Katsibouba and Mr Hughes having been "terminated without cause".
168. By contrast, Mr Hughes gave unchallenged evidence that from around the second week of December 2023, he first notified Mr Cooke that he intended to resign, that Mr Cooke asked him to reflect on it over Christmas and that when he came back from the Christmas break he informed Mr Cooke in around the second week of January 2024 that he had not changed his mind. When Mr Hughes was shown the statement in Mr Foster's email to the NICC that "a longstanding team member George Hughes was also terminated without cause a couple of weeks ago", Mr Hughes responded "[i]t's not accurate ... [b]ecause I resigned from my position". Mr Hughes' evidence is accepted.
169. In Ms Katsibouba's case, the announcement of her departure followed discussions that she had initiated in about December 2023 to the effect that she wanted to leave. Mr Cooke, Ms Katsibouba and Mr Weeks all gave evidence to that effect. All of their evidence on this topic is accepted.
170. It is clear from the whole of Ms Katsibouba's evidence in relation to her departure (which is accepted) and from the relevant contemporaneous documents, that Ms Katsibouba's decision to leave Star Entertainment was entirely her own (i.e. in common parlance, a resignation) and that no aspect of her decision to leave was in any way motivated by any concern that the Manager or the NICC had with her conduct or performance.



171. The ASX announcements by Star Entertainment on 22 March 2024 which notified the departure of both Mr Cooke and Mr Katsibouba coincided with media reports that same day of Mr Cooke’s Exit Statement. Mr Cook’s Exit Statement asserted that the NICC’s Chief Commissioner had issues with Mr Cooke’s decision to retain a number of existing executives. The reporting of these statements on the same day may have created an impression that Ms Katsibouba’s departure from Star Entertainment was motivated by a concern that the NICC had with her conduct and performance. If such an impression was created, it was completely false. The truth is that Ms Katsibouba chose to leave Star Entertainment of her own accord.
172. For the reasons outlined, insofar as Mr Foster’s letter to the NICC dated 27 March 2024 may have inadvertently intimated that Mr Hughes or Ms Katsibouba had been terminated by Star Entertainment in order to remove executives with whom the NICC had concerns, that intimation was incorrect.

### ***Conclusion***

173. The nature of the response by Star Entertainment to the Manager’s Reports in January 2024, the communications between Mr Foster and Mr Cooke in early 2024 suggesting action against the Manager and the NICC, and the circumstances of Mr Cooke’s Exit Statement in March 2024 are not isolated instances but reflect a common theme of a combative and antagonistic approach to the NICC and the Manager. They are all illustrations of a new cultural norm or shadow value which emerged at the highest levels of Star Entertainment during the second half of 2023.

### **Assessment of The Culture of The Star and Star Entertainment (see Chapter 11)**

174. The 2022 Review identified and considered serious cultural failures of The Star Entities. It described “a culture which condoned unethical conduct, prioritised business goals over compliance objectives, courted risk and discouraged bad news”.
175. Specific failures of culture identified in the 2022 Report included a culture where business goals took priority over compliance goals, which led to a compromised approach to risk, and where bad news was suppressed. The 2022 Report identified that the (then) Board had little or no understanding of what people did at Star Entertainment “when no-one was watching”.

176. One of the tasks of this Inquiry was to consider what steps The Star Entities have taken to address the deficiencies and failures that were identified in the 2022 Report, the adequacy of those actions and the current state of the culture of The Star Entities.
177. Since the 2022 Report, The Star Entities have had the benefit of a substantial body of cultural learning which has provided insight into how its previous cultural issues had developed and, in many cases, included recommendations for how cultural reform or transformation should be undertaken at The Star Entities. This included work undertaken by Dr Lagan and a report authored by Ms Arzadon dated 16 April 2024. Dr Lagan and Ms Arzadon are experts in organisational culture. Both of them gave evidence to this Inquiry.
178. Despite the passage of almost two years since the 2022 Report, the evidence before the Inquiry indicated that The Star Entities are at the very early stages of cultural transformation. The Star Entities failed to take the opportunity in the first six months following the 2022 Report, described as Dr Lagan as a critical period, to commence true cultural reform. This included a failure to set a compelling internal narrative regarding the need for change.
179. Dr Lagan described culture as typically the reasons why people do what they do in organisations, and as “the length and shadow of the people at the top”. She observed that culture typically emerges in teams, and that there were effectively two cultures at The Star Entities, the culture of the corporate office and culture of the frontline properties.
180. In one significant respect, the culture of The Star Entities has regressed in the period since the 2022 Report, with the emergence of a new shadow value of antagonism towards the regulator, or an “us against them” mentality towards the Manager and the NICC. The new shadow value was not limited to the corporate office of Star Entertainment but had permeated throughout the organisation to the casino properties.
181. The lack of an internal narrative set by the CEO and Board led to employees of The Star believing that regulatory changes were being forced on them by regulators and government, rather than these being changes necessary to prevent criminal infiltration or being consistent with the privilege of holding a casino licence.
182. As noted above by reference to Chapter 10, there was a breakdown in the relationship between The Star Entities on the one hand and the NICC and Manager on the other. At

some point during the second half of 2023, the “tone from the top” became a combative and antagonistic attitude towards both the NICC and the Manager.

183. This is not to say that there has been no positive change at The Star Entities. The Inquiry heard that some (but not all) of the shadow values identified by The Ethics Centre had been eliminated or diminished. There has been some uplift to The Star Entities’ risk management culture, with the introduction of people, processes and systems that are encouraging. Resourcing of the risk function has been bolstered. Evidence to the Inquiry also shows some improved propensity for people to ask “should we?” rather than “can we?”. While these uplifts are to be commended, there is still significant work to be done.
184. The Star Entities accept that their program of cultural transformation both could and should have progressed more quickly. They submit that “cultural change has begun, but has proceeded in a halting manner and not as quickly as might have been hoped” and that while there have also been setbacks, including the fractured relationship with their regulators, “some progress” has been made.
185. Both Ms Arzadon and Dr Lagan told the Inquiry that to embed culture change that is self-sustaining takes between three to five years.
186. The Culture Transformation Program in the Remediation Plan is comprehensive. However, the two-year timeframe for the program is not aligned to a realistic timeframe required to embed cultural change. That is, as presently drafted the plan is unlikely to achieve lasting cultural change but, if implemented over a realistic timeframe and with a re-alignment of priorities, it appears to be one capable of achieving necessary cultural change.
187. Ms Arzadon gave evidence that the changes in leadership at Star Entertainment provide the organisation with “an opportunity to set things in the right direction quite quickly”. Of itself, however, it will not eliminate the “us against them” shadow value. Rather, in order for this shadow value to be eliminated a new mindset and behaviours will need to be implemented and embedded throughout the organisation, including the Board of Star Entertainment and all employees.
188. Dr Lagan drew a distinction between remediation and cultural transformation. The former is “the bare minimum that the regulator expects a regulated entity to adhere to” while the latter:

...re-imagines how people think, feel and act in an organisation. It's about creating a vision of what's possible in a different context where you are responding to what's expected by society and regulators.

189. The 2022 Report observed that Star Entertainment is an organisation of over 8,000 employees and most of those people were diligent, honest, and “doing the right thing”. Similar observations have been made to this Inquiry. Dr Lagan said that for many employees, The Star is their family and talked about the loyalty exhibited by these employees. The Manager said that the majority of employees that participated in focus groups with him and his team “have a real love and passion for the business”. This high degree of staff loyalty is juxtaposed with poor staff morale.
190. The evidence indicates that the front line staff at The Star are loyal to the business and want the organisation to survive. According to Dr Lagan, they are yearning for leadership which “can inspire them and engage them and take them on the changed journey”.

### **Suitability (see Chapter 12)**

#### ***Present suitability***

191. The Star is wholly dependent on Star Entertainment for its governance and resourcing. The suitability of both of The Star Entities is therefore closely linked.
192. In relation to Crown Sydney, the NICC's assessment of suitability took place at the conclusion of a conditional gaming period provided for under a pathway to suitability deed between the NSW Government, the regulator and Crown Sydney and its related entities. The matters identified by the NICC as significant in the assessment of suitability included:
- (a) operational performance and compliance with ICMs;
  - (b) implementation of its remediation plan;
  - (c) governance;
  - (d) relationship with the regulator; and
  - (e) culture.
193. The evidence presented to this Inquiry establishes that, by each of the foregoing measures, The Star is currently falling short of what is required from a suitable casino operator.

194. Whilst some positive matters and opportunities are acknowledged, there have been serious breaches of ICMs by The Star in the period since their introduction in July 2023. Some of the breaches of ICMs by The Star continued for far too long without detection, and one involved deliberate misconduct by employees.
195. While a great deal of thought and work went into the development of the Remediation Plan, milestone due dates specified in the Remediation Plan were too ambitious. Implementation of the Remediation Plan has run into difficulties and delays. Star Entertainment is developing a reset of the Remediation Plan, the content of which remains unclear.
196. As Star Entertainment noted in its response to the Manager’s Reports, Star Entertainment has faced a number of “existential threats” during the Relevant Period. These have included financial crises, legal actions by regulators, class actions and disputes and litigation in relation to the Queens Wharf Brisbane project. The Star requires effective governance to meet its obligations as operator of The Star Casino, as far as possible without the distraction of wider group issues. The Star currently lacks effective governance processes and lacks the necessary degree of independence from Star Entertainment.
197. Meanwhile the Group Leadership Team of Star Entertainment has been dysfunctional during the Relevant Period. There have been a number of departures and resignations of executives, most recently the Chief Risk Officer, Mr Saunders, whose resignation was announced on 31 July 2024.
198. If anything, The Star Entities have a worse relationship with the NICC than they had with ILGA at the time of the 2022 Report. As explained in detail in Chapters 10 and 11, during the second half of 2023 a new cultural shadow value evolved of antagonism to the NICC of “us versus them”. This phenomenon is not limited to the corporate office but extends throughout the organisation. Whilst the most extreme manifestation of this shadow value was the private communications between the former Chair and former CEO of Star Entertainment in early 2024, The Board of Star Entertainment as a whole must accept responsibility for the deterioration in the relationship with the NICC and the Manager and the emergence of this negative shadow value.
199. There has been a material improvement in risk management culture. However, despite almost two years having elapsed since the 2022 Report, cultural reformation is at an early stage and has not been satisfactory.

200. A review of the evidence presented to the Inquiry confirms the assessment made by each of the directors of Star Entertainment that The Star Entities remain presently unsuitable to be concerned in or associated with the management and operation of The Star Casino.
201. The financial suitability of The Star is considered in the accompanying Confidential Report. The overall assessment of the present unsuitability of The Star Entities is not altered by the conclusions reached in relation to financial suitability.

***‘Conditional’ suitability***

202. Notwithstanding the unequivocal, unconditional, and unchallenged assessment of unsuitability made by each of the directors of Star Entertainment in evidence to the Inquiry, in their written submissions The Star Entities contended that they were suitable subject to conditions. They stated that “The Star does not contend that it is currently suitable to hold a licence to operate The Star Casino in its own right”. However, The Star Entities contended that they are presently suitable to be concerned in or associated with the management and operation of The Star Casino in circumstances where a manager remains appointed or “if The Star is subject to a licence in the conditional form proposed to NICC on 12 April 2024”.
203. In its letter to the NICC dated 12 April 2024, The Star proposed, pursuant to section 22(3)(a) of the *Casino Control Act*, that the NICC amend the conditions of The Star’s casino licence to impose additional conditions. The licence amendments proposed by The Star were modelled upon its understanding of the conditions imposed upon Crown Sydney during its conditional gaming period. These proposed conditions provided for a conditional gaming period after the termination of the suspension of The Star’s licence. The additional conditions included The Star appointing an independent monitor approved by the NICC to monitor and report to the NICC.
204. The appointment of the Manager to The Star and the continuation of that appointment is premised on the suspension of The Star’s casino licence due to its unsuitability. It would be inconsistent with that premise for The Star to be found to be suitable on the basis that its licence remains suspended and that a manager remains appointed.
205. The submission that the imposition of licence conditions under section 22 of the *Casino Control Act* could of itself render The Star suitable on a conditional basis is inconsistent with the acknowledgement by The Star in the letter to the NICC dated 12 April 24 that The Star Entities may be able to “return to suitability” after the conditional gaming period

proposed. It is also inconsistent with the approach taken by the NICC to Crown Sydney, which was to assess whether Crown Sydney was suitable after the conditional gaming period concluded.

206. More fundamentally, it is axiomatic that an assessment of suitability means that the casino operator is considered worthy of trust to exercise its powers and to act in accordance with the primary objects of the *Casino Control Act* in section 4A. If it is necessary to have a manager appointed whilst a licence is suspended or to have an independent monitor appointed whilst an entity is undergoing remediation, then it follows that the casino operator is not worthy, or not yet worthy, of that trust.
207. The contention by The Star Entities that they should be assessed as “conditionally” suitable is not accepted.

*Assessment of the present situation*

208. In circumstances in which The Star Entities have been assessed as remaining presently unsuitable, it is appropriate to make an assessment of the present position of The Star Entities. This assessment requires caution. Past conduct carries more weight than assertions of future opportunities or possibilities. The assessment that The Star Entities remain presently unsuitable has necessarily involved an analysis of The Star Entities’ present position.
209. One forward looking assessment can however be ventured with confidence. The directors of Star Entertainment were clear in their view that The Star would require continuing external monitoring or management of some kind after 30 September 2024, when the Manager’s extended term is due to end.
210. In order to explain why it has been determined that The Star Entities remain presently unsuitable it has been necessary to focus on negative matters. It is however appropriate to conclude this Report by acknowledging some positive points.
211. There has been substantial reform of the control environment of The Star Casino, including the development and implementation of revised ICMs and the substantial expansion of the financial crime and risk teams. There has been a material improvement in risk management resources, systems, and culture.

212. Although The Star was without adequate leadership for much of the Relevant Period, Ms Campbell’s appointment as CEO of The Star is likely to improve the operational performance and culture of The Star.
213. Whilst there still remain a number of important leadership positions to be filled, the recent appointments by Star Entertainment of Mr Steve McCann as CEO and Managing Director and Ms Jeannie Mok as Group Chief Operating Officer, subject to the necessary regulatory approvals, are positive steps. Both Mr McCann and Ms Mok had integral roles leading Crown Resorts through its period of remediation. Both Mr McCann and Ms Mok bring important experience and expertise to the process of engagement with regulators, remediation and cultural transformation which will be vital if the NICC decides that The Star should remain as the operator of The Star Casino.
214. Evidence to the Inquiry from a number of sources indicates that the front-line staff at The Star are loyal to the business and want it to succeed. The Ethics Centre in its June 2023 Culture Review stated that the business has “a core group of employees who yearn to be proud of the service they offer”. Dr Lagan said that the front-line staff at The Star wanted leadership that “can inspire them and engage them and take them on the changed journey”. The Star’s employees require and deserve that inspirational leadership. That leadership must be provided by an organisation which is suitable to manage and operate The Star Casino.

## Chapter 1.2 Recommendations

It is recommended that:

1. The NICC give consideration to promoting an amendment to the *Casino Control Act* so as to ensure that section 4B applies to all suitability assessments made by or on behalf of the NICC.
2. The NICC give consideration to promoting an amendment to the *Casino Control Act* in terms similar to that seen in the *Victorian Casino Control Act*, to the effect that in any suitability assessment by or on behalf of the NICC, the NICC must be “clearly satisfied” of the relevant person’s suitability.
3. The NICC note the breaches of ICMs 11 and 12 in connection with the TICO fraud and take such action as it sees fit.



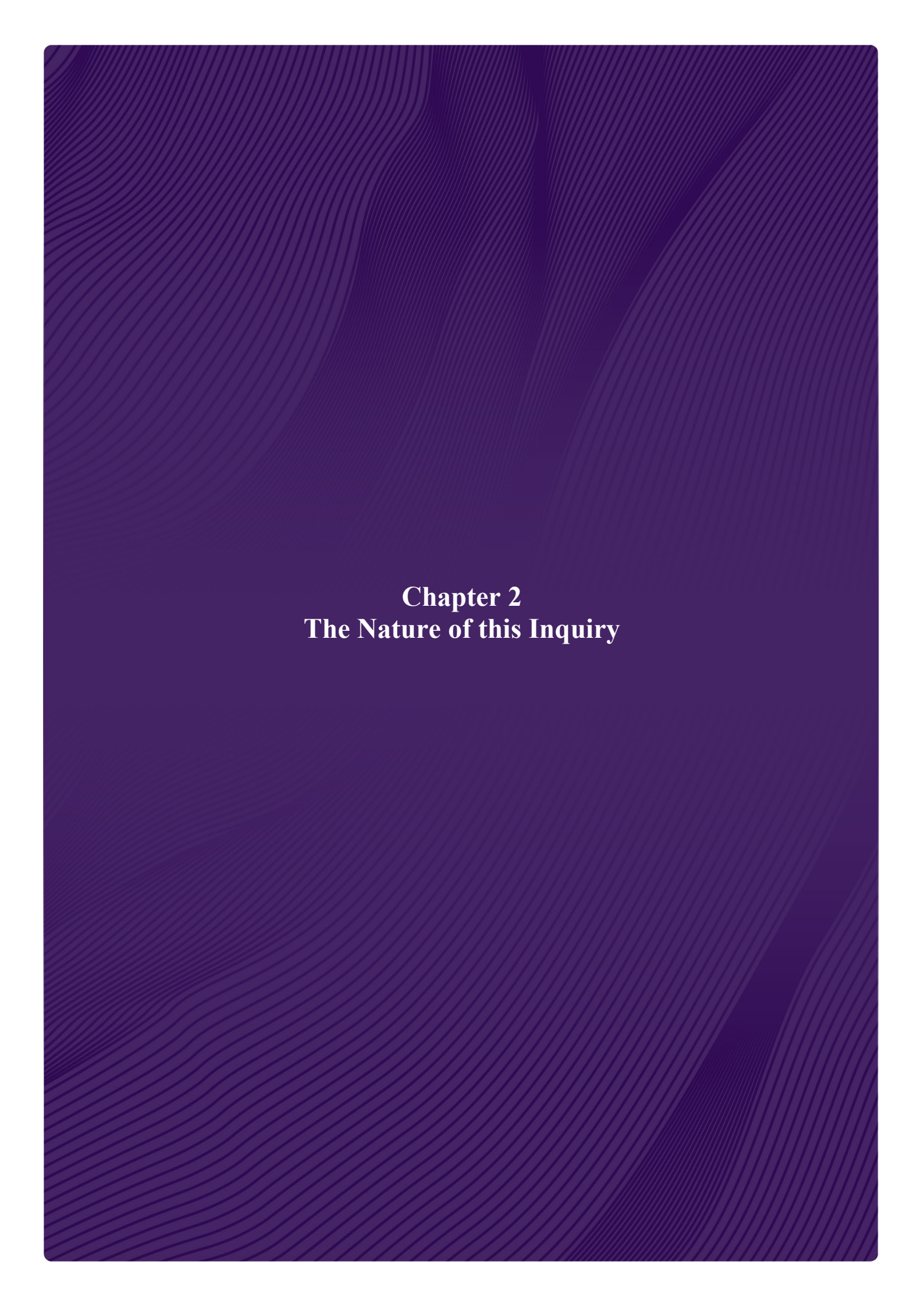
4. The NICC note the breaches of ICM 12 in connection with cash transactions between July 2023 and February 2024 and take such action as it sees fit.
5. The NICC note the breaches of ICM 13 in connection with the Guest Support Officer issue and take such action as it sees fit.
6. The NICC note the breaches of ICM 3 found in the Confidential Report in relation to the process adopted for certain members of the Remediation ECDD cohort and take such action as it sees fit.

The following recommendations are relevant if the NICC decides that The Star should remain as the licensee of The Star Casino:

7. The NICC take steps to require The Star Entities to amend the Constitution of The Star so as to:
  - (a) impose requirements for the independence of the Board of The Star which are no less rigorous than the requirements for independence of the Board of Crown Sydney which the NICC determined to be satisfactory in its Suitability Assessment Decision in relation to Crown Sydney dated 23 April 2024;
  - (b) update, to the extent considered necessary, the duties of the directors of The Star specified in the Constitution to emphasise their responsibility to use their best endeavours and to take all reasonable steps to ensure that the operations of The Star Casino comply with the conditions of The Star's casino licence and all regulatory agreements with the NICC; and
  - (c) specify an appropriate cadence for meetings of the Board of The Star which is consistent with the discharge by the directors of The Star of their legal obligations.
8. The NICC take steps to update Control 28 of ICM 2 to require that the Compliance Committee of The Star has a reporting and escalation pathway to the Board of The Star.
9. The NICC take steps to amend ICM 3, with a view to ensuring that ICM 3 specifies in detail the steps which The Star is required to undertake in order to carry out source of wealth checks as part of the ECDD process.
10. The NICC note the need for Star Entertainment, as part of the planned reset of the Remediation Plan, to prioritise those action items relevant to improving the efficacy of the

GLT and the Board (including, without limitation, GLT and Board coaching, training and education), and take such action as it sees fit.

11. The NICC note the need for Star Entertainment to implement a charter for the GLT that imposes governance requirements designed to ensure the efficient and effective operation of that group, and take such action as it sees fit.
12. The NICC note the need for Star Entertainment to review the operating effectiveness of the GLT and take such action as it sees fit.



**Chapter 2**  
**The Nature of this Inquiry**

## Chapter 2. The Nature of this Inquiry

### Chapter 2.1 Instrument of Appointment

1. The NICC established this Inquiry by Instrument of Appointment dated 19 February 2024. A copy of the Instrument of Appointment is Appendix A to this Report.
2. The Instrument of Appointment was an appointment under sections 143(1) and 143A of the *Casino Control Act* to conduct an inquiry for the purpose of the exercise of the NICC's functions, including under sections 30 and 141 of the *Casino Control Act*.
3. These sections of the *Casino Control Act* were considered in Chapter 4.1 of the 2022 Report and are discussed further in Chapter 3.
4. The Inquiry has the powers, authorities, protections and immunities conferred on a commissioner by Division 1 of Part 2 of the *Royal Commissions Act*, as provided by section 143A(1)(a) of the *Casino Control Act*. The Inquiry also has the powers and authorities conferred on a commissioner by Division 2 of Part 2 of the *Royal Commissions Act* (except for sections 17(4) and (5)), as provided by section 143A(1)(b) of the *Casino Control Act* and the Instrument of Appointment.
5. These powers, authorities, protections and immunities were also considered in Chapter 4.1 of the 2022 Report.
6. The Instrument of Appointment originally required that a report be made to the NICC by 31 May 2024. The reporting date was extended to 31 July 2024 in the circumstances described below in section 2.3.

### Chapter 2.2 Terms of Reference

7. The Instrument of Appointment annexed the Terms of Reference pursuant to which the Inquiry was to be undertaken. A copy of the Terms of Reference is Appendix B to this Report.
8. Paragraph 1 of the Terms of Reference required an assessment of the suitability of The Star and its close associate, Star Entertainment, to be concerned in or associated with the management and operation of The Star Casino in Sydney.

9. Unlike the Updated Terms of Reference governing the 2022 Review, the Terms of Reference for this Inquiry focused attention only on The Star and Star Entertainment. No assessment of the suitability of any other close associate of The Star was required by the Terms of Reference for this Inquiry.
10. As discussed in Chapter 8 of the 2022 Report,<sup>1</sup> Chow Tai Fook and Far East Consortium are joint venture partners with Star Entertainment in the Queens Wharf Brisbane integrated resort development and the Dorsett Hotel and Residences project on the Gold Coast in Queensland. They also collectively hold approximately 6.33% of the issued share capital in Star Entertainment.<sup>2</sup> On 5 April 2024 the NICC notified the Solicitors Assisting the Inquiry that consideration of Chow Tai Fook and Far East Consortium was excluded from the scope of the Terms of Reference.<sup>3</sup>
11. The assessment of suitability brings a very broad range of criteria into consideration. These criteria are considered further in Chapter 3.
12. The assessment of suitability by this Inquiry does not involve any consideration of what decisions, if any, should be made in relation to the casino licence held by The Star, its continuation or its conditions. The assessment of suitability by this Inquiry may inform decisions on these matters by the NICC, but those decisions are for the NICC to make. This was common ground between Counsel Assisting<sup>4</sup> and The Star Entities.<sup>5</sup>
13. In addition to the ultimate question of suitability, the Terms of Reference required consideration of the following particular matters:
  - (a) the 2022 Report and its recommendations and the response of The Star Entities to the 2022 Report and its recommendations (paragraph 2);
  - (b) the culture of The Star Entities, including risk management culture (paragraph 3.1);
  - (c) whether The Star has or is able to obtain financial resources that are both suitable and adequate for ensuring the financial viability of The Star Casino (paragraph 3.2);
  - (d) the management and reporting lines of The Star Entities (paragraph 3.3); and
  - (e) compliance by The Star with its ICMs 3, 11 and 12 (paragraph 3.4).
14. The Star's ICMs 3, 11 and 12 deal with the following matters:

- (a) ICM 3: Customer Probity;
  - (b) ICM 11: Cage & Revenue; and
  - (c) ICM 12: AML & CTF.
15. Apart from these ICMs, an issue which loomed large in the hearings of the Inquiry involved ICM 13: Responsible Gambling & Exclusions. This was because of the relatively recent discovery in January 2024 of guest support officers at The Star failing to intervene as required by ICM 13 to prevent patrons from playing a gaming machine or electronic table game for more than three continuous hours. It also involved guest support officers then falsifying records to wrongly state that an intervention had in fact occurred. This serious issue was relevant to the overall assessment of suitability under paragraph 1 of the Terms of Reference.
16. Paragraph 4 of the Terms of Reference provided that the scope of the Inquiry was from the date of the 2022 Report (31 August 2022) until the conclusion of this Inquiry.

### **Chapter 2.3 The Context of this Inquiry**

17. This Inquiry is taking place in an unusual context, occurring less than two years after the 2022 Report and whilst The Star's casino licence is suspended following disciplinary action by the NICC consequent upon the 2022 Report.
18. The 2022 Report concluded that The Star and Star Entertainment were unsuitable to be concerned in or associated with the management and operation of a casino in NSW. The factors which resulted in The Star and Star Entertainment being found to be unsuitable included extremely serious governance, risk management and cultural failures, misleading and concealing material information from the regulator, creating the circumstances in which an entity with likely links to organised crime was conducting cage operations at The Star Casino, providing false and misleading information and documents to banks and breaching its ICMs on numerous occasions.
19. Ms Ward, the current Chair of Star Entertainment, agreed that it would be hard to imagine more serious misconduct in a casino than what was disclosed in the 2022 Report.<sup>6</sup> So too did Mr Issenberg, who has been a director of Star Entertainment since July 2022.<sup>7</sup>
20. Since the 2022 Report, and as discussed in Chapter 4, on 17 October 2022 the NICC indefinitely suspended The Star's casino licence, fined the casino \$100 million, and

appointed the Manager pursuant to section 28 of the *Casino Control Act* to hold the licence for The Star Casino and to manage its operations. The Manager was initially appointed for a term of 90 days, but his term has periodically been extended and now expires on 30 September 2024, almost two years after his initial appointment.

21. Since the 2022 Report, the entire Board of Star Entertainment has been replaced, as have most of its senior executives. As discussed in Chapters 6 and 11, a root cause analysis of the most serious matters revealed in the 2022 Report has been undertaken, as well as a review and several other assessments of the culture of the organisation.
22. As discussed in Chapters 4 and 6, Star Entertainment has developed a Remediation Plan in consultation with the Manager. There were five versions of the Remediation Plan. The fifth version of the Remediation Plan was provided to the Manager and submitted to the NICC and OLGR on 5 October 2023. It was approved by the Queensland Attorney General on 23 November 2023. Intensive remediation work is underway but is still at a relatively early stage.
23. The assessment of suitability required of this Inquiry is therefore an assessment of the suitability of two entities quite recently found to have engaged in extremely serious misconduct and which, as a result, are currently undergoing intensive remediation. The Star's casino licence is suspended, and the Manager remains appointed.
24. An assessment of suitability is an assessment of suitability at a particular date, typically the date of the relevant report. A question in the current context is the extent, if at all, to which it is necessary or appropriate to venture an assessment of current progress towards suitability. That question is discussed in Chapter 3.

### **Chapter 2.4 Procedural Steps in this Inquiry**

25. As the Inquiry required an assessment of whether The Star has, or is able to obtain, financial resources that are both suitable and adequate for ensuring the financial viability of The Star Casino, the Solicitors Assisting engaged KordaMentha on 26 February 2024 to report on those matters.
26. It was initially intended that the Inquiry would conduct private hearings. On 20 March 2024, the Solicitors Assisting notified the NICC that the Inquiry had determined that it was in the public interest that the hearings of the Inquiry be primarily in public. In order to

accommodate public hearings, an extension of time was sought from, and granted by, the NICC for the report by the Inquiry to be provided by 31 July 2024.

27. Between 27 February 2024 and 12 April 2024, the Inquiry conducted nine private interviews.
28. Between 20 February 2024 and 12 July 2024, the Inquiry issued 18 Requests for Information to The Star Entities. The Requests for Information were answered between 4 March 2024 and 18 July 2024.
29. A Document Production Guideline was issued by the Inquiry on 22 February 2024. An updated version of the Document Production Guideline was issued by the Inquiry on 28 March 2024. A copy of this updated guideline is Appendix C.
30. Between 20 February 2024 and 19 July 2024, the Inquiry issued 67 Summonses to Produce Documents, of which 59 were issued to The Star Entities.
31. The Inquiry received four submissions from interested persons, on 11 April 2024 and 15 April 2024, and two on 17 May 2024. All of these submissions received careful consideration.
32. Apart from the NICC and L&GNSW, the Inquiry received co-operation, information and assistance from the following:
  - (a) NSW Police Force;
  - (b) NSW Crime Commission;
  - (c) Australian Federal Police;
  - (d) AUSTRAC;
  - (e) OLGR; and
  - (f) The Office of the Special Manager for the Melbourne Casino Operator.

### **Chapter 2.5 Hearings**

33. Procedural Guidelines Relating to Hearings of the Inquiry were issued on 1 March 2024. A copy of these guidelines is Appendix D.



34. The hearings of the Inquiry commenced on 15 April 2024 and took place in a virtual hearing room. The evidence was heard over 13 days from 15 April 2024 to 3 May 2024. This included evidence heard in private hearings in respect of confidential matters, principally evidence relating to the financial viability of The Star.
35. In addition to The Star Entities, leave to appear at all hearings was granted to the Manager, Mr Nicholas Weeks. Leave to appear at the public hearings was granted to the former CEO of Star Entertainment, Mr Robert Cooke. Leave to appear was granted to Mr Weeks and to Mr Cooke on terms which included that they were not permitted to ask questions of other witnesses without prior leave of the Inquiry.
36. A list of the witnesses and the dates on which they appeared at the hearings is at Appendix F. All witnesses attended in answer to a Summons to Attend issued by the Inquiry pursuant to section 8 of the *Royal Commissions Act*. This meant that the evidence given by all witnesses was subject to the terms of section 17 of the *Royal Commissions Act*.
37. All persons with leave to appear and all other persons who were called to give evidence at the public hearings of the Inquiry were invited to provide closing submissions.
38. Closing submissions were heard over five days between 13 May 2024 and 22 May 2024. Oral closing submissions were provided in public hearings and, where necessary, in private hearings. Oral and written closing submissions were made by Counsel Assisting and counsel for The Star Entities, Ms Ravneet Townsend, Mr David Foster, and Mr Robert Cooke.
39. In addition, written closing submissions were received from Ms Christina Katsibouba, Ms Betty Ivanoff and Mr Giovanni Rizzo.

## Endnotes

- <sup>1</sup> **Exhibit A-264** (INQ.5002.0002.0001 at .0168-.0169).
- <sup>2</sup> ASX Announcement: Notification of Change in Substantial Shareholdings, 10 October 2023.
- <sup>3</sup> (INQ.5002.0012.0228).
- <sup>4</sup> Counsel Assisting’s Oral Submissions: Day 14, T867.26-37.
- <sup>5</sup> The Star Entities’ Oral Submissions: Day 16, T920.37-43.
- <sup>6</sup> Ward: Day 9, T694.43-47.
- <sup>7</sup> Issenberg: Day 9, T786.35-39.



**Chapter 3**  
**The Test of Suitability**

# Chapter 3. The Test of Suitability

## Chapter 3.1 General Principles

1. The test of suitability was considered in detail in Chapter 6 of the 2022 Report. In closing submissions to this Inquiry, The Star Entities said that they agreed with what was there stated.<sup>1</sup> General principles there set out are summarised below.
2. Whilst there is no general definition of “suitable person” or “suitability” in the *Casino Control Act*, section 12(2) of the *Casino Control Act* sets out a number of matters which the NICC is required to take into account in forming a view as to whether an applicant for a licence, and each of its close associates, is a suitable person to be concerned in or associated with the management and operation of a casino. These matters are also relevant in conducting a review of the ongoing suitability of a licensee and its close associates. They are not the only matters which are relevant.<sup>2</sup>
3. The factors which the NICC is required to consider under section 12(2) of the *Casino Control Act* are whether:
  - (a) each of those persons is of good repute, having regard to character, honesty and integrity;
  - (b) each of those persons is of sound and stable financial background;
  - (c) in the case of an applicant that is not a natural person, it has or has arranged a satisfactory ownership, trust or corporate structure;
  - (d) the applicant has or is able to obtain financial resources that are both suitable and adequate for ensuring the financial viability of the proposed casino;
  - (e) the applicant has or is able to obtain the services of persons who have sufficient experience in the management and operation of a casino;
  - (f) the applicant has sufficient business ability to establish and maintain a successful casino;

- (g) any of those persons has any business association with any person, body or association who, in the opinion of the NICC, is not of good repute having regard to character, honesty and integrity or has undesirable or unsatisfactory financial sources; and
  - (h) each director, partner, trustee, executive officer and secretary and any other officer or person determined by the NICC to be associated or connected with the ownership, administration or management of the operations or business of the applicant or a close associate of the applicant is a suitable person to act in that capacity.
4. Whilst again not attempting to state the obligations exhaustively, a suitable person to be concerned in or associated with the management or operation of a casino must:
- (a) obey the law;
  - (b) act honestly;
  - (c) deter illegal and immoral behaviour that may take place in a casino;
  - (d) not exploit people who come to the casino to gamble;
  - (e) take active measures to minimise the harm caused by gambling; and
  - (f) cooperate fully and candidly with the regulator and with government.<sup>3</sup>
5. Any of the following types of misconduct are likely to mitigate against a finding of suitability:
- (a) misleading a licensing authority;
  - (b) failing to cooperate with the regulator during an investigation;
  - (c) criminal conduct, especially conduct that arose while carrying out functions permitted by the licence; and
  - (d) failing to comply with relevant statutory requirements that regulate the licensed activities.<sup>4</sup>

6. Past conduct can be relevant to an assessment of present suitability. It may expose deficiencies in systems and processes which, if not addressed, point to present, continuing unsuitability. Past conduct may also reflect on questions of character or reputation.<sup>5</sup>
7. Furthermore, an assessment of present suitability calls for consideration of likely future conduct and capacity. A person will only be presently suitable if they have the capacity and will continue to discharge the responsibilities of their licence going forward.<sup>6</sup>
8. The extent to which the evidence demonstrates conformance or nonconformance with the attributes of a suitable person over time is a relevant consideration for assessing the likelihood that a person will meet the expected standard of conduct in the future. However, isolated examples of misconduct may also provide evidence from which an assessment of likely future conduct may be made.<sup>7</sup>
9. If past misconduct has occurred, then a determination of present suitability would require evidence of at least:
  - (a) rectification of the impediments to suitability;
  - (b) demonstration of an appreciation of what had miscarried in the past and the operator's ability to identify the issues to be addressed; and
  - (c) the resolve and capacity of those who govern and manage the organisation to bring about the changes needed in a timely and effective way.
10. The first factor to be considered under section 12(2) of the *Casino Control Act* is whether the relevant person is of good repute, having regard to character, honesty and integrity. "Character" provides an indication of likely future conduct and "reputation" provides an indication of public perceptions as to likely future conduct of the person. However, precise definitions of "character, honesty and integrity" may not be appropriate or possible.<sup>8</sup>
11. One important criterion against which to assess a casino operator's "character, honesty and integrity" will be to pay close attention to the way in which the operator communicates and deals with the regulator. The requirement to cooperate fully and candidly with the regulator and to be honest, open, competent and accountable in dealings with the regulator has been repeatedly emphasised in recent casino inquiries.<sup>9</sup> A licence to operate a casino confers very considerable privileges and carries extensive responsibilities. If a casino operator or close associate fails to act honestly and candidly with the regulator, neither the regulator

nor the public can have trust or confidence in the capacity of that person to exercise those privileges responsibly.

12. Instances where the casino operator is anything but frank and candid with the regulator need to be closely and carefully assessed against the non-exhaustive considerations of:
  - (a) the context and circumstances of any misrepresentation to the regulator;
  - (b) the nature of the facts and matters which have been misrepresented;
  - (c) any relevant aggravating factors such as the level of deliberateness or awareness of any misrepresentation;
  - (d) any relevant mitigating factors such as, for example, whether any steps were taken by the casino operator to correct an incorrect representation or misleading impression (conversely, failure to correct may be seen as an aggravating factor); and
  - (e) whether the misrepresentation was an isolated incident or is part of a broader pattern or trend of the operator's dealings with the regulator.<sup>10</sup>
  
13. In assessing the suitability of a corporation there are two complementary and relevant approaches to the analysis, which have been described as the traditional and broader approaches. The traditional approach focuses on the individuals who are the directors, officers and employees of the corporation. It recognises that a corporation acts through individuals, so the assessment of the suitability of the individuals on the Board and the executive team is important to the assessment of the corporation's suitability as a whole. These individuals are normally close associates of the corporation and must be suitable in order for the corporation to be considered suitable. Furthermore, the conduct of all employees who are exercising judgment in relation to the operation or management of the casino will be relevant to the assessment of suitability.<sup>11</sup>
  
14. The broader approach recognises the importance of the systems, policies and patterns of behaviour of the corporation and emphasises consideration of corporate culture.<sup>12</sup> Individuals may be honest and hard-working, but the character, honesty and integrity of the corporation also require assessment by reference to its systems, policies and practices, as embedded in its daily activities.

15. If a corporate licensee is dependent on a parent company or other companies within a corporate group for its resourcing, compliance and decision-making, then a close review of those other companies will be relevant and necessary in considering the suitability of the corporate licensee. The governance and culture of the group of companies requires analysis in these circumstances.<sup>13</sup>

### Chapter 3.2 Financial Suitability

16. The Terms of Reference require specific consideration of the financial suitability of The Star, or, more precisely, whether The Star has or is able to obtain financial resources that are both suitable and adequate for ensuring the financial viability of The Star Casino. This formulation adopts the language of section 12(2)(d) of the *Casino Control Act*.
17. A substantially similar requirement exists under the Victorian, Queensland, Tasmanian and Northern Territory legislation, the only difference being that those Acts refer to financial resources that are adequate (rather than adequate *and suitable*).<sup>14</sup> The South Australian legislation is also similar and requires consideration of “the extent of the applicant’s financial resources and whether they are suitable and adequate to ensure the financial stability of the casino”.<sup>15</sup>
18. The Western Australian legislation is somewhat different. It includes a requirement that the Minister consider the “financial status” of an applicant before entering a “casino complex agreement”.<sup>16</sup>
19. The final report of the Perth Casino Royal Commission dated 4 March 2022 made the following observations about the legislative intent of the provisions of the Western Australian legislation which relate to the assessment of the “financial status” of a casino licensee:<sup>17</sup>

[20] The CC Act’s concerns with the financial status of a casino licensee (and the reputation, financial status, and capacity of its employees), and provision for close supervision of the conduct of casino gaming, indicates that maintaining public confidence and trust in the credibility, integrity and stability of gaming was another regulatory objective. Common experience suggests that continued patronage of a gaming establishment would be threatened by concerns about observance of playing rules (integrity) and the capacity to pay out on winnings (stability). Both of these threats would in turn threaten the trustworthiness of the gaming operations (credibility). Such threats could have a deleterious effect on government revenues, employment opportunities and economic benefit generally.

[21] A legislative concern to establish a licensee’s financial status is consistent with an intention to ensure that only persons with the financial capacity properly to operate a casino would do so. The concern to investigate the natural persons who would operate the casino on behalf of the licensee suggest a desire to ensure that



those persons would act in a socially responsible and lawful manner and would not be corrupted easily by criminal elements.

20. The PCRC Report observed that consideration of a casino licensee’s “financial status” imported public policy considerations. Although the legislative regime in Western Australia is somewhat different to that in place in NSW, the test in NSW similarly imports public policy considerations. Whether a casino operator has “adequate” financial resources is not merely a matter of being likely to remain solvent. The legislative intention is that only persons with the financial capacity to *properly* operate a casino should be permitted to do so. The proper operation of a casino in NSW requires that the casino operator has adequate financial resources to achieve the primary objects set out in section 4A of the *Casino Control Act*. The casino operator must have adequate financial resources so that it is demonstrably able to:
- (a) ensure that the management and operation of the casino remains free from criminal influence and exploitation;
  - (b) ensure that it prevents money laundering and terrorism financing activities within the operations of the casino;
  - (c) ensure that gaming in the casino is conducted honestly;
  - (d) minimise harm to individuals and families from activities associated with gambling in casinos; and
  - (e) contain and control the potential of the casino to cause harm to the public interest and to individuals and families.
21. In assessing the adequacy of financial resources, it may be relevant to consider past conduct. In particular, failures on the part of the casino operator to comply with the *Casino Control Act* and discharge the public policy obligations outlined above, which were caused or contributed to by a lack of adequate financial resources, may point to ongoing concerns regarding financial capacity.
22. Just as an assessment of present suitability in general calls for consideration of likely future conduct, so too an assessment of the adequacy of the financial resources of the casino operator involves consideration of likely future conduct and capacity. This was common ground between Counsel Assisting and Counsel for The Star Entities.<sup>18</sup> The statutory

language in section 12(2)(d) is “the applicant has *or is able to obtain* financial resources” (emphasis added). The phrase “is able to obtain” includes attention to future capacity.

23. In relation to the “suitability” of the financial resources, that limb of section 12(2)(d) draws attention to the source of those resources. The requirement in the NSW legislation to consider whether the casino operator’s financial resources are not only adequate but also suitable stems from the analysis by Sir Laurence Street AC KCMG in his 1991 report into the establishment and operation of legal casinos in NSW.<sup>19</sup> There, Sir Laurence recommended that the statutory language of “adequate financial resources” be amended to “adequate *suitable* financial resources” (emphasis added). The purpose of that amendment was to “ensure that sources of finance are free from taint”.<sup>20</sup> By “free from taint”, Sir Laurence was referring to probity considerations, designed to protect casinos from criminal influence and exploitation.
24. In assessing financial viability, the test in section 12(2)(d) and the Terms of Reference requires that attention be focused on whether the relevant person (in this instance, The Star) has, or is able to obtain, financial resources that are both suitable and adequate for *ensuring* the financial viability of The Star Casino (emphasis added). The *Macquarie Dictionary* defines “ensure” as:
  1. to secure, or bring surely, as to a person ...
  2. to make sure or certain to come, occur etc. ...
  3. To make secure or safe, as from harm.
25. Apart from emphasising that the assessment of financial viability includes a forward-looking assessment, the use of the word “ensuring” in section 12(2)(d) means that in making an assessment, it must be concluded that the financial resources of the relevant person are both suitable and adequate to make its financial viability secure, safe and certain.
26. In assessing the financial viability of an entity such as The Star, which is a wholly owned subsidiary in a group of companies of which Star Entertainment is the ultimate holding company, it is appropriate to take into account the financial viability of the broader corporate group.<sup>21</sup>
27. There is also a question as to how financial viability fits in with a broader assessment of suitability. Whilst an assessment of suitability is a holistic evaluation, it is difficult to see how a casino operator, or an applicant for a casino licence, could be considered suitable if it was not assessed as having or being able to obtain financial resources that are suitable and adequate for ensuring financial viability. Financial viability is a criterion required by

section 12(2) of the *Casino Control Act*. As The Star Entities observed in their written submissions, while the sub-paragraphs of section 12(2) are not cast as being necessary or sufficient criteria, each is self-evidently an important characteristic, the absence of which is liable to tend against a finding of suitability.<sup>22</sup> However, if a casino operator, or an applicant for a casino licence, has financial resources to ensure financial viability, the casino operator or applicant may nevertheless be unsuitable on other grounds unconnected to its financial resources.

### Chapter 3.3 Recent amendments to the *Casino Control Act*

28. A number of amendments to the *Casino Control Act* since the 2022 Report are relevant to the suitability calculus.
29. Section 4A(1) of the *Casino Control Act* identifies the primary objects of the Act. Section 4A(2) states that all persons having functions under the *Casino Control Act* are required to have due regard to the objects referred to in subsection (1) when exercising those functions. The *2022 Amendment Act* introduced two additional primary objects of the Act. These are:
  - (a) ensuring that each casino operator prevents money laundering and terrorism financing activities within the operations of the casino;
  - (b) minimising harm to individuals and families from activities associated with gambling in casinos.
30. These amendments to section 4A require that specific attention be given in the assessment of suitability to steps taken to ensure the prevention of money laundering and terrorism financing activities and to minimise harm associated with gambling.
31. Section 4B of the *Casino Control Act* was introduced by the *2022 Amendment Act*. It provides:

#### **Obligations in relation to assessment of suitability**

- (1) This section applies if, under this Act, the NICC is required to be satisfied of, or form an opinion about, the suitability of an applicant for a licence, a casino operator, a close associate, a special employee or another person (all relevant persons)—
  - (a) to be concerned in or associated with the management or operation of a casino, or
  - (b) to give effect to a casino licence and this Act.
- (2) The onus is on the relevant person to—
  - (a) give the NICC clear and convincing evidence of the relevant person's suitability in relation to the assessment to be made by the NICC, and

- (b) make a full and frank disclosure of any information relevant to the assessment, including any information requested by the NICC in relation to the assessment.
- 32. Section 4B received considerable attention in submissions made by both Counsel Assisting and Counsel for The Star Entities. It is considered in detail in Chapter 3.4 below.
- 33. Statutory force has now been given to the casino operator's obligations to cooperate with the NICC due to the introduction of section 22C by the *2022 Amendment Act*. Section 22C(1) provides that a casino operator must, in the management and operation of the casino, cooperate with the NICC in relation to the NICC exercising its functions under the Act. Section 22C(2) states that cooperation with the NICC includes, without limitation:
  - (a) the full and frank disclosure by the casino operator of any information requested under this Act by the NICC, and
  - (b) a requirement for the casino operator to give the NICC written notice of any breach, or likely breach, of any of the following by the casino operator or a close associate of the casino operator –
    - (i) this Act,
    - (ii) the casino operator's casino licence,
    - (iii) an agreement to which the Crown and a casino operator are parties, and
  - (c) a requirement for the casino operator to give the NICC written notice of any material breach, or likely material breach, of an Act of NSW or the Commonwealth that regulates casino operations, including provisions dealing with anti- money laundering or counter-terrorism financing, by–
    - (i) the casino operator, or
    - (ii) all the holding company of the casino operator, or
    - (iii) any related bodies corporate of the casino operator that operator casino in another jurisdiction.
- 34. This provision emphasises the importance of considering the extent of the casino operator's cooperation with the NICC and the full and frank disclosure of relevant information in any assessment of suitability.

### **Chapter 3.4 Section 4B of the *Casino Control Act***

- 35. In their submissions in chief, Counsel Assisting submitted that section 4B of the *Casino Control Act* was noteworthy because it places the onus on the relevant person to furnish evidence of suitability, provides that the evidence of suitability must be clear and convincing, and emphasises that the obligation is on the relevant person to make full and frank disclosure of relevant information.
- 36. Counsel Assisting submitted that section 4B of the *Casino Control Act* is relevant because this Inquiry was constituted for the purposes of the exercise of the NICC's functions in

accordance with section 143 of the Act and thus, although the Inquiry is not a regular review of suitability under section 31 of the Act, by virtue of section 143 and the Inquiry's Terms of Reference, it constitutes a suitability review for the purposes of section 4B.<sup>23</sup> Even if that were wrong, Counsel Assisting submitted that the policy reflected in section 4B would inform the Inquiry's approach to the concept of suitability.<sup>24</sup> Counsel Assisting noted<sup>25</sup> that the purpose of section 4B was recorded in the relevant Explanatory Note as being to "place an onus on applicants to provide clear and convincing evidence of suitability for suitability assessments made by the NICC under the Act".<sup>26</sup> Thus, whilst section 4B may have other consequences, Counsel Assisting submitted that it meant that a conclusion of suitability by this Inquiry must be based on clear and convincing evidence.

37. The Star Entities submitted that the true position in relation to section 4B is somewhat more nuanced.<sup>27</sup> The Star Entities submitted that section 4B does not apply to this Inquiry because "[n]o occasion has arisen which engages s 4B(1) of the Act".<sup>28</sup> The Star Entities submitted that section 4B was not engaged because, first, this Inquiry was not an assessment of suitability by the NICC and the Inquiry was not forming any opinion or state of satisfaction on behalf of the NICC for the purposes of the *Casino Control Act*.<sup>29</sup> Secondly, for section 4B to be engaged, The Star Entities contended that the NICC must be presently subject to a *requirement* under the Act to be satisfied of, or to form an opinion about, the suitability of The Star or Star Entertainment to be concerned in or associated with the management or operation of a casino or to give effect to a casino licence and the *Casino Control Act*.<sup>30</sup> In particular, The Star Entities noted that this Inquiry is not a review of suitability under section 31 of the Act, pursuant to which the NICC "must" investigate and form an opinion as to whether, among other things, the casino operator is a suitable person to continue to give effect to the casino licence and the *Casino Control Act*.<sup>31</sup>
38. The Star Entities also observed that the language of "onus" is familiar from adversarial litigation, which involves the determination of issues by reference to the allocation of an onus and standard of proof. The Star Entities submitted that there was no analogue of that process in an inquiry such as this, which is engaged in an evaluative assessment of suitability.<sup>32</sup>
39. It was common ground between Counsel Assisting and Counsel for The Star Entities that this Inquiry's assessment of The Star Entities' suitability may inform any decisions that the NICC might subsequently make about The Star's casino licence, its continuation or its conditions.<sup>33</sup>

40. Counsel for The Star Entities also acknowledged that any subsequent consideration of this Inquiry’s Report by the NICC in its deliberations could well engage section 4B of the *Casino Control Act*.<sup>34</sup> Nonetheless, The Star Entities submitted that this was a matter for the NICC, and this Inquiry must not anticipate the NICC’s deliberations in that regard or “pretend to be the NICC” by applying the test under section 4B which The Star Entities contend is for the NICC, and not for this Inquiry.<sup>35</sup>
41. In reply, Counsel Assisting made two particular submissions. The first was that the application or otherwise of section 4B was not determinative of any of the submissions that were made by Counsel Assisting regarding findings or conclusions that the Inquiry was asked to reach.<sup>36</sup> The second submission was that, although it is therefore unnecessary for the Inquiry to decide one way or the other, the better view is that section 4B of the *Casino Control Act* does apply because, in short, the NICC is required, on an ongoing basis, to be satisfied of The Star Entities’ suitability, or at least to form an opinion about it, and thus this Inquiry, as an exercise of the NICC’s functions, is undertaking work that is sufficient to engage section 4B of the Act.<sup>37</sup>
42. Section 4B of the *Casino Control Act* followed Recommendation 12 of the Bergin Inquiry, namely:<sup>38</sup>

The *Casino Control Act* be amended to impose on any applicant for a casino licence an express requirement to prove that it is a suitable person by providing to the [Independent Casino Commission] “clear and convincing evidence” of that suitability. This should apply to all suitability assessments under the *Casino Control Act*, including in the context of retaining a casino licence or in any five yearly review or for approval as a close associate.

43. The context of that recommendation was that Commissioner Bergin had noted that the NICC’s predecessor, ILGA, when considering an application for a casino licence under the *Casino Control Act*, was “required to have regard to the statutory indicia of suitability”, but “[t]here is presently no express statutory onus on the applicant”.<sup>39</sup>
44. In that regard, Commissioner Bergin wrote:<sup>40</sup>
- Chapter 23K of Massachusetts General Laws provides helpful guidance. Section 13 provides that an applicant for a gaming licence is required to “establish its individual qualifications for licensure to the commission by clear and convincing evidence”.
45. The Bergin Inquiry’s Recommendation 12, quoted above, referred expressly both to an “applicant” for a casino licence and also to “all suitability assessments under the *Casino Control Act*”. This Inquiry is conducting a suitability assessment under the *Casino Control*

*Act* and may well be an assessment for the purposes contemplated by Commissioner Bergin’s Recommendation 12.

46. However, the language which made its way into section 4B of the *Casino Control Act* was that the section applies “if, under this Act, the NICC is required to be satisfied of, or form an opinion about, the suitability of an applicant for a licence, a casino operator, a close associate, a special employee or another person”.
47. It is clear that this Inquiry is exercising the functions of the NICC under sections 30 and 141 of the *Casino Control Act*. The Inquiry’s Instrument of Appointment expressly states as much.
48. However, it is not clear that the formation and work of this Inquiry gives rise to a circumstance where the NICC, for the purposes of section 4B(1) of the *Casino Control Act*, “is required to be satisfied of, or form an opinion about, the suitability of ... a casino operator” (emphasis added).
49. The Instrument of Appointment constitutes an inquiry “for the purpose of the exercise of the NICC’s functions, including under sections 30 and 141 of the Act”. Notwithstanding the use of the word “including” in the Instrument of Appointment, this Inquiry is not constituted for the purposes of the periodic review of The Star’s casino licence under section 31 of the *Casino Control Act*. That is tolerably clear both from the absence of an express reference to section 31 in the Instrument of Appointment and from the unusual context of this Inquiry to which reference has already been made.
50. Had this been an inquiry constituted for the purpose of the exercise of the NICC’s functions under section 31 of the *Casino Control Act*, there is no doubt that section 4B would have been engaged. In a review of a casino licence under section 31, the NICC is required to form an opinion as to whether or not the casino operator is a suitable person to continue to give effect to the casino licence and the *Casino Control Act*. That is directly captured in the language employed in section 4B(1)(b).
51. Neither section 30 nor section 141 of the *Casino Control Act*, which are in terms referred to in the Instrument of Appointment, expressly requires the NICC to be satisfied of or form an opinion about the suitability of The Star or its close associate, Star Entertainment. Section 30 relevantly provides for the NICC to investigate a casino at any time that it thinks

it desirable to do so and to take whatever action under the *Casino Control Act* it considers appropriate in light of the results of that investigation.

52. Section 141 identifies the functions of the NICC under the *Casino Control Act* which include, in sub-section (1), such functions as are necessary or convenient to enable it to achieve its objects under the legislation and, in sub-section (2)(c), to keep under constant review all matters connected with casinos and the activities of casino operators. The objects of the NICC under the legislation are set out in section 140 and are to maintain and administer systems for the licensing, supervision and control of a casino for the purposes there specified which are protective of the public interest.
53. Section 23 of the *Casino Control Act* identifies grounds for disciplinary action by the NICC which include in section 23(1)(d) “that the casino operator is, for specified reasons, considered to be no longer a suitable person to give effect to the licence and this Act”. That provision is not presently directly relevant because action under section 23 is a matter for the NICC, including any further action based on consideration of this Inquiry’s report. Furthermore, as noted in Chapter 4, on 17 October 2022 the NICC issued a notice to The Star pursuant to section 23 stating that it was satisfied that The Star was no longer a suitable person to give effect to its casino licence and the *Casino Control Act*. Disciplinary action was taken by the NICC against The Star on that and other grounds, which included the suspension of The Star’s casino licence and the appointment of the Manager. That remains the present position and this Inquiry is taking place in that context.
54. It is correct, as The Star Entities have submitted, that the circumstances of this Inquiry are such that the NICC (or, more precisely, this Inquiry exercising its functions) is not required by an express provision of the *Casino Control Act* to be satisfied of, or form an opinion about, the suitability of The Star Entities.
55. However, that does not necessarily determine whether section 4B is engaged in the present circumstances. The objects of the *Casino Control Act*, as specified in section 4A, are protective of the public interest. There is a good argument that a construction of section 4B which would promote those objects would acknowledge that in circumstances where The Star’s casino licence is suspended and the Manager has been appointed as a result of the unsuitability of The Star Entities, it is now necessary for the NICC, in order to discharge its functions under the *Casino Control Act*, to be satisfied of, or form an opinion about, the suitability of The Star Entities.



56. It has not been necessary to resolve the controversy in relation to the proper construction of section 4B of the *Casino Control Act* because none of the conclusions reached by this Inquiry, as recounted in the subsequent Chapters of this Report and in the accompanying Confidential Report, have required resort to the application of an onus for their resolution. This Inquiry has however applied the principle enunciated in the 2022 Report that the more serious the finding or the consequences of the finding, the more cogent and persuasive must be the evidence to support it.<sup>41</sup>
57. The Star Entities correctly observed that the notion of an onus of proof, which is familiar in adversarial litigation, does not sit well with the process of an inquiry such as this, which is inquisitorial and evaluative. That observation echoes a comment made in the 2022 Report that in an inquisitorial process “there are no pleadings, there is no case to be put and questions of burden of proof do not arise”.<sup>42</sup> Nevertheless, section 4B of the *Casino Control Act* plainly contemplates that in at least certain assessments of suitability, an onus should be placed on the relevant person. There are no policy reasons which would indicate that this onus should only operate in some, but not all, assessments of suitability made by or on behalf of the NICC under the *Casino Control Act*.
58. In these circumstances there will be a public benefit and a benefit to the NICC if the *Casino Control Act* is amended to place it beyond doubt that section 4B applies to all suitability assessments which are conducted by or behalf of the NICC. There is also much to be said for the *Casino Control Act* to contain a provision to the effect of section 36H(2) of the Victorian legislation (discussed in Chapter 3.5) requiring that in any suitability assessment, the regulator must be “clearly satisfied” of the relevant person’s suitability.

59. **Recommendation:** It is recommended that the NICC give consideration to promoting an amendment to the *Casino Control Act* so as to ensure that section 4B applies to all suitability assessments made by or on behalf of the NICC.
60. **Recommendation:** It is recommended that the NICC give consideration to promoting an amendment to the *Casino Control Act* in terms similar to that seen in the *Victorian Casino Control Act*,<sup>43</sup> to the effect that in any suitability assessment by or on behalf of the NICC, the NICC must be “clearly satisfied” of the relevant person’s suitability.

### Chapter 3.5 The Reasons for the Decision of the VGCCC relating to Crown Melbourne

61. In Victoria, the Royal Commission into the Casino Operator and Licence produced a report dated October 2021 which found Crown Melbourne unsuitable. The RCCOL recommended that Crown Melbourne be supervised whilst it implemented an existing reform program. The RCCOL recommended that as that reform program had begun in earnest, Crown Melbourne should be set a deadline of two years by which time reform must be achieved, failing which Crown Melbourne should lose its licence.<sup>44</sup>
62. After the RCCOL Report was published, legislation was enacted in Victoria to establish the supervisory position of a special manager.<sup>45</sup> Mr Stephen O’Bryan KC was appointed pursuant to section 36B of the *Victorian Casino Control Act* as the special manager of Crown Melbourne from 1 January 2022.
63. Section 36G(1)(a) of the *Victorian Casino Control Act* required the special manager to provide to the VGCCC and the relevant Minister interim reports for each of the periods from 1 January 2022 to 30 June 2022, from 1 July 2022 to 31 December 2022 and from 1 January 2023 to 30 June 2023. Section 36G(2) required the special manager to provide a final report to the VGCCC and the relevant Minister covering the whole of the period from 1 January 2022 to 31 December 2023.
64. Section 36H(2) of the *Victorian Casino Control Act* required the VGCCC, within 90 days of receiving the special manager’s final report, to determine whether it was “clearly satisfied” that Crown Melbourne is a suitable person to continue to hold the Melbourne Casino Licence and that it was in the public interest that the Melbourne Casino Licence continue in force.
65. The special manager submitted a confidential final report to the VGCCC and the relevant Minister in January 2024. On 13 March 2024, the VGCCC made a decision on Crown Melbourne’s return to suitability.<sup>46</sup> On 26 March 2024 the VGCCC announced that it was “clearly satisfied that Crown Melbourne is suitable to operate the Melbourne Casino and that it is in the public interest that the Licence continue in force”.<sup>47</sup> On 26 April 2024, a redacted version of Mr O’Bryan KC’s report was released publicly.<sup>48</sup>
66. The VGCCC’s reasons provide recent guidance on relevant criteria for the assessment of suitability.

67. In its reasons, the VGCCC noted that the phrase “clearly satisfied” was not defined in the Victorian legislation and said that it must reach a state of actual persuasion to be clearly satisfied.<sup>49</sup> The VGCCC stated that suitability is not a mathematical exercise. It is a value judgment requiring consideration and synthesis of all the relevant factors.<sup>50</sup>
68. The VGCCC’s consideration of suitability included issues relating to responsible service of gambling; governance, culture and risk management; financial crime, regulatory compliance and cooperation; financial viability; and operational regulatory matters.
69. The VGCCC noted that the governance, culture and risk management failures identified by the RCCOL were wide-ranging.<sup>51</sup> It referred to the considerable influence of the former executive Chairman of Crown Resorts, the absence of board or management independence from owners, shareholders or others, and a tendency to exploit grey areas, particularly with the assistance of lawyers. Risks were not elevated for Board consideration.
70. The VGCCC noted that to avoid repeating the historical influence that had been exerted on Crown Melbourne, the VGCCC’s approved acquisition of Crown Melbourne’s parent company by Blackstone Inc. was subject to conditions that it does not interfere, influence or attempt to influence Crown Melbourne’s officers or employees.<sup>52</sup> It noted that these conditions were fortified by Part 3A, Division 3 of the *Victorian Casino Control Act*, which makes it a condition of the Melbourne Casino Licence that Crown Melbourne has a majority independent board and independent senior management.<sup>53</sup>
71. The VGCCC concluded there was no evidence that the culture of Crown Melbourne presently prioritises profit over governance, risk management and compliance. However the VGCCC stated that it would direct Crown Melbourne to fully implement and report on its ongoing reforms in governance, culture and risk management.<sup>54</sup> It recognised that Crown Melbourne was still implementing three-year risk management and compliance strategies to advance its risk and compliance maturity levels.<sup>55</sup>
72. The VGCCC made the point that regulatory compliance and cooperation are closely associated with suitability. The VGCCC stated that before the RCCOL, Crown Melbourne had failed to comply fully with its obligations to pay casino tax and did not cooperate with regulators. The company provided false or misleading information, delayed and frustrated investigations by unnecessarily redacting documents, contested matters that should not have been contested, sought to “weaponise” claims of legal professional privilege, made

submissions with little or no evidentiary support and was dismissive and uncooperative in implementing recommendations by the regulator.<sup>56</sup>

73. The VGCCC stated that in recent times, Crown Melbourne had behaved in a manner synonymous with a suitable entity. It had made submissions that were appropriate and supported by evidence. The VGCCC noted that the special manager had reported favourably on regulatory compliance and cooperation. It noted that the special manager reported that Crown Melbourne had established constructive relationships and had better information sharing with law enforcement agencies. The VGCCC noted that Crown Melbourne worked cooperatively with regulators and actively identified and escalated compliance breaches with the VGCCC and other regulators.<sup>57</sup>
74. The VGCCC concluded that Crown Melbourne's regulatory compliance and cooperation is presently that of a suitable entity. It noted that if there was a return to the obstructionist, unhelpful and misleading approach taken before the time of the RCCOL, the VGCCC would consider making use of the full suite of regulatory powers now at its disposal.<sup>58</sup>
75. The VGCCC noted that during disciplinary action, Crown Melbourne produced evidence that caused the VGCCC to become concerned about Crown Melbourne's financial viability. The VGCCC was also concerned when auditor going concern certification was conditional on letters of financial support from companies related to Crown Melbourne.<sup>59</sup>
76. The VGCCC noted that the auditors had certified that Crown Melbourne could continue as a going concern. It referred to the multibillion-dollar investment that was made by Blackstone Inc. to acquire Crown Melbourne. It also had regard to funding which had been provided for the extensive and ongoing commitment to capital investment and the significant costs associated with Crown Melbourne's reform. The VGCCC noted that the significant financial obligations arising from the fines and costs orders made by the VGCCC and the Federal Court in proceedings brought by AUSTRAC, as well as other costs, had all been met by Crown Melbourne. Based on those matters, the VGCCC was satisfied that Crown Melbourne was financially viable.

### **Chapter 3.6 The Reasons for the Decision of the NICC relating to Crown Sydney**

77. On 23 April 2024, the NICC published its Suitability Assessment Decision in relation to Crown Sydney.<sup>60</sup> The NICC determined that Crown Sydney was suitable to give effect to

its restricted gaming licence and that Crown Resorts was suitable to be a close associate of Crown Sydney.

78. The NICC stated that:<sup>61</sup>

The freedom to legally operate and manage a casino is a privilege, not a right, and is conditional upon the casino operator maintaining very high standards of compliance on an ongoing basis. A casino operator's suitability to operate and manage a casino is enduring, in that its suitability is a continuous demonstration of compliant and responsible behaviours.

Suitability is a multifaceted concept and regulatory satisfaction as to suitability involves considerations that extend beyond the requirements of the casino legislation; it includes requirements relating to a casino's management and operation and also extends to the relationship between the casino operator and its regulators. Important public interest considerations also inform the content of suitability and, in addition to other specific requirements, set a high bar for a casino operator to justify that it is worthy to hold the licence.

79. The NICC noted that following the Bergin Inquiry, ILGA, the regulator at the time, had notified Crown Sydney that it was no longer suitable to operate the licence or comply with the requirements of the casino legislation. Under the terms of an existing regulatory agreement between ILGA and Crown Sydney, ILGA invited Crown Sydney to address ILGA on its suitability and other relevant matters including, but not limited to, board renewal, the need for a forensic audit of its accounts, and a proposed remediation plan.<sup>62</sup>

80. During the consultative phase, Kroll Australia, a provider of risk, culture and financial advisory solutions, was engaged as the independent monitor of Crown Sydney. Kroll's main task was to advise ILGA and Crown Sydney on the development of a remediation plan.<sup>63</sup>

81. In June 2022, following probity due diligence, ILGA approved Blackstone as suitable to hold a licence in NSW, paving the way for new ownership of Crown Sydney. In the same month, ILGA, Crown Sydney and its related entities, and the NSW Government executed a pathway to suitability deed under the *Casino Control Act*. This allowed Crown Sydney to start gaming operations on a conditional basis under the licence.<sup>64</sup>

82. In August 2022, Crown Sydney opened its gaming floors. In 2023, following consultation between Crown Sydney and the NICC (ILGA's successor), the conditional gaming period was extended from the end of 2023 to 30 April 2024.<sup>65</sup>

83. It is notable that the NICC's assessment of suitability took place at the conclusion of Crown Sydney's conditional gaming period provided for by the pathway to suitability deed.

84. In its Suitability Assessment Decision, the NICC considered a number of aspects of Crown Sydney's performance and conduct during the conditional gaming period, including implementation of AML/CTF requirements, implementation of ICMs, its relationship with regulators and other stakeholders, the sustainability of its remediation program, its governance and culture.<sup>66</sup>
85. The NICC noted some issues regarding Crown Sydney's performance during the conditional gaming period, such as initial difficulties progressing a review of ICMs and concerns about Crown Sydney's provision of timely access to systems such as CCTV and the quality of breach reports provided to L&GNSW. The NICC emphasised, however, that no disciplinary matters regarding the casino operator had been submitted to it during this period and only a small number of penalty notices were issued.<sup>67</sup>
86. In relation to governance, the NICC noted that establishment of an independent board for Crown Sydney demonstrated a willingness to ensure controls were robust and would remain effective. The NICC stated that it had observed that Crown Sydney had developed and implemented effective governance processes after a review of its governance and compliance frameworks and the introduction of procedures for regular revision of its governance instruments.<sup>68</sup>
87. By letter dated 18 June 2024,<sup>69</sup> the NICC informed the Inquiry that in determining that the board of Crown Sydney was independent to its satisfaction, it identified that the board's composition was governed by a charter which required that:
- (a) The number of board members for Crown Sydney can be a minimum of two directors and a maximum of six directors.
  - (b) Of the number of directors, the majority must be independent.
  - (c) A director will be considered independent if they are a non-executive director who is not a member of management and who is free of any interest, position, association or relationship that might influence, other than as a director of Crown Resorts, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgment to bear on issues before the board and to act in the best interests of the company and their shareholders generally.

- (d) In assessing independence, the board will also have regard to the independence criteria set out in Principle 2 of the Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition).
  - (e) The board will regularly conduct an assessment to ensure a majority of the directors remain independent.
  - (f) A quorum for a meeting of the board is three directors, a majority of whom must be independent non-executive directors.
88. The NICC stated that Crown Sydney had embarked on significant cultural reform and made substantial progress to a values-based culture. The NICC stated that it believed Crown Sydney’s “tone from the top” had fundamentally changed.<sup>70</sup>
89. The NICC noted that its working relationship with Crown Sydney had been professional and cooperative. The NICC stated that Crown Sydney had consistently been open to discussing matters with the NICC, was willing to address any concerns raised and had consistently accepted accountability for any weaknesses identified by the NICC. The NICC referred to the strong relationship that had developed at Crown Sydney, Crown Resorts and Blackstone that was based on a desire to ensure Crown Sydney’s casino operations were safe, responsible, and compliant.<sup>71</sup>
90. The NICC stated that the Blackstone takeover resulted in Crown Sydney having a sound and stable financial background and satisfactory financial resources to safeguard the financial viability of the casino, as well as a revamped corporate structure.<sup>72</sup>
91. The NICC concluded that Crown Sydney had made significant progress on its operational, cultural, strategic and regulatory transformation. The NICC stated that it was satisfied that Crown Sydney operated the casino adequately in accordance with the licence, the *Casino Control Act* and the pathway to suitability deed during the conditional gaming period.<sup>73</sup>
92. The Crown Sydney remediation plan contained 432 items, with an initial completion date of 30 June 2023. This was extended to 30 November 2023. Crown Sydney had all remediation plan checkpoints independently validated by Ernst & Young before being provided to Kroll. Crown Sydney met the due date and provided a final batch of items for assessment before 30 November 2023. In its Suitability Assessment Decision, the NICC stated that it had approved 419 items, or 97% of the items, in the remediation plan. The remaining 13 items, or 3%, related mainly to assurances on sufficient integration into

Crown Sydney's operations and processes. The NICC stated that the 13 outstanding items did not present any immediate unacceptable risks within the operating environment of Crown Sydney.<sup>74</sup>

93. The NICC stated that it had observed that Crown Sydney was proactive in identifying issues in its ability to implement the remediation plan. The NICC found that Crown Sydney's delivery of its remediation plan was integral to its transformation following the Bergin Inquiry. The NICC concluded that Crown Sydney had adequately implemented the plan.<sup>75</sup>
94. The NICC found that both Crown Sydney and Crown Resorts' character, honesty and integrity had substantially changed since the Bergin Inquiry, primarily through the improved relationship with the NICC, proactivity to address regulatory and operational concerns and progressing the remediation plan. The NICC concluded that it was satisfied that Crown Sydney was a suitable person to give effect to its licence and the *Casino Control Act* and that Crown Resorts was suitable to be a close associate of Crown Sydney.<sup>76</sup>
95. In its final remarks, the NICC stated that Crown Sydney and Crown Resorts had fundamentally changed following the findings of the Bergin Inquiry and the Royal Commissions in Victoria and Western Australia. The NICC stated that Crown Sydney had worked hard to transform its business and compliance capabilities. It observed that Crown Resorts had achieved significant milestones, reforming its operations and governance and its compliance and risk functions. It stated that Crown Resorts had demonstrated that it had worked hard to build a culture of transparency and accountability across its integrated resort. The NICC stated that it had confidence that Crown Resorts had sufficiently reformed its business model and that Crown Sydney could meet statutory and regulatory obligations now and into the future.<sup>77</sup>

### **Chapter 3.7 The test of suitability in context**

96. The unusual context of this Inquiry has been discussed in Chapter 2. Two particular questions arise from the current context of this suitability assessment. The *first* is, if The Star Entities are assessed to be presently unsuitable, whether the assessment should go beyond that and venture into an assessment of the progress of The Star Entities towards suitability at some future time. This gives rise to further questions such as whether such an assessment is necessary, appropriate and even possible.
97. The *second* question which arises is, to the extent to which misconduct has occurred at The Star Casino during the period in which the Manager has been appointed, what impact, if



any, does the Manager's appointment have in taking that misconduct into account in the suitability calculus?

**Suitability: the relevant questions**

98. The Terms of Reference for this Inquiry identify its temporal scope as the period from the date of the 2022 Report until the date of this report. There is therefore no doubt that the assessment of suitability of The Star Entities must at the very least include an assessment of present suitability.
99. The submissions by Counsel Assisting and by Counsel for The Star Entities raise a question as to present suitability. Counsel Assisting have submitted that The Star Entities are not presently suitable.<sup>78</sup> Counsel for The Star Entities have submitted that whilst The Star does not contend that it is currently suitable to hold a licence to operate The Star Casino in its own right, The Star Entities are presently suitable to be concerned in or associated with the management and operation of The Star Casino if The Star is subject to a licence in a conditional form or alternatively in circumstances where a Manager remains appointed.<sup>79</sup>
100. This question is considered in Chapter 12. However, if The Star Entities are assessed as presently suitable, that necessarily involves an assessment of confidence in likely future conduct and future capacity. An assessment of present unsuitability, of itself, does not involve or imply any assessment of what is likely in the future. If The Star Entities are assessed to be presently unsuitable in the context of this Inquiry, a question arises as to whether an assessment of progress towards suitability should be ventured.
101. An assessment of current progress towards suitability is necessarily problematic. What degree of assurance would be necessary before an assessment of progress towards a future state could be considered possible, let alone reliable? To what extent would such an assessment necessarily involve speculation? By reference to what future date should an assessment of current progress be measured? These are difficult questions.
102. In relation to the question of identifying a target date by reference to which an assessment of progress might be made, Counsel Assisting submitted in opening submissions that if the Inquiry is not satisfied that The Star Entities are presently suitable, there should then be an assessment of their current progress towards suitability at some discernible future time, being a time which would need to be identified by the evidence.<sup>80</sup> However, in closing submissions, Counsel Assisting submitted that there was no basis in the evidence to discern

such a future time by which the Inquiry could be satisfied that The Star Entities will or are likely to become suitable.<sup>81</sup>

103. The Star Entities also submitted that the assessment of suitability should recognise the unusual context and that there should be a “report on the adequacy of The Star’s plans for the future, the progress that has been made towards returning to suitability and the capability of The Star to achieve further progress in the future”.<sup>82</sup> However in relation to Counsel Assisting’s reference to a discernible future time against which progress should be assessed, The Star Entities submitted that it was not appropriate to engage in an exercise in prediction, much less speculation, as to what would occur in the future. They submitted that the Inquiry was not required to reach any particular state of persuasion as to the likelihood of future events occurring at specific “discernible” times.<sup>83</sup>
104. No precedent for a progress assessment towards suitability in any casino suitability inquiry or review in Australia has been drawn to the attention of the Inquiry. The recent decisions of the Victorian and NSW regulators in relation to Crown Melbourne and Crown Sydney did not involve an assessment of progress toward suitability. They were orthodox assessments of present suitability.
105. There can be little doubt that an assessment of the current position of The Star Entities in relation to suitability, if it were a feasible and reliable exercise, would be of assistance to the NICC and to The Star Entities. It may also be in the public interest to attempt such an assessment.
106. However, to the extent that an assessment of the present position of The Star Entities is feasible, it should not involve any element of speculation. Any commentary on the current position of The Star Entities in relation to suitability should therefore be undertaken with considerable caution.

### **The role of the Manager**

107. Unlike the position pertaining in Queensland, in NSW by virtue of section 28(5)(a) of the *Casino Control Act* the Manager is considered to be the holder of the licence for The Star Casino since 17 October 2022. Under section 28(5)(b), the Manager has full control of and responsibility for the business of the casino operator in respect of The Star Casino. If misconduct, such as breach of ICMs, has occurred at The Star Casino during the period of the Manager’s appointment, a question arises as to how the Manager’s appointment is to be taken into account.

108. Whilst recognising the Manager’s legal responsibility for the operation of The Star Casino during his appointment, it is nevertheless the case that the Manager in a practical sense is providing oversight and direction to the 2,872 employees of The Star.<sup>84</sup>

109. Mr Weeks gave the following evidence in that regard:<sup>85</sup>

Q: We’ve looked at a number of topics which arguably have involved a breach of internal control manuals by The Star during the period in which you’ve been the manager and licensee. I’m very conscious of the need for close specific analysis of each circumstance. But as a general proposition, in circumstances where you are the licence holder, how do you suggest I attribute responsibility for those breaches?

A: Yes. Well, my view on that, Mr Bell, is that the role I have endeavoured to undertake here has inevitably meant that I’ve relied heavily on the company. I think it would be impractical and indeed, I think, cost-inefficient for me to build a very large team of my own in a small space of time to physically run the casino as the *Casino Control Act* anticipates. So I’ve chosen, with the support of regulators, to operate with a small team, supervising and monitoring those things that I consider to be important. So my position on that is that, to the extent that there has been breaches of the ICMs, then they are breaches of Star’s.

110. The force of this point was acknowledged without reservation by The Star Entities in their submissions. As Senior Counsel for The Star Entities put it:<sup>86</sup>

We are not here to say, “It’s not us; it’s Mr Weeks.” So anything that has gone wrong while on his watch, so to speak, we are clean skins. That would be insultingly absurd. We don’t put it. And you’ve not heard anything from any of us or read anything from any of us to that effect, and for obvious reasons. I don’t need to elaborate on that.

111. The Star Entities also correctly drew attention to the fact that, despite the suspension of The Star’s casino licence, The Star remained the casino operator under the terms of the *Casino Control Act*. Section 25 of the *Casino Control Act* provides that while a casino licence is suspended, it is of no effect for the purposes of section 4 (Gaming in licensed premises declared lawful), but it is to be considered to be in force for all other purposes. This means that The Star remains the “casino operator” as defined in section 3.

112. It follows from this analysis that The Star is the “casino operator” for the purposes of section 124 of the *Casino Control Act* and any breach of ICMs during the period of the Manager’s appointment is both a breach of The Star’s casino licence under section 124(1) and an offence by The Star under section 124(4).

## Endnotes

- <sup>1</sup> The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [32].
- <sup>2</sup> **Exhibit A-264** (INQ.5002.0002.0001 at .0136-.0137).
- <sup>3</sup> Ibid at .0138-.0139.
- <sup>4</sup> Ibid at .0138.
- <sup>5</sup> Ibid at .0140.
- <sup>6</sup> Ibid.
- <sup>7</sup> Ibid.
- <sup>8</sup> Ibid at .0142-.0144.
- <sup>9</sup> Ibid at .0138-.0139, .0144.
- <sup>10</sup> Ibid at .0144.
- <sup>11</sup> Ibid at .0145, .0147.
- <sup>12</sup> Ibid at .0146-.0147.
- <sup>13</sup> Ibid at .0148.
- <sup>14</sup> *Casino Control Act 1991* (Vic) s 9(2)(d); *Casino Control Act 1982* (Qld) s 20(1)(d)(i); *Gaming Control Act 1993* (NT) s 17(4)(d); *Gaming Control Act 1993* (Tas) s 23(2)(e)(i).
- <sup>15</sup> *Casino Control Act 1997* (SA) s 21(4)(b).
- <sup>16</sup> *Casino Control Act 1983* (WA) s 19(2).
- <sup>17</sup> Perth Casino Royal Commission Final Report Volume 1, 4 March 2022 at 92.
- <sup>18</sup> Counsel Assisting's Oral Submissions: Day 19 (Private), T3.7-4.20; Counsel Assisting's Written Submissions (Private) dated 15 May 2024 at para [17] – [22].
- <sup>19</sup> NSW Government, Inquiry into the Establishment and Operation of Legal Casinos in NSW, 27 November 1991.
- <sup>20</sup> Ibid at [7.4.12].
- <sup>21</sup> Independent Liquor and Gaming Authority, The Star Casino: Licence Review, 28 November 2016 at para [422].
- <sup>22</sup> The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [31].
- <sup>23</sup> Counsel Assisting's Written Submissions (Public) dated 13 May 2024 at para [15].
- <sup>24</sup> Ibid at para [15].
- <sup>25</sup> Ibid at para [14].
- <sup>26</sup> Explanatory Note, Casino Legislation Amendment Bill 2022 (NSW) at 3.
- <sup>27</sup> The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [26].
- <sup>28</sup> Ibid at para [26].
- <sup>29</sup> Ibid at para [27].
- <sup>30</sup> Ibid at para [26].
- <sup>31</sup> Ibid.
- <sup>32</sup> The Star Entities' Oral Submissions: Day 16, T909.41-910.17; T916.22-29.
- <sup>33</sup> The Star Entities' Oral Submissions: Day 16, T920.37-43.

- 34 The Star Entities' Oral Submissions: Day 16, T920.45-921.5.
- 35 The Star Entities' Oral Submissions: Day 16, T921.4-5.
- 36 Counsel Assisting's Oral Submissions: Day 19, T1005.16-42; Day 19 (Private), T2.16-33.
- 37 Counsel Assisting's Oral Submissions: Day 19, T1006.24-44.
- 38 Gambling with Governance: The Bergin Report Volume 1, 1 February 2021 at v. See also, Gambling with Governance: The Bergin Report Volume 2, 1 February 2021 at para [92].
- 39 Gambling with Governance: The Bergin Report Volume 2, 1 February 2021 at para [90].
- 40 Ibid at para [91].
- 41 **Exhibit A-264** (INQ.5002.0002.0001 at .0103).
- 42 Ibid.
- 43 See for example, *Casino Control Act 1991* (Vic) s 36H(2).
- 44 Royal Commission into the Casino Operator and Licence Report, October 2021 at 7-11.
- 45 *Casino and Gambling Legislation Amendment Act 2021* (Vic).
- 46 Victorian Gambling and Casino Control Commission, Decision and Reasons for Decision, 13 March 2024.
- 47 Victorian Gambling and Casino Control Commission Media Release: Crown Melbourne Suitability Decision, 26 March 2024.
- 48 Victorian Gambling and Casino Control Commission Media Release: VGCCC publishes Special Manager's report, 26 April 2024.
- 49 Victorian Gambling and Casino Control Commission, Decision and Reasons for Decision, 13 March 2024 at para [1].
- 50 Ibid at para [23].
- 51 Ibid at para [35].
- 52 Ibid at para [39].
- 53 Ibid at para [40].
- 54 Ibid at para [50].
- 55 Ibid at para [45].
- 56 Ibid at para [60].
- 57 Ibid at para [62].
- 58 Ibid at para [65].
- 59 Ibid at para [68].
- 60 NSW Independent Casino Commission, Crown Sydney Suitability Assessment Decision, 23 April 2024.
- 61 Ibid at 15.
- 62 Ibid at 4.
- 63 Ibid at 5.
- 64 Ibid.
- 65 Ibid.
- 66 Ibid at 8-12.

- 67 Ibid at 9.
- 68 Ibid at 10.
- 69 (INQ.5002.0013.0010).
- 70 Ibid at 10-11.
- 71 Ibid at 18.
- 72 Ibid at 15.
- 73 Ibid at 16.
- 74 Ibid at 12-13, 16.
- 75 Ibid at 13, 17.
- 76 Ibid at 16.
- 77 Ibid at 18.
- 78 Counsel Assisting's Written Submissions (Public) dated 13 May 2024 at para [353] – [355].
- 79 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [4], [12] – [13], [644].
- 80 Counsel Assisting's Oral Submissions: Day 1, T5.34–6.15.
- 81 Counsel Assisting's Written Submissions (Public) dated 13 May 2024 at para [361].
- 82 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [23] – [25].
- 83 Ibid at para [25].
- 84 **Exhibit A-2532** (STA.8000.0070.0001 at .0088).
- 85 Weeks: Day 2, T132.1-15.
- 86 Star Entities' Oral Submissions: Day 16, T917.22-26.

**Chapter 4**  
**Key Events since the 2022 Review**

## Chapter 4. Key Events since the 2022 Review

1. Since the conclusion of the 2022 Review and the provision of the 2022 Report to the NICC on 31 August 2022, a number of events have occurred which should be noted. They include, importantly, the suspension of The Star's licence and appointment of the Manager, a number of changes to the Board and executive teams of Star Entertainment, and The Star Entities' formulation of their remediation plan. This chapter summarises the key events that have occurred since the 2022 Review.

### Chapter 4.1 Events from 1 September 2022 to 31 December 2022

#### **2022: Changes to the Board and the executive team of Star Entertainment**

##### *Board changes*

2. A number of directors resigned from their positions as directors of Star Entertainment either during, or following, the public hearings of the 2022 Review which took place during the period from 17 March 2022 to 27 June 2022. Those resignations which had taken place by the time of the 2022 Report were dealt with in Chapter 9.1 of that report.<sup>1</sup> Throughout 2022, Star Entertainment continued to renew its Board.
3. On 11 July 2022, Mr Michael Issenberg commenced as a non-executive director.<sup>2</sup>
4. On 15 August 2022, Ms Anne Ward and Mr David Foster were appointed as non-executive directors, subject to regulatory approval.<sup>3</sup>
5. On 26 September 2022, Star Entertainment announced that Mr Ben Heap would assume the role of Executive Chairman, on an interim basis, effective immediately and until the commencement of Mr Robert (Robbie) Cooke as the incoming Managing Director and Chief Executive Officer.<sup>4</sup>
6. On 17 October 2022, Mr Cooke commenced as Managing Director and Chief Executive Officer and Mr Heap resumed his role as non-executive Chair.<sup>5</sup>
7. On 31 October 2022, Star Entertainment announced that Mr Gerard Bradley AO had retired from the Board of Star Entertainment with effect from that day.<sup>6</sup>



8. On 11 November 2022, Star Entertainment announced that Ms Deborah Page AM and Ms Toni Thornton had been appointed as non-executive directors of Star Entertainment, subject to casino regulatory approvals being obtained. Star Entertainment confirmed that Ms Thornton was to join the Board immediately and Ms Page would join the Board after 1 February 2023. Both Ms Thornton and Ms Page would be observers from the date they joined the Board until they obtained all necessary regulatory approvals.<sup>7</sup>
9. On 18 November 2022, Star Entertainment announced that it had received all the necessary regulatory approvals for:
  - (a) Ms Ward, who would join the Board of Star Entertainment as an independent non-executive director from 18 November 2022;<sup>8</sup> and
  - (b) Mr Cooke, who would join the Board of Star Entertainment as Managing Director.<sup>9</sup>
10. On 13 December 2022, Star Entertainment announced to the ASX that Ms Lahey and Mr Heap would be resigning from the Board. This announcement was made shortly after ASIC commenced proceedings against a number of former directors and executives of Star Entertainment, including Ms Lahey and Mr Heap.<sup>10</sup>
11. On 15 December 2022, Star Entertainment announced that all necessary approvals had been received for Mr David Foster to join the Board of Star Entertainment as an independent non-executive director that day. Star Entertainment noted that Ms Lahey would stand down from the Board effective 30 December 2022.<sup>11</sup>

### *Executive resignation and appointments*

12. In addition to changes to the Board, a significant number of executives resigned from their positions with Star Entertainment either during, or following, the public hearings held in the 2022 Review. As noted above, those resignations which had taken place by the time of the 2022 Report were dealt with in Chapter 9.1 of that report.<sup>12</sup> Throughout 2022, a number of appointments were made, and a number of further executives resigned.
13. On 20 July 2022, Mr Scott Wharton was appointed as Chief Executive Officer of The Star Casino and Group Head of Transformation (subject to all necessary regulatory approvals).<sup>13</sup>
14. On 12 September 2022, Star Entertainment announced that the Board had appointed Ms Nawal Silfani as an additional Company Secretary (subject to all necessary regulatory approvals).<sup>14</sup>

15. On 26 September 2022, Star Entertainment announced that Mr Geoff Hogg had tendered his resignation as Acting Chief Executive Officer and other positions at Star Entertainment.<sup>15</sup>
16. As noted above, on 17 October 2022, Mr Cooke commenced as Managing Director and Chief Executive Officer.<sup>16</sup>
17. On 28 December 2022, Star Entertainment announced that Ms Christina Katsibouba had been appointed to the position of Chief Financial Officer on a permanent basis with effect from 1 January 2023.<sup>17</sup> Ms Katsibouba had previously been the Interim Chief Financial Officer (since on or around 9 May 2022),<sup>18</sup> and prior to that, the Group Executive Gaming.<sup>19</sup>

### **2022: Disciplinary actions taken by the NICC and The Star Entities' response**

#### *Show cause notice*

18. On 13 September 2022, the NICC provided the 2022 Report to The Star and also published it.<sup>20</sup>
19. On the same day, the NICC issued a show cause notice to The Star pursuant to section 23 of the *Casino Control Act*. In the show cause notice, the NICC stated that it was considering taking disciplinary action against The Star on the basis of one or more of the following grounds:<sup>21</sup>
  - (a) that the casino operator (i.e. The Star), a person in charge of the casino, an agent of the casino operator, or a casino employee had contravened a provision of the *Casino Control Act* or a condition of the licence, being those contraventions found by the 2022 Review;
  - (b) that the casino operator was, for specified reasons, considered no longer to be a suitable person to give effect to the licence and the Act, those reasons being:
    - (i) the findings of the 2022 Review; and
    - (ii) the absence of effective action, resources, systems, and capability to remedy and rectify the matters identified by the 2022 Review, and in particular the 2022 Review's findings as to its current suitability to give effect to the licence and the *Casino Control Act*; and

- (c) that, for specified reasons, it was considered no longer to be in the public interest that the licence should remain in force, those reasons being:
    - (i) the findings and recommendations of the 2022 Review; and
    - (ii) the absence of effective action, resources, systems, and capability to remedy and rectify the matters identified by the 2022 Review, and in particular the 2022 Review’s findings as to its current suitability to give effect to the licence and the *Casino Control Act*.
20. In the show cause notice, the NICC also put The Star on notice that, in the event that it decided to cancel or suspend The Star’s casino licence, the NICC may consider appointing a manager pursuant to section 28 of the *Casino Control Act*. The NICC afforded The Star the opportunity to:<sup>22</sup>
- (a) show cause as to why disciplinary action should not be taken against The Star on the grounds specified in the show cause notice; and
  - (b) provide submissions in relation to the potential appointment of a manager.

***Message from Interim Chair of Star Entertainment to shareholders, team members and guests***

21. On 15 September 2022, Star Entertainment publicly released a message from Mr Heap, the Interim Chair of the Board of Star Entertainment. Mr Heap stated that Star Entertainment acknowledged the findings and recommendations of the 2022 Report, the gravity of the matters set out in that report, and the public criticism of its governance, behaviours and culture, including by the NICC. Mr Heap acknowledged that The Star Entities had fallen short of expectations and offered a sincere and unreserved apology. He identified that The Star Entities’ immediate priorities included a fundamental transformation of their culture, more transparency, more robust governance, and greater accountability. Mr Heap said the goal was to earn back the trust of shareholders, team members, guests and regulators, noting that Star Entertainment was developing and would implement a comprehensive remediation plan.<sup>23</sup>

***Response to show cause notice***

22. On 26 September 2022, Star Entertainment provided a response to the show cause notice issued by the NICC on 13 September 2022. The response was lengthy and enclosed a number of documents. Among other things, in the response Star Entertainment:<sup>24</sup>

- (a) accepted the findings of the 2022 Report, including the finding of unsuitability, and acknowledged the gravity of the conduct which was raised in the 2022 Report. It also said, “we will change our culture” and “we will not make the same mistakes”;
  - (b) acknowledged that it had not always acted with the necessary urgency and had “a lot to do to restore a constructive and open working relationship with [the] NICC”, but that it was committed to building a constructive, open, transparent and positive working relationship with the NICC and all of its regulators;
  - (c) submitted that the cancellation or suspension of The Star’s licence would have far-reaching consequences for The Star and Star Entertainment;
  - (d) submitted that it had taken significant and urgent remedial steps, including conducting a thematic root cause analysis, and was committed to taking further action within clear timeframes to address the issues raised in the 2022 Report. In particular, Star Entertainment provided a remediation plan described as a “Pathway to Suitability”; and
  - (e) requested that the NICC consider imposing an enforceable undertaking or exercising its directions powers if it required certainty in relation to the “currently committed but incomplete actions” described in the response, as well as the imposition of an appropriate penalty. In that regard, Star Entertainment provided a draft enforceable undertaking which required The Star Entities to develop and implement a remediation plan, in consultation with the NICC, and to engage an independent third party to oversee that implementation.
23. In respect of the potential appointment of a manager, The Star Entities submitted that this would “severely dislocate [its] employees and other stakeholders, many of whom [were] not responsible for prior failings” and “may not be in the best interests of the State of NSW”. They also said that the appointment of a manager would be “counterproductive” in light of:<sup>25</sup>
- (a) the remedial steps that had been taken to date and were intended to continue to be taken, and the proposed enforceable undertaking regarding the development and implementation of a remediation plan;
  - (b) the appointment of Allen & Overy as an Independent Monitor (which is described further below in this chapter), and the proposed appointment of a compliance

auditor, as required by legislative amendments to the *Casino Control Act* and addressed in Chapter 7; and

- (c) the appointment of a “new and suitably qualified CEO and other key Executive appointments”.

24. On 27 September 2022, Star Entertainment announced to the ASX that it had responded to the show cause notice issued by the NICC. The announcement included an extract from the response and a document entitled “Remediation Plan Structure”.<sup>26</sup>

***Notice of disciplinary action and appointment of the Manager***

25. On 17 October 2022, the NICC issued a notice to The Star pursuant to section 23(4)(a) of the *Casino Control Act*. In the notice, the NICC stated that it had considered the response provided by The Star Entities on 26 September 2022. The NICC stated that, in the circumstances, having regard to the primary objects of the *Casino Control Act* and the objects of the NICC as set out in that Act, it was satisfied for the reasons identified in the show cause notice dated 13 September 2022 that:<sup>27</sup>

- (a) The Star (whether by itself, its agents or employees) had contravened provisions of the *Casino Control Act* and its casino licence;
- (b) The Star was no longer a suitable person to give effect to its casino licence and the *Casino Control Act*; and
- (c) it was no longer in the public interest that The Star’s casino licence should remain in force.

26. The notice also stated that the NICC had determined that, in all the circumstances, it was appropriate to take the following disciplinary actions against The Star pursuant to section 23 of the *Casino Control Act*:<sup>28</sup>

- (a) first, the indefinite suspension of The Star’s casino licence; and
- (b) secondly, the imposition of a pecuniary penalty in the sum of \$100 million.

27. The NICC noted that it determined to suspend, rather than cancel, The Star’s casino licence, on the basis that in due course The Star may be able to satisfy the NICC that, with appropriate remedial action, it ought to be permitted to return to gaming in accordance with

the provisions of its casino licence. The NICC also noted that if a manager was appointed under section 28 of the *Casino Control Act*, gaming may be able to continue in the casino while those remedial steps were taken.<sup>29</sup>

28. The NICC later determined that payment of the pecuniary payment was to be made in three instalments comprising:<sup>30</sup>
- (a) \$30 million on 31 March 2023;
  - (b) \$30 million on 30 June 2023; and
  - (c) \$40 million on 29 December 2023.
29. Also on 17 October 2022, separately to the notice of disciplinary action referred to in paragraph 25 above, the NICC issued a notice to The Star pursuant to section 28 of the *Casino Control Act* that, with effect from 9 am on 21 October 2022, Mr Nicholas Weeks was appointed as Manager of The Star for a period of 90 days. The notice stated that the Manager's period of appointment could be extended by regulation.<sup>31</sup>
30. On that same day, Star Entertainment released an ASX announcement regarding the disciplinary action taken by the NICC and the appointment of the Manager. In its announcement, Star Entertainment noted that:<sup>32</sup>
- (a) the Manager would have full control of, and responsibility for, The Star Casino, but it was expected that he would work closely with management and would operate the casino in a manner that was broadly consistent with its operations to date, save for such changes as necessary or appropriate to address the matters identified in the 2022 Review and any other risks identified;
  - (b) The Star Entities had agreed to provide an indemnity to Mr Weeks with respect to his role as Manager;
  - (c) the NICC had resolved to approve the payment of the net earnings of The Star Casino's operations to The Star (after payment of the Manager's costs and expenses from gross earnings);
  - (d) The Star Entities would, under the supervision of the Manager, continue to implement the remediation plan; and

- (e) the NICC had advised that the suspension period would provide an opportunity to explore the possibility of The Star being able to demonstrate to the NICC that it may become suitable to hold a casino licence.
31. On 16 December 2022, L&GNSW notified The Star Entities that a regulation was expected to come into effect that day to extend Mr Weeks' appointment by 12 months to 19 January 2024, unless terminated earlier by the NICC.<sup>33</sup>

### **2022: Actions taken by the Queensland Government**

32. On 6 October 2022, the Queensland Government publicly released the Queensland Report. Star Entertainment announced this to the ASX on the same day and noted that the Queensland Attorney-General had considered the Queensland Report and the findings in the 2022 Report and formed the view that Star Entertainment was unsuitable to hold a casino licence in Queensland. Star Entertainment noted that the Queensland Attorney-General had requested the OLGR to begin to prepare the materials to issue Star Entertainment with a show cause notice.<sup>34</sup>
33. On 25 October 2022, Star Entertainment announced to the ASX that it and a number of its subsidiaries or related bodies corporate had received correspondence from the Queensland Attorney-General, The Honourable Shannon Fentiman MP, confirming that she had formally determined that each of the relevant entities was not suitable to be associated or connected with the management and operations of a casino, by reason of them not being a person of good repute.<sup>35</sup>
34. On 4 November 2022, Star Entertainment announced that three of its subsidiaries had received show causes notices from the OLGR the previous day. The notices set out the potential disciplinary actions that could be taken by the Minister, including a letter of censure, written directions, a penalty of up to \$100 million, cancellation or suspension of the relevant casino licence, and the appointment of a special manager.<sup>36</sup>
35. On 28 November 2022, Star Entertainment announced that it and its Queensland subsidiaries had responded to the show cause notices from the OLGR.<sup>37</sup>
36. On 9 December 2022, the OLGR notified Star Entertainment and its Queensland subsidiaries of the disciplinary action that would be taken under the *Casino Control Act 1982* (Qld). Relevantly:<sup>38</sup>

- (a) Star Entertainment was to pay a total pecuniary penalty of \$100 million by instalments as follows:
    - (i) \$30 million on 30 March 2023;
    - (ii) \$30 million on 30 June 2023; and
    - (iii) \$40 million on 31 December 2023;
  - (b) the casino licences in Queensland were to be suspended for a period of 90 days on a deferred basis with effect from 1 December 2023; and
  - (c) Mr Weeks was to be appointed as special manager to monitor the operations of the Queensland casinos.
37. In its ASX announcement regarding the disciplinary action, Star Entertainment stated:<sup>39</sup>

The Attorney-General today said that the deferred commencement date of the licence suspensions provides The Star an opportunity to remediate its management and operations and return to a position of suitability prior to the suspension taking effect. Should The Star make satisfactory progress, the Attorney-General may determine to postpone or rescind the suspension of licences.

### **2022: Appointment and role of the Independent Monitor**

38. Prior to the announcement of the disciplinary actions taken by the NICC, including the appointment of the Manager, on 10 August 2022 Star Entertainment announced that it was appointing Allen & Overy Consulting to the role of Independent Monitor in order to oversee its “Renewal Program” and to facilitate transparent reporting on progress to the Board and regulatory bodies.<sup>40</sup>
39. On 24 October 2022, after the NICC’s announcement, Star Entertainment published the first report of Allen & Overy Consulting in its role as Independent Monitor. The report related to the planning phase of the remediation program (i.e. from August 2022 to October 2022).<sup>41</sup>
40. In the report, the Independent Monitor expressed the opinion that the remediation program was sufficiently developed for the Board of Star Entertainment to consider commencing the execution phase. That opinion was based on its review of 46 documents, the observation of 12 hours of planning meetings, and interviews with 20 employees across different workstreams, business lines and support functions over a four-week period.<sup>42</sup>



41. Among other things, the report noted that:<sup>43</sup>
- (a) the remediation program featured clear “Workstream Problem Statements”, “root causes”, “Workstream Target States” and “Milestones”;
  - (b) Star Entertainment had arrangements in place to govern and oversee delivery of the remediation program and had identified individual executives who were accountable for program design and implementation;
  - (c) the overall timeline for the design and implementation of changes proposed under the program was reasonable for a program of its scale and complexity; and
  - (d) Star Entertainment had completed preliminary funding and resourcing forecasts, projecting a significant investment.
42. The Independent Monitor stated that it had raised a number of preliminary enquiries with Star Entertainment relating to the program’s scope, delivery and governance arrangements. In particular, the Independent Monitor had flagged the need to consider:<sup>44</sup>
- (a) updating program timelines to incorporate a post-implementation phase, in order to ensure the “Program Sponsor” and “Workstream Sponsor” remained accountable for the sustainability of the changes being delivered; and
  - (b) updating executive-level performance measures in relation to the program.
43. On 24 November 2022, Star Entertainment made an announcement to the ASX clarifying that the NICC “does not endorse” the appointment of an Independent Monitor (whether Allen & Overy or someone else). The release also noted that The Star Entities’ remediation program was “preliminary in nature and has not been endorsed nor approved by the NICC”, and that Star Entertainment did not anticipate the NICC would “consider endorsing or approving any remediation program for some time”.<sup>45</sup>

### **2022: Annual General Meeting**

44. On 22 November 2022, Star Entertainment held its Annual General Meeting. In his Chairman’s Address, Mr Heap addressed the 2022 Review and the Queensland Review. Mr Heap’s address included an “unreserved apology” to shareholders, employees and guests and acknowledged that The Star Entities “need to change ... [and] earn back your

trust”. Mr Heap said that the remediation plan was a multi-year plan developed with “specialist external help” and was intended to improve governance, culture and controls.<sup>46</sup>

45. Mr Heap also addressed the appointment of Mr Weeks as Manager, acknowledging “the importance of Mr Weeks’ role [and] his willingness to work cooperatively with us”, and noting that The Star Entities were “working with Mr Weeks in an engaged, open and transparent manner”.<sup>47</sup>

46. Mr Cooke also addressed the meeting on a number of topics, including changes to the *Casino Control Act*, key growth projects, Financial Year 2022 financial results, priorities for the Financial Year 2023, and a trading update. Relevantly, Mr Cooke noted that “Sydney has been impacted by compliance changes post the [2022] Bell Review”, and that:<sup>48</sup>

Our current expectation is that remediation costs in FY23 will be in the range of \$35 million to \$45 million - of which approximately 50% are expected to be recurring costs beyond FY24.

## **2022: Commencement of various proceedings against The Star Entities and former officers**

### ***Securities class action – Maurice Blackburn***

47. On 7 November 2022, Star Entertainment announced that it had been served by Maurice Blackburn with a statement of claim for a securities class action commenced in the Supreme Court of Victoria.<sup>49</sup> Star Entertainment confirmed that the claim alleged that in the period between 29 March 2016 and 16 March 2022, Star Entertainment: made misleading representations, including about its systems and processes for compliance with its anti-money laundering and counter-terrorism financing obligations; failed to disclose relevant information it had about those matters to the market; and conducted its affairs contrary to the interests of the members of Star Entertainment as a whole. Star Entertainment noted that it intended to defend the proceedings.<sup>50</sup>

48. Star Entertainment also stated that the claim was substantially similar to the separate securities class action filed by Slater & Gordon and announced on 30 March 2022, prior to the release of the 2022 Report.<sup>51</sup>

### ***AUSTRAC civil penalty proceedings***

49. On 30 November 2022, Star Entertainment, The Star and The Star Entertainment QLD Limited (being the entity within the Star Entertainment group which is the enrolled

reporting entity in respect of the Treasury Brisbane and Gold Coast casinos) were served with a statement of claim by AUSTRAC commencing civil penalty proceedings in relation to alleged contraventions of obligations under the AML/CTF Act.<sup>52</sup> The statement of claim did not quantify the penalty being sought by AUSTRAC.

### *ASIC proceedings*

50. On 13 December 2022, Star Entertainment announced that civil proceedings had been commenced by ASIC in the Federal Court against a number of then current and former directors and former executives of The Star alleging contraventions of section 180(1) of the *Corporations Act 2001* (Cth) in relation to certain matters investigated by ASIC and previously considered by the 2022 Review and the Queensland Review.<sup>53</sup>

### **2022: Potential NSW casino tax reforms announced**

51. On 19 December 2022, Star Entertainment made an ASX announcement regarding potential increases to tax rates in NSW. Star Entertainment stated:<sup>54</sup>

The Star Entertainment Group Limited (ASX code: SGR) (The Star) notes the media release from the New South Wales Treasurer, The Honourable Matt Kean MP, in relation to potential increases to casino tax rates in New South Wales. The release references proposed gaming tax increases for the two casinos in New South Wales, anticipated to commence on 1 July 2023 and forecast to raise an additional \$364 million over the next three years.

Mr Kean said on poker machine taxes: “It’s important that casinos pay their fair share of tax. These reformed tax rates will replace the existing regime under which casinos pay less tax on poker machines than hotels and clubs.”

At this stage, no other details have been made available in relation to the potential reforms (including as to how the taxes would be levied or applied). There has been no consultation from the NSW Government with The Star on this matter.

The potential impact of these proposed changes, if implemented, will depend on the details of the proposed reforms and the implications to pre-existing arrangements which apply to The Star’s operations in Sydney.

The Star’s CEO and Managing Director Robbie Cooke said: “We are not sure how the Government modelled its financials nor the basis for suggesting The Star does not pay its fair share of taxes. Specifically, in addition to state gaming taxes, The Star also pays millions in corporate taxes, with total taxes paid as a percentage of The Star’s profits being around 70%, and as high as 80% in the last 5 years when all the tax regimes are considered.”

The Star is seeking to urgently engage with the NSW Government as to the sustainability of the proposed tax changes and the impact on The Star’s business as The Star seeks to fast track cashless gaming and carded play to deliver safer gambling, whilst also continuing on a remediation path to return to suitability and earn back the trust of the community.

52. On 23 December 2022, Star Entertainment made a further announcement to the ASX in relation to the intended increases in duty rates to be applied to casinos in NSW, which stated:<sup>55</sup>

The Star understands that the intended duty rate changes will apply only to the duty rates specified and will not otherwise amend the relevant agreement between The Star and the NSW Government. The Star understands the changes will require legislation to be passed by the NSW Parliament, unless the NSW Government and The Star agree to amend the duty agreement.

The Star is currently considering the proposed increased duty rates and the impact on its operations in NSW. The NSW Government has stated that it will consult with The Star in relation to implementation.

## Chapter 4.2 Events during 2023

### **2023: Changes to the Board and executive team of Star Entertainment**

#### *Board changes*

53. On 13 March 2023, Ms Page received all necessary regulatory approvals and joined the Board of Star Entertainment as an independent non-executive director.<sup>56</sup>
54. On 22 March 2023, Star Entertainment announced that, effective on 31 March 2023, Mr Heap would retire as Chairman and as a non-executive director, and Mr Foster would take over the position of Chairman.<sup>57</sup>
55. On 6 July 2023, Star Entertainment announced that Mr Peter Hodgson would become a non-executive director, pending all regulatory approvals being obtained. Prior to regulatory approval being obtained, Mr Hodgson would commence as a board observer. Star Entertainment announced that this appointment completed the Board renewal program.<sup>58</sup>
56. On 17 October 2023, Star Entertainment announced that Ms Thornton had received all necessary regulatory approvals and that she would join the Board that day as an independent non-executive director.<sup>59</sup>
57. Changes to the composition of the Board of both The Star and Star Entertainment over the Relevant Period are discussed in detail in Chapters 7 and 9, respectively.

#### *Further executive team changes*

58. On 13 February 2023, Mr Scott Saunders commenced in the role of Chief Risk Officer of Star Entertainment (pending all necessary regulatory approvals).<sup>60</sup>

59. On 3 April 2023, Star Entertainment announced that The Star Casino CEO and Group Head of Transformation, Mr Wharton, had resigned effective on 28 April 2023. The announcement also stated that Ms Nicola Burke was to be appointed as the new Chief Transformation Officer, and, in respect of the role of The Star Casino CEO:<sup>61</sup>

The Star’s CEO and Managing Director Robbie Cooke said a restructure would follow Mr Wharton’s resignation with two new appointments to be made. “We are well positioned to announce shortly Scott’s successor as CEO for The Star Sydney.”

60. On 19 September 2023, Star Entertainment announced its proposed appointment of Mr Hamish Macdonald as an additional company secretary with the title Group Company Secretary.<sup>62</sup> Star Entertainment noted that, until all necessary approvals had been obtained for Mr Macdonald’s proposed appointment, Ms Jennie Yuen remained the person responsible for communication with the ASX under Listing Rule 12.6.<sup>63</sup>
61. The ASX release on 19 September 2023 also stated that Ms Nawal Silfani, then the Group Company Secretary, had accepted a “strategic governance role with [Star Entertainment]”.<sup>64</sup> Ms Silfani ceased in the role of Group Company Secretary in October 2023, and commenced in the role of Executive Adviser Governance Strategy.<sup>65</sup>
62. On 17 October 2023, Star Entertainment announced the appointment of Ms Jessica Mellor as the Gold Coast CEO, subject to all necessary regulatory approvals.<sup>66</sup> Star Entertainment also stated:<sup>67</sup>

The promotion of Ms Mellor from Chief Operating Officer at The Star Gold Coast is part of an organisational restructure that will see the creation of property-based Operational Business Units in Brisbane, the Gold Coast and Sydney. Each Business Unit will be led by a property-based CEO reporting directly to the Group CEO and Managing Director, Robbie Cooke. The Star is progressing the appointment of CEOs in Sydney and Brisbane.

...

Mr Cooke added: “The organisational changes being implemented are designed to simplify our structure and provide clearer operational accountability at each of our Gold Coast, Brisbane and Sydney properties. The new structure will provide greater responsibility and decision-making power at a property level while maintaining appropriate oversight from the Group level.”

63. On 6 December 2023, Star Entertainment notified the NICC that Ms Ivanoff, Chief Legal Officer, had resigned with effect from 5 March 2024.<sup>68</sup> Ms Ivanoff’s resignation is discussed in more detail in Chapter 10.

64. Changes to the composition of the executive teams of both The Star and Star Entertainment over the Relevant Period are discussed in detail in Chapters 7 and 9, respectively.

### **2023: Financial disclosures, capital raisings and cost initiatives**

#### *First half financial year 2023 results*

65. On 13 February 2023, Star Entertainment provided an update on its operating conditions and outlook for the remainder of the 2023 financial year. Among other things, it noted that:<sup>69</sup>
- (a) earnings had been impacted by “operational changes arising from the Bell and [Queensland] Reviews, a step-up in remediation costs and increased competition in Sydney” with the opening of Crown Sydney, and that the “operating environment” had been “more challenging” for The Star Casino than the Queensland casinos;
  - (b) The Star had “continued to invest in improved compliance capabilities and incurred remediation costs of ~\$20m in 1H FY23”, and a further \$35 to \$45 million was expected to be spent on remediation in FY23;
  - (c) moving forward, the earnings derived from The Star Casino were dependent on “regulatory settings relating to complimentary services in The Star Casino’s private gaming areas, the level of inbound international tourism, and general consumer discretionary spending behaviour”;
  - (d) to improve trading performance, a number of “focused operational initiatives” would be implemented, including replacing contractor resourcing with full time resources, uplifting The Star Casino’s performance, “implementing measures to improve The Star Casino’s operating efficiency and cost control”, “enhancing the customer experience”, and “actions to respond to the Group’s competitive position in Sydney including loyalty benefits and pricing”; and
  - (e) The Star Entities and the NSW Government were “in discussions” on the proposed changes to NSW casino duty rates, but that if those rates were implemented in their current form, they would have “a significant adverse impact on the profitability of The Star Sydney” and The Star Entities would “undertake an urgent review of The Star Casino’s operating model and assets, with a view to maximising value for the group’s shareholders”.

66. On 23 February 2023, Star Entertainment provided its Directors' Report and Financial Report for the half-year ended 31 December 2022. In the Directors' Report, the directors summarised the relevant events that had an impact on The Star Entities in the half-year ended 31 December 2022, including the disciplinary action taken by the NICC and the OLGR in Queensland, and the impact of regulatory reforms in Queensland and NSW. The Directors' Report made similar observations to the ASX release on 13 February 2023 regarding the depressing effect on earnings of the remediation costs and increased competition.<sup>70</sup>
67. Among other things, the Directors' Report noted that no interim dividend was declared in accordance with the conditions of Star Entertainment's debt covenant waivers, which restricted further cash dividends from being paid until "the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times, the Group returns to suitability and all of the Group's casino licences are in full force and effect".<sup>71</sup>

#### ***First equity raising in February to March 2023***

68. On 23 February 2023, as foreshadowed in the Directors' Report, Star Entertainment announced that it would be undertaking capital structure initiatives to "provide increased financial flexibility to meet capital requirements provisioned for and help navigate a range of operating and regulatory uncertainties". This included:<sup>72</sup>
- (a) an \$800 million equity raising; and
  - (b) covenant relief secured from both bank lenders and USPP noteholders through to June 2025.
69. Star Entertainment stated that the net proceeds of the equity raising would be used to repay debt and increase liquidity. Star Entertainment also stated that strategic partners, Chow Tai Fook and Far East Consortium, had provided binding pre-commitments for approximately \$80 million and the balance of the equity raising was underwritten.<sup>73</sup>
70. On 24 February 2023, Star Entertainment announced the successful completion of its institutional placement and the institutional component of its 3 for 5 accelerated non-renounceable entitlement offer of new fully paid ordinary shares. The placement and institutional entitlement offer raised a total of \$595 million at \$1.20 per new share.<sup>74</sup>

71. On 2 March 2023, the retail component of the capital raising opened.<sup>75</sup> On 16 March 2023, Star Entertainment announced that the retail entitlement offer raised a total of approximately \$203 million at \$1.20 per new share, and that in total across both the retail and institutional components, approximately \$800 million had been raised through the equity raising.<sup>76</sup>

***Announcement of reduction of 500 full time positions across the group***

72. On 19 April 2023, Star Entertainment provided an update on its operating conditions and the outlook for the remainder of the 2023 financial year. A number of cost initiatives were announced, including that there would be a reduction of 500 full time equivalent positions across the group (excluding risk management and remediation resources). The announcement stated:<sup>77</sup>

**FY23 TRADING UPDATE**

The Group is experiencing a significant and rapid deterioration in operating conditions, particularly at The Star Sydney and The Star Gold Coast.

This has largely been driven by the compounding impact of regulatory operating restrictions and exclusions, and by an emerging weakness in consumer discretionary spending behaviour.

The Star Sydney continues to operate in an uneven competitive environment as it relates to the regulatory settings for complimentary services in its private gaming areas.

The strong 1H FY23 performance at the Group's Queensland properties as reported in February, which was driven by strong domestic revenues in that period (relative to pre-COVID levels), has deteriorated in recent weeks, particularly at the Gold Coast.

To put the operating environment into perspective, the Group's current earnings performance is at unprecedented low levels (excluding the COVID-19 period).

If these current conditions continue for the balance of the financial year and do not materially change, underlying FY23 EBITDA is expected to be in the order of \$280 million to \$310 million, including the FY23 impact of the cost initiatives described below.

The FY23 underlying EBITDA excludes provisions for fines, costs associated with the ongoing regulatory reviews (legal, consultant and other costs) and any one-off costs associated with the Group's cost initiatives, all of which will be treated as significant items.

**COST INITIATIVES AND STRATEGIC REVIEW OF SYDNEY**

In response to this new operating environment, the Board and management have today announced the implementation of a range of initiatives to further reduce the operating cost base of the Group, including the following:



- a reduction of approximately 500 FTE positions across the Group (excluding risk management and remediation resources);
- a cancellation of the Group’s short-term and other incentives for FY23; and
- a salary freeze for non-[Enterprise Bargaining Agreement] employees.

These actions, together with the previously announced \$40 million of operational initiatives, are expected to deliver a combined ongoing reduction in Group operating expenditure of more than \$100 million annualised compared to FY23.

The above steps are being undertaken independent of any potential impact from the proposed casino duty rate increases in NSW.

Barrenjoey Capital Partners are also working with The Star to assist with a strategic review of The Star Sydney and consider any structural alternatives available to maximise value for the Group’s shareholders.

#### OTHER UPDATES

... The Group is accelerating its previously foreshadowed plans to refinance its existing debt funding arrangements, with a focus on improving the Group’s liquidity position and separately increasing covenant headroom in light of the Group’s current earnings environment.

To help improve the Group’s liquidity position and maximise the prospects of a successful refinancing given the challenging operating environment, The Star intends to engage with the NSW Government, the Queensland Government and AUSTRAC in respect of casino duty rates and flexibility on payment terms in relation to any current and future penalties...

73. On 3 May 2023, the NICC wrote to Star Entertainment and stated that it had serious concerns regarding the accuracy and tone of the 19 April 2023 ASX announcement. In particular, the NICC noted that it had concerns about the “disregard for the findings” of the 2022 Review and the subsequent suspension of The Star’s casino licence, and the wider operating conditions of the casino market both in NSW and in other jurisdictions.<sup>78</sup>
74. The NICC referred to the following statements in the ASX announcement as inaccurate and potentially misleading:<sup>79</sup>
- “a significant and rapid deterioration in operating conditions ... at The Star Sydney ... largely driven by the impact of regulatory operating restrictions and exclusions”; and
  - “The Star Sydney is operating in an uneven competitive environment as it relates to the regulatory settings for complimentary services in its private gaming areas”.
75. The NICC then stated:<sup>80</sup>

As you are aware, the NICC was established following the publication of the Bell Report in August 2022, which found significant non-compliance by The Star Sydney

with several of its basic regulatory requirements, including obligations under the *Casino Control Act 1992*, and anti-money laundering and counter terrorism financing legislation.

The NICC has been working with The Star Sydney to address the findings of the Bell Review and support The Star Sydney to comply with its legislative requirements, while allowing the gaming business to continue operating by the appointment of a Manager following the suspension of the casino licence.

The Announcement is not the first ASX announcement issued by The Star that has caused the NICC concern. On 13 February 2023, The Star issued an ASX announcement claiming “a reduced level of complimentary services and benefits in private gaming areas” as a reason for the downturn in The Star Sydney’s trading performance. This announcement also attributed that downturn to “increased operating restrictions”, rather than acknowledging the costs incurred of complying with its longstanding regulatory obligations.

The Bell Review found that multiple ASX announcements issued by The Star in 2021 were misleading. The NICC is concerned that The Star is continuing to take an ill-considered approach to the content of ASX announcements. The Announcement attributes The Star’s current financial position to the regulatory environment, and in doing so fails to acknowledge The Star’s accountability for its current circumstances.

The Bell Review and the [Queensland Review] uncovered a multitude of operating behaviours by The Star which were conducted in breach of The Star’s statutory, regulatory and licence obligations. The Star is required to meet those obligations along with the associated costs of doing so.

### ***Proposed NSW casino duty and refinancing***

76. On 20 June 2023, Star Entertainment provided a further market update in respect of the proposed NSW casino duty rates. It noted that its position was that the proposed duty increases were not sustainable and were flawed in design. In particular, Mr Cooke was quoted as saying:<sup>81</sup>

If implemented as originally proposed, the additional duty would significantly challenge the economic viability of the Sydney business and put the jobs of up to 4,000 hard working Sydney employees in jeopardy.

77. Star Entertainment stated that it intended to continue its engagement with NSW Treasury and the NSW Government on the proposal with the aim to “secure outcomes regarding the future of its Sydney employees”. The ASX release also noted that Star Entertainment was undertaking a process to refinance its existing debt facilities and increase covenant headroom, and that “ongoing uncertainty and the prospect of increased casino duty rates in NSW materially increases the risk of not successfully completing these processes”.<sup>82</sup>
78. On 11 August 2023, Star Entertainment announced that it had reached an in-principle agreement with the NSW Treasurer to amend its duty arrangements with the State of NSW. The announcement stated:<sup>83</sup>

The amendments once formalised are designed to deliver a sustainable outcome for The Star and to protect the jobs of thousands of NSW team members at The Star. ... The process to complete long-form binding agreements will now commence with Treasury to fully document the duty arrangements and ancillary matters (including a jobs commitment by The Star).

Commenting on the in-principle agreement The Star's CEO and Managing Director Robbie Cooke said:

“The formal consultative and structured approach implemented by the Government has enabled an in-principle agreement to be reached which protects our Sydney team's jobs and the viability of The Star Sydney.

While the in-principle agreement will result in an uplift in duties payable to the State, it has due regard to the circumstances of our Sydney business and as such helps to create a sustainable path forward for The Star Sydney. The expected additional duty payable in FY24 is circa \$10 million.

It is also designed to provide employment certainty for team members in arrangements agreed with the United Workers Union. In addition, it will see The Star Sydney introduce a trial of its cashless gaming machine technology in October this year on 50 gaming machines and 8 gaming tables.

The arrangements enable us to continue working at pace to implement the significant reforms required to restore The Star Sydney to suitability, earn back the trust of the community, and ensure we remain a valuable contributor to the NSW economy.”

The resolution of uncertainty regarding NSW casino duty rates will also help facilitate The Star's previously foreshadowed plans to refinance its existing debt funding arrangements. The Star intends to provide an update on the refinancing process in the coming months.

79. The in-principle agreement was formalised on or around 21 November 2023 when Star Entertainment entered into binding agreements to effect the amendments.<sup>84</sup>

### ***Sale of The Sheraton Grand Mirage Gold Coast***

80. On 26 June 2023, Star Entertainment announced that an agreement had been reached to sell the Sheraton Grand Mirage Resort Gold Coast for \$192 million, subject to certain government approvals.<sup>85</sup> Star Entertainment held 50% of the shares of Australian Wattle Development Pty Ltd, being the joint venture entity that owned the resort. The sale ultimately completed on 3 November 2023, and Star Entertainment expected to receive approximately \$60 million net proceeds from the sale.<sup>86</sup>

### ***2023 financial year results***

81. On 29 August 2023, Star Entertainment published its financial report for the year ended 30 June 2023.<sup>87</sup> In the accompanying ASX and media release, Star Entertainment stated, among other things, that:<sup>88</sup>

- (a) it had achieved normalised EBITDA of \$317 million, being slightly above previously announced guidance of between \$280 and \$310 million;
- (b) its underlying performance had stabilised, as early trading for the first half of the 2024 financial year was in line with the final quarter of the 2023 financial year;
- (c) the uncertainty surrounding the proposed NSW Casino Duty Rate had been resolved and it estimated that the duty payable would increase by approximately \$10 million in the 2024 financial year;
- (d) it was still in the process of refinancing its existing debt facilities; and
- (e) it would commence a formal market process for the sale of the assets comprising the current Treasury Brisbane casino.

### ***Second equity raising in September to October 2023***

82. On 25 September 2023, Star Entertainment announced that it would be undertaking further capital structure initiatives. These were:<sup>89</sup>

- (a) a \$750 million equity raising; and
- (b) \$450 million of new debt facilities committed and underwritten by Barclays Bank PLC and Westpac Banking Corporation comprised of a \$150 million four-year revolving credit facility and a \$300 million four-year underwritten term loan.

83. The announcement also stated:<sup>90</sup>

As previously announced, The Star has been undertaking a broader refinancing process to improve its funding arrangements and capital structure. The Star has undertaken an extensive process and evaluated a range of funding and asset sale alternatives (including property monetisation, equity, equity-linked financing, subordinated debt and larger non-bank lender packages).

Today's announcement represents the culmination of this process. The Star believes that the Refinancing and Further Capital Structure Initiatives announced today are designed to provide The Star with increased financial flexibility to address known and expected liabilities over the medium term, and help finance the ongoing needs of the business and expected joint venture contributions.

Following the implementation of the Refinancing and Further Capital Structure Initiatives, The Star believes it will have a strengthened balance sheet and additional flexibility:

- All existing debt to be repaid and cancelled (\$668m drawn)

- No debt maturities until 2H CY 2027 (FY28)
- More flexible covenant package to support The Star's ongoing operations and funding requirements
- The Star retains its strategic, world-class assets

Dividends are suspended until adjusted net leverage ratio is below 1.5x, resolution of AUSTRAC civil proceedings and completion of QWB debt refinancing.

Commenting on the Refinancing and Further Capital Structure Initiatives, Group Chief Executive Officer and Managing Director Robbie Cooke said:

“Today's announcement is a key milestone in the renewal of The Star. With an optimised capital structure, strengthened balance sheet and enhanced flexibility, we have a strong platform from which to deliver on our renewal program and strategic priorities.”

84. On 27 September 2023, Star Entertainment announced the successful completion of its institutional placement and the institutional component of its accelerated non-renounceable entitlement offer of new fully paid ordinary shares announced on 25 September 2023. The placement and institutional entitlement offer raised a total of \$565 million at \$0.60 per new share. Star Entertainment noted that there was significant interest from institutional shareholders and new investors.<sup>91</sup>
85. On 3 October 2023, the retail component of the equity raising opened.<sup>92</sup> On 17 October 2023, Star Entertainment announced that the retail entitlement offer raised a total of approximately \$184 million at \$0.60 per new share, and that in total across the institutional and retail components a total of approximately \$750 million had been raised through the equity raising.<sup>93</sup>

### **2023: Annual General Meeting**

86. On 9 November 2023, Star Entertainment held its Annual General Meeting.<sup>94</sup> Mr Foster's address to the meeting noted, among other things, that:<sup>95</sup>
- (a) The Star Entities had “committed to fundamental change”, and acknowledged that the casino licences “are a privilege, not a right” and that work was required to “repair and strengthen” relationships with regulators and to “regain trust”; and
  - (b) a draft remediation plan was with the regulators for approval, but “we are not sitting still in the meantime” and work was being progressed to uplift “critical areas of the business”.

87. Mr Cooke also addressed the meeting on a number of topics including the challenges that Star Entertainment had faced in the prior 12 months, the actions that Star Entertainment had taken in response, various regulatory changes, the financial results, and priorities for the future.<sup>96</sup>

### **2023: Engagement with L&GNSW and the NICC**

#### ***Review and implementation of new ICMs***

88. The 2022 Review noted the importance of ICMs having the appropriate level of prescription and recommended that within one year of the date of the 2022 Report, the casino operator work with the NICC to review all of the ICMs in place for the casino and ensure that the ICMs have a greater level of prescription than the then current ICMs.<sup>97</sup> (The implementation of that recommendation is dealt with in detail in Chapter 5.2 of this Report.)
89. As part of that review process, on 30 November 2022, L&GNSW provided updated draft ICMs to The Star, to be implemented in place of The Star's current ICMs.<sup>98</sup>
90. On 28 February 2023, The Star wrote to L&GNSW and provided a proposed ICM Integrated Plan detailing how the new ICMs would be implemented over 2023 and 2024. In respect of the implementation of the plan, The Star stated the following:<sup>99</sup>

During the implementation of the plan, we expect the plan to be dynamic. We will actively update and adjust the plan based on learnings, regulator feedback, and where a requirement has not been assured as sustainably implemented or does not meet the closure criteria. We intend to report transparently to you on adjustments in plan, as proposed below.

We anticipate updating the attached ICM Implementation Plan by 31 March 2023 based on your feedback and discussions with you over the coming weeks. This will be done in parallel to our ongoing work to deliver the 31 March 2023 targets for go-live of new ICM controls, as set out in the plan. During March we will also be conducting further change management planning, as well as further reviews of end-to-end processes that cut across ICM's, with the objective of further strengthening our implementation approach and plan.

As outlined in the attached plan, we are targeting to fully implement 52% and partially implement 14% of ICM requirements by 31 March 2023, noting we anticipate some requirements may not meet the closure criteria set for the requirement and may need further implementation work after 31 March 2023 to ensure their effectiveness and sustainability. By 30 June, we are targeting to fully implement 71% of ICM requirements.

91. On 15 March 2023, the NICC issued a direction to The Star pursuant to section 29(1) of the *Casino Control Act*. In its direction, the NICC stated:<sup>100</sup>

The Proposed Implementation Plan also includes implementation dates beyond 31 March 2023 for 43 controls which the casino operator must currently comply with under the ICMs presently in force. The casino operator has provided interim measures for some, but not all, of these controls.

The following ICMs that address areas that are of particular concern to the NICC, are due to be implemented as follows:

(a) ICM 3 (Customer Probity) is not proposed to be fully implemented until August 2024. Of the 162 total requirements identified in the Proposed Implementation Plan for this ICM, 61 (38%) will not be completed until December 2023.

(b) ICM 12 (AML & CTF) is not proposed to be fully implemented until December 2024. Of the 93 total requirements identified in the Proposed Implementation Plan for this ICM, 28 (30%) will not be completed until after July 2023.

(c) ICM 13 (Responsible Gambling & Exclusions) is not proposed to be fully implemented until September 2024. Of the 61 total requirements identified in the Proposed Implementation Plan for this ICM, 20 (33%) will not be completed until after July 2023. There is no current ICM which deals specifically with responsible gambling.

Under the Proposed Implementation Plan, the proposed date for implementation of all ICMs is not until February 2025, which is over 2 years after the casino operator was first provided with the updated draft ICMs.

92. The NICC indicated that it did not think the proposed plan was adequate, and it was concerned that, until the draft ICMs were fully implemented, there would be significant and unacceptable ongoing risks (as identified in the 2022 Report) including in relation to customer probity and risk assessment, responsible gambling and harm minimisation, and transaction monitoring and prevention of criminal activity within the casino premises. Further, the NICC was not satisfied that The Star was taking all reasonable and necessary steps to implement the updated draft ICMs promptly and with due urgency.<sup>101</sup>

93. Accordingly, the direction issued by the NICC required The Star to:<sup>102</sup>

1. Provide the NICC with an updated Proposed Implementation Plan by 31 March 2023:

(a) which proposes interim measures for all internal controls which are not able to be fully implemented by 31 March 2023. This is to ensure that while full implementation of any ICM remains outstanding (between 31 March 2023 and 30 June 2023), the casino operator is taking all reasonable steps to mitigate the risks against which that ICM is designed to protect; and

(b) pursuant to which all updated draft ICMs will be fully implemented by 30 June 2023.

2. Implement all updated draft ICMs by 30 June 2023.

94. The NICC provided The Star with an opportunity to provide any submissions in response to the direction by 5 pm on 22 March 2023.<sup>103</sup>
95. On 17 March 2023, The Star wrote to L&GNSW and provided an updated ICM implementation plan which was developed with reference to, among other things, feedback received by L&GNSW and the direction issued by the NICC. The Star stated that the updated plan would see “99.7% of items comprised in the ICMs completed by 30 June 2023”, and it was seeking transitional relief in respect of 3 items on the basis that they required a more complex solution. However, The Star committed to implementing those items by no later than 1 September 2024, in line with the implementation of carded and cashless play. The Star also noted that it had discussed the updated plan with the Manager on 17 March 2023 and that this was a “constructive and helpful discussion”. The Star invited any further feedback from L&GNSW before The Star made its submission to the NICC on 31 March 2023.<sup>104</sup>
96. On 22 March 2023, The Star provided its written response to the direction issued by the NICC on 15 March 2023. The Star informed the NICC that it had provided a revised ICM implementation plan to L&GNSW. In relation to the three ICM items that The Star believed could not be implemented by 30 June 2023, The Star sought formal relief from clause 2 of the direction. The Star stated that these items could not be fully implemented until the roll out of carded and cashless play was completed, which would occur in August 2024. The Star stated that, for each of these items, The Star was increasing controls and implementing mitigating actions to reduce risk for when the shift to carded play occurred.<sup>105</sup>
97. On 24 March 2023, The Star wrote to L&GNSW to provide a further version of the implementation plan, and informed L&GNSW that The Star had written to the NICC on 22 March 2023.<sup>106</sup>
98. On 30 March 2023, The Star submitted the ICM implementation plan to the NICC in response to the direction made on 15 March 2023 and provided an update on its engagement with L&GNSW in relation to the plan. The Star noted in its letter:<sup>107</sup>

We are proceeding to implement and deliver according to the attached plan and look forward to regular engagement with both the NICC and L&G NSW on progress.

L&G have engaged with us this week in regards to establishing a formal implementation governance structure for both the ICM Implementation as well as remediation. This will be supported by fortnightly progress review meetings where we will track progress and escalate issues promptly and transparently with L&G



NSW. The first progress review meeting is being targeted for the week commencing 3 April 2023. We welcome NICC's engagement in this government process also.

If you have feedback or comments on any of the attached information I would welcome the opportunity to discuss with you.

99. On 30 June 2023, L&GNSW wrote to The Star notifying it that the NICC had approved the transitional arrangements in respect of the ICMs on 28 June 2023, effective from 1 July 2023. There were 9 transitional arrangements, the latest of which were set to expire by 18 August 2024. Relevantly, those transitional arrangements included:<sup>108</sup>
- (a) allowing additional time up to 30 September 2023 for the NICC, the Manager, and The Star Entities to discuss the composition and governance of the Compliance Committee, the establishment and maintenance of which was mandated by ICM 2(28). (The Compliance Committee is addressed in further detail in Chapters 5 and 7);
  - (b) allowing additional time up to 18 August 2024 (when carded and cashless play would become mandatory) in respect of certain controls, the implementation of which relied on, or was easier as a result of, carded and cashless play. For these controls, there were transitional provisions insofar as the ICMs concerned patrons engaging in uncarded play, although The Star was required to implement interim measures targeted at uncarded play.
  - (c) the implementation of the Time Play Management standard under ICM 13(12(a)), which is considered in Chapter 8 allowing additional time up to 30 September 2023 for The Star to complete ECDD for the pool of between 12,000 and 13,000 existing customers who would become rated high risk when the new ICMs came into effect, which is also considered in Chapter 8.
100. On 4 July 2023, The Star wrote to the NICC and noted that, allowing for the approval of the transitional arrangements, it had achieved 99.7% compliance with the ICM requirements by 30 June 2023.<sup>109</sup>

### ***Submission of draft remediation plan***

101. In the period from about June 2023 to October 2023, The Star Entities worked to refine their draft remediation plan in consultation with the Manager and the NICC. Over that period, five iterations of the remediation plan were produced. The development of the remediation plan is discussed in detail in Chapter 6, but at a high level:

- (a) On 16 June 2023, Star Entertainment provided a copy of the remediation plan that it had developed for consideration by the NICC, and noted that the plan had also been submitted to the Queensland Attorney-General that same day.<sup>110</sup> On 19 July 2023, the Manager provided detailed feedback on the draft remediation plan and requested that a second draft of the plan be provided by 17 August 2023.<sup>111</sup>
  - (b) In accordance with the request by the Manager, on 17 August 2023, Star Entertainment submitted a further version of the remediation plan.<sup>112</sup> On 4 September 2023, the Manager provided feedback on version 2 of the draft remediation plan.<sup>113</sup>
  - (c) On 19 September 2023, Star Entertainment issued version 3 of the draft remediation plan to the Manager.<sup>114</sup> On 22 September 2023, the Manager provided detailed feedback on version 3 of the draft remediation plan.<sup>115</sup>
  - (d) On 29 September 2023, Star Entertainment issued version 4 of the draft remediation plan to the Manager.<sup>116</sup> On 3 October 2023, the Manager provided feedback on version 4 of the draft remediation plan.<sup>117</sup>
102. On 5 October 2023, Star Entertainment provided the Manager with version 5 of the draft remediation plan.<sup>118</sup> That same day, Star Entertainment also provided the NICC with a copy of version 5 of the draft remediation plan, which was contained in a document entitled “Document 1 – TSEG Remediation Plan Submission”. Star Entertainment noted that the plan should be read in conjunction with the following supporting documents:<sup>119</sup>
- (a) “Document 2 - TSEG Dependence Register”,<sup>120</sup>
  - (b) “Document 3 – TSEG Response to SMT Rem Plan v 4 Feedback”,<sup>121</sup>
  - (c) “Document 4 – TSEG Resource Profiles and Cost Summary”,<sup>122</sup> and
  - (d) “Document 5 – TSEG Change Control Spreadsheet”.<sup>123</sup>
103. To date, version 5 of the remediation plan remains the most current version of the plan. However, Star Entertainment indicated during the course of the public hearings that it intends to undertake a “reset” of the plan.<sup>124</sup> That proposed reset, and the remediation plan more generally, is discussed in detail in Chapter 6.

***Second extension of the Manager***

104. On 8 August 2023, the NICC wrote to The Star to put it on notice that the NICC was considering, what, if any, further steps ought to be taken in relation to The Star’s casino licence in light of the fact that the term of the Manager was due to come to an end on 19 January 2024. The NICC noted that the purpose of the letter was to put The Star on notice that the NICC intended to shortly serve a notice under section 32 of the *Casino Control Act* seeking information relevant to its considerations and that The Star would be provided with an opportunity to make submissions.<sup>125</sup>
105. On 15 August 2023, the NICC wrote to Star Entertainment and enclosed with that letter a notice pursuant to section 32 of the *Casino Control Act* requiring The Star Entities to provide specified information to the NICC by 12 September 2023. The NICC also invited The Star to make any submissions regarding, what, if any, further steps ought to be taken in relation to The Star’s casino licence by 12 September 2023.<sup>126</sup>
106. On 11 September 2023, The Star produced to the NICC the specified information sought under the section 32 notice and also provided submissions.<sup>127</sup> The Star ultimately submitted the following:<sup>128</sup>
- The Star understands that while its reform journey has commenced, a lot remains to be done. The Star is committed to restoring its suitability and working within a framework the NICC deems most appropriate.
- Further, The Star acknowledges the NICC has a number of options available to it and The Star does not wish to be presumptuous in relation to the appropriate way forward. The Star also acknowledges that its draft remediation plan whilst in an advanced state has not as yet been approved by the NICC.
- In these circumstances The Star respectfully submits that it considers an appropriate path forward would be to contemporaneously with the time at which its remediation plan is approved, for the NICC to impose a new condition (pursuant to section 22) on its casino licence to appoint an independent monitor. In the alternative The Star submits that a further extension of the Manager’s appointment be made (pursuant to section 28).
107. The Star’s submission also referred to Star Entertainment’s ASX announcement dated 19 April 2023 concerning “the dramatic deterioration in The Star’s trading performance and the need to undertake a very significant head count reduction impacting approximately 500 roles”,<sup>129</sup> and added that “none of the changes impacted risk, compliance (AML, harm minimisation, regulatory) and controls roles”.<sup>130</sup>

108. On 23 November 2023, the NICC wrote to The Star following its consideration of the material that had been produced and The Star's submission. The NICC stated:<sup>131</sup>

While The Star has taken some remedial action, The Star has not satisfied the NICC that it is capable of becoming a suitable person to give effect to its casino licence and the Act. Further, to the extent that remedial action has been taken in response to the findings of the [2022] Bell Report as to the management and operation of the casino, much of that progress is directly attributable to requirements imposed on The Star by regulators and the supervision and direction of the Manager.

The NICC has determined that it is in the public interest to seek a limited further extension to the term of the Manager's appointment by regulation, to give The Star additional time to satisfy the NICC that it is capable of undertaking the remedial action required for it to be permitted to return to gaming in accordance with the provisions of its casino licence.

The NICC has requested that the term of appointment of Mr Weeks as Manager of the casino be extended by regulation to **30 June 2024**, unless that appointment is terminated earlier by the NICC. The NICC intends for this to be the final extension of the Manager's term.

During this further period of extension of the Manager's term, it will be incumbent upon The Star to demonstrate to the NICC that it is capable of undertaking the remedial action required to become suitable to give effect to its licence within a reasonable timeframe, having regard to the time that has elapsed since its licence was suspended.

109. On 24 November 2023, Star Entertainment made an announcement to the ASX in respect of the decision by the NICC to seek an extension of the Manager's term to 30 June 2024. Star Entertainment stated:<sup>132</sup>

The NICC has advised The Star that the proposed extension is to give The Star additional time to satisfy the NICC that it is capable of undertaking the remedial action required for it to become suitable and be permitted to return to gaming in accordance with the provisions of the Sydney casino licence.

The Star is continuing to engage with the NICC and the Manager in relation to its remediation plan as it relates to the Sydney Casino (which is yet to be approved in New South Wales) and other matters.

110. Shortly after, on 29 November 2023, the NICC wrote to The Star and provided it with a copy of two reports that had been prepared by the Manager in October and November 2023, respectively. The NICC's letter stated:<sup>133</sup>

As you are aware, on 15 August 2023, the NICC issued The Star a notice under section 32(1) of the *Casino Control Act 1992* (NSW) (Act) and invited The Star to make submissions regarding what, if any, further steps ought to be taken in relation to The Star's casino licence in light of the fact that the term of Mr Weeks' appointment was due to end on 19 January 2024. At the same time, the NICC also requested a report from the Manager as to The Star's progress in key areas of operations and management and compliance with the Act. The following reports from the Manager are attached ... :

- ‘The Star Sydney – Manager’s Report to the NSW Independent Casino Commission’ dated 3 October 2023
- ‘The Star Sydney – Manager’s Report to the NICC: Addendum’ dated 24 November 2023.

As noted in my letter of 23 November 2023, during the further period of extension of the Manger’s term, it will be incumbent upon The Star to demonstrate to the NICC that it is capable of undertaking the action required to become suitable to give effect to its licence within a reasonable timeframe, having regard to the time that has elapsed since its licence was suspended. This will necessarily include addressing the risks and concerns identified by the Manager in the reports, together with any additional concerns of the NICC.

A key issue identified in the Bell Report was the need for cultural change within The Star. The NICC holds serious concerns about The Star’s lack of an effective response to the Root Cause Analysis undertaken by Deloitte, the Ethics Centre Culture Review, and the magnitude of the cultural reform still to take place at The Star.

The NICC has been informed that the Manager’s assessment of The Star’s updated remediation plan is that it is likely to address the key management and operations failings identified by the Bell Review if implemented. However, the Manager’s opinion is that, to date, The Star has shown limited progress in initiating a high quality, self-driven uplift that captures and responds to risk in a timely, rigorous way, and that “material execution risk remains”.

The Star is yet to demonstrate whether it is capable of implementing the proposed remediation plan or becoming suitable to hold a casino licence. Any future decision to be made by the NICC regarding The Star’s casino licence will be made based on relevant information available to the NICC at that time.

111. On 7 December 2023, the Board of Star Entertainment, excluding Mr Cooke, met with the Manager and the NICC. At this meeting, the NICC communicated to Star Entertainment its view that it had lost confidence in Mr Cooke to execute the Remediation Plan.<sup>134</sup> The minutes of the 7 December 2023 meeting recorded the following:<sup>135</sup>

- [Mr Crawford] confirmed NICC’s view that it had lost confidence in the [Star Entertainment] CEO to execute the remediation plan...;

...

- [Star Entertainment] enquired whether the NICC was aware of any specific individual who could “step-in” as CEO at short notice; NICC confirmed that while they are unaware of any particular individual, NICC reflected that senior appointments “parachuted in” (ie with little lead time) take place regularly in distressed organisations.

112. This meeting is discussed in further detail in Chapter 10.
113. On 22 December 2023, Mr Foster wrote on behalf of Star Entertainment to Mr Crawford, the Chief Commissioner of the NICC. In his letter, Mr Foster referred to the NICC’s letter of 29 November 2023 and to a series of meetings that were held between the NICC and

members of the Board of Star Entertainment on 30 November 2023 and 6, 7 and 18 December 2023. Mr Foster stated:<sup>136</sup>

The Board has reflected deeply on the correspondence, reports, and the frank discussions we have had. As discussed, we will provide a detailed response to the reports to detail the areas we agree with, update areas that appear dated and correct others. We will also point out areas where we disagree with the opinions formed or believe there are material omissions. This detailed response is being finalised and will be provided before the end of the month.

As expressed to the NICC in our 7 December and 18 December meetings, the Board is disappointed that the NICC chose to share a number of concerns with the media prior to giving us adequate opportunity to respond to your letter and concerns. In particular, the SMH article published late on 6 December has caused concerns for [Star Entertainment] employees, investors and damagingly candidates for senior leadership roles with the company. We are of course working to address those concerns.

We are also disappointed that the NICC has chosen not to approve or endorse the Remediation Plan. We note that the OLGR in Queensland have approved the Plan, and we understand that the NICC or its predecessor approved a Crown remediation plan. We worked with Mr Weeks through 5 iterations of the Plan on the understanding we were working towards approval by the NICC. We have queried this several times during the meetings above but remain unclear why this has not occurred. We also disagree with the NICC's public statement that "the remediation effort demonstrated in Pymont had so far been largely attributable to the independent manager Nicholas Weeks.....and not driven by the decisions of Star Sydney itself".

More importantly though, we have spent most of our time reflecting on the discussions and correspondence to prioritise the actions we believe are needed to address the concerns of the NICC and give you and Mr Weeks the confidence in [Star Entertainment's] ability to regain suitability within a reasonable time frame.

114. Mr Foster further stated:<sup>137</sup>

As we have discussed, we remain completely focussed and committed to executing our remediation and regaining suitability in due course. We believe that we have made significant progress to date in an incredibly challenging environment. As you are aware, we are currently a Board whose average tenure is well under 12 months. We are deeply engaged in the oversight of the remediation and viability of [Star Entertainment], and during 2023 have held over 120 Board and Committee meetings and workshops.

We note your comments to us recently that you raised your concerns to get our attention. You have achieved this. We also appreciate your comments and assurance that you want us to succeed as stated in our meeting of 18 December 2023.

I look forward to updating you further once the NICC re-opens in the New Year...

### **2023: Engagement with Queensland Government**

115. On 5 October 2023, Star Entertainment submitted version 5 of its remediation plan to the relevant Queensland regulatory authorities.<sup>138</sup>

116. On 24 November 2023, the Attorney-General of Queensland informed Star Entertainment that the remediation plan had been approved. Star Entertainment was also informed that, prior to 31 May 2024, it was required to demonstrate to the Queensland Government that it was delivering upon the approved remediation plan and returning to suitability. If this did not occur, then the deferred suspensions of the casino licences in Queensland would take effect.<sup>139</sup>

### **2023: Legal proceedings**

#### *Commencement and consolidation of further securities class actions*

117. On 6 February 2023, Star Entertainment was served by Phi Finney McDonald with a statement of claim for a securities class action in the Supreme Court of Victoria. The claim alleged that in the period between 29 March 2016 and 13 June 2022, Star Entertainment made misleading representations, including about its systems and processes for compliance with anti-money laundering and counter-terrorism financing obligations, failed to disclose relevant information it had about those matters to the market, and conducted its affairs contrary to the interests of the members of Star Entertainment as a whole. Star Entertainment noted it intended to defend the proceedings and the claim was substantially similar to the separate securities class actions filed by Slater & Gordon and Maurice Blackburn (discussed in paragraph 47 above).<sup>140</sup>
118. The next day, on 7 February 2023, Star Entertainment was served by Shine Lawyers with a statement of claim for a securities class action in the Supreme Court of Victoria. The claim alleged that in the period between 29 March 2016 and 25 May 2022, Star Entertainment made misleading representations and did not disclose information which should have been disclosed, including about its systems and processes for compliance with anti-money laundering and counterterrorism financing obligations, and conduct relating to junkets, Star Entertainment's accounts with the Bank of China Macau, and China Union Pay transactions.<sup>141</sup> Star Entertainment noted that it intended to defend the proceedings and the claim overlapped considerably with the separate securities class actions filed by Slater & Gordon, Maurice Blackburn and Phi Finney McDonald.<sup>142</sup>
119. On 19 September 2023, the Supreme Court of Victoria determined that the class action commenced by Slater & Gordon would proceed and that the class actions brought by Shine Lawyers, Maurice Blackburn and Phi Finney McDonald would be permanently stayed. This

decision was made, in part, to avoid Star Entertainment having to answer a multiplicity of similar proceedings.<sup>143</sup>

***Queen’s Wharf Brisbane – legal proceedings involving Multiplex***

120. On 5 June 2023, Star Entertainment announced that the expected opening date of the Queen’s Wharf Brisbane project was now April 2024. This change to the opening date was said to be due to construction delays.<sup>144</sup>
121. On 21 August 2023, Star Entertainment announced that Destination Brisbane Consortium (DBC), the joint venture owned 50% by Star Entertainment which was undertaking the Queen’s Wharf Brisbane project, had been served with an originating process in the Supreme Court of Queensland by Multiplex Constructions Qld Pty Ltd (**Multiplex**), the builder for the Queen’s Wharf Brisbane project. The claim against DBC sought declarations from the Court regarding extensions of time, relevant milestone dates, liquidated damages, variations and certain other matters, including potential sums payable, in connection with the contract and seeks various orders in relation to those matters.<sup>145</sup>
122. On 29 August 2023, Star Entertainment announced that Multiplex had served on DBC an adjudication application lodged by Multiplex with the Queensland Building and Construction Commission under the *Building Industry Fairness (Security of Payment) Act 2017* (Qld). Star Entertainment stated that the adjudication claim was separate to the Supreme Court proceedings announced on 21 August 2023.<sup>146</sup>
123. On 22 December 2023, Star Entertainment announced that DBC had entered into a settlement deed with Multiplex to settle the matters the subject of the Supreme Court proceedings and the adjudication application in relation to the Queen’s Wharf Brisbane project. Star Entertainment also stated that the revised program of work agreed between DBC and Multiplex meant that the opening of Queen’s Wharf Brisbane was now expected to occur in August 2024 (as opposed to April 2024). The total amount payable by DBC to Multiplex as part of the settlement arrangements would depend on the project delivery dates achieved by Multiplex, however Star Entertainment’s share was expected to be within the range of \$30 million to \$85 million.<sup>147</sup>



*AUSTRAC proceedings*

124. In the Directors' Report and Financial Report dated 23 February 2023 for the half-year ended 31 December 2022, the directors made the following statement regarding the AUSTRAC proceedings:<sup>148</sup>

AUSTRAC has commenced civil penalty proceedings against other companies on five occasions, two of which are yet to conclude. The three concluded AUSTRAC proceedings to date have led to the Federal Court ordering the respondent to pay significant penalties (Tabcorp \$45 million (2017); CBA \$700 million (2018) and Westpac \$1.3 billion (2020)). The determination of the Federal Court's penalty (including where a penalty has been jointly proposed by AUSTRAC and the defendant to the Court) is specific to the facts of each case and arrived at after consideration of a detailed Statement of Agreed Facts and Admissions.

The statement of claim from AUSTRAC includes important insights into the number and severity of the alleged breaches by the Group. This detailed information is necessary, in conjunction with analysis of the penalties against other companies (described above) and the relative size of the Group, in determining a reliable estimate of the civil penalty at 31 December 2022. Due to the statement of claim being served on 30 November 2022, an estimate of \$150 million has been provisioned on the balance sheet at 31 December 2022. This has been recognised at a time where there remains considerable uncertainty on the approach the Federal Court will ultimately take when assessing any penalty.

Any actual penalty paid by the Group may differ materially to the provision recorded at 31 December 2022.

125. The Star and The Star Entertainment Qld Limited did not file a Defence in the proceedings. Rather, throughout 2023, the parties to the AUSTRAC proceedings embarked on a Court-ordered conferral process to attempt to narrow the issues in dispute by the preparation of a statement of agreed background facts identifying the relevant facts in respect of which there is agreement between the parties.<sup>149</sup>
126. That conferral took place on 19 May 2023 and 28 June 2023 before a Registrar.<sup>150</sup> However, the parties were not able to agree on a statement of facts. On 10 November 2023, The Star and The Star Entertainment Qld Limited filed a statement of admissions and factual contentions.<sup>151</sup>
127. On 18 December 2023, the Federal Court ordered that The Star by 12 February 2024 was to file and serve a document containing any further admissions and that the parties were to participate in a further conferral process from March 2024.<sup>152</sup>

### Chapter 4.3 Events from 1 January 2024 to 19 February 2024

#### **2024: Completion of appointments to Board and executive team of Star Entertainment**

##### *Board*

128. On 7 February 2024, Star Entertainment announced that Mr Hodgson had received all necessary approvals and would join the Board of Star Entertainment as an Independent Non-Executive Director that day.<sup>153</sup>

##### *Executive appointments*

129. On 23 January 2024, Star Entertainment announced that Mr Daniel Finch had been appointed Chief Executive Officer of Brisbane operations (subject to all necessary regulatory approvals).<sup>154</sup>
130. On 25 January 2024, Star Entertainment announced that Ms Janelle Campbell had been appointed Chief Executive Officer of The Star Casino (subject to all necessary regulatory approvals).<sup>155</sup> Star Entertainment also noted that this completed the recruitment of CEOs for The Star's Sydney, Gold Coast and Brisbane properties. On 25 February 2024, Ms Campbell commenced in the role.<sup>156</sup>

#### **2024: Engagement with the NICC regarding Manager's reports**

131. On 23 January 2024, Mr Foster and Mr Cooke signed a letter on behalf of Star Entertainment to the NICC in response to the reports from the Manager which had been received on 29 November 2023. The letter included the following:<sup>157</sup>

In our responses, we have taken on board the Manager's views where appropriate and we expect deficiencies identified will be addressed in the coming months. There are some matters where we do not agree with the Manager's conclusions. We have sought to explain the divergence of opinion in our detailed responses.

We trust that the Commission will take this letter and the enclosed responses in the manner in which they are intended; our hope is that by clearly communicating our views on the matters raised, The Star can work with the Commission and the Manager/ Special Manager to ensure a pathway to suitability. Our responses are also intended to equip the Commission with additional facts and circumstances that we would expect to be relevant to any decisions that may be taken by the Commission regarding The Star's future operating state. We have sought to identify instances of information in the Manager's Reports that are either no longer current or incomplete, and instances where relevant information has been omitted.

132. In the letter, Star Entertainment made the following overarching comments:<sup>158</sup>

1. **Historic Matters** - Appreciating that the Reports cover the period from the Manager's appointment in October 2022, many of the observations and comments relate to the Company's position in the first month(s) of his appointment and are not applicable to the current state of the business. Many of these observations concern legacy issues which were addressed some time ago.

2. **Lack of Recognition of Proactive Steps** - The Manager's Report does not recognise nor emphasise many actions and initiatives proactively taken by the Company. This is in stark contrast with the reporting of similar actions and initiatives taken by Crown Melbourne in the Victorian Special Manager's (Mr Stephen O'Bryan KC) six-monthly reports.

3. **Lack of Recognition of Operating Environment** - There is a lack of recognition in the Manager's Report that The Star is undertaking a complex and significant reform program which has been compounded by an unprecedented number of existential threats and significant challenges going to the core of The Star's business. In particular, there is a lack of acknowledgement of:

- the intensity and nature of these challenges;
- the stress and load of these matters, in combination with the complex reform program, has placed upon the organisation - compounded by often unrealistic deadlines imposed; and
- that no organisation exists with an 'off the shelf' capability to address, respond and adjust to the changed operating environment and unprecedented scale and nature of challenges that The Star has faced.

4. **Remediation Plan Timing** - It is inferred in the Manager's Report that The Star has been slow to develop its Remediation Plan. The context of the development of the Remediation Plan is important. The Star's understanding was that the Commission expected a Root Cause Analysis and Cultural Review to be completed prior to the development of the Remediation Plan. These reviews were commissioned in December and October 2022 respectively with final reports issued August and June 2023. The Star was given permission to commence preparation of its Remediation Plan on 24 March 2023 and this was approved in Queensland on 24 November 2023. The pace of development of The Star's plan is understood to be entirely consistent with the time taken by Crown Melbourne in concluding its remediation plan where an 'early draft plan' was provided to The Victorian Special Manager in March 2022.

5. **Organisational Restructure Timing** - There are numerous comments made in relation to the pace of implementation of changes to The Star's organisational structure. The facts of the matter are:

- the new organisation structure for The Star was designed, reviewed and approved in the period 1 January 2023 to 31 March 2023;
- the implementation of the proposed organisational changes was paused in April 2023 due to the Company suffering a dramatic deterioration in its trading performance which necessitated the termination of ~500 personnel over a ~3-month period to protect the business;
- once the existential threat to the business was resolved a decision was made on 26 July 2023 to announce the new organisational structure to the team along with the revised leadership structure.

**6. Time to Appoint Key Personnel** - The Manager's Report is critical of the time taken to appoint key executives. The Manager's Report fails to recognise or acknowledge that most senior appointments made by the Company involved personnel who held existing external senior corporate positions requiring notice periods to be served (typically 6 months for executives of the seniority/calibre sought) and in some cases restraint periods also had to be honoured. In addition, the Manager's Report does not recognise the commercial reality/that a typical recruitment process for a senior executive utilising external search firms (absent candidate notice periods) is usually between 3 to 6 months - resulting in an end-to-end onboarding timeline of 9 to 12 months after allowing for notice periods. The Star's recruitment timelines have in most instances been more rapid than these normal time lines.

**7. Resourcing** - The Manager in his Report states:

'a significant majority of the GLT held senior executive roles during the period examined by the Inquiries. That is not to say that those executives were involved in misconduct during that period, it is simply the case that ..... [they] were senior leaders in an organisation that enabled a culture that cultivated and tolerated widespread misconduct. In our assessment, [The Star's] decision to retain this number of executives with long-term history with the organisation will make the task of culture reform and remediation more difficult and deprives the organisation of more diverse business experience'

The Manager's Report suggests the final Group Leadership Team will be comprised of nine existing employees and four new executives. This is not correct, the composition of the Group Leadership Team once the Brisbane and Sydney CEOs are appointed will be seven new executives and seven existing executives. Further, the composition of the Group Leadership Team will continue to evolve over time to reflect the organisational needs and requirements of The Star.

**8. Culture** - The Manager states that The Star has achieved 'only modest progress to date on cultural reform'. The Manager in expressing this opinion fails to recognise that the cultural reform process will be a multi-year process. This was clearly acknowledged in the Finkelstein Royal Commission by expert testimony of Elizabeth Arzadon where she advised the Commission that '[t]ransforming culture across all levels of the organisation will be challenging for Crown, with real and embedded change not expected to take full effect for three to five years'.

**9. Regulatory Deprioritisation** - The Manager concludes in his Reports that The Star has deprioritised the requirements of its casino regulators to focus on other matters. We disagree with this conclusion. At no time has The Star deprioritised the requirement of its casino regulators or its reform program to deal with other issues it was facing. In fact, The Star has very deliberately kept a very limited group of its team involved in non-casino and non-reform matters to ensure maximum resourcing prioritisation to regulatory matters such as ICM uplift, remediation planning and BAU activities. The Company has, and will continue to, ensure regulatory matters are given utmost priority.

**10. Quality of Board Reporting** - The Manager states 'Board reporting requires material improvement, both in terms of the quality of reporting and the timeliness of papers'. We disagree with this conclusion given the significant uplift in information available to the Board compared to that pre-October 2022. Specifically, the information being provided to the Board through new format Group CEO, Group CRO, Group Legal and Group CFO reporting is a significant uplift with full transparency and open disclosure of all material issues, breaches and incidents occurring in the business along with unfiltered access to all material regulatory

interactions, issues and correspondence. This disclosure is at a level significantly higher than most ASX listed entities based on the Board's considerable experience of listed company practice. In addition, the Board and its Committees met more than 120 times in 2023 (excluding informal meetings). The Board was receiving, in effect, weekly updates from management on all key actions and work streams.

133. The letter attached annotated versions of the reports with The Star's observations and comments in green font, sometimes in bold and underline. For example, the annotated version of the 3 October 2023 Manager Report included the following statements (emphasis as original):<sup>159</sup>

Importantly, The Star's observations and comments are provided to ensure that any decisions that may be taken by the NICC or OLGR are made on the basis of complete and accurate facts, taking into account all relevant matters and not taking into account any irrelevant considerations.

The Star provides its comments and observations in an **open and transparent** manner to:

- provide some additional insight and context as to the Company's actions and intentions; and

- highlight actions that might not be fully apparent to a reader of the Report who has not had day-to-day involvement in the operations of The Star over the last 12 months to the same extent as the Manager / Special Manager.

...

The Star also **reiterates its disappointment** that the NICC chose to share a number of concerns with the media prior to giving the Company adequate opportunity to respond to the NICC's correspondence of 29 November 2023 and the Manager / Special Manager's Reports.

In addition, The Star is **disappointed** that the NICC has chosen not to approve or endorse its Remediation Plan for reasons that are not apparent, particularly in light of the Queensland Attorney General approval of the Plan.

...

As an overarching comment The Star is of the view that the Manager / Special Manager's Report **lacks balance in that due recognition is not given to the considerable accomplishments** of The Star since October 2022.

134. Similarly, Star Entertainment's response to the 24 November 2023 Manager's Report included similar statements which were in part in bold and underlined as those set out above.<sup>160</sup> Both of Star Entertainment's responses to the Manager's reports also contained other statements in respect of specific matters raised in the Manager's report which were in bold and underlined.

135. The response to the Manager's reports is considered further in Chapter 10.

**2024: Jobs guarantee and cashless gaming trial in NSW**

136. On 16 February 2024, Star Entertainment announced to the ASX that it had entered into binding documentation to give effect to the in-principle agreement with the NSW Treasurer in connection with the revised duty agreements in NSW. The in-principle agreement involved a jobs guarantee and commitments regarding a trial of cashless and carded play. In those respects, the update noted that:<sup>161</sup>
- (a) Star Entertainment had entered into a Jobs Guarantee Agreement with the State of NSW and the United Workers Union whereby Star Entertainment agreed to maintain a minimum headcount, and certain ratios of full-time, part-time and casual employees, in respect of The Star Casino until 30 June 2030. That jobs commitment was subject to permitted adjustments in certain circumstances (including for force majeure and material adverse change events), following consultation with the NSW Government and the United Workers Union; and
  - (b) Star Entertainment had entered into documentation to give effect to a formal trial of cashless and carded play at The Star Casino. The trial was described as “a precursor to reforms to the NSW regulatory framework which will see cashless gaming and carded play introduced to NSW casinos from August 2024”. The trial of cashless and carded play is discussed in detail in Chapter 5.

**Chapter 4.4 Events since the Commencement of the Inquiry****2024: Announcement of Inquiry**

137. On 19 February 2024, the NICC informed The Star Entities that an inquiry would be conducted under sections 143(1) and 143A of the *Casino Control Act*.<sup>162</sup> Star Entertainment made an ASX announcement that same day which provided information regarding the Inquiry.<sup>163</sup>
138. The following day, on 20 February 2024, Star Entertainment made a further announcement regarding the Inquiry. It stated:<sup>164</sup>

The Star Entertainment Group Limited (**The Star**) welcomes the Inquiry which will provide an objective forum in which to demonstrate it is capable of returning to suitability with particular reference to the actions that have been put in place since the Bell report was issued. The Star intends to participate in the Inquiry in an open, transparent and facilitative manner.

Further, whilst noting the Inquiry is expected to run over the next 15 weeks, a critical period for The Star in executing against its multi-year remediation plan (which was developed with oversight and input from the manager and which has been approved by the Queensland Attorney General), The Star will dedicate all necessary resources to the Inquiry to ensure it meets all its requirements and expectations.

Finally, The Star notes under the Inquiry's terms of reference it is considering the suitability of The Star Sydney Pty Ltd to "be concerned in or associated with the management and operation of The Star casino in Sydney". The Star also notes the NICC's statement in its media release dated 19 February 2024 as follows:

*"... the NICC is giving the casino every chance it can to demonstrate whether it has the capacity and competence to achieve suitability... The inquiry will provide the NICC with the information needed to make an important decision for The Star, it's [sic] employees, its stakeholders and the wider community".*

The Star appreciates the opportunity to demonstrate it has the ability to regain suitability and will continue to do all in its power to work cooperatively with all its regulators including the NICC and its appointed manager. The Star remains committed to and focussed on executing its Remediation Plan and earning back the trust of the community.

### **2024: Financial Report for the period ended 31 December 2023**

139. On 20 February 2024, Star Entertainment stated that it would not release its Appendix 4D and Interim Financial Report for the period ended 31 December 2023 on 21 February 2024 as it had previously communicated. Star Entertainment stated that this would enable it to determine what amendments (if any) were required to these documents arising from the commencement of the Inquiry.<sup>165</sup> On 26 February 2024, Star Entertainment stated that it would announce these results on 29 February 2024.<sup>166</sup>
140. On 29 February 2024, Star Entertainment released its Appendix 4D and Interim Financial Report for the period ended 31 December 2023.<sup>167</sup> The Directors' Report again acknowledged the "gravity of the conduct raised in the Bell and [Queensland] Reports" and stated that "the Board and senior management are learning from the lessons of the past". Relevantly, the Directors' Report addressed the following matters:<sup>168</sup>
- (a) that "significant progress was made in the period relating to remediation with the Group completing 200 milestones, out of a total 638 milestones in accordance with the Remediation Plan timetable". (However it was stated that only 57 of those had been "reviewed and independently verified and then provided to the Manager...for acceptance", and only eight of the 57 had actually been accepted by the Manager);
  - (b) key areas of uplift related to AML/CTF capabilities, safer gambling capabilities, risk and compliance processes (including the establishment of the Compliance

Committee, discussed in detail in Chapter 7), and governance, with an organisational restructure having been commenced and a refresh of the Board and senior leadership; and

- (c) revenue had been impacted by “the implementation of necessary uplifted control environment which led to higher rates of exclusions and the time play management of customers”, alongside “the increased competitive environment and the weaker consumer discretionary environment”. However operating expenses were down, “despite higher levels of risk and compliance resourcing, [and] higher remediation costs”, due to successful cost saving measures.

141. The directors also included a section in their report entitled “Significant Events After the End of the Half Year”, which dealt with the announcement of the Inquiry. The directors noted that “The Star intends to participate in the inquiry in an open, transparent and facilitative manner”.<sup>169</sup>

142. The Interim Financial Report for the half-year ended 31 December 2023 included a note that there was “a material uncertainty as to the Group’s ability to remain a going concern” due to:<sup>170</sup>

- The capability of the Group to return to suitability, which will be assessed by regulators in Queensland by 31 May 2024 and NSW by 30 June 2024; and

- The outcomes of provisions and contingent liabilities including the AUSTRAC civil penalty proceedings, underpaid casino duty and outstanding class action.

143. However the directors ultimately concluded that:<sup>171</sup>

In the Directors’ opinion, whilst there is material uncertainty as to the outcome of the matters outlined above which may cast significant doubt on the Group’s ability to continue as a going concern, the Group is likely to be able to meet its liabilities as and when they fall due over the next twelve months and continues to remain a going concern on the basis that:

- the Directors believe the Group is able to demonstrate to its respective state regulators that it is capable of undertaking the actions required for it to be found suitable to hold its casino licences; and

- the Directors’ expectation that outcomes of the provisions and contingent liabilities outlined in note B3 will be of such magnitude, and with adequate flexibility on timing of payments, so as to not render the Group unable to pay its debts as and when they fall due.

144. The Interim Financial Report for the half-year ended 31 December 2023 published on 29 February 2024 also included a report from Star Entertainment’s Independent Auditor, Ernst



& Young. That report drew attention to the directors' assessment of the ability of the Group to continue as a going concern and the material uncertainty in that respect and contained an emphasis of matters in respect of the regulatory and legal matters disclosed in the financial report.<sup>172</sup>

145. On 29 February 2024, Star Entertainment also published its presentation regarding the financial results<sup>173</sup> and ASX and Media Release regarding the results.<sup>174</sup> Among other things, the media release reported Mr Cooke as saying:<sup>175</sup>

While the Group continues to operate in a challenging regulatory environment, The Star has achieved a number of significant milestones in the period. The Group's Remediation Plan was approved in Queensland. The resolution of the proposed increase to NSW casino duty rates has removed significant uncertainty for our Sydney property and has protected thousands of jobs for our team members in New South Wales.

... [T]here is still much work to be done. Remediation remains our number one priority. We continue to uplift our risk management, safer gambling and AML capabilities and are starting to embed greater accountability and more robust governance. We have invested in enhancing our control environments and are operationalising and embedding these controls. We are improving our financial crime management and have commenced the introduction of significant harm minimisation measures. Our remediation program will track and hold us accountable to the multi-year program we are committed to delivering.

...

Despite the challenges of the past 18 months, as a team we are progressing and continuing to work hard to do all that we possibly can to restore our suitability and earn back trust. As a team we are committed to our strategic 'North Star' looking to deliver sustainable outcomes for our guests, our team members, the communities in which we exist and our shareholders, by providing entertainment, gaming, and leisure experiences in a safe, responsible, and ethical way.

We welcome the inquiry called in New South Wales to assist the NICC in forming a view as to what (if any) action it should take in respect of The Star Pty Ltd (the holder of our NSW licence), prior to the end of the Manager's appointment on 30 June 2024. This inquiry will provide an objective forum in which The Star will be able to demonstrate in NSW it is capable of returning to suitability with particular reference to the actions that have been put in place since the Bell report was published on 13 September 2022. The Star intends to participate in the inquiry in an open, transparent and facilitative manner.

#### **2024: Formal trial of cashless gaming and carded play at The Star Casino**

146. On 22 February 2024, Star Entertainment stated that the formal trial of cashless gaming and carded play at The Star Casino had commenced following the receipt of relevant regulatory approvals. The trial was a precursor to reforms to the NSW regulatory framework which were to be introduced to casinos in NSW from August 2024. Star

Entertainment noted that the trial applied to 51 poker machines and 8 table games within the Sovereign Room.<sup>176</sup> That trial is discussed in Chapter 5.

### **2024: Changes to various executive and Board roles**

147. Since the beginning of 2024, there have been a number of changes in the composition of the Boards and executive teams of both The Star and Star Entertainment. Those changes are discussed in detail in Chapters 7 and 9, respectively.
148. On 29 February 2024, Mr George Hughes, Group Chief Customer and Product Officer at Star Entertainment, resigned from his position.<sup>177</sup>
149. On 22 March 2024, Star Entertainment announced that Ms Katsibouba would cease in the role of Group Chief Financial Officer and would be succeeded by Mr Neale O’Connell, who would join Star Entertainment as Interim Group Chief Financial Officer on 25 March 2024.<sup>178</sup>
150. Also on 22 March 2024, Star Entertainment announced the departure of Mr Cooke as Group Chief Executive Officer and Managing Director and the appointment of Mr Foster as Executive Chairman effective that day. Star Entertainment also announced that:<sup>179</sup>
- (a) Mr Cooke would remain a consultant to Star Entertainment for a period of six months, to enable an orderly leadership transition and provide continuity across business activities; and
  - (b) Ms Ward would assume the role of Lead Independent Director.
151. On 22 March 2024, Mr Cooke sent an email entitled “A Personal Note” to all employees of Star Entertainment (being approximately 8,000 people, including staff and contractors at The Star Casino and The Star Gold Coast and Treasury Brisbane).<sup>180</sup> The email attached a document titled “Group CEO Exit Statement”, which is discussed in detail in Chapter 10.
152. Also on 22 March 2024, Mr Peter Jenkins, Chief of Staff, tendered his resignation effective that day.<sup>181</sup>
153. Subsequently in March 2024, Star Entertainment commenced its search for a permanent Group Chief Executive Officer.<sup>182</sup>

**2024: Announcement of public hearings and further extension of Manager’s term**

154. On 25 March 2024, The Star Entities were notified by the NICC that the Inquiry would be holding its hearings primarily in public and that the NICC had determined to extend the date on which the report of the Inquiry was due to be delivered until 31 July 2024. The Star Entities were also informed that, in light of these matters, the NICC intended to seek an extension of time of Mr Weeks as the Manager of The Star Casino until 30 September 2024.<sup>183</sup>
155. On 7 June 2024, Mr Weeks’ appointment as the Manager of The Star Casino was extended until 30 September 2024.<sup>184</sup>

**2024: Trading updates**

156. On 12 April 2024, Star Entertainment provided an update on its trading performance for the third quarter of FY24. Among other things, the update noted that negotiations for the sale of the Treasury Brisbane assets were “progressing well”, and the phased opening of Queen’s Wharf Brisbane in August 2024 “remains on track”.<sup>185</sup>
157. On 24 June 2024, Star Entertainment provided an update on its trading performance and earnings to date for FY24. The update noted that normalised Group EBITDA was expected to be in the range of \$165 to \$180 million in light of revenue trends, including the decline in revenue from Premium Gaming Rooms, “coupled with elevated operating expenses as a result of ongoing remediation and transformation activities, as well as increased resourcing in risk and control functions”. Star Entertainment stated it would “seek to expedite a range of initiatives to further reduce the operating cost base of the Group”, that negotiations for the sale of the Treasury Brisbane assets were continuing, that The Star had commenced a process to sell the Festival Car Park in Brisbane, and that The Star “continues to review the potential sale of other non-core assets”.<sup>186</sup>

**2024: Further personnel changes**

158. On 5 March 2024, Ms Betty Ivanoff ceased in her role as Chief Legal Officer.<sup>187</sup>
159. On 19 March 2024, Ms Nicola Burke resigned as Star Entertainment’s Chief Transformation Officer.<sup>188</sup>

160. On 18 April 2024, The Star Entities notified the NICC that it had given notice to Mr Cooke that they were terminating the consultancy arrangements that had been in place since Mr Cooke’s resignation as Group Chief Executive Officer and Managing Director.<sup>189</sup>
161. On 18 April 2024, Star Entertainment announced that Ms Jessica Mellor had tendered her resignation as Chief Executive Officer of The Star Gold Coast effective from 24 May 2024. Star Entertainment also announced that Mr Ian Brown, General Manager Gaming at The Star Gold Coast, would take on additional duties as acting Chief Executive Officer of The Star Gold Coast (subject to regulator approval), and that Ms Mellor had agreed to provide support to Star Entertainment until September 2024 to assist in a “seamless transition and a number of important initiatives”. Star Entertainment announced that it had commenced a search for a new Chief Executive Officer of The Star Gold Coast.<sup>190</sup>
162. On 29 April 2024, Star Entertainment announced that Ms Ward had been appointed as Chairman of the Board of Star Entertainment, effective immediately. Star Entertainment announced that for an interim period, Mr Foster would remain on the Board of Star Entertainment, continue his executive responsibilities and remain as a director of relevant subsidiary company boards until they could be reconstituted by individuals holding the necessary regulatory approvals.<sup>191</sup>
163. Evidence about these changes was given to the Inquiry in the course of the public hearings and is discussed in detail in Chapter 9.
164. Subsequent to the conclusion of the public hearings of the Inquiry, on 30 May 2024, Star Entertainment announced that Ms Jeannie Mok had been appointed as Group Chief Operating Officer, subject to casino regulatory approvals being obtained. Star Entertainment also announced that Ms Mok would commence with Star Entertainment on 11 June 2024 and would lead the remediation efforts. The announcement noted the following:<sup>192</sup>

Ms. Mok’s most recent role was the Chief Transformation Officer for Crown Resorts, which included designing and launching Crown Resorts’ transformation strategy and overseeing the delivery of its culture, governance, technology and operations remediation programs. Prior to her work at Crown Resorts, Ms. Mok held a number of senior positions in Lendlease Group, including Head of Operational Excellence for its Property business and, prior to that, Head of Legal & Business Operations for its Investment Management business. With over 20 years of experience, Ms. Mok has also served as a board director and company secretary of trustee entities which hold Australian Financial Services Licences.

165. On 24 June 2024, Star Entertainment announced that Mr Foster had ceased his executive responsibilities and resigned as a director of the Board of Star Entertainment and relevant subsidiary companies with effect on 21 June 2024. The announcement stated:<sup>193</sup>

The Star has progressed its recruitment process for a new permanent Group CEO and Managing Director (**Group CEO & MD**) and expects to make an announcement in the near term. As an interim measure, The Star has appointed current Interim Group Chief Financial Officer (**Group CFO**), Mr Neale O’Connell, as Acting CEO (subject to all requisite regulatory approvals). This appointment is in addition to Mr O’Connell’s existing duties as Group CFO and will remain in place until the appointment of a permanent Group CEO & MD takes effect (including after the receipt of necessary regulatory approvals and the formal commencement of duties).

Chairman Anne Ward has also assumed, on an interim basis, additional responsibilities since her appointment on 29 April 2024. She will continue performing these additional responsibilities until the appointment of a permanent Group CEO & MD takes effect (including after receipt of necessary regulatory approvals).

166. On 26 June 2024, Star Entertainment announced that Mr Steve McCann had been appointed as its Group Chief Executive Officer and Managing Director. The announcement stated:<sup>194</sup>

Mr McCann will join The Star on 8 July 2024, noting that commencement of his duties and responsibilities as Group CEO and MD are subject to receipt of necessary regulatory approvals.

Mr McCann is a highly experienced global executive who has held numerous key leadership roles during his executive career over the past 28 years, including in gaming, leisure and real estate. His most recent role as Chief Executive Officer and Managing Director at Crown Resorts Limited (**Crown**) saw him lead Crown through significant reform of its operations and culture. Prior to that, he spent more than a decade serving as Group Chief Executive Officer of real estate development and investment group, Lendlease Corporation Limited (**Lendlease**). Before joining Lendlease in 2005, Mr McCann worked in senior leadership roles at ABN AMRO and Bankers Trust.

Chairman of The Star, Anne Ward, said: “Following a comprehensive search process, the Board is very pleased to have secured a CEO of Steve’s calibre, experience and respect in the market. Given his time with Crown, and previous long-standing leadership at Lendlease, he has the right credentials to lead The Star’s remediation program. His track record reflects his capability to work collaboratively with multiple stakeholders and lead meaningful transformational change and cultural renewal. This experience will be invaluable as we work towards rebuilding trust and expediting the sustainable transformation of The Star.

Steve McCann said: “I look forward to joining The Star at this critical time. I recognise that there are many complex issues and challenges for the company to address. I am committed to working with the Board and the various stakeholders to help drive change, restore confidence and achieve a sustainable resolution.”

167. On 1 July 2024, Star Entertainment announced that Mr Hamish Macdonald had resigned as Group Company Secretary effective 30 June 2024. The announcement also stated:<sup>195</sup>

Separately, The Star announces the proposed appointment of Ms Kate Williams, Deputy Company Secretary as an additional Company Secretary subject to all necessary regulatory approvals being obtained.

Ms Williams is an experienced governance professional with extensive legal, regulatory and governance experience, having previously held positions including Deputy Company Secretary and Legal Counsel for Heritage and People's Choice Limited, Deputy Company Secretary for Vicinity Centres, Principal Group Governance at BHP Group and Assistant Company Secretary and Legal Counsel for Downer Group.

Until all necessary approvals have been obtained for Ms Williams' proposed appointment, Ms Jennie Yuen remains the person responsible for communication with the ASX under Listing Rule 12.6.

168. On 31 July 2024, Star Entertainment announced that Mr Scott Saunders had resigned as Group Chief Risk Officer, and that he would continue in his role for six months until his expected departure date of 31 January 2025.<sup>196</sup>

#### **2024: Events relevant to Queensland casinos**

169. On 20 March 2024, Star Entertainment announced that a Bill had been passed in the Queensland Parliament that day to enact the previously foreshadowed reforms to the Queensland casino regulatory framework. These reforms included the introduction of mandatory carded play, restrictions on the use of cash over a prescribed limit, mandatory player pre-commitment restrictions on expenditure and playing time by customers for certain games and activities and a supervisory levy payable by casino licence holders.<sup>197</sup>
170. On 2 May 2024, the Attorney-General of Queensland made a decision in connection with a review of the suitability of Chow Tai Fook which was associated with The Star Brisbane casino. Following a suitability investigation conducted by the OLGR with the assistance of an external private firm and receipt of advice from King's Counsel, the Attorney-General of Queensland determined that there was insufficient evidence to conclude that Chow Tai Fook or its relevant associates were unsuitable. However, the Attorney-General of Queensland determined that a number of actions were to be taken by Chow Tai Fook. These actions include the appointment of a local Australian representative to monitor Chow Tai Fook's investment in QWB and ensure Chow Tai Fook is readily available to engage with the OLGR when required, proactive information sharing requirements, and uplifting Chow Tai Fook's corporate integrity policies and training regime.<sup>198</sup>
171. On 17 May 2024, Star Entertainment announced that it had been notified that the Queensland Governor in Council had approved changing the date of effect of the licence

suspensions for The Star Gold Coast and Treasury Brisbane casinos from 31 May 2024 to 20 December 2024. Star Entertainment were informed that this would allow the Queensland Government to consider the outcomes of this Inquiry and to better assess Star Entertainment's remediation progress before making further decisions. Star Entertainment announced that the term of the Special Manager appointed for The Star Gold Coast and Treasury Brisbane casinos remained unchanged and was due to end on 8 December 2024.<sup>199</sup>

#### **2024: Speculation in May 2024 regarding potential corporate activity**

172. On 20 May 2024, Star Entertainment made the following announcement:<sup>200</sup>

The Star Entertainment Group Limited (**The Star or Company**) notes certain media articles speculating on potential corporate activity involving The Star.

The Star confirms that it has received inbound interest from a number of external parties regarding potential transactions. The nature of the interest to date has been unsolicited, preliminary and nonbinding.

At this stage, none of the approaches has resulted in substantive discussions.

The Star remains focused on its remediation activities in New South Wales and Queensland and participating in the Bell Two Inquiry.

The Star will keep shareholders informed in accordance with its continuous disclosure obligations.

173. Separately on the same day, Star Entertainment made a further announcement as follows:<sup>201</sup>

The Star confirms that it has not received a proposal directly from Hard Rock Hotels and Casinos (**Hard Rock**).

However, the Company has received inbound interest from a number of other external parties regarding potential transactions including a consortium of investors which includes the entity Hard Rock Hotels & Resorts (Pacific), which The Star understands is a local partner of Hard Rock.

The nature of the interest to date has been confidential, unsolicited, preliminary and non-binding.

At this stage, none of the approaches has resulted in substantive discussions...

174. The following day, on 21 May 2024, Star Entertainment announced that:<sup>202</sup>

As noted yesterday, The Star has not received any proposal directly from Hard Rock International.

The Company has received inbound interest from a number of external parties regarding potential transactions, including an incomplete and indicative proposal from a consortium of investors which included the entity "Hard Rock Hotels & Resorts (Pacific)".

The Star confirms that it has not engaged in substantive discussions with the consortium in respect of its proposal.

The Company today notes the statement issued by Hard Rock International which clarifies that Hard Rock International is not involved in, nor has it authorised, any discussions, activities or negotiations on its behalf in connection with a proposal for The Star...

**2024: AUSTRAC proceedings**

175. On 2 May 2024, the Federal Court of Australia set down the AUSTRAC proceedings for a three week hearing commencing on 2 June 2025 in Sydney.<sup>203</sup>



## Endnotes

- <sup>1</sup> **Exhibit A-264** (INQ.5002.0002.0001 at .0192-.0193).
- <sup>2</sup> ASX Announcement: Appointment of Michael Issenberg as Non-Executive Director, 11 July 2022.
- <sup>3</sup> ASX Announcement: Appointment of Non-Executive Directors, 15 August 2022.
- <sup>4</sup> ASX Announcement: Resignation of Acting CEO, 26 September 2022.
- <sup>5</sup> ASX Announcement: Commencement Date for Managing Director & Chief Executive Officer, 13 October 2022.
- <sup>6</sup> ASX Announcement: Resignation of Director, 31 October 2022.
- <sup>7</sup> ASX Announcement: Board Renewal Update, 11 November 2022.
- <sup>8</sup> ASX Announcement: Appointment of Anne Ward as a Non-Executive Director, 18 November 2022.
- <sup>9</sup> ASX Announcement: Appointment of Robbie Cooke as Managing Director & Chief Executive Officer, 18 November 2022.
- <sup>10</sup> ASX Announcement: ASIC Proceedings and Board Renewal, 13 December 2022.
- <sup>11</sup> ASX Announcement: Board Renewal Update, 15 December 2022.
- <sup>12</sup> **Exhibit A-264** (INQ.5002.0002.0001 at .0192-.0193).
- <sup>13</sup> ASX Announcement: Senior Executive Appointment, 20 July 2022.
- <sup>14</sup> ASX Announcement: Appointment of Additional Company Secretary, 12 September 2022.
- <sup>15</sup> ASX Announcement: Resignation of Acting CEO, 26 September 2022.
- <sup>16</sup> ASX Announcement: Commencement Date for Managing Director & Chief Executive Officer, 13 October 2022.
- <sup>17</sup> ASX Announcement: Appointment of Chief Financial Officer, 28 December 2022.
- <sup>18</sup> ASX Announcement: Suspension of Rebate Programs and Interim Executive Appointments, 9 May 2022.
- <sup>19</sup> Katsibouba: Day 2, T135.21-23.
- <sup>20</sup> ASX Announcement: Review of The Star Sydney – Final Report, 13 September 2022.
- <sup>21</sup> Ibid.
- <sup>22</sup> Ibid.
- <sup>23</sup> ASX Announcement: Message from Ben Heap, 15 September 2022.
- <sup>24</sup> **Exhibit A-285** (STA.8100.0040.9314); **Exhibit A-286** (STA.8100.0040.9319); **Exhibit A-287** (STA.8100.0040.9367); **Exhibit A-288** (STA.8100.0040.9373); **Exhibit A-289** (STA.8100.0040.9392); **Exhibit A-290** (STA.8100.0040.9394).
- <sup>25</sup> **Exhibit A-285** (STA.8100.0040.9314 at .9317).
- <sup>26</sup> ASX Announcement: Response to NSW Independent Casino Commission Notice, 27 September 2022.
- <sup>27</sup> ASX Announcement: Disciplinary Action and Appointment of Casino Manager by NSW Independent Casino Commission, 17 October 2022.
- <sup>28</sup> Ibid.
- <sup>29</sup> Ibid.
- <sup>30</sup> ASX Announcement: NSW Pecuniary Penalty – Timeframe, 23 December 2022.

- 31 ASX Announcement: Disciplinary Action and Appointment of Casino Manager by NSW Independent  
Casino Commission, 17 October 2022.
- 32 Ibid.
- 33 ASX Announcement: Extension of Term of Manager of The Star Sydney Casino, 16 December 2022.
- 34 ASX Announcement: Review of The Star’s Casino Operations in Queensland – Final Report, 6  
October 2022.
- 35 ASX Announcement: Queensland Casino Operations – Determinations by Attorney General, 25  
October 2022.
- 36 ASX Announcement: Show Cause Notices – Queensland, 4 November 2022.
- 37 ASX Announcement: Response to Office of Liquor and Gaming Regulation (Qld) Notices, 28  
November 2022.
- 38 ASX Announcement: Disciplinary Action and Appointment of Special Manager in Queensland, 9  
December 2022.
- 39 ASX Announcement: Disciplinary Action and Appointment of Special Manager in Queensland, 9  
December 2022.
- 40 ASX Announcement: Renewal Program – Engagement of Independent Monitor and ILGA Expert  
Advisor, 10 August 2022.
- 41 ASX Announcement: First Independent Monitor Report, 24 October 2022.
- 42 Ibid.
- 43 Ibid.
- 44 Ibid.
- 45 ASX Announcement: Clarification Regarding Role of Independent Monitor, 24 November 2022.
- 46 ASX Announcement: Chairman’s Address, 22 November 2022.
- 47 Ibid.
- 48 Ibid.
- 49 ASX Announcement: Securities Class Action, 7 November 2022.
- 50 Ibid.
- 51 Ibid.
- 52 ASX Announcement: AUSTRAC Commences Civil Penalty Proceedings, 30 November 2022.
- 53 ASX Announcement: ASIC Proceedings and Board Renewal, 13 December 2022.
- 54 ASX Announcement: Potential Reforms to NSW Casino Tax Regime, 19 December 2022.
- 55 ASX Announcement: Intended Changes to NSW Casino Duty Rates, 23 December 2022.
- 56 ASX Announcement: Appointment of Deborah Page as Non-Executive Director, 13 March 2023.
- 57 ASX Announcement: Appointment of Chairman, 22 March 2023.
- 58 ASX Announcement: Board Renewal Update, 6 July 2023.
- 59 ASX Announcement: Appointment of Toni Thornton as Non-Executive Director, 17 October 2023.
- 60 ASX Announcement: Chief Risk Officer Appointment, 13 February 2023.
- 61 ASX Announcement: Executive Team Update, 3 April 2023.
- 62 ASX Announcement: Appointment of Group Company Secretary, 19 September 2023.
- 63 Ibid.

- 64 Ibid.
- 65 Silfani: Day 3 (Private), T10.7-11.
- 66 ASX Announcement: Gold Coast CEO Appointment, 17 October 2023.
- 67 Ibid.
- 68 **Exhibit A-1853** (STA.8000.0029.5409).
- 69 ASX Announcement: Earnings Update and Outlook, 13 February 2023.
- 70 ASX Announcement: Appendix 4D & 2023 Half-Year Financial Report, 23 February 2023; ASX  
Announcement: 2023 Half-Year Results Presentation, 23 February 2023.
- 71 ASX Announcement: Appendix 4D & 2023 Half-Year Financial Report, 23 February 2023.
- 72 ASX Announcement: 1H FY23 Results and Capital Structure Initiatives, 23 February 2023.
- 73 Ibid.
- 74 ASX Announcement: Successful Completion of Placement and Institutional Entitlement Offer, 24  
February 2023.
- 75 ASX Announcement: Retail Entitlement Offer Opens and Despatch of Retail Offer Booklet to Eligible  
Retail Shareholders, 2 March 2023.
- 76 ASX Announcement: Successful Completion of Retail Entitlement Offer, 16 March 2023.
- 77 ASX Announcement: Trading Update, Cost Initiatives and Strategic Review of Sydney, 19 April 2023.
- 78 **Exhibit A-758** (STA.5002.0029.7515).
- 79 Ibid at .7515.
- 80 Ibid at .7515-.7516.
- 81 ASX Announcement: Proposed NSW Casino Duty Rates Update, 20 June 2023.
- 82 Ibid.
- 83 ASX Announcement: NSW Casino Duty Rates Update, 11 August 2023.
- 84 ASX and Media Release: Agreement to Formalise NSW Casino Duty Rates, 21 November 2023.
- 85 ASX Announcement: Agreement to Sell the Sheraton Grand Mirage Gold Coast, 26 June 2023.
- 86 ASX Announcement: Sale of Sheraton Grand Mirage Resort Gold Coast, 6 November 2023.
- 87 ASX Announcement: Results for Announcement to the Market, 29 August 2023.
- 88 ASX and Media Release: Full Year Results, 29 August 2023.
- 89 ASX Announcement: Refinancing and Further Capital Structure Initiatives, 25 September 2023;  
Refinancing and Further Capital Structure Initiatives Investor Presentation, 25 September 2023.
- 90 ASX Announcement: Refinancing and Further Capital Structure Initiatives, 25 September 2023.
- 91 ASX Announcement: Successful Completion of Placement and Institutional Entitlement Offer, 27  
September 2023.
- 92 ASX Announcement: Retail Entitlement Offer Opens and Despatch of Retail Offer Booklet to Eligible  
Retail Shareholders, 3 October 2023.
- 93 ASX and Media Release: Successful Completion of Retail Entitlement Offer, 17 October 2023.
- 94 The Star Entertainment Group, 2023 Annual General Meeting Slides, 9 November 2023; ASX  
Announcement: Results of 2023 Annual General Meeting, 9 November 2023.
- 95 ASX Announcement: Chairman and CEO's Addresses, 9 November 2023.
- 96 Ibid.

- 97 **Exhibit A-266** (INQ.5002.0002.0614 at .0801).
- 98 **Exhibit B-69** (STA.8100.0041.5015 at .5015).
- 99 **Exhibit B-49** (STA.8100.0025.0470 at 0471).
- 100 **Exhibit B-69** (STA.8100.0041.5015 at .5016).
- 101 Ibid.
- 102 Ibid at .5017.
- 103 Ibid.
- 104 **Exhibit A-591** (STA.8100.0044.7639).
- 105 (STA.8105.0003.4328).
- 106 **Exhibit B-74** (STA.8100.0038.4961).
- 107 **Exhibit B-360** (STA.8100.0051.9065).
- 108 **Exhibit B-225** (STA.8100.0052.4032); **Exhibit B-228** (STA.8100.0052.4239).
- 109 **Exhibit A-1001** (STA.5002.0029.1031).
- 110 (STA.8100.0066.5012).
- 111 **Exhibit C-189** (INQ.5000.0001.0006 at .0032); **Exhibit C-39** (STA.8100.0069.0648).
- 112 **Exhibit C-189** (INQ.5000.0001.0006 at .0032); **Exhibit A-1317** (MGR.0001.0001.3611).
- 113 Ibid.
- 114 **Exhibit C-189** (INQ.5000.0001.0006 at .0032); **Exhibit A-1419** (MGR.0001.0001.3656).
- 115 Ibid.
- 116 **Exhibit C-189** (INQ.5000.0001.0006 at .0032).
- 117 Ibid; (MGR.0001.0001.3322).
- 118 **Exhibit C-189** (INQ.5000.0001.0006 at .0032).
- 119 **Exhibit A-1469** (STA.8000.0011.0020).
- 120 **Exhibit C-58** (STA.8000.0031.1158).
- 121 **Exhibit C-59** (STA.8000.0031.1234).
- 122 **Exhibit C-60** (STA.8000.0031.1239).
- 123 **Exhibit C-61** (STA.8000.0031.1261).
- 124 Page: Day 9, T755.22-38; Hodgson: Day 10, T806.4-9; Thornton: Day 10, T827.33-42.
- 125 **Exhibit A-1071** (STA.8000.0029.0085).
- 126 **Exhibit A-1211** (STA.8000.0029.0089).
- 127 **Exhibit B-311** (STA.8100.0067.3626); **Exhibit A-1375** (STA.8000.0010.0001); **Exhibit B-312**  
(STA.8100.0067.3623); **Exhibit B-315** (STA.8100.0067.3685); **Exhibit A-314** (STA.8100.0067.3627)
- 128 **Exhibit B-312** (STA.8100.0067.3623 at .3625).
- 129 ASX Announcement: Trading Update, Cost Initiatives and Strategic Review of Sydney, 19 April 2023;  
**Exhibit A-1375** (STA.8000.0010.0001 at.0032).
- 130 **Exhibit A-1375** (STA.8000.0010.0001 at.0032).
- 131 **Exhibit A-1739** (STA.8000.0029.5158).
- 132 ASX Announcement: NSW Operations – Extension of Management Appointment, 24 November 2023.

- 133 **Exhibit A-1783** (STA.8102.0010.8333).
- 134 **Exhibit A-1912** (STA.8102.0010.4676).
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- 138 ASX Announcement: Queensland Operations Update – Remediation Plan, Licence Suspension and Special Manager, 24 November 2023; **Exhibit C-189** (INQ.5000.0001.0006 at .0032).
- 139 ASX Announcement: Queensland Operations Update – Remediation Plan, Licence Suspension and Special Manager, 24 November 2023.
- 140 ASX Announcement: Securities Class Action, 6 February 2023.
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- 145 ASX Announcement: Queen’s Wharf Brisbane – Multiplex Proceedings, 21 August 2023.
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- 153 ASX Release: Appointment of Peter Hodgson as Non-Executive Director, 7 February 2024.
- 154 ASX and Media Release: The Star Appoints Brisbane CEO, 23 January 2024.
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- 159 **Exhibit A-2149** (STA.8100.0066.1119 at .1121).
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- 161 ASX and Media Release: Agreements to Formalise Jobs Guarantee and Cashless Gaming Trial in NSW, 16 February 2024.
- 162 ASX and Media Release: Commencement of Inquiry in NSW, 19 February 2024.
- 163 Ibid.
- 164 ASX and Media Release: Inquiry Update, 20 February 2024.
- 165 ASX and Media Release: Deferral of H1 FY24 Results Announcement, 20 February 2024.

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- 167 ASX Announcement: Appendix 4D & H1 FY24 Financial Report, 29 February 2024.
- 168 ASX Announcement: Appendix 4D and Interim Financial Report for the half-year ended 31 December 2023, 29 February 2024; (INQ.5002.0001.0072 at .0079-.0080).
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- 174 ASX and Media Release: The Star Entertainment Group H1 FY24 Results, 29 February 2024.
- 175 Ibid.
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- 177 **Exhibit A-2470** (STA.8000.0061.0154).
- 178 ASX Announcement: Appointment of Interim Chief Financial Officer, 22 March 2024.
- 179 ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024.
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- 182 ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024; ASX and Media Release: Appointment of New Chairman, 29 April 2024.
- 183 ASX and Media Release: Notification of Public Hearings and Extension of Manager's Term, 25 March 2024.
- 184 *Casino Control Amendment (Manager Appointment Extension) Regulation 2024* (NSW) (2024 No 193), 7 June 2024.
- 185 ASX and Media Release: Trading Update, 12 April 2024.
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- 187 **Exhibit A-1853** (STA.8000.0029.5409).
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- 189 **Exhibit D-233** (INQ.5003.0006.0001).
- 190 ASX and Media Release: Resignation of KMP – Jessica Mellor, 18 April 2024.
- 191 ASX and Media Release: Appointment of New Chairman, 29 April 2024.
- 192 ASX Announcement: Appointment of Group Chief Operating Officer, 30 May 2024.
- 193 ASX Announcement: Update on Leadership Arrangements, 24 June 2024.
- 194 ASX Announcement: Appointment of Chief Executive Officer and Managing Director, 26 June 2024.
- 195 ASX Announcement: Company Secretary Update, 1 July 2024.

- 196 ASX Announcement: Resignation of Group Chief Risk Officer, 31 July 2024.
- 197 ASX and Media Release: Updated on Reforms to Queensland Casino Regulatory Framework, 20 March 2024.
- 198 ASX Announcement: Public Statement – Suitability Investigation – The Star Brisbane, 2 May 2024.
- 199 ASX and Media Release: Queensland Operations – Regulatory Update, 17 May 2024.
- 200 ASX Announcement: Response to Media Speculation, 20 May 2024.
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**Chapter 5**  
**Implementation of Recommendations of the 2022 Review**



# Chapter 5. Implementation of Recommendations of the 2022 Review

## Chapter 5.1 Introduction

1. The 2022 Report made 30 recommendations directed at addressing the issues identified in the course of the 2022 Review. Some of the recommendations related to past breaches by The Star of its ICMs, the *Casino Control Act*, the *Casino Control Regulation* or regulatory agreements. These, and certain other recommendations were directed to ILGA. As The Star was found to be unsuitable, a number of recommendations were directed to the operator of The Star Casino, on the assumption that there would be a suitable casino operator in the future.
2. In August 2023, the Minister prepared a report styled “Report on the implementation of recommendations from the Independent Review of The Star Pty Ltd by Adam Bell SC under section 170A of the *Casino Control Act 1992*” (**Minister’s Report**).<sup>1</sup>
3. Additionally, in response to Requests for Information, the Inquiry received:
  - (a) responses from The Star Entities dated 5 March 2024, 23 March 2024, 8 April 2024, 22 April 2024, 16 July 2024 and 18 July 2024; and
  - (b) a letter from the NICC dated 15 April 2024,which addressed, among other things, the status of the implementation of each of the recommendations from the 2022 Report.
4. As at the date of this report, six of the 30 recommendations made in the 2022 Report have not been implemented, or implementation has not been completed.<sup>2</sup> Those are:
  - (a) recommendation 8 (regarding an independent expert assessment of rebate play and any adjusted duties owed by The Star to the NSW Government);
  - (b) recommendation 9 (regarding the introduction of an objective test for when a player is considered “not normally resident in New South Wales”, to be incorporated into the Current Duty Agreement and relevant ICMs);

- (c) recommendation 13 (regarding the introduction of mandatory carded play);
  - (d) recommendation 16 (regarding the sharing of carded play data with law enforcement agencies and researchers);
  - (e) recommendation 21 (regarding the amendment of clause 12(g) and deletion of clause 12(h) of The Star’s casino licence, which relate to The Star Casino’s opening hours); and
  - (f) recommendation 23 (regarding L&GNSW giving consideration to imposing on Crown Sydney or other licenced gambling venues obligations equivalent to any imposed on The Star).<sup>3</sup>
5. Recommendation 19 (to the effect that ILGA note and take such action as it sees fit in the relation to the finding that The Star had contravened Regulation 15(a) of the *Casino Control Regulation* in the manner in which it provided free and discounted liquor in VIP gaming areas of The Star Casino) has been implemented. The Star has recommenced providing free and discounted liquor in VIP gaming areas of The Star Casino in the circumstances described in Chapter 5.2, which considers the implementation of each recommendation in detail.
6. Recommendation 22 (to the effect that The Star was required to obtain advice from the Responsible Gaming Fund in relation to its workforce capability framework and report to ILGA on that advice and the steps it proposed to take) has been implemented in the sense that The Star has done what was required of it by the recommendation. However, both the Minister’s Report and the NICC indicated that implementation was incomplete in the sense that The Star’s responsible gambling training has not yet been updated and the NICC was still considering further steps required in light of the advice from the Responsible Gambling Fund.
7. In addition, as at the date of this Report, steps are being or have been taken in relation to recommendation 30 (relating to the establishment of a Compliance Committee for The Star) to ensure that this committee reports to the Board of The Star, as had been recommended. This issue is discussed in more detail in Chapter 7.

## Chapter 5.2 Response to Recommendations of the 2022 Report

### **Response to Recommendation 1**

8. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's breaches of ICM5(24) in connection with the cage operations in Salon 95 in 2018 (see Chapter 13).

9. This recommendation has been implemented. The findings in the 2022 Report that The Star had breached ICM 5(24) in connection with the cage operations in Salon 95 in 2018 formed part of the \$100 million pecuniary penalty imposed on The Star as part of the disciplinary action taken by the NICC on 17 October 2022.<sup>4</sup>

10. While the recommendation was that the Authority note and take such action as it saw fit in relation to the 2022 Review's finding of The Star's breaches of ICM 5(24), broader changes have been implemented which are generally relevant to cage operations at The Star Casino.

11. *First*, relevant legislative changes were introduced by the *2022 Amendment Act*, which was passed by Parliament on 11 August 2022 and assented to on 19 August 2022, prior to publication of the 2022 Report. The *2022 Amendment Act* was addressed in Chapter 3.6 of the 2022 Report. In particular, it introduced s 70(1AA) and (1AB) into the Act. The effect of those amendments is as follows:

(a) Under s 70(1AA), a casino operator must not allow the issue of chips for gaming in the casino other than between a casino employee and a patron at a gaming table or in a casino cage. Failure to comply with s 70(1AA) is an offence which attracts 1,000 penalty units.

(b) Under s 70(1AB), a casino employee must not issue chips for gaming in the casino other than at a gaming table or in a casino cage. Failure to comply with s 70(1AB) is an offence which attracts 100 penalty units.<sup>5</sup>

12. *Secondly*, with effect from 1 July 2023, ICM 2 and ICM 11 have included controls to address staff training and cage access by employees.<sup>6</sup>

13. *Thirdly*, The Star Entities ceased their relationship with Suncity from September 2020 and have informed the Inquiry that they have no intention to deal with Suncity in the future.<sup>7</sup>

14. *Fourthly*, The Star Entities have informed the Inquiry that they ceased employing the 13 individuals (seven of whom tendered their resignations) who had been criticised in the 2022 Report in connection with Salon 95.<sup>8</sup> Of those 13 employees, four had ceased to be employed before the 2022 Review had been announced; eight ceased to be employed during the period of the public hearings of the 2022 Review; and one ceased to be employed some five months after the publication of the 2022 Report.<sup>9</sup>
15. The Star Entities also informed the Inquiry that a further 13 employees who were identified in the 2022 Report, but who were not the subject of specific criticism in relation to Salon 95, remain employed by The Star Entities.<sup>10</sup>

### **Response to Recommendation 2**

16. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review’s finding of The Star’s breaches of its warranties under paragraph 3 of Schedule 3 of the Casino Operations Agreement and paragraphs 1(b) and 7(c) of the Amended Compliance Deed in connection with Mr Stevens’ misleading submission to L&GNSW in 2017 concerning the proposed services to be provided at the Service Desk in Salon 95 (see Chapter 13).
17. This recommendation has been implemented. The findings in the 2022 Report that The Star had breached the Amended Casino Operations Agreement and the Amended Compliance Deed in connection with Mr Graeme Stevens’ misleading submission to L&GNSW in 2017 concerning the proposed services to be provided at the Service Desk in Salon 95 formed part of the \$100 million penalty imposed on The Star.<sup>11</sup>
18. In addition, the *2022 Amendment Act* introduced section 22C into the *Casino Control Act*. The effect of section 22C(1) is to require a casino operator to cooperate with the NICC in relation to the NICC exercising its functions under the *Casino Control Act*, a breach of which is an offence attracting 500 penalty units. Section 22C(2)(a) clarifies that, without limitation, section 22C(1) requires a casino operator to make “full and frank disclosure ... of any information requested under this Act by the NICC”.<sup>12</sup>
19. The Star Entities have informed the Inquiry that Mr Stevens tendered his resignation on 13 May 2022 and, after serving a period of leave, ceased to be employed from 30 June 2022.<sup>13</sup> (Mr Stevens was one of the 13 individuals who ceased to be employed by The Star Entities as a result of the 2022 Report’s findings concerning Salon 95).<sup>14</sup>

**Response to Recommendation 3**

20. The 2022 Report recommended that:

The Authority take steps to require the operator of The Star Casino to notify the Authority within 14 days of the casino operator becoming aware of any allegation concerning the holder of a special employee licence employed or working in the casino which, if established, would be grounds for disciplinary action against the special employee (see Chapter 17).

21. This recommendation has been implemented.<sup>15</sup>

22. The NICC issued a letter to The Star Entities on 16 January 2023 requiring The Star to take certain steps within a specified timeframe in relation to the recommendations of the 2022 Review (**16 January 2023 Letter**).<sup>16</sup> Among other things, that letter requested that The Star notify the NICC of any allegation which may form grounds for disciplinary action against a special employee within seven days of The Star becoming aware of the allegation.<sup>17</sup> This was a shorter timeframe than had been recommended in the 2022 Report.

23. The Star Entities informed the Inquiry that on 23 May 2023 they implemented a process to comply with the requirement.<sup>18</sup> With effect from 1 April 2023, clause 4 of Part B of ICM 2 required The Star to notify the NICC of any allegation which may form grounds for disciplinary action against a special employee within seven days of The Star becoming aware of the allegation.<sup>19</sup> In addition, The Star Entities informed the Inquiry that ICM 2 was updated, effective 1 June 2023, to introduce supporting processes, namely a process map outlining the steps to raise and report allegations against a special employee.<sup>20</sup> That process map was further updated effective 1 July 2023.<sup>21</sup>

24. More broadly, The Star Entities' Remediation Plan (which is addressed in further detail in Chapter 6 of this Report) contains a number of uplift activities directed at the identification, management, and prevention of employee misconduct. Those activities include the review and uplift of The Star Entities' performance and reward frameworks (Milestones 2.3.1 and 2.3.3), consequence management framework (Milestones 2.3.2 and 2.3.4), incident and breach management policies and processes (Milestones 5.5.1 and 5.5.2), and investigations operations policies and processes (Milestone 5.12.1).<sup>22</sup>

**Response to Recommendation 4**

25. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's breach of section 62(1)(c) of the *Casino Control Act* in failing to notify the Authority within 14 days of Mr Simon Kim ceasing to have functions in or in relation to The Star Casino (see Chapter 17).

26. This recommendation has been implemented. The findings in the 2022 Report that The Star had breached section 62(1)(c) of the *Casino Control Act* formed part of the \$100 million penalty imposed on The Star.<sup>23</sup>

### **Response to Recommendation 5**

27. The 2022 Report recommended that:

The Authority take steps to require the operator of The Star Casino to provide the report of any independent review of the operator's AML/CTF Program to the Authority within 14 days of the issue of the report (see Chapter 18).

28. This recommendation has been implemented.<sup>24</sup>
29. The 16 January 2023 Letter requested that The Star notify the NICC within seven days of any independent report relating to the review of The Star's AML/CTF Program.<sup>25</sup> This was a shorter timeframe than had been recommended in the 2022 Report.
30. The Star Entities informed the Inquiry that on 22 March 2023 they implemented a process to comply with that requirement.<sup>26</sup> Effective 1 July 2023, ICM 12(13) required The Star to notify the NICC within seven days of any independent report relating to the review of The Star's AML/CTF Program.<sup>27</sup>
31. The Star Entities initially informed the Inquiry that an independent review of The Star's AML/CTF Program by KPMG commenced on 17 January 2024 and was expected to be completed by 30 June 2024. The Star Entities informed the Inquiry that they would provide that report, once it had been issued, to the NICC as required by ICM 12(13).<sup>28</sup>
32. Subsequently, The Star Entities informed the Inquiry that a draft report had been received from KPMG on 15 July 2024, and management were in the process of preparing responses to it. The final report was due to be delivered on 31 July 2024, and had been "delayed due to the complexity of the review in light of evolving internal standards and ongoing remediation activities" as well as "the availability of key personnel".<sup>29</sup>

### **Response to Recommendation 6**

33. The 2022 Report recommended that:

The Authority take steps to require the operator of The Star Casino to ensure and certify to the Authority that its in-house lawyers have received independent and specific training on legal professional privilege and when it can and cannot be claimed, on an annual basis (see Chapter 19).

34. This recommendation has been implemented.<sup>30</sup>
35. Effective 1 July 2023, ICM 2(13) has required The Star to provide annual training on legal professional privilege.<sup>31</sup> The Star Entities informed the Inquiry that, to date, they have conducted training sessions on legal professional privilege three times, in or around November or December 2022, in June 2023 and in November 2023. The Star Entities have informed the Inquiry that they will continue to provide training twice a year. The training is provided by an external law firm.<sup>32</sup>
36. As part of the Remediation Plan, The Star Entities intend to implement a plan to address training gaps. The current version of Milestone 11.2.1 addresses training on legal professional privilege, conflicts of interest, ethical decision making, the three lines of assurance model, responsible service of alcohol, and responsible service of gaming.<sup>33</sup>

### **Response to Recommendation 7**

37. The 2022 Report recommended that:

The Authority take steps to require the operator of The Star Casino to ensure and certify to the Authority that its special employees receive training regarding conflicts of interest, which identifies how conflicts of interest (actual or potential) may arise and which explains the risks associated with a failure to disclose or manage conflicts appropriately (see Chapter 21).

38. This recommendation has been implemented.<sup>34</sup>
39. Effective 1 July 2023, ICM 2(10(e)) and (11) required that employees receive training regarding conflicts of interest every 12 months. ICM 2(12) also required The Star to provide satisfactory evidence to the NICC that the training has occurred.<sup>35</sup>
40. The Star Entities informed the Inquiry that training on conflicts of interest has been provided to all special employees twice, first in December 2022 and then at some time after 1 July 2023. The training was enhanced in the period after its first delivery in December 2022 and before its second delivery.<sup>36</sup> A copy of the enhanced training materials was provided to the NICC on 30 June 2023.<sup>37</sup>

41. The NICC informed the Inquiry that, from its perspective, there are no outstanding action items in respect of The Star Entities' conflicts of interest training.<sup>38</sup>
42. As part of the Remediation Plan, The Star Entities intend to implement a plan to address training gaps as described in paragraph 36 above (Milestone 11.2.1) and to implement competency-based training specific to employees with compliance responsibilities, including in relation to whistleblowing, incidents and breaches, conflicts of interest, controls management, and obligations management (Milestone 5.8.2).

### **Response to Recommendation 8**

43. The 2022 Report recommended that:

The Authority take steps for an independent expert to be retained to:

- (a) assess the eligibility of all patrons who engaged in rebate play at The Star from 28 November 2016 until the suspension of rebate programs on 9 May 2022 against "ICM 8: Rebate Play" and the Rebate Play SOP as applicable at the time; and
- (b) quantify the amount of any adjustment The Star must pay to the NSW Government in duty that the expert considers owing (see Chapter 22).

44. This recommendation has not been implemented.<sup>39</sup>
45. On 6 June 2022, The Star Entities engaged KPMG to conduct a review of those patrons who changed their ordinary residency status from NSW to interstate or overseas during the period of the 2022 Review and subsequently engaged in rebate play. The terms of KPMG's engagement were addressed in Chapter 22 of the 2022 Report.<sup>40</sup> The Star Entities also informed the Inquiry that Gadens has been engaged to assist KPMG in its review of rebate play.<sup>41</sup>
46. KPMG prepared reports on 9 August and 20 September 2022 regarding that initial patron population,<sup>42</sup> which The Star Entities shared with L&GNSW.<sup>43</sup> The Star Entities informed the Inquiry that there is ongoing engagement between The Star Entities and L&GNSW regarding the scope of the patron population to be reviewed and the methodology to be applied by KPMG to determine residency.<sup>44</sup> In particular, The Star Entities informed the Inquiry that some of the issues remaining to be agreed include:<sup>45</sup>
  - (a) the methodology to be applied where a patron's residency cannot be determined based on all available information. The Star Entities had proposed a "balance of probabilities" test. L&GNSW rejected that approach, and instead proposed that if



there was no compelling evidence on which KPMG could form a view as to the patron's residency, then the patron should be treated as a NSW resident; and

- (b) whether L&GNSW will grant The Star Entities, in full or in part, a waiver of penalty interest.
47. The Star Entities initially informed the Inquiry that they expected that KPMG's further work in respect of the total patron population would be completed by 30 June 2024, subject to the scope and methodology being agreed with L&GNSW. That work was reflected in The Star Entities' Remediation Plan as Milestones 13.3.6 and 13.3.7.<sup>46</sup> The Star Entities subsequently informed the Inquiry that KPMG's report in respect of the total patron population was delivered on 26 June 2024, but that an addendum was in the process of being prepared and was expected to be delivered in July 2024.<sup>47</sup>
48. KPMG's report calculated the total duty payable by The Star based on the total patron population.<sup>48</sup> The Star Entities informed the Inquiry that the addendum being prepared would address "rebate players identified as having 'bad debts' during the review period", and it was expected that the addendum would result in an adjustment being paid to the total duty payable as calculated by KPMG in the 26 June 2024 report. The Star Entities also informed the Inquiry that the next steps after the delivery of the addendum would involve:<sup>49</sup>
- (a) L&GNSW conducting an assurance assessment in relation to KPMG's reports and its findings; and
  - (b) The Star Entities meeting with representatives of the Department of Enterprise, Investment & Trade and NSW Treasury to discuss KPMG's findings and the amount of duty to be paid by The Star.
49. Notwithstanding the ongoing nature of that work, The Star Entities informed the Inquiry that they reached agreement with L&GNSW regarding an initial amount of duty payable by The Star in the sum of \$8,700,000, to be paid by instalments ending 30 June 2024.<sup>50</sup> (That the underpayment in respect of the initial patron population may be in the realm of \$8,700,000 was known at the time of, and referred to in, the 2022 Report.)<sup>51</sup> The Star completed payment of the \$8,700,000 on 25 June 2024, having made payment in the following instalments:<sup>52</sup>
- (a) \$2,000,000 paid on 22 December 2023;

- (b) \$2,200,000 paid on 29 February 2024;
  - (c) \$2,200,000 paid on 30 April 2024; and
  - (d) \$2,300,000 paid on 25 June 2024.
50. Recommendation 8 of the 2022 Report was directed to the Authority obtaining its own independent expert to calculate the duty payable by The Star, rather than utilising an expert retained by The Star Entities.<sup>53</sup> However the NICC informed the Inquiry that L&GNSW is overseeing the work being done by KPMG and its role includes settling the methodology for the assessment of eligibility, approving any variations to the settled methodology as required and reviewing and accepting the finalised assessment for patrons.<sup>54</sup> It is a matter for the NICC and L&GNSW to determine if they are satisfied with the work being performed by KPMG.
51. In relation to rebate play more generally, The Star Entities informed the Inquiry that rebate play at The Star Casino has been suspended since 9 May 2022 and will not recommence without regulatory approval being obtained.<sup>55</sup>

### **Response to Recommendation 9**

52. The 2022 Report recommended that:
- Any duty agreement with the operator of The Star Casino contain a clear and objective test to determine when a player is to be considered “not normally resident in New South Wales”. The relevant internal controls for the operator of The Star Casino should incorporate the new test. The Current Duty Agreement will need to be varied to include the new test (see Chapter 22).
53. Implementation of this recommendation has not been completed.<sup>56</sup>
54. The 16 January 2023 Letter requested that The Star Entities propose amendments to the Current Duty Agreement to include a clear and objective test to determine when a player is to be considered “not normally resident in NSW” for the NICC’s consideration by 10 February 2023.<sup>57</sup>
55. On 10 February 2023, The Star Entities provided their proposed amendments to the NICC. Those amendments included a presumption of NSW residency unless and until the patron satisfied a list of objective criteria, including the number of days resident in NSW.<sup>58</sup> The NICC subsequently provided The Star Entities’ proposed amendments to the Current Duty Agreement to NSW Treasury for consideration.<sup>59</sup>

56. The Star Entities informed the Inquiry that a meeting between them, the NSW Treasury and L&GNSW took place on 14 March 2024 to discuss amendments to the Current Duty Agreement.<sup>60</sup> Relevantly, the minutes for that meeting record that the following matters were discussed:<sup>61</sup>
- (a) the objective test for residency would be informed by KPMG’s work on rebate play, as referred to in response to recommendation 8 above;
  - (b) NSW Treasury’s preference was for the objective test to be contained in the agreement itself (cf. The Star Entities’ proposal that the Current Duty Agreement be amended to refer to The Star’s SOPs, which would contain the detailed objective criteria for determining residency);
  - (c) once the amendments to the Current Duty Agreement were finalised, L&GNSW and The Star would work to agree on new SOPs to support those amendments and The Star’s ICMs would not be updated;
  - (d) NSW Treasury’s intention was to update Crown Sydney’s Duty Agreement to contain the same objective test for residency after the amendments had been finalised with The Star; and
  - (e) The Star, NSW Treasury and L&GNSW would work towards achieving substantive agreement as to the Current Duty Agreement amendments by September 2024, with the mechanics of executing the amendments to be dealt with by end of 2024 at the latest.
57. The Star Entities informed the Inquiry that the next step is for NSW Treasury to provide its proposed amendments to the Current Duty Agreement to The Star Entities and that NSW Treasury intends to provide those to Crown Sydney at the same time.<sup>62</sup> As at 16 July 2024, NSW Treasury had not indicated to The Star a specific date by which it expects to provide those amendments.<sup>63</sup>
58. Milestone 13.3.4 of The Star Entities’ Remediation Plan is directed to the implementation of the new residency test once it is agreed, including amending internal policy and process documents, providing training to relevant employees, and implementing an ongoing assurance process to ensure compliance.<sup>64</sup>

**Response to Recommendation 10**

59. The 2022 Report recommended that:

The Authority take steps to require the operator of The Star Casino to update the Duty SOP for consistency with and otherwise to reflect the Current Duty Agreement (see Chapter 22).

60. This recommendation has been implemented.<sup>65</sup>

61. The Star Entities informed the Inquiry that the new ICMs introduced by The Star, effective 1 July 2023, are aligned with the Current Duty Agreement.<sup>66</sup> Among other things, ICM 11(36) requires that casino duty be calculated and paid in accordance with the Duty Agreement.<sup>67</sup> The Star has also implemented a new SOP (being the NSW Duty and Accounting Standard SOP) which reflects the Current Duty Agreement.<sup>68</sup>

62. Once the Current Duty Agreement is amended as a result of recommendation 9 of the 2022 Report, Milestone 13.3.4 of The Star Entities' Remediation Plan includes activities directed to the implementation of the new residency test, which are described in paragraph 58 above. The Star Entities and L&GNSW have had discussions about the need to update The Star's SOPs after the Current Duty Agreement is amended, as described in paragraph 56(c) above.

**Response to Recommendation 11**

63. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's breach of its warranty given to the Authority under paragraph 4 of Schedule 4 of the Amended Casino Operations Agreement concerning the failure of The Star to keep accurate records of patron residency information (see Chapter 22).

64. This recommendation has been implemented. The findings in the 2022 Report that The Star had breached the Amended Casino Operations Agreement formed part of the \$100 million penalty imposed on The Star.<sup>69</sup>

65. In addition, The Star Entities have informed the Inquiry that broader changes have been implemented that are relevant to their record-keeping practices in respect of residency information for patrons engaging in rebate play. In particular, effective 1 July 2023, ICM 15 contains enhanced reporting and record keeping requirements, including in relation to patron residency information and strengthened customer probity requirements.<sup>70</sup>

**Response to Recommendation 12**

66. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's breach of ICM 8(1) and section 124 (4) of the *Casino Control Act* in relation to the failure to complete residency assessments in accordance with standard operating procedures for the patrons described as Patron 1 and Patron 2 (see Chapter 22).

67. This recommendation has been implemented. The findings in the 2022 Report that The Star had breached ICM 8(1) and section 124(4) of the *Casino Control Act* formed part of the \$100 million penalty imposed on The Star.<sup>71</sup>

68. In addition, the enhanced reporting and record keeping requirements described in paragraph 65 above should be noted.<sup>72</sup>

**Response to Recommendation 13**

69. The 2022 Report recommended:

That carded play be compulsory at The Star Casino for all gambling, in a manner which ensures that patrons are identified and their exclusion status (if any) enforced (see Chapter 23).

70. Implementation of this recommendation has not been completed.<sup>73</sup>

71. The *2022 Amendment Act* introduced changes to the *Casino Control Act* and the *Casino Control Regulation* in relation to carded gaming. In particular, it introduced section 71A, pursuant to which it is a condition of a casino licence that all gaming conducted at the casino must be by use of a player card, issued to each patron, that complies with the requirements prescribed by the *Casino Control Regulation* and any other requirements set out in the casino operator's ICMs. Section 71A will come into effect on 19 August 2024.<sup>74</sup>

72. The *2022 Amendment Act* also introduced section 25A of the *Casino Control Regulation* which requires that a player card must be issued in accordance with customer identification procedures which are compliant with AUSTRAC's AML/CTF requirements. It also identifies the particular categories of data which a player card must be capable of recording.<sup>75</sup>

73. In order to facilitate cashless gaming, section 74(1)(c1) of the *Casino Control Act* (introduced by the *2022 Amendment Act*) permits the use of a debit card for gambling

transactions provided that the transaction complies with requirements in the *Casino Control Regulation* (where otherwise the use of a debit card is prohibited). The Minister's Report identified that the *Casino Control Regulation* will be amended to include minimum requirements for cashless gaming following consultation with interested stakeholders.<sup>76</sup> That consultation process has commenced, as described in paragraph 77 below. The 16 January 2023 Letter requested that The Star confirm by 31 January 2023 whether it would be in a position to introduce carded play earlier than 19 August 2024 and, if so, what its target implementation date was.<sup>77</sup> In response, on 28 April 2023 The Star set out its planned phased introduction of carded and cashless play, which would see full implementation across The Star Casino occur by 19 August 2024, but informed the NICC that it was unlikely that implementation could be completed any earlier than that.<sup>78</sup> The Star Entities initially informed the Inquiry that the reason they did not expect that carded and cashless play would be implemented any earlier was due to dependencies on technology solutions which they were in the process of sourcing, the deployment date of which was unclear.<sup>79</sup>

74. The Minister's Report stated that L&GNSW was providing guidance to The Star to refine its plan for the phased introduction of carded and cashless play, including in relation to the development of the technical infrastructure required.<sup>80</sup>
75. The trial of cashless and carded gaming commenced on 21 February 2024. The cashless trial is being conducted in the Sovereign Room and offered to Platinum and Diamond members across eight tables and 51 EGMs.<sup>81</sup> The trial was initially expected to run until 21 June 2024,<sup>82</sup> but has been extended to 19 August 2024 as a consequence of a request made by The Star on 5 June 2024, which the NICC approved on 11 June 2024.<sup>83</sup>
76. The Star Entities informed the Inquiry that they have in place regular reviews of, and reporting on, the progress of the trial.<sup>84</sup> In particular, The Star Entities informed the Inquiry that they provide monthly reports to the Board in respect of the Casino 2.0 trial, and to 10 management committees and working groups, including the Casino 2.0 Program Steering Committee, the Casino Live Trial Working Group, and the Regulatory & Compliance Working Group.<sup>85</sup> The Star will also be required to produce a report to the NICC at the conclusion of the cashless trial.<sup>86</sup> No such report has been produced to the NICC yet as the trial has not concluded.<sup>87</sup>
77. On 27 March 2024, L&GNSW wrote to The Star and provided the draft amendments to the *Casino Control Regulation* relating to carded and cashless gaming.<sup>88</sup> The Star provided comments on those draft amendments on 19 April 2024.<sup>89</sup>

78. In or around April 2024, internal audit conducted a review of the trial of carded and cashless gaming. The internal audit report, titled “Casino 2.0 Program Health Check Report”, was delivered on 8 April 2024. The overall rating for the trial was “unsatisfactory”. Internal audit recommended ten action items.<sup>90</sup>
79. Subsequently, on 9 July 2024, PricewaterhouseCoopers (PwC) delivered a report titled “Casino 2.0 Risk & Readiness Review”. In that report, PwC concluded that:<sup>91</sup>
- ...whilst there is a plausible path to the implementation of a semi-compliant Casino 2.0 feature-set on the 19th of August – The delivered solution will not holistically address all regulatory requirements ...
80. Subsequent to the delivery of PwC’s report, on 12 July 2024, The Star wrote to L&GNSW requesting transitional relief from 10 of the draft regulatory requirements due to commence on 19 August 2024.<sup>92</sup> Shortly after, on 17 July 2024, The Star wrote to L&GNSW again to indicate that it would not be possible to implement carded and cashless play by 19 August 2024.<sup>93</sup>

#### **Response to Recommendation 14**

81. The 2022 Report recommended:
- That all patron cards should collect data relating to the patron’s:
- (a) buy-in time;
  - (b) buy-out time;
  - (c) play periods; and
  - (d) any other information reasonably required by The Authority (see Chapter 23).
82. This recommendation has been implemented. The *2022 Amendment Act* introduced section 25A into the Regulation, as described in paragraph 72 above.<sup>94</sup>

#### **Response to Recommendation 15**

83. The 2022 Report recommended:
- That patrons should have access to their card data (see Chapter 23).
84. This recommendation has been implemented.<sup>95</sup>

85. The 16 January 2023 Letter requested that The Star enable patrons to access as much of their card data as was available at the time by 30 April 2023 and provide a submission to the NICC regarding when and how it intended to ensure all patrons will be provided with access to their data moving forward.<sup>96</sup>
86. On 28 April 2023, The Star Entities provided a submission to the NICC outlining their proposed roadmap to enable patrons to access their card data, including the information that would be collected by patron cards.<sup>97</sup>
87. The Star Entities informed the Inquiry that, pursuant to that roadmap, by 27 June 2023 they had implemented an updated solution enabling staff to provide card data to patrons on the spot.<sup>98</sup> Additionally, effective 1 July 2023, ICM 12(23) required The Star to provide patrons with digital access to their card data.<sup>99</sup>
88. The Star Entities have informed the Inquiry that work has commenced to design and develop the capability within The Star’s mobile phone application (pursuant to which members can digitally access their membership card, see details of upcoming events at The Star Casino, and make bookings) for members to have “self-service” access to a near-real time player activity dashboard. That work is due to be delivered by 31 December 2024.<sup>100</sup>

### **Response to Recommendation 16**

89. The 2022 Report recommended that:

The Authority:

- (a) seek a detailed submission from the operator of The Star Casino within three months after the date of the Authority’s request addressing the question of what data from carded play could feasibly be generated and anonymised for sharing with law enforcement and academic researchers; and
- (b) consider that submission once received and take such consequential steps as it sees fit (see Chapter 23).

90. Implementation of this recommendation has not been completed.<sup>101</sup>
91. The 16 January 2023 Letter requested that The Star provide a detailed submission within three months regarding what carded play data could feasibly be generated and anonymised for sharing with law enforcement agencies and academic researchers.<sup>102</sup>
92. The Star provided a submission in response to the NICC on 14 April 2023. That submission identified the categories of data that could be provided in relation to playing activity



(including frequency and duration of play, and the occurrence of any interventions or exclusions) and player demographics (including age, employment status, and post code). The Star indicated that a methodology and format for the sharing of information would need to be agreed.<sup>103</sup>

93. Further work is expected to be undertaken by L&GNSW, the NICC and The Star Entities to address recommendation 16 once The Star has finalised the proposed technology solutions required to implement carded and cashless play.<sup>104</sup> In particular, the NICC informed the Inquiry that in considering what further steps should be taken (including whether any data should be provided to law enforcement or academic researchers), it intends to consult with L&GNSW's Intelligence Team and Policy Team, and to consider the final report of the NSW Crime Commission's inquiry into money laundering in pubs and clubs dated 26 October 2022.<sup>105</sup> On 26 July 2024, the NICC informed the Inquiry that it has delayed taking any further steps in respect of recommendation 16 while the regulatory framework and technology related to carded play remain in development (as discussed in respect of recommendation 13 above).<sup>106</sup>
94. The Star Entities informed the Inquiry that they have established regular communication channels and forums with the gambling community, academic researchers in Australia and Canada, and public health experts. Further, engagement with academia and other stakeholders is a recurring agenda item at The Star Entities' monthly meetings with L&GNSW.<sup>107</sup>

### **Response to Recommendation 17**

95. The 2022 Report recommended that:

The Authority require the operator of The Star Casino to have a Time Play Management standard formalised as an internal control for the purposes of section 124 of the *Casino Control Act* (see Chapter 23).

96. This recommendation has been implemented.<sup>108</sup> However, a number of problems with the operation of the standard are outlined below.
97. The 16 January 2023 Letter requested that The Star formalise a Time Play Management standard and set up and maintain a register recording each time an alarm is triggered and what actions are taken in response.<sup>109</sup>

98. Effective 1 July 2023, a Time Play Management standard was introduced as part of ICM 13.<sup>110</sup> In support of ICM 13, The Star has also implemented a Time Play Management process which is documented in the Safer Gambling & Exclusions SOP.
99. The Star Entities informed the Inquiry that there are a number of known issues which they are currently working through related to Time Play Management, and in respect of which breach reports have been lodged with L&GNSW.<sup>111</sup> The Inquiry heard evidence of some of those issues during the course of the public hearings, which are addressed in Chapter 8 of this Report.
100. The Star Entities informed the Inquiry of the following known issues:
- (a) *first*, failing to meet the minimum staffing levels set out in ICM 13.<sup>112</sup> Such failures have occurred on 28 separate occasions in the period to 19 March 2024;<sup>113</sup>
  - (b) *secondly*, Guest Support Officers closing off alerts without interacting with a guest as required by the Time Play Management requirements and falsifying records of such interactions<sup>114</sup> – this is addressed in further detail in Chapter 8 of this Report; and
  - (c) *thirdly*, errors in the design of the 12 and 48 hour alerts which meant that, where a guest was unable to be located at the time the alert was triggered and marked as such in the system, the system suppressed follow-up alerts until a further 12 or 48 hour period (respectively) had passed. As a result, it was possible for guests to return to the casino and continue to play without any follow up alerts being triggered.<sup>115</sup> The system came into effect on 1 July 2023. The first incident occurred on 2 July 2023, but the issue was not identified by The Star Entities until November 2023. The issue was said to have been caused by an oversight in the original build requirements for the system, namely an assumption being made that a patron who could not be located had left the casino. The Star Entities informed the Inquiry that a technology solution to remedy the issue was implemented for the 48 hour rule on 5 March 2024,<sup>116</sup> and for the 12 hour on 4 April 2024.<sup>117</sup> In the interim, The Star Entities prepared manual reports on a weekly basis to identify instances where there had been a breach of the Time Play Management rules as a result of the issue. As at 8 April 2024, three breaches had been identified and reported to L&GNSW, all of which related to the 12 hour rule.<sup>118</sup> The Star Entities stated that there was no

guidance for employees dealing with the situation where a patron could not be located following the triggering of an alert.<sup>119</sup>

101. Another issue in respect of the Time Play Management system relates to the monitoring of uncarded guests. Version 4 of the Responsible Gambling & Exclusions SOP, effective 7 December 2023, sets out processes which are designed to ensure that guests engaging in uncarded play are monitored and managed in a similar way to carded guests. Pursuant to the SOP, a weekly report is generated to identify concentrations of uncarded play within The Star Casino, so that Guest Support Officers can monitor those areas more closely to identify guests gambling continuously without taking the required breaks.<sup>120</sup> However, The Star lodged a breach report on 4 March 2024 recording that it was not in fact generating weekly reports to manage and monitor uncarded play, as required by the SOP.<sup>121</sup> Mr Wagemans gave evidence to the Inquiry that the weekly reports were not generated as The Star did not have sufficient resources to monitor carded play, let alone uncarded play.<sup>122</sup>

### **Response to Recommendation 18**

102. The 2022 Report recommended:

That the operator of The Star Casino's Time Play Management standard:

- (a) include a requirement for Electronic Gaming Machines (EGMs) that a patron cannot gamble continuously on an EGM for more than three hours without a 15 minute break;
- (b) clarify that in any 24 hour period, a patron cannot gamble for more than 12 hours (see Chapter 23).

103. Effective 1 July 2023, The Star's Time Play Management standard and controls were contained within ICM 13 and the Safer Gambling & Exclusions SOP.<sup>123</sup> Among other things, ICM 13 requires The Star to prevent customers playing on gaming machines for more than 3 consecutive hours without a 15 minute break, or gambling for more than 12 hours in any 24 hour period.<sup>124</sup>
104. So far as the standard is concerned, this recommendation has been implemented.<sup>125</sup> However, as recorded in Chapter 8, there have been material shortcomings in relation to complying with the standard.

### **Response to Recommendation 19**

105. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's contravention of Regulation 15(a) of the *Casino Control Regulation* (see Chapter 23).

106. This recommendation to the Authority has been implemented. The findings in the 2022 Report that The Star had contravened Regulation 15(a) of the *Casino Control Regulation* by providing free alcoholic drinks to patrons in its VIP areas as an inducement to patrons to participate, or participate frequently in gambling activities in the casino formed part of the \$100 million penalty imposed on The Star.<sup>126</sup>
107. On 26 September 2022, The Star ceased service of complimentary alcohol in private gaming rooms at The Star Casino.<sup>127</sup> That change preceded legal advice received from The Star Entities' internal legal team.<sup>128</sup> The Star wrote to the NICC to confirm that service had ceased on the same day.<sup>129</sup> However, since that time The Star has reintroduced the provision of complimentary and discounted alcohol in VIP areas of The Star Casino in the circumstances described below.
108. In an email to Mr Weeks on 27 October 2022, Mr Neil Carabine (the then-Chief Legal Officer) stated that, having regard to the approach adopted in the 2022 Report, the provision of both free and discounted alcohol as a membership tier benefit was considered an inducement to gamble. Mr Carabine then outlined The Star Entities' approach to complimentary alcohol at The Star Casino, which was as follows:<sup>130</sup>
- (a) The Star ceased to serve complimentary alcohol as a tier benefit in private gaming rooms on 26 September 2022 (on the basis that complimentary alcohol was not provided elsewhere within the casino boundary other than in the private gaming rooms);
  - (b) The Star had been advised to cease the practice of hosts or sales teams paying for guests' bills (which might include alcohol beverages) at restaurants within private gaming areas pending further clarification from the regulator (while it is not clear from Mr Carabine's email, The Star Entities informed the Inquiry that the service of complimentary alcohol in this scenario ceased at The Star Casino on 26 September 2022);<sup>131</sup>
  - (c) The Star had been advised to stop allowing food and beverage vouchers to be redeemed for alcoholic beverages (again, while it is not clear from Mr Carabine's email, The Star Entities informed the Inquiry that the practice of allowing food and

beverage vouchers to be redeemed for alcoholic beverages continued until 31 January 2023);<sup>132</sup>

- (d) The Star would continue to allow “Casino Dollars” to be used to purchase alcoholic drinks provided there was no discount to the retail price of those drinks. “Casino Dollars” are a membership benefit and are spendable currency that can be used within The Star Casino to purchase food and beverage, spa treatments, hotel bookings, or table play or EGM play, but are not redeemable for cash;<sup>133</sup>
- (e) The Star would continue to offer bottles of alcohol as promotional prizes, provided they were not consumed at The Star Casino;
- (f) The Star Casino would continue to offer complimentary bottles of alcohol to hotel guests as a welcome gift (although The Star had been advised that they should avoid offering bottles to important gambling patrons staying at the hotel); and
- (g) The Star would continue to provide complimentary alcohol at special events on a case by case basis, although The Star had been advised not to offer complimentary alcohol at events which related directly to the loyalty program or to gambling (which in both cases might arise if invitations were limited to members of particular membership tiers).

109. Mr Carabine’s email also dealt with the issue of *discounted* alcohol. He noted:<sup>134</sup>

Discounts on alcohol are a stated benefit of The Star Club and are available across The Star’s venues (i.e. not just in the private gaming areas).

Accordingly, there is a significant operational uplift to remove this from The Star’s offering. The Star Sydney intends to cease the provision of discounted alcohol as a tier benefit. We understand that the business is preparing a paper for Exco to consider, which will address the issue of discounted alcohol. The business intended to speak with the policy team at NSW Liquor & Gaming to discuss this topic prior to the changes being implemented across The Star.

The discount on alcohol as a tier benefit will also cease to be provided in outlets outside of the casino boundary. This is on the basis that Mr Bell’s view is that The Star Club’s loyalty benefits collectively encourage loyalty members to gamble at The Star. Whether the purchase of alcohol occurs inside or outside of the blue line is unlikely to alter this position.

110. On 28 October 2022, in response to questions raised by Mr Weeks, Ms Brittany Dorney (Legal Counsel, Star Entertainment) wrote to Mr Weeks stating, among other things, that The Star would seek to agree a transitional period with L&GNSW for the removal of discounted alcohol from its offering.<sup>135</sup>

111. The Star Entities have not provided any information to the Inquiry regarding such a transitional agreement with L&GNSW. Rather, The Star Entities informed the Inquiry that discounted alcohol continued to be served after 1 September 2022 in the following circumstances:<sup>136</sup>
- (a) members of The Star Club received, as a membership benefit, discounts of between 10% and 50% on alcoholic beverages depending on their membership tier;
  - (b) a discounted alcoholic beverage menu was made available in private gaming rooms or VIP rooms. No further discounts (including, for example, Star Club member discounts) applied to these prices. These discounts were available from around March 2023 until complimentary alcohol was reintroduced (on 15 November 2023 in the Sovereign Room and on 12 December 2023 in the Oasis Room); and
  - (c) all staff received a 30% discount on alcoholic beverages at all of The Star Entities' venues upon presentation of their staff ID.
112. On 9 November 2022, The Star Executive Committee authorised the reintroduction of complimentary alcohol at events held off-site.<sup>137</sup>
113. On 8 December 2022, The Star sent a letter to L&GNSW setting out eight scenarios in which The Star proposed that complimentary alcohol service should be permitted, and the key controls in place to support the responsible service of complimentary alcohol. Those scenarios were:<sup>138</sup>
- (a) Scenario 1: the service of complimentary alcohol to patrons in private gaming rooms where the patron is located in a restaurant or bar within the private gaming room and is not gaming at the time of service. The Star's position was that such service did not constitute an inducement to gamble where the loyalty program does not reference the availability of complimentary alcohol in the private gaming areas and there was no expectation or requirement that a patron receiving complimentary alcohol would gamble during their visit.
  - (b) Scenario 2: the service of complimentary alcohol to patrons in a private gaming room where the patron is not in the restaurant or bar at the time of service (including, but not limited to, when they are gaming at the time of service). The Star's position was that such service did not constitute an inducement to gamble for the same reasons as Scenario 1.

- (c) Scenario 3: the service of complimentary alcohol at events at The Star Casino, both inside and outside of the casino boundary. The Star's position was that such service did not constitute an inducement to gamble at events outside the casino boundary because there was no proximity to gaming activity. The Star's position was also that for events inside the casino boundary, service did not constitute an inducement to gamble because attendance at the event did not require, as a prerequisite or condition, any gambling activity.
- (d) Scenario 4: the service of complimentary alcohol at events held off-site (i.e. at a private suite at the Royal Randwick Racecourse). The Star's position was that such service did not constitute an inducement to gamble for the same reasons as Scenario 3.
- (e) Scenario 5: the payment of a patron's bill which includes an alcoholic beverage, or provision to a patron of complimentary alcohol, by a VIP host, both inside and outside the casino boundary. The Star clarified scenario 5 might arise on a special occasion for a guest (including birthdays, anniversaries, or achievement of a new loyalty tier), or as an apology for service-related issues experienced while at The Star Casino. The Star's position was that such service did not constitute an inducement to gamble because it occurred on an ad-hoc basis and the guest would not necessarily be aware in advance that it would occur.
- (f) Scenario 6: gifting a bottle of alcohol to members other than for the purpose of consumption within the casino boundary (for example to recognise a birthday, upon attendance at select events, or as a welcome gift for hotel guests upon check in). The Star's position was that such service did not constitute an inducement to gamble because the gift was unrelated to gambling activity and could not be brought into or consumed within the casino boundary.
- (g) Scenario 7: the redemption of food and beverage vouchers (obtained as a prize from promotions or draws, or as an offer or reward to select members based on visit or spend criteria) for alcoholic beverages. The Star clarified that food and beverage vouchers would not be awarded in connection with a patron's gambling spend (although they would be awarded as part of membership tier benefits within its loyalty program). The Star's position was that such service did not constitute an inducement to gamble because the vouchers are not connected with gambling spend and the amount of complimentary alcohol is limited to that specified in the voucher.

- (h) Scenario 8: the service of complimentary alcohol to new members upon joining the membership program. The Star clarified that it would be a single beverage offered as a one-off to new members only. The Star’s position was that such service did not constitute an inducement to gamble because there was no requirement for the member to gamble to receive the complimentary beverage, and membership of the casino loyalty program does not require the member to participate in any gambling activities.
114. The letter also identified the ways in which The Star had addressed the risk of the service of complimentary alcohol inducing patrons to gamble, as follows:<sup>139</sup>
- Broadly, The Star addresses the risk of complimentary alcohol to act as an inducement to gamble by:
- limiting access to members of Private Gaming Areas and their guests;
  - not advertising or disclosing complimentary alcohol as a benefit of loyalty membership or in communications to members (other than in relation to certain special events);
  - putting in place a series of preventative, detective and responsive controls that, collectively, work to limit the service of complimentary alcohol to members to prevent or reduce the risk of intoxication occurring, of any person gambling while intoxicated; and
  - not requiring that members or their guests engage in gambling activities when attending any Private Gaming Area or event.
115. On 31 January 2023, The Star implemented changes to its policies in respect of the redemption of food and beverage vouchers. Those changes meant that certain food and beverage vouchers could no longer be redeemed for alcoholic beverages. For food and beverage vouchers issued prior to 31 January 2023, patron communications were issued to inform them of the change; new vouchers issued after that date included the wording “not applicable to alcoholic beverages”. The change was supported by updates to The Star’s point of sale system, effective 3 February 2023, which disabled the redemption of alcohol on all gaming-related food and beverage vouchers.<sup>140</sup> (The Star has identified 3 instances in which failures in that system have occurred but has not yet conducted an exhaustive review).<sup>141</sup>
116. The Star Entities informed the Inquiry that the following types of food and beverage vouchers continued to be redeemable for alcoholic beverages in the period after 31 January 2023:<sup>142</sup>



- (a) vouchers generated via StarPlay, which is The Star’s online social gaming product that allows players to earn in-app currency (known as “Stars”) through non-gameplay events, such as logging in or making in-app purchases. Throughout the Period, Stars earned on StarPlay could be used to purchase food and beverage vouchers;
  - (b) vouchers issued to guests as part of hotel promotions; and
  - (c) vouchers offered to new members upon joining The Star Casino’s membership program which could be redeemed at the Sports Bar. These vouchers continued to be offered from 31 January 2023 until 14 June 2023, after which time no existing vouchers were available to be redeemed and no new vouchers were issued.
117. On 12 February 2023, Mr Wharton sent an email to Mr Weeks indicating that The Star intended to reinstate the provision of complimentary alcohol in scenario 3 (events at The Star Casino) *only* for events outside the casino boundary. Mr Weeks replied the following day that it would be appropriate for The Star to notify L&GNSW.<sup>143</sup>
118. On 16 February 2023, The Star wrote to L&GNSW clarifying that The Star was continuing to provide complimentary alcohol in the following scenarios:<sup>144</sup>
- 1. Scenario 3 - Select events held on property (but outside the casino boundary). By way of example, The Star is holding an event to celebrate ‘World Pride’ this evening. The Star will offer complimentary alcohol to attendees at this event (which will include persons who are not members of The Star Club loyalty program). We note that other recent on-property Member events have not had complimentary alcohol served e.g. Melbourne Cup and New Years Eve.
  - 2. Scenario 4 - Off-property events (e.g. Randwick Races).
  - 3. Scenario 6 - gift bottles of alcohol to members, and the member is not permitted to open or consume within the casino.
  - 4. Scenario 7 - Redemption of food and beverage credits/vouchers by members to obtain alcoholic beverages.
  - 5. Scenario 8 - Offer of a complimentary alcoholic drink to a new member upon joining the casino operator’s membership program.
119. On 17 March 2023, The Star wrote to L&GNSW confirming that it had “paused complimentary alcohol in most settings”, and that it was awaiting clarification from L&GNSW in response to its 8 December 2022 letter prior to recommencing complimentary alcohol service in private gaming rooms. The Star clarified, however, that it:<sup>145</sup>

- (a) continued to provide complimentary alcohol in certain circumstances, as noted in its letter dated 16 February 2023; and
- (b) intended to recommence serving complimentary alcohol at The Star Casino property but outside the casino boundary from 21 March 2023 in scenario 3 (one-off events) and scenario 5 (payment of a patron’s bill or provision of complimentary alcohol outside the casino boundary).
120. On 21 March 2023, The Star recommenced service of complimentary alcohol in scenarios 3 and 5, as foreshadowed by its 17 March 2023 letter.<sup>146</sup>
121. On 2 June 2023, the NICC sent a letter to The Star in response to its letters dated 8 December 2022 and 16 February 2023. The NICC noted that “while The Star initially sought approval to recommence the service in eight proposed scenarios, in February 2023 it had already recommenced the service in five of those scenarios”. The NICC concluded:<sup>147</sup>

It is not appropriate for the NICC or L&GNSW to pre-approve the provision of complimentary liquor in various scenarios based on a general description of those scenarios. Whether or not the provision of complimentary liquor to a customer constitutes an inducement to gamble is a matter to be determined on the facts of each case.

The observations and findings made in the Bell Report in relation to The Star’s complimentary liquor service clearly indicate that The Star’s previous policies and procedures regarding the service of complimentary liquor were deficient and did not adequately address the requirements of clause 15 of the Regulation.

It is therefore incumbent upon The Star to enhance and implement specific operational measures and staff training to address the identified deficiencies, and minimise the risk of gambling-related inducements and intoxication associated with its complimentary liquor service. It is also essential that Responsible Service of Alcohol (RSA) principles are adhered to. These RSA principles include assisting customers to consume liquor within appropriate limits, assessing alcohol-affected customers and refusing service where appropriate.

In light of the Bell Report’s findings, the NICC and L&GNSW will take a stringent regulatory approach in monitoring each casino operator’s adherence to legislative requirements in relation to gambling inducements and RSA. This can include closely scrutinising a casino operator’s design and implementation of the relevant policies and procedures, issuing formal directions as appropriate, and taking disciplinary action where a breach has been identified.

Factors relevant to considering whether a breach has occurred can include, but are not limited to:

- the volume of complimentary liquor permitted to be served to the customer within a given time (e.g. number of standard drinks in an hour or a day)
- the settings in which the customer was served complimentary liquor (e.g. at a gaming table or at a bar)

- the eligibility criteria for receiving complimentary liquor and their association with gambling activities (e.g. whether the customer is entitled to a more attractive complimentary liquor offer by reaching a higher VIP membership tier)
  - the extent to which the complimentary liquor offer was promoted or made known to the customer as part of the VIP membership program
  - whether staff received adequate Responsible Service of Alcohol training, and took appropriate steps in each case, to monitor the effect of liquor on the customer's behaviour and intervene as appropriate
  - the records kept in relation to all complimentary liquor served to the customer (e.g. time and place of service, volume served)
  - other individual circumstances of the customer as relevant.
122. The NICC has provided the Inquiry with a letter which it also sent to Crown Sydney on 2 June 2023 which was relevantly in substantially similar terms to the letter of the same date to The Star in relation to the approach which would be taken by the NICC and the factors which the NICC and L&GNSW would consider relevant.<sup>148</sup>
123. On 10 November 2023, The Star sent a letter to the NICC confirming it would reintroduce the service of complimentary alcohol at The Star Casino's private gaming rooms from 15 November 2023. The Star stated they had "carefully assessed the impact of this re-introduction on guests from the perspective of inducement and intoxication and gambling harm", including by way of Line 1 and Line 2 risk assessments, and had "concluded that negative consequences are manageable in light of recent improvements to The Star's control environment".<sup>149</sup>
124. On 15 November 2023, the service of complimentary alcohol recommenced in the Sovereign private gaming room, and on 12 December 2023 it recommenced in the Oasis private gaming room.<sup>150</sup>
125. The Star Entities informed the Inquiry that from around August 2023 to November 2023, they undertook a review to understand the risks posed by the recommencement of the service of complimentary alcohol. That included setting up a working group comprising members from the Food & Beverage, Marketing, Legal, Risk and Compliance teams. That working group was responsible for reviewing the risks posed by complimentary alcohol, considering the existing controls and proposed mitigations, and creating internal communications in connection with the reintroduction of complimentary alcohol.<sup>151</sup>

126. The Star’s Line 2 risk assessment was completed in November 2023.<sup>152</sup> It concluded that “alcohol induced gambling risk has been minimised due to the marketing controls in place to ensure there is no advertising or outward communication of complimentary alcohol to patrons” and noted that additional responsible service of alcohol controls would be implemented. In particular, the risk assessment recorded that:<sup>153</sup>
- (a) The provision of complimentary alcohol was characterised as a benefit of the private gaming room (rather than as a benefit of a membership tier). Notably, however, The Star’s risk assessment did not refer to the internal legal advice it had received in late September 2022 to the effect that the characterisation of complimentary alcohol as a room benefit rather than a membership tier benefit did not change the analysis in circumstances where access to the private gaming room is itself a membership tier benefit.<sup>154</sup>
  - (b) Complimentary alcohol would not be advertised or “proactively promoted” to patrons, would not be based on spend, and would be served on both the floor and at the bar to ensure service is not perceived as an inducement to participate in gaming. That was consistent with legal advice which The Star had received on several occasions from its internal legal team.<sup>155</sup>
  - (c) The complimentary offering would not differentiate between the different tiers of The Star’s loyalty program.
  - (d) Staff would receive training on the responsible service of alcohol.
  - (e) There would be a limit of three beverages per patron.
127. One of the enhancements suggested by Line 2 was a review of the procedures for the Premium Services and Sales Teams to ensure that their obligations in relation to gambling inducement were clear.
128. The Star Entities informed the Inquiry that they implemented the following processes in connection with the reintroduction of complimentary alcohol, some of which already applied as per The Star’s Responsible Service of Alcohol manual:<sup>156</sup>
- (a) a limit of three alcoholic beverages per patron during any given 24 hour period;
  - (b) a limit of 2.5 standard drinks in any individual beverage at any time;

- (c) a ban on shots and shooters being served;
  - (d) a requirement that each new drink is served in a new glass to prevent “topping up”;
  - (e) a ban on serving guests who already have a drink that is more than half full in order to prevent drink stockpiling;
  - (f) a ban on free pouring or over pouring; and
  - (g) a ban on outward advertisement or promotion of the availability of complimentary alcohol.
129. The Star Entities also informed the Inquiry that they updated various policies and procedures which relate to the responsible service of alcohol and introduced new controls.<sup>157</sup> Further, responsible service of alcohol training was provided to all employees.<sup>158</sup>
130. In the period from 1 December 2023 to 8 January 2024, following the reintroduction of complimentary alcohol on 15 November 2023, a working group met fortnightly to monitor any possible gambling inducement breaches, responsible service of alcohol incidents and breaches, Safer Gambling issues and patron feedback.<sup>159</sup> At the meeting on 15 December 2023, the working group observed that “the inducement to continue gaming with the offering has not been evident as the number of alerts remains less than it was prior to implementation with visitation numbers continuing to increase”.<sup>160</sup> From 8 January 2024, the working group was absorbed into The Star’s Responsible Service of Alcohol Committee and complimentary alcohol remains a standing agenda item at those meetings.<sup>161</sup>
131. The Star Entities informed the Inquiry that the complimentary service of alcohol will be part of their internal audit for 2024.<sup>162</sup> The focus of that audit, however, was adherence with responsible service of alcohol processes, rather than responsible gaming obligations.<sup>163</sup> The final audit report, delivered on 15 July 2024, noted that the audit had been conducted on the basis of “discrete observation activities” at The Star Casino, and that a full audit of the adequacy of responsible service of alcohol processes and controls would be conducted by March 2025.<sup>164</sup>
132. Overall, internal audit concluded that the practices observed at The Star Casino “were generally aligned” with its Alcohol Management Plan and underlying SOPs. It noted some

“discrete instances of non-compliance”, predominantly on the main gaming floor, and opportunities for targeted uplift to provide greater signage of transport options and respond to “undesired behaviour such as sculling”. The report made no mention of complimentary or discounted alcohol offerings.<sup>165</sup>

133. Mr Weeks gave evidence to the Inquiry that he had some concerns about the process undertaken by The Star to reintroduce complimentary alcohol in the private gaming areas of The Star Casino in the period after the NICC’s letter of 2 June 2023. *First*, Mr Weeks had concerns that the quality of the early risk assessment was poor and that a number of drafts of the risk assessment process were necessary for the company to be able to adequately assess the risk. *Secondly*, Mr Weeks was also concerned about the transparency of the process. He was not made aware of internal legal advice received by The Star in August 2023 concerning the lawfulness of the proposal until it emerged during a discussion which he had with executives in October 2023. Ultimately, however, Mr Weeks considered that it “was a reasonable process, if not well implemented”.<sup>166</sup>
134. Having regard to the approach taken by the NICC as communicated to both The Star and Crown Sydney on 2 June 2023 and the Manager’s evidence, the Inquiry has not conducted an analysis itself of the legality of the current procedures in place at The Star for the provision of complimentary and discounted alcohol in the VIP areas of The Star Casino.

### **Response to Recommendation 20**

135. The 2022 Report recommended that:

The operator of The Star Casino be required to have the Patron Liaison Manager or at least one Guest Support Manager present at The Star Casino at all times when The Star Casino is open (see Chapter 23).

136. This recommendation has been implemented so far as putting in place a requirement is concerned.<sup>167</sup> However compliance with that requirement is addressed in Chapter 8.
137. With effect from 1 July 2023, ICM 13 has required minimum staffing levels for staff dedicated to identifying and managing patrons experiencing gambling harm. In particular, ICM 13(6) requires that:<sup>168</sup>

The Casino Operator must have a reasonable number of dedicated responsible gambling staff in the casino precinct at all times when the casino is open to the public for gaming, including the following minimum staff levels:

- a) Two responsible gambling managers with suitable qualifications and experience, with one of the managers present on the main gaming floor; and
  - b) Two responsible gambling officers.
138. The Star has lodged breach reports with L&GNSW regarding failures to meet the minimum staffing levels required by ICM 13 on a number of occasions, as referred to in paragraph 100(a) above.<sup>169</sup>

### **Response to Recommendation 21**

139. The 2022 Report recommended that:

The Authority amend the operator of The Star Casino's licence pursuant to section 22 of the *Casino Control Act*:

- (a) so that clause 12(g) provides: "Those parts of the Casino comprising the main gaming floor and non-VIP areas must only be open to the public for gaming in accordance with the Act on such days and at such times as are for the time being directed by the Authority in writing served on the Licensee;" and
  - (b) to delete clause 12(h) (see Chapter 23).
140. This recommendation has not yet been implemented.<sup>170</sup>
141. On 17 February 2023, the NICC issued a notice to The Star under section 22(3)(b) of the *Casino Control Act*. The NICC noted that clauses 12(g) and 12(h) of The Star's casino licence referred to section 71 of the *Casino Control Act* which had since been repealed and therefore there was no express provision in The Star's casino licence regulating the operating hours of the VIP areas of The Star Casino. In those circumstances, the NICC proposed to amend The Star's casino licence as follows:<sup>171</sup>

12(g) All gaming areas of the Casino, including ~~Those parts of the Casino comprising~~ the main gaming floor, non-VIP areas and VIP areas, must only be open to the public for gaming in accordance with the Act on such days and at such times as are for the time being directed by the Authority in writing served on the Licensee.

12(h) The Casino is to be closed to the public on the days and at the times specified in section 71(2).

142. On 9 March 2023, The Star submitted to the NICC, in respect of the proposed amendments to clause 12 of its casino licence, that:<sup>172</sup>
- (a) in order "to achieve competitive neutrality", clause 12(g) should not apply to private gaming areas or alternatively a similar condition should be imposed on Crown Sydney;

- (b) the starting position should be that the NICC allows The Star Casino to operate up to 24 hours a day, 7 days a week, every day of the year and that a more restricted direction should only be issued “from time to time to address a particular failing in harm minimisation or responsible gambling”; and
  - (c) any change to opening hours should be made after consultation with The Star in view of the “significant commercial and operational impact on The Star and on the income and wellbeing of its employees” associated with any restriction of opening hours.
143. On 3 April 2023, the NICC wrote to The Star in response to its submission. The NICC raised procedural issues with the submission, namely that it was not on company letterhead, and it was not clear that it had been endorsed at the appropriate levels before being issued. The NICC stated that it was otherwise presently minded to:<sup>173</sup>
- (a) amend The Star’s casino licence so that:
    - (i) Clause 12(g) reads as follows: “All gaming areas of the Casino, including the main gaming floor and private gaming areas, may be open for gaming in accordance with the Act on such days and at such times as are for the time being directed by the NICC in writing served on the Licensee.”
    - (ii) Clause 12(h) is deleted; and
    - (b) issue a direction under s 29(1) to The Star which specifies that: “All gaming areas at the casino premises, including the main gaming floor and private gaming areas, are permitted to be open for gaming for up to 24 hours per day, seven days per week.”
144. The Star reissued its submission on 5 April 2023 with the procedural defects rectified.<sup>174</sup>
145. The NICC informed the Inquiry that it has engaged external lawyers to prepare updates to The Star’s casino licence, which will be shared with The Star once complete.<sup>175</sup>

### **Response to Recommendation 22**

146. The 2022 Report recommended that:

The operator of The Star Casino be required to:

- (a) seek and obtain advice from the Responsible Gambling Fund on its workforce capability framework and associated training, including receiving from the Responsible Gambling Fund materials and resources developed for the broader responsible conduct of gambling training framework in NSW; and
- (b) within six months after obtaining the above advice, provide a report to the Authority on the advice received from the Responsible Gambling Fund and what



steps, if any, the operator of The Star Casino has taken and proposes to take as a result (see Chapter 23).

147. This recommendation required the operator of The Star Casino to take action, and that action has been taken.<sup>176</sup> On that basis, the recommendation has been implemented. However, both the Minister's Report and the NICC indicated that the implementation of this recommendation had not yet been completed, on the basis that The Star's responsible gambling training has not yet been updated, and that the NICC was still to consider any further steps required following the advice received by The Star from the Responsible Gambling Fund.<sup>177</sup>
148. The 16 January 2023 Letter requested that The Star obtain advice from the Office of Responsible Gambling and, within six months of receiving advice, provide a report to the NICC regarding the steps The Star proposed to take in light of the advice.<sup>178</sup>
149. The Star informed the Inquiry that it obtained verbal advice from the Office of Responsible Gambling during two meetings on 7 October 2022 and 27 June 2023, and received copies of the Office of Responsible Gambling's training materials via email on 16 November 2022.<sup>179</sup> In particular:
- (a) On 7 October 2022, there was a meeting between Mr Junior Toleafoa (Group Manager, Responsible Gaming) and Ms Alison Parkinson from the Office of Responsible Gambling. Mr Toleafoa raised a query regarding a workforce capability framework and was advised by the Office of Responsible Gambling that this was not a feature of the Responsible Conduct of Gambling training program which it oversees, but that they would send a copy of their current training. The Office of Responsible Gambling also provided advice regarding approved Responsible Conduct of Gambling trainers and patron support for Gambleaware Week.<sup>180</sup>
  - (b) On 16 November 2022, in response to a request from The Star, Ms Parkinson sent an email to Mr Toleafoa attaching its Responsible Conduct of Gambling training material, which had just been finalised.<sup>181</sup> The materials shared comprised a facilitator manual, participant workbook and training slide deck for both a standard course and an advanced course.<sup>182</sup>
  - (c) On 27 June 2023, a meeting took place between Mr Toleafoa, Mr ter Weeme, and Ms Marina Stelmach (Group Talent Capability Manager) from The Star Entities,

Ms Parkinson and Ms Tamara Dytor from the Office of Responsible Gambling and a representative from L&GNSW. The meeting was to discuss The Star's responsible gambling competencies and capabilities framework.<sup>183</sup> No records were made of that meeting, save for a reference to it in the context of a letter The Star sent to the NICC on 22 December 2023, discussed below.

150. On 22 December 2023, The Star provided an update to the NICC setting out the recommendations and the steps proposed to be taken. The Star's update referred to two suggestions from the Office of Responsible Gambling which were discussed during the 27 June 2023 meeting, being to incorporate content from the NSW Responsible Conduct of Gaming accredited training modules, and to employ interactive techniques such as roleplaying, both of which The Star informed the NICC it had incorporated into its training and development strategy and curriculum. The Star otherwise stated that the Office of Responsible Gambling was "aligned" with The Star's proposed approach. The Star enclosed with its letter its proposed Safer Gambling competencies and capabilities framework and training curriculum outline.<sup>184</sup>
151. The NICC informed the Inquiry that it is in the process of considering the advice received by The Star from the Office of Responsible Gambling and any further actions required.<sup>185</sup>
152. The Minister's Report identified that The Star's Responsible Conduct of Gaming training had also been provided in draft to L&GNSW for comment and approval.<sup>186</sup>
153. The Star Entities' Remediation Plan includes uplift activities directed at designing and implementing responsible gambling training, including with the benefit of input from internal and external subject matter experts (namely Milestones 11.1.1, 11.1.2, and 11.1.3).<sup>187</sup>

### **Response to Recommendation 23**

154. The 2022 Report recommended that:

The Authority ensure that to the extent its consideration and, if thought fit, implementation of the recommendations in Chapter 23 involves the imposition of an obligation on the operator of The Star Casino which is not also imposed on Crown Sydney or other licenced gambling venues, the Authority consider imposing the same obligation on those other venues to the extent possible (see Chapter 23).

155. Implementation of this recommendation has not been completed.<sup>188</sup> The NICC informed the Inquiry that it intends to consider whether any of the recommendations from the 2022

Report should be imposed on Crown Sydney and determine the extent to which any recommendations should also be imposed upon other relevant licensed gambling venues. However, the NICC's intention is that those decisions will be made after all actions in response to the 2022 Report in respect of The Star have been determined.<sup>189</sup>

### **Response to Recommendation 24**

156. The 2022 Report recommended that:

The Authority amend the ICMs applicable to the operator of The Star Casino to require, at minimum:

- (a) that L&GNSW be given reasonable notice in advance of each step in the process for the destruction of gaming equipment, accepting that reasonable notice may vary depending on the particular equipment;
- (b) that L&GNSW be invited to attend at the destruction of gaming equipment; and
- (c) that the operator's special employees receive training about any controlled contracts relevant to their functions and the ICMs and SOPs relevant to their functions, both at the commencement of their employment and every two years following (see Chapter 24).

157. This recommendation has been implemented.<sup>190</sup>

158. With effect from 1 July 2023, ICM 6 has required The Star to notify the NICC before each step of gaming equipment destruction and invite a delegate of the NICC to attend. It has also required The Star to record details of the destruction of gaming equipment.<sup>191</sup>

159. Further, pursuant to ICM 2, The Star is required to provide staff training on the ICMs and SOPs at the commencement of employment and on an annual basis thereafter.<sup>192</sup>

### **Response to Recommendation 25**

160. The 2022 Report recommended that:

The Authority seek a detailed written submission from the operator of The Star Casino, within three months after the date of the Authority's request, which addresses:

- (a) a new ICM for the implementation, monitoring and evaluation of staff training on SOPs, including a requirement to report to the Authority on a regular basis as to the status of training and compliance; and
- (b) the specific ICM(s) and SOP(s) which the operator has in place in relation to Free Bet Vouchers to ensure the prevention of conduct similar to that of the Gaming Market Executive referred to in Chapter 24 and the early detection of such

conduct, and take such action in response to that submission as the Authority sees fit (see Chapter 24).

161. This recommendation has been implemented.<sup>193</sup>
162. In relation to sub-paragraph (a) of recommendation 25, effective 1 July 2023, ICM 2 required The Star to provide staff training on its SOPs and to provide the NICC with evidence of the status of staff training and compliance with SOPs (either upon completion of training or as requested by the NICC).<sup>194</sup>
163. In relation to sub-paragraph (b) of recommendation 25, Free Bet Vouchers ceased to be offered at The Star Casino in September 2022.<sup>195</sup>
164. The 16 January 2023 Letter requested that The Star provide a submission within three months as to the ICMs and SOPs it has in place in relation to Free Bet Vouchers to ensure the prevention and early detection of conduct similar to that of the gaming market executive identified in the 2022 Report.<sup>196</sup>
165. On 31 January 2023, Mr Weeks sent an email to Mr Wharton, Mr Nick Turner and Mr Paul Monaghan which referred to “our discussion yesterday”. Mr Weeks stated that “there are a number of outstanding matters that will need to be resolved prior to recommencing with promotion Free Bet Vouchers”. Those included:<sup>197</sup>
- (a) there had always been a requirement for weekly audits of Free Bet Vouchers to be conducted; the issue was historically those were not performed. Mr Weeks noted “an appropriate process would need to be in place to address this”;
  - (b) there should be a “regular and ongoing Internal Audit review cycle” addressing Free Bet Vouchers;
  - (c) the submission which The Star was due to provide the NICC by 16 April 2023 should address the “design of appropriate controls” to ensure the prevention and early detection of similar conduct, “including testing of their operating effectiveness”; and
  - (d) consultation with the NICC would be necessary prior to recommencing free bet vouchers.
166. On 14 April 2023, The Star provided a submission to the NICC in respect of the reintroduction of Free Bet Vouchers.<sup>198</sup> The Star noted that it intended to reintroduce Single

Play Free Bet Vouchers “subject to consultation / feedback by The Manager and the Commission” but that Multiplay Free Bet Vouchers were “not being considered for reintroduction at this point in time”.<sup>199</sup>

167. Among other things, the submission noted that:

- (a) the Free Bet Voucher process which gave rise to the issues identified in the 2022 Report were in place prior to October 2020, and that in December 2020 “a system-based process was introduced” which involved Free Bet Vouchers being issued via Synkros, rather than via printed vouchers. The differences in the process before and after December 2020 were summarised as follows:<sup>200</sup>

Paper based process pre September 2020	System based process from December 2020
Paper based vouchers for value	Blank card based process with no value added at time of ordering
No sequential numbering for recording purposes	System generated value that includes unique number linked to card for issuance, redemption & auditing
Not linked to member	System based process that is linked to a member account and must be issued and redeemed via Synkros (redemption through Game Connect) to ensure validity.
Lack of controls around auditing of vouchers	Daily reconciliation of vouchers issued vs vouchers redeemed to identify any discrepancies
Long expiry date	48 hour expiry limit at point of issue

- (b) processes were in place to address harm minimisation, including that “a patron’s KYC must be considered before initiating each offer”. That requires that the patron has an up to date source of wealth, is not on a current Safer Gambling At-Risk Patron list, and is not subject of an exclusion, an AML investigation, a private gaming room ban, or a hotel blacklist;<sup>201</sup>
- (c) the key controls contained in The Star’s SOPs included that vouchers are only to be issued via Synkros, blank vouchers are to be stored securely, Game Connect prevents the redemption of duplicate, used or cancelled vouchers, and reconciliation reports are to be run daily;<sup>202</sup> and
- (d) the Free Bet Vouchers being issued via Synkros would enable real time reporting showing the status of every voucher issued, and the number and value of vouchers issued by each department. The Star noted that L&GNSW officers have had full

unrestricted access to Synkros (including remotely) since October 2022, and that that would enable them to carry out spot audits of Free Bet Vouchers as required.<sup>203</sup>

168. On 20 July 2023, the NICC wrote to The Star agreeing to the re-introduction of free bet vouchers subject to the following requirements:<sup>204</sup>

1. Reports on the issuance and redemption of, including the newly uplifted audit reports to be provided to the Manager's office daily.
2. Reporting on the issuance of to the Sydney Risk Committee be put in place to provide transparency and ensure only those with delegated authority issue the vouchers.
3. Once the processes have been operational for three months, Internal Audit to complete a review to ensure controls are operating as designed.

169. The Star Entities informed the Inquiry that in or around August 2023 a working group was established to plan for the reintroduction of Free Bet Vouchers across The Star Casino. The working group comprised members from the business, Controls, Group Risk, Legal and the Manager's team. The working group oversaw the implementation of enhancements across the approval, issuance, redemption and reconciliation processes and controls.<sup>205</sup>

170. On 9 October 2023, a risk assessment was conducted by the financial crime team. The key risk identified was "fraud/bribery and corruption via the exploitation or illegitimate issuing of the vouchers, which could occur through employee complicity". The risk assessment also noted that the current controls were largely untested and so their effectiveness was unknown. Those controls were summarised as follows:<sup>206</sup>

1. The Sales Complimentary Approval Limits (SCAL) matrix sets out the maximum amount each [Star Entertainment] staff member is authorised to issue in the form of Free Bet Vouchers per visitation per patron. A voucher outside an employee's limit, will only be issued if approved via email in accordance with the SCLA; the email from the employee must set out patron information and the justification for issuing the voucher for the relevant amount.
2. Prior to a Patron being selected to receive a Free Bet Voucher the following controls are in place:
  - a. Patrons' KYC must be considered, including but not limited to:
    - i. Source of Wealth (SOW) is up to date and occupation is entered in Synkros
    - ii. Must not be on current Safer Gambling At-Risk Patron (ARP) list
    - iii. Any patron that is Excluded / Withdrawal of License, under AML investigation, Private Gaming Room banned, or Hotel Blacklist members will not be eligible.

The offer requestor (employee) must:

- i. Complete a Deal Template and Tracker that is provided by The Commercial team with a company preferred Return on Investment (ROI) margin, and
    - ii. Follow the SCAL and to seek approval via email when its outside the limit.
  3. Before issuing the Free Bet Voucher, the patron's ... membership card is verified by the Premium Services team to confirm a match and approval of the voucher has been communicated/recorded.
  4. Vouchers have unique ID numbers generated by Synkros which are printed on the voucher along with the patron ID details and expiration date.
  5. Verification of Patron Membership Details against the Patron details on the Free Bet Voucher via Game Connect when a voucher is redeemed at a Table Game.
171. The risk assessment identified two enhancements to be implemented to mitigate the financial crime risk:<sup>207</sup>
- (a) *first*, documentation of a process for the monitoring of records on the issuing of Free Bet Vouchers to determine if any patrons are being favoured, including escalation points; and
  - (b) *secondly*, introduction of an approval email process in relation to the approval of Free Bet Vouchers which reliably informs Revenue Audit.
172. The Star Entities informed the Inquiry that in or around October 2023, The Star made the decision to delay the initial rollout of Free Bet Vouchers, which had been planned for 31 October 2023, in light of a number of issues that had been identified, including that:<sup>208</sup>
- (a) there were procedural gaps in the risk assessment workflow which meant that the Risk and Controls teams were missing from the workflow;
  - (b) the Loyalty Marketing team had not been engaged in the working group considering Free Bet Vouchers, which had resulted in the omission of key required disclosures from the terms and conditions on the back of the Free Bet Vouchers, namely omissions of (i) a reference to the availability of a player activity statement and (ii) the NSW Safer Gambling help line;<sup>209</sup> and
  - (c) the terms and conditions contained potentially misleading information.
173. A paper presented to the GLT on 23 November 2023 noted the need to implement several steps in respect of the reintroduction of Free Bet Vouchers, including to replace the revised terms and conditions on the vouchers using a tamper-proof sticker, obtain endorsement from Controls and Group Risk and for the Controls Team to conduct a presentation of the

end-to-end process with Mr Weeks' team and L&GNSW. The paper proposed that a three month trial of the re-introduction of Free Bet Vouchers commence in NSW in December 2023, with a decision to be made about the reintroduction in Queensland after the completion of the trial and an internal audit.<sup>210</sup>

174. On 11 and 12 December 2023, The Star conducted a presentation in relation to the proposed reintroduction of Free Bet Vouchers with the Manager's office and L&GNSW respectively.<sup>211</sup> Following that presentation, The Star shared a pack with L&GNSW outlining recent changes to The Star's SOPs in connection with Free Bet Vouchers.<sup>212</sup>
175. On 22 January 2024, L&GNSW sent an email to Ms Vuong in response to the updated pack on Free Bet Vouchers that had been shared following the presentation on 12 December 2023. L&GNSW noted it was aiming to have a paper to the NICC in February 2024 regarding Free Bet Vouchers and raised a number of queries about aspects of the process. Those queries included: whether there was a limit on the number of Free Bet Vouchers that could be issued to any given patron; whether the process for issuing a Free Bet Voucher would involve checking any Free Bet Vouchers previously issued to the same patron and whether there were any eligibility criteria that a patron must meet before being issued a Free Bet Voucher.<sup>213</sup>
176. On 29 January 2024, Ms Vuong sent an email in response to L&GNSW indicating that:<sup>214</sup>
- (a) The Star Entities could limit the number of Free Bet Vouchers that could be issued but that presently there was no limit in place;
  - (b) a checklist procedure would be developed for the issuance of Free Bet Vouchers and would include a check as to previous Free Bet Vouchers issued to that patron; and
  - (c) to be eligible for a Free Bet Voucher, a patron must have an approved campaign offer endorsed by the Campaign and Creative committee, chaired by the Chief Marketing Officer. Ad hoc requests would not be considered.
177. On 28 February 2024, the NICC approved a three month trial of the reintroduction of Free Bet Vouchers. The NICC requested that The Star submit an internal audit report and a report from the Manager following the conclusion of the trial regarding its outcomes. After that, the NICC would be "willing to consider any submission from The Star in relation to its future Free Bet Voucher program".<sup>215</sup>



178. On 23 March 2024, The Star Entities informed the Inquiry that the three month trial had commenced on 21 March 2024 and that, given the trial had only just commenced, there were no results, findings or observations available at that time.<sup>216</sup> The Star Entities also informed the Inquiry that, in advance of the trial, ICM 11 and the associated SOP had been updated; 10 controls were introduced; several reporting cadences were introduced; and employee training was conducted.<sup>217</sup>
179. The Star Entities informed the Inquiry that the trial concluded on 18 June 2024. During the trial, 101 Free Bet Vouchers were issued to 49 members, to a total value of \$41,700. The highest amount offered to one patron in a single visit was \$2,000, and the lowest was \$300.<sup>218</sup>
180. On 12 July 2024, internal audit delivered its report on the Free Bet Voucher trial. It concluded that the overall rating for the trial was satisfactory and made four recommendations regarding areas for improvement.
181. Additionally, separately to the review by internal audit, Group Controls undertook testing of the effectiveness of the ten controls in respect of Free Bet Vouchers. It identified that all but one control was effective.
182. The Star Entities informed the Inquiry that the Manager's Office has not yet issued its report in respect of the trial of Free Bet Vouchers.<sup>219</sup>
183. Otherwise, subject to feedback and approval from the NICC, The Star Entities informed the Inquiry that they intend to introduce Free Bet Vouchers as a permanent process.<sup>220</sup>

### **Response to Recommendation 26**

184. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's breach of ICM 15(4) and section 124(4) of the *Casino Control Act* in relation to the destruction of gambling chips on 28 September 2020 (see Chapter 24).

185. This recommendation has been implemented. The findings in the 2022 Report that The Star breached ICM 15(4) and section 124(4) of the *Casino Control Act* formed part of the \$100 million penalty imposed on The Star.<sup>221</sup>
186. While the recommendation was that the Authority note and take such action as it saw fit in relation to the 2022 Review's findings of The Star's breaches of ICM 15(4) and section

124(4) of the *Casino Control Act*, The Star Entities informed the Inquiry that changes have been implemented which are generally relevant to the destruction of gambling chips. Those changes are described in paragraphs 158 and 159 above in relation to recommendation 24.

### **Response to Recommendation 27**

187. The 2022 Report recommended that:

The Authority note and take such action as it sees fit in relation to the Review's finding of The Star's breach of ICM 13(9) and section 124(4) of the *Casino Control Act* in relation to the failure to conduct weekly audits of daily transactions against source paperwork in connection with Free Bet Vouchers (see Chapter 24).

188. This recommendation has been implemented. The findings in the 2022 Report that The Star had breached ICM 13(9) and section 124(4) of the *Casino Control Act* formed part of the \$100 million penalty imposed on The Star.<sup>222</sup>

189. While the recommendation was that the Authority note and take such action as it saw fit in relation to the 2022 Review's findings of The Star's breaches of ICM 13(9) and section 124(4) of the *Casino Control Act*, The Star Entities informed the Inquiry that changes have been implemented which are generally relevant to Free Bet Vouchers as described in relation to recommendation 25 above, particularly paragraph 167(d).

### **Response to Recommendation 28**

190. The 2022 Report recommended that:

Within one year from the date of this Report the Authority work with the operator of The Star Casino to review all of the ICMs in place for The Star Casino and ensure that the ICMs have a greater level of prescription than the present ICMs in relation to the essential operations of The Star Casino and on the basis that all important control mechanisms for the operations of The Star Casino should be provided for in the ICMs themselves, and not SOPs (see Chapter 25).

191. This recommendation has been implemented.<sup>223</sup>

192. All of The Star's ICMs were updated, and new procedures implemented, with effect from 1 July 2023. Among other things, the ICMs were amended to ensure that certain control mechanisms for casino operations were specified in the ICMs rather than the SOPs.<sup>224</sup> The Star Entities informed the Inquiry that the program of work saw the introduction of 546 unique controls.<sup>225</sup>

193. The Star Entities' Remediation Plan contains uplift activities directed at its control environment. That includes activities to automate manual controls, expected to be completed by 31 March 2024 (Milestones 2.4.1 and 2.4.2), and to embed and audit those controls, expected to be completed by 31 December 2025 (Milestone 2.4.3).<sup>226</sup>

### **Response to Recommendation 29**

194. The 2022 Report recommended that:

The Authority take steps to ensure that the senior management of the operator of The Star Casino includes a risk officer (whatever the title which is used), whose role and responsibility is focused exclusively on risk management for The Star Casino (see Chapter 26).

195. This recommendation has been implemented.<sup>227</sup>
196. On 20 October 2022, The Star appointed an interim Chief Risk Officer, Ms Mandy Green, who at that time was on secondment with The Star.<sup>228</sup>
197. In its 16 January 2023 Letter, the NICC requested that The Star:<sup>229</sup>
- (a) outline a plan for the role of Chief Risk Officer following the end of Ms Green's secondment; and
  - (b) make amendments to the Risk Committee charter by 10 February 2023 to include a requirement for the Chief Risk Officer role on an ongoing basis and specify that the Risk Committee is responsible for managing risks specific to The Star Casino and for monitoring the performance of the Chief Risk Officer on a quarterly basis.
198. On 2 February 2023, the Board of Star Entertainment ratified an updated version of The Star's Risk Committee charter. That charter included the changes requested by the NICC in the 16 January 2023 Letter.<sup>230</sup>
199. On 1 July 2023, Ms Eileen Vuong was appointed as Head of Risk. The Star Entities informed the Inquiry that the role was formalised and made permanent on 17 August 2023.<sup>231</sup> An assessment of the Chief Risk Officer role is provided in Chapter 7.

### **Response to Recommendation 30**

200. The 2022 Report recommended that:

The Authority take steps to ensure that the operator of The Star Casino has a Compliance Committee having a majority of independent members, with responsibility for:

- (a) monitoring and assessing the casino operator's compliance with its obligations under all regulatory statutes, both Commonwealth and State, in particular the *Casino Control Act*, the *Casino Control Regulation* and the terms of its licence;
- (b) reporting to the casino operator any breach of any relevant regulatory requirement or the terms of the casino operator's licence of which the Committee becomes aware or which it suspects;
- (c) reporting to the Authority if the Committee is of the view that the casino operator has not taken, or does not propose to take, appropriate action to deal with the matter reported by the Committee; and
- (d) such other functions as the Authority considers appropriate (see Chapter 26).

- 201. The NICC's 16 January 2023 Letter requested that The Star establish a separate Compliance Committee comprising a majority of independent members and chaired by an independent member by 31 March 2023.<sup>232</sup> The Star provided a charter for the Compliance Committee to the NICC on 31 March 2023.<sup>233</sup>
- 202. The Minister's Report indicated that the NICC considered The Star's proposed structure for the Compliance Committee on 14 June 2023 and had no objections to it. That report also indicated, however, that the NICC expected to receive a revised draft of the Compliance Committee charter by 30 September 2023 to reflect discussions with The Star about the committee's structure, roles and responsibilities, and reporting.<sup>234</sup>
- 203. The structure and operation of the Compliance Committee are discussed in detail in Chapter 7 of this Report. As at the commencement of the Inquiry, the reporting line of The Star Compliance Committee, as set out in its charter, was to the Board of Star Entertainment rather than to The Star as the recommendation contemplated. The evidence regarding that reporting line, and the process to remedy it, are also referred to in Chapter 7.

## Endnotes

- 1 **Exhibit D-53** (STA.8000.0009.0002).
- 2 **Exhibit D-53** (STA.8000.0009.0002); **Exhibit C-189** (INQ.5000.0001.0006); (INQ.5002.0012.0170).
- 3 Ibid.
- 4 **Exhibit D-53** (STA.8000.0009.0002 at .0007); (INQ.5002.0012.0170 at .0176).
- 5 *Casino Legislation Amendment Act 2022* (NSW).
- 6 **Exhibit C-189** (INQ.5000.0001.0006 at .0033); **Exhibit A-989** (STA.8105.0002.0608 at .0619-.0623, .0663-.0669).
- 7 **Exhibit C-189** (INQ.5000.0001.0006 at .0033).
- 8 **Exhibit C-189** (INQ.5000.0001.0006 at .0033); **Exhibit A-2945** (INQ.5000.0006.0081 at .0081-.0083).
- 9 **Exhibit A-2945** (INQ.5000.0006.0081 at .0081-.0083).
- 10 Ibid at .0083-.0084.
- 11 **Exhibit D-53** (STA.8000.0009.0002 at .0007-.0008); (INQ.5002.0012.0170 at .0176).
- 12 *Casino Legislation Amendment Act 2022* (NSW).
- 13 **Exhibit A-2945** (INQ.5000.0006.0081 at .0081).
- 14 **Exhibit C-189** (INQ.5000.0001.0006 at .0033); **Exhibit A-2945** (INQ.5000.0006.0081 at .0081-.0083).
- 15 **Exhibit D-53** (STA.8000.0009.0002 at .0008).
- 16 **Exhibit A-479** (STA.8100.0073.6481).
- 17 Ibid at .6483.
- 18 **Exhibit C-189** (INQ.5000.0001.0006 at .0034).
- 19 (STA.8000.0211.0001 at .0004).
- 20 Ibid at .0066; (INQ.5000.0017.0007 at .0008).
- 21 (STA.8000.0211.0075 at .0090).
- 22 **Exhibit C-189** (INQ.5000.0001.0006 at .0035).
- 23 **Exhibit D-53** (STA.8000.0009.0002 at .0008); (INQ.5002.0012.0170 at .0176).
- 24 **Exhibit D-53** (STA.8000.0009.0002 at .0008).
- 25 **Exhibit A-479** (STA.8100.0073.6481 at .6483).
- 26 **Exhibit C-189** (INQ.5000.0001.0006 at .0036-.0037).
- 27 Ibid at .0036; **Exhibit D-53** (STA.8000.0009.0002 at .0008).
- 28 **Exhibit C-189** (INQ.5000.0001.0006 at .0037).
- 29 (INQ.5000.0017.0007 at .0009).
- 30 **Exhibit D-53** (STA.8000.0009.0002 at .0008).
- 31 **Exhibit C-189** (INQ.5000.0001.0006 at .0037); **Exhibit D-53** (STA.8000.0009.0002 at .0008).
- 32 **Exhibit C-189** (INQ.5000.0001.0006 at .0037); (INQ.5002.0012.0177); (INQ.5002.0012.0239).
- 33 **Exhibit C-189** (INQ.5000.0001.0006 at .0037); **Exhibit A-2418** (STA.8000.0003.0001).
- 34 (INQ.5002.0012.0170 at .0170).

35 **Exhibit C-189** (INQ.5000.0001.0006 at .0038); **Exhibit D-53** (STA.8000.0009.0002 at .0009);  
**Exhibit A-989** (STA.8105.0002.0608 at .0621).

36 **Exhibit C-189** (INQ.5000.0001.0006 at .0038); (INQ.5002.0012.0170 at .0170).

37 **Exhibit A-1000** (STA.5002.0029.0850).

38 (INQ.5002.0012.0170 at .0170).

39 **Exhibit D-53** (STA.8000.0009.0002 at .0009).

40 **Exhibit A-266** (INQ.5002.0002.0614 at .0692).

41 **Exhibit A-2847** (INQ.5000.0006.0012 at .0015).

42 (MGR.0001.0001.0815).

43 **Exhibit C-189** (INQ.5000.0001.0006 at .0039-.0040).

44 Ibid.

45 **Exhibit A-2847** (INQ.5000.0006.0012 at .0013-.0014).

46 **Exhibit C-189** (INQ.5000.0001.0006 at .0039-.0040).

47 (INQ.5000.0017.0007 at .0011).

48 (STA.8000.0009.2005); (STA.8000.0009.1765).

49 (INQ.5000.0017.0007 at .0012).

50 (INQ.5000.0006.0012 at .0013); (INQ.5000.0001.0006 at .0040).

51 **Exhibit A-266** (INQ.5002.0002.0614 at .0693).

52 (INQ.5000.0017.0007 at .0013).

53 **Exhibit A-266** (INQ.5002.0002.0614 at .0692).

54 (INQ.5002.0012.0170 at .0176).

55 **Exhibit C-189** (INQ.5000.0001.0006 at .0039); ASX Announcement: Suspension of Rebate Programs  
and Interim Executive Appointments, 9 May 2022.

56 **Exhibit D-53** (STA.8000.0009.0002 at .0009).

57 **Exhibit A-479** (STA.8100.0073.6481 at .6484).

58 **Exhibit A-515** (STA.8000.0113.3280).

59 **Exhibit C-189** (INQ.5000.0001.0006 at .0040).

60 Ibid. at .0041.

61 **Exhibit A-2693** (STA.8000.0109.0001).

62 **Exhibit A-2847** (INQ.5000.0006.0012 at .0016).

63 (INQ.5000.0017.0007 at .0014).

64 **Exhibit C-189** (INQ.5000.0001.0006 at .0041).

65 **Exhibit D-53** (STA.8000.0009.0002 at .0009-.0010).

66 **Exhibit C-189** (INQ.5000.0001.0006 at .0042); **Exhibit D-53** (STA.8000.0009.0002 at .0010).

67 **Exhibit A-2847** (INQ.5000.0006.0012 at .0017).

68 **Exhibit C-189** (INQ.5000.0001.0006 at .0042); **Exhibit D-53** (STA.8000.0009.0002 at .0010);  
**Exhibit A-2847** (INQ.5000.0006.0012 at .0016); **Exhibit A-940** (STA.8000.0036.0601).

69 **Exhibit D-53** (STA.8000.0009.0002 at .0010); INQ.5002.0012.0170 at .0176).

70 **Exhibit C-189** (INQ.5000.0001.0006 at .0042-.0043).

71 **Exhibit D-53** (STA.8000.0009.0002 at .0010); .5002.0012.0170 at .0176).

72 **Exhibit C-189** (INQ.5000.0001.0006 at .0042-.0043).

73 **Exhibit D-53** (STA.8000.0009.0002 at .0010).

74 Ibid; *Casino Legislation Amendment Act 2022* (NSW).

75 Ibid.

76 Ibid.

77 **Exhibit A-479** (STA.8100.0073.6481 at .6484).

78 **Exhibit C-189** (INQ.5000.0001.0006 at .0043).

79 Ibid.

80 **Exhibit D-53** (STA.8000.0009.0002 at 0008).

81 **Exhibit C-189** (INQ.5000.0001.0006 at .0043).

82 **Exhibit A-2847** (INQ.5000.0006.0012 at .0019).

83 (INQ.5000.0017.0007 at .0007); (STA.8000.0108.0568).

84 **Exhibit A-2847** (INQ.5000.0006.0012 at .0020); **Exhibit A-2945** (INQ.5000.0006.0081 at .0085).

85 (INQ.5000.0017.0007 at .0011).

86 **Exhibit A-2782** (STA.8000.0108.0112 at .0113).

87 (INQ.5000.0017.0007 at .0011).

88 (STA.8000.0208.0056).

89 (STA.8000.0208.0059).

90 (STA.8137.0001.0052 at .0055-.0056).

91 (STA.8000.0208.0123 at .0129).

92 (STA.8000.0108.0233).

93 (STA.8000.0214.1149).

94 **Exhibit D-53** (STA.8000.0009.0002 at .0010 – .0011).

95 Ibid at .0011.

96 **Exhibit A-479** (STA.8100.0073.6481 at .6484).

97 **Exhibit C-189** (INQ.5000.0001.0006 at .0045).

98 Ibid at .0045-.0046.

99 **Exhibit D-53** (STA.8000.0009.0002 at .0011); **Exhibit A-2847** (INQ.5000.0006.0012 at .0023).

100 **Exhibit C-189** (INQ.5000.0001.0006 at .0045-.0046).

101 **Exhibit D-53** (STA.8000.0009.0002 at .0011).

102 **Exhibit A-479** (STA.8100.0073.6481 at .6484-.6485).

103 **Exhibit A-1807** (STA.8201.0003.4459).

104 **Exhibit D-53** (STA.8000.0009.0002 at .0011).

105 (INQ.5002.0012.0170 at .0173).

106 (INQ.5002.0013.0013).

107 **Exhibit C-189** (INQ.5000.0001.0006 at .0046).  
108 **Exhibit D-53** (STA.8000.0009.0002 at .0011).  
109 **Exhibit A-479** (STA.8100.0073.6481 at .6485).  
110 **Exhibit C-189** (INQ.5000.0001.0006 at .0047).  
111 Ibid at .0048.  
112 Ibid.  
113 **Exhibit A-2893** (INQ.5000.0006.0053 at .0059-.0063).  
114 **Exhibit C-189** (INQ.5000.0001.0006 at .0048).  
115 Ibid.  
116 **Exhibit A-2945** (INQ.5000.0006.0081 at .0098-.0099).  
117 (INQ.5000.0017.0007 at .0016).  
118 **Exhibit A-2945** (INQ.5000.0006.0081 at .0098-.0099).  
119 Ibid at .0100.  
120 **Exhibit C-189** (INQ.5000.0001.0006 at .0047-.0048).  
121 **Exhibit A-2882** (STA.8000.0127.0055).  
122 Wagemans: Day 4, T302.14-30.  
123 **Exhibit C-189** (INQ.5000.0001.0006 at .0047).  
124 Ibid at .0049.  
125 **Exhibit D-53** (STA.8000.0009.0002 at .0012).  
126 Ibid; (INQ.5002.0012.0170 at .0176).  
127 **Exhibit D-53** (STA.8000.0009.0002 at .0012); **Exhibit A-2847** (INQ.5000.0006.0012 at .0026);  
**Exhibit C-260** (INQ.5000.0009.0017 at .0024).  
128 **Exhibit A-1143** (STA.8000.0004.0094).  
129 **Exhibit A-285** (STA.8100.0040.9314 at .9316).  
130 **Exhibit A-377** (STA.8100.0044.4154).  
131 **Exhibit C-260** (INQ.5000.0009.0017 at .0027).  
132 Ibid at .0030.  
133 (STA.8000.0079.1003 at .1007); (STA.8000.0045.0548).  
134 **Exhibit A-377** (STA.8100.0044.4154 at .4155).  
135 (STA.8117.0001.0165).  
136 **Exhibit E-177** (INQ.5000.0009.0068 at .0089-.0090).  
137 **Exhibit C-260** (INQ.5000.0009.0017 at .0027).  
138 **Exhibit A-1468** (STA.8000.0004.1883).  
139 Ibid at .1884.  
140 **Exhibit E-177** (INQ.5000.0009.0068 at .0081).  
141 Ibid at .0081-.0083.  
142 Ibid at .0082.



143 **Exhibit A-505** (STA.8100.0071.2886).

144 **Exhibit A-1467** (STA.8000.0004.1881).

145 **Exhibit A-1848** (STA.8102.0056.4617).

146 **Exhibit C-260** (INQ.5000.0009.0017 at .0026-.0028).

147 **Exhibit A-1266** (STA.8000.0004.0012).

148 (INQ.5002.0013.0008).

149 **Exhibit A-1688** (STA.8000.0029.5148).

150 **Exhibit A-2847** (INQ.5000.0006.0012 at .0027); **Exhibit C-260** (INQ.5000.0009.0017 at .0025).

151 **Exhibit A-2847** (INQ.5000.0006.0012 at .0030).

152 **Exhibit A-2016** (STA.8000.0079.0014).

153 Ibid.

154 **Exhibit A-1143** (STA.8000.0004.0094 at .0095).

155 **Exhibit A-1334** (STA.8000.0004.1018); **Exhibit A-1276** (STA.8000.0004.0253).

156 **Exhibit A-2847** (INQ.5000.0006.0012 at .0031).

157 Ibid at .0031-.0032.

158 Ibid at .0032.

159 Ibid.

160 **Exhibit A-1931** (STA.8000.0004.0685 at .0692).

161 **Exhibit A-2847** (INQ.5000.0006.0012 at .0032).

162 Ibid at .0033.

163 **Exhibit A-2687** (STA.8000.0105.0262 at .0264).

164 (STA.8000.0206.0024 at .0026).

165 Ibid.

166 Weeks: Day 2, T112.4-113.33.

167 **Exhibit D-53** (STA.8000.0009.0002 at .0012).

168 **Exhibit C-189** (INQ.5000.0001.0006 at .0050).

169 Ibid at .0048.

170 **Exhibit D-53** (STA.8000.0009.0002 at .0012-.0013).

171 **Exhibit A-522** (STA.8100.0041.5130 at .5131).

172 **Exhibit A-570** (STA.8100.0030.3957).

173 **Exhibit A-642** (STA.8115.0001.0414).

174 **Exhibit A-689** (STA.8115.0001.1849).

175 (INQ.5002.0012.0170 at .0174).

176 **Exhibit D-53** (STA.8000.0009.0002 at .0012-.0013).

177 Ibid; (INQ.5002.0012.0170 at .0174).

178 **Exhibit A-479** (STA.8100.0073.6481 at .6485-.6486).

179 (INQ.5000.0017.0007 at .0018).

180 (STA.8000.0207.0714).  
181 (STA.8000.0207.0002).  
182 (STA.8000.0207.0005); (STA.8000.0207.0113); (STA.8000.0207.0218); (STA.8000.0207.0347);  
(STA.8000.0207.0458); (STA.8000.0207.0566).  
183 (STA.8000.0207.0001).  
184 (STA.8000.0029.5456).  
185 (INQ.5002.0012.0170 at .0175).  
186 **Exhibit D-53** (STA.8000.0009.0002 at .0012-.0013).  
187 **Exhibit C-189** (INQ.5000.0001.0006 at .0052).  
188 **Exhibit D-53** (STA.8000.0009.0002 at .0013); (INQ.5002.0012.0170).  
189 (INQ.5002.0012.0170 at .0175).  
190 **Exhibit D-53** (STA.8000.0009.0002 at .0013).  
191 Ibid.  
192 Ibid; **Exhibit A-989** (STA.8105.0002.0608 at .0619).  
193 **Exhibit D-53** (STA.8000.0009.0002 at .0013); **Exhibit C-189** (INQ.5000.0001.0006 at .0054).  
194 **Exhibit D-53** (STA.8000.0009.0002 at .0013); **Exhibit A-989** (STA.8105.0002.0608 at .0619-.0623).  
195 **Exhibit A-2847** (INQ.5000.0006.0012 at .0038).  
196 **Exhibit A-479** (STA.8100.0073.6481 at .6486).  
197 **Exhibit A-494** (STA.8100.0044.0145).  
198 **Exhibit A-1807** (STA.8201.0003.4459).  
199 Ibid.  
200 Ibid at .4462.  
201 Ibid at .4463.  
202 Ibid at .4465.  
203 Ibid at .4466.  
204 (STA.8102.0011.3251).  
205 **Exhibit A-2847** (INQ.5000.0006.0012 at .0043).  
206 **Exhibit A-2737** (STA.8000.0115.0056).  
207 Ibid.  
208 **Exhibit A-2847** (INQ.5000.0006.0012 at .0042); **Exhibit A-1720** (STA.8102.0015.5000 at .5001).  
209 **Exhibit A-1648** (STA.8103.0002.8489).  
210 **Exhibit A-1720** (STA.8102.0015.5000).  
211 **Exhibit A-2847** (INQ.5000.0006.0012 at .0042).  
212 (STA.8100.0051.8350).  
213 **Exhibit A-2110** (STA.8000.0115.0239).  
214 **Exhibit A-2784** (STA.8000.0115.0298).  
215 **Exhibit A-2748** (STA.8000.0115.0187).

216 **Exhibit A-2847** (INQ.5000.0006.0012 at .0040).  
217 Ibid at .0044-.0045.  
218 (INQ.5000.0017.0007 at .0019).  
219 Ibid at .0023.  
220 Ibid at .0024.  
221 **Exhibit D-53** (STA.8000.0009.0002 at .0013-.0014); (INQ.5002.0012.0170 at .0176).  
222 Ibid.  
223 **Exhibit D-53** (STA.8000.0009.0002 at .0014).  
224 Ibid.  
225 **Exhibit C-189** (INQ.5000.0001.0006 at .0056).  
226 Ibid.  
227 **Exhibit D-53** (STA.8000.0009.0002 at .0014).  
228 **Exhibit C-189** (INQ.5000.0001.0006 at .0057); **Exhibit A-2847** (INQ.5000.0006.0012 at .0047).  
229 **Exhibit A-479** (STA.8100.0073.6481 at .6486).  
230 **Exhibit C-189** (INQ.5000.0001.0006 at .0057); **Exhibit D-53** (STA.8000.0009.0002 at .0014).  
231 **Exhibit C-189** (INQ.5000.0001.0006 at .0057).  
232 **Exhibit A-479** (STA.8100.0073.6481 at .6487).  
233 **Exhibit A-633** (STA.8120.0001.0082).  
234 **Exhibit D-53** (STA.8000.0009.0002 at .0015).

**Chapter 6**  
**Star Entertainment's Remediation Plan**

# Chapter 6. Star Entertainment's Remediation Plan

## Chapter 6.1 Development of the Remediation Plan

1. Following the 2022 Report, the then Interim Chairman of Star Entertainment, Mr Heap, issued a statement on 15 September 2022 which included the following:<sup>1</sup>

It is clear from the Report that we need to fundamentally transform our culture. We need more transparency, more robust governance and greater accountability ...

Our goal is to earn back your trust and the trust and confidence of the NSW Independent Casino Commission, and indeed all our regulators. I recognise that we won't be judged by our words, but by our actions ...

We are developing and will implement a comprehensive remediation plan, which we refer to as our Renewal Plan, to serve as the Company's integrated roadmap for improving our governance, culture and controls. We will not only fix the issues raised in the Report but will examine and address their root causes. Given the extent and breadth of the issues raised, our Renewal Plan is a multi-year plan, to fully address and embed the fundamental changes required in all aspects of our business.

2. Star Entertainment commenced drafting a Remediation Plan in August 2022. Planning then went on hold in October 2022 following a communication from the Manager of areas that he required Star Entertainment to prioritise, including two priorities that would inform the development of the plan, namely an independent root cause analysis review and the development of a Culture Roadmap.<sup>2</sup>
3. On 31 October 2022, the NICC sent a letter to Star Entertainment which stated:<sup>3</sup>

...Insofar as the [The Star]'s Remediation Program is concerned, I note that this work will continue at the direction of the [Star Entertainment] Board with its advisors ... It would, however, be premature to consider that [Star Entertainment] is ready to embark upon a Remediation Program endorsed by, or under the direction of, either NICC or the Manager.

As you are aware, Mr Weeks's primary focus as Manager will be to undertake a robust root cause analysis, and to further investigate the concerns expressed by Adam Bell about [Star Entertainment]'s culture.

The NICC will be informed on the progress made by the Manager in regard to these issues before it will be in a position to determine whether, if given the opportunity, it would be appropriate for [Star Entertainment] to enter into an agreed pathway to suitability as a casino operator. At that point in time, the NICC would be in a much better position to determine what requirements it might have for remediation and to work with [Star Entertainment] on that plan. For now, such considerations are premature.

4. Star Entertainment engaged Deloitte on 16 December 2022 to prepare a root cause analysis of seven specific incidents which had been considered in the 2022 Review and in the Queensland Review. The seven incidents were described as the:<sup>4</sup>
  - (a) China Union Pay incident;
  - (b) Salon 95 incident;
  - (c) falsification of bank letters incident;
  - (d) Kuan Koi and EEIS payment channels incident;
  - (e) underpayment of casino duty incident;
  - (f) patron exclusions incident; and
  - (g) safer gambling incident.
5. Star Entertainment subsequently asked Deloitte to consider a further incident relating to Queensland operations described as the “Queens Wharf Incident”.
6. On 24 March 2023, the Manager issued a request that Star Entertainment commence work on development of a comprehensive draft remediation plan.<sup>5</sup> Mr Weeks sent an email to the then CEO of The Star Casino, Mr Wharton, attaching a memorandum which stated:<sup>6</sup>

It is important that Star commences the development of a comprehensive draft remediation plan so that it can progress its renewal activities with clearer planning and organisation than is presently the case.

...

The development of plans for improvement and reform in each of these functional areas will require a clear understanding of the current state of the applicable area, the deficiency, failure or problem that needs to be remedied, a description of the desired target state, and detailed plans describing the work that is required to achieve that target state. It should be clear from the plan that this work has been completed by the business.
7. Mr Weeks’ memorandum also recorded his expectations of what the draft Remediation Plan should cover and requested that a draft plan template be provided to him by 31 March 2023, followed by a first draft of the plan itself by 19 May 2023.<sup>7</sup>
8. On 31 March 2023, Ms Burke sent an email to Mr Weeks attaching a proposed remediation plan timeline and enclosing a link to a proposed remediation plan template.<sup>8</sup> The timeline

anticipated the plan to be finalised in June 2023<sup>9</sup> and noted that the “timeline is largely driven by the current project plan for the Root Cause Analysis project and the Culture Roadmap development (key dependencies into the Program as communicated by The Manager); and availability of [subject matter experts] required for the planning activities that are currently allocated to delivery of the ICM Implementation Plan by 30 June 2023”.<sup>10</sup>

9. On 24 April 2023, Paul Ryan of the OLGR sent Mr Cooke a remediation plan notice which outlined what the remediation was to cover and required submission of the plan for Queensland entities by 16 June 2023.<sup>11</sup>
10. Deloitte provided its Root Cause Analysis report on 11 May 2023.<sup>12</sup> As discussed in Chapter 11, Deloitte identified seven root causes that it considered were ultimately responsible for creating the environment in which incidents occurred, namely:<sup>13</sup>
  - (a) a pervasive tone from the top which prioritised revenue growth and Star Entertainment’s competitive position against Crown over all other objectives;
  - (b) a dominant Chair and lack of effective challenge from directors which meant that executives in management were able to withhold critical information from the Board;
  - (c) the Board and management were not effective in setting the right risk culture, embedding the three lines of accountability or ensuring adequate accountability for, and oversight of, risk and compliance;
  - (d) Star Entertainment’s approach to risk and compliance was inadequate, lacking effective processes, influence and resourcing;
  - (e) when confronted with regulatory, legal or contractual limitations that might impact revenue, a cultural norm emerged that focused on “how” something could be done as opposed to whether it “should” be done;
  - (f) the International Rebate Business and Sales functions were celebrated despite regularly bending rules and using questionable strategies in order to sustain and grow revenues; and
  - (g) processes that gave effect to appropriate workplace behaviours and people management were ineffective, particularly in relation to those people operating at a senior level.

11. Star Entertainment commissioned The Ethics Centre to undertake a review of the culture of the group. The Ethics Centre provided its Culture Review report in June 2023.<sup>14</sup> The Ethics Centre Culture Review is considered in more detail in Chapter 11. Some insights provided by The Ethics Centre were:<sup>15</sup>
  - (a) a significant majority of employees operate from a place of fundamental decency;
  - (b) the daily experience of this significant majority is typically aligned with their positive expectations of what a company like Star Entertainment should be doing;
  - (c) however, that is only half of the truth about the culture of Star Entertainment. The other half of the truth is that its employees have been exposed to a set of negative factors, in the form of “shadow” values and principles that subverted the efforts and integrity of employees; and
  - (d) there is no such thing as “the culture” of Star Entertainment. Its culture is “consistently inconsistent” and in fact there are multiple “cultures”, some with many members and some with very few.
  
12. The “shadow” values and principles identified by The Ethics Centre were summarised as follows:<sup>16</sup>
  - (a) profit matters most;
  - (b) just get it done;
  - (c) play politics to stay alive and thrive;
  - (d) stay in your swim lane; and
  - (e) do more with less.
  
13. In the context of remediation planning, The Ethics Centre Culture Review identified that the culture was one of “do more with less”, with employees referring to an “intense amount of pressure to deliver short term outcomes, with little consideration, support or consultation”.<sup>17</sup>
  
14. The Ethics Centre provided a number of detailed recommendations in six “sets”.<sup>18</sup>
  - (a) purpose, values and principles;



- (b) organisational strategy;
  - (c) operating model of organisational structure;
  - (d) organisational capability;
  - (e) leadership competencies; and
  - (f) people and performance.
15. On 16 June 2023, Mr Cooke sent the OLGR and the NICC the first version of the Remediation Plan.<sup>19</sup>
16. In response to feedback from the Manager, further drafts of the Remediation Plan were prepared in August and September 2023.<sup>20</sup> In particular:
- (a) on 19 July 2023, Mr Weeks sent an email to Mr Cooke and Ms Burke enclosing feedback on version 1 of the Remediation Plan.<sup>21</sup> Mr Weeks' email attached a document titled "Manager's Workstream Feedback on Star's draft Remediation Plan",<sup>22</sup> which required the inclusion of further information in the Remediation Plan;<sup>23</sup>
  - (b) on 17 August 2023, Ms Burke sent Mr Weeks a second version of the Remediation Plan;<sup>24</sup>
  - (c) on 4 September 2023, Mr Weeks emailed Mr Cooke and Ms Burke, enclosing feedback on the second version of the Remediation Plan, noting that "we have identified a need for Star to engage external [subject matter experts] to quickly lift the organisational readiness / culture streams and the risk and internal audit streams" which "will not be an easy task".<sup>25</sup> The feedback included the following comment:<sup>26</sup>

Overall, the plan has improved and responded to many aspects of our feedback on version 1. The plan however is not yet in a form that we can recommend to regulators for approval.
  - (d) on 19 September 2023, Ms Burke sent Mr Weeks a third version of the Remediation Plan;<sup>27</sup>
  - (e) on 22 September 2023, a member of the Manager's team sent an email to Mr Cooke and Ms Tracy Irving (Governance Manager, Transformation Office) enclosing

feedback on the third version of the Remediation Plan noting: “Overall, and save for a small number of exceptions, the plan has generally responded to our feedback, has improved, and is nearing a standard we can recommend to regulators”;<sup>28</sup>

- (f) on 29 September 2023, Ms Irving sent an email to Mr Weeks enclosing a fourth version of the Remediation Plan;<sup>29</sup> and
  - (g) on 3 October 2023, Mr Weeks sent an email to Ms Irving enclosing feedback on the fourth version of the Remediation Plan and instructed The Star Entities to submit a revised version by 5 October 2023.<sup>30</sup>
17. The fifth draft of the Remediation Plan (Version 5.0) was submitted to the NICC and OLGR on 5 October 2023.<sup>31</sup>
18. Version 5.0 of the Remediation Plan was approved by the Queensland Attorney General on 23 November 2023. There is no legislative requirement for approval in NSW.<sup>32</sup> In the balance of this Report, Version 5.0 is referred to as the “**Remediation Plan**”.

## Chapter 6.2 Elements of the Remediation Plan

19. The Remediation Plan, as submitted to the Manager, the NICC and OLGR on 5 October 2023,<sup>33</sup> was a PDF document styled “Document 1 – TSEG Remediation Plan Submission” dated 5 October 2023 and comprising three sections styled “Executive Synopsis”, “Executive Certifications” and “Detailed Workstreams Remediation Plan”.<sup>34</sup>
20. Accompanying the Remediation Plan, as submitted to the Manager, the NICC and OLGR on 5 October 2023, were the following documents:
- (a) Document 2 – TSEG Dependency Register dated 5 October 2023;<sup>35</sup>
  - (b) Document 3 – TSEG Response to SMT Rem Plan v4 feedback dated 5 October 2023;<sup>36</sup>
  - (c) Document 4 – TSEG Resource Profiles and Costs Summary;<sup>37</sup> and
  - (d) Document 5 – TSEG Change Control Spreadsheet dated 5 October 2023.<sup>38</sup>
21. By contrast, the version of the Remediation Plan that has been in use by Star Entertainment is in the form of a Microsoft Excel spreadsheet.<sup>39</sup> Star Entertainment explained to the Inquiry that the difference between the documents provided to the NICC and OLGR and

the Excel file was in the formatting, and that the document submitted to the regulators was adjusted from the Excel spreadsheet to enable it to be more easily read and printed.<sup>40</sup> Star Entertainment also stated to the Inquiry that the Excel spreadsheet version of the Remediation Plan contained additional tabs, described as: Cover Page, Change Control V2, Change Control V3, Change Control V4 and Change Control V5.<sup>41</sup>

22. In their response to Request for Information No. 5, The Star Entities made the following statement to the Inquiry in relation to the Cover page in the Excel spreadsheet version of the Remediation Plan:<sup>42</sup>

A Cover Page that provides the user of the Excel document with a description of each column heading found throughout the Remediation Plan. It also includes a glossary of terms to aid the reader. Given this tab was designed to help the user of the Excel document, it is not directly replicated in the PDF document that was provided to the Regulator. However, the PDF does include a similar section (“Plan Architecture” on page 7) to support the reader in understanding the document.

23. There was however a difference between the version of the Remediation Plan supplied to the Manager and the regulators on 5 October 2023 and the Excel spreadsheet version of the Remediation Plan. The Cover Page of the Excel spreadsheet version of the Remediation Plan contains the following statement in the definition of “milestone due date” [red colour in original]:<sup>43</sup>

Milestone due date ... States the date by which an Milestone [sic] is required to be completed (note: this includes only the completion of activities as described in the closure criteria, it does not include collation of evidence and closure of the Milestone by the Independent Monitor)

24. There was no definition of “Milestone due date” in the PDF version of the Remediation Plan that was submitted to the Manager and the regulators, and in particular there was nothing equivalent to the note in red text quoted above (whether on page 7 under the heading “Plan Architecture” or elsewhere). There was no evidence produced to the Inquiry which indicated that the Excel version of the Remediation Plan was provided to the Manager or the regulators on 5 October 2023.
25. From late 2023 and into 2024, there was some controversy between The Star Entities and the Manager concerning whether the timeframes contemplated in the Remediation Plan were inclusive or exclusive of the assurance process conducted by KPMG. However as explained in Chapter 6.4, it is unnecessary to address in detail, or to attempt to resolve, that question now.

26. The Remediation Plan states that activities were planned across three standard delivery phases, namely Design, Implement and Embed.<sup>44</sup> The Remediation Plan states:

In the 'Design' phase, activities such as current state assessments are undertaken to design deliverables such as functional strategies, frameworks and processes ... In the 'Implement' phase the deliverables created and approved during Design are implemented to the relevant areas of the business in accordance with the defined governance processes. During the 'Embed' phase adoption of the deliverables and associated changes are reviewed and monitored to determine if the target state objectives have been realised.

27. The Remediation Plan states that it "is built recognising that our remediation activities will take time to design, implement and embed and that this is a multi-year journey".<sup>45</sup>

28. The Remediation Plan has three levels:<sup>46</sup>

- (a) Workstreams – closely related initiatives collectively addressing a problem statement (e.g. Governance);
- (b) Initiatives – individual projects with a specific and measurable outcome (e.g. Harm Minimisation Strategy, Risk Management Framework); and
- (c) Milestones – distinct design, delivery and embed milestones with clear descriptions, outcomes and clear identification of the evidence requirements for assurance purposes.

29. The Remediation Plan has 638 milestones<sup>47</sup> and 110 initiatives delivered across 15 workstreams.<sup>48</sup> The final completion dates for the last initiatives in the plan is 30 December 2026.<sup>49</sup> The workstreams are described as:

- (a) Organisational Readiness;
- (b) Governance;
- (c) People;
- (d) Culture;
- (e) Risk Management and Controls Framework;
- (f) Compliance, Regulatory Engagement, Investigations and Policy Framework;
- (g) Exclusions Management;

- (h) Financial Crime;
  - (i) Harm Minimisation /Safer Gambling;
  - (j) Internal Audit and Assurance;
  - (k) Technology and Data;
  - (l) Training and Leadership Development;
  - (m) Strategy for International & Interstate Premium Players;
  - (n) Legacy Issues; and
  - (o) Program Assurance.
30. An accountable “Executive Sponsor” is named for each workstream, and “Owners” are named for each initiative and workstream.<sup>50</sup>
31. Each workstream identifies a “Problem Statement” for that area, then describes the initiatives or activities required to complete an uplifted “Target State”, which describes how the functional area will operate once the remediation activities have been completed.<sup>51</sup> There are specific outcomes identified for each milestone with evidence requirements identified to determine when each milestone is achieved.
32. The Remediation Plan outlines what are described as “Dependencies”, being matters on which plan milestones are dependent. There is a detailed “Dependency Register”.<sup>52</sup>
33. The final workstream is Program Assurance. The Remediation Plan allocates responsibilities for program assurance to a number of internal bodies including the Transformation Office and a Remediation Steering Committee (**RSC**).<sup>53</sup> The Remediation Plan states that the RSC and the Board of Star Entertainment will be provided with summary results of program assurance activity. It states that the RSC in combination with the Transformation Office are responsible for monitoring and enforcing the timely remediation of any issues identified through program assurance activity, including escalating any material issues to the Board of Star Entertainment.<sup>54</sup>
34. The detailed Program Assurance Workstream in the Remediation Plan contemplates that external assistance would be obtained to develop a draft Program Assurance approach and plan by 31 October 2023.<sup>55</sup> It also makes allowance for an independent review of the

effectiveness of Program Assurance by 30 September 2024.<sup>56</sup> It otherwise makes no mention of any external body being involved in Program Assurance.

35. The Remediation Plan is supported by a program budget.<sup>57</sup>
36. The content of the Remediation Plan can be illustrated by an examination of three of the workstreams, namely the Governance workstream (workstream 1), the Culture workstream (workstream 3), and the Risk Management and Controls Framework workstream (workstream 4).

### **Governance workstream**

37. The Remediation Plan states that the Governance workstream would be led by the then Group CEO and Managing Director, Mr Cooke (as the “Executive Sponsor”) and by the then Group Chief Legal Officer Ms Ivanoff (as “Business Owner”).<sup>58</sup> Mr Cooke resigned as Group CEO and Managing Director on 22 March 2024.<sup>59</sup> Ms Ivanoff resigned as Group Chief Legal Officer with effect from March 2024.<sup>60</sup>
38. The “Problem Statement” informing the Governance workstream was said to be that “[t]he Company’s governance frameworks were not to a standard befitting an ASX listed company nor were the Board and executive management effective in setting ‘a tone from the top’ conducive to setting a risk culture”.<sup>61</sup>
39. The “Problem Statement” did not address the theme identified in the 2022 Report that there was a need for close and direct supervision at the level of The Star Casino.
40. The “Target State” intended to be delivered by the Governance workstream is to:<sup>62</sup>

Seek to ensure that the Company has effective and sustainable governance frameworks in place to establish a new ‘tone from the top’ that clearly focuses on embedding a new risk and compliance culture. Effective corporate and operational governance processes include establishing fit for purpose and contemporary board, committee, subsidiary and Management practices, including reporting frameworks to seek to ensure an open and transparent flow of information, supported by clearly defined roles, responsibilities and accountabilities.
41. The Governance workstream comprises 12 initiatives involving 65 milestones.<sup>63</sup> The initiatives are:
  - (a) Foundational Governance Actions (five milestones with a design phase start date of 1 September 2022, an implement phase start date of 1 June 2023, an embed

- phase start date of 1 September 2023 and a completion date for the initiative of 31 October 2023);
- (b) Parent Company Board & Committee Governance (eight milestones with a design phase start date of 1 July 2023, an implement phase start date of 1 October 2023 and an initiative completion date of 31 December 2024);
  - (c) Parent Company Board and Committee Membership (six milestones with a design phase start date of 1 September 2023, an implement phase start date of 31 December 2023 and an initiative completion date of 31 July 2024);
  - (d) Board “tone from the top” (nine milestones with a design phase start date of 1 October 2023, an implement phase start date of 1 November 2023 and an initiative completion date of 31 October 2024);
  - (e) Executive Governance and Accountability (three milestones with a design phase start date of 1 November 2023, an implement phase start date of 1 December 2023, an embed start date of 1 March 2024 and an initiative completion date of 25 February 2025);
  - (f) Star Entertainment Board Reporting Governance (eight milestones with a design phase start date of 1 December 2023, an implement phase start date of 1 January 2024 and an embed start date of 30 September 2024, which is also said to be the initiative completion date);
  - (g) Board Assurance (two milestones, with a design phase start date of 1 August 2023, an implement phase start date of 1 September 2023 and an initiative completion date of 31 March 2024);
  - (h) Secretarial Function (three milestones with a design phase start date of 1 July 2023, an implement phase start date of 1 December 2023 and an initiative completion date of 30 June 2024);
  - (i) Ongoing Reviews and Enhancements of the Remediation Program (four milestones with an implement phase start date of 1 March 2023 and an initiative completion date of 15 December 2025);

- (j) Sustainability of Remediation Program Outcomes and Path to Suitability (two milestones with a design phase start date of 1 May 2024 and implement phase start date of 1 December 2024 and an initiative completion date of 30 June 2026);
  - (k) Star Entertainment Engagement and Use of Legal Advice (four milestones with a design phase start date of 1 July 2023, an implement phase start date of 1 September 2023, an embed phase start date of 31 October 2024 and an initiative completion date of 31 March 2025); and
  - (l) Casino Licensee Subsidiary Governance Uplift (11 milestones with a design phase start date of 30 November 2023, no implement or embed phase dates specified and an initiative completion date of 31 March 2024).
42. Focusing on the initiative of Casino Licensee Subsidiary Governance Uplift, the initiative description is “[t]o establish robust, effective and contemporary corporate governance practices for each of the casino licensee subsidiaries”.<sup>64</sup> The 11 milestones can be summarised as follows:
- (a) develop a board charter for each casino licensee subsidiary (design milestone due 31 December 2023). For this milestone, the milestone outcome is “CL Subsidiary Board approval of each new Board Charter” and the evidence requirements are “Approved new Board Charters”;
  - (b) revise/establish a Compliance Committee charter for each casino licensee subsidiary (design milestone due 30 November 2023);
  - (c) establish an annual cadence for meetings of the Board of each casino licensee subsidiary (design milestone due 29 February 2024);
  - (d) establish an annual cadence for meetings of the Compliance Committee of each casino licensee subsidiary (design milestone due 29 February 2024);
  - (e) establish annual planners of the standing agenda items for each Board meeting of each casino licensee subsidiary (design milestone due 31 March 2024);
  - (f) establish annual planners of the standing agenda items for the Compliance Committee of each casino licensee subsidiary (design milestone due 31 March 2024);



- (g) the CEO/CEO of each casino licensee subsidiary to submit a report to the relevant Board highlighting key information from their respective areas of responsibility and including performance against their respective KPIs, deliverables and budget (implement milestone due 29 February 2024);
  - (h) the Board and Compliance Committee of each casino licensee subsidiary to undertake quarterly reviews and evaluate the quality and transparency of papers prepared for each meeting (embed milestone due 30 September 2024);
  - (i) establish professional education programs for casino licensee boards and Compliance Committees (design milestone due 31 March 2024);
  - (j) “operationalise” professional education program for casino licensee subsidiary boards and Compliance Committees (implement milestone due 30 June 2024); and
  - (k) establish corporate governance processes and procedures for non-casino licensee subsidiaries (design milestone due 29 February 2024).
43. Although no ‘implement’ or ‘embed’ phase dates were specified at the initiative level for Casino Licensee Subsidiary Governance, the specific milestones for this initiative include ‘implementing’ milestones extending to 30 June 2024 and one ‘embedded’ milestone with a due date of 30 September 2024. The initiative completion date for this initiative of 31 March 2024 was therefore apparently inconsistent with those specific milestones.

### **Culture workstream**

44. The Culture workstream was stated to be led by the Group Chief People and Performance Officer, Ms Paula Hammond as the “Executive Sponsor” and by the Head of Culture and Capability, Ms Amanda Dobson, as “Business Owner”. The Remediation Plan states that the Culture workstream is also supported by Deloitte.<sup>65</sup>
45. The “Problem Statement” relating to culture is stated as follows:<sup>66</sup>

[Star Entertainment] had a culture where leaders set the wrong ‘tone from top’. This led to a failed understanding of the privilege associated with holding a casino licence, and for protecting our guests, communities and team members from harm. Crucially, the absence of accountability for risks and misconduct perpetuated a culture where bad news was suppressed rather than escalated, creating a lack of psychological safety, and discouraging a healthy speak-up culture.

46. The “Problem Statement” did not address the shadow values identified by The Ethics Centre Culture Review.

47. The “Target State” intended to be delivered by the Culture Workstream is:<sup>67</sup>

We are focused on building a culture where our people are safe, ethical and respectful of the environments in which we operate. [Star Entertainment] leaders and employees will demonstrate the right set of behaviours and capability, focusing on thoughtful execution. We will have strong relationships with and welcome constructive challenges from both internal and external stakeholders and are committed to ongoing improvement.

48. The Culture workstream comprises six initiatives involving multiple milestones for all but one initiative.<sup>68</sup> The initiatives and associated milestones are as follows:

- (a) PVP (Purpose, Values, Principles) Culture / Ethical Framework Approval initiative – one milestone with a design phase start date of 1 June 2023, an embed phase start date of 1 January 2024 and an initiative completion date of 30 December 2024;
- (b) Leadership initiative – two milestones with a design phase start date of 1 September 2023, an implement phase start date of 1 November 2023 and an initiative completion date of 30 November 2024;
- (c) Ways of Working and Organisational Capacity initiative – three milestones with a design phase start date of 1 July 2023, an implement phase start date of 1 September 2023 and an initiative completion date of 30 December 2024;
- (d) Psychological Safety initiative – four milestones with a design phase start date of 1 July 2023, an implement phase start date of 1 May 2024 and an initiative completion date of 30 December 2024;
- (e) External Stakeholders initiative – two milestones with a design phase start date of 1 July 2023, an implement phase start date of 1 August 2024 and an initiative completion date 30 December 2024; and
- (f) Measurement initiative – two milestones with an implement phase start date of 1 July 2024, an embed phase start date of 1 October 2024 and an initiative completion date 30 December 2025.

49. Focusing on the Leadership initiative, it is described as “Provide messaging materials / [artefacts] and support for leaders (LOW 1-4) to ensure consistent tone from upper and

middle in relation to ethical leadership, decision making culture change and the aspirational culture".<sup>69</sup> The two milestones (said to be owned by Ms Amanda Dobson, Head of Culture and Capability) are as follows:

- (a) individual coaching provided to GLT members to support personal transformation and capability to lead the culture transformation, to develop personal action plans and then activate those plans (implement milestone due 30 November 2024). The milestone outcome includes that GLT members are "equipped and empowered with the required mindset, capability uplift and support to lead significant cultural transformation". Evidence requirements include participation in coaching sessions and preparation of personal action plans; and
- (b) cascade tone from the top down from GLT to general managers, to enable and support general managers to lead culture change within their business areas (implement milestone due 30 May 2024).

### **Risk Management and Controls Framework workstream**

50. This workstream is led by the Group Chief Risk Officer, Mr Scott Saunders, as the "Executive Sponsor" and by the General Manager Risk and Insurance, Ms Alison Crosby, as "Business Owner". The Remediation Plan states that this workstream is also supported by PwC.<sup>70</sup>

51. The "Problem Statement" relating to The Risk Management and Controls Framework workstream is stated as:<sup>71</sup>

There was a lack of alignment between [Star Entertainment's] organisational strategy and its risk appetite, risk culture and risk strategy, and capability and capacity. Information silos and lack of independence between the second [Line of Accountability (LOA)] and third LOA undermined efficacy of risk and compliance. There was a lack of considered risk thinking informing certain executive decisions and there was insufficient risk awareness and psychological safety to challenge decisions of those in authority. In addition to the Bell and [Queensland] reports, the Root Cause Analysis and [The Ethics Centre] report, the workstream has considered the PwC Risk and Compliance Maturity Assessment commissioned by [Star Entertainment] in January 2022 and the Peter Deans' report into Crown Resorts to develop a more substantial risk uplift plan.

52. As with the Governance workstream, the "Problem Statement" failed to address the need identified in the 2022 Report 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".<sup>72</sup>

53. The "Target State" intended by this workstream is identified as:<sup>73</sup>

To align Risk and the Organisational Strategy and integrate into the business planning process. The Risk Appetite Statement will be clear and consistently applied. It will include tolerance and capacity for risks and provide clear evidence that demonstrates consideration of risk for all material and strategic decisions. There is a clear 3LOA governance structure. Risk Management is a core capability of all Line 1 staff with Line 2 resourcing aligned to support, challenge and provide insights to support decision making. There is a Controls Management Framework in place for Line 1 and Line 2 that provides a transparent and clearly understood structure for designing, testing, documenting and reviewing controls within the organisation. The risk culture is aligned to the organisation, allowing decisions to be challenged and risks to be raised and escalated.

54. The Risk Management and Controls Framework workstream comprises 11 initiatives involving multiple milestones for each initiative.<sup>74</sup> The initiatives and associated milestones are as follows:

- (a) Governance initiative – seven milestones with a design phase start date of 1 October 2023, an implement phase start date of 1 January 2024, an embed phase start date of 1 January 2025 and an initiative completion date of 30 June 2025);
- (b) Risk Strategy initiative – four milestones with a design phase start date of 1 September 2023, an implement phase start date of 2 December 2023, an embed phase start date of 1 October 2024 and an initiative completion date of 1 December 2024;
- (c) Risk appetite initiative – five milestones with a design phase start date of 1 September 2023, and implement phase start date of 1 February 2024, an embed start date of 1 June 2024 and an initiative completion date 1 December 2024;
- (d) Risk Maturity and Operating Model initiative – seven milestones with a design phase start date of 1 September 2023, and implement phase start date said to be 2 March 2023 (this is assumed to be an error), an embed phase start date of 1 December 2024 and an initiative completion date of 1 March 2025;
- (e) Technology and Data initiative – six milestones with a design phase start date of 1 May 2023, an implement phase start date 1 December 2023, an embed start date of 1 June 2024 and an initiative completion date of 1 June 2025;
- (f) Controls Management initiative – 12 milestones with a design phase start date of 1 June 2023, an implement phase start date said to be 2 March 2023 (this is

assumed to be an error), an embed start date of 1 March 2024 and a stated initiative completion date on the same date of 1 March 2024;

- (g) Monitoring and Reporting initiative – six milestones with a design phase start date of 1 September 2023, an implement phase start date of 1 March 2024, and an embed start date and an initiative completion date said to be the same date, (i.e. 1 March 2024);
  - (h) 3 Lines of Accountability initiative – 11 milestones with a design phase start date of 1 November 2023, an implement phase start date said to be 1 March 2023 (this is assumed to be an error), an embed phase start date of 1 June 2024 and an initiative completion date 1 March 2025;
  - (i) Training and Awareness initiative – five milestones with a design phase start date said to be 1 March 2023 (this is assumed to be an error), an implement phase start date 1 January 2024, an embed phase start date of 2 December 2024 and an initiative completion date of 1 March 2025;
  - (j) Culture initiative – nine milestones with a design phase start date of 1 January 2024, an implement phase start date of 1 April 2024, an embed phase start date of 1 September 2024 and an initiative completion date of 1 September 2025; and
  - (k) Understanding Risk Environment initiative – six milestones with a design phase start date of 1 January 2024, an implement phase start date of 1 April 2024, an embed phase start date of 1 September 2024 and an initiative completion date of 30 June 2025.
55. Focusing on the initiative of Culture in the Risk Management and Controls Framework workstream, the nine milestones can be summarised as follows:
- (a) provide input from a risk perspective development of the broader organisation culture framework (design milestones due 31 December 2023). The milestone outcome is described as “Organisation Culture Framework that includes details of target risk culture”. Evidence requirements are described as “Organisation Culture Framework”;

- (b) assist to define metrics to measure risk culture as part of the broader organisation Culture Measurement approach (design milestone due 31 December 2023);
- (c) provide input from a risk perspective into the assessment and update of the Performance and Reward Framework (design milestone due 28 February 2024);
- (d) provide input from a risk perspective into the assessment update of the Consequence Management Framework (design milestone due 28 February 2024);
- (e) support the development of the target Leadership Style and Leadership Development Program to ensure that this includes championing risk management and instils a desired risk culture (design milestone due 30 June 2024);
- (f) review and assess findings of the Organisation Culture Assessment; develop Action Plan to address risk culture related findings (design milestone due 30 June 2024);
- (g) implement risk culture enhancement activities as defined in the Action Plan (implement milestone due 31 December 2024);
- (h) introduce annual / regular process to address risk culture related findings following Culture Assessments (embed milestone due 30 June 2025); and
- (i) independent review of the “embedment” of the risk culture in line with the Organisation Culture Framework (embed milestone due 30 June 2025).

### Chapter 6.3 Analysis of the Remediation Plan

56. In the Manager’s opinion, given in October 2023:<sup>75</sup>

[T]he remediation plan presents a basis on which [Star Entertainment] can commence delivery of the remediation program. If it is implemented, it is likely to achieve the remediation of the management and operations of [Star Entertainment].

57. Although Mr Weeks’ report was dated 3 October 2023 and the draft submitted to the OLGR was two days later, Mr Weeks explained in his evidence that “the draft referred to here was materially the same as the final version”.<sup>76</sup>

58. Ms Burke gave evidence that she thought the Remediation Plan was “sound” and “robust”, with a “comprehensive scope that was produced by ... a number of experts in their field, and we had very good engagement with the manager and his team during the development of the plan”.<sup>77</sup>

59. Mr Weeks said in his evidence to the Inquiry that the Remediation Plan is “more than just a process of doing milestones, ticking them off”, as “[t]here is a broader object in mind.”<sup>78</sup> He said that achieving milestones is very important but unlikely in and of itself to amount to remediation.<sup>79</sup>
60. The Remediation Plan was clearly the product of a great deal of hard work, high level thought and reflection to address fundamental problems identified in previous reviews and reports. The “Problem Statements” identify serious problems and the “Target States” set out a vision of what the outcomes of the Remediation Plan should achieve. The identification of outcomes and evidence requirements for each milestone endeavour to ensure that the implementation of milestones has a clear goal and is objectively measurable.
61. There are, however, some imperfections in the Remediation Plan, particularly in the identification of the problem to be addressed. As noted above, in the case of the Culture workstream, the “Problem Statement” does not sufficiently focus on addressing the shadow values identified by The Ethics Centre of which The Star Entities were aware when the Remediation Plan was prepared.
62. Some of the “Problem Statements” do not address the need for close and direct supervision at the level of The Star Casino identified in the 2022 Report. This can be seen with Initiative 1.12, “Casino Licensee Subsidiary Governance Uplift”.
63. At the time of the 2022 Review, the Board of The Star comprised executives of Star Entertainment who met as a Board only to pass accounts and for formal purposes. Chapter 26 of the 2022 Report recorded the following:<sup>80</sup>

142 The Board of Star Entertainment was governing a business which operated three casinos in two States, involving a myriad of issues beyond those directly relevant to The Star Casino in Sydney. A lesson from the evidence presented to this Review is that whilst the ultimate owner of The Star Casino may be a holding company conducting businesses in a number of jurisdictions, the casino operator in NSW must have close and direct supervision and governance.

143 The existing approach of Star Entertainment having members of its senior management team with group responsibilities as the directors of the company operating The Star Casino plainly did not work. There is 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.

64. While that discussion in the 2022 Report led to a recommendation for The Star to have a Compliance Committee having a majority of independent members, it also has implications for the extent to which the Board of The Star should have an active and direct governance

role. It would be desirable for the relevant initiative and milestone descriptions and the initiative target state to address this issue.

65. Mr Weeks agreed in his evidence that it would be preferable if the target state for Casino Licensee Subsidiary Governance Uplift included words to the effect that there should be close and direct supervision by the board of the casino licensee subsidiaries of casino operations.<sup>81</sup>
66. Some milestone dates in the Remediation Plan are anomalous. An example is the two milestones for the Leadership initiative in the Culture workstream. The first of these provides for individual coaching for GLT members to support personal transformation and capacity to lead the culture transformation. This is clearly an important measure, yet the milestone due date is 30 November 2024, more than a year after the Remediation Plan was provided to regulators. The second milestone was to “cascade tone from the top” from GLT to General Managers to enable and support General Managers to lead culture change within their business areas. This is to be done by GLT members “co-facilitating labs with their leadership teams”. This has a milestone due date of 30 May 2024. One would have thought that the first step was to provide relevant coaching to GLT members before they could adequately support their General Managers to lead culture change. Yet the due date for GLT members to “cascade tone from the top” is six months prior to the GLT members receiving their coaching.
67. Ms Katsibouba said that she had not received any coaching as contemplated by this milestone in the Remediation Plan.<sup>82</sup>
68. When referred to Ms Katsibouba’s evidence, Ms Arzadon agreed she expected the coaching to be implemented sooner rather than later. She said “[t]here 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 ... 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”.<sup>83</sup> Ms Arzadon also agreed she would have expected to see the milestone achieved earlier.
69. Dr Lagan noted “[a]nd if I could just flag on top of what [Ms Arzadon] 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 them”. When asked of her expectation that a coaching milestone



would be prioritised, Dr Lagan explained “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”.<sup>84</sup>

70. The Remediation Plan contains a detailed and prescriptive process designed to achieve the “Target States” in a relatively short space of time. There is a risk that the short timeframes specified in the Remediation Plan produced a mindset where meeting deadlines took priority over ensuring that the underlying issues were satisfactorily and comprehensively addressed.
71. At least the same amount of hard work, high level thought and reflection which went into the development of the Remediation Plan in the first place will be required to ensure that implementation of the plan achieves the target outcomes. As an example, returning to initiative 1.12, “Casino Licensee Subsidiary Governance Uplift”, the milestones require that a new Board charter for The Star is approved (part of milestone 1.12.1), that a cadence is established for Board meetings of The Star (part of milestone 1.12.3), and that annual planners for standing agenda items for Board meetings of The Star are approved (part of milestone 1.12.5). These milestones require the achievement of robust, effective and contemporary corporate governance practices. There is also a need for close and careful consideration in implementing these milestones to ensure that they establish corporate governance practices for The Star which address the particular, high-risk environment of a casino operator in NSW, with significant responsibilities, including to prevent criminal influence, money laundering and terrorism financing activities and to minimise harm from gambling.
72. It is important to emphasise the limits of what a properly planned and implemented remediation plan is capable of achieving. Dr Lagan gave evidence explaining the difference, as she sees it, between the concepts of “remediation” and “transformation”.<sup>85</sup>

[T]he remediation is the – I think the bare minimum that the regulator expects a regulated entity to adhere to. So both Star and Crown were found not to meet that minimum standard. Some of it is legal compliance; some of it is just professional management. So a remediation plan takes you up to that standard, whereas a transformation plan actually re-imagines how people think, feel and act in an organisation. It’s about creating a vision of what’s possible in a different context where you are responding to what’s expected to by society and regulators.

## Chapter 6.4 Implementation of the Remediation Plan

73. Although the final form of the Remediation Plan was only ready in October 2023, it must be recognised that the time taken to prepare the Remediation Plan was, at least in part, due to:
- (a) communications by the Manager and the NICC requiring Star Entertainment to carry out certain preliminary items of work that would then inform the Remediation Plan, such as a root cause analysis and culture review. As has been noted, for example, Deloitte was engaged in December 2022 to prepare a root cause analysis and provided its report in May 2023, and The Ethics Centre provided its Culture Review report in June 2023;
  - (b) multiple drafts of the Remediation Plan were prepared, reflecting several rounds of comments and feedback from the Manager's office. Mr Cooke provided the first version of the Remediation Plan to regulators on 16 June 2023; and
  - (c) as The Star Entities submitted, "the time taken to develop the Plan is, in significant part, due to the serious nature of the findings in the First Bell Inquiry, together with the complexities of designing a remediation plan that effectively, but realistically, puts The Star on its journey to suitability".<sup>86</sup>
74. In his first report to the NICC in October 2023 Mr Weeks wrote that at the commencement of his appointment, Star Entertainment had been "cooperative and engaged constructively".<sup>87</sup> However, Mr Weeks warned about what he called a "material execution risk" for implementation of the Remediation Plan.<sup>88</sup> Mr Weeks wrote that for implementation of the Remediation Plan to be achieved, Star Entertainment "must consistently deliver high quality work in a timely manner, which is not part of [its] culture that we have observed to date".<sup>89</sup>
75. On 30 November 2023, Star Entertainment engaged KPMG to provide program assurance of the Remediation Plan.<sup>90</sup> KPMG's engagement letter dated 17 November 2023 was signed by Ms Katsibouba on behalf of Star Entertainment on 30 November 2023.<sup>91</sup> The purpose of the engagement was described as follows:<sup>92</sup>

To provide independent assurance to the Board, Management, Regulators (being the NICC and OLGR), and other key stakeholders that [Star Entertainment's] Remediation Plan (including delivery Milestones, Program Governance and Embedment) is appropriately designed and delivered in a manner that supports [Star

Entertainment] sustainably resolving the failings of root causes principally those identified by the Bell and [Queensland] reviews.

76. KPMG's engagement letter stated<sup>93</sup> that KPMG's work would incorporate the three key elements of the Program Assurance Workstream identified in the Executive Synopsis of the Remediation Plan,<sup>94</sup> which were described as:
- (a) refine and finalise the approach for program assurance (including for any regulator feedback);
  - (b) provide independent assurance on remediation program Milestones; and
  - (c) provide independent assurance on remediation program design.
77. In relation to milestone assurance, KPMG's engagement letter stated:<sup>95</sup>
- For all [m]ilestones ... an assessment will be undertaken to determine whether the work performed is complete and effective for Design/Implementation/ Embed phases, and whether the initiative to which each milestone relates addresses the underlying deficiency and contributes to achieving the desired target state.
78. For milestone design and implementation assurance, KPMG's engagement letter stated that KPMG's work would include confirming "through interviews, walkthroughs and review of available information that documents and artefacts are available to support the closure criteria for the Milestone and evidence that the work was completed effectively (complete and effective)".<sup>96</sup> The activity "Embed Assurance" is said to include "an assessment of the processes, controls and accountabilities [Star Entertainment] has put in place to ensure the solution is sustained post-implementation".<sup>97</sup>
79. It is clear from KPMG's engagement letter that the contemplated milestone assurance process by KPMG is considerably more complex than merely confirmation that milestone outcomes as identified in the Remediation Plan are achieved and supported by the evidence required by the Remediation Plan. The milestone assurance process contemplated by KPMG's engagement letter includes significant qualitative assessment, not merely to assure achievement of milestones but to provide assurance that the achievement of milestones in fact addresses the underlying problems which led to the development of the Remediation Plan.
80. Documentation has been developed for Milestone closure packs, which are submitted to the Manager. These include a:

- (a) Milestone Closure Memorandum. This contains information about how the milestone addresses the requirement for it, detail of the work performed and evidence supporting milestone closure. It is signed by the workstream business owner and executive sponsor and by a member of the Transformation Office;<sup>98</sup>
  - (b) Milestone Assessment Report by KPMG. This includes assessment of the Milestone Closure Memorandum, the supporting documents and “artefacts” provided with it and details of additional information requested and activities performed by KPMG. It is signed by a KPMG partner;<sup>99</sup> and
  - (c) Milestone Closure – Management Response. This responds to certain findings by KPMG in its Milestone Assessment Report. It is signed by the workstream business owner and executive sponsor.<sup>100</sup>
81. The Milestone closure pack documentation appears to provide a detailed and reliable basis for a decision to be made as to whether the relevant milestone has been achieved and has addressed the underlying problem.
82. On 21 December 2023, the Manager wrote to Ms Burke in relation to the status of the Remediation Plan.<sup>101</sup> The Manager stated that the Remediation Plan included approximately 125 milestones which should have been completed by the date of the letter and 170 milestones due by the end of 2023. The Manager stated that to date his office had received only three milestone closure packs so that it was impossible to assess Star Entertainment’s progress on implementation.
83. The Manager noted the difficulty of incorporating KPMG’s requirements into the Remediation Plan at a late stage. The Manager referred to a previous request he had made for a proposal in relation to assurance for milestones which were due up to 7 December 2023. In relation to milestones due from 8 December 2023 to 31 March 2024, the Manager referred to a proposal to effectively extend the due date for those milestones by providing a one calendar month grace period to allow for assurance to be completed. The Manager stated that the company “should be transparent with regulators as to what it is unlikely to comply with and why”.<sup>102</sup>
84. On 10 January 2024, Mr Cooke and Ms Burke wrote on behalf of Star Entertainment to the Manager referring to “a significant issue ... with regard to the specified ‘milestone due dates’ in the approved remediation plan and how to accommodate the time required for the

independent assurance review by KPMG".<sup>103</sup> Mr Cooke and Ms Burke wrote that the milestone due dates specified in the Remediation Plan were the dates on which the action prescribed in the milestone was due to be completed and that those dates specifically excluded collation of evidence and closure of milestone via the independent assurance process. Mr Cooke and Ms Burke wrote that this was an intentional feature of the Remediation Plan. They continued (underlining and red colour in original):<sup>104</sup>

The approved remediation plan makes this aspect very clear in its terms. The definition of 'milestone due date' excludes closure evidence collation and excludes the time for the assurance process. Specifically we highlight from the remediation plan cover page the following definition (and please note the wording in red is highlighted in red font in the plan):

“Milestone Due Date States the date by which a Milestone is required to be completed (**note: this includes only the completion of activities as described in the closure criteria, it does not include collation of evidence and closure of the Milestone by the Independent Monitor**)”

85. Insofar as Mr Cooke and Ms Burke stated that the definition of “Milestone Due Date” set out above was in the “approved remediation plan” that statement was incorrect based on the available evidence produced to the Inquiry. The PDF version of the Remediation Plan submitted to the regulators and approved by the OLGR did not have a cover page, a definition of “Milestone Due Date” and text contemplating an independent assurance process of the kind recorded above.<sup>105</sup> This was confirmed by the Manager in his evidence to the Inquiry.<sup>106</sup>
86. The apparently incorrect statement by Mr Cooke and Ms Burke was no doubt inadvertent. Mr Cooke had indicated that he relied on Ms Burke for information about what had been communicated to the regulators. On 8 January 2024, Mr Cooke sent a text message to Ms Burke asking her to “clip for [him] any references in the remediation plan document set which mention the assurance phase being outside the milestone dates”. That day, Mr Cooke and Ms Burke exchanged further text messages on this issue and Ms Burke directed Mr Cooke’s attention to parts of the Excel version of the Remediation Plan which referred to milestone assurance (i.e. definition of milestone due date in the “Cover Page” of the Excel spreadsheet).<sup>107</sup> That same day, Ms Burke forwarded to Mr Cooke a document which indicated that the version of the Remediation Plan submitted to the regulators on 5 October 2023 was the Excel spreadsheet and identified the relevant parts of the Excel document that refer to milestone assurance.<sup>108</sup>

87. Ms Burke said in evidence that she believed that the Excel version of the Remediation Plan containing the text in red had been submitted to the regulators.<sup>109</sup> This is consistent with her correspondence with Mr Cooke set out above. There is no doubt that this is what Ms Burke believed. However, the documentary evidence available to the Inquiry indicates that the Excel version was not submitted to the regulators on 5 October 2023.<sup>110</sup>
88. In their letter, Mr Cooke and Ms Burke proposed a process by which KPMG would form a special assurance team to focus purely on milestones agreed by the Manager and Star Entertainment as having “simple/fast assurance requirements”, with the KPMG team being tasked to close out those milestones rapidly. Star Entertainment proposed that the balance of the milestones be categorised by complexity and priority with KPMG being asked to focus its assurance resources on high priority milestones. Star Entertainment stated that 95 milestones had been submitted to KPMG for assurance of which seven had been closed by KPMG and provided to the Manager.<sup>111</sup>
89. On 6 February 2024, the Manager wrote to Mr Cooke to direct Star Entertainment to comply with milestone submission dates set out in a proposal from Star Entertainment dated 24 January 2024.<sup>112</sup> Mr Weeks noted in that letter that he had received an email from Ms Burke on 24 January 2024 with dates by which Star Entertainment proposed to have completed assurance on milestones and to have submitted those to the Manager. Mr Weeks directed that those dates in Star Entertainment’s proposal be met, and for completeness set them out as an annexure to his letter.<sup>113</sup>
90. The Manager’s direction dated 6 February 2024 required 164 milestones due to have been completed by 31 December 2023 to be provided for submission to the Manager by 16 February 2024.
91. On 16 February 2024, Star Entertainment wrote to the Manager in response to the Manager’s direction. Star Entertainment reiterated that it was unable to control the time taken by KPMG to undertake their assurance process.<sup>114</sup> Star Entertainment stated that it had delivered 153 closure packs to KPMG, but that KPMG had only signed off on 52 packs and 39 had been sent to the Manager following the company’s internal process for management review and sign-off. Star Entertainment stated that the variance between closure packs submitted to KPMG and packs signed off by KPMG was due to the volume of requests for additional information to address KPMG’s clarification questions, 160 requests for information issued to the company, 36 meetings requested by KPMG and the company’s commitment to deliver a quality assessment to the Manager.

92. Assurance of completion of Remediation Plan milestones is essential to enable the regulator to have a reasonable degree of satisfaction that remediation is proceeding according to its specified timeframes. The introduction of an independent assurance process is plainly desirable in principle. However, the introduction of the KPMG assurance process after submission of the Remediation Plan to the regulators and approval by the OLGR clearly involved delays due to the detailed and qualitative assurance required. Furthermore, the decision to proceed with independent assurance after the Remediation Plan was submitted to regulators led to a backlog in dealing with Milestones which fell due prior to the KPMG appointment and in the initial period after the appointment.
93. The latest document before the Inquiry outlining the completion status of the milestones is a slide pack dated 26 March 2024 for the Remediation Program Steering Committee.<sup>115</sup> That document records that, as at 25 March 2024:<sup>116</sup>
- (a) The Star Entities had assessed 242 milestones as being complete (not yet assured);
  - (b) of those 242 milestones, KPMG had assessed 110 milestones; and
  - (c) of the 110 milestones that had been assessed, KPMG assessed 80 milestones as “complete & effective”, 22 milestones as “substantially complete” and eight as “incomplete”.
94. The Remediation Plan prescribed that 248 individual milestones were to be completed by 26 March 2024. It is clear that by 26 March 2024 Star Entertainment had fallen behind in meeting milestone due dates in the Remediation Plan. The delay in meeting milestone due dates is not attributable only to the assurance process but is also because Star Entertainment set unduly ambitious and unrealistic dates in the Remediation Plan for the completion of milestones.
95. Ms Burke said that the Transformation Office was “well-resourced”,<sup>117</sup> that she “had the full support of the Board to bring on the resourcing that [she] needed”<sup>118</sup> and that she “felt very able to bring on the relevant resources, such as project management, change management and communications management and so forth ... I felt adequately resourced in my team”.<sup>119</sup> However, Ms Burke gave evidence that she felt under pressure at times to try and ensure that milestone deadlines were met. She described the plan as “aggressive” and accepted that the planned remediation milestone dates were too ambitious.<sup>120</sup>

96. Ms Page gave evidence that she considered there were very high risks associated with implementation of the Remediation Plan,<sup>121</sup> and agreed that the current milestone due dates under the Remediation Plan were not going to be met, that Star Entertainment would be pursuing a reset of its remediation program, and that the milestone dates in the Remediation Plan were too ambitious.<sup>122</sup>
97. Mr Hodgson<sup>123</sup> and Ms Thornton<sup>124</sup> also accepted that the dates in the Remediation Plan were too ambitious, that the dates were not going to be met, and that Star Entertainment would pursue a reset of its remediation program.
98. Mr Weeks said in his evidence to the Inquiry that Star Entertainment “has been unable to comply with the direction”,<sup>125</sup> that “I don’t think there’s much prospect at all of the dates being met”<sup>126</sup> and “I’m not confident that the company can deliver to the schedule here”.<sup>127</sup> Mr Weeks also said that there were 638 milestones, the program had contemplated that by 8 March 2024 there would be 204 milestones completed, and that at the time of giving his evidence he had received just over 100 milestone closure packs.<sup>128</sup> Mr Weeks considered that there remains a material execution risk for implementing Star Entertainment’s Remediation Plan. He observed that “Star has had difficulty delivering completed milestones within timeframes, not only that I’ve set but also that Star proposed”.<sup>129</sup> Mr Weeks said:<sup>130</sup>
- KPMG are continuing to work very hard, as are people of the company, but it’s fallen well behind that schedule. And the company has informed me and the regulators in the last two weeks, I think, that it intends to prepare what it’s describing as a reset of the plan, or, alternatively, an amendment to aspects of the plan that it wishes to put to me and regulators in the coming, you know, four or six weeks.
99. In their submissions, The Star Entities accepted that “it must also be recognised that the zeal with which the [Remediation] Plan has sought to be implemented has in part led to problems in that implementation”, and that “[i]n order to remedy this, a current task of resetting the Plan is underway”.<sup>131</sup> The Star Entities accepted that “as has become clear in its development and application together with the evidence before the Inquiry, its implementation has involved challenges”.<sup>132</sup>
100. The Star Entities also recognised that “[i]t has become and is apparent, as accepted by a number of the members of the Board and senior leadership in the course of giving evidence ... that there is a significant probability that at least some of the deadlines set out in Mr Weeks’ letter of 6 February 2024 will not be met”.<sup>133</sup>



## Chapter 6.5 Proposed 'reset' of Remediation Plan

101. A reset of the Remediation Plan is proposed by The Star Entities. Mr Weeks told the Inquiry: "I do think it is important for the company to reset that plan in conjunction with its regulators."<sup>134</sup> He added:<sup>135</sup>

Well, the company is keen to reset the plan such that the dates that are in it are achievable. They're also looking to refine the assurance process, and I'm quite interested in that because that needs to remain rigorous. And they need to demonstrate to regulators in that reset that they are continuing to prioritise those very important integrity-related matters that ought not be delayed any further.

102. Ms Arzadon also gave evidence about re-prioritising milestones. She said that coaching sessions ought to occur sooner<sup>136</sup> and that "my report included some recommendations that the GLT effectiveness should be one of the priorities now in the plan."<sup>137</sup>

103. On 15 April 2024, being the first day of public hearings of the Inquiry, Ms Deborah Moriceau, Head of Change, Transformation Office at The Star, sent an internal email that was copied to senior Star Entertainment executives such as Mr Saunders and Ms Townsend, and also Ms Eloise Power of PwC, which noted "last week's announcement that there will be a six-week review of the Remediation Plan" and provided "an update on next steps".<sup>138</sup> Ms Moriceau noted:<sup>139</sup>

We have engaged a team from PricewaterhouseCoopers (PwC) to partner with the Transformation Office (TO). Together, members of both teams have developed a collaborative approach to draw on the collective knowledge and experience across the workstreams to review and refine the plan.

Starting this week, workstream project managers will be organising a series of workshops, co-facilitated by our team and PwC.

104. Ms Moriceau identified the following three such workshops in her email and associated objectives:<sup>140</sup>

- (a) "Workshop 1 – Discovery & Scoping" with the objective of "[a]lign on key learnings from the last six months, understand the gaps in the plan and how to address them";
- (b) "Workshop 2 – Developing proposed changes" with the objective of "[a]gree on the changes that need to be made to the plan (e.g. refine completion criteria, align to recommendations, consolidate milestones, etc), align on dependencies and understand the change impact and change requirements"; and

- (c) “Workshop 3 – Cross-workstream forum” with the objective of “[d]etermine dependency mapping and milestone sequencing between workstreams”.
105. The Star Entities stated<sup>141</sup> that PwC’s role would include “the identification of issues (including problem statements, barriers and gaps within the Remediation Plan), the recalibration of the Remediation Plan based on the identified gaps, and agreeing with KPMG and the manager on the issues with the plan and the approach to resolve those issues.”<sup>142</sup>
106. On 1 May 2024, Mr Weeks provided recommended refinements for the reset and sought certain information relating to the reset from Star Entertainment.<sup>143</sup> Star Entertainment responded to Mr Weeks on 8 May 2024.<sup>144</sup> In their written submissions, The Star Entities summarised<sup>145</sup> their response to Mr Weeks as providing the following information to him about the reset:
- (a) details of who is leading the process (presently Mr Saunders and the Transformation Office, together with Executive Sponsors);
  - (b) the principles for the development of the Remediation Plan, which comprised:
    - (i) objective of the Remediation Plan is unchanged: to address past failings, improve The Star’s culture and reposition The Star with a focus on harm minimisation;
    - (ii) key organisation structures around the Transformation Office are in place and will be retained;
    - (iii) Remediation Plan timing envelope is not expected to change;
    - (iv) key deliverables are expected to continue, though the prioritisation of important integrity-related milestones, segmentation of milestones and ownership of deliverables may change;
    - (v) focus on the embedment of deliverables to drive sustainable change across properties;
    - (vi) review the Remediation Plan assurance process to ensure it retains rigour and is clear for all parties;

- (c) a summary of the work to be performed, together with details of the nature and extent of changes that are contemplated in each workstream; and
  - (d) details of how changes to the Remediation Plan will facilitate timely assurance without compromising the standard or nature of assurance assessments.
107. Mr Saunders said that the reset is not intended to extend out the timeframe for ultimate completion<sup>146</sup> and Ms Townsend said the reset was about “prioritisation of some of these milestones”.<sup>147</sup> Similarly, Ms Ward told the Inquiry:<sup>148</sup>
- I'm aware of the work underway to reset the plan. As I understand it, that work does not solely relate to recalibration of milestones. That is one element but there are other elements in the reset that will – I understand the intention is that it will result in a more robust plan with a sequence of milestones that is achievable and realistic. As far as I am aware to date, there is not an intention to extend the final date for completion of the activities under the remediation plan, but I have not yet seen the output of the reset work.
108. Ms Page said:<sup>149</sup>
- So I think that the whole timeframe for the remediation is in that sort of two to three-year timeframe and it's a really – I would be really disappointed if we extended beyond that. So part of the reset is to find a way to make sure that we focus on the most important things first in a sustainable way. Make sure we embed things properly, still trying to hit that sort of – the outer target.
109. Mr Issenberg, Mr Hodgson and Ms Thornton were more equivocal on this issue. When Mr Issenberg was asked about whether he presently has an expectation about when milestones are likely to be completed in full, he said “we haven’t worked on reset ... it would be hard to put a specific timeframe on that at the moment”.<sup>150</sup> He agreed that achieving the milestones with the GLT in its current state is going to be challenging.<sup>151</sup> Similarly, when Mr Hodgson was asked whether he presently has an expectation about when milestones are likely to be completed in full, he said “I don’t at this point”.<sup>152</sup> When Ms Thornton was asked about providing an estimate of when milestones are likely to be completed, she said the “remediation reset will provide us that clarity”.<sup>153</sup>
110. By contrast, Mr Weeks told the Inquiry that he did not expect the milestones to be achieved under the currently directed timeframe. Mr Weeks said, “I do think some of those dates, given where we are at the moment in April 2024, I think they will extend beyond March 2025, in my assessment.”<sup>154</sup>
111. The proposed reset is a positive and necessary development. It appears to involve a more mature and realistic approach to remediation and transformation. A revised plan which

appropriately identifies the problems to be resolved and which sets realistic milestone dates, including provision for satisfactory external assurance, would be the first step for the necessary change to occur in key areas including culture and governance. It would then be necessary for The Star Entities to successfully implement the plan and demonstrate to the regulator not only their capacity to meet deadlines on time but also to achieve real change. This would require the leaders of The Star Entities to recognise the force of Dr Lagan's comment that transformation is not just about implementing a remediation plan but "re-imagines how people think, feel and act in an organisation" so as to respond "to what's expected by society and regulators."

112. The Star Entities accepted that the evidence about the reset is "necessarily general" as it is still being developed.<sup>155</sup> As matters stand, the content and scope of the reset remain vague and imprecise.

## Endnotes

- <sup>1</sup> ASX Announcement: Message from Ben Heap to Shareholders, Team Members and Guests, 15 September 2022.
- <sup>2</sup> **Exhibit A-1469** (STA.8000.0011.0020 at .0025).
- <sup>3</sup> **Exhibit A-380** (STA.8100.0021.1827 at .1828).
- <sup>4</sup> **Exhibit A-781** (STA.8000.0008.0787 at .0792).
- <sup>5</sup> **Exhibit C-189** (INQ.5000.0001.0006 at .0031).
- <sup>6</sup> **Exhibit A-606** (STA.8100.0044.8955); **Exhibit A-607** (STA.8100.0044.8956 at .8956-.8957).
- <sup>7</sup> **Exhibit A-607** (STA.8100.0044.8956 at .8957-.8958).
- <sup>8</sup> (STA.8201.0003.1047); (STA.8201.0003.1048).
- <sup>9</sup> (STA.8201.0003.1048 at .1051).
- <sup>10</sup> Ibid at .1049.
- <sup>11</sup> (STA.8100.0066.5911); (STA.8100.0066.5913).
- <sup>12</sup> **Exhibit A-781** (STA.8000.0008.0787).
- <sup>13</sup> Ibid at .0794.
- <sup>14</sup> **Exhibit A-1203** (STA.5002.0029.1473).
- <sup>15</sup> Ibid at .1480-.1481.
- <sup>16</sup> Ibid at .1547-.1548.
- <sup>17</sup> Ibid at .1548.
- <sup>18</sup> Ibid at .1641-.1658.
- <sup>19</sup> (STA.8100.0066.4993); (STA.8100.0066.4994); (STA.8102.0010.3646); (STA.8102.0010.3657); (STA.8000.0031.0065); (STA.8102.0010.3560); (STA.8100.0066.5011); (STA.8100.0066.5012).
- <sup>20</sup> **Exhibit C-189** (INQ.5000.0001.0006 at .0032).
- <sup>21</sup> **Exhibit C-38** (STA.8100.0069.0647); **Exhibit C-39** (STA.8100.0069.0648).
- <sup>22</sup> **Exhibit C-40** (STA.8100.0069.0650).
- <sup>23</sup> Ibid at .0650-.0651, .0673.
- <sup>24</sup> (STA.8100.0068.4021).
- <sup>25</sup> **Exhibit C-46** (STA.8102.0010.5594); **Exhibit C-47** (STA.8102.0010.5595).
- <sup>26</sup> **Exhibit C-47** (STA.8102.0010.5595 at .5595).
- <sup>27</sup> (STA.8100.0066.4778).
- <sup>28</sup> (STA.8100.0066.4550); (STA.8100.0066.4551 at .4551).
- <sup>29</sup> (STA.8100.0066.7179).
- <sup>30</sup> (STA.8100.0063.8907); (STA.8100.0063.8909).
- <sup>31</sup> (STA.8100.0066.8442); (STA.8100.0066.8443); (STA.8102.0038.9390); **Exhibit C-189** (INQ.5000.0001.0006 at .0032).
- <sup>32</sup> **Exhibit C-189** (INQ.5000.0001.0006 at .0032).
- <sup>33</sup> (STA.8100.0066.8442); (STA.8100.0066.8443); (STA.8102.0038.9390); **Exhibit C-189** (INQ.5000.0001.0006 at .0032).

34 **Exhibit A-1469** (STA.8000.0011.0020).

35 **Exhibit C-58** (STA.8000.0031.1158).

36 **Exhibit C-59** (STA.8000.0031.1234).

37 **Exhibit A-1516** (STA.8100.0054.6284).

38 **Exhibit A-1517** (STA.8106.0054.6306).

39 **Exhibit A-2418** (STA.8000.0003.0001).

40 **Exhibit B-495** (INQ.5000.0005.0009 at .0009).

41 Ibid at .0009-.0010.

42 **Exhibit B-495** (INQ.5000.0005.0009 at .0010).

43 **Exhibit A-2418** (STA.8000.0003.0001).

44 **Exhibit A-1469** (STA.8000.0011.0020 at .0026).

45 Ibid at .0027.

46 Ibid at .0026.

47 **Exhibit C-189** (INQ.5000.0001.0006 at .0065).

48 **Exhibit A-1469** (STA.8000.0011.0020 at .0027).

49 **Exhibit C-189** (INQ.5000.0001.0006 at .0065).

50 **Exhibit A-1469** (STA.8000.0011.0020 at .0026).

51 Ibid.

52 **Exhibit C-58** (STA.8000.0031.1158).

53 **Exhibit A-1469** (STA.8000.0011.0020 at .0050).

54 Ibid.

55 Ibid at .0224.

56 Ibid.

57 **Exhibit A-1516** (STA.8100.0054.6284).

58 **Exhibit A-1469** (STA.8000.0011.0020 at .0031).

59 ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024; **Exhibit A-2823** (STA.8122.0001.1518); **Exhibit A-2824** (STA.8122.0001.1519).

60 Ivanoff: Day 3, T 204.42-45.

61 **Exhibit A-1469** (STA.8000.0011.0020 at .0031).

62 Ibid at .0032.

63 Ibid at .0095-.0111.

64 Ibid at .0110.

65 Ibid at .0034.

66 Ibid.

67 Ibid.

68 Ibid at .0121-.0126.

69 Ibid at .0122.

70 Ibid at .0035.

71 Ibid.

72 **Exhibit A-264** (INQ.5002.0002.0001 at .0054).

73 **Exhibit A-1469** (STA.8000.0011.0020 at .0035).

74 Ibid at .0127-.0138.

75 **Exhibit A-1454** (MGR.0001.0001.0001 at .0004.

76 Weeks: Day 1, T55.6-7.

77 Burke: Day 6, T473.8-18.

78 Weeks: Day 1, T57.42-44.

79 Weeks: Day 1, T57.46-58.5.

80 **Exhibit A-266** (INQ.5002.0002.0614 at .0836).

81 Weeks: Day 2, T131.24-46.

82 Katsibouba: Day 2, T153.7-18.

83 Arzadon: Day 11, T845.28-846.18.

84 Lagan: Day 11, T856.21-39.

85 Lagan: Day 4, T241.30-36.

86 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [146].

87 **Exhibit A-1454** (MGR.0001.0001.0001 at .0003).

88 Ibid at .0004.

89 Ibid.

90 **Exhibit A-1788** (STA.8000.0011.1233).

91 Ibid at .1245.

92 Ibid at .1233.

93 Ibid.

94 **Exhibit A-1469** (STA.8000.0011.0020 at .0048).

95 **Exhibit A-1788** (STA.8000.0011.1233 at .1234).

96 Ibid.

97 Ibid at .1236.

98 E.g. **Exhibit A-1873** (MGR.0001.0001.3869).

99 E.g. **Exhibit A-1874** (MGR.0001.0001.3878).

100 **Exhibit A-1875** (MGR.0001.0001.3886).

101 **Exhibit A-1996** (STA.8201.0003.2754).

102 Ibid.

103 **Exhibit A-2043** (STA.8000.0029.5217).

104 Ibid at .5218.

105 **Exhibit A-1469** (STA.8000.0011.0020); cf. **Exhibit A-2418** (STA.8000.0003.0001). See also **Exhibit B-495** (INQ.5000.0005.0009 at .0010).

106 Weeks, Day 2, T118.13-18.  
107 **Exhibit A-2039** (STA.8890.0001.0147).  
108 (STA.8100.0077.4483); (STA.8100.0077.4485).  
109 Burke: Day 6, T463.19-39.  
110 (STA.8102.0038.9390); (STA.8100.0066.8442); (STA.8100.0066.8443).  
111 **Exhibit A-2043** (STA.8000.0029.5217 at .5219).  
112 **Exhibit A-2293** (STA.8100.0066.1340).  
113 Ibid at .1341.  
114 Ibid.  
115 **Exhibit B-513** (MGR.0001.0002.2574).  
116 Ibid at .2581, .2578.  
117 Burke: Day 7, T478.18.  
118 Burke: Day 7, T478.19-20.  
119 Burke: Day 7, T478.20-22.  
120 Burke: Day 6, T473.36-47.  
121 Page: Day 9, T735.8-17.  
122 Page; Day 9, T755.22-38.  
123 Hodgson: Day 10, T806.4-9.  
124 Thornton: Day 10, T827.33-42.  
125 Weeks: Day 2, T122.31-32.  
126 Weeks: Day 2, T123.5.  
127 Weeks: Day 2, T123.43-44.  
128 Weeks: Day 2, T124.23-36.  
129 Weeks: Day 2, T129.42-130.5.  
130 Weeks: Day 2, T122.32-37.  
131 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [116].  
132 Ibid at para [123].  
133 Ibid at para [175].  
134 Weeks: Day 2, T123.6-7.  
135 Weeks: Day 2, T123.27-31.  
136 Arzadon: Day 11, T845.28-846.18.  
137 Arzadon: Day 11, T846.25-27.  
138 (STA.8000.0163.0018).  
139 Ibid.  
140 Ibid.  
141 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [179].  
142 (STA.8517.0059.5766 at .5767); (STA.8000.0198.0261).



- 143 (STA.8000.0198.0092).
- 144 (STA.8000.0198.0238).
- 145 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [182].
- 146 Saunders: Day 6, T437.14-15.
- 147 Townsend: Day 5, T379.12-13.
- 148 Ward: Day 9, T693.04-10.
- 149 Page: Day 9, T756.02-07.
- 150 Issenberg: Day 9, T785.23-28.
- 151 Issenberg: Day 9, T785.30-33.
- 152 Hodgson: Day 10, T806.11-14.
- 153 Thornton: Day 10, T828.14-18.
- 154 Weeks: Day 2, T123.43-47.
- 155 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [177].

**Chapter 7**  
**Governance and Management of The Star**

# Chapter 7. Governance and Management of The Star

## Chapter 7.1 Constitution and corporate structure of The Star

1. The Star is the corporate entity that holds the casino licence for The Star Casino issued pursuant to the *Casino Control Act*. It is a wholly owned subsidiary of Star Holdings. Star Holdings is, in turn, a wholly owned subsidiary of Star Entertainment, which is the ultimate holding company of The Star and all other companies in The Star Entertainment Group.<sup>1</sup>
2. At Appendix G is a diagram setting out the corporate structure of Star Entertainment and its subsidiaries as at 5 March 2024, which was produced to the Inquiry by The Star Entities.<sup>2</sup>
3. ASIC's register does not disclose any changes to The Star's Constitution since the time of the 2022 Report. The Star's Constitution was discussed in Chapter 8.2 of the 2022 Report. The relevant parts of that Chapter are set out below and references to the "Authority" should be understood now to refer to the NICC.<sup>3</sup>

5. The Star's Constitution comprises a memorandum and articles of association dated 15 June 1993, as amended by special resolutions recorded in minutes dated 20 April 1994 and 6 May 1994. These documents pre-date the Corporations Act and have not been updated or consolidated into a single document. In that regard, references to The Star's "Constitution" should be understood, more precisely, as references to The Star's constating documents just identified.

6. The Star's special resolution dated 20 April 1994 inserted a series of "Overriding provisions" into The Star's Constitution, which were stated to override any inconsistent provision. Those overriding provisions include the following:

(a) The Star must obtain the Authority's prior written approval before doing certain things, including appointing a director, issuing shares, changing its financial year, changing its name, appointing an auditor, carrying on any new business, disposing of shares, or altering or reducing its share capital;

(b) The Star will procure the removal from office of any director or alternate director if directed by the Authority to do so;

(c) The Star will enforce the disposition of shares of any person determined by the Authority to be a close associate in accordance with procedures in the constitution;

(d) The Star will deliver to the Authority all reports, accounts, notices and circulars issued to the ASX, any other stock exchange or ASIC;

(e) The Star will provide the Authority with monthly reports of all shares issued, and all share transfers registered, during the previous month;

(f) The Star at the request of the Authority may give written notice to a shareholder to produce a statutory declaration identifying beneficial ownership in shares in The Star and it is acknowledged that all such statutory declarations will be given to the Authority;

(g) The Star must refuse to register any transfer of shares which “is or might be in breach of the [Casino Control] Act or terms of the Casino Licence or any associated agreement between [The Star] and the State or the Authority”;

(h) the following express duties on The Star’s directors:

#### 146. DUTIES OF DIRECTORS

Subject to all other duties and legal obligations imposed on the Directors in the exercise of their powers, the Directors must use their best endeavours and take all reasonable steps while the Company holds the Casino Licence:

(a) to ensure the continuance of the Casino Licence;

(b) not cause or permit any material contravention of a condition attaching to the Casino Licence;

(c) to undertake all necessary action to ensure compliance with the conditions attaching to the Casino Licence;

(d) to ensure compliance with the terms of any deal, agreement or arrangement entered into with the Authority with regard to the Company’s activities as holder of the Casino Licence.

7. The Star’s Constitution also provides that the Authority may give notice that a shareholder who is a close associate and is not a suitable person to be concerned in or associated with the operation or management of a casino must dispose of all of their shares, in which case the shareholder must dispose of all its shares within 120 days or, failing which, The Star may do so on behalf of the shareholder at not less than fair market value.

4. For the last thirty years, the Constitution of The Star has imposed a legal obligation on its directors to use their best endeavours and to take all reasonable steps whilst the company remains the licensee of The Star Casino to ensure that the operations of The Star Casino comply with the conditions attaching to its licence and regulatory agreements.

5. The need for the casino operator to have close and direct supervision and governance to ensure that it complies with its obligations under legislative requirements and its licence was identified in the 2022 Report.<sup>4</sup> It is emphasised by the legal responsibilities imposed on the Board of The Star by its Constitution.

### Chapter 7.2 Chief Executive Officer of The Star

6. Mr Scott Wharton was appointed to the role of Chief Executive Officer of The Star on 20 July 2022. At that time, the role of Chief Executive Officer was combined with the role of Group Head of Transformation.<sup>5</sup>

7. Mr Wharton tendered his resignation on 3 April 2023, with effect from 28 April 2023.<sup>6</sup> Mr Wharton’s resignation was announced to the ASX on 3 April 2023. Star Entertainment said in its announcement that the company was “well positioned to announce shortly Scott’s successor as CEO for The Star, Sydney”. Star Entertainment also announced that the role of Group Head of Transformation had been split into a separate role, and Ms Burke had been appointed to that role.<sup>7</sup>
8. The Star Entities informed the Inquiry that Star Entertainment’s former CEO, Mr Cooke, had taken steps to meet with potential candidates for the role of Chief Executive Officer of The Star in the period from October 2022 to March 2023, prior to Mr Wharton’s resignation.<sup>8</sup> On the same day as Mr Wharton’s resignation, 3 April 2023, Mr Cooke recommended his preferred candidate to Ms Hammond.<sup>9</sup>
9. Subsequently, The Star Entities undertook steps to interview that preferred candidate, which culminated in an offer of employment being made on 19 May 2023.<sup>10</sup> On 23 June 2023, however, Ms Hammond informed the preferred candidate that the hiring process was being temporarily paused. The Star Entities told the Inquiry that the process was paused in order for Star Entertainment to consider the impact of the proposed increase to casino tax rates from 1 July 2023 that the NSW Treasurer had announced on 19 June 2023.<sup>11</sup>
10. It appears that what Mr Cooke described as a dramatic deterioration in The Star’s financial position contributed to the delay in appointing a new Chief Executive Officer for The Star, as described below.
11. On 11 August 2023, Mr Weeks wrote to Mr Cooke expressing concerns about the time that the role of Chief Executive Officer for The Star had been vacant, noting that as a result “the Sydney casino has been without appropriate leadership”.<sup>12</sup> Mr Weeks added:<sup>13</sup>

This absence of leadership in my view has manifested in several ways within the casino. For example, it created challenges with the NSW ICM process. It has also impeded progress on the renewal of Star Sydney’s culture and governance processes, and it has imposed extra burdens on Star’s existing senior staff. I am concerned that the Sydney casino continues to operate without an adequate level of leadership.
12. Mr Weeks directed The Star Entities to provide him with details regarding the process that was undertaken to select the preferred candidate.<sup>14</sup> Mr Weeks told the Inquiry that he issued that direction on 11 August 2023 as a result of his concern that The Star Entities were not acting quickly enough to identify a Chief Executive Officer for The Star, and that intervention was required.<sup>15</sup> He also said:<sup>16</sup>

I would have expected ... the company to move with urgency to ensure that key leadership positions in the casino were filled quickly to give it the best prospect possible of retaining its licence and setting itself on a pathway to suitability. In my assessment, that has not occurred.

13. On 16 August 2023, The Star Entities responded to Mr Weeks' direction. In respect of the length of time taken to appoint a Chief Executive Officer of The Star after Mr Wharton's departure, Mr Cooke wrote "there were events outside the control of The Star that impacted the planned timing of the appointment of the successor CEO".<sup>17</sup> He elaborated:<sup>18</sup>

It is an unfortunate reality that at that time The Star Sydney's financial position was deteriorating dramatically, with the business:

- executing a significant head count reduction;
- contemplating a possible 'strategic review' of The Star Sydney;
- facing up to an existential threat in the event that the Matt Kean proposed NSW duty increases were not withdrawn or heavily modified; and
- seeking critical advice from third parties to address possible financial scenarios in the event the proposed duty increases were pursued.

Against that backdrop The Star Sydney was not in a position where it could ethically or in good faith induce the identified candidate to leave his high profile and secure role, to take up what could have become a transient position and where financial compensation to offset this risk would have been illusionary.

As the financial challenges above have been satisfactorily resolved by intense and proactive action by The Star management and Board, The Star intends to proceed as previously advised in relation to the identified candidate but will not action this until you reaffirm your position as communicated on 19 May 2023 (for the record, and as discussed with The Chief Commissioner on 4 August 2023, we had intended to announce the appointment immediately following the resolution of the NSW duty issue).

14. In his unchallenged evidence to the Inquiry, Mr Weeks said that he did not find this "particularly compelling". Mr Weeks said:<sup>19</sup>

The company, on the words here that they use, said that it couldn't ethically or in good faith induce the identified candidate to leave his job because the company was in financial difficulties and they weren't sure if the company would make it financially.

Now, I don't – I understand the issue but also, I think with respect to listed companies and in corporate Australia, people assess whether or not to join companies at different times in different ways, and it was open to a candidate for the CEO role to recognise some risks attached to joining the company at that time and to negotiate arrangements, financial and otherwise, that may compensate him or her if that job didn't last very long because of the financial predicament of the company. So I didn't think the reason that Mr Cooke provided in his letter was particularly compelling.

15. The Inquiry heard evidence of several incidents which Mr Weeks viewed as symptoms of the lack of leadership at The Star Casino. In respect of the TICO fraud incident (considered in Chapter 8), Mr Weeks said that, in his view, that incident was illustrative of “the problems with the absence of new leadership at the casino” and that if “there was a new leader with the right risk culture, they would set expectations and standards among the business that would reduce the prospect of this type of very significant failure across a large number of people and teams from occurring”.<sup>20</sup>

16. Similarly, in respect of the Guest Support Officer issue (also considered in Chapter 8), Mr Weeks said:<sup>21</sup>

Well, I think that the safer gambling issue that we – that we discussed, rather, just a little while ago is different to [the TICO fraud], but it reveals, perhaps, some similar issues. That is, there was, in both cases, an absence of people speaking up and saying, “We have got a problem here” and escalating issues. And, you know, I think until the new leadership takes hold and really sets a different expectation and standard among team members, these type of incidents may continue to occur.

17. The Star Entities commenced a fresh recruitment process for the role of Chief Executive Officer of The Star in Sydney, utilising the services of a recruitment agency. The Star Entities informed the Inquiry that they first met with the recruiter on 15 August 2023, the day before their letter to Mr Weeks, and again on 21 August 2023.<sup>22</sup>

18. Despite that recruitment process having been commenced in August 2023, the position of Chief Executive Officer of The Star in Sydney remained vacant at the time of the Manager’s reports in both October and November 2023. Each of those reports commented on the heightened risks facing The Star Entities as a result of the lack of progress in appointing a CEO in Sydney and finalising a new organisational structure.<sup>23</sup>

19. In Star Entertainment’s response to the Manager’s reports dated 23 January 2024, Star Entertainment wrote:<sup>24</sup>

**Time to Appoint Key Personnel** – The Manager’s Report is critical of the time taken to appoint key executives. The Manager’s Report fails to recognise or acknowledge that most senior appointments made by the Company involved personnel who held existing external senior corporate positions requiring notice periods to be served (typically 6 months for executives of the seniority/calibre sought) and in some cases restraint periods also had to be honoured. In addition, the Manager’s Report does not recognise the commercial reality that a typical recruitment process for a senior executive utilising external search firms (absent candidate notice periods) is usually between 3 to 6 months – resulting in an end-to-end onboarding timeline of 9 to 12 months after allowing for notice periods. The Star’s recruitment timelines have in most instances been more rapid than these normal timelines.

20. Further, in response to the Manager’s observation that the lack of permanent leadership resulted in heightened risks, Star Entertainment wrote (bold and underlining in original):<sup>25</sup>

The absence of a Sydney CEO was not the root cause of the TICO issue and there is no evidence of a heightened risk exposure as suggested above.

21. When asked for his opinion about Star Entertainment’s response to the Manager’s reports, and particularly the argument that the recruitment process for executives can take up to a year, Mr Weeks said:<sup>26</sup>

Well, in relation to this point, the company often refers to typical recruitment processes. And what they say is probably true of typical recruitment processes of companies in ordinary times. Star by any measure was in extraordinary times, and it needed to move rapidly. I don’t think it had the luxury of considering itself to be in an ordinary operating environment and, for example, if an executive had a long notice period of six or nine months and that was the preferred option, then it might have been something the board considered to go to the next best option if that person could start more quickly.

22. It was not until 25 January 2024 that Star Entertainment announced that Ms Janelle Campbell had been appointed as Chief Executive Officer of The Star. Ms Campbell commenced in that role on 25 February 2024.<sup>27</sup> On 15 July 2024, Star Entertainment announced that Ms Campbell’s appointment had received all necessary regulatory approvals.<sup>28</sup> Before that time, Ms Campbell attended meetings of the Board of Star Entertainment in an observer capacity.<sup>29</sup>

23. As a result, for approximately ten months between 28 April 2023 until Ms Campbell’s commencement on 25 February 2024, the role of Chief Executive Officer for The Star in Sydney was vacant.

24. Each of Ms Ward,<sup>30</sup> Ms Page,<sup>31</sup> Mr Issenberg,<sup>32</sup> Mr Hodgson,<sup>33</sup> and Ms Thornton<sup>34</sup> agreed that this was too long.

25. In the meantime, the person who was in charge of The Star Casino was Mr Peter Humphreys. Mr Humphreys has worked at Star Entertainment for approximately 22 years.<sup>35</sup> In addition to his responsibilities as the de facto Chief Executive Officer of The Star Casino, Mr Humphreys was the interim Chief Operating Officer of The Star Casino and the General Manager, Gaming Machines and Cashier Services at The Star Casino.<sup>36</sup> As addressed in Chapter 9, despite these significant responsibilities over a long period of time, it was not until the prompting of this Inquiry that on 13 March 2024 Star Entertainment asked Mr Humphreys, along with various other long-serving executives, to sign a declaration



- regarding their knowledge of, or involvement in, the misconduct identified in the 2022 Report.
26. Each of Ms Page,<sup>37</sup> Mr Issenberg,<sup>38</sup> Mr Hodgson,<sup>39</sup> and Ms Thornton<sup>40</sup> agreed that it was not a long-term solution to have Mr Humphreys (or, indeed, anyone) in all of those roles at the same time. Nonetheless, that is what has occurred for a period of almost a year. Mr Weeks said that Mr Humphreys had been “holding the fort for what’s been a very long time”; that this is “an additional responsibility on him and others”; and that “the absence of leadership, I do think, imposed significant additional workload on people”.<sup>41</sup>
  27. Notwithstanding Star Entertainment’s vehement denial in its response to the Manager’s reports that the lack of leadership at The Star Casino contributed to the TICO fraud incident,<sup>42</sup> each of Ms Ward,<sup>43</sup> Ms Page,<sup>44</sup> Mr Issenberg,<sup>45</sup> Mr Hodgson<sup>46</sup> and Ms Thornton<sup>47</sup> accepted that failures at The Star Casino since 2023 could, or could possibly, have been prevented if there had been closer and more direct supervision at the Sydney property. Mr Foster conceded that, up until now, not enough has been done to ensure close and direct supervision of the governance of The Star Casino.<sup>48</sup>
  28. The lack of leadership at The Star during the critical ten month period from April 2023 until February 2024 had a significant negative impact on the governance of The Star and its compliance with ICMs. It cannot be doubted, as the Manager had concluded, that it was also a significant impediment to the urgently required cultural renewal of The Star during a critical period.
  29. Ms Janelle Campbell’s appointment as permanent CEO of The Star is to be welcomed. As has been noted, on 15 July 2024, Star Entertainment announced that Ms Campbell’s appointment had received all necessary regulatory approvals.<sup>49</sup> Ms Campbell is a member of the GLT of Star Entertainment (discussed in Chapter 9). Mr Foster in his evidence said that now in Sydney “we have a strong leader in place there with a lot of experience”.<sup>50</sup> The Star Entities in their written submissions referred to Ms Campbell’s extensive experience in hospitality and casino companies and her leadership expertise.<sup>51</sup> Ms Campbell’s appointment, albeit belated, is likely to improve the operational performance and culture of The Star.

## Chapter 7.3 Management and Reporting Lines of The Star

### Employees of The Star

30. As at 26 February 2024, The Star employed a total of 2,872 employees.<sup>52</sup> In addition, a number of members of senior management with responsibilities for The Star Casino were employees of Star Entertainment.
31. The number of employees of The Star at the commencement of the Inquiry was significantly lower than at the time of the 2022 Report (being 3,399 employees). That was partially a result of Star Entertainment's headcount reduction, announced to the market on 19 April 2023, which saw approximately 500 employees across The Star Entities and other subsidiaries of Star Entertainment made redundant.<sup>53</sup>

### Leadership team of The Star

32. At the commencement of the Inquiry, the direct reports to the CEO of The Star were:
- (a) the Chief Operating Officer for The Star Casino.<sup>54</sup> As set out above, Mr Peter Humphreys is serving as interim Chief Operating Officer, having been seconded to that role (in addition to his usual position as General Manager, Gaming Machines and Cashier Services) since 26 September 2022.<sup>55</sup> Prior to Mr Humphreys' interim appointment, the position was held by Mr Damian Quayle.<sup>56</sup> The Star Entities informed the Inquiry that this position is "under review";<sup>57</sup> and
  - (b) the General Manager Asset Protection and the General Manager Surveillance. These two new positions were created to replace the role of General Manager Asset Protection and Operational Resilience, which was held by Mr David Mackay (who resigned, effective 7 June 2024) and which previously reported to the Chief Operating Officer of The Star. As at the conclusion of the hearings of the Inquiry these roles were vacant, although The Star Entities informed the Inquiry that a recruitment process had commenced.<sup>58</sup>
33. Under the current organisational structure, a number of members of senior management report to Mr Humphreys as the interim Chief Operating Officer. They include:<sup>59</sup>
- (a) Ms Eileen Vuong (Head of Risk, The Star), who has a primary reporting line to Mr Saunders, Group Chief Risk Officer for Star Entertainment, and a dotted reporting line to Mr Humphreys;

- (b) the General Manager, Table Games;
- (c) the General Manager, Gaming Machines and Cashier Services (which is a position also currently held by Mr Humphreys);
- (d) the General Manager, Food and Beverage; and
- (e) the General Manager, Hotels, Retail, AV and Guest Experience.

### **Safer Gambling function at The Star Casino**

34. One of the key issues which emerged during the public hearings of the Inquiry was the misconduct by Guest Support Officers within the Safer Gambling function.
35. The Star Entities informed the Inquiry that responsibility for the management of safer gambling at The Star Casino is a “Line 1 function”. This is a reference to what The Star Entities have called their “three lines of accountability” model. The Star Entities provided the following explanation of that model in their written submissions:<sup>60</sup>

(a) Line 1 consists of Star Entertainment’s operational and operational support units. Specifically, it consists of the Operating Business Units (**OBU**s) – being the individual Sydney, Brisbane and Gold Coast properties – and Group Support Units (**GSU**s). The OBUs are headed by CEOs of each property and the CSUs are headed by the chief officers of those GSUs, including the Group Chief Controls Officer (**CCO**). The CCO’s accountabilities include implementing and monitoring the operational risk and controls frameworks and policies across Line 1, identifying material inherent risks across Line 1, assessing the effectiveness of the controls in place to mitigate those risks, and implementing controls uplift to maintain alignment with internal frameworks, ICMs, SOPs and regulatory requirements.

(b) Line 2 consists of Star Entertainment’s Group Risk Team, headed by the Group Chief Risk Officer (**CRO**). Line 2 is responsible for embedding Star Entertainment’s risk appetite through policies, frameworks and other tools, providing insight and guidance to help manage its risks and obligations, providing risk oversight through constructive challenge and monitoring of all risks and reporting. The Line 2 team has expanded from 53 roles in June 2023 to 119 filled roles as at 5 March 2024, with specialists in key risk areas including Financial Crime, Compliance, Safer Gambling and Risk.

(c) Line 3 is the internal audit and assurance function, until recently headed by the General Manager Internal Audit and Assurance and now reporting to the Group Chief Audit Officer.<sup>61</sup> It provides independent assurance and advice on the effectiveness of risk management, controls and governance processes.

36. The most senior employee at The Star Casino with responsibility for safer gambling has been Mr Ron Wagemans, Patron Liaison Manager,<sup>62</sup> who reported to Ms Anerike Bothma, Group Manager Responsible Gambling.<sup>63</sup> Ms Bothma in turn reported to Ms Townsend, Group Chief Controls Officer.<sup>64</sup> Mr Wagemans did not otherwise have any reporting line,

dotted or otherwise, into The Star leadership team. On 18 April 2024 during the public hearings of the Inquiry, Mr Wagemans said that he had resigned three days earlier on 15 April 2024.<sup>65</sup>

37. Mr Wagemans oversaw the Guest Support Managers and Guest Support Officers.<sup>66</sup> The responsibilities of the Guest Support Managers and Guest Support Officers include managing responsible gambling-related exclusion and revocation processes and, relevantly, the implementation of the Time Play Management standards under ICM 13. While formally both the Guest Support Managers and Guest Support Officers report directly to the Patron Liaison Manager, The Star Entities informed the Inquiry that informally, in day-to-day operations, the Guest Support Managers oversee the work of the Guest Support Officers.<sup>67</sup>
38. Mr Wagemans told the Inquiry that, prior to his resignation on 15 April 2024, he had approximately 11 Guest Support Managers and seven Guest Support Officers reporting to him.<sup>68</sup> The Star Entities informed the Inquiry that they were undertaking a recruitment drive in the safer gambling function<sup>69</sup> and that, as at 11 April 2024, in addition to the 11 current Guest Support Managers, a further five full-time roles were in recruitment, and there were 17 current Guest Support Officers with a further 14 full-time roles in recruitment.<sup>70</sup>
39. It is clear that morale within the Safer Gambling team at The Star is low. When questioned about the circumstances of his resignation, Mr Wagemans said:<sup>71</sup>

A: I was just unhappy with the whole situation I found myself in. I had a large team. A lot of them have resigned or left. Morale of the team is quite low. I felt that I was quite close to my team and it was just not a pleasant working relationship anymore.

Q: Was part of that because you didn't feel you had sufficient resources to do your job properly?

A: Absolutely, all the above. Correct.

40. The other principal employee at The Star Casino with responsibility for safer gambling is the Guest Regulatory Information Administrator, Mr Benny Hu, whose responsibilities include managing business processes related to regulatory reporting about exclusions, data quality regarding exclusions and administration of exclusions generally.<sup>72</sup> Like the Patron Liaison Manager, Mr Hu reports to Ms Bothma and otherwise has no reporting line, dotted or otherwise, into Star Entertainment's leadership team.<sup>73</sup>
41. Oversight of the Line 1 Safer Gambling function is provided by Line 2. In particular, Ms Vuong (Head of Risk, The Star) and her direct report, Mr Bill Sitzimis (Risk Advisor, The

Star), have duties related to the oversight of safer gambling exclusively at The Star Casino.<sup>74</sup>

42. There is a management committee established for the purpose of overseeing safer gambling at The Star Casino, being The Star Casino Safer Gambling Committee. That committee is chaired by Mr Humphreys (Interim Chief Operating Officer, The Star).<sup>75</sup> Its members include Ms Campbell, Ms Bothma, Mr ter Weeme (General Manager, Safer Gaming Compliance, who sits in the Group Risk function and has a reporting line to Mr Saunders) and Ms Vuong. The Committee reports to the Safer Gambling, Governance and Ethics Committee, which is a committee of the Board of Star Entertainment.<sup>76</sup>

### **Responsibility for regulatory engagement at The Star Casino**

43. Mr Saunders, the Group Chief Risk Officer at Star Entertainment, gave evidence that he was the member of Star Entertainment’s GLT who was responsible for regulatory engagement, on the basis that the Regulatory Engagement team reports to him. He said that the team manages “submissions and the like”, but there are “different people who have different levels of accountability for engagement with regulators on different topics”, and it “really is the GLT’s responsibility to engage with regulators depending on the nature of the issue”.<sup>77</sup>
44. One of Mr Saunders’ direct reports is the General Manager, Regulatory Engagement. In turn, the General Manager, Regulatory Engagement has six direct reports, one of whom is the Senior Manager, Regulatory Affairs NSW. Underneath that sit a further five employees who are specific to NSW.<sup>78</sup>
45. When asked whether it would be helpful to have one dedicated resource responsible for regulatory engagement, Mr Saunders disagreed on the basis that one person “can’t possibly be across all the issues that could come up and need to be discussed with the regulators”, and that it was in his view more efficient to have regulatory engagement on specific matters being led by the people with the knowledge and involvement in the underlying matters.<sup>79</sup>
46. Mr Saunders said that accountability for regulatory engagement had “in the past ... been a little ad hoc, to be honest”, but that a Regulatory Engagement Policy and Regulatory Engagement Strategy had been established with effect from 1 March 2024.<sup>80</sup> Pursuant to those policies, Mr Saunders said he was responsible for most engagement with L&GNSW,

but it was the Group Chief Executive Officer who was responsible for engagement with the NICC.<sup>81</sup>

47. The Regulatory Engagement Policy outlines the high-level principles governing The Star Entities' engagement with its regulators, including not only L&GNSW and the NICC but also AUSTRAC, ASIC and the ATO (among others). It espouses guiding principles of transparency, honesty and integrity, proactive communication, advocacy, collaboration, timely responses and accountability. Among other things, the policy differentiates between the responsibility of "regulatory relationship owners", who are to manage and maintain the overall relationship with the regulator, and the Regulatory Affairs team, which is to act as the primary point of contact and a facilitator in gathering information across the business, and assist with responding to notices, audits, inspections, examinations and so on.<sup>82</sup> The "Regulatory Affairs team" is understood to be a reference to the "Regulatory Engagement team" that ultimately reports to Mr Saunders.
48. The Regulatory Engagement Strategy identifies the "regulatory relationship owners" for The Star Entities' various regulators. Relevantly, the relationship owner for the NICC is the Group Chief Executive Officer (now Mr Steve McCann, subject to regulatory approval), and for L&GNSW, which administers the regulatory framework for casinos in NSW under a delegation from the NICC, the relationship owner is Ms Campbell. A slightly different approach is taken in Queensland, where there is only one State regulator (the OLGR). There, the relationship owner is the Chief Executive Officer for each of the Brisbane and Gold Coast properties, respectively. The non-casino regulatory relationships are owned between the Group Chief Risk Officer, Group Chief Financial Officer, and Group Chief Legal Officer.<sup>83</sup>
49. There is an apparent inconsistency between the Regulatory Engagement Strategy – which contemplates that engagement with L&GNSW will be Ms Campbell's responsibility – and Mr Saunders' evidence that engagement with L&GNSW is primarily his responsibility. It may be that Mr Saunders' evidence merely reflects the position that has existed to date, given that Ms Campbell only commenced in February 2024.
50. There is good sense in having The Star's relationships with its NSW regulators being led by The Star Casino leadership team. Close and direct supervision at the level of The Star Casino requires the CEO of The Star to take an active role in those regulatory relationships, as is envisioned by the Regulatory Engagement Strategy at least insofar as L&GNSW is

concerned. It may also require some critical reflection as to the basis on which the relationship with the NICC has been assigned to the Group Chief Executive Officer.

### Chapter 7.4 Risk Officer

51. As discussed in Chapter 5, recommendation 29 of the 2022 Report was that there be a risk officer focused exclusively on risk management for The Star Casino.
52. The Star Entities first appointed Ms Mandy Green as the interim Chief Risk Officer on 20 October 2022.<sup>84</sup> Mr Saunders commenced as Group Chief Risk Officer for Star Entertainment on 13 February 2023.<sup>85</sup> The Star Entities informed the Inquiry that Ms Vuong was first appointed as Head of Risk, The Star Casino on 1 July 2023, with that appointment being formalised and made permanent on 17 August 2023.<sup>86</sup> Ms Vuong's evidence was that she had been in the role of Head of Risk since mid-August 2023 and that prior to that time she was in a different role, being General Manager Risk Analytics and Solutions.<sup>87</sup>
53. Ms Vuong reports to Mr Saunders, Group Chief Risk Officer.<sup>88</sup> She also has a dotted reporting line to the Chief Operating Officer of The Star, who in turn reports to the Chief Executive Officer of The Star.<sup>89</sup> Ms Vuong gave evidence to the Inquiry that the intention was for her to have a dotted reporting line directly to the Chief Executive Officer of The Star once Ms Campbell has received all necessary regulatory approvals, as has now occurred.<sup>90</sup>
54. Ms Vuong has one direct report, being Mr Bill Sitzimis (Risk Advisor, The Star), who was appointed to the role in October 2023. Ms Vuong told the Inquiry that she felt that she was sufficiently resourced to discharge her duties.<sup>91</sup>
55. Ms Vuong does not sit on or attend meetings of the GLT, nor does she attend meetings of the Star Entertainment Board or of the Risk and Compliance Committee, being a committee of the Star Entertainment Board. When asked about not being a standing invitee of the Risk and Compliance Committee, Ms Vuong did not have any comment. She said that she was comfortable with Mr Saunders attending and representing any views she might have wished to communicate in respect of The Star Casino.<sup>92</sup>
56. Ms Vuong had attended, in part, one of the two meetings of the Board of The Star which took place during her tenure prior to giving evidence to the Inquiry, being the meeting on 13 February 2024.<sup>93</sup> She also gave evidence that she had attended all meetings of the

Compliance Committee for The Star, and expected to continue to attend those meetings in the future.<sup>94</sup> However, at the time of giving her evidence, Ms Vuong did not in fact have a standing invitation to meetings of the Compliance Committee,<sup>95</sup> despite her expectation that she would attend.<sup>96</sup>

57. Mr Foster told the Inquiry that on 22 April 2024 he had instructed a correction to the charter of the Compliance Committee to make clear that Ms Vuong, as Head of Risk at The Star, had a standing invitation. Mr Foster said that the charter had been amended accordingly.<sup>97</sup> This was a positive development, but it only came at the prompting of the Inquiry, and some five months after the charter had been approved in November 2023.

58. When Mr Saunders was asked if he had any comment on Ms Vuong’s omission from the standing invitees of the Compliance Committee, he said “no, not really, no”.<sup>98</sup> When Mr Saunders was asked whether it meant that important matters relating to risk at The Star Casino were being managed by him at the Star Entertainment level rather than by Ms Vuong at the property level, Mr Saunders said:<sup>99</sup>

So, Ms Vuong is a member of The Star Sydney Risk Committee, which is a management committee, this is a board-level committee. I suppose the implication would be, yes, that from a compliance perspective, that would land on me from a group risk perspective, yes.

59. Mr Saunders referred to The Star Casino Risk Committee in his answer quoted above. This is a committee comprised of members of management.<sup>100</sup> Mr Weeks told the Inquiry that The Star Casino Risk Committee was established in approximately October 2022, but that “it still is a distance from having the type of impact and oversight that ... was expected”.<sup>101</sup>

60. Ms Vuong said that The Star Casino Risk Committee is currently chaired by Mr Humphreys, is attended by The Star leadership team and by Ms Vuong and has representation from the Group Controls and Compliance functions. Ms Vuong reports to The Star Casino Risk Committee on a monthly basis, but her reports do not go to the Compliance Committee.<sup>102</sup> The Star Casino Risk Committee reports to the GLT.<sup>103</sup>

61. A draft charter prepared for The Star Casino Risk Committee in October 2023 identifies that the purpose of the Committee is “to assist and advise the [GLT] and [GLT] Risk Committee in the governance, optimisation and effective management of The Star Sydney risks and compliance ... The [GLT] remains ultimately accountable for managing the risks in the business”. It states that the Committee is to be comprised of the senior executives who comprise The Star leadership team (including Ms Vuong) and chaired by either the



Chief Executive Officer or Chief Operating Officer of The Star. A number of executives with Group responsibilities have standing invitations, including Mr Saunders and Ms Townsend. The charter requires the committee to meet at least ten times a year.<sup>104</sup>

62. The draft charter contemplated approval from the GLT Risk Committee.<sup>105</sup> At the time of conclusion of the Inquiry's hearings there was no evidence as to whether the charter had been approved.
63. Despite the recommendations of the 2022 Report regarding the need for a dedicated risk resource focused on matters at The Star Casino and for close and direct supervision at the level of The Star Casino, in practice, risk matters are still being dealt with largely by Star Entertainment. That is consistent with the draft charter for The Star Casino Risk Committee, which envisions ultimate accountability remaining at the Star Entertainment level. It is also consistent with evidence given to the Inquiry by Ms Vuong as to her involvement in managing important risk incidents at The Star Casino.
64. For example, in respect of the TICO fraud, Ms Vuong said that she had not undertaken any risk assessments in relation to those events and that the key decisions were being handled by the Group Risk function.<sup>106</sup> That was notwithstanding the fact, which she accepted, that the TICO issue was peculiarly and singularly related to The Star Casino. Ms Vuong accepted that it would be desirable for her to look into the matter in the future.<sup>107</sup>
65. Another example was the reintroduction of complimentary alcohol at The Star Casino. Ms Vuong said that:
- (a) the issue had been escalated to the GLT, which explained why correspondence from Legal about the issue was sent to Ms Townsend and Mr Hughes, but not to Mr Humphreys or Ms Vuong<sup>108</sup> (the relevant correspondence was subsequently forwarded to Ms Vuong and Mr Humphreys by Ms Townsend as part of a broader communication)<sup>109</sup>; and
  - (b) while she was involved in the first iteration of the risk assessment for the reintroduction of complimentary alcohol, control over the document was subsequently taken by the Group Controls function, led by Ms Townsend.<sup>110</sup>
66. The development of the role of Head of Risk at The Star Casino is still at a relatively immature stage. Ms Vuong said that the risk management framework and organisation

structure were “still evolving”, and that the structure in particular “hasn’t been stable” during her tenure.<sup>111</sup>

67. Mr Saunders said that there was a “bit of a split” in terms of responsibilities for risk at the property and at the Star Entertainment level, but that he ultimately “wouldn’t completely disagree” that important matters relating to risk at The Star Casino were managed at the Star Entertainment level. He said that the split “depends a little bit on the nature of the issue” and whether it was group-wide or property specific.<sup>112</sup>

68. Mr Foster agreed that it was fair to say that at this point in time, it was Mr Saunders rather than Ms Vuong who dealt with important risk issues at The Star Casino, but “that situation is evolving”.<sup>113</sup> Mr Foster stated that his expectation as to the evolution of that was as follows:<sup>114</sup>

I have had discussions with both the Manager and the Commission and certainly Sydney is the priority in this regard, but having seen a lot more over the last month or so in terms of the operations and with the imminent appointment of a permanent CEO with significant capability and experience, I am very keen to evolve to a point where there is very significant shift in the business model, which was always the intent, to create an end-to-end business model in the properties with a shared services from the group, where appropriate, but aligned to the needs of each property and supported by a slimmer corporate core. So that would see full end-to-end accountability with all the appropriate roles and functions within each property and the appropriate delegations and authority of the relevant CEO. So those planning processes in organisational design is already underway.

69. Thus, although, as referred to in Chapter 5, recommendation 29 of the 2022 Report (that there be a risk officer focused exclusively on risk management for The Star Casino) has been implemented, the Head of Risk, Star Sydney needs to have more senior and independent responsibility for risk management at The Star Casino. This should include a reporting line to the CEO of The Star.

### **Chapter 7.5 The Compliance Committee for The Star Casino**

70. As referred to in Chapter 5, recommendation 30 of the 2022 Report was that the Authority take steps to ensure that the operator of The Star Casino has a Compliance Committee, with a majority of independent members. It was recommended that the Compliance Committee have responsibility for (among other things) monitoring the casino operator’s compliance with its various statutory and licence obligations and reporting to the casino operator any breach of any relevant regulatory requirements or the terms of the casino licence.

71. The Compliance Committee was first established by The Star on 12 October 2022.<sup>115</sup> On 31 March 2023, Compliance Committees were also established for each of the casinos in Brisbane and Gold Coast. The three committees run separately but have the same members.<sup>116</sup>

### **Initial establishment of Compliance Committee in late 2022**

72. On 12 October 2022, the Board of The Star established a compliance committee that would comprise a majority of independent (i.e. non-executive) directors and approved a charter for that committee.<sup>117</sup> The Board of Star Entertainment was also informed of the establishment of the committee on 21 October 2022. It was noted that:<sup>118</sup>

The Board is requested to note that while [The Star] Compliance Committee was established on 12 October 2022, it is unable (sic) commence operating fully under the provisions of its Charter until [The Star] has the requisite number of independent directors (being at least two).

[The Star] is committed to addressing the issues identified in the Bell Report so that it may continue to hold its licence. Accordingly, while it is intended that [The Star] Compliance Committee will commence to operate pursuant to its Charter as soon as there is a sufficient number of independent persons approved to be appointed as directors by the relevant regulator, [The Star] is considering how to progress the work of the Compliance Committee while requisite regulatory approvals are being sought.

In addition, in anticipation of receiving such approvals, procedural matters such as establishment of forward agendas and meeting dates, and governance considerations such as assurance and reporting processes, have commenced and are progressing.

73. In response to that paper, among other things, the Board of Star Entertainment suggested that management obtain the Manager's views on the role of the Compliance Committee. The Board of Star Entertainment otherwise approved the establishment of the Compliance Committee.<sup>119</sup>

74. By its letter dated 16 January 2023, the NICC required The Star to establish a separate Compliance Committee by 31 March 2023, comprising a majority of independent members and chaired by an independent member, with a Committee charter adopted at inception.<sup>120</sup>

75. On 13 February 2023, the Manager wrote to The Star regarding, among other things, the proposed composition of the Compliance Committee. That letter stated:<sup>121</sup>

Star's present proposal is to appoint Michael Issenberg, David Foster and Robbie Cooke to the subsidiary boards for Star's 3 properties and to the compliance committee for each of those boards.

As discussed with you on Friday (10 February), a more appropriate structure for this committee may be:

- Two [Non-Executive Directors]’s from the Group Board (currently proposed to be David Foster and Michael Issenberg)
- An independent Chair (i.e. independent of [Star Entertainment] and not on the Group Board)
- It is not appropriate for Robbie Cooke to be a member of this Committee, rather he is accountable for compliance obligations as the CEO and in that context would report to the Committee.
- There would be a Compliance Committee for each property – albeit currently only a NSW requirement.

76. On 21 February 2023, Mr Heap wrote to the NICC stating that three Compliance Committees would be established for each of the properties effective 31 March 2023. Mr Heap also indicated that the members would be Ms Thornton as Chair (subject to regulatory approval), Mr Foster and an external appointee who was yet to be determined but would be discussed with the NICC prior to appointment.<sup>122</sup>

77. The NICC responded to Mr Heap on 27 February 2023 with a series of questions, including as to the distribution of responsibilities between the Boards of The Star and Star Entertainment. No comment was made in relation to the proposed membership of the Compliance Committee.<sup>123</sup> Mr Heap provided a response on 2 March 2023 which stated, among other things, that the Board of The Star was concerned with statutory functions, including the approval of financial accounts and changes to officeholders; in contrast, it was the Board of Star Entertainment which was responsible for considering all matters related to the licence for The Star Casino. Mr Heap also indicated that it was proposed that the Compliance Committee would report to the Board of Star Entertainment.<sup>124</sup>

78. Following that response, on 8 March 2023, the NICC advised The Star that it had no concerns about the proposal regarding the Compliance Committee.<sup>125</sup> No comment was made as to the proposed reporting line to the Board of Star Entertainment rather than to The Star, nor as to the appropriateness of the Committee’s members comprising two non-executive directors and one external member independent of Star Entertainment.

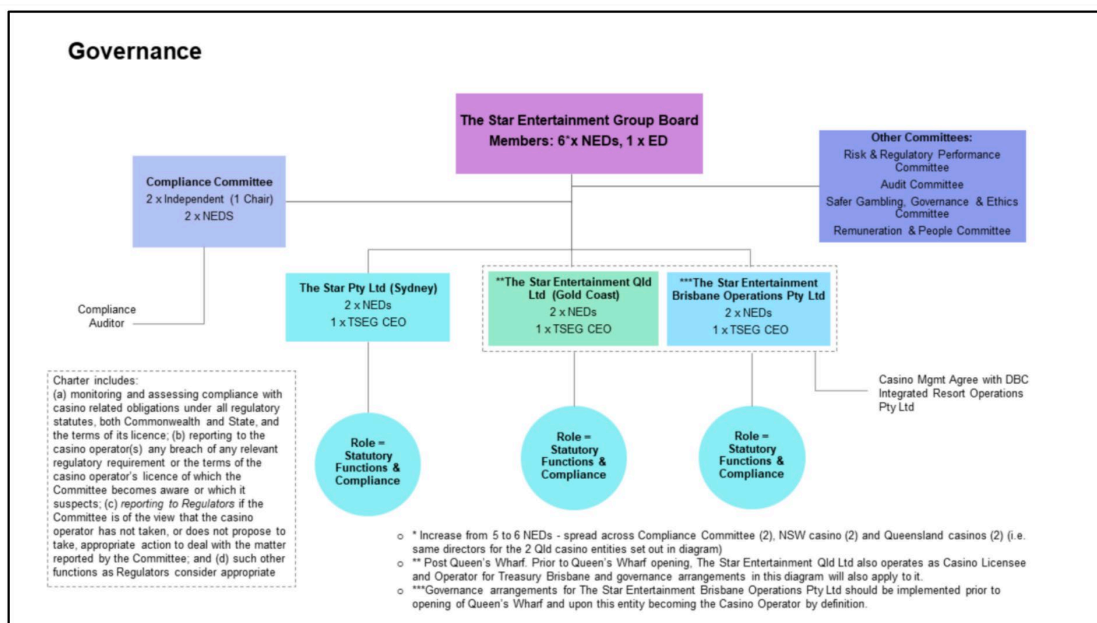
79. On 31 March 2023, The Star wrote to the NICC to provide a copy of the charter for the Compliance Committee, approved by The Star Board on 12 October 2022. That charter noted that the Committee was to be comprised of three members, “the majority of whom

must be independent from management”, would meet a minimum of four times a year and would report to the Boards of both The Star and Star Entertainment.<sup>126</sup>

**Incorporation of the Compliance Committee in ICMs**

80. On 6 April 2023, the NICC wrote to The Star advising that it intended to introduce a new control into The Star’s ICMs requiring it to establish and maintain a Compliance Committee, in line with recommendation 30 of the 2022 Report.<sup>127</sup> The revised draft ICMs were issued to The Star by L&GNSW on 22 May 2023.<sup>128</sup>

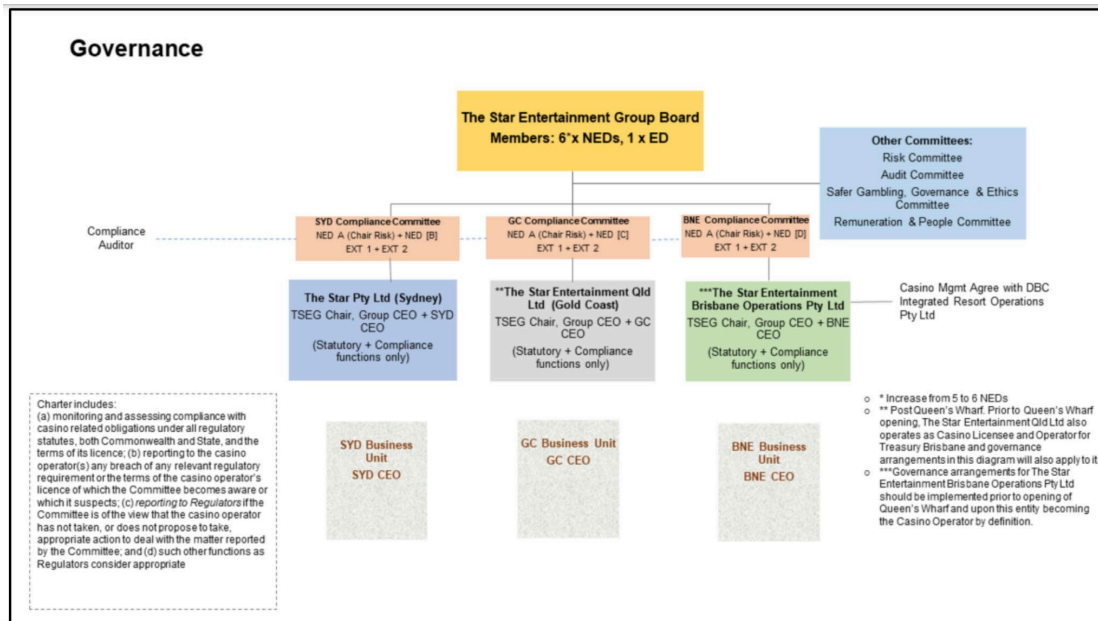
81. On 11 May 2023, Mr Weeks and Mr Cooke had a discussion about the organisational structure for The Star Entities. Following that discussion, Mr Weeks put together an organisational chart and sent it to Mr Cooke for comment. The chart showed the Compliance Committee as sitting between The Star and Star Entertainment:<sup>129</sup>



82. On 16 June 2023, Mr Weeks sent an email to Mr Cooke in respect of the regulators’ views on The Star Entities’ “revised governance structure”. He said that “neither regulator objects to the proposal” but noted the following changes had been made to the organisational chart prepared on 11 May 2023 in respect of the Compliance Committee:<sup>130</sup>

[T]he composition of the sub boards and compliance committees proposed by the company is fine, but we have adjusted the representation of the compliance committees on the chart. We think this placement better reflects the operation of that committee to assist the parent company board with its oversight of compliance of each subsidiary, and the advice / assistance the CC will provide directly to licensee / operator boards in relation to relevant compliance matters.

83. The organisational structure attached to Mr Weeks’ email showed the Compliance Committee sitting above the Board of The Star and reporting to the Board of Star Entertainment. That depiction appears to be inconsistent with a notation which states that the Compliance Committee charter would provide for that committee to report “to the casino operator(s) any breach of any relevant regulatory requirement”. The chart also contained a notation to the effect that the Board of The Star would perform “Statutory + Compliance functions only”.<sup>131</sup>



84. Effective 1 July 2023, “ICM 2: Employees and Staffing” was updated to contain Control 28, which provides as follows:<sup>132</sup>

28. The Casino Operator must establish and maintain a Compliance Committee, which must:

- a) Have a majority of independent members;
- b) Monitor and assess the Casino Operator’s compliance with its obligations under all regulatory statutes relating to the conduct of gaming, both Commonwealth and State, in particular the Act, the Regulation and the terms of its licence;
- c) Report to The Star Entertainment Group Board any breach of any relevant regulatory requirement or the terms of the Casino Operator’s licence of which the Committee becomes aware or which it suspects;
- d) Report to the Casino Regulator if the Committee is of the view that the Casino Operator has not taken, or does not propose to take, appropriate action to deal with the matter reported by the Committee; and
- e) Perform any other functions as the Casino Regulator directs.

85. Notably, Control 28(c) requires the Compliance Committee to report to the Board of Star Entertainment but makes no mention of any reporting to the Board of The Star.
86. Shortly after Mr Weeks' email to Mr Cooke, on 27 June 2023, a paper was presented to the Board of Star Entertainment seeking approval of an updated charter for the Compliance Committee in order to accommodate the new ICM. The only changes made were to expressly refer to Control 28 of ICM 2 and to adopt the language of the ICM in the articulation of the Committee's responsibilities.<sup>133</sup>
87. Mr Weeks sent an email to Mr Cooke and Ms Silfani on 27 June 2023 in advance of the Board meeting, providing his comments on the papers in lieu of attendance. In relation to the Compliance Committee charter, he wrote:<sup>134</sup>

I recognise you want to adopt that charter in a manner that is consistent with [Control 28 of ICM 2]. I think that's fine but it may be that further refinement of this charter is required as the governance model is implemented as part of the remediation work.

88. The Board took the paper as read, and the minutes record that Mr Cooke informed the Board that the proposed membership of the committee was being discussed with the NICC and it was intended that the charter would be further refined once the structure was finalised.<sup>135</sup>

#### **Manager's feedback regarding safeguards for Compliance Committee**

89. On 8 August 2023, Mr Weeks sent an email to Ms Thornton regarding a "suggestion of collapsing the three Compliance Committees into one". He considered that the proposal would not work because the composition of each committee was different. In particular, Mr Weeks appears to have assumed that there would be three members who would be common across the three committees, but that the fourth and final member would be different for each property committee. Mr Weeks also noted that there remained an "important and urgent stream of work" as part of the Remediation Plan to define the role and functions of the Compliance Committee and in particular that the committee "should be focussed on compliance with casino-related regulation, rather than the full spectrum of compliance obligations (OH&S, privacy etc.)".<sup>136</sup>
90. Ms Thornton forwarded Mr Weeks' email to Mr Foster and Mr Cooke and noted that Mr Weeks appeared to have had "a different interpretation" of the composition of the Compliance Committee than The Star Entities, namely Mr Weeks' assumption that each property had one unique non-executive director.<sup>137</sup>

91. On 12 September 2023, Mr Foster wrote to Mr Weeks requesting that he and the NICC consider a proposed adjustment to the composition of the Compliance Committee. Mr Foster proposed that the members for each committee should be common across the properties, those members being Ms Thornton and Mr Hodgson (each subject to regulatory approval), and two independent members (one being Ms Smith-Pomeroy, based in Brisbane, with the other to be determined). Common membership was said to enable “common issues and themes” to be “more effectively and efficiently discussed”.<sup>138</sup>
92. On 27 September 2023, Mr Weeks responded to Mr Foster’s letter. Mr Weeks noted that the NICC and OLGR were open to considering Mr Foster’s proposal, subject to additional information. Mr Weeks stated that:<sup>139</sup>

The Bell report and other casino inquiries called 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. Bell was critical of the absence of close and direct supervision at the local level in Sydney. Similar views were formed in other inquiries involving Crown.

Bell recommended a property based compliance committee in Sydney to ensure direct and close supervision. The Qld regulator wishes to see the same at each of Star’s Queensland casinos. This can be delivered through effective compliance committees and subsidiary casino boards that discharge compliance focussed responsibilities at the local level.

The common membership of the 3 committees proposed by Star has efficiencies for management and committee members, however, there is a risk that the proposal moves the committees (and management in its reporting) toward a homogenised approach to the oversight of Star’s 3 properties. I can easily see this happening in the context of efficiencies of management reporting, meeting attendance and decision-making. This has the capacity to compromise the close and direct supervision sought by regulators.

The information regulators are seeking is a description of the safeguards that Star proposes to implement to ensure that the committees will operate as individual committees, receiving tailored reports and focussing on property-specific issues. The safeguards should include independent assessment of the effectiveness of these committees.

93. On 3 October 2023, Mr Foster sent an email in response to Mr Weeks identifying the ways in which it was proposed the Compliance Committees would ensure a property-level focus. That included the committee receiving reports from the Chief Executive Officer of the relevant property as well as a standard metrics report to be agreed with the Manager.<sup>140</sup> Mr Weeks responded on 11 October 2023 suggesting that some of Mr Foster’s proposals be strengthened, including by having the General Manager Compliance take “an active role in oversight” of the committees and committing to an independent review of the operating effectiveness of the committees by December 2024.<sup>141</sup>



94. On 6 November 2023, Mr Weeks wrote to The Star to state that both the NICC and OLGR were content with The Star’s proposal that the committee comprise two non-executive directors of Star Entertainment and two external members, with membership common across the three property committees. However, that was subject to there being “safeguards...to ensure that the three Committees operate independently and maintain local focus”. Those safeguards were:<sup>142</sup>

- Manager / Monitor will have observer status at each Compliance Committee meeting (for the duration of external oversight).

- Compliance auditor will attend each Compliance Committee meeting and will provide separate property-level reports.

- Separate reports are created for each Compliance Committee, meetings are not merged and minutes are recorded for each Committee

- Property reporting templates for each property to be developed by Star, including:

  - o reference to property-level risk metric tolerances

  - o Individual compliance performance report from the Property CEO and property Head of Risk / Compliance

Format and structure of these reports to be approved by Manager.

- Group GM Compliance will be a standing attendee at each property Compliance Committee meeting. Property level line-one controls team representative will also attend.

- Compliance Committee reports will be tabled at each Property board meeting.

- Approach to compliance reporting to the Group Board reporting is to be developed by Star and approved by Manager before 15 December 2023.

- Development of an annual calendar for each Compliance Committee with focus on specific issues across the year. Such calendar to be developed for 2024 prior to 15 December 2023.

- Independent review of the operating effectiveness of the three Committees to be conducted by December 2024, including by reference to NSW [Control 28 of ICM 2].

95. On 29 November 2023, a paper was presented to a workshop of the Board of Star Entertainment regarding governance arrangements for the casino licensee subsidiaries. It requested approval for a new charter for the Compliance Committee.<sup>143</sup> The minutes for that workshop record that the Board discussed that “the Compliance Committees of the casino licensee entities are to report directly to the Board [of Star Entertainment]”.<sup>144</sup>

96. That is consistent with Ms Silfani’s evidence to the Inquiry that she originally presented a structure for the Compliance Committee which had the Committee reporting to The Star

Board, and The Star Board in turn reporting to the Star Entertainment Board. However, Ms Silfani said that during the workshop Mr Cooke and Mr Foster instructed her to update the structure, before it was presented for approval, such that The Star Board reported to the Compliance Committee and the Committee reported to the Star Entertainment Board.<sup>145</sup>

97. The charter was approved the following day, on 30 November 2023, by way of circulating resolution.<sup>146</sup>

### **The Compliance Committee Charter**

98. The current charter for the Compliance Committee, which has been effective since 30 November 2023 subject only to very minor amendments made on 30 January 2024, provides as follows:<sup>147</sup>

- (a) The role of the Compliance Committee is to provide independent oversight of The Star's compliance with its obligations under regulatory statutes and its casino licence. That includes the implementation of policy and frameworks, delivery of regulatory and legislative change, compliance with the ICMs and the creation of a culture of compliance. Its areas of focus are specified as being customer due diligence, financial crime controls, safer gambling controls, property exclusion processes, incident and breach management, people-related compliance matters including property level licensing and training, and general property risks and compliance indicators.
- (b) The Compliance Committee's members are to comprise two independent non-executive directors of Star Entertainment (one of whom must be the Chair of Star Entertainment's Risk and Compliance Committee) and two external members who are independent of both Star Entertainment and The Star.
- (c) Where the Compliance Committee is aware, or suspects, that there has been a breach of any legislative or licence obligation, the Committee must report that matter to the Board of Star Entertainment. Further, if the Compliance Committee forms the view that The Star has not taken, or does not propose to take, appropriate action to deal with that matter, it must report the matter to the NICC.
- (d) The Compliance Committee will meet at least four times per year, and more frequently if required.

- (e) Each meeting of the Compliance Committee must be attended by the Chief Executive Officer of The Star or their delegate. In addition, a number of people have a standing invitation to attend committee meetings, including (among others) all directors of Star Entertainment, the compliance auditor, the Manager, the Group Chief Executive Officer of Star Entertainment, and the Group Chief Risk Officer of Star Entertainment.
  - (f) The minutes of the Compliance Committee meetings must be submitted to the Boards of both The Star and Star Entertainment once approved. The Chair of the Committee must also provide a verbal briefing about material matters to both Boards following each meeting, and formally escalate and report to Star Entertainment any compliance matters which could have a material adverse impact within 24 hours.
  - (g) The charter is to be reviewed every two years, or more often as required.
99. Amendments to the charter made on 31 January 2024 were intended to address the Manager's feedback that the responsibilities of the Compliance Committee were too broad.<sup>148</sup> A very minor amendment was made to the Compliance Committee's responsibilities as specified in paragraph 3.1.1 of the charter as follows:<sup>149</sup>

Monitoring and assessing the Company's compliance with its obligations under all regulatory statutes ~~relating applicable~~ to the operation of a casino in New South Wales, both Commonwealth and State, in particular the CCA, the CCR (together the Compliance Obligations) and the terms of the Casino Licence.

100. It is not clear whether the amendment described above addressed the substance of the Manager's feedback regarding the breadth of the Compliance Committee's responsibilities.

### **Subsequent feedback from the Manager**

101. On 7 February 2024, Mr Weeks sent an email to Mr Foster and Ms Thornton. He noted that the NICC's approval of the composition of the Compliance Committee was based on a series of safeguards being implemented, as outlined in Mr Weeks' email of 6 November 2023 referred to above. Mr Weeks wrote that:<sup>150</sup>

several of the measures in the note have not yet been addressed, including approvals. It is important that these matters are addressed quickly following tomorrow's meetings.

102. Ms Thornton responded the same day, on 7 February 2024, proposing a meeting to “assess the maturity of the papers” and to ensure that Mr Weeks’ concerns were addressed.<sup>151</sup>
103. Despite that, it appears that by 20 February 2024, Mr Weeks’ concerns had not been addressed. On 20 February 2024, Mr Weeks provided feedback on a number of milestones under the Remediation Plan which he considered had not been completed, contrary to the assessments of The Star Entities and KPMG. In particular, Mr Weeks rejected:
- (a) milestone 1.2.2 (which required a review of the overall Board Committee structure);
  - (b) milestone 1.2.3 (which required governance requirements for the subsidiaries to be documented); and
  - (c) milestone 1.12.2 (which required the adoption of a charter for the Compliance Committee),
- on the basis that several of the requirements set out in his email of 6 November 2023 had not been addressed.<sup>152</sup>
104. The Star Entities were asked by the Inquiry what steps they had taken in response to the Manager’s feedback on those milestones. On 8 April 2024, The Star Entities informed the Inquiry that, in response to the Manager’s feedback contained in his 6 November 2023 email, a number of actions had been or were proposed to be taken.<sup>153</sup>
105. In particular, they said that the Compliance Committee charter was updated effective 30 November 2023 to:<sup>154</sup>
- (a) provide standing invitations for the Manager, the compliance auditor and the Group General Manager Compliance; and
  - (b) provide for reports from the Compliance Committee to be tabled at each meeting of the Board of The Star. By “reports”, and on the basis of the content of the charter, it appears that The Star Entities were referring to the requirement that the minutes of the Compliance Committee and a verbal briefing from the Committee Chair be given to Board of The Star and the Board of Star Entertainment.
106. The Star Entities also said that the Compliance Committee charter addressed the following aspects of the Manager’s feedback, although the charter, as updated on 30 November 2023,

does not appear to address them expressly so it is not clear whether The Star Entities intend to incorporate these matters in future updates of the charter:<sup>155</sup>

- (a) that The Star Casino Line 1 Controls team representatives would attend each meeting of the Compliance Committee;
- (b) that the compliance auditor would provide separate property-level reports to the Compliance Committee. While that does not find reflection in the charter, it is recorded as being a requirement in a paper prepared for the Board of Star Entertainment,<sup>156</sup> and
- (c) that there would be separate reports for each Compliance Committee, with separate meetings being conducted and separate minutes being recorded.

107. Finally, The Star Entities said that the following actions were in the process of being taken in response to Mr Weeks' feedback:<sup>157</sup>

- (a) following the approval of an updated Risk Appetite Statement by the Star Entertainment Board on 1 March 2024, property reporting templates were in the process of being developed. They anticipated those templates would be provided to the Compliance Committee Chair on 26 March 2024 and to the Manager on 28 March 2024;
- (b) again, following the approval of the updated Risk Appetite Statement, proposed compliance reporting metrics were being updated and it was anticipated they would be presented to Mr Weeks for approval by the end of March 2024;
- (c) the annual calendar for the Compliance Committee was being delivered by the Company Secretary as part of the Remediation Plan and was scheduled for discussion and approval at the Star Entertainment Board meeting on 28 March 2024. It appears that the calendar went to the Board for approval on 9 February 2024 and has now been settled, as referred to in paragraph 120 below; and
- (d) an independent review of the operating effectiveness of the three property-level Compliance Committees was scheduled to be completed by 31 July 2024 as part of Milestone 1.2.6 under the Remediation Plan.

### **Membership of the Compliance Committee**

108. At the commencement of the Inquiry, the members of the Compliance Committee (for each property) were:<sup>158</sup>

- (a) Ms Toni Thornton (Chair);
  - (b) Mr David Foster;
  - (c) Mr Peter Hodgson;
  - (d) Ms Karen Smith-Pomeroy; and
  - (e) Ms Helen Galloway.
109. Both Ms Smith-Pomeroy and Ms Galloway are independent members whose only other roles with the Star Entertainment group are as members of the Compliance Committees for the Queensland casinos operated by the group.<sup>159</sup>
110. Ms Thornton, Mr Foster and Ms Karen Smith-Pomeroy were appointed as members of the Compliance Committee by the Board of Star Entertainment on 31 March 2023, with effect from 1 April 2023 (subject to all regulatory approvals being received). At the same time, Ms Thornton was appointed as Chair.<sup>160</sup> Ms Smith-Pomeroy's appointment was initially for a six month period, which was subsequently extended indefinitely.<sup>161</sup>
111. Ms Galloway was engaged to support the Compliance Committee by the Board of Star Entertainment on 18 October 2023, with effect from 1 November 2023, on the basis that she would be formally appointed as a member following regulatory approval.<sup>162</sup>
112. Mr Hodgson gave evidence that he is a member of the Compliance Committee, although the date on which he was formally appointed as a member is not clear.<sup>163</sup> On 18 December 2023, Mr MacDonald, then Star Entertainment's Group Company Secretary, sent an email to L&GNSW advising that The Star Entities intended to appoint Mr Hodgson as a member of each of the Compliance Committees.<sup>164</sup>
113. Ms Smith-Pomeroy was approved by the NICC as a close associate of The Star on 13 December 2023.<sup>165</sup> At the time of the hearings of the Inquiry Ms Galloway had not received the necessary regulatory approval. It appears that, by at least December 2023, The Star Entities intended that Mr Foster would only remain a member of the Compliance Committee until all other members had received those approvals.<sup>166</sup> On 21 June 2024, Mr Foster ceased his executive responsibilities and ceased to be a director of the Star Entertainment Board and its subsidiary companies.<sup>167</sup>

114. Presently, therefore, the membership of the Compliance Committee comprises two non-executive directors of Star Entertainment and two external independent members.
115. It is clear from the circumstances relating to the establishment of the Compliance Committee set out above that the NICC is satisfied that the current composition of the Compliance Committee achieves the necessary degree of independence recommended in the 2022 Report.
116. Ms Ward said that, in light of Mr Foster’s then imminent departure, the Board of Star Entertainment would give consideration to whether to appoint a new member who was independent from Star Entertainment.<sup>168</sup>

### **The current role and reporting lines of the Compliance Committee**

117. At the time of the hearings of the Inquiry, the Compliance Committee for The Star had met on five occasions throughout the Relevant Period, namely on 30 March 2023,<sup>169</sup> 5 May 2023,<sup>170</sup> 14 August 2023,<sup>171</sup> 14 December 2023<sup>172</sup> and 8 February 2024.<sup>173</sup>
118. The meeting on 8 February 2024 was the first time that the Compliance Committee formed a quorum and was able to formally exercise its functions.<sup>174</sup> At each prior meeting, due to some of its members not having obtained the necessary regulatory approval, there was no quorum.<sup>175</sup> At its first meeting on 30 March 2023, the Committee observed that until such approvals had been obtained and a quorum could be formed, “the Committee would not exercise any substantive functions, make any decisions or discharge any materials (sic) responsibilities under its charter”.<sup>176</sup>
119. At the meeting on 8 February 2024, the Compliance Committee received updates on:<sup>177</sup>
- (a) high rated breaches from the interim Chief Operating Officer of The Star;
  - (b) initiatives to strengthen controls from the Group Chief Controls Officer;
  - (c) customer complaints from the Group Chief Customer and Product Officer; and
  - (d) compliance from the Head of Compliance.
120. Six meetings have been scheduled for the Compliance Committee in 2024 in total, including the 8 February 2024 meeting. The subsequent meetings were scheduled for 22 April 2024, 26 June 2024, 6 August 2024, 21 October 2024 and 9 December 2024.<sup>178</sup>

121. The current reporting lines for the Compliance Committee reflect the way risk and compliance issues have to date been dealt with by The Star Entities, which is that those issues are predominantly handled at the Star Entertainment level rather than at the level of The Star Casino. However, The Star Entities should not be criticised for this particular outcome. It is clear from the history of the establishment of the Sydney Compliance Committee set out above that the NICC approved a reporting line from the Compliance Committee to the Star Entertainment Board rather than to the Board of The Star. Indeed, this is the reporting line required by the ICM approved by the regulator.
122. While the Compliance Committee is required to submit its minutes and provide a verbal briefing from the Chair to the Board of The Star, its obligation to escalate internally actual or suspected breaches or materially adverse compliance matters is to the Board of Star Entertainment *only*. This is reflected in paragraph 3.1.2 of the Compliance Committee charter. This is inconsistent with improving close and direct supervision at the level of The Star Casino. It is also inconsistent with The Star’s Constitution, which imposes obligations for compliance on the Board of The Star. To properly discharge those obligations, the directors of the casino operator need to have the Compliance Committee escalating issues of concern to them.
123. Mr Foster told the Inquiry that, while in practice the Compliance Committee had a dual reporting line, there was an “anomaly” in Control 28 of “ICM 2: Staffing and Employees” which would be addressed:<sup>179</sup>

In practice there is a dual reporting line through to The Star’s – the company’s subsidiaries or the casino subsidiaries, plus to the group. There is an anomaly that we have identified quite recently which is within the ICM, which actually details that it reports to the group board rather than the subsidiary board. So we will work with L&G to have that corrected but in practice at the moment it reports to both boards and it is reflected in our governance framework that this is being established.

124. Similarly, Ms Thornton said that the Compliance Committee charter was in the process of being updated and discussions had commenced regarding updating the ICM to refer to the committee reporting to the Board of The Star rather than Star Entertainment.<sup>180</sup>
125. Mr Foster said that it was intended that the “structure will evolve with a much stronger alignment to the property boards” and that the goal was for the Compliance Committee’s “main operation ... [to] be to the subsidiary Board”, with some form of reporting to the Star Entertainment Board.<sup>181</sup>



126. Mr Weeks told the Inquiry that the Compliance Committee was “at the early stages of maturity in terms of the work it is doing in integrating with the broader governance framework for the casino”.<sup>182</sup> That is undoubtedly the case. It is appropriate that there be an assessment of the effectiveness of the Compliance Committee, in order to identify any shortcomings and areas for improvement. The Star Entities have committed to an independent review by 31 July 2024 as part of Milestone 1.2.6 of the Remediation Plan<sup>183</sup> and, in any event, the NICC has required such a review to be conducted by December 2024.<sup>184</sup>

## Chapter 7.6 The Compliance Auditor

### **The role of the compliance auditor**

127. The *2022 Amendment Act* introduced section 131A into the *Casino Control Act*. Section 131A commenced on 5 September 2022 and makes it mandatory for a casino operator to engage a person who has been approved by the NICC as a compliance auditor for the casino.

128. The compliance auditor must be independent and appropriately qualified. The functions of the compliance auditor are to:

- (a) report annually to the NICC on the casino operator’s compliance with its obligations under the *Casino Control Act*, any other State or Commonwealth statute regulating casino operations (including in relation to anti-money laundering and counter-terrorism financing) and the casino operator’s casino licence; and
- (b) give written notice to the NICC at the time of its annual report if the compliance auditor believes that:
  - (i) activity within the casino operations may put the achievement of any of the objects of the *Casino Control Act* at risk;
  - (ii) a contravention of the *Casino Control Act* or any other State or Commonwealth statute regulating casino operations has occurred or may occur; or
  - (iii) any other obligations prescribed by the regulations have been or may be contravened.

129. The NICC may direct the compliance auditor to address other matters when giving notice.

130. The compliance auditor has a standing invitation to attend meetings of the Compliance Committee.<sup>185</sup> Further, a paper prepared for the Board of Star Entertainment refers to the compliance auditor being required to submit a report for The Star Casino specifically at meetings of both the Board of The Star and the Compliance Committee,<sup>186</sup> although that requirement is not reflected in the charters for either the Board or the Compliance Committee.

### **The Star's process to appoint a compliance auditor**

131. On 21 October 2022, the Board of Star Entertainment was asked to approve the establishment of an independent compliance auditor for The Star Casino. The Board was also informed that management had issued a Request for Proposal to three service providers (including Ernst & Young, who advised that they had a conflict because they were Star Entertainment's external auditor).<sup>187</sup>
132. By 10 February 2023, The Star had obtained proposals from KPMG and Promontory in relation to the compliance auditor role. On 13 February 2023, the Manager wrote to The Star indicating that while both appeared to have the relevant experience and capability, KPMG had both historical and current engagements with The Star Entities whereas Promontory would "offer a 'fresh set of eyes'".<sup>188</sup>
133. On 17 March 2023, The Star wrote to the NICC, following a telephone conversation on 13 March 2023, requesting the NICC's approval of the appointment of KPMG as the compliance auditor. The Star provided to the NICC a copy of a proposal from KPMG, dated 14 October 2022.<sup>189</sup>
134. On 9 June 2023, the NICC wrote to Star Entertainment to advise that it would not approve KPMG as The Star's compliance auditor "due to concerns regarding their independence from the casino operator".<sup>190</sup>
135. On 29 August 2023, the NICC advised The Star as to the scope required for the first compliance audit, including that the relevant period for the audit was to be 5 September 2023 to 31 December 2023. Further, the NICC expressed its preference that Crown Sydney and The Star appoint the same compliance auditor, and that Crown Sydney had suggested either Protiviti or BDO.<sup>191</sup>
136. On 20 September 2023, the NICC wrote to The Star regarding the appointment of a compliance auditor, advising that it had approved the appointment of Protiviti as the

compliance auditor for Crown Sydney. The NICC also noted that the contract with Protiviti constituted a controlled contract under section 36(a1) of the *Casino Control Act* and would require approval by L&GNSW.<sup>192</sup>

137. Mr Cooke received a proposal from Protiviti in relation to the compliance auditor role on 29 September 2023. That proposal was shared by Mr Cooke with Mr Weeks on 6 October 2023. That same day, Mr Weeks provided some comments on the proposal to Mr Cooke. In particular, Mr Weeks observed that “there is a lot of work for the compliance auditor” and The Star would need to ensure it had “a decent level of resourcing” available to provide support to the compliance auditor so as to enable them to discharge their obligations to The Star and the NICC.<sup>193</sup>
138. In light of the quote obtained from Protiviti, sometime in October 2023, Mr Cooke contacted BDO to obtain an alternative proposal. However, by 6 November 2023, the NICC had formed the view that BDO had a conflict of interest and was therefore not prepared to consider BDO’s appointment as compliance auditor.<sup>194</sup>
139. On 8 November 2023, Protiviti wrote to The Star stating that it proposed to reduce its fees. A revised proposal was provided subsequently on 14 November 2023 with the fees reduced by some 65%.<sup>195</sup> Subsequently, on 30 November 2023, The Star wrote to the NICC seeking approval of the appointment of Protiviti as the compliance auditor for The Star.<sup>196</sup>
140. On 18 December 2023, the NICC approved the appointment of Protiviti as compliance auditor for The Star, subject to the engagement receiving approval from L&GNSW as a controlled contract.<sup>197</sup>
141. On 22 December 2023, L&GNSW issued interim approval in respect of the controlled contract between The Star and Protiviti while probity investigations were carried out.<sup>198</sup> On 25 July 2024, the NICC informed the Inquiry that L&GNSW, under delegation from the NICC, provided a final no-objection outcome to The Star on 12 July 2024 concerning the controlled contract with Protiviti.<sup>199</sup>

### **Development of scope of Protiviti’s work**

142. On 14 December 2023, Mr Weeks sent an email to Ms Thornton, Mr Saunders and Mr Cooke requesting a copy of the contract between The Star and Protiviti. Mr Weeks also stated that the NICC’s expectation was that it would be involved in the development of the scope of Protiviti’s work and that Mr Weeks was concerned that Protiviti’s draft scope

would not be provided early enough to allow the NICC to be meaningfully involved. At that time, it was proposed that the compliance auditor would report to the NICC by March 2024 and The Star had proposed to present a draft scope to the Compliance Committee in February 2024.<sup>200</sup>

143. The Star Entities informed the Inquiry that on 8 January 2024, The Star and Protiviti entered a Consultancy Services Umbrella Agreement and a work order dated 18 January 2024 to provide a report on its compliance audit of The Star Casino for the period 5 September 2022 to 21 December 2023 to The Star and the NICC by 31 March 2024.<sup>201</sup>

144. Protiviti produced its compliance audit report on 27 March 2024.<sup>202</sup>

145. It is fair to say that Protiviti's role as compliance auditor is at an early stage of maturity. That is not a criticism of Protiviti, nor of The Star. For example, no documents (aside from the compliance audit report) recording Protiviti's reporting to either the Board of The Star or the Compliance Committee have been reviewed by the Inquiry. As such, the effectiveness of the compliance auditor and of the reporting frameworks in place cannot yet be assessed. However, it is likely that in due course the function of the compliance auditor will materially improve compliance and supervision at the level of The Star Casino.

## Chapter 7.7 Directors and Officers of The Star

146. At the commencement of the Inquiry:<sup>203</sup>

(a) the directors of The Star were Mr David Foster (then the Chair of Star Entertainment), Mr Robbie Cookie (then the Managing Director and Chief Executive Officer of Star Entertainment) and Ms Christina Katsibouba (then the Chief Financial Officer of Star Entertainment); and

(b) the company secretary of The Star was Mr Hamish Macdonald (then the Group Secretary of Star Entertainment).

147. All these directors and officers have now departed the organisation. As at 7 July 2024, Ms Ward and Ms Page were the directors of The Star and Mr Neale O'Connell was the company secretary.<sup>204</sup>

148. As set out in Chapter 7.5, in May and June 2023 there were communications between Mr Weeks and Mr Cooke which included feedback from the regulator in relation to the composition of the Board of The Star. These communications culminated in an email from

Mr Weeks to Mr Cooke dated 16 June 2023 which identified an outcome, to which the regulator was said to not object, which identified the composition of the Board of The Star as being the Chair of Star Entertainment, the Group Chief Executive Officer of Star Entertainment and the Chief Executive Officer of The Star.<sup>205</sup>

149. On 21 July 2023, the Board of Star Entertainment approved the proposed composition of the Board of The Star as outlined in Mr Weeks' email.<sup>206</sup>
150. As at the time of the Inquiry's hearings, the Chief Executive Officer of The Star had not served as a director of the Board of The Star. Rather, the third director had been Ms Katsibouba, the former Chief Financial Officer of Star Entertainment. Evidently, in the period since Mr Wharton's resignation, that approach has been necessary given the role was vacant.

### **Chapter 7.8 Role of the Board of The Star**

151. At the time of the 2022 Report, the executives of Star Entertainment who sat on the Board of The Star only met to pass statutory accounts and for other formal purposes. All key decisions affecting The Star were made by the Board and senior management of Star Entertainment.
152. Despite the criticisms that were made in the 2022 Report regarding that approach to the role of the Board of The Star, there was little substantive difference in the role of the Board of The Star by the time of commencement of this Inquiry.
153. Up until the time of the Inquiry's hearings, the Board of The Star had met on five occasions, namely on:
- (a) 6 October 2022,<sup>207</sup>
  - (b) 12 October 2022,<sup>208</sup>
  - (c) 16 October 2022;<sup>209</sup>
  - (d) 27 October 2023;<sup>210</sup> and
  - (e) 13 February 2024.<sup>211</sup>
154. The meetings on 6 October 2022<sup>212</sup> and 27 October 2023<sup>213</sup> were solely concerned with the approval of the financial report for the relevant financial year. The meetings on 12 October

2022<sup>214</sup> and 16 October 2022<sup>215</sup> were concerned with the 2022 Report and in large part involved endorsing or authorising steps that had been or were proposed to be taken by Star Entertainment in response to that report.

155. The first, and only, substantive meeting of the Board of The Star during the Relevant Period was the meeting on 13 February 2024. The agenda for that meeting indicates that the Board was to discuss governance arrangements and was to receive updates on The Star Casino from the Chief Executive Officer of The Star; on compliance from the Head of Compliance; and on finance from the Group Chief Financial Officer.<sup>216</sup>
156. Each of Ms Ward,<sup>217</sup> Ms Page,<sup>218</sup> Ms Issenberg,<sup>219</sup> Mr Hodgson,<sup>220</sup> and Ms Thornton<sup>221</sup> gave evidence that they did not regard that as satisfactory.
157. In 2023, during which there was only one meeting of the Board of The Star, the Board and Board Committees of Star Entertainment met in excess of 120 times.<sup>222</sup> It is plain that all important issues relating to The Star Casino were therefore continuing to be dealt with by Star Entertainment rather than by The Star.
158. As set out in Chapter 7.5, on 2 March 2023 the then Chair of Star Entertainment informed the NICC that the Board of The Star was concerned with statutory functions, including the approval of financial accounts and changes to officeholders, while it was the Board of Star Entertainment which was responsible for considering all matters related to the licence for The Star Casino. The NICC did not raise any concerns regarding that division of responsibility at that time.<sup>223</sup>
159. On 29 November 2023, a paper was put to Star Entertainment seeking approval of a Board charter for The Star (as well for the Compliance Committee for The Star Casino, which is dealt with at paragraph 95 above). The paper noted that:<sup>224</sup>

Historically, although the [Casino Licensee] Subsidiaries have various obligations and responsibilities under the respective casino licences, the [Casino Licensee] Subsidiaries had limited corporate governance practices and limited corporate governance infrastructure (policies, processes, etc).

As part of the uplift to corporate governance practices across The Star's corporate structure, the proposed new Board Charters for each of the [Casino Licensee] Subsidiaries are set out in Appendices A to C, which include clear reporting/escalation lines to The Star Board (or relevant Board standing committee).

160. The minutes for a workshop at which that paper was discussed record that the Board's feedback was as follows:<sup>225</sup>

- the casino licensees<sup>[1]</sup> subsidiaries historically do not have operating boards and the directors generally only meet for the purpose of approving annual financial reports;
- it is not necessary for the casino licensees to hold regular meetings of directors as decisions regarding operational matters are typically made by the Board at the parent company level – the proposed governance arrangements have been developed based on this approach and the Board had understood that the regulators are comfortable with this arrangement; and
- the governance arrangements should reflect a delegation from the boards of the casino licensee subsidiaries to the parent company Board to discharge authorities on their behalf.

161. On 9 February 2024, the Board of Star Entertainment resolved to adopt an annual cadence for meetings of the Board of The Star which required meeting twice a year.<sup>226</sup>
162. On 14 February 2024, at a fortnightly meeting between the Transformation Office and the Manager’s team, Ms Hamilton (one of Mr Weeks’ reports) raised an issue regarding the minutes for the 29 November 2023 Star Entertainment Board workshop, which recorded that “it is not necessary for the casino licensees to hold regular meetings of directors as decisions regarding operational matters are typically made” at the Group level. Ms Hamilton noted that feedback would be provided on those statements, as it was “not aligned to the external reviews, OLGR and NICC expectations and the target state”.<sup>227</sup>
163. That issue was tabled for discussion at the next meeting of the group on 21 February 2024, which was attended by (among others) Mr Weeks, Ms Ivanoff, Ms Silfani and Mr MacDonald.<sup>228</sup> The minutes record the following discussion:<sup>229</sup>

[Mr MacDonald] commented that while he is newer to The Company and has not had the benefit of earlier discussions, he acknowledged the feedback and responded by,

- Agreeing there appears to be a disconnect between the Board and regulators’ expectations on the frequency of the Subsidiary Board meetings
- Outlining his understanding that the Board’s position is for the Subsidiary Board to carry out statutory and compliance activities, and for the Subsidiary Board to meet less frequently as Group Board will provide additional oversight
- Noting that at the recent round of Subsidiary Board meetings, David Foster (DF) has taken an action to revisit the Charters in response to The Manager’s feedback

[Mr Weeks] acknowledged [Mr MacDonald]’s response, noting a meeting scheduled by DF on Mon 19 Feb 24 to discuss with [Mr Weeks] had to be cancelled, and stated this approach is not acceptable to regulators and the role of Subsidiary Boards needs to be revisited

[Ms Hamilton] further noted that Subsidiary Boards should be independent with full oversight at the subsidiary level per the Bell review, and that they would not be comfortable with a delegation from the Subsidiary Boards to the Group Board

- [Mr Weeks] clarified that while regulators were happy to accommodate differences between The Star as a listed company and Crown as a private company, and therefore The Star does not require full independent members on the Subsidiary Boards, they do expect more frequent board meetings.

...

[Ms Dua, Regulatory Partnerships Manager] sought clarity on the next steps,

- [Mr MacDonald] confirmed he will discuss with [Mr Foster], and suggested for [Mr Weeks] to subsequently meet with [Mr Foster] to agree way forward, after which [Mr MacDonald] will address and operationalize the feedback.

- [Mr Weeks] agreed.

164. As identified in Chapter 7.5, these concerns were also reflected in the Manager’s feedback on 20 February 2024 regarding a number of milestones under the Remediation Plan which the Manager considered had not been completed, contrary to the assessment of both The Star Entities and KPMG. In particular, Mr Weeks rejected:<sup>230</sup>

- (a) Milestone 1.2.3 (which required governance requirements for the subsidiaries to be documented); and
- (b) Milestone 1.12.1 (which required the adoption of a charter for The Star Board).

165. Mr Weeks said, in respect of both milestones, that the minutes of the Board workshop on 29 November 2023 were inconsistent with the findings of the 2022 Report and with Star Entertainment’s defined target state for the governance workstream of the Remediation Plan. Mr Weeks raised action items for The Star Entities to “ensure the role of Subsidiary Boards addresses the findings that casino operators require close and direct supervision and governance”. Mr Weeks said that, at a minimum, that would require the Board to meet “more than twice a year, noting that Compliance Committees meet at least quarterly”.<sup>231</sup>

166. It follows that as at late February 2024, there remained a disconnect between Star Entertainment and its regulators regarding the function of the Board of The Star.

167. During the course of the public hearings of this Inquiry, the directors of Star Entertainment gave evidence regarding how they saw governance functioning at The Star moving forward.

168. Ms Ward said that more should be done in the future to populate the Board of The Star with members who do not have Star Entertainment responsibilities and that it “will be a priority



of mine as Chairman to ensure that the Board and the governance structure is constituted so as to enhance the close and direct supervision of the Sydney business”.<sup>232</sup> Ms Ward agreed that The Star Casino would be a better functioning casino if its leadership had greater autonomy from Star Entertainment and that “activities are underway to move more to that business model”.<sup>233</sup>

169. Ms Page said she “had been forming a view that our corporate structure is not the most appropriate for the type of business that we are operating” and “we need a holding company with fully operating subsidiaries with independent boards and I think that would provide the closer and direct supervision that Mr Bell has previously identified”.<sup>234</sup> Ms Page agreed that not enough had been done since the 2022 Report to ensure close and direct supervision and governance of The Star Casino and that The Star Casino would be a better functioning casino if its leadership had greater autonomy from its ultimate holding company.<sup>235</sup>
170. Mr Hodgson said that “culturally the end to end accountability residing with the CEO of each of the casinos is a very important cultural change”, while acknowledging that there were certain group functions which he would not expect to be decentralised such as Treasury, Finance and internal audit.<sup>236</sup> He accepted that not enough had been done to ensure close and direct supervision and governance of The Star Casino, and that it would be beneficial for The Star if its leadership had greater autonomy from Star Entertainment and was ultimately accountable for everything that happens within the casino.<sup>237</sup> Mr Issenberg agreed with that, at least “[a]t an operational level”.<sup>238</sup>
171. Ms Thornton agreed that The Star Board had remained relatively dormant throughout the Relevant Period.<sup>239</sup> The context for that, she said, was:<sup>240</sup>

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.

172. Ms Thornton’s view on the corporate structure moving forward was that “the subsidiary boards of the various properties ought to have end-to-end accountability of what occurs on that property”, and that “end-to-end accountability for the property CEOs is a very important pillar of that governance structure”.<sup>241</sup> When asked if she agreed that not enough had been done to ensure close and direct supervision and governance at The Star Casino, Ms Thornton said “I would agree it has been a slower process than any of us would have

liked”.<sup>242</sup> She said that her vision for the Board of The Star was for it to be a fully functioning subsidiary Board.<sup>243</sup>

173. Mr Foster agreed that “in practice [it] would have been a better outcome” if The Star Board had met more frequently and that “the ideal model is to have the subsidiary boards fully functioning, overseeing both the compliance and the operations directly”.<sup>244</sup>
174. In their written submissions, The Star Entities accepted that a key element for governance of The Star “is implementing arrangements in respect of the Board of The Star that ensure that it is able to exercise close and direct supervision over the operations of [The Star Casino]”.<sup>245</sup> The Star Entities also accepted that it would be necessary to put in place governance arrangements which ensure that the Board of The Star is fully functioning and is not merely ancillary to the Board of Star Entertainment.<sup>246</sup> However, The Star Entities justifiably submitted that “it is also important to maintain sufficient links between The Star and the wider Star Entertainment group so that The Star is able to utilise and obtain learning and resources from the wider group and so that a uniform approach to common issues can be applied across the group”.<sup>247</sup> This would be to ensure coherence of strategy and culture between Star Entertainment and The Star and also to allow The Star to have the benefit of group-wide functions such as finance, treasury and internal audit.<sup>248</sup> The Star Entities also made the point that implementing an AML/CTF framework is most efficiently done on a group wide basis.<sup>249</sup>
175. To that end, the written submissions of The Star Entities focused on the composition of the Board of The Star. The Star Entities proposed<sup>250</sup> that the Board of The Star comprise:
- (a) *first*, two independent directors who are not directors of Star Entertainment or otherwise connected to the management of Star Entertainment or The Star;
  - (b) *secondly*, the CEO of The Star;
  - (c) *thirdly*, two non-executive directors of Star Entertainment; and
  - (d) *fourthly*, the CEO of Star Entertainment (who is also its managing director).
176. As set out in Chapter 3, the NICC was satisfied with the independence of the Board of Crown Sydney on the basis that:
- (a) The number of board members for Crown Sydney would be a minimum of two directors and a maximum of six directors.

- (b) Of the number of directors, the majority must be independent.
  - (c) A director would be considered independent if they are a non-executive director who is not a member of management and who is free of any interest, position, association or relationship that might influence, other than as a director of Crown Resorts, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgment to bear on issues before the board and to act in the best interests of the company and their shareholders generally.
  - (d) In assessing independence, the Board would also have regard to the independence criteria set out in Principle 2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4<sup>th</sup> Edition).
  - (e) The Board would regularly conduct an assessment to ensure a majority of the directors remain independent.
  - (f) A quorum for a meeting of the Board would be three directors, a majority of whom must be independent non-executive directors.
177. In order to fill the 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, Chapter 26 of the 2022 Report considered an option of ensuring that a majority of the directors of the company operating the casino be independent. This option was not recommended because the Chair of Star Entertainment at the time, Mr Heap, identified problems with a group of companies having an independent Board for the subsidiary operating the casino in that it created complexity in terms of responsibility for strategy and governance between the Board of the subsidiary and the Board of the holding company.<sup>251</sup> For that reason the option which was recommended in the 2022 Report was for the company operating the casino to have a compliance committee separate from its Board with a majority of independent members in order to monitor the operator's compliance with relevant legislation and licence conditions.<sup>252</sup>
178. The recommendation in the 2022 Report has not achieved the desired outcome. One reason for that is that the Compliance Committee is only at an early stage of maturity and has not reported to the Board of the casino operator as was recommended. Another reason is that the Board of the casino operator has essentially continued to function as it did at the time of the 2022 Report, meeting very infrequently and essentially only fulfilling statutory and

other formal functions. As recently as November 2023 the minutes of the workshop attended by the members of the Board of Star Entertainment reveal that the directors endorsed an approach in relation to the Board of the casino operator for it to only meet for the purpose of approving annual financial reports and for it not to have an operational role.

179. What has been overlooked is that the members of the Board of the casino operator in NSW already have obligations under The Star's Constitution to ensure compliance with The Star's casino licence and with regulatory agreements. Whilst acknowledging the force of the points made in The Star Entities' written submissions concerning the benefits of group-wide functions and the need to ensure coherence of strategy and culture among companies in the group, there is no inconsistency between achieving these aims and for the Board of the casino operator to be responsible and accountable for ensuring that the operations of The Star Casino are compliant with its licence and regulatory agreements as required by The Star's Constitution.
180. The Star Entities accepted in their written submissions that the Board of The Star should be fully functioning and exercising close and direct supervision of the operations of The Star Casino. This is essential if The Star is to remain the operator of The Star Casino. It would require the Board of The Star to meet regularly to fulfil its obligations. As noted in Chapter 7.5, six meetings have been scheduled for the Compliance Committee in 2024. It would be desirable for meetings of the Board of The Star to have a similar cadence to meetings of the Compliance Committee.
181. There is clearly also a need for the Board of The Star to have a measure of independence from Star Entertainment. It is neither necessary nor desirable to recommend too prescriptive an approach to the composition of The Star's Board. However, if the NICC decides that The Star should remain as the operator of The Star Casino, then the independence requirements for the Board of The Star should be no less rigorous than those which the regulator has required for Crown Sydney.
182. In order to ensure that any requirements imposed by the NICC in relation to the Board of The Star are effectively met and are entrenched, it is recommended that this occur by requiring The Star Entities to appropriately amend The Star's Constitution.

### **Chapter 7.9 Assessment of the Management and Governance of The Star**

183. One of the key findings in the 2022 Report was that there was a lack of close and direct supervision at the level of The Star Casino, which had allowed the misconduct identified in

that report to occur and to occur without detection for as long as it did. The recommendations made in the 2022 Report were directed, in part, to remedying that lack of supervision, including the recommendations that there be a dedicated risk officer focused on The Star Casino and that there be a compliance committee comprised of independent members to monitor The Star Casino's compliance with its statutory and licence obligations.

184. Notwithstanding the findings and recommendations of the 2022 Report, in the Relevant Period there has been little improvement in the level of close and direct supervision at the level of The Star Casino. Instead:
- (a) for a significant portion of the Relevant Period, between 28 April 2023 and 25 February 2024, there was no Chief Executive Officer for The Star. The directors of Star Entertainment accepted that it took them too long to secure an appointment to that role, and that the lack of leadership contributed to the failings identified in the course of the Inquiry;
  - (b) while there has been a Head of Risk for The Star since 20 October 2022, that role still is in the very early stages of its maturity. In practice, important risk issues – including issues peculiarly and singularly related to The Star Casino in Sydney – continue to be managed at the Star Entertainment level;
  - (c) to date, there has been no one at the level of The Star Casino responsible for leading regulatory engagement with The Star's NSW regulators;
  - (d) whether the result of a deliberate decision or an oversight, important Line 1 functions such as Safer Gambling do not have any reporting line, dotted or otherwise, to The Star leadership team;
  - (e) the Compliance Committee's only formal escalation pathway has been to the Board of Star Entertainment rather than to The Star;
  - (f) whether the Compliance Committee is functioning efficiently and in a manner capable of improving the level of close and direct supervision at The Star Casino is presently unclear. Despite having been established on 12 October 2022, it was not able to form a quorum until 8 February 2024 and it is not apparent that the Compliance Committee has utilised that period of delay to develop and implement

informal reporting rhythms or processes in order to set the Compliance Committee up for success; and

- (g) for the whole of the period until the conclusion of the hearings of the Inquiry, the Board of The Star comprised only non-executive directors and senior executives of Star Entertainment. Further, the Board met only five times throughout that period and has continued to have a limited focus on discharging statutory obligations. Despite the directors giving evidence to the Inquiry that they envisioned a different role for the Board moving forward, as recently as November 2023, the Board of Star Entertainment had endorsed the concept that the Board of The Star would continue to have only a statutory function, meeting only two times a year.

185. Despite the recommendations and themes in the 2022 Report, in every area of activity reviewed by the Inquiry, since 2022 there has been a concentration of power and responsibility for the affairs of The Star at the Star Entertainment group level rather than at the level of the casino operator. This concentration of power at the group level has contributed to the deficiencies in governance at The Star examined during the course of the Inquiry and to the failure to implement the necessary cultural renewal.

186. The following recommendations are made in order to address governance issues which have continued to contribute to a lack of close and direct supervision at the level of The Star Casino. These recommendations reflect a state of affairs at The Star Casino in which it is the leadership of the casino operator which is accountable and responsible for the operation of The Star Casino and compliance with its licence and regulatory agreements. These recommendations are only relevant if the NICC decides that The Star should remain the licensee of The Star Casino.

187. The following recommendations are relevant if the NICC decides that The Star should remain the operator of The Star Casino.

188. **Recommendation:** The NICC take steps to require The Star Entities to amend the Constitution of The Star so as to:

- a) impose requirements for the independence of the Board of The Star which are no less rigorous than the requirements for independence of the Board of Crown Sydney

which the NICC determined to be satisfactory in its Suitability Assessment Decision in relation to Crown Sydney dated 23 April 2024;

- b) update, to the extent considered necessary, the duties of the directors of The Star specified in the Constitution to emphasise their responsibility to use their best endeavours and to take all reasonable steps to ensure that the operations of The Star Casino comply with the conditions of The Star’s casino licence and all regulatory agreements with the NICC; and
- c) specify an appropriate cadence for meetings of the Board of The Star which is consistent with the discharge by the directors of The Star of their legal obligations.

189. **Recommendation:** The NICC take steps to update Control 28 of “ICM 2: Staffing and Employees” to require that the Compliance Committee of The Star has a reporting and escalation pathway to the Board of The Star.

190. It is also considered appropriate and necessary that there be an independent review of the Compliance Committee. However, in circumstances where the NICC has already communicated to The Star Entities that it requires such a review to be conducted by December 2024, no formal recommendation in that regard is made.

# Endnotes

- <sup>1</sup> **Exhibit A-1060** (STA.8000.0005.0001).
- <sup>2</sup> Ibid.
- <sup>3</sup> **Exhibit A-264** (INQ.5002.0002.0001 at .0163-.0165).
- <sup>4</sup> **Exhibit A-266** (INQ.5002.0002.0614 at .0836).
- <sup>5</sup> ASX Announcement: Senior Executive Appointment, 20 July 2022.
- <sup>6</sup> **Exhibit B-481** (INQ.5000.0003.0006 at .0010).
- <sup>7</sup> ASX Announcement: Executive Team Update, 3 April 2023.
- <sup>8</sup> **Exhibit B-481** (INQ.5000.0003.0006 at .0009-.0010).
- <sup>9</sup> Ibid at .0010.
- <sup>10</sup> Ibid at .0010-.0011.
- <sup>11</sup> Ibid at .0011.
- <sup>12</sup> **Exhibit A-1088** (MGR.0001.0001.3706 at .3706).
- <sup>13</sup> Ibid.
- <sup>14</sup> Ibid at .3707.
- <sup>15</sup> Weeks: Day 1, T48.4-17.
- <sup>16</sup> Weeks: Day 1, T51.19-23.
- <sup>17</sup> **Exhibit A-1131** (MGR.0001.0001.3776 at .3776).
- <sup>18</sup> Ibid at .3777-.3778.
- <sup>19</sup> Weeks: Day 1, T50.21–35.
- <sup>20</sup> Weeks: Day 1, T54.3–9.
- <sup>21</sup> Weeks: Day 1, T54.1–9.
- <sup>22</sup> **Exhibit B-481** (INQ.5000.0003.0006 at .0012).
- <sup>23</sup> **Exhibit A-1454** (MGR.0001.0001.0001 at .0025-.0026); **Exhibit A-1745** (MGR.0001.0001.0039 at .0039-.0040).
- <sup>24</sup> **Exhibit A-2150** (STA.8100.0066.1187 at .1188-.1189).
- <sup>25</sup> **Exhibit A-2148** (STA.8100.0066.1099 at .1105).
- <sup>26</sup> Weeks: Day 1, T93.33-41.
- <sup>27</sup> ASX and Media Release: The Star Appoints Sydney CEO, 25 January 2024.
- <sup>28</sup> ASX Announcement: Formal Appointments of Interim Group Chief Financial Officer of The Star Entertainment Group Limited and Chief Executive Officer of The Star Sydney, 15 July 2024.
- <sup>29</sup> **Exhibit A-2445** (STA.8000.0077.1212).
- <sup>30</sup> Ward: Day 9, T690.24.
- <sup>31</sup> Page: Day 9, T728.10.
- <sup>32</sup> Issenberg: Day 9, T766.17.
- <sup>33</sup> Hodgson: Day 10, T792.28.
- <sup>34</sup> Thornton: Day 10, T811.42-44.



35 Humphreys: Day 5, T339.35-38. Mr Humphreys worked from 1997 to 2010 and then from 2015 to today.

36 Humphreys: Day 5, T339.40-45.

37 Page: Day 9, T729.44.

38 Issenberg: Day 9, T767.19.

39 Hodgson: Day 10, T793.1.

40 Thornton: Day 10, T813.32.

41 Weeks: Day 1, T49.43-46.

42 **Exhibit A-2148** (STA.8100.0066.1099 at .1105).

43 Ward: Day 9, T701.40.

44 Page: Day 9, T733.35.

45 Issenberg: Day 9, T770.34.

46 Hodgson: Day 10, T795.47.

47 Thornton: Day 10, T817.2.

48 Foster: Day 7, T562.29-39.

49 ASX Announcement: Formal Appointments of Interim Group Chief Financial Officer of The Star Entertainment Group Limited and Chief Executive Officer of The Star Sydney, 15 July 2024.

50 Foster: Day 7, T557.33–35.

51 The Star Entities’ Written Submissions (Public) dated 15 May 2024 at para [195] – [200].

52 **Exhibit C-189** (INQ.5000.0001.0006 at .0093).

53 ASX announcement: Trading Update, Cost Initiatives and Strategic Review of Sydney, 19 April 2023.

54 **Exhibit A-2485** (STA.8000.0006.0041).

55 (STA.8000.0080.0767); **Exhibit A-897** (STA.8000.0067.0161).

56 **Exhibit A-2469** (STA.8000.0012.0032).

57 **Exhibit A-2485** (STA.8000.0006.0041).

58 Ibid.

59 Ibid.

60 The Star Entities’ Written Submissions (Public) dated 15 May 2024 at para [259].

61 **Exhibit A-2213** (STA.5001.0024.0468 at .0486).

62 **Exhibit B-524** (INQ.5000.0010.0004 at .0004-.0005).

63 Wagemans: Day 4, T268.14-25; **Exhibit A-1997** (STA.8000.0006.0025 at .0028).

64 **Exhibit A-1997** (STA.8000.0006.0025 at .0025).

65 Wagemans: Day 4, T269.20-34.

66 **Exhibit A-1997** (STA.8000.0006.0025 at .0028).

67 **Exhibit B-524** (INQ.5000.0010.0004 at .0004-.0005).

68 Wagemans: Day 4, T270.15-30.

69 **Exhibit A-2945** (INQ.5000.0006.0081 at 0087-.0091).

70 **Exhibit C-257** (STA.8000.0151.0011).

71 Wagemans: Day 4, T303.46-304.7.  
 72 **Exhibit B-524** (INQ.5000.0010.0004 at .0004-.0005).  
 73 **Exhibit A-1997** (STA.8000.0006.0025 at .0028).  
 74 **Exhibit B-524** (INQ.5000.0010.0004 at .0005).  
 75 Ibid.  
 76 **Exhibit C-258** (STA.8000.0154.0011 at .0012-.0013).  
 77 Saunders: Day 6, T385.44-386.10.  
 78 **Exhibit A-1449** (STA.8000.0006.0007 at .0007, .0013).  
 79 Saunders: Day 6, T387.43-388.7.  
 80 Saunders: Day 6, T386.12-19.  
 81 Saunders: Day 6, T386.21-42.  
 82 **Exhibit A-2460** (STA.8000.0010.0895 at .0902).  
 83 **Exhibit A-2461** (STA.8000.0010.0906 at .0909).  
 84 **Exhibit A-2847** (INQ.5000.0006.0012 at .0047).  
 85 Saunders: Day 6, T384.48-385.2.  
 86 **Exhibit C-189** (INQ.5000.0001.0006 at .0057).  
 87 Vuong: Day 4, T305.33-306.1.  
 88 **Exhibit A-1449** (STA.8000.0006.0007 at .0007, .0015).  
 89 **Exhibit A-2485** (STA.8000.0006.0041).  
 90 Vuong: Day 4, T308.28-32.  
 91 Vuong: Day 4, T310.22-37.  
 92 Vuong: Day 4, T311.7-20.  
 93 Vuong: Day 4, T306.33-308.2; **Exhibit A-2851** (STA.8000.0119.0026).  
 94 Vuong: Day 4, T307.39-44.  
 95 See **Exhibit C-85** (STA.5013.0001.0001 at .0003) no mention of the Head of Risk for Star Sydney.  
 96 Vuong: Day 4, T314.27-31.  
 97 Foster: Day 7, T503.38-504.20.  
 98 Saunders: Day 6, T390.24.  
 99 Saunders: Day 6, T390.30-33.  
 100 **Exhibit A-2063** (STA.8000.0037.0001).  
 101 Weeks: Day 1, T100.7-19.  
 102 Vuong: Day 4, T315.15-42.  
 103 **Exhibit A-2063** (STA.8000.0037.0001 at .0003).  
 104 (STA.8100.0047.6282 at .6282-.6284).  
 105 Ibid at .6286.  
 106 Vuong: Day 4, T316.35-317.15.  
 107 Vuong: Day 4, T317.17-32.

108 Vuong: Day 4, T325.25-44.

109 Vuong: Day 5, T337.33-46; **Exhibit A-1335** (STA.8000.0004.1160).

110 Vuong: Day 4, T327.22-44; **Exhibit A-1277** (STA.8000.0004.0258).

111 Vuong: Day 4, T318.14-21.

112 Saunders: Day 6, T388.15-28.

113 Foster: Day 7, T503.8-14.

114 Foster: Day 7, T503.18-28.

115 **Exhibit A-323** (STA.5012.0001.0002 at .1088); **Exhibit A-362** (STA.5002.0027.2738 at .2837).

116 **Exhibit C-34** (STA.8100.0064.4716 at .4717); **Exhibit A-772** (STA.5002.0025.0066 at .0081-.0083);  
**Exhibit C-189** (INQ.5000.0001.0006 at .0059).

117 **Exhibit A-323** (STA.5012.0001.0002 at .1088-.1094); **Exhibit D-228** (STA.8000.0160.2128).

118 **Exhibit A-362** (STA.5002.0027.2738 at .2837).

119 **Exhibit A-409** (STA.5002.0009.5127 at .5130).

120 **Exhibit A-479** (STA.8100.0073.6481 at .6487).

121 (MGR.0001.0001.0062 at .0063).

122 **Exhibit C-34** (STA.8100.0064.4716 at .4717).

123 Ibid at .4716.

124 **Exhibit C-35** (STA.8100.0064.4719 at .4719-.4720).

125 **Exhibit C-36** (STA.8100.0064.4723 at .4723).

126 **Exhibit A-633** (STA.8120.0001.0082 at .0086-.0087).

127 (STA.8100.0073.0390).

128 **Exhibit B-147** (STA.8105.0001.9033).

129 (STA.8100.0066.5040); (STA.8100.0066.5041).

130 (STA.8100.0065.3142); (STA.8100.0065.3143).

131 (STA.8100.0065.3143).

132 **Exhibit A-1737** (STA.5002.0029.7012 at .7039).

133 **Exhibit A-925** (STA.5002.0029.3149).

134 (STA.8100.0069.2512).

135 **Exhibit A-1118** (STA.5002.0029.5766 at .5768).

136 **Exhibit A-1072** (STA.8100.0064.0686 at .0686-.0687).

137 **Exhibit A-1073** (STA.8100.0064.0689 at .0689).

138 **Exhibit A-1372** (STA.5002.0029.5687).

139 (STA.8100.0063.6113).

140 Ibid.

141 (STA.8100.0077.4463 at .4463-.4464).

142 **Exhibit C-124** (STA.8100.0066.2319); **Exhibit C-123** (STA.8100.0066.2318).

143 **Exhibit A-1737** (STA.5002.0029.7012).

144 **Exhibit A-1928** (STA.5002.0029.7526 at .7528).  
145 Silfani: Day 3 (Private), T21.1-38.  
146 (STA.8000.0044.0082).  
147 **Exhibit C-85** (STA.5013.0001.0001).  
148 **Exhibit A-2945** (INQ.5000.0006.0081 at .0106).  
149 **Exhibit A-2254** (STA.5002.0028.0624 at .0627).  
150 **Exhibit C-169** (STA.8102.0050.4604).  
151 **Exhibit D-120** (STA.8119.0001.0114 at .0114).  
152 **Exhibit A-2850** (STA.8000.0119.0009 at .0010-.0013).  
153 **Exhibit A-2945** (INQ.5000.0006.0081 at .0105-.0106).  
154 Ibid; **Exhibit C-85** (STA.5013.0001.0001).  
155 **Exhibit A-2945** (INQ.5000.0006.0081 at .0105-.0106); **Exhibit C-85** (STA.5013.0001.0001).  
156 **Exhibit A-1737** (STA.5002.0029.7012 at .7014).  
157 **Exhibit A-2945** (INQ.5000.0006.0081 at .0105-.0106).  
158 **Exhibit A-2847** (INQ.5000.0006.0012 at .0048); Hodgson: Day 10, T791.14-16; **Exhibit A-1916**  
(STA.8120.0001.0052).  
159 **Exhibit A-1506** (STA.5002.0029.5584); **Exhibit A-772** (STA.5002.0025.0066 at .0081-.0083).  
160 **Exhibit A-772** (STA.5002.0025.0066 at .0082); **Exhibit A-2847** (INQ.5000.0006.0012 at .0048).  
161 **Exhibit A-1200** (STA.5002.0029.1238); **Exhibit A-1549** (STA.5002.0029.7178 at .7189).  
162 **Exhibit A-1506** (STA.5002.0029.5584); **Exhibit A-1669** (STA.5002.0029.7415 at .7418); **Exhibit A-**  
**2847** (INQ.5000.0006.0012 at .0048).  
163 Hodgson: Day 10, T791.14-16.  
164 **Exhibit A-1916** (STA.8120.0001.0052 at .0052).  
165 NSW Independent Casino Commission, Board meetings and outcomes 2023, available from  
[https://www.nicc.nsw.gov.au/casino-regulation/board-meetings-and-outcomes#anchor-board-meetings-](https://www.nicc.nsw.gov.au/casino-regulation/board-meetings-and-outcomes#anchor-board-meetings-and-outcomes)  
[and-outcomes](https://www.nicc.nsw.gov.au/casino-regulation/board-meetings-and-outcomes#anchor-board-meetings-and-outcomes), accessed 29 July 2024.  
166 **Exhibit A-1886** (STA.8119.0001.0819 at .0819).  
167 ASX Announcement: Update on Leadership Arrangements, 24 June 2024.  
168 Ward: Day 9, T698.47-699.13.  
169 **Exhibit A-2865** (STA.8000.0124.0001).  
170 **Exhibit A-2866** (STA.8000.0124.0004).  
171 **Exhibit A-2867** (STA.8000.0124.0009).  
172 **Exhibit D-229** (STA.8000.0160.2130).  
173 **Exhibit F-19** (STA.8000.0173.0014).  
174 **Exhibit F-19** (STA.8000.0173.0014).  
175 **Exhibit A-2865** (STA.8000.0124.0001); **Exhibit A-2866** (STA.8000.0124.0004); **Exhibit A-2867**  
(STA.8000.0124.0009); **Exhibit D-229** (STA.8000.0160.2130).  
176 **Exhibit A-2865** (STA.8000.0124.0001 at .0002).  
177 (STA.8100.0076.7793); **Exhibit F-19** (STA.8000.0173.0014).

178 **Exhibit A-2216** (STA.5002.0028.0523 at .0525, .0532).  
179 Foster: Day 7, T508.25-34.  
180 Thornton: Day 10, T830.43-48.  
181 Foster: Day 7, T508.36-509.15.  
182 Weeks: Day 1, T100.25-28.  
183 **Exhibit A-2945** (INQ.5000.0006.0081 at .0105-.0106).  
184 **Exhibit C-124** (STA.8100.0066.2319); **Exhibit C-123** (STA.8100.0066.2318); **Exhibit A-1737**  
(STA.5002.0029.7012 at .7013).  
185 **Exhibit C-85** (STA.5013.0001.0001 at .0003); **Exhibit A-1737** (STA.5002.0029.7012 at .7014).  
186 **Exhibit A-1737** (STA.5002.0029.7012 at .7014).  
187 **Exhibit A-362** (STA.5002.0027.2738 at .2797-.2798); **Exhibit A-409** (STA.5002.0009.5127 at .5130).  
188 (MGR.0001.0001.0062 at .0063).  
189 (INQ.5002.0012.0179).  
190 **Exhibit A-870** (STA.5002.0029.0842).  
191 **Exhibit A-2148** (STA.8100.0066.1099 at .1117); **Exhibit C-189** (INQ.5000.0001.0006 at .0090).  
192 **Exhibit A-1402** (STA.5002.0029.5710).  
193 (STA.8100.0063.9287).  
194 **Exhibit A-2148** (STA.8100.0066.1099 at .1117-.1118); **Exhibit C-189** (INQ.5000.0001.0006 at  
.0091).  
195 Ibid.  
196 **Exhibit A-1839** (STA.5002.0029.7894); **Exhibit C-189** (INQ.5000.0001.0006 at .0092).  
197 **Exhibit A-1915** (STA.8000.0029.5425).  
198 **Exhibit A-1957** (STA.8000.0029.5454).  
199 (INQ.5002.0013.0014 at .0014).  
200 **Exhibit A-2223** (STA.8000.0029.5422).  
201 **Exhibit C-189** (INQ.5000.0001.0006 at .0090).  
202 **Exhibit A-2934** (STA.8000.0136.0001).  
203 (INQ.5002.0012.0087 at .0091-.0092, .0096).  
204 (INQ.5002.0012.0134 at .0135-.0136).  
205 (STA.8100.0065.3142); (STA.8100.0065.3143).  
206 **Exhibit A-994** (STA.5002.0029.0751); **Exhibit A-1224** (STA.5002.0029.7145 at .7155-.7156).  
207 **Exhibit D-227** (STA.8000.0160.2123).  
208 **Exhibit D-228** (STA.8000.0160.2128).  
209 **Exhibit D-2** (STA.8000.0160.2136).  
210 **Exhibit E-43** (STA.8000.0160.2138).  
211 **Exhibit A-2851** (STA.8000.0119.0026).  
212 **Exhibit D-227** (STA.8000.0160.2123).  
213 **Exhibit E-43** (STA.8000.0160.2138).

214 **Exhibit D-228** (STA.8000.0160.2128).  
 215 **Exhibit D-2** (STA.8000.0160.2136).  
 216 (STA.5013.0003.0001); **Exhibit A-2851** (STA.8000.0119.0026).  
 217 Ward: Day 9, T690.34.  
 218 Page: Day 9, T730.8.  
 219 Issenberg: Day 9, T767.30.  
 220 Hodgson: Day 10, T793.12.  
 221 Thornton: Day 10, T813.42.  
 222 **Exhibit A-2150** (STA.8100.0066.1187 at .1189).  
 223 **Exhibit C-36** (STA.8100.0064.4723 at .4723-.4725).  
 224 **Exhibit A-1737** (STA.5002.0029.7012 at .7012).  
 225 **Exhibit A-1928** (STA.5002.0029.7526 at .7529-.7530).  
 226 **Exhibit A-2216** (STA.5002.0028.0523 at .0542-.0525).  
 227 **Exhibit A-2420** (STA.8119.0001.1214 at .1217).  
 228 **Exhibit A-2414** (STA.8119.0001.0194); **Exhibit A-2413** (STA.8119.0001.0192).  
 229 **Exhibit A-2476** (STA.8119.0001.1248).  
 230 **Exhibit A-2850** (STA.8000.0119.0009 at .0011-.0013).  
 231 **Exhibit A-2850** (STA.8000.0119.0009 at .0011-.0013).  
 232 Ward: Day 9, T699.38-48.  
 233 Ward: Day 9, T702.34-40.  
 234 Page: Day 9, T754.25-42.  
 235 Page: Day 9, T758.36-46.  
 236 Hodgson: Day 10, T805.8-14.  
 237 Hodgson: Day 10, T807.40-808.11.  
 238 Issenberg: Day 9, T785.1-5.  
 239 Thornton: Day 10, T814.17-20.  
 240 Thornton: Day 10, T813.47-814.5.  
 241 Thornton: Day 10, T826.37-47.  
 242 Thornton: Day 10, T832.4-9.  
 243 Thornton: Day 10, T832.11-16.  
 244 Foster: Day 7, T562.14-35.  
 245 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [207].  
 246 Ibid at para [208].  
 247 Ibid at para [208].  
 248 Ibid at para [213] – [214], [216].  
 249 Ibid at para [215].  
 250 Ibid at para [208].  
 251 **Exhibit A-266** (INQ.5002.0003.0614 at .0836).  
 252 Ibid at .0836-.0837.

**Chapter 8**  
**Compliance by The Star with Relevant Internal Control**  
**Manuals**

## Chapter 8. Compliance by The Star with Relevant Internal Control Manuals

### Chapter 8.1 Introduction

1. Section 124 of the *Casino Control Act* requires a casino operator to implement and comply with ICMs to conduct its casino operations. ICMs are important features of the casino regulatory framework in NSW and must be approved in writing by the NICC.
2. Before 20 December 2018, section 124 of the *Casino Control Act* provided that a breach of an ICM was a breach of the casino operator's casino licence. With effect from 21 December 2018, section 124 also made it an offence for a casino operator to breach its ICMs, in addition to the breach being a breach of the operator's licence.
3. Recommendation 28 from the 2022 Review was that within one year after the date of the 2022 Report, ILGA work with The Star to review all of the ICMs in place for The Star Casino and ensure that the ICMs have a greater level of prescription than the present ICMs in relation to the essential operations of The Star Casino and on the basis that all important control mechanisms for the operations of The Star Casino should be provided for in the ICMs themselves, and not SOPs. Following the release of the 2022 Report, the regulatory responsibility for casinos transferred from ILGA to the NICC. The status of that recommendation is considered in Chapter 5.
4. The Star has 15 substantive ICMs, which are approved internal controls for the purposes of section 124. The current set of ICMs came into effect from 1 July 2023.
5. Sitting beneath the ICMs are SOPs, which do not need to be approved by the NICC. Unlike ICMs, The Star is free to amend its SOPs from time to time as it sees fit without the approval of the NICC, although The Star is required to give notice of any amendments to the NICC within seven days afterward.<sup>1</sup> There is no statutory consequence to The Star breaching an SOP unless that breach can be linked back to a breach of an ICM (e.g. where an ICM incorporates the SOP by reference or otherwise requires compliance with the SOP).
6. The Inquiry considered The Star's compliance with the following ICMs by virtue of paragraph 3.4 of the Terms of Reference:
  - a) ICM 3 Customer Probity;



- b) ICM 11 Cage & Revenue; and
  - c) ICM 12 Anti-Money Laundering & Counter-Terrorism Financing.
7. In addition and in relation to the overall assessment of suitability, the Inquiry considered The Star’s compliance with ICM 13 Responsible Gambling and Exclusions. This arose for consideration as a result of serious misconduct by Guest Support Officers which occurred during the course of the Inquiry.
8. The terms of The Star’s ICMs and SOPs are confidential. For that reason, the substantive terms of the ICMs and SOPs are generally not set out in this Chapter. One exception is paragraph 12 of ICM 13 which relates to The Star’s Time Play Management Standard. Senior Counsel for The Star Entities accepted that this provision should not be considered confidential.<sup>2</sup>
9. ICM 3 arose for consideration in relation to The Star’s procedures to carry out ECDD on a cohort of approximately 25,000 customers following the introduction of The Star’s CRA Model in 2023. There were two separate questions which arose in relation to ICM 3 and the relevant ECDD process. The first question was whether the process adopted by The Star complied with ICM 3. The second question was an examination of the way in which The Star Entities communicated about that matter with the NICC and the Manager. Because it involves a close examination of the terms of ICM 3, the first question, namely whether the ECDD process complied with ICM 3, is considered in a Chapter in the accompanying Confidential Report.

## **Chapter 8.2 ICMs 11 and 12 and the TICO fraud event**

10. The incident known as the “TICO fraud event” occurred in June and July 2023 at The Star Casino. Between 7 June 2023 and 24 July 2023, 43 patrons of The Star Casino received a combined amount of \$3,219,420 to which they were not entitled because of a flaw in Ticket In Cash Out (TICO) machines with coin reject functionality.<sup>3</sup> Eighteen of those patrons were considered persons of interest and deemed to have engaged in deliberate and fraudulent conduct realising about \$3.16 million by conducting approximately 1,800 transactions on the TICO machines.<sup>4</sup>
11. The genesis of this incident was a software issue. If a patron inserted two “Slot Payout Vouchers” into a TICO machine, then both of those vouchers would be paid but only one would be taken by the TICO machine while the second would be dispensed back to the

patron along with payment in respect of both vouchers.<sup>5</sup> The patron could use the unredeemed ticket again and reinsert it into the TICO machine with another ticket and repeat the process.

12. In addition to the software issue just described, the incident revealed several other failures at different levels within The Star. The Star's Investigations Team conducted an investigation into the TICO fraud event and prepared a report afterward, which included the following paragraphs summarising their findings:<sup>6</sup>

The Investigations Team find that there were numerous failures (human, process and technological) that more than likely prevented the fraud from being identified at an earlier opportunity than 24 July 2023.

When considering the consistent visibility of the TICO Balance Errors across both The Cage and Revenue Audit between 7 June and 24 July 2023, and, most significantly, 11 to 24 July which was the peak period of fraud activity, the Investigations Team find that the staff who had visibility from these respective Business Units failed to appropriately escalate, investigate, and raise the increasing TICO Balance Errors.

...

#### Findings

The investigation has disclosed an abundance of human and process failures at [The Star Sydney] that prevented the fraud from being identified, and mitigated, at an earlier opportunity.

When considering the consistent visibility of the TICO Balance Errors across both The Cage and Revenue Audit between 7 June and 24 July 2023, the Investigations Team find the staff who had visibility from these respective Business Units failed to appropriately escalate, investigate and raise the increasing TICO Balance Errors. Multiple opportunities existed for further review to be completed which had the potential to identify the fraud event prior to 24 July 2023. Most prominently being [name] identifying an abnormality on a report during her shift on 13 July 2023 and not raising it until her next shift on either 17 or 18 July 2023, along with the return of the SPV ticket by TICO Cashier to [name] on 22 July 2023 without engaging Surveillance.

#### Visibility of TICO Balance Errors by role

Across the 7 June to 24 July 2023 period, a litany of indicators were present and were both observed and engaged with by numerous employees which should have raised concerns regarding the consistently occurring and increasing value of the TICO Balance Errors being recorded. A summary of indicators which were present and seen by different employee roles were as follows:

- TICO Cashiers observed:
  - TICO receipts printed as part of the TICO Credit process shows a Balance Error value printed.
  - Numerous TICO Cashiers observed Balance Errors on more than one occasion.

- Turn In Transfer Slips for TICO Credit printed and handed in to Main Bank shows a Balance Error value printed.
- TICO receipts printed as part of the TICO full balance process shows a Balance Error value printed.
- Turn In Transfer Slips for TICO Full Balance printed and attached to the TICO full balance report shows a Balance Error value printed.
- TICO cash available to dispense balance decreases on the eview system.
- TICO Cashiers engaged with:
  - TICO Balance Errors printed on TICO receipts when they undertake the ‘receipt issue’ process to input the Balance Error value in Synkros.
  - Filling out ‘Fill Request’ forms to organise cash when completing a TICO fill.
  - Entering the TICO Fill amount into the TICO full balance excel.
- Main Bank Cashiers observed:
  - TICO receipts printed as part of the TICO Credit process shows a Balance Error value printed.
  - Numerous Main Bank Cashiers observed Balance Errors on more than one occasion.
  - Turn In Transfer Slips for TICO Credit printed and handed in to Main Bank shows a Balance Error value printed.
  - TICO receipts printed as part of the TICO full balance process shows a Balance Error value printed.
  - Turn In Transfer Slips for TICO Full Balance printed and attached to the TICO full balance report shows a Balance Error value printed.
- Main Bank Cashiers engaged with:
  - Entering the TICO Balance Error amount into the shift’s MBBS (the figure entered was over [specified amount] on 33 occasions between 7 June and 24 July 2023).
  - Actioning the ‘Fill Request’ forms submitted by the TICO Cashier in order to organise the requested cash to complete the TICO fill or full balance process.
  - Entering the TICO Fill amount into the shift’s MBBS.
  - Entering the TICO Short Pay Receipt amount into the shift’s MBBS.
- Cashier Services Supervisors observed:
  - Increase in TICO Balance Errors posted to the MBBS (a figure of over [specified amount] was viewed on 33 occasions between 7 June and 24 July 2023).
  - Numerous Supervisors observed Balance Errors on more than one occasion.
  - Increase in TICO Fill amounts posted to the MBBS.

- Increase in TICO Short Pay Receipts posted to the MBBS.
- Email sent by [name], Revenue Audit Officer on 18 July 2023 enquiring to the source of the TICO Balance Errors.
- Email sent by [name], Cash Services Supervisor on 18 July 2023 to ecash raising the TICO Balance Errors and requesting ecash to investigate and advise.
- Cashier Services Duty Managers observed:
  - Email sent by [name], Revenue Audit Officer on 18 July 2023 enquiring to the source of the TICO Balance Errors.
  - Email sent by [name], Cash Services Supervisor on 18 July 2023 to ecash raising the TICO Balance Errors and requesting ecash to investigate and advise.
- Revenue Audit Officers engaged with:
  - Increase in TICO Balance Errors posted to the MBBS (a figure of over [specified amount] was viewed on 33 occasions between 7 June and 24 July 2023).
  - Each Revenue Audit Officers saw Balance Errors on between five and seven occasions.
  - Increase in TICO Fill amounts posted to the MBBS.
  - Increase in TICO Short Pay Receipts posted to the MBBS.
  - Email sent by [name], Revenue Audit Officer on 18 July 2023 enquiring to the source of the TICO Balance Errors.

The combination of multiple indicators being overlooked, or perhaps ignored, a lack of ownership to review and take control of the anomaly demonstrates an environment of complacency and a disconnect between staff of varying levels within The Cage.

The disconnect between staff who viewed and interacted with the TICO Balance Errors but failed to raise their existence for review requires immediate addressing

...

...

It is the finding of the Investigations Team that the conduct of staff in positions such as TICO Cashiers, Main Bank Cashiers, Cashier Services Supervisors as well as Revenue Audit Officers who had visibility of the indicators canvassed extensively in this Report must be considered either ‘careless’ or ‘negligent’ in that they were clearly put on notice of the anomalies and failed to act, or acted in a way which was wholly inappropriate (for example, false balancing).

...

In relation to the Revenue Audit Team, bearing in mind their visibility of multiple Balance Errors and their failure to act in a more expedient fashion, the Investigation Team also finds that their belated response was insufficient and ineffective.

13. The Star’s Investigations Team concluded that The Star breached paragraph 32 of ICM 11 between 7 June 2023 and 24 July 2023. Their report did not quantify the number of breaches during that period. Their report also included the following findings:<sup>7</sup>

In the period between 7 June and 24 July 2023 the Casino Operator staff breached ICM 11 Cage & Revenue by failing to:

- Ensure the Casino has an effective system of internal controls and accounting procedures; and
- Ensure the Casino maintains effective accounting records to correctly record and explain the transactions and financial position of the operations of the Casino which is a condition of the Casino Licence.

14. The Star’s Investigations Team also concluded that there had been breaches of six “Tasks” under the relevant SOP (i.e. the “Cage SOP”) in the period between 11 and 24 July 2023.<sup>8</sup> In particular, there had been a failure by staff to identify balance and other errors and to investigate them in a professional or comprehensive manner.<sup>9</sup>
15. On 11 April 2024, the Cashier Services Manager resigned.<sup>10</sup>
16. The Star Entities accepted that in the period between 7 June 2023 and 24 July 2023, The Star’s staff breached ICM 11 in connection with the TICO fraud issue.<sup>11</sup>
17. The Star Entities also accepted that the TICO fraud event involved a breach of control 5 of ICM 12.<sup>12</sup>
18. Several witnesses gave evidence condemning the TICO fraud event. Ms Ward agreed that it represented a serious failure at The Star Casino<sup>13</sup> and each of Ms Page, Mr Issenberg, Mr Hodgson and Ms Thornton gave similar evidence.<sup>14</sup> Ms Vuong agreed that the TICO fraud event was a serious incident, that it appeared to her to involve breach of ICMs relating to the Cage and possibly anti-money laundering<sup>15</sup> and that it “wasn’t escalated as urgently or as appropriately as it could have been to ... stop the bleeding sooner rather than later”.<sup>16</sup> Mr Humphreys accepted that if The Star had followed its ICMs and SOPs, the TICO fraud would have been discovered much sooner<sup>17</sup> and that there were multiple areas of the casino that should have picked up the TICO fraud issue.<sup>18</sup> Ms Townsend agreed that the TICO fraud event revealed at least two important issues, one being a technological one which needed fixing and the second relating to detection or lack thereof for a period of close to two months.<sup>19</sup> Mr Foster and Mr Saunders agreed it was a serious incident.<sup>20</sup>

19. Mr Weeks gave evidence that the TICO fraud “was not identified for some period of time”<sup>21</sup> and said it revealed a “cultural problem in parts of the casino in relation to the level of rigour through which controls are followed, the level of care in which work is conducted, and the desire from people in the business to drill down on things in circumstances where they don’t appear that they are correct”.<sup>22</sup> He “was also concerned about the control environment ... [b]ecause ... balancing the books and counting money was one of those things that I had anticipated the casino would be very good at, having done it for many years”.<sup>23</sup> Mr Weeks also said that he “identif[ied] this event with the company as something that I felt illustrated one of the problems with the absence of new leadership at the casino”.<sup>24</sup>
20. Mr Issenberg said that he was satisfied that processes were now in place to detect any such malfunction more quickly<sup>25</sup> and that additional training had been put in place to ensure proper processes were followed, together with some progress in culture.<sup>26</sup>
21. Mr Hodgson said that a malfunction today would be detected a lot more quickly than the TICO one was.<sup>27</sup> He said, “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”.<sup>28</sup>
22. Ms Thornton said she understood a significant investigation and root cause analysis had been done and that steps are in place to remediate those issues,<sup>29</sup> with a governance uplift underway.<sup>30</sup>
23. In their submissions, The Star Entities said that “[t]he evidence on the TICO fraud issue outlined above was principally in the nature of witnesses’ assessments and opinions as to what caused the TICO fraud issue, the effectiveness of the steps to prevent events of that kind in the future, and the likelihood that such events will recur” and “[t]here is no reason ... not to accept the sincerity of that evidence”.<sup>31</sup> The Star Entities accepted that “it took too long to detect [the TICO fraud event] and the time taken to do so involved human failures”,<sup>32</sup> that “human failures included failures by Cage personnel (including cashiers and supervisors) who acted, at the very least, carelessly, and by members of the Revenue Audit Team, who failed to act expediently”<sup>33</sup> and that “closer supervision of The Star by a property CEO may have reduced the likelihood of the TICO fraud issue from going undetected as long as it did”.<sup>34</sup>

24. The Star Entities' submissions acknowledging that the TICO fraud event involved breaches of ICMs 11 and 12 and the relevant SOP (being the "Cage SOP") should be accepted. The evidence to the Inquiry establishes:
- (a) numerous contraventions of paragraph 32 of ICM 11 during the period from 7 June 2023 to 24 July 2023. The precise number of contraventions cannot be quantified;
  - (b) numerous contraventions of the "Cage SOP" during the period from 11 July 2023 to 24 July 2023. Again, the precise number of contraventions cannot be quantified; and
  - (c) numerous contraventions of paragraph 5 of ICM 12 during the period from 7 June 2023 to 24 July 2023. Again, the precise number of contraventions cannot be quantified.

<p>25. <b>Recommendation:</b> It is recommended that the NICC note the breaches of ICMs 11 and 12 in connection with the TICO fraud and take such action as it sees fit.</p>
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### Chapter 8.3 ICM 12 and cash transactions

26. Paragraph 17 of ICM 12 imposes a number of requirements relating to cash transactions occurring at The Star Casino.
27. Records produced to the Inquiry establish, and The Star Entities accept, that in the period from 1 July 2023 to 19 February 2024, there were repeated contraventions of paragraph 17 of ICM 12, in particular:<sup>35</sup>
- (a) at least 148 breaches of the requirement in paragraph 17(c) of ICM 12;<sup>36</sup> and
  - (b) at least 12 breaches of the requirement in paragraph 17(e) of ICM 12.
28. The Star Entities' submissions in relation to these contraventions of ICM 12 pointed to the following matters:
- (a) a "Source of Funds Enhancements & Considerations" document dated February 2024 provides an analysis of the cause of the breaches of paragraph 17 of ICM 12 and identifies three "agreed enhancements" that were to be implemented by 29 March 2024;<sup>37</sup>

- (b) on 28 March 2024, there was a meeting between representatives of Star Entertainment and L&GNSW.<sup>38</sup> A slide presentation presented at the meeting indicates that the three enhancements had been implemented in early March 2024,<sup>39</sup> and
  - (c) an email dated 8 April 2024 from The Star to L&GNSW noted that The Star had had “no breaches related to SOF declarations since our last meeting”.<sup>40</sup>
29. The number of breaches of paragraph 17 of ICM 12, and length of time over which they occurred (a period spanning several months), suggests that the issue was serious and systemic in nature. It is accepted that steps have now been taken to address the issue and that those steps appear to have produced an effective outcome to date. However, those steps were taken in 2024, despite numerous and repeated contraventions since July 2023.

30. **Recommendation:** It is recommended that the NICC note the breaches of ICM 12 in connection with cash transactions between July 2023 and February 2024 and take such action as it sees fit.

#### Chapter 8.4 ICM 13 and the Guest Support Officer issue

31. Recommendations 17, 18 and 20 from the 2022 Review were as follows:
- 17. The Authority require the operator of The Star Casino to have a Time Play Management standard formalised as an internal control for the purposes of section 124 of the *Casino Control Act* (see Chapter 23).
  - 18. That the operator of The Star Casino’s Time Play Management standard:
    - (a) include a requirement for Electronic Gaming Machines (EGMs) that a patron cannot gamble continuously on an EGM for more than three hours without a 15 minute break;
    - (b) clarify that in any 24 hour period, a patron cannot gamble for more than 12 hours (see Chapter 23).
  - ...
  - 20. The operator of The Star Casino be required to have the Patron Liaison Manager or at least one Guest Support Manager present at The Star Casino at all times when The Star Casino is open (see Chapter 23).
32. By letter dated 16 January 2023,<sup>41</sup> the NICC noted that ICM 13 would “require the presence of two dedicated responsible gaming managers and two responsible gaming officers in the casino precinct”.



33. The Star's Time Play Management standard was formalised in ICM 13 with effect from 1 July 2023.<sup>42</sup> Paragraph 12(a) and (b) of ICM 13 provides as follows:

12. The Casino Operator must:

a) Not allow a customer to play on a gaming machine for more than 3 continuous hours without taking a 15 minute break;

b) Not allow a customer to play a gaming machine or ETG for more than 3 continuous hours without interacting with the customer to determine whether the person requires intervention;

34. These requirements are important for the protection of vulnerable patrons and their families. As the introductory paragraphs of ICM 13 explain:

The primary objects of the Act require that the potential for a casino to cause harm to individuals and families be contained and controlled. One of the primary ways a casino can cause harm to individuals and families is by enabling and allowing customers to experience gambling harm. To this end, the casino is responsible for implementing controls to ensure that customers gamble responsibly.

The model for responsible gambling is generally aimed at minimising gambling harm by ensuring that customers have enough information to allow them to make choices about their gambling, while prohibiting certain practices that might place a person at risk of, or exacerbate, gambling harm.

While many customers experiencing Gambling Harm may respond positively to an informed choice model, some customers, especially those experiencing severe gambling harm, will require active intervention by the Casino Operator and its staff to ensure that the customer is prevented from causing harm to themselves or their families.

A responsible gambling scheme must be backed by effective controls including providing customers with information, detecting customers displaying indicators of Gambling Harm, detecting breaches of exclusion orders, and a range of positive and negative incentives to change behaviours.

These controls are designed to provide reasonable assurance that the material risks associated with gambling harm do not occur or adversely affect the integrity of the casino, including the objective to operate in the public interest.

35. Although there have been some transitional provisions which applied in respect of ICM 13,<sup>43</sup> there has been a requirement from 1 July 2023, for both carded and uncarded guests at The Star Casino, for The Star to comply with paragraphs 12(a) and (b) of ICM 13.<sup>44</sup>

36. On 18 January 2024, two L&GNSW officers observed that a patron at The Star Casino had been playing continuously on an EGM for more than three hours without intervention. They brought to The Star's attention that the patron had played continuously for 3 hours and 41 minutes<sup>45</sup> and they further identified that no Guest Support Officer had interacted with the patron.<sup>46</sup> When The Star's TrackVia system was subsequently checked by the L&GNSW

officers, there was an entry that there *had* been an intervention in the form of a conversation at the three hour mark.<sup>47</sup>

37. The Star Entities instigated an internal investigation dubbed “Operation Falskur”.<sup>48</sup> Initially, an investigation report was produced in respect of the first incident on 22 January 2024,<sup>49</sup> which confirmed that the Guest Support Officer had not interacted with the relevant patron and also that a review of CCTV identified that the Guest Support Officer had not interacted with another seven patrons on that shift, contrary to his entries in TrackVia recording that such interactions had occurred.
38. Following that investigation, a more comprehensive review was undertaken in relation to the Responsible Gaming Team to identify any similar conduct by team members.<sup>50</sup> The Surveillance Team conducted reviews of 11 Guest Support Officers which identified further potential conduct by 10 Guest Support Officers similar to that identified in the first incident.<sup>51</sup>
39. Mr Weeks gave the following evidence:<sup>52</sup>

[I]t became evident reasonably quickly that a practice of falsification of records of interactions with patrons by Gaming Support Officers and potentially others was endemic in that team, in that it appeared to be occurring very often and that a large proportion of the team were involved in that conduct.

The investigation is ongoing. It is not – and it is impeded a little bit by the absence of video or surveillance footage, which is only kept for three months. So I think that obligation commenced on 1 July. The company is only able to look back three months from when the investigation commenced, which I think was December, possibly.
40. On 4 March 2024, Star Entertainment’s Investigations team commenced a broader investigation named “Operation Falskur 2”,<sup>53</sup> which included an extension of the investigation to Guest Support Managers.<sup>54</sup> As at 24 March 2024, the Investigations team had concluded that six other Guest Support Officers had engaged in falsifying TrackVia records<sup>55</sup> and additional incidents involving potential breaches were the subject of ongoing investigation.<sup>56</sup> At the time of the Inquiry’s public hearings The Star Entities’ investigations into this misconduct were ongoing.<sup>57</sup>
41. Mr Weeks said of this issue that “it is very concerning in the current circumstances that such a significant and widespread breach relating to – apparently, based on the information, delivering falsification of records has occurred”.<sup>58</sup> He also said that “equipping and arming

people in the casino with the skills and training required to” protect customers who are susceptible to gambling-related harm is “in its early stages of implementation”.<sup>59</sup>

42. At the time of Mr Wagemans’ evidence on 18 April 2024, the former Patron Liaison Manager told the Inquiry that approximately seven Guest Support Officers had been terminated.<sup>60</sup> Mr Wagemans said that it was “absolutely” a serious thing<sup>61</sup> and that prior to February 2024, there was “[n]ot really” any mechanism to oversee The Star’s compliance with the time-play management rules.<sup>62</sup> Four days later, on 22 April 2024, Mr Saunders told the Inquiry that three similar incidents had been identified at Star Entertainment’s Queensland properties.<sup>63</sup>
43. Counsel Assisting drew the Inquiry’s attention to various matters recorded in the investigation materials regarding time play management.<sup>64</sup> The investigation materials recorded Guest Support Officers’ statements about being “short staffed since day one”,<sup>65</sup> that there was “high workload”, an “inability to be able to physically complete the checks as required”, an “inability of Guest Support Officers to physically complete a high workload of checks”,<sup>66</sup> that “3-hour checks were not a priority and it was an impossibility to keep up with those checks along with the [other required] checks, especially on a busy shift with minimal staff and to just get them done”<sup>67</sup> and that it was “physically impossible”<sup>68</sup> to do their job. One investigation report recorded that a Guest Support Officer gave an example from New Year’s Eve 2023, where “she worked the evening shift with only one other Guest Support Officer”, “around 600 checks were completed throughout that evening between two of them”, “the majority of those being 3-hour conversion checks” and “it would have been physically impossible to conduct this vast number of checks with two [Guest Support Officers] and ... managers would have realised this”.<sup>69</sup>
44. In their written submissions, The Star Entities accepted that:
  - (a) “the problem of staff not engaging with patrons after time play alerts have been raised, as required by ICM 13 control 12, and falsely closing off those alerts, has been widespread among the Safer Gambling team”;<sup>70</sup>
  - (b) the problem is “endemic”;<sup>71</sup>
  - (c) “it is likely that the root causes of that misconduct include systemic problems relating to inadequate resourcing, training and/or supervision of Guest Support Officers”;<sup>72</sup>

- (d) the falsification of records relating to safer gaming interventions reveals a serious risk in relation to responsible service of gaming at The Star Casino;<sup>73</sup>
  - (e) “although there is no excuse for faking records, if people do not have the resources they need, they will struggle to comply with ICM 13”;<sup>74</sup>
  - (f) “if officers are in the situation where they struggle to comply with the ICM because of a lack of resources, there is a risk they will develop a workaround”;<sup>75</sup>
  - (g) “there was, as a matter of fact, a problem with the level of resources in the Safer Gambling team”;<sup>76</sup>
  - (h) “the Time Play Management misconduct resulted in breaches of ICM 13 control 12”;<sup>77</sup> and
  - (i) “the guest support matter is entirely unsatisfactory for a casino operator”.<sup>78</sup>
45. Various witnesses gave evidence to the effect that the time play management issue was entirely unsatisfactory. In particular, Mr Wagemans accepted that:
- (a) “there is a fundamental problem in terms of the resourcing here ... going to the responsible service of gaming in The Star Sydney casino”;<sup>79</sup>
  - (b) there were insufficient resources in the Safer Gambling Team in terms of having enough people to do the checks required by the ICM;<sup>80</sup>
  - (c) there was a problem with supervision;<sup>81</sup>
  - (d) if there were more staff the risk of this misconduct arising would have been reduced;<sup>82</sup>
  - (e) a number of breach reports had been submitted by The Star in relation to failures to comply with minimum staffing requirements;<sup>83</sup>
  - (f) terminating staff due to falsifying records has resulted in even fewer Guest Support Officers;<sup>84</sup> and
  - (g) part of the reason for his own decision to resign was that he did not feel he had sufficient resources to do his job properly.<sup>85</sup>

46. By the time of Mr Wagemans' resignation, there were only seven Guest Support Officers left reporting to him.<sup>86</sup>
47. Ms Vuong told the Inquiry that "what the investigation has revealed is we do have systemic issues with the team not completing the interactions as per our ICMs."<sup>87</sup> Ms Vuong said that the key issues were under-resourcing and inadequate training in the context of implementing a new responsible gaming measure.<sup>88</sup> She said that the issue "was not addressed with the urgency and the attention that it needed".<sup>89</sup>
48. Mr Humphreys agreed that the Guest Support Officer issue revealed a very serious and systemic risk in relation to responsible service of gaming at The Star Casino.<sup>90</sup> He was aware that the Guest Support Officer issue came to light as a result of an inquiry from L&GNSW and not from within The Star. He accepted that this concerned him in terms of risk detection practices at The Star Casino.<sup>91</sup> Mr Humphreys agreed that if The Star Casino had followed its ICMS and SOPs, the issue would not have occurred at all.<sup>92</sup> He also accepted that one of the problems was a lack of resources.<sup>93</sup>
49. Ms Townsend agreed that the Guest Support Officer issue revealed a very serious and systemic risk in relation to responsible service of gaming at The Star Casino.<sup>94</sup> She said that she was not currently satisfied that there are processes in place to make sure that there will be an intervention for patrons who are gaming for three hours or more,<sup>95</sup> but added that she was confident everything would be in place in "a couple of months".<sup>96</sup> She accepted that it concerned her in terms of detection practices that the Guest Support Officer issue came to light as a result of an inquiry from L&GNSW rather than a result of any processes within The Star.<sup>97</sup>
50. Mr Saunders agreed that the Guest Support Officer issue revealed very serious and systemic risk in relation to responsible service of gaming at The Star Casino.<sup>98</sup>
51. Mr Foster agreed that if people do not have the resources they need there is a risk that they will fail to comply with the requirement of intervening at three hours, and that the Guest Support Officer issue reveals an enormous challenge for The Star's responsible service of gaming.<sup>99</sup>
52. Ms Ward accepted:
  - (a) that if there are insufficient resources for guest support managers and officers, it would be difficult for them to complete their tasks;<sup>100</sup>

- (b) that the issue of falsifying TrackVia entries and not intervening at three hours “represents a challenge” for The Star’s responsible service of gaming,<sup>101</sup> and
  - (c) that the Guest Support Officer issue at The Star Casino was a serious failure of systems.<sup>102</sup>
53. Ms Page agreed that the Guest Support Officer issue was a serious issue,<sup>103</sup> that statements by Guest Support Officers about being short staffed revealed important issues relating to resources, and that if people do not have the resources they need, it may be the case that there is a risk of unsatisfactory workarounds being implemented.<sup>104</sup>
54. Mr Issenberg said that the issue related partially to a lack of resources, partially to not having chosen people with the right background to fulfil the role, and partially to a lack of training.<sup>105</sup> It also concerned him that the issue was only discovered by L&GNSW and not someone within The Star.<sup>106</sup>
55. Mr Hodgson and Ms Thornton agreed that if there are inadequate resources there is an increased risk of unacceptable workarounds.<sup>107</sup>
56. In their written submissions, The Star Entities identified steps taken in response to instances of confirmed and alleged Guest Support Officer misconduct. Those steps included, in summary:<sup>108</sup>
- (a) investigations – The Star Entities’ first step was to investigate the matter to seek to identify the scope of the potential problem and the identities of the staff involved;
  - (b) root cause analysis – in parallel with and informed by its investigations, The Star Entities are performing a root cause analysis on the Time Play Management misconduct;
  - (c) terminations of relevant staff involved in misconduct;
  - (d) additional resourcing – The Star Entities have been recruiting new Guest Support Officers and Guest Support Managers, not only to replace Safer Gambling staff whose employment has been terminated but also increasing the capacity of that team;

- (e) establishment of controls to detect misconduct – the Controls team and the Safer Gambling team have developed controls to detect misconduct relating to Time Play Management;
  - (f) uplift program – The Star Entities have established an eight-person team, which includes consultants from Deloitte and PwC, dedicated to reviewing all current processes and identifying whether those processes have been adhered to;
  - (g) training – The Star Entities have commenced an enhanced training program, including a recent uplift of training material, which will be subject to further review so that Safer Gambling processes are adequately documented; and
  - (h) proposed policy changes – the Safer Gambling Line 2 team is developing a process and resources to conduct ongoing Safer Gambling assurance activities over the Star Entertainment group. The team is responsible for monitoring the implementation of the strategy and policies on an ongoing basis.
57. The relevant conduct by Guest Support Officers was systemic and extremely serious. The conduct in question involved repeated contraventions of paragraphs 12(a) and 12(b) of ICM 13 over a protracted period, as well as the dishonest falsification of records to conceal those contraventions. It is not possible to tell how long the breaches of ICM 13 and the dishonest conduct to conceal those breaches have persisted, given that CCTV footage only goes back three months. However, the conduct has occurred from at least January 2024. At least seven Guest Support Officers participated in the misconduct. The misconduct was not detected by The Star but rather by officers from L&GNSW.
58. Although The Star Entities' response to this issue pointed out in their written submissions are appropriate, the fact remains that serious breaches of the time play management requirements in ICM 13 occurred. A primary object of the *Casino Control Act* identified in section 4A, which was introduced by the *2022 Amendment Act*, is to minimise harm to individuals and families from activities associated with gambling in casinos. The relevant time play management standard in the ICM was introduced as a result of a recommendation in the 2022 Report. Failure to check on the welfare of patrons as required by the time play management standards is a serious matter. However, the subsequent deliberate falsification of records by staff of The Star Casino to falsely claim that intervention had occurred when it had not seriously compounded the risk of harm to patrons by making it likely that

intervention would not subsequently occur. This episode has exposed a serious failure of The Star to properly and safely operate The Star Casino as required by the legislation.

59. <b>Recommendation:</b> It is recommended that the NICC note the breaches of ICM 13 in connection with the Guest Support Officer issue and take such action as it sees fit.
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## Chapter 8.5 ICM 3 and ECDD

### *Introduction*

60. ICM 3 is called “Customer Probity”. The controls in ICM 3 are, according to its introductory words, “designed to provide reasonable assurance that the materially significant risks will not occur and adversely affect the integrity of the casino, including the objective to operate in the public interest”. The term “materially significant risks” is defined in ICM 1 (“Introduction & Glossary”) to include “[i]llegal and/or undesirable activities ... at the casino”, and “breaches [of] the law, including the Act, the Regulations, AML/CTF Law, and relevant regulatory approvals”.
61. Without setting out the specific provisions, in broad terms ICM 3 relevantly provides that The Star’s patrons determined to be high-risk must either be subject to ECDD or refused entry to the casino boundary. Also in broad terms, ICM 3 provides that the ECDD process must include source of wealth checks.
62. ICM 3 is supported by an SOP called “AML & CTF Customer Probity: Customer Due Diligence” (**ECDD SOP**).<sup>109</sup> Version 3 of the ECDD SOP came into effect on 1 July 2023.<sup>110</sup> The ECDD SOP contains seven ECDD “measures” (**ECDD Measures**) and provides that each of ECDD Measures 1 to 7 must be performed on all high-risk customers.<sup>111</sup>
63. Version 4 of the ECDD SOP came into effect on 19 September 2023.<sup>112</sup> The reasons for the change from Version 3 to Version 4 or for the timing of the change did not emerge in the hearings of the Inquiry.
64. As previously outlined, the narrative in this Chapter focuses on the communications between The Star Entities, the NICC and the Manager in relation to the relevant ECDD process. The issue of whether that process complied with ICM 3 is addressed in the accompanying Confidential Report.

### *Review of the evidence and submissions*



65. In evaluating the communications between The Star Entities, the NICC and the Manager and the relevant events, an understanding of the context is necessary. In this regard, the way in which the evidence on this topic emerged during the Inquiry was unsatisfactory. No party challenged Mr Weeks' evidence on this topic, even though he was questioned at length on this topic by Counsel Assisting. Several documents were referred to by The Star Entities in closing written submissions on this topic which had not been put to Mr Weeks when he gave his evidence before the Inquiry. Senior Counsel for Ms Townsend referred in closing submissions to a number of documents relevant to the context which had not been shown to any witness during the hearing of evidence by the Inquiry and to which Ms Townsend herself had made no reference in her evidence.
66. These unsatisfactory features of the way in which the evidence emerged on this topic make it necessary to be somewhat more equivocal than would otherwise be the case in making necessary factual findings.
67. On 19 May 2023, The Star sent a letter to L&GNSW attaching an amended draft Customer Risk Assessment Methodology and draft Jurisdiction Risk Assessment Methodology, being elements of the proposed CRA Model.<sup>113</sup> Among other things, the letter noted that:
- (a) the drafts of the methodologies would need to be approved by the NICC or L&GNSW so that The Star could implement them by 30 June 2023;<sup>114</sup>
  - (b) regarding ECDD, as a result of the changes being made to the CRA Model, The Star estimated that 10,000 to 11,000 customers not previously rated as high-risk would be rated high-risk and require ECDD;<sup>115</sup> and
  - (c) The Star would therefore not be able to meet the timeframe in ICM 3 for ECDD in relation to those patrons (they are referred to in this Chapter as the **Remediation ECDD cohort**).
68. On 25 May 2023, L&GNSW emailed Mr Saunders a table of "the draft transitional arrangements for certain ICM controls".<sup>116</sup> The email requested that Mr Saunders add to the table any other ICM controls for which The Star sought transitional relief and return it by 26 May 2023, so that the NICC could consider it at its 14 June 2023 meeting.<sup>117</sup>
69. On 29 May 2023, Mr Saunders sent an email to L&GNSW,<sup>118</sup> attaching a mark-up of the updated table and a letter from The Star to L&GNSW.<sup>119</sup>

70. In the table, Mr Saunders added proposed transitional arrangements in relation to compliance with ICM 3 for the Remediation ECDD cohort.<sup>120</sup> The updated table noted that The Star sought 12 months from 1 July 2023 to complete ECDD on those patrons and proposed that reporting on the completion of that activity would be reported to the Financial Crimes Oversight Committee (FCOC) monthly from July 2023, “with progress recorded in the minutes for review by the Board Risk Committee and L&GNSW”.<sup>121</sup>
71. In the letter from The Star to L&GNSW, there was additional information supporting the request for a 12 month extension to comply with ICM 3, including estimates of the time per patron that it would take to conduct ECDD and information about the prioritisation of higher risk patrons within the Remediation ECDD cohort.
72. The FCOC was a Star Entertainment management committee attended by a number of senior executives of Star Entertainment including the Chief Risk Officer, Mr Saunders, and, after her appointment, the Group Chief Controls Officer, Ms Townsend. A representative of the Manager generally attended these meetings in 2023.
73. On 31 May 2023, there was a meeting between representatives of The Star Entities, including Mr Saunders, the Manager’s office (Mr Minogue and Ms Gleeson) and L&GNSW as part of a “fortnightly review” of the status of implementing ICMs.<sup>122</sup> The minutes of the meeting recorded, in relation to the Remediation ECDD cohort, that:<sup>123</sup>
- (a) Ms Gleeson of the Manager’s office “agreed a risk-based approach was the right approach” and asked for additional information on patrons in different risk bands;<sup>124</sup>
  - (b) L&GNSW questioned how to further prioritise ECDD within the high-risk cohort and Mr Saunders confirmed he would revert about the approach after analysing the data in a different way;<sup>125</sup> and
  - (c) L&GNSW noted that 12 months (to conduct ECDD in respect of the Remediation ECDD cohort) was a long time, which Mr Saunders noted was because of the many hours required for that work.<sup>126</sup>
74. On 9 June 2023, The Star wrote to L&GNSW with an increased estimate of patrons in the Remediation ECDD cohort from 10,000-11,000 to 12,000-13,000, but reducing the estimate of time needed to complete the Remediation ECDD from 12 months to six months ending on 31 December 2023.<sup>127</sup> The reduction in time was explained on the basis that The

Star would recruit an additional full-time employee to complete ECDD reviews and an estimated 1,450 customers in the Remediation ECDD cohort were not NSW customers who would be reviewed after 31 December 2023.<sup>128</sup>

75. On 14 June 2023, L&GNSW told The Star Entities that the NICC had deferred approval of transitional relief but had “indicatively approved” a six month extension to 31 December 2023.<sup>129</sup>
76. On 27 June 2023, a meeting of the FCOC took place, which was attended by Mr Weeks as a guest.<sup>130</sup> Mr Saunders told the Inquiry that, at this meeting, some options were set out to introduce “automation” or “bulk” elements into the process for the Remediation ECDD cohort.<sup>131</sup> He said that “a proposal [was] put forward ... which set out for the first time some options to introduce automation into the process”, meaning “dealing with certain cohorts of the remediation population in bulk”, “as opposed to customer-by-customer”.<sup>132</sup> The minutes of the meeting record:<sup>133</sup>

In order to tackle the back-book volume, of which the estimated number is around 19,500 being part of the ECDD backlog and historical junket players, the approach to customer outreach required changing ... Email communications are being proposed so conversations are being held with the marketing and legal team. This targeted email will be sent to 19,500 customers within scope informing them that the next time they attend a venue, they will be required to provide refreshed identification and a Source of Wealth form if required. Once the screening is complete, the AML operations team should complete the reviews. Those who have had a positive hit will be prioritised, 32 analysts and PWC surge resources will be assisting with this.

77. According to Mr Saunders, the minutes of the meeting were provided to the Manager’s office and to L&GNSW.<sup>134</sup> The Inquiry was not taken to any email to that effect. Mr Weeks was not asked about this meeting or the minutes.
78. On 28 June 2023, there was a “fortnightly review” meeting between representatives of The Star Entities, the Manager’s office (including Mr Weeks) and L&GNSW on the status of implementing ICMs.<sup>135</sup> The minutes of the meeting record that L&GNSW noted that the NICC had approved certain proposed transitional arrangements, but that the time approved for completing the Remediation ECDD cohort would be three months rather than six months and “[Star Entertainment] need to provide a reasonable reason if they require more than 3 months to clear the ... alerts relating to the last 7 years of transactions”.<sup>136</sup>

79. On 4 July 2023, the CRA Model came into effect.<sup>137</sup> The Remediation ECDD cohort was classified as high-risk.<sup>138</sup> In particular, where information of certain kinds was not available for a customer, the CRA Model defaulted the risk rating for the customer to high-risk.<sup>139</sup>
80. On 11 July 2023, Ms Townsend commenced her role as Group Chief Controls Officer.
81. Mr Saunders told the Inquiry that on 14 July 2023, he had a conversation with L&GNSW about the Remediation ECDD “and the fact that [The Star] may introduce automation into this process”.<sup>140</sup> However, from all his discussions, Mr Saunders did not recall either the Manager or anyone from the regulator saying that a bulk approach would comply with ICM 3.<sup>141</sup>
82. On 1 August 2023, The Star notified L&GNSW that the Remediation ECDD cohort consisted of 17,587 “active customers” identified on the basis that they had engaged in gaming activity at The Star within the past seven years.<sup>142</sup>
83. On 2 August 2023, The Star sent a monthly update to L&GNSW on its progress in relation to Remediation ECDD.<sup>143</sup> The letter was signed by Mr Luke Nielsen, The Star’s then General Manager Financial Crime Risk Operations. At that time, 17,587 customers had been identified as being in the ECDD Remediation cohort. The letter stated that “[Star Entertainment] has taken a risk-based approach to the Remediation”. The table on page 2 noted that Measure 5 SOW had not started with respect to 15,119 customers. The letter concluded:
- Further to the above, [Star Entertainment] will shortly commence a broad customer outreach program, which will apply to specific cohorts of customers who have not attended [Star Entertainment] in the past 12 months. These customers will be requested to provide refreshed identification and Source of Wealth (SOW) information, with customers then being required to respond to such request within 14 days. Should the customer not respond within the applicable timeframe, they will be subjected to [Star Entertainment’s] ECDD blocking controls, preventing them from re-entry into the casino.
84. On 15 August 2023, Mr Nielsen sent an email to Ms Townsend, stating that the ECDD Remediation cohort had risen by a further 10,000 customers.<sup>144</sup> Mr Nielsen contemplated that these extra customers would still be screened under Measure 5 – SOW.<sup>145</sup> Ms Townsend forwarded this email to Mr Saunders and said “I think it would be key for one of us to advise [Mr] Weeks of the information and the plan forward”.<sup>146</sup> Mr Saunders responded: “[Mr Weeks] and the Board are both already aware ... Practically, I can’t see how we can actually do this in the next 6 weeks”.<sup>147</sup>

85. On 31 August 2023, there was a meeting of the FCOC, which was attended by Mr Minogue and Ms Gleeson of the Manager’s office.<sup>148</sup> The minutes record that the number of patrons that fell within the Remediation ECDD cohort was 32,205. The minutes state that “[t]he current backlog as of 30 August 2023 is 25,279 and a detailed breakdown of how this number was finalised was provided”.<sup>149</sup>
86. In closing submissions, Senior Counsel for Ms Townsend stated that the “detailed breakdown” referred to in the minutes was in a separate document entitled “Financial Crime – Remediation Backlog Update”.<sup>150</sup> This document was produced to the Inquiry on behalf of Ms Townsend just before Ms Townsend’s closing submissions were presented. Ms Townsend’s written submissions stated that “[t]his document was prepared at the direction of Ms Townsend and sent to all invitees to the meeting, including Mr Weeks and his office”. There was no evidence from Ms Townsend to this effect and no questions were asked of Mr Weeks or any witness in relation to this document or its dissemination. In small print at the bottom of the page the document states that “certain activities have been automated” including “[b]ulk movement of customers to an inactive status and retire cards” and “[r]ecord the ECDD case to complete”.<sup>151</sup>
87. On 1 September 2023, Ms Townsend on behalf of Star Entertainment sent a letter to L&GNSW to provide a status update on the Remediation ECDD and to request that the time to complete it be extended from 30 September 2023 to 31 October 2023, owing to the expansion of the Remediation ECDD cohort to 32,205 customers.<sup>152</sup> The letter was prepared by Mr Luke Nielsen<sup>153</sup> from Line 1, and reviewed by Ms Ritu Bhandari, The Star’s General Manager Financial Crime & AMLCO<sup>154</sup> from Line 2.<sup>155</sup>
88. Ms Townsend’s letter contained a table at the end setting out the progress of completion of the Remediation ECDD cohort by reference to each of the seven individual ECDD measures.<sup>156</sup> The table showed that each measure had been completed on a different number of customers. In relation to Source of Wealth, the letter stated that this measure had been completed for 31,376 customers out of a total ECDD Remediation cohort of 32,205. Although The Star Entities submitted,<sup>157</sup> and Mr Saunders told the Inquiry,<sup>158</sup> that this reflected the fact that the Remediation ECDD was being conducted measure-by-measure through a partially automated process rather than customer-by-customer, it is not clear from the face of the letter that this was the proper inference to be drawn. There is no express reference to any automated or partially automated process in the letter. No questions were

asked of Mr Weeks about this document, whether he read it or what inferences he drew if he did read it.

89. However, subsequent events indicate that Mr Weeks probably did read and consider the letter of 1 September 2023. In particular, on 8 September 2023, Mr Weeks sent an email to Mr Saunders and Ms Townsend, attaching “a direction in relation to ECDD processes we have recently become aware of”. The attached direction was also copied to Mr Cooke. It expressed concerns about the process in relation to the Remediation ECDD and directing Star Entertainment to provide information about the process.<sup>159</sup> Mr Weeks’ letter included the following:

I have reviewed the monthly updates provided to L&G NSW as to the status of this project and have concerns in relation to the ECDD process being applied to high-risk customers. In particular, I understand the ECDD process being applied to the remediation cohort of customers (remediation ECDD process) is different to that applied to new customers (BAU ECDD process). If that is the case, it was not raised with me prior to it being put into practice. As such I have concerns as to the manner in which Star determined that this was an appropriate approach to take for a project of this nature.

90. On 9 and 10 September 2023, there were email exchanges between Mr Cooke, Mr Saunders, Ms Townsend and Ms Bhandari regarding Mr Weeks’ letter.<sup>160</sup> These emails were produced on behalf of Ms Townsend shortly before her closing submissions. Consequently, no questions were asked of Mr Cooke, Mr Saunders or Ms Townsend about these emails during the hearings of the Inquiry. The email exchanges included the following:

- (a) on 9 September 2023:
- (i) Mr Cooke sought advice from Mr Saunders about Mr Weeks’ letter stating, “I am struggling to understand why that approach would be objectionable or is it just because we did not get his clearance first as to the approach?”;
  - (ii) Mr Saunders’ explained the time and resourcing restraints that had led The Star to adopt a bulk automated response to the remediation cohort. Mr Saunders stated that he had participated in “various conversations with [Mr Weeks] about this process”;<sup>161</sup>
  - (iii) Mr Saunders responded “I wouldn’t have thought it needed his approval since we weren’t changing the standard of due diligence, only the approach to doing it”;<sup>162</sup>

- (b) on 10 September 2023, Ms Townsend observed:<sup>163</sup>

This is why I had the team create the attached document which went to FCOC to explain how we are getting through the backlog. If I was [Mr Weeks], I would ask the exact same question as to how we are getting through the backlog so quickly. I think this is a lesson learnt to ensure we are all aligned and have [Mr Weeks] across the detail. I did face into this with [Mr Weeks] when I met him last week as I feel the [Financial Crime] Line 1 team struggled not having a clear accountable exec prior to me joining. There was probably a lack of communication which was needed.

Ms Townsend’s written submissions asserted that the “attached document” referred to by Ms Townsend was the “Financial Crime – Remediation Backlog Update” referred to above.<sup>164</sup> There was no oral evidence from Ms Townsend to this effect, although the documentary material indicates there was an attachment to her email, with the file name commencing with the words “Financial Crime – Remediation...”.<sup>165</sup>

91. On 15 September 2023, Star Entertainment responded to Mr Weeks’ direction through a letter signed by Ms Townsend.<sup>166</sup> Mr Saunders sent a separate email to Mr Weeks on the same date providing a certification, which Mr Weeks had requested in his direction dated 8 September 2023, that the process for the Remediation ECDD cohort complied with the *AML/CTF Act*, the *AML/CTF Rules* and The Star’s ICMs and SOPs.<sup>167</sup> The Star Entities submitted,<sup>168</sup> and it may be accepted by way of summary, that Star Entertainment’s response dated 15 September 2023:

- (a) observed that a risk-based approach was being taken, focusing on completing the highest risk customers in the cohort first;<sup>169</sup>
- (b) noted that the ECDD process consisted of seven measures that were being commenced on the Remediation ECDD cohort concurrently “for the most efficient scaled approach”;<sup>170</sup>
- (c) provided a description of the steps being taken to conduct the seven ECDD Measures. This included a description of the differences for each measure between the Remediation ECDD process and the “business as usual” ECDD process;<sup>171</sup>
- (d) in respect of ECDD Measure 5 (relating to source of wealth) for the Remediation ECDD cohort:

- (i) said that certain of the ECDD Measures were not conducted, because “we are moving straight to step 5e”;<sup>172</sup> and
  - (ii) as to ECDD Measure 5(e), explained the steps being taken, which included placing a note on the customer’s profile that the customer would be required to provide an updated source of wealth form when next identified onsite.<sup>173</sup>
- 92. On 26 September 2023, there was a further meeting of the FCOC (including Mr Saunders as chair and Ms Townsend), which was attended by Mr Minogue of the Manager’s office. The minutes of that meeting recorded:<sup>174</sup>

It was found that the business is complying with the ICM requirements and the minimum AML requirements. However, 5 key areas of improvement were identified, being around policy and guidance, better automate ECDD triggers, training and management information. A plan is in place to address these key areas.
- 93. On 28 September 2023, the NICC sent a letter addressed to Ms Townsend and copied to Mr Cooke and Mr Weeks, which stated that:<sup>175</sup>
  - (a) the requested extension of time to complete the Remediation ECDD had been approved;
  - (b) the NICC had reviewed Mr Weeks’ direction dated 8 September 2023 and the response; and
  - (c) the NICC held concerns that Mr Weeks was not promptly and properly consulted in respect of changes made to the ECDD Process applied to the Remediation ECDD cohort, in respect of which the NICC reserved its position for further consideration.
- 94. On 30 September 2023, on behalf of Star Entertainment, Ms Townsend sent a letter to L&GNSW.<sup>176</sup> Ms Townsend wrote that “[a]s at 30th of September, all customers identified in the ECDD [Remediation] Cohort (32,205) have been completed”. The letter contained a table representing that each of the seven measures of ECDD, including “Measure 5 (SOW)”, had been completed for all 32,205 customers. The letter stated:

**Operational Update; The Star Entertainment Group’s Customer Risk Assessment Remediation**

[Star Entertainment] has finished the third month of remediation for [Star Entertainment’s] back-book of customers designated High Risk under its Customer Risk Assessment Model (CRAM) that went live on 4 July 2023. The remediation scope also includes the listed Junket customers (2,959) identified and confirmed in scope for the Enhanced Customer Due Diligence (ECDD) remediation activity.



On 01 September 2023, [Star Entertainment] notified Liquor, Gaming and Fair-Trading Office of Liquor and Gaming Regulation that the remediation cohort had increased by 14,618 which taking the customer remediation cohort of 32,205 in total.

**CRAM Remediation Schedule**

[Star Entertainment] introduced a number of initiatives during this time including Weekend Work, Over Time and Surge Resources withing the Financial Crime Team to increase total productive output over the month. This has allowed the [Star Entertainment] to bring the remediation plan back within the scheduled contingency to have the 32,205 ECDD’s completed by the 30 September 2023.

As at 30th of September, all customers identified in the ECDD Cohort (32,205) have been completed.

[Star Entertainment] acknowledge and thank the NICC for the one-month extension granted on the 28 September 2023, [Star Entertainment] will finalise the remediation completing a reconciliation across the CRA ECDD cohort and undertaking quality checks to be completed by 31 October 2023.

**Status Update of 32,205 in scope remediation customers in relation to 7 measures of ECDD (Table 1):**

Status	Measure 1 (KYC)	Measure 2 (PEPs)	Measure 3 (Sanctions)	Measure 4 (Adverse media)	Measure 5 (SOW)	Measure 6 (Transaction analysis)	Measure 7 (Review)
Not started	0	0	0	0	0	0	0
In progress	0	0	0	0	0	0	0
Completed	32,205	32,205	32,205	32,205	32,205	32,205	32,205

- 95. Ms Townsend gave evidence that she did not take any steps to satisfy herself that the factual matters in her 30 September 2023 letter were correct, beyond relying on members of her team.<sup>177</sup> Ms Townsend said that she had just signed what was put in front of her.<sup>178</sup>
- 96. On 27 October 2023, Mr Saunders, Ms Townsend, Ms Bhandari and Mr Neilson attended a meeting with Mr Weeks.<sup>179</sup> According to Mr Weeks’ November 2023 report, this meeting was “to discuss the information provided”.<sup>180</sup>
- 97. On 31 October 2023, Ms Townsend sent a letter to L&GNSW which included the statement that “an ECDD has been completed for every "CRAM ECDD case generated under the remediation scope”, that “[t]he [Financial Crime Risk Operations] Quality Control Team conducted a review across the ECDD scope”, that “[t]his included a random sample review ... to ensure completeness and manage quality outcomes”, and that “following the

compilation of the reconciliation and assurance checks the Financial Crime Risk Operations has been able to validate the completion of the CRA ECDD remediation scope”.<sup>181</sup>

98. On 8 November 2023, Mr Weeks issued a request for further information about the Remediation ECDD cohort.<sup>182</sup> On 16 November 2023, The Star responded to Mr Weeks’ information request.<sup>183</sup> With regard to ECDD Measure 5, Source of Wealth, the response stated “[f]rom the Remediation scope, SOW was requested for 24,623 customers”. This was done by placing a note on their accounts to request source of wealth information when the customer next visited the casino, via automation (22,384 customers) or manually by a due diligence analyst (2,239). It noted that 561 emails were sent to customers in the Remediation ECDD cohort to request source of wealth information and 133 customers were contacted by [Star Entertainment] staff members, although it notes that “this action was not a required action under the ECDD measures”. 397 source of wealth forms were returned.
99. On 29 November 2023, Mr Weeks provided a memorandum to the NICC outlining concerns that he had regarding The Star’s customer risk assessment and Remediation ECDD.<sup>184</sup> He explained that in May 2023, The Star had a cohort of about 10,000-11,000 customers requiring ECDD and, on the basis that it takes 3.25 hours to complete an ECDD review and quality check per customer, The Star sought an extension of time from the NICC for its ECDD checks, which was granted to 30 September 2023.<sup>185</sup> The NICC’s position that “it was open to considering whether a further extension is necessary beyond this 3-month period” was, according to the Manager, communicated to The Star by at least 14 July 2023 by L&GNSW.<sup>186</sup>
100. Mr Weeks’ concerns were set out in detail in his memorandum to the NICC dated 29 November 2023 and included the following:<sup>187</sup>

10. Ultimately the NICC approved a three-month period (to 30 September 2023) for Star to complete ECDD for the Remediation Cohort (**Transitional Provision**). The NICC’s position that “it was open to considering whether a further extension is necessary beyond this 3-month period” was communicated to Star by at least 14 July 2023 by [L&GNSW].

11. By our observation, based on meetings and discussions at the time, Star was concerned about the deadline that had been imposed by the NICC and its ability to comply with it. We anticipated that Star would be likely to approach NICC to seek an extension to complete this work.

12. At no time in the submissions we have seen, or during discussions for which we were present that occurred around the same time, did Star indicate to us, L&G or the NICC that it would take a different approach to conducting ECDD for the Remediation Cohort than it would for new customers in the ordinary course of business.

...

19. We did not understand the steps Star had taken to be in a position to comply with the Transitional Provisions, in circumstances where:

- a. Star previously estimated to L&G that it would have taken 12 months to complete a remediation for a cohort of 10,000-11,000 customers;
- b. the Remediation Cohort was approximately three times this estimate, being c.32,000;
- c. Star submitted to L&G (and advised us at various times) that it took two to three hours to complete a single ECDD;
- d. we were not clear on the number of resources Star had allocated to this work; and
- e. as noted above, we observed that Star were concerned about the deadline that had been imposed by the NICC and its ability to comply with it.

20. In subsequent discussions with Star, we were advised that Star had changed the ECDD process for the Remediation Cohort. We were not informed about this prior to its implementation and understood that neither L&G nor the NICC had been advised.

...

25. We make the following observations on the ECDD applied to the Remediation Cohort and related processes and controls:

- a. Source of wealth (**SoW**)
  - i. For the majority, if not all, of the Remediation Cohort, it appears the only step taken in relation to SoW was to issue a communication by email notifying customers that the next time they came to one of Star's casinos, they would be required to complete SoW checks. The communication also provided an option for individuals to complete a SoW form by return email.
  - ii. Of 22,384 requests for SoW, Star advised that 397 SoW forms were returned, being 1.5% of the number of recipients of the communication. Star's view is that this is sufficient to constitute a check for SoW as required by ICMs.
- b. "Bulk" approval
  - i. Ordinarily, ECDD cases completed by an analyst are subject to individual review and approval by more senior team members in the customer due diligence team. This is an important step that ensures analysis is accurate and ensures appropriate senior oversight of important decisions that impact the integrity of the casino. It is important that judgement is exercised on individual customers and that oversight occurs in the same manner.
  - ii. This did not occur for 22,384 customers in the Remediation Cohort. Star has advised that these customers were "bulk approved". We understand this to mean that, on the basis that all of these customers demonstrated similar risk characteristics (according to Star), their ECDD cases were approved in bulk without an individual, case-by-case review.

...

d. Inactive customers

i. Of 25,338 customers requiring ECDD, 22,384 or 88% were set to “inactive” as a result of the ECDD.

ii. Inactive customers are able to access the casino... these customers cannot play on a carded basis...

101. Mr Weeks told the Inquiry that ECDD checks were not conducted in the manner he had expected would occur.<sup>188</sup> Mr Weeks said:<sup>189</sup>

Well, we understood that there was a process that was compliant with the procedures required in the ICMs, and those procedures, among other things, require certain steps to be done. It is not a discretionary option for the company. One of those steps is Source of Wealth checks. Now, based on the information that had been provided to me, I formed a view that those Source of Wealth checks had not been undertaken with respect to almost all of the ECDDs that were performed as part of this cohort. So I was concerned about that.

I was also concerned about the review process which requires an ECDD case to be reviewed by a more senior manager, and the information that I received from the company suggested that they had undertaken what is described as a bulk processing. So they had aggregated customers within that cohort with similar characteristics and processed them in bulk, which I don't think was part of what had been approved as through this ECDD process.

102. Mr Weeks also said, on the question of bulk approval:<sup>190</sup>

Well, part of the reason why there is a review process is that these decisions need to be carefully made and based on the individual characteristics of each ECDD case. Now, in some circumstances, it might be reasonable to bulk approve a large number of customers, but that would have to follow a very rigorous and careful assessment of the process through which that was proposed to be done. And I – well, (1) I don't think L&G were approached to alter the approved process. And (2) I didn't see evidence of a careful and well thought through process to identify a bulk approval of a cohort.

103. None of Mr Weeks' evidence was challenged by The Star Entities or anyone else.<sup>191</sup>

104. On 7 December 2023, a meeting was held between the NICC, Mr Weeks, and the Board of Star Entertainment. The minutes of this meeting recorded the following:<sup>192</sup>

[Star Entertainment] noted the concerns of NICC regarding the ECDD process and confirmed it was awaiting a report/s from NICC/L&GNSW/Manager to investigate further. Given the magnitude of the potential breach and timing, NICC encouraged [Star Entertainment] to commence its own enquiries now.

105. Mr Saunders' evidence was that following this meeting, he had “a conversation ... with our directors about the concerns that were raised”.<sup>193</sup> Ms Townsend stated in her written submissions that she was not invited to the segment of the Board meeting where this issue

was raised, or the subsequent conversation between Mr Saunders and the directors, reflecting the fact that Mr Saunders had primary carriage of this issue.<sup>194</sup>

106. On 14 December 2023, there was a Compliance Committee meeting which Mr Weeks, Ms Gleeson, Ms Thornton, Mr Cooke and Mr Saunders attended, and after which Mr Weeks sent a follow-up email.<sup>195</sup> On the subject of the Remediation ECDD, Mr Weeks wrote:<sup>196</sup>

We had a discussion about the work Star has done to complete the remediation backlog of ECDD cases. I confirmed that I had provided a report to the NICC where I have formed the view that the Company has breached elements of its statutory obligations in connection with this work. [Mr Saunders] was clear that he has a different view and is satisfied that the Company has complied with its obligations in connection with this work. You asked if I would share a copy of the report I provided to the NICC. I discussed this with the NICC and they have not consented to the release of my report in circumstances where it is under consideration by [L&GNSW]. I think it is incumbent on the Company to form its own views about this work after careful consideration of the information provided to my team.

107. On the same day, Ms Saunders replied to the email:<sup>197</sup>

On the question of the ECDD, I find this response confounding. Still, we will undertake the legal review we discussed this morning and will also engage an independent party to assess The Star's response in this area.

108. On 21 December 2023, there was a discussion between Mr Weeks and Mr Saunders at a fortnightly catch-up between Mr Saunders, Mr Weeks and Ms Gleeson. Mr Saunders recorded the substance of the discussion concerning Star Entertainment's approach to the Remediation ECDD in an email to Mr Cooke dated 21 December 2023,<sup>198</sup> which was sent shortly after the discussion occurring.<sup>199</sup> Among other things, Mr Saunders' email recorded that:

- (a) Mr Weeks had told Mr Saunders that he did not feel he could share his report to the NICC of 29 November 2023 with Mr Saunders;
- (b) Mr Saunders said he did not need to see the report, just understand Mr Weeks' specific concerns out of "a genuine concern about how to address and resolve any risk exposures";
- (c) there was debate about how much comfort Star Entertainment had about its ECDD processes and Mr Saunders wrote that he had comfort with the processes and approach as previously advised to Mr Weeks;

- (d) Mr Weeks observed that Star Entertainment had not done a legal review before taking the approach it did to the Remediation ECDD and Mr Saunders agreed, saying he did not feel it was necessary;
  - (e) Mr Weeks contended that the process in the ICM was not followed, and Mr Saunders contended that the ICM outlines steps, not a process; and
  - (f) Mr Weeks suggested that Star Entertainment had changed the ECDD process in relation to the Remediation ECDD and Mr Saunders disagreed, saying the process was documented, presented to the FCOC, agreed and minuted before being implemented.
109. On 2 April 2024, Gadens provided a report containing its advice on those matters.<sup>200</sup> That advice is considered in the Chapter in the Confidential Report which considers whether there were breaches of ICM 3.
110. In her evidence to the Inquiry, Ms Townsend agreed that for up to 25,000 of the 32,205 customers for whom she had written to L&GNSW to say that ECDD had been “completed”,<sup>201</sup> source of wealth checks had not in fact been performed for those customers.<sup>202</sup> Ms Townsend said:<sup>203</sup>
- Q: So in respect of the 32,000 patrons, approximately, how many of those approximately were Source of Wealth checks not performed?
- A: Approximately 22 or 25 thousand, Mr Bell.
111. Ms Townsend also agreed that where, in her 30 September 2023 letter, it had said that source of wealth checks had been “completed” for 32,205 customers,<sup>204</sup> that was wrong.<sup>205</sup> Ms Townsend agreed that she knew that source of wealth checks had not been performed for 22,000 - 25,000 customers at the time she signed the 30 September 2023 letter.<sup>206</sup>
112. When asked whether the 30 September 2023 letter misled the regulator, Ms Townsend said it was not her intention to do so but she accepted that it “could be looked at” in that way.<sup>207</sup>
113. Subsequently, however, in closing submissions, Ms Townsend submitted that her own evidence to the effect that the 30 September 2023 letter was capable of being misleading should not be accepted, on the basis of documentary material referred to in her closing submissions.<sup>208</sup>

114. Ms Townsend also submitted that Mr Saunders was the chief protagonist of the approach taken by The Star to the Remediation ECDD cohort and The Star’s position that it was entitled to adopt the modified approach without obtaining the approval of the Manager or the regulator.
115. Mr Saunders told the Inquiry “I would agree with Ms Townsend, that we – there could have been more clarity in that letter, given the complexity of the work that was underway ... it was a bit unhelpful”.<sup>209</sup> But he did not agree that various statements in the 30 September 2023 letter were wrong.<sup>210</sup> Mr Saunders accepted that it would have been far preferable for Star Entertainment to have told the regulator what it had done and that too simple an answer had been given on 30 September 2023.<sup>211</sup> However, Mr Saunders did not regard the 30 September 2023 letter as unsatisfactory.<sup>212</sup>
116. Each of the directors of Star Entertainment expressed criticisms, to a greater or lesser extent, in relation to the terms of Star Entertainment’s letter to L&GNSW dated 30 September 2023.<sup>213</sup>
117. The Star Entities submitted that:
- (a) “The Star Entities believed that the Remediation ECDD was being conducted in compliance with ICM 3 and therefore did not have cause to approach the regulator to seek approval for the Remediation ECDD process or dispensation from ICM 3 requirements”;<sup>214</sup>
  - (b) “the way in which The Star Entities conducted the Remediation ECDD process therefore does not reflect any conscious effort on the part of The Star Entities to avoid transparency and candour”;<sup>215</sup> and
  - (c) the 30 September 2023 letter “does not reflect a conscious effort on the part of The Star Entities to impede transparency in dealings with their regulators”.<sup>216</sup>
118. Ms Townsend submitted:<sup>217</sup>

It is open to the Inquiry to find that if viewed as a standalone piece of correspondence, the 30 September 2023 monthly update does not adequately disclose the contestable basis on which [Star Entertainment] was claiming to have completed the ECDD activity. However, when viewed in the context of the other related communications that preceded it, the 30 September 2023 monthly update was not misleading, or at least not to the level that would justify public criticism.

Analysis

119. The relevant chapter of the Confidential Report concludes that The Star breached ICM 3 in relation to the process adopted for certain members of the Remediation ECDD cohort.
120. The remainder of this Chapter considers the communications between The Star Entities and the NICC and Manager in relation to the process adopted in relation to the Remediation ECDD cohort, and the implications to be drawn from those communications.
121. Ms Townsend’s evidence that she had no intention to mislead the regulator in Star Entertainment’s letter of 30 September 2023 is accepted. Furthermore, the submission by The Star Entities that at no time did they have an intention to mislead the regulator is also accepted.
122. The context set out in detail in this Chapter establishes that it is not appropriate to consider Star Entertainment’s letter to L&GNSW dated 30 September 2023 in isolation. It is clear from the wider context that there had been a dialogue between The Star and the NSW regulator and Manager from about June 2023 in relation to the difficulty of processing the Remediation ECDD cohort within the timeframe required by the regulator, and how that might be addressed.
123. Whilst, as indicated, the evidence to the Inquiry unfolded in an unsatisfactory way, it is clear that by mid-September 2023, the Manager was aware that a different process was being taken by The Star for the Remediation ECDD cohort than what was prescribed for what may be called “business as usual” ECDD.
124. It is also clear from the NICC’s letter of 28 September 2023 that by that date the NICC understood that a different process was being applied by The Star for the remediation ECDD cohort, albeit that the NICC had made it clear that it was not satisfied with that process.
125. What is not clear is what L&GNSW understood at the time in light of Star Entertainment’s letter of 30 September 2023. Considered in isolation, Star Entertainment’s letter of 30 September 2023 was inadequate. So too were other communications to L&GNSW in relation to the ECDD Remediation cohort considered in isolation, such as Star Entertainment’s letter to L&GNSW dated 1 September 2023. However, as indicated, they should not be considered in isolation.
126. An analysis of the relevant events reveals a more fundamental concern. It is clear that Mr Saunders genuinely believed that the process adopted by The Star in relation to the



Remediation ECDD cohort complied with ICM 3. However, it should also have been clear to senior management of Star Entertainment at the time that this was a matter of interpretation and that both the Manager and the NICC were concerned that the process being adopted may not comply with the ICM. In its letter of 28 September 2023 the NICC had expressly reserved its position on the issue. It should also therefore have been clear to senior management of Star Entertainment at the time that there was a risk that the process being adopted might breach ICM 3 and that if that risk eventuated the consequences would be serious, involving not just a breach of the casino licence but also an offence under the *Casino Control Act*.

127. Another important contextual element which senior management of Star Entertainment should have borne in mind at the time in evaluating the appropriate course of action to take was that The Star's licence to operate The Star Casino was suspended due to past misconduct, which included breaches of ICMs.
128. In all of the circumstances and particularly bearing in mind the serious consequences if the risk eventuated, the risk should have been mitigated by either seeking the NICC and L&GNSW's prior approval to the course proposed in relation to the Remediation ECDD cohort or at the very least obtaining independent legal advice that the course proposed was lawful before proceeding.
129. The manner in which The Star Entities proceeded in relation to the Remediation ECDD cohort reveals an approach to regulatory risk and regulatory engagement which is not yet fully mature.
130. The recommendations made in the Confidential Report addressing the Remediation ECDD cohort and ICM 3 are set out below.

131. **Recommendation:** It is recommended that the NICC note the breaches of ICM 3 found in the Confidential Report in relation to the process adopted for certain members of the Remediation ECDD cohort and take such action as it sees fit.
132. **Recommendation:** If the NICC decides that The Star should remain as the licensee of The Star Casino, it is recommended that the NICC take steps to amend ICM 3, with a view to ensuring that ICM 3 specifies in detail the steps which The Star is required to undertake in order to carry out source of wealth checks as part of the ECDD process.

## Endnotes

- 1       **Exhibit A989** (STA.8105.0002.0608 at .0610).  
2       Walker: Day 4 (Private), T2.6-22.  
3       **Exhibit A-1561** (STA.8000.0013.0001 at .0005).  
4       Ibid at .0005, .0011.  
5       **Exhibit C-189** (INQ.5000.0001.0006 at .0094).  
6       **Exhibit A-1561** (STA.8000.0013.0001 at .0008, .0060-.0062).  
7       Ibid at .0073.  
8       Ibid at .0073-.0076.  
9       Ibid at .0073.  
10      (STA.8000.0198.0079).  
11      The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [368].  
12      Ibid at para [371].  
13      Ward: Day 9, T701.34.  
14      Page: Day 9, T730.48-731.10; Issenberg: Day 9, T768.12-23; Hodgson: Day 10, T794.5; Thornton:  
15      Day 10, T814.30-38.  
16      Vuong: Day 4, T316.48-317.7.  
17      Vuong: Day 4, T318.2-7.  
18      Humphreys: Day 5, T356.13-17.  
19      Humphreys: Day 5, T357.16-19.  
20      Townsend: Day 5, T374.8-13.  
21      Foster: Day 7, T504.43-45; Saunders: Day 6, T392.17-19.  
22      Weeks: Day 1, T52.11.  
23      Weeks: Day 1, T53.24-28.  
24      Weeks: Day 1, T53.30-33.  
25      Weeks: Day 1, T53.38-39.  
26      Issenberg: Day 9, T768.34.  
27      Issenberg: Day 9, T768.39-47.  
28      Hodgson: Day 10, T794.7-10.  
29      Hodgson: Day 10, T794.14-16.  
30      Thornton: Day 10, T814.43-46.  
31      Thornton: Day 10, T815.11-14.  
32      The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [381].  
33      Ibid at para [383].

33 Ibid at para [384].

34 Ibid at para [384].

35 Counsel Assisting’s Written Submissions (Public) dated 13 May 2024 at Appendices A and B.

36 The Star Entities’ Written Submissions (Public) dated 15 May 2024 at para [364].

37 (STA.8000.0198.0181 at .0182).

38 (STA.8000.0198.0210 at .0210).

39 (STA.8000.0198.0206 at .0208).

40 (STA.8000.0198.0251).

41 **Exhibit A-479** (STA.8100.0073.6481 at .6485).

42 **Exhibit C-189** (INQ.5000.0001.0006 at .0047).

43 **Exhibit B-228** (STA.8100.0052.4239 at .4241-.4242).

44 Wagemans: Day 4, T274.5

45 **Exhibit A-2179** (STA.8000.0046.0004 at .0005).

46 Ibid.

47 Ibid; see also **Exhibit A-2893** (INQ.5000.0006.0053 at .0064).

48 **Exhibit A-2179** (STA.8000.0046.0004 at .0005).

49 Ibid.

50 **Exhibit A-2945** (INQ.5000.0006.0081 at .0092).

51 **Exhibit A-2668** (STA.8000.0101.0011 at .0011).

52 Weeks: Day 1, T44.12-22.

53 **Exhibit A-2945** (INQ.5000.0006.0081 at .0092).

54 **Exhibit A-2717** (STA.8000.0101.0079); See also Wagemans: Day 4, T281.37-38.

55 **Exhibit A-2945** (INQ.5000.0006.0081 at .0092-.0095).

56 Ibid at .0094.

57 Wagemans: Day 4, T294.28-30.

58 Weeks: Day 1, T44.40-43.

59 Weeks: Day 1, T69.40-41.

60 Wagemans: Day 4, T283.44.

61 Wagemans: Day 4, T279.4-6.

62 Wagemans: Day 4, T282.41-44.

63 Saunders: Day 6, T388.32-389.7.

64 Counsel Assisting’s Written Submissions (Public) dated 13 May 2024 at para [75].

65 **Exhibit A-2670** (STA.8000.0101.0025 at .0029).

66 **Exhibit A-2669** (STA.8000.0101.0015 at .0020); See also Wagemans: Day 4, T290.35-291.2.

67 **Exhibit A-2669** (STA.8000.0101.0015 at .0020); See also Wagemans: Day 4, T291.38-48.

68 **Exhibit A-2669** (STA.8000.0101.0015 at .0020).

69 Ibid; See also Wagemans: Day 4, T292.2-13.

70 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [343].  
71 Ibid.  
72 Ibid at para [344].  
73 Ibid at para [345].  
74 Ibid at para [346].  
75 Ibid.  
76 Ibid.  
77 Ibid at para [348].  
78 Ibid.  
79 Wagemans: Day 4, T292.15-24.  
80 Wagemans: Day 4, T291.27-31.  
81 Wagemans: Day 4, T293.14-16.  
82 Wagemans: Day 4, T297.1-4.  
83 Wagemans: Day 4, T297.12-15.  
84 Wagemans: Day 4, T298.33-38.  
85 Wagemans: Day 4, T304.4-7.  
86 Wagemans: Day 4, T270.22-30.  
87 Vuong: Day 5, T335.33-34.  
88 Vuong: Day 5, T336.37-41.  
89 Vuong: Day 5, T337.6-8.  
90 Humphreys: Day 5, T352.42-45.  
91 Humphreys: Day 5, T354.7-15.  
92 Humphreys: Day 5, T356.32-37.  
93 Humphreys: Day 5, T356.39-42.  
94 Townsend: Day 5, T374.47.  
95 Townsend: Day 5, T375.11.  
96 Townsend: Day 5, T375.19-24.  
97 Townsend: Day 5, T376.1-8.  
98 Saunders: Day 6, T417.35-38.  
99 Foster: Day 7, T506.21-33.  
100 Ward: Day 9, T689.31-32.  
101 Ward: Day 9, T690.6-13.  
102 Ward: Day 9, T700.35-38.  
103 Page: Day 9, T731.26-28.  
104 Page: Day 9, T731.30-45.  
105 Issenberg: Day 9, T769.32-37.  
106 Issenberg: Day 9, T769.16-18.

107 Hodgson: Day 10, T794.40; Thornton: Day 10, T815.31.  
108 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [349] – [361].  
109 **Exhibit A-2926** (STA.8000.0133.3576).  
110 Ibid at .3576.  
111 Ibid at .3585.  
112 **Exhibit E-40** (STA.8000.0149.0101 at .0101).  
113 **Exhibit B-141** (STA.8105.0002.1352); **Exhibit B-142** (STA.8105.0002.1353); **Exhibit B-143**  
(STA.8105.0002.1358); **Exhibit B-144** (STA.8105.0002.1366).  
114 **Exhibit B-142** (STA.8105.0002.1353 at .1353).  
115 Ibid at .1356.  
116 **Exhibit A-840** (STA.8105.0001.8843 at .8847).  
117 Ibid.  
118 Ibid at .8843.  
119 **Exhibit A-843** (STA.8105.0001.8858); **Exhibit A-842** (STA.8105.0001.8855).  
120 **Exhibit A-843** (STA.8105.0001.8858 at .8858).  
121 Ibid at .8858-.8859.  
122 **Exhibit B-198** (STA.8100.0053.1902).  
123 Ibid at .1906-.1907.  
124 Ibid at .1906.  
125 Ibid at .1907.  
126 Ibid.  
127 **Exhibit B-210** (STA.8100.0053.2075).  
128 Ibid at .2075.  
129 **Exhibit B-217** (STA.8100.0052.6873 at .6875).  
130 **Exhibit C-249** (STA.8000.0149.0183).  
131 Saunders: Day 6, T401.16-20, 39-42.  
132 Saunders: Day 6, T401.18-42.  
133 **Exhibit C-249** (STA.8000.0149.0183 at .0194).  
134 Saunders: Day 6, T401.20-22, T450.20-23.  
135 **Exhibit B-238** (STA.8100.0052.4376).  
136 Ibid at .4377.  
137 **Exhibit A-1386** (INQ.5001.0001.0191 at .0191); Saunders: Day 6, T446.7-9.  
138 Saunders: Day 6, T445.47-446.17.  
139 Saunders: Day 6, T446.21-34.  
140 Saunders: Day 6, T401.24-25, T450.22-28.  
141 Saunders: Day 6, T401.48.  
142 **Exhibit A-1313** (INQ.5001.0001.0186 at .0186).

143 **Exhibit E-36** (STA.8000.0172.0001); See also **Exhibit D-87** (STA.8100.0077.5550 at .5551); **Exhibit**  
144 **A-1766** (MGR.0001.0001.0103 at .0104).  
145 (INQ.5002.0011.0002).  
146 Ibid.  
147 Ibid.  
148 (INQ.5002.0011.0005).  
149 **Exhibit A-1336** (STA.8000.0029.1385 at .1387).  
150 Ibid at .1391.  
151 Ravneet Townsend’s Written Submissions dated 16 May 2024 at para [13].  
152 Ibid; (INQ.5002.0011.0008).  
153 **Exhibit A-1313** (INQ.5001.0001.0186).  
154 Townsend: Day 5, T366.22-26.  
155 See e.g. **Exhibit C-249** (STA.8000.0149.0183 at .0183).  
156 Townsend: Day 5, T363.9-16.  
157 **Exhibit A-1313** (INQ.5001.0001.0186 at .0187).  
158 The Star Entities’ Written Submissions (Public) dated 15 May 2024 at para [291].  
159 Saunders: Day 6, T401.33-37.  
160 (STA.8100.0048.6220); (STA.8100.0048.6221).  
161 (INQ.5002.0011.0004); (INQ.5002.0011.0007); (INQ.5002.0011.0010).  
162 (INQ.5002.0011.0004).  
163 (INQ.5002.0011.0007).  
164 (INQ.5002.0011.0010).  
165 (INQ.5002.0011.0008).  
166 (INQ.5002.0011.0010).  
167 **Exhibit A-1386** (INQ.5001.0001.0191).  
168 (STA.8100.0067.4561).  
169 The Star Entities’ Written Submissions (Public) dated 15 May 2024 at para [293].  
170 **Exhibit A-1386** (INQ.5001.0001.0191 at .0191).  
171 Ibid at .0191-.0192.  
172 Ibid at .0193-.0201; Saunders: Day 6, T409.45-48.  
173 **Exhibit A-1386** (INQ.5001.0001.0191 at .0198-.0199).  
174 Ibid at .0198.  
175 (STA.5003.0018.0537 at .0546).  
176 **Exhibit C-53** (STA.8100.0066.4725); **Exhibit C-54** (STA.8100.0066.4726).  
177 **Exhibit A-2443** (INQ.5001.0001.0239).  
178 Townsend: Day 5, T364.21-33, T365.27-31, T365.45-366.1, T366.15-26.  
Townsend: Day 5, T364.39-41.

179 **Exhibit A-1766** (MGR.0001.0001.0103 at .0105).  
180 Ibid.  
181 (MGR.0001.0001.2281).  
182 **Exhibit A-1766** (MGR.0001.0001.0103 at .0105).  
183 Ibid; (MGR.0001.0001.2217); (MGR.0001.0001.2073).  
184 **Exhibit A-1766** (MGR.0001.0001.0103).  
185 Ibid at .0104.  
186 Ibid.  
187 Ibid at .0104-.0107.  
188 Weeks: Day 1, T81.16-19.  
189 Weeks: Day 1, T81.23-36.  
190 Weeks: Day 1, T81.47-82.6.  
191 See Day 2, T132.39-42.  
192 **Exhibit A-1912** (STA.8102.0010.4676 at .4676).  
193 Saunders: Day 6, T400.17-18.  
194 Ravneet Townsend’s Written Submissions dated 16 May 2024 at para [26].  
195 **Exhibit C-199** (STA.8000.0145.0034 at .0034-.0035).  
196 Ibid at .0035.  
197 Ibid at .0034.  
198 **Exhibit C-197** (STA.8000.0145.0029).  
199 Ibid.  
200 **Exhibit C-241** (STA.8000.0138.0646); **Exhibit C-242** (STA.8000.0138.0647).  
201 **Exhibit A-2443** (INQ.5001.0001.0239).  
202 Townsend: Day 5, T367.38-39, T368.7, T369.24.  
203 Townsend: Day 5, T368.4-7.  
204 **Exhibit A-2443** (INQ.5001.0001.0239 at .0240).  
205 Townsend: Day 5, T369.42-44.  
206 Townsend: Day 5, T370.24.  
207 Townsend: Day 5, T371.9-10.  
208 Ravneet Townsend’s Written Submissions dated 16 May 2024 at para [31].  
209 Saunders: Day 6, T396.9-11.  
210 Saunders: Day 6, T396.16.  
211 Saunders: Day 6, T398.28-39, T399.25.  
212 Saunders: Day 6, T399.29.  
213 Page: Day 9, T 732.29-46, T733.18; Issenberg: Day 9, T770.28; Hodgson: Day 10, T795.26-35;  
Thornton: Day 10, T816.23-36; Foster: Day 7, T510.2.  
214 The Star Entities’ Written Submissions (Public) dated 15 May 2024 at para [267(b)].  
215 Ibid at para [267(c)].  
216 Ibid at para [267(d)].  
217 Ravneet Townsend’s Written Submissions dated 16 May 2024 at para [3].

**Chapter 9**  
**Management and Governance of Star Entertainment**



## Chapter 9. Management and Governance of Star Entertainment

### Chapter 9.1 Relevant corporate structure and constitution of Star Entertainment

1. Star Entertainment is the ultimate holding company of the companies in The Star Entertainment Group, including The Star, as referred to in Chapter 7.1.
2. The current version of Star Entertainment's Constitution is dated 22 October 2020, being the same version which was in effect at the time of the 2022 Report. That Constitution was discussed in Chapter 8.5 of the 2022 Report.

### Chapter 9.2 Substantial shareholders of Star Entertainment

3. As at 27 May 2024, those persons having a substantial holding in Star Entertainment within the meaning of the *Corporations Act* were as follows:<sup>1</sup>

No	Notice	Entity	Number of ordinary shares	Percentage of issued capital
1	10/10/2023	Firmament Investment Pte. Ltd.	80,553,908	3.165%
2	10/10/2023	Far East Consortium International Limited	80,553,908	3.165%
3	23/05/2021	Perpetual Limited and its related bodies corporate	252,776,984	8.81%
4	18/04/2024	Bruce Lawrence Mathieson, Bruce Joseph Mathieson, and Investment Holdings Pty Ltd (ACN 006 336 303)	275,000,000	9.59%
5	26/02/2024	State Street Corporation and subsidiaries	146,711,572	5.11%

4. The first entity listed above, Firmament Investment Pte Ltd, is a nominee and subsidiary (via various intermediate holding companies) of Chow Tai Fook.<sup>2</sup> The second entity listed above, Far East Consortium, together with Chow Tai Fook and Star Entertainment, are joint

venture partners in respect of the \$3.6 billion Queen's Wharf Brisbane integrated resort development and the Dorsett Hotel and Residences project in the Gold Coast.<sup>3</sup>

5. Chow Tai Fook and Far East Consortium were substantial shareholders of Star Entertainment at the time of the 2022 Review and were discussed in Chapter 8 of the 2022 Report.<sup>4</sup>
6. The NICC confirmed on 5 April 2024 that consideration of Chow Tai Fook and Far East Consortium was excluded from the scope of this Inquiry.<sup>5</sup> It may otherwise have arisen for consideration in assessing the suitability of Star Entertainment as a close associate because Chow Tai Fook and Far East Consortium are business associates of Star Entertainment.

## **Chapter 9.3 Management and Reporting Lines of Star Entertainment**

### **Senior Executives of Star Entertainment**

7. The senior executives of Star Entertainment are members of the Group Leadership Team (GLT). At the commencement of the Inquiry, the GLT comprised 13 members, namely:<sup>6</sup>
  - (a) Mr Robbie Cooke, Group Chief Executive Officer and Managing Director;
  - (b) Ms Nicola Burke, Chief Transformation Officer;
  - (c) Mr Scott Saunders, Group Chief Risk Officer;
  - (d) Ms Christina Katsibouba, Group Chief Financial Officer;
  - (e) Ms Paula Hammond, Group Chief People Officer;
  - (f) Mr George Hughes, Group Chief Customer and Product Officer;
  - (g) Mr Darryl McDonough, Interim Group Chief Legal Officer;
  - (h) Mr Laurent Fresnel, Group Chief Technology & Innovation Officer;
  - (i) Ms Ravneet Townsend, Group Chief Controls Officer;
  - (j) Mr Peter Jenkins, Chief of Staff;
  - (k) Ms Janelle Campbell, Chief Executive Officer, The Star Casino;
  - (l) Ms Jess Mellor, Chief Executive Officer, The Star Gold Coast; and

- (m) Mr Daniel Finch, Chief Executive Officer, The Star Brisbane.
8. For a large part of the Relevant Period, the following senior executives were also members of the GLT:
- (a) Ms Betty Ivanoff, who was the Group Chief Legal Officer in the period from May 2023 up until the time of her resignation, effective 5 March 2024 (and who was succeeded by Mr McDonough);<sup>7</sup> and
- (b) Mr Peter Humphreys, who was the interim Chief Operating Officer of The Star and the de facto Chief Executive Officer of The Star in the period after Mr Wharton’s resignation, from about May 2023 (and who was succeeded by Ms Campbell).<sup>8</sup>
9. The members of the GLT reported directly to Mr Cooke.<sup>9</sup> Changes to the membership of the GLT over the course of the Inquiry are addressed below.

### **Key management personnel**

10. Australian Accounting Standard AASB 124 defines “key management personnel” as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity”.<sup>10</sup> The Star Entertainment 2023 Annual Report identified the key management personnel, apart from the non-executive directors of Star Entertainment, as Mr Cooke, Ms Katsibouba, and Mr Saunders.<sup>11</sup>
11. Mr Cooke’s role as Group Chief Executive Officer and Managing Director of Star Entertainment is addressed in Chapter 9.5 below.
12. Ms Katsibouba was appointed as Chief Financial Officer of Star Entertainment on an interim basis on around 9 May 2022, replacing Mr Harry Theodore.<sup>12</sup> That appointment was made permanent from 1 January 2023.<sup>13</sup>
13. Ms Katsibouba had a standing invitation to meetings of the Audit Committee and the Risk and Compliance Committee, being committees of the Star Entertainment Board.<sup>14</sup>
14. The Group Finance team reported to Ms Katsibouba, including the Chief Financial Officers for each of the Sydney, Brisbane and Gold Coast properties.<sup>15</sup>

15. Mr Saunders was appointed as Chief Risk Officer of Star Entertainment on 13 February 2023.<sup>16</sup> He replaced Ms Paula Martin, the former Chief Legal and Risk Officer, who resigned on 6 May 2022.<sup>17</sup>
16. Mr Saunders has a standing invitation to meetings of all four of the committees of the Board of Star Entertainment, being the Audit Committee, the Culture, People and Remuneration Committee, the Risk and Compliance Committee, and the Safer Gambling, Governance and Ethics Committee.<sup>18</sup>
17. Mr Saunders oversees a large portfolio of responsibilities. His direct reports include:<sup>19</sup>
  - (a) General Manager, Financial Crime;
  - (b) General Manager, Investigations;
  - (c) General Manager, Compliance;
  - (d) General Manager, Regulatory Engagement;
  - (e) General Manager, Safer Gambling Compliance;
  - (f) General Manager, Risk Transformation; and
  - (g) Head of Risk for each of the Sydney, Brisbane and Gold Coast properties.
18. Dr Lagan told the Inquiry that in her opinion Mr Saunders had done “a very good job” and had “brought in a really good team”.<sup>20</sup> Similarly, Mr Foster observed that Mr Saunders’ team had “built some good capability”.<sup>21</sup>

### **Executive changes since the commencement of this Inquiry**

19. In the period since the commencement of the Inquiry, a number of senior executives have departed the Star Entertainment group. In particular:
  - (a) Mr Cooke departed as Group Chief Executive Officer and Managing Director on 22 March 2024.<sup>22</sup> His Exit Statement on that date is considered in Chapter 10. While it was initially announced that he would stay on in a consulting role for a six-month period, Mr Foster told the Inquiry that Mr Cooke’s consultancy was terminated by Star Entertainment on 18 April 2024.<sup>23</sup> Star Entertainment commenced a search for a permanent replacement in March 2024. Star

Entertainment issued an ASX release on 24 June 2024 stating it “expects to make an announcement in the near term” but in the meantime Mr Neale O’Connell (the interim Chief Financial Officer) would take on additional duties as acting Chief Executive Officer.<sup>24</sup> Star Entertainment issued an ASX release on 26 June 2024 announcing the appointment of Mr Steve McCann as its Group Chief Executive Officer and Managing Director.<sup>25</sup>

- (b) Ms Katsibouba departed from her role as Group Chief Financial Officer on 22 March 2024. On the same date, Mr Neale O’Connell was appointed as interim Group Chief Financial Officer.<sup>26</sup> Ms Katsibouba’s departure followed discussions initiated by her in about December 2023 to the effect she wanted to leave – each of Mr Cooke and Mr Weeks, as well as Ms Katsibouba herself, gave evidence to that effect.<sup>27</sup>
- (c) Ms Ivanoff resigned from her role as Group Chief Legal Officer with effect from 5 March 2024.<sup>28</sup> The conflicting evidence given by Ms Ivanoff and Mr Cooke as to the circumstances of her resignation is addressed in Chapter 10. On or around 12 February 2024, Mr McDonough was appointed as interim Group Chief Legal Officer.<sup>29</sup>
- (d) Mr Hughes resigned from his role as Group Chief Customer and Product Officer on 29 February 2024, effective 31 May 2024.<sup>30</sup> As at 31 July 2024, no replacement, on either an interim or permanent basis has been announced.
- (e) Ms Burke resigned from her role as Chief Transformation Officer on 19 March 2024. Ms Burke told the Inquiry that she had been on a period of leave commencing early March 2024, prior to her resignation.<sup>31</sup>
- (f) Ms Mellor resigned from her role as Chief Executive Officer of The Star Gold Coast effective 24 May 2024. At that time, Star Entertainment announced that a search for a replacement had commenced.<sup>32</sup> As at 31 July 2024, no replacement has been announced.
- (g) Mr Jenkins resigned from his role as Chief of Staff effective 22 March 2024.<sup>33</sup>
- (h) On 18 July 2024, in response to a request for information from the Inquiry, The Star Entities stated that Ms Townsend had ceased to be employed by Star Entertainment on 31 May 2024.

- (i) On 30 May 2024, Star Entertainment announced that Ms Jeannie Mok had been appointed as Group Chief Operating Officer at Star Entertainment, effective 11 June 2024 (subject to regulatory approvals). Ms Mok was formerly the Chief Transformation Officer for Crown Resorts. Star Entertainment announced that it was intended Ms Mok would “lead the remediation efforts”.<sup>34</sup>
  - (j) On 31 July 2024, Star Entertainment announced Mr Saunders’ resignation and that he would continue in the role of Chief Risk Officer for six months until his expected departure date of 31 January 2025.<sup>35</sup>
20. The position as at 31 July 2024 is that Star Entertainment needs a new permanent:
- (a) Chief Financial Officer to replace Ms Katsibouba;
  - (b) Chief Legal Officer to replace Ms Ivanoff;
  - (c) Chief Customer and Product Officer to replace Mr Hughes;
  - (d) CEO of the Gold Coast property to replace Ms Mellor; and
  - (e) Chief Risk Officer to replace Mr Saunders when he departs, expected to be in January 2025.
21. It does not seem likely that Mr Jenkins’ role of Chief of Staff, which is now also vacant, will be replaced. Mr Hodgson said, “I’m never quite sure what a Chief of Staff does”.<sup>36</sup> Mr Hodgson’s expectation was that the role would cease, unless there is an explanation of what the role involves.<sup>37</sup> Ms Thornton similarly gave evidence that she did not see Chief of Staff as an appointment which is “critical to achieving remediation.”<sup>38</sup>

### **Declarations from senior executives regarding misconduct identified in 2022 Report**

22. One of the concerns expressed by Mr Weeks in his October 2023 report related to Star Entertainment’s decision to “rebuild its senior executive team primarily by appointing or promoting long-term [Star Entertainment] executives”, and whether that decision would ultimately “make the task of culture reform and remediation more difficult”. Those executives included:<sup>39</sup>
- (a) Ms Katsibouba, who at the time had a tenure of eight years;

- (b) Mr Kelvin Dodt (Chief Operating Officer, The Star Brisbane), who at the time had a tenure of eight years;
  - (c) Ms Mellor, who at the time had a tenure of four years;
  - (d) Mr Humphreys, who at the time had a total tenure in excess of 20 years (albeit not consecutively);
  - (e) Ms Hammond, who at the time had a tenure of 11 years;
  - (f) Mr Hughes, who at the time had a tenure of five years;
  - (g) Ms Burke, who at the time had a tenure of five years;
  - (h) Mr Jenkins, who at the time had a tenure of eight years; and
  - (i) Mr Fresnel, who at the time had a tenure of nine years.
23. In response to a request for information, The Star Entities informed the Inquiry that no formal procedures had been undertaken to determine whether any of those nine executives were aware of, or participated in, the misconduct identified in the 2022 Report.<sup>40</sup>
24. That The Star Entities failed to make such enquiries is surprising, particularly given that as early as 10 May 2022, Star Entertainment’s external legal advisers had prepared a draft declaration for senior executives in response to an action item arising from a Board meeting regarding the interim executive appointments being made at that time.<sup>41</sup> The Star Entities informed the Inquiry that, to the best of their knowledge, no further actions were taken to implement that draft declaration.<sup>42</sup>
25. Mr Weeks said that he would have expected some kind of assurance process to have been undertaken,<sup>43</sup> and that obtaining a declaration would have been a positive step to provide a measure of comfort to Star Entertainment about their executives’ lack of knowledge of or involvement in serious misconduct of the kind identified in the 2022 Report.<sup>44</sup>
26. As a result of a Request for Information from the Inquiry, on 13 March 2024, Star Entertainment asked each of the longer-serving executives identified above to sign a declaration regarding their knowledge of, or involvement in, the misconduct identified in the 2022 Report.<sup>45</sup>

27. Ms Katsibouba,<sup>46</sup> Mr Dodt,<sup>47</sup> Ms Mellor,<sup>48</sup> Ms Hammond,<sup>49</sup> Mr Jenkins<sup>50</sup> and Mr Fresnel<sup>51</sup> provided declarations to the effect that they had no knowledge of, or involvement in, those matters. The Star Entities informed the Inquiry that they did not receive declarations from Mr Hughes or Ms Burke, both of whom resigned in March 2024.<sup>52</sup>
28. In Mr Humphreys' case, after being asked on 13 March 2024, he provided a declaration promptly the next day. Mr Humphreys disclosed that he was aware of certain matters relating to China Union Pay.<sup>53</sup> When the disclosures in Mr Humphreys' declaration were shown to Mr Foster, and he was asked if he was alarmed, he said "it does need clarification", and added that "it certainly warrants investigation".<sup>54</sup> Two days later, when Ms Page gave evidence to the Inquiry, she agreed that it warranted investigation and said that the Board had taken advice on the matter.<sup>55</sup> She also said that the Board had been informed as to which senior executives had not completed a declaration, but not "that someone had qualified their declaration".<sup>56</sup>
29. Eventually, after Mr Humphreys gave evidence to the Inquiry, it appears that there was an investigation of some kind and the Board had taken advice, but such steps should have been taken much sooner after having received Mr Humphreys' declaration.
30. The issue was not explored during the hearings of the Inquiry and there is therefore no basis to make any finding regarding whether Mr Humphreys' declared knowledge of matters relating to China Union Pay was such that it was inappropriate for Mr Humphreys to hold his various roles at The Star Casino. It may be that there is a perfectly acceptable explanation. Mr Humphreys was not asked to provide such an explanation before the time of the Inquiry. To his credit, when he was asked to provide a declaration, he replied promptly and candidly.
31. However, the fact that Mr Humphreys and other senior executives were not asked after the 2022 Report to confirm whether they were aware of, or had involvement in, the misconduct recorded in that report was a failure on the part of Star Entertainment in relation to an important matter. That failure is aggravated by the fact that Star Entertainment had been told from at least November 2023 – in no uncertain terms – that the Manager and regulators were concerned about the number of longer-term employees that filled the ranks of Star Entertainment's senior management.
32. Mr Weeks correctly observed that the failure of Star Entertainment to take action until prompted to do so by questioning from the Inquiry represented a lack of initiative. Having



been shown the draft declaration prepared at the request of Ms Hammond in May 2022, Mr Weeks commented that he was “surprised” that the work had not been done.<sup>57</sup> He said:<sup>58</sup>

I think it points to a lack of proactivity by the company. That sometimes important matters [are] attended to once regulators or an inquiry of this nature forces the company to do it, rather than the company considering that it’s important to do it in its own right.

### **Organisational structure and reporting lines**

33. One of the themes that emerged during this Inquiry was the continued concentration of power and responsibility at the Star Entertainment level, rather than at the level of The Star Casino.
34. This concentration of power can be seen in the organisational structure of Star Entertainment. For example, and as is discussed in detail in Chapter 7:
  - (a) while Ms Vuong, the Head of Risk for The Star, has reporting lines to both Ms Campbell and Mr Saunders, her evidence to the Inquiry was that her primary point of escalation was Mr Saunders, and indeed suggested that important matters relating to risk at The Star Casino were dealt with by Mr Saunders and the GLT rather than by Ms Vuong or The Star leadership team;
  - (b) the most senior employee at The Star Casino with responsibility for safer gambling, Mr Wagemans, had a reporting line to Ms Townsend, the Group Chief Controls Officer, but no reporting line to The Star leadership team;
  - (c) regulatory engagement in respect of The Star Casino has to date been handled by Group executives, including Mr Cooke and Mr Saunders, and The Star Entities’ Regulatory Engagement Strategy envisioned that the Group Chief Executive Officer of Star Entertainment would continue to be the primary point of contact at least in respect of the relationship with the NICC;
  - (d) The Star Casino Risk Committee’s reporting line was to the GLT rather than to The Star leadership team or the Board of The Star; and
  - (e) the Compliance Committee’s point of escalation was the Board of Star Entertainment rather than the Board of The Star.

35. Mr Weeks told this Inquiry that “the organisational restructure” undertaken by The Star Entities “has not been executed well” and that he would not count it as an achievement or success.<sup>59</sup>
36. One problematic issue regarding organisational structure and reporting lines which arose during the Inquiry concerned the Group Company Secretary role. Ms Silfani was Group Company Secretary at Star Entertainment from September 2022 to October 2023.<sup>60</sup> Ms Silfani said that when she started at Star Entertainment, she made it clear that if and when she received her close associate approval her role as Company Secretary should involve reporting to the Chair of Star Entertainment directly, with an administrative reporting line to the CLO.<sup>61</sup> Ms Silfani said that she adopted that position as a result of issues identified in the 2022 Report. She said:<sup>62</sup>

Given the outcomes of Mr Bell's first review, I held very serious concerns about reporting through a person on the management team, so on the executive team – it eventually became the GLT, but at the time it was the executive team – simply because of the history of that business. So I thought it particularly important at that point in time that this role, so the role of the group Company Secretary, was an independent role, would be seen to be independent and was effectively independent.

37. That evidence was corroborated by the documentary record. On 11 January 2023, Mr Carabine, the Interim Chief Legal Officer (CLO) at the time, sent an email to Mr Heap (the then Chair of Star Entertainment) in which Mr Carabine noted that Ms Silfani “is firmly of the view she will report to the Chair once she has her CA approval: the current structure of reporting to the CLO she believes may affect her independence from the business”.<sup>63</sup> On 19 January 2023, Mr Heap replied to Mr Carabine, copying Mr Cooke, noting that Mr Heap had discussed this with Mr Cooke the day before and that Mr Cooke “is presenting an org structure to the Board in February, but the intention is the [Company Secretary] has an administrative reporting line to the [Chief Legal Officer] and a direct reporting line to the Board Chair (similar to the way the Internal Auditor role works)”.<sup>64</sup>
38. That approach is consistent with the ASX Corporate Governance Council's recommendation 1.4, which provides “the company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board”.<sup>65</sup> The Corporate Governance Principles and Recommendations also record that “each director should be able to communicate directly with the company secretary and vice versa”.<sup>66</sup>

39. Mr Heap concluded his email on 19 January 2023 as follows “[Mr Cooke] is intending to discuss with [Ms Silfani] as and when he has finalised his structure”.<sup>67</sup>

40. Ms Silfani said that no such conversation with Mr Cooke took place.<sup>68</sup> Instead, Ms Silfani said:<sup>69</sup>

[I]n or around the middle of March, I was preparing the agenda for the late March board meetings in 2023. I spoke with [Mr Cooke]. I had a meeting with him to look at the agenda. Once we had finalised that, I had mentioned – I did mention to him that I had come to know that the reporting line for the Group Company Secretary was going to be solely through the Chief Legal Officer, and I expressed to him my concerns about that.

Obviously, he was not or had not been involved in my recruitment process, and I wanted to discuss with him my concerns about where I thought that reporting line was going to land. [Mr Cooke] essentially said to me, “This is the reporting line that I’m going to go with in my organisational structure”, words to that effect. He also said to me that he did not believe the Company Secretary should have a reporting line to the Chair, at which comment I expressed some surprise. And he went on to say word to the effect of, “You are part of my team. I consider you management.”

41. Mr Cooke accepted that he said to Ms Silfani words to the effect “you’re part of my team; I consider you management”.<sup>70</sup>

42. After reflecting on this exchange, Ms Silfani said that she “made a decision to resign from the role, so serious was [her] concern around the independence of the secretary”.<sup>71</sup>

43. Ms Silfani stayed on at Star Entertainment but in a different role, which was effected by an amendment to her employment contract.<sup>72</sup> Ms Silfani became Executive Adviser Governance Strategy.<sup>73</sup> She later resigned from that role, on 11 March 2024.<sup>74</sup> Ms Silfani explained her reasons for resigning from the second role as follows:<sup>75</sup>

In a nutshell, there was very limited advocacy in the management team and – and I’m not sure there was allocated much value in that team for corporate governance. It was a – in my opinion, more a compliance, tick the box type of approach. Governance, to me, in the business felt like it was an impost, something that was annoying but necessary. And as a governance professional, that didn’t sit well with me.

Ms Ivanoff had been one of the few members of the GLT to advocate for effective corporate governance practices, and on her departure – and she departed, I think, a week before she was scheduled to depart – there was essentially nobody left to advocate for corporate governance.

44. There was no good reason why Star Entertainment should not have followed the ASX Corporate Governance Council’s recommendation concerning the reporting line of the company secretary. The former CEO’s insistence that the company secretary should not have a direct reporting line and accountability to the board concentrated the power of the

CEO and deprived the Board of Star Entertainment of direct and unfiltered access to a separate guardian of the corporation's governance and culture. Attention was drawn to the importance of the company secretarial role in this regard in Chapter 26 of the 2022 Report.<sup>76</sup>

## Chapter 9.4 The Group Leadership Team

### Membership of the GLT

45. As at 31 July 2024 the GLT comprises:
- (a) Mr Steve McCann, Chief Executive Officer and Managing Director (subject to regulatory approval);
  - (b) Mr Neale O'Connell, Interim Chief Financial Officer;
  - (c) Ms Jeannie Mok, Group Chief Operating Officer (subject to regulatory approval);
  - (d) Mr Scott Saunders, Group Chief Risk Officer (resignation announced);
  - (e) Ms Paula Hammond, Group Chief People Officer;
  - (f) Ms Janelle Campbell, Chief Executive Officer, The Star Casino;
  - (g) Mr Daniel Finch, Chief Executive Officer, The Star Brisbane; and
  - (h) Mr Laurent Fresnel, Group Chief Technology & Innovation Officer.
46. During the hearings of the Inquiry, the most pressing vacancy on the GLT was the role of permanent Group Chief Executive Officer and Managing Director of Star Entertainment. This was filled on 26 June 2024 with the announcement of Mr McCann's appointment, subject to regulatory approval.
47. The appointment of a replacement permanent Group CEO and Managing Director to Star Entertainment was a vital step for the company. Mr McCann is a former Group CEO of Lendlease Corporation Ltd and former CEO of Crown Resorts. According to Star Entertainment's ASX release announcing Mr McCann's appointment,<sup>77</sup> Mr McCann "was appointed CEO of Crown Resorts in June 2021 to lead the company through its regulatory challenges and cultural transformation and negotiate its privatisation to Blackstone, which was completed in September 2022".

**Role and reporting lines of the GLT**

48. On 30 January 2024, a paper was presented to the Board of Star Entertainment seeking approval of a charter for the GLT. The paper noted that the charter was “created by [the] GLT as a collective following an offsite session held in May 2023 which was further refined and finessed by GLT 18 December 2023”.<sup>78</sup> Why it took more than half a year to “finesse” the charter after it was first prepared in May 2023 is unclear.
49. The charter identified the purpose of the GLT as being “to drive the direction of The Star Entertainment Group”, and articulated six principles for the GLT’s operations:<sup>79</sup>
- (a) “we share problems”;
  - (b) “we respectfully challenge”;
  - (c) “we make decisions”;
  - (d) “we respect each other”;
  - (e) “we welcome visitors”; and
  - (f) “we uphold The Star’s values”.
50. The charter stated that GLT members “are accountable to be ambassadors for the new culture that we are creating at The Star”.<sup>80</sup>
51. The charter was silent as to more practical matters of governance, including how often the GLT was to meet, what constituted a quorum, who was responsible for particular matters, the process by which information would be escalated to or by the GLT and who (if anyone) could attend meetings as an observer.
52. The minutes for the Board meeting on 30 January 2024 record that the following feedback was raised in respect of the draft charter:<sup>81</sup>
- Important to consider how we would know the GLT charter is working. Mr Cooke replied it should come through in the values and culture of the organisation.
  - The principles do not seem to reflect an aspirational component of wanting to be world leading in responsible gaming.
  - Management should consider the reference that the leadership team is in place to “drive Star’s direction”. The Board thinks this should be to drive performance and operations.

- The Board do not like the reference to “solving each other’s problems”. It was considered the language should also have a constructive focus. For example, should it say “challenges”?
  - Can the manner of engagement with directors be addressed in the charter. Management will consider acknowledgment (b) on page 2.
  - The Board asked whether the context section can this reinforce the business unit model that is in place.
  - The Board asked management to consider whether it accurately responds to the silo problem which existed in the business previously.
53. There was an action item for Mr Cooke to “consider feedback and run past GLT before bringing back to Board”.<sup>82</sup> No further draft of the GLT charter for consideration by the Board for Star Entertainment since that time has been drawn to the Inquiry’s attention. As at 7 May 2024, a Remediation Program Steering Committee pack contained an outdated reference to the GLT charter being due to go to the Board in March 2024.<sup>83</sup>
54. A depiction of Star Entertainment’s risk governance structure prepared in January 2024 identified that the GLT receives reporting from The Star’s management Risk Committee, as well as the Risk Committees for the Queensland properties, and from the Financial Crime Oversight Committee. It also indicates that the GLT reports to the Compliance Committees for each of the properties and to the Star Entertainment Board Risk and Compliance Committee, and Safer Gambling, Governance and Ethics Committee.<sup>84</sup>

### **Effectiveness of the GLT throughout the relevant Period**

55. During the course of the public hearings of the Inquiry, a picture emerged of the GLT as a dysfunctional and divided group.
56. In his October 2023 report, Mr Weeks identified the leadership team as one of a number of “risks and potential impediments to [Star Entertainment]’s reform that it must address to successfully return to suitability”. He wrote that “[Star Entertainment]’s leadership team is not yet acting as a collective and has not authentically and clearly communicated a strong tone from the top in a unified way that will ignite enterprise-wide cultural change”.<sup>85</sup>
57. That was consistent with the evidence that Mr Weeks gave to the Inquiry that the GLT “wasn’t unified” and he had not yet seen the signs of enterprise-wide cultural change.<sup>86</sup> Similarly, Dr Lagan said that the GLT, to her observation, “were not acting as a collective”.<sup>87</sup>

58. Mr Weeks also observed that, based on his discussions with a number of GLT members, the GLT was dysfunctional and there was a high level of dissatisfaction about Mr Cooke's leadership.<sup>88</sup> In particular, both Mr Weeks and Ms Katsibouba gave unchallenged evidence about a conversation they had at the time that Ms Katsibouba resigned, to the effect that her reasons for doing so included that her working relationship with Mr Cooke and the Board had deteriorated, that she had lost confidence in Mr Cooke and that the GLT was dysfunctional and had been for some time.<sup>89</sup>
59. Ms Ivanoff told the Inquiry that the GLT "was not functioning efficiently". She said that "[o]ur meetings would get rail-roaded", that "the structure or the foundation had not been set", that "[w]e didn't establish the rhythms" and that "things were sort of flying in left, right and centre and I think then the way that we were focused on matters that you would expect an ASX-listed executive team to be focused on, on a very regular basis, that kind of cadence was missing".<sup>90</sup>
60. In particular, Ms Ivanoff said there was no structure or framework around the GLT and that there was instead a "haphazard" approach of "the week before a GLT meeting, just send your agenda items to, you know, the EA of the CEO and let's see how we go, we will allocate time". Further, another issue which Ms Ivanoff said gave rise to inefficiencies within the GLT was the lack of clarity around accountability. She said:<sup>91</sup>

In terms of some areas where there was less clarity, I think the actual GLT member accountability, who was being consulted, when, where the ultimate approval lay – so you would see, for example, matters where there could have been advice or engagement of other teams, but then something would be coming onto the GLT agenda for an approval without consultation. And so you would receive something or a pack and then have to be ready to go into a meeting to make a decision on something which had not gone through what I would call good governance. And I think in terms of getting those accountabilities right, we probably had quite a lot of work to still do.

61. Mr Hughes observed, in respect of the GLT, that "people were working remarkably hard and they were focused on regaining the trust and suitability of the business", but that "the leadership team wasn't functioning as optimally as it could have".<sup>92</sup> In terms of why that was the case, Mr Hughes expressed the view that it was due to Mr Cooke not "leading the team as well as he should have been".<sup>93</sup>

It meant discourse on material matters wasn't encouraged. The agreed Group Leadership Team governance, ways of working and meeting protocols had not been fully implemented and that led to, I think, a lack of clear communication, sharing of what was happening in the regulatory environment and a focus on the priority matters for the leadership team – not the individuals but as a leadership team. There was not a lot of time placed on that.

62. While not a member of the GLT, Ms Silfani gave evidence that she had attended one or two meetings as an observer, and that she had involvement more broadly in governance matters as a result of her responsibilities for the Remediation Plan.<sup>94</sup> She said that the GLT was, to her observation, “dysfunctional” and she explained that “there were some very serious issues that I would have expected to be dealt with at a GLT level and the items that were on the agenda were, to my mind, not a priority”. Ms Silfani said that “the GLT was not comprised of people who had sufficient capability or experience to support the business to remediate itself in a sufficiently robust or holistic way” and that “[t]here were personality differences ... that ... would get in the way of meaningful business or operational outcomes”.<sup>95</sup> She described Mr Cooke’s management style as “a command and control management style”, “no opportunity to consult”, “limited opportunity for discussion” and “[y]ou were provided with an instruction and you were expected to accommodate the instruction”.<sup>96</sup>
63. The following executives gave more guarded assessments of the effectiveness of the GLT:
- (a) Mr Humphreys said that “whether or not there was enough focus at different times on different matters would be the only other concern, because the meetings did tend to run long”.<sup>97</sup>
  - (b) Ms Townsend said that the GLT “could be more efficient” and observed that “we have not been as, I guess, a unit as we should be”, and that “the GLT hasn’t functioned as a cohesive unit and come together and focused on priorities together as a group”.<sup>98</sup>
  - (c) When Mr Saunders was asked whether he would “describe [the GLT] as efficient”, his evidence was “probably not, no. No”.<sup>99</sup> He also said that with the management changes, the GLT would now need “to find a new rhythm”.<sup>100</sup>
64. Ms Ward accepted that during the first half of 2023 her opinion was that the GLT was “fairly dysfunctional and siloed”.<sup>101</sup>
65. In the course of the public hearings before the Inquiry, a number of particular incidents were raised which are illustrative of the problems affecting the GLT’s operations.
66. The *first* of those incidents concerned Mr Cooke’s reluctance to share details of The Star Entities’ financial situation with the GLT.



67. Ms Katsibouba said that, in her opinion, the GLT was not sufficiently aware of the financial challenges which Star Entertainment was facing. She said that she sought to raise the challenges around earnings with the GLT at a few meetings, but it did not eventuate because Mr Cooke disagreed with Ms Katsibouba about how transparent they should be with the GLT. She said that she “felt [Mr Cooke] was reluctant to share the extent” of the financial challenges. Ms Katsibouba informed the Inquiry that, from her perspective, the GLT did not become fully aware of Star Entertainment’s financial position until a meeting in approximately June 2023, when she raised the issue.<sup>102</sup> None of that evidence from Ms Katsibouba was challenged.
68. Mr Cooke did not deny that Ms Katsibouba shared her concerns with the GLT in around June 2023 but he said that “[t]he team was fully alive to what was going on, because we were doing a 500-person head-count exercise in May, and that started in April”.<sup>103</sup> Mr Cooke said that any member of the GLT (or, under its former name, ExCo) was able to put matters onto the agenda as he or she saw fit.<sup>104</sup> Plainly enough, however, Ms Katsibouba’s evidence was to the contrary on this issue.
69. Ms Katsibouba said that, in her view, it was not satisfactory that, prior to June 2023, only Mr Cooke and she were aware of the financial position of the company.<sup>105</sup>
70. The *second* incident related to Mr Cooke’s failure to seek the input of Ms Katsibouba and the Finance team in respect of a confidential project which went to the Board for approval in February 2024. Ms Katsibouba said that the project was first raised with her by Mr Cooke in March or April 2023, and when she and the Finance team looked at the financials for the project, their reaction was negative.<sup>106</sup> Ms Katsibouba said she informed Mr Cooke about her views on the project at that time.<sup>107</sup> Again, Ms Katsibouba’s evidence was unchallenged.
71. The views of both Ms Katsibouba and the Finance team remained negative through to February 2024,<sup>108</sup> when a paper was presented to the Board seeking approval to proceed with the project. That paper contained an overview of the “economic outcomes and assumptions” for the project, together with a footnote which stated “current base case yet to undergo full review by Finance team”.<sup>109</sup> Ms Katsibouba gave evidence that she and the Finance team had no involvement in the paper,<sup>110</sup> and in respect of the footnote she said “we weren’t asked to provide a review of this paper, and the numbers in there, we have not looked at”.<sup>111</sup> Ms Katsibouba first saw that paper when it was uploaded to Diligent (being Star Entertainment’s Board paper repository).<sup>112</sup> Ms Katsibouba said that this was the kind

of material project which she would have expected Finance to be involved in.<sup>113</sup> Similarly, Ms Ward gave evidence that if Finance had taken a materially more negative view of the project than was presented in the Board paper, that would be relevant information for the Board to know and she would have expected Mr Cooke to have raised it.<sup>114</sup>

72. Mr Cooke accepted that the February 2024 board paper had received no input from Ms Katsibouba or her Finance team.<sup>115</sup> He did not agree that he should have disclosed to the Board that Ms Katsibouba and her team had advised against the project.<sup>116</sup>
73. The *third* incident relates to the failure to share copies of the Manager’s October 2023 and November 2023 reports with members of the GLT.
74. Mr Weeks said that Mr Foster asked him not to discuss the reports with anyone other than the Board, including members of the GLT. Mr Weeks said that request “surprised” him, as he thought it would be appropriate for the GLT to “put their heads together to develop a plan to work out how they would respond to it”.<sup>117</sup>
75. Consistently with Mr Weeks’ evidence, the Inquiry heard that none of Ms Katsibouba,<sup>118</sup> Ms Ivanoff<sup>119</sup> or Mr Hughes<sup>120</sup> received copies of either of the Manager’s reports. Ms Townsend said she saw “a small subset” of the reports, limited to particular parts which concerned the Controls function and which Mr Cooke shared with her for the purpose of her assisting in preparing The Star Entities’ response to the reports. Ms Townsend said she had only seen the full reports “in the last couple of weeks”.<sup>121</sup>
76. It appears that the only member of the GLT who saw either of the Manager’s reports in full at the time they were received by The Star Entities was Mr Saunders, and even he only saw the October 2023 report, whilst the November 2023 was not shared with him.<sup>122</sup> Mr Cooke said that in addition, Mr Jenkins (Mr Cooke’s Chief of Staff) received one or both of the reports.<sup>123</sup>
77. The failure to share the Manager’s reports with the GLT was in the face of a direct request by Ms Ivanoff, both in writing by email and in person during a GLT meeting, that those reports be shared with the group.<sup>124</sup> Mr Hughes said that Mr Cooke had replied that “he didn’t have the authority to share it and it was done to the discretion or determination of the Board”.<sup>125</sup> Ms Katsibouba – who was the second most senior executive on the GLT after Mr Cooke – said that it “would have been good” for the GLT to have those reports in order to “discuss and course-correct as necessary”.<sup>126</sup>

78. The evidence to the Inquiry did not identify who was responsible for the decision not to involve the GLT in considering and responding to the Manager’s reports. Mr Foster accepted that, in hindsight, it would have been more appropriate to have the GLT involved in reviewing and responding to Mr Weeks’ reports.<sup>127</sup> Mr Cooke, by contrast, disagreed with the suggestion that it was inappropriate not to have shared the Manager’s reports with the GLT. He said this was:<sup>128</sup>

Because they were reports to the board, which the board asked me to, with them, do a response. The intention was once that was done, to then build a work plan out of the back of the action items that flowed from those reports and then provide that to the GLT. So that was the intention.

79. A *fourth* incident to note concerns Ms Ivanoff’s evidence as to the way in which she, in her role as Chief Legal Officer, was engaged by The Star Entities. Ms Ivanoff said that by mid-2023:<sup>129</sup>

I did not feel like I was being engaged to the fullest extent as the Chief Legal Officer of the organisation. So I did feel that I would be brought in and out of topics at whim by the CEO, which I found quite – quite awkward, to say the least. I also found that some of the frameworks and the accountabilities were very unclear and whilst not – not a surprise, especially when you have a very newly-forming team and board, I found that there were areas that required clarity, especially around decision-making and accountabilities which should have really been the next step out of the – you know, the review of meeting cadence, rhythms, agendas and similar. And I just felt that from a transparency perspective or, if you like, a visibility perspective, I wasn’t really getting the fullest picture.

80. Ms Ivanoff said that Mr Cooke would negotiate legal agreements on his own and would not consistently involve Ms Ivanoff, such that he would come back to her “with a version and [skip] maybe two or three versions in between”. She described that as “haphazard”.<sup>130</sup> She also said she felt “undermined or excluded”, as sometimes Mr Cooke or the Chief of Staff would go directly to external law firms without involving Ms Ivanoff, and she would only hear about it “more often than not by the external legal provider”.<sup>131</sup>
81. Ms Ivanoff said that there was a failure to consistently involve her in discussions relevant to her roles across the company secretariat function and in delivering the governance workstream of the Remediation Plan. She said she felt she was put in “a bit of a compromised position” by having to “prepare the underlying governance documentation” in circumstances where she lacked visibility on “discussions either across the Board of Directors, or the CEO with the manager or with the regulators, especially in terms of expectations around composition on committees or focus areas...”.<sup>132</sup>

82. Mr Cooke disagreed with the proposition that he would involve Ms Ivanoff in legal matters on an ad hoc basis, although he accepted there were instances where external lawyers were involved without Ms Ivanoff's involvement and he accepted that there may have been instances which he could not recall at the time of giving evidence.<sup>133</sup>
83. The above examples are illustrative of a lack of effectiveness of the GLT. In particular, there appear to have been systemic issues with sharing relevant information with members of the GLT, and in properly engaging members of the GLT in matters relevant to their respective functions. It cannot be doubted that those failures have had a material impact on the ability of the GLT, and of The Star Entities more broadly, to deliver the kind of transformation which is contemplated by the Remediation Plan.
84. Significantly, it reflects a very different state of affairs compared to what Ms Ivanoff observed at her time at Crown Resorts. Ms Ivanoff said that during her tenure there she observed "lots of information flowing back through to the executive team" from engagement with the regulator.<sup>134</sup> In that respect, the failure to share the whole of Manager's October 2023 and November 2023 reports with all members of the GLT is particularly noteworthy. Almost all of the GLT members had individual responsibilities for particular workstreams in the Remediation Plan. They were not given the benefit of feedback from the Manager to inform their work moving forward or given the opportunity to provide their perspective in response.

### ***The Current Position***

85. The departure of so many executives who had previously formed part of the GLT means that Star Entertainment is necessarily in the midst of a significant change in personnel. That presents both risks and opportunities.
86. As Mr Weeks observed, the GLT is presently "unsettled" and "comprised in very important roles by interim people". As a result, he perceived there now to be a greater risk that the GLT would not be able to achieve cultural change than at the time of his report in October 2023. Mr Weeks also commented that, in some senses, the GLT was in a similar position as after the 2022 Review, in that there were "a large number of roles that need to be replaced".<sup>135</sup>
87. Dr Lagan was also asked about the need to bring in so many new executives. She said:<sup>136</sup>

I think they are great opportunities to actually bring in the right experience now. It wasn't brought in before. And they do have a CEO in Sydney, at the Sydney

property. They have a CEO in Brisbane, up in Brisbane, and they have a CEO on the Gold Coast. So if we just got the right person as the top CEO, we could bring about change in six months. Someone like Steve McCann at Crown, he covered tremendous ground in six months.

88. As has been noted, on 26 June 2024, Star Entertainment announced the appointment of Mr McCann as its CEO and Managing Director. Dr Lagan’s evidence takes on added significance in that regard. That said, since the time of Dr Lagan’s evidence, Ms Mellor has resigned as CEO of the Gold Coast property.
89. Ms Ivanoff said of Mr McCann:<sup>137</sup>
- [A]t Crown, when – when I worked under the leadership of Steve McCann, I think that, at that time, there was a lot of focus on one-on-one time with the regulator. There was lots of information flowing back through to the executive team, and I think there was a lot of engagement and a dedicated office at that time.
90. Some of the directors of Star Entertainment gave evidence as to how they hope to increase the efficacy of the GLT. Ms Ward said that she proposed to “ensure a closer working relationship between the Board and the GLT, and what I have in mind there are both informal opportunities for interaction as well as more formal joint sessions on key topics facing the business”.<sup>138</sup>
91. In March 2024, Star Entertainment engaged Ms Elizabeth Arzadon to conduct an independent review of Star Entertainment’s cultural transformation program in three phases, namely (i) an initial audit of the program; (ii) a recommended plan for executing the program successfully; and (iii) support to build any foundational elements required to ensure the program’s effectiveness.<sup>139</sup> On 16 April 2024, Ms Arzadon provided a report to Star Entertainment in the form of a letter with observations from phase 1.<sup>140</sup> Ms Arzadon gave evidence to the Inquiry about her report.
92. Both Ms Ward and Ms Page described Ms Arzadon’s engagement as being a consultant to fulfil an organisational development specialist role. This is how her role was portrayed in The Star Entities’ written submissions.<sup>141</sup> Both Ms Ward and Ms Page said they anticipated that the role would become a permanent fixture within Star Entertainment and on the GLT.<sup>142</sup>
93. Dr Lagan was very positive about Ms Arzadon’s engagement. Dr Lagan said that Ms Arzadon “knows, understands culture”<sup>143</sup> and “has a lengthy experience of these organisational transformations”.<sup>144</sup>

94. Ms Page also gave evidence regarding the recent appointment of Ms Rowena Craze, Group Chief Audit Office, who would attend GLT meetings as an observer although not comprising one of its members. Ms Craze will report directly to Ms Page and provide Ms Page with a “direct line of sight to how the GLT is operating”.<sup>145</sup>
95. While there is now an opportunity for a fresh start and transformation, impediments remain. While Dr Lagan’s view was that change might be brought about within six months after the appointment of a new CEO, that only occurred on 26 June 2024.
96. When Ms Ward was asked about her estimate of the time it will take for the GLT to be operational, she said that “[r]ealistically, it will take some months” for a new GLT to be in place and operating optimally.<sup>146</sup>
97. It is also evident that, aside from the need to appoint new members to the GLT, it is necessary to implement clear governance processes to ensure that the dysfunctional and haphazard ways of working are left in the past. While the adoption of a charter for the GLT is a good starting point, the draft that was proposed to the Board on 30 January 2024 contains, at best, aspirational statements of principle. That charter must also address the practical governance processes necessary to ensure the efficient functioning of the GLT moving forward.
98. Further, GLT members must be properly equipped to set the tone from the top and lead the cultural transformation, as discussed further in Chapters 6 and 11.

## **Chapter 9.5 Chief Executive Officer of Star Entertainment**

### **Departure of Mr Cooke**

99. On 7 December 2023, the Board of Star Entertainment, excluding Mr Cooke, met with the Manager and the NICC. The NICC communicated to Star Entertainment its view that it had lost confidence in Mr Cooke to execute the Remediation Plan, as a result of his observed performance to date.<sup>147</sup>
100. When asked about that meeting and the NICC’s communication of its loss of confidence in Mr Cooke, Mr Weeks said it was a “very material” communication and he “expected that that would be something that the Board would have to consider long and hard”.<sup>148</sup>
101. The Board proceeded to have meetings<sup>149</sup> culminating in a 19 December 2023 Board meeting<sup>150</sup> at which, with Mr Cooke present, each Board member was asked whether Mr

Cooke should stay or go. Ms Ward expressed the view that Mr Cooke should go.<sup>151</sup> She was the only director to express that view.<sup>152</sup>

102. The Board kept Mr Cooke on as CEO and Managing Director. He proceeded to lead the work on Star Entertainment's written response to the Manager's reports.
103. Each of Star Entertainment's directors was asked whether the decision to terminate Mr Cooke's employment should have been made earlier. Evidently, Ms Ward was of the view that Mr Cooke should have departed in late December 2023. Mr Hodgson gave evidence that although it was important for Mr Cooke to complete the Multiplex settlement, which occurred three or four days after the 19 December 2023 Board meeting, "I think in general we could have asked him to leave earlier than we ultimately did".<sup>153</sup>
104. Each of Ms Page, Mr Issenberg and Ms Thornton said that they did not think it was a mistake to keep Mr Cooke on at Star Entertainment at that time in late December 2023,<sup>154</sup> although Ms Page said later that, "with the benefit of hindsight, maybe an earlier agreement to leave with Mr Cooke might have worked out better", in particular with "the relationship with the regulator".<sup>155</sup>
105. Mr Cooke gave the following evidence explaining how his departure came about in March 2024:<sup>156</sup>

The actual catalyst of that – that departure was a conversation between myself and Mr Foster on or about 10 March when Mr Foster advised me that the board had formed a view that my continuation with the business was no longer going to be of assistance in the company's endeavours to return to suitability in New South Wales.

106. Ms Page was asked what the factors in her mind were which led her to conclude Mr Cooke had to be asked to leave in March 2024. She said:<sup>157</sup>

Well, first and foremost was that we had a regulator who didn't have confidence in him. But the other things that I had observed – and I say this. I did like Mr Cooke as a person, so – but as a Non-Executive Director, you have to assess the performance, not the man. And as early as July, I had observed that he – what I would call his decision velocity was just not fast enough. He was making, in my view, some poor people decisions despite the advice of members of the board in certain situations.

And so, for me, they were early warning signs. And then I think by the time we got to the end of February, really, the job had almost – it had almost killed him. He had worked so hard. He was under so much stress that he had become overly emotional and, in that circumstance, it was just not possible to continue with him.

107. Mr Issenberg summarised his reasons as follows:<sup>158</sup>

But ultimately, in my opinion, that what really precipitated my own personal change of view is a couple of things that we have just recently spoke about was (1) that we didn't achieve our objective with our response to the NICC that we would continue, that we have transparent and open discussions about what needed to be done to get us back in better forms of communication with the NICC and the manager. And that – as, I think, the date of the letter was 1 February. And then to hear about the Inquiry on 19 February, I certainly assumed that these events were linked and, therefore, that that loss of confidence was complete.

That we hadn't achieved our objective with the response to open up further lines of – better lines of communication with the NICC and, therefore, it was irretrievable that Mr Cooke had to leave the organisation.

108. Neither Ms Page<sup>159</sup> nor Mr Issenberg<sup>160</sup> placed emphasis on a whistleblower complaint that Star Entertainment had received on 28 February 2024 regarding Mr Cooke.<sup>161</sup>
109. Mr Hodgson said he agreed with the decision for Mr Cooke to depart because of an “accumulation of factors” which included the regulatory response, the fact of this Inquiry, the whistleblower complaint and Mr Cooke’s delay in appointing key management personnel.<sup>162</sup>
110. Ms Thornton said that “[i]t was clear over the time since the Board had started those deliberations that it was time for [Mr Cooke] to go” and that her “main concern was the concern the NICC held regarding [Mr Cooke] – the loss of confidence in [Mr Cooke] and the lack of ability to address that in that timeframe”.<sup>163</sup> Ms Thornton said the whistleblower complaint “was a factor, albeit the investigation, as I understand it, had not fully commenced or completed during that time”.<sup>164</sup>

### **Announcement of Mr Cooke’s exit**

111. On 22 March 2024, Star Entertainment announced Mr Cooke’s departure as CEO and Managing Director to the ASX.<sup>165</sup>
112. Mr Weeks said that he first learned about Mr Cooke’s departure from reading the *Australian Financial Review*, which surprised him as he “would have expected to have learnt that directly from the company rather than through the newspapers”.<sup>166</sup> However, Mr Weeks said he was not surprised by the fact of Mr Cooke’s departure, given the NICC’s loss of confidence in him, the fact that a whistleblower complaint had been made<sup>167</sup> and his impression:<sup>168</sup>

... through discussions with a number of group leadership team members, that there was a high level of dissatisfaction with respect to the leadership of Mr Cooke within his leadership team and that - that management forum was clearly, in my assessment, based on those discussions, dysfunctional.



113. On the same day as Mr Cooke’s departure was announced to the market, on 22 March 2024, Mr Cooke sent an “Exit Statement” to all of Star Entertainment’s employees by email.<sup>169</sup> Mr Cooke was also entitled to provide that statement to Star Entertainment’s joint venture participants, business partners and key suppliers.<sup>170</sup> There is no evidence as to whether or not he did so.
114. The Exit Statement is considered in Chapter 10.6.

## **Chapter 9.6 The Board of Star Entertainment**

### **Directors of Star Entertainment**

115. At the commencement of the Inquiry, the members of the Board of Star Entertainment were Mr Foster as Chair, Mr Cooke as Managing Director and Chief Executive Officer, Mr Michael Issenberg, Ms Deborah Page, Ms Anne Ward, Ms Toni Thornton and Mr Peter Hodgson.<sup>171</sup> All of the directors were amongst the individuals identified as close associates of The Star at the commencement of the Inquiry.
116. During the course of the Inquiry, however, there were three changes to the composition of the Board.
117. *First*, on 22 March 2024, as has been noted, Mr Cooke departed from his role as CEO and Managing Director of Star Entertainment. At the time, Mr Foster took on additional duties as Executive Chair.<sup>172</sup>
118. *Secondly*, on 29 April 2024 Ms Ward told the Inquiry that the Star Entertainment Board had met without Mr Foster and resolved to remove him as Chair. The Board elected Ms Ward to that role.<sup>173</sup> Ms Ward told the Inquiry that Mr Foster’s removal came about because the Board had decided that “new leadership was required”.<sup>174</sup> It was anticipated that Mr Foster would remain on the Board for an interim period of “perhaps six to eight weeks”.<sup>175</sup> Each of Ms Page,<sup>176</sup> Mr Issenberg,<sup>177</sup> Mr Hodgson<sup>178</sup> and Ms Thornton<sup>179</sup> said that the messages between Mr Foster and Mr Cooke featured in the Board’s decision for Mr Foster to cease as Chairman.
119. Subsequently on 24 June 2024, Star Entertainment announced that Mr Foster had ceased his executive responsibilities and resigned as a director of the Board of Star Entertainment and “relevant subsidiary companies” effective 21 June 2024. It also said that Ms Ward had

taken on additional responsibilities pending the appointment of a permanent Group Chief Executive Officer and Managing Director.<sup>180</sup>

120. *Thirdly*, on 26 June 2024, Star Entertainment announced the appointment of Mr McCann as Group Chief Executive Officer and Managing Director.

### **Board Committees**

121. In response to a request for information, on 18 July 2024 Star Entertainment indicated that the current members of the committees of the Board of Star are as follows:<sup>181</sup>

<b>Committee</b>	<b>Members</b>
<i>Audit Committee</i>	Deborah Page (Chair) Michael Issenberg Peter Hodgson
<i>Risk &amp; Compliance Committee</i>	Peter Hodgson (Chair) Deborah Page Toni Thornton Anne Ward
<i>Safer Gambling, Governance and Ethics Committee</i>	Anne Ward (Chair) Michael Issenberg Deborah Page
<i>Culture, People and Remuneration Committee</i>	Michael Issenberg (Chair) Anne Ward Peter Hodgson Toni Thornton

122. The charter for each of the Board committees requires that their membership comprise a minimum of three non-executive directors.

### **Role and effectiveness of the Board of Star Entertainment**

123. In his October 2023 report, Mr Weeks wrote:<sup>182</sup>

We have observed the Board being more inquisitive, demonstrating more effective oversight and starting the process of setting an appropriate tone from the top, which are all positive developments. However, the timing, quality and content of Board reporting remains deficient. The Board have tolerated this for too long and effective oversight has been compromised as a result.

124. Mr Weeks made similar observations in his November 2023 report, specifically that:<sup>183</sup>

We noted in our report that the Board has played a passive role over the last year. This has not changed since our report. The Board has a low level of visibility and it has not overseen an investment in building the expertise needed for a significant cultural transformation. Each of the above matters have been raised with the Board, but it has failed to take steps to improve things. We are concerned that if the Board remains passive and continues to acquiesce to Star's executive, the change required will not occur and Star's remediation will fail.

125. In his evidence to the Inquiry, Mr Weeks said that the Board had, to his observation, been openly engaged with management during Board sessions (although he did not have visibility on the Board's interactions with management outside of those forums).<sup>184</sup> He also clarified the basis for the opinions expressed about the timing, quality and content of Board reporting in his October 2023 report:<sup>185</sup>

The board met a lot. It's been very busy meeting on many occasions through 2023 leading up to this report. I would be – I would attend not all but most of those board sessions as an observer in my role as Manager and Special Manager. I would receive papers for those sections of the meeting that I was interested in. So there was some sections – some papers I wouldn't receive, but most of the papers I would get, and the company would provide them to me.

My observations over the period leading up to October when I wrote this report last year was often papers would be delivered very late, and they would often be voluminous, sometimes as much as 1,000 pages for directors to review in a short space of time. And that – I understand in some respects the reasons why that was happening, how busy the company was, how often it was meeting, how busy executives were. But that is difficult for a board to make – to absorb, consider and provide useful feedback on those papers if they are so voluminous in a short space of time.

The quality and content – my observations were that it was always a large amount of information, but often it was short on insights about the business. And I have seen some improvement in that since writing this report, but that was – they were my observations up to October last year.

126. In The Star Entities' response to the Manager's reports, they disagreed with Mr Weeks' views on Board reporting. Specifically, they stated that:<sup>186</sup>

[T]he information being provided to the Board through new format Group CEO, Group [Chief Risk Officer], Group Legal and Group [Chief Financial Officer] reporting is a significant uplift with full transparency and open disclosure of all material issues, breaches and incidents occurring in the business along with unfiltered access to all material regulatory interactions, issues and correspondence. This disclosure is at a level significantly higher than most ASX listed entities based on the Board's considerable experience of listed company practice. In addition, the Board and its Committees met more than 120 times in 2023 (excluding informal meetings). The Board was receiving, in effect, weekly updates from management on all key actions and work streams.

127. When asked for his opinion on The Star Entities' response to the reports, and particularly the assertion that their Board reporting was significantly higher in standard than most ASX-listed companies, Mr Weeks described the response as "unusual". Mr Weeks said that he had "heard and observe[d] Board directors express a level of frustration at times with the reporting that's provided" and that Mr Foster had told Mr Weeks in 2023 that his assessment of the Board reporting was that it was "embryonic".<sup>187</sup>
128. Mr Weeks did observe, however, that the Board of Star Entertainment had taken steps since his reports to "increase its visibility".<sup>188</sup>
129. Star Entertainment has taken steps to improve the governance framework and operating effectiveness of the Board and Board Committees.
130. On 29 November 2023, the Board of Star Entertainment held a workshop to discuss, among other things, progress on particular milestones within the governance workstream of the Remediation Plan. Papers were presented to the Board regarding:
- (a) a new Board education program, including an onboarding and induction program, which addressed key areas identified in a Board skills review undertaken in October 2023. Those areas were safer gambling and harm minimisation, customer due diligence obligations, processes and patron exclusions, anti-money laundering and financial crime, and The Star Entities' statutory and regulatory regime (including casino licence obligations). The paper included a proposed training calendar pursuant to which 11 education sessions would be conducted throughout 2024;<sup>189</sup>
  - (b) the cadence of Board and Board Committee meetings, which proposed an annual minimum of 10 Board meetings and 4 meetings for each Committee on a quarterly basis;<sup>190</sup>
  - (c) new standing agendas and annual planners for the Board and Board Committees designed to increase effectiveness. In addition to incorporating routine reporting, the standing agendas included items focused on the efficacy of the Board or Committee's operations, such as reviewing the quality of papers and presentations, whether the appropriate management had attended to present at the meeting, and key messages and actions arising for management;<sup>191</sup>
  - (d) new formal protocols for the Board's oversight and monitoring of the cultural reform program being undertaken as part of the Remediation Plan. Those protocols

included inclusion, as part of the Board’s standing agenda, of items concerned with cultural reform, including Board “reflection sessions”; reflection of the Board’s role in leading cultural reform in its charter and annual workshops assessing cultural reform;<sup>192</sup> and

- (e) the corporate governance structure for the Board and Board Committees, including new charters to reflect “the right mandate, composition, and sufficient independence for the relevant boards and committees”, as well as the right “reporting/escalation lines”.<sup>193</sup>

131. The minutes of that workshop record that there was “robust feedback” provided to management. Among other things, that feedback included that:<sup>194</sup>

- (a) in respect of the Board’s oversight of cultural reform, there should be further engagement with Mr Weeks and Dr Lagan “to discuss issues that are being reported to the [NICC], so that their views on the Company’s culture may be made holistically rather than based on discreet observations”;
- (b) an update on culture should be included as part of the Group Chief Executive Officer’s report;
- (c) the standing agendas for the Board and Board Committees should be scrapped, with agendas instead to be agreed between management and the respective Chair;
- (d) additional areas for Board training and education included work health and safety, and responsible service of alcohol, and the Board should be given an opportunity to observe business operations at the various properties; and
- (e) the Board training should be provided by external experts.

132. Various governance matters discussed at the workshop were subsequently approved by the Board by way of circulating resolution on 30 November 2023.<sup>195</sup>

133. On 9 February 2024, the Board received a paper regarding a “new mode of operation” for the Board. That “new mode” involved, among other things, Board education sessions and property tours; attendance and participation by directors at leadership and staff forums, including biannual town halls; a program for the Board’s engagement with leaders at the General Manager level and above; an independent 360 review to be conducted by Blackhall & Pearl of the Board and its engagement with management; reviews of Board and

- Committee agendas; and a communication plan to enhance visibility of the Board in setting the “tone from the top”.<sup>196</sup>
134. The minutes for the meeting on 9 February 2024 record that the paper was taken as read and was discussed in a private session, and that the Board approved the “new mode” of operation.<sup>197</sup>
135. On 20 February 2024, the Board received a paper regarding a proposed Board and Committee Reporting Policy and new templates for Board papers, designed to improve the quality of reporting to the Board.<sup>198</sup> The minutes for the meeting record that feedback was discussed, and an action item was raised for the draft policy to be amended and resubmitted for further review.<sup>199</sup>
136. In considering the effectiveness of the Star Entertainment Board over the Relevant Period, the first point which must be made is that there are important respects in which the Board has operated considerably more effectively than the Board in place up to the time of the 2022 Report. Although the process for dealing with the Remediation ECDD cohort discussed in Chapter 8 indicates a continuing lack of maturity by Star Entertainment in dealing with regulatory risk and engagement, the Board has been responsible for a material improvement in resources and systems for risk management and for instilling an improved risk management culture. In comparison to the Board in place up to 2022, the Board over the Relevant Period has better insight and visibility over the true state of the corporation’s affairs.
137. Furthermore, the improvements that have been in train in the period since late November 2023 are positive, although it would have been better if they were actioned sooner. The Star Entities have had to deal with a number of competing priorities in the execution of the Remediation Plan but a matter such as the Board education program is fundamental to the capability of the Board to provide the right leadership for The Star Entities.
138. What also arises from the catalogue of improvements contemplated for the Board of Star Entertainment is the contrast between its workload and responsibilities and those of the Board of The Star (as addressed in Chapter 7).
139. Notwithstanding that improvements have been made, and are in the process of being made, it cannot be ignored that the Board of Star Entertainment has, in some important respects, failed to provide the necessary leadership and oversight during the Relevant Period.

140. It is difficult to understand why the Board did not take steps to address the dysfunction within the GLT during the Relevant Period. Ms Ward knew enough of its operations to form the view that the GLT was “fairly dysfunctional and siloed”.<sup>200</sup> Despite that, it is not apparent that the Board took any steps to intervene in, and remedy, the operations of the GLT.
141. The Board may have been over-reliant on Mr Cooke as CEO and Managing Director, the corollary of which appears to have been a lack of engagement between the Board and Star Entertainment’s other senior executives. Despite the Board’s improved insight, it appears that on occasion the Board failed to receive material information of which it needed to have been aware. Some examples in that regard include the fact of Mr Humphrey’s positive declaration in respect of the misconduct revealed by the 2022 Review, and also the views of Ms Katsibouba and the Finance team on the confidential project which went to the Board for approval in February 2024.
142. Another example which illustrates the relationship, or lack thereof, between the Board and Star Entertainment’s senior executives, and the reliance on Mr Cooke, concerns the departure of those executives. Both Mr Hughes<sup>201</sup> and Ms Ivanoff<sup>202</sup> gave evidence to the Inquiry that neither of them was approached by any member of the Board to discuss their reasons for resigning from their positions. That is unusual, and particularly surprising in the circumstances of a distressed business undergoing a major remediation program. It demonstrates a lack of inquisitiveness that is to be expected of the board of an ASX listed company. Ms Ivanoff said:<sup>203</sup>
- I then think that when I look at the way that my experience in terms of trying to bring some reform and improvements in areas of governance have been received, I would have expected a little bit better. And I also found that, during my time at Crown, the board members were very engaging, whereas when I’ve – you know, I’ve had my time at The Star, and I think even post me leaving and post raising some issues, I have not even been contacted by any of the directors to ask why I would resign after a four-month period. I find that, you know, a little bit different if I compare cultures.
143. It is also necessary to consider the role of the Board in approving The Star Entities’ responses to the Manager’s Report (addressed in Chapter 10), in failing to prevent the publication of Mr Cooke’s Exit Statement (also addressed in Chapter 10), and the Board’s failures with respect to driving cultural change (addressed in Chapter 11), including the failure to set an appropriate internal narrative which led to a narrative of antagonism towards the regulator, and allowed a shadow value of “us against them” to develop.

## Chapter 9.7 Assessment of the Management and Governance of Star Entertainment

144. Whilst acknowledging the improved effectiveness of the Star Entertainment Board in the Relevant Period, it is evident that the governance and management of Star Entertainment during the Relevant Period has had some significant shortcomings.
145. The dysfunctional state of the GLT appears to have been a product of two key matters. The *first* was the previous CEO's management style. Although it should be emphasised that this was not the view of all members of the GLT, several of Star Entertainment's executives who resigned during the Relevant Period indicated that his leadership was part of their reasons for leaving. The *second* was the failure to have proper frameworks and processes in place to assist the GLT in discharging its responsibilities.
146. While the Board of Star Entertainment is in the process of embarking on a program of work designed to uplift and improve its efficacy, the recency with which some of that work has commenced is somewhat surprising. In particular, had the Board education program, which was only approved in late November 2023, been rolled out at the commencement of the Relevant Period, it may well have been that Board would have been better placed to address some of the problems that have been identified in the course of the Inquiry, in particular the lack of progress on cultural reform. Similar observations can be made about the failure of Star Entertainment to provide early coaching or training to GLT members to equip them to deliver the transformation contemplated by The Star Entities' Remediation Plan.
147. It is also fair to say that the Board has, to date, had insufficient engagement with senior executives of Star Entertainment other than the Group Chief Executive Officer. That state of affairs cannot continue now that a new Chief Executive Officer has been appointed.
148. Presently, there are a number of important executive roles which still need to be filled at Star Entertainment. However, the most important – that of Group Chief Executive Officer and Managing Director – has been filled, on 26 June 2024, with the appointment of Mr McCann. This appointment was made after the public hearings and thus, apart from the limited opinion evidence that has been noted from Dr Lagan and Ms Ivanoff arising from their (positive) experiences of Mr McCann at Crown Resorts, there has been no evidence presented to the Inquiry about Mr McCann or expectations that might reasonably be held in respect of his leadership. That said, the news of Mr McCann's appointment is to be welcomed and is undoubtedly a positive development.



149. The following recommendations are made in respect of the governance issues present at Star Entertainment which have contributed to the failures identified in the course of the Inquiry.

150. The following recommendations are relevant if the NICC decides that The Star should remain the operator of The Star Casino.

151. **Recommendation:** The NICC note the need for Star Entertainment, as part of the planned reset of the Remediation Plan, to prioritise those action items relevant to improving the efficacy of the GLT and the Board (including, without limitation, GLT and Board coaching, training and education), and take such action as it sees fit.

152. **Recommendation:** The NICC note the need for Star Entertainment to implement a charter for the GLT that imposes governance requirements designed to ensure the efficient and effective operation of that group, and take such action as it sees fit.

153. **Recommendation:** The NICC note the need for Star Entertainment to review the operating effectiveness of the GLT and take such action as it sees fit.

154. It is also considered appropriate and necessary for the Board of Star Entertainment to increase its engagement with members of the GLT in order to prevent the centralisation of power within the office of the Group Chief Executive Officer that has previously occurred. However, in circumstances where the Board has already approved a “new mode of operation” which addresses, among other things, increased engagement with senior management, no formal recommendation is made in that regard.

155. Although it is considered appropriate and necessary for an independent review to be conducted of the Board of Star Entertainment, addressing, among other things, the success or otherwise of the implementation of the Board’s “new mode of operation”, it is noted that the Board has already committed to having such an independent review. It is to be undertaken by Blackhall & Pearl. Accordingly, no formal recommendation is made in that regard either.

## Endnotes

- <sup>1</sup> ASX Announcement: Notification of Change in Substantial Shareholdings, 10 October 2023; ASX Announcement: Notification of Substantial Shareholding, 26 February 2024; ASX Announcement: Notification of Change in Substantial Shareholding, 18 April 2024; ASX Announcement: Notification of Change in Substantial Shareholding, 23 May 2024.
- <sup>2</sup> ASX Announcement: Notice of Initial Substantial Shareholder – Chow Tai Fook, 16 April 2018.
- <sup>3</sup> (INQ.5002.0012.0001 at .0010, 0020, 0021).
- <sup>4</sup> **Exhibit A-264** (INQ.5002.0002.0001 at .0168-.0169).
- <sup>5</sup> (INQ.5002.0012.0228).
- <sup>6</sup> **Exhibit A-2027** (STA.8000.0006.0023 at .0023).
- <sup>7</sup> Ivanoff: Day 3, T204.42-45.
- <sup>8</sup> Humphreys: Day 5, T354.34-44.
- <sup>9</sup> **Exhibit A-2027** (STA.8000.0006.0023 at .0023).
- <sup>10</sup> Australian Accounting Standard AASB 124 *Related Party Disclosures* at para [9].
- <sup>11</sup> (STA.8102.0005.6632 at .6703).
- <sup>12</sup> ASX Announcement: Suspension of Rebate Programs and Interim Executive Appointments, 9 May 2022.
- <sup>13</sup> ASX Announcement: Appointment of Chief Financial Officer, 28 December 2022.
- <sup>14</sup> **Exhibit A-1789** (STA.8000.0029.0001 at .0004); **Exhibit A-1792** (STA.8000.0029.0022 at .0026).
- <sup>15</sup> **Exhibit A-2403** (STA.8000.0006.0029 at .0029).
- <sup>16</sup> ASX Announcement: Chief Risk Officer Appointment, 13 February 2023.
- <sup>17</sup> ASX Announcement: Management Changes, 6 May 2022.
- <sup>18</sup> **Exhibit A-1789** (STA.8000.0029.0001 at .0004); **Exhibit A-1792** (STA.8000.0029.0022 at .0026); **Exhibit A-1793** (STA.8000.0029.0028 at .0032); **Exhibit A-1791** (STA.8000.0029.0015 at .0020).
- <sup>19</sup> **Exhibit A-1449** (STA.8000.0006.0007 at .0007).
- <sup>20</sup> Lagan: Day 4, T257.39-40.
- <sup>21</sup> Foster: Day 7, T513.22-24.
- <sup>22</sup> ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024.
- <sup>23</sup> Foster: Day 7, T497.47-498.9.
- <sup>24</sup> ASX Announcement: Update on leadership arrangements, 24 June 2024.
- <sup>25</sup> ASX Announcement: Appointment of Chief Executive Officer & Managing Director, 26 June 2024.
- <sup>26</sup> ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024.
- <sup>27</sup> Cooke: Day 8, T599.29-31; Weeks: Day 1, T30.10-15; Katsibouba: Day 2, T158.15-160.4.
- <sup>28</sup> **Exhibit A-1853** (STA.8000.0029.5409).
- <sup>29</sup> **Exhibit A-2349** (STA.8000.0077.0282); **Exhibit A-2376** (STA.8000.0077.0433).
- <sup>30</sup> **Exhibit A-2470** (STA.8000.0061.0154); **Exhibit A-2493** (STA.8000.0061.0155); **Exhibit A-2494** (STA.8000.0061.0156).

31 Burke: Day 6, T455.41-456.10.

32 ASX and Media Release: Resignation of KMP – Jessica Mellor, 18 April 2024.

33 **Exhibit A-2824** (STA.8122.0001.1519).

34 ASX Announcement: Appointment of Group Chief Operating Officer, 30 May 2024.

35 ASX Announcement: Resignation of Group Chief Risk Officer, 31 July 2024.

36 Hodgson: Day 10, T806.45.

37 Hodgson: Day 10, T806.47-807.2.

38 Thornton: Day 10, T828.39-45.

39 **Exhibit A-1454** (MGR.0001.0001.0001 at .0023).

40 **Exhibit B-481** (INQ.5000.0003.0006 at .0006).

41 **Exhibit A-242** (STA.8110.0001.0722).

42 **Exhibit B-481** (INQ.5000.0003.0006 at .0008).

43 Weeks: Day 1, T61.8-13.

44 Weeks: Day 1, T62.14-19.

45 **Exhibit B-481** (INQ.5000.0003.0006 at .0008); **Exhibit C-201** (STA.8000.0122.0018); **Exhibit C-202** (STA.8000.0122.0019).

46 **Exhibit A-2861** (STA.8000.0122.0008).

47 **Exhibit A-2860** (STA.8000.0122.0005).

48 **Exhibit A-2863** (STA.8000.0122.0012).

49 **Exhibit A-2859** (STA.8000.0122.0003).

50 (STA.8000.0122.0001).

51 **Exhibit A-2862** (STA.8000.0122.0010).

52 **Exhibit B-527** (INQ.5000.0011.0011 at .0013).

53 **Exhibit A-2864** (STA.8000.0122.0014 at .0015).

54 Foster: Day 7, T501.45-502.10.

55 Page: Day 9, T729.24-29.

56 Page: Day 9, T729.15-19.

57 Weeks: Day 1, T63.33-43.

58 Weeks: Day 1, T64.7-10.

59 Weeks: Day 1, T41.44-48.

60 Silfani: Day 3 (Private), T10.7-11.

61 Silfani: Day 3 (Private), T10.13-18.

62 Silfani: Day 3 (Private), T11.41-47.

63 **Exhibit A-482** (STA.8100.0026.2294 at .2295).

64 Ibid at .2294.

65 **Exhibit G-1** (INQ.5002.0009.0001 at .0011).

66 Ibid at .0012.

67 **Exhibit A-482** (STA.8100.0026.2294 at .2294).  
68 Silfani: Day 3 (Private), T13.26-27.  
69 Silfani: Day 3 (Private), T14.38-15.3.  
70 Cooke: Day 8, T594.37.  
71 Silfani: Day 3 (Private), T15.11-12.  
72 Silfani: Day 3 (Private), T16.38.  
73 Silfani: Day 3 (Private), T17.12.  
74 Silfani: Day 3 (Private), T29.27.  
75 Silfani: Day 3 (Private), T29.31-41.  
76 **Exhibit A-266** (INQ.5002.0002.0614 at .0813).  
77 ASX Announcement: Appointment of Chief Executive Officer & Managing Director, 26 June 2024  
at 3.  
78 **Exhibit A-2170** (STA.5002.0028.0403).  
79 **Exhibit A-1927** (STA.5002.0028.0404 at .0404).  
80 **Exhibit A-1927** (STA.5002.0028.0404 at .0405).  
81 **Exhibit D-149** (STA.8000.0160.0098 at .0101).  
82 Ibid.  
83 (STA.8000.0198.0094 at .0151).  
84 **Exhibit A-2063** (STA.8000.0037.0001).  
85 **Exhibit A-1454** (MGR.0001.0001.0001 at .0004).  
86 Weeks: Day 1, T64.18-65.7.  
87 Lagan: Day 4, T248.31-36.  
88 Weeks: Day 1, T32.42-46.  
89 Weeks: Day 1, T30.17-25; Katsibouba: Day 2, T187.4-26.  
90 Ivanoff: Day 3, T229.32-230.10.  
91 Ivanoff: Day 3, T211.4-12.  
92 Hughes: Day 3, T202.31-34.  
93 Hughes: Day 3, T202.36-48.  
94 Silfani: Day 3 (Private), T22.14-22; T23.8-13.  
95 Silfani: Day 3 (Private), T24.34-25.18.  
96 Silfani: Day 3 (Private), T28.35-40.  
97 Humphreys: Day 5, T355.10-13.  
98 Townsend: Day 5, T377.4-13.  
99 Saunders: Day 6, T420.24-30.  
100 Saunders: Day 6, T420.40-42.  
101 Ward: Day 9, T684.43-685.27.  
102 Katsibouba: Day 2, T146.22-148.22.

- 103 Cooke: Day 8, T596.40-48.
- 104 Cooke: Day 8, T596.29-31.
- 105 Katsibouba: Day 2, T149.5-16.
- 106 Katsibouba: Day 2, T140.8-46.
- 107 Katsibouba: Day 2, T142.28-47.
- 108 Katsibouba: Day 2, T141.1-21.
- 109 **Exhibit A-2402** (STA.5002.0028.0260 at .0261).
- 110 Katsibouba: Day 2, T141.30-142.2.
- 111 Katsibouba: Day 2, T142.4-15.
- 112 Katsibouba: Day 2, T144.20-45.
- 113 Katsibouba: Day 2, T143.14-27.
- 114 Ward: Day 8, T660.19-30.
- 115 Cooke: Day 8, T616.1.
- 116 Cooke: Day 8, T617.16-27.
- 117 Weeks: Day 1, T73.45-74.24.
- 118 Katsibouba: Day 2, T153.22-154.48.
- 119 Ivanoff: Day 3, T213.13-47.
- 120 Hughes: Day 3, T191.27-192.1.
- 121 Townsend: Day 5, T377.15-29.
- 122 Saunders: Day 6, T410.20-39.
- 123 Cooke: Day 8, T599.11-12.
- 124 Ivanoff: Day 3, T213.13-47.
- 125 Hughes: Day 3, T191.27-45.
- 126 Katsibouba: Day 2, T154.26-26.
- 127 Foster: Day 7, T523.46-524.2.
- 128 Cooke: Day 8, T599.14-24.
- 129 Ivanoff: Day 3, T208.41-209.3.
- 130 Ivanoff: Day 3, T209.10-14.
- 131 Ivanoff: Day 3, T209.45-210.24.
- 132 Ivanoff: Day 3, T209.27-34.
- 133 Cooke: Day 8, T598.10-23; T610.47-612.31.
- 134 Ivanoff: Day 3, T228.14-18.
- 135 Weeks: Day 2, T130.12-34.
- 136 Lagan: Day 4, T259.28-33.
- 137 Ivanoff: Day 3, T228.14-18.
- 138 Ward: Day 9, T705.40-46.
- 139 **Exhibit D-234** (STA.8000.0170.0001).

140 Ibid; Arzadon: Day 11, T835.46-836.11.

141 The Star Entities' Written Submissions (Public) dated 15 May 2024 at para [547]-[550].

142 Ward: Day 9, T703.36-704.14; Page: Day 9, T760.18-29.

143 Lagan: Day 11, T859.41.

144 Lagan: Day 11, T860.4-5.

145 Page: Day 9, T756.24-33.

146 Ward: Day 9, T697.32-36.

147 **Exhibit A-1912** (STA.8102.0010.4676 at .4676).

148 Weeks: Day 1, T18.4-7.

149 See e.g. **Exhibit A-1878** (STA.5002.0029.7531).

150 **Exhibit D-137** (STA.8000.0140.0017).

151 Ward: Day 8, T652.21-22.

152 Ward: Day 8, T653.24-27; See also Page: Day 9, T738.11-14.

153 Hodgson: Day 10, T798.38-42.

154 Page: Day 9, T740.11; Issenberg: Day 9, T776.1; Thornton: Day 10, T819.45.

155 Page: Day 9, T745.28-30.

156 Cooke: Day 8, T583.42-46.

157 Page: Day 9, T744.46-745.9.

158 Issenberg: Day 9, T780.1-12.

159 Page: Day 9, T744.29-32.

160 Issenberg: Day 9, T780.14-18.

161 **Exhibit A-2596** (STA.8122.0001.1268).

162 Hodgson: Day 10, T801.12-22.

163 Thornton: Day 10, T822.38-46.

164 Thornton: Day 10, T823.4-5.

165 ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024.

166 Weeks: Day 1, T32.15-29.

167 Weeks: Day 1, T32.38-33.9.

168 Weeks: Day 1, T32.42-46.

169 **Exhibit A-2787** (STA.8122.0001.0010); **Exhibit A-2788** (STA.8122.0001.0012).

170 **Exhibit A-2844** (STA.8122.0001.3882 at .3888).

171 **Exhibit A-1357** (STA.5002.0029.3412 at .3425); ASX Announcement: Appointment of Toni Thornton as Non-Executive Director, 17 October 2023; ASX Announcement: Appointment of Peter Hodgson as Non-Executive Director, 7 February 2024.

172 ASX Announcement: Departure of Group CEO and Managing Director, Appointment of David Foster as Executive Chairman, 22 March 2024.

173 Ward: Day 9, T682.43-683.6.

174 Ward: Day 9, T683.11-12.  
175 Ward: Day 9, T683.14-21.  
176 Page: Day 9, T734.14-24.  
177 Issenberg: Day 9, T771.13-23.  
178 Hodgson: Day 10, T796.22-32.  
179 Thornton: Day 10, T817.26-36.  
180 ASX Announcement: Update on Leadership Arrangements, 24 June 2024.  
181 (INQ.5000.0018.0002 at .0003).  
182 **Exhibit A-1454** (MGR.0001.0001.0001 at .0004).  
183 **Exhibit A-1745** (MGR.0001.0001.0039 at .0039).  
184 Weeks: Day 2, T109.40-48.  
185 Weeks: Day 1, T59.24-44.  
186 **Exhibit A-2150** (STA.8100.0066.1187 at 1189).  
187 Weeks: Day 1, T95.25-32.  
188 Weeks: Day 1, T72.39-45.  
189 **Exhibit A-1736** (STA.5002.0029.7001).  
190 (STA.5002.0029.6997).  
191 **Exhibit A-1735** (STA.5002.0029.6944).  
192 **Exhibit A-1754** (STA.5002.0029.6886).  
193 **Exhibit A-1748** (STA.5002.0029.6894).  
194 **Exhibit A-1928** (STA.5002.0029.7526).  
195 **Exhibit A-1833** (STA.8000.0028.0027).  
196 **Exhibit A-2215** (STA.5002.0028.0502).  
197 **Exhibit D-150** (STA.8000.0160.0102 at .0010).  
198 **Exhibit A-2370** (STA.5002.0028.0184).  
199 **Exhibit D-151** (STA.8000.0160.0182 at .0182).  
200 Ward: Day 9, T684.43-685.27.  
201 Hughes: Day 3, T200.16-23.  
202 Ivanoff: Day 3, T229.19-26.  
203 Ivanoff: Day 3, T229.19-26.