



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

**INDEPENDENT REVIEW OF THE STAR PTY LTD BY ADAM BELL SC
UNDER THE CASINO CONTROL ACT 1992**

**PUBLIC HEARING
SYDNEY**

**FRIDAY, 13 MAY 2022
AT 10:00 AM**

DAY 33

**MR C. CONDE appears with MS P. ABDIEL
and MR N. CONDYLIS as counsel assisting the Review
MS K. RICHARDSON SC appears as counsel for The Star Pty Ltd
MR M. HENRY SC appears with MS M. CAIRNS and MS L. RICH
as counsel for Ms Sally Pitkin and Katie Lahey**

**Witness
MS SALLY ANNE MAJELLA PITKIN
MS KATIE LAHEY**

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

<THE HEARING RESUMED AT 10:01 AM

MR BELL SC: Ms Pitkin, you remain bound by the affirmation you made yesterday.

5

<SALLY ANNE MAJELLA PITKIN, ON FORMER AFFIRMATION

MR BELL SC: Yes, Mr Conde.

10 **<EXAMINATION BY MR CONDE:**

MR CONDE: Ms Pitkin, do you recall in August 2019 reading or viewing media allegations that Mr Huang Xiangmo had delivered \$100,000 in cash to the Australian Labor Party and that former federal senator Sam Dastyari had told a corruption inquiry that Mr Huang may have been an agent of influence for an overseas government?

15

MS PITKIN: Mr Conde, I can't recall whether it was at that time that I heard about that or a later time, but I'm certainly aware of those allegations.

20

MR CONDE: And are you aware that following those allegations, Mr Huang was excluded from Star on or about 13 September 2019?

MS PITKIN: I couldn't tell you which date I became aware that he had been excluded.

25

MR CONDE: But you're aware that he was excluded?

MS PITKIN: Yes, Mr Conde.

30

MR CONDE: And were you aware that in terms of his past business at The Star, that between 2010 and 2018, he had a table games buy-in at Star properties of \$1.781 billion?

MS PITKIN: I understood from some board reports that he was a significant player. I became aware of the total quantum of his play in preparing for this review.

35

MR CONDE: And would you agree that that amount is an extraordinary amount of money for an individual to have as a buy-in?

40

MS PITKIN: Yes.

MR CONDE: And are you aware that in 2014, 2015 and 2016, Mr Huang's buy-in was more than \$400 million in each of those years?

45

MS PITKIN: I'm not aware of those specific details.

MR CONDE: Are you aware that by 5 March 2018, in respect of Mr Huang, Star Entertainment held copies of three different passports for Mr Huang from the same country with, across those passports, two different names and two different birthdays?

5

MS PITKIN: I was not aware of that at the time. I became aware of that in reviewing the material put before this review.

MR CONDE: And what, if any, comment do you have on that?

10

MS PITKIN: That would warrant investigation.

MR CONDE: And what, if any, comment do you have on Mr Houlihan's evidence to this review that neither he nor, so far as he is aware, anyone else in Star Entertainment's investigations team, was ever asked to investigate Mr Huang's source of wealth?

15

MS PITKIN: I would have thought Mr Huang's source of wealth should have been investigated, given he should have been a patron with a high-risk rating and there should have been a requirement to do enhanced customer due diligence on him, which would have required source of wealth and source of funds checks.

20

MR CONDE: And you mentioned a high-risk rating. Is that on account of the very large amount of money?

25

MS PITKIN: Yes. And that he would have been a foreign person, and it would depend whether he had been classified as a politically exposed person. If he had, that would have automatically rated a high - rated him as high risk.

30

MR CONDE: And are you aware that Star can and, indeed, has before said to patrons, "Unless you explain your source of wealth, you're not allowed to gamble here"?

MS PITKIN: Yes.

35

MR CONDE: And do you agree that that's what should have been done with Mr Huang from at least March 2017, being the time by which The Star was aware that he had been - he had brought in \$400 million for the last three years and Mr Houlihan had not investigated his source of wealth?

40

MS PITKIN: If - with that amount of money, if the source of wealth had not been investigated, play should have been suspended until that was carried out.

MR CONDE: If I can now ask you about China UnionPay cards. I'm sorry. My screen just briefly went blank. Can you see me, Ms Pitkin?

45

MS PITKIN: Yes, I can, Mr Conde.

MR CONDE: First of all, Ms Pitkin, what is your understanding of China UnionPay cards?

5 **MS PITKIN:** My understanding today, with the benefit of the material put before this review, is that it is a debit card, and it's allowed to be used by cardholders for certain transactions and not for others.

10 **MR CONDE:** And in that regard, do you understand the transactions presented little to no credit risk for Star Entertainment?

MS PITKIN: That's correct.

15 **MR CONDE:** And do you understand that by late 2013, there was a problem with China UnionPay debit cards in that although the credit risk was reduced, it was taking too long for funds to clear after a patron had swiped his or her card?

MS PITKIN: I was not aware of that at the time; I am now aware of that because of the materials placed before this review.

20 **MR CONDE:** And are you aware, through those materials, that on 22 November 2013, Star sought regulatory approval to release chips to patrons straightaway before funds had cleared?

25 **MS PITKIN:** Yes.

MR CONDE: And are you aware that no such approval was granted?

30 **MS PITKIN:** I was aware that a cheque cashing facility had put in place to cover the interim period of the one or two days.

MR CONDE: And do you recall when you were aware of that, Ms Pitkin?

MS PITKIN: In reading the materials before this review.

35 **MR CONDE:** I see. And do you understand that that cheque cashing facility was put together as a workaround to address what was understood at that time by - as ILGA's view that a patron using a CUP card can only access the funds for which they have transacted once those funds have cleared in The Star's bank account?

40 **MS PITKIN:** Yes.

45 **MR CONDE:** And right from the beginning of this workaround in 2014, are you aware that senior executives - including Mr Bekier, then the CFO, and Ms Martin - were on notice of a concern expressed by Oliver White that in light of the authority's view on Star only accessing funds once they had cleared, there was a risk - the authority would form the view that the use of that cheque cashing facility workaround would be a prohibited provision of credit?

MS PITKIN: I was not aware of that.

5 **MR CONDE:** And if I can take you, then, to exhibit F54. That's STA.3034.0001.0591. And do you see this is a memorandum - if we could just enlarge the top, please. A memorandum from Mr White to the then CEO, Mr Redmond; Mr Bekier, the CFO; and it's copied to Ms Martin, the group general counsel, dated 3 February 2014?

10 **MS PITKIN:** Yes.

MR CONDE: And if we can go, then, please, on 0592. And do you see at the bottom of the page, there's a section headed Proposed Workaround and then it says:

15 "The issues to be considered."

And then bullet point 1:

20 "ILGA's stated view, which might suggest that they would form the view that the use of CCF in these circumstances is a prohibit provision of credit."

Do you see that?

25 **MS PITKIN:** Yes, that first dot point. Thank you.

MR CONDE: And do you understand that, nonetheless, Star Entertainment went ahead and ran that risk?

30 **MS PITKIN:** Yes, I understand that now.

MR CONDE: And so what happened between 2014 and March 2020 when these cards were used in this way, The Star ran a risk of contravening the Casino Control Act each and every time there was a China UnionPay swipe and a patron was given chips before the funds clearing. Is that your understanding?

35 **MS PITKIN:** Yes.

MR CONDE: And what, if any, comment do you have on that state of affairs?

40 **MS PITKIN:** Risks of breaching the Casino Control Act or the terms of the licence should not be taken on.

45 **MR CONDE:** Are you aware that Mr Graeme Stevens gave evidence to the review on day 6 that it was his understanding, in June 2013, that UnionPay International prohibited the use of China UnionPay cards to purchase gambling chips?

MS PITKIN: I - I became aware of that by reading the materials before the review, Mr Conde.

5 **MR CONDE:** And is it the case that also from reading the materials, you became aware of Mr Aloï's evidence on day 8 that he read the rules of China UnionPay and formed the view that they prohibited CUP cards being used to purchase gambling chips?

10 **MS PITKIN:** I was not aware of that, but I accept that that was the evidence he gave to this review.

MR CONDE: And Mr Bekier gave evidence on day 27 that it was his understanding by 2015 or 2016 that UnionPay International's rules prevented CUP cards being used to purchase gambling chips. Are you aware of that?

15 **MS PITKIN:** Yes.

MR CONDE: And Mr Theodore's evidence on day 25 that it was his understanding from about March 2016 that there was a prohibition on China UnionPay cards being used directly to purchase gambling chips or funding of gambling?

MS PITKIN: Yes.

25 **MR CONDE:** And does that evidence of Mr Stevens, Mr Bekier, Mr Aloï and Mr Theodore accord with your own understanding?

30 **MS PITKIN:** My own understanding of what happened during this time? I'm sorry, Mr Conde. I now understand that that's what happened. I didn't have any knowledge of that during those periods.

MR CONDE: Yes. But, sorry, does the evidence that I've just given about - from those various individuals to the effect that it was their understanding that China UnionPay cards could not, under relevant UnionPay rules, be used to purchase gambling chips, does that accord with your understanding?

MS PITKIN: Of what's allowed under the China UnionPay rules?

40 **MR CONDE:** Yes.

MS PITKIN: Yes, it does.

45 **MR CONDE:** And if I can just draw a distinction there, Ms Pitkin. Would you agree that there's a question of sort of a - an objective legal question about whether something was or wasn't in breach, and that's not something I would be wanting to explore with you because that's, as I said, an objective legal question. But there is, likewise, a subjective question of what people understood. Do you understand that

distinction, that people might understand - it might be their subjective understanding that the practice was in breach of the China UnionPay rules?

MS PITKIN: Yes.

5

MR CONDE: And that subjective understanding might itself be informed by an objective fact, such as the receipt of legal advice?

MS PITKIN: Yes.

10

MR CONDE: And so I just wish to clarify that distinction with you. Doing your best, when did you - when do you recall first acquiring the understanding that the rules of China UnionPay prohibited CUP cards being used to purchase gambling chips?

15

MS PITKIN: In late September last year, when a paper came before the board on the use of China UnionPay.

20

MR CONDE: And are you aware that China UnionPay cards were used at terminals in Star Entertainment's hotels, with money then being transferred to front money accounts for gambling?

MS PITKIN: Yes. I became aware of that at that same time.

25

MR CONDE: That's around the same time of September last year?

MS PITKIN: Yes.

30

MR CONDE: And is it your understanding that the swiping of CUP cards at hotel terminals avoided having CUP cards being used to purchase gambling chips directly?

MS PITKIN: Yes.

35

MR CONDE: Are you aware of Mr Andrew Power's evidence that, for a period, there was a practice of dummy rooms being assigned to patrons using China UnionPay cards and that this was fake in that it was not a true reflection of what had occurred?

40

MS PITKIN: Mr Conde, I'm not aware of the specifics of Mr Power's evidence. But by reviewing the material, I could see that in the material.

45

MR CONDE: And would you agree that an arrangement with so-called dummy rooms, that is, fake, raises a serious question about whether the arrangement is appropriate?

MS PITKIN: Yes.

MR CONDE: If I can show you a board paper dated 22 September 2021. It's exhibit B3110, STA.5002.0007.1447. Do you see - if we could just enlarge at the top, please, for Ms Pitkin. Do you see this is a board paper dated 22 September 2021 from Ms Martin and Mr Power?

5

MS PITKIN: Yes.

MR CONDE: And if we can go, please, to pinpoint 1448. Under heading 3 - if we could just enlarge that, please - it says Risk Assessment Methodology (Project Zurich). And do you see it refers to an assessment by HWLE and that that's in appendix B?

10

MS PITKIN: Yes.

MR CONDE: And if we go to point 1456, please, this should be the first page of appendix B, which is just a blank page. Do you see that, Ms Pitkin?

15

MS PITKIN: Yes.

MR CONDE: And then the following page is the analysis - or the commencement of it. As best you can recall, is this the briefing that you referred to earlier which gave rise to your awareness from in or about September 2021?

20

MS PITKIN: Yes.

25

MR CONDE: May I take you, please, to pinpoint 1461. And if we can go down the bottom to 'Lessons from this review', that section. If that could just be enlarged, please. Thank you. Do you see it says that:

30

"The historical use of CUP would not conform to The Star's current corporate culture and risk appetite for at least four reasons."

Namely, first bullet point:

35

"The Star did not adhere to the rules of a major card scheme in which it participated."

Second bullet point:

40

"The Star attracted financial and reputational risk."

Third:

45

"The Star appeared to have less regard for foreign legal issues than Australian ones."

And fourth:

"Some parts of management felt unconstrained by the spirit of controls."

5 Would you agree, with the benefit of the material I've taken you to a moment ago in relation to Mr White's memorandum, that a fifth matter could be added to this list, which is that the cheque cashing facility workaround ran a risk that for each and every CUP transaction, The Star had provided credit in breach of the Act?

MS PITKIN: On the basis of the legal advice given by Mr White, yes.

10 **MR CONDE:** And what, if any, reaction do you recall having to this paper and, in particular, the lessons as articulated here?

15 **MS PITKIN:** My reaction was one of extreme concern that this practice had happened; that the board wasn't aware of it; that in the board papers that we were given, there was this paper as an appendix but nothing from management to speak to what had happened. After I read the paper in preparation for the board meeting, I also recall thinking that I didn't agree with Mr Seyfort's conclusion that no harm had been caused, which, of course, is the ethical lens through which you consider the ethics of the actions.

20 Because I saw two immediate harms, and I raised these in the board meeting: the first was that it was totally inappropriate in terms of our relationship with our bank because senior people in NAB would not have condoned this practice for a moment, as I understood; and that management denied the board the opportunity to understand how China UnionPay was being used as a payment mechanism and to consider it and make decisions on it. I also thought, when I read this paper
25 before the board meeting, that there needed to be consequences for what was, in my view, breaches of our code of conduct, at the very least, putting aside legal issues.

30 **MR CONDE:** And would you agree that what really should have happened for this arrangement, if it was going to be used, was for it to have been cleared with the regulator?

35 **MS PITKIN:** Yes. I understood, from reviewing the materials, that the regulator had been consulted on China UnionPay as a payment method when it was first introduced in 2013. But, I'm sorry, I don't have any knowledge of what the outcome of that consultation process was. But, yes, I agree the regulator should have been - should have been consulted about this.

40 **MR CONDE:** Well, I can mention, Ms Pitkin, that Mr Stevens and Mr Aloï told Mr Bell in their evidence that they - neither of them had any recollection of telling the authority during a meeting in May 2013 that it was their understanding that the rules of UnionPay had prohibited the use of CUP cards. Would you agree that, in
45 seeking approval from the regulator, the proper course would have been to be candid with the regulator about the workarounds involved and the - including that one of the workarounds was to address a concern around the UnionPay rules?

MS PITKIN: Yes.

5 **MR CONDE:** And that may have meant that the proposal was rejected. But on the other hand, if it had been approved, then that would have put The Star on a strong footing of being able to say, "Well this practice was approved."

10 **MS PITKIN:** It - it - it shouldn't have been the only consideration. But, yes, it would have been interesting if the regulator had approved it. I'm struggling to see that the regulator would have, but - the regulator had. I still think that's not the end of the consideration as to whether the company should engage in the practice.

MR BELL SC: What are the other considerations that you regard as important from the company's point of view?

15 **MS PITKIN:** I think the company needs to investigate and come to its own conclusion on the legal and ethical issues of the practice. And it should have come to those own conclusions before it approached a regulator in the first place. So I suppose it's a circular argument. If the company had have done that and in an appropriate way, it would have known that it wasn't appropriate to do it. So it
20 would not have been going to the regulator. If it had gone to the regulator without complete knowledge at the time and sought approval and received it and then subsequent knowledge became available, it should have gone back to the regulator to inform the regulator of that additional knowledge and then may be the regulator would have made a different decision.

25 **MR BELL SC:** As part of that initial consideration by the company, I take it you would say that that should have involved disclosure to the board and consideration by the board?

30 **MS PITKIN:** Indeed. The - the use of China UnionPay as a payment method ended up being a very significant payment channel in the company. So we are talking about significant amounts of money. But as a payment channel, it should have been brought to the board in any event if there was any question over
35 whether that payment channel met legal or ethical standards.

MR BELL SC: Yes, Mr Conde.

40 **MR CONDE:** And you alluded, Ms Pitkin, to the significant amounts of money coming through the payment channel. Are you aware of the evidence to Mr Bell that on a single day in 2015, Mr Dong Fang Lee debited \$11 million from his card?

MS PITKIN: Yes.

45 **MR CONDE:** And that overall, over \$900 million was swiped on China UnionPay cards at Star Entertainment Group hotels?

MS PITKIN: Yes.

5 **MR CONDE:** Are you aware of a matter which was explored in some detail before Mr Bell involving queries from UnionPay - or a Chinese bank - to NAB about certain transactions at Star hotels, NAB passing those queries on to Star Entertainment and Star Entertainment providing responses which would then go back to China?

MS PITKIN: Yes. They were in the materials that I reviewed.

10 **MR CONDE:** And if I can take you to some particular examples. The first is exhibit B1430, STA.3002.0010.0096. And if we can start about halfway down the page, please, there's a request in an email from John Ventura dated 18 June 2019, which includes within it a request from Joel Avenell of the same date. And do you see it says that:

15 "UnionPay's risk team have flagged transactions. Please request The Star to confirm below."

And the three questions:

20 "Explain the business scope; (2) explain what types of goods or services; and (3) provide supporting documents."

25 **MS PITKIN:** Yes.

MR CONDE: And pausing there, do you agree that whatever view executives within Star might have had about what was and wasn't accepted by UnionPay or even NAB before this time, in this email there are clear questions warranting clear answers?

30 **MS PITKIN:** Yes.

MR CONDE: And so going to the answers up the top of this page - thank you. Do you see there's an email - perhaps if I could ask the operator just to scroll a little further, please. Yes. Thank you. An email from Paulinka Dudek to an address at NAB, and it's copied to Sarah Scopel, dated 19 June 2019?

MS PITKIN: Yes.

40 **MR CONDE:** And do you see the numbered responses? So (1), in answer to the question:

45 "Explain the business scope of the relevant merchants. The merchant operates integrated resorts, consisting of hotels, restaurants and other entertainment facilities."

(2), in answer to the question:

"Explain what type of goods or services did the cardholder purchase."

And it's said:

5 "The cardholder purchased hotel accommodation services with the transactions."

And (3):

10 "Invoices are attached."

And I wish to show you a similar exchange where the same form of words is used. It's exhibit B1594, STA.3002.0010.0004. If I can just show you - you might see that there's a long list in this email of transactions. But if I could just ask the
15 operator to enlarge up the top again, please. Do you see, Ms Pitkin, that there's an email from Ms Dudek, copied, among others, to Ms Scopel; it's addressed to an address at NAB; dated 28 August 2019; and there's that same form of words in (1), (2) and (3)?

20 **MS PITKIN:** Yes.

MR CONDE: And Ms Dudek told Mr Bell that at the time of sending this, she knew the CUP cards had been used to fund gambling and her response, she
25 accepted, was utterly misleading and unethical. What, if any, comment do you have on these communications to the NAB?

MS PITKIN: The communications are dishonest. They're just not correct. And my other comment would be that people sending these emails are creating
30 company records that are false.

MR CONDE: And Ms Dudek told Mr Bell that this language had been provided to her by Mr White and that she did not feel she was able to challenge her
superiors in this regard. What, if any, comment do you have on that evidence?

35 **MS PITKIN:** I think that's a great concern. Because if Ms Dudek had concerns about this, I would have hoped that the company's processes to support people bringing forward matters of concern would have supported her to alert somebody about this.

40 **MR CONDE:** And do those processes include a whistleblower service?

MS PITKIN: They do. They also include an ethics panel, which is there to help people if they've got any difficult ethical issues.

45 **MR CONDE:** Another document I wanted to show you is exhibit B1828, STA.3105.0011.5300. And if we can go to the second page of this, please, first. It's pinpoint 5301. And it should be an email - yes - from Ms Arthur dated 6 November 2019 at 7.27 pm. Do you see that Ms Arthur writes that:

"UnionPay have provided us notice indicating they are considering issuing NAB a directive to cease provision of UnionPay card acceptance to The Star."

5

She writes that:

"UnionPay can fine NAB and terminate acceptance."

10 And then she says:

"From our conversation with local UnionPay representatives, China's central bank (that is, the People's Bank of China), is not satisfied with UnionPay's explanations received from The Star (via NAB) for previous irregular transaction investigation requests."

15

And then:

"PBOC has observed individual cardholders spending more than \$20 million at The Star which they believe includes gambling and are struggling to see how this level of expenditure could be made on non-gambling entertainment."

20

And then there's a request for documentation. Can you see that, Ms Pitkin?

25

MS PITKIN: Yes.

MR CONDE: If we can go back, then, to the first page, please. It's 5300. And do you see, zoomed out at this point, that there's a lengthy response - and if I could ask that it be shown over the page as well. It continues. Do you recall - sorry. Have you read this email, Ms Pitkin?

30

MS PITKIN: This email was in the materials provided to me, Mr Conde.

MR CONDE: So are you happy, then, for me to ask some questions about it without allowing you time to re-read the whole email --

35

MS PITKIN: Yes.

MR CONDE: -- or would you like to re-read it?

40

MS PITKIN: No, that's fine. We can proceed.

MR CONDE: Well, if we could go to the - on that first page, 5300, the bottom - the second-last paragraph. If we could draw that out, please. Do you see it says:

45

"We confirm the terminal is located in The Star Grand Hotel, outside of gaming related areas and gaming transactions are not conducted at the hotel."

5 And then further up, do you see that in that bulleted list there are reference to expensive - what are called luxury services, so the Bombardier aircraft, Star's yachts, accommodation and a 24-hour butler service?

MS PITKIN: Yes.

10 **MR CONDE:** And then further up above that, there is references to jets, premium wines, jewellery, cars and so forth. Are you aware that - well, are you aware that Ms Scopel told Mr Bell that by the time of sending this email, she was aware that money would be transferred to patrons' front money accounts?

15 **MS PITKIN:** I have been told that, yes.

MR CONDE: And so in light of that knowledge, and having read the text of this email, what, if any, comment do you have on this response?

20 **MS PITKIN:** Well, the response couples some factually correct statements with misleading statements. It - it does not give the - it does not give the complete answer. For example, if the operator could scroll down a little, that paragraph there:

25 "We confirm the terminal is located in The Star Grand Hotel, outside of gaming related areas and gaming transactions are not conducted at the hotel."

30 That is a correct statement. But, of course, we now - I now know that money was being withdrawn and then deposited into front money accounts for gaming transactions. So the whole letter is - it's just wrong.

MR CONDE: Are you aware that Mr Theodore told Mr Bell that that sentence - the second-last paragraph that I took you to that says:

35 "We confirm the terminal is located."

And then:

40 "And gaming transactions are not conducted at the hotel."

Mr Theodore told Mr Bell that that sentence in particular was false and deceptive. Would you agree with that assessment?

45 **MS PITKIN:** I think the sentence is factually correct, but it's very misleading to put that sentence in, is drawing the reader to conclude that, therefore, the card was not being used for gambling transactions, which is not the case.

MR CONDE: Are you aware that Ms Scopel told Mr Bell that her response was prepared in a context of receiving guidance from both Mr White and Mr Theodore?

5 **MS PITKIN:** Yes.

MR CONDE: And Ms Scopel told Mr Bell that she did not feel she was in a position to challenge Mr White or Mr Theodore because she was concerned that if she did, it could impact her employment. What, if any, comment do you have on that evidence?
10

MS PITKIN: The same in relation to Ms Dudek. That is - that is terrible. All employees should feel that they can come forward with any concerns without there being any fear that their jobs may be impacted.
15

MR CONDE: And do you wish to make any further comment on the conduct which I've shown you in relation to Star's responses provided to NAB?

MS PITKIN: The responses were incorrect. They should never have been provided. They're totally wrong.
20

MR CONDE: Are you aware of a suggestion in evidence in this review that maybe NAB knew the true position that China UnionPay cards were being used for gambling?
25

MS PITKIN: Yes.

MR CONDE: And that Ms Arthur of NAB gave evidence denying such knowledge, and she was cross-examined on that, which included a suggestion to her that she understood exactly how those cards were being used, which she denied. Are you aware of that?
30

MS PITKIN: Yes.

MR CONDE: Would you agree that irrespective of NAB's knowledge and, indeed, irrespective of any past practice or knowledge of the Chinese entity UnionPay to which responses were being forwarded, the fact is that Star Entertainment should be giving truthful and accurate responses in correspondence with its bank or banks?
40

MS PITKIN: Yes.

MR CONDE: And would you agree that Star Entertainment should not be giving responses to - which, to use various witnesses' words, were misleading, deceptive, unethical, false or - I think you used the word "dishonest"?
45

MS PITKIN: Yes.

MR CONDE: Now, do you recall in May - on or about 16 - I'm sorry. I will start again. Do you recall, in May 2018, receiving copies of two KPMG reports on Star Entertainment's AML/CTF program dated 16 May 2018?

5 **MS PITKIN:** I think I actually received the full reports shortly thereafter. But, yes, I recall receiving at that audit committee meeting the - the executive summaries of both reports.

10 **MR CONDE:** And perhaps, then, if we can go to the audit committee meeting minutes. This is exhibit B811, STA.5001.0003.0818. Do you see, Ms Pitkin - the minutes should have come up, and they're dated 23 May 2018. And you are noted as having attended that meeting?

15 **MS PITKIN:** Yes.

MR CONDE: Do you recall knowing that the authors of the KPMG reports were sitting outside this meeting and available to be called in to speak to their reports if and as required?

20 **MS PITKIN:** I don't recall that.

MR CONDE: Would it be a normal practice, where a report by a third party is prepared for the audit committee, to have the authors present and available to answer questions?

25 **MS PITKIN:** If the report was final, yes.

30 **MR CONDE:** And if I can ask that we enlarge this part of the - page 1 from the bottom where it says Internal Audit Status Update. First of all, just on the use of the expression "internal audit", Ms Pitkin, if I might just explore that with you. Is it correct that an internal audit in - can involve external parties?

MS PITKIN: Yes.

35 **MR CONDE:** And so may I just ask you, please, to explain the differences, as you understand them, between external audit, internal audit and internal audit involving internal or external parties.

40 **MS PITKIN:** So internal audit are members of management, but they have a direct reporting line to the audit committee and to the board. And their responsibility is to carry out unbiased investigations of certain matters within the company and to provide reports on those. At times, the matter to be reviewed might be highly technical and might require some external expertise that's not within the internal audit team and so an external person might be engaged to do that.

45 At times, if the internal audit team is not fully resourced, people from outside might be asked to assist to carry out the audits that are scheduled over the coming

year as part of the program. In relation to this particular review, it was part of the internal audit program, but it required an external independent party to carry out the review because that's what's required under the AML/CTF regime.

5 **MR CONDE:** Thank you. And in light of the report being required under the AML/CTF regime, would you agree that at least - sorry. Would you agree - is it your understanding that the purpose of such an engagement does not involve legal advice being given to the company?

10 **MS PITKIN:** I understood that the previous reviews had been done by lawyers, and I recall Paula Martin explaining that legal advice was required as part of this review and so the reports would be subject to legal professional privilege.

15 **MR CONDE:** And it was in that context, then - sorry. Is it correct that in that context, where you see in the minutes here where it says "subject to legal professional privilege" on the left-hand column, that would be consistent with your recollection of what was said at the meeting?

20 **MS PITKIN:** I know that that's what Paula Martin advised. Whether it was at this meeting or a subsequent meeting, Mr Conde, I can't be absolutely sure.

25 **MR CONDE:** Okay. If we could go, please, to pinpoint 0819. So - I'm sorry. I should ask you, Ms Pitkin: would you agree that what is in front of you is - the minutes have a large amount of text relaying what was said at this meeting in relation to the KPMG reports?

MS PITKIN: Yes.

30 **MR CONDE:** And perhaps taking a step back, what is your recollection of that meeting and the substance of what was said at it?

35 **MS PITKIN:** Mr Conde, I can't recall all of the conversation. I - I do recall Ms Martin expressing concern that she hadn't been consulted as part of the work that had been undertaken by KPMG. I - I recall being a little surprised at the time because the review was clearly flagged as part of the internal audit program for the forthcoming year. And I recall that management, particularly Ms Martin, wanted to have further conversations about some of the findings because there were concerns that some of the matters were not correct. And I recall that the outcome of those discussions was that there would be the opportunity for Ms Martin and Mr

40 Bekier to have further conversations with KPMG, but that in the meantime, all of the - that work should be gotten underway in terms of the recommendations and that there needed to be a report that then came back with an action plan and that be reported.

45 And then I recall, at a subsequent meeting - it could have been the next month - that - sometimes we don't have meetings in June. It could have been the July meeting. The then chair of the audit committee reported to the board that he had been involved in - in conversations with KPMG; that the KPMG reports were

final; that there had been no change to findings or recommendations; and that management was well underway with the action plan and implementing what had been recommended.

5 **MR CONDE:** Do you recall the tone of the 23 May 2018 audit committee meeting?

10 **MS PITKIN:** Well, I recall the concerns being expressed. And my sense at the time was, well, the internal communication hasn't - between the two areas - between risk and legal hasn't been as good as it needed to be. But I - I thought, well, it will - we will just - let's see what the response of management is. And I was very heartened to see the response that the then chair of the audit committee reported to the board, that management had accepted all of the findings and recommendations and was committed to implementing them all.

15 **MR CONDE:** Do you recall if anybody raised the question whether it was too late to change the reports?

20 **MS PITKIN:** No. That would have been - I mean, that would have been a worry to me. If - if there was - if there were errors in the report, then - then, of course, they need to be addressed. But often that would be done either through some supplementary document, if it is a matter of some editorial type things. But, no, I don't recall anyone saying that the report - that they wanted to change the report.

25 **MR BELL SC:** Ms Pitkin, were you aware that the part A report at least was required under the AML/CTF legislation?

MS PITKIN: Yes. Yes.

30 **MR BELL SC:** And it had been commissioned from KPMG?

MS PITKIN: Yes.

35 **MR BELL SC:** And you understood at the time of this meeting that the KPMG reports were final?

40 **MS PITKIN:** I was only - in - in the audit committee papers, Mr Bell, with the executive summaries and the recommendations - I'm sorry, I can't recall if I was told they were final. But what I recall is the conversation around some concerns that there were some matters in the report which were not accurate and that management - and by "management", I really mean Ms Martin - wanted the opportunity to discuss that with KPMG.

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

MR CONDE: And do you recall - further to the purpose of the reports as Mr Bell just noted, do you recall that the authors of the KPMG reports were not lawyers?

MS PITKIN: I - I can't recall. I didn't meet or see the KPMG report writers. I'm just trying to think back to their bios which were in the reports. I'm sorry, I can't recall whether they had any legal qualifications or not. But there would be no reason why they would have needed to, to do the report.

5

MR CONDE: No. But I suppose I'm asking - do you recall querying with Ms Martin, when she mentioned legal professional privilege, whether these reports had been prepared for the dominant purpose of legal advice being given to Star Entertainment?

10

MS PITKIN: No. I recall Ms Martin saying that there was legal advice that was needed on some matters - I can't recall her elaborating on those - and Ms Martin's assertion that they were, therefore, subject to legal professional privilege. I - I accepted her advice as the chief legal officer.

15

MR CONDE: If we go to exhibit B1027, and this is KPMG.001.001.1779. Now, this is a letter dated 6 August 2018, so it's after the meeting, obviously. But what I would ask you to be taken to, please, is the next page, 1780. I'm so sorry. If we could go back a page. Do you see, Ms Pitkin, about halfway down the first page, it says:

20

"As part of the alleged scope of work and SGR's established internal audit protocols, KPMG -"

25 And then there's a list?

MS PITKIN: Yes.

MR CONDE: And then if we can go to the second page, please.

30

MS PITKIN: Do you need me to read that list, Mr Conde?

MR CONDE: No, no.

35 **MS PITKIN:** Okay.

MR CONDE: These are all just matters that KPMG is referring to. But I wish to ask you about the bullet point at the top of this page, which - if that could be enlarged, please. It says that:

40

"Validated each and every finding in draft form with the chief risk officer, general manager compliance and responsible gambling, and the compliance manager, prior to finalising the reports."

45 And - do you see that, Ms Pitkin?

MS PITKIN: Yes.

MR CONDE: And then if we can go down to footnote 2 at the bottom of the page, please, and have that enlarged, please. It's quite small. Do you have any recollection of being told during the audit committee meeting of 23 May 2018 in the context of any discussion of the opportunity management had or hadn't had to engage with the reports, that on 3 May 2018, as noted in that paragraph, KPMG issued the draft reports to confirm factual accuracy and to obtain management actions from the general manager compliance and responsible gambling, chief risk officer and the compliance manager?

10 **MS PITKIN:** No.

MR CONDE: And do you recall being told in the context of such discussions that on 14 May 2018, KPMG met with the general manager compliance and responsible gambling, chief risk officer and the compliance manager, and the findings in both reports were validated for factual accuracy and agreed no issues were raised at that meeting as to the factual accuracy of the reports?

MS PITKIN: No. I don't see how that could have been raised, given Ms Martin's assertions - her concerns about some of the matters in the reports. If someone had said, "Well, we've gone through all of these steps to confirm this," it would have been quite odd, then, for Ms Martin to be maintaining that there were potentially problems with statements in the reports.

MR CONDE: But it's correct, is it, that that, so far as you recall, was not raised in the 23 May 2018 meeting?

MS PITKIN: That's correct.

MR CONDE: And are you aware - I think - if I could ask that we go back to the first page of this document. Ms Pitkin, do you - I think you said earlier that you were aware of the reports being confirmed - there being some interaction between management and KPMG, the reports being confirmed and, in effect, everyone moving on. I'm sure you put it better than that, but --

MS PITKIN: Yes. The then chair of the audit committee gave a - gave a report back - a verbal report back to the board at a meeting - I think it was the July meeting - to say that there had been meetings held with KPMG; that the findings and recommendations stood; and that things were well underway to implementation.

MR CONDE: And so if I could ask, then, that you be shown the next page - sorry. Before we move - and do you see this letter is dated 6 August 2018 from KPMG to Ms O'Neil? Do you recall being told of this letter in or - on or about or after 6 August 2018?

MS PITKIN: I had no knowledge of this letter.

MR CONDE: And if I could ask, then, that we enlarge, on page 1780, under Overall Summary. Do you see it says:

"KPMG has considered all of the additional items for clarification."

5

And then next paragraph:

"KPMG can confirm that the findings and recommendations contained in both final reports remain valid."

10

MS PITKIN: Yes.

MR CONDE: And if I can then show you the last page of this document. It's pinpoint 1793. Do you see there's a summary, in the second part, of Interviews/Key Meetings? And there's a summary of interviews that took place in July, and there's one in June with Mr McWilliams, with various executives from Star Entertainment? And then I believe the person in 6 is not an executive.

15

MS PITKIN: Yes, I see that, Mr Conde.

20

MR CONDE: And were you aware of all of these meetings taking place?

MS PITKIN: I knew that there were going to be meetings. I'm not aware of these particular meetings or the dates.

25

MR CONDE: I see. In light of the fact that KPMG's reports of 16 May 2018 were expressed as final - and I ask you to assume that - do you agree that the independent audit process was at risk of being undermined by management seeking to question and disagree with KPMG's findings, at least in the period 16 May 2018 to 6 August 2018?

30

MS PITKIN: Well, no. In my experience, someone prepares a report; there's an opportunity for management to see a draft of that report, to provide input into - you know, just to - to challenge, to question - there's - there's always that opportunity; and then a final report is issued. I - but I take your point, Mr Conde. The final report had been - final reports had been issued. And I didn't understand the extent of the - I see on this page, interactions and obvious pushback on what was in the reports. It could well have come close to challenging the independence of KPMG to prepare these reports. I'm - I'm pleased to see here, of course, that the chair of the audit committee had had a meeting at the end of that process and would have been reassured that KPMG was standing by their - their findings and recommendations.

35

40

MR CONDE: Perhaps if I can show you in this document, pinpoint 1784. This should be appendix B, and it should be - can you see at the top it says:

45

"SGR's management's requests for clarification for the part A report."

MS PITKIN: Yes.

MR CONDE: And then if I could just ask the operator to scroll, please, through this. Do you see - 1785, 1786, through to 1790. It goes through - and there are 19
5 items that are listed there?

MS PITKIN: Yes.

MR CONDE: Seeing the detail and the extent of these requests, are you
10 concerned that there was a risk of management inserting itself as between KPMG and the audit committee?

MS PITKIN: No. I think management - after I read this, because it was in the
15 bundle of materials, I thought to myself, "Well, management has given that a very good go," and KPMG has very appropriately said, "No, we're not changing the findings or the recommendations." In reading the sorts of matters that management raised, I thought it reflected a lack of maturity in - in management's understanding of - of how it needed to lift itself in AML/CTF terms. I think management got a bit surprised when these reports came in, because I think there was a view that the
20 AML/CTF program was pretty good and that management had received good reports previously.

But KPMG have challenged the company and have said, "No, you're setting the
25 bar too low. You really should be benchmarking yourself against the financial services industry, and you should be doing better." So this - this report gave the company a wonderful opportunity to - to have a much better AML/CTF program. And it was - and it was because of these - this report, and the findings and recommendations, that the company really, then, moved along in terms of automation for transaction monitoring and other things. And, I'm sorry, Mr Conde,
30 I think I actually haven't answered your question.

MR CONDE: No. Well, you mentioned a lack of maturity and understanding how
management ought to have lifted itself. May I ask you, please, to elaborate on
35 what you meant by "lack of maturity".

MS PITKIN: Well, for example - if you could - could you - could the operator,
please, go back to the first page - I think it was on the first page. And, I'm sorry,
I'm trying to recall from reading this in the materials. And, I'm sorry, operator, it's
40 not the first page. Let me just - it's - I think it's the - the next page over, operator.
Yes. The section here I found very compelling. We - management was pushing
back on the fact that just because a patron might bring a significant amount of
money into the casino didn't justify a high rating. But, of course, we know that
casinos - that large amounts of cash creates a higher risk of money laundering.

45 And I think that management was - was stuck in the view - and, Mr Conde, I have formed this view after reading this letter in the bundle of materials. But it - it occurred to me that management was thinking, "But we're a casino. We deal with cash. We deal with large amounts of cash. And provided we follow AML/CTF

rules that we - that we monitor, that we report, etcetera, that that's what's important." But, of course, KPMG are saying, "No. Look at it through a more mature lens of the - the risk here because of the volumes of cash."

5 **MR CONDE:** Well, on that question, if we could go to exhibit B794. This is STA.3001.0001.2750. This is the part A report. If I could ask, please, that 2767 be brought up.

10 **MS PITKIN:** Sorry, Mr Conde. I recall it having a different front cover colour - or I could well be mistaken, sorry.

MR CONDE: This is - if we go back to 2750 --

15 **MS PITKIN:** I thought it was blue.

MR CONDE: That might be the PwC one.

20 **MS PITKIN:** My apologies, Mr Conde. It is. I'm getting the branding mixed up between the firms. They wouldn't be happy with that.

25 **MR CONDE:** If we could go, please, to 2767 and the bullet point that raises the matter that you referred to, Ms Pitkin. If that could be enlarged, please, the one that begins, "Through our interviews." And, in fact, if we could also bring up footnote 20 because that's referred to in that. And so do you see the - in the bullet point on the second sentence - sorry, the third sentence - the last sentence, they say:

30 "In our view, customers who bring in large amounts of money should be considered higher risk, unless SGR is reasonably satisfied they have legitimate and known sources of income, and there's no increased risk of ML/TF."

35 And then also there's a reference there to - in footnote 20, to customers bringing in up to - well, a customer being flagged as potentially suspicious if they bring in \$250,000 in cash, which, would you agree, suggests that below that amount is not getting flagged?

40 **MS PITKIN:** The footnote is referring to amounts lower than that being referred. So that would indicate to me it is being flagged. The - the \$250,000, though, is - it seems to be the threshold for potentially suspicious. Yes.

MR CONDE: Yes. And, I'm sorry, I should be clearer. The sentence to which that footnote attaches, being the second sentence, do you see KPMG said:

45 "The New South Wales AML administrator informed us that a customer who brings hundreds of thousands of dollars in large sums of money would not automatically be classified as high risk."

MS PITKIN: Yes. I can't see that sentence, but I accept that's there in the document.

MR CONDE: It's in the bullet point - second sentence.

5

MS PITKIN: My apologies. Yes, I see it now.

MR CONDE: And would you agree that - I think you mentioned this report gave Star Entertainment an opportunity. Would you agree that that opportunity involved, first of all, an opportunity to fix up its processes along the lines recommended by KPMG?

10

MS PITKIN: Yes.

MR CONDE: And are you aware of evidence to Mr Bell's review to the effect - from - including from the KPMG partners, that so far as they're aware, Star Entertainment did take up that opportunity, at least on - well, after 6 August 2018 when management's questions and so forth had been resolved?

15

MS PITKIN: Yes. And I'm aware that management had taken up the opportunity before that date in August, Mr Conde.

20

MR CONDE: So they had been able to progress some items --

MS PITKIN: Yes.

25

MR CONDE: -- not the subject of queries, but - yes. But do you think it also gave rise to an opportunity to look back and to query existing relationships that Star Entertainment had with patrons who had brought in hundreds of thousands of dollars without having been classified high risk?

30

MS PITKIN: Once changes to the program were made, and they were made incrementally, that any ongoing dealings with those patrons would be dealt with through that new framework, including the new risk assessment framework.

35

MR CONDE: But that's ongoing dealings. What about a look-back on relationships that might have been established in circumstances where a patron has brought in hundreds of thousands of dollars without having been classified as high risk?

40

MS PITKIN: Not necessarily. I would think that if there was a relationship and then the next time that - there was play or dealings with the customer, then that's when you would be applying the new framework. But if you had - if you had been following the previous framework, I don't think you would automatically think to devote significant time and resources to looking back on a whole lot of prior transactions to see whether they would meet the standards in the new program that was looking forward. It could be very instructive, I - I acknowledge. But I think the focus was on putting in place the new program, which required significant

45

training and some uplift in capability, and the focus was very much on the automation, etcetera.

5 **MR CONDE:** I'm not sure whether to suggest it would be a role for the audit committee or senior management or perhaps even those reporting in below them, but would you not agree that having been told that customers bringing in hundreds of thousands of dollars in cash and have not been classified as high risk, raise the question for someone at some level within the organisation to say, "Well, you know, far out, who have we got in here?"

10 **MS PITKIN:** Mr Conde, those customers bringing in large amounts of money would have still been dealt with under the prior program where there would have been reporting to AUSTRAC on transactions; there would have been know your customer processes gone through; and where there would have been enhanced customer due diligence done for those rated high. I - I understand that under the previous program, could there have been some customers where transactions were suspicious but not picked up? That's possible. And, of course, I accept that, looking back, you can always learn from the way you've done things in the past to contribute to how you might do things going forward. But I'm not sure anything in the KPMG report is suggesting that the company wasn't meeting its AML/CTF obligations in the past.

25 **MR CONDE:** Is - you've mentioned that customers would have been - still been dealt with under the prior program. But isn't KPMG saying here that there's a deficiency in the prior program, and they've marked it high risk with it in red, as you can see in the top right of this page?

30 **MS PITKIN:** As I understand what they were saying is, treat everyone who brings in significant amounts of money as a high risk, rather than going through other processes before you get to that risk rating.

MR CONDE: Would you agree that --

35 **MS PITKIN:** And it's a better approach, clearly.

MR CONDE: Would you agree that the KPMG reports raised a number of serious concerns?

40 **MS PITKIN:** Yes.

MR CONDE: And we've been exploring the one about people coming in with large sums of money, but another one was that there was no terrorism financing element to the AML/CTF program?

45 **MS PITKIN:** Yes.

MR CONDE: And so as best you can recall, it was your expectation that KPMG's concerns, which you've accepted were serious, ought to have been taken seriously and actioned as required?

5 **MS PITKIN:** Yes.

MR CONDE: If I can now ask you about an allegation that Star staff members in or around 2017 and - yes - had - in Macau, were providing letters to representatives of the Bank of China in Macau which provided a false explanation
10 as to the source of funds which were being deposited at the Bank of China in Macau. Are you aware of that allegation?

MS PITKIN: Yes, Mr Conde.

15 **MR CONDE:** And when did you first become aware of it?

MS PITKIN: That would have been, I think, towards the end of last year when material was being assembled to provide to this review.

20 **MR CONDE:** And is it correct that you had no idea of that issue before that time?

MS PITKIN: That's correct.

MR CONDE: Would you agree that an allegation of fake source of funds letters
25 being provided to a bank is an extremely serious allegation, warranting urgent attention?

MS PITKIN: Yes.

30 **MR CONDE:** And would you agree that, among other issues, if fake source of funds letters are provided to that bank, that is going to inhibit anti-money laundering and counter-terrorism financing processes?

MS PITKIN: Yes.

35

MR CONDE: Are you aware that Star possesses documents to suggest that the conduct was occurring in at least 2017?

40 **MS PITKIN:** It - it could well have been. I'm sorry, Mr Conde, I can't remember the dates on some of that material that I saw as part of the review documents.

MR CONDE: Mr Bekier told Mr Bell on day 28 that he first became aware of this issue in about October 2021, and - does that align approximately with your recollection of becoming aware of this issue?
45

MS PITKIN: Yes.

MR CONDE: Are you aware that Mr Bekier told Mr Bell that around that time in October 2021, he caused a full investigation to be undertaken into the circumstances surrounding the alleged provision of fake source of funds documents?

5

MS PITKIN: I - I - I recall that Mr Bekier told the board he was aware of it, that that was underway.

MR CONDE: And would you agree, then, that that investigation is an extremely important one?

10

MS PITKIN: Yes.

MR CONDE: What, if any, knowledge do you have of the status of that investigation?

15

MS PITKIN: As I understand, the - the accounts that Mackay - Mackay - Macau office was closed and the accounts closed. And so as part of that investigation, source material needed - has needed to be obtained from the banks in Macau. And so that investigation is ongoing. But there is no ongoing risk associated with those accounts because they've been closed.

20

MR CONDE: And you mention no ongoing risk, although - is it not the case that - sorry. Do you say that because the accounts have been closed, and I think the office has been closed?

25

MS PITKIN: Both.

MR CONDE: And - but are you - do you know whether employees might have been relocated from the closed office and be elsewhere within the business?

30

MS PITKIN: I was not aware of that. I understood that the - the office was closed and employees had been terminated.

MR CONDE: I see. So is it your understanding that there is no ongoing risk because, indeed, there are no people, no office and no accounts?

35

MS PITKIN: That's my understanding, Mr Conde.

MR CONDE: In terms of the historical conduct, do you expect to receive the results of that investigation as soon as possible?

40

MS PITKIN: Yes. And that should come to the board.

MR CONDE: Do you agree that it's important for Star to get to the bottom of it very quickly?

45

MS PITKIN: Yes.

MR CONDE: Are you concerned that the CEO and managing director at the time ordered a full investigation in October or perhaps November 2021, and about six months later it has not been resolved?

5

MS PITKIN: Given there's no ongoing risk and given that I understand that finding records is problematic - so to do a very thorough investigation will require the appropriate records - yes, it's taking time. But I'm not sure how it could be speeded up, if you can't get the records. There's no - there's no one saying that this conduct did not happen. Certainly an investigation can help understand why it happened. But totally inappropriate conduct, creating false company records, as you said, disguising source of wealth, source of funds, creating money laundering risks, the - the outcomes of the behaviour are well-known. Yes, we should still understand all we can about how it occurred. But I understand that without the records, they can't complete the investigation.

10

15

MR CONDE: Is it an issue that you would expect to remain on the board's agenda, as it were, until resolved?

20

MS PITKIN: Yes.

MR CONDE: And on the subject of investigations, are you aware of an investigation by Gadens into allegations that Star staff had encouraged patrons to register as rebate players, thus attracting a lower amount of duty?

25

MS PITKIN: Yes.

MR CONDE: And so far as you're aware, what is the status of that investigation?

30

MS PITKIN: That that hasn't been completed yet, but I understand the report from Gadens will be available within the next couple of weeks.

MR CONDE: And so far as you're aware, does that investigation - is that investigation limited to the question whether there had been active encouragement to patrons to register as rebate players, or does it extend more widely to a question around whether The Star has paid the amount of duty it owes?

35

MS PITKIN: My understanding is that the investigation will be broader than just the allegation in the media.

40

MR BELL SC: Ms Pitkin, the board made an announcement to the ASX on 9 May that it had suspended rebate programs.

MS PITKIN: Yes, Mr Bell.

45

MR BELL SC: But was the issue of gaming tax payable to the New South Wales Government an issue which was taken into account in making that decision?

5 **MS PITKIN:** Mr Bell, the - it was a broader issue. It was all of the risks associated with rebate play, the products, the customers, the - the tax. All of those factors were taken into account in the board forming the view that it should stop until this review was completed, until remediation actions can be taken, and it shouldn't start again for some time until the company is in a position to know that all obligations in relation to rebate play can be met.

MR BELL SC: Yes. Thank you, Mr Conde.

10 **MR CONDE:** I might just quickly take you to one more document before the break, Ms Pitkin. It's exhibit B3277, STA.3412.0084.5940. And perhaps if I could ask the operator, first of all - Ms Pitkin, do you see the bottom of this page? It's an email from Mr Power to Mr Hawkins, copied to Mr White, dated 4 September 2020?

15

MS PITKIN: Yes.

20 **MR CONDE:** And then I won't take you to the - through the fine detail of it. But if I could just ask the operator, please, to scroll to show you this email. If we could go to 5941. It's - and then you might see the bottom of that page, 5941, it says Reasoning. And then if I could ask the operator to scroll to the end. What I would ask you to assume is that Mr Power has sent a reasonably detailed analysis to Mr Hawkins on this question of rebate duty and characterising people.

25 **MS PITKIN:** Yes.

30 **MR CONDE:** And what Mr Power instructed Mr Hawkins to undertake, I would ask you to assume, is that he undertake detailed analysis of patrons' residency. If we can go back to Mr Hawkins's email of 8 October 2020 at pinpoint 5940. Do you see in the second line, at the end, Mr Hawkins refers to:

"Some administrative confusion regarding the status of a number of rebate classified players."

35 And he says:

"As per your guidance on point 3, when this was identified we immediately transitioned any rebate player who had been in New South Wales for more than 183 days on to a non-rebate play profile."

40

Now, just pausing there, is it your understanding, Ms Pitkin, that the rate for local or New South Wales players is going to be higher than those on a rebate profile?

45 **MS PITKIN:** Yes.

MR CONDE: And so what the - Mr Hawkins is referring to there, "As per your guidance," is a more - do you understand it's a more conservative approach of transitioning people to where the higher rate is payable or --

MS PITKIN: Yes.

MR CONDE: -- the rate is payable without a deduction?

5

MS PITKIN: Yes.

MR CONDE: And then if we scroll up to Mr Power's response. And do you see that Mr Power writes on 17 October 2020:

10

"Thank you for your email. Now that you've made the assessment."

He says:

15

"I will leave it to you to liaise with the finance team to ensure that the monthly rebate duty reports and weekly non-rebate duty reports provided to the Liquor and Gaming are in order and any adjustments have been (or will be) made."

20

MS PITKIN: Yes.

MR CONDE: And so would you agree, at this point, this all seems pretty sensible; it's the sort of interactions you would expect where an issue has been identified, there's considered analysis and a way forward is articulated?

25

MS PITKIN: Yes.

MR CONDE: Now, Mr Hawkins told Mr Bell's review on day 23 that - well, he was asked whether he did, in fact, proceed to liaise with the finance team and he said, "Ultimately, no." And Mr Bekier gave evidence that if there's a mistake, the normal course of events is just to reclassify players, pay any additional duty and notify the regulator. Does Mr Bekier's expectation accord with your expectation as well?

30

35

MS PITKIN: Yes.

MR CONDE: And are you aware of this issue of there being a question whether Mr Power's advice has been actioned since 17 October 2020?

40

MS PITKIN: No.

MR CONDE: Would you agree that that is an important question because Star needs to pay whatever duty it owes?

45

MS PITKIN: Yes.

MR CONDE: So far as you're aware, does Gadens' investigation include this question?

MS PITKIN: I'm not completely sure, but I would have thought so, Mr Conde, because it - it - not only do we need to make sure that players have been correctly classified, but the next logical step is, has the right amount of duty been paid?

5

MR CONDE: And would you agree that if this is not being covered by Gadens' investigation, it should be covered either by that investigation or some other process?

10 **MS PITKIN:** Yes.

MR CONDE: I see the time, Mr Bell.

MR BELL SC: Yes. I will now adjourn for 15 minutes.

15

<THE HEARING ADJOURNED AT 11:32 AM

<THE HEARING RESUMED AT 11:47 AM

20 **MR BELL SC:** Mr Conde.

MR CONDE: Ms Pitkin, before the break, I asked you about some investigations, and if I might just quickly cover two more. If exhibit B3331 could be brought up. That's CORRO.001.001.0190. And if we could go, please, to 0222. Ms Pitkin, this will be a response from The Star's solicitors to the solicitors assisting the review. And if we could go, please, to pinpoint 0222. Yes. If I could ask that the Employee Investigations down to the bottom of the page be enlarged, please, for Ms Pitkin. And if I might just ask you, Ms Pitkin, to read the introductory language, "From time to time," and then the bullet point for Marcus Lim.

25
30

MS PITKIN: Yes. Yes, Mr Conde.

MR CONDE: Are you aware of this matter?

35 **MS PITKIN:** I was not aware of this matter.

MR CONDE: Were you aware of it in the preparation for these hearings?

MS PITKIN: Yes.

40

MR CONDE: And would you agree that the allegations seem to be very serious?

MS PITKIN: Yes.

45 **MR CONDE:** What, if any, comment do you have on the circumstance of Mr Lim being made redundant - sorry. I will start again. Are you aware of any ongoing investigation in respect of this conduct?

MS PITKIN: I'm not.

5 **MR CONDE:** And what, if any, comment do you have on the fact of Mr Lim being made redundant and, so far as you're aware, there being no ongoing investigation?

10 **MS PITKIN:** Mr Lim may have been made redundant because of restructuring. That would be the usual basis for a redundancy. But I'm not aware of the circumstances of the investigation.

MR CONDE: Would it be your expectation that irrespective of Mr Lim's employment status, the previous conduct, as alleged, be investigated?

15 **MS PITKIN:** Yes.

MR CONDE: And if issues arise out of that investigation which warrant the board's attention, then they should be raised?

20 **MS PITKIN:** Yes.

MR CONDE: But so far as you're aware, that has not taken place?

MS PITKIN: Correct.

25 **MR CONDE:** And, likewise, if we can go to the next page. And if I could ask that that bullet point at the top - just the text of that in relation to - sorry. Yes. If that could be enlarged, please. And if I could ask you, Ms Pitkin, to read that.

30 **MS PITKIN:** Yes, Mr Conde.

MR CONDE: And, Ms Pitkin, were you aware, before my showing you this, of this issue?

35 **MS PITKIN:** I only became aware when I reviewed the materials in preparing to attend before the review.

40 **MR CONDE:** And are you aware of any ongoing investigation or other form of inquiry by management into the matters the subject - the matters addressed in this paragraph?

MS PITKIN: No.

45 **MR CONDE:** And, again, is it the same as with the Mr Lim matter that I took you to, that it would be your expectation that irrespective of the employment of a given - or, indeed, even whereabouts of a given individual, the underlying conduct ought to be investigated and, if thought appropriate, raised with the board?

MS PITKIN: Yes.

5 **MR CONDE:** May I now ask you about overseas payment channels. I suppose I've already asked you about one with CUP. But if I can show you a document. It's exhibit B435, and that's STA.5002.0003.1476. And do you see this is a board paper dated 26 September 2017?

MS PITKIN: Yes.

10 **MR CONDE:** And do you recall reading this document?

MS PITKIN: I would have read this document in preparation for the September board meeting.

15 **MR CONDE:** If we can go to pinpoint 1512, please. Do you see some issues are identified in this slide and, in particular, in the sub-bullet point:

"Marketing to PRC players."

20 It notes an inability to market to Chinese customers directly?

MS PITKIN: Yes.

25 **MR CONDE:** And then in order to address these concerns - the second bullet point, towards the bottom of the page. Do you see it's said that management recommends activating EEI Services (Hong Kong) Limited and establishing a Macau marketing subsidiary, MMS?

MS PITKIN: Yes.

30 **MR CONDE:** And if we go to the next page, 1513. If I can ask you to look please, at the third bullet point where it says:

35 "Activating EEIS and establishing MMS with appropriately structured junket, CCF and agency relationships will enable these entities to enter into program agreements directly with junkets in Macau. This is a commonly adopted structure that is expected to assist in obtaining working visas and operating local bank accounts."

40 **MS PITKIN:** Yes.

MR CONDE: And do you have any recollection of board discussions in late 2017 about a structure of this kind?

45 **MS PITKIN:** Yes. And ongoing discussions in 2018 as a number of options were explored.

MR CONDE: And what, as best you can recall, was the substance of those discussions?

MS PITKIN: Was to look to establish, as you said, both - reactivate EEIS and establish MMS. There were a number of iterations of proposals, and the final outcome was the board approving the reactivation of EEIS Services to be a money lender to provide loans to patrons.
5

MR CONDE: And if we go to a document read at the 22 March 2018 board meeting. It's exhibit B699, STA.5002.0004.0764. Do you see there's a board paper with subject IRB-EEIS/MMS Project Status Report --
10

MS PITKIN: Yes.

MR CONDE: -- dated 28 March from John Chong?

15 **MS PITKIN:** Yes.

MR CONDE: And do you see the purpose of this document is recorded as being, in the first paragraph, to provide a status update to the board?

20 **MS PITKIN:** Yes.

MR CONDE: And if we can go, please, to page 770. Do you have a slide in front of you that says Legal and Operational Structure?

25 **MS PITKIN:** Yes.

MR CONDE: And it identifies some key components in that second bullet point, with information provided in subsequent bullet points; do you see that?

30 **MS PITKIN:** Yes.

MR CONDE: Would it be correct for Mr Bell to understand this structure, in general terms, as involving a cheque cashing facility with an intermediary imposed, being EEIS, such that EEIS is the entity, not the casino licence holder, which faces the relevant patron or junket?
35

MS PITKIN: I'm sorry, Mr Conde. Could you repeat that?

40 **MR CONDE:** Would it be correct to understand this - perhaps if I could ask you, please, to read the bullet points "EEIS money lender".

MS PITKIN: Yes.

45 **MR CONDE:** And --

MS PITKIN: Thank you. Yes.

MR CONDE: So do you see the first one, that entity EEIS Services (Hong Kong) Limited:

5 "Will provide loans to players in exchange for personal cheque or prepaid collateral. These loans will be granted in place of a cheque cashing facility under current creditworthiness criteria."

And EEIS will hold the master CCF with the casino licence holder?

10 **MS PITKIN:** Yes.

MR CONDE: So would it be correct, as a sort of general summary of that, for Mr Bell to understand the structure as involving a cheque cashing facility with an intermediary imposed - EEIS - such that EEIS is the entity, and not the casino
15 licence holder, which faces the relevant patron or junket?

MS PITKIN: Yes.

MR CONDE: And do you agree that interposing an intermediary between the
20 casino licence holder and the relevant patron or junket in and of itself can raise a complication for AML/CTF purposes?

MS PITKIN: It could.

25 **MR CONDE:** And would you agree that from the patron or junket side, it would allow money to be paid to an entity - EEI Services (Hong Kong) Limited - whose name does not identify it as a Star or, indeed, casino-related business?

MS PITKIN: Yes.

30 **MR CONDE:** I will show you a document, exhibit B1579. That's STA.3004.0008.0001. And do you see it's an internal memorandum from Mr White to Mr Hawkins and Ms Martin dated 26 August 2019 with the
35 (indistinct) Overseas Payment Channels?

MS PITKIN: Yes.

MR CONDE: If we can go to the first paragraph under Background, please. Do
40 you see it notes that:

"The Bank of China in Macau in December 2017 closed bank accounts in the name of The Star and -"

45 Well, in the names of the New South Wales and Queensland licensees?

MS PITKIN: Yes.

MR CONDE: And then in January 2018, do you see it notes that there had been an agreement as between a Star subsidiary and a patron named Kuan Koi in connection with Kuan Koi assisting other patrons with repayment of cheque cashing facilities?

5

MS PITKIN: Yes.

MR CONDE: Just pausing there, do you recall being aware of that first arrangement with Mr Koi in or about January 2018?

10

MS PITKIN: I was aware of it through board papers which talked about a temporary facility with an existing junket operator. But I can't - I'm sorry, Mr Conde, I can't tell you exactly when I became aware of it. But it would have been in board papers.

15

MR CONDE: And do you see the third paragraph in the final sentence, it says:

"KK -"

20 Being Kuan Koi:

"Informed The Star that he was encountering difficulties with the arrangements above in May 2018, at which stage it was understood this arrangement had come to an end."

25

MS PITKIN: Yes.

MR CONDE: And does that accord with your understanding?

30 **MS PITKIN:** I understood it to be a temporary arrangement until EEIS Services (Hong Kong) could be operational. So I understood it to be a matter of months for that arrangement to be in place.

35 **MR CONDE:** And was it your understanding that - still in that third paragraph - the temporary arrangement was subjected to AML/CTF risk assessment and controls and so forth, as summarised there?

MS PITKIN: Yes.

40 **MR CONDE:** If I can ask you, then, about the next section, Current Arrangements. Do you see in the first paragraph, Mr White notes that EEIS has, by this time, been established and provided loans, but remittance services have not been utilised?

45 **MS PITKIN:** Yes.

MR CONDE: And this is 26 August 2019. Does that accord with your recollection?

MS PITKIN: Sorry. Can you just give me that date again? August 2019. It was in 2019, yes, I recall a board paper which talked about it - EEIS Services being operational. I thought it was September, but around about that time.

5

MR CONDE: And so in the absence of that - the absence of remittance services being utilised, do you see that Mr White identifies three methods in paragraphs (a) through (c) at the bottom of this page, namely, EFT transfers in (a); (b) use of a licence remittance provider in the patron's home jurisdiction; or, then, (c) - and it says:

10

"In some instances, in particular for patrons based in Macau, who can only pay The Star with cash, The Star provides an introduction to one of the following channels."

15

MS PITKIN: Yes.

MR CONDE: And as best you can recall, were you and your colleagues on the board told in or about late August 2019 that Star was introducing patrons in Macau, who apparently could only pay their debts in cash, to so-called payment channels?

20

MS PITKIN: I wasn't.

MR BELL SC: Ms Pitkin, what did you understand in 2019 that EEIS was doing?

25

MS PITKIN: Providing loans and settling the cheque cashing facilities that it had with the licence holder of Sydney casino.

MR BELL SC: So your understanding in 2019 was that it was only acting as a money lender?

30

MS PITKIN: Yes. And settling the CCF facilities.

MR BELL SC: Well, what do you mean by "settling the CCF facilities"?

35

MS PITKIN: Well, EEIS Services had provided CCF facilities through to The Star Sydney. And so they all had to be settled out when the play had been finished.

MR BELL SC: In other words, concluding arrangements in connection with the loans that had been made?

40

MS PITKIN: Yes.

MR BELL SC: Yes, Mr Conde.

45

MR CONDE: Do you see the first of these channels noted is Regal Crown Trading Limited?

MS PITKIN: Yes.

5 **MR CONDE:** And if I can ask that the operator please enlarge the bottom of this page, 0001, from the heading Regal Crown Trading - thank you. Do you see, Ms Pitkin, that Regal Crown is said to be:

10 "A licensed money service operating in Hong Kong (approved for FX and remittance services)."

And it:

15 "Also offers services in relation to remittance and FX for cash payments received in Macau."

MS PITKIN: Yes.

20 **MR CONDE:** And then on the top of the next page, underneath that break and that has been enlarged, do you see Mr White notes:

"We have not been able to verify the lawfulness of the process used by Regal Crown in Macau and accordingly The Star has no agreement in place with Regal Crown and Regal Crown does not provide services to The Star."

25 **MS PITKIN:** Yes.

MR CONDE: Pausing there, would you expect there to be an agreement as between a Star entity somewhere in the group and a third party in the position such as this?

30 **MS PITKIN:** Well, I was not aware of The Star utilising the services of Regal Crown in this way. A process like this is inherently - inherently carries more risk because you have to rely on that third-party remitter to have appropriate processes in place for AML/CTF purposes. That was one of the reasons why another EEIS
35 entity was to seek - to be approved as a remitter.

MR CONDE: Well, do you see that Mr White notes in that second paragraph - the paragraph beginning, "We have not been able," and then the final sentence, that if a patron uses Regal Crown, The Star accepts that the funds received are net of the patron's expenses of three per cent of the total remitted which is incurred by the
40 patron with Regal Crown?

MS PITKIN: Yes.

45 **MR CONDE:** And what, if any, comment do you have on there being no formal agreement with Regal Crown but an acceptance by Star that patrons could pay through it and there would be a three per cent deduction?

MS PITKIN: Well, I think if Star is to accept any funds through a third-party remitter, it needs to understand - well, it needs to comply with all its AML/CTF requirements, including the customer requirements, beneficial owner and source of wealth and source of funds.

5

MR CONDE: And would you normally want to see that documented in an agreement of some kind, rather than an informal arrangement?

MS PITKIN: Yes.

10

MR CONDE: Do you see that in the next paragraph, Mr White notes:

15

"We have advised the business that The Star should not recommend Regal Crown to patrons, but only inform them that we are aware that other patrons have used them."

And then he outlines a process for that. Again, what, if any, comment do you have on this approach where Star is not making any recommendation but indicating an awareness of a process?

20

MS PITKIN: Well, you're effectively making a recommendation. You're pointing a patron to that money remitter.

25

MR CONDE: Yes. If we can then go to the next payment channel which Mr White identifies, which is KK/Silver Express. I think that's all on page 2 if - sorry, the operator is ahead of me. Thank you. Do you see that Mr White writes that after May 2018, the arrangement with Mr Koi appears to have continued in an amended form, with the assistance of licensed money service operators in Hong Kong, in a process which has not been subject to review by the legal or compliance teams?

30

MS PITKIN: Yes.

35

MR CONDE: Mr White writes that the current process would appear to involve the use of Silver Express Investment Limited, which provides a similar service to Regal Crown. Do you see that?

MS PITKIN: Yes.

40

MR CONDE: And then at this date - August 2019 - Mr White notes that:

"The legal team have not had any contact with Silver Express to understand their business process in Macau."

45

But:

"If a customer uses Silver Express for their remittance to The Star originating with cash from Macau, The Star receives 100 per cent of the outstanding amount and pays a fee of approximately 3.15 per cent to Mr Koi."

5 And then there's a process. Do you see that?

MS PITKIN: Yes.

10 **MR CONDE:** Do you recall being told about any of this, Ms Pitkin?

MS PITKIN: No. I don't have any recollection of being told this.

15 **MR BELL SC:** What comment do you have on the fact that the legal and compliance team appeared to have little or no understanding of this payment channel as at the date of this memorandum?

20 **MS PITKIN:** It's unacceptable. Payment channels are - are a very important part of managing the risk around money laundering and terrorism financing, and they should have been involved. And the tone of this memo seems to be saying, "Well, no one has asked us, therefore it's not our responsibility."

MR BELL SC: Yes, Mr Conde.

25 **MR CONDE:** And remembering, Ms Pitkin, that these arrangements were introduced as being - well, introduced in the memo as being for patrons based in Macau who can only pay in cash, what, if any, comment do you have on the risks of patrons who are said only to be able to pay in cash and not via EFT or a licensed remittance provider in their home jurisdiction?

30 **MS PITKIN:** Well, it raises questions about source of funds.

35 **MR CONDE:** If we go to the associated risks which Mr White proceeds to identify, which, I believe, is on that same page of 0002. It commences from there and then - thank you very much, operator. If we could - perhaps - is there space to bring up all of them? They continue over the page. Is that legible for you, Ms Pitkin?

MS PITKIN: Yes, if - I will just lean in a little bit closer, Mr Conde, but it's fine.

40 **MR CONDE:** Do you see - so Mr White - and remembering this memorandum was sent to Mr Hawkins and Ms Martin.

MS PITKIN: Yes.

45 **MR CONDE:** Would you agree, first of all, with Mr White's comment in (a) that there is an intrinsically higher AML/CTF risk in these arrangements as it is difficult to identify the source of the cash?

MS PITKIN: Yes.

5 **MR CONDE:** In fact, I think that's the very point you made a moment ago. And then would you agree with Mr White's risks identified in paragraph (b) of having no visibility of where payments are going and costs incurred?

MS PITKIN: Yes.

10 **MR CONDE:** And then in (c) - sorry.

MS PITKIN: Sorry, Mr Conde. Including whether these were paid to - "SE" is Silver Express, is it? Yes. Sorry.

15 **MR CONDE:** Yes, not Star Entertainment.

MS PITKIN: Yes. Agree.

20 **MR CONDE:** And (c), do you see - would you agree that reputational and operational risk is a correct risk for Mr White to have identified?

MS PITKIN: I'm just reading it, Mr Conde. Yes.

MR CONDE: And just looking, still in (c), at the last sentence there:

25 "The Star taking a passive role in referring our customers would address this issue at least in part."

Do you think that's right?

30 **MS PITKIN:** I don't agree with that.

MR CONDE: And would you agree that taking a passive role in referring patrons isn't really taking much of a passive role to begin with?

35 **MS PITKIN:** Yes.

40 **MR CONDE:** And then in (d), do you see Mr White says this might result in a breach of the New South Wales and/or Queensland legislation as a potential granting of a discount on debt, which can only be approved with regular consent and the legal team have not been involved or asked to advise on a compliant process?

MS PITKIN: Yes.

45 **MR CONDE:** Would you agree, in light of this material, that these arrangements simply should not have been taking place?

MS PITKIN: Yes.

MR CONDE: And do you think the board should have been told of these arrangements?

5 **MS PITKIN:** Yes.

MR CONDE: And later on this same - or on the page of 0003 - if I could ask that the part "Change in DICJ Position" be enlarged for Ms Pitkin, please. Mr White notes the gaming regulator in Macau's notice to the effect that Macau would
10 not - was not to be used as a hub for settlement of gaming debts arising from play outside of the territory.

MS PITKIN: Yes, Mr Conde. Sorry.

15 **MR CONDE:** Does that accord with your understanding - sorry. Were you aware of that notice from the gaming regulator in Macau?

MS PITKIN: I - I can't recall being informed of that.

20 **MR CONDE:** And just in terms of - before coming to the amount of money moving through this, if I can take you to some correspondence in July 2021. It's exhibit B2972, STA.3402.0007.1612. Having taken you to those materials in relation to the third parties - I will focus here on EEIS.

25 **MS PITKIN:** Yes.

MR CONDE: And if we can go, please, to pinpoint 1613. Do you see at the bottom of this email dated - at the bottom of this page, there's an email from Oliver White dated 7 July 2021 at 12.17 pm to Mr Power, copied to Ms Martin
30 and Mr Houlihan?

MS PITKIN: Yes.

MR CONDE: And he provides some answers to questions. If we can go to paragraph 3 on the next page. And if that could be enlarged, please. Thank you.
35 Do you see Mr White notes that in - he refers to:

40 "The fact that the accepting of repayments of CCF on behalf of The Star Pty Ltd and The Star Entertainment Queensland Limited is not called out as a designated service covered by the EEIS AML/CTF program and therefore most likely would fall outside of that program."

MS PITKIN: Yes, I see that.

45 **MR CONDE:** That question, I take it you would agree, of whether a Star group entity is within or outside an AML/CTF program is of serious concern warranting inquiry?

MS PITKIN: Yes.

5 **MR CONDE:** And I will take you, then, to a paper dated 7 July 2021 from HWL Ebsworth. It's exhibit B3377, which is STA.3412.0008.7300. And do you recall reading this document in or about 7 July - in or about July 2021?

MS PITKIN: I recall it came as part of a board pack, Mr Conde.

10 **MR CONDE:** And around that time of July 2021?

MS PITKIN: It - it could have.

15 **MR CONDE:** I believe the date of it is on the last page. If we could go to that, please, for Ms Pitkin's benefit. Yes.

MS PITKIN: Yes. Well, there would have - there was a board meeting towards the end of July. So I would expect it would have been in that board pack.

20 **MR CONDE:** Thank you. If we can go back to the first page. Do you see there are a series of recommendations in bullet point form, and if we can just enlarge from Conclusions to the bottom of the page. And there's a relatively simple recommendation in the first bullet point of a name change to include Star or some variant?

25 **MS PITKIN:** Yes.

MR CONDE: And then if I could ask you to note in particular the second and the fourth bullet points around comprehensive reporting to the board and board committees and a review of EEIS activities.

30 **MS PITKIN:** Yes.

35 **MR CONDE:** And then in the next paragraph, do you see in the second line it refers to a pause in operations in early 2020?

MS PITKIN: Yes.

40 **MR CONDE:** And is it your recollection that the board and/or committees did not receive any reporting and that there was no review of the kind of the second and fourth bullet points because there had already been a pause in operations by that time?

45 **MS PITKIN:** That - yes, that could have been the case, Mr Conde. I'm sorry, my recollection is not clear on that.

MR CONDE: Is it correct, though - and it may be because of a practical reason such as that - that you don't recall having received any comprehensive reporting of the kind noted in the second bullet point?

MS PITKIN: Because the borders closed, of course, in early 2020, and were closed for two years, there wasn't any international VIP business really happening. But I don't recall the board ever receiving a detailed report about EEIS activities. I
5 understood that the EEIS AML/CTF program was to have its own independent review as required under the Hong Kong legislation. But I - I am not sure whether that ever happened, because I think this facility with EEIS was operational - now I've forgotten the dates we've just talked about, Mr Conde. I think it was from
10 September two thousand and - or thereabouts - 18. So it would have been operational until the borders closed. But I don't recall ever seeing any detailed reports.

MR CONDE: In the transcript, Ms Pitkin, you were noted just then as having said "borders closed" but earlier as having said the "board is closed". I think - is it
15 correct you meant the border?

MS PITKIN: My apologies. I meant the border.

MR CONDE: Yes. Now, just - do you see the - in that paragraph:
20 "While outside the scope of this paper."

Do you see it says:

25 "We have a broader concern that there may have been insufficient management oversight of the EEIS operations prior to the pause."

Do you recall - what, if anything, do you recall of that concern and any related actions arising?
30

MS PITKIN: I wasn't aware of that concern and not aware of any actions that may have come from a concern held within management about that.

MR CONDE: And so is it correct that the issue of insufficient management
35 oversight was not, so far as you recall, raised with the board?

MS PITKIN: That's correct.

MR CONDE: And just in terms of the scale of money moving through this
40 payment channel, would it surprise you to hear that the value of loans issued by EEIS was - appears to have been over \$100 million?

MS PITKIN: I'm not surprised by that number, given what I now know about the
45 amounts of money moving through various payment channels and the amount of money that - the turnover from some of the very significant VIP players.

MR CONDE: But do you have any comment on that sort of amount of loans being issued by an entity about which there are AML/CTF related concerns, as expressed in the documents I've taken you to?

5 **MS PITKIN:** Yes. That's of great concern, given the issues you've just identified for me.

MR CONDE: And there has also been evidence to Mr Bell to the effect that there are many hundreds of deposits into an EEIS bank account with the NAB from
10 2018, most of which had nothing to do with EEIS's role as a lender or remitter but were payments for the purpose of that money then being transferred to The Star. Is it correct that that is not something of which you were aware at the time it was going on from 2018?

15 **MS PITKIN:** That's right.

MR CONDE: And an explanation which has been offered to Mr Bell was to assist patrons in China disguise from the authorities that the payments were being made to a casino. Do you have any comment on the use of the EEIS bank accounts for
20 that purpose?

MS PITKIN: Mr Conde, when the board approved the use of EEIS, it was in response to bank accounts being closed by the Bank of China. In approving the use of EEIS Services as a money lender, I was looking at that through the lens of
25 the customer. This was a way to continue services to customers. I - on reflection - and I think about that lens. I think at the time the board approved that, we had the opportunity to think about it through a - a broader lens, and that is what other harms - from an ethical lens, what other harms could have been created by moving to this mechanism. And I - I think a broader lens would have been
30 appropriate at the time that the board made the decision to reactivate EEIS Services.

MR CONDE: Ms Pitkin, on to another topic, are you aware that - I take it you're aware that early in October 2021, a series of allegations were raised on 60 Minutes
35 and in the Sydney Morning Herald and Age newspapers about Star Entertainment?

MS PITKIN: Yes.

MR CONDE: And do you recall reading - perhaps if I just bring up the first
40 of - what I believe is the first of the Herald articles, B3156. It's INQ.014.001.0005. Do you recall reading this article at the time?

MS PITKIN: Yes.

45 **MR CONDE:** Do you recall an issue being raised in the media allegations at the time in relation to Star Entertainment having received reports from KPMG in 2018 which were said to be highly critical of Star Entertainment's AML program?

MS PITKIN: Yes.

5 **MR CONDE:** And do you recall there was reference in the media allegations to cards being used - special Chinese debit and credit cards being used to withdraw hundreds of millions of dollars in funds from Star's hotel properties in a manner which disguised gambling activity as hotel expenses?

MS PITKIN: Yes.

10 **MR CONDE:** And do you recall a reference in the allegations to Mr Huang Xiangmo as a high roller at Star and as Australia's most infamous alleged foreign interference agent and political donor?

15 **MS PITKIN:** Yes, I think he was named in that article. Yes.

MR CONDE: And do you recall that the article referred to Suncity and raised a question whether Star should have been doing business with Suncity in light of adverse information in relation to Crown?

20 **MS PITKIN:** Yes.

MR CONDE: Do you recall a reference to China UnionPay cards being used by Mr Dong Fang Lee to move millions of dollars from China to Australia?

25 **MS PITKIN:** I'm sorry, Mr Conde. I can't recall whether Mr Lee was specifically mentioned in the article.

MR CONDE: If I can bring up pinpoint 0011. And it's the second-last paragraph of the --

30 **MS PITKIN:** Yes, I see it.

MR CONDE:

35 "A Star source said one of the men, Phillip Dong Fang Lee, used Star's China UnionPay card system to move millions of dollars -"

And - yes.

40 **MS PITKIN:** Yes. Thank you.

MR CONDE: Having now seen the document, do you recall reading that at the time?

45 **MS PITKIN:** I recall reading the article, Mr Conde.

MR CONDE: Do you agree that these allegations raised at the time were, in general terms, extremely serious?

MS PITKIN: Yes.

5 **MR CONDE:** And is it correct that you were aware that one of the journalists had sent queries and a request for comment to Star Entertainment beforehand, which had been considered by the board?

MS PITKIN: Yes.

10 **MR CONDE:** And then do you recall, with your board colleagues, authorising an ASX release dated 11 October 2021?

MS PITKIN: Yes.

15 **MR CONDE:** And if we could bring up exhibit H473. This is INQ.003.006.0539. And do you see in the second paragraph, it says:

20 "The Star is concerned by a number of assertions within the media reports that it considers misleading."

MS PITKIN: Yes.

MR CONDE: And then it notes that:

25 "There are constraints on publicly discussing individuals."

And so forth?

MS PITKIN: Yes.

30 **MR CONDE:** Would you agree that, at this time, there were allegations which the board, to your - which you and, to your observation, your board colleagues considered to be misleading, but there were also allegations which you and, to your observation, your board colleagues considered not to be misleading?

35 **MS PITKIN:** The China UnionPay was an - an assertion that was not misleading. The board had found out about that two weeks previously.

40 **MR CONDE:** And are you - would you be concerned that the second paragraph of this release, the first sentence, focuses only on allegations or assertions which it considers to be misleading but doesn't mention the others?

45 **MS PITKIN:** No. Mr Conde, this ASX announcement was put out early Monday morning after the 60 Minutes program aired on the Sunday night. There was a matter of hours to approve this and release it. As a board member, I knew that a number of the assertions were - were not correct - misleading, to use a more general term - and I was very concerned, as a director, that the company not start to, if you like, prosecute its case in the media or through ASX announcements,

given that the review was underway. There would be no opportunity, in trying to meet the ASX requirements of getting that announcement up before the market opened, to consult with the review team about what we could or couldn't say in the announcement.

5

At the time, I was comfortable with that statement. In my mind, there were a number of assertions that were misleading. By saying "a number of assertions", we're not saying all of the assertions. I just don't think there was time to be doing a very detailed assessment of all of the assertions, given we only had a matter of hours to - to consider them, really, from the time 60 Minutes aired to the intervening hours before we had to get an ASX release up.

MR CONDE: Would you read that first sentence in the second paragraph, Ms Pitkin, as containing both the express statement of being concerned by a number of assertions within the media reports that it considers misleading, but then also an implied statement that there are a number of assertions which The Star does not consider to be misleading?

MS PITKIN: Yes, but I - I - I hear your point that should we have been express - should we have expressly stated that. At the time, I was comfortable that this was an appropriate statement. And in making the statement, I wasn't concerned that we were being misleading.

MR CONDE: Is it correct that - just pausing there, do you think there is a risk, though, that in focusing on the statements that you considered to be misleading and not mentioning any other statements, that that in itself made the announcement misleading?

MS PITKIN: I take your point, Mr Conde. It - that did not seem to be the case to me at the time we approved this. If we had tried to go any further, we would have been then trying to do an assessment of it allegation by allegation. There wasn't the time to do that. And the idea of this announcement was to meet our obligations in terms of the market, but also not to be talking about particular allegations while the review was underway.

35

Now - then, the next two days - so this was early Monday morning. Over that Monday and Tuesday, there was significant feedback that came in to us from investors. And investors were not concerned about allegations relating to junkets, including payment methods or anything else, because they knew junket operations had been stopped the year before. But they were very concerned about the allegations around the KPMG reports. Because the way the program - the 60 Minutes program had presented it, it made it - well, it talked about secret reports. It talked about the board not getting them. It talked about them being hidden from regulators, and it - it spoke as if it was ongoing and that the company had not addressed the matters.

45

So the extent of the feedback from the shareholders was such that the board met urgently on the Tuesday evening - so that would have been 12 October - and

decided that in order to have an informed market, we needed to put out a further release to - to address that particular issue. We - we discussed it at length because we were aware that then, you know, you're pulling on that ball of string and how far do you go. We had only also received, that evening, a document which
5 contained more information about a number of the patrons and there were reviews ongoing. But we then did decide to put out that further release on the Tuesday evening.

MR CONDE: And, Ms Pitkin, just before I ask you about that further release, is it
10 correct that at this time - 11 October 2021 - neither you nor, to your understanding, any member of the board, other than Mr Bekier, was aware of the Salon 95 issue?

MS PITKIN: Sorry. When you say "Salon 95 issue", Mr Conde --
15

MR CONDE: Sorry. I mean the - well, the concern of cash being presented to Suncity staff in Salon 95 --

MS PITKIN: That's correct. Yes.
20

MR CONDE: So that issue had not, so far as you're aware, come to either your attention or any other director's attention, with the possible exception of Mr Bekier?

MS PITKIN: That's correct.
25

MR CONDE: And at this time of approving the ASX release to - responding to the allegations, were you concerned that there might be sort of issues there that, the so-called unknown unknowns, that there might be things that you just - you
30 don't know what's there and you're about to start a digging process?

MS PITKIN: Well, the China UnionPay issue had only been revealed to the board a matter of two or three weeks before. It had been at least revealed to the board. I had no reason to think that there was anything else that was being hidden.
35 There's - there, of course, is always the risk that things would be uncovered. But in providing all information available to the review, that - that would be uncovered. But at - at this time, apart from being - the shock of the China UnionPay issue, I wasn't concerned that there was anything else that was significant.

MR CONDE: And you've mentioned the 12 October 2021 ASX release. Well, before I go to that - take you to that, do you recall being aware at that time - so in or around mid - early October 2021 - that AUSTRAC had requested a copy of KPMG's part A report on 14 September 2018, and Star Entertainment had replied on 5 October 2018 and refused to provide a copy, asserting legal professional
45 privilege?

MS PITKIN: I didn't know that.

MR CONDE: Were you aware at that time that there had been letters as between AUSTRAC and Star whereby Star maintained privilege and AUSTRAC disagreed with that, through to March - I'm sorry - through to 20 January 2020?

5 **MS PITKIN:** No.

MR CONDE: And so there had been a period of more than a year whereby AUSTRAC had requested the KPMG part A report and Star Entertainment had refused to provide it?

10

MS PITKIN: I didn't know that.

MR CONDE: And so then if we go to the 12 October 2021 ASX release. That's exhibit B3176, STA.3411.0001.7109. And is it correct this is the release you were referring to earlier, Ms Pitkin?

15

MS PITKIN: Yes, Mr Conde.

MR CONDE: If I could ask you to review in particular the second paragraph on page 1 that begins - sorry.

20

MS PITKIN: Apologies, Mr Conde.

MR CONDE: No, no. Do you need a moment, Ms Pitkin, or --

25

MS PITKIN: No, I'm all right.

MR CONDE: If I could ask you, please, just to look at the second paragraph:

30 "Recent media reports have asserted -"

Sorry, on pinpoint 7109. If that could be enlarged. It says:

35 "Recent media reports have asserted that they were kept secret and not adequately acted on."

And:

40 "These assertions were incorrect."

And then also the fourth paragraph, if that could be shown to you, please. Do you see at the bottom there:

45 "Details of the review were shared with the AML/CTF regulator, AUSTRAC, and referred to in a statement."

MS PITKIN: Yes.

MR CONDE: And accepting that at this time you weren't aware that there had been the disagreement as between Star Entertainment and AUSTRAC for more than a year, in light of that evidence to this review, what, if any, comment do you have on the statements that are made, in particular in those paragraphs, the first beginning, "Recent media reports," and the second being, "Details of the review and resulting reports were shared"?

MS PITKIN: Well, the - what I knew at the time of this ASX release was that AUSTRAC had been told about the reviews by KPMG; that the recommendations and action plan had been shared with AUSTRAC; that AUSTRAC had been consulted on the development of the risk assessment process, which was one of the enhancements to the program; and that AUSTRAC had received the new AML/CTF program after it had been approved by the board. And by this board meeting on the evening of 12 October, I knew, because of the paper that was given to the board, that AUSTRAC had been provided with the reports in January 2020. So putting all of that together, I concluded that the reports had not been kept secret and that the statement in that third paragraph starting, "Details of the review," was accurate.

MR BELL SC: I take it, though, you wouldn't have put the ASX release in those terms had you known what counsel assisting has told you about the status of the communications between the company and AUSTRAC?

MS PITKIN: I agree, Mr Bell.

MR BELL SC: And at the time - at this time, 11/12 October 2021, did you know that the CUP payment channel was of the order of \$900 million, or was the dimension of the payment channel only something you've learnt during the course of this review?

MS PITKIN: The dimension of the payment channel, I think, was only - was as part of reviewing the papers in this review. And the evidence that has been before you, Mr Bell.

MR BELL SC: So it wasn't something that was known to you at the time of the 11 October 2021 release?

MS PITKIN: That's correct.

MR BELL SC: Yes, Mr Conde.

MR CONDE: Ms Pitkin, yesterday, do you recall I asked you about whether the board must take ultimate responsibility for culture, and that led to some evidence from you and a question from Mr Bell exploring the difference, as you saw it, between the board being accountable and being responsible?

MS PITKIN: Yes.

MR CONDE: And I believe that you accepted that the board is accountable for what happens in an organisation, sitting, as it does, at the apex, and you also accepted that the board is responsible for putting in place the governance framework and monitoring. But having delegated authority to management, you
5 did not agree that the board was responsible for every aspect of culture. Is that a fair summary?

MS PITKIN: Yes, Mr Conde. I was trying to draw the distinction between the
10 doing parts and the being accountable parts.

MR CONDE: Yes. And, in fact, it may well be that the problem for any confusion lay in my question, because I asked you if the board was responsible for culture. And would you agree that "responsible" might have two meanings: one is a duty to do something - so responsible for - and that's the conduct element, but - and that's
15 where you've pointed to the delegated authority. But another meaning for "responsible" can be in a way that is interchangeable with accountable in the sense of responsible to, like responsible government, as in - in The Star's case, who is it who ultimately faces the regulator, the review, shareholders and the like on behalf of Star Entertainment. It's the board. Would you agree with those propositions?
20

MS PITKIN: Yes.

MR CONDE: And would you agree that the public hearings for this review have
25 uncovered a large number of serious issues?

MS PITKIN: Yes.

MR CONDE: Are you aware that there are issues which, in the time available, we
30 have not explored, as in, I have not taken you to?

MS PITKIN: Yes.

MR CONDE: So - I mean, just a small example, that there's a patron, Mr Khoury, who was excluded from Star Sydney on 24 July 2007. He was known to have had
35 close associations to numerous organised crime figures, but he was not excluded from Star Entertainment's Queensland properties until 10 December 2021. Are you aware of that issue?

MS PITKIN: Yes.

MR CONDE: But just to list the matters that I have taken you to, there's the issue of the chips being - cash being presented in Salon 95 and chips being given. I asked you about the Hong Kong Jockey Club report; Huang Xiangmo; China UnionPay cards; NAB queries; KPMG reports; Bank of China Macau; residency
45 and calculation of rebate duty; and overseas payment channels. Would you agree that, ultimately, the board is responsible, in the sense of accountable, for these matters?

MS PITKIN: Yes.

MR CONDE: And so far as you're aware - I appreciate you have given evidence about a number of investigations and responses to different things, but would
5 you - is it correct that the board is - well, takes - I suppose I'm wishing to ask you, Ms Pitkin, what would you say has been the board's actual response at a global level?

MS PITKIN: I'm not sure I completely understand the question, Mr Conde. The
10 board has done, and is doing, a number of things, including ensuring full cooperation with this review. The board has brought in some independent external people and put them into the organisation to oversee critical areas, to manage risk. There is a program of work underway in terms of identifying those people who
15 have given evidence before this review and their employment arrangements. The board has started with the most senior people first and is working its way down the list. The board has made decisions around rebate play. The board has put in place a reporting mechanism through to Liquor and Gaming. The board will undertake a range of other actions, including further work on - on culture, lifting capability, training - there are a range of - a range of matters.

MS PITKIN: The board's response also needs to be to demonstrate that accountability is for
20 there to be change at the board. There is a recognition that a new board needs to lead the company through the reform process and into the future, and there is a shared understanding of that at the board level. And I offered to my colleagues to be the first director to step down from the board, and I anticipate that that will
25 happen by the end of the financial year. And then other directors will leave when it's appropriate for the company. Because the board, in the meantime, has to be governing and overseeing the company in the best way that it can.

MS PITKIN: There are - personnel changes are things that can't happen as quickly as they
30 would in a non-regulated entity, but the board is working at speed to identify a new chief executive officer. Interim appointments have been put in place in terms of the three other senior executives who are leaving the organisation, and that will continue through all of those key areas of the business where that change is
35 needed.

MR CONDE: Mr Bell I have no further questions.

MR BELL SC: Ms Pitkin, I have no doubt that you have reflected deeply on this.
40 What went wrong?

MS PITKIN: I have reflected deeply on it, and I'd call out three things. Now, of course, there's many things that went wrong. But the three areas that I've identified
45 is, firstly, why was there indifference by some senior leaders to legal and ethical standards? And people who would - you would normally describe as being people of - of good character.

And I think that that indifference has come about because of a failure to understand the harm that comes from money laundering. And I think the organisation, culturally, must understand the harm that comes from money laundering. And I've thought about how the organisation might do that. And I think that everyone in the organisation, from the board all the way through, needs to hear the stories of the harm that comes from money laundering. Those stories will be very difficult to hear, very uncomfortable, but they need to hear those stories. And we know that storytelling is a very powerful way of bringing about that cultural change.

I think the second area is that the company was responding to this competitive threat that was coming from Crown. And the company, I think, in the senior leadership, had for a long time carried the notion that Star was not like Crown. Crown was the company that benefitted from the Packer influence and that Crown had had these advantages, and Star was the underdog, but that Star was not like Crown. Crown could do things using influence, but Star had to do it the hard way and that - that things that happened at Crown could never happen at Star. I think that was a very - that was blinding.

But I think, then, that that competitive threat that was coming with Crown opening in Sydney meant that that part of the business - the VIP business, which was going to be the - the ability to compete, meant then that that - those client-facing roles to drive that business and build it - their voice was the loudest. And so the second line of people in compliance and legal, who occasionally pushed back, were either silenced - you know, ignored - or they were complicit. And it wasn't that our surveillance people weren't doing their jobs; it was people in higher management. And so I think that that drive in that VIP business meant that those people at the client-facing roles under Mr Hawkins's leadership were just ignoring the rules.

And - and the third area that I've reflected on is I think that there was not a sufficiently high level of capability in some of the very key roles, such that it meant that people defaulted to processes and rules without bringing judgment and higher order thinking to the issues. And that, in turn, then led to an unwillingness to accept accountability for things. And so things took - when I was reviewing the papers to appear before you, the length of time it appears that it took for things to be done or decisions taken was unacceptable. So, Mr Bell, they're the - the - the three areas - and they all link, of course, but the three areas that I've - I've thought of - thought of.

MR BELL SC: In terms of the third point about lack of capability in key roles, can you identify the key roles that you're referring to?

MS PITKIN: Well, I think investigations is one, in terms of the - the leadership there. The fact that the organisation seems to have still been doing due diligence on Suncity after Mr Chau had been arrested in Macau - you know, it just - in reading the material, I think - I don't understand how that could have happened. And then, of course, I think about the - when I reviewed all that material and you see that - so there's evidence of suspicious transactions and there's all of these

other pieces of intelligence. Where was the person who was going to bring it all together and then make good decisions based on it? Now, my conclusion, from reviewing the material, was that Mr Buchanan was doing - trying to do that, but then people in that next level up were not accepting it, not acting on it. It's a real problem.

5
10 **MR BELL SC:** And you referred yesterday to the need for additional external and independent assurance mechanisms. We touched on it briefly yesterday, but I was wondering if you could elaborate more precisely on what you have in mind by that.

15 **MS PITKIN:** So I was reflecting on the conversation yesterday about, you know, did the board place too much trust in management? And when I think about the governance framework that was in place, it was all I would expect in any organisation to see. And yet these failures happened. Now, in another organisation, these failures might have some financial consequences. But in - in the case of The Star, a casino, the consequences in terms of the obligations under the Casino Control Act, AML/CTF, that risk of money laundering, are so significant that I think that the - the governance framework needs to have another pillar in that third line, that assurance area. And I was thinking about your comments about how that might be done.

I think given that there are highly technical areas in parts of the company, I think that if the board can commission, through a program of rolling reviews - independent reviews - the reviewer reports to the board, has full access to personnel and full access to data and can do that deep dive into different areas of the business whenever the board chooses, I think that would be the best way of illuminating if there were deficiencies and - and problems, either - either at a technical sense or a cultural sense. And the reason I think that is because I think you will need different people at different times to do those reviews.

25
30 **MR BELL SC:** Thank you, Ms Pitkin. Ms Richardson, do you have any questions?

35 **MS RICHARDSON SC:** No. No, thank you.

MR BELL SC: Mr Henry, is there anything arising?

40 **MR HENRY SC:** No. Thank you.

MR BELL SC: Ms Pitkin, thank you for your evidence. The formal direction I will make is that your examination is adjourned, but you won't be required to attend again unless you receive some notification from those assisting the review. Thank you.

45 **MS PITKIN:** Thank you, Mr Bell. Thank you, Mr Conde.

<THE WITNESS WAS RELEASED

MR BELL SC: Yes. Mr Conde, who is the next witness going to be?

MR CONDE: Ms Lahey.

5

MR BELL SC: Yes. Well, I will now adjourn for one hour.

<THE HEARING ADJOURNED AT 1:02 PM

10 **<THE HEARING RESUMED AT 2:01 PM**

MR BELL SC: Yes, Mr Conde.

MR CONDE: I call Kathleen Lahey.

15

MR BELL SC: Ms Lahey, would you prefer to take an oath or affirmation?

MS LAHEY: An oath.

20 **<KATIE LAHEY, SWORN**

MR BELL SC: Yes, Mr Conde.

<EXAMINATION BY MR CONDE:

25

MR CONDE: Ms Lahey, can you hear me?

MS LAHEY: Yes, I can.

30 **MR CONDE:** Have you been a director of Star Entertainment since 1 March 2013?

MS LAHEY: Yes, I have.

35 **MR CONDE:** Are you the chair of the remuneration, people and social responsibility committee?

MS LAHEY: Yes.

40 **MR CONDE:** Are you a member of the risk, compliance and regulatory performance committee?

MS LAHEY: Yes, I am.

45 **MR CONDE:** Is it correct that you have a Bachelor of Arts with Honours degree and a Master of Business Administration degree from the University of Melbourne?

MS LAHEY: Yes, I do.

MR CONDE: And are you a director of Carnival Corporation & plc?

5 **MS LAHEY:** Yes.

MR CONDE: Are you a director of O'Connell Street Associates Pty Ltd?

MS LAHEY: Yes.

10

MR CONDE: And are you a director of any other companies?

MS LAHEY: No.

15 **MR CONDE:** Ms Lahey, I'm sorry to interrupt straightaway. I'm sorry, Mr Bell. I do have an administrative matter which I should have raised before Ms Lahey began her evidence. I have some documents to tender, which is part J. It's documents J1 through 161.

20 **MR BELL SC:** That will be exhibit J1 to exhibit J161.

MR CONDE: I'm sorry, Ms Lahey. Ms Lahey, yesterday, your colleague, Ms Pitkin gave evidence to Mr Bell about her recollection of your reaction at a Star board meeting in relation to video footage having emerged of an Aldi shopping bag full of cash being put on a desk in a room in Crown and being exchanged for chips. And Ms Pitkin said that she had a vivid memory of you being upset about that and the Star board being told why that could not happen at Star. First of all, are you aware of that evidence, Ms Lahey?

30 **MS LAHEY:** I'm not aware of it, but I can remember the - the meeting.

MR CONDE: Well, do you know what that evidence - do you have a recollection of what Ms Pitkin was referring to?

35 **MS LAHEY:** During the inquiry into Crown, we were shown - not the actual videos, but we had seen them on television and we'd seen them in the newspapers, of blue bags being taken into a high roller private gaming room in Crown. We sought assurance at our board meeting that nothing like that could happen at Star.

40 **MR CONDE:** And do you recall roughly when that was?

MS LAHEY: In the middle of '21, I think. 2021. I can't remember the exact date, though.

45 **MR CONDE:** And if I could trouble you, please, to tell Mr Bell what - as best you can, what you recall of what took place at the board meeting.

MS LAHEY: Mr Bell, we were all, I think, very shocked by seeing that - newspaper reports and the videos of these blue bags of money being taken into that gaming room in Crown because it just seemed so brazen. And I think we were all very surprised that that could happen. And we then, you know, discussed that at our board meeting and got assurances from the staff, from the CEO, that, no, that wasn't happening in Star.

MR CONDE: And, Ms Lahey, when you mention assurances from the staff, do you recall which staff members that was?

MS LAHEY: Definitely the CEO, but there were others in the room and I can't remember whether they commented directly on - on that subject matter.

MR CONDE: And by the CEO, do you mean Mr Bekier?

MS LAHEY: Mr Bekier.

MR CONDE: Do you recall if Mr Hawkins was present at the meeting?

MS LAHEY: I can't recall, but he probably was because it would be an issue that was very relevant to his area of the business.

MR CONDE: And, Ms Lahey, are you aware of footage being played to Mr Bell's review of cash being brought into a salon at Star in Sydney?

MS LAHEY: I am now. I wasn't at the time.

MR CONDE: And have you seen that footage?

MS LAHEY: Yes, I have.

MR CONDE: And what, if any, reaction did you have to seeing that footage?

MS LAHEY: Obviously very disappointed.

MR CONDE: And having regard to the earlier meeting that you recall, did you felt - feel that you had been misled earlier?

MS LAHEY: Yes, I did.

MR CONDE: And is it correct that your understanding was that that sort of behaviour simply could not happen at Star?

MS LAHEY: We were given assurances that that sort of behaviour couldn't happen at Star, hadn't happened at Star.

MR CONDE: And so what, if any, comment do you have on the fact that it did?

MS LAHEY: Well, obviously very disappointed and frustrated that we weren't advised sooner, that we had to wait until this inquiry was on to see those - those videos.

5 **MR CONDE:** And is there anything further that you would wish to say about your recollection of this incident before I move on to some other questions?

MS LAHEY: No.

10 **MR CONDE:** Ms Lahey, do you understand that you - as a director of Star Entertainment, you owe a duty to exercise your powers in good faith in the best interests of the company?

MS LAHEY: Yes, I do.

15

MR CONDE: And do you agree that Star Entertainment needs to ensure that the people it deals with are good repute?

MS LAHEY: Yes.

20

MR CONDE: Do you understand that, as a director, you owe a duty of care and diligence to the company?

MS LAHEY: Yes.

25

MR CONDE: Do you agree that money laundering is a particular issue warranting special attention for casino businesses?

MS LAHEY: Yes.

30

MR CONDE: And would you say the same of criminal influence?

MS LAHEY: Yes.

35 **MR CONDE:** Ms Lahey, at the time that you were invited to become a director of Star Entertainment, what of your skills and experience did you consider equipped you to be a director of Star Entertainment?

40 **MS LAHEY:** I had experience on other boards. I have been a director of a number of publicly listed companies. I've been a CEO of five different sorts of organisations. I have worked in the public sector as a CEO, in the private sector as a CEO and the not-for-profit sector as a CEO. So I thought my skills and experience were the sort that would enable me to fulfil my responsibilities as a director in a diligent way and a committed way. I also had experience that I
45 thought was appropriate to Star in tourism and hospitality and marketing and retail.

MR CONDE: And do you feel that you have a good sense of what the right thing is in given situations?

MS LAHEY: Yes, I do.

5

MR CONDE: Do you agree that - or do you understand that Star Entertainment's directors are in charge of, and ultimately responsible for, the business of the company?

10 **MS LAHEY:** Yes. At the strategic level, yes.

MR CONDE: And do you agree that the business is managed by the board, and it can delegate powers to a managing director and withdraw or suspend such delegation as it sees fit?

15

MS LAHEY: Yes.

MR CONDE: Would you accept that although directors are entitled to delegate from time to time to management, directors must not defer to management?

20

MS LAHEY: Yes.

MR CONDE: Do you agree that directors should be challenging management and holding management to account as required?

25

MS LAHEY: Yes.

MR CONDE: Would you agree that directors should ensure that their organisations have systems and processes to get them the right information needed to perform their oversight and monitoring functions?

30

MS LAHEY: Yes.

MR CONDE: Do you agree that if a board does not challenge management, that may be a sign of the board not operating effectively?

35

MS LAHEY: Yes.

MR CONDE: Do you agree that it is the role of the board of Star Entertainment to set the risk appetite for the company?

40

MS LAHEY: Yes.

MR CONDE: And do you agree that it is ultimately the board of Star Entertainment that decides the nature and extent of the risks that Star Entertainment is prepared to take to meet its objectives?

45

MS LAHEY: Yes.

MR CONDE: Would you agree that one of the key roles of the board is to monitor the adequacy of the company's risk management framework?

5 **MS LAHEY:** Yes.

MR CONDE: And would you agree that the board of Star Entertainment should instill, and seek to enforce, a culture of the company of acting lawfully, ethically and responsibly?

10

MS LAHEY: Yes.

MR CONDE: Do you agree that a good culture will tend to require that questions be asked?

15

MS LAHEY: Yes.

MR CONDE: And that directors should be curious?

20 **MS LAHEY:** Yes.

MR CONDE: And have you been aware of Star Entertainment's code of conduct at all times while a director of Star Entertainment?

25 **MS LAHEY:** Yes, I have.

MR CONDE: And would you agree that two particular core guiding principles in the code are extremely important, namely, "we comply with the law" and "we are ethical"?

30

MS LAHEY: Yes.

MR CONDE: Do you understand that Star Entertainment's employees are expected to provide complete, honest and accurate information to any regulator who requests such information?

35

MS LAHEY: Yes.

MR CONDE: And is it correct that that is an important expectation of Star Entertainment's board?

40

MS LAHEY: Yes.

MR CONDE: And do you agree that "do the right thing" forms an important part of Star Entertainment's values?

45

MS LAHEY: Yes.

MR CONDE: What does "do the right thing" mean to you, Ms Lahey?

MS LAHEY: Operating in a - in a way that's ethical, lawful, transparent. And doing the right thing by your colleagues, our suppliers, our staff and our patrons.

5

MR CONDE: Are you concerned that some employees at Star might not appreciate what "do the right thing" means?

MS LAHEY: We've spent time on putting the code of conduct into plain English and language that can be understood by our team members. Many of our team members - English isn't their first language. So "do the right thing" was a shorthand way of summing up the code of conduct.

10

MR CONDE: And is it correct that, as you understand it, that's a subject of communication and training to employees?

15

MS LAHEY: Yes. Our ethics panel also has a role in ensuring that that communication is effective.

MR CONDE: Are you aware that Star Entertainment has an obligation of continuous disclosure under the Corporations Act and ASX Listing Rules?

20

MS LAHEY: Yes.

MR CONDE: And do you understand that that requires Star Entertainment to tell ASX of any information concerning it that a reasonable person would expect to have a material effect on the price or value of Star Entertainment's shares?

25

MS LAHEY: Yes.

30

MR CONDE: Do you agree that ASX releases are important documents?

MS LAHEY: Yes, I do.

MR CONDE: And that directors of a listed company must take care to ensure that the company's ASX releases are accurate and not misleading?

35

MS LAHEY: Yes.

MR CONDE: Do you understand that to operate a casino in New South Wales and Queensland, it's necessary to hold a casino licence?

40

MS LAHEY: Yes.

MR CONDE: And in respect of the licences held by Star Entertainment, do you understand that they are in both New South Wales and Queensland for the Sydney, Brisbane and Gold Coast properties?

45

MS LAHEY: Yes.

5 **MR CONDE:** Do you understand that you're a close associate of the licensee in Sydney, The Star Pty Ltd, as someone who exercises control over that entity as a director of its ultimate holding company, Star Entertainment?

MS LAHEY: Yes.

10 **MR CONDE:** And do you understand that to be a close associate, you need to be of good repute having regard to character, honesty and integrity?

MS LAHEY: Yes.

15 **MR CONDE:** Are you aware that, generally, The Star, being the Sydney licensee at least, mustn't lend money to patrons save for cheque cashing facilities or CCFs?

MS LAHEY: Yes.

20 **MR CONDE:** That's a concept you're familiar with?

MS LAHEY: Yes.

25 **MR CONDE:** And would you agree that Star Entertainment's casino licences underpin Star Entertainment's business?

MS LAHEY: Yes.

30 **MR CONDE:** Would you agree, then, that in terms of Star Entertainment's existing business, one of, if not the most, important priorities for Star Entertainment and its subsidiaries is to be suitable for the purposes of holding its casino licences for its Sydney, Brisbane and Gold Coast properties?

MS LAHEY: Yes, Mr Conde.

35 **MR CONDE:** Okay. Ms Lahey, it's correct, is it, that you and, to your observation, your colleagues on the Star Entertainment board have been keeping informed of developments from these public hearings of Mr Bell's review?

40 **MS LAHEY:** Yes.

MR CONDE: And in that regard, you're aware of various issues emerging and evidence in the course of these public hearings?

45 **MS LAHEY:** Yes, I am.

MR CONDE: I've asked you about video footage of events in the salon in the Sydney casino. Do you recall being - either hearing or being told of evidence from Angus Buchanan on day 5 of this public hearing that in relation to that Salon 95

room, it appeared to him that, at least on occasions in 2018, an organisation with links to the triads had been running a casino within a casino?

5 **MS LAHEY:** I didn't hear Mr Buchanan's evidence, but we have been advised that that's what his evidence was.

MR CONDE: And do you recall your reaction to being advised of that evidence, Ms Lahey?

10 **MS LAHEY:** Disappointed that this hadn't been brought to the board's attention sooner.

MR CONDE: Did you feel perhaps - in light of your earlier answers about feeling misled, was it more than just disappointed?

15 **MS LAHEY:** Well, frustrated - I think you could say we - we were frustrated and disappointed that we thought, once again, we'd been misled.

MR CONDE: Was that - is it correct that that was the first time that you became

20 aware of those concerns of Mr Buchanan?

MS LAHEY: Yes.

MR CONDE: If I can show you a document now. It's exhibit F65, and that's

25 STA.3417.0078.6717. Ms Lahey, do you see the - it's an email - it's marked as being from Graeme Stevens to an address at - a person at - with an address at liquorandgaming.nsw.gov.au, and it's dated 12 October 2017?

MS LAHEY: Yes.

30

MR CONDE: And do you see in the first paragraph, Mr Stevens writes that:

"The Star is proposing to make some minor changes to the junket operator's office located in the Rivers gaming Salon 95."

35

MS LAHEY: Yes.

MR CONDE: And:

40 "The purpose of these changes is to create a more customer friendly environment by installing a service desk in the salon and service window in the wall of the junket operator's office."

MS LAHEY: Yes.

45

MR CONDE: And then that same comment appears in the formal submission document, which is attached, which I will ask be brought up, please. It's exhibit

F74, and that's STA.3417.0078.6726. If we could enlarge the middle of the - it says Reason for Submission. And do you see, Ms Lahey, it says:

5 "To enable the junket operators who use Salon 95 to provide better service for the junket participants, The Star proposes to open a service window into the wall of the junket operator's office."

MS LAHEY: Yes.

10 **MR CONDE:** And if we could - if the operator could please scroll to the bottom of this page, please. Yes. Do you see, Ms Lahey, it's from Mr Stevens and his title is recorded there as regulatory affairs manager?

MS LAHEY: Yes.

15 **MR CONDE:** Now, Mr Stevens told Mr Bell on day 7 of these hearings that at the time that he sent the covering email and this submission document, he knew it was contemplated that players would be providing funds to Suncity in the room; he knew he had not included that additional information in the submission; and, 20 accordingly, he knowingly misled the regulator. What, if any, reaction do you have to that evidence, Ms Lahey?

MS LAHEY: It's obviously very concerning. It's a significant issue. It's a - an issue that, as a director, I would want to know more about, the circumstances that 25 this letter was written in. But on the face value of what you've shown me today, Mr Conde, it's very concerning.

MR CONDE: Would you agree that it would - it is devastating for the regulator's confidence in The Star when its regulatory affairs manager knowingly misled the 30 regulator?

MS LAHEY: Yes. It's not - not being transparent with the regulator.

MR CONDE: If I could show you another document. It's exhibit B496. That's 35 STA.5002.0003.0370. And do you see it's a document with a heading Cheque Cashing Facility Process from Mr Bekier, Mr Barton and Mr Chong for the board meeting of 6 December 2017?

MS LAHEY: Yes.

40 **MR CONDE:** And if we can go, please, to pinpoint 0386. You see up the top the slide is headed Cheque Cashing Facility Process FY17 Top 20 Junket Summary?

MS LAHEY: Yes.

45 **MR CONDE:** And if we can start over in the left. If I could ask that the second row be enlarged, please. Does the name - yes - "Chau, Cheok Wa (Suncity)" - can you see that - the operator has highlighted it?

MS LAHEY: Yes.

5 **MR CONDE:** And then if we could scroll across to the right, please. There's some commentary. And do you see the commentary which the operator has highlighted?

MS LAHEY: Yes.

10 **MR CONDE:** And the second sentence:

"Fixed room in Salon 95 (Rivers) expected to be completed by 1 January 2018 in order to further cement and secure business."

15 **MS LAHEY:** Yes.

MR CONDE: As best you can recall, did anybody at this time, in December 2017, speak of an intention for this fixed room in Salon 95 to be a place where cash could be exchanged for gaming chips?

20 **MS LAHEY:** No.

MR CONDE: And do you have any comment on what you would expect a fixed room, as described here, would involve?

25 **MS LAHEY:** A room that was the exclusive use of Suncity, where staff were in their Suncity uniform. The room was branded. There were gifts and ashtrays and cutlery, all branded Suncity. So it would be quite clear that this was for the use of Suncity patrons.

30 **MR CONDE:** And what would you expect the staff at that desk to be doing?

35 **MS LAHEY:** To be providing the patrons with hospitality, drink, ordering meals, directing them to the cage if that's what they needed, directing them to the main gaming floor if they wanted to move out of the fixed room - providing a hospitality desk.

MR CONDE: And what it would not involve, though, would be, as you would expect, a cage itself?

40 **MS LAHEY:** No, it wouldn't be a cage.

45 **MR CONDE:** If we can go, then, please, to exhibit C49. That's STA.3427.0018.3096. And it's a document dated 14 May 2018. If we can - if I could ask the operator, please, to enlarge at the bottom of the screen. The email commences there. And then the rest of the email over the page, please. Yes. Thank you. Do you see, Ms Lahey, that there's an email from Andrew McGregor dated Monday, 14 May 2018, sent to Andrew Power, Kevin Houlihan and Amanda Judd?

MS LAHEY: Yes.

5 **MR CONDE:** And do you see the fourth paragraph on this - on the screen, where he writes:

10 "Today's activities with Suncity have been very strange, we have an entity within our four walls which is totally non-compliant to reasonable requests for basic information. I'm going to call it out early, Suncity is operating a business model under our noses which is problematic for the SEG with regards to AML/CTF laws."

MS LAHEY: Yes.

15 **MR CONDE:** And do you see he goes on to mention a \$300,000 and \$250,000 cash deposit?

MS LAHEY: Yes.

20 **MR CONDE:** Would you say, Ms Lahey, that Mr McGregor is doing the right thing here, in the sense that he is articulating his concerns and, to use his words, he's calling it out early?

MS LAHEY: Yes.

25 **MR CONDE:** Now, the next day, Mr Power, to whom this email was sent, sent his own email, which I will ask be brought up, please. It's exhibit B790 - I'm sorry. Before I leave this document, Ms Lahey, do you recall being told of any of this sort of activity in or around May 2018?

30

MS LAHEY: No.

MR CONDE: If we now move forward to an email from Mr Power. It's exhibit B790, and that's STA.3411.0010.3560. In fact, the first email I wish to show you is from Mr Power, but this document is actually an email from Mr Hawkins. But if I could ask that - do you see, Ms Lahey, that about a quarter of the way down the page, there's an email from Mr Power, it's dated 15 May at 10.10 pm?

35

MS LAHEY: Yes.

40

MR CONDE: And do you see the Legal and Regulatory Risks - perhaps if that could be enlarged, please, that section down to Next Steps. Thank you. And do you see, Ms Lahey, he writes that:

45

"In my opinion, the junket group's conduct has exposed The Star to an unacceptable level of risk and constitutes a breach of the agreement, of applicable laws or otherwise amounts to casino operations."

And in particular, he lists some issues of chips for cash transactions, withdrawal of cash, reporting requirements, concerns around source of funds, retention of documents, reports by other junket groups?

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

MR CONDE: And do you see the - at the end, he says:

10 "There's also a suggestion that one of the junket's staff was an excluded patron."

MS LAHEY: Yes.

15 **MR CONDE:** And if I might ask that this - that the operator scroll to the top, please, of this document. Do you see that Mr Hawkins, having received it, then forwards it to Mr Bekier on 16 May 2018?

MS LAHEY: Mm-hmm.

20 **MR CONDE:** Ms Lahey, have you ever seen this email?

MS LAHEY: No.

25 **MR CONDE:** Having it shown to you now, what is your reaction to it?

30 **MS LAHEY:** Well, disappointment because this clearly breaches our risk management framework where, as a board and with the senior management team, we had spent a lot of time categorising the risks that could be evident for casinos. And we graded them one to six. This was really a six, at the highest level. And responsibility of the senior management team, particularly in the legal and risk area, was to report any significant breaches to the board. So to see this now, it's so disappointing.

35 **MR CONDE:** And do you see - I should have also pointed out. In the sentence just before that Legal and Regulatory Risks which I took you to, Ms Lahey, there's the sentence:

40 "The focal point of concern relates to cash transactions occurring in those areas."

MS LAHEY: Yes.

45 **MR CONDE:** So is it correct that - would it be correct to understand that as being the very concern that you recall receiving assurances about as never having occurred at Star?

MS LAHEY: Yes.

MR CONDE: And would you agree that in that next paragraph, with the Legal and Regulatory Risks part where Mr Power flags "a breach of the agreement, of applicable laws or otherwise amounts to casino operations", what Mr Power is alluding to there is unlicensed gaming?

5

MS LAHEY: It appears so, yes.

MR CONDE: And it's correct, isn't it, that you would regard that as one of the most serious concerns for – to be raised?

10

MS LAHEY: Yes, I would.

MR CONDE: In circumstances, then, where you can see this has been known by Mr Bekier, Mr Hawkins and Mr Power, what, if any, comment do you have on this being known by such senior executives?

15

MS LAHEY: I don't think, Mr Conde, I can add anything more to what I've already said about how disappointing it is to see it now.

MR CONDE: Would you agree that these executives, in particular Mr Bekier and Mr Hawkins, had the authority and seniority at the time and, indeed, should have directed that Salon 95 be shut down then and there?

20

MS LAHEY: Yes, I do.

25

MR CONDE: And would you agree that this should have been raised with the board?

MS LAHEY: Yes, I do.

30

MR CONDE: And also with the regulator?

MS LAHEY: Yes.

MR CONDE: And if you had been forwarded this email later in May 2018, and you had thus seen the information provided in full here by Mr Power, what, if any, reaction do you think you would have had to that information?

35

MS LAHEY: Well, I think we would have closed that junket room down immediately, and we would have wanted to have an explanation from the staff involved from Mr Bekier down about why this was happening and why it was allowed to happen, in contradiction of, you know, the Casino Control Act, in contradiction of the - the regulator's need to know and the board's need to know.

40

MR CONDE: If I might take you, Ms Lahey, to what you were told. If we can go to exhibit B753, and that's STA.5002.0004.1675. Ms Lahey, is it your practice to read the board papers received in advance of board meetings?

45

MS LAHEY: Yes.

MR CONDE: And does that include the managing director's report?

5 **MS LAHEY:** Yes.

MR CONDE: And do you have a - do you recall reading this document?

10 **MS LAHEY:** I'm sure I did, yes.

MR CONDE: If we go to pinpoint 1696. The operator has very quickly brought up the part I wish to show you. This is in part 11.2 of the Projects and Commercial Matters part of the report. There's a sub-heading Sydney, and there's a section Salon 95 Service Desk. And do you see that what is there is said:

15
20 "In May, concerns emerged around certain activities undertaken at the junket service desk in Salon 95. At present functions at the service desk are limited pending the roll out of detailed processes for the junket representatives in that salon. It is expected that training will be completed by 8 June, with regular ongoing compliance monitoring following resumption of services at the service desk."

MS LAHEY: Yes.

25 **MR CONDE:** Would you agree, Ms Lahey, that this language is by no means clear language?

MS LAHEY: Yes.

30 **MR CONDE:** And would you agree that, in fact, it was really just completely inadequate for Star Entertainment's most senior management to present so important an issue as this - an unlicensed casino - to the board in this way?

35 **MS LAHEY:** Yes. It's page 22 of a - probably a 30-page report, and it's one dot point on page 22. I think this should have been the first item on the board agenda if - if - if we had been told the full facts.

40 **MR CONDE:** If - would you agree that, in fact, what it would have warranted was, first of all, a lot more prominence in any report to the board, and perhaps even a special board meeting?

MS LAHEY: Yes, I would.

45 **MR CONDE:** And with the benefit of hindsight, Ms Lahey, do you regret not asking - sorry. Ms Lahey, is it correct that neither you nor your board colleagues, so far as you're aware, raised the question, "Well, what are the concerns and what are these certain activities?"

MS LAHEY: I don't remember any detailed discussion on Salon 95 at that time.

MR CONDE: With the benefit of hindsight, do you regret not raising that question?

5

MS LAHEY: Yes. We should have asked more questions and gone - and asked for more detail.

MR CONDE: What, if any, comment do you have on the fact that you and your colleagues on the board were in a room with at least two other people, Mr Bekier and Mr Hawkins, who had received the concerns that Mr Power had identified in relation to Salon 95, and yet that information was not shared with the board?

MS LAHEY: Well, I keep using the word "disappointed". It's going to be the theme of my evidence, by the sounds of it. But that's how I feel now when I see it.

15

MR CONDE: Do you feel misled as well?

MS LAHEY: Yes, I do.

20

MR CONDE: And remembering that the origins of this room - Salon 95 - traced back to Mr Stevens' email, as the regulatory affairs manager, knowingly misleading the regulator, do you agree that this conduct is not the conduct of a business operating with good character, honesty and integrity?

25

MS LAHEY: Yes, I do.

MR CONDE: Would you agree that this amounted to grave breaches of Star Entertainment's core guiding principles in its code of conduct of "we comply with the law" and "we are ethical"?

30

MS LAHEY: Yes.

MR CONDE: And do you agree that this is something for which the board has to accept ultimately responsibility?

35

MS LAHEY: Well, ultimately, but in conjunction, obviously, with the senior management team that did know the details and hadn't passed those on for us to be able to be involved in the decision-making.

40

MR CONDE: If I could show you a document, STA.3402.0007.3857. And, Mr Bell, this is J20 - exhibit J20. Do you see, Ms Lahey, this is an email from Kim Lee to Paula Martin dated 11 March 2018, 9.06 pm?

45

MS LAHEY: Yes.

MR CONDE: And do you see that Ms Lee attaches notes and accompanying documents, and the subject of the email up the top is said to be:

"My notes on recent events relating to JC and IRB."

MS LAHEY: Yes.

5

MR CONDE: Do you understand that Kim Lee is the chief people and performance officer at Star Entertainment?

MS LAHEY: Yes, she was in that role at that time.

10

MR CONDE: And is Ms Lee now, so far as you're aware, involved in work on the renewal committee?

MS LAHEY: Yes.

15

MR CONDE: And is her job title now chief of staff?

MS LAHEY: Yes.

20

MR CONDE: And so far as you're aware, what does that role involve?

MS LAHEY: Well, it's very closely supporting the executive chairman, John O'Neill, in this period of transition when we are between CEOs and John has got to fulfil both roles. Kim Lee (indistinct) supporting him closely in a number of his tasks.

25

MR CONDE: If I can take you to the first attachment that Ms Lee has on that email, and that's STA.3402.0007.3858. And this is, Mr Bell, exhibit J21. Do you see, Ms Lahey, that the document is dated 9 March 2018 and called Summary of Events IRB?

30

MS LAHEY: Yes.

MR CONDE: And then do you see the table - there's a number of entries, and at least on this page, there's some narrative in - sorry. There's a date in black and then there's text in, red, and then in bold there's - it says "observation" in capitals and then there's an observation given?

35

MS LAHEY: Yes.

40

MR CONDE: And please assume those are Ms Lee's observations. Do you see - so the first is:

"Poor leadership."

45

Then the next one:

"Commercial capability gap."

MS LAHEY: Yes.

5 **MR CONDE:** And then if I could ask the operator to scroll to the next page, please, and then the page after that. If we could go to the top of 3860.

MS LAHEY: Yes.

10 **MR CONDE:** Do you see, Ms Lahey, the observation there from Ms Lee is that:

"John Chong driving poor behaviour that further alienates sales from further service operations, could lead to toxic culture."

And:

15

"Ignorance of company policy."

MS LAHEY: Yes.

20 **MR CONDE:** And then the - if I could ask that the operator then scroll through - sorry. If I could ask that the operator zoom out, please, and scroll through. Okay. If we are just pausing there. So on the left-hand side of the screen, do you see for that entry there's an observation of:

25 "Does not value leadership engagement and support of his service team in Australia. No leadership follow-up of issues. Bias towards sales team."

MS LAHEY: Yes.

30

MR CONDE: And then the termination list row - if that might be enlarged, please, along with the text from the following page. Do you see Ms Lee records the fact here that:

35 "There have been a number of terminations, 36 in the last 12 months in the IRB."

Recorded as 37 per cent turnover. And then later on, Ms Lee writes:

40 "This number is excessive given the size of the team, 97 employees in total."

MS LAHEY: Yes.

45 **MR CONDE:** Would you agree from the short review I've taken you to through this document, which was attached to the email of Ms Lee to Ms Martin dated 11 March 2018, that Ms Lee has set out in this document a number of serious concerns about the conduct of Mr Chong and the IRB team?

MS LAHEY: Yes.

MR CONDE: And, in particular, where she pointed to a risk of leading to a toxic culture and a large number of terminations are two important issues?

5

MS LAHEY: Yes.

MR CONDE: Now, if we can go again to what you were told about Mr Chong. Can we go, please, to exhibit B822, which is - I'm sorry. These are the minutes of the meeting, but we will go straight to the document. It's MFI66 - I'm sorry. It probably is now - it's STA.5002.0004.1244, and that's H72. Has that come up on your screen, Ms Lahey?

10

MS LAHEY: Yes.

15

MR CONDE: And if we go, then, please, to pinpoint 1265. And - in fairness, you noted the page number last time. So if I could ask the operator to show Ms Lahey the page number again. It happens to be the same; do you see that?

20

MS LAHEY: Yes.

MR CONDE: And then under the headings 10 Human Resources, 10.1 Talent Acquisition, there's some text over in the right, in Explanation. If that could be brought up, please. Sorry. If that - if I could trouble the operator to enlarge that text, please. Thank you. Do you see, Ms Lahey, in the top - in the final sentence, it says:

25

"John Chong, president international marketing, redundancy 23/3."

30

MS LAHEY: Yes.

MR CONDE: And do you recall the board discussing or being told of the circumstances of Mr Chong's departure from Star Entertainment?

35

MS LAHEY: I - well, I think we were told that we were doing some reviews of our international offices; that John Chong hadn't proved to be a strong enough manager; and as part of the process of the review, he would be made redundant.

MR CONDE: Is it correct that, as part of that process and so far as you can recall, you were never told of issues going to a potential toxic culture in IRB?

40

MS LAHEY: No.

MR CONDE: And is it correct that, so far as you can recall, you were never told about a concern about excessive terminations in that team?

45

MS LAHEY: No.

MR CONDE: And would you expect to have had those matters raised with you?

5 **MS LAHEY:** We certainly would have expected to hear about the toxic culture and those broad numbers of - of resignations, because attrition rates are one of the - the tracking features of - of culture.

10 **MR CONDE:** And in those circumstances and your expectations, do you feel that that entry there of "John Chong, redundancy" is anywhere near the sort of detail you would have liked?

MS LAHEY: No, it's too vague and there's not enough detail in there for us - for the board to feel informed fully.

15 **MR CONDE:** In about this time, an intelligence team at the Hong Kong Jockey Club put together a report on Suncity dated April 2018, and Mr Angus Buchanan gave evidence that he started at Star Entertainment in May 2019 and that he had the same opinions set out in paragraph 11 of a report, which I will take you to. So the report - paragraph 111 is pinpoint STA.3427.0037.3894 and it's part of exhibit C79. And if the operator could please enlarge paragraph 11 and the text
20 underneath with the date.

MR BELL SC: Paragraph 111, I think you mean.

25 **MR CONDE:** Yes.

MS LAHEY: Yes.

30 **MR CONDE:** Correct. Paragraph 111. Has that come up on your screen, Ms Lahey?

MS LAHEY: Yes, it has.

MR CONDE: And if I could just ask you to read it to yourself first.

35 **MS LAHEY:** Yes.

40 **MR CONDE:** Do you agree that conclusions of tangible criminal as well as reputational risks associated with Suncity are extremely serious conclusions for the team at the Hong Kong Jockey Club to have reached?

MS LAHEY: Yes.

MR CONDE: Have you read a copy of the Hong Kong Jockey Club's report?

45 **MS LAHEY:** I've only been made aware of it in the last few days as preparation for this inquiry.

MR CONDE: And as part of being made aware, is that of the contents or the --

MS LAHEY: I've got - got a copy of it.

5 **MR CONDE:** And have you read the actual report or perhaps a summary of it or --

MS LAHEY: Just a summary.

10 **MR CONDE:** And is it your understanding that what the report does is assembles a lot of evidence which paints a picture of an organisation, namely, Suncity, with whom Star shouldn't be doing business?

MS LAHEY: Yes.

15 **MR CONDE:** If can I show you exhibit C78, and that's. STA.3427.0037.3869. And, Ms Lahey, there's blue highlighted text, which I would ask that you not read out, please. By all means read it to yourself, but it's marked as confidential. But in any event, I don't wish to ask you about the blue shaded text. Do you see that this is an email from Angus Buchanan dated 12 June 2019?

20

MS LAHEY: Yes.

MR CONDE: And he sent that to Ms Martin, Mr White and Mr Houlihan?

25 **MS LAHEY:** Yes.

MR CONDE: And do you see he says:

30 "Please find attached a copy of the 2018 Suncity report my intelligence team compiled whilst I was with the Hong Kong Jockey Club. It's a comprehensive report. It was prepared due to the potential threat Suncity posed/poses to the integrity of racing in Hong Kong. I suspect certain aspects of the report may be of interest to The Star."

35 **MS LAHEY:** Yes.

MR CONDE: And do you agree that in June - at this time, in June 2019, concerns about a significant business partner of The Star, being Suncity, would have been of interest to you and your colleagues on the board of Star Entertainment?

40

MS LAHEY: Yes. I would have expected this sort of material to be shared with the board.

45 **MR CONDE:** And would you agree that what Mr Buchanan has done here is really the right thing, in sharing a concern with more senior executives relating to an important business partner of The Star at that time?

MS LAHEY: Yes. He's elevated it within the business, which is exactly what our code of conduct states.

5 **MR CONDE:** And would you have expected the recipients of that report to have elevated it and ultimately to the board?

MS LAHEY: Yes, I would.

10 **MR CONDE:** In particular, is it correct that Ms Martin, to your recollection, attended most, if not all, board meetings?

MS LAHEY: Yes, she did.

15 **MR CONDE:** And would you have expected Ms Martin to have found a way of raising these concerns with the board?

20 **MS LAHEY:** Yes, particularly Ms Martin because she was our legal and risk director. And she had special responsibilities under our risk management framework to bring any areas of risk - elevated risk - to the board's attention, and this is obviously an elevated risk.

MR CONDE: And do you see the - underneath the blue shaded paragraph, there's a paragraph that says:

25 "Given the confidentiality of the report, would appreciate if the document is not distributed beyond this group."

30 Is it correct that you would expect Ms Martin, though, to have found a way to have respected Mr Buchanan's request there but at the same time to have raised information with the board?

MS LAHEY: Yes, I would.

35 **MR CONDE:** Now, that's in June 2019. The next month, were you aware of the 60 Minutes Crown Unmasked program that was broadcast on 28 July 2019?

MS LAHEY: Yes.

40 **MR CONDE:** And is that the - no, I will withdraw that. Were you aware that that program - the 60 Minutes program - referred to a secret report by one of the world's largest bookmakers, the Hong Kong Jockey Club?

MS LAHEY: I can't remember that, but I'm sure I would have heard that.

45 **MR CONDE:** If we go, please, to exhibit H237, which is STA.5002.0005.1494. And do you see these are minutes of a directors dated 7 August 2019?

MS LAHEY: Yes.

MR CONDE: And that you attended the meeting?

MS LAHEY: Yes.

5

MR CONDE: As did Ms Martin - can you see that, In Attendance? Now if I can just ask that the operator scroll down, please. I'm sorry, over to the next page. And - yes. Thank you. Do you see that the minutes record the Crown Resorts Limited allegations and recent media, and the minutes record the board's

10 consideration of that?

MS LAHEY: Yes.

MR CONDE: And is it correct that at this meeting, so far as you can recall, Ms

15 Martin did not volunteer that she had received a copy of the Hong Kong Jockey Club report?

MS LAHEY: No, she didn't mention it.

MR CONDE: As best you can recall, did you or any of your colleagues ask the

20 question of management, "Do we have a copy of that report?"

MS LAHEY: I don't recall us asking that.

MR CONDE: Do you find it disappointing or frustrating, looking back at this, and with the benefit of hindsight, to think that, in that meeting, Ms Martin was sitting there with - and she had received a copy of the report on 12 June 2019, and yet the question was not asked whether anyone had a copy of it?

MS LAHEY: As I say, I don't remember asking a question about it, but you would have expected Ms Martin to have volunteered the information.

MR CONDE: And why do you say that, Ms Lahey?

MS LAHEY: Because if she had a copy of a report that was referring to one of our key junket operators as - as being unsuitable, I would have expected her to have brought that to our attention.

MR CONDE: Is it your recollection that what the board did at this time was to

40 seek from management a thorough briefing on the Crown allegations and whether any similar conduct was occurring at Star properties?

MS LAHEY: Yes. We - we would have had a number of meetings where the allegations would have been detailed and the relevance and applicability of those

45 to Star would have been outlined.

MR CONDE: And was it in or about this time that you believe you may have received the assurances that you referred to earlier in your evidence, Ms Lahey,

about bags of cash being presented and so forth not being able to occur at Star properties?

5 **MS LAHEY:** If they were part of the 60 Minutes program, which I'm sure they were, then, yes, that's when we would have asked those questions about, "Surely there couldn't be anything like this happening in Star." And we were given assurances that, "No, absolutely not."

10 **MR CONDE:** I'd need to check the transcript, but I believe that, in fairness to you, Ms Lahey, Ms Pitkin gave evidence that it might have been after this time that the video footage emerged and, in particular, from a politician releasing it. And so would it be correct to understand your evidence that if that video footage emerged later, then those discussions occurred later?

15 **MS LAHEY:** Yes. I'm sorry. I'm not 100 per cent clear on the dates and the sequences, but the video footage sticks very clearly in my mind.

20 **MR CONDE:** Do you recall around this time, in August 2019, reading or viewing media allegations to the effect that Mr Huang Xiangmo had delivered \$100,000 in cash to a political party and that a former federal senator had told a corruption inquiry that Mr Huang may have been an agent of influence for an overseas government?

25 **MS LAHEY:** I don't recall that, no.

MR CONDE: Are you aware that Mr Huang Xiangmo was excluded from The Star on 13 September 2019?

30 **MS LAHEY:** No, I can't recall that.

MR CONDE: Are you aware that Mr Huang, between 2010 and 2018, had a table games buy-in at Star properties of \$1.781 billion?

35 **MS LAHEY:** No, I'm not aware of that.

MR CONDE: Would you agree with evidence that was given by Mr Houlihan that that is an extraordinary amount of money for an individual to be bringing in?

40 **MS LAHEY:** I would.

MR CONDE: And are you aware that in 2014, 2015 and 2016, Mr Huang's buy-in in those years was more than \$400 million in each year?

45 **MS LAHEY:** I wasn't aware, no.

MR CONDE: And were you aware that by 5 March 2018, in respect of Mr Huang, Star Entertainment held copies of three different passports with - from the same country, with two different names and two different birthdays?

MS LAHEY: No, I wasn't aware.

5 **MR CONDE:** And Mr Houlihan gave evidence to this review that neither he nor, so far as he was aware, anyone else in Star Entertainment's investigations team was ever asked to investigate Mr Huang's source of wealth. What, if any, comment would you have on that evidence?

10 **MS LAHEY:** The - the reporting that KPMG did for us in 2018 on our AML processes reported that - back to the board that we didn't have enough investigation on source of wealth and source of funds of our key patrons. So this just confirms that.

15 **MR CONDE:** And are you aware that it is possible and, indeed, The Star has done this with patrons before, for The Star to say, "Unless you can explain your source of wealth, you're not going to gamble here"?

20 **MS LAHEY:** Yes. That's what our AML processes about know your customer and enhanced customer due diligence are all about.

MR CONDE: If I could ask that exhibit B1479 be brought up. That's STA.3417.0005.8905. And if we could go, please, to 8912. Do you see, in the second bullet point on this page, that the compliance team in respect of the patron there had advised that his access to the Sovereign Room was revoked in 2017 until he was able to provide source of funds evidence?

25 **MS LAHEY:** Yes.

MR CONDE: And would you agree that that's what should have happened with Mr Huang?

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

MR CONDE: If I could now ask you about the China UnionPay cards issue. And, Ms Lahey, first of all, do you understand that China UnionPay cards are credit and debit cards from China?

35 **MS LAHEY:** Yes. A debit card.

40 **MR CONDE:** And to the extent they were used at Star properties, is it your understanding that they were debit cards?

MS LAHEY: Yes.

45 **MR CONDE:** In that regard, do you understand the transactions presented little to no credit risk for Star Entertainment?

MS LAHEY: Yes.

MR CONDE: And are you aware that on 22 November 2013, Star sought regulatory approval to release chips to patrons before funds had cleared?

5 **MS LAHEY:** I've become aware of that as part of this review.

MR CONDE: But it's correct, is it, that you certainly weren't aware back in 2013?

MS LAHEY: No.

10

MR CONDE: And your awareness of that has been more recent, has it?

MS LAHEY: Yes.

15 **MR CONDE:** Are you aware that no such approval was granted at that time?

MS LAHEY: Yes.

20 **MR CONDE:** And so do you understand that what was put together was a workaround of using a cheque cashing facility?

MS LAHEY: Yes.

25 **MR CONDE:** And are you aware that right from the beginning of that workaround in or about 2014, senior Star executives - including Mr Bekier, then the CFO, and Ms Martin - were on notice of a concern expressed by Mr Oliver White that the Liquor and Gaming Authority may form the view that the use of the cheque cashing facility workaround was a prohibited provision of credit?

30 **MS LAHEY:** I've become aware of that in recent weeks, but not at the time.

MR CONDE: And so is it your understanding, then, that Star Entertainment went ahead and ran that risk?

35 **MS LAHEY:** It appears so.

40 **MR CONDE:** And so do you understand that what happened, then, between 2014 through to March 2020 that Star ran a risk of contravening the Casino Control Act each and every time there was a China UnionPay swipe and a patron was given chips before the funds had cleared?

MS LAHEY: I'm not sure about that. Just - can you just ask the question again, please, Mr Conde?

45 **MR CONDE:** Of course. So what happened between 2014 through to March 2020 is that The Star ran a risk of contravening the Casino Control Act each and every time there was a China UnionPay swipe with a card and a patron was given chips before funds had cleared in Star's accounts?

MS LAHEY: Yes, if that's what was happening. But I understood that we weren't giving chips out until the cash had been cleared.

5 **MR CONDE:** Yes. Is it correct that you weren't aware of this workaround?

MS LAHEY: No, we weren't aware.

10 **MR CONDE:** And so far as you were aware, if chips were provided on the swiping of a card, that's because the money had come through?

MS LAHEY: Been paid into a Star account.

15 **MR CONDE:** And so there was no risk of Star providing a prohibited line of credit because there was no such credit?

MS LAHEY: Yes.

20 **MR CONDE:** Do you have an understanding to the effect that there's a prohibition applying in the People's Republic of China on money being taken out of China and used for gambling?

MS LAHEY: Yes.

25 **MR CONDE:** And are you aware of Mr Graeme Stevens's evidence to Mr Bell's review on day 6 that it was his understanding in June 2013 that UnionPay International prohibited the use of China UnionPay cards to purchase gambling chips?

30 **MS LAHEY:** Yes.

MR CONDE: Are you aware also of similar evidence by Mr Aloï, Mr Bekier and Mr Theodore that - to the effect that the rules of UnionPay International prevented China UnionPay cards being used to purchase gaming chips?

35

MS LAHEY: Yes.

MR CONDE: And does that evidence from them accord with your own understanding?

40

MS LAHEY: Yes. I'd just like to go back to one point though, Mr Conde. You did ask about the Chinese regulations about taking money out of the country.

MR CONDE: Yes.

45

MS LAHEY: I understand that there was a clampdown on money being taken out of China, but what happened to it after that was that gambling was forbidden within China but Chinese patrons could gamble outside of China.

MR CONDE: And so is it your understanding, Ms Lahey, that - when you mention a clampdown on money being taken out of China, is that a clampdown on money being taken out of China generally or for the purpose of gambling?

5

MS LAHEY: Generally.

MR BELL SC: Ms Lahey, the evidence that has been given to this review is that the China UnionPay cards were being used at The Star from 2013 to 2020. What did you know about the use of China UnionPay cards at The Star in that period?

10

MS LAHEY: That it was a legitimate form of debit card that we could use for our patrons, that the - Mr Bell, that the - the cheque cashing facilities were a bit clunky. This was an easier way for money to be made available to our patrons. And China UnionPay cards were available fully around Australia in other sort of retail venues, restaurants, shops. And so I assumed it was part of that normal legitimate use of a debit card.

15

MR BELL SC: So in that period of time, you were, in fact, aware that the China UnionPay cards were being used by patrons to obtain funds for gambling, were you?

20

MS LAHEY: Yes. There were signs around - all around Sydney, all around the casino, you know, "China UnionPay card taken here."

25

MR BELL SC: And what was the source of your understanding of what was occurring in that period of time?

MS LAHEY: Just a very general sense that this was a source of debit card that was available to our patrons. No more than that.

30

MR BELL SC: Were these matters that were discussed at board meetings which you attended in that period?

MS LAHEY: No. There was a general mention of China UnionPay cards, but no detailed discussion about it.

35

MR BELL SC: And what, if any, understanding did you have about the permitted uses of China UnionPay cards under its UnionPay scheme rules during that period of time?

40

MS LAHEY: I didn't have any understanding. I didn't have a detailed knowledge of the CUP rules.

MR BELL SC: Yes. When you say you didn't have a detailed understanding, are you telling me you had no understanding at all?

45

MS LAHEY: No understanding.

MR BELL SC: Yes, Mr Conde.

5 **MR CONDE:** So, Ms Lahey, I've asked you about - if you recall that there's an issue of funds not clearing quickly enough, with the China UnionPay cards being addressed with the cheque cashing facility workaround. So that's one workaround. Do you understand what I'm referring to there?

10 **MS LAHEY:** Yes.

10 **MR CONDE:** And then I've mentioned the senior executives' evidence to the effect that - of their understanding being that the China UnionPay rules prohibited the cards being used for - to purchase gambling chips. Are you aware that there was a second workaround, which was to address that concern, namely, that China
15 UnionPay cards would be used at terminals in Star Entertainment's hotels, with money then being transferred to front money accounts for gambling?

20 **MS LAHEY:** I - I was made aware of that when we had the report from Anthony Seyfort on a more detailed explanation of Star's use of CUP.

MR CONDE: And it is correct, then, that before that time, you were not aware of that?

25 **MS LAHEY:** No.

25 **MR CONDE:** And so in your answers earlier to Mr Bell about the use of China UnionPay debit cards, as you understood it, is it correct that you had no understanding that those were not being swiped on the main gaming floor or in the cage but, instead, were being swiped in hotels?
30

MS LAHEY: I didn't - I didn't understand that sort of detail of how we were doing this workaround using hotel accommodation to provide funds to our patrons.

35 **MR CONDE:** And so is it correct that before receiving Mr Seyfort's analysis, in your mind, a China UnionPay debit card was much like any other debit card, save for the fact that it came from China?

MS LAHEY: Yes.

40 **MR CONDE:** Have you also since heard of a practice of dummy rooms being assigned to patrons using China UnionPay cards when they're swiping at the hotel terminals and before that money is transferred to the front money account?

45 **MS LAHEY:** I think that was covered off in Anthony Seyfort's report to the board in 2021.

MR CONDE: And perhaps if I can go to that board paper. It's exhibit B3110, STA.5002.0007.1447. And do you see, Ms Lahey, on the left-hand side, it's dated 22 September 2021?

5 **MS LAHEY:** Yes.

MR CONDE: And it's a board paper from Ms Martin and Mr Power?

MS LAHEY: Yes.

10

MR CONDE: And then this document attaches, as appendix B, the Seyfort analysis. If we could go, please, to 1457. Is this the analysis to which you were referring earlier?

15 **MS LAHEY:** Yes.

MR CONDE: And if I might ask that 1461 be brought up, please. And down the bottom, it says "Lessons from this review". If I ask that that be enlarged, please. And do you see, Ms Lahey, it says that:

20

"The historical use of CUP would not conform to The Star's current corporate culture and risk appetite for at least four reasons."

And it's listed there that:

25

"The Star did not adhere to the rules of a major card scheme; The Star attracted financial and reputational risk; The Star appeared to have less regard for foreign legal issues than Australian ones; and some parts of management felt unconstrained by the spirit of controls."

30

MS LAHEY: Yes.

MR CONDE: What, if any, reaction do you recall having to reading Mr Seyfort's analysis and, in particular, the lessons from this review?

35

MS LAHEY: I think it was very concerning that this had been uncovered and this China UnionPay card had been in use in the casino from 2014 to 2020 and, as a board, we didn't know it was happening. And, secondly, we didn't know it had been stopped. And the lessons here that Mr Seyfort brings to our attention are ones that the board were very anxious about and concerned about.

40

MR BELL SC: But you did, in fact, know that the CUP card had been used at The Star to obtain funds for patrons for gambling in that period?

45 **MS LAHEY:** Yes. Sorry, Mr Bell. We did know that. We didn't know any of the detail, and we certainly didn't know our relationship with NAB and how that had come about. And we didn't know the rules - the CUP rules that forbid gambling to be part of the CUP card.

MR BELL SC: Did you have any idea of the size of this payment channel in terms of the amounts of funds that were being obtained by patrons for gambling in the period up to 2020?

5

MS LAHEY: No.

MR BELL SC: Yes, Mr Conde.

10 **MR CONDE:** And just on that, Ms Lahey, are you aware now that over \$900 million was swiped on China UnionPay cards at Star Entertainment Group hotels?

MS LAHEY: I am aware now.

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

MS LAHEY: As part of this review.

20 **MR CONDE:** And are you aware of evidence that was given to Mr Bell that on one day in 2015, a patron - Mr Phillip Dong Fang Lee - debited \$11 million from his China UnionPay card?

MS LAHEY: I am aware now, yes.

25 **MR CONDE:** And, again, is that from part of this review?

MS LAHEY: Yes.

30 **MR CONDE:** Would you agree that these are enormous amounts of money to be coming through a channel where there are the risks of those two workarounds that I have explored with you thus far, one being the cheque cashing facility workaround and the second being the swiping of the cards at hotel terminals workaround?

35 **MS LAHEY:** Yes, I agree.

MR CONDE: What, if any, further comment would you have, Ms Lahey, on Star having engaged in that practice and running the risks involved?

40 **MS LAHEY:** I think it's very concerning for a board that's got a responsibility in this area, a responsibility to AUSTRAC, to our regulators, to be transparent, to be dealing with our patrons in an honest way, and I think for a board to then realise that it had got significant problems with its senior management teams that hadn't brought these significant matters - significant shortcomings to our attention.

45

MR CONDE: Mr Bell, I see the time. I'm about to move on to another topic. Perhaps - may we take the afternoon adjournment now?

MR BELL SC: Yes, I will now adjourn for 15 minutes.

<THE HEARING ADJOURNED AT 3:26 PM

5 **<THE HEARING RESUMED AT 3:43 PM**

MR BELL SC: Yes, Mr Conde.

10 **MR CONDE:** Ms Lahey, are you aware of a matter where - explored over days of evidence before Mr Bell involving queries from UnionPay to NAB about certain Chinese UnionPay card transactions at Star hotels, NAB passing those queries on to Star Entertainment executives and then there being a reply from Star back to NAB in the understanding that that reply would then go on to UnionPay?

15 **MS LAHEY:** I am now aware, yes.

MR CONDE: And I will take you to an example of that, exhibit B1430, STA.3002.0010.0096. If we can go to the middle, there's a request - you will see in about the middle of the page:

20

"UnionPay's risk team have flagged transactions."

And then the requests (1) through (3):

25

"Explain the business scope; explain what types of goods or services were purchased by the cardholder; (3) provide supporting documents."

MS LAHEY: Yes.

30 **MR CONDE:** And do you see up the top there are responses - in this case, from Ms Dudek - which are:

"(1) The merchant operates integrated resorts in Australia."

35

That's in response to:

"Explain the business scope."

40

(2):

"The cardholder purchased hotel accommodation services with the transactions in question."

45

That's in response to a request for an explanation of what types of goods or services the cardholder purchased. And then some receipts are provided. Are you aware that the author of this email sent other communications to this effect?

MS LAHEY: I am now, yes. I wasn't at the time.

MR CONDE: No. And Ms Dudek has told Mr Bell that at the time she sent this, she knew that China UnionPay cards had been used to fund gambling, and she agreed in her evidence to Mr Bell that her response was - here, was utterly misleading and unethical. Would you agree with that, Ms Lahey?
5

MS LAHEY: Yes, I would.

MR CONDE: And would you agree with your board colleague, Mr Sheppard, who described it as, in his opinion, utterly misleading?
10

MS LAHEY: Yes, I would.

MR CONDE: Are you aware that Ms Dudek told Mr Bell that she had been given this language from Mr Oliver White and that she did not feel she was able to challenge her superiors in that regard?
15

MS LAHEY: I've heard that evidence, yes.

MR CONDE: And what, if any, comment do you have on that evidence?
20

MS LAHEY: Well, it's very disappointing that Ms Dudek, who is a relatively junior officer, didn't feel that she could raise these matters and elevate them further up the - the chain of command inside Star. She - she would have had other ways of raising it rather than just raising it with Oliver White. You know, we've got a whistleblower's line. She could have, you know, gone higher in the food chain if she had wanted to. But it is very concerning if a junior person feels that they can't raise these sort of issues.
25

MR CONDE: If I take you to another document, exhibit B1828, which is STA.3105.0011.5300. And is it your understanding that Ms Scopel - do you see --
30

MS LAHEY: Yes.

MR CONDE: That she is a more senior - or was a more senior person within Star than Ms Dudek?
35

MS LAHEY: Yes.

MR CONDE: If I can start by showing you the second page on 5301, which is the request to which Ms Scopel's email responds. Do you see that Ms Tanya Arthur of NAB writes to Ms Scopel that:
40

45 "As discussed, UnionPay have provided us notice indicating they are considering issue NAB a directive to cease provision of UnionPay card acceptance to The Star. UnionPay can fine NAB as an acquirer and terminate acceptance if we don't comply with their directives. From our conversation with local UnionPay representations, China's central bank (the People's Bank

of China) is not satisfied with UnionPay's explanations received from The Star for previous irregular transaction investigation requests. PBOC has observed individual cardholder spending more than \$20 million at The Star which they believe includes gambling and are struggling to see how this level of expenditure could be made on non-gambling entertainment."

Pausing there - and then - sorry. Do you see, Ms Lahey, that there's then a request for additional information as set out?

10 **MS LAHEY:** Yes.

MR CONDE: And pausing there, would you agree that whatever might have been thought to have been the views in the past of NAB and/or UnionPay, what has come through here is a very clear request, and it warranted a clear and truthful answer?

MS LAHEY: Yes.

20 **MR CONDE:** And if we can go to the preceding page, 5300. Ms Lahey, have you read this document?

MS LAHEY: I - we weren't given it at the time, but I've probably read it since then in preparation for this.

25 **MR CONDE:** And --

MS LAHEY: Yes, I have now. I remember it.

30 **MR CONDE:** And what, if any, comment do you have on this response?

MS LAHEY: Well, it's obviously a manufactured response. It's not truthful. We would have - our - our junket players would have had access to the planes and the - the yacht, but not to the amount that would have covered the queries that NAB were having with us.

35 **MR CONDE:** And I should have clarified, Ms Lahey, that Ms Scopel told Mr Bell that by the time of sending this email, she was aware that money swiped at hotel terminals was going ultimately to patrons' front money accounts, in other words, for gambling?

40 **MS LAHEY:** Yes.

MR CONDE: And in light of what Ms Scopel admitted, she knew at the time she sent this, would you agree that it was unethical?

45 **MS LAHEY:** Yes.

MR CONDE: Would you agree with Mr Theodore's evidence that the sentence at - the second-last paragraph where it says:

5 "We confirm the terminal is located in The Star Grand Hotel, outside of gaming related areas and gaming transactions are not conducted at the hotel."

MS LAHEY: Yes.

10 **MR CONDE:** Was false and deceptive, in Mr Theodore's assessment. Would you agree?

MS LAHEY: Yes.

15 **MR BELL SC:** Ms Lahey, the evidence that has been given to this review is that this communication had been authorised by Mr White, as senior legal officer; Mr Theodore, the CFO; and Paula Martin, the chief legal and risk officer. What's your reaction to that evidence?

20 **MS LAHEY:** Serious failings by very senior people in our team. And I think to expand on a question Mr Conde and I think you, Mr Bell, asked before, when we had the report from Anthony Seyfort, we didn't get this level of detail. But we certainly got to hear about the relationship with NAB and how we had covered up the gambling activities using the accommodation in our hotels. And I think, as a board, we had a long meeting when we got the Seyfort report, and we had a long
25 subsequent meeting when we asked management as a matter of priority to come back with a remediation plan. And before that remediation plan was presented by the CEO, he said that there had been serious failings. And that was, I think, the first time the board really understood the extent of the lack of transparency by our senior management team and probably the serious breakdown between the board
30 and the senior management team in terms of trust.

35 **MR BELL SC:** And would you agree that the fact that this communication was approved by such senior members of the management team, including the chief legal and risk officer, coupled with the fact that more junior members of staff who knew it was wrong and didn't feel able to challenge senior management about it, is indicative of a serious cultural problem?

MS LAHEY: Yes, it is.

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

45 **MR CONDE:** And would you agree that Star Entertainment should not have been giving responses which, to use its witnesses' words, were misleading, deceptive, unethical or false?

MS LAHEY: Yes. Sorry.

MR CONDE: Ms Lahey, you mentioned before the break the reports from KPMG which reviewed Star Entertainment's AML/CTF program. Do you recall those reports in May 2018?

5 **MS LAHEY:** I think I would have read them perhaps a month later. I wasn't on the audit committee, so wasn't privy to them at that stage. But they came to the board, and we had a long discussion with - at a board level on them.

10 **MR CONDE:** And as best you can recall, what was the substance of those discussions?

15 **MS LAHEY:** We accepted KPMG's report. We realised we'd got a major uplift - I think that was the word they used - from - that was required by our AML/CTF program. We needed to put more resources into it, we needed better training and we needed to look more carefully at the standards that we've got around enhanced
20 customer due diligence. We adopted this process of putting everybody on a low rating. Unless it was as plain as the nose on your face that they were high risk, we would assume that they were low. And that was obviously - we needed to pick up on that in our enhanced customer due diligence and know your customer.

25 **MR CONDE:** And is that - when you mention people not being - being given a default low risk rating, is it your understanding that one of the principal issues identified by KPMG was that people who'd come into the casino with hundreds of thousands of dollars of cash were not being assessed at higher risk?

30 **MS LAHEY:** Yes. They were all being assessed, as - you know, they could have brought in \$100 or \$100,000 or \$10 million - the default rating was low - low risk.

35 **MR CONDE:** And as best you can recall, did you become aware - sorry. By the time you became aware of these reports - and noting, as you said, you weren't on the audit committee - had - were there outstanding concerns from management at the time that you received them?

40 **MS LAHEY:** No. We were just at that implementation phase and we just wanted to start to work on the recommendations and put together an action plan. And I think we had got an action plan that were three months, six months and things that we knew would take longer than six months to implement.

45 **MR CONDE:** And as best you can recall, would that have been around the time of, or perhaps after, 6 August 2018?

MS LAHEY: Yes, about that time. Yes.

50 **MR CONDE:** Are you aware of an allegation that Star staff members in Macau were providing letters to representatives of the Bank of China in Macau which provided a false explanation as to the source of funds which were being deposited by patrons at the Bank of China in Macau?

MS LAHEY: The first time I had heard about that was as part of Mr Bekier's evidence to this inquiry a couple of weeks ago.

5 **MR CONDE:** And is it correct that you had no idea of that issue before that time?

MS LAHEY: I had no idea, no.

10 **MR CONDE:** Would you agree that an allegation of fake source of funds letters being provided to a bank is an extremely serious allegation and warrants urgent attention?

MS LAHEY: Yes. Of course.

15 **MR CONDE:** And among other issues, it raises questions around anti-money laundering and counter-terrorism financing processes?

MS LAHEY: Yes.

20 **MR CONDE:** And in Mr Bekier's evidence, he told Mr Bell that he first became aware of this in October 2021 and ordered a full investigation to be undertaken into the circumstances surrounding the alleged provision of fake source of funds documents. Are you aware - well, first of all, do you recall that evidence or becoming aware of the substance of that evidence?

25 **MS LAHEY:** I didn't listen to all Mr Bekier's evidence. But as part of the sort of daily catch-up we have at the end of each day, that came up.

30 **MR CONDE:** And what, if any, knowledge do you have of the status of the investigation?

MS LAHEY: I think it's been done by Gadens. I don't think it's been finalised yet. I haven't seen any of it come to the board.

35 **MR CONDE:** If you could just excuse me for a minute. Ms Lahey, you mentioned an investigation by Gadens. Is it possible that you have in mind an investigation that they're undertaking as to the question of whether management had - sorry, whether staff members had encouraged patrons to move residency and relating to a question of rebate?

40 **MS LAHEY:** Yes. Sorry. You're right.

45 **MR CONDE:** And so in relation back to the Bank of China Macau branch investigation, is it correct that, so far as you're aware, that's being undertaken within The Star and not by a third party?

MS LAHEY: Yes, I think that - I think you're correct, Mr Conde.

MR CONDE: I suppose whoever it's being investigated by and having - I appreciate that Mr Bekier's evidence was recent, when you learned about this. But would you treat the status of that investigation as a matter of priority for the board?

5

MS LAHEY: Yes.

MR CONDE: Because you appreciate that the investigation was ordered in October 2021, and some six months have passed since that time?

10

MS LAHEY: Yes, but I - I think at the time that this was happening - I think - (indistinct) a reason - we were just reopening after a five-month closure. So we were very concentrated on reopening the business, getting our staff back on board, making sure everybody was fully vaccinated. So there was a lot happening around that time. And obviously a lot has been happening since that time.

15

MR CONDE: Ms Lahey, you mention the Gadens investigation, and if I might just be particular about that. Is it your understanding that Gadens are looking into allegations that staff had encouraged patrons to register as rebate players, thus attracting a lower amount of duty payable?

20

MS LAHEY: That is right. But since that time, we have suspended all rebate play. So I'm not sure what the status of that investigation is at this particular time.

MR CONDE: If I can show you a document, B3277. It's STA.3412.0084.5940. Are you aware of a question, going back to September to October 2020, about - and this is irrespective of staff - any allegation of staff members encouraging patrons to change residency, but a question about whether patrons had been correctly categorised?

25
30

MS LAHEY: I'm aware that that came up in Mr Hawkins's evidence to this inquiry.

MR CONDE: And without troubling you with the full - I think, in fairness, I do need to just have - ask the operator, please, to scroll through. Do you see at the bottom of this page that's in front of you, Ms Lahey, it's an email from Andrew Power, and it's to Mr Hawkins, and he says:

35

40

"Hi Greg, please see our advice below in relation to characterisation of residency for rebate play in New South Wales and rebate duty calculations under the duty agreement."

MS LAHEY: Yes.

MR CONDE: And without oversimplifying Mr Power's analysis, what I would ask you to assume is that what Mr Power proceeds to do over the next few pages is to instruct Mr Hawkins to undertake a detailed analysis of patrons' residency so that the correct characterisation can be done. And you may be able to see there's a

45

page - 5941 - on the right there with some analysis. But at the bottom of that page, it says Reasoning. And if the operator could just continue scrolling. You will see Mr Power undertakes quite a more detailed analysis. Can you see there's Background, Summary of Advice, Legal Risks, and if we keep going, Future Opportunities, Obligations to Notify the Casino Regulator. Do you see that, Ms Lahey?

MS LAHEY: Yes. Yes.

10 **MR CONDE:** And then over to the next page, please. Yes. So I would ask you to assume that that's the substance of Mr Power's instruction to Mr Hawkins, to undertake detailed analysis. And if we can then go back, please, to Mr Hawkins's email, which is at pinpoint 5940. And if we could enlarge, please, the middle of that page. Do you see on the second line, towards the end, Mr Hawkins refers to:

15

"Some administrative confusion regarding the status of a number of rebate classified players. As per your guidance, when this was identified we immediately transitioned any rebate player who had been in New South Wales for more than or greater than 183 days on to a non-rebate play profile."

20

And do you understand that, Ms Lahey, to be, in effect, a more conservative approach of classifying these patrons as the type that attracts a higher duty?

MS LAHEY: Yes.

25

MR CONDE: And so then if the operator could please scroll up to Mr Power's response, which is 17 October 2020, and he says:

30

"Thank you -"

To Mr Hawkins:

35

"For your email. Now that you've made the assessment and confirmed their residential status, I will leave it to you to liaise with the finance team to ensure that the monthly rebate duty reports and weekly non-rebate duty reports provided to Liquor and Gaming are in order and any necessary adjustments have been (or will be) made."

40

Would you agree, Ms Lahey, that at this point in relation to the email correspondence as between Mr Power and Mr Hawkins, this is exactly the sort of interaction that you would expect to see where there's a problem identified, quite considered and detailed analysis undertaken and then a way forward, which involves any adjustments as necessary, notification to the regulator and then payment, indeed, of the - any amounts owed?

45

MS LAHEY: Yes.

MR CONDE: But is it correct that you're aware of Mr Hawkins' evidence, which was when he was asked whether he did, in fact, go on and liaise with the finance team and cause any adjustments to be made, his answer was, "Ultimately, no." And what, if any, comment do you have on that evidence?

5

MS LAHEY: Well, Greg Hawkins seemed to be interpreting the 183 days as - as excluding the period where the patrons couldn't travel back to China. So taken a more liberal interpretation of it, despite the advice there from Andrew Power. And I think Greg had perhaps interpreted it because that's what the Queensland regulator had permitted to happen with our patrons in Queensland, that 183 days - if they had been trapped here because the borders were closed for another 20 days, you could add that on top. So perhaps Greg was interpreting it in that way. But either way, you would have expected him to have clarified it with the regulator here and done, as Mr Power said, adjusted the rebate reports accordingly.

10
15

MR CONDE: And so far as you are aware, does this remain an unanswered question as to whether there are clarifications which need to be confirmed and any liaison with Liquor and Gaming to be actioned if and as required?

20 **MS LAHEY:** No, I don't think so. I think it's - Mr Power's advice would stand, you know, that 183 days was 183 days here in New South Wales. It was a different interpretation in Queensland.

25 **MR CONDE:** I'm sorry, Ms Lahey, but I was referring instead to where Mr Power says:

"I will leave it to you to liaise with the finance team."

30 And then action accordingly. And the evidence from Mr Hawkins is that that did not take place. So far as you're aware, does that remain a to-do item?

MS LAHEY: I'm not - I can't answer that. I don't know.

35 **MR CONDE:** Well, would you agree that Star Entertainment - or The Star should be paying any duty that it owes?

MS LAHEY: Yes.

40 **MR CONDE:** And would you agree that if and when rebate play is to be resumed, this question needs to be well and truly sorted out going forward?

MS LAHEY: Yes.

45 **MR CONDE:** And would you agree that whether this issue is addressed in the context of Gadens' analysis or some other analysis, it needs to be confirmed as either having been resolved or be resolved promptly?

MS LAHEY: Yes. And any outstanding duty paid.

5 **MR CONDE:** Yes. On that subject of investigations, if I could ask that exhibit B3331 be shown to Ms Lahey, please, and that's CORRO.001.001.0190. And if we can go, please, to pinpoint 0222. And at the bottom of the screen, if the bullet point for Employee Investigations and then Marcus Lim could be brought up. I might just ask you to read that, please, Ms Lahey.

MS LAHEY: Yes.

10 **MR CONDE:** Were you aware of these matters relating to Marcus Lim before my showing them to you now?

MS LAHEY: No.

15 **MR CONDE:** And what, if any, comment do you have on them?

MS LAHEY: Well, it's concerning that - the length of time for the investigations to happen, and the fact that it took the option of making somebody redundant when these sort of allegations were made against them may not have been the best 20 way - the most appropriate way for somebody to exit the business.

MR CONDE: And if we can then go over the page, please, and if the entry for Mr Simon Kim could be emphasised, please. It's the first bullet point. And I might 25 ask you to read that as well, Ms Lahey.

MS LAHEY: Yes, I've read this.

MR CONDE: Were you aware of these matters relating to Mr Kim before my 30 showing them to you now?

MS LAHEY: Only inasmuch as they were part of Mr Bekier's evidence.

MR CONDE: And what, if any, comment do you have on them?

35 **MS LAHEY:** These are serious matters. These should have been brought to the board's attention.

MR CONDE: Can I ask you now about a company, EEIS. Are you aware of what I'm referring to with that, Ms Lahey? 40

MS LAHEY: Yes, I am.

MR CONDE: And are you aware that - sorry, I withdraw that. If we go, please, to exhibit B699. This is STA.5002.0004.0764. 45

MS LAHEY: Yes.

MR CONDE: Do you recall reading this board paper in or about March 2018?

MS LAHEY: Yes.

5 **MR CONDE:** And if we can go, please, to pinpoint 0770. There should be a slide, Legal and Operational Structure. Do you recall reading this explanation of the legal and operational structure of the EEIS and MMS framework in or about March 2018?

10 **MS LAHEY:** Yes.

MR CONDE: And what is - well, would you agree that the structure, in general terms, involves a cheque cashing facility with an intermediary imposed, being EEIS, such that EEIS is the entity, and not the casino licence holder, which faces the relevant patron or junket?

15

MS LAHEY: Yes.

20 **MR CONDE:** And do you agree that interposing an intermediary between the casino licence holder and the relevant patron or junket will raise a complication for AML/CTF purposes?

MS LAHEY: Yes.

25 **MR CONDE:** And would you agree that from the patron or the junket side, it allows money to be paid to an entity - EEIS - whose name does not identify it as a casino or Star related business?

MS LAHEY: Yes. EEIS is Echo Entertainment International, and clearly you wouldn't necessarily relate that to Star.

30

MR CONDE: And if I can then take you to exhibit B1579. That's STA.3004.0008.0001. And do you see that this is an internal memorandum from Mr White to Mr Hawkins and Ms Martin?

35 **MS LAHEY:** Yes.

40 **MR CONDE:** And do you see in the first paragraph, under Background, it mentions that the Bank of China Macau had closed bank accounts in the name of The Star. Casino licensee holders - sorry, the casino licence holders had previously been used for remittances of front money/repayment of CCF?

MS LAHEY: Yes.

45 **MR CONDE:** And then in the second paragraph. It notes an agreement with a patron named Kuan Koi?

MS LAHEY: Yes.

MR CONDE: Do you have any recollection of that agreement with Mr Koi?

MS LAHEY: No.

5 **MR CONDE:** And do you see in the next paragraph, towards the end, it notes that - the second last line, that:

10 "Mr Koi had informed The Star that he was encountering difficulties with the arrangement above in May 2018, at which stage it was understood this arrangement had come to an end."

MS LAHEY: Yes.

15 **MR CONDE:** And so then Mr White sets out, in the next section, current arrangements. And if I could ask that that be enlarged, please, from Current Arrangements to the bottom of the page. Thank you. And do you see there, Ms Lahey, that Mr White identifies the following methods which have been used:

20 "(a) electronic transfer of funds; (b) using a licence remittance provider."

And then (c), he is giving some information for instances where:

25 "In particular for patrons based in Macau, who can only pay The Star with cash."

MS LAHEY: Yes.

30 **MR CONDE:** And for those ones, he notes some following channels. As best you can recall, Ms Lahey, were you and your colleagues on the board told in or about late August 2019, which is the date of this memorandum, that Star was introducing patrons in Macau, who apparently could only pay their debts in cash, to so-called payment channels?

35 **MS LAHEY:** Pay their debts in cash? Did you say that, Mr Conde?

MR CONDE: Sorry, who can only pay The Star in cash.

MS LAHEY: Yes.

40 **MR CONDE:** As recorded there in paragraph (c).

MS LAHEY: No, I don't recall that.

45 **MR CONDE:** And the first he notes is Regal Crown Trading Limited. If I can go to the next page. Do you see at the top, he says:

"We have not been able to verify the lawfulness of the process used by Regal Crown in Macau and accordingly The Star has no agreement in place with them."

5 And he says:

"If a patron uses Regal Crown for their remittance to The Star originating with cash from Macau, The Star accepts that the funds received are net of the patron's expenses of three per cent of the total remitted."

10

Can you see that?

MS LAHEY: Yes.

15 **MR CONDE:** And he then says:

"We have advised the business that The Star should not recommend Regal Crown to patrons, but only inform patrons that we are aware that other patrons have used them."

20

Would you agree that although there might not be a formal recommendation, that mentioning Regal Crown in that way is much the same thing?

25 **MS LAHEY:** Yes, I mean, I think a number of times in evidence the words "sharp practices" has been used. This is perhaps another example of that.

MR CONDE: If I can then ask you about the next payment channel he identifies is the one with bold text, KK/Silver Express. Can you see that, Ms Lahey?

30 **MS LAHEY:** Yes.

MR CONDE: And:

35 "After May 2018, the arrangement with Kuan Koi appears to have continued -"

He writes:

40 "In an amended form, with the assistance of licensed money service operators in Hong Kong. This process has not been subject to review by the legal or compliance teams."

And he writes that:

45 "The current process would appear to involve the use of Silver Express Investment Limited -"

Who provides a similar - is said to provide a similar service to Regal Crown. And he notes that:

5 "The legal team have not had any contact with Silver Express to understand their business practice."

But:

10 "If a customer uses Silver Express for their remittance to The Star originating with cash from Macau, The Star receives 100 per cent of the outstanding amount and pays a fee of approximately 3.15 per cent to Mr Koi."

Do you recall being told any of this, Ms Lahey?

15 **MS LAHEY:** No, I don't recall at all.

MR CONDE: And would you agree that the expression "sharp business practice" comes to mind in this second channel as well?

20 **MS LAHEY:** Yes. I would need to digest it more fully, but, yes, at first blush.

MR CONDE: And remembering that the introductory language to these descriptions of the payment channels was that - remember this is the third option, because the first was, I think, EFT and the second was a licensed money service remitter. But this is for patrons based in Macau who can only pay The Star in cash. What, if any, comment do you have on the risks of patrons who are said only to be able to pay in cash and not via EFT or licensed remittance provider in their home jurisdiction?

30 **MS LAHEY:** Well, once again, we - we would want to do a thorough source of funds due diligence on any of those patrons.

MR CONDE: And if I can take you to the next part, under Associated Risks. That's the first and exact concern that Mr White identifies. Do you see under that section Associated Risks, he says:

40 "The arrangements outlined above intrinsically carry a higher AML/CTF risks, as the funds being used to repay amounts owing to The Star are originating from our patrons as cash and it is difficult to identify the source."

MS LAHEY: Yes.

MR CONDE: And then would you also agree with Mr White's risks identified in paragraph (b) of having no visibility of where payments are going and costs incurred?

MS LAHEY: Yes.

MR CONDE: And then if we could go over, please, to pinpoint 0003. Would you agree that - with Mr White's risk identified in paragraph (c) of increased reputational and operational risk?

5 **MS LAHEY:** Yes.

MR CONDE: And still in paragraph (c), do you see he writes - it's three lines from the bottom, I believe:

10 "The Star's participation in arrangements could lead to reputational exposure and (in a worst case scenario) involvement of our employees in any local law enforcement action."

And then he says:

15 "The Star taking a passive role in referring our customers to Regal Crown and Silver Express would address this issue at least in part."

20 Would you agree that taking a passive role in referring patrons doesn't address the issue at all?

MS LAHEY: No, it's another one of those workarounds that don't seem to be the least bit appropriate to a highly regulated company like Star.

25 **MR CONDE:** And would you agree that taking a passive role while referring patrons is equivalent of, you know, turning a blind eye to the risks?

MS LAHEY: Yes.

30 **MR CONDE:** And then do you see paragraph (d), Mr White says this might result in a breach of the New South Wales and/or Queensland legislation, as a potential granting of a discount on debt which can only be approved with regulatory consent, and the legal team have not been involved or asked to advise on a compliant process?

35

MS LAHEY: Yes.

40 **MR CONDE:** Would you agree, Ms Lahey, that these arrangements simply should not have been taking place?

MS LAHEY: I agree. They shouldn't have been contemplated.

45 **MR CONDE:** And do you think the board should have been told of these arrangements?

MS LAHEY: Yes, but I think they should have been - had a line drawn through them - a red line drawn through them by the senior management team. They didn't need to come to the board because they shouldn't have been even contemplated.

MR CONDE: It might be stating the - asking the obvious, but perhaps not obvious to everyone. Is that because it was your expectation that management simply wouldn't even contemplate sharp business practices?

5

MS LAHEY: Absolutely. As I say, we're in a highly regulated industry. We've got the Queensland regulator, the New South Wales regulator, AUSTRAC, all very, very concerned about these issues. The board would have expected these things to have not even appeared on the thought processes of our senior management team.

10

MR CONDE: If I can now move on to EEIS. If we can go to exhibit B3377, which is STA.3412.0008.7300. And if I might ask the operator to show you the last page of this document, Ms Lahey, so that you can see the date. It should be 7 July 2021. Do you see that?

15

MS LAHEY: Yes.

MR CONDE: And then if we can go back, please, to the first page. Do you recall receiving this paper?

20

MS LAHEY: Yes. Yes.

MR CONDE: And do you see on the first page - if we could just enlarge Conclusions to the bottom. Do you see that there's some recommendations there? One is that EEIS should change its name. And in the footnote is the point that I think you made earlier, Ms Lahey, that Echo Entertainment International is the sort of origin of that abbreviation. But the recommendation there is to make clear that it's a Star related entity. Do you see that?

25

30

MS LAHEY: Yes.

MR CONDE: And then in points 2 and 4 that the board and committees should receive comprehensive reporting, and any future AML/CTF review should include EEIS. So far as you're aware, is it correct, Ms Lahey, that - sorry. In the following paragraph, you might see on the second line it says at the end that EEIS's operations were paused in early 2020?

35

MS LAHEY: Yes.

40

MR CONDE: And if you - you can assume that the accounts were closed before any resumption. So it's correct, though, that - is it, that you don't have any recollection of having received comprehensive reporting of the kind contemplated in that second point?

45

MS LAHEY: Well, no, because by the time we had received this report from Seyfort, the - the accounts were already dormant - the bank accounts were already dormant and haven't been revived.

MR BELL SC: Ms Lahey, in the period from when EEIS was reactivated until the pause in early 2020, in that period of time, what business did you understand that EEIS was conducting?

5

MS LAHEY: I understood it was primarily for - for Star to be enabled to - to collect debt from its Chinese patrons outside of China. We were not allowed to collect gambling debts within China. This was a mechanism that we could use to collect our debts.

10

MR BELL SC: And why did you understand the payments were being made to EEIS rather than directly to The Star?

MS LAHEY: I understood it was because this was an account that was set up in Macau after the closure of the Macau bank accounts, and this was just an easier way of doing it rather than having them transferred straight to Australia.

15

MR BELL SC: So you understood it was primarily just another payment channel; is that right?

20

MS LAHEY: Yes.

MR BELL SC: And the only explanation that has been offered to this review as to why this payment channel operated instead of payments directly to The Star was in order to disguise the fact that patrons in China and Macau were making payments to a casino. Do you have any comment on that?

25

MS LAHEY: I wasn't aware that that was the reason why we had set this mechanism up.

30

MR BELL SC: Well, you said you thought it was easier. Why did you understand it was easier for patrons to pay to EEIS rather than to The Star?

MS LAHEY: Because this was - just because it was an account in Macau rather than an account in Sydney and that the customers that were paying into these accounts were generally locals.

35

MR BELL SC: Did you know that EEIS had an account with the National Australia Bank in Australia in this period?

40

MS LAHEY: No, I didn't.

MR BELL SC: So are you telling me that you understood that its only banking operations were a bank account in Macau?

45

MS LAHEY: Yes.

MR BELL SC: Are you now aware, from the evidence given to this review, that, in fact, EEIS had the bank account with the National Australia Bank in Australia into which hundreds of deposits were made in the period from 2018 to early 2020?

5 **MS LAHEY:** I'm not sure that I am aware of that even now. I don't know whether that has been given as evidence in - in this inquiry.

MR BELL SC: Yes, Mr Conde.

10 **MR CONDE:** In terms of the loans associated with EEIS, Ms Lahey, would it surprise you to hear that the value of loans issued by EEIS was over \$100 million?

MS LAHEY: I don't have a view on how much money would have been transferred using this - this method.

15

MR BELL SC: Did you know that EEIS was making loans to customers to enable them to gamble at The Star?

MS LAHEY: Yes, I did.

20

MR BELL SC: Mr Conde.

MR CONDE: Ms Lahey, I take it you're well aware of the October 2021 allegations aired on 60 Minutes and in the Sydney Morning Herald and Age newspapers about Star?

25

MS LAHEY: Yes, I am.

MR CONDE: If I bring up the first of the articles. It's exhibit B3156, INQ.014.001.0005. Do you recall reading this article at the time?

30

MS LAHEY: Yes.

MR CONDE: And if I might check your recollection before going to particular parts of it - or perhaps we won't need to. But do you recall the article raising an issue in relation to the KPMG reports?

35

MS LAHEY: Yes, I do.

MR CONDE: And they were said to be highly critical of Star Entertainment's AML program?

40

MS LAHEY: Yes.

MR CONDE: Would you agree with that assessment, highly critical?

45

MS LAHEY: They were certainly critical and they recommended a major uplift in our AML reports - in - in our AML program.

MR CONDE: And do you recall they referred to Mr Huang Xiangmo as a high roller at The Star?

5 **MS LAHEY:** Yes.

MR CONDE: And they referred to Suncity. I don't suggest there's a reference to Salon 95, but there's a reference to the question whether Star should have been doing business with Suncity in light of adverse information in relation to Crown?

10

MS LAHEY: Yes.

MR CONDE: And do you recall the publications referred to China UnionPay cards being used by Phillip Dong Fang Lee to move millions of dollars from China to Australia?

15

MS LAHEY: Yes, I think so.

MR CONDE: And at the time, do you agree that these allegations raised extremely serious matters?

20

MS LAHEY: Yes.

MR CONDE: If I take you to an ASX release that was issued on 11 October. That's exhibit H473, INQ.003.006.0539.

25

MS LAHEY: Yes.

MR CONDE: Do you recall approving this ASX release?

30

MS LAHEY: Yes.

MR CONDE: And do you see the second paragraph says:

35

"The Star is concerned by a number of assertions within the media reports that it considers misleading."

MS LAHEY: Yes.

40

MR CONDE: Knowing what you do now, would you - sorry, I withdraw that. Would you agree that at the time, 11 October 2021, you and your board colleagues were of the view that a number of assertions were misleading but also a number of assertions were not?

45

MS LAHEY: Yes. Yes.

MR CONDE: And so would you agree that by focusing in this first sentence on the first of those, being the ones you think were misleading, and not having any

kind of qualification or reference to the others, there was a risk that this announcement itself was misleading?

5 **MS LAHEY:** I think the announcement could have been more carefully worded. But I don't think, as a whole, the ASX announcement is misleading. It's probably poorly worded.

10 **MR CONDE:** At this time, is it correct that you didn't know a number of the things that we've spoken about today, such as, in particular, the Salon 95 issue and the extent of the CUP card usage - sorry, I withdraw that. It's correct, isn't it, by this stage, you had had the briefing on the CUP card usage?

15 **MS LAHEY:** We had certainly had the briefing in either September or October. So I'm not quite clear exactly of the - the sequence, but we knew about CUP.

MR CONDE: But is it correct that you did not know at that time the full detail of Salon 95?

20 **MS LAHEY:** We didn't know that. I only found out about it after this inquiry.

MR CONDE: If we go to - do you recall an announcement was made the next day with further information?

25 **MS LAHEY:** Yes.

MR CONDE: And if we go to that, exhibit B3176, which is STA.3411.0001.7109. And do you recall that this ASX release focused on the KPMG reports and AML/CTF related issues?

30 **MS LAHEY:** Yes.

MR CONDE: And so far as you recall, why was there that focus on those - the KPMG reports and AML/CTF related issues?

35 **MS LAHEY:** Because I think we were hearing that the - there was a view in the marketplace that somehow or other we had altered the KPMG report; we had received it in 2018, and we'd spent - the management had spent time watering it down, if I use the colloquial term. And we felt we needed to correct - that we had received the KPMG report in - in total, in whole, unaltered, and the board's
40 program then was to implement the changes that KPMG recommended.

MR CONDE: And is it correct that - if I can just ask you to read the - under - if the Summary section could be enlarged, please. Do you see in the Summary section, the first paragraph - it's the second paragraph overall - begins, "Recent
45 media reports," and - may I ask you to read that paragraph.

MS LAHEY: Yes.

MR CONDE: And also the fourth paragraph, the one beginning, "Details of the review."

MS LAHEY: Yes.

5

MR CONDE: And it's correct, isn't it, that at the time of this ASX announcement, the board was not aware that AUSTRAC had requested the KPMG part A report on 14 September 2018, and Star had refused until late January 2020, asserting legal professional privilege?

10

MS LAHEY: The board wasn't aware at this stage that those reports had been delayed in being sent to AUSTRAC.

MR CONDE: And so is it correct that had you known that at the time, you wouldn't have put those paragraphs in the same terms as expressed there?

15

MS LAHEY: Yes, we may have worded them differently.

MR CONDE: Ms Lahey, do you have any general comment on the overall - the matters that have been referred to in these public hearings and that have become known to you in more recent times? And I can give examples, but I think - do you understand what I mean by that?

20

MS LAHEY: Yes. You've raised EEIS, China UnionPay, our relationship with NAB - a whole range of other issues this afternoon, and I think you've identified through this review a number of very significant shortcomings.

25

MR CONDE: Would you agree that, ultimately, the board has to take responsibility for those shortcomings?

30

MS LAHEY: I think the board has to put in place a program to make sure those sort of shortcomings aren't ever (indistinct) in the future. I think the board has already started to take steps to ensure that that's happening. We've had a number of senior management changes. We've seen a number of significant resignations. We've still got further work to do on our organisation staffing structure. Obviously, we put a stop to - a suspension on - our international rebate play. We've asked PricewaterhouseCoopers to do another piece of work looking at our culture, particularly our risk and compliance culture. In our AML program, we are speeding up the work we're doing in TrackVia, which is our automated transaction monitoring program. And, of course, from the directors' point of view, we have put in place a search company to look for new directors as part of our board renewal program.

35

40

So work is happening already that I hope will address the shortcomings that this review has identified. And, you know, that's part of the review's job, is to identify these shortcomings. And you've identified them so clearly that, as a board of directors, we've already - we're not waiting for the result of the - the report to come down. We're starting to do work on it already. And I think one of the biggest

45

things we've got to address is our relationship with the regulators. I think we've had a "them and us" relationship with the regulators, and that needs to be changed. We need to have a significantly positive relationship with our regulators. Our objectives and their objectives are the same. We should be able to work together to - to address the problems that this review has identified for us.

MR CONDE: Mr Bell, I have no further questions.

MR BELL SC: Ms Lahey, you're the chair of the people, culture and social responsibility committee of Star Entertainment; is that correct?

MS LAHEY: Yes, that's right, Mr Bell.

MR BELL SC: I want to talk to you for a little while specifically about culture. Do you agree that there have been significant cultural failures at Star Entertainment which have been disclosed by the evidence to this review of which you're aware?

MS LAHEY: Yes.

MR BELL SC: And those cultural failures are failures for which the board must accept significant responsibility; do you agree?

MS LAHEY: I do.

MR BELL SC: And do you agree that the evidence discloses respects in which material information which the board of Star Entertainment needed to know being withheld from it?

MS LAHEY: Yes.

MR BELL SC: And would it be fair to say, in your view, that the evidence to this review of which you're aware shows a systemic failure of management to tell the board the unvarnished truth?

MS LAHEY: I think there has been some failure on - on a number of issues - not on all issues, but on the key issues that have come before this inquiry. We haven't had the full picture presented to the board. A piece of the picture and, you know, a clear lack of transparency from the senior management team to the board.

MR BELL SC: The board needs management to tell it the truth, doesn't it?

MS LAHEY: It absolutely does.

MR BELL SC: And among other things, one reason for that is that if management is withholding the truth from the board, the board can't ever know whether the risks, in fact, being undertaken by the organisation are within its risk appetite; do you agree?

MS LAHEY: Yes, I do.

5 **MR BELL SC:** And so do you agree that the systemic failure of management to tell the board the truth which has been revealed by the evidence in this review is itself a cultural issue?

MS LAHEY: Yes, it's a cultural issue.

10 **MR BELL SC:** And as the chair of the people, culture and social responsibility committee, do you have any insights as to how these failures of culture have occurred?

15 **MS LAHEY:** I think there are a number of reasons that we could identify. I'm not sure which of these apply to our organisation. I'd have to give more thought to it. But certainly that relationship with the regulator was particularly poor. And there was a feeling that as long as we follow the letter of the law, the spirit of the law was something on - to one side. So we were very concerned about legal issues, but only the letter of them.

20 I also think there was perhaps a degree of complacency. A lot of our senior managers had worked together as a team for 15, 16, 17 years. Perhaps there was groupthink, and that is quite common when teams of people work together and they all sort of nod at the same point. There's nobody in that group challenging the views that this is not appropriate, it's illegal, the board should know. There's nobody questioning that. I think for some of the other more junior team members - I've thought about this when I've been reading their memos. Perhaps it was the Peter principle. Perhaps we've been - some people have been promoted beyond their level of competency. It could be all of those factors or it could be one or two of those factors or a range of them.

25 But, clearly, that - that lack of understanding of the risks of the business and the lack of understanding of where on that risk line we stood between risk aversion and taking risks - as a highly regulated industry, we were at this end. We - we were - we should have been risk-averse for most things and, if in doubt, check with the regulator. And I think that wasn't our first thought. And if you go back to that issue about the letter of the law versus the spirit of the law, you know, that - it comes up under the Casino Control Act that we should be dealing with people of good repute. Well, our team seemed to take a very narrow definition of "good repute". Unless you've been charged with a criminal offence, we assume you're of good repute.

30 So those assumptions about good repute, the fact that, you know, the default risk level that we gave to our patrons was always low unless blind Freddy could prove otherwise, it seemed to me that that part of the culture that we've seen in parts of the business - not in all parts of the business, because in other parts of the business, we've got staff that are really engaged and very positive and doing their job properly. I would hate them to be tarred with this brush. There's 8000 of them,

and the majority of them are working very hard and doing the right thing. But there's a - there's a group there that haven't been, and we need to make changes to make sure that this doesn't happen again.

5 **MR BELL SC:** And, Ms Lahey, you've been on the board of Star Entertainment since March 2013; is that correct?

MS LAHEY: That's right.

10 **MR BELL SC:** And there have been some ASX releases by the board saying that an accelerated process of board renewal is underway; is that correct?

MS LAHEY: Yes, that's right.

15 **MR BELL SC:** And what are your personal intentions in that regard?

MS LAHEY: I will be part of that renewal process. As soon as new directors become available - they do have to go through probity. We've got one already in the waiting room who has been there about four or five months. As soon as new
20 directors become available, I'm willing to step down.

MR BELL SC: Yes. Yes. Thank you, Mrs Lay. Ms Richardson, do you have any questions?

25 **MS RICHARDSON SC:** No.

MR BELL SC: Mr Henry, anything arising?

MR HENRY SC: No. Thank you.
30

MR BELL SC: Thank you very much for your evidence, Ms Lahey. The formal direction that I will make is that your examination is adjourned, but you won't be required to attend to give any further evidence unless you receive some notification from the review.

35 **MS LAHEY:** Thank you, Mr Bell. Thank you, Mr Conde.

MR CONDE: Thank you, Ms Lahey.

40 **<THE WITNESS WAS RELEASED**

MR BELL SC: I see the time. I will now adjourn until 10 am on Monday.

<THE HEARING ADJOURNED AT 4:56 PM