

Perth Casino Royal Commission

Witness Statement of Bruce Carter

22 October 2021

1. I am Bruce Carter of c/- Crown Resorts Limited, Level 3, 8 Whiteman Street, SOUTHBANK VIC 3006.
2. This statement is provided in response to:
 - a. the witness summons to give evidence dated 8 October 2021 and issued pursuant to section 9 of the *Royal Commissions Act 1968* (WA), which is directed to me by the Perth Casino Royal Commission (**Commission**); and
 - b. the list of topics to be addressed by me in written witness statement provided by the Commission.
3. I provided a witness statement to the Royal Commission into the Casino Operator and Licence, established by letters patent on 22 February 2021 (**Victorian Royal Commission**) dated 12 June 2021. I have referred to my Victorian Royal Commission Statement in preparing this witness statement.
4. For the purposes of preparing this statement, I have also referred to the documents in the attached list marked '**BC-1**'.

Qualifications and experience

Questions 1 and 2

5. I hold a Bachelor of Economics from the University of Adelaide and a Masters of Business Administration from the Heriot Watt University, Edinburgh Business School Scotland.
6. I am a Fellow of the Institute of Chartered Accountants, a Fellow of the Institute of Company Directors and a Life Member of the Australian Restructuring Insolvency & Turnaround Association.
7. From 1979 to 1988, I was employed by Ernst & Young (or its predecessor firms) in Adelaide, South Australia. During that time, I spent approximately two and a half years on secondment to their offices in London, Toronto, New York and Hong Kong. My professional work was in restructuring, insolvency and turnaround, predominantly of corporations.
8. In March 1988, I became a Partner at Ernst & Young and remained there until October 1992.
9. In 1992, I established the South Australian office of Ferrier Hodgson where I was the Managing Partner until June 2012.

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10. During my time as a Partner of Ernst & Young and then Ferrier Hodgson I was an Official Liquidator in the Supreme and Federal Courts and a Trustee in Bankruptcy.
11. From July 2012 to June 2019, I remained as a Consultant to Ferrier Hodgson until that firm was sold to KPMG.
12. Since July 2012, my primary occupation has been as a non-executive company director.
13. My CV [CRW.510.085.0001] outlines my current and former directorships and appointments. This demonstrates the wide and varied experience I have had in public companies in Australia, New Zealand and the United States as well as in dealing with government business enterprises and government reviews.
14. I will not repeat all of my appointments here, and this section should be read in conjunction with my responses to the section headed 'Skills and Competencies' below. However, there are a number of matters I wish to highlight which are relevant to my experience and qualifications in the gambling or gaming sector, risk management, gambling related harm minimisation and anti-money laundering and counter-terrorist financing (**AML/CTF**) risks, and also to my experience in turning around and effecting significant change in businesses and organisations facing significant challenges.

Involvement in Turnarounds

15. I have been involved in numerous corporate insolvencies, restructurings and turnarounds involving businesses and enterprises of all sizes. That work has involved financial restructuring, the sale of assets, detailed investigations and complex litigation. Many of my appointments as an insolvency practitioner and company director have involved operating businesses and overseeing, managing, directing and effecting operational and cultural change to effect a successful turnaround.
16. Some examples of my turnaround experience include the following.
 - a. As Chair of the Australian Submarine Corporation (**ASC**), I led a significant program to turn around the performance of the business and drive cultural change. The business was performing poorly and morale was low, following some public comments made by the Minister of Defence. It had an acting CEO and problems with its two major programs. In my role as Chair, I focussed the business and workforce on safety, quality and resilience. Within a year, the business had improved dramatically and continues to deliver world class performance to this day. It has been described as an exemplar performer among Government enterprises by subsequent Ministers.

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- b. In 2003, I was appointed by the South Australian Government as Chair of Workcover Corporation Limited to oversee a corporate restructuring and turnaround of a business which was, in my view, out of control. A full new Board was appointed by the State Government and I focussed the turnaround on a reset of core values of quality service to our stakeholders, and acting with the highest integrity. My role with WorkCover concluded in 2008 after the State Government appointed me to its most senior unelected position, being a member of the Executive Committee of Cabinet.
- c. In 2005 I was appointed by the Northern Territory government to prepare a report into the Territory Insurance Office. I was then appointed to the board, and subsequently became Chair, of the office to oversee a turnaround of its business. Following that turnaround process, I stayed in the role of Chair until 2015, when the business was sold to Allianz Australia Insurance Ltd at a price exceeding the Government's early expectations.

SkyCity

- 17. In 2010, following a referral from the Treasurer of the State of South Australia, I was appointed as a Director of SkyCity Entertainment Group Limited (**SkyCity**). In August 2011, I was appointed Deputy Chair of SkyCity, and in October 2012, I became Chair of its Board Audit Committee (which later became the Audit and Risk Committee).
- 18. SkyCity operates casinos in Auckland, Hamilton, Christchurch, Queenstown in New Zealand and Adelaide and formerly Darwin in Australia. It is listed on the New Zealand Stock Exchange and is one of the country's largest companies. It is co-listed on the Australian Stock Exchange.
- 19. My role on the board of SkyCity since 2010 has provided me with significant exposure to a number of issues affecting the gaming industry, including the need to ensure that gaming services are provided responsibly in a way that minimises harm to the community, and in respect of AML/CTF risks and concerns. My role has also given me significant experience in risk management, including through chairing the Audit and Risk Committee.
- 20. I resigned from the SkyCity board in March 2021.

Bank of Queensland

- 21. In 2014, I was appointed as a Director of Bank of Queensland Limited (**BoQ**) and subsequently as Chair of its Board Risk Committee.
- 22. My role at BoQ has provided me with a broad understanding of AML/CTF risks and the ways in which those risks can be addressed, and risk management (which has been a

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particular focus in the banking and finance industry following the Financial Services Royal Commission).

23. I have also undertaken, and continue to undertake, AML/CTF training as part of my role at BoQ.

Other matters

24. Over the course of my career, I have undertaken many roles which have required me to uphold the highest standards of professionalism and ethics. As a registered and official liquidator, I was an officer of the Court for many years, and my role as Chair of ASC has required me to have clearance at the Negative Vetting Level 1, which is one of the highest security civilian clearances.
25. I have also undertaken numerous roles with governments, both Federal and State, and I have significant charity and community experience which broadens my outlook, including being a life member of the South Australian Amateur Football League as a player and central umpire.
26. My broad life and professional experiences and responsibilities that I have been fortunate enough to have, in my view, provides a rounded life experience for roles such as being a director of Crown Resorts Limited (**Crown Resorts**). I am well aware that Crown Resorts (and the broader Crown Group) has many challenges in front of it and requires a change to its corporate culture, philosophy and operation. I believe I am well credentialled to assist in addressing those challenges.

Appointment*Question 3*

27. On 12 April 2021, Crown Resorts announced that I had been invited to join its board subject to clearances from applicable jurisdictions that I am a fit and proper person to occupy such a position. Those clearances were received in August 2021.
28. The circumstances leading to my appointment are as follows. Korn Ferry had been engaged to recruit new Crown Resorts directors following the departure of a number of directors. In January 2021, Korn Ferry contacted me as a referee for Nigel Morrison, who was the SkyCity Managing Director for part of the period when I was on its board.
29. I had not seen Nigel since his departure from SkyCity, but I held (and hold) him in high regard and my reference reflected this position accordingly.
30. I understand from subsequent discussions with Mr Morrison that he recommended to Korn Ferry that I be considered for appointment as a director. I then had discussions in February

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2021 with Korn Ferry about whether I was interested in a position on the Crown Resorts board.

31. I had an initial meeting with Helen Coonan and Toni Korsanos, and a short discussion with Jane Halton, who was known to me as the previous Secretary of Finance for the Federal Government. (In my role as Chair of ASC I reported through the Finance Department to the Minister for Finance, and thus had dealt with Ms Halton previously.) I spoke to no other existing or prior Crown Resorts board members. Other than Helen Coonan, in her capacity as Acting CEO, I spoke to no members of management.
32. Following these initial discussions, I resigned as a director of SkyCity to enable proper discussions with Korn Ferry and Crown Resorts to occur. Following further discussions with Korn Ferry and Crown Resorts, and the usual selection process activities (e.g. vetting and reference checking), I was offered, and accepted, a role on the Crown Resorts board.

Question 4

33. In addition to my role as a director of Crown Resorts, I hold the following roles in the Crown Group.
 - a. I have been appointed Chair of Burswood Limited, pending receipt of regulatory approvals;
 - b. I am a director of Burswood Nominees Limited, Burswood Resort (Management) Limited, Burswood Catering and Entertainment Pty Ltd, Burswood Hotel Pty Ltd, Burswood Property Holdings Pty Ltd and Crown Melbourne Limited;
 - c. I am Chair of the Crown Resorts Audit and Corporate Governance Committee, and a member of the Crown Resorts Responsible Gaming Committee, the Risk Management Committee and the Safety and Sustainability Committee; and
 - d. I am Chair of the Crown Melbourne Audit Committee.

Packer association*Question 5*

34. I have had no prior or current association with James Packer. I have not met or communicated with him. As far as I am aware I have never met any officer of Consolidated Press Holdings or other companies associated with Mr Packer.
35. I have had no communications with James Packer or companies or persons associated with him during 2021.

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Skills and competencies*Questions 6 to 8*

36. The Skills Matrix in the 2021 Crown Annual Report includes 15 skills and competencies. In my view I have significant experience, skills and competencies in most of those areas and my CV reflects this. The following examples are illustrative.
- a. I have significant leadership and listed company experience. I have been a Partner in two large accounting firms, including as Partner of Ernst & Young and Managing Partner of the Adelaide office of Ferrier Hodgson for a number of years. I am an experienced director of companies on the Australian, New Zealand and New York Stock Exchanges, such that I have experience in dealing with regulatory requirements in multiple jurisdictions.
 - b. My role as an insolvency practitioner, and director, has given me significant experience in developing and implementing business strategies and identifying creative and innovative solutions to the problems companies face. I also have a deep understanding of financial matters, including capital management and financial controls.
 - c. I have extensive experience in risk management, including as Chair of the Risk Committee at BoQ and the Audit and Risk Committee at ASC. I have also been a member of the Risk Committees at AIG and Genesee & Wyoming Inc.
 - d. As a director of SkyCity, I have extensive experience in gaming and hospitality, and I have also been involved in various hospitality insolvencies and restructures over my career.
 - e. In respect of sustainability, environment and corporate social responsibility:
 - i. I was Chair of the South Australian Premier's Climate Change Council for 12 years, and was a speaker at the 2015 United Nations Climate Change Conference in Paris; and
 - ii. I was Chair of RenewablesSA between 2009 and 2012. This body was responsible for the development for a renewable energy industry in South Australia, including assessment and allocation of seed funding.
 - f. In relation to people and culture, I detailed above that I was involved in the cultural turnaround of the ASC after public government criticism of the performance of the company. I have been involved in driving successful cultural change programs in a number of other roles over my career.

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- g. My role as Chair of ASC has given me extensive experience dealing with workplace health and safety issues, which is a matter on which I place the utmost importance.
 - h. I have held various roles which have included an element of public policy and stakeholder engagement. In addition to those outlined at paragraph e above, some further examples include:
 - i. an appointment by the then Prime Minister (Julia Gillard) to review the distribution of GST revenue to the states and territories and the operation of the Minerals Resource Rent Tax – the report for that review was published in 2012; and
 - ii. my work on the Resources, Infrastructure and Investment Task Force which has included negotiations on behalf of government regarding the structure of resource industry assets in South Australia.
37. Since joining the Crown Resorts board, I have:
- a. undertaken some online training modules, including on AML/CTF issues, anti-bribery and corruption, and the responsible service of gambling;
 - b. had briefings with the Crown Resorts and Crown Perth management, and with in-house and external legal advisers, on a number of issues affecting the Crown Group, including the structure and governance of the Crown Perth business, risk management, AML/CTF issues and on responsible gambling; and
 - c. taken steps to familiarise myself with the Crown Perth property, including by meeting regularly with the CEO of Crown Perth to discuss the business, and getting out into the business and talking to staff during my trips to Perth.
38. I consider that it is important to undertake ongoing professional development and stay abreast of developments in the sector worldwide. My various professional memberships and other board roles require me to complete ongoing professional development activities and training. Within the Crown Group, I am aware that the People, Remuneration and Nomination Committee of the Crown Resorts board has recently approved a program of training for non-executive directors which I have reviewed and consider appropriate.

Governance and risk management

Questions 9 to 13

39. The board of Crown Resorts identifies areas of significant business risk, and seeks to manage those risks, through its risk management framework. Since joining the Crown Resorts board, I have discussed the risk management framework with Crown Resorts' Chief Risk Officer and have familiarised myself with the materials comprising the

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framework. I have also read the witness statement of Ms Halton provided to the Victorian Royal Commission, which sets out a comprehensive summary of the framework and the Crown Group's processes for reporting, escalating and managing risks.

40. I am aware that the framework adopts a 'three lines of defence' approach, namely:
- a. first line – the operational functions that own and manage risks;
 - b. second line – provides a link between the board and management and owns the risk framework; and
 - c. third line – internal and external audit which independently assess the quality of the risk framework and the controls across the business on a regular basis.
41. The Crown Resorts board has a Risk Committee (which is chaired by Ms Halton) and an Audit and Corporate Governance Committee (which I now chair following the departure of Toni Korsanos from the board). It has also recently appointed a new Group General Manager – Internal Audit, Jessica Ottner. Ms Ottner has a reporting line to the Crown Resorts Audit and Corporate Governance Committee.
42. In my view, it is important to embed risk awareness throughout the business and to have a culture where people feel comfortable raising risks and problems. All directors and employees must recognise and appreciate that:
- a. Crown's licence to operate can be revoked at any time; and
 - b. in all of the jurisdictions in which we operate, we occupy a privileged position of significant importance to our community.
43. As a director of Crown Resorts, my aim is to be unambiguous, visible and accessible to all staff and other stakeholders. I will work closely with management but will maintain an appropriate degree of distance to ensure my ability to question and challenge them is not compromised.
44. Benchmarking will be an important part of ensuring practices are effective and able to respond to new and emerging risks. My extensive experience and directorship of a range of entities gives me visibility of what other companies are doing in respect of risk management and (subject to confidentiality constraints) enables me to apply my learnings in my other roles.

Question 14

45. I can only comment on the workings of Crown Resorts board meetings since my appointment. That said, in my view:
- a. the agendas for Crown Resorts board meetings are appropriate;

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- b. the quality of papers presented at Crown Resorts board meetings is very good;
- c. directors do not always have a lot of time to review papers prior to meetings, but that is a product of the extremely fast paced and dynamic environment in which Crown Resorts currently finds itself (with multiple regulatory processes and litigation occurring simultaneously, and extremely frequent board meetings);
- d. there is good, robust discussion amongst the Crown Resorts directors at board meetings; and
- e. management presentations are delivered effectively by executives with significant subject matter experience and expertise.

Governance of Crown Perth*Questions 15 to 22*

- 46. The Crown Perth structure (as set out at question 15 of the list of topics), has been explained to me. Further, since the announcement that I would become Chair of Burswood Limited, I took it upon myself to take steps to understand the structure, including reading the relevant documents at a high level. I am broadly familiar with the terms of the Burswood Property Trust Deed.
- 47. I attended the board meeting of Burswood Limited on 23 August 2021 as an observer. My appointment as Chair is yet to be formalised and will be subject to receipt of the relevant clearances.
- 48. I understand that:
 - a. there is currently no formal mechanism for reporting matters from the boards of Burswood Nominees Limited and Burswood Resort (Management) Limited to the board of Burswood Limited; and
 - b. a Crown Perth CEO update is given at Crown Resorts board meetings.
- 49. I am aware that there are a number of centralised functions across the Crown Group (including Risk, Compliance, AML / CTF, and Information Technology). In my experience it is common in a corporate group to have a centralised structure and there are significant benefits in doing so. For example centralisation enables companies in the group to:
 - a. have the benefit of funding that can be secured from a large corporate group – indeed, I understand that Crown Resorts has invested around \$1.2 billion in Crown Perth since it was acquired;
 - b. leverage economies of scale; and

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- c. invest on a larger scale in quality processes including business practices, controls, IT systems and human resources functions,
- 50. Of course, it is always important for local conditions and regulations to be taken into account when applying those centralised functions.
- 51. As discussed below, there have been some recent discussions about potential changes to the Crown Perth governance arrangements, including the implementation of a Burswood Limited Board Charter and amendments to its constitution. Burswood Limited will engage with its regulators as appropriate, and consider the findings of the PCRC and other regulatory processes, before finalising any changes to governance arrangements.
- 52. Since my appointment, I have travelled to Perth three times, most recently, from 15 – 17 October 2021 to support Crown Perth's Telethon efforts. I plan to return to Perth to appear before the PCRC in person.
- 53. I speak with Lonnie Bossi, Crown Perth CEO, weekly and I have spoken with Maryna Fewster, the independent non-executive director of Burswood Limited, a number of times since my appointment. I spoke to her over the telephone upon my appointment and on a number of occasions since then, and I met with her in person in Perth at the first available opportunity and again on Friday 15 October 2021.

Crown Melbourne and Crown Perth

Questions 23 to 26

- 54. I am familiar with article 3.12 of the Burswood Limited constitution, which requires that the 'head office' of the company (being the place where central management and control are exercised) be located in Western Australia.
- 55. The central management and day-to-day control of the Crown Perth business occurs in Perth. Mr Bossi, the CEO, and other members of senior management with direct responsibility for running the business are located there (notwithstanding that some functions are performed by individuals who hold group level roles and are located in Melbourne, Sydney and Perth). Accordingly, in my view, Burswood Limited is complying with article 3.12.
- 56. I am also familiar with clauses 22.1(r) and 22.1(ra) of the Casino Agreement in Victoria. In my view, Crown Resorts and Crown Melbourne are complying with those clauses. I do not think there can be any suggestion that Crown Casino in Melbourne is not the dominant casino in the Crown Group (or in Australia). Further, there are significant benefits of having a number of resorts operating under the same 'Crown' banner – not least that it helps

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promote the business of the group, and the broader tourism sector and economy, as a whole.

Role as Chairman*Questions 27 to 32*

57. As incoming Chairman of Burswood Limited, I consider my role and responsibilities will be to:
- a. establish and maintain an appropriate relationship between Crown Resorts and Burswood Limited;
 - b. ensure that the Burswood Limited board works well together;
 - c. set a framework so that Crown Perth can operate effectively; and
 - d. ensure there is a reasonable return to Burswood Limited's shareholder whilst being mindful of local obligations and operating conditions.
58. An immediate priority for me is establishing a Burswood Limited Board Charter. A draft of this document has been prepared and has been reviewed by the Crown Resorts board. It is currently being reviewed by the Burswood Limited board and I forwarded it to Ms Fewster on 18 October 2021 for her review. At this stage, the charter will only be approved in draft form to ensure that it can take into account any feedback or requirements which arise out of the PCRC.
59. I am aware that Ms Fewster has raised concerns about aspects of the governance of Burswood Limited and have discussed these with her. As I have only attended one board meeting as an observer, I do not have personal experience of the matters she has raised but I will ensure that they are considered and addressed.
60. I am aware that the ERCC at Crown Perth is a management committee which identifies, considers and escalates risks relating to Crown Perth and its business. As it is a management committee, I am not a member of the ERCC, but I am aware that it reports (and escalates matters) to the Burswood Limited board. I consider that this structure is appropriate.

Gambling-related harm minimisation*Questions 33 and 34*

61. The Crown Group has an obligation to minimise gaming-related harm and implement leading responsible gaming programs. If we do not have those programs, we will prejudice our licence to operate. Community expectations are ever-changing in relation to gaming.

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These expectations are changing as analysis becomes more sophisticated, and Crown must adapt to these changing expectations.

62. In this regard, I see the Crown Group's obligation to minimise gaming-related harm and the obligations to the shareholders as complimentary, interdependent obligations, rather than being inconsistent.
63. In my view, some of the evidence which was heard in the Victorian Royal Commission, and in the PCRC, has shown that there is a need for the Crown Group to continuously adapt and improve its practices and processes relating to the responsible service of gambling. I am aware that the following steps have been taken recently:
 - a. appointment of an advisory panel of three experts;
 - b. approval of the construction of a new Responsible Gaming Centre in Perth;
 - c. increasing resourcing and salaries across Responsible Gaming; and
 - d. a strong focus and emphasis and commitment on uplifting and improving our effectiveness in this important area.

Culture

Questions 35 to 37

64. It is evident that, in the past, the Crown Group (including Crown Resorts and Crown Perth) has not had a culture that is satisfactory or appropriate for its operations and its position in the community.
65. Right now, the corporate culture is in a period of transition. Direction needs to be set at a high level. We need our leaders to be 'walking the talk'.
66. There has been a significant change in personnel both at the Crown Resorts board level and across senior management. I have been enormously impressed by the quality of recent hires at the executive level. My recent visits to Crown Perth have coincided with very busy periods for the business – namely Grand Final weekend and the Telethon. I witnessed first-hand the high level of professionalism and a clear customer service focus across the workforce. Having engaged with staff at all levels, I am also aware that many employees have been with Crown Perth for more than 10 years and my impression is that in the past they have been proud to work for the company, and its place in the Western Australian community.
67. My perception is that the matters identified in the various recent inquiries have led to many losing or questioning this pride. We need to rebuild this pride, as well as ensure that risk awareness is embedded throughout the organisation. As noted above, I want to see a

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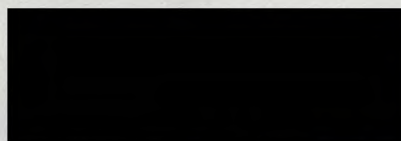
culture where all employees feel that they can raise issues if they see something that is not right. I believe our people will welcome the cultural adjustment.

68. The Crown Group, under its new Chief People and Culture Office, Tony Weston, is embarking on a significant culture reform program, which has been supported by a review undertaken by Deloitte. I have read the Deloitte report on culture which has been informative and will assist the Crown Resorts board and management in driving the changes which need to occur in the short, medium and long term.
69. These matters give me confidence that, under our new leadership, we have the building blocks in place to effect significant cultural change. I have seen and experienced such cultural change in my previous roles and I look forward to seeing it in my role with Crown Resorts and Crown Perth.

Annual report 2021

Questions 38

70. In my view, Note 1.1 of the Notes to the Financial Statements in the Annual Report adequately sets out the risks that currently exist to the Crown Group as a going concern. The risks facing the group are the subject of regular consideration and discussion by the Crown Resorts board. I note that, given the uncertainty created by COVID-19, statements of that kind are not uncommon in the annual reports of publicly listed companies at present.



BRUCE CARTER

22 October 2021