

## Perth Casino Royal Commission

### Witness Statement of Stephen Barry McCann

25 October 2021

- 1 I am Stephen Barry McCann of c/- Crown Resorts Limited (**Crown Resorts**), Level 3, 8 Whiteman Street, Southbank, Victoria.
- 2 This statement is provided in response to 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 (**PCRC**), and to a list of topics provided by the PCRC on the evening of 12 October 2021.
- 3 Although I have endeavoured in my responses below to assist the PCRC as much as possible, the limited time provided to respond to the topics, the fact that the Crown Resorts Annual General Meeting occurred on 21 October 2021, and the broad range of issues covered by the topics, has limited my ability to address each of the topics in detail.
- 4 In this witness statement, I set out matters of fact of which I have personal knowledge. This witness statement sets out only my personal knowledge and recollection.

#### **Previous Statement [1]**

- 5 I provided a witness statement to the Royal Commission into the Casino Operator and Licence (**Victorian Royal Commission**) dated 15 June 2021 (**Previous Statement**). My Previous Statement was made approximately two weeks after I commenced at Crown Resorts. That statement set out my views and understanding at that point in time. My current understanding of Crown's business and operations (reflected in this statement) has developed significantly since I provided my Previous Statement.

#### **Qualifications and experience [2-5]**

- 6 I was appointed as Managing Director and Chief Executive Officer of Crown Resorts on 1 June 2021, with that appointment becoming effective on 20 October 2021, following the receipt of all necessary regulatory approvals.
- 7 I was appointed as Chief Executive Officer of Crown Melbourne Limited (**Crown Melbourne**) on 20 August 2021.
- 8 I was appointed as a director of Burswood Limited (**BL**) on 23 August 2021.
- 9 I have significant experience in senior executive roles in a public company. Prior to joining Crown, I spent almost 16 years at Lendlease. Originally joining the company in the role of Chief Executive Officer for Lendlease's Investment Management business, I then progressed to Group Chief Financial Officer and Finance Director before being appointed to the position of Group Chief Executive Officer in December of 2008 and Managing Director in May 2009. Lendlease is listed on the ASX with a market capitalisation of circa \$9 billion and a significant international presence in 11 countries. The employee base was approximately 13,000 people during most of my time as CEO, annual revenue is usually above

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circa \$10 billion, the development pipeline is circa \$110 billion and funds under management is approaching \$40 billion.

- 10 Prior to joining Lendlease, I gained 12 years' experience in property, funds management, investment banking and capital markets transactions including through senior leadership roles at ABN AMRO and Bankers Trust. Previous roles included four years as a mergers and acquisitions lawyer at Freehills.
- 11 I hold a Bachelor of Economics and a Bachelor of Laws from Monash University in Melbourne, Australia.
- 12 Through my previous experience outlined above, I have had significant exposure to risk management practices and governance in a large ASX-listed company. Prior to joining Crown, I did not have any specific professional experience related to the gambling or gaming sector, gambling related harm minimisation or the management of AML/CTF risk.
- 13 **Question 4** asks about the training and briefings I have received in relation to several topics. Since joining Crown I have received various formal and informal briefings, including in relation to each of the topics identified in Question 4.
  - a) The CEO of Crown Perth, Lonnie Bossi, reports directly to me in my role as CEO of Crown Resorts. Accordingly, I receive regular briefings from Mr Bossi on the operations of the Perth Casino and of the operations of the resort at Crown Perth. These include a minimum of weekly team executive briefings from my direct reports (Group Leadership Team or **GLT**) and a fortnightly one-on-one update. I also attend all BL Board meetings and have attended a number of meetings with the Perth Business Operations Team, which is the senior leadership team comprising over 50 people responsible for the management and oversight of the Perth Casino.
  - b) I have been briefed in relation to the legal framework regarding the Perth Casino.
  - c) I have been briefed on Crown Resorts' governance and risk management frameworks. I attend all BL Board meetings and all Crown Resorts Board meetings, as well as the various Crown Resorts Board Committee meetings, including the Risk Management Committee, Audit and Corporate Governance Committee, Responsible Gaming Committee and People, Remuneration and Nomination Committee. Relevant updates on governance, compliance, risk and management issues relating to the Perth Casino are provided at each of those meetings.
  - d) Steven Blackburn, Group Chief Compliance and Financial Crime Officer, reports to me and provides regular briefings on relevant AML/CTF issues, including as they relate to the Perth Casino. I have also received a number of briefings and reports regarding the Bergin inquiry and report, the evidence and closing submissions at the Victorian Royal Commission and regular updates and reports of progress of PCRC hearings.
  - e) I have attended a number of briefings regarding Crown's draft Responsible Gaming Plan and have read the recommendations of the Responsible Gaming Advisory Panel and the most recent update of those recommendations presented to the Responsible Gaming Committee on 7 October 2021.
  - f) I have also:

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- (i) attended the full day Crown employee induction briefing;
- (ii) had a separate 3-hour face to face training course with Mr Blackburn on AML/CTF risk management;
- (iii) attended briefings at the Responsible Gaming centres in Sydney and Melbourne including a role play training session with the Sydney gaming team;
- (iv) had a separate one hour face to face training course on Responsible Gaming with Luke Overman, General Manager of Responsible Gaming; and
- (v) undertaken a range of Crown online training modules including in relation to Responsible Gaming and AML/CTF.

14 **Question 5** asks about professional development I have undertaken or propose to undertake relevant to my current roles at Crown. During my time as CEO of Lendlease I completed various professional development courses, including completing the Global CEO Programme through Harvard Business School in 2009, and the AVIRA Senior Executive Programme through INSEAD in 2014. I have also attended presentations to the Board and management of Lendlease from the Australian Institute of Company Directors.

**CEO [6-8]**

15 My key roles and responsibilities as CEO of Crown Resorts are outlined in my position description **[CRW.700.045.0308]**.

16 As noted above, the CEO of Crown Perth reports directly to me. Accordingly, I am responsible for overseeing the performance of Mr Bossi in his management of the day-to-day operations of Crown Perth and the Perth Casino.

17 I am also responsible for appointing and overseeing Crown Group personnel and policies which impact the management and governance of Crown Perth and the Perth Casino. The following group roles, which oversee the Perth Casino, report directly to me:

- a) Chief People and Culture Officer;
- b) Chief Compliance and Financial Crime Officer;
- c) Chief Risk Officer;
- d) Chief Financial Officer;
- e) Chief Marketing Officer;
- f) Group General Counsel;
- g) Group Head of Corporate Affairs;
- h) Executive General Manager – Transformation and Regulatory Response; and
- i) Chief of Staff.

18 The day-to-day operations of Crown Perth are managed by Mr Bossi and his team. In terms of implementing change, I am in regular and frequent dialogue with Mr Bossi and members of his team. I also communicate frequently across all levels of the organisation, including recording employee videos

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every two weeks for distribution throughout the business themed around key issues, including culture, values, purpose and our current challenges.

- 19 I also use forums including weekly briefings with the GLT to continue to reinforce key messages and monitor progress. Nick Weeks, Executive General Manager – Transformation and Regulatory Response, reports directly to me and provides frequent updates on progress of implementing the Crown Resorts Remediation Plan (**CRRP**), including a minimum of fortnightly one-on-one meetings, a weekly update to the GLT and a weekly steering committee meeting which I attend infrequently. Status updates regarding implementation of the CRRP are provided at Crown Resorts and BL Board meetings.

***Governance of Crown Perth [9-16]***

- 20 I have received briefings on the Crown Perth structure, and aspects of it have been discussed by the Crown Resorts Board. The historical context and the organisational structure of the Crown Perth entities has been explained to me and I have considered the terms of the Trust Deed.
- 21 BL's head office, including central management and control of BL, is based in Perth. Decisions regarding day-to-day operations of the Perth Casino are made in Perth and the CEO of Crown Perth has accountability and responsibility for those operations. The CEO of Crown Perth reports to me in my capacity as CEO of Crown Resorts. Given that reporting line, I have oversight of Mr Bossi in the performance of his duties as CEO of Crown Perth within the constraints of the Constitution of BL and relevant regulations.
- 22 BL is a wholly owned subsidiary of Crown Resorts and the Board of Crown Resorts has the authority to appoint and remove directors of BL. As a wholly owned subsidiary of Crown Resorts, BL receives a large degree of guidance from Crown Resorts. Equally, Crown Resorts provides significant support to BL including capital, expertise from Crown Resorts staff and corporate policies. I am not aware of Crown Melbourne having any role in the governance or operation of the Crown Perth entities. From my perspective, it does not matter which Crown entity in the Crown group employs which staff as people in group roles provide services across Crown's properties and businesses and I have responsibility for all of them.
- 23 I have not been involved in any discussions about altering the structure of the Crown Perth entities. However, the Crown Resorts Board has been considering a draft charter for the board of BL to further clarify the respective roles and responsibilities of those two boards. The charter was discussed at the Crown Resorts Board meeting on 17 October 2021 in draft form and provided to Maryna Fewster, in her capacity as a director of BL, the following day. Subject to amendments which may arise through discussions by the BL Board, the charter is likely to come into effect at the next BL Board meeting.
- 24 While I have been involved in discussions regarding the composition of the BL Board, there are presently no plans to appoint additional directors to any of the boards of the Crown Perth entities. Mr Bossi will stand down from the BL Board following confirmation of that at the next BL Board meeting, such that it will then be comprised of myself, Bruce Carter and Ms Fewster. The appropriate membership of the boards of the Crown Perth entities will be an ongoing focus of the boards of both Crown Resorts and BL, including having regard to recommendations which may be made by the PCRC.

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- 25 I spoke with Ms Fewster about the draft BL Board charter and Mr Bossi's role on that board on 23 October 2021, and we are aligned with respect to these courses of action.
- 26 Burswood Nominees Limited and Burswood Resort (Management) Limited are wholly owned subsidiaries of BL. Reporting is centralised through BL, and that is why it has the most active board out of the Crown Perth entities.
- 27 The Crown Resorts Board receives regular updates regarding Crown Perth, including from the Crown Perth CEO. The matters covered in these updates include issues discussed at BL Board meetings and reports about the Perth Casino's operations, including risk reports, compliance and financial crime updates, responsible gaming updates, financial updates and people and culture updates. As the parent company of BL, Crown Resorts must also approve the financial statements of BL and consolidates these into the Crown Resorts financial statements.

***Crown Melbourne and Crown Perth [17-20]***

- 28 I have read article 3.12 of the BL constitution. I understand the requirement that BL's central management and control be exercised in Perth. Based on my experience to date and my understanding of the corporate structure in place, I believe that Crown complies with this requirement.
- 29 The board of BL is a properly functioning, fully constituted board and their meetings are conducted in Perth. The BL Board considers issues and makes decisions in its own right in the interests of BL. The decisions the BL Board makes are passed on to BL's senior management team, all of whom (including the CEO Mr Bossi) are located in Perth. BL's senior management team in Perth make the key strategic and operational decisions affecting the Perth Casino. Those decisions are approved by the BL Board.
- 30 I have read clause 22.1 of the Victorian Casino Agreement and believe that Crown complies with this requirement. The requirement does not affect Crown Resorts' ability to properly govern and support Crown Perth. The Perth casino and Melbourne casino are of different scales, as are the cities in which the casinos reside and the local economies in which they operate. All of this means that the Perth casino is unlikely to become larger or more prominent than the Melbourne casino. Having said that, it is self-evidently in Crown Resorts' interests to ensure that Crown Perth is as successful an enterprise as it can be. Crown has a demonstrated history of investing a significant amount of capital in its resorts to ensure they are world class and promote tourism, employment and economic development in both Melbourne and Perth, and now Sydney. Generating group synergies and attracting the best people through the scale and pre-eminence of Crown's portfolio of assets is an integral part of ensuring Crown's success and facilitating that ongoing investment. In my view, Crown Resorts does not breach its obligations under the Victorian Casino Agreement by ensuring that success everywhere it operates.
- 31 Additionally, Crown Perth enjoys a large number of benefits from its association with the Melbourne casino, including those that I have mentioned above at paragraph 22. Since the acquisition of Crown Perth by Publishing and Broadcasting Limited in 2004 and its subsequent inclusion in the Crown Resorts Group, over \$1.5 billion has been invested in the development and expansion of the Perth Casino, in addition to the initial cost of the acquisition. This is a clear demonstration of the Crown Resorts ownership facilitating significant investment in the Perth Casino and the Perth economy while Crown Melbourne continues to meet its obligations under the Victorian Casino Agreement. It is also an

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important reason why Crown Resorts must continue to be able to exercise oversight of Crown Perth, subject of course to compliance with its regulatory requirements.

***Crown Resorts Remediation Plan [21-27]***

- 32 I understand that the PCRC has been provided with a copy of the CRRP updated on 30 September 2021 [CRW.701.006.4272]. The CRRP is provided to Crown's regulators monthly, with the next update due at the end of October 2021. We will provide an update to the PCRC at the same time.
- 33 The CRRP is directed at addressing a range of issues with respect to Crown Resorts' governance, management, resourcing, culture, risks (including AML/CTF risks), processes and responsible gaming.
- 34 In my view, Crown can achieve industry best practice across all of the areas identified in the CRRP and in question 23 (a) to (g). I recognise that these are substantial issues. They are matters which senior management and the Board of Crown Resorts is committed to addressing. I, along with the Board and management of Crown Resorts and its related entities, will continue to engage with regulators, advisers and industry experts to embed best practice governance and management throughout our operations. That is our objective and the CRRP is intended to facilitate Crown achieving that objective.
- 35 The CRRP is a working document and the scope of the remediation process is not fixed. As an issue emerges or evolves, it will be considered and, if appropriate, addressed in the CRRP. For example, following issues around responsible gaming arising during the Victorian Royal Commission, we have included plans in the CRRP to improve how Crown manages its responsible gaming obligations. In that regard, Crown has committed to working with industry and subject matter experts to research and explore responsible gaming systems and practices. Additionally, the CRRP is updated to reflect changes to target dates for completion of projects and any changes in the personnel responsible for actioning matters.
- 36 As set out in the CRRP, in the last 12 months the reform process has included significant changes in the make-up of the Crown Resorts Board and to the senior management team of the Crown Group. The material personnel changes which occurred prior to 30 September 2021 have been summarised in Item 7 of the CRRP.
- 37 Another part of Crown's remediation process is a project in which Crown is considering how to reform its governance arrangements. This has included consideration of the merits of a centralised versus decentralised governance model. That project has been paused pending the finalisation of the Royal Commissions in Victoria and Western Australia, so that Crown will have the benefit of reviewing the matters raised by these Commissions before making any decisions about possible governance reform.
- 38 Since the 30 September 2021 version of the CRRP, the most significant CRRP development has been the production of Deloitte's Phase 2 Report [CRW.701.009.3911], a copy of which has been provided to the PCRC. The next update to the CRRP will be provided at the end of October 2021.
- 39 It should be noted that the CRRP was established earlier this year following the release of the Bergin Report which lead to the finding of unsuitability by the NSW Independent Liquor and Gaming Authority (ILGA). As noted, the CRRP is a working document which will continue to be refined. It is likely that further refinements will be required in response to recommendations and regulatory changes which may

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emerge from the Victorian Royal Commission or the PCRC. In some areas, State regulations are likely to differ and accordingly there may be separate working documents established to monitor progress on those different requirements.

- 40 In terms of Crown's future VIP business, the CRRP reflects the fact that the shape of those activities has not yet been determined. It appears that international borders may reopen in 2022 and Crown is in the process of developing a plan for this part of our business. That plan involves a comprehensive analysis of 29 foreign markets to assist us to understand the risks and limitations associated with marketing to potential customers in those countries.
- 41 On 23 February 2021, the Gaming & Wagering Commission issued directions to Crown Perth under the *Casino Control Act 1984* which provide that Crown Perth shall not participate in the conduct of junkets, premium player activity or privileged player activity (**Directions**). Consequently, any plan developed for Crown's future VIP business activities will have no bearing on Crown Perth whilst the Directions remain in place.
- 42 The Person of Interest (**POI**) process and Significant Player Review are both processes that have been introduced or materially enhanced in the past 18 months. They are both important risk management processes that are operating in the business. The POI process has been expanded to a Group-wide committee with a clear set of guidelines to support the assessment and due diligence process applied to patrons. The Crown Resorts Board has visibility of the POI process through the Risk Management Committee. The Significant Player Review Policy was introduced to support the POI process and assist with customer due diligence, especially in relation to the identification of top end players across all three of Crown's properties. These processes will allow Crown to determine whether it is appropriate to continue to deal with patrons based on the information arising out of the Know Your Client checks. These processes are described in further detail in the CRRP.
- 43 As we have implemented additional controls and processes throughout the company, and particularly with respect to financial crime, we have committed to regularly review both of these processes to ensure that they are operating effectively within the broader risk framework. If this process of review identifies opportunities for improvement, then we will progress that work.

**AML/CTF [28-49]**

- 44 I commenced at Crown on 1 June 2021. Accordingly, I do not have direct knowledge of the Crown Perth AML/CTF Program as of November 2018 or the extent to which it was properly implemented. Nor do I have direct knowledge of the changes made between November 2018 and November 2020.
- 45 Mr Blackburn commenced in his role as Chief Compliance and Financial Crime Officer on 24 February 2021. Mr Blackburn is a recognised expert in financial crime risk management and he has my complete support. I am confident that Mr Blackburn is the right person to lead Crown to its desired state with respect to financial crime risk management, which is for it to be best in class and industry leading.
- 46 Mr Blackburn presented a Financial Crime and Compliance Change Program (**FC&C Program**) to the Crown Resorts and BL Boards on 24 May 2021 and 17 June 2021 respectively and outlined his assessment of Crown's Joint AML/CTF Program. In Mr Blackburn's assessment, the current financial

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crime and compliance program is largely 'foundational', which included an assessment that there is a compliant AML/CTF Program. The FC&C Program includes a range of risk management and reporting enhancements, a material increase in financial crime and compliance resourcing, technology and skills and the implementation of second line assurance in respect of financial crime and compliance.

47 Since June, Mr Blackburn has presented regular updates on the progress of implementing the FC&C Program to the Crown Resorts and the BL Boards, as well as provided updates for inclusion in the CRRP presented to the State regulators on a monthly basis.

48 The FC&C Program improvements apply across the Crown Group, including Crown Perth. Mr Blackburn and the FC&C Program have my full support and that of the Crown Resorts and BL Boards. The FC&C Program is a critical component of Crown's current reform efforts and is a key agenda item on all board meetings as we seek to become an industry leader.

49 Mr Blackburn has indicated to the Crown Resorts and BL Boards a target date of 31 December 2022 to achieve an advanced state of financial crime maturity under the FC&C Program. Significant work is underway as detailed in the CRRP to achieve this state of maturity, including enhancements to the level of resourcing and capability in the financial crime and compliance team, as well as improvements to controls, reporting, systems and technology. These improvements benefit Crown Perth as well as Crown Sydney and Crown Melbourne.

**Culture [50-52]**

50 The Crown Values and Culture Reform Program (the **Culture Program**) is an important part of the CRRP. The Culture Program is under my direction in conjunction with Crown Resorts' Chief People and Culture Officer, Tony Weston.

51 Mr Weston reports directly to me. Mr Weston and I currently meet several times each week to discuss progress on culture change, key talent, recruitment and performance. The Culture Program includes a timeline for key milestones through to December 2021 and a range of ongoing steps to embed the culture change and to measure success. I will maintain a significant level of oversight on our progress.

52 The Culture Program has been developed with the assistance of external experts and has involved a detailed analysis of Crown's current culture, and the development of a detailed roadmap to Crown's aspirational culture. This has been informed by an organisation wide survey, employee focus groups, customer feedback, targeted sessions with employees and a number of leadership forums.

53 In 2019, a detailed review of Crown's purpose and values was undertaken, led by Crown Perth. This work was renewed as part of the current review, with a stronger emphasis on the question of why Crown operates and the social responsibility associated with its gaming licences. The result has been a renewed purpose statement: "Together, we create exceptional experiences with respect and care for our communities".

54 Our purpose is underpinned by our four core values: we act with integrity, we work together, we care and we strive for excellence. Our leaders will be assessed on delivery against these values and our reward and recognition programs will be linked to them. Our senior executives and middle management will demonstrably live and breathe our values and continually reinforce them with our teams.

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- 55 We have made significant progress on our Culture Program. Crown employs a significant proportion of “front line” workers who depend on their role at Crown for a living, who are decent, hardworking people who have been proud members of a previously highly regarded organisation associated with excellent products and services. That pride has been severely dented and many of these workers are desperate for clear leadership and direction and want to be part of a culture that promotes integrity, transparency and social responsibility. A number of changes have been made to the composition of the Boards, senior management and organisational structure of Crown to facilitate the Culture Program. These changes will continue to be made to ensure Crown has a very high quality team with an aligned culture.
- 56 Personal responsibility and accountability will also be strongly emphasised throughout the organisation and all employees will be regularly encouraged to speak up when they have concerns. Our systems, processes, risk appetite and risk management, including our approach to financial crime and compliance, have been substantially overhauled and are designed to provide employees with a safe, secure environment where they can perform well and be proud to play their part.
- 57 The Deloitte Culture Review forms part of the Culture Program. The Review defines an aspirational culture state for Crown and forms the basis of a road map to achieve and embed cultural change. In addition to the steps referred to above, we will be implementing:
- a) a range of communication forums, staff videos, back of house signage and digital assets to communicate and define the renewed values and the leadership and behavioural expectations associated with each of them;
  - b) a Board culture and engagement plan;
  - c) ongoing leader-led culture change sessions;
  - d) the Crown Talks series of online webcasts with high profile guest speakers to reinforce our purpose and values;
  - e) a measurement framework with 6 monthly assessments of progress and establishment of a range of lead and lag indicators;
  - f) a change network, connecting employees at all levels to discuss ideas and contribute to the Culture Program;
  - g) formal leadership development programs to equip leaders with the requisite skills to drive culture change and create psychological safety for their teams; and
  - h) training to improve risk and ethical decision-making capabilities.

***Remuneration [53-56]***

- 58 I have worked closely with Tony Weston to update Crown's existing incentive-based remuneration practices. Draft considerations for the development of new short and long term incentive plans were recently presented to the Crown Resorts Board and are being further refined. The plans are designed to be more consistent with market practice and to balance financial and non-financial performance metrics and KPI/KPOs.

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- 59 The development of Crown's policies in this area is ongoing and I expect that the new plans will be in a form to be approved by the Crown Resorts Board and relevant subsidiary Boards by early November 2021. While the planning on these matters may change depending on the findings of the Victorian Royal Commission and the PCRC, [REDACTED]  
[REDACTED] KPOs will include compliance and risk-based metrics as well as relevant responsible gaming, integrity and transparency measures. Measurement of performance will include training metrics, customer feedback metrics, regulatory and compliance performance and response, and employee engagement scores.
- 60 We have set clear expectations throughout the organisation regarding our renewed purpose and values. These will form a key part of KPOs cascaded through the organisation by my executive team. Specific KPOs will also have regard to additional requirements which may emerge from each of the current regulatory reviews insofar as they define specific steps for Crown to maintain its regulatory and social licences to operate.
- 61 There will be assessments against minimum expected standards of leadership behaviours. Performance reviews will incorporate the assessments of the demonstration of behaviours and leadership in relation to each of Crown's core values, including peer and team reviews.

  
Stephen Barry McCann

25 October 2021