



Crown Resorts Limited

Memorandum

To: The Board of Directors

From: Ken Barton

Date: 7 December 2020

Subject: **Crown Resorts Limited | People and Culture Program**

Introduction

Across our reform agenda, good progress has been made in a number of operational areas. It was important these initiatives are in place as we recommenced operations in Perth and now Melbourne. Significant progress has been made in:

- AML processes, resourcing, technology and leadership;
- Managing the risk of junkets
- A new organisation structure with transparency and reporting lines to the Board and Board Committees

A longer term area of focus is around Crown's culture.

In considering a process to review Crown's culture the key is to retain the strengths that have underpinned our success, and to also take learnings from the Public Inquiry. The goal is to match our excellence in customer service to excellence in meeting the expectations of our other stakeholders (government, regulators and the community).

Crown's culture is led from the top of the organisation, from the Board, CEO and senior leaders defining our desired culture, communicating it in simple terms and demonstrating it through our actions.

To date some preliminary work has been undertaken which will help guide how we approach a review and alignment of Crown's culture. Some basic principles will guide future work:

- Our desired culture should be consistent with, and instrumental in the achievement of, our strategic goals.
- We need to distil our messages around culture into simple, clear messages that resonate with all our employees.
- A measure of culture is what employees see as the core values of Crown and "purpose". My conversations with our leaders and other employees provides some insights into where we are in this regard
- Getting a broad assessment of our employees' current understanding of culture should take place and work is under way in this regard

- Measurement is difficult but important to map progress and identify areas needing attention.
- A governance structure should be in place to oversee our progress and provide visibility to the Board

This paper summarises the outcomes of the work undertaken to date, summarises the current actions under way and describes an execution plan for the People and Culture improvement program.

Current Situation

Crown upholds a reputation of being a leader in customer service in our industry. Crown's service standards have continuously been refined over decades of operation to achieve the level that is now synonymous with, and expected of, the Crown brand by our customers, employees, partners and others we have a relationship with.

Mirroring the expectations in customer service delivery, Crown should similarly lead the industry in operating in a manner that is law-abiding, ethical, responsible and respectful to our community, Regulators, Government and all other affiliated stakeholders. Crown's culture of service excellence that is clearly well accepted by all our people should be matched with commitment to excellence to our stakeholders.

The embodiment of these expectations is contained in our purpose, our values and our code of conduct, which should be the simple distillation for all of our employees of our expectations from them as they undertake their work at Crown.

Approach

The starting point for cultural reform starts with an assessment of the tone from the top. The tone from the top begins with the Board, whose primary tasks include approving strategy, monitoring execution of the plan, setting risk appetite and exercising appropriate oversight regarding risk mitigations, with the underlying goal of preserving and creating shareholder value. The Board sets the tone in the way that it executes these responsibilities through its management team, reflecting its guiding values. A fundamental starting point for any culture review is therefore a review of the organisation's tone and expectations with an ultimate goal of applying a consistent approach to execution of those expectations and values across the business.

Executive management can then lead a transformation that recognises our current areas of strength across the organisation, uplift identified areas with development opportunities and sustain an ongoing dedication to improvement and growth. Implementation responsibility will be with the new structure under People and Culture (with Alicia Gleeson leading in the interim) but will also draw on Risk and Internal Audit. This process will put in place sustainable best practice and to continually identify and address culture issues to support Crown's commitment to service and compliance excellence.

The approach will look to:

- Leverage our strength. We should look to identify those aspects of Crown's culture that have supported our success and that can be harnessed to improve culture in those areas where there are shortcomings.
- Determine where there are gaps in the culture that may impede Crown's ability to deliver on its strategic goals or that are inconsistent with our values.
- Develop and implement a plan in conjunction with the Executive Team and the Board to address, in a sustainable way, the issues that are identified through this review.

The goal on the successful implementation of this plan is to:

- Have all of Crown's employees confidently delivering our services in a way that in no way compromises risk and compliance in the delivery of outstanding customer experiences
- Will create in our organisation Crown's standard of compliance as a source of pride, equivalent to our approach to customer service
- Have an open and transparent organisation where people are unafraid to callout issues and risks and to readily escalate problems, mistakes and bad news and learn from mistakes with an open mind to change and growth
- Set the standard across like companies for excellence in both customer service as well as risk management and compliance

Execution Plan

The approach described above will need to be implemented over an extended period of time. However some initial actions can be taken now to commence our work towards implementing the changes:

1. Reviewing the 'tone from the top'

To establish the right tone from the top, time needs to be spent evaluating Crown's strategic intent, clarifying and articulating what Crown stands for and critically assessing behaviours, in particular of senior role models, for consistency with those values. Where inconsistent behaviours are observed, these should be acted on promptly therefore reinforcing the right message across the group.

2. Reviewing and refining the strategic intent

At the beginning of FY21, we set out the strategic intent for Crown to be as follows:

- Recovering from the impact of COVID-19, including through:
 - the resumption of operations with strict adherence to approved physical distancing and hygiene protocols;
 - returning to a profitable operation and improving the underlying performance of Crown Melbourne, Crown Perth and Crown Aspinalls, including through investments to stimulate visitation and spend as well as through the management of costs; and
 - effective engagement with employees;
- Delivering the Crown Sydney project on time and on budget and commencing operations.
- Continuing to explore ways to enhance Crown's compliance and governance processes, including with respect to matters the subject of the ILGA Inquiry.
- Continuing to grow and create value from Crown Digital.
- Supporting the operations of Crown's other equity accounted investments to enhance their performance.
- Continuing to deliver returns to shareholders.
- Continuing to proactively engage with relevant stakeholders, including regulators, law enforcement agencies and the community.
- Maintaining an appropriate and efficient capital structure.

As we progressively reopen Melbourne and Perth, and commence operations in Sydney, it is likely we will see an increasing emphasis on the compliance and governance aspects, particularly as we address issues and recommendations arising from the Public Inquiry in NSW.

This will be reflected in our next strategic plan, however in advance of the formal plan timing, we will review the regulatory and compliance imperatives which will feature in future strategic plans.

Having regard to the recent Board discussions around our key priorities, our strategic intent in the future is likely to encompass a goal of also becoming an industry leader in the areas of governance,

risk management and compliance. This principle from this point will be used as a core element of our strategic intent.

3. Clarifying our Purpose and Values

As we review the strategic intent, we will assess whether our purpose and values sufficiently capture and reflect our strategies.

Crown currently has a purpose that resonates with employees, “Together we create memorable experiences”.

We have also developed and communicated four values across the Group: We act Respectfully, We are Passionate, We work Together, and We do the Right Thing.

On the basis our strategic intent includes a goal to become industry leading in the areas of governance, risk and compliance, a review of the purpose and values by the Executive Leadership Team (and later more broadly in the organisation) should take place. Areas to consider include:

- Should our purpose include reference to providing our services in a sustainable and compliant way.
- Does our value of “Do the right thing” sufficiently capture our goal of leading the industry in these areas.
- Are our other values supportive and consistent with the strategic intent.

Following the review, Board approval and communication of any changes to the purpose and values should take place.

4. Assessing current culture

As a starting point it will be critical to take stock of the current culture of the organisation, in particular to identify the areas that have the most impact on compliance and risk. Some key areas that would feature in the assessment would be:

- attitudes towards accountability in managing compliance and risk related issues,
- ownership to go beyond mere compliance to understand the underpinning intent of the regulatory settings and conviction to uphold compliance consistently and uncompromisingly,
- ability to understand, analyse, accept and learn from mistakes to form immediate, short and long-term solutions to follow through and permanently address issues,
- courage to stand up to and escalate any risk that compromises the best interest of the organisation with full transparency and no fear of adverse judgement,
- capability for collaboration in managing risk and compliance matters across BU’s with unified ownership
- openness to being challenged and acceptance for change for the greater good of the company,
- consistency in leadership’s personal conduct and demonstrable integrity,
- disposition towards addressing potential future, unknown or unfamiliar risks,
- potential for decision making based on subconscious and confirmation bias/“group think”,
- availability of conditions to challenge leaders/escalate if decisions are inconsistent with our principles without fear of retribution,
- encouragement and recognition for all employees dedication to integrity,

This work will be undertaken with assistance from experts in the following areas:

- An identification of existing indicators of the current culture. This will include documentation setting out our existing aspirations, communication around intent and any current statistical culture measure eg unscheduled leave. This work is under way and is being supported by Deloitte
- A comprehensive survey to give us a “baseline” on the where employees currently see themselves and Crown broadly on the aspects identified above. It is proposed that the surveys be developed and undertaken in conjunction with and expert organisations. For example, we have previously worked with Culture Amp on surveying aspects of our culture.

5. Determine the gaps and plan remediation

To the extent the baseline survey identifies responses and attitudes inconsistent with the strategic intent, a remediation plan will need to be developed. The aspects of this plan are likely to encompass:

- Communication from leaders through the organisation, supported by the purpose and values aligned to the expectations around culture
- Reinforcing the code of conduct
- Open lines of communication and encouragement for a “speak up” culture even if anonymously at first
- Reviews of remuneration arrangements to reinforce strong compliance and risk management outcomes throughout the organisation
- Greater examination of compliance issues with a review of consequences, root cause analysis and accountability
- Communication and education of workforce’s roles in upholding compliance
- Mandated principles of compliance and risk in standard operating procedures

6. Implementing a governance structure for People and Culture

To oversee the implementation and to ensure continuing, sustainable focus on moving to industry leading culture around compliance and risk, a governance structure will be required.

An Enterprise Culture Steering Group should be established. To reinforce the importance of this group, the CEO should chair the Steering Group. Members will include the Chief People and Culture Officer, leaders of the operations, Risk and Internal Audit.

The Steering group will be responsible for the oversight of the remediation plan initially. They will also have oversight of continued progress on implementing measurement systems, ongoing changes to the processes for changing culture.

The Steering Group will provide a report on progress and actions at each Board meeting.

7. Develop and implement a measurement process for culture

Measurement of culture is extremely difficult and often subjective. Measurements tend to be perception-based.

Ongoing measurement, however is critical to ensure the reform program is delivering messages in an effective way and the communication other actions are achieving the desired behavioural outcomes.

Adding objectivity to this process will involve developing a comprehensive survey methodology across key indicators of culture. This will cover key areas including:

- Leadership: is there an understanding of, and engagement with the messages; is there alignment with the “tone from the top”.
- Risk environment: are the policies, systems and approach to risk and compliance at the right level; where are the vulnerabilities;
- Transparency: is there an environment that encourages people to share news and a culture of “speaking up”
- Team: is there a clear understanding of how success will be achieved and is there a strong sense of collaboration

The survey will include key questions that identify shortcomings in understanding and adherence to the key messages aligned to the purpose, values and code of conduct.

The outcomes of the survey, particularly around the key questions, would flag issues with a subsequent process involving focus groups. These would be undertaken to gain a greater understanding of where gaps existed between employees’ understanding and our messaging around risk and compliance and to develop a plan to address any gaps.

8. Audit and Information Sharing

Internal audit should have responsibility for measurement and reporting around culture. A scorecard should be developed to provide measures on our overall culture.

Audit reviews will take into account survey results, focus group feedback, risk and compliance issues and resolution.

These reviews would not result in overall ratings, but would provide recommendations for improvement and sharing of lessons and opportunities for improvement around the group. The process would encourage employees to raise issues without consequences.

The information from the audit process would be used to develop dashboards around our culture that can become part of regular reporting to the Board and relevant Committees.

Recommendation

It is recommended that the Board consider and endorse the proposed culture plan with implementation of the preliminary actions to continue as planned and the future actions to be progressively implemented.