



Crown Resorts Limited

Memorandum

To: The Board of Directors

From: Nick Weeks

Date: 21 May 2021

Subject: Culture Reform Project - Update

Dear Directors

Background and Purpose

The culture reform program is a key element of the Group's reform agenda. Elements of the program are well advanced. The 'tone from the top' has changed with a very significant turnover of Crown's Board and senior management. The risk settings and appetite have changed and the work we are doing with Deloitte to assess the organisation's culture is well underway. We have an excellent platform to deliver a material shift in the culture of the corporation.

Tone from the top is important but the question that has been asked in the Bergin Inquiry and subsequently by ILGA, is whether Crown has a credible plan to embed an improved culture throughout the company? Or, in other words, how do we propose to cascade this new tone from the top through the company? It is inevitable that this question will be asked during the Victorian and WA Royal Commissions, and it is clear that regulators will consider their future supervisory role to include an assessment of Crown's corporate culture.

The purpose of this paper is to propose a way in which we can cascade the new tone from the top through the organisation. It is focused on managing conduct or behavioural risk and needs to be coupled with our framework to effectively identify and manage emerging risks. The paper has been developed as a discussion document with a view to obtaining the Board's feedback and guidance.

A culture of integrity and accountability

Simplicity should underpin our pathway to an improved culture of integrity and accountability. At a high-level there are three overarching priorities.

1. *Identify and affirm our purpose and values* - we will do this through the culture reform project, with the assistance of the work Deloitte is doing. This process will require the company to acknowledge the mistakes of the past and how that should be reflected in our restated purpose and values.

2. *Develop specific rules that reflect those values* - this means developing a code of conduct that is customised to Crown's business and our circumstances. It also means completing the policy uplift project to ensure our rules are clear and contemporary.
3. *Drive the importance of following those rules into every part of our business* – this will need to be delivered through a constant repetition of our values and their importance, and the reshaping of the organisation to create an environment where speaking up is part of our culture.

How do we get there?

Keeping to the theme of simplicity, there are six phases we need to get right to deliver a culture of integrity and accountability.

1. *Make it the #1 priority for the new Board, CEO and leadership team*
2. *A new Code of Conduct that is accessible and customised to Crown's business and risks*
3. *Communicate Relentlessly*
4. *Encourage people to speak up*
5. *Consequences and accountability*
6. *Measure and report*

Taking each phase in a little more detail.

1. *Make it the #1 priority for the new Board, CEO and leadership team*

It is the Board and senior management that are responsible for the culture of the organisation. Executing this part of the plan requires a commitment from the leadership of Crown. If the refreshed Board, CEO and leadership team do not embrace the importance of integrity and commit to live by a new code of conduct and enforce it, we will fail. Similarly, if that same group does not model behavior and conduct that reflects the new approach and code of conduct, we will fail.

We must also satisfy ourselves that the expectations that we expect to see across the Group are reflected in our business strategy, risk appetite, and compliance and governance frameworks. It also must be reflected in our decision making and our corporate and individual posture before the public inquiries.

In addition to the visible commitment of leadership and our decision making, a tangible way of making a reformed culture a priority is to embed it quickly into incentive programs and broader remuneration arrangement that operate across the company. This project forms part of the Group's reform agenda and needs to be delivered in the second half of this year.

2. *Adopt a new Code of Conduct that is accessible, simple and customised to Crown's business and risks*

We need a more accessible code of conduct that is easily understood by the broad spectrum of people that work at Crown – from the Chief Executive to the apprentice chef. The content of our current code of conduct is ok but we need a document that is clearer about our values and what it is we are trying to achieve.

The code of conduct should not be viewed as another policy or set of rules. It is the place where we agree how we will work together and what type of company we want to be.

The decision to develop a new code of conduct is a strong statement from the company that it is going to do things differently. We should be clear about our intention to revisit the code and engage the business in its development.

There are good examples of accessible clear codes in companies that have large and disparate employees (Woolworths, Rio Tinto, Macquarie Bank are good examples).

In addition to a new code of conduct, we need to complete the policy uplift project so that we have a clear, accessible and uniform set of policies that sit across the Group.

3. *Communicate Relentlessly*

To deliver a culture of integrity and accountability at Crown we need to be constantly talking about it and reinforcing its importance. The message needs to be repeated in different ways and in different forums. It needs to be pervasive and enduring – how important integrity is and how highly we value our standards must be a constant drumbeat.

This program cannot be outsourced to consultants. They may help with aspects of the culture reform program but senior business leaders in the Group need to take ownership of this program and they need to be seen to take ownership. For example, c-suite executives should be delivering integrity training as part of the initial role out of the program and then in induction programs for all new employees. This can be structured on a rotational basis, but our leaders need to be seen to embrace the importance of this cultural shift.

Our communication plans must be more than an induction message and more than online tutorials and posters on the wall. These are useful delivery mechanisms, but the plan needs to be more comprehensive than this. We should be using examples that are emerging from this regulatory process. Examples that are real and that our people are reading about in the press and talking about among themselves.

Part of how we communicate the importance of this cultural shift can be through the establishment and training of a team of integrity advisors that are embedded across the business. These are not new employees but existing people that can help us spread the word, and help our people think about and respond to some of the difficult ethical issues they will confront. The approach to this should be coordinated centrally but it needs to be delivered on the shop floor.

4. *Encourage people to speak up*

Speaking up must be part of Crown's culture. We want people to tell us their ideas, raise concerns and question the things they don't agree with. We want people to call out unacceptable conduct and behavior. This is not an easy change to deliver but it is possible if we develop a structure that facilitates speaking up, and we build trust and confidence in the organisation that concerns will be taken seriously and it is safe to raise them.

One of the first steps to develop this culture is to clearly explain where our people should go to raise their concerns. We need to be confident that every one of our employees should be able

to work out how and where they can raise matters that concern them. I don't think this clarity currently exists.

Attached is an extract from Macquarie Bank's Code of Conduct. It is a clear visual depiction of where their staff should go with a wide variety of concerns. We should have something similar that provides clear guidance for our staff.

In addition to this enhanced clarity there are two other recommendations to help deliver a culture of speaking up. These recommendations are designed to be clear internal and external statements on our intent to change and to facilitate a culture that encourages people to speak up.

Establish an Integrity Office

Crown's business is unique in the range of ethical challenges that our people will encounter. Difficult ethical issues will emerge that will be hard for our people to resolve. Unless there is a clear and safe path to resolution there is a high risk that the problem is buried. We must do all that we can to make sure those issues are elevated and resolved.

There will be circumstances where employees do not feel safe reporting to their manager, or to the HR or Legal departments. They may fear for their job, their safety or their reputation.

Where do they go in those circumstances? At the moment, it is difficult to say. But if we had an Integrity Office, staffed by a small number of people that are trained to respond to and manage difficult ethical issues, that will provide a safe and clear place for people to report matters. That Office will also oversee, train and support our Integrity Officers (see below). Over time, if we get it right, that office will develop a reputation for confidentiality and professionalism, and it will become more and more effective.

The Integrity Office isn't designed to be a clearinghouse for every problem that emerges across the business. If there is a breach of our AML program it will be dealt with by our Financial Crime team. If an employee makes a complaint of sexual harassment, it should be dealt with by our HR team. The Integrity Office will have the skills to help other departments resolve problems, but its main function is to surface issues that do not emerge through the normal chains of command. For example, the bullying complaint that an employee doesn't feel he or she can raise with their manager or the HR team can be raised with the Integrity Office. Again, the attached Macquarie Bank example illustrates this point.

Regulators have identified the importance of companies conducting root cause analysis where they identify material deviations from the company's risk appetite statement or code of conduct. The Integrity Office will be a natural resource to conduct or assist with this analysis.

Finally, a dedicated Integrity Office is a powerful statement of intent by the Company. It demonstrates that the Company is prepared to back its words with infrastructure and support.

Establish and train a team of Integrity Advisors or Officers

This team should be a diverse network of existing employees from different levels of the business and from different backgrounds. They are responsible for facilitating conversations on integrity and conduct risk and helping our people to feel safe about speaking up. They are critical to support the implementation and awareness of the renewed Crown code of conduct and would assist with regular training, workshops and awareness campaigns.

They are not full-time ethics practitioners or part of the Integrity Office, but their work is overseen by the Integrity Office and they are trained and supported by that Office. This role is in addition to their day jobs. Over time the role of an Integrity Officer should become a valued piece of recognition and an important professional development opportunity for our people.

5. Accountability and Consequences

Important to the achievement of an improved culture is a clear accountability framework. With the significant change in people and structures in recent months it is important that all our staff are clear on exactly what they are accountable for. It is also important that there is a clear understanding about the differences between individual and collective accountability.

Where breaches of our code of conduct occur, the offender must be held accountable and must be seen to be held accountable. If we don't enforce our code of conduct, or if we enforce it unevenly across the organisation, it will fail.

6. Measure and report

Measuring and reporting on the number and type of our code of conduct breaches is an important element of our path to a culture of integrity and accountability.

Next Steps

To move this work forward we need:

- the Board's guidance and direction
- the results of Deloitte's phase 2 work which will help us understand our current culture
- to reassess our purpose and values based on the current culture and the learnings from these public inquiries - they may change, they may not, but we must reassess and affirm
- to reset our Code of Conduct and policy framework to support that refreshed set of values and purpose (and to make them more accessible)
- subject to the Board's views, build a plan to deliver the work above.