



COMPLIANCE FAILURES & COVID CONSEQUENCES

Company/ASX Code	Crown Resorts/CWN
AGM date	10.am Thursday 21 October 2021
Time and location	On -Line AGM with Audio Link for Shareholder Questions
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Geoffrey Bowd assisted by Stewart Burn and Katja Bizilj
Pre-AGM Meeting	With Interim Chairman Jane Halton, Matthew Young – Manager Strategy & Investor Relations, Bronwyn Weir - Governance Officer

(The individuals involved in the preparation of this voting intention have no shareholding in this company.)

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

The Annual Report describes the scope of Crown Resorts’ (Crown) assets and integrated operations in gaming, entertainment, hotel accommodation and residential units which, except for a relatively small exposure in the UK, are in Australia. Given the many Board and Management changes, regulatory issues and Covid 19 impact it is a comprehensive and generally a well-presented document.

Crown’s corporate governance profile has deteriorated significantly, compounding upon 2019-2020.

Consolidated Press Holdings (CPH) Owned by James Packer

Selective information sharing with CPH was terminated in October 2020 and CPH representation on the Board has ceased. ASA opposed this degree of CPH influence at every AGM, considering it a fundamental cause of poor governance.

COVID 19 Pandemic.

For a second consecutive year the consequences of the pandemic had an extraordinary impact on the financial result e.g. State lockdowns, domestic and international travel restrictions. Crown has evidenced commendable concern and supportive actions for the health, safety and wellbeing of employees, customers, and the community.

Gaming operations in Melbourne were closed for a total of 160 days during the financial year; lockdowns and travel restrictions impacted on performance in accommodation, entertainment, and hospitality. Crown Perth delivered strong performance although gaming operations were closed for 27 days. The Crown Sydney 6 Star Hotel Resort construction was completed on schedule

in December 2020. The hotel, food & beverage and functions areas are operating. Residences are complete and residents are moving in.

Compliance and Regulatory Issues

The ASA considers that Crown failed to deliver the exceptional standard of probity which is fundamental for Crown's Board and management culture to validate Crown's social license to operate gaming facilities. Jane Halton affirmed Crown acceptance of failings and affirmed remedial actions which have been taken and will be taken as detailed in the Annual Report.

NSW Independent Liquor and Gaming Authority (ILGA) Inquiry

Consequent to the findings of the ILGA Inquiry, the gaming regulator in NSW advised that Crown was not suitable to hold a Restricted Gaming License. Crown have accepted and apologised for failings and is working with the regulator; agreement has been reached on several matters along a path to License suitability.

Royal Commissions: Crown Melbourne and Crown Perth

Royal Commissions have been established to investigate the suitability of Crown Melbourne and Crown Perth to hold gaming licenses. The final reports are expected to be presented to Governments 15 October 2021 and 4 March 2022, respectively.

While it is appropriate to await the findings and Government determinations the ASA notes Crown has apologised for failings in risk. There is a significant additional reputational risk and Government decisions may lead to further change. Crown have a range of commercial contingency plans including retaining the scale benefits of a national enterprise and a Head Office in Melbourne.

The ASA believes that the role of regulatory authorities who had an ongoing role to oversee Crown compliance should have been included in the Terms of Reference.

AUSTRAC Enforcement Investigation

Crown Melbourne and Crown Perth are subject to an investigation into potential non-compliance with Money Laundering and Counter-Terrorism Financing rules. Crown considers that AUSTRAC is likely to commence civil penalty proceedings and that Crown will be required to pay significant penalties.

Governance and Culture

Crown has a focused Remediation Plan which addresses regulatory and cultural reform.

The Directors' Statutory Report includes detailed narrative about enhanced governance, regulatory compliance, business risks, license risk, reputation, litigation, and data security.

The Corporate Responsibility report has been updated, expanded, and strengthened in the light of outcomes of the ILGA Inquiry and Crown's commitment to the Remediation Plan. A matrix sets out items addressed and key achievements to date.

The Corporate Governance Statement has been updated and enhanced. Notable additions are acting lawfully, an expanded Code of Conduct, a whistle-blower policy, an anti-bribery and corruption policy. Outcomes achieved through the Diversity and Inclusion Policy, care for employees and many community projects are commendable. The Board Skill Matrix format has changed but remains basic.

Financial Performance

Revenue of approximately \$1.5 billion was down \$0.8 billion, over 30% from 2019-2020. A fall of \$0.9 billion was partially offset by improved performance at Crown Perth and revenue from Crown Sydney. Crown recorded a consolidated net loss after tax of \$261.1 million.

Crown has a significant tangible asset backing and a low level of gearing. As part of a package of lending amendments Crown has agreed not to pay dividends for half year ended 31 December 2021 and further dividends will be subject to Crown's financial situation. The share price had increased by 23% on 30 June 2021 to \$11.91 but is currently hovering at about \$9.50.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	(261.6)	79.5	401.8	558.9	1,866.1
UPAT (\$m)	(84.2)	161.0	368.6	386.8	343.1
Share price (\$)	11.91	9.67	12.45	13.5	12.28
Dividend (cents)	0	30	60	60	143
Simple TSR (%)	23.16	-20	-3	15	12
EPS (cents)	(38.63)	11.74	59.07	81.16	257.03
CEO total remuneration, actual (\$m)	N/A *	2.6	4.1	3.7	3.0

*Ken Barton was CEO from 01/07/20 to 15/02/21 and Helen Coonan was Executive Chairman and CEO 16/02/21 to 30/06/21. Hence there is not a comparable Total CEO Actual Remuneration for this year.

Other Significant Events

Corporate Transaction Proposals

The Blackstone Group: Crown received an unsolicited share purchase proposal and several modifications to that from Blackstone. Crown considered that the proposals presented an unacceptable level of regulatory uncertainty and fundamentally undervalued Crown's assets.

Oaktree: Crown received unsolicited funding proposals from Oaktree to selectively buy -back the CPH shareholding. Crown is no longer in discussion with Oaktree regarding these funding proposals.

The Star Entertainment Group: Crown received an unsolicited merger proposal from Star. Star has subsequently unilaterally withdrawn the proposal.

JobKeeper

The ASA accepts that all JobKeeper payments and subsidies totalling \$179.6m were applied in strict accordance with the scheme and commends Crown for additional support extended for employee and community hardship. Crown recorded a large financial loss.

Board & Senior Executive Departures

Nine Directors have departed since the 2020 AGM including those representing James Packer's CPH majority shareholding. Another director will leave after the AGM. Three new directors have been appointed. There have been many senior executive departures and appointments.

See **Appendix 1** for details

Item 2 (a)	Election of independent Non-executive Director Nigel Morrison
ASA Vote	FOR

Summary of ASA Position

Nigel Morrison has had extensive experience in the casino industry having been Chief Executive Officer and Managing Director of SkyCity Entertainment Group and prior to joining SkyCity, Chief Financial Officer of Galaxy Entertainment Group Hong Kong, Chief Executive of Federal Group Tasmania, Chief Financial Officer and Chief Operating Officer Crown Melbourne. Nigel Morrison had experience with Ernst & Young.

Item 2 (b)	Election of independent Non-executive Director Bruce Carter
ASA Vote	FOR

Summary of ASA Position

Bruce Carter is an experienced company director and corporate advisor. He is currently chairman of the Australian Submarine Corporation and Aventus Capital. He is a director of the Bank of Queensland and AIG Australia. He was previously deputy chairman of SkyCity Entertainment Group. He had international experience with Ernst & Young.

Item 2 (c)	Election of independent Non-executive Director Ziggy Switkowski
ASA Vote	FOR

Summary of ASA Position

Ziggy Switkowski has been announced as Chairman of Crown Resorts subject to regulatory approvals. Ziggy Switkowski is currently the Chairman of NBN Co. He is a former chairman of Suncorp Group and a non-executive director of Tabcorp Holdings, Healthscope, Oil Search, Lynas and Amcor. He has held positions as Chief Executive Officer and Managing Director of Telstra and Optus.

Item 3	Remuneration Report
ASA Vote	AGAINST

2020-2021

No short term (STI) or long term (LTI) incentives payments were made in 2020 -2021. All options in the 2017 Senior Executive Incentive Plan lapsed unexercised.

2021-2022

Crown is revising the executive remuneration framework for 2021-2022, (consistent with ASA guidelines) to improve alignment with remediation and reform. The STI will include financial hurdles and compliance values-based gatekeeper provisions prior to any award of incentive payments. Awards will be 50% cash and 50% deferred equity for the CEO. The LTI awards have a 3-year term and will be Performance Rights, based on Relative Total Shareholder Return (RTSR). There will be no LTI vesting until Crown's RTSR meets the 50th percentile of the Comparator Group.

Crown does not have a minimum shareholding policy for directors and senior executives. It is an outlier among its peer ASX companies. Crown is committed to achieve a gender diversity target for the board of a minimum 30% male and 30% female.

Sign-on Performance Rights for the CEO

Vesting of Sign on Performance Rights are not subject to any performance hurdles.

See Resolution 4.

Termination Benefits

Former CEO Ken Barton received a Termination Benefit \$3,350,128 which does not include accrued leave entitlements of \$1,465,212.

Former CEO Australian Resorts, Barry Felstead, received a Benefit \$3,206,289 which does not include accrued leave entitlements of \$2,611,215.

Former Executive Vice President – Strategy & Development, Todd Nisbett, received a Termination Benefit \$3,117,681 (which does not include accrued leave entitlements of \$1,416,615).

In February 2020 John Alexander stepped down as Executive Chairman and was granted a 12-month employment contract with a base salary of \$3,543,930 plus Other Benefits.

The above payments do not exceed statutory provisions in the Corporations Act. The executives were 'good leavers' which is a term usually applied to an employee who leaves in reasonable circumstances – i.e., becomes incapacitated through health, is made redundant, retires or is unfairly dismissed. 'Bad leaver provisions' refer to exits due to misconduct. It appears that terminations were due to executives failing in performance or not being up to future performance expectations. However, these factors are not in contractual arrangements; if clawback was to be applied and it was challenged in the courts, the legal costs are prohibitive.

Summary of ASA Position

We note that executives did not receive any incentive awards for 2020-2021 and commend the development of a 2021-2022 policy consistent with ASA guidelines.

Although the ASA has supported Crown remuneration resolutions in recent years it is evident that the quantum of remuneration for performance have not been warranted and contractual terms have not restricted excessive termination payments. We also consider that vesting of preferably all but at least a substantial proportion of the new CEO sign-on rights should be subject to performance hurdles; this is a part of prudent remuneration policy.

On balance we will vote against the resolution.

Item 4	Approval Of Sign-on Performance Rights – S. McCann
ASA Vote	AGAINST

Summary of ASA Position

A one -off grant of 400,000 Performance Rights was issued for nil consideration. At the market price on 1 June 2021 of \$12.82, this equated to a total value of \$5,128,000. We note that the actual benefit is subject to the market price at vesting on 1 June 2024.

Vesting is subject to S. McCann still being employed or a 'Fundamental Change' such as a merger or takeover resulting in a diminution of his position. The benefit is not subject to any performance hurdles. If shareholder's approval is not obtained the Company will pay the cash equivalent as calculated at the time.

The ASA accepts that the sign-on can recognise the need to attract executive talent to a position carrying considerable risk. However, the bulk of the new CEO sign-on rights should be subject to performance hurdles and not just constitute a retention benefit.

Item 5	Approval of Potential Retirement Benefits – S McCann
ASA Vote	AGAINST

The ASA accepts that in addition to statutory requirements there should be a provision in prevailing circumstances relating to the sign on Performance Rights which Steve McCann has been granted. However, we believe the Rights should have been subject to performance hurdles and that early vesting should be pro rata with performance hurdles.

Item 6	Approval of Increase to Non-executive Director Fee Cap
ASA Vote	FOR

Summary of ASA Position

The resolution seeks a 20% increase in the non-executive fee cap from \$2,500,000 to \$3,000,000 stating that the Board requires the ability to recruit an optimal Board size of seven or eight non-executive directors and to allow an orderly succession. There is no plan to increase the current non-executive fees which are already relatively high. The cap has not been increased since 2016.

2020- 2021 fees totalled \$2.2m. There were two CPH representatives whose remuneration was not included in this. Jane Halton emphasised the importance of this resolution to implementation of Crown reform.

ASA has reservations about the stated claim that directors have increased workload and responsibilities. However, on balance, we accept that there is justification for a fee cap increase.

Item 7	Contingent resolution – conditional spill resolution
ASA Vote	AGAINST

The ASA has supported the election or re-election of all current directors, the remedial actions related to compliance and culture, and the 2021-2022 Remuneration structure. Our vote Against the remuneration resolution relates to 2020-2021 and we firmly believe that a spill is not in the future interests of Crown shareholders.

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Appendix 1

Board and Senior Executive Departures

Ken Barton, Managing Director and Chief Executive Officer resigned in February 2021.

John Alexander, Executive Director, resigned October 2020.

Guy Jalland and Michael Johnston, (CPH Shareholder Nominees), resigned February 2021.
Andrew Demetriou, Harold Mitchell, John Poynton, Non-Executive Directors, resigned February 2021.

John Horvath, Non-Executive Director, resigned April 2021.

Antonia Korsanos, Non-Executive Director, will depart after the 2021 AGM.

Barry Felstead, Chief Executive Officer Australian Resorts departed December 2020

Mary Manos, General Counsel and Company Secretary, departed February 2021.

Todd Nisbett, Executive Vice-President -Strategy & Development departed June 2021.

Xavier Walsh, CEO Crown Melbourne departed August 2021.

Board and Senior Executive Appointments

Helen Coonan became Executive Chairman in February and continued with that responsibility until resigning 28 August 2021.

Ziggy Switkowski was appointed to the Board in August 2021 subject to regulatory approvals to succeed Helen Coonan as Chairman.

Jane Halton was appointed Interim Chairman following the resignation of Helen Coonan in August 2021 and pending the regulatory approvals for Ziggy Switkowski.

Steve McCann was appointed Managing Director and Chief Executive Officer 1 June 2021 subject to probity and regulatory approvals.

Nigel Morrison: Following receipt of regulatory approvals Nigel Morrison's appointment as a Non-Executive Director became effective 6 April.

Bruce Carter: Following receipt of probity and regulatory approvals Bruce Carter's appointment as a Non-Executive Director became effective 27 August.

Alan McGregor: Following receipt of regulatory approvals Alan McGregor's appointment as a Chief Financial Officer became effective 20 August 2020. Alan McGregor was appointed Interim Company Secretary in February 2021.

The following executive appointments were made which are subject to regulatory approvals:

Steven Blackburn: Chief Compliance and Financial Crime Office, February 2021.

Nick Weeks: Executive General Manager – Transformation & Regulatory Response, March 2021.

Betty Ivanoff: Group General Counsel, June 2021.

Tony Weston: Chief People and Culture Officer, June 2021.

Appendix 2

Remuneration framework detail

CEO rem. Framework for FY22	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.50	50	2.50	50
STI - Cash	1.25	25	1.25	25
STI - Equity	1.25	25	1.25	25
LTI	0.00*	0	0*	0
Total	5.50	100	5.59	100

- The CEO will not participate in an LTI Plan for the year 2021-2022 having received a sign-on benefit of Performance Rights for nil consideration at a market price value at 1 June 2021 of \$5,128,000.