



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Tuesday, 18 February 2020 at
10.00am at M7&8, Crown Promenade, 8 Whiteman Street,
Southbank, Victoria

Present:

Helen Coonan (Chair)
John Horvath (Deputy Chair)
John Alexander
Andrew Demetriou
Jane Halton
Guy Jalland (by telephone)
Michael Johnston
Toni Korsanos
Harold Mitchell
John Poynton

Mary Manos (Secretary)

By invitation:

Mark Arbib (from Agenda Item 4.2)
Ken Barton
Barry Felstead
Lauren Harris
Alan McGregor
Todd Nisbet
Glen Ward (MinterEllison) (Agenda Items 7.1 to 7.3 only)
Damir Kucan (Agenda Item 5 only)

Apologies:

Karl Bitar

Minutes of Meeting:

Draft Minutes of Meeting held on 12 December 2019 and 24 January 2020

It was **RESOLVED** that the draft Minutes of the Board Meeting held on 12 December 2019 and 24 January 2020 be approved.

Written Resolution dated 27 January 2020

It was **RESOLVED** that the Written Resolution dated 27 January 2020 be noted.

Declaration of Interests:

Jane Halton noted that she had previously advised Mary Manos that she was no longer on the Board of Clayton Utz or a council member of Australian Strategic Policy Institute.

Matters Arising:

The Matters Arising paper was taken as read.

It was noted that there were no matters which arose at the previous meetings of the Board.

Business Update:**Trading Update**

Ken Barton and Barry Felstead spoke to the Trading Update to 16 February 2020 for the Group noting that:

- trading conditions in the Macau gaming market were impacting the gaming industry generally;
- the business was impacted by continuing soft market conditions and recent negative publicity resulting in VIP program play turnover being down 34% on the prior year;
- following the Novel Coronavirus outbreak, patron hours were impacted from 26 January 2020, in particular, in Melbourne. In addition, premium restaurants and bars had been impacted. Crown Melbourne had experienced an approximate \$6.7 million overall impact. In response, table hour cuts had been made at Crown Melbourne and additional promotions had been introduced to encourage visitation. Some improvement had been experienced in the past week.
- EBITDA and NPAT analyst consensus was expected to be revised down following the release of the Company's half year results, with adjustments anticipated in respect of corporate costs and the impacts of the Novel Coronavirus.

Barry Felstead provided the Board with an overview of a number of initiatives at Crown Melbourne and Crown Perth, noting, among other matters:

- Crown Melbourne Mahogany Lounge and Mahogany Suite, which both opened in late December 2019, were performing well and were on track to meet their expected return on investment;
- the gaming machine refresh was proving to be a positive

strategy for the Company;

- Pit30 was expected to complete in July 2020; and
- Crown Towers Melbourne and Perth were both awarded Forbes 5 Star ratings.

It was **RESOLVED** that the Trading Update be noted.

CEO's Report

The CEO's Report was taken as read.

Among other matters, Ken Barton advised the Board that management was working on the format of the CEO's Report and welcomed any feedback from the directors. Among other matters, Ken Barton advised the Board of the following:

- Nick McKenzie had raised two new allegations against the Company for which Nick asked the Company for a response. It was noted that management would refer the allegations to the relevant regulators and to the Inquiry and would advise Nick McKenzie accordingly.
- Following ASIC's review of the Company's executive remuneration practices in 2019, ASIC had advised that it is in the process of finalising its public report on the topic and has notified the Company that it intends to refer to de-identified examples sourced from our corporate records to which the Company had responded.
- In respect of the proposed \$10,000 cash limit proposal, there had been indications that members of the Coalition Government were concerned about the potential economic impact of the proposed Bill and may look to challenge its implementation.
- ANZ is insisting on the inclusion of a review event in respect of certain regulatory outcomes in the Company's new facility arrangements which would not be acceptable to the Company. As such, the proposed resolutions at Agenda Item 9 would be delayed until this matter is resolved.
- Aspinalls was progressing with the approach from Suncity Group Holdings Limited.
- Aspers was continuing discussions regarding the sale of its provincial businesses and Damian Aspinall had indicated an intention to sell the entire business, including Stratford.
- The main enterprise agreement negotiations at Crown Melbourne and Crown Perth had completed.
- Crown had terminated the Dinner by Heston lease with effect from 14 February 2020 and was dealing with the liquidators

regarding the winding up of the restaurant's operations and responding to various enquiries from media and claims from the United Workers Union and its lawyers. It was noted that the Company's total exposure for unpaid debts from Topsy Cake and claims that might arise by the Liquidator was approximately \$7.3m which was included in existing provisions.

Todd Nisbet advised that the Company and Lend Lease were working through a dispute resolution process related to the public realm and roadway work at Barangaroo. Lend Lease is required to proceed with the work while the dispute process is underway.

The Board discussed the new Nick McKenzie allegations with management and the steps that management was taking to investigate these matters.

Mark Arbib provided the Board with an update on C|T Group's brand campaign research noting that, in New South Wales, the public perception of the Company went from -14% in October last year to +13%.

It was requested that the Board be provided with an update on the Company's brand campaign at its next meeting.

It was **RESOLVED** that the CEO's Report be noted.

Novel Coronavirus:

The Coronavirus update paper was taken as read.

Damir Kucan provided the Board with an overview of the Company's operational response planning for the Novel Coronavirus outbreak, highlighting, among other matters, that:

- He had been appointed by the Occupational Health & Safety Committee and the Risk Management Committee to lead a Steering Committee to oversee the Company's planning and response processes in relation to the coronavirus.
- Work had commenced to prepare a detailed Coronavirus Readiness Plan for the Company.
- The key drivers of the Plan are to exercise due diligence and discharge the Company's due of care.
- The objective is to effectively minimise the impacts of the Coronavirus and biohazards generally through communication, controls and co-ordination.
- The Company is seeking external advice and support from Professor Charles Guest, former Chief Health Officer for Victoria, the Company's insurance broker and ERS.
- A meeting with Charles Guest had been scheduled to obtain feedback on the Company's approach and for guidance and

support, including in relation to Company stockpiles of masks and hand sanitiser.

- A Human Biosecurity Policy for the Company was being developed together with detailed business plans.
- In addition to the Coronavirus Executive Steering Committee, a Project Leadership Team and Operations Groups had been established.
- Management was monitoring the global situation on a daily basis and communicating with employees and stakeholders as required.

It was noted that a review had been undertaken of the Company's insurance coverage and it is unlikely that the Company would have any meaningful coverage in respect of loss arising from the coronavirus outbreak.

The Board noted the initiatives being undertaken by the Company in responding to the novel coronavirus outbreak.

Results for the Half Year ending 31 December 2019:

Draft Results Presentation and ASX Announcement

Ken Barton tabled a revised draft ASX Announcement and requested that the Board provide any feedback to him or Mary Manos by the end of the day.

Ken Barton led a page turn of the draft Results Presentation and advised the Board that:

- EBITDA was in line with analyst consensus.
- For Crown Melbourne:
 - performance was down considerably, largely driven by VIP program play turnover;
 - gaming machines was up 4.4% and was continuing to grow market share; and
 - table games were down 1.5% with market share remaining constant and softness experienced mostly in the premium tables.
- For Crown Perth, gaming machines and table games were performing well.
- Performance at Crown Aspinalls was down, but not considerably.
- The market would be advised that corporate costs are expected to be higher in the second half as a result of an increase in insurance costs, regulatory inquiry costs and the

recent bushfire relief support.

- A comment was included on the effects of Novel Coronavirus, noting that the impact could not be quantified.

Todd Nisbet highlighted that the update on Crown Sydney residential sales included in the results announcement and presentation, would disclose that \$650 million in sales and commitments had been achieved. It was noted this amount would reflect both the value of executed contracts together with contracts in agreed form with deposits received and heads of agreement with \$50,000 deposits subject to long form agreement negotiations. In addition, a site map for One Queensbridge was included in the results presentation to demonstrate the significance of the site.

It was requested that additional information be included in the announcement regarding the Company's bushfire relief initiatives.

It was **RESOLVED** that the draft ASX Half Year Results Announcement and Presentation be approved for release (subject to any amendments suggested by the Board) and subject to final approval by the Chief Executive Officer.

Draft Minutes of Meeting of Audit and Corporate Governance Committee held on 12 February 2020

Toni Korsanos provided the Board with an overview of the matters considered at the 12 February 2020 meeting of the Audit and Corporate Governance Committee, noting, among other matters that:

- A tender process for the Company's statutory auditor was commencing and this initiative was included in the half year results announcement.
- The indicative offer from Suncity for Crown Aspinalls was supporting Crown Aspinalls' carrying value.
- Pre-opening costs for Crown Sydney were included as a significant item in the Appendix 4D following a request from the Committee.

It was noted that Ken Barton had signed the CEO/CFO Declaration in support of the half year results.

It was **RESOLVED** that the draft Minutes of Meeting of the Audit and Corporate Governance Committee dated 12 February 2020 be noted.

Accounting Issues

The Accounting Issues Report was taken as read.

It was **RESOLVED** that the Accounting Issues Report be noted and the proposed accounting treatments and valuations referred to in that Report be approved.

Interim Dividend Recommendation

The Interim Dividend and Franking of Future Dividends papers were taken as read.

Ken Barton noted the proposal for the interim dividend to be franked at 25% with the franking percentage expected to recover in 2021.

Subject to finalisation of the Appendix 4D and on the basis that, immediately before the dividend is declared and, at the proposed date of payment:

- the proposed dividend will be paid out of the Company's current year profits;
- the current year profits from which the proposed dividend is to be paid have not been appropriated for any other purpose, including against accumulated prior year losses (if any) of the Company;
- the proposed dividend will not be debited against an amount standing to the credit of the Company's share capital account;
- the Company's assets will exceed its liabilities and the excess will be sufficient for the payment of the proposed dividend;
- the proposed dividend payment is considered by the Board to be fair and reasonable to the Company's shareholders as a whole; and

the proposed dividend payment will not materially prejudice the Company's ability to pay its creditors,

it was **RESOLVED** that:

- (a) an interim dividend of 30 cents per ordinary share be declared and paid, out of the Company's current year profits as at 31 January 2020, on 3 April 2020;
- (b) the dividend be franked to 25%;
- (c) the unfranked portion of the dividend be paid from conduit foreign income; and
- (d) the dividend be paid to the holders of ordinary shares on the register of members as at 20 March 2020.

ASX Appendix 4D

The draft Appendix 4D was taken as read.

It was **RESOLVED** that the draft Appendix 4D be approved (subject to any amendments suggested in the meeting and agreed to by the Board) and subject to final approval by the Chief Executive Officer.

It was **RESOLVED** that, in the opinion of the Directors:

- the financial statements and notes of the consolidated entity for the half year ended 31 December 2019 are in accordance with the *Corporations Act 2001* (Cth) including that they:
 - give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and the performance for the half year ended 31 December 2019; and
 - comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001* (Cth); and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

It was further **RESOLVED** that any one director (**Authorised Director**) be authorised to make the above declarations for and on behalf of the Board and that the Authorised Director be authorised to sign the Directors' Report for and on behalf of the Board.

REDACTED - PRIVILEGE



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REDACTED - PRIVILEGE

The meeting was adjourned at 12.05pm and reconvened at 12.15pm.

Key Development Update:

The Development Update was taken as read.

Crown Sydney

Among other matters, Todd Nisbet highlighted that:

- Construction was proceeding on schedule with handover to the operations team expected in early December 2020.
- The residential component of the project was forecast to complete in a staged manner from March 2021 through July 2021.

- While the net project cost for Crown Sydney was still anticipated to be \$1.4 billion, the gross project cost may be higher than anticipated with an expectation that this would be offset by the outcome of residential sales.
- It was noted that construction was expected to top out in June 2020 and that consideration would be given to potential marketing opportunities.

One Queensbridge

Todd Nisbet advised that WilkinsonEyre and Architectus had been engaged to develop a schematic design and planning application for the One Queensbridge project. It was noted that approval of the Board would be sought prior to lodging any planning application.

It was also **RESOLVED** that the Development Update be noted.

Capital Management Update:

The Capital Management Update paper was taken as read.

Ken Barton reminded the Board that passing of the resolutions would be delayed pending resolution of the ANZ review event request.

Treasury and Compliance Update:

The Treasury and Compliance Update paper was taken as read.

It was **RESOLVED** that the Treasury and Compliance Update be noted.

Investor Relations Report:

The Investor Relations Report was taken as read.

Helen Coonan requested that a note be circulated to the Board on the Company's share trading windows.

It was **RESOLVED** that the Investor Relations Report be noted.

Committees:

Audit Committee – Draft Minutes of Meeting held on 23 January 2020

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Audit Committee held on 23 January 2020 be noted.

Brand Committee – Draft Minutes of Meetings held on 12 December 2019, 19 December 2019, 16 January 2020, 23 January 2020 and 30 January 2020

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Brand Committee held on 12 December 2019, 19 December 2019, 16 January 2020, 23 January 2020 and 30 January 2020 be noted.

Corporate Responsibility Committee – Draft Minutes of Meeting held on 12 February 2020

The draft minutes were taken as read.

It was noted that the Company was proposing to adopt a Human Rights Policy which would be presented to the Board for consideration and approval at the appropriate time.

It was **RESOLVED** that the draft minutes of meeting of the Corporate Responsibility Committee held on 12 February 2020 be noted.

Nomination and Remuneration Committee – Draft Minutes of Meeting held on 22 January 2020 and 11 February 2020

The draft minutes were taken as read.

Andrew Demetriou provided the Board with an overview of the matters considered at the 11 February 2020 meeting of the Nomination and Remuneration Committee, including the recommendation to approve an additional 1.25% remuneration increase for 944 salaried staff in Perth (excluding any ineligible employees and the Perth Executive team) to bring the total increase for F20 for those employees to 2.25% backdated to 1 July 2019 to address the potential differential between salaried and unionised staff.

It was also noted that certain matters were separately addressed at Agenda Items 14 and 15.1.

It was **RESOLVED** that:

- an additional 1.25% remuneration increase for 944 salaried staff in Perth be approved (excluding any ineligible employees and the Perth Executive team) to bring the total increase for F20 for those employees to 2.25% backdated to 1 July 2019; and
- the draft minutes of meeting of the Nomination and Remunerations Committee held on 22 January 2020 and 11 February 2020 be noted.

Occupational Health and Safety Committee – Minutes of Meeting held on 11 February 2020

The draft minutes were taken as read.

John Horvath advised that an audit had been carried out at Crown Melbourne of façade cladding noting that the two high risk items which were identified during the audit had been rectified.

It was **RESOLVED** that the draft minutes of meeting of the Occupational Health and Safety Committee held on 11 February 2020 be noted.

Risk Management Committee – Minutes of Meetings held on 12 February 2020

The draft minutes were taken as read.

Jane Halton provided the Board with an update on a number of matters considered at the Committee meeting, including the following:

- the implementation of a cashless facility at Crown Perth which had been deferred to a later date to be determined by the Committee in conjunction with the Responsible Gaming Committee;
- cladding reviews had been undertaken at Crown Melbourne and Crown Perth, resulting in no action items for Crown Perth and some continuing reviews at Crown Melbourne;
- in relation to the instrument and payroll compliance review, further advice was being sought from counsel with respect to positions identified as potentially misaligned with instrument or level of classification and an exercise had commenced with the assistance of Deloitte to determine the possible financial impact to the Company of any misalignment;
- the Committee oversaw a diligence process to support aspects of the Statement of Evidence request for the ILGA Inquiry; and
- the Committee had approved adjusted risk ratings in respect of the following two risks:
 - 'Major reputational damage' risk – the likelihood was increased from 'likely' to 'almost certain' to reflect the inevitable media coverage likely to be associated with the ILGA Inquiry.
 - 'External disruptors out of our control' – the likelihood was increased from 'possible' to 'likely' and the consequence rating was increased to 'major' having regard to the novel coronavirus.

Helen Coonan invited directors to further consult with Jane Halton should they require further detail in relation to the work of the

Risk Management Committee.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management Committee held on 12 February 2020 be noted.

Responsible Gaming Committee - Minutes of Meetings held on 11 February 2020

The draft minutes were taken as read.

John Horvath provided the Board with an overview of the matters considered at the last meeting of the Responsible Gaming Committee, noting that the Company and the VCGLR were engaging on the section 25 review recommendations and responses to all the responsible gaming recommendations had been submitted by the Company, other than for Recommendation 9 which was not yet due.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 11 February 2020 be noted.

Review of Policies:

The Review of Policies paper was taken as read and the proposed policy amendments were noted.

Having reviewed the revised Company policies, it was **RESOLVED** that the policies be updated in the form presented to the Board.

Review of Charters and Committee Name Change:

The Review of Charters and Committee Name Change paper was taken as read and the proposed charter amendments were noted.

It was **RESOLVED** that:

- the name of the Nomination and Remuneration Committee be changed to People, Remuneration and Nomination Committee; and
- having reviewed the Charters, the Board Charter and the Committee Charters be updated in the form presented to the Board.

Other Business:

Committee and Subsidiary Board Composition

The paper with respect to this item was taken as read.

Mary Manos advised the Board of the proposed changes, noting that the relevant directors had been consulted and had agreed to the changes.

In respect of the proposed Crown Sydney Gaming Pty Ltd Board

composition, it was noted that the appointments would be made subject to the receipt of any necessary regulatory approvals.

It was **RESOLVED** that:

- the revised Committee memberships as presented in the paper be approved with immediate effect; and
- the proposed Crown Sydney Gaming Pty Ltd Board composition be endorsed; and
- the dissolution of the Crown Sydney Committee be approved.

Non-executive Director Fees

The Non-executive Director Fees paper was taken as read.

Mary Manos advised the Board that the fee proposal had been considered by the Nomination and Remuneration Committee which had recommended this to the Board for approval.

It was noted that, on a full year basis, the fee proposal would take the total fees close to the non-executive director fee cap and therefore shareholders would be asked to approve an increase in the fee pool at the next AGM.

It was **RESOLVED** that the Non-executive Director fees presented in the paper with respect to this item be adopted with effect from 18 February 2020.

Future Meetings

The Board noted the future meeting dates.

Mary Manos advised that the Committee calendar dates for 2020 and 2021 would need to be reconsidered in light of the changes to the composition of the Committees.

The Board requested that the Committee and subsidiary board structure be considered at the Company's strategy day.

It was also requested that the pre-AGM Board meeting be held the morning before the AGM in Perth to enable the directors to meet with management following the Board meeting.

"In Camera" Session:

Management left the meeting at the commencement of this Agenda Item.

The Chair subsequently informed the Company Secretary that there were no action items arising from the "In Camera" Session.

Closure: There being no further business, the meeting was declared closed at 1.00pm.

Signed as a correct record

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Chair

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