



Crown Resorts Limited

Chief Executive Officer's Report
August 2020

Trading Update



Covid-19 Update

As previously discussed with the Board, Crown Perth re-opened on 27 June 2020 with July trading well above expectations, despite the ongoing COVID related restrictions relating to distancing and restricted capacities.

With the introduction of Stage 4 lockdown in Metropolitan Melbourne on 2 August 2020, the timing of re-opening of Crown Melbourne remains uncertain. Crown has continued its engagement with the Victorian Chief Health Officer and the Department of Health and Human Services (DHHS) in relation to the proposed protocols for reopening.

Crown Aspinalls was expected to re-open on 1 August 2020 however this re-opening date has been deferred, with no further indication of a new date at this stage.

Please refer to **Agenda Items 5 and 6** for a more detailed update on the impact of COVID-19 on Crown's operations.

Impairments



Treatment of Closure Costs

As previously reported to the Board, Crown engaged a technical team from Deloitte to review Crown's position on the treatment of closure costs in its Appendix 4E and financial statements to provide independent advice and guidance.

In addition, Crown consulted with Doug Niven, Senior Executive Leader Financial Reporting and Audit, at ASIC regarding Crown's proposed disclosures in relation to the costs incurred by the Company during the mandated closure period. Mr Niven agreed that the disclosure of Crown's costs during closure would be useful for investors and was satisfied that Crown's proposed disclosures did not contravene ASIC's recent guidance surrounding the disclosure of pre and post COVID results. Crown has addressed Mr Niven's feedback in relation to the classification of these costs in the draft Appendix 4E included at Agenda Item 7.3.

Please refer to **Agenda Item 7.4** for further information on the treatment of closure costs in the F20 results.

Litigation and Regulatory Update – privileged and confidential

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Junket Processes Review

At the February Board meeting, the Board asked that management undertake a review of the process to on-board new junkets.

An initial review was undertaken internally, driven by the Group General Manager – Risk and Audit, with the collaboration of the AML, Compliance and Credit teams. Once that was completed in mid-April, an external advisory firm (Deloitte), was asked to perform an independent assessment of the process and the new POI tool.

A draft of the report from Deloitte has now been received. A copy of the Report has been provided to the Board with these papers for its review.

Please refer to **Agenda Item 16** for additional commentary in relation to the review.

Instrument and Payroll Compliance Review

As previously reported, Crown commenced a comprehensive instrument mapping and payroll audit in October 2019 which followed extensive reporting of employees being underpaid across corporate Australia.

The progress of the mapping and payroll audit has been delayed with COVID-19 impacting the ability of both Crown and its external advisors to deliver an outcome in the timeframes originally anticipated.

ASIC Corporate Governance Taskforce Review

In 2018 ASIC established a Corporate Governance Taskforce (**Taskforce**) for the purpose of undertaking targeted reviews of corporate governance practices in large entities. Crown participated in the second on ASIC's focus areas being: executive remuneration structures and whether they are driving the right behaviours and accountabilities of executives.

On 5 June 2020, ASIC wrote to Crown for the purposes of providing company-specific feedback and sharing insights on the practices observed across the 21 ASX-listed companies in ASIC's review.

In June 2020, the Chair formed an ASIC Special Purpose Committee, comprised of Helen Coonan, John Horvath, Jane Halton, Michael Johnston and Harold Mitchell which met on 9 July 2020 to consider the feedback received from ASIC. The proposed actions have been referred to the People, Remuneration and Nomination Committee for oversight and implementation.

It is proposed that the formation of the ASIC Special Purpose Committee be ratified by the Board.

Please refer to **Agenda Item 14.1** for a copy of the draft minutes of the 9 July 2020 ASIC Special Purpose Committee meeting.

Audit Tender Process

Following the completion of the External Auditor tender process, the Audit and Corporate Governance Committee has determined to recommend to the Board the appointment of KPMG as Crown's external auditor.

Please refer to **Agenda Item 15.2** for a formal proposal on this appointment.

Crown Risk Profile

At the 12 August 2020 meeting of the Risk Management Committee, the Committee approved the addition of 'Treasury' risk as an additional risk to the Crown Risk Profile.

This proposal was made having regard to the continued lack of revenue at Crown Melbourne and the requirement to secure additional funding and seek covenant waivers for the 31 December 2020 testing date. In addition, the proposed closure of accounts in our Crown Aspinalls and DGN operations indicates that a number of banks are considering their relationships with casino and gaming entities.

The risk has been allocated an inherent rating of Almost Certain and Severe (or Critical overall) and a residual risk rating of Likely and Moderate (or High overall).

This risk will most likely be adjusted in the medium term, as the banks' position with regards to gaming and casino entities evolves and as Crown recovers from the impacts of COVID-19.

Attached for the Board's reference is a copy of the Crown Risk Map.

Digital Payment and Virtual Account Technology

As previously reported to the Board, cashless transactions for gaming activity is being actively reviewed across a number of gaming jurisdictions, in part due to the encouragement of health authorities to avoid the use of cash as a potential fomite.

Crown Perth – EFTPOS at the table

Following the approval of the Risk Management and Responsible Gaming Committees on 23 June 2020, the first phase of Crown Perth's implementation of EFTPOS on gaming tables commenced on 27 July 2020. There was limited local media interest.

The first phase comprised initially of one device installed on one table. A demonstration of the device was given to the Chief Casino Officer and a subsequent demonstration to the Gaming & Wagering Commission.

Implementation has progressed in a phased manner, in accordance with the implementation plan, with a total of 24 devices currently being installed across 24 tables, marking the commencement of the 13 week pilot phase.

A report will be provided to the Commission at the conclusion of the 13 week pilot phase in relation to “the use, take up and any issues from the conduct of cashless gaming”.

Digital Payment Proof of Concept

In addition to the trial in Perth, Crown is also considering the use of digital payment and virtual account technology more broadly as part of its future business model, subject to any required regulatory approval.

Development is underway for a working prototype of suitable technology that can be used to socialise with relevant regulators and stakeholders.

An initial meeting took place with the Victorian Gaming Minister on 11 August to demonstrate Crown’s proposed technology solution. Crown is now working with relevant Victorian Government departments regarding the legislative impediments.

New South Wales Technology Working Group

In New South Wales, a Government-led working group is considering the introduction of digital wallet technology for the casinos, pubs and clubs. Work continues on the development of product based proposals by various industry participants for submission to the Technology Working Group for approval to move to a number of trials.

Financing Arrangements





Aspinalls Sales Process

Since the previous meeting of Board, Crown has heard nothing further from Suncity Group Holdings Limited or Royal Group in relation to their interest in acquiring Crown Aspinalls.

DGN

The transfer of all intellectual property associated with OVS and LTS to Sociologic (an Israeli entity) to simplify DGN's legal structure has been substantially completed.

