



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Wednesday, 17 April 2019 at
10.00am at M7&8, Crown Promenade, 8 Whiteman Street,
Southbank, Victoria

Present:

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

Mary Manos (Secretary)

By invitation:

Ken Barton
Barry Felstead
Lauren Harris (by telephone)
Alan McGregor
Richard Murphy (MinterEllison) (Agenda Items 5.3 and 6 only)
Todd Nisbet

Apologies:

Mark Arbib
Karl Bitar

BUSINESS

Draft Minutes of Meeting:

It was **RESOLVED** that the draft Minutes of the Board Meetings held on 19 February 2019, 18 March 2019, 24 March 2019, 25 March 2019 and 10 April 2019 be approved.

It was also **RESOLVED** that the Written Resolutions of the Board dated 18 March 2019 be noted.

Matters Arising:

It was noted that there were no outstanding matters arising from the previous meetings of the Board.

CEO's Report:

The CEO's Report was taken as read.

Barry Felstead provided the Board with an update on the Crown Melbourne Area Manager Enterprise Agreement negotiations noting that management believes that a revised offer that will cost the Company an extra \$250,000 per annum may be acceptable to those employees covered by the Enterprise Agreement.

The Board considered the proposal, and having regard to the circumstances, it was **RESOLVED** that the management be authorised to propose the revised offer.

In addition, Barry Felstead and Ken Barton highlighted the following matters:

- On 7 March 2019, the VCGLR issued a direction to Crown Melbourne to prohibit the supply and prevent the use of button picks at Crown Melbourne.
- On 21 March 2019, the VCGLR concluded its investigation into the use of multiple player cards on electronic gaming machines and found that Crown Melbourne had not contravened any applicable laws in the State of Victoria but had referred to the matter to the Department of Justice and Community Safety to determine whether regulatory reform is necessary.
- The composition of the Responsible Gaming Advisory Panel had been approved by the Company's Responsible Gaming Committee on 3 April 2019.
- It is understood that the Black Economy Taskforce has confirmed an exemption for AUSTRAC reporting entities (including casinos) from the \$10,000 limit on cash transactions with a review to be undertaken in two years from commencement, however, the draft legislation will only be made available following the upcoming federal election.
- In relation to the proposed sale of Crown Aspinalls, the prospective purchaser, Inventive Star, had indicated that it will provide an update on its intentions with respect to the proposed transaction in the coming weeks.
- In relation to the proposed amendments to the Victorian State Security arrangements, the Department of Treasury and Finance and the Treasurer have indicated in-principle approval of the proposal and it is understood that they are now consulting with the Minister for Gaming and Liquor Regulation

and the Department of Justice regarding the proposal.

Having regard to the proposed amendments to the Victorian State Security arrangements, it was **RESOLVED** that:

- it is in the best interests of the Company to proceed with the proposed amendments to the Victorian State Security arrangements and to enter into the agreements to give effect to the proposed amendments;
- the Company be authorised to enter into, and, to the extent that a subsidiary of the Company is a party, procure entry into the following agreements:
 - Deed of Amendment and Release between the Company, Crown Melbourne Limited (**Crown Melbourne**), the VCGLR and the State of Victoria to, among other matters:
 - (i) replace the existing \$185 million Letter of Credit with a new \$60 million Letter of Credit;
 - (ii) amend to the Fixed and Floating Charge dated 19 November 1993 between Crown Melbourne and the Minister, including to remove the existing \$285 million cap on the State's ability to recover under the Fixed and Floating Charge;
 - (iii) terminate the Deed of Undertaking and Guarantee dated 30 June 1999 between, among others, the Company, Crown Melbourne, the VCGLR and the State; and
 - (iv) terminate the Supplemental Casino Agreement dated 27 May 1999 between, among others, Crown Melbourne and the VCGLR; and
 - Twelfth Variation Agreement to amend the Casino Agreement dated 21 September 1993 between Crown Melbourne and the VCGLR,

(together the **Transaction Documents**);

 - any two directors or a director and company secretary of the Company be authorised to execute the Transaction Documents on behalf of the Company; and
 - any director or secretary of the Company be authorised to sign all documents and do all acts, matters and things as are necessary or desirable (in their opinion) to proceed with the proposed amendments to the Victorian State Security arrangements and to enter into and complete the transactions contemplated by or incidental to the Transaction Documents.

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

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

Trading Update:

Current Trading

Ken Barton spoke to the Trading Update to 14 April 2019 for the Group noting that:

- For the month of March 2019, EBITDA missed budget by approximately 10% or \$8 million which was largely contributed by Melbourne and Perth Local, VIP and Crown Aspinalls.
- EBITDA is tracking at \$60.6 million below budget year to date with subdued trading across Melbourne and Perth, particularly in Table Games and VIP.
- Table Games has grown less than 1% year to date and with labour costs growing at approximately 4% per year. While spend per visit has declined, there is limited scope to reduce Table Games labour as patronage remains steady.
- EBITDA for the full year is tracking at approximately \$803 million using a win rate of 1.35% as compared to analyst consensus which, on average, is forecasting EBITDA for the full year to be approximately \$822 million.

Among other matters, the Board discussed the following:

- The Star Entertainment Group's half year performance as compared to the Company's performance. It was noted that management would consider additional opportunities to improve the Company's product offering to increase spend per visit.
- The possible impacts of the upcoming federal election on the Company's performance.

Barry Felstead provided the Board with an overview of a number of initiatives at Crown Melbourne and Crown Perth as set out in the Trading Update.

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

FY20 to FY23 Planning Parameters

Ken Barton and Barry Felstead led a page turn of the FY20 to FY23 Planning Parameters presentation, highlighting, among other matters, the following:

- Subdued trading is expected to continue through to the end of 2019 with spend patterns expected to normalise from FY21.
- The proposed Crown Melbourne and Crown Perth growth initiatives, as set out on slides 10 and 11 of the presentation, highlighting the following specific proposals:
 - The increase in gaming floor space through the conversion of JJ's (for electronic gaming machines) and Club 23 (for table games).
 - The upgrade of the Company's existing electronic gaming machine fleet.
 - The sales force marketing expansions for regional Victoria, interstate and internationally.
 - The marketing lifecycle customer management initiatives which will allow the Company to tailor offers to patrons.
 - The initiatives for Crown Perth which require regulatory approvals and the current status of each of those initiatives.

The Board requested that key performance indicators be established for each proposed initiative with progress against those indicators and initiatives to be presented to the Board on a regular basis.

It was noted that detailed proposals would be included in the Financial Plan and Budget that is to be presented to the Board at its next meeting in June. The Board indicated its support of the initiatives and confirmed that management could commence preparatory work to progress the proposals to expand the gaming floor space at Crown Melbourne and introduce the marketing lifecycle customer management initiatives.

In relation to JJ's, it was noted that in the future there should be a process for the approval of any demolition of any operating facility.

In relation to Crown Sydney, Todd Nisbet provided an overview of the Crown Sydney business case as set out in Section 2 of the presentation.

It was noted that consideration is being given to converting the Crown Sydney ballroom into an additional gaming area prior to opening and make an appropriate recommendation to the Board.

In response to a query, Todd Nisbet advised that the ballroom space could not be a hybrid space for events and gaming due to its

size.

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Capital Management Update: The Capital Management Update was taken as read.

Ken Barton advised the Board that the on-market share buy-back remained on hold having regard to the ongoing discussions for the proposed sale of Crown Aspinalls.

It was **RESOLVED** that the Capital Management Update be noted.

Investor Relations Report: The Investor Relations Report was taken as read.

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

Minutes of Meeting of Committees:

Draft Minutes of Meeting of the Risk Management Committee held on 25 February 2019

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management Committee held on 25 February 2019 be noted.

Draft Minutes of Meeting of the Responsible Gaming Committee held on 3 April 2019:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 3 April 2019 be noted.

Written Resolutions of the Nomination and Remuneration Committee held on 12 April 2019:

The draft minutes were taken as read.

It was **RESOLVED** that:

- having regard to the nature of Ishan Ratnam's role with the Company, it is in the Company's best interests to enter into a letter agreement to extend certain notice periods in Mr Ratnam's contract of employment (the Letter Agreement);
- entry into the Letter Agreement be approved; and
- the Company execute and enter into the Letter Agreement in the form produced to the Nomination and Remuneration Committee or in any other form approved by either two directors or a director and secretary of the Company.

It was **RESOLVED** that the Written Resolutions of the Nomination and Remuneration Committee held on 12 April 2019 be noted.

Other Business:***ASX Corporate Governance Principles and Recommendations***

Mary Manos noted the summary of key updates to the ASX Corporate Governance Principles and Recommendations as set out in the paper with respect to this item. It was noted that the revised Recommendations will take effect for the Company from 1 July 2020 and that matters will be brought to the Board for approval as required to comply with the revised Recommendations.

Modern Slavery Act – Reporting Requirements

Mary Manos provided the Board with an overview of the reporting requirements introduced by the *Modern Slavery Act 2018* (Cth) and advised that KPMG Banarra had been engaged to assist the Company in preparing for public reporting under the Modern Slavery Act.

Approval of Subordinated Notes II Quarterly Report

The directors acknowledged having received a copy of the draft Quarterly Report for the Crown Subordinated Notes II in relation to the period from 1 January 2019 to 31 March 2019 (the **Quarterly Report**).

It was **RESOLVED** that:

- the Quarterly Report be approved;
- the Company Secretary cause the Quarterly Report to be lodged with the Australian Securities and Investments Commission (**ASIC**); and
- a copy of the Quarterly Report lodged with ASIC be provided to Australian Executor Trustees Limited (in its capacity as Trustee of the Crown Subordinated Notes II issues).

Future Meetings

The Board noted the future meeting dates.

Nomination and Remuneration Committee Composition

The Nomination and Remuneration Committee Composition paper was taken as read.

Mary Manos advised the Board of the proposal to appoint Michael Johnston as a member of the Nomination and Remuneration Committee, noting that:

- the appointment of Mr Johnston as a member would facilitate a more formal process for the Nomination and Remuneration Committee to obtain and consider the views of the major shareholder both in relation to director nomination and

remuneration matters; and

- the ASX Corporate Governance Principles and Recommendations recommendation that the Committee comprise a majority of independent directors would continue to be satisfied.

Having regard to the above, it was **RESOLVED** that Michael Johnston be appointed as a member of the Nomination and Remuneration Committee with immediate effect.

Other Business

Mike Johnston suggested that consideration be given to establishing a sub-committee of the Board to consider preliminary future takeover approaches made by third parties.

Closure:

There being no further business, the meeting was declared closed at 1.08pm.

Signed as a correct record

A large black rectangular redaction box covering the signature of the Chairman.

Chairman