

Rewards Section:

28. Explain how the loyalty program operates, including (to the extent not covered in paragraph (c) above) the incentives provided to members of the program.

Structure of response:

As outlined at the beginning of my statement, in answering question 28 I will be referring to The Crown Rewards program within its stated structure and benefits. Other benefits and enticements provided directly by the gaming business unit will be addressed by the gaming business unit.

Other benefits and enticements comprises the range of benefits & offers made to customers directly by the gaming business units outside of those delivered by marketing and those explicitly stated in the Rewards program. This includes the majority of benefits and offers to local VIP, interstate VIP and international VIP customers.

My response will be structured around key elements of how the program operates: sign-up, earning and redemptions of points, status tiers, tier benefits and service interaction points.

Overview:

The Crown Rewards program has multiple roles within the organization.

It is a points based loyalty scheme that rewards customers for spend across gaming and non-gaming products at Crown Melbourne. At a high level this involves allowing customers to earn points for spend across the property and redeem them for goods and services across the property and also access levels of benefits reflective of their value to the businesses.

In addition to this, the Rewards Program is also the structure within which the gaming business unit manages customers, both from a customer facing perspective but also operationally. From a customer facing perspective this includes selection and delivery of customer benefits by Gaming, such as discretionary complementary food, beverage or hotel rooms, travel and event tickets. Operationally, the program tiers are used by the business units to manage functions such as VIP room access, host allocation and revenue reporting.

Further to this, the Rewards Program framework also supports elements of AML and Responsible Gaming, notably through providing the foundation of Know Your Customer (KYC), allowing tracking of spend and supporting the operational elements of exclusions.

Sign-up process overview:

Customers can sign-up to be a Crown Rewards member at a desk on property or can start the process online but must still attend the desk in order to become a full member.

Sign-up requires the individual to be 18 years old or over and provide the following information:

- Full name, DOB, residential address.
- Provide a full and valid ID to be scanned into the patron management system.
- Where relevant, collection of channel through which to receive the Player Activity Statement (PAS).
- Opt in to YourPlay.
- Attest to not being subject to an exclusion order.
- Acceptance of the program rules and provision of any desired marketing consents.

A series of checks are undertaken as part of this process:

- The residential address is authenticated by a third party address validation tool in order to validate accuracy of data and format
- Check for duplicate customer records that already exist.
- All active members are screened daily for politically exposed persons (PEPs) and sanctions issues by Dow Jones Risk & Compliance software.

Enhancements to the sign-up process have been built over the last 12 months and are awaiting approval and opening of gaming at Crown Sydney for go-live. These include:

- Having a headshot photo taken – this allows ID document verification (see below) and supports customer identification through photos on membership cards.
- ID document verification – use of a third party provider to check that the ID document belongs to the person in the photo (above) and that it is a valid document (e.g. not fake, stolen, etc.).

Following acceptable completion of the above process a card is printed and the customer sets up a PIN to enable access to a series of membership functions (login at a member kiosk (VIK), login to member hub, etc.).

Earning points:

Crown Reward Points can be earned through spending in the Casino, hotel, participating restaurants and bars and events & conferences. Points earned through spend in the Casino are known as Casino Points while those earned elsewhere are known as Lifestyle Points. Provisional members (i.e. those who have not fully completed the sign-up process) can only earn Lifestyle points.

The rate at which points are earned is based on spend which is measured by theoretical revenue in gaming but the calculation is complex and varies by the nature of the product being played and tier. The effective spend to earn one point through spend in each business unit is as follows:

- Game machines: \$1 theoretical revenue (spend) earns between 3.8 and 4.5 rewards points.
- Table Games: \$1 theoretical revenue (spend) earns between 2.5 and 4 rewards points.
- Hotels, food & beverage, retail and events & conferencing: \$1 spend earns 5 rewards points.

Redeeming Rewards Points:

Crown Rewards points accrued by a member can be redeemed in a variety of ways. Irrespective of the type of redemption the redeemed value of 100 Crown Rewards points is \$1. Points can be redeemed in the following ways:

- For gaming machines, points can be redeemed for Pokie Credits (where 100 points equals \$1 of credits for machine play). This can be performed through the gaming machines service window with the use of the membership card and PIN.
- For table games, points can be redeemed for Table Play vouchers (where 500 points equals a \$5 table play voucher). The redemption process involves going to the VIK to print a voucher and then the dealer exchanging the voucher for chips at a participating table game.
- For all non-gaming redemptions on property, members can pay some or all of their bills with points at point of sale.
- Crown Gift Cards can be purchased with points online through the Crown Rewards member hub.

Further detail on points earning can be found annex 'Crown Melbourne How Crown Rewards Operates (002)' pages 8 to 10.

Crown Reward Status Tiers:

There are five membership tiers within the Crown Rewards program, each with different benefits, starting at Member tier and then progressing through Silver, Gold, Platinum and Black tiers.

Status credits (SC's) can be earned within each six month membership cycle in order to progress to, and through, each tier. Status credits also need to be earned within the six month cycle in order to maintain membership of a tier. Status credits are earned at a rate of 1 status credit per 500 Casino Points and 1,500 Lifestyle Points.

The thresholds for entry into each membership tier are as follows:

- Entry level: Member
- 5 SC's – Silver
- 25 SC's – Gold
- 100 SC's – Platinum
- Circa 500 SC's (by invitation only) – Black

Upgrade to any given tier will occur when a customer earns sufficient status credits to reach each of the above thresholds within a membership cycle. Maintaining a tier within a cycle requires a customer to earn sufficient status credits to remain above the tier entry threshold. If a customer does not earn sufficient status credits to remain in a tier then they will drop one tier at the end of the membership cycle. Status credits are set to zero at the end of each membership cycle.

In addition to the above, authorized team members within the gaming business units have the ability to upgrade customers to higher tiers or maintain them at a current tier through manual addition of status credits. On occasion, groups of customers have been maintained at their existing tier if they have not reached the required status credits within a cycle. This is typically limited to customers who are within 20% of the tier threshold and/or have extenuating circumstances such as extended travel or illness.

Upgrades are blocked for any customer with certain stop codes or tier or room lock outs, these include those associated with responsible gaming, behavioural concerns, police requests and AML/CTF (anti-money laundering and counter terrorism finance).

Crown Reward Tier Benefits:

The benefits associated with each tier increase progressively with the tiers, largely in line with the value of the customers in each tier.

The benefits for each tier are detailed in annex 'Crown Melbourne Crown Rewards Tier Benefits'.

Some of the benefits are defined within the program and delivered through the program itself while others are delivered through marketing campaigns and the remainder, while stated in the program benefits at a high level, are designed and delivered by the gaming business units. These are flagged as REW, MKTG and EBP in the annex respectively.

Sub-program benefits:

In addition to the Rewards program benefits, there are two sub-programs within gaming which Crown Rewards members are eligible for, Pokie Credit Rewards and Casino Dining Rewards.

Pokie Credit Rewards is a sub-program within gaming machines where a Rewards member can gain Pokie Credits when they earn rewards points above a series of thresholds. This ranges from a \$5 Pokie Credit for 50-99 points earned up to a \$100 credit for 10,000+ points earned. Pokie Credit Rewards are redeemable on the customers next visit (within 14 days).

Casino Dining Rewards allow Member, Silver and Gold tier customers to earn a dollar value credit for redemption at participating food and beverage outlets. Customers who earn 150 points in one day on gaming machines receive \$7.50 off their food & beverage purchase value and customers who earn more than 650 points in a day on either gaming machines or tables receive \$17.50 off.

Platinum and Black tier customers receive a similar benefit called Daily Dine. In this program, Platinum tier customer receive \$17.50 off at participating outlets when they earn 500 points on either gaming machines or tables and Black tier customers receive \$50 for the same level of points earned.

More detail regarding these sub program benefits can be found in annex's 'Crown Rewards Collateral/Pokie Credit Rewards' and 'Crown Rewards Collateral/Casino Dining Rewards'.

29. What is the total revenue and profit generated from loyalty program members in each of the last financial or calendar years? What is that revenue and profit as a percentage of the total revenue and profit derived from casino gambling in each of those years?

Profitability of the Rewards program is not measured directly due to its integration with all elements of the business and the resulting difficulty in accurately assigning costs. As such we are only able to reliably answer the question in terms of revenue and how that compares with total gaming revenue.

Within this I will answer revenue within the Rewards program in terms of theoretical revenue (theo). Theoretical revenue is the expected revenue based on a long term theoretical win of any given gaming product, calculated from the turnover on that product and the theoretical win rate. Actual win (i.e. actual revenue) moves around significantly based on win/loss by individual players (especially high value ones) and hence provides a less objective view of the amount of revenue contributed over time by the Rewards Program members. Revenue is calculated based on a member using their rewards card, if they do not use their card while playing this does not get included in the revenue number. While I don't know the exact proportion of members who use their cards when they play, historical research has indicated customers use their cards about 80% of the time they are playing.

Theoretical revenue (win) within the rewards program over the five years to end FY20 was \$2.9B. This equates to 54% of local (Victorian customers) revenue of \$5.374B and 36% of total revenue of \$8.1B including VIP domestic (interstate) and VIP international customers.

This is split 6% member tier, 11% silver, 22% gold, 36% platinum and 26% black tier.

Theoretical revenue by rewards tier can be found in annex '210421 - Rated Theo Win Melbourne'.

30. What research (if any) has been undertaken by Crown Melbourne or Crown Resorts to ascertain the effect the loyalty program has on problem gambling?

To the best of my knowledge the business has not undertaken any research into the effect the Crown Rewards program has on problem gambling. The responsible gaming team do however keep abreast of academic research into problem gambling and this also includes academic research on the above topic.

In addition, during my time at Crown Resorts, I have searched for and read a number of academic research papers into problem gambling, gambling marketing and casino rewards programs.