



Crown Melbourne Limited

Meeting of the Board of Directors held on Friday, 7 June 2019 at 9.30am at:

Sydney: Main Boardroom – Level 39, ANZ Tower, Liberty Place, 161 Castlereagh Street

Melbourne: Executive Office Meeting Room – Level 6

Perth: Executive Office Meeting Room 2

Members Present:

Mr John Alexander (Chairman) (VC - Sydney)

Professor John Horvath (VC – Sydney)

Mrs Rowena Danziger (VC – Sydney)

Mrs Toni Korsanos (VC – Sydney)

Mr Barry Felstead (VC – Melbourne)

Mr Ken Barton (VC – Melbourne)

Mr Joshua Preston (Co-Secretary) (VC – Perth)

Ms Mary Manos (Co-Secretary) (Teleconference – Melbourne)

By Invitation:

Mr Alan McGregor (VC – Melbourne)

Mr Xavier Walsh (VC – Melbourne)

Mr Todd Nisbet (VC – Sydney)

Apologies:

BUSINESS

Draft Minutes of Meeting:

Minutes of Meeting held on 12 February 2019:

It was **RESOLVED** that the Minutes of the Board Meeting held on 12 February 2019 be approved.

Financial Results:

Mr Felstead spoke to the Day 1 Estimate for May and noted as follows:

- March was an improved month where budget was achieved in local being up 6% on last year;
- Table Games volumes were up and drop was in-line with budget which is a great result;
- Gaming Machines were down on budget but up on last year. It

was noted that Machines continued to perform solidly;

- Food & Beverage was up on budget and up on last year which was a good result for the month, together with Events & Conferences which also had a strong month;
- Hotels were up on budget with the Villas performing particularly well for the month. It was also noted that the Qatar Royal family was in house which had provided solid financial uplift for the hotels;
- International volumes were down which was made worse by poor win rate;
- the property visitation was up 5.1% and the gaming floor visitation was up 2.1%.

Professor Horvath enquired as to any views on why business had performed as reported. Mr Felstead advised that we had seen a stronger spend in top end play, however lower end was spending less. Further there had been a positive response post the Federal Election. The Marketing LifeCycle management targets had also started to have an effect. It was further noted that the challenges that we have more customers in at the lower end, who continue to spend less.

Current Issues:

Mr Felstead spoke to the current issues update which was taken as read. Mr Felstead noted the following:

- delivery of the new marketing capabilities is well underway with good progress being made on key pillars of the strategy. New capabilities have been built around and are leveraged to realise 3 material incremental opportunities including:
 - driving mass visitation to property;
 - reactivating inactive Crown Rewards Members; and
 - utilising LifeCycle management capability to deliver personalised, trigger based offers to active Crown Rewards members to better create value for both the member and Crown;
- there had been a strong focus on interstate customers during the period with a large number of offers being made to drive attendance at Crown;
- the 25th anniversary since Crown opened promotion has commenced;
- a marketing push on value meals for customer continues;
- the focus on Groove Bar and the music being played in Groove Bar has had a positive effect;

- the insulation of Lightning Link and Dragon Link will increase to 800 units in May which is the largest single site installation in the world. Based on the continued success of these products, Crown is in the process of constructing a dedicated Dragon Den in the west-end of the property with state of the art transparent LED signage walls;
- there are currently a total of 192 Indigenous Australians employed across Crown Melbourne (108) in Crown Perth (84);
- there are currently a total of 279 employees and contractors in the CROWNability program across both properties with 124 direct employees and 8 contractors at Crown Melbourne and 139 direct employees and 8 contractors at Crown Perth;
- stakeholder relations continues to be a key focus for management with 12 stakeholder tours occurring in the last two months;
- the stakeholder relations position in Perth continues to be very strong with the continuing work in Melbourne in progressing positively however still some work to do which would continue to occur in the coming months;
- the Crown Melbourne Area Managers EA negotiations have progressed towards settling the terms of the proposed new agreement with a wage increase of 2.5% each year for three years. The proposal is to go to a vote at the end of the month;
- negotiations on the Crown Melbourne United Voice EA have commenced with three bargaining meetings having been held to date. United Voice's current position is 5% per year for 3 years. Crown has not responded to United Voice with its position;
- it was noted that the Marketing LifeCycle automation would take between 8 to 12 months for a full roll-out.

Development Update:

Mr Nisbet spoke to the Development Update which was taken as read. Mr Nisbet did however note that the following points:

- Holey Moley was due to be completed at the end of June/early July;
- the construction of Oceans 12 is expected to be finished in early July with a formal launch on 8 August. It was proposed to add some gaming tables in a close proximity to Oceans 12 for patrons of Oceans 12;
- Crown management continues to consider the future of the nightclubs due to their declining performance;
- it is proposed to convert Club 23 into a gaming space which is currently under design;

- it was also proposed to turn the former JJ's space into a VIP gaming machines area.

Audit and Compliance Updates:

Regulatory and Governance Update:

Mr Preston spoke to the Audit & Compliance Updates which were taken as read. Mr Preston did however note the following:

- a tour of Senior Management from AUSTRAC, including the Deputy CEO and other staff members, was carried out including a presentation on the proposed automated transaction monitoring solution;
- a restructure been undertaken at AUSTRAC which would now see Briony Olmedo overseeing the regulatory supervision – gambling team in an acting capacity. Janet McCarthy, the former Director of Major Reporters, Compliance (whom Briony reported to) has recently left AUSTRAC for a senior AML role at ANZ;
- the Risk Management framework was currently being reviewed by an external advisory firm with a report due in the coming months;
- the VCGLR has concluded its investigation regarding the plastic picks and multiple loyalty cards being used at Crown Melbourne. The VCGLR found there was no case to answer with regards to the multiple cards, however this matter has been referred to the Department of Justice to be considered from a policy perspective. The VCGLR also determined that the plastic picks were “unapproved gaming equipment”, however they determined not to take any disciplinary action against Crown. Crown was issued with a direction prohibiting the use of button picks or like items (being any item or device designed to hold down or continuously press electronic gaming machine button). Crown does not agree with the determination that the picks were unapproved gaming equipment, however was comfortable with the ultimate outcome;
- it was noted that the Crown Resorts Board had endorsed an adjusted Operating Model for our VIP Operations in Singapore and Malaysia. It was noted that the submission regarding our compliance framework (part of the blanking buttons matter) had now been responded to by the VCGLR and Crown has been advised that the implementation of framework would be monitored by the VCGLR including the inspection of a range of detailed materials relating to the compliance framework;
- the Black Economy Taskforce matter was now under the custody of a new Minister being Michael Sukkar. Management would continue to engage with Minister Sukkar to present its position (in line with the casino industry);
- it was noted that Mr Shane Lucas, the new CEO of the VRGF,

together with representatives from the VRGF met with Crown Senior Management for a tour of the property and presentation on Responsible Gaming;

- the establishment of the Crown Resorts Responsible Gaming Advisory Panel is progressing with Professor Alex Blaszczyński agreeing to the Chair and the other members agreeing to terms. It was noted that the first meeting was being scheduled to occur;
- representatives from Liquor & Gaming NSW and Office of Responsible Gambling in NSW visited Crown Melbourne for a tour and presentation of Responsible Gaming which was hosted by Crown Management.

Section 25 Review Update:

Mr Preston spoke to the Section 25 Review Update which was taken as read.

It was noted that there was a considerable workstream underway to address a range of the Section 25 Review Recommendations related to Responsible Gaming. The Board was referred to the Section 25 Recommendations progress table.

Audit Committee Minutes:

Mrs Korsanos spoke to the Audit Committee Minutes which were taken as read.

Compliance Committee Minutes:

Professor Horvath spoke to the Compliance Committee Minutes which were taken as read.

Responsible Gaming Update:

Professor Horvath spoke to the Minutes of the Responsible Gaming Committee meetings held on 12 February 2019, 3 April 2019 and 29 May 2019 which were taken as read.

Occupational Health & Safety Report:

Professor Horvath spoke to the Occupational Health & Safety Committee Report which was taken as read. Professor Horvath noted that he had attended the Health & Safety education session which was a positive experience and important for the culture related to Health & Safety across the business.

Other Business:

Deed of Cross Guarantee

Ms Manos spoke to Agenda Item 8.1 Deed of Cross Guarantee.

It was noted that the Directors have considered the advantages and disadvantages associated with the Company remaining a party to the Deed of Cross Guarantee between Crown Resorts Limited and the Company dated 21 June 2017 and taking advantage of the relief afforded by ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 and **RESOLVED** that the Company should continue to remain a party to the Deed of Cross Guarantee.

Victorian State Security Arrangements

Ken Barton spoke to Agenda Item 8.2 – Victorian State Security Arrangements. It was noted that having regarding to the proposed amendment 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 the following agreements:
 - Deed of Amendment and Release between the Crown Resorts Limited, the Company, the VCGLR and the State of Victoria to, among other matters:

(i)

(ii)

(iii)

(iv)

- Twelfth Variation Agreement to amend the Casino Agreement dated 21 September 1993 between the Company 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.

Crown Melbourne Security Services Agreement Extension

Mr McGregor spoke to Agenda Item 8.3 – Crown Melbourne Security Services Agreement Extension.

It was **RESOLVED** that:

- entry into the Agreement is in the best interests of the Company;
- the performance by the Company of its obligations under the Agreement be approved;
- the Company execute (in accordance with section 127 of the *Corporations Act 2001*), enter into and perform its obligations under:
 - the Agreement in the form provided to the directors or in any form approved by any single director of the Company (such approval to be conclusively evidenced by the execution of the Agreement); and
 - any other document or agreement that any single director considers necessary or desirable in connection with the Agreement or the transactions contemplated by it (such approval to be conclusively evidenced by the execution of the relevant document or agreement); and
- any director or secretary of the Company be authorized and appointed, on behalf of the Company, to perform and do all acts and things as are necessary or desirable to give effect to each of the above resolutions.

Delegation Policy

Mr Preston spoke to Agenda Item 8.4 – Delegation Policy.

The Directors noted that the Audit Committee had met and considered the draft Delegation Policy for adoption for the Company including an amendment to include a reference to supporting effective risk management in decision making which had been incorporated to the draft policy presented to the Board.

The Board **RESOLVED** to approve the Delegation Policy.

It was noted that Management was to provide a report on contracts that had been executed between \$5m and \$10m to the Audit Committee at each future meeting.

***Draft China Report (Strictly
Confidential and Legally Privileged)***

Mr Preston spoke to Agenda Item 8.5 - Draft VCGLR China
Investigation.

Closure:

There was no further business and the meeting was declared closed
at 10.25am.

Signed

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

Chair
John Alexander