



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Wednesday 20 June 2018 at
10.00am at Garden Room 1, Level 1, Crown Towers, 8 Whiteman Street,
Southbank, Victoria

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

Mary Manos (Secretary)

By invitation: Mark Arbib (CPH)
Ken Barton
Lachlan Cobon (Ernst&Young)
Barry Felstead
Lauren Harris
Alan McGregor
Richard Murphy (MinterEllison)
Todd Nisbet
John Poynton
Joshua Preston
Ian Scott (Ernst&Young)
Craig Walsh

Apologies: Karl Bitar

BUSINESS

Draft Minutes of Meeting held on 2 May 2018: It was **RESOLVED** that the Minutes of the Board Meeting held on 2 May 2018 be approved.

Matters Arising:

The Matters Arising paper was taken as read.

John Alexander advised that, at the request of the Board, the Company sent Matt Tripp, Chief Executive Officer of CrownBet, a letter on 3 May 2018 confirming that the Company will not provide CrownBet with an extension on the use of the 'CrownBet' brand name.

It was noted that a separate approach had been made directly to James Packer who had referred the matter to Crown. Mr Alexander advised that a written response in the same terms as the letter included in the pack was sent to Mr Tripp.

The Board was advised that James Packer had since received another approach from CrownBet, on this occasion by way of telephone call from Mr John Williams (a CrownBet director) and that again, Mr Packer had referred the approach to Crown.

The Board requested that John Williams be notified in writing that the Company does not agree to an extension of the licence and to confirm that the rights will cease at the end of August 2018 in accordance with the sale documentation.

CEO's Report:

The CEO's Report was taken as read.

Ken Barton provided the Board with a general update on trading results through to the end of May 2018.

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

Trading Update:

Ken Barton and Barry Felstead spoke to the Trading Update for the Group to 17 June 2018 noting that:

- Australian Resorts is expected to meet budget for FY18;
- Crown Melbourne local business is approximately \$1.1 million behind budget;
- Crown Perth tables had been impacted by poor hold; and
- following the disruption from the recent refurbishment, it is expected that Crown Aspinalls will not meet budget.

It was also noted that all Mayfair casinos have been impacted by flow of funds and source of wealth controls in the United Kingdom.

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

Tax Update:

Ian Scott and Lachlan Cobon joined the meeting and provided an update to the Board regarding the Cannery matter and a number of other tax matters.

Ian Scott and Lachlan Cobon left the meeting.

China Matter and Class Action Updates / Regulatory Update:

John Alexander advised the Board that Agenda Items 6 and 10 would be considered together given the related content.

Richard Murphy and Joshua Preston joined the meeting.

Crown Melbourne Licence Review:

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

Mary Manos advised the Board that, on 22 May 2018, Crown Melbourne had received the initial draft Section 25 Review Report. It was noted that:

- the Victorian Commission for Gambling and Regulation (VCGLR) had formed the opinion that Crown Melbourne remains a suitable person to hold a casino licence and that it complies with required legislation and agreements to which it is a party;
- the initial draft Section 25 Review Report included 20 recommendations focussed mainly on corporate governance, risk and responsible service of gaming which (with the exception of one recommendation) were considered to be generally manageable for Crown Melbourne;
- the initial draft Section 25 Review Report had a place marker for comments in relation to the China episode;
- on 4 June 2018 Crown Melbourne provided a draft response to the initial draft Section 25 Review Report (a copy of which was included in the Board papers) and Josh Preston met with Robert Chappell from the VCGLR to provide detailed drafting feedback via a page turn of the draft;
- on 8 June 2018, subsequent to providing its draft comments, Crown Melbourne was provided with the VCGLR's proposed changes to the initial draft Section 25 Review Report which included conclusions and commentary regarding the China investigation as well as a draft summary report of the findings and recommendations from the China investigation (**China Report**);
- the Company is engaging with the VCGLR in relation to the China Report and the draft Section 25 Review Report in relation to its objections to some of the commentary

regarding China and other general themes within the draft Section 25 Review Report; and

- having regard to the draft commentary and conclusions in relation to the China investigation, the Company suspended the on-market share buy-back and the subordinated notes buy-back.

Josh Preston provided the Board with an update on his discussions with Robert Chappell from the VCGLR noting that he was particularly focussed on responsible service of gaming, he was receptive to engage with Crown and the outcome of the requested changes to the draft Section 25 Review Report was now a matter for determination by the Commission.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



Negotiations with Former Staff:

John Alexander and Barry Felstead provided an update on the negotiations with former staff noting that Jason O'Connor had been offered a business development role within the Company.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

General Regulatory Update:

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

REDACTED - PRIVILEGE

Ken Barton and Josh Preston provided the Board with an overview of the Federal Budget proposal to restrict cash transactions for goods and services to under \$10,000, noting the following:

- Ken Barton, Barry Felstead and Josh Preston met with Peter Dutton, Michael Keenan, and Craig Laundy and Josh Preston met with Minister Kelly O'Dwyer to discuss the Company's position in relation to the proposal, including the reasons why it should be exempt from the proposed restriction;
- the Company, together with The Star Group, is preparing a submission to seek an exemption for casinos from this proposal; and

- Michael Andrew, the Chair of the Black Economy Taskforce, was personally supportive of casinos being exempted from the proposal.

Helen Coonan noted that she is meeting with Minister O'Dwyer in the coming weeks and requested that she be provided with speaking notes in relation to the matter.

Richard Murphy and Joshua Preston left the meeting.

Financial Plan:

Crown Resorts Limited Four Year Financial Plan (F19 to F22) and F19 Budget:

Ken Barton and Barry Felstead spoke to the Financial Plan Presentation noting that:

- both Melbourne and Perth Local businesses are expected to grow in each year of the plan;
- Local Tables in Melbourne are expected to grow at around 4% and gaming machines at around 1%;
- with approximately 95% occupancy rates at Crown Melbourne hotels, hotel revenue growth is to be achieved by reducing lower rated wholesale and corporate business and removing third party promotions;
- it is expected that in Perth revenue from table games will grow at around 1-2% and gaming machines will increase by 2-3% over the four year Plan;
- with the VIP business operating on a conservative operating model, VIP may fall marginally in F19 in Melbourne;
- VIP business in London is expected to grow in each year of the Plan;
- there are a number of key cost increases in F19 impacting F19 growth, including:
 - additional security costs related to increased security presence;
 - increase in compliance and anti-money laundering roles; and
 - the introduction of health monitoring for employees working in smoking environments.
- the introduction of a point of consumption tax in each State and Territory is expected to have a direct impact on Betfair of \$5.5 million in additional taxes, however, through pricing levers and an increased marketing spend, F19 EBITDA is expected to be impacted by \$2 million;

- DGN is expected to have approximately US\$9.2 million in increased expenses in F19 from a change in accounting treatment of software development costs which will impact the EBITDA;
- it is anticipated that Chill Gaming will commence product sales in F19; and
- the key capital management/financing assumptions underlying the four year Plan are as follows:
 - the Company will complete the on-market share buy-back;
 - dividends will remain at 60c per share, with no special dividends and franking maintained at 60%;
 - no further capital management initiatives will be implemented; and
 - a number of debt instruments will be retired over the life of the Plan.

The Board discussed the tightening of the VIP operating model and the potential impact that will have on revenue as well as the Company's brand recognition and strategy going forward.

It was **RESOLVED** that:

- the F19 Budget be approved;
- the Four Year Financial Plan (F19 to F22) be adopted; and
- Management continue to implement sales of Crown Sydney Residences in line with average prices included in the paper with respect to this item (with an expectation that, subject to views, floor number and other relevant factors, actual prices may be above or below the average) and at approximately the rate of sales shown in the chart below, noting that all apartments will be sold as soon as possible.

UK Investments:

Ken Barton spoke to the Strategic Options for UK Assets presentation, noting the following:

- Management has been working with Goldman Sachs to explore potential options for the Company's UK assets, Crown Aspinalls and Aspers;
- the strategic options include:
 - a trade sale, which remains uncertain as there doesn't appear to be an obvious buyer for all the assets;
 - an initial public offering, which may be difficult due to the smaller scale of the assets; or

- a joint venture with Caesars, (who has approached the Company to discuss strategic options for their UK assets), with a view to an initial public offering or trade sale within six to twelve months following the business combination;
- the attractiveness to potential acquirers; and
- Management recommends that the Board support the progression of the review of strategic options in relation to the Company's UK assets.

Having regard to the above and the Company's current focus on its core Australian assets, the Board was supportive of the proposal for Management to progress its review of the strategic options available to the Company in relation to its UK assets.

Japan Opportunity:

The Japan Opportunity presentation was taken as read.

Mike Johnston noted the following:

- Integrated Resorts legislation is progressing in Japan with three licences expected to be granted in the first round, with the potential for a further seven licences to be granted in the second round;
- Karl Bitar, Mark Arbib and Brad Kady are working on determining whether the Company has a chance to join a potential consortium for Yokohama;
- total project costs for construction of an integrated resort in Yokohama is estimated to be between USD 6 to 8 billion to be geared at 70%, with the Company considering an approximate 25-30% equity interest; and
- construction of an integrated resort in Yokohama would be expected to commence upon completion of Crown Sydney.

The Board was supportive of the proposal to proceed with developing a plan for the Company to engage in a consortium formation process given the low investment required at this stage.

Key Development Matters:

Sydney Update:

Among others, Todd Nisbet noted the following:

- inbound sales enquiries for the Crown Sydney residences have reduced, consistent with reports of market softness in Sydney;
- 16 residential sales contracts have been signed, with nine under negotiation;
- the tower and podium structural work is progressing in line with the targeted acceleration program, with concrete poured

on the third floor of the podium and commencing on the fourth floor;

- project costs are subject to fit-out and change order risks;
- negotiations with the Barangaroo Delivery Authority (BDA) over the proposed built form for Central are continuing with the Company and Lendlease seeking third party intervention and/or arbitration;
- in June 2018, the BDA submit a revised proposal which was not acceptable to the Company due to the anticipated financial impact on the Company; and
- the Company is proposing to provide the BDA with a further revised proposal which has a smaller financial impact on the Company.

Having regard to the negotiation process with the BDA over the sightlines, the Board requested that a Crown Sydney Committee, comprised of non-executive directors, be established to oversee the Crown Sydney project.

One Queensbridge Update:

Todd Nisbet advised the Board that the Company is continuing to seek a third party equity investor for the One Queensbridge project. It was noted that discussions have been progressing with Crown Group and Gersh Investment Partners / Supalai in relation to a 25% equity investment from each party.

The Board discussed the planning approval extension process which will be required if construction does not commence by February 2019.

Alon Update:

The Alon update was taken as read.

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

Capital Management Update:

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

Ken Barton advised the Board of the progress made in relation to the share buy-back which is due to expire on 22 August 2018 and the subordinated notes buy-back which is due to be cancelled on 29 June 2018.

The Board noted the proposal to implement a new on-market share buy-back following the release of the Company's full year results.

Anti-Terrorism Response:

Craig Walsh joined the meeting.

John Alexander welcomed Craig Walsh to the meeting noting that Craig had presented to the Risk Management Committee on

Crown Melbourne's proposed anti-terrorism response measures.

Craig Walsh spoke to the Anti-Terrorism Response presentation noting, among others matters, that:

- the current National Threat Level in Australia is described as 'Probable';
- it is proposed that additional facial recognition cameras be installed at Crown Melbourne to cover the whole of the perimeter to assist in the mitigation of crime related risks and the identification of possible terrorist suspects;
- following the suspicious person incident that occurred at Crown Melbourne on 28 February 2018, Management had considered the introduction of an armed security presence at Crown Melbourne with the proposal that two armed Victoria Police Protective Services Officers (PSOs) be placed at Crown Melbourne 24 hours a day, 7 days a week which is dependent on Crown Melbourne being defined as a 'designated site' under the relevant legislation which the Victoria Police Executive Command will support in an application to Government; and
- the Risk Management Committee had considered the facial recognition and PSO proposals and recommended that the Board approve the proposals.

Andrew Demetriou and Geoff Dixon left the meeting.

Todd Nisbet advised the Board that work has commenced on the security measures at Crown Sydney.

Having regard to the above, it was **RESOLVED** that:

- the Company request the Victoria Police Executive Command to approach the Victorian Government to include Crown Melbourne as a 'designated site' under the relevant legislation and to seek the deployment of two PSOs 24 hours per day, 7 days per week at Crown Melbourne in order to increase its capacity to respond to emergencies involving armed persons, including acts of terrorism; and
- the Company purchase and install additional facial recognition cameras in FY19 to increase its capacity (internally and externally) to identify persons of interest involved in potential terrorism activity.

Helen Coonan noted that the Sydney Opera House had also recently approved the introduction of an armed security presence.

Craig Walsh left the meeting.

Investor Relations Report:

The Investor Relations Report was taken as read.

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

Committees:***Draft Minutes of Meeting of the Risk Management Committee held on 31 May 2018:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management held on 31 May 2018 be approved.

Draft Minutes of Meeting of the Responsible Gaming Committee held on 31 May 2018:

The draft minutes were taken as read.

John Horvath noted that the Committee will develop a work plan to address the VCGLR's Responsible Gaming recommendations in the Section 25 Review Report which will be presented to the Board at the appropriate time.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 31 May 2018 be noted.

Draft Minutes of Meeting of the Occupational Health and Safety Committee held on 31 May 2018:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Occupational Health and Safety Committee held on 31 May 2018 be noted.

Draft Minutes of Meeting of the Nomination and Remuneration Committee held on 12 June 2018:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Nomination and Remuneration Committee held on 12 June 2018 be noted.

Other Business:***Nomination and Remuneration Committee Matters:***

Mary Manos noted the following matters which were considered by the Nomination and Remuneration Committee at its 12 June 2018 meeting:

- following the divestment of CrownBet, there is no longer a full-time role for Trent Whitney at the Company and it is therefore recommended that the Company enter into a Separation Deed with Mr Whitney, the key terms of which are as follows:
 - good leaver status under the 2014 Crown Resorts Long Term Incentive Plan (2014 LTI Plan);
 - an ex-gratia payment equivalent to 8 weeks' pay;
 - statutory entitlements;

- mutual waiver of notice periods; and
- a commitment from Mr Whitney to provide the Company with reasonable assistance as requested; and
- the proposal to adopt a new 2018 Long Term Incentive Plan in the form of the 2017 Senior Executive Incentive Plan with some modifications made to address proxy adviser concerns which is to replace the 2014 LTI Plan which is due to expire on 30 June 2018 (**New LTI Plan**).

Jane Halton noted that consideration should be given to including regulatory performance / compliance as a hurdle to the New LTI Plan.

It was **RESOLVED** that:

- in relation to the proposed separation arrangements with Mr Whitney:
 - pursuant to Article 9.1(a) of the Rules of the 2014 LTI Plan, it be noted that the cessation of Mr Trent Whitney's employment was "without cause" and that the 22,651 Participant Shares held on trust for Mr Whitney remain in trust for Mr Whitney until the end of Plan Year 4 of the Plan Rules;
 - it is in the Company's best interests to enter into the Deed of Separation with Mr Trent Whitney;
 - the Deed of Separation be approved;
 - the Deed of Separation be executed by two directors or a director and secretary; and
 - any director or secretary of the Company be authorised to sign, complete, make, execute, deliver, endorse, issue or file with any person all other documents and to pay all such payments as any of them may deem necessary or advisable in order to carry out or give effect to the above resolutions and to do all things necessary or desirable relating to the above resolutions; and
- having regard to the proposed New LTI Plan, as set out in the paper with respect to this item:
 - the adoption of a new long term incentive plan to replace the existing 2014 LTI Plan be approved; and
 - finalisation of arrangements reflecting the commercial features of the New LTI Plan, as set out in the paper with respect to this item and the final list of participants and value of awards be delegated to the Nomination and Remuneration Committee (without the need to obtain further Board approval).

Risk Management Committee

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

Charter: Having reviewed the revised Risk Management Committee Charter, it was **RESOLVED** that the Charter, in the form presented to the Board, be approved.

Policies: The Policies paper was taken as read.

Having regard to the background set out in the paper, it was **RESOLVED** that:

- the revised Company's Occupational Health & Safety Policy, in the form presented to the Board, be approved;
- the revised Continuous Disclosure Policy, in the form presented to the Board, be approved;
- a Disclosure Committee be formed in accordance with the Continuous Disclosure Policy, comprising the Executive Chairman, General Counsel and Company Secretary, Chief Financial Officer, Chief Executive Officer – Australian Resorts, Executive Vice President – Strategy and Development; and
- the Company Secretary be authorised to develop appropriate internal procedures in support of the Continuous Disclosure Policy.

Committee Composition: The Committee Composition paper was taken as read.

It was **RESOLVED** that the Company's Board Committee membership be updated in line with that proposed in the paper with respect to this item.

John Alexander thanked Jane Halton and Toni Korsanos for agreeing to participate as members on a number of the Company's Board Committees.

Deed of Cross Guarantee – Assumption Deed for Crown Sydney Holdings and Crown Sydney Property:

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

Mary Manos noted that Crown Sydney Holdings Pty Ltd and Crown Sydney Property Pty Ltd may be required to obtain relief under ASIC Instrument 2016/785 for the 2018 financial year and it is therefore proposed that the Company enter into an assumption deed to add these two new Crown Group entities to the Deed of Cross Guarantee dated 21 June 2017 (**Assumption Deed**):

Having regard to the above, it was **RESOLVED** that:

- it is for the benefit of the Company to execute the Assumption Deed;
- any two directors or a director and secretary of the Company be authorised to execute the Assumption Deed; and
- each of the directors and secretary are separately authorised to take all steps necessary and to execute and lodge with ASIC such forms and documents as are necessary or desirable to give effect to the above resolutions.

Future Meetings:

The Board noted the future meeting dates.

Closure:

There being no further business, the meeting was declared closed at 2.00pm.

Signed as a correct record

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

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Chairman