



## Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Tuesday, 11 December 2018 at  
10.00am at M14, Level 1, Crown Conference Centre, 8 Whiteman Street,  
Southbank, Victoria

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**Present:**

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

Mary Manos (Secretary)

**By Invitation:**

- Ken Barton (All Agenda Items other than Agenda Item 14.5)
- Karl Bitar (All Agenda Items other than Agenda Item 14.5)
- Barry Felstead (All Agenda Items other than Agenda Item 14.5)
- Lauren Harris
- Alan McGregor (All Agenda Items other than Agenda Item 14.5)
- Richard Murphy (MinterEllison) (Agenda Items 5.3 and 6 only)
- Todd Nisbet (All Agenda Items other than Agenda Item 14.5)
- Joshua Preston (Agenda Items 5.3, 6, 7 and 8 only)

**Apologies:** Mark Arbib

### BUSINESS

**Opening Business:** John Alexander welcomed John Poynton to his first meeting as a director of the Company since receiving his New South Wales regulatory approval on 20 November 2018.

John Alexander advised the Board that ASIC recently commenced

proceedings against Harold Mitchell in relation to his former position as a director of Tennis Australia Limited and invited Harold Mitchell to speak to the Board on the matter.

Harold Mitchell welcomed the opportunity to address the Board noting that he would defend his position and denied the allegations brought against him.

#### Trading Update:

John Alexander noted that turnover to date was down 30% with a reduction in spend per visit which was expected to have an impact on F19 budgeted EBITDA. Having regard to this, the F19 EBITDA forecast was revised down to \$860 million on Friday, 7 December 2018.

It was also noted that Management was working on accelerating a number of cost cutting initiatives.

Ken Barton spoke to the Trading Update for the Group to 2 December 2018 noting that:

- Crown Melbourne – year to date Crown Melbourne was down \$5.5 million which was attributable to Table Games, however, Crown Melbourne Local was on track to meet budget. VIP volumes had been softer with revenue to date below budget.
- Crown Perth – Crown Perth Local was consistently down on budget since September 2018, with Premium and Local Tables experiencing softness.
- Crown Aspinalls, Wagering & Online and Corporate Costs were all in line with budget.
- The Group was expected to achieve EBITDA of \$860 million for the full year which was approximately 3% below analyst consensus.

Barry Felstead provided the Board with an update on a number of current initiatives, including the following:

- The promotion of certain Loyalty members to the next tier to increase the number of patrons in higher Loyalty program tier categories.
- Crown Perth had commenced an external review of the Table Games business to determine whether the operating model remains appropriate.
- The proposed submission to the WA Regulator to allow Pearl Room members to invite more than one guest.

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[REDACTED]

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

**Minutes of Meeting:**

***Minutes of Meeting held on 31 October 2018:***

It was **RESOLVED** that the Minutes of the Board Meeting held on 31 October 2018 be approved.

***Minutes of Annual General Meeting held on 1 November 2018:***

It was **RESOLVED** that the Minutes of the Annual General Meeting held on 1 November 2018 be approved.

**Matters Arising:**

The Matters Arising paper was taken as read.

John Alexander noted that consideration of the revised VIP Operating Model had been deferred for initial consideration by the Risk Management Committee.

The Board discussed the proposed revised VIP Operating Model noting that an updated review would be required in relation to Malaysia having regard to the current political environment and further careful consideration around the internal protocols would also be required.

**CEO's Report:**

The CEO's Report was taken as read.

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

REDACTED - PRIVILEGE

[REDACTED]

REDACTED - PRIVILEGE

***Tax Matters:***

***Class Action Update:***

**China Matter Update:**

**VCGLR Recommendations Update:** The Board noted the progress made in relation to each recommendation of the VCGLR as set out in the paper with respect to this item.

Josh Preston highlighted the following:

- Recommendation 3 – an external firm is being sourced to review the risk framework as PricewaterhouseCoopers is

conflicted given their involvement in the Section 25 Review.

- Recommendation 4 – 80% of departments have been integrated into the new compliance framework.
- Recommendation 7 – the Crown Model is continually being adjusted throughout the trial process.

Jane Halton requested a briefing on the Crown Model. It was noted that a report would be provided to the Board in mid-2019 following refinement of the collected data.

The Board discussed the proposed composition of the Responsible Gaming Advisory Panel.

#### **Risk Management Matters:**

##### ***Risk Appetite:***

The Risk Appetite paper was taken as read.

Mary Manos noted that while the Company already had an inherent Risk Appetite in place, it was proposed that it be documented and that the proposed Risk Appetite would form part of a broader risk management strategy which would apply across each of the Company's businesses. It was also noted that the Risk Management Committee had reviewed the proposed Risk Appetite and recommended the Risk Appetite for approval by the Board, subject to the inclusion of the additional matters set out in the paper with respect to this item.

Having regard to the proposed Risk Appetite, it was **RESOLVED** that the Risk Appetite, as set out in the Risk Appetite paper, be adopted subject to the inclusion of the following additional elements:

- the Risk Appetite is to clarify that the reporting triggers in the Risk Appetite table can be triggered by either a single event or a series of events cumulating to the thresholds; and
- references to the protection of data in the Risk Appetite be broadened to include both employee and company data (as well as customer data).

The Board also noted the revised Risk Matrix.

**Cyber Security:**

The Cyber Security Update paper was taken as read.

Ken Barton provided the Board with an overview of the current cyber security measures that were being undertaken by the Company and noted that the Company was also exploring new initiatives to ensure that its current cyber security program remains robust and appropriate for the Company, including the use of possible emerging cyber security technologies.

John Poynton declared his interest in respect of this matter noting that he is Chairman of Sapien, one of the providers of emerging cyber security technologies.

The Board noted the current status of the Company's cyber security program and the proposed next steps.

**Development Update:**

The Development Update was taken as read.

Among other matters, Todd Nisbet highlighted the following in relation to Crown Sydney:

- a series of marketing events were held in Asia to build brand awareness, with Crown residences having won the Best International Hospitality Branded Residence award by Juwai Global Chinese Choice;
- the sales forecast will continue to be refined, however, having regard to market conditions, there is a revised soft forecast for the second half of 2019; and
- 25 residences have been sold with another three under negotiation.

In relation to One Queensbridge, Todd Nisbet advised the Board that Management was considering reducing the total number of apartments to approximately 200-250 units which provides the opportunity to incorporate Class A office space. It was noted that conversations with potential equity investors were progressing and that any proposal would be put to the Investment Committee or to the Board prior to proceeding. It was also noted that Management was scheduled to meet with the Government later in the week to discuss the planning permit extension.

Todd Nisbet advised the Board of the proposed US\$1.6 million settlement in relation to the dispute with YWS Architects over the Alon Las Vegas project, noting that following settlement, it was expected that approximately A\$4.3 million would be repatriated to the Company.

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

**Capital Management:**

**Capital Management Plan Update:** The paper with respect to this item was taken as read. Guy Jalland and Michael Johnston left the meeting for this Agenda item.

**Option Hedging Strategy:** The Option Hedging Strategy paper was taken as read.

Ken Barton advised the Board that:

- the Finance Committee had considered a proposal to enter into a derivative instrument with UBS, in the form of call spread options, to hedge the Company's exposure in relation to the first tranche of options issued under the Senior Executive Incentive Plan;
- it was proposed that the Company hedge 10 million options and, having regard to the current share price, a strike price of approximately \$11.75 per option could be achieved;
- entry into the derivative instrument will not impact the Company's profit & loss, however, any subsequent movement in the value of the call spread options would need be recognised through profit or loss.

Mary Manos also noted that:

- entry into the proposed derivative instrument would not be considered materially price sensitive having regard to the premium payable and the potential maximum payoff; and
- notwithstanding, the Company would voluntarily suspend the current on-market share buy-back upon entry into the derivative as UBS would likely be in the market purchasing the Company's shares to hedge its exposure under the derivative instrument.

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

- it is in the best interests of the Company to enter into the proposed derivative instrument on the terms set out in the paper with respect to this item (**Derivative Instrument**);
- the Chief Financial Officer and General Counsel and Company Secretary be authorised to:
  - appoint UBS as the investment bank counterparty to the Derivative Instrument; and
  - negotiate and approve the final terms of the Derivative Instrument;
- any two directors or a director and secretary of the Company be authorised to execute the Derivative Instrument; and

- any director or secretary of the Company be authorised to do anything necessary or advisable in connection with the above resolutions.

**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 Nomination and Remuneration Committee held on 31 October 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 31 October 2018 be noted.

***Draft Minutes of Meeting of the Occupational Health and Safety Committee held on 15 November 2018:***

The draft minutes were taken as read.

John Horvath noted that Management is carefully considering the recent increase in LTIs in Food & Beverage at Crown Melbourne.

It was **RESOLVED** that the draft minutes of meeting of the Occupational Health and Safety Committee held on 15 November 2018 be noted.

***Draft Minutes of Meeting of the Risk Management Committee held on 15 November 2018:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management Committee held on 15 November 2018 be noted.

***Draft Minutes of Meeting of the Responsible Gaming Committee held on 15 November 2018:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 15 November 2018 be noted.

***Draft Minutes of Meeting of the Finance Committee held on 28 November 2018:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Finance Committee held on 28 November 2018 be noted.

**Review of Policies:**

***Political Donations Policy:***

The Political Donations Policy paper was taken as read.

Mary Manos advised the Board that following the receipt of advice on the recent legislative changes, a revised Political Donations Policy would be presented to the Board for consideration.



**Securities Trading Policy:**

The Securities Trading Policy paper was taken as read.

Mary Manos advised the Board of the following key amendments to the Securities Trading Policy:

- an additional closed period for the two weeks leading up to the Company's Annual General Meeting; and
- the imposition of a mandatory consent requirement to trade shares for certain senior employees.

It was also noted that the Company will be required to lodge a copy of the revised Securities Trading Policy with the ASX within five business days of the approval.

Having reviewed the Securities Trading Policy, it was **RESOLVED** that the revised Securities Trading Policy be approved and that the Company Secretary be authorised to release the revised Securities Trading Policy to the ASX within a reasonable time following the meeting.

**Other Business:****Capital Golf Club Proposal:**

The Capital Golf Club Proposal paper was taken as read.

**F18 Occupational Health and Safety Performance Update:**

Alan McGregor presented the Company's F18 Occupational Health and Safety Performance Update slides to the Board noting, among other matters, that during the period:

- the Health and Safety performance across Crown Melbourne and Crown Perth was mixed;
- Crown Perth secured its lowest Workers Compensation premium;
- Crown Melbourne received its six year self-insurance renewal from Worksafe;
- Crown Melbourne experienced an increase in LTIFRs in Gaming Machines and Security and Crown Perth experienced an increase in LTIFRs with no discernible trend; and
- Workers Compensation claims at Crown Melbourne were up, noting that in Melbourne, 40-50% of claims costs are from common law claims whereas Workers Compensation claims at Crown Perth was flat as there were no common law claims in Perth due to jurisdictional differences and a more active legal/union representative industry in Victoria.

Alan McGregor also noted the F19 Health and Safety initiatives that are to be rolled out including a health monitoring program at Crown Melbourne to align with Crown Perth and the engagement of an external expert to undertake a review of the Victorian

**Crown Group Subsidiary Annual Reviews:**

workers' compensation management system.

The Crown Group Subsidiary Annual Reviews paper was taken as read.

It was noted that Board Meetings for all relevant subsidiaries would be held with the resolutions annexed to the paper with respect to this item to be passed at those meetings.

**Future Meetings and Proposed 2020 Calendar:**

The future meeting dates were noted.

All members of Management, other than Mary Manos and Lauren Harris, left the meeting.

**Senior Executive Remuneration – Chief Financial Officer:**

John Alexander noted that the employment contract for Ken Barton, the CFO of the Company and CEO Digital, had expired and the Nomination and Remuneration Committee had considered a proposal to renew the contract of employment for Mr Barton and had recommended to the Board that a new contract of employment be put in place with effect from 1 November 2018 and that he also be issued with options in a newly established holding company, Crown Digital Holdings Pty Ltd which will hold a number of the Company's digital assets.

Mike Johnston also noted that in recommending the proposal to issue Mr Barton with options in Crown Digital Holdings Pty Ltd, the Nomination and Remuneration Committee had regard to the fact that notwithstanding the additional role and responsibilities assumed by Mr Barton since 2017, Mr Barton's TEC or STI had not been adjusted apart from the standard salary increases applied across the business.

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

- it is in the Company's best interests to enter into the proposed employment agreement with Mr Barton (**Employment Agreement**) and for Crown Digital Holdings Pty Ltd (the **Digital Holding Company**) to enter into the proposed Option Agreement with Mr Barton, both with effect from 1 November 2018;
- the Chairman be authorised to negotiate the final form of the Employment Agreement and the Option Agreement (on behalf of the Digital Holding Company) within the parameters presented;
- the Employment Agreement and the Option Agreement be hereby approved;
- the Employment Agreement be executed by any two directors or a director and secretary of the Company;
- the Company procure:
  - the establishment of the Digital Holding Company and the reorganisation of the Company's digital assets as

- described in the paper;
- the approval and execution of the Option Agreement by any two directors or a director and secretary of the Digital Holding Company;
  - the issue of options in the Digital Holding Company to Mr Barton;
  - the entry of the Options into the register of the Digital Holding Company; and
  - the issuance by the Digital Holding Company of an Option Certificate to Mr Barton; 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.

**Closure:**

There being no further business, the meeting was declared closed at 12.37pm.

Signed as a correct record



Chairman