



Crown Melbourne Limited

Meeting of the Board of Directors held on Monday, 26 November 2018 at
3.00pm at Chairman's Office Boardroom, Level 3, Crown Towers

Members Present:

Mr John Alexander (Chairman)
Professor John Horvath
Mrs Rowena Danziger (via teleconference)
Mrs Toni Korsanos
Mr Barry Felstead
Mr Ken Barton

Mr Joshua Preston (Co-Secretary)

By Invitation:

Mr Michael Johnston (via teleconference)
Mr Alan McGregor
Mr Xavier Walsh
Mrs Anne Siegers (for agenda item 5 – Risk Appetite)

Apologies:

Ms Mary Manos (Co-Secretary)
Mr Todd Nisbet

BUSINESS

Draft Minutes of Meeting:

Minutes of Meeting held on 8 August 2018:

It was **RESOLVED** that the Minutes of the Board Meeting held on 8 August 2018 be approved.

Minutes of Meeting held on 5 September 2018:

It was **RESOLVED** that the Minutes of the Board Meeting held on 5 September 2018 be approved.

Financial Results:

Mr Felstead spoke to the Year to Date performance as at 25 November and noted as follows:

- key issue in terms of current performance is Table Games which is currently \$7.3m down on budget. This is mainly as a result of a drop in top end play. It was noted however that there was still

good visitation with July and August experiencing solid performance, however September was a very poor month with October and November picking up to some degree;

- Gaming Machines is currently performing well and is 2.4% up on budget;
- Food & Beverage is currently \$930,000 down on budget however this performance is expected to pick up in the second half of F19;
- Hotels is currently down 1.1% or \$450,000 on budget with again expecting a pick up in the second half of F19;
- other non-Gaming areas are performing solidly;
- VIP is currently at theoretical contribution up by \$6.7m on budget;
- it was noted that the actual win rate has been poor which has affected the budgeted performance;
- it was noted that the main positive to date has been the performance of Gaming Machines; and
- it was reiterated that the main issue in Melbourne is with respect to top-end play with spend per visit down approximately 28%.

Mr Felstead further noted that we are currently undertaking a review of Local Table Games performance in Perth using external experts to see if there was any opportunities for improvement. This would include a review of labour, table mix, table limits and pricing generally. Mr Felstead noted that we would also consider carrying out a review on Melbourne if required.

Current issues:

Mr Felstead referred to the Current Issues Update which was taken as read. The following matters were specifically noted:

- Mr Walsh noted that Table Games is currently reviewing its rostering practices to reduce payroll by approximately \$80,000 per week which would equate to approximately \$2m in saving for the year. This focuses on mainstream gaming floor payroll;
- it was noted that the recruitment of the former Star employee was effective from 26 October, with other former Star employees starting early in the new calendar year which was anticipated to assist developing our interstate business;
- Dragon Link was now at 390 machines with a total of 640 including Lightning Link across the gaming floor;
- there was a new product due in December 2018 known as JJBX with a starting complement of 50 machines. It is expected that

the JJBX game will be positively received by our patrons and positive for business;

- there is a strong calendar of promotions and events currently in play and moving forward;
- there are a range of Christmas period events in play for Table Games and Gaming Machine patrons which is expected to drive business;
- Mr Felstead noted that the EA negotiations for the Area Manager Enterprise Agreement continue with Crown's headline offer at 2.5%, as opposed to the Union's request of 4%. The Union is becoming more activated with action a possible step they may take in due course. Security and Surveillance departments may be affected in this respect however the rest of the departments could be managed. The view of Crown's negotiation team was 4% was too high, therefore Crown would be maintaining its position of 2.5%;
- the Victorian Election outcome was not anticipated to effect negotiations with the Union;
- there were currently a total of 260 employees in the CROWNability program across both properties encompassing 131 employees and 8 contractors at Crown Perth, with a 112 employees and 9 contractors at Crown Melbourne;
- there were currently a total of 221 employees in the Crown Indigenous Employment Program, with 103 at Crown Perth and 118 at Crown Melbourne;
- Mr Barton noted that it was recently the International Day for the Prevention of Violence Against Women with Crown having various initiatives over the 16 days of this event. Mr Barton also advised the Board that there was one death per week in Australia related to violence against women. It was acknowledged that Crown is a strong supporter of this event and cause;
- Mr Barton also noted that there are approximately 800,000 women in the workplace affected by violence (which equates to 15% of all women in the workplace). Crown provides a counselling service known as Benestar to assist those in need. A recent initiative for uncapped leave for staff members experiencing domestic violence was launched which would be promoted to ensure that people had clear access to it. Mr Barton noted that he was a member of the "Male Champions of Change" and Mr Felstead was a member of the "CEO's for Gender Equity" representing Crown's interest in this important cause.

Development Update:

Mr Felstead spoke to the Development Update which was taken as read. Mr Felstead noted the following specific matters:

- the Karaoke development was continuing with the tenant injecting approximately \$20 million which will revitalise a tired area;
- the Holey Moley project continues which is expected to be finished in March 2019 and will reinvigorate a quiet area of the property;
- the non-smoking Teak Room area had been completed.

Risk Appetite:

Mrs Siegers (Group General Manager Risk and Audit) joined the meeting and spoke to the Risk Appetite paper which was taken as read. Ms Siegers highlighted the key elements to the development and adoption of the Risk Appetite and also noted the changes to the paper regarding "Infrastructure".

The Board acknowledged the changes and approved the Risk Appetite subject to the Crown Resorts Limited Board and Burswood Limited Board also approving the Risk Appetite.

Audit and Compliance Updates:**Regulatory and Governance Update:**

The Regulatory and Governance Update was taken as read with Mr Preston noting the following:

- Crown hosted senior management and a range of other officers from AUSTRAC on 22 November 2018 and provided a presentation on the VIP business. The presentation was well received and AUSTRAC was grateful for Crown taking the time to explain the business to them;
- the external reviews of the proposed Joint AML Program and the Transaction Monitoring Program are scheduled to commence in December/January;
- the VCGLR continues to investigate the China matter with a range of documentation recently been provided to the regulator for it to consider. We are now awaiting further commentary from the VCGLR;
- a submission for Jason O'Connor and Jane Pan is required to be put to the VCGLR prior to them coming back to work at Crown Melbourne in a licensed capacity. Crown and MinterEllison are to prepare a submission in this regard;
- a submission had been provided to the VCGLR regarding a machine allegedly operating in an unrestricted mode. It was noted that the issue was a hardware fault which had never been seen before by Crown or the manufacturer. The VCGLR has not

provided a response to date. It was noted that various audits and reviews of similar machines have been undertaken across the gaming floor with a small number of machines being identified with hardware faults that were duly rectified;

- REDACTED - PRIVILEGE
- there was expected to be possible media coverage of two matters involving Crown shortly, one regarding Michael Hou (collusion between a dealer and patrons) and the other regarding Mohammend Davido (self-immolation in the RSG Centre).

Section 25 Review Update:

Mr Preston spoke to the Section 25 Review Update which was taken as read. It was acknowledged that reports on this matter would continue to be provided to the Board on a regular basis.

It was specifically noted that Crown had commenced engagement with the VCGLR to work through the various recommendations with the first formal report to the Commission expected to be in January/February 2019. It was noted that there were responses required shortly for those recommendations with a 1 January 2019 deadline.

Audit Committee Minutes:

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

Mrs Korsanos specifically noted the positive progress that had been made with the enhanced Risk Framework by Anne Siegers and her team together with a refocused review on the Strategic Audit Plan with the future focus on High Risk areas.

It was noted that a revised Strategic Audit Plan would be provided to the Audit Committee for approval later in the year.

Mrs Korsanos also reiterated the paper regarding the Risk Appetite which would assist the business continuing to progress with the rollout of the enhanced Risk Framework.

Compliance Committee Minutes:

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

Responsible Gaming Update:

The minutes of the Responsible Gaming Committee meetings held on 26 September 2018 and 15 November 2018 were taken as read.

Occupational Health & Safety Report:

Professor Horvath spoke to the Occupational Health & Safety Committee Report noting that there were some increases in the numbers on last year's performance which were being considered as to any appropriate steps to mitigate such incidents from occurring into the future.

Mr Felstead spoke to the serious incident that occurred at "The Pub" on the previous Saturday night involving a large number of patrons and Security Officers. It was noted that several security officers were injured and steps were in place to ensure that the welfare of the Officers were being looked after. It was also noted that a review of this incident would be undertaken to assess any issues. Based on the current position our staff had acted in a very positive manner in difficult circumstances in refusing a number of patrons entry due to their level of intoxication. It was further noted that these patrons had come from a river cruise and presented to Crown in an intoxicated state.

Mrs Korsanos raised a query regarding an incident reported in the OSH Committee Report on 6 August 2018 involving a glass shop panel within the retail strip that fell approximately 5-6 metres. Mr Walsh undertook to make appropriate enquiries as to the reasons for the failure in the infrastructure leading to the glass panel falling.

Other Business:***Solvency Resolutions:***

Mr Barton spoke to the Agenda Item 9, 2018 Annual Review.

It was noted that the Company's annual review date is 25 October. The company is required under Section 347 of the Corporations Act 2001 (Cth) to pass a solvency resolution within two months after the review date of the Company, having regard to the financial situation of the Company and the financial support from its shareholder/s, it was **RESOLVED** that, in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

It was noted that the shareholder/s of the Company would not require an Annual General Meeting for the financial year ended 30 June 2018.

It was **RESOLVED** that the Company Secretary of the Company be authorised to do anything required in connection with the foregoing resolutions including lodging any notices required to be lodged with ASIC.

Closure:

There was no further business and the meeting was declared closed at 1.22pm.

Signed



Chair
John Alexander