

Uncertain times depress gaming activity

Company/ASX Code	Crown Resorts Limited/CWN
AGM date	Thursday 24 October 2019
Time and location	10.00 am River Room, Level 1, Crown Towers, 8 Whiteman Street, Southbank, Victoria
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Geoffrey Bowd assisted by Barbara Crook
Pre AGM Meeting?	With Ken Barton Chief Financial Officer, Mary Manos General Counsel and & Company Secretary, Matthew Young Manager-Strategy & Investor Relations

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

Crown Resorts promotes its role in the Australian economy as being one of Australia's largest tourist and entertainment resort group with iconic properties Crown Melbourne and Crown Perth. Crown's online gaming operations comprise 100% owned Betfair Australasia and 85% owned DGN games. Crown's international exposure is Crown Aspinalls, a high-end licensed casino in London, a 50% interest in Aspers Group which is a UK based regional casino operator and a 20% interest in Nobu, a lifestyle hotel and restaurant brand.

Casino activities provide the major source of revenue and profitability and gambling is one of the most highly regulated and reviewed industries in Australia. Hence training in responsible gambling within a strict corporate responsibility programme has a heavy weighting in Crown's governance protocol. The Annual Report also devotes considerable space in a Corporate Responsibility section to Crown's commitment and actions related to health, safety, employee wellbeing, community responsibility, environmental issues and gender diversity. A Corporate Governance Statement is a separate section which includes ASA focus issues such as appointment and development of directors, director skills (with a skills matrix), independence profiles, diversity, risk management and shareholder communication.

Financial performance

Although Crown Resorts has driven its strategic role in tourism, 2019 financial year earnings before interest tax depreciation and amortisation (EBITDA) fell in all operating segments. Revenue and profit were significantly affected primarily by a disappointing fall in the VIP segment of its business affected by Chinese currency regulations, economic uncertainty in subdued market conditions influencing customer's disposable spending and difficult trading conditions in the London casino market. The dividend was maintained at 60 cents but as the share price fell from \$13.50 to \$12.45, total shareholder return (TSR) has been negative. The balance sheet remains healthy with a net debt position of \$86.5m and available liquidity of \$1,192.5m.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	401.8	558.9	1,866.1	948.8	385.0
UPAT (\$m)	368.6	386.8	343.1	406.2	525.5
Share price (\$)	12.45	13.5	12.28	12.61	12.2
Dividend (cents)	60	60	143	72.5	37
TSR (%)	-3	15	12	4	-17
EPS (cents)	59.07	47.44	42.55	54.04	61.28
CEO total remuneration, actual (\$m)	4.1	3.7	3.0	5.7	5.2

For 2018/2019, the CEO's total actual remuneration was 47 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Significant Transactions.

- 31 May 2019: CPH Crown Holdings, a wholly owned subsidiary of Consolidated Press Holding (James Packer's company), entered into an agreement to sell 19.99% of its holding in Crown Resorts to Melco Resorts and Entertainment Ltd. On 29 August 2019 it was announced that Crown Holdings and Melco had amended the Share Sale agreement.
- 9 April 2019: Crown Resorts announced that it was in confidential discussions with Wynn Resorts regarding a potential change of control transaction. On 10 April 2019 it was announced that all discussion had been terminated.
- Agreement has been reached to acquire the Schiavello Group's interest in the One Queensbridge site strategically placed adjacent to the Crown Melbourne entertainment complex. The acquisition will give Crown 100% ownership of the site which provides the long-term opportunity for a major tourism investment.

Activity in Share Market

- Crown bought back, on market, approximately \$131.4m of shares. Shares on issue were reduced from approximately 687.4m to approximately 677.2m. This completes planned buybacks.
- Crown redeemed all the outstanding Subordinated Notes (ASX Code CWNHA). This reduced Crown's gross debt by approximately \$400m.

Other Significant Items

- On 3 August 2018 the Victorian Gambling and Liquor Regulation report was released confirming that Crown Melbourne was suitable to hold its licence to operate the casino, it was complying with relevant legislation and agreements and that it was in the public interest that the licence should continue.
- Construction of the Crown Sydney Hotel Resort, Sydney's first 6 Star hotel, is progressing on schedule and it is expected to open in 2021.

Board Commentary

- The Crown board is comprised of eleven directors, four of whom are declared as non-independent, (including the executive chair), and seven of whom are classed as independent although one has twelve years tenure and by ASA and ASX guidelines would not be considered independent.
- The Annual Report includes detailed narrative about director qualifications and regulatory clearance required prior to appointment, a performance review process and a skills matrix. There is detail about what each director brings to the Crown Board, Crown Committee responsibility and appointments outside of Crown.
- Crown's Executive Chair is not an independent director and has assumed the responsibilities of the former Chief Executive Officer. The Crown Board believes this role is in the best interest of the Company at present. It is not in accordance with ASX governance recommendations; it is not supported by the ASA as being in the best interest of retail shareholders.
- Crown does not have a 'skin in the game' policy for directors or executives; it is an outlier in a profile of ASX Top 100 companies. Six directors have a zero shareholding. Senior executives have substantial holdings. ASA considers that having a shareholding enhances board and executive alignment with shareholder interest.
- Consolidated Press Holdings (James Packer) is represented by three non-independent directors and the Executive Chair has been closely involved with James Packer company interests.
- Three directors are female; 27% compared 30% is arguably a moot point but the 30% target expected by the AIDC and ASA has not been achieved.
- On 20 November 2018 Crown announced that the appointment of John Poynton AO as a director of Crown had become effective following receipt of all necessary regulatory approvals.

Item 2(a)	Election of John Poynton AO as a Director
ASA Vote	Against

Summary of ASA Position

John Poynton was appointed as a non-executive director (NED) 20 November 2018. As he represents Consolidated Press Holdings (CPH) he is not an independent director. Mr Poynton is a successful investment banker and corporate advisor. His other appointments include director of The Future Fund (Australia's sovereign wealth fund), Chair of Strike Energy, an ASX listed small-cap oil and gas exploration company, former Chair of unlisted Sapien Cyber Limited, (until 19 September 2019) which develops sophisticated cyber-security systems and director of Jindalee Partners, a boutique corporate advisory firm. Mr Poynton is clearly well qualified, but it seems that the unique value he brings to Crown Resorts is representation for CPH, enhanced with his role on the Burswood Limited Board. Mr Poynton has a small shareholding in Crown.

ASA questions whether further non-independent representation is the better option in the interest of all shareholders and also considers that Crown Resorts have not taken the opportunity to provide better gender diversity.

Item 2(b)	Re-election of the Honourable Helen Coonan as a Director
ASA Vote	For

Summary of ASA Position

Helen Coonan was appointed to the Board as a NED in December 2011 and presently chairs three Crown Resorts Board Committees - Audit and Corporate Governance, Corporate Responsibility and Finance. This breadth of her responsibility is evident throughout most sections of the Annual Report. Although Helen Coonan's only other listed company appointment is Chair of ASX listed HGL Ltd, a small-cap investment company, she is involved as a director or advisor in an impressive list of important government, semi-government and private sector enterprises. Helen Coonan is well qualified but we question the level of workload she carries while also undertaking such an intensive role at Crown Resorts. Helen Coonan does not have a shareholding in Crown.

Item 2(c)	Re-election of Mr Andrew Demetriou as a Director
ASA Vote	For

Summary of ASA Position

Andrew Demetriou was appointed as a NED in 2015. ASA voted Against his re-election at the 2017 AGM for lack of skin in the game and his absence from any committees. He is now a member of the Risk Management Committee. He is an independent director and a member of the Board Risk Management Committee. Mr Demetriou is Chair of the ASX listed Capitol Health Ltd and active in other private enterprise and voluntary organisations; his workload appears to be within ASA guidelines.

Item 2(c)	Re-election of Mr. Harold Mitchell AC as a Director
ASA Vote	For

Harold Mitchell was appointed as an independent non-executive director in 2011 and is a member of the Board's Corporate Responsibility and Nomination and Remuneration Committees. He has major roles in distinguished voluntary organisations; his workload appears to be within ASA guidelines. Harold Mitchell has a significant shareholding in Crown. ASA is aware that Mr Mitchell is presently involved in a civil legal proceeding but does not consider it appropriate to make any inference at this time about the impact of these proceedings on his nomination for re-election.

Item 3	Adoption of Remuneration Report
ASA Vote	For

CEO statutory salary structure (remuneration framework)

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	3.610	75%	3.610	75%
STI - Cash	0.500	10%	0.500	10%
STI - Equity	0	0	0	0
LTI	0.657	14%	0.657	14%
Total	4.767	100.0%	4.767	100%

Board Fees

There was no increase in Board or Committee Fees. The apparent increases evident in the report were due to the full year impact following certain mid-year appointment dates.

Short-Term Incentives STI

When supporting the Remuneration resolution last year, we made it clear that we sought improved transparency in the STI plan. We commend Crown for the significant improvement evident in the 2019 Remuneration Report. The STI remains derived from the Annual Business Plan and Budget to align outcomes with shareholder value, however, Crown has enhanced transparency in a matrix with a column listing and describing Performance Objectives and an adjacent column describing the respective Outcomes. Financial Objectives (EBITDA and net profit after tax) have a 40-50% weighting, Capital Structure and Investments objectives 5-25%. Customer Service, Governance, Health and Safety, People and Culture, Role Specific having weightings from 0 to 15%.

As financial performance objectives were not achieved for the 2019 financial year no STI bonus will be paid to Senior Executives.

Long-Term Incentives (LTI)

Crown's core LTI is the 2017 Senior Executive Incentive Plan which, subject to satisfactory performance, is a retention incentive. Following the strategic decision to focus on resorts and gaming in Australia, Crown considered that this four year options structured incentive plan was justified by the need to retain four nominated executives and that executive outcomes are aligned with shareholders as vested rewards will be the margin between the market price and exercise price (a February 2017 Volume Weighted Average Price (VWAP) of \$11.43) plus a fee. The sunset for this plan is 2021.

Crown has also introduced a Crown Digital Senior Executive Incentive, similar to the above plan but with an exercise price of \$1.45 which is the market price of a Crown Digital Holding share at the grant date. Only one executive, the CEO of Crown Digital, participates in this plan. The sunset for this plan is 2021.

Summary of ASA Position

The remuneration report, like the Annual Report overall, is very well presented.

Tables of statutory and actual remuneration are included for Key Senior Executives. Fixed remuneration for senior executives was increased by 2.5%. Director fees did not increase.

We commend the significantly improved transparency of the STI plan and that Crown did what they undertook to do following our criticism last year. The STI structure is sound other than that all awards are payable in cash. No STIs were awarded for financial year 2019. At the 2018 AGM ASA recognised the special transitional circumstances justifying the core LTI plan. The Crown Digital Holding share has the same rationale as the core plan but is discretely applicable to one Crown enterprise.

On balance we will support the remuneration resolution.

The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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