



# REDCAPE HOTEL GROUP MANAGEMENT LTD (ACN 610 990 004) IN ITS CAPACITY AS RESPONSIBLE ENTITY OF REDCAPE HOTEL TRUST I (ARSN 629 354 614) AND REDCAPE HOTEL TRUST II (ARSN 629 354 696)

## CORPORATE GOVERNANCE STATEMENT

---

### 1. Overview

“Redcape” is a stapled entity comprising of Redcape Hotel Trust I ARSN: 629 354 614 and Redcape Hotel Trust II ARSN: 629 354 696. Redcape Hotel Group Management Ltd (ACN 610 990 004) (“**Responsible Entity**”) is the responsible entity of Redcape and the Board of RHGM in this capacity (“**the Board**”) is responsible for the overall corporate governance of Redcape and its controlled entities.

The Board has created a framework for managing Redcape, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Redcape’s business and which are designed to promote the responsible management and conduct of Redcape.

This Corporate Governance Statement sets out the key features of Redcape's governance framework and reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) (“**ASX Principles and Recommendations**”).

From the date of listing on ASX, Redcape’s governance arrangements will be consistent with the ASX Principles and Recommendations, other than as set out in this Corporate Governance Statement.

The policies and charters referred to in this Corporate Governance Statement are available via the "corporate governance" section of Redcape's website which is available at [www.redcape.com.au](http://www.redcape.com.au)

### 2. The Board

#### The role of the Board

The Board is responsible for overseeing the management of Redcape. Its role is to:

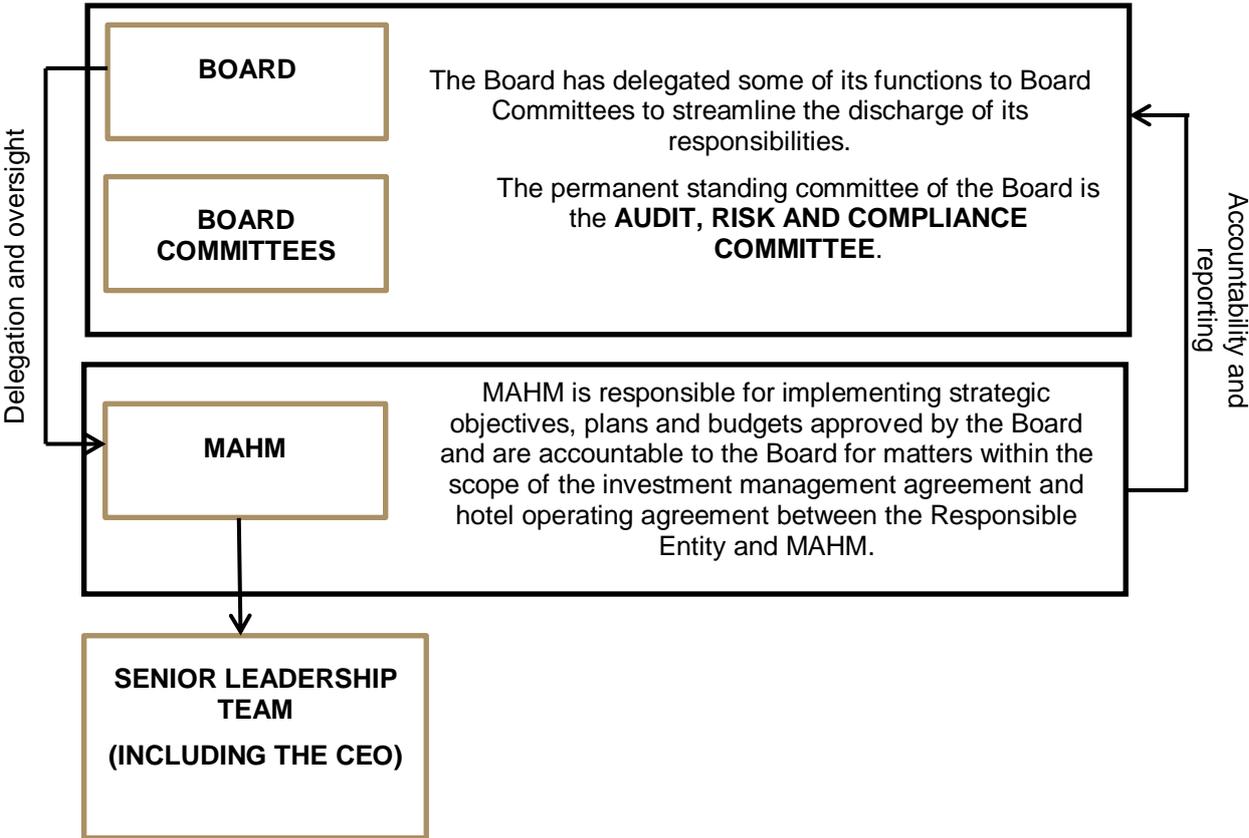
- represent and serve the interests of securityholders by overseeing and appraising Redcape’s strategies, policies and performance;
- protect and optimise Redcape’s performance and build sustainable value for securityholders in accordance with any duties and obligations imposed on the Board by law and Redcape’s Constitutions;
- set and monitor compliance with Redcape’s governance framework; and
- ensure securityholders and other stakeholders are kept informed of Redcape’s performance and major developments.



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together “Redcape” or “Redcape Hotel Group”). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

While the Board retains ultimate responsibility for the strategy and performance of Redcape, the day-to-day operations of Redcape is managed by, Moelis Australia Hotel Management Pty Ltd (**MAHM**) in accordance with the terms of its appointment as investment manager and hotel operator of Redcape. MAHM is a wholly owned subsidiary of Moelis Australia Limited ("**Moelis Australia**"). MAHM's Chief Executive Officer (**CEO**) acts as the CEO of Redcape and is a Director on the Board of the Responsible Entity. As manager of Redcape, MAHM and its management team ("**Redcape Management**"), including the CEO, act as the management team of Redcape and have delegated authority to make decisions in relation to the day to day management of Redcape and its assets and operations including appointment of advisors and approval of hotel level business plans and operating budgets.

The diagram below summarises Redcape's governance framework.



The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

**Composition of the Board**

As at the date of this statement, the Board is comprised of five Directors, being three independent Non-executive Directors, and two Executive Directors (including the CEO).

The current membership of the Board is set out in the table below.

Director	Position	Appointed
Nicholas Collishaw	Chairman and Independent Non-Executive Director	27 September 2018
David Groves	Independent Non-Executive Director	27 September 2018



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

Director	Position	Appointed
Andrew Ireland	Independent Non-Executive Director	29 October 2018
Daniel Brady	Executive Director and CEO	29 October 2018
Hugh Thomson	Non-Executive Director	26 February 2016

Details of the qualifications, experience and expertise of each Director, including current and former directorships, are set out on in Section 5.4 of Redcape's PDS dated 1 November 2018. A copy of the PDS is available on Redcape's website at [www.redcape.com.au](http://www.redcape.com.au).

### Director independence

The Board considers an independent director to be a Non-Executive Director who is not an employee or director of:

- an entity related to the Responsible Entity (including Moelis Australia and its subsidiaries);
- any Redcape group entity; or
- any entity appointed as manager of Redcape from time to time (currently this is MAHM),

and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. The assessment of independence will be conducted in accordance with the ASX Principles and Recommendations.

The Board considers that Nick Collishaw, David Groves and Andrew Ireland are independent. The Board considers that Daniel Brady and Hugh Thomson are not independent as they are employed by entities related to the Responsible Entity in an executive capacity.

The Board is currently comprised of a majority of independent directors. The Board considers that each Board member continues to bring objective and independent judgment to make decisions in the best interests of all securityholders and in accordance with their duties as Directors.

### Director selection and succession planning

Whilst ASX Principles and Recommendations recommend the establishment of a nomination committee, the Board does not consider it necessary or appropriate to constitute a nomination committee for the Responsible Entity, given that the Responsible Entity is a subsidiary of Moelis Australia.

Moelis Australia is responsible for overseeing the appointment of Directors to the Board of the Responsible Entity. Moelis Australia will set the composition and membership criteria as well as the guidelines for director selection in consultation with the Board of the Responsible Entity.

The following Board composition and membership criteria have been adopted for the Board of the Responsible Entity:

- the Board is to comprise a minimum of three and a maximum of ten directors;
- directors nominated for appointment require approval by Moelis Australia;
- a majority of the directors must be independent;
- the Board is to comprise directors with an appropriate range of qualifications and expertise;
- the Chairman of the Board will be appointed by Moelis Australia; and
- directors will be required to submit for re-appointment by Moelis Australia every three years. Any securityholder feedback or recommendations on director re-appointment are not binding on the Responsible Entity or Moelis Australia, but any such feedback is a



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

matter to which Moelis Australia will have regard in considering the continuation of a director appointment.

In addition, the following guidelines apply to director selection and nomination to the Board:

- integrity;
- particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members;
- reputation and standing in the market; and
- in the case of prospective independent directors, actual and perceived independence from Moelis Australia.

The present Board size is seen as appropriate for the nature of Redcape's business and strategy.

### Mix of skills and diversity on the Board

The following table sets out the skills, experience and diversity of the five members of the Board. The Board believes that its membership should comprise directors with an appropriate mix and diversity of skills, professional experience, tenure and personal background.

Skills and experience	Explanation	No. of Directors (out of 5)
Business development and strategy	Senior executive experience developing and directing the strategy of an organisation to assist with the Board's review of strategy	5
Management and leadership	Experience in leading and managing diverse businesses and high performing teams of people to assist in attracting and retaining high performance executives	5
Financial acumen	Financial literacy assists in the understanding of financial reporting and capital management strategies	5
Financial services industry experience	Experience in a senior position within financial services assists in understanding and reviewing the Company's businesses and strategy	4
Investment banking/ financial markets/ funds management	Experience in a senior position within these sectors assists in understanding and reviewing the Company's businesses and growth strategy	3
Corporate Governance including risk management	Experience in developing strategy, policies and frameworks to support sound corporate governance including identifying and monitoring material risks in a complex organisation	5
Accounting and law	Accounting and legal qualifications and/or experience provide the Board with financial and legal & compliance expertise in overseeing the integrity of the financial reporting and meeting the Company's legal and compliance requirements in regulated markets	2

### Appointment agreements



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

Each non-executive Director appointed to the Board will be required to enter into a formal agreement which sets out the key terms and conditions of their appointment including the term, time commitment, remuneration, requirement to comply with directors' duties as well as the Board's policies in place from time to time. Executive directors will each have an employment agreement which sets out the terms of their appointment and their duties and obligations, rights and entitlements.

**Induction and ongoing professional development opportunities**

All new Directors participate in an induction process. The induction process includes meetings with key executives and Redcape Management, the provision of key materials relating to Redcape including business descriptions, strategic plans, financial forecasts and core corporate governance policies, and meetings with other executive and non-executive Directors. The Board also offers appropriate professional development opportunities for Directors to ensure that they are kept up to date with developments in the industry. Redcape Management also briefs the Board on relevant industry, regulatory and legal developments.

**3. Board Committees**

The Board from time to time establishes committees to streamline the discharge of its responsibilities.

The Board has established a permanent standing Audit, Risk & Compliance Committee. The Committee has a formal charter which sets out matters relevant to its composition, responsibilities and administration.

The current composition of the Audit, Risk & Compliance Committee does not reflect the ASX Principles and Recommendations that the Chair of the audit committee should not be the chair of the Board. In all other respects the current composition of the Audit, Risk & Compliance Committee reflects the ASX Principles and Recommendations. In light of the departure from the recommendations, the Board notes the following:

- the Board recognises the important role of each Committee and is dedicated to ensuring that each Committee functions transparently and effectively;
- the Board considers that the Chair of the Board is the most appropriate person to chair both Committees, given his independence, considerable industry experience and expertise;
- all of the Directors, individually and collectively, analyse the issues before them objectively in the best interests of all securityholders and in accordance with their duties as Directors; and
- the Board considers that the current composition of each Committee is appropriate in light of the Company' operations and size, and allows each Committee to effectively discharge its roles and responsibilities as set out in the Committee Charters.

**Audit, Risk and Compliance Committee**

The table below sets out the composition and key responsibilities of the Audit, Risk and Compliance Committee.

Composition	Members	Responsibilities
The Committee must consist of: <ul style="list-style-type: none"> <li>• an independent Chair</li> <li>• a minimum of</li> </ul>	<ul style="list-style-type: none"> <li>• Nicholas Collishaw (Chair)</li> <li>• David Groves</li> <li>• Andrew</li> </ul>	The Committee's key responsibilities and functions are to: <ul style="list-style-type: none"> <li>• oversee the Company's relationship with the external auditor and the external audit function generally;</li> <li>• oversee the preparation of the financial statements and reports;</li> <li>• oversee the Company's financial controls and</li> </ul>



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

Composition	Members	Responsibilities
3 members of the Board <ul style="list-style-type: none"> <li>CEO in attendance.</li> </ul>	Ireland	systems; and <ul style="list-style-type: none"> <li>manage the process of identification and management of risk.</li> </ul>

Non-Committee members, including members of Redcape Management and the external auditor, may attend meetings of the Committee by invitation of the Committee Chair. The Committee has rights of access to Redcape Management and auditors without management present, and rights to seek explanations and additional information from both management and auditors.

#### Responsibilities in relation to the external audit

The Audit, Risk and Compliance Committee provides a link between the Company's external auditor, the Board and Redcape Management. It also has the responsibility (subject to Corporations Act requirements) for the appointment, terms of engagement and compensation for the external auditor. The Committee will also evaluate the effectiveness of the annual audit and the independence of the external auditor.

The Committee's role in relation to the internal audit function is discussed on page 7 of this Corporate Governance Statement.

## 4. Performance evaluation

### Board performance evaluation process

Moelis Australia has established the following performance evaluation processes for the Board, Committees and individual Directors of the Responsible Entity:

- on an annual basis, Directors will provide feedback to Moelis Australia in relation to the performance of the Board, its Committees and individual Directors;
- each Committee will provide feedback to Moelis Australia in terms of a review of its own performance;
- feedback will be collated by Moelis Australia, and discussed with the Board as appropriate, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees;
- the CEO will also provide feedback from Redcape Management to Moelis Australia in connection with any issues that may be relevant in the context of the Board performance review.

Performance evaluations of the Board, its Committees and each Director did not take place in 2018 as the Company was only listed part way through the year. Performance evaluations will take place in 2019 in accordance with the processes described above.

### Senior executive performance evaluation process

MAHM is the appointed investment manager and hotel operator of Redcape. The Board will monitor MAHM's performance in accordance with the terms of the Investment Management Agreement and Hotel Operating Agreement between Redcape and MAHM.

The performance of senior executives all of whom are employees of MAHM (being Redcape Management) is assessed on an annual basis by Moelis Australia in accordance with Moelis Australia's policies and processes. The Board of the Responsible Entity will provide feedback to Moelis Australia on the performance of Redcape Management to assist with Moelis Australia's evaluation process.



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

## 5. Remuneration

### Remuneration committee

The ASX Principles and Recommendations recommend the establishment of a remuneration committee however the Board does not consider it necessary or appropriate to constitute a remuneration committee as Redcape does not itself employ any senior executives and is not responsible for the remuneration of the Directors.

The Responsible Entity is a subsidiary of Moelis Australia, and as Redcape will be managed externally by Moelis Australia, the appointment and remuneration of the Directors of the Responsible Entity and Redcape Management is the responsibility of Moelis Australia. Accordingly, the ASX Principles and Recommendations relating to remuneration are not relevant to Redcape.

Redcape has adopted two equity based incentive plans for the benefit of its employees (all of whom are hotel venue staff). The terms of these plans are summarised in section 14.4 of Redcape's PDS dated 1 November 2018. A copy of the PDS is available on the Redcape website at [www.redcape.com.au](http://www.redcape.com.au). The terms of Redcape's Rights Plan and the Employee Plan provide that participants must not enter into any transactions to hedge their economic exposure to Redcape securities received under the Rights Plan and/or the Employee Plan.

## 6. Risk framework

### Risk identification and management

The Audit, Risk & Compliance Committee assists the Board with regard to oversight of Redcape's risk management practices by reviewing and reporting to the Board that the Committee has, at least annually, reviewed Redcape's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk.

In line with the ASX Principles and Recommendations, Redcape's risk management framework will be reviewed annually.

The Board seeks to take and manage risk in ways that will generate and protect securityholder value and recognises that the management of risk is a continual process and an integral part of the management and corporate governance of the business.

The Board acknowledges that its reputation is of great importance and it has an obligation to all stakeholders, including Redcape securityholders, customers, employees, contractors and the wider community and that the efficient and effective management of risk is critical to Redcape meeting these obligations and achieving its strategic objectives.

### Internal audit

Redcape does not currently have an internal audit function. Instead, Redcape Management, working with external advisors as appropriate, oversees the adequacy and effectiveness of the Company's systems of risk management, internal control and governance, and provides recommendations to improve the efficiency and effectiveness of these systems and processes.

In addition, the Audit Risk & Compliance Committee monitors and reports to the Board that:

- adequate policies and processes have been designed and implemented to manage identified risks; and
- proper remedial action is undertaken to redress areas of weakness.



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

## Business and sustainability risks

The Board and Redcape Management are committed to building a sustainable business that appropriately manages economic, environmental and social sustainability risks. Redcape's Management with the assistance of the Audit Risk & Compliance Committee, identifies and manages these risks in accordance with Redcape's overall risk management policies and framework.

The Audit, Risk & Compliance Committee has identified the following key economic, environmental and social sustainability risks and will update the Board, at least annually, on the management of these sustainability risks:

Type of risk	Category of risk	Managed through
Unfavourable economic impacts (globally and locally)	Economic	Senior executive monitoring and reporting Disciplined capital management
Investment management and acquisitions	Economic	Robust due diligence Budgeting and forecasting management Regular senior executive monitoring and reporting
Regulatory risk	Economic/Social	Code of Conduct Risk management framework Compliance policies
Reputational risk	Social/Economic	Code of Conduct Risk management framework Compliance policies
People – attraction and retention of talent	Social	Diversity and Inclusion Policy Redcape employee incentive plans Code of Conduct

Given the nature and size of Redcape's business and operations, it does not have any material environmental sustainability risks.

## Financial statements declarations

The CEO and CFO of Redcape will provide a written certificate to the Board in respect of Redcape's half year and full year statutory accounts that:

- in their opinion, the financial records of Redcape have been properly maintained and the statutory accounts comply with the relevant accounting standards and other mandatory reporting requirements and give a true and fair view of the financial position and performance of Redcape; and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*

## 7. Governance policies

### Diversity and Inclusion Policy

The Board believes that diversity is an important component of Redcape's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality service to its customers, and continue to grow the business profitably.

The Board has adopted a Diversity and Inclusion Policy which sets out its commitment to increasing workplace diversity across all levels of Redcape. The Diversity and Inclusion Policy applies to all Redcape employees. Redcape Management all of whom are employees of MAHM, are subject to the diversity policy of Moelis Australia as amended from time to time.

Under the Diversity and Inclusion Policy, Redcape will aim to achieve greater diversity by setting objectives at all management and leadership levels, broadening the field of potential candidates for positions and promoting the benefits of workplace diversity to all its employees.

### Measurable objectives

Given Redcape's recent listing on ASX, the Board intends to disclose its measurable objectives for achieving increased workplace diversity and its progress towards achieving them in its next Corporate Governance Statement.

### Gender diversity data

The proportion of men and women employed by Redcape, MAHM, MAHM's Senior Management and the Responsible Entity Board is set out in the following table:

	Male	Female	Total
Responsible Entity Board	5	0	5
Redcape	304	419	723
MAHM	27	19	46
MAHM Senior Management*	5	1	6

\*MAHM Senior Management in the table means directly reports to the CEO as at October 2018

### Code of Conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. The Board has endorsed and adopted Redcape's Code of Conduct which addresses matters relevant to Redcape's legal and ethical obligations and standards it expects from its Directors, officers and employees. The Code of Conduct outlines its requirements with respect to relationships, compliance with laws and ethics, conflicts of interest, confidentiality, use of Redcape's assets and competition.

### Securities Dealing Policy

The Board has adopted a Securities Dealing Policy in respect of Redcape that explains the types of conduct in relation to dealings in its own securities that are prohibited and establishes procedures for the buying and selling of its securities that protects the Responsible Entity, Redcape, the Directors and Redcape's employees and senior executives against the misuse of information, which could materially affect the value of Redcape's securities. The Redcape Securities Dealing



Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.

Policy applies to all Redcape employees as well as the Directors of the Responsible Entity and all employees of MAHM (which includes all of Redcape's senior executives).

## Disclosure Policy

The Board is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of Redcape's securities.

The Board has adopted a Disclosure Policy which reinforces its commitment to continuous disclosure obligations in respect of Redcape and describes the processes in place that enables it to provide securityholders with timely disclosure in accordance with those obligations.

## Communications with securityholders

The Board is committed to:

- communicating openly and in a timely manner with its securityholders;
- keeping securityholders informed of all major developments affecting the state of affairs of Redcape;
- encouraging two-way communication with securityholders; and
- providing the market and other interested stakeholders with access to information about Redcape from time to time.

The Board communicates information regularly through a range of platforms and publications, including its website, the ASX Market Announcements Platform and its annual and half-yearly reports.

As Redcape is comprised of two registered managed investment schemes, it is not required to hold an Annual General Meeting of securityholders. In the event that Redcape does hold securityholder meetings, the Responsible Entity will invite securityholders to submit questions in advance and will seek to facilitate and encourage participation at the meeting.

Contact details for investor relations and Boardroom Pty Limited, Redcape's security registry, are on its website. Securityholders may elect to receive communications from, and send communications to, Redcape's security registry electronically.

**This Corporate Governance Statement is current as at October 2018 and has been approved by the Board.**



*Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together "Redcape" or "Redcape Hotel Group"). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.*