



# 2022 COMPLIANCE REGISTER – KING IV

# GOVERNANCE STRUCTURE

**Good governance supports our overall value-creation process and helps Lighthouse establish and maintain trust with key stakeholders. This chapter sets out our approach to governance, with an overview of our explanations and the implementation of the principles advocated by King IV™.**

The Board assumes overall responsibility as the custodian of governance. This includes approving all governance processes, policies and planning; ensuring accountability across the business; providing oversight, monitoring and insight; and setting and steering strategic direction.

The Board reviews its delegation authority structure frequently. It confirms it is satisfied with its role clarity between the Board, its committees and executive management. The governance structure, processes and policies ensure Lighthouse is consistently governed to ensure the Group executes its strategy to deliver on stakeholder expectations.

The Board ensures that sound corporate governance practices are incorporated into Lighthouse's values, culture, processes and internal controls; this promotes an awareness of risk, compliance and good governance throughout the Group.



## EXPLANATION OF THE APPLICATION OF KING IV™

### Governance outcome one: Ethical culture

#### Principle 1

The Board leads ethically and effectively.

The Directors hold one another accountable for decision-making and behave ethically. The Chairperson is tasked to monitor this as part of his duties.

Ultimate control of the Company and Group rests with the Board while executive management is responsible for the proper management of the Company and Group. The Board has approved a statement of accountabilities.

#### Principle 2

The Board governs the ethics of Lighthouse in a way that supports the establishment of an ethical culture.

The Board is the primary body responsible for the corporate governance values of the Group. While control is delegated to management in the day-to-day management of the Group, the Board retains full and effective control over the Group.


A formal Board charter has been adopted. All Directors subscribe to a code of ethics. The code of ethics deals with duties of care and skill, as well as those of good faith, including honesty, integrity and the need to always act in the best interests of the Group.

#### Principle 3

The Board ensures that Lighthouse is and is seen to be a responsible corporate citizen.

The Board is the guardian of the values and ethics of the Group and ensures that it is seen as a responsible corporate citizen. The responsibility for monitoring the overall corporate citizenship performance of the organisation is delegated to the Social and Ethics Committee by the Board.

Refer to the report of the Social and Ethics Committee on the Lighthouse website at

 <https://lighthouse.mt/corporate-governance/>

for more information on how Lighthouse addresses responsible citizenship.

### Governance outcome two: Performance and value creation


#### Principle 4

The Board appreciates that Lighthouse's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.

The Board's primary responsibility is to ensure that Lighthouse creates value for its shareholders. In so doing, it considers the legitimate interests and expectations of stakeholders, which include present and potential future investors in Lighthouse.

Lighthouse sets and achieves its strategic initiatives with reference to its risks and opportunities.

The Board assesses both the positive and negative outcomes resulting from its business model continuously and responds to it.

 Refer to Lighthouse's business model on pages 12 to 15 for an explanation of how the inseparable elements of the value-creation process are linked.

#### Principle 5

The Board ensures that reports issued by Lighthouse enable stakeholders to make informed assessments of Lighthouse's performance and its short-, medium- and long-term prospects.

The Board is responsible for formulating its communication policy, which includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders in its interim and integrated reports to stakeholders.

Lighthouse details its historical performance and an assessment of the organisation's financial, ESG performance and outlook. This, together with other communication, enables stakeholders to make informed assessments of Lighthouse's prospects.

 Refer to pages 102 to 185 for Lighthouse's detailed performance over the past year.

 Refer to page 9 for Lighthouse's outlook for the future.

## Governance outcome three: Adequate and effective control

### Principle 6

The Board serves as the focal point and custodian of corporate governance in Lighthouse.

### Principle 7

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

### Principle 8

The Board ensures that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The Board's role and responsibilities and the way that it executes its duties and decision-making are documented and set out in the Board charter.

At its meetings, the Board considers both financial and non-financial, or qualitative, information that might have an impact on stakeholders.

 Details of the Board meetings held during the year and attendance are disclosed on page 78.

The Board, with the assistance of the Nomination Committee, considers, on an annual basis, its composition. The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.


The Board is committed to actively managing diversity as a means of enhancing the Group's performance by utilising the contribution of the diverse skills and talents of its Directors. The Board has an approved policy on gender diversity at Board level which requires the Nomination Committee to consider a broad and diverse pool of talent when considering Board appointments. The need for gender diversity must be balanced with the need to appoint individuals with the necessary skills and experience to serve on the Board.

The Board has not established a target for diversity on the Board. The policy will be reviewed on an annual basis to ensure that it appropriately facilitates diversity at Board level.

The Board comprises three Executive Directors, one Non-Independent Non-Executive Director and six Independent Non-Executive Directors. Directors serve for a maximum period of three years and are subject to retirement by rotation at the end of their tenure. Directors will then become eligible for re-election by shareholders in a general meeting.

Lighthouse believes that all Board members are suitably qualified and that the composition of the Board is in the best interests of all stakeholders, without prejudice to them.

The Directors are individuals of high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process.

 For details of the Directors' full names, their dates of appointment, and other listed Directorships as well as a brief career and sphere of influence synopsis of each of the Directors, refer to pages 74 to 77.

The Board has established six sub-committees to assist the Directors in fulfilling their duties and responsibilities. Each committee has a formal charter and reports to the Board at regular intervals.

The charters, which set out the objectives, authority, composition and responsibilities of each committee, have been approved by the Board and are reviewed at least annually.

The composition of the committees of the Board and the distribution of authority between the Chairperson and other Directors is balanced and does not lead to instances where individual(s) dominate decision-making.

 Refer to pages 74 to 77 for the members of each committee.

The Board assumes the responsibilities for the induction of new Directors to the Board.

The Board of Directors' independence from the executive management team is ensured by the following:

- ▶ Separation of the roles of Chairperson and Chief Executive Officer, with the Chairperson being independent
- ▶ The Board being dominated by Independent Non-Executive Directors
- ▶ The Audit, Investment, Nomination, Remuneration, Risk and Social and Ethics Committees having a majority of Independent Non-Executive Directors
- ▶ Non-Executive Directors not holding service contracts
- ▶ All Directors having access to the advice and services of the Company Secretary
- ▶ With prior agreement from the Chairperson, all Directors are entitled to seek independent professional advice concerning the affairs of the Company at the Company's expense.

The Audit Committee is satisfied that the auditor is independent as non-assurance services are not performed and the audit firm has been appointed with the designated partner having oversight of the audit.

The Chief Financial Officer is the head of the finance function and has a financial manager reporting to him. Internal audit is fully outsourced and the Chief Financial Officer is responsible for overseeing and coordinating the effective functioning of the outsourcing arrangement, as and when applicable.

An assessment of the effectiveness of the Chief Financial Officer function is performed annually by the Audit Committee.

## Governance outcome three: Adequate and effective control continued

### Principle 9

The Board ensures that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.

After evaluating their performance internally in terms of their respective charters, the Directors are of the opinion that the Board and the sub-committees have discharged all their responsibilities.

Assessments of the performance of the Chief Executive Officer and Company Secretary are conducted annually, and no major issues or concerns have been identified.

The Company Secretary maintains an interests register and is available for consultation to shareholders upon written request to the Company Secretary.

 *Directors' interests in the ordinary shares of the Company are disclosed on page 79.*

All conflicts of interest and related party transactions have been conducted in accordance with the conflict of interest and related party transactions policy and code of ethics.

### Principle 10

The Board ensures that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

In terms of its formal charter, the Board's responsibilities include the appointment of the Chief Executive Officer and the approval of corporate strategy, risk management and corporate governance. The Board reviews and approves the business plans and monitors the financial performance of the Group and implementation of the strategies.

Board members have full and unrestricted access to management and all Group information and property.

A detailed delegation of authority policy and framework indicate matters reserved for the Board and those delegated to management. The Board is satisfied that Lighthouse is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

The Board has considered the competence, qualifications and experience of the Company Secretary, Stonehage Fleming Malta Limited ("Stonehage"), and deemed it fit to continue in the role as Company Secretary for Lighthouse. Stonehage is independent of Lighthouse and the relationship with the Board has been assessed and is considered to be at arm's length.

### Principle 11

The Board governs risk in a way that supports Lighthouse in setting and achieving its strategic objectives.

The Risk Committee assists the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of Lighthouse. The Risk Committee implements a process whereby risks to the sustainability of the Company's business are identified and managed within acceptable parameters. The Risk Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of Lighthouse's operating environment. Mitigation controls are formulated to address risks and the Board is kept up to date on progress on the risk management plan.

 *Refer to pages 19 to 24 for an overview of the top risks to Lighthouse.*

### Principle 12

The Board governs technology and information in a way that supports Lighthouse in setting and achieving its strategic objectives.

The Risk Committee assists the Board with the governance of IT. The Board is aware of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of Lighthouse. The Board is ultimately responsible for IT governance.

The Lighthouse IT function is outsourced to a third-party service provider and is governed by a service level agreement.

The risks and controls over IT assets and data are considered by the Risk Committee.

### Principle 13

The Board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports Lighthouse being ethical and a good corporate citizen.

A framework of financial reporting, internal and operating controls has been established by the Board to ensure reasonable assurance as to the accurate and timely reporting of business information, safeguarding of Group assets, compliance with laws and regulations, financial information and general operations.

The Board reviewed and was satisfied with the effectiveness of the internal financial and operating controls, the process of risk management and the monitoring of legal governance compliance within the Group.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.

**Governance outcome three: Adequate and effective control** continued

**Principle 14**

The Board ensures that Lighthouse remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Lighthouse remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.

 Refer to the remuneration report on pages 86 to 91.

The individual Directors' remuneration is disclosed. Lighthouse believes that this disclosure is sufficient and appropriately demonstrates alignment between remuneration and shareholders' returns.

**Principle 15**

The Board ensures that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of Lighthouse's external reports.

The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.

 Refer to pages 81 and 82 for information on assurance contained in the Audit Committee's report.

**External audit**

The external auditor is required to assess periodically, in its professional judgement, whether it is independent of the Group.

The Audit Committee has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditor.

The Audit Committee assesses the performance of the auditor and has satisfied itself as to the suitability of the external auditor for reappointment for the ensuing year.

The current auditor, PricewaterhouseCoopers Malta, was reappointed during 2022 (2021: PricewaterhouseCoopers Malta).

**Internal audit**

The Group does not have a formalised internal audit department. This is primarily due to the fact that the majority of property management, brokerage and custodian functions are outsourced to external property managers, brokers and custodians who are subject to periodic external audits and quality assessments.

**Governance outcome four: Trust, good reputation and legitimacy**

**Principle 16**

In the execution of its governance role and responsibilities, the Board adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of Lighthouse over time.

Lighthouse has identified its stakeholder groups and actively balances their legitimate and reasonable needs, interests and expectations.

Lighthouse is committed to ensuring timeous, effective and transparent communication with shareholders and other stakeholders.


 Refer to pages 16 to 18 for more information on stakeholder engagement.

**Principle 17**

The Board ensures that responsible investment is practised by Lighthouse to promote good governance and the creation of value by the companies in which it invests.

Lighthouse ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.

Sustainability is a key focus area of the Board and is managed in the context of the Group's various investments.

- ▶ A more comprehensive King IV™ compliance register is available on our website at  [www.lighthouse.mt/corporate-governance/](http://www.lighthouse.mt/corporate-governance/)
- ▶ A framework of financial reporting, internal and operating controls has been established by the Board
- ▶ The Board confirms that Lighthouse has complied with the provisions of its Memorandum and Articles of Association.