



BOARD CHARTER

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## 1. INTRODUCTION

The purpose of this charter is to set out the Board's composition, duties, and responsibilities, meeting procedures and other related matters for Lighthouse Properties p.l.c. ("**Lighthouse**" or the "**Company**").

Lighthouse is committed to uphold the Code of principles of Corporate Governance in Malta.

This charter is subject to the provisions of the Maltese Companies Act (Cap 386 Laws of Malta), the Memorandum and Articles of Association ("**M&A**") of the Company and any other applicable law or regulatory provision.

Ultimate control of the Company rests with the board of directors (the "**Board**") while the executive management is responsible for the proper management of the Company. To achieve this, the Board is responsible for establishing the objectives of the Company and setting a philosophy for investments, performance and ethical standards. The Board has unrestricted access to all Company information, records, documents and property.

## 2. MEMBERSHIP

- Lighthouse subscribes to a unitary Board, which leads and controls Lighthouse. The Board is comprised of executive and non-executive directors, with the majority of directors being non-executive and the majority of the non-executive directors being independent.
- The Board should have a minimum of four (4) directors and not more than fifteen (15).
- The size of the Board is regulated in the M&A and the Board further considers whether its size, diversity, knowledge, skills, resources and demographics make it effective. Directors are appointed through a formal process. The nomination committee assists with the process by identifying suitable candidates. Board appointments are made in terms of the policy on nominations for appointments, such appointments are transparent and a matter for the Board as a whole. New Board members are proposed to shareholders for election at the annual general meeting ("**AGM**").
- The chairperson of the Board must be an independent non-executive director
- Non-executive directors serve for a maximum period of three (3) years and are subject to retirement by rotation and re-election by members in general meeting as set out in the M&A.
- The Board appoints the Chief Executive Officer ("**CEO**") (following recommendations from the Nomination Committee) and establishes a framework for the delegation of authority.
- All new directors need to undergo induction when joining the Board.

## 3. DELEGATION

The Board delegates certain functions to well-structured sub-committees and to management to assist in the execution of its duties, powers and authorities, but without abdicating its own responsibilities. Delegation is a formal process and involves the following:

### 3.1 Sub-committees

- Each sub-committee has a charter which formalises its terms of reference and these are reviewed and approved by the relevant sub-committee and the Board at least annually.
- Each sub-committee acts in accordance with the delegated authority from the Board and, where applicable, within the statutory requirements as recorded in its sub-committee charter.
- Lighthouse has the following committees:
  - audit committee;
  - nomination committee;
  - risk committee;
  - remuneration committee;
  - investment committee; and
  - social and ethics committee.

### **3.2 Management**

The Board establishes a formal framework for the delegation of authority to management through the operational mandate, in respect of those matters not reserved for the Board. Matters delegated to management in terms of this Board charter include but are not limited to:

- the responsibility to design, implement and monitor the risk management plan;
- the responsibility for developing and implementing an IT governance framework;
- proactively managing stakeholder relationships; and
- the implementation of an effective compliance framework and processes.

### **3.3 Attendance**

The Board encourages attendance by directors, shareholders and relevant stakeholders at the AGM or other shareholders' meetings and makes every effort to ensure the attendance by the Board chairperson and Board sub-committee chairpersons at such meetings.

### **3.4 Audit committee**

The Board ensures that Lighthouse has an effective and independent audit committee by ensuring that:

- the chairperson and members of the audit committee are all independent non-executive directors;
- the members must have the requisite knowledge and experience to perform their duties;
- the audit committee meets regularly; and
- the audit committee has timeous access to all information necessary to perform its duties.

## **4. RESPONSIBILITIES AND DUTIES OF THE BOARD**

### **4.1 Fiduciary duties**

- Directors are permitted to take independent advice related to their duties.
- Should a director have real or perceived conflict of interests, these should be disclosed to the Board as soon as the director becomes aware of the conflict and should be appropriately managed.
- Directors must abide by Lighthouse's policy in dealing in securities and in compliance with the JSE Listings Requirements.

### **4.2 Strategy**

- The Board is responsible for formulating and approving the strategy for the Company.
- The Board takes adequate steps to ensure that long-term planning results in sustainable outcomes that take into account people, the environment and profit.
- The Board ensures that strategy is aligned with the following:
  - the purpose of the Company;
  - the value drivers of its business; and
  - the legitimate interests and expectations of its stakeholders.
- The Board should ensure that strategy implementation meets the following conditions:
  - strategy is translated into key performance and risk areas that include finance, ethics, compliance and sustainability;
  - the associated performance and risk measures are adequately identified and clear; and
  - the Board views sustainability as a business opportunity. Long-term sustainability is considered when strategy is formulated and it guides strategy-setting.

#### **4.3 Ethical leadership**

- The Board sets the values that the Company adheres to. These values are documented in the Company's code of ethics.
- The Board ensures that the Board and management's conduct align with the Company values.
- The Board promotes the stakeholder-inclusive approach of governance and takes account of the impact of the Company's operations on internal and external stakeholders.
- Deliberations, decisions and actions of the Board are based on fairness, accountability, responsibility and transparency.
- Directors, in performing their stewardship role, follow five moral duties: conscience, care, competence, commitment and courage.
- The Board ensures that ethical risks and opportunities are assessed (i.e. identify and evaluate the probability and impact of the risks and opportunities) and that an ethics risk and opportunity profile is compiled.
- The Board ensures that the Company's ethics performance is monitored, reported internally and disclosed.
- The Board ensures that a code of ethics and ethics-related policies have been established and implemented and that the code and policies clearly set out ethical standards.
- The Board ensures that compliance with the code of ethics is effectively integrated into the strategy and operations of the Company. The ethical organisational culture is reflected in the Company's strategies and operations, decisions and conduct, and how it treats its internal and external stakeholders.

#### **4.4 Stakeholder relations**

- The Board ensures that management proactively manages stakeholder perceptions in order to enhance and protect the Company's reputation.
- The Board identifies and evaluates the legitimate interests and expectations of stakeholders annually.
- The Board develops strategies and policies for the management of the relationship with each stakeholder grouping.
- The Board oversees the establishment of mechanisms and processes that support constructive engagement by the Company with its stakeholders.
- The Board encourages shareholders to attend the AGMs of the Company.
- The Board takes into account the legitimate interests and expectations of its stakeholders in making decisions in the best interests of the Company.
- The Board ensures the equitable treatment of all holders of the same class of securities.
- The Board ensures that minority shareholders are sufficiently protected.
- The Board ensures that management provides information to stakeholders that is complete, timely, relevant, accurate, honest and accessible in accordance with legal constraints and strategy.
- The Company adopts a formal dispute resolution process for internal and external disputes.

#### **4.5 Corporate citizenship and leadership**

- The Board gives adequate consideration to the impact of the Company's operations on society and the environment.
- The Board pro-actively protects, enhances and invests in the well-being of the economy, society and the environment.
- The Board ensures that the Company's performance and its interaction with its stakeholders are guided by the M&A and all applicable laws and regulations.
- Evaluating and managing the risks of doing business in weak governance zones form an important part of the Company's risk management.
- The Board ensures that there is sufficient collaboration with stakeholders to promote ethical conduct and good corporate citizenship.
- The Board ensures that measurable corporate citizenship programmes and policies are developed and implemented.

#### **4.6 Risk**

- A policy and a plan that provide for an effective system and process of risk management have been developed and approved by the Board.
- The Board monitors that risks are taken within the Company's tolerance and appetite levels.
- Management demonstrates to the Board that the risk responses provide for the identification and exploitation of opportunities to improve the performance of the Company.
- The Board satisfies itself that management has thoroughly examined and dealt with all risks affecting strategy and business plans.
- The risk committee charter includes the following:
  - the Company's definitions of risk terms and risk management;
  - risk management objectives;
  - the risk approach and philosophy; and
  - the various responsibilities and ownership for risk management within the Company.
- The Board's responsibility for risk governance is set out in both the Board charter and risk committee charter.
- The Board's risk policy and plan is effectively implemented by management through risk management systems and processes.
- The Board sets the levels of risk tolerance every year.
- The risk plan includes the following:
  - the Company's risk management structure;
  - the risk management framework;
  - the standards and methodology adopted; i.e. the measureable milestones (for example, tolerances, intervals, frequencies, frequency rates, etc);
  - risk management guidelines;
  - reference to integration of risk; and
  - details of the assurance and review of the risk management process.
- A senior employee responsible for risk management has been appointed as Risk Officer ("RO") and meets the following requirements:
  - the RO or senior employee is a suitably experienced person; and
  - the RO or senior employee has access to and regular interaction on strategic matters with the Board or appropriate Board committee, and executive management.

- The Board ensures that effective and ongoing risk assessments (i.e. identification and evaluation of risks in terms of probability and impact) are performed.
- A systematic, documented, formal risk assessment is conducted at least once a year.
- Risks are prioritised in order to focus responses and interventions to those risks outside the Board's tolerance limits.
- A top-down approach is adopted in risk assessments without limiting focus to strategic or high-end risks only.
- The Board regularly receives and reviews a register of the Company's key risks.
- The risk assessment process (i.e. identification and evaluation of risks in terms of probability and impact) involves the following:
  - the risks affecting the various income streams of the Company;
  - the critical dependencies of the business; and
  - the sustainability and the legitimate interests and expectations of stakeholders.
- The Board ensures that key risks are quantified where practicable.
- The Board ensures that an effective framework and processes are in place to anticipate unpredictable risks.
- Management determines risk responses and notes the risk responses in the risk register.
- The Board ensures that effective and continual monitoring of risk management takes place.
- Management provides assurance to the Board that the risk management plan is integrated into the daily activities of the Company.

#### **4.7 IT governance**

- The IT governance framework includes the structures, processes and mechanisms that will enable the delivery of value to the business and reduce IT risk.
- The Board considers the appropriateness of obtaining independent assurance on the effectiveness of the IT internal controls, including on outsourced IT services.
- The Board assumes responsibility for the governance of IT and places it on the Board agenda.
- The Company has an IT governance framework that supports effective and efficient management of its IT resources.
- The Board ensures that an effective IT charter and policies are established and implemented.
- The Board ensures that IT strategy is effectively integrated with the Company's strategic and business processes.
- The Board ensures that there is an effective process in place to identify and exploit opportunities to improve the performance and sustainability of the Company through the use of IT.
- Management is responsible for the implementation of all the structures, processes and mechanisms of the IT governance framework.
- The Board both oversees the value delivery of IT, and monitors the return on investment from significant IT projects.
- The role of IT in achieving business strategies and objectives is clear.
- Good governance principles apply to all parties in the supply chain or channel for the acquisition and disposal of IT goods or services.
- IT risks form an integral part of the Company's risk management process.

- Management regularly demonstrates to the Board that the Company has adequate business resilience arrangements in place for IT disaster recovery.
- The Board ensures that the Company identifies all personal information and treats it as an important business asset.
- The Board ensures that an Information Security Management System is developed, recorded and implemented and that the Information Security Management System ensures security, confidentiality, integrity and availability of information.

#### **4.8 Compliance**

- The Board assumes responsibility for the Company's compliance with applicable laws and those non-binding rules, codes and standards applicable to the Company.
- The Board appreciates that the duty to act in the best interest of the Company involves having regard to, not only the obligations that laws create, but also the rights and protection that they afford to the Company.
- The Board oversees that the compliance policy and process take account of the context of law, and how applicable laws relate to one another.
- The Board continually monitors the Company's compliance with applicable laws, rules, codes and standards.
- Both the induction and ongoing training programmes of directors include an overview of, and changes to, applicable laws, rules, codes and standards.
- Directors know the general content of applicable laws, rules, codes and standards sufficiently well to discharge their legal duties.
- The risk of non-compliance is identified, assessed and responded to through the risk management processes.
- Management has established the appropriate structures to educate, train, communicate about, and measure compliance.
- The CEO has appointed an individual responsible for the management of compliance; e.g. a Compliance Officer ("CO").
- A CO or other senior employee responsible for compliance has been appointed and meets both the following requirements:
  - The CO or senior employee is a suitably experienced person; and
  - the CO or senior employee has access to and regular interaction on strategic matters with the Board or appropriate Board committee, and executive management.
- The compliance function has adequate resources to fulfil its duties.
- The Board ensures that management has implemented a legal compliance policy, approved by the Board.
- The Board receives assurance on the effectiveness of the internal controls intended to ensure compliance with laws, rules, codes and standards.
- Compliance with laws, rules, codes and standards is dealt with in the code of conduct of the Company.
- The Board ensures the integrity of the Company's integrated report and ensures that sustainability reporting and disclosure are integrated with the Company's financial reporting.



#### **4.9 Internal audit (when applicable)**

- The internal audit function evaluates the Company's governance processes.
- The Company has established an internal audit function.
- The internal audit function performs an objective assessment of the effectiveness of risk management and the internal control framework.
- The internal audit function systematically analyses and evaluates business processes and associated controls.
- The internal audit function adheres to the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing and Code of Ethics.
- The internal audit function appropriately provides information on instances of fraud, corruption, unethical behaviour and irregularities.
- The internal audit plan and approach are informed by the strategy and risks of the Company.
- Internal controls are established over all of the following areas:
  - financial;
  - operational;
  - compliance; and
  - sustainability.
- Internal audit provides the Board with a written assessment of the system of internal controls and risk management.
- Internal audit provides a documented review of internal financial controls to the audit committee.
- The internal audit function is independent and objective.
- The internal audit function reports functionally to the audit committee.
- The internal audit function has the appropriate skills and resources to meet the complexity and volume of risk, and the assurance needs of the Company.

#### **4.10 Business rescue**

The Board continually monitors whether the Company or any of its subsidiaries is financially distressed for the purposes of considering business rescue proceedings, i.e. whether it appears reasonably:

- unlikely that the Company can pay its debts when due within the next six (6) months; or
- likely that the Company will become insolvent within the next six (6) months.

The Board should do everything necessary to fulfil its roles and duties as set out above.

### **5. MEETING PROCEDURES**

#### **5.1 Frequency**

The Board will meet at least four (4) times a year, or more frequently as circumstances dictate.

#### **5.2 Attendance**

- A quorum for Board meetings shall be at least three (3) of the Board members, in accordance with the M&A.
- Board members must attend all scheduled meetings of the Board, including meetings called on an ad-hoc basis for special matters, unless an apology has been submitted to the chairperson or Company secretary.
- Notwithstanding the above, Board members are required to attend a minimum of three (3) Board meetings per year.
- If the chairperson of the Board is absent from a meeting, the members present must elect one of the members present to act as chairperson.

- Where necessary, the Board may invite any other relevant person to attend Board meetings. Individuals in attendance at Board meetings by invitation may participate in discussions but do not form part of the quorum for Board meetings.

### 5.3 Agenda and minutes

- The Company shall draw up an agenda, which shall be circulated with supporting documentation prior to each meeting to the members of the Board.
- Board members must be fully prepared for Board meetings to be able to provide appropriate and constructive input on matters for discussion.
- The minutes must be completed as soon as possible after the meeting and must be formally approved by the Board at its next scheduled meeting.

### 5.4 Proceedings of meetings

- In addition to matters set out in this charter, meetings and proceedings of the Board will be governed by the M&A.
- The Board's discussions shall at all times be open and constructive. The chairperson shall seek a consensus in the Board but may, where considered necessary, call for a vote in conformance with the M&A. After full discussion and debate on any subject, the chairperson shall summarise the debate prior to final resolution whether by way of consensus or by way of a vote.
- All matters discussed at the Board meeting or included in information provided to the Board are considered confidential unless otherwise stated.

## 6. EVALUATION

- The Board shall evaluate its performance (including the performance of its sub-committees, individual Board members and the Company secretary) annually and include an overview of the appraisal process, results and action plan in the integrated report.
- Independent non-executive directors serving for longer than nine (9) years are subjected to a rigorous review of their independence and performance by the Board.
- Non-executive directors that are classified as 'independent' are subjected to an annual evaluation of their independence by the chairperson and the Board.
- The self-evaluation may take the form of a questionnaire, feedback from relevant stakeholders or any other form as may be prescribed by the Board.

## 7. REVIEW

This charter shall be reviewed by the Board on an annual or *ad hoc* basis as required.



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**Chairperson**  
**Lighthouse Properties p.l.c.**



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**Date**