LUSAKA STOCK EXCHANGE

THE LUSAKA STOCK EXCHANGE (LuSE) CORPORATE GOVERNANCE CODE FOR LISTED AND QUOTED COMPANIES

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Foreword

World over, the need for good governance has taken centre stage. There is now an increased awareness and expectation of good governance at the corporate level too.

Corporate Governance is based on the principle of good governance and includes the concepts of efficiency, transparency, effectiveness and accountability.

LuSE could not be left behind in this development as it realised the need for specific norms for our capital market. A capital market cannot be said to be functioning effectively without strict adherence to the principles of good corporate governance.

This Code is therefore intended to provide clear guidelines aimed at enhancing Corporate Governance as well as to obtain a baseline indication of core governance standards and practices in companies listed or quoted on the Lusaka Stock Exchange. It is designed to enhance Corporate Governance as well as ascertain whether any particular Corporate Governance issues should be highlighted for particular attention in respect of a listed or quoted company.

Good Corporate Governance not only enhances the adoption of standards that ensure acceptable levels of investor protection but also ensures that public companies adhere to best practice and a code of ethics in the governance of their companies. Through this, companies are able to achieve better and more effective Boards to govern them.

Furthermore, good corporate governance assists in the maintenance of better accounting and disclosure standards, a must in public companies which are placed with the responsibility to be transparent and accountable to a large number of shareholders.

The obvious benefits of this Code to the shareholders is that they will be better placed to make decisions regarding their investments based on the levels of compliance, by the listed and quoted companies, with good corporate governance principles.

Listed and Quoted Companies are required to submit to the LuSE within 3 months from the end of their respective financial years a report stating their areas of compliance and non-compliance with the Code. On the basis of these reports, the LuSE will on an annual basis publish for the public and investor information the Awards to the Best Listed and Quoted Companies in Good Corporate Governance Practices in terms of the Code. Companies that are seen to be complying with this Code will also find that their corporate image and investor confidence in them will be boosted to new heights.

I am extremely proud and pleased to be part of this achievement by the LuSE management and commend them on this exciting development.

John Janes – Chairman
Lusaka Stock Exchange
March 2005

A. DEFINITIONS

In this Code the following words shall have the meanings opposite them:

"Board"	means the board of directors of a quoted or listed company
"Fit and Proper Test"	means ascertaining the suitability of a person in relation to a director or company secretarial position in a listed or quoted company and includes a reference to qualifications and experience
"Non Executive Director"	means a director of the Board who has no contract of service or employment with the company in which he is a director, whether or not such director is appointed or elected by shareholders or other directors of the company

B. BOARDS AND DIRECTORS

General Matters

1. The board must have a charter or terms of reference defining its functions and setting out its responsibilities

2. The details of the board charter must be provided in the annual report

3. The board must ensure that the organisation complies with all relevant laws, regulations and codes of business practice

4. The board must fully understand its statutory responsibilities concerning financial disclosure

6. The board must adopt or have a code of conduct in respect of conflicts of interest for directors and management

7. The board must develop performance objectives that respond to the organisation's specific needs (including where appropriate comparisons to other similar organisations)

8. The board must have unrestricted access to all organisation information, records, documents and property

9. The board must have an agreed procedure whereby directors may take independent professional advice, if necessary, at the organisation's expense

10. The board must comprise a majority of non-executive directors to provide an appropriate balance in decision-making.

11. A company must have formal and transparent procedures for appointments to the board

12. The board must first ascertain whether potential new directors are disqualified from being directors and investigate their backgrounds

13. The board must adopt or have a procedure for the induction and training of newly appointed directors on their duties, responsibilities, powers and potential liabilities

14. The AGM notice or the annual report must contain a brief biography of each director standing for election or re-election at the annual general meeting. At each AGM, a director who is the longest serving among all

the directors immediately preceding the AGM should retire while being eligible for re-election.

15. All directors must attend meetings of the organisation or give reasons for non-attendance.

16. Chairpersons of all board committees must attend the organisation's annual general meeting to answer questions about the work of their committees

Chairperson & CEO

17. The roles of the chairperson and chief executive officer must be performed by separate persons

18. If the role of chairperson and chief executive officer are performed by the same person:

    a. The board must have an independent director as deputy chairperson

    b. There must be a complement of independent directors sufficiently involved in the annual evaluation of the chairperson's performance

19. The board should appraise the performance of the chairperson on an annual or such other basis as the board may determine

20. The board should appoint the chief executive officer on the basis of merit

21. The board should be familiar with other senior managers in the organisation and should regularly review their strengths as possible successors of the chief executive officer

Executive & Non-executive Directors

22. Non-executive directors should be individuals of high calibre and credibility, with the necessary skill and experience to bring judgment to bear, independent of management, on issues of strategy, performance, resources and standards of conduct and evaluation of performance

23. Non-executive directors should devote adequate time on a regular basis to the organisation, and the amount of time that non-executive directors spend on the organisation should warrant their compensation. What is 'adequate time' shall be determined by the board.

24. Non-executive directors must have access to management

25. The board should establish a formal orientation programme to familiarise incoming directors with the organisation's operations, senior management and its business environment and to induct them in their fiduciary duties and responsibilities

Director Compensation

26. The board should provide full disclosure of director remuneration giving details of earnings, share options, and all other benefits

27. The board must establish a formal and transparent procedure for developing a policy on executive remuneration

28. Performance-related elements of remuneration should constitute a substantial portion of the total remuneration package of executives

29. The levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the board

30. The management's compensation packages should be comparable to those of the organisation's competitors

31. The organisation should have a justifiable long-term incentive program for management

32. The management incentive plan should have a threshold level of financial performance below which no incentives are paid

33. The audit committee or similar committee should review executive expense accounts

34. Non-executive directors' fees should be put to the shareowners for approval before implementation

Shares & Share dealings

35. Where share options have been granted to non-executive directors, the board must obtain the prior approval of shareowners and meet the specific requirements of the Companies Act

36. The practice prohibiting dealings in the organisation's securities must be determined by way of a formal policy established by the board and implemented by the company secretary

37. The organisation should have procedures in place to prevent improper use of insider information

38. The organisation should keep records of the nature and extent of related-party transactions

Board Meetings

39. The board must meet at least once a quarter

40. The Board must have a reporting structure whereby directors who are not on committees are kept informed about the deliberations of each committee

41. Directors should receive sufficient information about board meeting agenda items

42. There must be efficient and timely methods for informing and briefing board members prior to meetings

Board Evaluations

43. The board must consider benchmarks by which to gauge board performance

Company Secretary

44. All directors should have access to the advice and services of the company secretary

45. The company secretary should provide the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the organisation

46. The company secretary must be subject to a "fit and proper test" in the same manner as is recommended for new director appointments

47. The company secretary should be subject to an annual evaluation by the board

C. BOARD COMMITTEES

1. The board must appoint appropriate board committees, and at least must have an audit and remuneration committee with active participation by non-executive directors

2. Each such board committee should have formally determined terms of reference, life span, role and functions approved by the board

3. Board committees should be free to take independent outside professional advice as and when necessary

4. Board committees must be subject to regular evaluation as to their performance and effectiveness

5. Board committee members should receive sufficient information about agenda items

6. There should be full disclosure from the board committees to the board (except where the committees have been mandated otherwise by the board)

7. The annual report should disclose the composition of each board committee

8. The annual report should provide a brief description of the activities of, and other relevant information in respect of, each board committee

9. The chairperson of the audit committee should be someone other than the chairperson of the board

10. The board committees should annually review their terms of reference

D. LEGAL & COMPLIANCE

1. The organisation should have policies and procedures in place for monitoring compliance with laws and regulations

2. The board should receive regular briefings on any new laws and regulations that may impact on the organisation

E. EXTERNAL AUDIT

1. The external auditors of the organisation should be appointed on the recommendation of the audit committee

2. External auditors should maintain their independence from the organisation at all times

3. In the case of a listed organisation, external auditors should co-ordinate their work with the internal audit staff to avoid duplication of effort and to attain audit efficiency

4. The audit partner and manager should supervise or be directly involved in the audit work

5. Sufficient details should be provided in the annual report in respect of non-audit services provided by the external auditors, including the nature of each service provided and the amount paid for each service

6. The board should approve financial statements before they are released

7. The organisation's (group's) financial statements should comply with, in all respects, Zambian Accounting Standards

F. INTERNAL AUDIT (Applicable to listed organisations only)

1. The organisation should have an internal audit function approved by the Board

2. The purpose, authority and responsibility of internal auditing activity should be formally defined

3. The head of the internal audit function should report at audit committee meetings

4. The head of the internal audit function should have unrestricted access to the chairperson of the audit committee

5. the organisation's internal controls must provide reasonable assurance that fraudulent financial reporting will be prevented or will be subject to early detection

6. The internal controls within the accounting system should be periodically reviewed as the Audit Committee may from time to time determine

7. Controls should be in place to prevent one person both initiating and approving any significant transaction. The Board must determine what is 'significant' in relation to the organisation.

8. There should be adequate insurance coverage for assets, and such insurance should be backed by proof of insurance policy. The Board will from time to time determine what constitute adequate insurance.

9. The organisation should require competitive bidding on all significant purchases and contracts. The Board will determine from time to time what constitutes a significant purchase or contract.

10. Computer equipment, programmes and data should be adequately protected from improper use, loss, or destruction

11. There must be a contingency plan should a computer breakdown result in a sustained loss of processing capability.

12. The internal audit department should have an adequate, continuing training program

G. RISK

1. The board should identify key risk areas of the business enterprise

2. The board should identify key performance indicators of the business enterprise

3. The board should monitor these key risk areas and key performance indicators as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control

4. These risk strategy policies should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the organisation

5. The board should make use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of risk management and internal control

6. A formal risk assessment should be undertaken at least annually.

7. The board should include a statement on risk management in the annual report

H. INTEGRATED SUSTAINABILITY REPORTING

1. The board should specifically integrate into its business practice human capital development in areas of demographics, gender, people with disabilities, corporate training initiatives, employee development and financial investment committed to the development of these areas

2. The board should adopt or formulate an appropriate strategy, plan and policy to address and manage the potential impact of HIV/AIDS

3. The board should actively promote plant safety and accident prevention where this is applicable

4. Pension plan actuarial assumptions and investment performance should be reviewed by the board of directors

5. The organisation must have an environmental policy in relation to itself and to its suppliers or customers

6. The organisation should have a policy of supporting local as well as national charitable or educational appeals

7. The social and environmental effects of projects in which the organisation is involved, or of those it is contemplating, should be monitored by the board

I. DISCLOSURE AND STAKEHOLDER COMMUNICATION

1. The board must identify the main stakeholders of the organisation
2. The organisation must have formal procedures for communicating with its main stakeholders
3. The organisation must make itself available for comment when institutional investors are evaluating the organisation's corporate governance arrangements
4. The board must disclose in the annual report the number of board and board committee meetings held each year and the details of attendance of each director at such meetings

J. ORGANISATION INTEGRITY

1. The board must formulate and implement a code of ethics for the organisation
2. The organisation must communicate to all identified stakeholders the ethical responsibilities it undertakes in terms of the Code
3. The Code must be referred to in the annual report by way of extent of compliance
4. The Code of ethics must be sufficiently detailed as to give clear guidance as to the expected behaviour of all employees in the organisation
5. The code must be made available to all employees and to suppliers, customers, contractors, partners, subsidiaries (i.e. to all stakeholders)
6. Compliance with the code must be monitored and breaches properly dealt with

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