Securities and Exchange Commission

Rules to guide the application of Section 146 to 149 Of the Securities Act, 2016

Table of Contents

1. Scope of these Rules

These rules deal with the application of Section 146 to 149 of the Securities Act of 2016 (the "Act"). They do not address any other section of the Act not directly cited and they have been designed to guide the implementation of the aforementioned sections of the Act as briefly summarized below:

a) Section 146 requires that the chief executive officer and the chief financial officer or any other officers or persons performing similar functions in a listed company or company whose securities are registered with the Securities and Exchange Commission (the "Commission) shall certify in each annual or periodic report filed with the Commission, on a periodic or annual basis, as may be prescribed by the Commission. These rules in the section of this release below will provide guidance on how to implement Section 146 of the Securities Act, 2016.

b) Section 147 requires that a listed company or company whose securities are registered with the Commission shall establish a system of internal controls over its financial reporting and security of its assets and the board of directors shall ensure the integrity of the listed company's systems and report on the effectiveness of the company's established internal control system in its annual report. These rules in the section of this release below will provide guidance on how to implement Section 147 of the Securities Act, 2016.

c) Section 148 requires that listed company or company whose securities are registered with the Commission shall appoint an auditor who is a member in good standing of the Zambia Institute of Chartered Accountants, and such auditor shall not provide auditing services to the company unless the auditor meets the minimum criteria specified by the Commission. These rules in the section of this release below will provide guidance on how to implement Section 148 of the Securities Act, 2016.

d) Section 149 requires that an auditor of a listed company or company whose securities are registered with the Commission shall, in the assurance report of the company, issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company. These rules in the section of this release below will provide guidance on how to implement Section 148 of the Securities Act, 2016.

The following must be noted;

a) Certifications
We require companies to file the certifications mandated by Sections 146 of the Act as exhibits in its annual and periodic reports. These certification exhibits are provided in section 12 of this release.

b) In these rules, a 'company' refers to either a listed company or company whose securities are registered with the Commission.

c) The reference to internal controls over financial reporting can incorporate disclosure controls and procedures by reference in the internal control report by management.

2. Definition of Internal Control

1. We have defined "internal control over financial reporting" as:

   A process designed by, or under the supervision of, the company's Chief Executive Officer and Chief Financial Officers, or persons performing similar functions, and implemented by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

   1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and nature of the assets of the company;

   2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

   3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or nature of the company's assets that could have a material effect on the financial statements.

2. This definition does not encompass the elements of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Report definition that relate to effectiveness and efficiency of a company's operations and a company's compliance with applicable laws and regulations, with the exception of compliance with the applicable laws and regulations directly related to the preparation of financial statements, such as the Commission's financial reporting requirements. This is because internal control beyond financial reporting is a very broad subject and does not have an immediate impact on the users of the financial statements.

3. Internal control over safeguarding of assets against unauthorized acquisition, use or disposition is a process, implemented by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.

3. Assessments and Reporting over the Company's Internal Control by Management

These rules require a company's annual report to include an internal control report by management that contains:

a) A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company;

b) A statement identifying the framework used by management to conduct the required evaluation of the effectiveness of the company's internal control over financial reporting;

c) Management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year, including a statement as to whether or not the company's internal controls over financial reporting are effective. The assessment must include disclosure of any "material weaknesses" in the company's internal control over financial reporting identified by management. Management is not permitted to conclude that the company's internal controls over financial reporting are effective to the extent that there are one or more material weaknesses in the company's internal controls over financial reporting; and

d) A statement that the external auditor that audited the financial statements included in the annual report and has issued an assurance report that attest on management's assessment of the company's internal control over financial reporting.

Our rules also require a company to file, as part of the company's annual report, the assurance report of the audit firm that audited the company's financial statements.

The following key information is relevant in the preparation, assessment and evaluation of internal controls over financial reporting that are implemented by a company by management:

a) Evaluation of Internal Control over Financial Reporting

Management must base its evaluation of the effectiveness of the company's internal control over financial reporting on a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment.

The COSO Framework satisfies our criteria as a Commission and may be used as an evaluation framework for the purpose of management's annual internal control evaluation and disclosure requirements.

However, our rules do not mandate use of a particular framework, such as the COSO Framework, in recognition of the fact that other evaluation standards exist that satisfy the intent of the Act without diminishing the benefits to the users of financial statements.

The use of standard measures that are publicly available drives the enhancement of the quality of the internal control report and will promote comparability of the internal control reports of different companies. Our rules require management's report to identify the evaluation framework used by management to assess the effectiveness of the company's internal control over financial reporting.

To be specific, an appropriate control framework is one that is free from bias; allows reasonably consistent qualitative and quantitative measurements of a company's internal control; is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of a company's internal controls are not omitted; and is relevant to an evaluation of internal control over financial reporting.

b) Auditor's Independence Issues

The auditor is required to attest over management's assessment of internal control over financial reporting and as such, management and the company's independent auditors may find it essential to coordinate their processes of documenting and testing the internal controls over financial reporting. Notwithstanding the above, companies and their auditors must apply necessary safeguard to ensure that the Commission's rules on auditor independence that prohibit an auditor from providing certain non-audit services to an audit client are not violated.

To be specific, Auditors may assist management in documenting internal controls and when the auditor is engaged to assist management in documenting internal controls, management must be actively involved in the process. It is well understood that coordination between management and the auditor may sometimes be essential, however, management cannot delegate its responsibility to assess its internal controls over financial reporting to the auditor. These rules do not amend the Commission's rules on auditor independence.

c) Material Weaknesses in Internal Control over Financial Reporting

The rules preclude management from determining that a company's internal control over financial reporting is effective if it identifies one or more material weaknesses in the company's internal control over financial reporting. The term "material weakness" in these rules has the same meaning as in the definition under generally accepted accounting standards, international standards of auditing and other widely used auditing standards.

These rules requires that management's internal control report must include disclosure of any "material weakness" in the company's internal control over financial reporting that are identified by management in the course of its evaluation.

d) Method of Evaluating

These rules do not specify the method or procedures that are to be applied or performed in an evaluation, However of importance in conducting such an evaluation and developing its assessment of the effectiveness of internal control over financial reporting is that a company must maintain evidential matter, including documentation, to provide reasonable support for management's assessment of the effectiveness of the company's internal control over financial reporting. Developing and maintaining such evidential matter is an inherent element of effective internal controls.

The assessment of a company's internal control over financial reporting must be based on procedures sufficient both to evaluate its design and to test its operating effectiveness. Controls subject to such assessment include, but are not limited to: controls over initiating, recording, processing and reconciling account balances, classes of transactions and disclosure and related assertions included in the financial statements; controls related to the initiation and processing of non-routine and non-systematic transactions; controls related to the selection and application of appropriate accounting policies; and controls related to the prevention, identification, and detection of fraud. The nature of a company's testing activities will largely depend on the circumstances of the company and the significance of the control. However, inquiry alone generally will not provide an adequate basis for management's assessment.

An assessment of the effectiveness of internal control over financial reporting must be supported by evidential matter, including documentation, regarding both the design of internal controls and the testing processes. This evidential matter should provide reasonable support: for the evaluation of whether the control is designed to prevent or detect material misstatements or omissions; for the conclusion that the tests were appropriately planned and performed; and that the results of the tests were appropriately considered. The audit firm that is required to provide assurance to, and report on, management's assessment of the effectiveness of the company's internal control over financial reporting also will require that the company develop and maintain such evidential matter to support management's assessment. The period for the maintenance of such evidential matters will follow the normal statutory law requirements for the maintenance of accounting data.

e) Location of Management's Report

The management's internal control report in the company's annual report must be placed immediately after the assurance report on the internal control over financial reporting issued by the company's external auditors.

4. Periodic Evaluations of Internal Control over Financial Reporting

a) The company's management, with the participation of the Chief Executive Officer and Chief financial officers must evaluate any change in the company's internal control over financial reporting that occurred during a fiscal year in periodic filing other than the annual filing that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

b) Furthermore, management must evaluate any change in the company's internal control over financial reporting that occurred during a fiscal periodic period that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

c) Management must disclose any change in the company's internal control over financial reporting identified in connection with the evaluation required by section 146 of the Act that occurred during the company's last fiscal periodic review (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

d) Disclose any change in the company's internal control over financial reporting that occurred during the company's last periodic filing and the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

e) A separate certification for each Chief Executive Officer and Chief Financial Officer of the company, as required by the Act exactly as set forth below.

f) The company must maintain evidential matter, including documentation, to provide reasonable support for management's assessment of the effectiveness of the company's internal control over financial reporting.

5. Disclosure Controls and Procedures

a) Disclosure controls and procedures are controls and procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules.

b) These include the controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Act is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

c) While there is substantial overlap between a company's disclosure controls and procedures and its internal control over financial reporting, there are both some elements of disclosure controls and procedures that are not subsumed by internal control over financial reporting and some elements of internal control that are not subsumed by the definition of disclosure controls and procedures.

d) The components of internal control over financial reporting will be included in disclosure controls and procedures for all companies. However, in designing their disclosure controls and procedures, companies are expected to make judgments regarding the processes on which they will rely to meet the applicable requirements.

e) In doing so, companies should design their disclosure controls and procedures so that certain components of internal control over financial reporting pertaining to the accurate recording of transactions and disposition of assets or to the safeguarding of assets are included.

f) The company's management, with the participation of the Chief Executive Officer and Chief financial officers must evaluate any change in the company's disclosure controls and procedures that occurred during a fiscal year in periodic filing other than the annual filing that has materially affected, or is reasonably likely to materially affect, the company's disclosure controls and procedures.

g) Furthermore, management must evaluate any change in the disclosure controls and procedures that occurred during a fiscal periodic period that has materially affected, or is reasonably likely to materially affect, the company's disclosure controls and procedures.

6. Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

a) The Commission require companies to state, if true, the conclusions of the Chief Executive Officer and Chief financial officers that the disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and to set forth, if true, the conclusions of the principal executive and principal financial officers that the controls and procedures are, in fact, effective at the "reasonable assurance" level.

b) The concept of reasonable assurance is built into the definition of internal control over financial reporting that we are adopting. If management decides to include a discussion of reasonable assurance in the internal control report, the discussion must be presented in a manner that neither makes the disclosure in the report confusing nor renders management's assessment concerning the effectiveness of the company's internal control over financial reporting unclear.

c) Disclose the conclusions of the company's Chief Executive Officer and Chief financial officers, or persons performing similar functions, regarding the effectiveness of the company's disclosure controls and as of a date that includes the disclosure required by this section, based on the evaluation of these controls and procedures required by the Act.

d) A separate certification for each Chief Executive Officer and Chief Financial Officer of the company, as required by the Act exactly as set forth below:

7. Periodic Disclosure by the Signing Officers

a) The Securities Act, section 146 (f) requires the signing by officers to provide disclosure that the certifying officers must make to the company's auditors and audit committee. In line with this requirement, management of listed companies or company whose securities are registered with the Commission, must provide the following written representation to the auditors and each board of the director member.

b) The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   1) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

c) To the extent that a certifying officer becomes aware of a significant deficiency, material weakness or fraud requiring disclosure outside of the formal evaluation process or after the management's most recent evaluation of internal control over financial reporting, he or she will disclose it to the company's auditors and audit committee.

8. Rules governing the Assurance report on management's assessment

a) Section 149 requires every auditor of a company that prepares or issues an assurance report on a company's annual financial statements provide assurance to, and report on, the assessment made by management.

b) Under these rules, the International Auditing and Assurance Standards Board (IAASB) as adopted by the Zambia Institute of Chartered Accounts (ZiCA) shall be the body that sets auditing standards for the external auditors to use in connection with the preparation and issuance of assurance reports on management's assessment of the effectiveness of internal control over financial reporting of the company, and under Act

c) International Standards for Assurance Engagements 3000 (ISAE 3000) will apply in the attestation on internal controls over financial reporting and in connection with the preparation and issuance of assurance reports on management's assessment of the effectiveness of internal control over financial reporting.

d) The auditor of the company, that issues or prepares an assurance report, for a company, containing an assessment by management of the effectiveness of the company's internal control over financial reporting must attest to, and report on, such assessment regarding the existence, adequacy and effectiveness or otherwise of the internal control system of the company.

e) The assurance report on management's assessment of internal control over financial reporting must be dated, signed manually, identify the period covered by the report, state the location of the practitioner and clearly state the opinion of the auditor as to whether management's assessment of the effectiveness of the company's internal control over financial reporting is stated fairly in all material respects, or must include an opinion to the effect that an overall opinion cannot be expressed.

f) If an overall opinion cannot be expressed, explain why. The assurance report on management's assessment of internal control over financial reporting will be separate from the audit's report on financial statements as a whole, however it will be included as part of the annual or periodic report.

g) In these rules, the term ‘statement as to the existence, adequacy and effectiveness or otherwise of the internal controls over financial reporting’ means a report in which an auditor expresses an opinion, or states that an opinion cannot be expressed, concerning management's assessment of the effectiveness of the company's internal control over financial reporting in accordance with standards on assurance engagements. When an overall opinion cannot be expressed, the external auditor must state why it is unable to express such an opinion.

h) In line with the requirements in ISAE 3000.69J, an unmodified standard report has been provided in section 9 of this release.

i) The minimum qualification of an Auditor as required by the Act is specified in section 15 of this release.

9. Assurance report on Internal Control Over Financial Reporting (Standard format)

Report on the Audit of the internal control over financial reporting

We also have audited [***State company name***]'s internal control over financial reporting as of 31 December 20XX, based on [***state criteria: criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*****]**.

Auditor's Responsibilities for the Audit of the Internal Control over financial reporting

[*State Company name*]'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying [***title of internal control's report***]. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits. In this regard, our firm applies International Standards of Quality Control (ISQC) in the firm administration and performance of our audit.

Our firm complies with the independence and other ethical requirements of the International Ethics Standards Board for Accountants Code (IESBA Code) and the requirements imposed by the Securities and Exchange Commission in Zambia.

Basis for Opinion

We conducted our audits in accordance with the standards of the International Standards for Assurance Engagements 3000 (ISAE 3000). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal controls over financial reporting were maintained in all material respects. Our conclusion may not be suitable for another purpose.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion.

Opinion

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, [***state company name***] maintained, in all material respects, effective internal control over financial reporting as of 31 December 20XX, based on [***Identify control criteria, criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)***.

(include Partner's signature)

(Include Partner's name) *Include date*

Partner - Practising certificate number: AUD/....... *Include location*

Include firm's name

Chartered Accountants

****

End of Report

10. Internal Control Report (Example/Exhibit)

An Internal Control report has been reproduced to provide an example of the internal control reports expected from management by the Commission. This example is reproduced to show how the components required to be included in the internal control report may be reproduced. It needs to be tailored to the circumstances of the Company and this example is merely an illustration of one of the many ways a suitable internal control report can be fashioned. It could include many more subject matters than is included in this example. An internal control report is reproduced in detail below;

Management's Internal Control over Financial Reporting:

Management Responsibility
Management of [***State Company name***] is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and our Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the firm's financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). Internal control over financial reporting includes our disclosure controls and procedures designed to prevent misstatements.

Risks in Financial Reporting
The main risks in financial reporting are that either financial statements do not present a true and fair view due to inadvertent or intentional errors (fraud) or the publication of financial statements is not done on a timely basis. These risks may reduce investor confidence or cause reputational damage and may have legal consequences including banking regulatory interventions. A lack of fair presentation arises when one or more financial statement amounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that user's make on the basis of the financial statements.

Internal Controls Evaluation Framework
To confine those risks of financial reporting, management of the Company has established internal control over financial reporting with the aim of providing reasonable but not absolute assurance against material misstatements and conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate adequacy of a control system. As a result in establishing internal control over financial reporting, management has adopted the following financial statement objectives:

- Existence - assets and liabilities exist and transactions have occurred.
- Completeness - all transactions are recorded, account balances are included in the financial statements.
- Valuation - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.
- Rights and Obligations and ownership - rights and obligations are appropriately recorded as assets and

- Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate.

- Safeguarding of assets - unauthorized acquisition, use or disposition of assets is prevented or detected in a timely manner.

However, any internal control system, including internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for internal control over financial reporting may not prevent all errors and fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Organization of the System of Internal Control over Financial Reporting
Controls within the system of internal control over financial reporting are performed by all business functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of internal control over financial reporting involves staff based mainly in the following functions: [*state the departments involved; i.e.: Finance, Chief Operating Office and Risk*].

Finance is responsible for the periodic preparation of the financial statements and operates independently from the Company's businesses. Within Finance, different departments have control responsibilities which contribute to the overall preparation process:

- Finance specialists are responsible for reviewing the quality of financial data by performing validation and control. They are in close contact with business, infrastructure and legal entity management and employ their specific knowledge to address financial reporting issues arising on products and transactions, as well as validating reserving and other adjustments based on judgment.

- Finance is also responsible for Company-wide activities which include the preparation of the Company financial and management information, forecasting and planning, and risk reporting. Finance sets the reporting timetables, performs the consolidation and aggregation processes, effects the elimination entries for inter and intercompany activities, controls the period end and adjustment processes, compiles the financial statements, and considers and incorporates comments as to content and presentation made by senior and external advisors.

- Finance is also responsible for developing the Company's interpretation of International Financial Reporting Standards and their consistent application within the Company and is responsible for the timely resolution of corporate and transaction-specific accounting issues.

- Tax is responsible for producing income tax related financial data in conjunction with Finance, covering the assessment and planning of current and deferred income taxes and the collection of tax related information. Tax monitors the income tax position and controls the provisioning for tax risks.

The operation of internal control over financial reporting is also importantly supported by the [Chief Operating Office and Risk]. Although these functions are not directly involved in the financial preparation process, they contribute significantly to the production of financial information:

- [*Chief Operating Officer (COO)]* is responsible for confirming transactions with counterparties, and performing reconciliations both internally and externally of financial information between systems, depots and exchanges. COO also undertakes all transaction settlement activity on behalf of the Company and performs reconciliations of account balances.

- [*Risk*] is responsible for developing policies and standards for managing credit, market, legal, liquidity operational and vendor risks. Risk identifies and assesses the adequacy of credit, legal and operational provisions.

Controls to Minimize the Risk of Financial Reporting Misstatement

The system of internal control over financial reporting consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties,

- operate on a periodic basis such as those which are performed as part of the annual financial statement preparation process,

- are preventative or detective in nature,

- Have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include IT general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item,

- Feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

- The combination of individual controls encompasses each of the following aspects of the system of internal control over financial reporting:

- Accounting policy design and implementation. Controls to promote the consistent recording and reporting of the Company's business activities in accordance with authorized accounting policies.

- Reference data. Controls over reference data in relation to the general ledger and on and off-balance sheet transactions including product reference data.

- New product and transaction approval, capture and confirmation. Controls are intended to ensure the completeness and accuracy of recorded transactions as well as appropriate authorization. Such controls include transaction confirmations which are sent to and received from counterparties to help ensure that trade details are corroborated.

- Reconciliation controls, both external and internal. Inter-system reconciliations are performed between relevant systems for all trades, transactions, positions or relevant parameters. External reconciliations include bank account, depot and exchange reconciliations.

- Business aligned valuation specialists focus on valuation approaches and methodologies for various asset classes and perform IPV for complex derivatives and structured products.

- Taxation. Controls are designed to ensure that tax calculations are performed properly and that tax balances are appropriately recorded in the financial statements.

- Reserving and adjustments based on judgment. Controls are designed to ensure reserving and other adjustments based on judgment are authorized and reported in accordance with the approved accounting policies.

- Balance Sheet substantiation. Controls relating to the substantiation of balance sheet accounts to promote the integrity of general ledger account balances based on supporting evidence.

- Consolidation and other period end reporting controls. At period end, all businesses submit their financial data to the Company head office for consolidation. Controls over consolidation include the validation of accounting entries required to eliminate the effect of inter and intra company activities. Period end reporting controls include general ledger month end close processes and the review of late adjustments.

- Financial Statement disclosure and presentation. Controls over compilation of the financial statements themselves including preparation of disclosure checklists and compliance with the requirements thereof, and review and sign-off of the financial statements by senior Finance management. The financial statements are also subject to approval by the Management Board, and the Board and its Audit Committee.

Measuring Effectiveness of Internal Control

Each year, management of the Company undertakes a formal evaluation of the adequacy and effectiveness of the system of internal control over financial reporting. This evaluation incorporates an assessment of the effectiveness of the control environment as well as individual controls which make up the system of internal control over financial reporting taking into account:

- The financial misstatement risk of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement.

- The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature and extent of evidence that management requires in order to be able to assess whether or not the operation of the system of internal control over financial reporting is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the internal control over financial reporting evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings. Such information sources include:

- Reports on audits carried out by or on behalf of regulatory authorities;
- External Auditor reports; and,
- Reports commissioned to evaluate the effectiveness of outsourced processes to third parties.

In addition, Company's Audit evaluates the design and operating effectiveness of internal control over financial reporting by performing periodic and ad-hoc risk-based audits. Reports are produced summarizing the results from each audit performed which are distributed to the responsible managers for the activities concerned. These reports also provide evidence to support the annual evaluation by management of the overall operating effectiveness of the internal control over financial reporting.

As a result of the evaluation, management has concluded that internal control over financial reporting is appropriately designed and operating effectively as of [State fiscal yearend].

The external auditor that audited the financial statements have issued an external auditors report on our assessment of the Company's internal controls over financial reporting and it is filed on page ………of this annual report.

****

End of Report

11. Certifications

a) There must be a statement that Chief Executive Officer and Chief Financial Officers are responsible for designing internal controls and procedures for financial reporting or having such controls and procedures designed under their supervision;

b) The disclosure controls and procedures may be designed under the supervision of Chief Executive Officer and Chief Financial Officers; and

c) The statement as to the effectiveness of disclosure controls and procedures and internal controls and procedures for financial reporting should be throughout the period of reliance.

d) The certification should include changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect internal control over financial reporting;

e) We have provided an exhibit of the organization of the certification, which must be used.

12. Exhibit Certifications

a) Periodic Certification

I, [***identify the certifying individual***], certify that:

1. I have reviewed this periodic report on annual financial statement of [***identify the company***,];

2. Based on my knowledge, this periodic report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this periodic report;

3. Based on my knowledge, the financial statements, and other financial information included in this periodic report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this periodic report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the rules) for the company, and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the company, [***including its consolidated subsidiaries***], is made known to us by others within those entities, particularly during the period in which this periodic report is being prepared;

   (b) evaluated the effectiveness of the listed company [or company whose securities are registered with the Commission]'s disclosure controls and procedures as of a date prior to the filing date of this periodic report (***the "Evaluation Date");*** and

   (c) presented in this periodic report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls; and

6. The company's other certifying officers and I have indicated in this periodic report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: ....

____

[Signature]

[Title]

Provide a separate certification for each Chief Executive Officer and Chief Financial Officer of the company. The required certification must be in the exact form set forth above.

b) Annual Certification

I, [***identify the certifying individual***], certify that:

1. I have reviewed this annual report of [***identify company***];

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures as defined in the Rules and internal control over financial reporting for the company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: ....

____

[Signature]

[Title]

Provide a separate certification for each Chief Executive Officer and Chief Financial Officer of the company. The required certification must be in the exact form set forth above.

13. Signature and Filing of Report.

The report must be signed by the company, and on behalf of the company, by its Chief Executive Officer and Chief Financial Officers.

14. Minimum Auditor's qualification criteria specified by the Commission.

Section 148 of the Act requires that a listed company or company whose securities are registered with the Commission shall appoint an auditor who is a member in good standing of the Zambia Institute of Chartered Accountants, and such auditor shall not provide auditing services to the company unless the auditor meets the minimum criteria specified by the Commission.

The minimum criteria specified by these rules are as follows:

1) An auditor of a listed company or company whose securities are registered by the Commission must be a member in good standing of the Zambia Institute of Chartered Accountants.

2) An auditor must be independent of a listed company or company whose securities are registered by the Commission as contemplated by the IESBA.

3) A Partner or Director signing the audit opinion must have a minimum of five years of experience in the audit of entities of public interest obtained as either manager or partner on such engagements. That experience could be gained in Zambia or abroad.

15. General Rules and Regulations

a) Certification of disclosure in annual and periodic reports.

1) Each report must include certifications in the form specified in the exhibit filing requirements of such report and such certifications must be filed as an exhibit to such report. Each Chief Executive Officer and Chief Financial Officer of the company, or persons performing similar functions, at the time of filing of the report must sign a certification.

2) Each periodic report containing financial statements filed by the company pursuant to section must be accompanied by the certifications required by the Act and such certifications must be furnished as an exhibit to such report as specified in the exhibit requirements for such report. Each Chief Executive Officer and Chief Financial Officer of the company (or equivalent thereof) must sign a certification. This requirement may be satisfied by a single certification signed by the company's Chief Executive Officer and Chief Financial Officer.

3) A person required to provide a certification specified in paragraph (a) or (b) of this section may not have the certification signed on his or her behalf pursuant to a power of attorney or other form of confirming authority.

b) Periodic Controls and procedures.

1) Every company must maintain disclosure controls and procedures and internal control over financial reporting.

2) Each company's management must evaluate, with the participation of the company's Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, the effectiveness of the company's disclosure controls and procedures, as of the end of each fiscal period, except that management must perform this evaluation.

3) The management of each such company, must evaluate, with the participation of the company's Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, the effectiveness, as of the end of each fiscal year, of the company's internal control over financial reporting. The framework on which management's evaluation of the company's internal control over financial reporting is based must be a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment.

4) For purposes of this section, the term disclosure controls and procedures means controls and other procedures of the company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

5) The term ‘internal control over financial reporting’ is defined as a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

   a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

   b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

   c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

c) Annual Controls and Procedures.

1) ‘Disclosure Controls and Procedures’. Where the report is being used as an annual report filed under the Act, disclose the conclusions of the company's Chief Executive Officer and Chief Financial Officers, or persons performing similar functions, regarding the effectiveness of the company's disclosure controls and procedures as of the end of the period covered by the report, based on the evaluation of these controls and procedures required by paragraph.

2) ‘Management's annual report on internal control over financial reporting’. Where the report is being used as an annual report filed under the section of the Act, provide a report of management on the company's internal control over financial that contains:

   a) A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company;

   b) A statement identifying the framework used by management to evaluate the effectiveness of the company's internal control over financial reporting as required by paragraph;

   c) Management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective. This discussion must include disclosure of any material weakness in the company's internal control over financial reporting identified by management. Management is not permitted to conclude that the company's internal control over financial reporting is effective if there are one or more material weaknesses in the company's internal control over financial reporting; and

d) A statement that the external auditor that audited the financial statements included in the annual report containing the disclosure required by this Item has issued an assurance report on management's assessment of the company's internal control over financial reporting.

3) Assurance report of the external auditor. Where the internal control statement is being used as an annual report filed under the Act, provide the external auditor's assurance report on management's assessment of the company's internal control over financial reporting in the company's annual report containing the disclosure required by these rules.

4) Changes in internal control over financial reporting. Disclose any change in the company's internal control over financial reporting identified in connection with the evaluation required by the Act that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

The company must maintain evidential matter, including documentation, to provide reasonable support for management's assessment of the effectiveness of the company's internal control over financial reporting.

16. Transitional Period

The rules for companies will be effective on for the financial year beginning on or after 1 January 2019.