



# 2022/2023 Listed Companies Analysis Report

February 2024

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# Foreword



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We are pleased to present the third edition of PwC Zambia's Listed Companies Analysis Report, which assesses the performance of companies listed on the Lusaka Securities Exchange (LuSE).

Zambia's economy rebounded in 2022 supported by post-election market confidence, favourable external demand, good rainfall and firmer copper prices which paved the way for notable improvement in various macroeconomic factors and an overall improvement in the Country's economy compared to the 2021 Calendar year.

This improved economic backdrop prompted a strong rebound in the securities market, impacting a notable increase recorded in both overall share prices and market capitalization.

I would like to thank our guest contributors, Pangaea Securities Limited as well as LUSE for their valuable input into this report. Lastly, but certainly not least, I would like to thank the dedicated PwC team without whom this report would not have been possible.

We hope that you will find the contents of this report useful and we look forward to your feedback.

# Executive summary

## Approach

PwC Zambia's Listed Companies Analysis Report is based on analysis of publicly available information provided by the companies listed on the Lusaka Securities Exchange (LuSE). The analysis also takes into account events after the reporting date for each company and looks at broader issues as well as emerging trends.

## Market capitalisation

Market capitalisation of LuSE increased in kwacha terms by K6.1 billion, while in United States Dollar terms it increased by US\$9 million, representing a growth of 8.7% and 0.2%. Such growth was primarily driven by increase in share price as there was a general decrease in trading activity noted primarily in the first and second quarters of 2022 reflected in the number of shares traded between the opening and closing of the daily sessions.

## Performance of LuSE All Share Index

The LuSE All Share Index (LASI) soared 23.6% in 2022, closing at 7,491.56 and topping the African rankings for annual index performance. The LASI started the year at 6,059.68 and rallied on the back of strong earnings growth and share price appreciation from 14 of the 22 listed companies on the LuSE.

The bullish performance of the LASI boosted the total market capitalization of the LuSE by 8.7% in 2022 (5.18% in USD terms), rising from ZMW 70 million to ZMW 76 million. The LuSE's impressive performance was attributed to several factors, including the stable macroeconomic environment, the improved business confidence, the increased foreign investor participation, and the positive outlook for the mining sector.





## Dividend analysis

The post pandemic analysis of the LuSE market shows that, while some of the strategies that companies took during the pandemic resulted in a rebound in performance, the board of directors for 13 out of 22 companies had decided not to pay out final dividends for 2022 because of future expansion programs and the need to maintain optimal capital structures.

## Corporate governance and company compliance

The Lusaka Securities Exchange has specific requirements concerning corporate governance that must be complied with. We saw a general improvement in the quality of corporate governance disclosures in published annual reports.

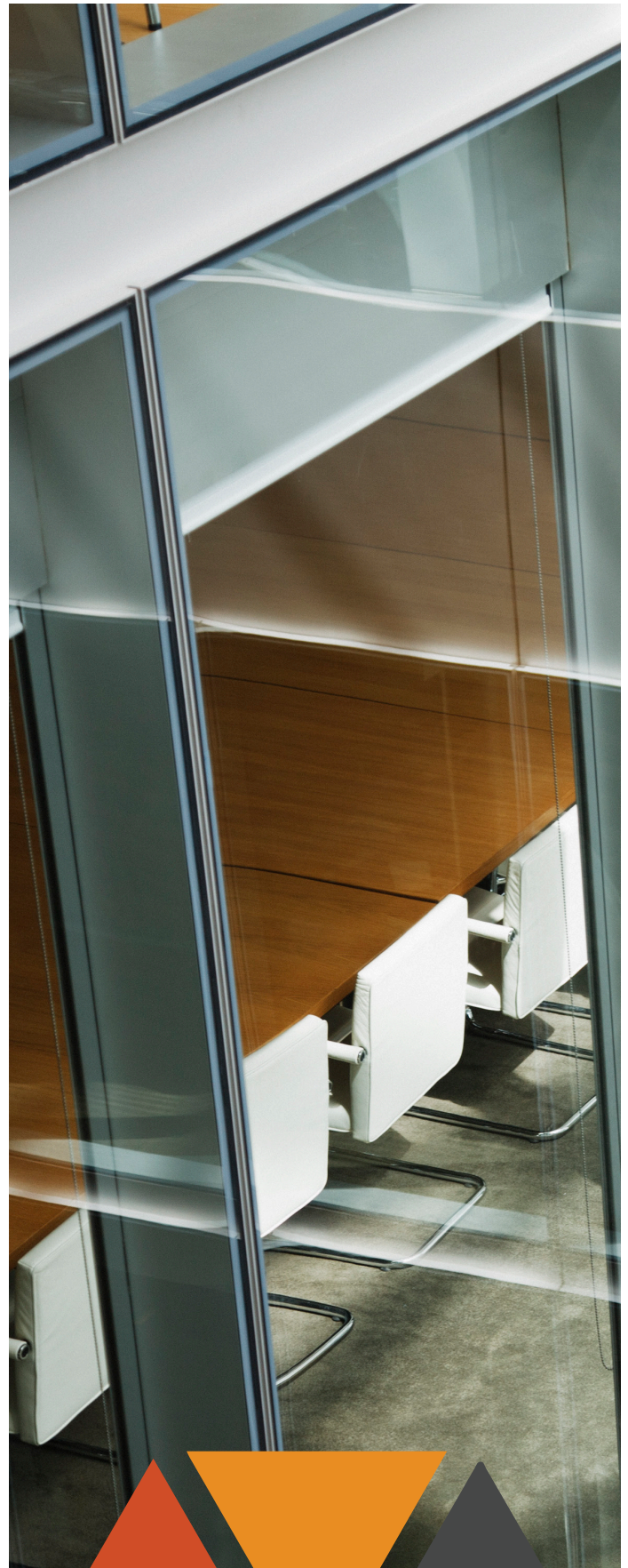
## Environmental social governance

Environmental, Social and Governance (ESG) continues to be a topical issue with investors keeping a close eye on how companies are incorporating this into their strategy. There continues to be expectations for companies to demonstrate their impact on ESG, with a bigger focus on public entities.

In this regard, sustainability reporting allows companies to provide information to its stakeholders on how they performed in the ESG space during each reporting period. With the view of enhancing disclosures in entities' and bringing harmonisation to sustainability reports, the International Sustainability Standards Board (ISSB) on 26 June 2023 issued its inaugural standards IFRS S1 and IFRS S2 aimed to improve trust and confidence in company disclosures about sustainability to inform investment decisions.

## Key Market Developments

On September 26, 2022, the Cabinet approved the Capital Markets Master Plan (CMMP). This ten-year strategic plan is firmly aligned with the 8th National Development Plan (8NDP) and the Vision 2030, and it is aimed at ensuring that Zambia's capital markets make a significant contribution to the country's economic development. The CMMP was collaboratively developed by the Ministry of Finance and National Planning, working in conjunction with the regulatory body responsible for overseeing capital markets in Zambia.





# 1. Market capitalisation and performance of the Lusaka Securities Exchange

## Highlights from the market capitalisation analysis:

- The market capitalisation of LuSE increased in Kwacha terms by K6.1 billion, while in USD terms it increased by US\$9 million, representing a growth of 8.7% and 0.2% respectively between 31 December 2021 and 31 December 2022.
- Real Estate Investments Zambia successfully conducted a rights issue in which 135 million shares were issued and allotted.
- Among the 22 companies listed on the Lusaka Securities Exchange (LuSE), we noted that 13 companies recorded an increase in market capitalisation, 5 recorded a decrease and no movement was recorded for 4 companies between 31 December 2021 and 31 December 2022.

## Market capitalisation

As at the end of December 2022, there were 22 companies listed on LuSE. These companies operate in different sectors of the economy as shown on the next page:



**Table 1:** Companies Listed on LuSE (December 2022)

Sector	Number of companies
Basic materials	3
<ul style="list-style-type: none"> <li>• AECI Mining Explosives</li> <li>• Zambia Forestry and Forest Industries Corporation</li> <li>• ZCCM Investment Holdings</li> </ul>	
Consumer goods	6
<ul style="list-style-type: none"> <li>• British American Tobacco Zambia</li> <li>• National Breweries</li> <li>• Zambeef Products</li> <li>• Zambia Bata Shoe Company</li> <li>• Zambia Sugar</li> <li>• Zambian Breweries</li> </ul>	
Consumer services	2
<ul style="list-style-type: none"> <li>• Pamodzi Hotels</li> <li>• Shoprite Holdings</li> </ul>	
Financial services	6
<ul style="list-style-type: none"> <li>• Zambia National Commercial Bank</li> <li>• Standard Chartered Bank Zambia</li> <li>• Investrust Bank</li> <li>• Real Estate Investments Zambia</li> <li>• Zambia Reinsurance</li> <li>• Madison Financial Services</li> </ul>	
Industrials	2
<ul style="list-style-type: none"> <li>• Metal Fabricators of Zambia</li> <li>• Lafarge Cement Zambia</li> </ul>	
Telecoms	1
<ul style="list-style-type: none"> <li>• Airtel Networks Zambia</li> </ul>	
Energy	2
<ul style="list-style-type: none"> <li>• Copperbelt Energy Corporation</li> <li>• Puma Energy Zambia</li> </ul>	

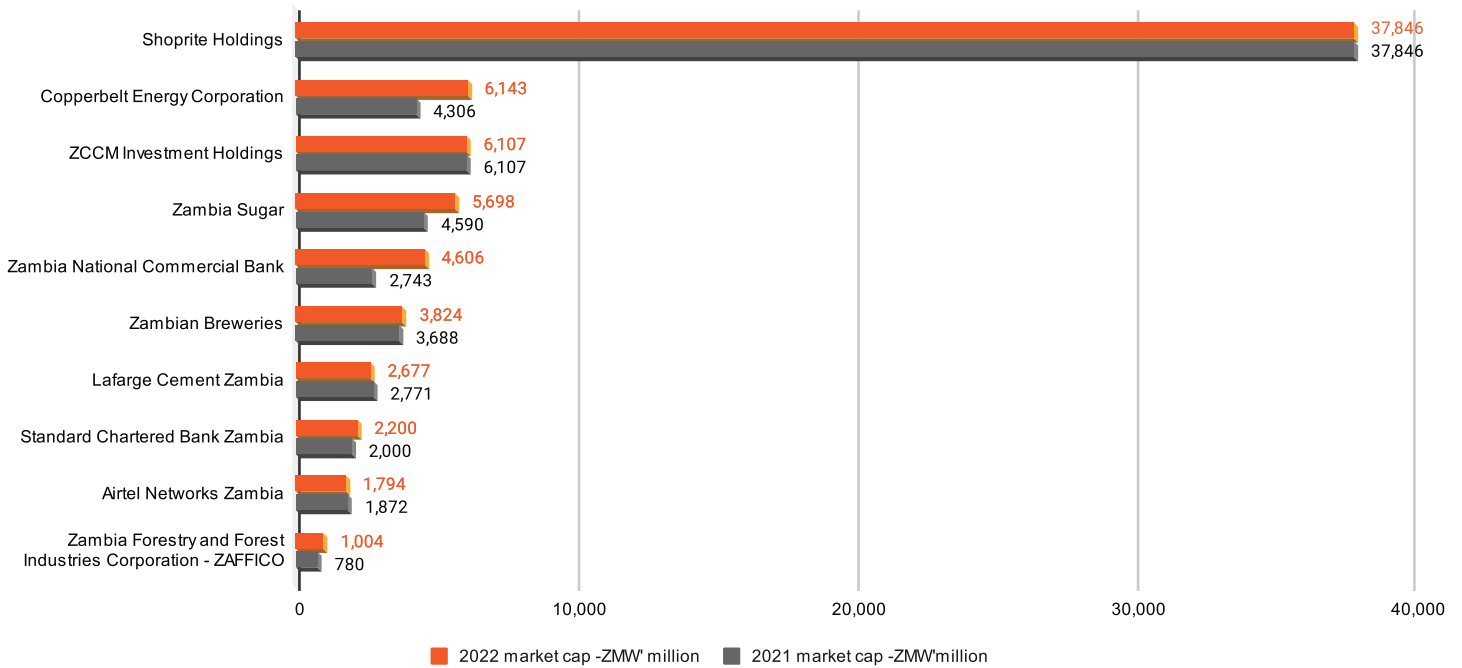
Below is a table that summarises the market capitalisation of all the companies listed on LuSE:

**Table 2:** Market Capitalisation

Description	31 December 2022		31 December 2021		Change	
	Market cap K' million	Market cap USD' million	Market cap K' million	Market cap USD' million	Market cap K' million	Market cap USD' million
Total market capitalisation	76,332	4,223	70,224	4,214	6,108	9

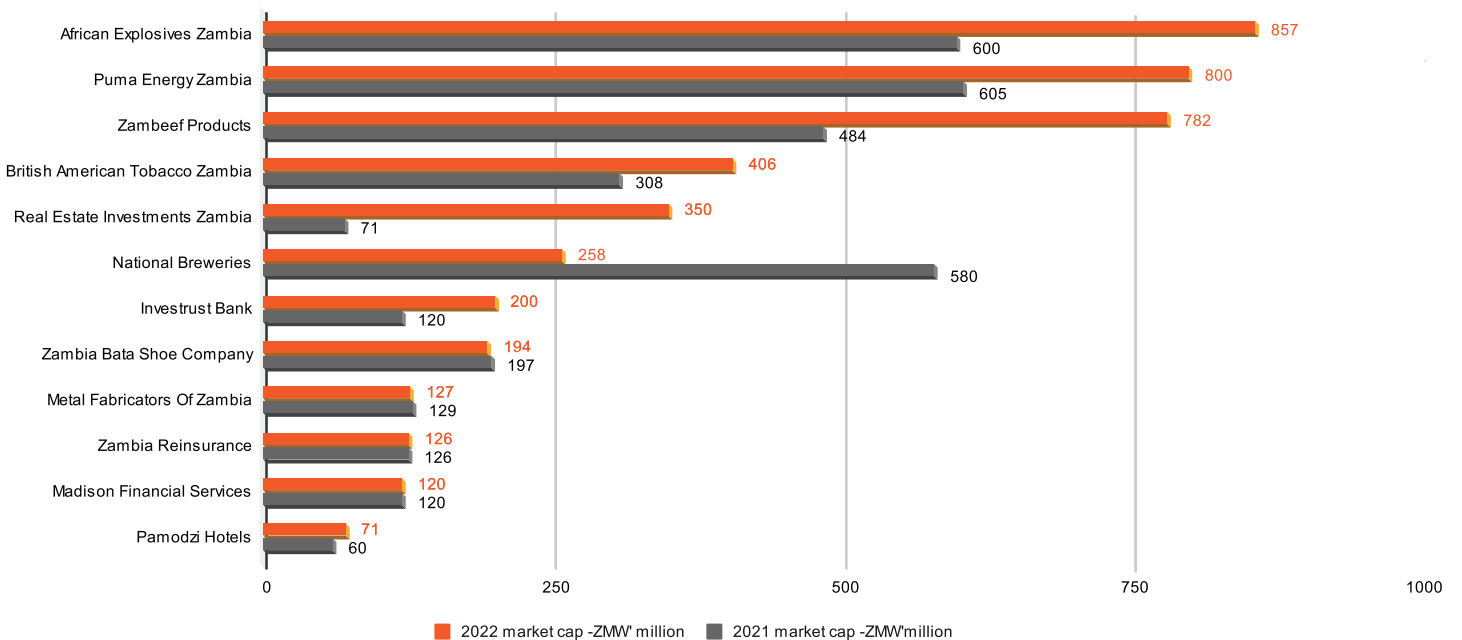
We have divided the companies into two categories: 'top 10' and 'the rest'. The charts below show the market capitalisation of the two categories:

Figure 1: Market capitalisation, top 10 companies



Source: Annual Report (2022)

Figure 2: Market capitalisation, the rest



Source: Annual Report (2022)

From the analysis above, we see that the top 10 companies account for 93% of the stock exchange's total market capitalisation (2021: 94.5%), while the remaining 12 companies only account for 7% (2021: 5.5%).

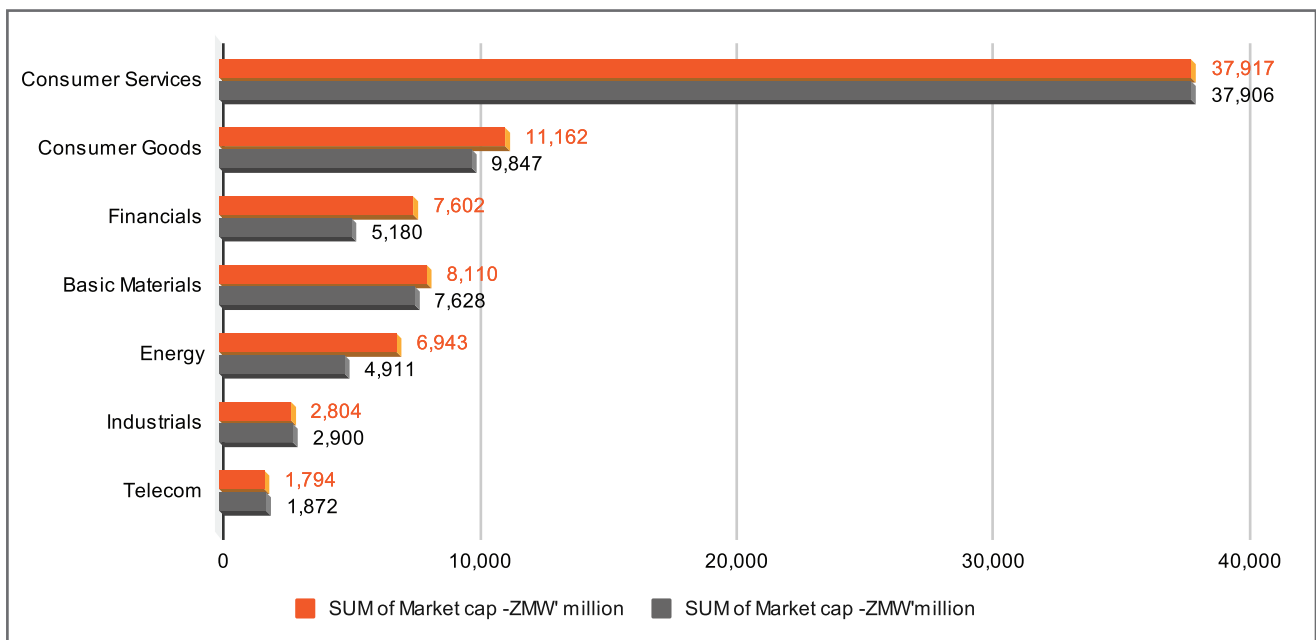


The total market capitalisation as at 31 December 2022 was K76.3 billion compared to K70.2 billion at the end of 2021. This represents growth in the market value of the listed companies of K6.1 billion or 8.7%. The growth was mainly driven by:

- The increase in the share price of Zambia National Commercial Bank, Copperbelt Energy Corporation and Zambia Sugar, which recorded an absolute value increase in market capitalisation of K1.9 billion, K1.8 billion and K1.1 billion respectively.
- National Breweries saw their share price fall by 55% which translated into a decrease of K322 million in market capitalisation to K258 million.
- During the year ended 31 December 2022, Real Estate Investments Zambia (REIZ) successfully conducted a rights issue in which 135,129,315 shares were issued and allotted. When combined with a 30% increase in share price, REIZ recorded an increase in market capitalisation of K280 million or 396%.

## Market capitalisation analysis per sector

Figure 3: Market capitalisation analysis per sector

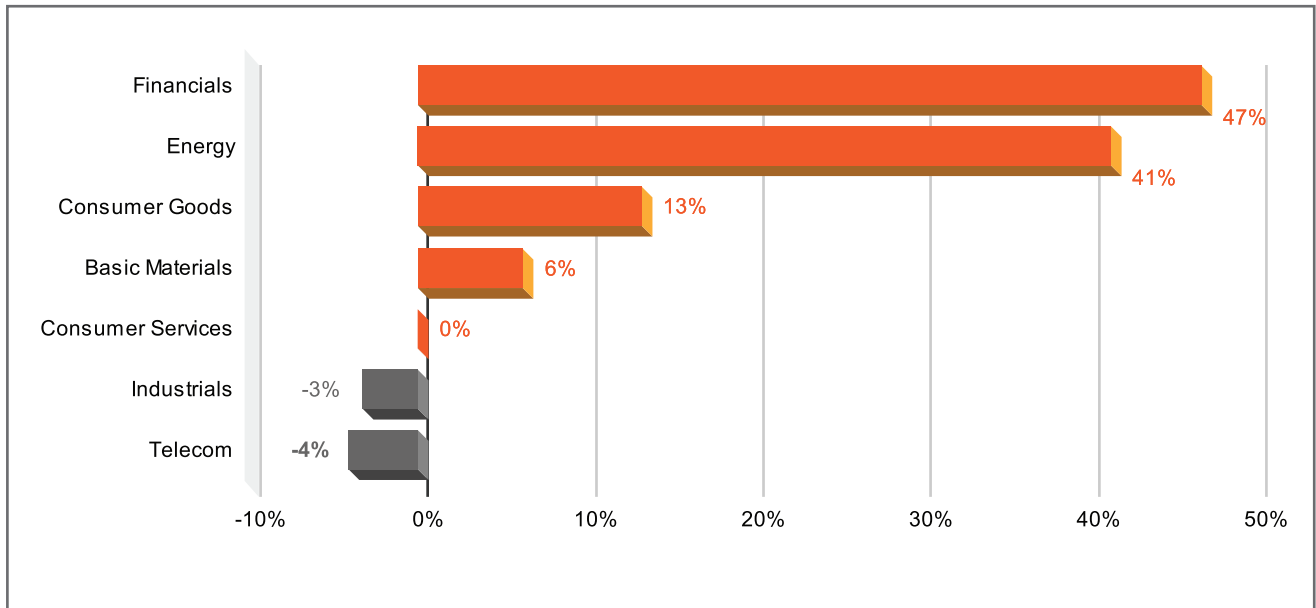


Source: LuSE, African Markets and PwC analysis



## Change % in market capitalisation vs sector

Figure 4: Change % in market capitalisation vs sector



Source: LuSE, African Markets and PwC analysis



### Financial services

The financial services sector saw the highest increase in market capitalisation during 2022 recording an increase of K 2.4 billion. This represents an increase in market capitalisation of 47%. This was largely driven by ZANACO's strong performance. The bank saw its share price increase from K1.90 per share in December 2021 to K3.19 per share in December 2022. This translated into an absolute value increase of K1.9 billion in its market capitalisation.

During the year ended 31 December 2022, REIZ successfully conducted a rights issue in which 135,129,315 shares were issued and allotted. When combined with a 30% increase in share price, REIZ recorded an increase in market capitalisation of K280 million or 396%.

### Energy

The energy sector is made up of two companies, Copperbelt Energy Corporation and Puma Energy Zambia. Copperbelt Energy Corporation recorded a share price increase of 43% closing 2022 at K3.78 per share compared to K2.65 per share as at the close of 2021. This translated into an increase in the company's market capitalisation to K6.1 billion, an increase of K1.8 billion during the year.

Puma Energy Zambia, recorded an increase in market capitalisation of K195 million to close the year at K800 million.



## Consumer goods and consumer services

These two sectors are made up of eight companies. Six of these are in the consumer services sector and two are in the consumer goods sector. The consumer goods sector saw its market capitalisation increase by K1.3 billion. The consumer services sector did not record significant movement during the year growing by ZMW 11 million or 0.03%.

Zambia Sugar recorded a 24% increase in its share price during the year which resulted in an increase of K1.1 billion in its market capitalisation. This meant it closed the year with a market capitalisation of K5.7 billion.

National Breweries saw a decline in its share price from K9.2 at the close of 2021 to K4.1 at the close of 2022 representing a decrease of 55%. The company's market capitalisation shrunk from K580 million in 2021 to K258 million in 2022.

Shoprite Holdings did not record any movements in its share price and market capitalisation between the period 31 December 2021 and 31 December 2022. The last recorded share price movement was a K1 gain in 2020.



## Basic materials

The basic materials sector consists of three companies. The sector saw an increase of K482 million in its market capitalisation by K482 million.

ZAFFICO accounted for K224 million of the total increase and African Explosives Zambia accounted for K258 million.

## Industrials

The industrials sector recorded a 3% decrease in its market capitalisation, falling from K2.9 billion in 2021 to K2.8 billion in 2022.

Lafarge Cement Zambia accounted for 98% of the movement in this market capitalisation. The company's share price decreased by 3% between December 2021 and December 2022, which translated into an absolute value decrease of K91 million.

## Telecoms

Airtel Networks Zambia is the only telecoms service provider with shares listed on LuSE. The company's share price fell 4% from K18 to K17.25 per share as at 31 December 2022. As a result of the drop in share price, the sector's market capitalisation reduced from K1.9 billion at the end of 2021 to K1.8 billion at the end of 2022.

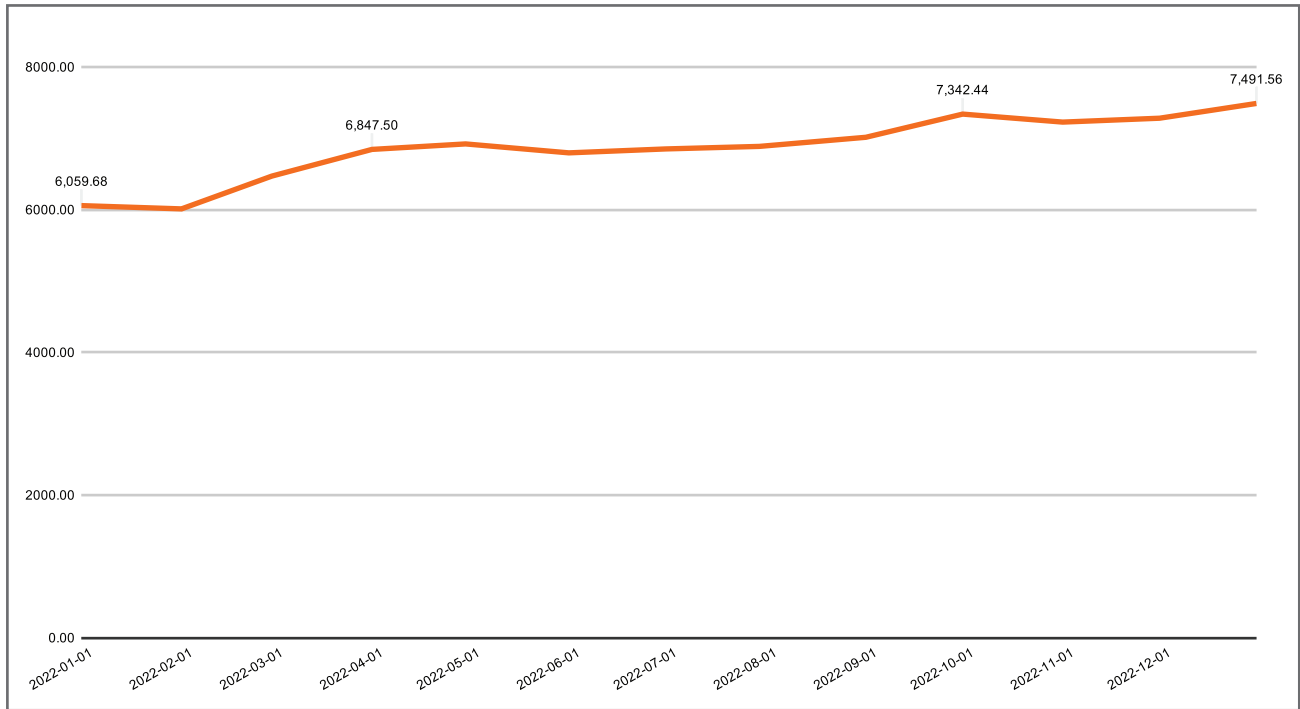


## Performance of the LuSE All Share Index

A stock market's performance can be measured by calculating changes in the stock price/value of all the companies listed, i.e. the All Share Index.

The graph below shows the movement of the LuSE All Share Index between the two reporting dates under consideration:

Figure 5: LuSE All Share Index



Source: African Markets (african-markets.com)



Between 31 December 2021 and 31 December 2022, the index rose by 1,431.88 points to close at 7,491.56 points on 31 December 2022. This represents growth of 23.6%. During the year, the most significant peaks were noted on 31 March 2022 (6,847.50) and on 30 September 2022 (7,342.44).

The table below shows the companies that recorded an increase in their share price between 31 December 2021 and 31 December 2022. ZANACO recorded the largest percentage change during the period - an increase from K3.19 to K1.90 which represents growth of 68%.

**Table 3:** Companies on LuSE with an increase in share price between 2021 and 2022

Name of entity	Closing share price 31 Dec 2022	Closing share price 31 Dec 2021	Change %
Zambia National Commercial Bank Plc	3.19	1.90	68%
Investrust Bank Plc	25.00	15.00	67%
Zambeef Products Plc	2.60	1.61	61%
African Explosives Zambia Plc	42.00	29.38	43%
Copperbelt Energy Corporation Plc	3.78	2.65	43%
Puma Energy Zambia Plc	1.60	1.21	32%
British American Tobacco (Zambia) Plc	1.91	1.45	32%
Real Estate Investments Zambia Plc	1.63	1.25	30%
Zambia Forestry and Forest Industries Corporation - Plc	2.51	1.95	29%
Zambia Sugar Plc	18.00	14.5	24%
Pamodzi Hotels Plc	0.71	0.60	18%
Standard Chartered Bank Zambia Plc	1.32	1.20	10%
Zambian Breweries Plc	7.00	6.75	4%

Source: African Markets (african-markets.com)

The table below shows the companies whose share price fell in 2022. National Breweries recorded the biggest share price drop. Its share price fell 55% from K9.20 per share as at 31 December 2021 to K4.10 at the end of 2022. The Company recorded a loss of K120.29 million during the financial year ended 31 March 2022 and continued recording a loss for the half year ended 30 September 2022.

**Table 4:** Companies on LuSE with a decrease in share price between 2021 and 2022

Name of entity	Closing share price 31 Dec 2022	Closing share price 31 Dec 2021	Change %
National Breweries Plc	4.10	9.20	-55%
Airtel Networks Zambia Plc	17.21	18.00	-4%
Lafarge Cement Zambia Plc	13.38	13.85	-3%
Metal Fabricators Of Zambia Plc	4.70	4.78	-1.7%
Zambia Bata Shoe Company Plc	2.55	2.59	-2%

Source: African Markets (african-markets.com)

The table below shows the companies that did not record a change in their share price between 31 December 2022 and 31 December 2021.

**Table 5:** Companies on LuSE with no change in share price between 2021 and 2022

Name of entity	Closing share price 31 Dec 2022	Closing share price 31 Dec 2021	Change %
Shoprite Holdings Plc	64.00	64.00	0%
ZCCM Investment Holdings Plc	37.98	37.98	0%
Madison Financial Services Plc	2.47	2.47	0%
Zambia Reinsurance Plc	2.80	2.79	0%

Source: African Markets (african-markets.com)



The table below shows the percentage change in eight stock markets in Southern and East Africa:

**Table 6:** Performance of stock markets in Southern and East Africa

Description	Country	31 Dec 2022	31 Dec 21	Change	Change %
JSE/FTSE All share index (ASI)	South Africa	73,049	68,615	4,434	6%
ZSE All share index (ASI)	Zimbabwe	19,494	10,822	8,671	80%
USE All share index (ASI)	Uganda	1,213	1,421	(208)	-15%
RSE All share index (ASI)	Rwanda	143	145	(3)	-2%
NSE All share index (ASI)	Kenya	127	166	(39)	-23%
Malawi MSE All share index (ASI)	Malawi	62,036	45,368	16,668	37%
DSE All share index (ASI)	Tanzania	1,882	1,897	(15)	-1%
Botswana Domestic Companies Index	Botswana	7,726	7,010	717	10%

Source: African Markets (african-markets.com)



## LuSE liquidity

Below is a summary of trading statistics showing the stock, number of trades, volume of shares, stock price and turnover for the 12-month period to 31 December 2022.

**Table 7:** Trading Statistics (December 2022)

Stock	Symbol	Number of Trades	Closing Price K	Volume	Turnover K
AECI MINING	AECI	297	42	123,546	5,074,461
Airtel Networks	ATEL	262	17.25	1,006,300	16,603,362
Bata Shoe	BATA	344	2.55	3,368,808	8,630,479
British American Tobacco	BATZ	221	1.91	7,206,586	12,856,208
Copperbelt Energy Corporation	CECZ	6,426	3.78	30,117,374	98,814,547
Investrust Bank	INVST	69	25	25,597	429,127
Lafarge Cement	CHIL	1,122	13.38	13,910,116	186,000,000
Madison Financial Services	MAFS	88	2.47	2,841	7,018
Metal Fabricators of Zambia	ZMFA	127	4.7	50,140	239,474
National Breweries	NATB	79	4.1	431,377	523,869
PAMODZI	PMDZ	155	0.71	55,653	34,954
Zambia Reinsurance	ZMRE	6	2.8	2,305	6,443
Puma	PUMA	624	1.6	1,482,486	2,359,955
REIZ	REIZ	142	1.63	1,905,917	2,345,251
Shoprite	SHOP	7	64	5,961	381,505
Standard Chartered Bank	SCBL	2,214	1.32	12,899,473	15,842,930
Zambeef	ZMBF	1,815	2.6	2,532,094	4,517,296
Zambia Sugar	ZSUG	991	18	5,841,752	99,485,427
Zambian Breweries	ZABR	438	7	6,134,887	41,028,390
ZANACO	ZNCO	3,163	3.19	21,116,074	56,807,731
ZCCM-IH	ZCCM	137	37.98	14,738	559,751
ZFCO	ZFCO	120	2.51	97,171	225,909
REIZ Rights	RELA	64	0.01	9,991,276	100,013
		<b>18,847</b>		<b>108,331,1962</b>	<b>552,774,087</b>

Source: LuSE



## 2. Business and financial performance

### 2.1 Economic performance

Zambia's economy rebounded in 2022 supported by post-election market confidence, favourable external demand, good rainfall and firmer copper prices. The rebound paved the way for a notable improvement in the country's economy compared to 2021 as summarised by the indicators assessed below:

**2.1.1 Gross Domestic Product Growth** - The country's GDP increased by 1.6% i.e. 4.6% (2022), 3% (2021). GDP growth continued on a positive trajectory although at a slower pace when compared to 2021. The growth was largely driven by transport, tourism, wholesale and retail and Information and Communication Technology (ICT) sectors.

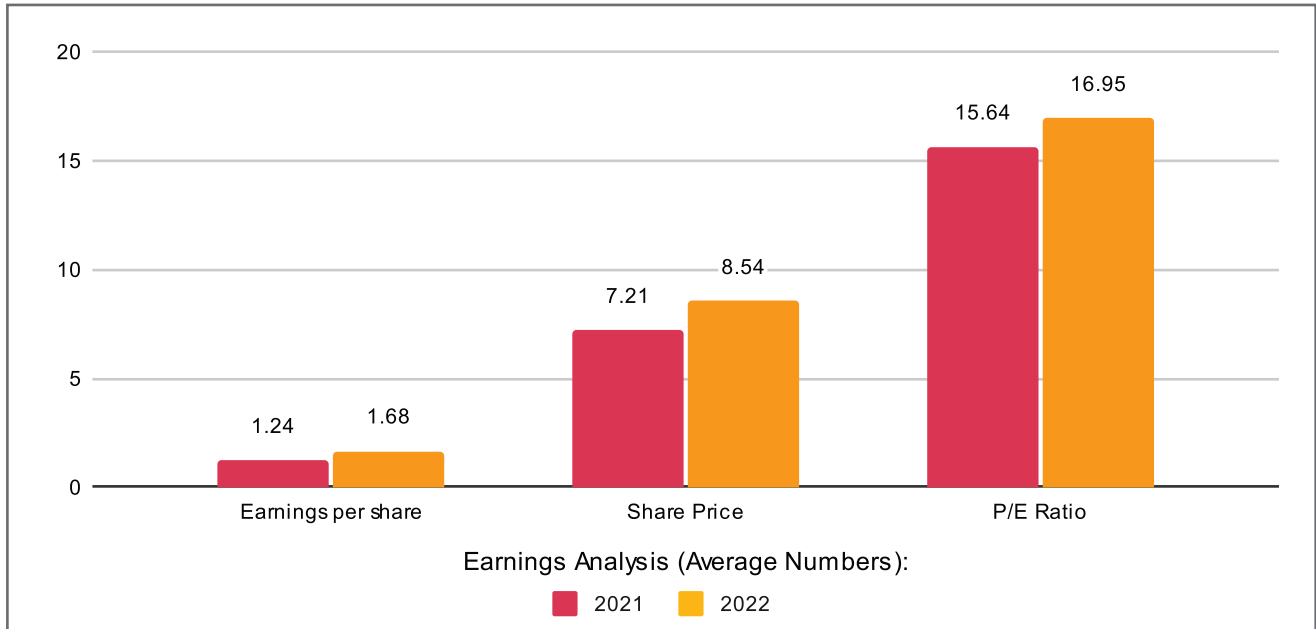
**2.1.2 Exchange rate (ZMW to USD)** - The average exchange rate appreciated by 16% from an average of K20.1/USD in 2021 to K16.9 /USD in 2022. Overall, the performance of the Kwacha in 2022 remained volatile compared to the previous year. However there was an overall appreciation in the currency. The appreciation of the Kwacha against the Dollar was impacted by higher inflows of foreign currency from non-resident and positive market sentiments built on the expectations and eventual allocations of the Special Drawing Rights (SDR) permitted by Zambia's admittance to the International Monetary Fund (IMF) Extended Credit Facility.

**2.1.3 Inflation** - Similarly, inflation improved significantly in 2021, falling from an average of 22.1% in 2021 to 11% in 2022. The fall in inflation was driven by the appreciation of the kwacha against the USD, and the improved supply of food products such as meat, poultry and fish.

## 2.2 Non Financial Institutions Performance Assessment:

### 2.2.1 Earnings Analysis

Figure 6: Earnings Analysis - (Non Financial Institutions)



Source: African Markets (african-markets.com)

*\*Note: The financial analysis was performed on 19 out of the 22 listed Companies based on availability of signed annual reports as at the time of the assessment.*

The increase is driven by an overall increase in the profit for the year recorded by the Non Financial Institutions assessed. In the 2022 calendar year, REIZ was the only Company that conducted a rights issue of 135 million shares, the increase in recorded profits therefore marked a bigger impact on the EPS compared to prior year.

Zaffico recorded a 37% increase in profits for the year amounting to K703m contributing most significantly to the overall increase in Earnings per share amongst Non Financial Institutions. The movement was primarily driven by a 34% increase in the fair value of Biological amounting to K758m. Airtel also recorded a significant increase in profit for the year to the value of K228m representing 24% increase. In contrast however, Airtel's profit increase was primarily driven by revenue growth of 24%, representative of a K270m increase. A similar trend applies to all other contributing Non Financial Institutions assessed with each Company's increase in profits impacted by different drivers.

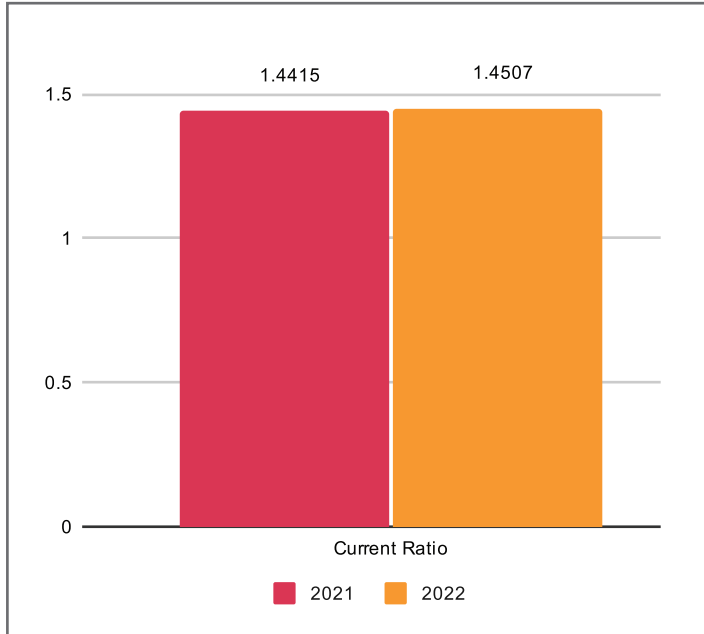
As assessed in the Performance of the LuSE All Share Index section under Market Capitalization above; amongst the companies assessed, thirteen recorded an increase in share price while five recorded a decrease. This contributed towards the overall increase in the average share prices assessed in the graph above. Share prices range from as high as K42 per share to as low as K0.71 giving rise to an average of K8.54 per share as assessed in the graph above. Companies such as African Explosives Zambia Plc and Zambia Sugar Plc contributed most significantly to the share price movement, recording a rise in share price to the value of K12.62 and K3.5 respectively.

Consequently the overall increase in both the earnings per share and share price gave rise to the increase in the average price to earnings ratio recorded by Non Financial Institutions.



## 2.2.2 Liquidity Assessment

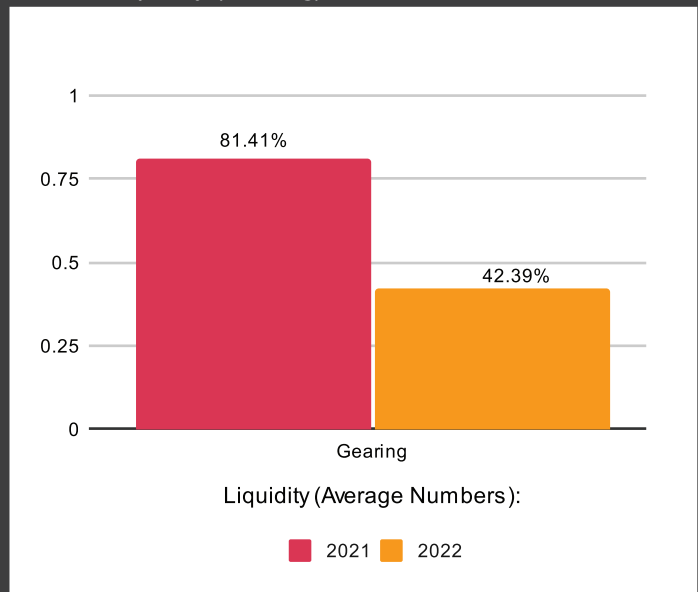
Figure 7: Liquidity - Current Ratio: (Non Financial Institutions)



Source: African Markets (african-markets.com)



Figure 8: Liquidity (Gearing)



Source: African Markets (african-markets.com)



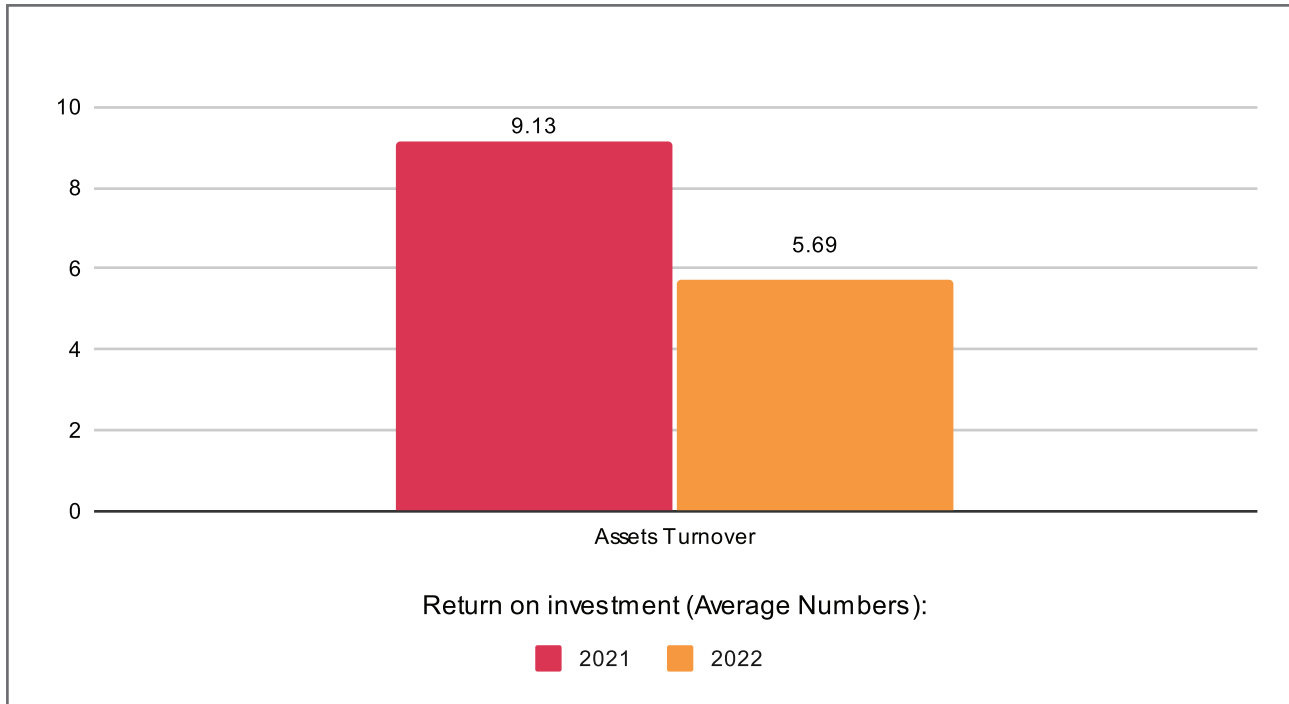
Short term liquidity measured as the average Current Ratio across the Listed Non- Financial Institutions assessed remained at constant of 1.8.

The average Gearing ratio on the other hand dropped by almost half from 81% in 2021 to 42% in 2022. The movement is primarily impacted by an overall increase in profits and an overall decrease in Borrowings in 2022. The impact of the increase in profits for the year can be seen from our assessment on Earnings per share above while the decrease in borrowings is highlighted within our cash allocation section below. The combination of the two contributed towards the overall decrease in Gearing recorded by Non Financial Institutions. The average Gearing ratio of 42% is considered within acceptable range.



### 2.2.3 Asset Turnover

Figure 9: Asset Turnover (Non Financial Institutions)



Source: African Markets (african-markets.com)

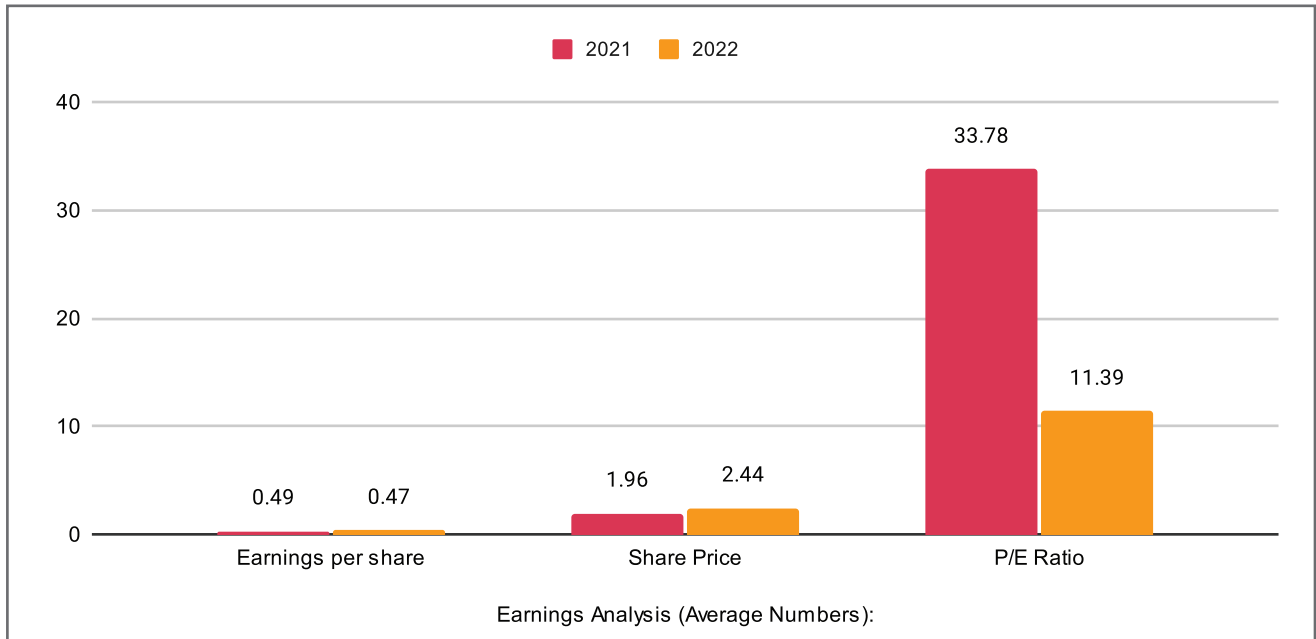
There was a 46% decrease in the asset turnover ratio which is primarily driven by increased investments in Property Plant and Equipment compared against a marginal increase in revenue which gave rise to an overall decrease in asset turnover. Such investments can be seen from companies such as Zambian Breweries Plc and Airtel Networks Zambia Plc which recorded an increase in Property plant and equipment of K526m and K243m respectively driven by Zambian Breweries' capacity expansion project as well as Airtel's investments in Network, Fibre & Spectrum upgrades.



## 2.3 Financial Institutions Performance Assessment

### 2.3.1 Earnings Analysis

Figure 10: Earnings Analysis (Financial Institutions)



Source: African Markets (african-markets.com)

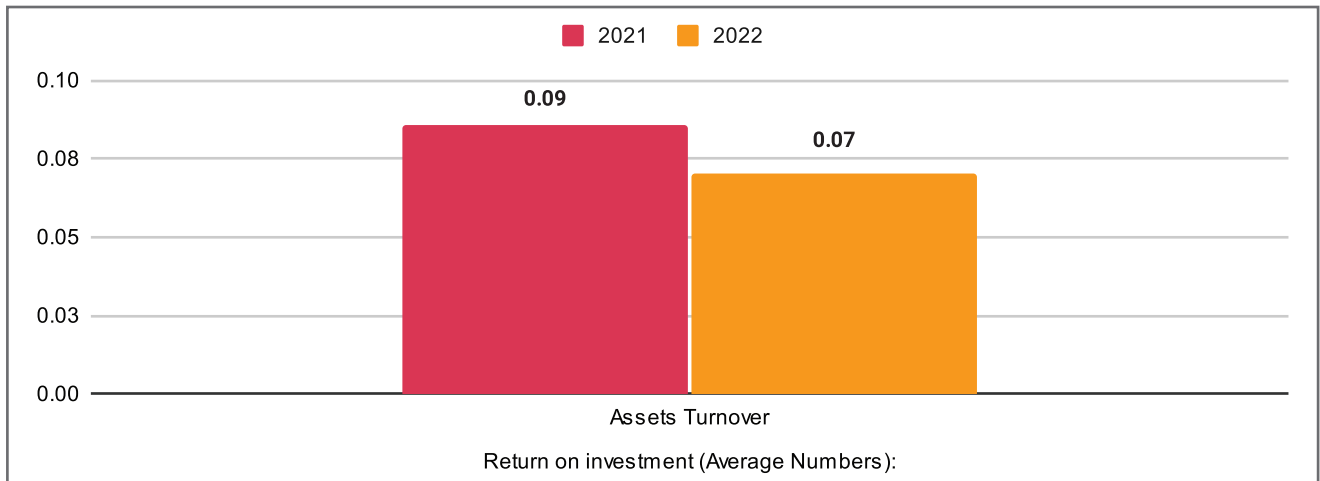
*\*Note: The financial analysis was performed on 19 out of the 22 listed Companies based on availability of signed annual reports as at the time of the assessment.*

- **Earnings per Share (EPS):** All Financial institutions under review recorded an increase in profit with the exception of Standard Chartered Bank which recorded a 31% decrease in profits for the period which served as the main driver behind the overall drop in Earnings per Share.
- **Share price:** The increase was primarily driven by Zanaco which noted a 68% share price growth in Zanaco underpinned by robust loan growth and improved asset quality.
- **P/E Ratio:** The P/E Ratio increase was primarily driven by Zambia Reinsurance which recorded 333% increase in earnings per share amidst a share price that remained constant at 3%. The increase in EPS, therefore contributed most significantly to the overall drop in the Price to Earnings Ratio.



### 2.3.2 Asset Turnover

Figure 11: Return on investment (Financial Institutions)



Source: African Markets (african-markets.com)

There was a 22% decrease in the average asset turnover ratios recorded by the surveyed listed Financial Institutions i.e. 0.09 (2021) versus 0.07 (2022). According to statistics, this decrease is driven by a significant increase in the average asset base per company to the value K6m compared against a slight increase in the average revenue recorded per Company to the value of K112, 533, comparing the two years amongst the listed companies surveyed.

The marginal increase in average revenue per company, despite investments of K6m, paints a similar picture to that noted among Non Financial Institutions which suggest the marginal movements in turnover.







### 3. Company dividend behaviour and stock performance

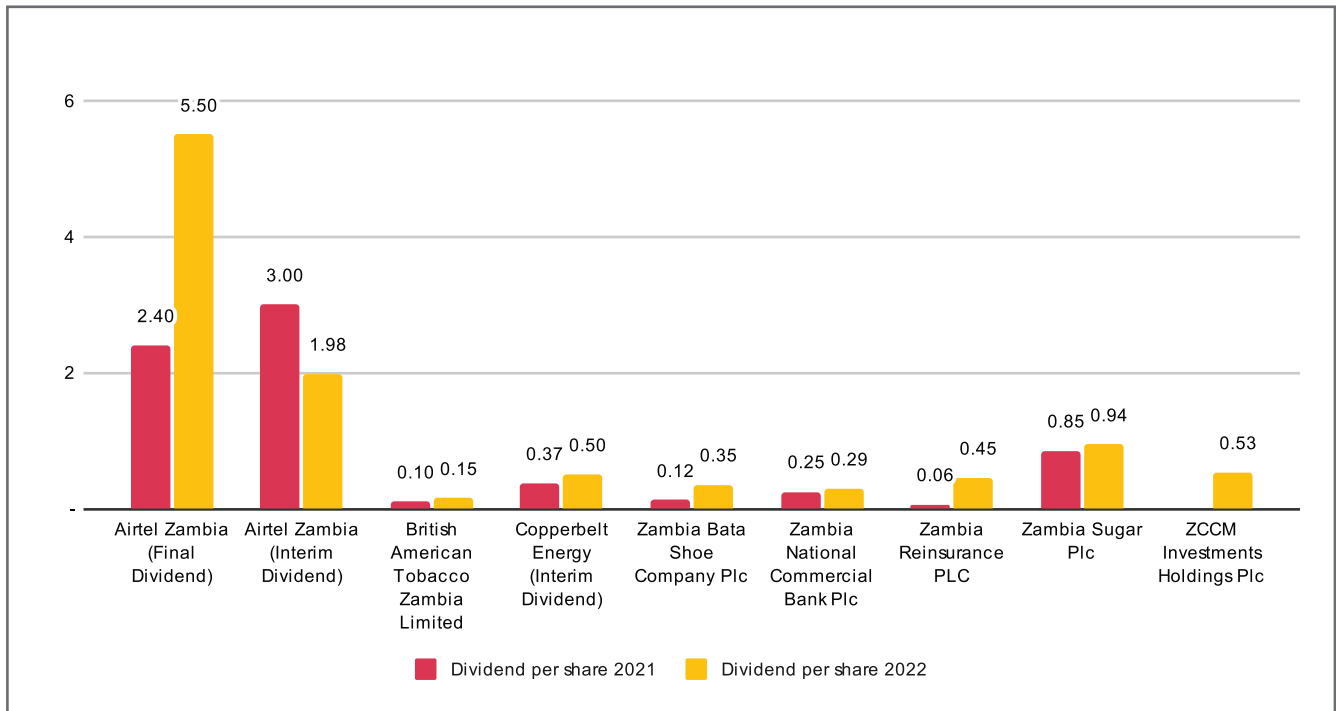
Of the 22 companies listed on the Lusaka Stock Exchange (“LuSE”) as at 30 June 2023, it was observed that 8 companies had increased their dividend per share, 5 had decreased their dividend per share, and 9 had not declared any dividend payments in both years.

The post pandemic analysis of the LuSE market shows that, while some of the strategies that companies took during the pandemic resulted in a rebound in performance that allows them to pay out dividends to their shareholders and investors consistently, the board of directors for 13 out of 22 companies had decided not to pay out final dividends for 2022. Companies opted to not to pay dividends because of future expansion programs and in order to maintain an optimal capital structure.

## Increased Dividend per Share 2022

The companies that paid out final dividends in 2022 increased their dividend payouts by as much as 650% when compared to the 2021 dividend payments made with the highest increase being 500% from 2020. These companies include Airtel Networks Zambia Plc (“Airtel”), British American Tobacco (Zambia) Plc, Copperbelt Energy Corporation Plc, Zambia Bata Shoe Company Plc, Zambia National Commercial Bank Plc, Zambia Reinsurance PLC, Zambia Sugar Plc and Zambia Consolidated Copper Mine Investments Holdings Plc (“ZCCM-IH”).

Figure 12: Increase in Dividend per Share 2022



Source : PwC Analysis

The PwC analysis also noted that Copperbelt Energy did not declare any final dividends in both years but instead opted to pay their interim dividends which increased from ZMW 0.37 in 2021 to ZMW 0.50 in 2022.

Out of the 9 companies that paid their dividends, it is important to note that only Airtel paid out both the interim and final dividends in 2021 & 2022. Their 2022 annual report states that “The company has a good dividend track record and has consistently declared dividends for the last 5 years”. While their final dividend payout had increased from ZMW 2.4 to ZMW 5.5 in this current period, their interim dividend had decreased from ZMW 3 to ZMW 1.98 in 2021 & 2022 respectively. Holistically, their total dividends increased from ZMW 5.40 to ZMW 7.48.

The changes in the total dividend payments made by these two companies in 2021 and 2022 are shown in the table below.

Table 8: Interim dividend payments

	2021	2022	% growth
Airtel Networks Zambia Plc	5.40	7.48	39%
Copperbelt Energy	0.37	0.50	35%

Source : PwC Analysis, annual reports

## Decreased Final Dividend per Share 2022

In contrast to their prior dividend payments in 2021, 4 entities did not pay out any dividends in 2022. The sectors from which they operate are Retail, Engineering, Banking and Agri-industrial.

PwC noted that in 2021, Shoprite Holdings Plc paid both a final and interim dividend to its shareholders, however, in 2022, it only paid the interim dividends - ZMW 2.69. From a holistic point of view, while the interim dividend had increased, the total dividend paid was reduced from ZMW 5.33 (3.46+1.87) in 2021 to ZMW 2.69 in 2022.

On the other hand, it was observed that in 2021, Lafarge Zambia Plc (Formerly Chilanga Cement) ("Lafarge") paid their interim dividends and paid the final dividend instead in 2022. Their total paid out dividends decreased between the years.

Additionally, according to their annual reports, AECI Mining Explosives Plc did not declare a final or interim dividend in 2022 due to the level of activity within the business, cash on hand and future requirements for business working capital. The additional working capital requirements are as a result of the proactive measures that AECI took in 2022 to ensure the security of supply to their customers in the face of supply chain difficulties and high raw material prices.

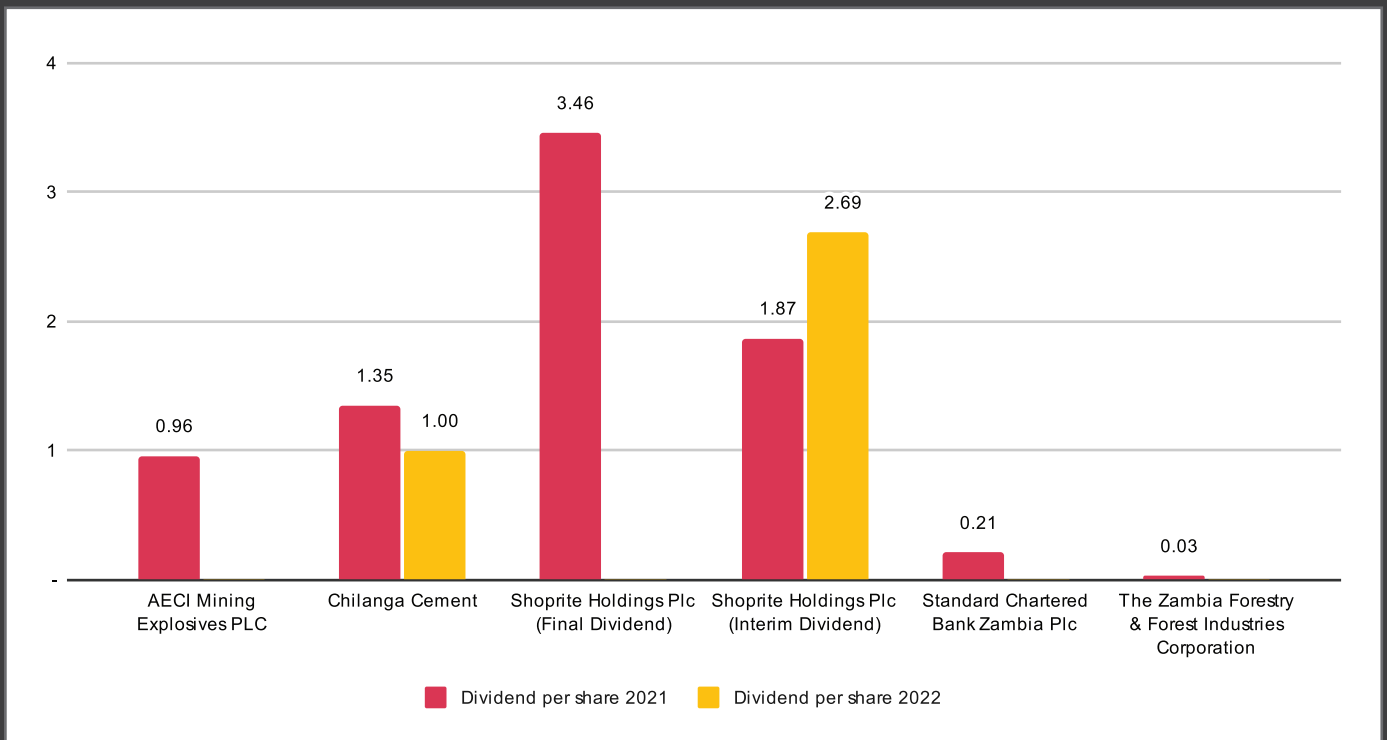
ZAFFICO did not pay dividends in 2022 to allow the Corporation reinvest the profit back into the Corporation to support the planned implementation of business expansion and diversification projects.

Lastly, Standard Chartered chose not to pay their dividend per share due to regulatory requirements. According to their financial report, Standard Chartered in anticipation of a new Banking and Financial Services Act that includes elements of Basel III Capital Standards, will need to hold more capital to accommodate their increasing risk appetite. This act will necessitate that banks - including Standard Chartered Bank - hold higher amounts of capital. By doing this, the Bank will be able to offer long-term and working capital support to customers wishing to expand their businesses.

The drop in payments is shown in the graph below.



Figure 13: Decrease in dividends shares in 2022



Source : PwC Analysis



## No dividends paid in 2021 & 2022

Nine companies opted not to declare any interim or final dividend per share for both years 2021 and 2022 from the following sectors: Financial sector (Real Estate Investments Zambia PLC, Investrust Bank Plc and Madison financial Services Plc); Consumer goods (National Breweries, Zambeef Products Plc and Zambian Breweries Plc) and the other companies that did not pay any dividends are Metal Fabricators of Zambia, Puma energy and Taj Pamodzi Hotel.

As per the resolutions set out in the AGMs by the board of directors, Metal Fabricators of Zambia opted not to declare dividends in order to maintain an optimal capital structure.

Zambeef Directors recommend that no dividend be paid for the financial year ended September 2022 due to the expansion program announced in the year.

Figure 14: Nil dividend payments in 2021 & 2022



Source : PwC Analysis



## Company Trading Halted on LuSE

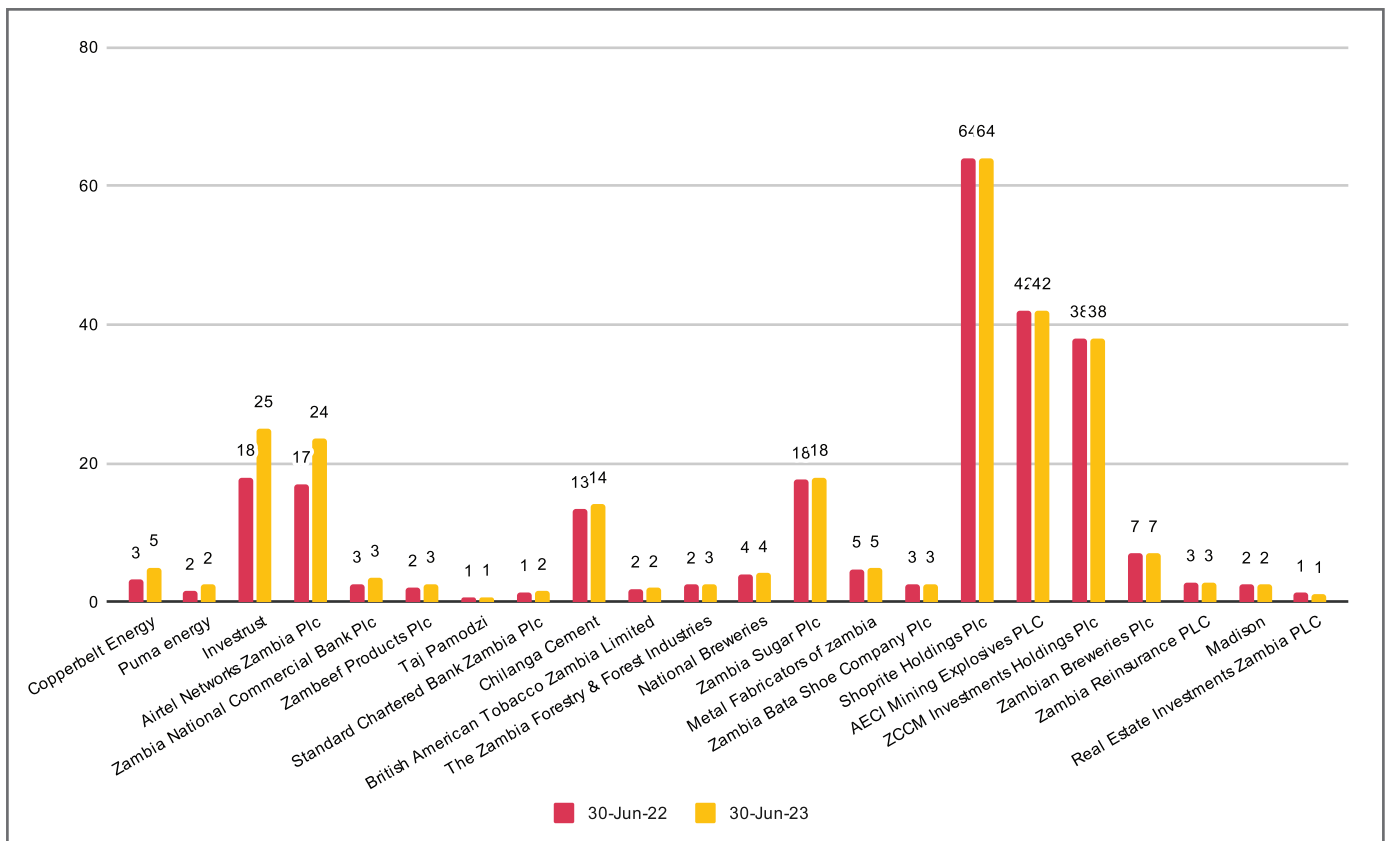
In 2011, FQM, a company listed on the Toronto Stock Exchange, issued a Zambian Depository Receipt (ZDR) on the LuSE. A ZDR is a financial instrument that symbolises a stake in the Company's underlying Common Shares. On behalf of the depository, a custodian in the company's home market holds these underlying Common Shares. After being listed on the LuSE, FQMs ZDRs were eligible to trade like any other listed securities.

It was observed during our analysis that trading of FQMs ZDRs on LuSE was halted in March 2022 as a consequence of the termination of the deposit agreement between the Bank of New York Mellon and FQM.

## Share Price Analysis

We observed that 15 companies' share prices increased at rates between 0.3% to 55% in 2023. The price increases and decreases have been explained in detail in the subsequent sections and can be seen in the table below:

Figure 15: Share Price 30 June 2022 - 30 June 2023



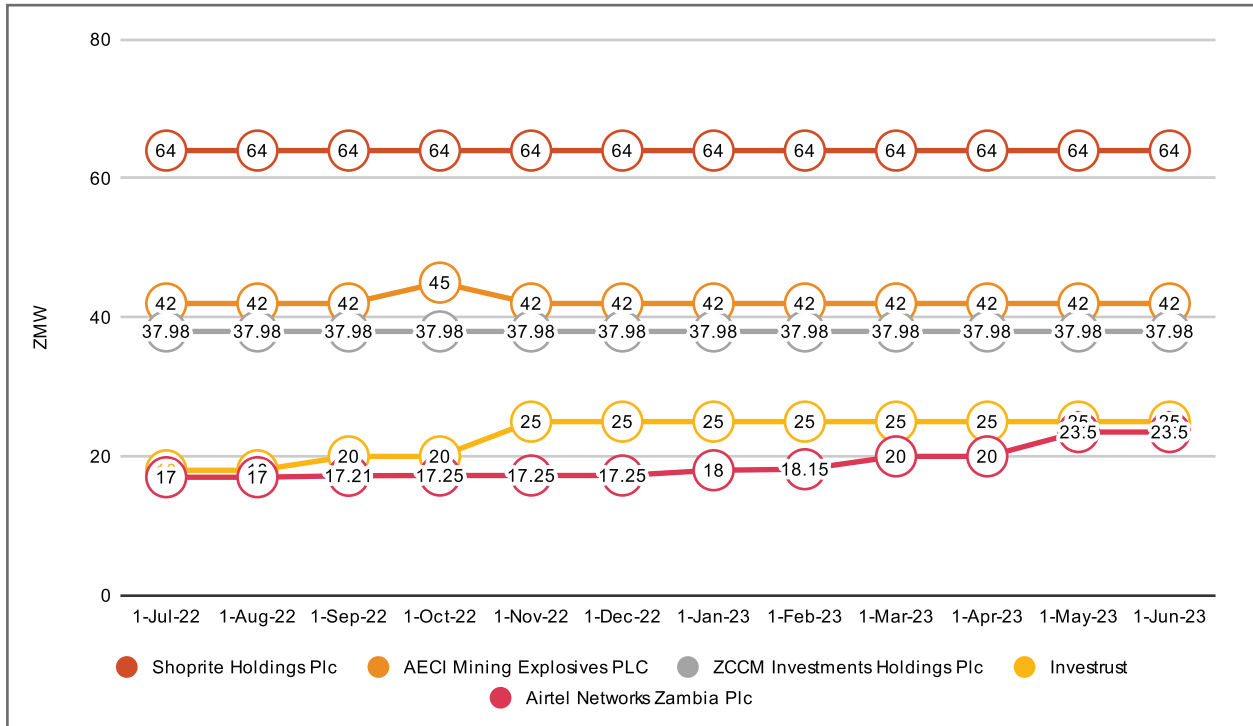
Source : African Financials

## Top 5 companies with the highest share price

The companies listed on LuSE with the highest share prices were observed to mostly have a constant share price month on month from July 2022 to June 2023. These are Shoprite, AECI Mining Explosives, Airtel Zambia, Investrust and ZCCM-IH. PwC observed that only 2 of the 5 companies had recorded an increase month on month in their share prices in comparison to the previous year - Investrust & Airtel.

The fluctuations in their share prices are shown in the graph below.

Figure 16: Top 5 Share prices on LuSE



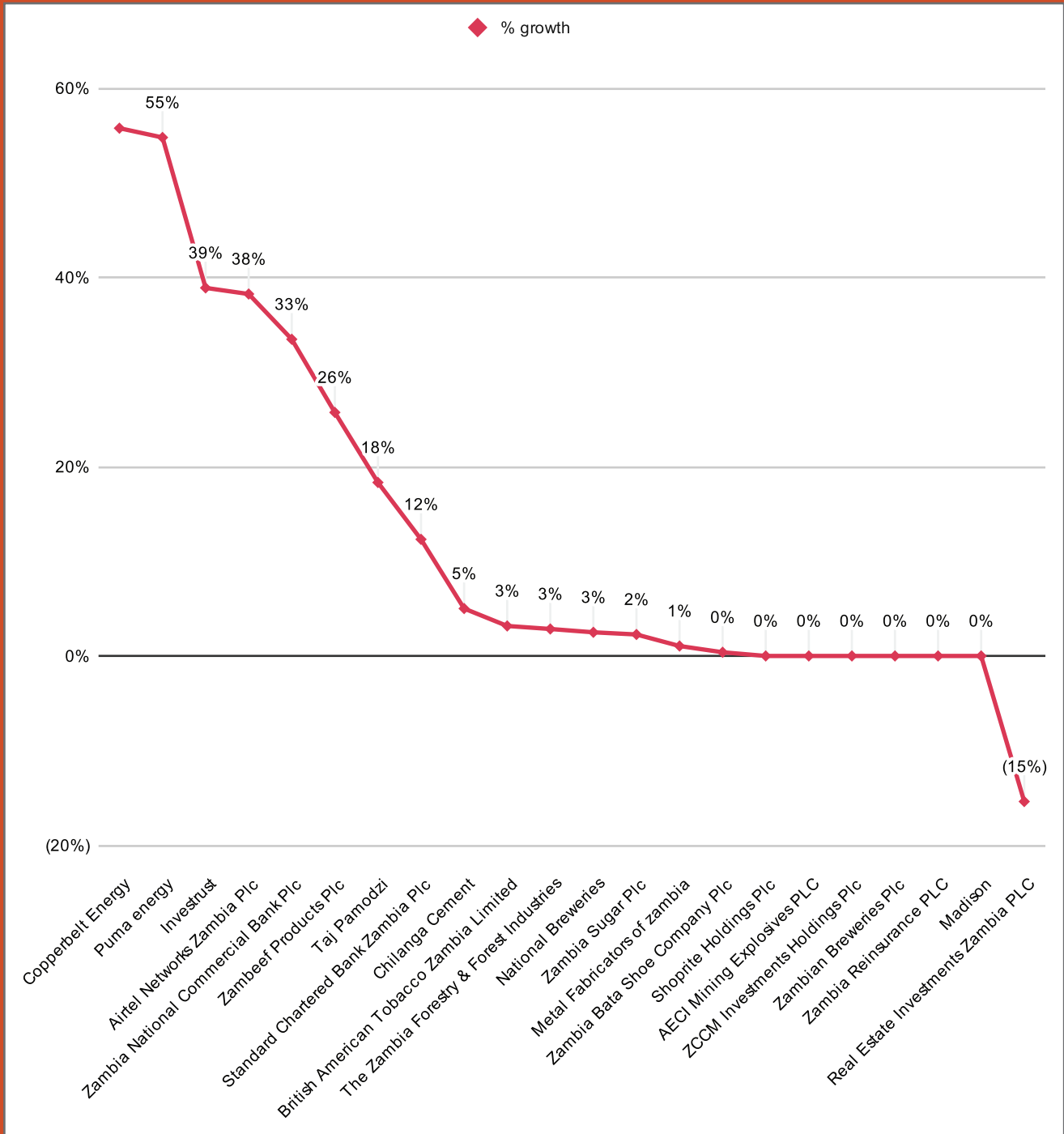
Source : African Financials



## Growth of Share Price

In order to fully understand the growth in prices, a comparative analysis was done on a month on month basis. The graph below shows the overall percentage of the (negative or positive) growth of the share prices for all companies on the LuSE from June 2022 to June 2023. The growth rates ranged from 3% to 55% between 2022 and 2023.

Figure 17: Percentage Growth of Share Prices



Source : African Financials



## Share Price increases

The graph above illustrates the percentage growth rate for each company. The companies that had major growths from July 2022 to June 2023 are Copperbelt Energy (56%), Puma energy (55%), Investrust Bank (39%), Airtel Networks Zambia Plc (38%), Zambia National Commercial Bank Plc (33%), and Zambeef Products Plc (26%). The growth for these companies is illustrated in the graph below.

Our analysis showed that the increases for the major gainers like Airtel had experienced spikes in prices right after the announcements/declarations of final or interim dividend payments to be made.

The share price for Zambeef increased by 26% after it was announced that they entered into a ZMW 570 million (US\$35 million) debt facility with the International Finance Corporation (“IFC”) to partially finance its USD100 investment strategy as announced earlier during 2022.

We observed that Copperbelt Energy share price increased after the finalisation of the Bulk Supply Agreement was signed with ZESCO in July 2022.

## Static Share Prices

PwC observed that there were 6 companies whose share price remained unchanged during the period of review. These companies are: Shoprite Holdings Plc (ZMW 64), AECI Mining Explosives PLC (ZMW 42), ZCCM Investments Holdings Plc (ZMW 37.98), Zambian Breweries Plc (ZMW 7), Zambia Reinsurance PLC (ZMW 2.8), and Madison Finance (ZMW 2.47). Majority of these companies are in the top 5 companies with the highest Share Price in 2023 (Shoprite, AEIC, and ZCCM-IH).





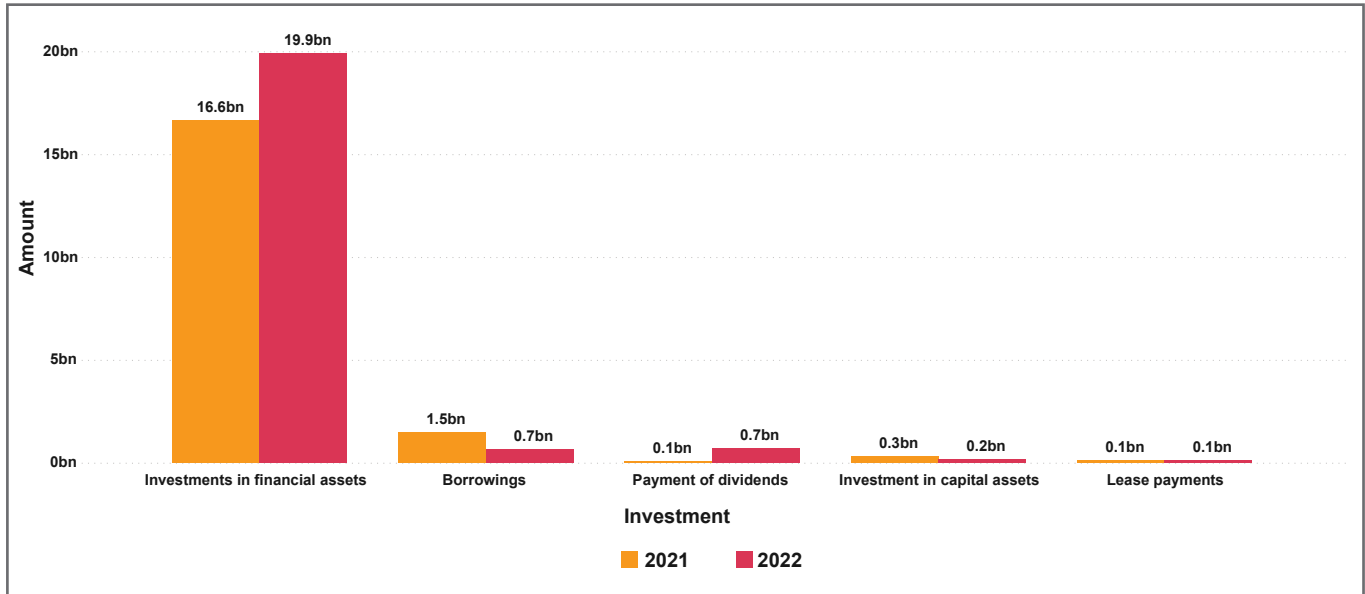
## 4. Cash/capital allocation

We have summarised capital allocation priorities into five categories namely; payment of dividends, investment in capital assets , repayment of borrowings, repayment of lease liabilities and investment in financial assets such as Government securities, trading assets, corporate bonds and loans to customers. Below are the sectors analysed;

- Financial Services
- Consumer services and consumer goods
- Basic materials, utilities, industrial, oil and gas
- Telecoms

## Financial services

Figure 18: Cash/capital allocation



Source: 2022 annual reports

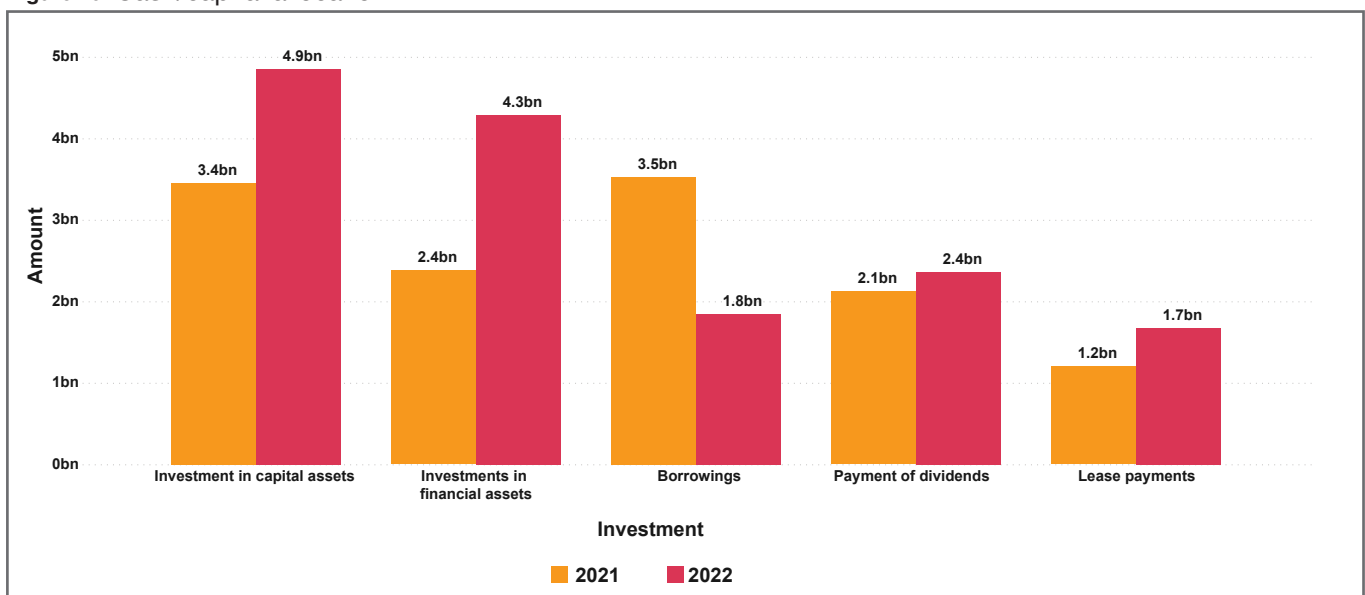
The companies analysed in the financial services sector included; Standard Chartered Zambia, Zambia National Commercial Bank and Zambia Reinsurance whose combined capital/cash allocation increased to K 21.6 billion at 31 December 2022 from K 18.6 billion at 31 December 2021. The increase was mainly coming from Zambia National Commercial Bank's investments in Government securities of K 12.6 billion in 2022 compared to K 7.9 billion in 2021.

From the assessment above, 92% of the capital/cash in this sector was allocated to investment in financial assets with only 8% channelled to other areas. Investments in financial assets form part of the ordinary course of business hence such a large proportion of cash directed towards financial assets is expected.

An inverse relationship is notable between the amount of cash directed towards investments in capital assets and the amount of cash directed towards payment of dividends; less cash to the value of K 100m was invested in capital assets during 2022 compared against 2021, more cash on the other hand to the value of K600m was paid out as dividends. The increase in the dividends paid out is primarily impacted by Zanaco which paid out dividends to the value of K364m in 2022.

## Consumer services and consumer goods

Figure 19: Cash/capital allocation



Source: 2022 annual reports

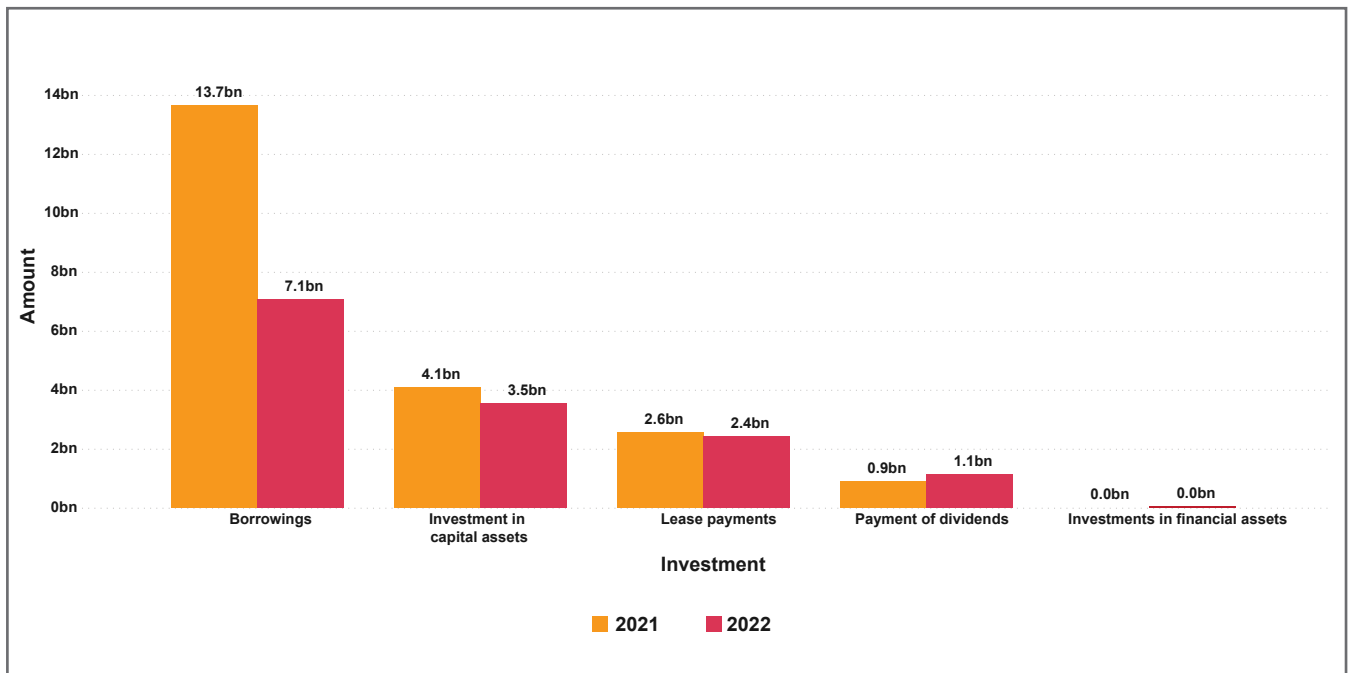


We analysed a total of 7 companies under this sector including Bata, British American Tobacco (BAT), Shoprite, Taj Pamodzi, Zambia Sugar, Zambeef, and Zambian Breweries. We observed significant investment in capital projects which took 32% of the available cash/capital at 31 December 2022 with the other areas taking the remaining 68%. This was in contrast to prior year when the top priority of these Companies was repayment of borrowings at 37%. Zambia Breweries recorded a significant increase in cash allocated to capital assets with the commencement of the Company’s US\$80 million capacity expansion project that saw a K526m increase in the value of the Company’s capital assets in 2022.

We noted an increase in the value of dividends paid out to the value K300m despite an increase in the value of cash invested in capital assets as well as financial assets to the value of K1.5 bn and K1.9 bn respectively.

## Basic materials, utilities, industrial, oil and gas

Figure 20: Cash/capital allocation



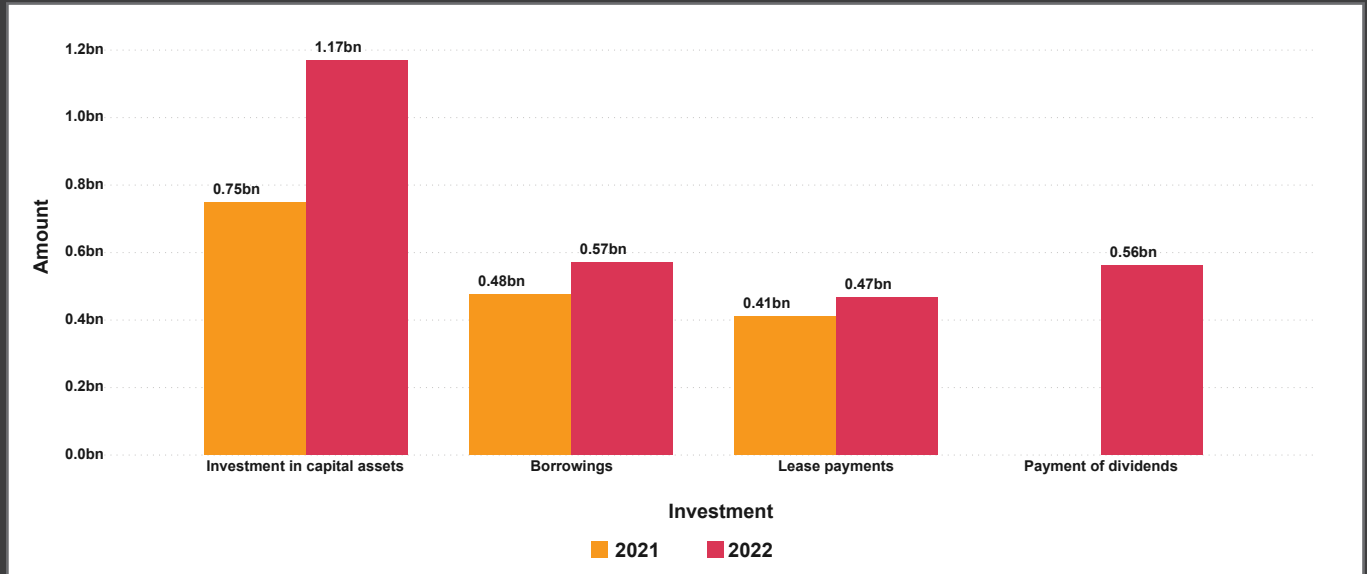
Source: 2022 annual reports

Companies under this sector include AEL Zambia (AECI), Copperbelt Energy corporation (CEC), ZAFFICO, Puma, Metal Fabricators (Zamefa). We have observed that Puma has the largest available capital/cash balance of 12.4 billion at 31 December 2022 which is about 88% of the total available cash/capital balance for all the companies under this sector. 67% of the capital available under this sector was allocated to repayment of borrowings at 31 December 2022. This was fairly consistent with prior year where 77% of the capital available was allocated to repayment of borrowings and the remaining 23% to other areas. This reflects the impact of a higher overall Gearing ratio in 2021 compared to 2022 where reduced payments are evident as assessed within our financial analysis section above.

There was a K600m decrease in the value of cash directed towards capital assets, in contrast however, there was a K200m increase in the value of cash directed towards dividends. It is further worth noting that there is little to no investment directed towards financial assets.

## Telecoms

Figure 21: Cash/capital allocation



Source: 2022 annual reports

Airtel Networks Zambia is the only listed Company in this sector. The Company has prioritised investing in capital projects primarily consisting of Network as well as Fibre and Spectrum upgrades. At 31 December 2022, total capital allocated to capital assets was K 1.2 billion representing 42% of the capital available. This was consistent with the prior year where a total of K 748 million representing 46% of the capital available was allocated to capital assets.

Unlike the industries assessed above, Airtel has increased cash allocation towards financial assets, borrowings, dividends and leases, reflecting an overall increase in cash flow.





## 5. Corporate governance and company compliance

The Lusaka Stock Exchange corporate governance code provides guidelines for listed entities to adhere to. These guidelines include disclosures that should be made in their Annual Reports. We generally observed an increase in compliance from last years analysis regarding the following areas:

- A brief CV of each director contained in the annual report. We observed a 3% increase in compliance.
- Appointment of an audit committee. We observed a 4.5% increase in compliance

We also observed a decrease in compliance from last years analysis regarding the following areas:

- Presence of a policy evidencing a clear division of responsibilities at board level to ensure a balance of power. We observed a 6% decrease in compliance.
- The audit committee setting principles for recommending the use of the external auditors for non-audit services. We observed a 39% decrease in compliance.



The rest of the areas remained the same from last year's analysis.

The observations below are based on a review of 21 of the 23 companies publicly available annual reports. The remaining 2 companies were excluded from the analysis due to the unavailability of the full annual reports. These companies are Investrust Bank Plc and National Breweries Plc.

**Table 9:** Corporate Governance Requirement Analysis

Guidelines as per LuSE	Number of Companies Compliant	% of compliance	% of non-compliance	Number of Companies not Compliant	% not disclosed	Number of Companies not disclosed
Presence of a policy evidencing a clear division of responsibilities at board level to ensure a balance of power and authority.	19	90.5%	0%	0	9.5%	2
The chief executive officer must not also hold the position of chairperson	19	90.5%	4.75%	1	4.75%	1
Appointment of an audit committee	20	95%	0%	0	5%	1
The following disclosed in the annual report : 1) Composition of the audit committee, 2) Brief description of its mandate, 3) Number of meetings held and other relevant information	20	95%	0%	0	5%	1
Appointment of a remuneration committee	15	71%	5%	1	24%	5
A brief CV of each director should be contained in the annual report	18	86%	14%	3	0%	0
The capacity of each director must be categorised as executive, non-executive or independent	20	95%	0%	0	5%	1
The audit committee must set the principles for recommending the use of the external auditors for non-audit services	13	62%	0%	0	38%	8

Source: Annual Reports (2022)

Below is a summary of our key observations from the analysis: 95% of the 18 companies analysed were compliant with the following requirements:

- Appointment of an audit committee
- The composition of the audit committee, a brief description of its mandate, the number of meetings held and other relevant information and
- The capacity of each director categorised as executive, non-executive or independent

Whilst 90.5% - 86% of the 21 companies analysed were compliant with the following requirements:

- Having a policy evidencing a clear division of responsibilities at board level to ensure a balance of power and authority
- The chief executive officer not holding the position of chairperson and
- A brief CV of each director being contained in the annual report

The lowest compliance rates with the LuSE guidelines for corporate governance were with the following elements

- The audit committee setting principles for recommending the use of the external auditors for non-audit services being at 62% and
- Appointment of a remuneration committee being at 71%

The highest percentage of non disclosure of the LuSE requirements for corporate governance were on the audit committee setting principles for recommending the use of the external auditors and the appointment of a remuneration committee.



## Audit Committee meetings held during the year

Table 10: Audit Committee Meetings Analysis

Number of meetings	2	3	4	5	6	undisclosed
%	6%	22%	28%	11%	5%	28%

Source: Annual Reports (2022)

The Companies Act of Zambia does not give a specific number of times required for the audit committee to meet in a year. However, best practice advises a minimum number of four meetings in a year.

From our analysis, the majority of the meetings were held three to four times in the year representing 50% of the listed companies reviewed.

**Table 11:** Audit Committee Attendance Analysis

	100%	100% - 90%	80% - 90%	Less than 80%	undisclosed
Average % audit committee meeting attendance	28%	17%	11%	11%	33%

Source : Annual Reports (2022)

The non-disclosure of the attendance of Directors at audit committee meetings was common among the listed companies reviewed.

In the 2022 financial year, 28% of the companies had a 100% attendance. 17% of the companies had an attendance of 90% to 100%, and another 11% had 80% to 90% attendance. 11% of companies had less than 80% attendance and 33% of the companies did not disclose this information in their annual report.

## Board member composition

**Table 12:** Board Member Composition

Board member composition	17	16	12	11	10	8	7	6	5	4
%	5%	5%	6%	11%	6%	6%	22%	17%	11%	11%

Source : Annual Reports (2022)

The size of a board of directors influences the level of expertise, diversity, and communication among its members, making it critical for organisational success. The average board size varies by industry.

The number of members sitting on the board of the listed companies ranged from 4 to 15. Seven and six was the most common number of board members among the companies.

**Table 13:** Non Executive Analysis

	100% - 90%	60% - 90%	40% - 60%	Less than 33%
Percentage of non-executive Board members	13%	68%	6%	13%

Source : Annual Reports (2022)

The board of directors is responsible for providing oversight over the company's operations comprising a mix of executive and non-executive members who bring their individual expertise to the company. For all listed companies, at least one third of the board of directors should comprise non-executive members and the majority of non-executives should be independent.

The table above shows the percentage of non-executive members that comprise the board at each of the 21 listed companies reviewed.

The requirement is for the Non executive directors to form at least one third or 33% of the board of directors, 13% of these companies did not have at least one third of the board of directors composed of non-executive members.





## 6. Environmental Social and Governance (ESG)

### 6.1 Overview of ESG

Environmental, social and governance (ESG) is a framework that is aimed at assessing an entity's practices and performance on various aspects covering sustainability and ethical issues.

ESG has continued to be a topical issue and investors have kept a closer eye on how companies are incorporating this into their strategy. There continues to be huge expectations for companies to demonstrate their impact on ESG, with a bigger focus on public entities.

### 6.2 ESG Reporting

In this regard, sustainability reporting allows companies to provide information to its stakeholders on how they performed in the ESG space during each reporting period. There is also a requirement by the Listing Rules issued by the Lusaka Securities Exchange for public companies to disclose in their annual reports on how they have complied with the Corporate Governance Guidelines for listed and quoted companies which was issued in 2005.



There are a number of reporting frameworks which are categorised into three umbrella standards/frameworks; GRI (Global Reporting Initiative), Sustainability Accounting Standards Board (SASB) and International Integrated Reporting Council (IIRC) and two single issue standards/ frameworks focused on climate change: Task Force on Climate Related Financial Disclosures (TCFD) and the Greenhouse Gas Protocol (GHG). The selection of the reporting framework an entity adopts depends largely on the targeted audience; multi-stakeholder, investor or other provider of financial capital.

**GRI:** This is an independent international organisation, with global standards for sustainability reporting as its main product. They're voluntary for all entities and have a multi-stakeholder focus. These are a set of modular, interrelated standards. The body of standards covers general, universal topics as well as specific areas relating to Environmental, Social and Governance topics. The standards are updated and added to on a regular basis.

**SASB:** The standards aim to provide a minimum bar for disclosures, standardised by industry, so that investors can compare between entities. SASB Standards are designed to identify and standardise disclosure for the sustainability issues most relevant to investor decision-making in each of 77 industries covered.

**IIRC:** This is a principles based framework for multi-capital value creation reporting - across financial, manufactured, natural, human, social and intellectual capitals or resources. The framework focuses on strategic, future orientated reporting on how an entity creates value.

**TCFD:** This is a sustainability reporting framework focused on the single issue of climate change. TCFD recommendations help an entity assess the risks of climate change and consider the financial implications it has on the entity. The framework consists of 11 recommendations based on 4 pillars: governance, metrics and targets, strategy and risk management. It focuses on the financial impact of climate change on the entity.

**GHG:** This is a widely used measurement standard to calculate emissions outputs. This is a voluntary protocol and can be used by all sizes of entities, cities and countries. It covers a number of standards, which include;

- a) The Corporate Accounting and Reporting Standard, which provides requirements and guidance for entities preparing corporate-level GHG emissions data.
- b) The Corporate Value Chain (Scope 3) Accounting and Reporting Standard, which supplements the Corporate Accounting and Reporting Standard.
- c) The Product Life Cycle Accounting and Reporting Standard, which can be used to understand the full lifecycle emissions of a product.

With the view of enhancing disclosures in entities' and bring harmonisation to sustainability reports, the International Sustainability Standards Board (ISSB) on 26 June 2023 issued its inaugural standards—IFRS S1 and IFRS S2—ushering in a new era of sustainability-related disclosures in capital markets worldwide. The Standards are aimed to improve trust and confidence in company disclosures about sustainability to inform investment decisions. And for the first time, the Standards create a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects.

The ISSB developed IFRS S1 and IFRS S2 with the benefit of extensive market feedback and in response to calls from the G20, the Financial Stability Board and the International Organization of Securities Commissions (IOSCO), as well as leaders in the business and investor community



## About the Standards

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures.

IFRS S1 requires companies to disclose information about sustainability-related risks and opportunities that would be useful to primary users of general purpose financial reports, including those that “could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term” (collectively referred to as ‘sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects’).

Risks and opportunities under the standard can be those arising “out of the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity’s value chain,” including direct and indirect interactions resulting from the business’ operations. The standard notes that in addition to direct impacts and dependencies, sustainability-related risks “also relate to resources and relationships throughout the entity’s value chain,” such as supply and distribution channels, and consumption and disposal of products, as well as its investments.

## ESG Financing

ESG (Environmental, Social, and Governance) financing involves making investment decisions based not only on financial returns but also on the 3 ESG components i.e environment, social responsibility, and corporate governance. Investors may seek companies or projects that align with their values and prioritise sustainable practices. ESG financing can take various forms, including green bonds, impact investing, sustainable mutual funds, and more, all aimed at supporting environmentally and socially responsible initiatives while generating financial returns.

Companies are able to source ESG compliant financing in a number of different ways. Highlighted below are some of the ways;

- **Green Bonds:** Issue bonds specifically earmarked for environmentally friendly projects or investments.
- **Social Bonds:** Similar to green bonds but focused on socially responsible projects, such as affordable housing or healthcare initiatives.
- **Sustainability-Linked Loans:** These loans have interest rates tied to the company’s performance on sustainability metrics.
- **ESG-Linked Bonds:** Bonds with terms linked to the company’s ESG performance, where interest rates may vary based on ESG targets.
- **Green Loans:** Loans specifically for eco-friendly projects or acquisitions.
- **Public-Private Partnerships:** Partner with governments or non-profits on ESG initiatives, often involving funding support.

Companies are advised to align their ESG goals and practices with the financing options that best suit their specific needs and objectives while ensuring transparency and adherence to ESG standards.





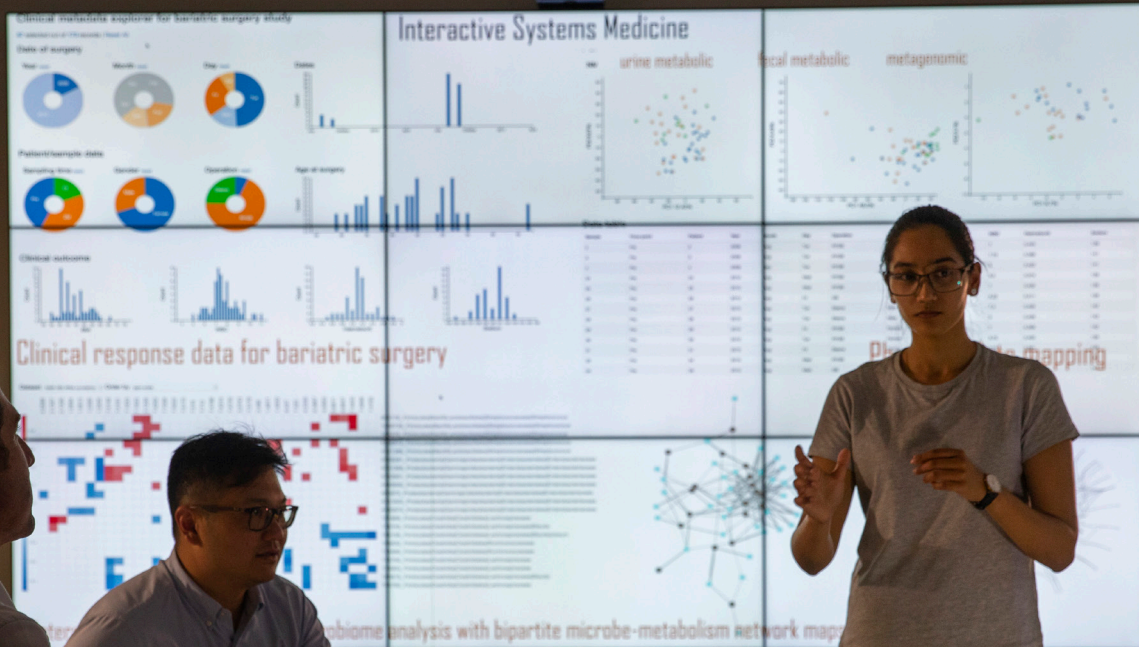
## ESG Financing Benefits

ESG financing comes with a number of benefits and Companies in Zambia should highly consider adopting ESG financing for the following reasons;

- **Sustainability and Responsibility:** ESG financing promotes sustainable and responsible business practices, which can improve a company's reputation and social impact in Zambia.
- **Risk Mitigation:** By integrating ESG factors into their operations, companies can identify and mitigate risks related to environmental, social, and governance issues, reducing potential liabilities.
- **Access to Capital:** Many investors and financial institutions now prioritise ESG-compliant businesses, making it easier for companies to access capital and loans.
- **Regulatory Compliance:** ESG standards may align with or be mandated by government regulations in Zambia, ensuring compliance can help avoid legal issues.

- **Competitive Advantage:** Companies that embrace ESG principles often gain a competitive advantage by attracting socially conscious consumers and investors.
- **Improved Stakeholder Relations:** Demonstrating a commitment to ESG can enhance relationships with stakeholders such as employees, customers, and communities, leading to positive outcomes.
- **Global Recognition:** ESG compliance can improve a company's global recognition and attractiveness to international investors and partners.
- **Resilience:** ESG strategies can enhance a company's resilience in the face of environmental and social challenges, contributing to long-term success.

Adopting ESG financing in Zambia can benefit companies by aligning them with global sustainability trends, reducing risks, and improving their overall financial performance and reputation.



## Measures and Key steps

It is also important to note that Companies that want to adopt ESG sustainable finance typically need to implement various measures and practices to align with ESG principles. Here are some key steps and measures:

- **ESG Reporting:** Companies should disclose ESG-related information, including environmental impact, social responsibility, and governance practices, through regular and standardised reporting mechanisms. This transparency is crucial for investors and stakeholders.
- **ESG Frameworks and Standards:** Adopt recognized ESG frameworks and standards, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or Task Force on Climate-related Financial Disclosures (TCFD), to guide their reporting and practices.
- **Board Oversight:** Establish board-level oversight of ESG issues. Boards of directors should actively engage with ESG strategies, goals, and risk assessments.
- **ESG Integration:** Integrate ESG considerations into strategic planning, risk management, and decision-making processes. Companies should assess how ESG factors impact their business operations and long-term sustainability.
- **Stakeholder Engagement:** Engage with key stakeholders, including shareholders, customers, employees, and communities, to understand their ESG expectations and concerns. This can help in shaping ESG strategies.

- **Sustainability Targets and Goals:** Set clear and measurable ESG targets and goals. Companies often establish goals related to reducing carbon emissions, promoting diversity and inclusion, and enhancing corporate governance.
- **ESG Training and Awareness:** Provide training and awareness programs for employees to ensure they understand the company's ESG commitments and their roles in achieving ESG objectives.
- **Continuous Improvement:** Regularly assess and report progress on ESG initiatives, and adapt strategies based on performance and changing ESG trends.
- **Legal and Regulatory Compliance:** Stay informed about ESG-related regulations and compliance requirements in their respective jurisdictions and industries.

It's essential for companies to demonstrate a genuine commitment to ESG principles rather than engaging in "greenwashing," which involves making false or exaggerated claims about sustainability efforts. By following these measures and integrating ESG principles into their business operations, companies can contribute to a more sustainable future and attract socially responsible investors and customers.







## 7. Listed Companies: 2022 Total Tax Contribution Analysis

Transparency and tax reporting have become essential disclosures for businesses across the globe. Publicly traded companies in particular face scrutiny from stakeholders, including regulators, existing and potential investors, employees, customers and suppliers over their attitudes towards tax compliance and general tax behaviour. This is because how a company manages its tax affairs is an indicator of how it manages risks, including financial, institutional and reputational risks.

A total tax contribution (TTC) framework offers an opportunity for the tax contribution of publicly traded companies to be quantified and analysed so that stakeholders can assess the fiscal value being derived from companies trading on the capital market and whether the tax operating environment is supportive of the sector. At the same time, it offers an opportunity for the regulated companies to report on value creation and analyse whether they have effectively contributed to the national treasury.

The TTC framework is a straightforward concept and is non-tax technical and is therefore relatively easy for stakeholders to understand.



## Potential benefits of maintaining a TTC Framework:

Tax transparency for organisations poses potential risks in addition to associated costs attached to tax disclosures and contribution studies. The risk this poses includes the risk that commercially sensitive information could be revealed or information misunderstood. The costs include the cost of collating the information.

Despite this, there are notable benefits that listed companies can accrue by adopting tax transparency initiatives in line with sustainability reporting. We highlight below possible benefits for consideration:

**1. Influence over tax policy and strategy:** TTC reports allow public companies to quantify their contribution to public finances in the form of taxes and analyse the trends in contribution over time. Furthermore, such disclosures allow the Government to assess the tax contribution of this sector, which may inform future policy around taxation for listed companies.

**2. Improved access to capital:** one of the main advantages of public companies is their ability to tap the financial markets by selling stock (equity) or bonds (debt) to raise capital. tax transparency in pursuit of financial sustainability will enable companies to access capital in the form of both debt and equity. Generally, stakeholders have expressed increased interest in organisations that show commitment to positively impact society and the environment in a way that can be quantified.

**3. Great head start:** tax transparency and reporting by listed companies could be said to fall within ESG reporting for the listed company. ESG reporting is a fairly new but critical concept that every organisation should consider embedding in the overall corporate strategy. Now that there is an increasing awareness of the ESG criteria among the public, this awareness is reflected in the choices people make regarding investments. It is not surprising that investors want to know where their money is going, and they are holding companies accountable for the way they do business. Overall, lower ESG risk equals lower financial risk and thus leads to more stable and higher long-term returns for investors. For this reason, being transparent in respect of taxes and demonstrating year-by-year progress is highly relevant not only for equity but also for debt relations.

With the above in mind, it appears the greatest risk is for companies is to delay tuning into the tax transparency discussion.

As a demonstration of the usefulness of TTC reporting, we prepared a high level TTC analysis that focuses on corporate income tax paid by companies listed on LuSE in 2022, based on information published in the publicly available audited annual financial statements.



## High level TTC by listed companies:

By way of background, Zambia operates a source-based system of taxation that generally taxes income that is sourced or deemed to be sourced within Zambia.

The following are the headline corporate income tax rates applicable in 2022:

**Table 14:** VAT refunds by economic sector 2020-2022 (K' million)

Source of Income	2022 Corporate Tax Rate Applicable
Standard Rate	30%
Banks	30%
Telecommunication companies Income not exceeding K250,000	30%
Telephone companies Income exceeding K250,000	40%
Farming/ agro processing or export of non-traditional products from farming/ agro-processing	10%
Export of other non-traditional products*	15%
income earned from hotels and lodges, accommodation and food services	15%
Income earned from value addition to gemstones through lapidary and jewellery facilities	30%
Manufacturing of ceramic products	0%
Companies add value to copper cathode	15%
New listings on LuSE**	2.0% discount
New listings on LuSE> 33.0% shares taken up by Zambians**	5.0% discount
Listings on LuSE>33.0% shares taken up by Zambians	5.0% discount
Mineral Processing	30%
Profits earned from mining operations (for both base metals and industrial minerals)	30%

Source: African Markets (african-markets.com)

\*Excludes income from export of minerals, electricity, services and cotton lint exported without an export permit from the Minister of Commerce.

\*\*Discount applicable to corporate tax rates and only available for the first year.

\*\*\*Corporates with rental income above K800,000

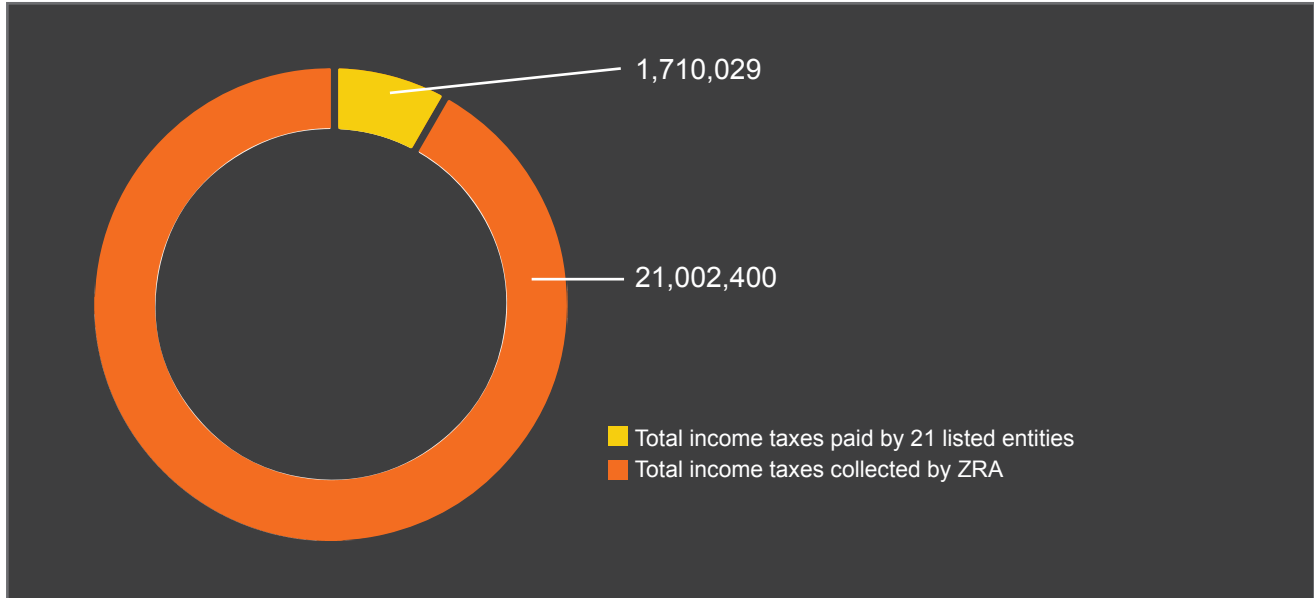
Total Tax Contribution of the Listed Companies

### Note:

**In performing our analysis, we relied on published information available for 21 listed companies. The analysis is based only on the corporate income tax amounts paid as reported in the Statement of Cash-flows of the published annual reports. We reiterate that no primary data was obtained and reviewed from the listed companies.**

A further source of information for our analysis is the published tax statistics of the ZRA's 2022 Annual report. According to this report, the net tax revenue (that is all tax types including CIT, Pay As You Earn ("PAYE"), Withholding Tax ("WHT") and Value Added Tax ("VAT") etc) collected in 2022 amounted to K90.3 billion. This represented a 7.7% increase in revenue collected when compared to 2021 (K83.9 billion) and represented 17.8% of Gross Domestic Product ("GDP"). GRZ's projected tax to GDP target in 2022 was 21.2%.

Figure 22: Share Price 30 June 2022 - 30 June 2023



Source: PwC Analysis

K21 billion of the total tax collected was borne from corporate income tax from both mining and non-mining companies. This represented 4.2% of the GDP (4.4% in 2021). Based on the information reviewed, the 21 assessed listed companies contributed K1,7 billion in income taxes. This is approximately 8.14% of the total income tax collected for the year.

The above analysis reveals that listed companies contributed an approximate 8% of the total CIT collected. This represents an estimated 2% of total tax collected by ZRA.

The measure of their contribution can be further enhanced by including the other tax types borne or collected by listed companies, such as Pay As You Earn ("PAYE"), Withholding Tax ("WHT") and Value Added Tax ("VAT"). Such analysis is useful as it would show the scale of the contribution of listed companies to the Treasury's total receipts.

The analysis above presents an opportunity to the regulator as well as the respective listed companies to further review industry contributions and what measures or incentives may be considered to support growth in the various sectors. This is with a view to maximise/unlock the tax contribution potential of the capital market. In so doing, the regulator is adequately positioned to mediate advantageously with the government on behalf of the capital market players. This of course is on account of the value being created monetary wise to the government's coffers.





## 8. Summary of key developments post 31 December 2022

Below we summarise key market developments announced by companies listed on LuSE. The summary only covers plans that affect the future prospects of the companies in question.

On September 26, 2022, the Cabinet approved the Capital Markets Master Plan (CMMP). This ten-year strategic plan is firmly aligned with the 8th National Development Plan (8NDP) and the Vision 2030, and it is aimed at ensuring that Zambia's capital markets make a significant contribution to the country's economic development. The CMMP was collaboratively developed by the Ministry of Finance and National Planning, working in conjunction with the regulatory body responsible for overseeing capital markets in Zambia, the Commission. The official launch of the plan was scheduled for February 23, 2023. The Master Plan had a number of goals that are designed to aid in the development of the local capital markets, such as increasing the LuSE Market Cap to GDP ratio from the 16% in 2022 to 33% by 2031. Other goals and targets include increasing the number of listed entities from 23 to 40 by 2031, launch the first green bond by 2024 and introduce electronically traded funds (ETFs) by 2027.

REIZ announced its intention to acquire three real estate properties which will enhance its market position and drive sustainable returns. The properties under consideration are: Acacia Park owned by LM&C Properties, Jacaranda Mall owned by Ancona Properties Limited; and Lewanika Mall owned by Forli Limited.

ZCCM-IH announced that it has partnered with a Billionaire-backed company called Kobold Metals which uses artificial intelligence and machine learning to identify battery metal deposits on a Copper exploration project, Mingomba, in Chililabombwe District of the Copperbelt Province in Zambia.

Copperbelt Energy Corporation announced that it has incorporated the subsidiary, CEC Renewables Limited. CEC Renewables will focus on developing and integrating renewable energy, particularly solar and wind and will increase and diversify CEC's generation portfolio. CEC Renewables is currently constructing a greenfield utility scale 60 MW solar facility Kitwes Ganerton area following the commissioning and expansion of its 34.15MW Solar PV Plant in Kitwe.





## 9. State of the equity market

### By Pangea Securities Zambia

The LuSE All Share Index (LASI) soared 23.63% in 2022, closing at 7,491.56 and topping the African rankings for annual index performance. The LASI started the year at 6,059.68 and rallied on the back of strong earnings growth and share price appreciation from 14 of the 22 listed companies on the LuSE.

Zanaco led the pack with a stellar 67.89% surge in its share price, driven by robust loan growth, improved asset quality, and 6.99% increase in net income between 2021 and 2020. The bank also declared a final dividend of ZMW 0.252 per share in March 2022 for the 2021 financial year, Investrust was the second-best performer with a 66.7% gain in its share price valuation. Though impressive, the Investrust stock price appreciation was only driven by 69 trades recorded in 2022 which culminated into only 25,597 shares traded during the period, which pales in comparison to the 108,331,196 total volume of shares traded during the year. Zanaco, on the other hand, was the second most traded stock on the LuSE with 21,116,074 shares traded across the period representing 19% of the total and spread across 3,163 trades translating into a ZMW56,807,730.28 in trade turnover.

For Chilanga Cement, the stock's outright performance had been flattish at ZMW13.38, oscillating in-between gains and losses of about ZMW0.01 since March 2022. The Stock averaged 93 trades per month, or 5 trades per business day, with a high of 317 recorded in June due to the Mandatory Offer and a low of 30 trades in November. The Stock was the 5th most-traded stock on the LuSE with 1,122 trades. It accounted for 6% of the 18,847 trades on the LuSE in 2022, and 3rd by Volume, and 1st by Turnover.

Africa Explosives was the top performer in absolute terms with a ZMW 12.62 increase per share, followed by Investrust with ZMW 10.00, Zambia Sugar with ZMW3.50, and Zanaco with ZMW1.46. The most traded stock by number of trades, CEC, added ZMW 1.13 to its per share valuation. Africa Explosives benefited from increased demand for its products and services from the mining sector, as well as improved operational efficiency and cost management.

CEC was the most liquid stock on the LuSE, accounting for 28% of the total volumes traded in 2022. The company's share price rose 43% in 2022, reflecting its resilient performance amid challenging market conditions. This increase in the share price was also attributed to the new Bulk Supply Agreement with Zesco Limited, with a term of 13 years effective 1 April 2022.

Seven other companies posted double-digit gains in share price by year-end, namely Puma Energy (32.29%), British American Tobacco (31.72%), Real Estate Investments Zambia (30.4%), Zambia Forestry and Forest Industries Corporation (28.72%), Zambia Sugar (24.14%), Pamodzi Hotel (18.33%), and Standard Chartered Bank Zambia (10%). The ZAFFICO stock (ZFCO) appreciated 29% between 3 January and 31 December 2022, leading to a ZMW 0.56 capital gain. The bulk of the appreciation occurred between 6-10 May 2022 when the share price rose from ZMW1.97 to ZMW2.45. (29% increase). Since then, the Stock had been generally flattish, registering marginal gains of ZMW0.01, ZMW 0.04, and ZMW 0.01 on 23 June, 28 September, and 7 December 2022 respectively, and closed the year 2022 at ZMW2.51.



Real Estate Investments Zambia (REIZ) was another notable performer in 2022 with a 30.4% increase in its share price. The company also announced a rights issue of 139 million shares at ZMW1.00 per share to raise ZMW 139 million for debt repayment and working capital. The transaction was underwritten by LM&C Properties who owned 59% of REIZ Shares after the rights issue.

The bullish performance of the LASI boosted the total market capitalization of the LuSE by 8.7% in 2022 (5.18% in USD terms), rising from ZMW 67.182 million to ZMW 72.872 million. The LuSE's impressive performance was attributed to several factors, including the stable macroeconomic environment, the improved business confidence, the increased foreign investor participation, and the positive outlook for the mining sector.

Generally, trading activity in the equity markets experienced a decline during the first and second quarters of 2022, reflecting a decrease in the number of shares traded between the opening and closing of the daily sessions. Volumes witnessed a moderate decrease of approximately 6% from January to May 2022. In contrast, June 2022 saw a remarkable surge of 372% compared to the previous month. Nevertheless, this surge was short-lived, and by August 2022, trading volumes had plummeted by 84% compared to the levels observed in June. Furthermore, there was a marginal uptick of 958% in trading volumes at the close of the year, specifically in December 2022, when compared to the figures from November 2022.

In the year 2022, the aggregate value of outstanding corporate bonds decreased from ZMW 655 million at the commencement of the year to ZMW 512 million at year-end. This decline, amounting to a 21.83% reduction, can be attributed to various factors, including the redemption of notes, bond maturities, and the impact of foreign exchange fluctuations on dollar-denominated notes. Notably, no new corporate bonds were issued throughout the year.





## Key Market Developments in 2022

On September 26, 2022, the Cabinet approved the Capital Markets Master Plan (CMMP). This ten-year strategic plan is firmly aligned with the 8th National Development Plan (8NDP) and the Vision 2030, and it is aimed at ensuring that Zambia's capital markets make a significant contribution to the country's economic development. The CMMP was collaboratively developed by the Ministry of Finance and National Planning, working in conjunction with the regulatory body responsible for overseeing capital markets in Zambia, the Commission. The official launch of the plan was scheduled for February 23, 2023. The Master Plan had a number of goals that are designed to aid in the development of the local capital markets, such as increase the LuSE Market Cap to GDP ratio from the 16% in 2022 to 33% by 2031. Other goals and targets include increasing the number of listed entities from 23 to 40 by 2031, launch the first green bond by 2024, introduce electronically traded funds (ETFs) by 2027, and list the country's first Real Estate Investment Trust (REIT) by 2027.

## Fundamental Performance

As of June 2023, the majority of the listed companies had disclosed their financial results for the year 2022. These reports revealed positive earnings for most of the listed entities, with the exception of a few. Notably, National Breweries reported a negative Basic Earnings Per Share (EPS) of ZMW1.91, Taj Pamodzi incurred a loss of ZMW0.19 per share, and Zambia Metal Fabricators reported a loss of ZMW 0.27 per share.

On the positive side, Shoprite reported the highest Earnings Per Share at ZMW 10.34, followed by Airtel Zambia with ZMW8.86, and ZAFFICO at ZMW3.18. While many companies on the LuSE posted positive earnings, only a select few declared dividends during or for the fiscal year 2022. These dividend-declaring companies include Shoprite (ZMW 3.67), Airtel Zambia, (ZMW 3.00), Zambia Sugar (ZMW 0.94), Zanaco (ZMW 0.262), Bata Shoe Company (ZMW 0.35), CEC (ZMW 0.499) and ZCCM-IH (ZMW 2.41). It's worth noting that ZCCM-IH declared its dividend for FY2022 on September 29, 2023. Two listed entities on the LuSE did not publish financial statements for the year 2022, these are Investrust and Madison Financial Services.





## 10. Internal Controls over Financial Reporting (ICoFR) Requirements

### Introduction

In 2019 the Securities and Exchange Commission (SEC) issued transition guidelines for issuers of registered securities to comply with Sections 146, 147 and 149 of the SEC Act.

A 5-year transition period was established for issuers. The transition period is from 1st January 2019 and ends on or before 31st December 2023. Thereafter, the reporting guidelines would take full effect with reports published as part of publicly available documentation.

Requirements in year 5 of the transition period

**Table 15:** Requirements in year 5 of the transition period

Reporting Requirements	Year of initial application	Responsibility
Submission of Gap Analysis Report	31 <sup>st</sup> December 2019	Issuer
Management self-certification	31 <sup>st</sup> December 2020	Issuer
Management Letter on ICoFR	31 <sup>st</sup> December 2022	Issuer
Certificates to Board/ Audit Committee	31 <sup>st</sup> December 2022	Issuer
Auditors report	31 <sup>st</sup> December 2021	External Auditors

Source : Securities (Internal Control Reporting Framework for Issuers of Registered Securities) - Guidelines-2019

We have seen progressive compliance with the SEC reporting requirements throughout the transition period with some issuer’s achieving greater progress than others. The key weaknesses observed have been poor documentation of controls in the risk & controls matrices (RCMS), lack of full understanding of the requirements, lack of awareness from the Board and the lack of capacity.

We also observed that the requirement to submit a Management letter on ICoFR and Certificates to the Board/audit committees for year 4 was not clearly stated in the Securities (Internal Control Reporting Framework for Issuers of registered securities) guidelines 2019, resulting in most issuers not complying. The SEC has since made these requirements clear.

On the other hand, there has been some significant progress made in complying with the SEC reporting requirements. Some of the success factors noted include:

- Hiring of external consultants to assist with the compliance process
- Participation in workshops and training conducted by SEC
- Conducting in-house training
- Identifying or creating structures that are responsible for ensuring compliance with the requirements of the guidelines including testing of internal over financial reporting and reporting to the Audit committee. We have noted that this is typically either the Internal audit department both at group or in-country, compliance department, financial controls team under finance, or outsourcing to consultants.



The frequency of management testing of internal controls over financial reporting has mostly been performed on a quarterly and annual basis for most issuers with management’s tracking and monitoring of identified gaps following the same frequency.

The transition period has also allowed the external auditors to align their timelines on ICoFR reporting with the external audit opinion as the reporting timelines are the same.

During the course of this year, we saw the SEC write letters to its issuers highlighting the status of submission for each respective issuer with regards to its submission requirements for the financial year ended 2021 and 2022.



Impact of the internal controls over financial reporting (ICoFr) requirements on the issuers control environment

The increased cost of compliance has been commonly cited by issuers as a key challenge. This is due to the cost of improving internal structures and mechanisms as well as increased external audit fees resulting from the additional obligation for external auditors to independently test and report on internal controls over financial reporting.

It is our understanding that the SEC is looking into these concerns actively. However, implementation of the guidelines has generally resulted in a marked readiness of the issuers in the implementation phase.

improvement in systems of internal control. We have noted better documentation of controls, improved fraud risk management and an increased awareness of compliance with policies, procedures, laws and regulations.

The respective issuers status of compliance in year 5 of the transition period which is the last year of the transition period will inform management, the respective issuer's external auditors and the SEC on the readiness of the issuers in the implementation phase.







## 11. Conclusion

In 2022, the LuSE demonstrated robust performance, with the LuSE All Share Index (LASI) surging by 23.63%, ranking as the top-performing African stock exchange. This impressive growth was driven by strong earnings and share price appreciation in several listed companies. However, some firms reported losses. Furthermore, the capital market in Zambia saw expansion, reflected in increased market capitalization and the approval of the Capital Markets Master Plan (CMMP), outlining strategic goals for local market development. Despite fluctuations in trading volumes, the LuSE remained resilient, benefiting from a stable macroeconomic environment, growing foreign investor participation, and a positive outlook for the mining sector. In addition, the corporate bond market experienced changes with a decrease in outstanding corporate bonds and limited new issuances. Overall, 2022 marked a positive year for Zambia's capital markets, with growth and strategic planning for future development alongside ongoing challenges and disparities among listed companies.

# Glossary

Companies Listed on LuSE (December 2022)

Sector	Company Name	Year End	
		Current	Comparative
Basic materials	AECI Mining Explosives	31-Dec-22	31-Dec-21
	Zambia Forestry and Forest Industries Corporation		
	ZCCM Investment Holdings		
Consumer goods	British American Tobacco Zambia	31-Dec-22	31-Dec-21
	National Breweries		
	Zambeef Products		
	Zambia Bata Shoe Company		
	Zambia Sugar		
	Zambian Breweries		
Consumer services	Pamodzi Hotels	31-Mar-22	31-Mar-21
	Shoprite Holdings		
Financial services	Zambia National Commercial Bank	31-Dec-22	31-Dec-21
	Standard Chartered Bank Zambia		
	Investrust Bank		
	Real Estate Investments Zambia		
	Zambia Reinsurance		
	Madison Financial Services		
Industrials	Metal Fabricators of Zambia	30 Sept 22	30 Sept 21
	Lafarge Cement Zambia		
Telecoms	Airtel Networks Zambia	31-Dec-22	31-Dec-21
Energy	Copperbelt Energy Corporation		
	Puma Energy Zambia		



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