

## SECTION 20

This section contains the requirements that must be satisfied by issuers wishing to apply for, or which have a listing on, the **Zimbabwe Emerging Enterprise Market ("ZEEM")**.

The main headings of the section are:

**20.1 General**

**20.2 Conditions for Listing**

**20.5 Publication**

**20.6 Corporate Governance**

**20.7 Public Shareholders**

**20.8 Issues for Cash**

**20.9 Pre-Listing Statements**

**20.10 Financial Information**

**20.11 Transactions**

**20.12 Related Party Transactions**

**20.13 Designated Adviser ("DA")**

**20.36 Documents to be submitted and published**

**20.40 Fees**

### **General**

20.1 Issuers wishing to apply for, and those with a listing on ZEEM, must comply with the Listings Requirements, unless otherwise indicated in this section.

### **Conditions for Listing**

20.2 (a) ZEEM is a market for small to medium companies that are in a growth phase and applicants that meet the criteria for listing on the Main Board will not ordinarily be granted a listing on ZEEM. The ZSE reserves the right to request such applicants to route their applications to the Main Board; and

(b) when issuers with a listing on ZEEM reach the stage that they comply with the criteria specified in paragraph 4.28, the ZSE may transfer their listing to the Main Board.

### **Criteria**

20.3 In addition to the requirements of paragraph 4.1 to 4.27, issuers wishing to apply for a listing on ZEEM must comply (and after the listing has been granted, on a continuing basis) with the following requirements:

(a) Applicants must appoint a DA and the terms of the appointment must be in accordance with paragraph 20.13;

(b) The applicant must have share capital of at least US\$250 000 (including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the ZSE prepared within the last six months);

(c) The public shall hold a minimum of 26% of each class of equity securities and the number of public shareholders (refer paragraph 20.7) shall be at least 150;

(d) The directors must have completed the Directors Induction Programme ("DIP") or must make arrangements to the satisfaction of the ZSE to complete it;

(e) The applicant must appoint an executive Financial Director and the DA must be satisfied (and submit confirmation in writing to the ZSE) that the Financial Director has the appropriate expertise and experience to fulfil his/her role.

(f) The applicant must appoint a Compliance Officer and the DA must be satisfied (and submit confirmation in writing to the ZSE) that the Compliance Officer has the appropriate expertise and experience to fulfil his/her role. The Financial Director or the Company Secretary may fulfil this role.

- (g) The issuer must produce a profit forecast for the remainder of the financial year during which it will list and one full financial year thereafter;
- (h) The issuer's auditors or attorneys must hold in trust 50% of the shareholding of each director and the DA ("the relevant securities") in such applicant from the date of listing, and a certificate to that effect must be lodged with the ZSE by the issuer's auditors or attorneys. The relevant securities, whether new or existing, are to be held in trust until the publication of the audited results for the periods referred to in paragraph 20.3 (f), after which 50% may be released and the balance one year thereafter. The relevant securities may only be released after notifying the ZSE; and
- (i) At least 25% of the directors must be non-executive.

### **Warning Statements**

20.4 The front cover of all documents (including announcements, circulars and annual reports) issued or published by the issuer must contain an appropriate warning in bold relating to the risks of investing in the issuer. This warning must include a statement that the ZSE does not guarantee the viability or success of the issuer. It must also include a statement relating to the importance of the DA and that if the issuer fails to retain a DA, it faces suspension within the specified time and subsequent termination without the prospect of an appropriate offer.

### **Publication**

20.5 Announcements must be published on the ZSE Data Portal and the issuer's web site (where one exists). This is only a minimum and the ZSE would encourage voluntary publication in the press.

### **Corporate Governance**

20.6 All the provisions of the Listings Requirements relating to corporate governance will be applicable with the exception of paragraphs 3.84 (c) and (d). Issuers must however appoint an audit committee that must fulfil the role as set out in the Codes on Corporate Governance acceptable to the ZSE. This committee must comprise the non-executive directors and the DA as a minimum. The audit committee may not comprise of any of the executive directors

### **Public Shareholders**

20.7 In addition to the provisions of paragraphs 4.25 and 4.26, any shareholding held beneficially, whether directly or indirectly by the DA will not be regarded as being public.

### **Issues for Cash**

20.8 Issuers must comply with all the provisions of the Listings Requirements relating to general issues of shares for cash with the following exceptions:

- (a) the percentage in paragraph 5.52 (c) may not exceed 50%; and
- (b) the approval as required in paragraph 5.52(e) is subject to achieving a 75% majority of the votes cast in favour of such resolution by all equity securities holders present or represented by proxy at the general meeting excluding the DA and the controlling shareholders together with their associates.

### **Pre-Listing Statements**

20.9 Issuers must comply with all the provisions of Section 6 of the Listings Requirements with the exception that the percentage in paragraph 6.19(g) will be 50%.

### **Financial Information**

20.10 All the provisions of section 8 are applicable with the exception that the period referred to in paragraph 8.4 is only one year.

### **Transactions**

20.11 Issuers must comply with all the provisions of Section 9 of the Listings Requirements. Notwithstanding the provisions of paragraph 9.5, a transaction will be categorised as a Category 1 transaction where any percentage ratio defined in paragraph 9.6 is 50% or more, and where the percentage ratio is less than 50%, the transaction will be categorised as a Category 3 transaction.

### **Related Party Transactions**

20.12 Issuers must comply with the provisions of section 10 of the Listings Requirements with the following exceptions:

- (a) the percentage in paragraph 10.6 (h) is equal to or less than 10%;
- (b) paragraph 10.7 is not applicable;
- (c) all related party transactions must be announced (containing the information required by paragraph 9.15) irrespective of the size of the transaction;
- (d) the fair and reasonable statement in respect of transactions which are greater than 10% but less than 50% may be given by the DA, provided that the DA is not a party to the transaction and does not have any other vested interest in the transaction other than being a shareholder; and
- (e) related party transactions where both the percentage ratios referred to in paragraph 9.6 are equal to or greater than 50% are subject to the normal Listings Requirements.

### **Designated Advisors (“DA”)**

#### **Appointment**

20.13 An applicant seeking a listing of securities on must appoint a DA in terms of a written contract and must ensure that it has a DA at all times.

20.14 The DA must comply with and is subject to all the provisions of the Listings Requirements as though they were a sponsor.

20.15 All references in the Listings Requirements to sponsors apply *mutatis mutandis* to "DA" for companies that are applying for or which have a listing on ZEEM.

#### **Eligibility criteria**

20.16 A DA must meet the requirements for a sponsor at the time of applying for and being admitted to the list of DA's. Existing sponsors must apply to become a DA and must meet the eligibility criteria in terms of Schedule 16 and section 2 at the time of applying to become a DA.

#### **Responsibilities**

20.17 The DA's role is of particular importance to the successful operation of, since it is the expectation of the ZSE that each issuer must, with the guidance and assistance of the DA, comply with and discharge its responsibilities under the Listings Requirements. In this regard, the DA is expected to advise the issuer on all of the issuer's responsibilities in a competent, professional and impartial manner.

20.18 The DA must ensure at all times that its conduct or judgement does not impair the integrity and reputation of the ZSE.

20.19 The DA must immediately inform the ZSE in writing, if the issuer does not comply with the applicable regulation as defined in paragraph 20.20(f).

20.20 The DA must, prior to listing, confirm in writing to the ZSE that:

- (a) all the documents required by the Listings Requirements have been so submitted;
- (b) it considers the new applicant suitable for listing on;
- (c) the new applicant complies with all of the conditions for listing set out in the Listings Requirements;
- (d) the pre-listing statement is in compliance with the Listings Requirements and that:
  - (i) the information contained in the pre-listing statement is accurate and complete in all material respects and not false or misleading;

- (ii) there are no other matters, the omission of which would make any statement in the pre-listing statement false or misleading;
- (iii) statements of fact and opinion expressed by the directors in the pre-listing statement have been arrived at after due and careful consideration on the part of the directors and are founded on bases and assumptions that are fair and reasonable; and
- (iv) the directors of the new applicant have made sufficient enquiries so as to enable them to give the confirmations set out in the "responsibility statement" contained in the pre-listing statement;
- (e) there are no matters other than those disclosed in the pre-listing statement or otherwise in writing to the ZSE which should have been disclosed to the ZSE in considering the application for listing of the relevant securities; and
- (f) the DA (or other advisors acceptable to the DA) has explained to the directors of the new applicant the nature of their responsibilities under the Listings Requirements, the Companies Act and IFRS or any other accounting framework used and applicable to the ZSE ("applicable regulation") and the DA has satisfied itself to the best of its knowledge and belief, having made due and careful enquiries that:
  - (i) the directors have the requisite expertise and experience;
  - (ii) they understand the nature of those responsibilities and can be expected to honour their obligations under the Listings Requirements, and other applicable regulation;
  - (iii) they can be expected to prepare and publish all information necessary for an informed market to take place in the applicant issuer's securities and
  - (iv) the information supplied on the Directors' declarations has been verified and confirmed as true.

20.21 The DA must take all reasonable steps to brief all new appointees to the board of directors of the issuer as to the nature of their responsibilities under the Listings Requirements, other applicable regulation and the general nature of their obligations in relation to shareholders. The DA must also ensure that:

- (a) the directors of the new applicant have completed the Directors' Induction Course prior to listing or that appropriate arrangements have been made with the ZSE in accordance with paragraph 20.3 (d); and
- (b) all new appointees complete the Directors' Induction Course within six months of appointment.

20.22 The directors of the issuer must be informed by the DA (or other advisors acceptable to the DA) on a timely basis of any amendment or supplement to the Listings Requirements, or other applicable regulation.

20.23 The DA shall, prior to publication, review with the issuer all periodic financial information announcements, and other documentation detailed in section 11 with a view to ensuring that the directors of the issuer after due and careful consideration understand the importance of accurately disclosing all material information to shareholders and the market.

20.24 The DA must regularly review the issuer's actual trading performance and financial condition to ensure that appropriate disclosure is made in terms of paragraph 3.4.

20.25 The DA must ensure that at least one of its approved executives attends all board meetings of the issuer in an advisory capacity to ensure that all Listings Requirements and applicable regulations are complied with.

20.26 In addition to paragraph 16.13 of Schedule 16, the DA must also provide the ZSE with confirmation that all of its approved executives have attended at least four of the six annual DA forums hosted by the ZSE.

### **Shares held by DAs**

20.27 DAs may hold shares or other securities in an applicant issuer for which that DA acts.

20.28 At no time may the DA's holding exceed 10% of the total issued securities of the class of shares concerned.

20.29 The DA's holding of such securities, as well as the contractual basis upon which that holding arose, must be published in the pre-listing statement issued at the time of listing of the securities in question.

20.30 All and any dealings by the DA in the securities of the issuer in question, must be disclosed and published, *mutatis mutandis*, in the same manner as is applicable to directors of the issuer in question in accordance with paragraphs 3.63 to 3.74.

20.31 Securities held by the DA are subject to the provisions of paragraph 20.3 (g).

### **Termination of Contract**

20.32 In the event that the contract between an issuer and its DA is terminated for whatever reason the issuer and the DA must submit a report to the ZSE stipulating the reasons for the termination within 72 hours of such termination.

20.33 In the circumstances set out in paragraph 20.32, an issuer must immediately publish an announcement on its website and the ZSE Data Portal, stating the reasons for the termination and that the issuer's listing is under threat of suspension and possible termination in accordance with paragraph 20.35. The issuer must make immediate arrangements to appoint a replacement DA within 30 calendar days of the date on which the former DA ceased to act and must inform the ZSE and publish a further announcement on its website and ZSE Data Portal immediately after the appointment has been made.

20.34 The replacement DA must ensure, before accepting the appointment that it has requested the report referred to in paragraph 20.32 from the outgoing DA. The outgoing DA must supply this report to the replacement DA within two business days of such request, and the replacement DA must take account of the reasons for the termination before accepting the appointment.

20.35 If an issuer fails to appoint a DA within the abovementioned period, the ZSE may suspend trading in the issuer's securities subject to the Securities and Exchange Act as amended. If, after a further 60 calendar days the issuer has failed to appoint a replacement DA, the issuer's listing may be terminated.

### **Documents to be submitted and published**

#### **Application for transfer**

20.36 No transfers can be made from the Main Board to ZEEM. Issuers that wish to voluntarily apply for a transfer to the Main Board must complete and submit the following to the ZSE for approval:

- (a) the application letter contained in the appendix to this section;
- (b) a memorandum containing all the information required in terms of paragraph 20.3 with the relevant supporting documentation;
- (c) the latest audited annual report and the latest interim report;
- (d) a draft announcement containing the information as required by paragraph 11.4. This announcement must contain the warning statement as required by paragraph 20.4 and a statement that the applicant has been granted approval by the ZSE to transfer its listing from a particular date;
- (e) documentation evidencing compliance with paragraph 16.10 (f), (s) and 16.12 (e); and
- (f) schedule 21 declarations of all of the directors of the applicant.

20.37 If the ZSE grants approval, the issuer must publish on the ZSE Data Portal and in the press in accordance with paragraphs 3.46 to 3.48 the announcement referred to in paragraph 20.36 (d) on the day prior to the transfer date.

#### **New applicants**

20.38 Applicants wishing to apply for a listing on must comply with all the Listings Requirements as stipulated in this section. Applicants must submit all the documents as required by section 16 and in addition all the necessary documentation evidencing compliance with this section.

20.39 The directors of the issuer as well as the DA must present, in person, the pre-listing statement and prospectus to the ZSE prior to being granted a listing.

#### **Fees**

20.40 The fees for listing of securities shall be based on the Fees Schedule in Section 17, payable to the ZSE on the initial listing date of the securities.

20.41 The documentation fee payable on initial listing is stated in Section 17.

20.42 In respect of each class of security listed, an annual listing fee shall be paid in February of each year, which shall be ..... (including VAT).

20.43 The fees for listing additional securities are as per Section 17.

#### **DAs**

20.44 DAs will be required to pay an initial, non-refundable, application fee of ..... (including VAT) in order to act as a DA, unless such party is already an approved sponsor. This fee is to be submitted with the application to become a DA.

20.45 DAs will be required to pay a non-refundable annual fee of ..... (including VAT) per annum.

### **Appendix to Section 20**

#### **Application for transfer to the Main Board from ZEEM**

1.1 The application must contain the following:

\* delete whichever is not applicable;

1.2 The application must be signed by the secretary and a director, or equivalent, of the applicant and by the DA.

1.3 The application must be accompanied by a resolution of the directors of the applicant authorising the application for the transfer of listing.

(a) a statement that:

"It is understood that this application shall constitute a contract between this company and the Zimbabwe Stock Exchange ("ZSE") and also between the directors\*/description of office equivalent to directors\*, on a continuing basis, of the company and the ZSE, and that in giving the General Undertaking referred to in paragraph 16.10 (s) of the Listings Requirements of the ZSE ("the Listings Requirements"), the company and its directors\*/description of office equivalent to directors\* undertake to comply with the Listings Requirements as they may exist from time to time."

(b) full name of the applicant;

(c) the addresses of the registered and transfer offices of the applicant in the Republic of Zimbabwe;

(d) regarding the applicant's share capital:

(i) the amount of the authorised share capital of each class of share, and the nominal value and number of securities in each class; and

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- (ii) the number and amount of the share capital issued and to be issued with respect to of share, and the number of securities in each class for which a listing is applied for;
- (e) the nominal amount and number of securities of each class:
  - (i) offered to the public for subscription, either by the applicant or otherwise ("the offer"), and the date the offer opened;
  - (ii) applied for in terms of the offer, and the date the offer closed (where this information at the date of application); and
  - (iii) issued and/or allotted, and the date of issue and/or allotment (where this information is at the date of application) pursuant to the offer; and
- (f) the abbreviated name of the applicant. Such abbreviated name must not exceed 9 characters, inclusive of space.