



INVESTOR DUE DILIGENCE PROCESS

Table of Contents

1. Introduction	3
1.1 Lusaka South MFEZ)	3
1.2 Vision	3
1.3 Mission	3
1.4 Core Values	3
2. Due Diligence Process	4
2.1 Legal structure	4
2.2 Corporate and management	4
2.3 Site Visitation	5
2.4 Office of the President (OP)	5
2.5 Third Party Verification	5
3. Business Activities Verification	5
3.1 Sources of Funds	5
3.2 Turnover	5
3.3 Operational Structure	5
3.4 Partnerships	5
3.5 Environmental	5
3.6 Interviews	6
4. Ongoing Monitoring	6
5. Conclusion	6
6. Due Diligence Check List	7
7. Process Flow Chart	8
8.0 Management Recommendation to the Committee	9

1.0

Introduction

The Investor due diligence exercise is conducted by Lusaka South Multi Facility Economic Zone (LS MFEZ) on investors wishing to invest in the Zone. This process is conducted prior to offering land for investment or formation of a partnership.

This Investor due diligence is intended to help Lusaka South MFEZ establish that the Investors are being truthful about their identities, businesses and other related transactions. It is done to verifying the nature of their business and their risk of involvement in financial crime and their ability to make meaningful investment in the Zone

1.1 About LS MFEZ

Lusaka South Multi Facility Economic Zone was established on 28th June 2010 under Statutory Instrument No. 47 of 2010. It is a Special Economic Zone designed to achieve economic diversification and development of Zambia. The company, LS-MFEZ Limited was incorporated on 25th June, 2012 and has the mandate to develop, operate and manage the Zone.

1.2 Vision:

“Leading the way in the diversification of the Zambian Economy”

1.3 Mission:

“To develop, Operate and Manage the LSMFEZ in order to promote eco-friendly and sustainable investments”

1.4 Core Values

Our Values, are summarized by the acronym “SPACE 2i” . This highlights that we are creating a space that will be a centre of excellence in pursuit of our goals. Each letter in the word SPACE 2i is further interpreted as;

- **Service** - We endeavour to provide an acclaimed Investment environment to all investors.

- **Professionalism-** We perform our duties in a respectable manner with competence and thoroughness.
- **Accountability-** We take responsibility for our decisions and actions
- **Collaboration** - Continuous strengthening of partnerships with all the stakeholders through stronger and effective coordination.
- **Excellence-** We uphold the highest standards of service delivery in the execution of our duties.
- **Integrity-** We pledge to discharge our responsibilities honestly, transparently and sincerely.
- **Innovation** - We embrace new ideas and develop skills that meet current and future challenges

2.0 Due Diligence Purpose

In order to understand the nature of the investors' business, the following must be established:

2.1 The legal structure: Sole Trader, Limited Company or any other of the business. Verification is done through PACRA. Documents required for verification include;

2.1.1 Certificate of Incorporation

2.1.2 break down of share ownership

2.1.3 Any partnership agreement

2.2 Corporate and Strategic Management: This identifies the ultimate beneficial owners (Directors, Shareholders, Managers). This must be verified by providing a valid passport, NRC or driving license and a valid proof of residence (Issued within last three months - Utility bills linked to a fixed address such as water, electricity bill or tenant agreement).

2.3 Site Visitation: Visiting client business premises to verify if it is consistent with the information provided as well as to monitor production process if they already have an existing factory.

2.4 Office of the President (OP): Directors search is also conducted by the Office of the President in order to establish the authenticity of the business.

2.5 Third Party Verifications: Verifying client information with a third-party e.g., PACRA, FIC, Banks and other reputable third party information providers.

3.0 Business Activities

Taking steps to understand business activities of beneficial owners:

3.1. Source of funds: Foreign Direct Investment (FDI) or Local funds. Investor provides atleast one of the items listed below;

3.1.1 Provide bank statements

3.1.2 Audited financial statements

3.1.3 Letter of comfort from banks or funders

3.2. Turnover: Previous years' turnover and future revenue projections

3.3 Operational structure: Number of local employees and foreign employees

3.4 Partnerships: An understanding of key business partners and suppliers where applicable

3.5 Environmental: Detailed production process to ascertain pollution levels. Information to be provided must include;

3.5.1 Source of raw materials

3.5.2 Type of waste materials or emissions produced

3.5.3 Method of disposal

- 3.6. **Interviews:** The interviews with prospective investors and their recommended referrals will be conducted to establish the credibility of the business.

4.0 Ongoing Monitoring

Lusaka South MFEZ will conduct periodic reviews of its investor's due diligence records. In order to keep up to date, the following information will be collected as part of the on-going monitoring:

- 4.1 Has there been any change in the company ownership?
- 4.2 Has there been any change in the nature of the business (e.g. diversification into a new sector or market)
- 4.3 Is there any new links to international jurisdiction / export trade?
- 4.4 Has there been any significant changes in the level of client's turnover?
- 4.5 Have there been any large transactions (mergers or acquisitions) made recently.
- 4.6 Are future business plans inconsistent with the clients' background or make little commercial sense.

If the answers are satisfactory and make commercial sense, they should be documented and filed on the investors file.

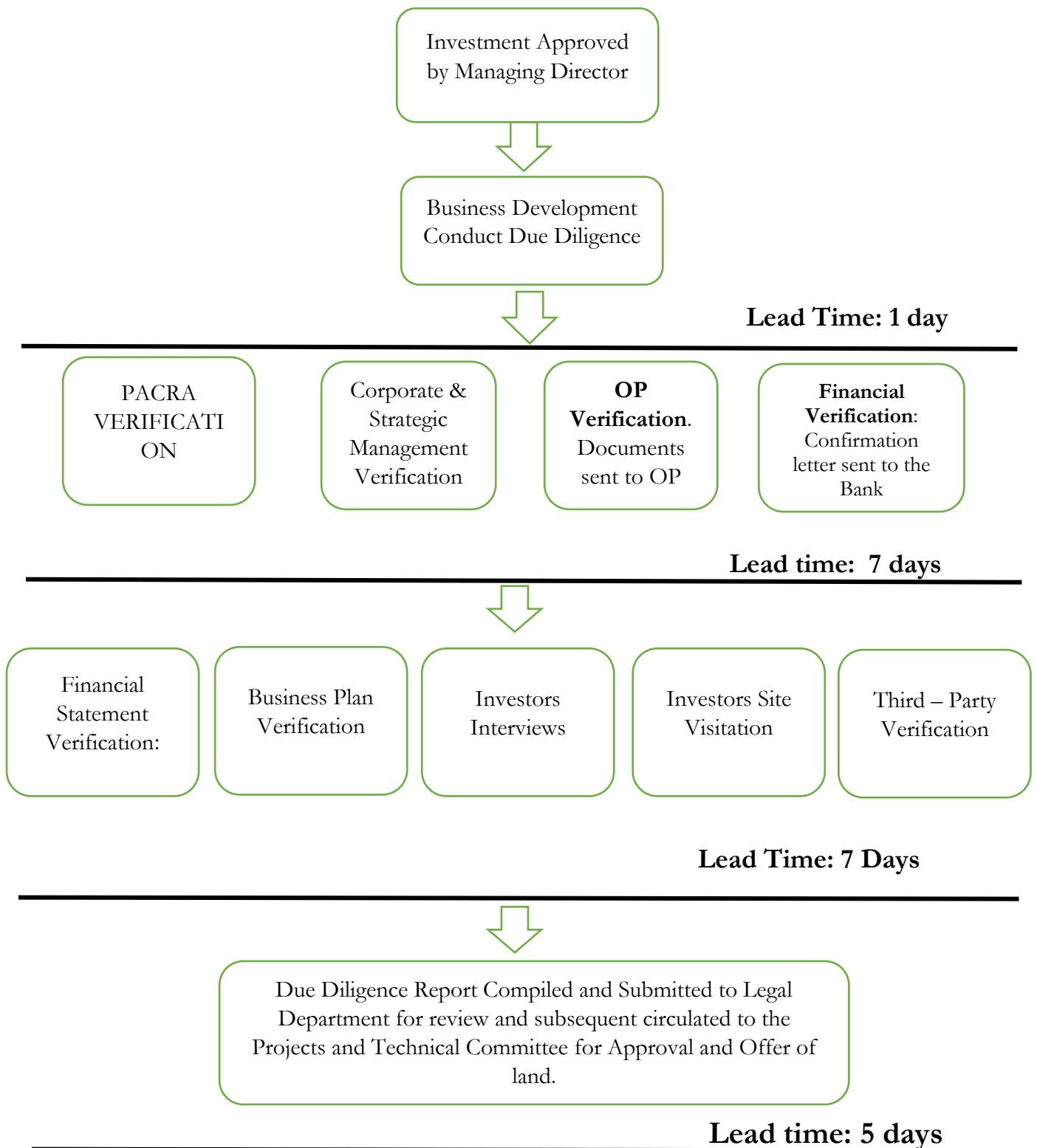
5.0 Conclusion

The process is not meant to discourage our would-be investors but to ensure that only credible investors are accommodated in the Zone. The process will be reviewed from time to time to ensure that it is effective and efficient in vetting investors in order to provide quick investor turn around.

6.0 DUE DILIGENCE PROCESS CHECK LIST

Company Details	Narration
Company Name	
Legal Structure (sole trader, Limited Company, Partnership)	
Certificates of incorporation	
Names of Directors	
Break down of share ownership	
Identities of ultimate beneficial owners	
Date of Incorporation	
Registered physical address	
Proof of Address - Physical visitation	
Email addresses	
Office Line:	
Phone Number	
Company Management	
Name of Senior Managers	
IDs / C.Vs	
Addresses verification / Site visit	
Total Cost of Project (USD)	
Source of funds	
Bank Letter	
Bank Statement	
Financing Entity Details	
Current turn over	
Revenue Projections	
Environmental	
Detailed production process	
Source of raw materials	
Type of waste products/emissions	
Method of disposal	
Information Verified by third Party	
Bank feedback	
FIC Report	
PACRA	

7.0 DUE DILIGENCE FLOW PROCESS FLOW



8.0 MANAGEMENT’S RECOMMENDATION TO THE COMMITTEE