

A Secured Legacy.

2021 TRUSTEES REPORT



A SECURED LEGACY

Cattle have been seen as a symbol of wealth, in the Setswana culture, for decades. Farmers are known to build strong and well secured kraals, to shelter and secure their cattle, in the same way that an individual, business and or any other entity would protect theirs or stakeholders' investments.

'Securing Legacies', pays an ode to Batswana's oldest means of wealth creation by cattle rearing.

Inspired by this notion, we continue to work towards building secure instruments and systems for our member's investments, to enable them to have dignified post working lives.



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Introduction

INTRODUCTION

A historical relationship exists between Botswana Life Retirement Annuity Fund (“BLRAF”) and Botswana Life Insurance Limited (“BLIL”). BLIL as a licensed life insurance company sponsors and previously administered six separate umbrella retirement annuity funds registered with Botswana Unified Revenue Service (“BURS”), with a combined membership base of over 80 000 members and assets in excess of BWP2 billion.

Each of the funds were originally established as permanent funds for the sole purpose of providing life annuities for members and annuities for the widows, children, dependants and beneficiaries of deceased members. The Funds were set up in 1987/1988 and approved by the Commissioner of Taxes. All the funds were set up as tax approved funds with their own rules and using the BLIL life fund to fully underwrite the benefits. The resulting business was issued as a retail life licence retirement annuity fund, offering voluntary membership to individual clients or voluntary member groups not associated with any employer.

Historically these funds were administered as a form of insurance business by BLIL. In all cases, members applied for and were issued with an individual fund investment policy/certificate reflecting the material terms of each member’s financial entitlement, which together with the incorporation of the applicable fund rules, reflected all of the terms and conditions of the member’s commercial rights in the contract.

On 4 June 2017 in Circular 4 of 2017, the Non-Bank Financial Institutions Regulatory Authority (“NBFIRA”) advised that all existing retirement funds were required to apply for licensing in terms of the new Retirement Funds Act 2014 (“the Act”). By 13 January 2017, BLIL had applied for licensing, culminating in the licensing of BLRAF as an “individual retirement fund” on 13 September 2019. BLRAF was established as an umbrella fund to incorporate and accommodate the existing six life office funds by way of specific sub rules.

As a licensed retirement fund, section 6(1) of the Act provides that BLRAF is a body corporate capable of acting in its own name and exercising its powers and functions in terms of its rules (in this case, including the sub rules). Each existing fund is therefore now compliant in terms of the Act and able to continue to operate within the umbrella of BLRAF.

This mechanism is useful because it means that each of the six funds will continue to exist, still “separate” with all of their members, asset and liabilities intact and accounted for, housed within the umbrella of BLRAF.

BLRAF AT A GLANCE

AUM

2,246,087,832

CLAIMS PAID

163,752,438

CONTRIBUTIONS

294,406,032

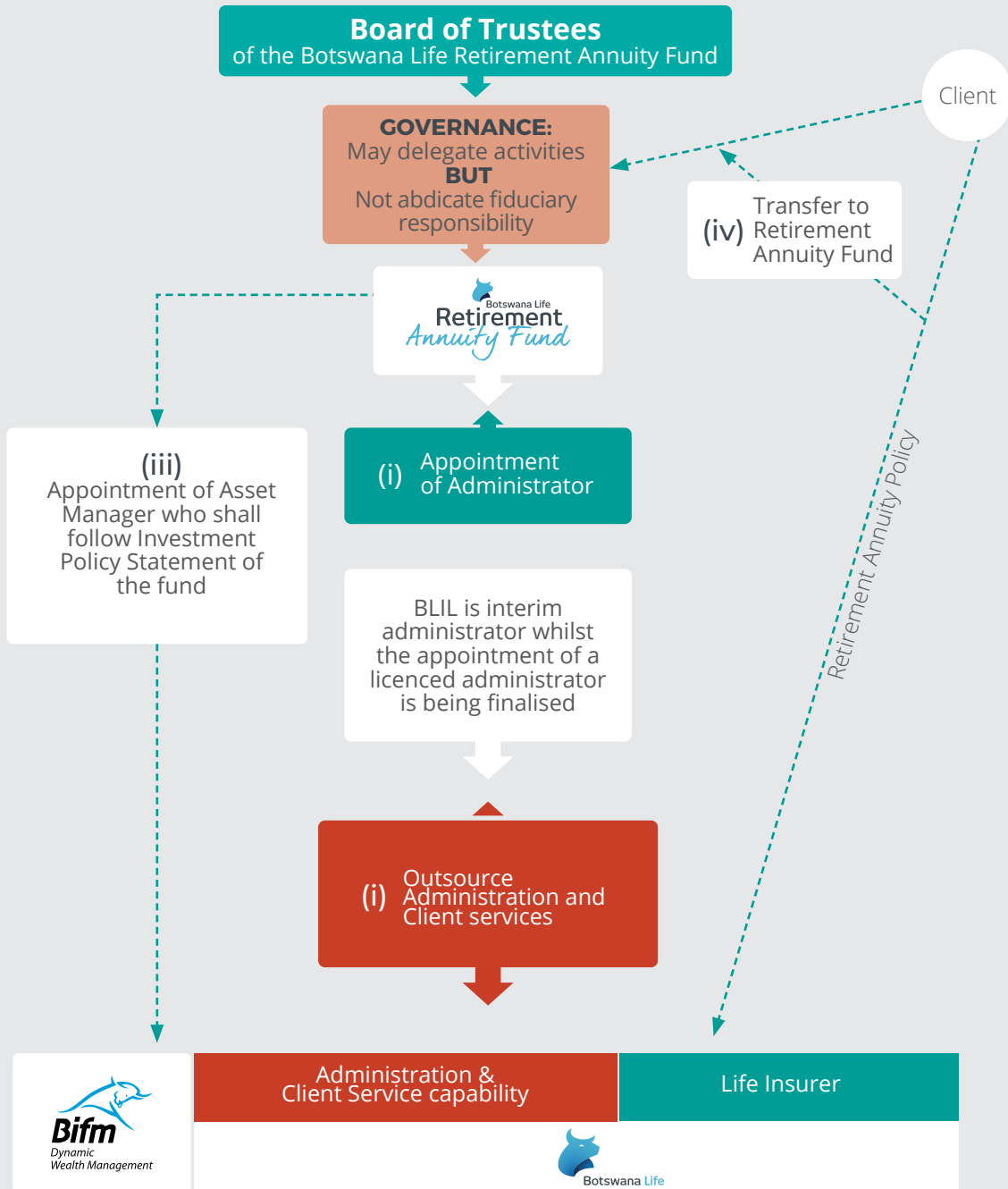
MEMBERSHIP

ACTIVE	52,699
DEFERRED	32,009
TOTAL	84,708

RELATIONSHIP CHART



The different entities in the value chain and the change in relationship to the client in compliance with Retirement Funds Act & Regulations





MISSION, VISION & VALUES

OUR MISSION

We create legacies and meet our clients' need for financial security through the best retirement funding solutions.

OUR VISION

To be Botswana's first choice in retirement fund solutions that enable our clients to have dignified post working lives.

MISSION, VISION & VALUES

OUR VALUES

VALUES	EXPLANATION
Collaboration	<ul style="list-style-type: none"> • Internally and externally (partners). • We fervently strive to find win-win relationships, energetically finding mutually beneficial outcomes. • We maintain a high sense of teamwork, seeking first to understand, before being understood. • We prioritize facetime over email contact, thus creating warmth in our engagements. • We respectfully and lovingly give and receive constructive feedback, transcending the self.
Agility & Innovation	<ul style="list-style-type: none"> • Our courage gives us the willingness and discipline to search for and try new things directly related to the success and growth of our fund. Specifically, we are committed to a culture of: <ul style="list-style-type: none"> - continuous improvement; - embracing new technologies and business models; and - pursuing new markets. • We learn from our mistakes, seeing them as a sure way to improve consciously. • Each day we strive to do better than the day before. • We respond readily to challenges with a mindset to find on point solutions.
Corporate Citizenship	<ul style="list-style-type: none"> • We do the right thing, even when no one is looking (integrity). • We uplift the communities that we serve. • We value the protective and clarifying nature of policy and regulation and comply with them most gladly as we climb the success ladder.
Member Centricity	<ul style="list-style-type: none"> • We put our valued members first at all times. Our priority is to delight and to go beyond the call of duty in assisting them. We are on point the first time we engage. • We reward our members handsomely for longevity because we appreciate the great value they bring to our business growth and profitability. • Botho (respect) lies at the foundation of our success, so we care. • Our stakeholders form very important and secure building blocks for our business, so our engagement with them is impeccable and deliberate.
High Performance	<ul style="list-style-type: none"> • We fully understand that knowledge is key to success, so we foster a vibrant culture of learning. • We develop our people as a demonstration of our appreciation of them, equipping them for high performance. • Our culture of high accountability (not making excuses) is at the foundation of our massive success. • We are so efficient that we deliver better and quicker than expected every time. • Servant leadership is our way. We place humility (Botho) and purpose first before success.

Chairperson's Statement



“BLRAF is proud of its record as the leading retail/individual retirement fund and our commitment to good governance to ensure the best retirement outcomes for our members is a key part of our strategy.”

Mpho Morale
Chairperson of the
Management Board

CHAIRPERSON'S STATEMENT

2021 was a challenging year for the business community and the world in general. Just as the world was expecting the COVID-19 pandemic to slow down from 2020, the situation took a turn for the worse in 2021, resulting in significant health impacts, losses of life and lasting damages to economies. This showed that when faced with health crises, it is difficult to predict how things will go as easily as we do for business challenges. However, with each new challenge the world faces, there are lessons that we can learn.

We witnessed significant changes since our first Trustees Report following the re-licensing of the Botswana Life Retirement Annuity Fund in terms of the Retirement Funds Act, such as the loss of lives and the financial implications of the lockdown restrictions imposed by our government, in line with the global community, implementing measures to contain the health crises regardless of the resulting strain to the global economy. The Management Board of Trustees of the Fund can attest to this impact as we experienced significant increase in the number of claims.

The stressed economic environment was and continues to be felt at both individual and corporate level with businesses being forced to reduce workforce with the resulting loss of employee incomes and consequently, members having to consider early Fund withdrawal. Despite these challenges, BLRAF has continued to serve its members and stakeholders well. The Fund continued to deliver positive investment returns despite the volatile investment environment.

Following a dramatic fall in local and global markets during 2020 largely owing to the COVID-19 pandemic, there was positive rebound and members' investments grew strongly during 2021.

BLRAF is proud of its record as the leading retail/individual retirement fund and our commitment to good governance to ensure the best retirement outcomes for our members is a key part of our strategy. Our engagement with the Regulator and other key stakeholders continues on regulatory and other matters of interest to the industry, and our sub-committees continue to engage on matters related to risk, investment strategy and treating customers fairly concepts.

The Fund continues to encourage our members to guard against giving way to immediate financial pressures arising from economic and individual challenges, as this may ultimately rob them of a comfortable retirement in the long term. We will continue with member education campaigns to emphasis benefit preservation and increasing contributions.

I express my gratitude to the sponsor, Regulator and all other BLRAF stakeholders for their support during this year and also convey a big thank you to my colleagues within the Management Board of Trustees and to the Principal Officer and his team. Your commitment and determination, as demonstrated, continues to ensure that the Fund fulfils its commitment to ensure the best retirement outcomes for our members.



Mpho Morale
Chairperson of the Management Board

Principal Officer's Message



“The Fund continued to refine and implement sound product and service delivery to be better able to protect its members, as well as retain its well-earned position as the first choice for individual retirement funding solutions.”

Duncan Hule
Principal Officer

PRINCIPAL OFFICER'S MESSAGE

Despite the adverse impact of COVID-19 at both individual and corporate level, the Botswana Life Retirement Annuity Fund continued to refine and implement sound product and service delivery to be better able to protect its members, as well as retain its well-earned position as the first choice for individual retirement funding solutions.

During the year, the Fund underwent a general and anti-money laundering (AML/CFT & PF) inspection by the Regulatory Authority, whose subsequent recommendations have been incorporated to further enhance the high standard of governance applied by the Board of Trustees. These regular checks by the Regulatory Authority are most welcome as they also serve to assure members that high standards continue to be maintained to safeguard their retirement savings. Engagement with the Regulatory Authority continues on all key matters with the principal objectives of continued compliance, members delight and equitable treatment.

We actively participate and monitor regulatory developments as well as emerging legislation through

various retirement funds industry bodies and forums to ensure that our collective voice is heard. As the largest individual retirement fund with membership spread across our vast country, we believe that we are well placed to significantly improve the retirement planning initiatives of our members. We have also stepped up communication initiatives using digital platforms, as witnessed during the member engagement held in July 2021. The use of these digital platforms to reach our members is especially important in light of the requirement to obtain and maintain up to date member information.

The Fund witnessed a significant increase in death claims during the various COVID-19 waves, which coupled with remote working conditions and challenges with reaching beneficiaries for the requisite information, has put a strain on our claims settlement timelines. We convey sincere apologies for the adverse impact this has had on our members, beneficiaries as well as other key stakeholders as we work towards clearing the death claims backlog.

While the Fund witnessed a dramatic fall in investment performance during

the initial onset of COVID-19, there has been notable recovery such that we have since witnessed good and even strong investment performance towards the end of 2021 and as such, our members' investment grew strongly during 2021.

We convey our gratitude to the Board of Trustees of the Fund for their strong governance foundation which continues to enable us to deliver on our fiduciary responsibilities, as well as to secure the best retirement outcomes for our members. Furthermore, we are grateful to the sponsor – Botswana Life Insurance Ltd as well as all other key stakeholders, including the Regulatory Authority, for the continued support. Finally, we are thankful to our members for their support, continuing confidence and assure them that their rights and benefits remain secure and well protected.



Duncan Hule
Principal Officer





Botswana Life

Retirement
Annuity Fund

Fund Governance & Organisational Structure



FUND GOVERNANCE & ORGANISATIONAL STRUCTURE

To ensure that the best interests of our members are maintained, Botswana Life Retirement Annuity Fund has implemented a sound and comprehensive governance structure. The Fund is managed by a professional Board of Trustees and Fund Officials.

The Fund’s formal structure includes a variety of legislative and professional parties, to ensure that members’ investments are safe.



The Board of Trustees and Fund Officials are supported by three Sub-committees that:

- take care of specific day-to-day issues
- formally report to the full Board, which remains responsible for taking final decisions

The Sub-committees are:

Administration & Benefits

Finance & Audit

Risk & Investment

The individuals who make up these Sub-committees, including the Chairpersons, have a wealth of experience in the retirement fund industry and manage these Sub-committees according to specific guidelines. Members of the Board of Trustees serve on each of these Sub-committees.

The Fund is managed by a board of trustees (“the Board”), of whom one must be independent of the Fund, sponsor, and associated companies. The Fund is also served by a Principal Officer.

The Board is ultimately responsible for the governance of the Fund, in particular exercising oversight over the administration of the Fund, the investment of Fund assets and the payment of Fund benefits.

The following persons serve as Trustees and Officials of the Fund:

TRUSTEES AND OFFICIALS OF THE FUND



MPHO MORALE
Chairperson



LESEGO NTEBELA
Trustee (Deputy Chairperson)



RORISANG MODIKANA
Trustee



EZWANI TSHUMA
Trustee (Member Representative)



THABO MATTHEWS
Independent Trustee



KAGISO MOKGOTHU
Trustee (Member Representative)



JOHANE VASCO TATLHEGO
Trustee



DUNCAN HULE
Principal Officer



THABANG OLIPHANT
Risk Officer

MPHO MORALE Chairperson

Mpho holds a Bachelor's degree in Accounting and an MSc Strategic Management from University of Derby. He has over 15 years' work experience in the Insurance Industry. Mpho has worked in various departments of Botswana Life starting with the Finance and Accounting Department in 2002.

In 2011 he moved to the Financial Institution, Employee Benefits and Affinity Groups department to manage the administration of the Annuity portfolio until the beginning of 2018. Currently Mpho is the Senior Operations Manager, responsible for Benefits and Claims, New Business, Underwriting and Records Functions

LESEGO ALMOND NTEBELA Trustee (Deputy Chairperson)

Lesego holds a Bachelors in Business Administration, majoring in Actuarial Science/Finance, from Drake University in the United States of America. He is currently pursuing his Actuarial qualification with the Institute of Actuaries in the United Kingdom. Lesego has over 16 years' experience in the Actuarial and Insurance Industry.

Over the past 16 years he has worked in various portfolios which involved pricing of products, valuation of reserves, and determination of Capital Adequacy Requirements, data integrity validations, and product configuration. He has been instrumental in the launching of the various system projects within Botswana Life. He is well rounded, having been exposed to various departments of Botswana Life Insurance, among which include the Premium Administration, Information Technology and Actuarial departments. Currently he is the Applications & Business Applications Manager responsible for all Group Company systems and Applications within the Business Technology department. He currently chairs the Board of Trustees of the BIHL Defined Contribution Retirement Fund.

RORISANG MODIKANA Trustee

Rorisang has 20 years' experience in finance, having worked for Ernst & Young Botswana and the BIHL Group in different capacities. She is a Fellow Member of the ACCA (UK) and BICA, having qualified in 2001. She holds a Postgraduate Diploma in Corporate Law from the University of Johannesburg and a Postgraduate Certificate in Enterprise Risk Management from BAC.

A commercially astute professional, she started her career at Ernst & Young in 1998 as an Audit Trainee and left in 2008 as a Senior Manager - Audit. She joined the BIHL Group as a Company Secretary and Group Finance Manager responsible for Corporate Governance, Secretarial and

Group financial reporting. She served in this role for 8 years.

She currently works as the Chief Financial Officer for Botswana Life Insurance Ltd. Her responsibilities include financial accounting, financial data analysis, internal controls, treasury, statutory and regulatory reporting. She is a Trustee of the BIHL Staff Retirement Fund and previously a member of the Botswana Unified Revenue Service – (BURS) Board's Finance and Audit Committee, since 2013.

EZWENI TSHUMA Trustee (Member Representative)

Ezweni holds an MBA from Edinburgh Business School in Scotland. He is a qualified actuary regulated by the Actuarial Society of South Africa (ASSA) and Institute & Faculty of Actuaries (UK). Ezweni has 21 years' work experience in actuarial consulting and insurance industry.

Over the past 20 years, he worked as a Marketing Actuary for Hannover Life Reassurance based in Johannesburg, managing the African Portfolio. He left Hannover Re in 2012 to join Alexander Forbes Financial Services where he was heading the life actuarial consulting division also based in South Africa. Currently, Ezweni is the Product Development Actuary responsible for the development, pricing and management of the Botswana Life products.

THABO KAGISO MATTHEWS Independent Trustee

Thabo holds a Bachelor of Arts (Honours) in Economics and Computer Science (Joint Major) from the University of Sussex in the United Kingdom. He has 19 years' work experience primarily in management consulting, banking and the mobile communications industry.

Thabo has more than 16 years of senior management experience having worked for multi-national institutions such as Barclays Bank, Accenture, KPMG Consulting, and Deloitte Consulting as well as large corporations such as Mascom Wireless Botswana. In 2014 Thabo left his position at Deloitte as of Head of Consulting to establish MConsulting, the brand under which he provides management consulting services as an independent contractor.

KAGISO MOKGOTHU Trustee (Member Representative)

Kagiso is an admitted attorney to the Courts of Botswana by training with more than 8 years of experience in advisory services, corporate governance, board support and compliance services. Kagiso holds a Bachelor of Laws degree from the University of Botswana and is currently pursuing an MSc Strategic Management from the University of Derby. She also holds a post graduate certificate in Compliance and Risk Management from the University of Cape Town and a post-graduate certificate in Enterprise Risk Management and a post-graduate certificate in

Finance for non-financial managers from the Botswana Accountancy College.

A judicious professional, Kagiso is keen on fostering corporate governance, and provides board and company secretarial services to the BIHL Group through the secretarial office.

In the next 10 years Kagiso wants to grow her practice niche in corporate governance and compliance to meet the dynamic issues in the commercial practice.

Having provided board support for large organisations such as Mascom Wireless, AON, Letlole La Rona, and worked multi-national institutions such as KPMG Consulting and Mazars, Kagiso provides an ability to troubleshoot problems and implement creative, highly effective solutions through leadership, interpersonal and technical skills gained over the years through education and work experience.

JOHANE VASCO TATLHEGO

Trustee

Johane is a Fellow Chartered Accountant with 16 years' experience. He is currently the Financial Accountant at Botswana Life Insurance Limited responsible for monthly reporting and the preparation of Annual Financial Statements. He has previously held positions of Chief Financial Officer (Getbucks Botswana) and Financial Reporting Manager at Barclays Bank of Botswana. Johane Started his career at KPMG Botswana as audit trainee and quickly rose to the rank of Audit Senior that he held at the time of his departure. Mr. Tatlhego has extensive experience spanning financial reporting, external audit, internal audit, taxation, and lecturing. He brings to the Board of Trustees experience in governance and regulatory compliance which he has accumulated during his career.

DUNCAN T. HULE

Principal Officer

Duncan has over 20 years of vast experience in the field of employee benefits covering retirement funds management and life insurance & financial planning, having previously worked for some of the top firms in all these fields such as Alexander Forbes as well as Minet (then AON) prior to joining Botswana Life Insurance Ltd and later Botswana Life

Retirement Annuity Fund.

He is an Employee Benefits Specialist with Post Graduate Diploma in Financial Planning – specializing in Employee Benefits/Retirement Funds and another in Investments & Risk Management both from the University of the Free State as well as other pension & tax qualifications. He is also a Fellow member of the Chartered Governance Institute (FCG) and Fellow member of the Insurance Institute of South Africa (FIISA).

THABANG OLIPHANT

Risk Officer

Thabang holds a BSc (Statistics) from the University of Cape Town and has completed his Actuarial Exams from the Institute and Faculty of Actuaries (IFoA). He now qualifies to be an Actuary and a Chartered Enterprise Risk Actuary (CERA) holder.

Thabang has 8 years of working experience with Botswana Life Insurance Limited (BLIL). In this time, he has been involved in the BLIL Annuity Pricing and Sales Strategy, Reporting and Valuation of the Annuity Portfolio, developing and running the company's Enterprise Risk Management framework, Acquisition Projects and Experience Analysis and Monitoring, within the company. Thabang currently is the Risk, Capital and Investments Actuarial Manager, in which he oversees the Risk and Capital Management process within the organisation and he's also overseeing the process of developing, maintaining and monitoring the company investment strategies.

The Board has established, in line with Retirement Funds Regulation, Board sub-committees to ensure that the Board's governance responsibilities are carried out more effectively. Each sub-committee operates in terms of a written mandate and is evaluated annually.

ADMINISTRATION AND BENEFITS COMMITTEE

Membership: Five (5)

Objective:

The Sub-committee shall perform the functions customarily performed by retirement fund benefit and administration Sub-committees and do all things reasonably necessary to:

- attain the Fund's objectives and to ensure the Fund fulfils its duties and obligations;
- conduct the business of the Fund in accordance with the Legal Requirements and the Rules;
- obtain expert advice on matters where the Subcommittee may lack sufficient expertise;
- appoint and arrange for the appointment and remuneration of Fund officers, the administrator, benefits adviser and other required service and product providers;
- continuously monitor and regularly review the administrative and benefits functioning, operations and outcomes of the Fund;
- ensure it has access to all relevant Fund information and the necessary resources reasonably required to perform its duties;
- operate within the stipulated annual operating and capital budget and review performance quarterly;
- obtain or create and approve policies, standing agendas and protocols for application by or for the Fund as listed in Annexure A and ensure they are complied with and reviewed annually.

Administration and Benefits Committee Report

Fund Membership

The Fund's membership as at December 2021 is as set out below;

MEMBERSHIP STATUS	DEC 2021	DEC 2020
CONTRIBUTING	52,699	55,987
DEFERRED	32,009	29,294
TOTAL	84,708	85,281

New members that joined the Fund during the period under review were 4,958. This is an increase of 9% in members when compared to the previous period (2020).

Benefits Paid

Total exit benefits paid out during the reporting period were P163 million. The number of exit cases are as below.

TYPE OF EXIT	AMOUNT (BWP)
RETIREMENTS	145,633,060
DEATH	9,185,923
TRANSFER-OUT	8,933,455
TOTAL	163,752,438

FINANCE AND AUDIT COMMITTEE

Membership: Four (4)

Objective:

The Sub-committee shall perform the functions customarily performed by retirement fund financial and audit Sub-committees and do all things reasonably necessary to:

- attain the Fund's objectives and to ensure the Fund fulfils its duties and obligations;
- ensure that the financial accounting affairs of the business of the Fund are conducted in accordance with good accounting practice, the Legal Requirements and the Rules;
- obtain expert advice on matters where the Subcommittee may lack sufficient expertise;
- appoint and arrange for the appointment and remuneration of Fund officers, advisers, accountants, auditors, internal auditors and other required service and product providers;
- continuously monitor and regularly review the financial and accounting functioning, operations and outcomes of the Fund;
- ensure it has access to all relevant Fund information and the necessary resources reasonably required to perform its duties;
- ensure that the business of the Fund operates within its stipulated annual operating and capital budget and review its performance quarterly;
- obtain or create and approve applicable policies, standing agendas and protocols for application by or for the Fund as listed in Annexure A and ensure they are complied with and reviewed annually.

Finance and Audit Committee Report

Contributions

For the period ended 31 December 2021, the Fund's contributions were as per below table.

CONTRIBUTIONS	2021 (BWP)	2020 (BWP)*
Recurring	291,184,547	355,685,297
Transfer In	3,221,485	8,474,573
Total	294,406,032	364,159,870

***This was a 15-month period.**

Fund Investments

The fund realised a growth in assets under management during the 12 month period compared to the prior year. The portfolio balances are as follow.

ASSET CLASS	2021 (BWP)	2020 (BWP)
Fixed Income	44,103,720	22,167,341
Local Bonds	442,924,185	366,393,812
Local Equities	317,632,329	258,935,567
Local Properties	315,975,238	284,813,539
Offshore Money Markets	18,239,426	14,336,738
Offshore Cash	2,414,589	6,383,073
Offshore Bonds	148,519,866	133,700,140
Offshore Equities	884,427,314	744,935,351
Offshore Properties	21,190,864	26,428,965
Offshore Private Equities	37,776,060	31,754,502
Sharia Fund	12,884,241	-
Total Assets Under Management	2,246,087,832	1,889,849,028

RISK AND INVESTMENT COMMITTEE

Membership: Six (6)

Objective:

On behalf of the Board and in accordance with the Legal Requirements, the Rules and Terms, the Committee is mandated to assist the Board to

- fulfil its Fund investment duties and obligations;
- fulfil its investment oversight responsibilities by reviewing the systems, processes and outputs of the control and management of the Fund's investments and by monitoring that they comply with the Legal Requirements and the Rules;
- ensure the exercise of prudent and fiduciary stewardship in the management and investment of the Fund's members' funds, within best industry practice standards of corporate governance and transparency, taking care to avoid any conflict of interest always;
- ensure that the Board is always kept informed of all material matters affecting the Investment Policy and the investment affairs of the Fund.

Risk and Investment Committee Report

As at the end of 2021, the latest United Nations statistics indicate that 9 Billion COVID-19 doses had been administered and thus an estimated 49% of the global population had been fully vaccinated. This had a major impact on the number of severely ill and hospitalised and has been one of the factors that has led to the markets rallying.

The United States market continued its dominance into the last quarter of 2021, pulling away even further from the rest of the world. Big gainers were energy and technology companies, although the influence of technology companies declined slightly towards the end of the year. From mid 2020, the shift towards value stocks had begun, but the spike in Omicron virus cases delayed the switch over from growth to value stocks. Investors had been worrying about inflation since the United States central bank began to support the economy and markets from March 2020. This was seen in record flows to inflation linked instruments. Inflation was not as high in Asia and the Chinese central bank had recently reduced interest rates. The increase in rates had a negative effect on investment grade bonds globally over the course of the year, with higher yield debt doing much better.

During 2021 passive funds raked in investments of \$958 billion, over \$700 billion more than actively managed portfolios. The fact that active funds continued to take in new money was an accomplishment in itself as they had previously suffered outflows in every year from 2015 to 2020. Exchange Traded Funds (ETFs) represent 21% of global assets, but captured about 50% of global inflows. This suggested that ETFs would capture the majority of net global investment flows in 2022.

For the first time in six years the Botswana Stock Exchange posted double digit returns – reflecting good performance by counters such as Letshego which had an exceptional year with a return of 128%. Seedco and Standard Chartered Bank also performed well with a return of 50%.

Four of BLRAF's six portfolios outperformed their benchmark over the year, with the Citizen Plan Fund marginally underperforming. The Offshore Gold Portfolio continued its less than satisfactory performance over all measurement periods.

The Medium Equity Portfolio which houses most of the Fund's assets increased by BWP295 Million in 2021. Over a 3-year period the Fund grew by BWP720 Million. In that period, market exposure accounted for 59% (428 million) of that growth, and contributions accounted for the balance of 42% (299 million).







Botswana Life

Retirement
Annuity Fund

**The Year in Review &
Looking Forward Into
the Future**



THE YEAR IN REVIEW

Compliance & Governance

During the year, the Fund welcomed the Regulatory Authority for their first inspection of the Fund and continues to engage extensively with the Regulatory Authority and other key stakeholders on compliance and governance matters – as it should – with the principal objective of securing the best interest of members.

Board of Trustees Statement on Governance

The Board of Trustees of the Botswana Life Retirement Annuity Fund acts as the focal point and custodian of corporate governance by managing the Fund's business and stakeholder relationships through sound corporate governance principles and international best practices.

Board Meetings & Committees

In the year under review, the Board met as scheduled to discharge all its duties. The Board has delegated certain functions to well-structured Sub-committees with approved terms of reference that ensure an effective monitoring of the Committee's performance and deliverables.

Declaration of Gifts, Interests or Conflicts

The Fund has adopted a disclosure of gifts, interest or conflicts policy for its Trustees and Fund Administration Staff. The main objective of the policy is to set out procedures on the receipt of gifts, declaration of interest or conflicts resulting from business associates, clients and other stakeholders with regard to their consideration, acceptance, approval, recording and disclosure.

Advisors

The Trustees are responsible for running the Fund and ensuring that the Fund is managed and administered properly and that the Fund's assets are invested prudently. In this regard, the Trustees have a duty to seek professional advice and services in areas where they do not have the necessary expertise.

Membership

As at 31 December 2021, the membership of the Fund was 84,708 members made up of 52,699 contributing members and 32,009 non-contributing members.

Some of the Risks Faced by the Fund

The Fund is faced with various risks as will be the case with any business. However, over and above that, the Fund is exposed to business specific risks given the nature of the business it is involved in. Financial risk, which may take the form of credit, interest rate, currency, liquidity and market risks due to equity price volatility, proves to be the most significant. These are consistently being managed through investment policies and strategy which are reviewed every year. This is done to safeguard members' investments especially during times of economic turbulence. In order to ensure that the Fund's risk management strategies remain relevant, proactive and innovative actions are taken on a continuous basis.

Regulatory and Compliance Risk

The Fund has undertaken initiatives aimed at ensuring compliance with the requirements of the Regulatory Authority. The Fund is currently working on milestones that will enable achievement of the expectations of the Regulatory Authority within the agreed timeframes.

THE YEAR IN REVIEW

Member Engagements

The Board of Trustees of the Botswana Life Retirement Annuity Fund (BLRAF or the Fund) held the first formal virtual member engagement session during July 2021 and shared key milestones of the Fund post re-licencing, as well as investment performance and legislative developments during the year. The Board of Trustees of the Fund plans to hold such member engagement sessions annually with the aim to share developments and to avail investment performance information to members, in addition to existing annual member communication in the form of benefit and projection statements.

The Trustees remain committed to looking after members' best interests and to supporting the best possible financial outcomes at retirement. We trust this information shows that the Fund's investments continue to be managed in a thoughtful and prudent way.

Investment Objective of the Fund

The Fund is an individual member retirement annuity fund and as such there is no information on Member's salaries or income. However, most retirement funds aim for their Members to retire with enough capital to be able to buy a pension at retirement of 75% or more of their last month's income. So, a member with a salary of P10 000 per month (pm) at retirement should ideally be able to buy a pension of P7 500 (pm). To help Members build up their capital to the right level, the Trustees believe that the Fund should aim for investment returns above inflation, while not taking unnecessary investment risks.

Investment Portfolios

The principal and largest Portfolio of the Fund is the Mompoti Retirement Fund (Medium Equity) which has an investment return target of inflation (CPI) plus growth of 3% over rolling three-year periods. If we assume inflation at 8%, the Portfolio return target is $(8+3) = 11\%$.

Portfolio(s) Performance

The following was the investment performance for the Fund's Portfolio as of December 2021 for the following periods:

PORTFOLIO	1 YEAR	3 YEARS	5 YEARS
Mompoti Retirement Fund (Medium Equity)	14.86%	10.92%	8.57%
Fund's Performance Benchmark	14.52%	11.93%	8.65%

The following table lists asset classes and the percentage of the Portfolio invested into each.

ASSET CLASS	PERCENTAGE HELD
Local Cash	1.90%
Local Equity	14.80%
Local Bonds	19.20%
Local Property	15.00%
Global Cash	0.80%
Global Equity	38.90%
Global Bonds	6.50%
Global Alternatives	2.90%
Total	100.00%

THE YEAR IN REVIEW

Economic Review

The 2021 calendar year saw the Botswana economy make a pleasing recovery after a tough 2020 year following the Covid pandemic. Interest rates remained low to support economic recovery, but inflation started to rise toward the end of 2021 (8.7%), in line with the rest of the world as global economies returned to normal. The Botswana stock market produced a strong return of 11% for 2021, complementing the even higher growth from the global market, improving the performance for the Fund's Portfolio.



LOOKING FORWARD INTO THE FUTURE

Progress towards Appointment of Substantive Administrator

The Board of the Fund continues engagements with the Regulator to align to the legislative requirements regarding the appointment of a Fund Administrator. BLIL remains the interim administrator while work continues towards appointing a substantive new administrator, while acknowledging the size and complexity of the Fund as well as the cost implications of a new appointment for the members. The Board of the Fund is supporting an optimal administration approach which recognises that the Fund is a fully underwritten retirement annuity fund previously operated under an insurance licence. This policy based Fund structure requires the significant insurance administration and services previously provided by BLIL to the Fund to continue on normal commercial terms. An understanding of this history and the sheer size of the Fund by any new service provider has been a very important consideration by the Board to ensure that on conversion of the Fund to the new Act that:

- the rights and interests of members remain fully protected;
- there are no unwarranted increases in costs to the Fund and members, or any cost duplication;
- stakeholders' confidence and relationships, remains positive.

• Portfolio Changes/ Additional Portfolios

One significant development during the year was the decision by the Board to establish a dedicated investment portfolio for investing benefits due to beneficiaries upon the death of a member, and for unclaimed benefits, acknowledging that the tracing and investigative work required to identify beneficiaries and members may take time, during which periods the benefits could be more efficiently invested. This new investment portfolio aims to earn a real return above inflation, while protecting capital and also remaining sufficiently liquid to pay out benefits once processing has been completed.

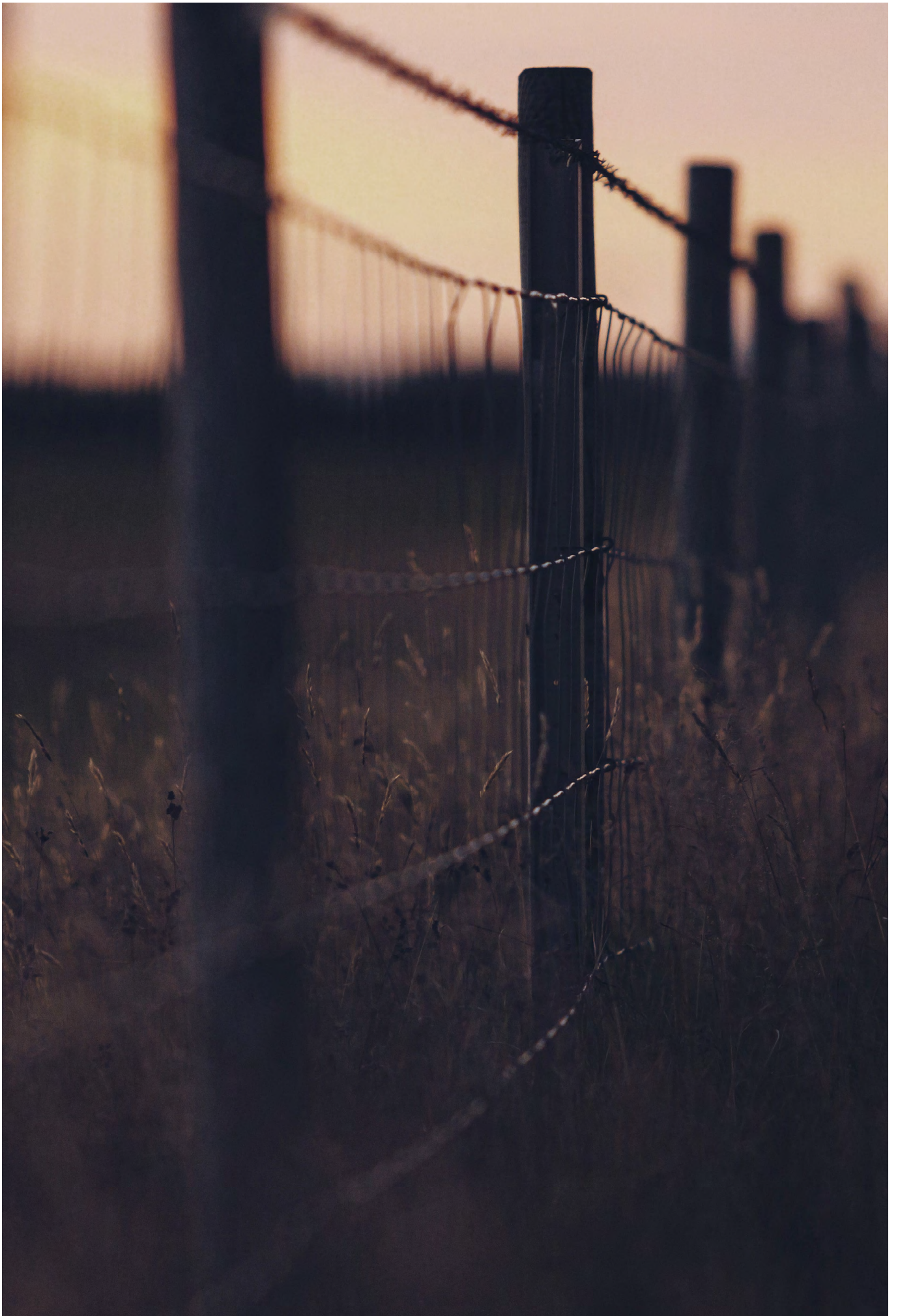
• Strategic Development

The strategic priorities for the next years are embodied in strategic goals that the Fund has set itself for the next years to:

- embed operational capability to enable the Fund to fully comply with the Retirement Funds Act, Regulations and relevant legislation;
- grow the membership base and Assets Under Management (AUM);
- reduce member expenses/ costs per member;
- continue to support a member centric approach; providing optimal retirement solutions relevant to our membership.

• Life Stage Investment Model

As part of a review of the Fund's investment strategy, the Board of Trustees of the Fund have resolved to adopt and implement a default life stage investment model for the Fund. This means simply that each member of the Fund will be invested in an investment portfolio that is appropriate to that member based on their age and the number of years to normal retirement (between 55 and 70 years). The objective is to protect member's capital against negative market movements as they approach retirement. Detailed and direct communication will be provided to all members in due course to explain this new initiative.





Botswana Life

Retirement
Annuity Fund

Annexures
and Further
Information

• FUND GENERAL INFORMATION AND PRINCIPAL PARTNERS

Regulatory Information

REGULATORY INFORMATION	DETAILS
Registered name	Botswana Life Retirement Annuity Fund
Sponsor	Botswana Life Insurance Limited
Registration date	13 th September 2019
Registration number	10/1/2/6 (018)
Funding model	Defined Contribution Fund
The Fund's Reporting Period	1 st January to 31 st December
The Fund's Postal Address	Private Bag 00296 Gaborone
The Fund's Physical Address	1 st Floor, North Wing, Block A, Fairgrounds Office Park, Plot 66458, Gaborone, Botswana
Website	www.retirementannuityfund.co.bw

Fund Officials

	PRINCIPAL OFFICER	RISK OFFICER
Name	Duncan Hule	Thabang Oliphant
Company	Botswana Life Insurance Ltd	Botswana Life Insurance Ltd
Postal Address	Private Bag 00296 Gaborone	Private Bag 00296 Gaborone
Physical Address	1 st Floor, North Wing, Block A, Fairgrounds Office Park, Plot 66458, Gaborone, Botswana	1 st Floor, South Wing, Block A, Fairgrounds Office Park, Plot 66458, Gaborone, Botswana
Telephone number	+267 3645125	+267 364 5128
E-mail Address	po-raf@blil.co.bw	po-raf@blil.co.bw

• FUND GENERAL INFORMATION AND PRINCIPAL PARTNERS

Professional Service Providers

External Auditor

Name	Ernst & Young
Postal Address	P O Box 41015 Gaborone, Botswana
Physical Address	2 nd Floor, Plot 22, Khama Crescent, Gaborone
Telephone number	+267 397 4078/365 4000

Administrator (Interim)

Name	Botswana Life Insurance Ltd
Postal Address	Private Bag 00296 Gaborone
Physical Address	2 nd Floor, Block A, Fairgrounds Office Park, Plot 66458, Gaborone
Telephone number	+267 364 5100

Asset Consultant

Name	Strategic Wealth Proprietary Ltd
Postal Address	P O Box AD 872 ADD Postnet, Kgaleview, Gaborone
Physical Address	Plot 10221, Maporoporo Road, Broadhurst Industrial, Gaborone, Botswana
Telephone number	+267 391 6675

Asset Manager

Name	Botswana Insurance Fund Management Ltd
Postal Address	Private Bag BR 185 Gaborone
Physical Address	3 rd Floor, Block A, Fairgrounds Office Park, Plot 66458, Gaborone
Telephone number	+267 395 1564

Actuary

Name	Edwin George Splinter
Postal Address	Group Actuarial and Risk P.O. Box 1 Sanlamhof, Bellville, 7532 Cape Town South Africa
Physical Address	Group Actuarial and Risk Sanlam Head Office 2 Strand Street, Bellville 7532 Cape Town South Africa
Telephone number	+27 21 947 6370





**Annual Financial
Statements
For the Year Ended
31 December 2021**

Contents



GENERAL INFORMATION

			Appointment Date	Changes
Board of Trustees:	Mpho Morale	Chairperson	25/11/19	
	Lesego Ntebela	Trustee	25/11/19	
	Ezweni Tshuma	Trustee	25/11/19	
	Thabo Matthews	Independent Trustee	25/11/19	
	Rorisang Modikana	Trustee	25/11/19	Resigned- 30/06/2021
	Johane Vasco Tatlhego	Trustee	13/12/21	
	Kagiso S Moitoi	Trustee	13/12/21	
Principal Officer:	Duncan Hule			
Registered Office:	Plot 66458, Fairgrounds Office Park Block A, 1 st Floor, East Wing Gaborone, Botswana			
Sponsor:	Botswana Life Insurance Limited			
Auditors:	Ernst & Young 2 nd Floor, Plot 22, Khama Crescent P O Box 41015 Gaborone, Botswana			
Fund Managers:	Botswana Insurance Fund Management Limited Office Park Block A, Gaborone Fairgrounds			
Type of Fund:	Underwritten			
Interim Fund Administrators:	Botswana Life Insurance Limited Plot 66458, Fairgrounds Office Park Block A, Gaborone, Botswana			
Bankers:	Rand Merchant Bank Botswana First Place, CBD PO Box 1552 Gaborone, Botswana			
Actuary:	Edwin George Splinter 2 Strand Rd, Labiance 7530 Bellville South Africa			
Asset Consultant:	Strategic Wealth Asset Consulting & Investment Advisory Plot 10221, Maporoporo Road, Broadhurst Gaborone, Botswana			
Date of Fund Registration:	September 2019			
Fund Number:	10/1/2/6 (018)			
Country of Registration:	Botswana			
Functional & Presentation Currency:	Botswana Pula			

BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT

The Board of Trustees is responsible for the preparation and fair presentation of the annual financial statements of Botswana Life Retirement Annuity Fund ("the Fund"), comprising the statement of changes in net assets available for benefits, and statement of net assets available for benefits as at December 31, 2021, the statement of cash flows and the statement of changes in reserves for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Retirement Funds Act, 2014.

The Board of Trustees' responsibility is to maintain adequate accounting records and is responsible for the content and integrity of and related financial information included in this report. It is its responsibility to ensure that the annual financial statements fairly present the state of affairs of the Retirement Fund as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with IFRS. The external auditor is engaged to express an independent opinion on the annual financial statements and their audit report is presented on pages 42-45.

The Board of Trustees' responsibility include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as ensuring regulatory compliance.

The Board of Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong and effective control environment. To enable the Board of Trustees to meet these responsibilities, the Board of Trustees set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored by the Fund Administrators and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board of Trustees has made an assessment of the Fund's ability to continue as a going concern and there is no reason to believe the Fund will not be a going concern in the year ahead.

The Board of Trustees is of the opinion that, based on the information and explanations given by the Fund Administrators and investment managers, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements of Botswana Life Retirement Annuity Fund for the year ended 31 December 2021 as set out on pages 46 to 49 were approved by the Board of Trustees and are signed on its behalf by:



.....
CHAIRPERSON - BOARD OF TRUSTEES



.....
PRINCIPAL OFFICER

BOARD OF TRUSTEES' REPORT

BOARD OF TRUSTEES STATEMENT ON GOVERNANCE

The Board of Trustees of the Botswana Life Retirement Annuity Fund act as the focal point and custodian of corporate governance by managing the Fund's business and stakeholder relationships through sound corporate governance principles and international best practices.

BOARD MEETINGS

In the year under review, the Board met as scheduled to discharge all its duties.

BOARD COMMITTEES

The Board has delegated certain functions to well-structured Committees with approved terms of reference that ensure an effective monitoring of the Committee's performance and deliverables.

DECLARATION OF GIFTS, INTERESTS OR CONFLICTS

The Fund has adopted a disclosure of gifts, interest or conflicts policy for its Trustees and Fund Administration Staff. The main objective of the policy is to set out procedures on the receipt of gifts, declaration of interest or conflicts resulting from business associates, clients, and other stakeholders regarding their consideration, acceptance, approval, recording and disclosure.

ADVISORS

The Trustees are responsible for running of the Fund and ensuring that the Fund is managed and administered properly, and that the Fund's assets are invested prudently. In this regard, the Trustees have a duty to seek professional advice and services in areas where they do not have the necessary expertise.

MEMBERSHIP

As at 31 December 2021, the membership of the Fund was 84,708 members made up of 52,699 contributing members and 32,009 non-contributing members.

RISKS FACED BY THE FUND

The Fund is faced with various risks as will any other business. However, over and above that, the Fund is exposed to business specific risks given the nature of the business it's involved in. Financial risk, which may take the form of credit, interest rate, currency, liquidity, and market risks due to equity price volatility, proves to be the most significant. These are consistently being managed through policies and strategy which is reviewed every year. This is done to safeguard members' investments especially during times of economic turbulences. To ensure that the risk management strategies remain relevant, proactive, and innovative actions are taken on a continuous basis.

REGULATORY AND COMPLIANCE RISK

The Fund has undertaken initiatives aimed at ensuring compliance with the requirements by the Regulatory Authority, NBFIRA. The Fund is currently working on milestones that will enable achievement of the expectations by the Regulatory Authority at the appropriate time.

Independent auditor's report

To the shareholders of Botswana Life Retirement Annuity Fund

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Botswana Life Retirement Annuity Fund (the Fund), set out on pages 46 to 74 which comprise the statement of assets available for benefits as at 31 December 2021 and the statement of changes in net assets available for benefits, statement of cash flows and the statement of changes in reserves for the twelve month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Life Retirement Annuity Fund as at 31st December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Retirement Funds Act, 2014.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with other ethical requirements that are relevant to our audit of Botswana Life Retirement Annuity Fund. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

The Key Audit Matters apply only to the audit of the financial statements.

Key Audit Matter	How the matter was addressed in the audit
<p><i>Valuation of Financial Assets</i></p> <p>Botswana Life Retirement Annuity Fund has investment securities measured at fair value amounting to P2,2 billion as of 31 December 2021.</p> <p>Significant auditor attention was given to the Level 2 and Level 3 classification of the financial assets measured at fair value as there is subjectivity in the valuations of some of the financial assets.</p> <p><u>Level 2 and Level 3 Financial Assets</u></p> <p>Level 2 and Level 3 financial assets total P1 billion. Additional auditor attention was given to the valuation of Level 2 and Level 3 financial assets, with the assistance of the EY specialist, due to the following reasons:</p> <ul style="list-style-type: none"> - Understanding and review of the valuation methodology applied by management - Assessment of the models and assumptions applied <p>The disclosures associated with respect to the financial assets are the following:</p> <ul style="list-style-type: none"> • Significant Accounting Policies • Note 4 – Investments at fair value • Note 13 – Financial Instruments • Note 14 – Risk Management 	<p>The following audit procedures, amongst others, were executed</p> <ul style="list-style-type: none"> ➤ We obtained an understanding, evaluated the design, implementation and tested the operating effectiveness of the key internal controls over financial asset transactions. ➤ We obtained an understanding of management’s processes for assessing the classification of the financial assets and the valuation techniques and processes for the Level 2 and Level 3 fair value assets in line with IFRS 13 - Fair Value Measurement. ➤ We assessed the competence and objectivity of Management’s specialists involved in determining assumptions and inputs in the valuation of level 2 and level 3 financial assets with reference to their professional capabilities. ➤ We compared the valuation data inputs used by management to external data sources and assessed the inputs into the reported fund positions. We evaluated the appropriateness of the valuation approaches and methodologies used by Management’s specialists against IFRS requirements and industry norms (price quotation convention) to confirm that methodologies were appropriate under the circumstances. ➤ We assessed the appropriateness of the indirectly observable market data input into the valuation models and tested it back to source systems and client data and assessed that the valuations were performed at the correct and appropriate date on a sample basis. This was performed with the assistance of the EY specialist. ➤ We assessed whether the recognition and measurement criteria used in the accounting records were consistent with the requirements of IFRS 13 – Fair value measurement and IFRS 7 – Financial instruments disclosures. ➤ We assessed the adequacy and completeness of the disclosures regarding the financial assets in the financial statements to determine they were in accordance with IFRS 13 - Fair value measurement and IFRS 7 – Financial instruments disclosures.

Other Information

The Board of Trustees is responsible for the other information. The other information comprises the information included in the 40-page document titled “Botswana Life Retirement Annuity Fund Annual Financial Statements for the year ended 31 December 2021” which includes the General Information, the Board of Trustees’ Responsibility Statement and the statement on the Approval of Financial Statements. Other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Trustees for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Retirement Funds Act, 2014 and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Board of Trustees are responsible for overseeing the Fund’s financial reporting processes.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

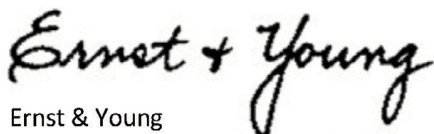
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.

- Conclude on the appropriateness of the Board of Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Trustees we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young
Practicing Member: Thomas Chitambo (CAP 0011 2022)
Partner
Certified Auditor
Plot 22, Khama Crescent, PO Box 41015, Gaborone

29 April 2022

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2021 <i>Pula ('000)</i> 12 Months	2020 <i>Pula ('000)</i> 15 Months
Income			
Members' contributions		294,406	364,160
Expenditure			
Benefit expenses	2	(154,819)	(131,387)
Transfer to an approved pension fund	2.1	(8,933)	(3,100)
Administrative expenses	3	(83,472)	(60,636)
Total expenditure		(247,225)	(195,124)
Net (withdrawals)/additions from dealing with members		47,181	169,036
Returns on Investments			
Investment Income		57,018	53,235
Change in the fair value of investment in property fund		19,191	11,888
Realised gains on disposal of investments		1,809	2,174
Change in the fair value relating to other plan assets		23,342	90,817
Management Fees		(11,260)	(12,010)
Net Returns on Investments	1.1	90,099	146,104
Transfer of value from Botswana Life	4	-	1,720,621
Net fund surplus for the period		137,281	2,035,762

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER

	Notes	2021 <i>Pula ('000)</i>	2020 <i>Pula ('000)</i>
Assets			
Plan Assets - Investment securities	4	2,246,088	1,889,849
Accounts receivable	5	422	202,484
Cash and cash equivalents	7	2	3
Total Assets		2,246,512	2,092,335
Reserves And Liabilities			
Reserves			
Accumulated Fund reserves		2,173,043	2,035,762
Liabilities			
Accounts payable	6	73,469	56,574
Total Reserves And Liabilities		2,246,512	2,092,335

STATEMENT OF CHANGES IN RESERVES

	2021 <i>Pula ('000)</i>	2020 <i>Pula ('000)</i>
Accumulated Funds		
Balance at the beginning of the period	2,035,762	-
Net fund surplus for the period	137,281	2,035,762
Balance at the end of the period	2,173,043	2,035,762

STATEMENT OF CASH FLOWS

	Notes	2021 Pula ('000) 12 Months	2020 Pula ('000) 15 Months
Cash flows from operating activities			
Net fund surplus for the period		137,281	2,035,762
<i>Adjustments:</i>			
Interest Income	1.1	(36,525)	(40,765)
Dividends Income		(20,493)	(12,471)
Change in the market value of investments	4	(44,342)	(104,879)
Non-cash Transfer from Insurance		-	(1,720,621)
		35,921	157,026
Working capital changes			
(Increase)/decrease in accounts receivable	5	202,061	(202,484)
Increase/(decrease) in accounts payable	6	16,896	56,575
Net cash generated from operations		254,878	11,117
Interest received		36,525	40,765
Dividends received		20,493	12,471
Net cashflow from operating activities		311,896	64,352
Cash flows from investing activities			
Purchase of investments	4	(404,273)	(324,469)
Disposal of investments	4	92,375	260,120
Net cash (utilised in)/from investing activities		(311,897)	(64,349)
Net increase in cash and cash equivalents		(1)	3
Cash and cash equivalents at beginning of period		3	-
Cash and cash equivalents at end of the period	7	2	3

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of investment securities. The financial statements are presented in Botswana Pula, which is also the fund's functional currency. All values are rounded to the nearest Pula (P1) except where otherwise indicated. The financial statements were approved by the Trustees on 28 April 2022.

Functional Currency

The Board of Trustees considers the Pula as the currency that most appropriately represents the economic effect of the underlying transactions, events and conditions. The Pula is the currency in which the fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members.

Foreign Currencies

The financial statements are presented in the currency of the primary economic environment in which the Fund operates (its functional currency), the Botswana Pula.

Transactions in currencies other than Botswana Pula are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency differences arising from retranslation are recognised as a component of net gain/loss from financial instruments in the Fund's statement of changes in net assets available for benefits.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Statement of Compliance

The financial statements of the Botswana Life Retirement Annuity Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Retirement Funds Act, 2014.

Significant Accounting Judgements, Estimates And Assumptions

Judgements

In the process of applying the Fund's accounting policies, management has not made any judgments apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

Fair Values Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, Or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.
- c) The principal or the most advantageous market must be accessible by the company."

SIGNIFICANT ACCOUNTING POLICIES

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 1) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- 2) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- 3) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

External valuers are involved in the valuation of significant assets, that the management entity (BIFM) invests in. BIFM has a property fund which invests in investment properties on behalf of the Fund.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The asset classes that are affected by significant assumptions and estimates consists of the offshore private equity, offshore property, fixed interest fund, local property fund, fixed interest fund, local bond fund, offshore money market, offshore bond and offshore cash. The corresponding balances for these asset classes are disclosed on Note 14. The nature of the assumptions are also included in Note 14.

Changes In Accounting Policies

The accounting policies adopted are in accordance with International Financial Reporting Standards (IFRS). There were no new and amended IFRS and IFRIC interpretations effective during the period that were relevant, or had impact to the Fund.

Fund Investment Policy

The Fund assets are managed through Investment policy that provide the Board of Trustees with the necessary guidelines to enable them to make informed decisions on behalf of the members. The fund invests into retirement annuity policies through Botswana Life Insurance and the portfolios selected with the insurer are aligned to the IPD. The IPD set out the principles of the investment strategy which will form the basis of Fund governance by the board. This will allow the board to make decisions on investment risks, asset allocation, performance benchmarks, criteria for selecting asset managers and consultants, due diligence measures and general administration which will be based on the best interest of the members.

The policy allows the strategy to be reviewed every 3 years and submitted to the regulator or as and when there is a significant change to the investment mandate.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies (continued)

Valuation of Plan Assets

The retirement plan assets are carried at fair value. In the case of marketable securities, fair value is usually market value because this is considered the most useful measure of the securities at the report date and of the investment performance for the period. Those securities that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof, may be carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

Where plan investments are held for which an estimate of fair value is not possible, such as total ownership of an entity, disclosure is made of the reason why fair value is not used.

To the extent that investments are carried at amounts other than market value or fair value, fair value is generally also disclosed.

Investment Securities

Investment securities include retirement benefits plan assets and, these should be carried at fair value. For marketable securities, fair value means market value. If fair values cannot be estimated for certain retirement benefit plan investments, disclosure should be made of the reason why fair value is not used.

As at 31 December 2021, plan assets measured at fair value amounted to P2,246,087,832 (P1,889, 849,028 in December 2020).

Interest Income

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest Income consist of the following:

- a) Interest from call accounts, fixed deposits and bank balances
- b) Interest from plan assets carried at its discounted ultimate redemption value.
- c) Interest from plan assets at fair value through profit or loss

Dividend Income

Dividend income is recognised when the fund's right to receive the payment is established.

Net Gains & Losses

Net gains or losses on plan assets are changes in the fair value of plan assets and exclude interest and dividend income and expenses. A gain or loss is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its fair value or carrying amount using the ultimate redemption amount original cost, as appropriate.

Unrealised Gains & Losses

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at period end and the carrying value at the previous year end or purchase value during the period, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the period.

Realised gains and losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies (continued)

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash And Cash Equivalents

Cash and cash equivalents comprise of cash at banks and in hand and short term deposits with an original maturity of three months or less.

Impairment Of Financial Assets

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables, the Fund applies a general approach in calculating ECLs. Therefore, the Fund recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund calculates an ECL that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Fund considers a financial asset in default when the contractual payments are above 90 days past due. However in certain cases, the fund may also consider a financial asset to be in default when internal or external information indicates that the fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by BIFM. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies (continued)

Derecognition of Financial Assets

If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Plan Assets

The Fund derecognises its plan assets when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred the plan asset and substantially all the risks and rewards of ownership of the asset to another entity and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

Financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs.

Accounts payable are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Benefits Payable

Benefits payable include all valid benefit claims notified to the Board of Trustees during the financial period. These are recognised in the profit and loss when decrease in future economic benefits related to a decrease in an asset on an increase in a liability has risen that can be measured reliably.

Income

The types of income that the Fund includes in the Statement of changes in net assets available for benefits include the below;

i) Contributions

Contributions constitute income earned from individual members which are accounted when due to the fund.

Contributions are recognised on accrual basis. These are recognised in the profit and loss provided they satisfy the following:

- a) the amount of income can be measured reliably;
- b) it is probable that the economic benefits associated with the transaction/transfers will flow to the entity.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies (continued)

ii) Transfers to and from the Botswana Life Retirement Annuity Fund

Transfers to the Fund (Transfer-In) are recognised on the earlier of receipt of the actual transfer value or the written notice of transfer (recognition of transfer). These are treated as income to the fund.

Transfers from the Fund (Transfer- Out) are recognised on the earlier of payment of the actual transfer value or the written notice of transfer (recognition of transfer). These are treated as expense to the fund.

Administration Expenses And Other Expenses

Administration expenses and other expenses incurred are recognised in profit or loss. Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

New And Amended Standards And Interpretations

In the current year, the fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

New or Revised Standard	Effective for accounting period beginning on or after
Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021

Amendments To IFRS 9, IAS 39, IFRS 7 IFRS 4 And IFRS 16 - Interest Rate Benchmark Reform - Phase 2

In August 2020 the IASB published the second phase of the Interest Benchmark Reform. This phase includes amendments to IFRS9, IAS 39, IFRS 7, IFRS4 and IFRS 16. These amendments conclude the IASB work on IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

In applying the practical expedient, contractual changes or changes to cash flows that are directly required by the reform are treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

The Fund adopted the amendments during the year, however the amendment does not have a significant impact on the transactions of the Fund.

SIGNIFICANT ACCOUNTING POLICIES

Standards Issued But Not Yet Effective

Standards issued but not yet effective by the date of issuance of the fund's financial statements are listed below. The fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<u>New or Revised Standard</u>	<u>Impact</u>	<u>Effective Date</u>
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	Not Likely to have impact	01 January 2023
Insurance Contracts - IFRS17	Not Likely to have impact	01 January 2023
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	Not Likely to have impact	01 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	Not Likely to have impact	01 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	Not Likely to have impact	01 January 2022
Reporting Standards – Subsidiary as a first-time adopter	Not Likely to have impact	01 January 2023
Deferred tax related to assets and liabilities arising from single transaction - Amendment to IAS 12	Not Likely to have impact	01 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS practise statement 2.	Not Likely to have impact	01 January 2023
Definition of Accounting estimate - Amendment to IAS 8	Not Likely to have impact	01 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not Likely to have impact	01 January 2023

NOTES TO THE FINANCIAL STATEMENTS

	2021 <i>Pula ('000)</i>	2020 <i>Pula ('000)</i>
1. INCOME		
1.1 GAIN ON INVESTMENT SECURITIES		
Interest Income	36,525	40,765
Dividends Income	20,493	12,471
Change in the fair value of investment in property fund	19,191	11,888
Realised gains on disposal of investments	1,809	2,174
Change in the fair value relating to other plan assets	23,342	90,817
Management Fees	(11,260)	(12,010)
Total	90,100	146,104
2. BENEFIT EXPENSES		
Lump sum awarded on death	9,186	2,592
Lump sum on retirement	145,633	128,796
Total	154,819	131,387
2.1. Transfer out		
Transfer to an approved pension fund	8,933	3,100
3. ADMINISTRATIVE EXPENSES		
Fidelity cover premiums	49	22
Advertising	156	135
Provision for audit fees	275	150
Provision for supervisory levies	1,700	1,511
Staff remuneration	2,551	2,898
Cost of membership acquisition	29,756	29,106
Provision for Board Assessment Fees	141	128
Other Expenses	561	1,471
Investment consulting fees	1,622	1,912
Botswana Pension Society Subscriptions	5	5
Botswana Accounting Oversight Authority	23	-
Trustee, member training and other expenses	92	194
Trustee remuneration	108	108
Fund administration fees	46,434	22,997
	83,472	60,637

Fund administration fees refers to indirect cost incurred through outsourcing outlined in the SLA with Botswana Life Insurance Limited. The increase is due to the revised recharge rates with regards to the shared services cost.

Cost of membership acquisition refers to the charge agreed with Botswana Life with regards to onboarding of new members.

NOTES TO THE FINANCIAL STATEMENTS

	2021 <i>Pula ('000)</i>	2020 <i>Pula ('000)</i>
4. INVESTMENTS AT FAIR VALUE		
Plan assets - investment securities		
Opening fair value	1,889,849	-
Investment additions to the fund		1,720,622
Sharia	7,110	-
Purchase of investments	397,163	324,469
Disposal of investments	(92,375)	(260,120)
Changes in fair values of investments	44,342	104,879
Closing fair value	2,246,088	1,889,849

The above funds are managed by Botswana Insurance Fund Management Limited. Refer to note 13 for the composition of investment securities.

Investments additions to the fund refer to all investments that were held through the asset manager and, backing the member records at the inception of the fund.

NOTES TO THE FINANCIAL STATEMENTS

	2021 <i>Pula ('000)</i>	2020 <i>Pula ('000)</i>
5. ACCOUNTS RECEIVABLE		
Other receivables	422	202,484
	<u>422</u>	<u>202,484</u>

Other receivables include intercompany balances that are due to be paid on behalf of the members (net of contributions, withdrawals and contributions in arrears). The significant decrease from last year is due to balances that were paid and transferred to the asset manager for reinvestment on behalf of the members.

6. ACCOUNTS PAYABLE

Benefits Payable	59,670	51,129
Other Payables	13,800	5,444
	<u>73,469</u>	<u>56,574</u>

Benefits payable are outstanding retirements that are awaiting disbursement once the members have been identified. Other payables are contributions received in advance, some of which are to be refunded to the members.

7. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash flows, cash and cash equivalents comprise the following:

Cash at Bank	<u>2</u>	<u>3</u>
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8. RELATED PARTY TRANSACTIONS

Related parties comprises of members of the Board of Trustees of the fund and entities with common ownership and/or members. Transactions with related parties are in the normal course of business.

The Fund obtains key management personnel services from Botswana Life Insurance Limited (BLIL), the interim fund administrators. Consequently BLIL has been identified as a related party. Other related parties are Botswana Insurance Fund Management Limited (BIFM). The Fund had the following transactions and balances with related parties during the period/at period end;

Key management compensation - Fund administration fees - BLIL (Note 3)	46,434	22,997
Investment management fees - BIFM	11,260	12,010

Receivables from related parties

Botswana Life Insurance Limited (Sponsor/Service provider)	<u>422</u>	<u>202,481</u>
	<u>422</u>	<u>202,481</u>

Related party receivables are non-interest bearing and have an average term of 30 days.

Investment securities invested with (BIFM)

Closing fair value	<u>2,246,088</u>	<u>1,889,849</u>
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The above funds are managed by Botswana Insurance Fund Management Limited (BIFM). Refer to note 13 for the composition of investment securities.

NOTES TO THE FINANCIAL STATEMENTS

9. ADMINISTRATIVE EXPENSES

In terms of clause 14.2 of the Rules of the Fund all administrative expenses are borne by the Fund itself.

10. PROFESSIONAL INDEMNITY INSURANCE

In terms of clause 13.7.2 of the Rules of the Fund, the Trustees shall also cause a policy of insurance to be maintained to indemnify the Fund against all losses resulting from negligence, dishonesty or fraud of any of the Fund's officers employer's officers having the receipt or charge of monies belonging to the Fund.

11. TAXATION

The Fund is an approved scheme under the Income Tax Act, CAP 52:01 and accordingly there is no liability for Botswana income tax.

12. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives And Policies

The Fund's principal financial instruments comprises of plan assets investment securities at fair value, cash and cash equivalents, accounts receivables and accounts payable. The main purpose of these financial instruments is the investment of Fund's contributions.

The Fund does not enter into derivative transactions.

The main risks the Fund is exposed to are credit risk, liquidity risk and market risk, which comprises of interest rate risk, foreign currency risk and price risk.

Even though the investment securities are accounted for in terms of IAS26, they meet the definition of a financial asset. As such, disclosures of investment securities in terms of IFRS 7 for liquidity and market risk has been provided.

Interest Rate Risk

All funds are invested with Botswana Insurance Fund Management Limited. The Retirement Fund's exposure to market risk for changes in interest rates, special bonus rates and fair values relates primarily to the Retirement Fund investment portfolio and cash and cash equivalents. The portfolio includes only securities with active secondary or resale markets to ensure portfolio liquidity.

Floating rate instruments expose the Fund to cash flow interest risk, whereas fixed interest rate instruments expose the Fund to fair value interest risk.

The Fund's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until the maturity. The investment committee sets the limits in the investment mandates and meet quarterly to review compliance with the mandates and where necessary review the limits.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

Equity Price Risk

The Funds listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Fund manages the equity price risk through diversification and ensuring its within the benchmark set by the Fund rules.

The Fund's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market. The property risk sensitivities is included in the equity price risk as the portfolio comprise of listed assets. The price risk movement on bonds is included in the interest rate risk note.

Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund's principal transactions are carried out in Botswana Pula and its exposure to foreign exchange risk arise primarily with respect to US Dollar.

The main foreign exchange risk arises from recognised assets denominated in currencies other than those in which fund liabilities are expected to be settled.

The Fund being sponsored by Botswana Life Insurance Limited and in extension Sanlam Limited, manages its South African Rand foreign currency risk by hedging transactions in line with the expected duration of risk through the SWAP derivative financial instrument between Botswana Life Insurance Limited and African Life Assurance Company (Botswana) Limited. The derivative instruments at Botswana Life Insurance Limited reflect the change in fair value of foreign exchange swap transaction contracts that are intended to reduce the level of foreign currency risk. These derivatives are measured at fair value through profit and loss. The Fund and Botswana Life Insurance Limited do not apply hedge accounting.

Liquidity Risk

Liquidity risk is the risk that the business will encounter difficulty in meeting its obligations associated with financial and administration liabilities.

The Fund manages and monitors daily funding requirements. Surplus funds are invested with authorised investment managers.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

The Fund's investment portfolio include offshore equity, offshore bonds and offshore money market denominated in US Dollars and, as a result are exposed to movements in foreign currency exchange rates. There are no foreign currency liabilities.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As it is the Fund's policy to enter into financial instruments with creditworthy counterparties, primarily the Fund employer, the Fund does not expect to incur material credit losses on its risk management or other financial instruments.

Credit risk arises from the possibility that investments in bonds, offshore money markets, trade and other receivables, local money markets, related party receivables and cash and bank balances with banks will not be redeemed by the relevant counter parties when they become due. The following policies and procedures are in place to mitigate the company's exposure to credit risk:

The risk and investment committee came up with a policy that is used to assess and determine what constitutes credit risk for the company. Compliance with the policy is monitored and any exposures and breaches are reported to the Investment committee. The policy is quarterly reviewed for pertinence and the changes in the risk environment.

Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments; i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.

The Board of trustees follow specific investment mandates that have been agreed with the asset manager. These mandates depict how much of a type of assets to hold in each portfolio based on their perceived risk and thereby reducing both on concentration of specific assets and of currency.

The Fund does not expect to incur material credit losses on its risk management or other financial instruments.

General Approach To Defaults

Using the general approach ECLs are recognised in three stages as follows:

Stage 1: Upon initial recognition and annually thereafter, for exposures where there has not been a significant increase in credit risk, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. (a 12 month ECL)

Stage 2: For exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Stage 3: For exposures where the balances are credit impaired (non-performing) the ECLs are provided for over the remaining life of the exposure (a lifetime ECL)

For this period there were no expected credit losses expected from default events within the next 12 months on receivables. There has not been a significant increase in credit risk since initial recognition hence the stage 1 category.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

2021

	Impairment Method/Stage	Balance as at 31 Dec 2021 P'000	PiT (PD)	Exposure to default P'000	LGD	Expected Credit
Net contributions	GA/Stage 1	421	0%	-	0%	-
Total Credit Loss Exposure		421				

2020

	Impairment Method/Stage	Balance as at 31 Dec 2020 P'000	PiT (PD)	Exposure to default P'000	LGD	Expected Credit
Outstanding contributions	GA/Stage 1	202 487	0%	-	100%	-
Total Credit Loss Exposure		202 487				

Net contributions comprises of mainly recoveries from Botswana Life Insurance Limited. These recoveries are all below the 90 day aged band.

There were no material credit losses expected after reviewing the likelihood of default and expected collection timeline.

Fair value of financial instruments

The fair value of all financial instruments is substantially identical to the carrying values reflected in the balance sheet. The table below summaries the information. Refer to Note 14 for the valuation techniques used by the entity to value its financial instruments. The carrying amounts approximate the fair values.

	Financial assets at amortised costs	Financial assets at fair value through profit or loss	Financial Liabilities at amortised cost	Total
	Pula ('000)	Pula ('000)	Pula ('000)	Pula ('000)
<i>Financial assets</i>				
Cash and cash equivalents	2	-	-	2
Receivables	422	-	-	422
Investments	-	-	-	-
<i>Financial liabilities</i>				
Accounts payable	-	-	(73,469)	(73,469)
Total	424	-	(73,469)	(73,045)

NOTES TO THE FINANCIAL STATEMENTS

Classification of financial instruments (continued)

	Financial assets at amortised costs	Financial assets at fair value through profit or loss	Financial Liabilities at amortised cost	Total
	Pula ('000)	Pula ('000)	Pula ('000)	Pula ('000)
2020				
Financial Assets				
Cash and cash equivalents	3	-	-	3
Receivables	202,484	-	-	202,484
<i>Financial Liabilities</i>				
Accounts payable	-	-	(56,574)	(56,574)
Total	202,487	-	(56,574)	145,913

Financial assets pledged as collateral

The fund has not pledged any financial assets as collateral.

Financial assets received as collateral

The fund has not received any financial assets as collateral.

Market Risk Sensitivity

The set of assumptions used for each of the risk factors hereunder are not forecasts, but merely "what if" scenarios and the likely impact on the current portfolio, based on selected changes in risk variables over a one year horizon.

The table below gives an indication of the risk sensitivities of the portfolio to various risk parameters. Assuming that the probability of the beneficial change in the risk variables are as likely to happen as an adverse change, both potential increase and decrease are shown for the indicated scenarios.

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively. All investment assets are recoverable on demand:

	0 - 3 months	3 - 6 months	6 months - 1 year	More than 1 year	Total
	Pula ('000)	Pula ('000)	Pula ('000)	Pula ('000)	Pula ('000)
2021					
Assets					
Local Money Market	44,104	-	-	-	44,104
Local Equity Fund	-	284,451	-	-	284,451
BIFM Global Sustainable Growth Fund	-	33,181	-	-	33,181
Local Bond Fund	442,924	-	-	-	442,924
Local Property Fund	-	315,975	-	-	315,975
Offshore Money Market	18,239	-	-	-	18,239
Offshore Bond	-	148,520	-	-	148,520
Offshore Equity	884,427	-	-	-	884,427
Offshore Property	-	-	21,191	-	21,191
Offshore Cash	2,415	-	-	-	2,415
Offshore Private Equity	-	-	37,776	-	37,776
Sharia	12,884	-	-	-	12,884
Accounts receivable	422	-	-	-	422
Cash and cash equivalents	2	-	-	-	2
Total assets	1,405,418	782,127	58,967	-	2,246,512
Liabilities					
Accounts payable	73,469	-	-	-	73,469

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

Market Risk Sensitivity (continued)

	0 - 3 months Pula ('000)	3 - 6 months Pula ('000)	6 months - 1 year Pula ('000)	More than 1 year Pula ('000)	Total Pula ('000)
2020					
Assets					
Local Money Market	22,167	-	-	-	22,167
Local Equity Fund	-	258,936	-	-	258,936
Local Bond Fund	366,394	-	-	-	366,394
Local Property Fund	-	284,814	-	-	284,814
Offshore Bond	-	133,700	-	-	133,700
Offshore Equity	744,935	-	-	-	744,935
Offshore Money Market	14,337	-	-	-	14,337
Offshore Property	-	-	26,429	-	26,429
Offshore Cash	6,383	-	-	-	6,383
Offshore Private Equity	-	-	31,755	-	31,755
Accounts receivable	202,484	-	-	-	202,484
Cash and cash equivalents	3	-	-	-	3
Total assets	1,356,703	677,449	58,183	-	2,092,336
Liabilities					
Accounts payable	56,574	-	-	-	56,574

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

Market Risk Sensitivity (continued)

2021

RISK VARIABLE	ADVERSE MARKET CHANGE		BENEFICIAL MARKET CHANGE	
	Scenario	Effect on Statement of changes in net assets available for benefits ('000 Pula)	Scenario	Effect on Statement of changes in net assets available for benefits ('000 Pula)
Currency risk	Strengthening of the Pula by 5%	(56,273)	Weakening of the Pula by 5%	56,273
Global equity risk	Decline in global equity prices by 8%	(74,807)	Increase in global equity prices by 8%	74,807
Local equity risk	Decline in local equity prices by 5%	(15,882)	Increase in local equity prices by 5%	15,882
Interest rate risk	Decline in interest yield by 1% basis	(6,562)	Increase in interest yield by 1% basis	6,562

2020

RISK VARIABLE	ADVERSE MARKET CHANGE		BENEFICIAL MARKET CHANGE	
	Scenario	Effect on Statement of changes in net assets available for benefits (Pula)	Scenario	Effect on Statement of changes in net assets available for benefits (Pula)
Currency risk	Strengthening of the Pula by 3%	(28,726)	Weakening of the Pula by 3%	28,726
Global equity risk	Decline in global equity prices by 5%	(5,492)	Increase in global equity prices by 5%	5,492
Local equity risk	Decline in local equity prices by 3%	(7,768)	Increase in local equity prices by 3%	7,768
Interest rate risk	Decline in interest yield by 1% basis	(5,430)	Increase in interest yield by 1% basis	5,430

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

INVESTMENTS BY ASSET CLASS

	2021 <i>Pula ('000)</i>	2020 <i>Pula ('000)</i>
Local Bond	442,924	366,394
Local equity	284,451	258,936
BIFM Global Sustainable Growth Fund	33,181	-
Local money market	44,104	22,167
Local property	315,975	284,814
Offshore bond	148,520	133,700
Offshore equity	884,427	744,935
Offshore money market	18,239	14,337
Offshore Property	21,191	26,429
Offshore Cash	2,415	6,383
Offshore Private Equity	37,776	31,755
Sharia	12,884	-
Total Investments	2,246,088	1,889,849

14. RISK MANAGEMENT

Determination of fair values and fair value measurement hierarchy

The following table shows an analysis of items recorded or disclosed of fair value:

The Fund uses the following hierarchy for determining and disclosing the fair value of items measured or disclosed at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS

The following table represents the Fund's assets and liabilities that are measured at fair value.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2021:

	Date of valuation	<i>Fair value measurement using</i>			Total fair value
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
		<i>Pula ('000)</i>	<i>Pula ('000)</i>	<i>Pula ('000)</i>	<i>Pula ('000)</i>
Fixed Interest/Local Money Market	31 December 2021	-	44,104	-	44,104
Local Equity Fund	31 December 2021	284,451	-	-	284,451
BIFM Global Sustainable Growth Fund	31 December 2021	33,181	-	-	33,181
Local Bond Fund	31 December 2021	-	442,924	-	442,924
Local Property Fund	31 December 2021	-	-	315,975	315,975
Offshore Money Market	31 December 2021	-	18,239	-	18,239
Offshore Cash	31 December 2021	-	2,415	-	2,415
Offshore property	31 December 2021	-	-	21,191	21,191
Offshore Private Equity	31 December 2021	-	-	37,776	37,776
Offshore bond	31 December 2021	-	148,520	-	148,520
Offshore equity	31 December 2021	884,427	-	-	884,427
Sharia	31 December 2021	12,884	-	-	12,884
		1,214,944	656,202	374,942	2,246,088

NOTES TO THE FINANCIAL STATEMENTS

14. RISK MANAGEMENT (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2020:

	Date of valuation	Fair value measurement using			Total fair value
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
		Pula ('000)	Pula ('000)	Pula ('000)	Pula ('000)
Fixed Interest/Local Money Market	31 December 2020	-	22,167	-	22,167
Local Equity Fund	31 December 2020	258,936	-	-	258,936
Local Bond Fund	31 December 2020	-	366,394	-	366,394
Local Property Fund	31 December 2020	-	-	284,814	284,814
Offshore Money Market	31 December 2020	-	14,337	-	14,337
Offshore Cash	31 December 2020	-	6,383	-	6,383
Offshore property	31 December 2020	-	-	26,429	26,429
Offshore Private Equity	31 December 2020	-	-	31,755	31,755
Offshore bond	31 December 2020	-	133,700	-	133,700
Offshore equity	31 December 2020	744,935	-	-	744,935
		1,003,871	542,981	342,997	1,889,849

Sensitivity of Level 3 Financial instruments measured at fair value, to changes in key assumptions.

The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

Plan Asset

	Carrying Amount Pula ('000)	Effect of 2% decrease in discount rate Pula ('000)	Effect of 2% increase in discount rate Pula ('000)
2021			
Local Property Fund	315,975	6,320	(6,320)
Offshore Property Fund	21,191	424	(424)
Offshore Private Equity	37,776	756	(756)
	374,942	7,499	(7,499)

	Carrying Amount Pula ('000)	Effect of 2% decrease in discount rate Pula ('000)	Effect of 2% increase in discount rate Pula ('000)
2020			
Local Property Fund	284,814	(5,696)	5,696
Offshore Property Fund	26,429	(529)	529
Offshore Private Equity	31,755	(635)	635
	342,997	(6,860)	6,860

NOTES TO THE FINANCIAL STATEMENTS

14. RISK MANAGEMENT (continued)

Plan Asset

2021	Carrying Amount <i>Pula ('000)</i>	Effect of 2% decrease in capitalisation <i>Pula ('000)</i>	Effect of 2% increase in capitalisation <i>Pula ('000)</i>
Local Property Fund	315,975	6,320	(6,320)
Offshore Property Fund	21,191	424	(424)
	337,166	6,743	(6,743)

2020	Carrying Amount <i>Pula ('000)</i>	Effect of 2% decrease in capitalisation <i>Pula ('000)</i>	Effect of 2% increase in capitalisation <i>Pula ('000)</i>
Local Property Fund	284,814	(5,696)	5,696
Offshore Property Fund	26,429	(529)	529
	311,243	(6,225)	6,225

Plan Asset

2021	Carrying Amount <i>Pula ('000)</i>	Effect of 2 months non-occupancy <i>Pula ('000)</i>
Local Property Fund	315,975	(52,663)
Offshore Property Fund	21,191	(3,532)
	337,166	(56,194)

2020	Carrying Amount <i>Pula ('000)</i>	Effect of 2 months non-occupancy <i>Pula ('000)</i>
Local Property Fund	284,814	(47,469)
Offshore Property Fund	26,429	(4,405)
	311,243	(51,874)

NOTES TO THE FINANCIAL STATEMENTS

Plan Asset

2021	Carrying Amount Pula ('000)	Effect of 2% decrease in cashflows Pula ('000)	Effect of 2% increase in cashflows Pula ('000)
Local Property Fund	315,975	(6,320)	6,320
Offshore Property Fund	21,191	(424)	424
Offshore Private Equity	37,776	(756)	756
	374,942	(7,499)	7,499

2020	Carrying Amount Pula ('000)	Effect of 2% decrease in cashflows Pula ('000)	Effect of 2% increase in cashflows Pula ('000)
Local Property Fund	284,814	(5,696)	5,696
Offshore Property Fund	26,429	(529)	529
Offshore Private Equity	31,755	(635)	635
	342,997	(6,860)	6,860

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques to maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

2021

	Offshore Private Equity Pula ('000)	Local Property Fund Pula ('000)	Offshore Property Fund Pula ('000)	Total Pula ('000)
Level 3 Financial Assets				
Opening Balance	-	-	-	-
Additions	-	2,268	-	2,268
Disposals	(2,292)	(930)	-	(3,222)
Income	1,299	19,191	-	20,490
Unrealised gains	6,699	14,008	(5,111)	15,596
Realised Gains	525	-	23	547
Management Fees	(209)	(3,375)	(150)	(3,735)
Closing Balance	6,022	31,162	-5,238	31,945

NOTES TO THE FINANCIAL STATEMENTS

14. RISK MANAGEMENT (continued)

2020

	Offshore Private Equity Pula ('000)	Local Property Fund Pula ('000)	Offshore Property Fund Pula ('000)	Total Pula ('000)
Level 3 Financial Assets				
Opening Balance	36,887	219,738	33,700	290,326
Additions	5,305	45,782	-	51,087
Disposals	-	-	-	-
Income	2,129	12,783	-0.24	14,911
Unrealised gains	(2,209)	-	(760)	(2,969)
Realised Gains	(10,103)	9,462	(6,305)	(6,947)
Management Fees	(254)	(2,951)	(205)	(3,410)
Closing Balance	31,755	284,814	26,429	342,997

Valuation techniques used in determining the fair value of Plan.

INSTRUMENT	APPLICABLE TO LEVEL	VALUATION BASIS	MAIN ASSUMPTIONS	SIGNIFICANT INPUTS
Offshore Private equity	3	Net fair value of underlying assets through DCF models	Cash flows generated by underlying companies and the applicable discount rates	Cash flows, discount rates, and industry multiples
Local & Offshore property	3	NAV of underlying inflation rate assets derived using the Discounted cash flow model (DCF)	Capitalisation rate, long term growth rate and vacancy rates	Estimated cash flows, discount rates, capitalization rate & long-term vacancy rates
Local Equity	1	Listed price x quantity	n/a	Listed price x quantity
Offshore equity	1	Listed price x quantity	n/a	Listed price x quantity
Local and offshore bonds	2	Net fair value of underlying bonds	Risk free rate curve plus credit spread	Discount rate and cash flows
Money Markets	2	Discounted cash flow model (DCF)	Fixed deposit rates, negotiated deposit rates	Fixed deposit rates, negotiated deposit rates
Sharia	1	Listed price x quantity	n/a	Listed price x quantity

NOTES TO THE FINANCIAL STATEMENTS

15. DESCRIPTION OF THE FUND

Defined Contribution Plan

The Fund was established in 13th September 2019 as defined contribution fund.

Individual contributing members

Membership of the fund is made up of individuals who choose to take-up a personal retirement pension plan. Any individual who is willing to have an extra saving towards retirement and is financially able is eligible to join the membership.

As at December 2021 the fund had a total of **84,708** (85,281 in Dec 2020) members, made up of **52,699** (55,987 in Dec 2020) contributing members and **32,009** (29,294 in Dec 2020) non contributing members.

Contributions

Each member makes contributions towards their retirement benefit. There is no employer - employee relationship since its not an occupational pension plan.

A member may elect to make monthly contributions which can be collected through a preferable mode by the member. Financial underwriting is undertaken at member loading stage, to determine if the prospective member's financial standing allows them to contribute the minimum amount allowed. Such monthly contributions may be increased, reduced or stopped only at the beginning of the Fund year. A member may choose to make one bulk contribution until retirement.

Benefits

Retirement benefits are calculated at an amount as may be purchased by the member's equitable share at the date of retirement. Where a member retires normally:

- (a) they may choose to be paid 1/3 of the accumulated value and
- (b) they will buy an annuity from a service provider of their choice

Where a member retires due to ill health, as certified by the doctor, they will be entitled to all the available value of the membership.

Where a member becomes deceased, all the accumulated member value will be paid to his/her nominated dependants as may be deemed equitable by the trustees.

16. COMPARATIVE INFORMATION

The financial statements were prepared for the period ended 31 December 2021. There comparatives are for the 15 months period from October 2019 to December 2020.

17. EVENTS AFTER REPORTING PERIOD

Coronavirus (COVID-19) Outbreak

The COVID-19 pandemic has continued to impact the Botswana economy beyond 31 December 2021. The infection rates and mortality rates have spiked globally since the beginning of January 2021. New COVID-19 strains have been reported in various countries, with the initial variants being reported in the UK, South Africa and Brazil. The vaccination programs initiated in December 2020 continue to focus on the frontline workers and the "at risk" population groups.

The 2021 budget presented by the Minister of Finance, proposed some tax hikes notably VAT increase from 12% to 14%, sugar tax, increase in withholding tax on dividends from 7.5% to 10%. Other changes include an increase in the fuel levy, operationalisation of plastic levy as well as the introduction of second-hand vehicle levy. The Minister also reported that a comprehensive Rationalisation Strategy covering all Stated Owned Enterprises (SOEs) has been developed. Implementation of the strategy will address issues such as duplication of activities and overlapping mandates. Some SOEs have also been identified for privatisation, while others could be closed. This will reduce Government spending on these entities. The review will also make proposals for improvements in SOE corporate governance.

NOTES TO THE FINANCIAL STATEMENTS

17. EVENTS AFTER REPORTING PERIOD (continued)

Coronavirus (COVID-9) Outbreak

The above highlights point to an increased pressure on household incomes in 2021 as tax hikes are likely to trigger price hikes across a wide spectrum of goods and services. The delayed access to vaccines means that the spread and impact of COVID-19 is likely to continue through to 2022.

The Trustees have reviewed the Fund's exposure to the effects of a possible global recession on the Fund's results, financial position and cash flows and concluded that whilst there is already a direct impact on certain sectors such as hospitality, discretionary retail and offline entertainment, the extent, timing and duration of the impact cannot yet be forecasted or quantified.

The increased pressure on household incomes as well as the continued spreading of COVID-19 will increase the risk of member contribution deferment and also result in higher death claims due to COVID-19 related deaths.

These post balance sheet events are non-adjusting but will potentially result in an impact on the results and cash flows of the 2021 financial period. Even though the impact cannot be quantified now, the Trustees have done a risk assessment and considered the likely impact of Covid-19 and have put in place appropriate measures to mitigate the risks.




Botswana Life
Retirement
Annuity Fund

Plot 66458, Block A Fairgrounds Office Park
Private Bag 00296, Gaborone Botswana
T +267 364 5100, F +267 390 5884
www.retirementannuityfund.co.bw