



Botswana Life

Retirement  
*Annuity Fund*

# TRUSTEES REPORT 2022

*"A Unified Legacy"*





### ***“A Unified Legacy”***

*People and organisations alike thrive in an environment that is built on collaboration. When everybody comes together and works as one, workflows become smoother, tasks can be achieved quicker and effectively, healthy relationships can be formed and productivity can be improved. “If you want to go fast, go alone; if you want to go far, go together.” - African Proverb*

*We are committed to achieving the best results, together.*

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# INTRODUCTION

## **Brief Background of Botswana Life Retirement Annuity Fund**

A historical relationship exists between Botswana Life Retirement Annuity Fund (BLRAF and “the fund”) and Botswana Life Insurance Limited (BLIL and “Botswana Life”). 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 during 1987 and 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 necessarily associated with any employer.

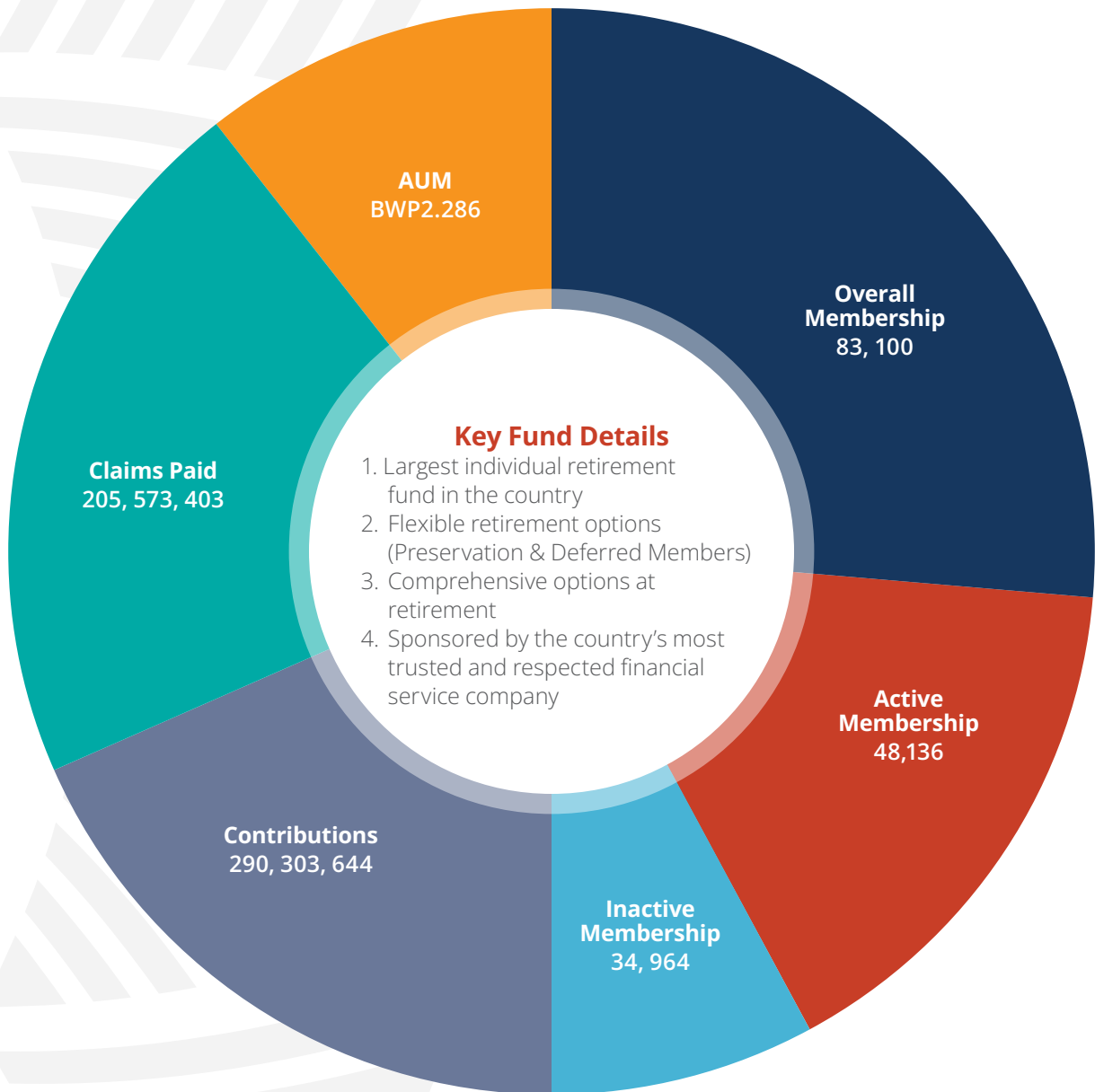
Historically these funds were administered as a form of insurance business by BLIL. In all cases, members applied for and were issued with an individual fund investment policy / certificate reflecting the material terms of each member’s financial entitlement, which together with the incorporation of 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 and “the Regulatory Authority”) advised that all existing retirement funds were required to apply for licensing in terms of then new Retirement Funds Act 2014 (“the Act”) which has since been repealed and replaced by the Retirement Funds Act 2022. 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.

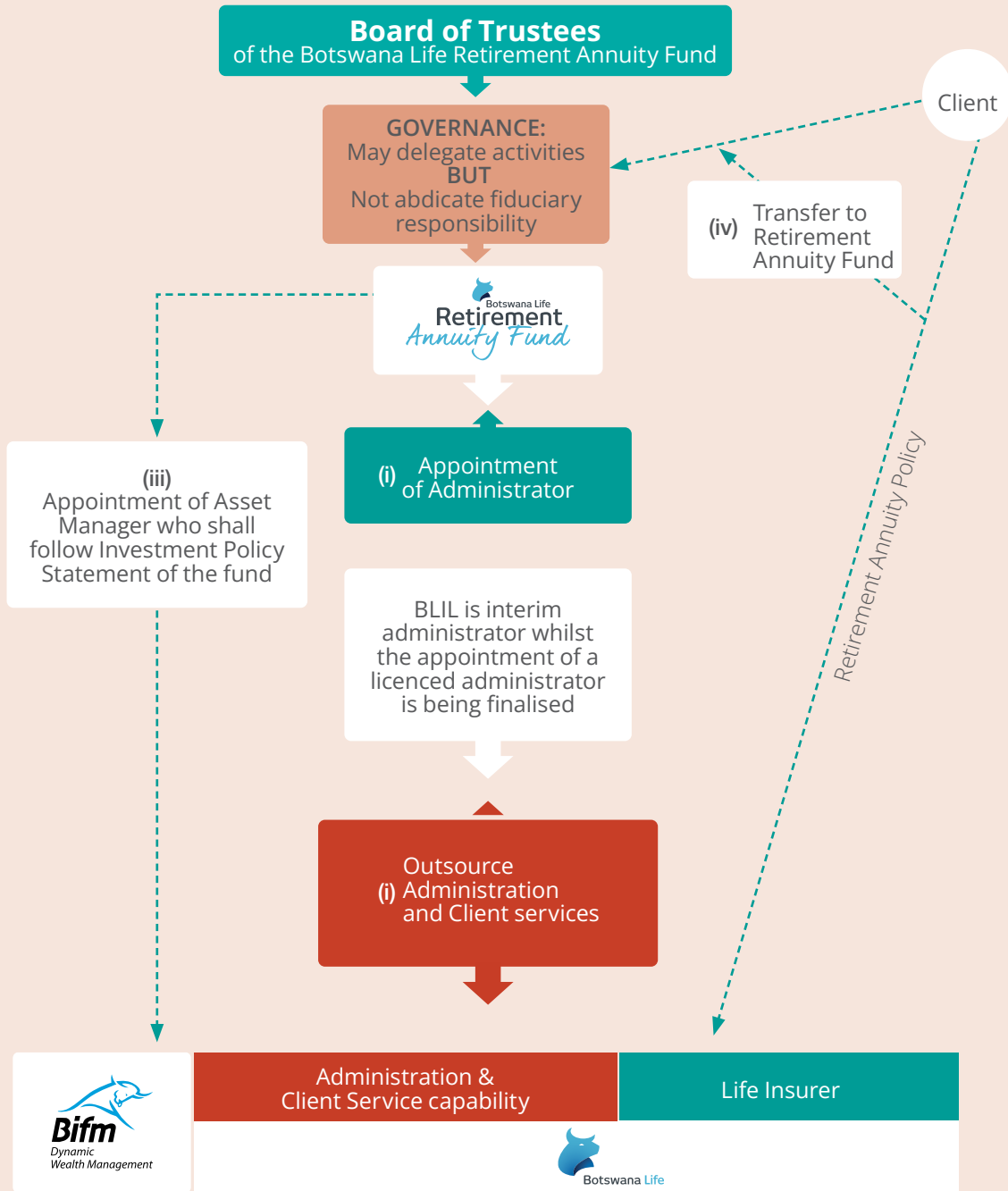
# BLRAF AT A GLANCE



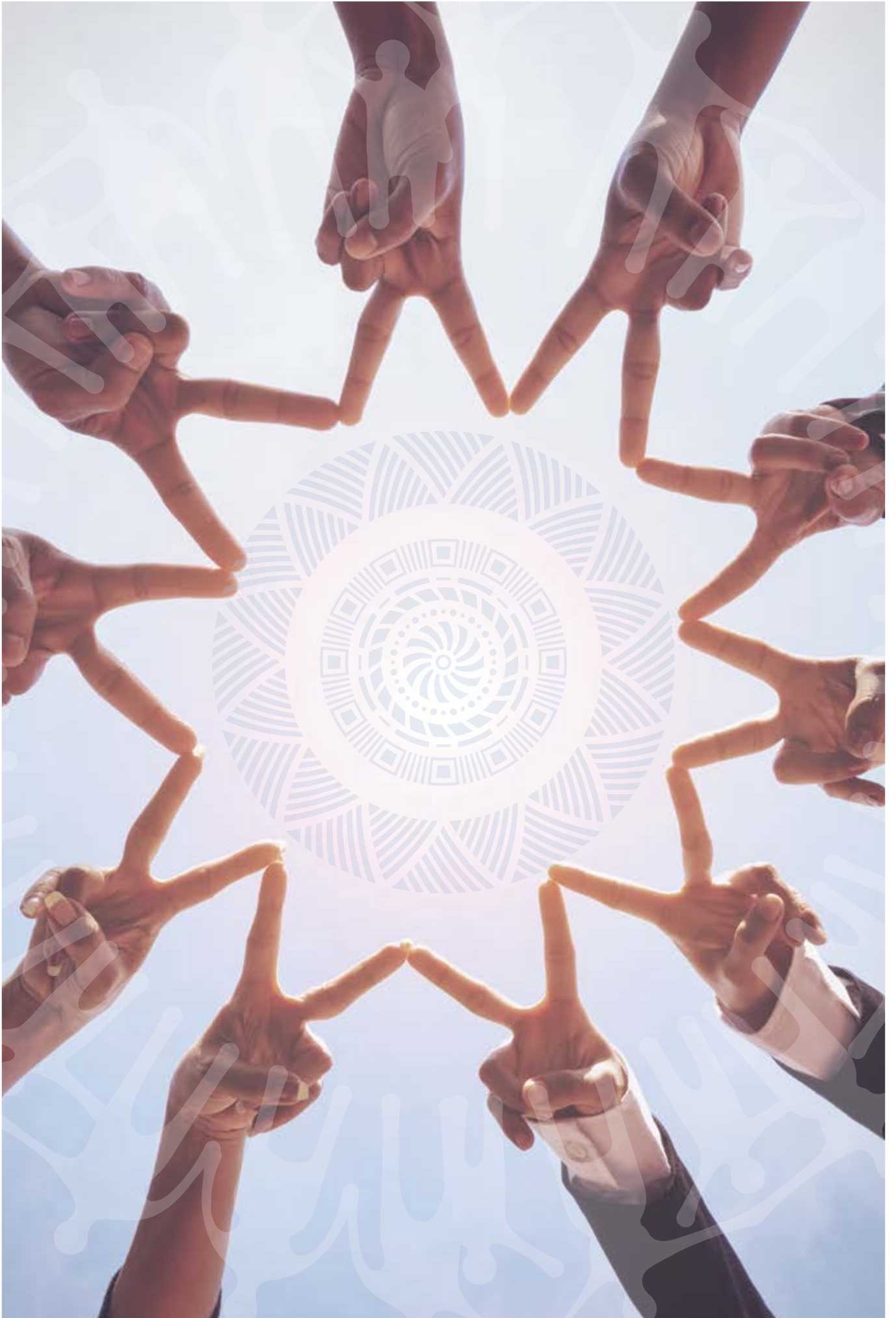
# RELATIONSHIP CHART



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

# Chairperson's Statement



**MPHO MORALE**  
CHAIRPERSON

## CHAIRPERSON'S STATEMENT

**The** start of 2022 gave the world that was emerging from the worst of the Covid-19 crisis some optimism with indication of economic and investment markets recovery globally which was however abruptly interrupted when Russia invaded Ukraine towards the end of second month into the year.

We reflect on a year during which some progress has been made on key initiatives whilst also dampened by challenges that members of the fund will continue to face going forward such as volatility in investment markets, geopolitical uncertainties, recovering global economy and the relatively lower average retirement savings level of members of the fund.

There has been some regulatory changes whose impacts are already being felt by the retirement fund industry and these include revised provisions that allows access to retirement benefits before retirement in specific instances and the gradual changes to the on/shore investment limits for retirement funds. The fund welcomes regulatory developments that help constructively transform the retirement fund industry to best serve our members.

With the benefit of hindsight considering what has been happening in the investment market over the past 10 years as well as developments within the retirement funds industry, we all acknowledge that retirement savings are the base savings of each member of a retirement fund. Additionally, retirement fund savings are at the centre of every member's financial plan.

Botswana Life Retirement Annuity Fund plays a key role in ensuring that we create legacies and meet our members' need for financial security through the best retirement funding solutions. While we are encouraged by signs of recovery and renewal ahead, at least nationally, there still remain concern particularly in respect of volatility in the investment markets. We

assure our members that the fund's default investment portfolios are designed to them protection against short term market volatility and such reassurance is important during these challenging economic times. As the leading retail/ individual retirement fund in the country, the fund takes pride in its commitment to good governance to ensure the best retirement outcomes for our members and this will continue to be a key part of our strategy. Our engagement with the Regulatory Authority, industry bodies and other key stakeholders will continue on regulatory and other matters of mutual interest to the retirement fund industry. While acknowledging that the latest legislative changes allowing early access to retirement benefits help members facing impact of increasing cost of living, 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. As such the fund will continue with member education campaigns to emphasize benefit preservation and increasing contributions.

On behalf of the Board of Trustees of the Botswana Life Retirement Annuity Fund, I express my gratitude to the sponsor, Regulator and all other stakeholders of the fund for their support during the 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. Let us uphold the commitment and determination to ensure that the fund fulfils its commitment to ensure the best retirement outcomes for our members.



**Mpho Morale**  
Chairperson of the Management Board

*“ Retirement fund savings are at the centre of every member's financial plan.”*



# Principal Officer's Message



**DUNCAN HULE**  
PRINCIPAL OFFICER

## PRINCIPAL OFFICER'S MESSAGE

**For** much of 2022, the retirement funds industry watched and waited with keen interest legislative developments that promised to give members of retirement funds access to their benefits before retirement. Heightening such keen interest was international developments within the retirement funds space with varying measures proposed by governments globally and most of them primarily intended to assist members in light of the financial strain caused by the prevailing high cost of living following the Covid-19 pandemic on individual members' financial security. The revised Retirement Funds Act 2022 was implemented during the last quarter of the year with revised provisions and the most notable has been the increased access given to deferred members of retirement funds to pay towards loans they have defaulted on including mortgage loans owed. Additionally, deferred members may also access funds to settle medical bills in the event that they have a terminal illness.

The Covid-19 pandemic caused an increase in death claims especially, and sadly, a strain on the claims settlement timelines necessitating investment by the fund to improve and refine claims processes to afford it to process higher number of claims at a quicker pace. Such increase in claims and additional processes implemented to accommodate revised provisions brought about by the latest legislative development has been a hands-on-deck approach and will continue to be a focus area during the following year. We convey sincere apologies for the adverse impact this has had on our members, beneficiaries as well as other key stakeholders and confirm that it has since been addressed.

The Regulatory Authority continues to release updated and new standards that will shape the future of the retirement funds industry in the country as they work towards the objective of greater alignment to international standards. We also fully support the emphasis that the sole purpose of a pension is to provide income to members of pension funds during retirement for their subsistence and as a means to augment their living costs, and this is the context within which the latest amendments must be viewed.

Global economic growth during 2022 turned out relatively slower than initially predicted as we experienced rising interest rates, increasing cost of living and geopolitical concerns. Indications are that 2023 economic growth outlook will be subdued owing to persistent macroeconomic uncertainties.

We convey our gratitude to the Board of Trustees of the Fund for their strong governance basis that enables delivery on our fiduciary responsibilities and continuing initiatives to secure the best retirement outcomes for our members. Additionally, 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 and guidance. 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

*“Deferred members may also access funds to settle medical bills in the event that they have a terminal illness.”*







# FUND GOVERNANCE & ORGANISATIONAL STRUCTURE



# FUND GOVERNANCE & ORGANISATIONAL STRUCTURE

To ensure that the best interests of 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



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- 1. LESEGO NTEBELA**  
Trustee
- 2. THABO MATTHEWS**  
Independent Trustee  
(Resigned 31/03/2022)
- 3. MAVIS MAGOSI**  
Independent Trustee

- 4. EZWENI TSHUMA**  
Trustee
- 5. KAGISO MOKGOTHU**  
Trustee
- 6. JOHANE VASCO TATLHEGO**  
Trustee

- 7. DUNCAN HULE**  
Principal Officer
- 8. THABANG OLIPHANT**  
Risk Officer  
(Resigned 30/06/2022)
- 9. GALENNELWE MALEFHO**  
Risk Officer  
(Appointed 01/07/2022)



## TRUSTEES PROFILES



### **MPHO MORALE**

#### **Chairperson**

Mpho holds a Bachelor's degree in Accounting and an MSc Strategic Management from University of Derby. He has over 17 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 Service Manager - North, responsible for all our service offices in the northern side of Botswana, being Palapye, Selibe - Phikwe, Francistown, Maun and Kasane satellite office.



### **LESEGO ALMOND NTEBELA**

#### **Trustee (Deputy Chairperson & Member Representative)**

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 17 years' experience in the Actuarial and Insurance Industry.

Over the past 17 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.

## TRUSTEES PROFILES



### THABO KAGISO MATTHEWS

#### Independent Trustee (Resigned 31/03/2022)

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 18 years' work experience primarily in management consulting, banking and the mobile communications industry.

Thabo has more than 15 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.



### MAVIS MAGOSI

#### Independent Trustee

Mavis holds Master of Business Administration, Master of Business Leadership and Bachelor of Business Administration from the Universities of St Mark & John, South Africa, and Botswana, respectively.

Mavis has over ten years' experience in the retirement funds industry, having served as a Trustee for the Bank of Botswana pension fund, and later as Pensions Manager. In her role she plans, organises, budgets for, manages, coordinates, supervises and controls the provision of efficient Pension Fund services.



### EZWENI TSHUMA

#### Trustee

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 20 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.

## TRUSTEES PROFILES



### **KAGISO MOKGOTHU**

#### **Trustee**

Kagiso is an admitted attorney to the Courts of Botswana by training with vast experience in advisory services, corporate governance, board support and compliance services. Kagiso holds a Master of Science in Strategic Management from the University of Derby and a Bachelor of Laws degree from the University of Botswana. She also holds a post graduate certificate in Compliance and Risk Management from the University of Cape Town, 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 BHL Group through the secretarial office.

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 FCCA, FCPA**

#### **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.

## FUND OFFICIALS PROFILES



### **DUNCAN T. HULE**

#### **Principal Officer**

Duncan holds Post Graduate Diploma in Financial Planning – specialising in Employee Benefits/ Retirement Funds and another in Investments & Risk Management both from the University of the Free State as well as other pension and tax qualifications. He is a Fellow member of the Chartered Institute of Secretaries and Administrators - now Chartered Governance Institute (FCG) and Fellow member of the Insurance Institute of South Africa (FIISA).

His career spans over 19 years of vast experience in the field of Employee Benefits and he has previously worked for some of the top firms in all these fields such as Alexander Forbes as well as AON prior to joining Botswana Life Insurance Ltd as the Relationship Manager – Employee Benefits responsible for the Annuity & Group Risk portfolios within Corporate Business department.

He subsequently took up the role of Business Development & Broker Support Manager at Affluent department before assuming the role of Principal Officer of the Botswana Life Retirement Annuity Fund.



### **THABANG OLIPHANT**

#### **Risk Officer (Resigned 30/06/2022)**

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 10 years of working experience with Botswana Life Insurance Limited (BLIL). During 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.



### **GALENNELWE MALEFHO**

#### **Risk Officer (Appointed 01/07/2022)**

Galennelwe has over 8 years' operational and financial experience in the insurance industry, having worked in the Finance and Actuarial departments at Botswana Life. He holds a BBA (Hons) Banking and Finance degree from Multimedia University (Malaysia), a Post-graduate certificate in Enterprise Risk Management (Botswana Accountancy College) and a Certificate of Proficiency (COP) -short term insurance, retirement funds. He is currently a candidate MBA student with the University of Botswana.



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 Subcommittee shall perform the functions customarily performed by retirement fund benefit and administration Subcommittees 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 2022 is as set out below;

MEMBERSHIP STATUS	DEC 2022	DEC 2021
CONTRIBUTING	48,136	52,699
DEFERRED	34,964	32,009
<b>TOTAL</b>	<b>83,100</b>	<b>84,708</b>

New members that joined the Fund during the period under review were 3,606. This is a decrease of 20% in new members when compared to the previous period (2021)

#### Benefits Paid

Total exit benefits paid out during the reporting period were P205 million. The number of exit cases are as below.

TYPE OF EXIT	NO OF CASES	AMOUNT (BWP)
NORMAL RETIREMENT	961	49,077,898.59
EARLY RETIREMENT	2727	120,259,767.23
DEATH	617	20,202,663.12
TRANSFER- OUT	115	15,462,000.59
ILL HEALTH	10	571,072.34
<b>TOTAL</b>	<b>4430</b>	<b>205,573,401.87</b>

# FINANCE AND AUDIT COMMITTEE

**Membership:** Four (4)

**Objective:**

The Subcommittee shall perform the functions customarily performed by retirement fund financial and audit Subcommittees 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 2022, the Fund’s contributions were as per below table.

CONTRIBUTIONS	2022 (BWP)	2021 (BWP)
Recurring	285,885,800	291,184,547
Transfer In	4,417,844	3,221,485
<b>Total</b>	<b>290,303,644</b>	<b>294,406,032</b>

**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	2022 (BWP)	2021 (BWP)
Local Money Market	50,514,879	44,103,720
Local Bonds	438,379,305	442,924,185
Local Equities	326,679,697	317,632,329
Local Properties	348,462,600	315,975,238
Offshore Money Markets	3,787,097	18,239,426
Offshore Cash	2,237,561	2,414,589
Offshore Bonds	180,175,839	148,519,866
Offshore Equities	856,335,392	884,427,314
Offshore Properties	24,068,060	21,190,864
Offshore Private Equities	39,428,068	37,776,060
Sharia Fund	15,821,975	12,884,241
<b>Total Assets Under Management</b>	<b>2,285,890,473</b>	<b>2,246,087,832</b>

# 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

The 2022 calendar year saw the Botswana economy post an impressive Gross Domestic Product (GDP) growth of 5.8%. Inflation continued to be much higher than the Central Bank's target band of between three (3) and six (6) percent. This however did not translate into interest rate hikes by the Bank of Botswana which is expecting inflation to come down in the next couple of months. The Botswana stock market produced a strong return of 18.4% for 2022, in contrast to global markets which produced poor returns for both equities and bonds.

After the asset managers' review, the Fund continues to use Botswana Insurance Fund Management (BIFM) as its principal asset manager. Established in 1975, BIFM is a member of the Botswana Insurance Holdings Limited (BIHL) Group and is the largest asset manager in Botswana. In respect of the Portfolio, BIFM invests locally and offshore into multiple asset classes combined into one "balanced" portfolio for the Fund. BIFM directly manages some 51% of the Portfolio and invests the other 49% offshore through passive funds and offshore managers. 51% of the Portfolio is invested locally and 49% offshore.

## RISK AND INVESTMENT COMMITTEE

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

ASSET CLASS	PERCENTAGE HELD
Local Cash	0.7%
Local Equity	15.1%
Local Bonds	19.4%
Local Property	16.1%
Global Cash	0.2%
Global Equity	37.8%
Global Bonds	7.8%
Global Alternatives	2.9%
<b>Total</b>	<b>100.0%</b>

Additionally, after review of the performance of the Asset Consultant - Strategic Wealth, they remain the Fund's asset consultant and continues to help the Fund to review its investment strategy and to select and manage asset manager(s). Strategic Wealth is a local, independent investment advisory firm.

The Trustees remain committed to looking after the 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.







**THE YEAR IN REVIEW**  
**& LOOKING**  
**FORWARD INTO**  
**THE FUTURE**



# THE YEAR IN REVIEW

## Compliance & Governance

During the year, the Fund actively participated in engagements around then Retirement Funds Bill which has since been implemented during October 2022. Alignment to the new Retirement Funds Act 2022 is currently being embedded. The Fund 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 Sub-committees' 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 2022, the membership of the Fund was 83,100 members made up of 48,136 contributing members and 34,964 non-contributing members.

## Risk Management

The Fund is faced with various risks as will be the case with any typical retirement fund. 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 strategies 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.

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

## Stakeholders Engagements

There are various categories of stakeholders who have an impact in the operations of the Fund and amongst the most important stakeholders are the members – both active and deferred, beneficiaries as well as Botswana Life as the sponsor of the Fund. Other significant stakeholders include regulatory bodies – notably Non-Bank Financial Institutions Regulatory Authority, Botswana Unified Revenue Service, industry bodies as well as peers within the retirement fund industry.

Additionally, the Fund also has important contractual stakeholder relationships with key service providers such as the asset manager, auditor, asset consultant whose skilled professional services are important for the performance of the Fund.

During the financial year, the Board of Trustees of the Fund held the second virtual member engagement session in July and shared key milestones of the Fund 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 YEAR IN REVIEW

## Investment Objective of the Fund

The Board of Trustees of the Botswana Life Retirement Annuity Fund (the Fund) is responsible for the Fund's investments and to provide investment information each year to the Members.

The Fund is an individual member retirement annuity fund and as such, there is no information available 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 our 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

### Mompoti Retirement Fund Low Equity

The Portfolio has an investment return target of inflation (CPI) plus growth of 1% over rolling three-year periods. If we assume long term inflation rates at 5%, the Portfolio return target is (5+1) =6%.

#### Portfolio Performance

The following is the investment performance for the Fund's Portfolio as of December 2022 for the following periods:

PORTFOLIO	1 YEAR	3 YEARS	5 YEARS
Mompoti Retirement Fund (Low Equity)	2.00%	5.42%	5.77%
Fund's Performance Benchmark	0.85%	4.70%	4.79%

The appointed Portfolio manager, Botswana Insurance Fund Management (BIFM) aims to outperform the Portfolio performance benchmark, which it has managed to do over the last year, three years and five years. While the Portfolio's long-term performance is slightly below the long-term Portfolio Target of 6%, this can be attributed to the general challenging performance of the offshore assets.

### Mompoti Retirement Fund Medium Equity

The Portfolio has an investment return target of inflation (CPI) plus growth of 3% over rolling three-year periods. If we assume long term inflation rates at 5%, the Portfolio return target is (5+3) =8%.

#### Portfolio Performance

The following is the investment performance for the Fund's Portfolio as of December 2022 for the following periods:

PORTFOLIO	1 YEAR	3 YEARS	5 YEARS
Mompoti Retirement Fund (Medium Equity)	0.06%	7.59%	7.37%
Fund's Performance Benchmark	-1.50%	7.05%	7.04%

The appointed Portfolio manager, Botswana Insurance Fund Management (BIFM) aims to outperform the Portfolio performance benchmark, which it has managed to do over the last year, three years and five years. While the Portfolio's long-term performance is slightly below the long-term Portfolio Target of 8%, this can be attributed to the general challenging performance of the offshore assets.



## THE YEAR IN REVIEW

### Mompoti Retirement Fund High Equity

The Portfolio has an investment return target of inflation (CPI) plus growth of 5% over rolling three-year periods. If we assume long term inflation rates at 5%, the Portfolio return target is (5+5) =10%.

#### Portfolio Performance

The following is the investment performance for the Fund's Portfolio as of December 2022 for the following periods:

PORTFOLIO	1 YEAR	3 YEARS	5 YEARS
Mompoti Retirement Fund (High Equity)	-0.70%	8.24%	7.78%
Fund's Performance Benchmark	-2.15%	7.50%	6.80%

The appointed Portfolio manager, Botswana Insurance Fund Management (BIFM) aims to outperform the Portfolio performance benchmark, which it has managed to do over the last year, three years and five years. While the Portfolio's long-term performance is below the long-term Portfolio Target of 10%, this can be attributed to the general challenging performance of the offshore assets.

# LOOKING FORWARD INTO THE FUTURE

## Progress towards Appointment of Substantive Administrator

The Board of the Fund continues engagements with the Regulatory Authority to align to the legislative requirements regarding the appointment of an Administrator. Botswana Life remains the interim administrator while work continues towards appointing a substantive administrator and this is in acknowledgement of 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 supports an optimal administration approach which recognises that the Fund is a fully underwritten retirement annuity fund previously operated under an life insurance licence. The retirement annuity policy structure adopted by the Fund, requires the significant insurance administration and services previously provided by Botswana Life 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 and alignment with Retirement Funds 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.

## Investment Mandate Review for Specific Portfolios

The primary goal of retirement/ pension funds is to facilitate a dignified retirement for their members – that is, to enable their members to maintain their current or similar standard of living after leaving formal employment. There are a range of factors that drive whether a member will achieve this objective. These are,

- how much the member saves over their working life;
- how long they save for, and how much growth they can earn on the amounts saved.

A factor that has a material impact on whether a fund achieves its ultimate goal is the continuing change in the cost of living, measured as Inflation. Understanding this, most retirement funds now scrutinize their investment performance, not just in relation to their benchmarks, but also in relation to Inflation-linked targets. The Botswana Life Retirement Annuity Fund (the Fund) has set specific Inflation-linked targets for its risk-profiled portfolios. During the financial year, the Board of Trustees of the Fund reviewed and adopted the higher Inflation linked returns as the objectives for the two of the portfolios of the Fund – specifically the Medium and Low Equity portfolios. Effectively the objectives of the Medium and Low Equity portfolios of the Fund will be adjusted, during the following year in the following manner:

PORTFOLIO	CURRENT TARGET	PROPOSED TARGET	ROLLING PERIOD
Moderate (Medium Equity)	CPI + 3%	CPI + 4%	3-5 Years
Conservative (Low Equity)	CPI + 1%	CPI + 3%	2-5 Years

The Fund's Investment Policy Document (IPD) renewal date has since been completed and such a change to inflation targets has been updated accordingly in the revised IPD of the Fund.

# LOOKING FORWARD INTO THE FUTURE

## Strategic Development (Progress Update WRT 2020 – 2023 Strategy)

The financial year saw continued implementation of the 2020 – 2023 Strategy as adopted by the fund whose strategic priorities are embodied in strategic goals that the Fund has set itself as follows:

- 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.

The crowning objective of the strategic journey is positioning the Fund as the country's first choice in retirement fund solutions that enable our clients to have dignified post working lives.

### Life Stage Investment Model

Following review of the Fund's investment strategy, the Board of Trustees of the Fund have adopted 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 the initiative and implementation approach.









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	13th September 2019
Registration number	10/1/2/6 (018)
Funding model	Defined Contribution Fund
The Fund's Reporting Period	1st January to 31st December
The Fund's Postal Address	Private Bag 00296 Gaborone
The Fund's Physical Address	1st Floor, North Wing, Block A, Fairgrounds Office Park, Plot 66458, Gaborone, Botswana
Website	<a href="http://www.retirementannuityfund.co.bw">www.retirementannuityfund.co.bw</a>

### Fund Officials

	PRINCIPAL OFFICER	RISK OFFICER
Name	Duncan Hule	Galennelwe Malefho
Company	Botswana Life Insurance Ltd	Botswana Life Insurance Ltd
Postal Address	Private Bag 00296 Gaborone	Private Bag 00296 Gaborone
Physical Address	1st Floor, North Wing, Block A, Fairgrounds Office Park, Plot 66458, Gaborone, Botswana	1st Floor, South Wing, Block A, Fairgrounds Office Park, Plot 66458, Gaborone, Botswana
Telephone number	+267 3645125	+267 364 5128
E-mail Address	<a href="mailto:po-raf@blil.co.bw">po-raf@blil.co.bw</a>	<a href="mailto:po-raf@blil.co.bw">po-raf@blil.co.bw</a>

# • FUND GENERAL INFORMATION AND PRINCIPAL PARTNERS

## Professional Service Providers

### EXTERNAL AUDITOR

Name	Ernst & Young
Postal Address	P O Box 41015 Gaborone, Botswana
Physical Address	2nd 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	2nd 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	3rd Floor, Block A, Fairgrounds Office Park, Plot 66458, Gaborone
Telephone number	+267 395 1564

### ACTUARY

Name	Daniel Johannes du Plessis
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 84 565 6545







Botswana Life

Retirement  
*Annuity Fund*

**ANNUAL**  
**FINANCIAL**  
**STATEMENTS**

FOR THE YEAR ENDED  
31 DECEMBER 2022



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## GENERAL INFORMATION

			<b>Appointment</b>	<b>Changes</b>
<b>Board of Trustees:</b>	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	Resigned 31/03/2022
	Mavis Magosi	Independent Trustee	16/03/22	
	Johane Vasco Tatlhego	Trustee	13/12/21	
	Kagiso S Moitoi	Trustee	13/12/21	
<b>Principal Officer:</b>	Duncan Hule			
<b>Registered Office:</b>	Plot 66458, Fairgrounds Office Park Block A, First Floor, East Wing Gaborone, Botswana			
<b>Sponsor:</b>	Botswana Life Insurance Limited			
<b>Auditors:</b>	Ernst & Young 2nd Floor, Plot 22, Khama Crescent P.O. Box 41015, Gaborone, Botswana			
<b>Fund Managers:</b>	Botswana Insurance Fund Management Fairgrounds Office Park Block A, Gaborone			
<b>Type of Fund:</b>	Underwritten			
<b>Interim Fund Administrators:</b>	Botswana Life Insurance Limited Plot 66458, Fairgrounds Office Park Gaborone, Botswana			
<b>Bankers:</b>	Rand Merchant Bank Botswana P.O.Box 1552 First Place CBD, Gaborone, Botswana			
<b>Actuary:</b>	Daan du Plessis Sanlam South Africa			
<b>Asset Consultant:</b>	Strategic Wealth Asset Consulting & Investment Advisory Plot 10221, Maporoporo Road, Broadhurst, Gaborone, Botswana			
<b>Date of Fund registration:</b>	September 2019			
<b>Fund Registration Number:</b>	10/1/2/6(018)			
<b>Country of registration:</b>	Botswana			
<b>Functional &amp; Presentation Currency:</b>	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, 2022, 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 45-48.

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.


# BOARD OF TRUSTEES' RESPONSIBILITY STATEMENT

## APPROVAL OF FINANCIAL STATEMENTS

The financial statements of Botswana Life Retirement Annuity Fund for the year ended 31 December 2022 as set out on pages 9 to 35 were approved by the Board of Trustees and are signed on its behalf by:



**CHAIRPERSON - BOARD OF TRUSTEES**



**PRINCIPAL OFFICER**

25/04/2023

DATE:

25/04/2023

DATE:

# 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 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 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 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

Membership of the Fund is made up individuals who opted to make personal contribution toward their retirement savings. There is no employer employee relationship and members are at liberty to structure their contributions according to their affordability.

## 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.



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www.ey.com

## 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 49 to 76 which comprise the statement of assets available for benefits as at 31 December 2022 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 31<sup>st</sup> December 2022, 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, 2022.

##### *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.



Annuity	How the matter was addressed in the audit
<p><i>Valuation of Financial Assets</i></p> <p>As at 31 December 2022, Botswana Life Retirement Annuity Fund has investment securities measured at fair value amounting to P2,28 bn (2021: 2,24bn).</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 P1,087 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"> <li>- Understanding and review of the valuation methodology applied by management</li> <li>- Assessment of the models and assumptions applied</li> </ul> <p>The disclosures associated with respect to the financial assets are the following:</p> <ul style="list-style-type: none"> <li>• Significant Accounting Policies</li> <li>• Note 4 - Investments at fair value</li> <li>• Note 13 - Financial Instruments</li> <li>• Note 14 - Risk Management</li> </ul>	<p>The following audit procedures, amongst others, were executed</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design, implementation and tested the operating effectiveness of the key internal controls over financial asset transactions.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• We assessed whether the recognition and measurement criteria used in the accounting records were consistent with the requirements of IAS 26 - Accounting and Reporting by Retirement Benefit Plans.</li> <li>• We assessed the adequacy and completeness of the disclosures regarding the financial assets in the financial statements to determine they were in accordance with IAS 26 - Accounting and Reporting by Retirement Benefit Plans.</li> </ul>

### *Other Information*

The Board of Trustees is responsible for the other information. The other information comprises the information included in the 35-page document titled “Botswana Life Retirement Annuity Fund Annual Financial Statements for the year ended 31 December 2022” which includes the General Information, the Board of Trustees’ Responsibility Statement, the statement on the Approval of Financial Statements and the Board of Trustees’ Report. 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, 2022 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

Firm of Certified Auditors  
Practicing Member: Bakani Ndwapi (CAP 0010 2023)  
Gaborone

27 April 2023

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2022 Pula ('000)	2021 Pula ('000)
<b>Income</b>			
Members contributions		290,304	294,406
<b>Expenditure</b>			
Benefit expenses	2	(190,111)	(154,819)
Transfer to an approved pension fund	2.1	(15,462)	(8,933)
Administrative expenses	3	(77,343)	(83,471)
<b>Total expenditure</b>		<b>(282,916)</b>	<b>(247,224)</b>
Net additions from dealing with members		<b>7,388</b>	<b>47,182</b>
<b>Returns on Investments</b>			
Investment Income		83,505	57,018
Change in the fair value of investment in property fund		23,877	19,191
Realised gains on foreign exchange movements		75,544	1,809
Change in the fair value relating to other plan assets		(177,656)	23,342
Management fees		(12,797)	(11,260)
<b>Net (loss)/returns on Investments</b>	<b>1.1</b>	<b>(7,526)</b>	<b>90,099</b>
<b>Net fund (deficit)/surplus for the period</b>		<b>(139)</b>	<b>137,281</b>



# STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2022

	Notes	2022 Pula ('000)	2021 Pula ('000)
<b>ASSETS</b>			
Plan Assets - investment securities	4	2,285,890	2,246,088
Accounts receivable	5	1	422
Cash and cash equivalents	7	2	2
<b>TOTAL ASSETS</b>		<b>2,285,894</b>	<b>2,246,513</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated fund reserves		2,172,904	2,173,043
<b>Liabilities</b>			
Accounts payable	6	112,989	73,469
<b>TOTAL RESERVES AND LIABILITIES</b>		<b>2,285,894</b>	<b>2,246,513</b>

## STATEMENT OF CHANGES IN RESERVES

	2022 <i>Pula ('000)</i>	2021 <i>Pula ('000)</i>
<b>Accumulated funds</b>		
Balance at the beginning of the period	2,173,043	2,035,762
Net fund (deficit)/surplus for the period	(139)	137,281
<b>Balance at the end of the period</b>	<b>2,172,904</b>	<b>2,173,043</b>

# STATEMENT OF CASH FLOWS

	Notes	2022 Pula ('000)	2021 Pula ('000)
<b>Cash flows from operating activities</b>			
Net fund (deficit)/surplus for the period		(139)	137,281
<b>Adjustments:</b>			
Interest Income	1.1	(47,686)	(36,525)
Dividends Income		(35,819)	(20,493)
Change in the market value of investments	4	78,235	(44,342)
		<b>(5,409)</b>	<b>35,921</b>
<b>Working capital changes</b>			
(Increase)/decrease in accounts receivable	5	421	202,061
Increase/(decrease) in accounts payable	6	39,520	16,896
Net cash generated from operations		<b>34,532</b>	<b>254,878</b>
Interest received		47,686	36,525
Dividends received		35,819	20,493
Net cashflow from operating activities		<b>118,037</b>	<b>311,896</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	4	(143,424)	(404,273)
Disposal of investments	4	25,386	92,375
Net cash (utilised in)/from investing activities		<b>(118,038)</b>	<b>(311,897)</b>
Net increase in cash and cash equivalents		(1)	(1)
Cash and cash equivalents at beginning of period		2	3
Cash and cash equivalents at end of the period	<b>7</b>	<b>2</b>	<b>2</b>

# SIGNIFICANT ACCOUNTING POLICIES

## **Basis of preparation**

The financial statements have been prepared on a historical cost basis except for investment securities that have been measured at fair value. 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 Board of Trustees on 20 April 2023.

## **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

## 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 2022, plan assets measured at fair value amounted to P2,285,890,473 (P2,224,087,832 in December 2021).

## 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

## 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.

## De-recognition 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.

# SIGNIFICANT ACCOUNTING POLICIES

## 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 or an increase in a liability has arisen 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.

### *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 certain standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>New or Revised Standard</b>	<b>Effective for accounting period beginning on or after</b>
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	01 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	01 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	01 January 2022
AIP IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities	01 January 2022

The Fund adopted the amendments during the year, however the amendments do not have a significant impact on the transactions of the Fund. The rest of the amendments that were assessed as not relevant to the fund and thus were not included.

## 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
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
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	Not Likely to have impact	01 January 2024
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	Not Likely to have impact	01 January 2024
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	Note 1

# NOTES TO THE FINANCIAL STATEMENTS

	2022 <i>Pula ('000)</i>	2021 <i>Pula ('000)</i>
<b>1. INCOME</b>		
<b>1.1 GAIN ON INVESTMENT SECURITIES</b>		
Interest Income calculated using Effective Interest method	47,686	36,525
Dividend income	35,819	20,493
Change in the fair value of investment in property fund	23,877	19,191
Realised gains on foreign exchange movements	75,544	1,809
Change in the fair value relating to other plan assets	(177,656)	23,342
Management fees	(12,797)	(11,260)
<b>Total</b>	<b>(7,526)</b>	<b>90,100</b>
<b>2. BENEFIT EXPENSES</b>		
Lump sum awarded on death	20,203	9,186
Lump sum on retirement	169,909	145,633
<b>Total</b>	<b>190,111</b>	<b>154,819</b>
<b>2.1. Transfer out</b>		
Transfer to an approved pension fund	15,462	8,933
<b>3. ADMINISTRATIVE EXPENSES</b>		
Fidelity cover premiums	22	49
Advertising	183	156
Provision for audit fees	452	275
Provision for supervisory levies	1,615	1,700
Staff remuneration	3,173	2,551
Cost of membership acquisition	26,802	29,756
Provision for Board Assessment Fees	155	141
Other expenses	282	561
Investment consulting fees	1,344	1,622
Botswana Pension Society Subscriptions	6	5
Botswana Accounting Oversight Authority	50	23
Trustee, member training and other expenses	12	92
Trustee remuneration	84	108
Fund administration fees	43,163	46,434
	<b>77,343</b>	<b>83,472</b>

- a) Cost of membership acquisition refers to the charge agreed with Botswana Life with regards to onboarding of new members.
- b) Other expenses include the cost for telephone and fax, photocopying, computer licences and company subscriptions.
- c) Fund administration fees refers to indirect cost incurred through outsourcing outlined in the SLA with Botswana Life Insurance Limited. The slight decrease is due to the drop in the general expenses recharged from the sponsor.



# NOTES TO THE FINANCIAL STATEMENTS

	2022 <i>Pula ('000)</i>	2021 <i>Pula ('000)</i>
<b>4. INVESTMENTS AT FAIR VALUE</b>		
Plan assets - investment securities		
Opening fair value	2,246,088	1,889,849
Purchase of investments	143,423	404,273
Disposal of investments	(25,386)	(92,375)
Changes in fair values of investments	(78,235)	44,342
<b>Closing fair value</b>	<b>2,285,890</b>	<b>2,246,088</b>

Prior year disclosures have been restated to align with current year presentation. The line item relating to additions of Sharia investment which amounted to 1356 pula in 2021 has now been included as part of purchases of investments. The presentation has been enhanced to provide more useful information to the users. The restatement has no impact on the total investment at fair value.

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

Changes in fair values of investments relate to gains/losses on foreign currency, Capital gain/(losses) and change in fair value relating to other plan assets.

## 5. ACCOUNTS RECEIVABLE

Other receivables	1	422
	1	422

Other receivables include intercompany balances that are due to be paid on behalf of the members. 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. The ECL is therefore immaterial.

## 6. ACCOUNTS PAYABLE

Benefits Payable	69,288	59,670
Other Payables	43,701	13,800
	112,989	73,469

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	2	2
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The ECL for Cash is immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

## 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)	43,163	46,434
Investment management fees - BIFM	12,797	11,260

### Receivables from related parties

Botswana Life Insurance Limited (Sponsor/Service provider)	1	422
	1	422

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

### Investment securities invested with (BIFM)

Closing fair value	2,285,890	2,246,088
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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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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

Interest rate risk is the possible loss in the value of a fixed income asset resulting from an unexpected and adverse movement in interest rates and consequent change in price.

Almost all funds are invested with Botswana Insurance Fund Management Limited except for Sharia which invest through Sanlam Investments Markets. 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 re-priced 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.

### 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 investments portfolio include offshore equity, offshore bonds and offshore money market denominated in US Dollars.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS (continued)

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.

### Exposure in Pula

The following table shows the financial instruments held in US Dollar currency for members amounts (total exposure to foreign currency). This is the US Dollar exposure in Pula equivalent.

	2022	2021
Property Fund	24,068	21,191
Private Equities	39,428	37,776
Equity Investments	856,335	884,427
Bonds	180,176	148,520
Money Markets	3,787	18,239
Cash and cash equivalents	2,237.56	2,414.59
<b>Net US Dollar Exposure</b>	<b>1,106,032</b>	<b>1,112,568</b>

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.

### 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

## 12. FINANCIAL INSTRUMENTS *(continued)*

### 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 centration 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

## 12. FINANCIAL INSTRUMENTS (continued)

### Credit risk (continued)

2022

	Impairment Method/Stage	Balance as at 31 Dec 2022 P'000	PiT (PD)	Exposure to default P'000	LGD	Expected Credit
Net contributions	GA/Stage 1	1	0%	-	100%	-
<b>Total Credit Loss Exposure</b>		<b>1</b>				<b>-</b>

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	424	0%	-	100%	-
<b>Total Credit Loss Exposure</b>		<b>424</b>				<b>-</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS (continued)

### Credit risk (continued)

#### 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 summarizes 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)
<b>2022</b>				
<i>Financial Assets</i>				
Cash and cash equivalents	2	-	-	2
Receivables	1	-	-	1
Investments	-	2,285,890	-	2,285,890
<i>Financial Liabilities</i>				
Accounts payable	-	-	(112,989)	(112,989)
<b>Total</b>	<b>3</b>	<b>2,285,890</b>	<b>(112,989)</b>	<b>2,172,904</b>
<b>2021</b>				
<i>Financial Assets</i>				
Cash and cash equivalents	2	-	-	2
Receivables	422	-	-	422
Investments	-	2,246,088	-	2,246,088
<i>Financial Liabilities</i>				
Accounts payable	-	-	(73,469)	(73,469)
<b>Total</b>	<b>424</b>	<b>2,246,088</b>	<b>(73,469)</b>	<b>2,173,043</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS (continued)

### Classification of financial instruments (continued)

#### 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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

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 Pula ('000)	3 - 6 months Pula ('000)	6 months - 1 year Pula ('000)	More than 1 year Pula ('000)	Total Pula ('000)
<b>2022</b>					
<b>Assets</b>					
Local Money Market	50,515	-	-	-	50,515
Local Equity Fund	-	-	294,429	-	294,429
BIFM Global Sustainable Growth Fund	-	32,251	-	-	32,251
Local Bond Fund	438,379	-	-	-	438,379
Local Property Fund	-	-	-	348,463	348,463
Offshore Money Market	3,787	-	-	-	3,787
Offshore Bond	-	180,176	-	-	180,176
Offshore Equity	856,335	-	-	-	856,335
Offshore Property	-	-	-	24,068	24,068
Offshore Cash	2,238	-	-	-	2,238
Offshore Private Equity	-	-	-	39,428	39,428
Sharia	15,822	-	-	-	15,822
Accounts receivable	1	-	-	-	1
Cash and cash equivalents	2	-	-	-	2
<b>Total assets</b>	<b>1,367,079</b>	<b>212,427</b>	<b>294,429</b>	<b>411,959</b>	<b>2,285,894</b>
<b>Liabilities</b>					
Accounts payable	112,989	-	-	-	112,989

# NOTES TO THE FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS (continued)

### Market Risk Sensitivity (continued)

	0 - 3 months <i>Pula ('000)</i>	3 - 6 months <i>Pula ('000)</i>	6 months - 1 year <i>Pula ('000)</i>	More than 1 year <i>Pula ('000)</i>	Total <i>Pula ('000)</i>
<b>2021</b>					
Assets					
Local Money Market	44,104	-	-	-	44,104
Local Equity Fund	-	-	284,451	-	284,451
Local Bond Fund	442,924	-	-	-	442,924
Local Property Fund	-	-	-	315,975	315,975
Offshore Bond	-	148,520	-	-	148,520
Offshore Equity	884,427	-	-	-	884,427
Offshore Money Market	18,239	-	-	-	18,239
Offshore Property	-	-	-	21,191	21,191
Offshore Cash	2,415	-	-	-	2,415
Offshore Private Equity	-	-	-	37,776	37,776
BIFM Global Sustainable Growth Fund	-	33,181	-	-	33,181
Sharia	12,884	-	-	-	12,884
Accounts receivable	1	-	-	-	1
Cash and cash equivalents	2	-	-	-	2
<b>Total assets</b>	<b>1,404,997</b>	<b>181,701</b>	<b>284,451</b>	<b>374,942</b>	<b>2,246,091</b>
<b>Liabilities</b>					
Accounts payable	73,469	-	-	-	73,469

Prior year disclosures on the Market Risk Sensitivities have been restated to align with current year presentation. The reinstatement is due to incorrect time bands used in the 2021 financial statements. The restatement has no impact on the total investments at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS (continued)

### Market Risk Sensitivity (continued)

2022

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%	(56,093)	Weakening of the Pula by 5%	56,093
Global equity risk	Decline in global equity prices by 8%	(72,927)	Increase in global equity prices by 8%	72,927
Local equity risk	Decline in local equity prices by 5%	(16,334)	Increase in local equity prices by 5%	16,334
Interest rate risk	Decline in interest yield by 1% basis	(6,751)	Increase in interest yield by 1% basis	6,751

2021

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%	(56,273)	Weakening of the Pula by 3%	56,273
Global equity risk	Decline in global equity prices by 5%	(74,807)	Increase in global equity prices by 5%	74,807
Local equity risk	Decline in local equity prices by 3%	(15,882)	Increase in local equity prices by 3%	15,882
Interest rate risk	Decline in interest yield by 1% basis	(6,562)	Increase in interest yield by 1% basis	6,562



# NOTES TO THE FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS *(continued)*

### INVESTMENTS BY ASSET CLASS

	2022 <i>Pula ('000)</i>	2021 <i>Pula ('000)</i>
Local Bond	438,379	442,924
Local Equity	294,429	284,451
BIFM Global Sustainable Growth Fund	32,251	33,181
Local Money Market	50,515	44,104
Local Property	348,463	315,975
Offshore Bond	180,176	148,520
Offshore Equity	856,335	884,427
Offshore Money Market	3,787	18,239
Offshore Property	24,068	21,191
Offshore Cash	2,238	2,415
Offshore Private Equity	39,428	37,776
Sharia	15,822	12,884
<b>Total Investments</b>	<b><u>2,285,890</u></b>	<b><u>2,246,088</u></b>

## 13. 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

## 13. RISK MANAGEMENT

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 2022:

		<i>Fair value measurement using</i>				
	Date of valuation	Quoted prices in active markets (Level 1) <i>Pula ('000)</i>	Significant observable inputs (Level 2) <i>Pula ('000)</i>	Significant unobservable inputs (Level 3) <i>Pula ('000)</i>	Total fair value <i>Pula ('000)</i>	
Fixed Interest/Local Money Market	31 December 2022	-	50,515	-	50,515	
Local Equity Fund	31 December 2022	294,429	-	-	294,429	
BIFM Global Sustainable Growth Fund	31 December 2022	32,251	-	-	32,251	
Local Bond Fund	31 December 2022	-	438,379	-	438,379	
Local Property Fund	31 December 2022	-	-	348,463	348,463	
Offshore Money Market	31 December 2022	-	3,787	-	3,787	
Offshore Cash	31 December 2022	-	2,238	-	2,238	
Offshore Property	31 December 2022	-	-	24,068	24,068	
Offshore Private Equity	31 December 2022	-	-	39,428	39,428	
Offshore Bond	31 December 2022	-	180,176	-	180,176	
Offshore Equity	31 December 2022	856,335	-	-	856,335	
Sharia	31 December 2022	15,822	-	-	15,822	
		<b>1,198,837</b>	<b>675,095</b>	<b>411,959</b>	<b>2,285,890</b>	

# NOTES TO THE FINANCIAL STATEMENTS

## 13. RISK MANAGEMENT (continued)

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

	Date of valuation	Fair value measurement using			Total fair value
		Quoted prices in active markets (Level 1) Pula ('000)	Significant observable inputs (Level 2) Pula ('000)	Significant unobservable inputs (Level 3) Pula ('000)	
Fixed Interest/Local Money Market	31 December 2021	-	44,104	-	44,104
BIFM Global Sustainable Growth Fund	31 December 2021	-	33,181	-	33,181
Local Equity Fund	31 December 2021	284,451	-	-	284,451
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
		<b>1,168,878</b>	<b>702,268</b>	<b>374,942</b>	<b>2,246,088</b>

### 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 Assets

	Carrying Amount Pula ('000)	Effect of 2% decrease in discount rate Pula ('000)	Effect of 2% increase in discount rate Pula ('000)
<b>2022</b>			
Local Property Fund	348,463	6,969	(6,969)
Offshore Property Fund	24,068	481	(481)
Offshore Private Equity	39,428	789	(789)
	<b>411,959</b>	<b>8,239</b>	<b>(8,239)</b>
<b>2021</b>			
Local Property Fund	315,975	(6,320)	6,320
Offshore Property Fund	21,191	(424)	424
Offshore Private Equity	37,776	(756)	756
	<b>374,942</b>	<b>(7,499)</b>	<b>7,499</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13. RISK MANAGEMENT (continued)

### Plan Assets

	Carrying Amount Pula ('000)	Effect of 2% decrease in capitalisation Pula ('000)	Effect of 2% increase in capitalisation Pula ('000)
<b>2022</b>			
Local Property Fund	348,463	(6,969)	6,969
Offshore Property Fund	24,068	(481)	481
	<b>372,531</b>	<b>(7,451)</b>	<b>7,451</b>

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

### Plan Assets

	Carrying Amount Pula ('000)	Effect of 2 months non-occupancy Pula ('000)
<b>2022</b>		
Local Property Fund	348,463	(58,077)
Offshore Property Fund	24,068	(4,011)
	<b>372,531</b>	<b>(62,088)</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 13. RISK MANAGEMENT (continued)

### Plan Assets

	Carrying Amount Pula ('000)	Effect of 2% decrease in cashflows Pula ('000)	Effect of 2% increase in cashflows Pula ('000)
<b>2022</b>			
Local Property Fund	348,463	(6,969)	6,969
Offshore Property Fund	24,068	(481)	481
Offshore Private Equity	39,428	(789)	789
	<b>411,959</b>	<b>(8,239)</b>	<b>8,239</b>
<b>2021</b>			
Local Property Fund	315,975	(6,320)	6,320
Offshore Property Fund	21,191	(424)	424
Offshore Private Equity	37,776	(756)	756
	<b>374,942</b>	<b>(7,499)</b>	<b>7,499</b>

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:

	Offshore Private Equity Pula ('000)	Local Property Fund Pula ('000)	Offshore Property Fund Pula ('000)	Total Pula ('000)
<b>2022</b>				
Level 3 Financial Assets				
Opening Balance	37,776	315,975	21,191	374,942
Additions	5	4,048	-	4,053
Disposals	(12,084)	(3,590)	-	(15,674)
Income	13,698	23,877	(0)	37,575
Unrealised gains	73,372	-	(2)	73,369
Realised gains	(73,092)	11,892	3,010	(58,190)
Management fees	(247)	(3,740)	(131)	(4,118)
<b>Closing Balance</b>	<b>39,428</b>	<b>348,462</b>	<b>24,068</b>	<b>411,958</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13. RISK MANAGEMENT (continued)

	Offshore Private Equity	Local Property Fund	Offshore Property Fund	Total
	Pula ('000)	Pula ('000)	Pula ('000)	Pula ('000)
<b>2021</b>				
<b>Level 3 Financial Assets</b>				
Opening Balance	31,755	284,814	26,429	342,997
Additions	-	2,268	-	2,268
Disposals	(2,292)	(930)	-	(3,222)
Income	1,299	19,191	0.05	20,490
Unrealised gains	525	-	23	547
Realised gains	6,699	14,008	(5,111)	15,596
Management fees	(209)	(3,375)	(150)	(3,735)
<b>Closing Balance</b>	<b>37,776</b>	<b>315,975</b>	<b>21,191</b>	<b>374,942</b>

Valuation techniques used in determining the fair value of Plan Assets.

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
Offshore Equity	1	Listed price x quantity	n/a	Listed price x quantity
Local 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

## 14. DESCRIPTION OF THE FUND

### Defined Contribution Plan

The Fund was established in 13<sup>th</sup> 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 2022 the fund had a total of **83,100** (84,708 in Dec 2021) members, made up of **48,136** (52,699 in Dec 2021) contributing members and **34,964** (32,009 in Dec 2021) 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.

## 15. EVENTS AFTER REPORTING PERIOD

There are no events after the reporting period that require disclosure in the financial statements.





Botswana Life

**Retirement**  
*Annuity Fund*