DPF
DEBSWANA • PENSION • FUND

DEBSWANA PENSION FUND

# ANNUAL REPORT 2024

## BUILDING A SOLID FOUNDATION FOR TOMORROW

**Fund Overview**
Global Market Overview
Fund Performance Highlights
Chairperson's Remarks
Chief Executive Officer's Remarks
Compliance Report
Administration Report
Communication Report
Investment Report
Annual Financial Statements

# THEME
## BUILDING A SOLID FOUNDATION FOR THE FUTURE

"Securing tomorrow starts with the decisions we make today. At Debswana Pension Fund (DPF), we are dedicated to helping our members build a stable and rewarding retirement future. We achieve this through exceptional member communication, unwavering legal and technical compliance, robust risk management, and sound governance. Together, these principles ensure a resilient foundation on which our members can confidently build their tomorrow."

# DOMICILE, TRUSTEES & PRINCIPAL BUSINESS PARTNERS

## PRINCIPAL ADDRESSES OF THE FUND
**Debswana Pension Fund Secretariat Private Bag 00512, Gaborone Plot 1188 - 1196, Debswana House 5th Floor, Main Mall Gaborone, Botswana**

## PARTICIPATING EMPLOYERS
Debswana Diamond Company (Pty) Ltd
Diamond Trading Company Botswana (DTCB)
Morupule Coal Mine (MCM)
De Beers Global Sightholder Sales (DBGSS)
De Beers Holdings Botswana (DBHB)
Debswana Pension Fund (DPF)
Mmila Fund Administrators

## BOARD OF TRUSTEES
**Principal Trustees**
**Thabiso Moanakwena**
Board Chairperson - Member Elected Trustee - Gaborone Constituency
**Tshepo Mokgethi**
Deputy Board Chairperson - Company Appointed Trustee-Debswana Diamond Company
**Lapologang Letshwenyo**
Member Elected Trustee - Morupule Constituency
**Potoko Bogopa**
Member Elected Trustee - Pensioner Constituency
**Claire Busetti**
Independent Trustee
**Malebogo Ntshwabi**
Member Elected Trustee - Orapa, Letlhakane, Damtshaa Constituency
**Kago Letshabo**
Company Appointed Trustee - Diamond Trading Company Botswana
**Galeboe Busang**
Independent Trustee
**Keitiretse Tshukudu**
Member Elected Trustee- Jwaneng Constituency
**Wame Mobita**
Company Appointed Trustee- Other participating Employer
**Chipo Petros**
Company Appointed Trustee- Debswana Diamond Company

## EXECUTIVE MANAGEMENT
**Gosego January** - Chief Executive Officer
**Thato Norman** - Chief Investment Officer
**Tidimalo Poonyane** - Head of Legal & Risk and Compliance
**Saone Balopi** - Head of Strategy and Communication
**Motlatsi Mmusi** - Head of Finance and IT

## AUDITOR
Ernst & Young Botswana

## BANKERS
ABSA Bank Botswana Limited
First National Bank Botswana Limited
Standard Chartered Bank Botswana Limited

## CUSTODIAN
Stanbic Bank Botswana Limited (Onshore)

## INVESTMENT CONSULTANT
RisCura Botswana (Pty) Ltd

## ACTUARIES
Willis Towers Watson Actuaries and Consultants (Proprietary) Limited

## ONSHORE INVESTMENT MANAGERS
Ninety One Botswana (Proprietary) Limited
Botswana Insurance Fund Management Limited
Allan Gray Botswana (Proprietary) Limited
iPro Botswana (Proprietary) Limited
Morula Capital Partners (Proprietary) Limited
Vunani Fund Managers

## OFFSHORE INVESTMENT MANAGERS
American Century Investments (Emerging Markets)
American Century Investments (Global Growth)
BlueBay Asset Management
Coronation Asset Management (Proprietary) Limited
CBRE Investment Management
Marathon Asset Management Limited
Morgan Stanley Investment Management Limited
Ninety-One UK Limited
Orbis Investment Management Limited
Pacific Investment Management Company (PIMCO)
Schroders Investment Managers
State Street Global Advisors
Steyn Capital Management (Proprietary) Limited
Vantage Capital Fund Managers (Proprietary) Limited
Veritas Asset Management
Walter Scott & Partners Limited
Southeastern Asset Management

## INTERNAL AUDITORS
Debswana Diamond Company (Pty) Ltd

## ADMINISTRATOR
Mmila Fund Administrators (Pty) Ltd

## REGISTERED OFFICE
Gaborone
Private Bag 00512, Gaborone
Plot 1188 - 1196, Debswana House 5th Floor, Main Mall
Tel: +267 361 4288, Fax: +267 393 6239

**www.dpf.co.bw**

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# FUND
## BACKGROUND

> Debswana Pension Fund (DPF) is the largest private sector pension fund in Botswana and a major player in the retirement services industry with assets valued at BWP 12.175 billion and a total membership of 12355 inclusive of active, deferred and pensioner members.

DPF is a pension fund secretariat to the De Beers Group of companies namely; Debswana Diamond Company, Diamond Trading Company Botswana (DTCB), De Beers Holdings Botswana (DBHB), Morupule Coal Mine (MCM), De Beers Global Sightholder Sales (DBGSS), DPF and recently Mmila Fund Administrators (DPF's subsidiary company). The Fund currently has a staff complement of eight and four main business functions that include Strategy and Business Development, Finance and IT, Legal, Risk and Compliance and Investments. The Internal Audit and Information Management support are outsourced to Debswana Diamond Company, whilst the Assets Management function, Actuarial Services and Investment Consultancy are outsourced to various asset managers and consultants locally and globally.

DPF has only one office in Gaborone located at Debswana House 5th Floor, Main Mall.

### OUR VISION
To ensure superior investment returns and an informed, comfortable and sustainable retirement for our members.

### OUR MISSION
We will provide members with competitive and sustainable retirement benefits through:

- Good governance
- Visionary leadership
- Innovation.

### OUR VALUES
This section articulates the organisation's beliefs and guides how it operates.

- Member Centric
- Credibility
- Accountability
- Agility
- Self-Driven and Motivated
- Innovation

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Board Chairperson
Member Elected Trustee -
Gaborone Constituency

1. **Tshepo Mokgethi**
   Deputy Board Chairperson
   Company Appointed Trustee
   Debswana Diamond Company
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# EXECUTIVE
## MANAGEMENT

Gosego January
Chief Executive Officer
Debswana Pension Fund

Top Left
**Mr. Thato Norman**
Chief Investment Officer

Top Right
**Ms. Tidimalo Poonyane**
Head of Legal Risk, and Compliance

Bottom Left
**Ms. Saone Balopi**
Head of Strategy and Communication

Bottom Right
**Mr. Motlatsi Mmusi**
Head of Finance and IT

# GLOBAL MARKET
## REVIEW

Amid economic volatility and transformation, global markets remain dynamic. The trends shaping growth and risk across regions are reviewed

# GLOBAL MARKET
## REVIEW

### North America

United States (US) equities delivered another year of strong performance in 2024, marking a second consecutive year of notable gains. The rally was underpinned by resilient economic growth, moderating inflation, optimism around technological innovation, particularly in Artificial Intelligence (AI), and post-election market enthusiasm. Despite early-year concerns about a potential slowdown, the U.S. economy outperformed expectations, supported by sound consumer spending and AI-driven private investment. Real GDP (Gross Domestic Product) grew by approximately 2.8 percent in 2024, slightly below 2023's 2.9 percent but well above initial forecasts. Growth was driven primarily by robust consumer spending, which accounts for nearly two-thirds of total economic activity. Government spending also played a significant role, adding momentum throughout the year. The U.S. economy maintained strong performance for a second consecutive year, even as many advanced economies faced stagnation or contraction, highlighting the narrative of U.S. economic exceptionalism.

Monetary policy shifted from a restrictive stance to gradual easing. After holding the federal funds rate at 5.25 percent –5.50 percent, through mid-year, the Federal Reserve initiated its first-rate cuts since 2020. The Federal Reserve (Fed) cut interest rates three times, first by 50 basis points in September to a range of 4.75 percent–5.00 percent, then by 25 basis points in November to 4.50 percent–4.75percent, and finally by another 25 basis points in December to 4.25 percent–4.50 percent, which was the year-end target range. The Federal Reserve's actions reflected confidence that inflation was trending toward the Fed's 2 percent target, supported by moderating price pressures and a cooling labour market. However, after the December meeting, policymakers emphasized a more cautious approach going forward. The Federal Reserve noted that while further cuts were possible, they would be gradual and data-dependent, as the Fed sought to balance economic support with the risk of reigniting inflation. With President-elect Donald Trump's policy proposals, including tariffs and tax cuts, looming, the Fed adopted a cautious approach, anticipating that these measures could increase inflationary pressures and complicate its path toward monetary easing.

The U.S Equity markets continued their upward trajectory in 2024. The S&P 500 gained about 23 percent, the Nasdaq surged nearly 30 percent, and the Dow Jones Industrial Average advanced 13 percent. The S&P marked its first back-to-back years of 20 percent plus returns for the S&P 500 since the late 1990s. The S&P 500 delivered strong and broad-based performance in 2024, rising approximately 23 percent for the year. Technology, particularly artificial intelligence, was the dominant force behind this performance. In the year, seven of the eleven S&P 500 sectors posted double-digit gains. The market's strength was once again driven by companies tied to the artificial intelligence boom, led by the Magnificent Seven, (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla), along with Broadcom, another AI-focused stock. NVIDIA, the leading producer of advanced AI chips, soared 171 percent during the year and accounted for an outsized share of the index's performance, contributing roughly 22 percent of the S&P 500's total gains. As demand for advanced semiconductors and AI infrastructure accelerated across data centres and cloud platforms, this AI-driven momentum not only lifted tech giants but also influenced investor sentiment broadly, fueling capital flows into equities and reinforcing confidence in long-term digital transformation trends.

Following the 2024 elections, markets surged on the back of a decisive Republican Party (GOP) sweep. Donald Trump reclaimed the presidency alongside GOP majorities in both the Senate and the House of Representatives. This outcome signalled a clear legislative path for Trump's pro-growth agenda, which includes tax cuts, deregulation, and tariffs. Investors interpreted this alignment as a catalyst for expansionary fiscal policy, fueling expectations of stronger economic growth and higher corporate earnings in the near term. Equity markets rallied as optimism spread across sectors likely to benefit from reduced regulatory burdens and lower taxes. However, these policies could stoke inflationary pressures, potentially driving long-term interest rates higher. This dynamic suggests the Federal Reserve may adopt a more measured approach to future rate cuts, balancing growth ambitions against inflation risks.

Household consumption, which accounts for two-thirds of U.S. GDP, remained robust. Household consumption increased to USD 133.6 billion (0.7 percent) while personal income increased to USD 92 billion in December 2024, as reported by the United States Bureau of Economic Analysis (BEA). Consumer spending once again drove the gains with an impressive and broad-based 4.2 percent advance. Consumer spending was driven by a strong labour market and rising wages that boosted household purchasing power. Easing inflation pressures improved real incomes, allowing consumers to maintain robust demand despite lingering price concerns. Wealth effects from rising equity markets and home values further supported confidence and discretionary spending.

# GLOBAL MARKET'

## REVIEW Cont'd

The U.S labour market softened modestly but remained resilient. The unemployment rate ended the year at 4.1 percent, up from 3.7 percent in late 2023, as job creation slowed from prior years. Strong economic activity improved employment prospects, as companies continued to report rising sales, underpinned by robust household balance sheets, robust domestic consumption, and improved business activity. The US economy added 2.23 million jobs over the year, averaging about 186,000 per month. Average wage growth moderated to about 4 percent year-on-year, easing inflationary pressures without triggering a sharp rise in joblessness, while the household savings rate declined from 4.5 percent to 3.8 percent over the year, largely due to persistent inflationary strains

Fixed income markets in 2024 faced persistent headwinds from rate volatility, driven by evolving monetary policy and fiscal dynamics. After a year of aggressive global tightening in 2023, major central banks shifted toward a more cautious stance, but inflation concerns and fiscal uncertainty kept yields elevated. The investment-grade bond Bloomberg Barclays Global Aggregate Bond Index returned 3.40 percent, as late-year yield increases eroded earlier gains. The 10-year Treasury yield climbed from 3.86 percent to 4.58 percent,

### Europe

In 2024 GDP in the Euro area grew by 0.9 percent, signaling a modest recovery from 0.4 percent in 2023, although growth stalled in Quarter 4 at 0.0–0.2 percent as Germany and France contracted slightly while Spain and Portugal posted gains of 0.8 percent and 1.5 percent, respectively. Inflation in the Euro Area fell sharply in 2024 after surging to a record 10.6 percent in October 2022 following the outbreak of the Russia-Ukraine war. The spike in 2022 was driven by soaring energy and food prices. The European Central Bank (ECB) launched its most aggressive tightening cycle from July 2022 to September 2023, raising interest rates 10 consecutive times by a cumulative 450 basis points, to restore price stability. The ECB began its easing cycle in June 2024 after holding rates steady for nine months, as inflation slowed and was on track to return to its 2 percent target, enabling the bank to pivot from its restrictive stance and cut rates four times, with inflation settling at 2.9 percent in December 2024. Despite easing price pressures, manufacturing activity remained weak with the Manufacturing PMI at 45.1 in December, signaling that manufacturing and industrial activity remained in contractionary territory. The slump was fueled by a sharp drop in new orders, especially from domestic markets, while export demand softened more gradually. Production contracted at the fastest pace since late 2023, and firms continued heavy inventory reductions, cutting purchases and scaling back both pre-production and finished goods. Regional disparities persisted, as Europe's manufacturing powerhouses, Germany, France, and Italy, remained mired in industrial recession despite relative resilience in southern economies. Spain and Portugal remained resilient in 2024 largely because of strong tourism recovery, which boosted services activity and supported overall growth. Their economies are more service-oriented than manufacturing-heavy, shielding them from the eurozone's industrial slump. In December 2024, unemployment in the euro area stood at 6.3 percent, slightly lower than the 6.5 percent recorded in 2023. This modest improvement can be attributed to labour market resilience despite weak economic growth.

The Office for National Statistics reported that the UK economy narrowly avoided a prolonged downturn in 2024, posting modest growth of 1.1 percent after slipping into a technical recession in late 2023. This recovery was largely driven by the services sector, which accounts for around 80 percent of economic output, while manufacturing and construction remained stagnant. Consumer-facing services such as retail, hospitality, and recreation continued to struggle, with output barely improving since the onset of the pandemic. Despite the uptick, growth momentum was weak, constrained by high borrowing costs earlier in the year, subdued investment and housing activity, global uncertainties including energy price volatility and geopolitical tensions, and a significant fiscal gap that limited the Labour Party's ability to deliver on spending pledges amid policy delays and mounting public pressure. Across Europe, the recovery remained fragile due to sluggish investment and persistent geopolitical risks. Inflation in the UK eased to 2.5 percent in 2024, following a sharp decline from double-digit levels in 2022. In response, the Bank of England cut interest rates twice in 2024, lowering the Bank Rate from a peak of 5.25 percent to 4.75 percent by November after holding it at a 16-year high for over a year. These moves aimed to support growth and stabilize the cooling labour market while keeping inflation close to the 2 percent target, signaling a gradual shift toward looser monetary policy.

### Japan

Japan's economy showed marginal growth in 2024, with real GDP hovering near zero (0.1 percent) against an expansion of 1.5 percent in 2023. Private consumption was constrained by persistent inflation and weak sentiment. While wage negotiations delivered historic increases, household spending

# GLOBAL MARKET
## REVIEW Cont'd

remained soft as rising prices eroded purchasing power. The situation was compounded by a weak yen, which traded cheaply due to the Bank of Japan's ultra-loose monetary policy and interest rate differentials with the U.S. and Europe. This depreciation made imports more expensive, fueling inflation and further squeezing real incomes, despite nominal wage gains. Exports continued to support activity, aided by a weak yen and global supply chain diversification away from China, but external demand was modest. Inflation stayed above the Bank of Japan's 2 percent target, prompting discussions on policy normalization, though the BoJ maintained accommodative conditions for most of the year. At year-end, the Bank of Japan kept its benchmark interest rate unchanged at 0.25 percent, BOJ chose to monitor how developments in financial and foreign exchange markets were influencing Japan's economic activity and price trends before taking further action. Structural challenges from ageing demographics and labour shortages persisted, limiting long-term growth momentum. The unemployment rate stood at 2.4 percent by the end of year. Equity markets reflected cautious optimism, with the TOPIX index advancing approximately 18 percent on expectations of corporate earnings improvements and governance reforms.

### Emerging Market

Emerging Markets in 2024 were shaped by three dominant themes, resilience amid global uncertainty, accelerating technological integration, and shifting capital flows. Despite headwinds from tighter financial conditions and geopolitical tensions, EM economies maintained solid growth momentum, supported by strong domestic demand and structural reforms. At the same time, technology, particularly Artificial Intelligence, began to influence productivity and competitiveness. Investor sentiment oscillated between caution and optimism as capital sought regions with favorable demographics and long-term growth potential. As of December 2024, the International Monetary Fund projected growth for Emerging Markets and Developing Economies (EMDE) at 4.2 percent for both 2024 and 2025. In contrast, Advanced Economies (DM) were forecast to grow at a much slower pace, 1.8 percent in 2024 and 2025, reflecting the impact of tighter monetary conditions and subdued productivity gains. This divergence underscores the resilience and structural advantages of EM economies, supported by favorable demographics, urbanization, and rising domestic demand, even as global financial volatility and geopolitical risks persist.

### China

China, the world's second-largest economy, grew by 5.0 percent in 2024, slightly down from 5.2 percent in 2023, as the country continued to grapple with the lingering effects of its property sector downturn. The real estate crisis, marked by falling home prices and debt-laden developers, weighed heavily on investment, which contracted 10.6 percent, and dampened consumer confidence. Despite these headwinds, growth was supported by infrastructure spending, targeted fiscal measures, and monetary easing, including cuts to mortgage rates and the People's Bank of China's prime lending rate. External conditions remained challenging, with exports under pressure as global supply chains diversified and manufacturing activity subdued. The official PMI stood at 50.1 in December, signaling a modest recovery but still falling short of analyst expectations. The IMF projects China's growth to moderate further to around 4.5 percent in 2025 and trend toward 3.4 – 4.1 percent by 2028, as demographic shifts and productivity constraints persist. Rising geopolitical tensions, weak property demand, and ageing demographics continue to pose significant risks to China's medium-term outlook. During the calendar year, the People's Bank of China (PBC) reduced the key policy rate, the loan prime rate, by 60 basis points from 4.20 percent to 3.6 percent to stoke economic activity amid property sector stress and weak demand. The Shanghai Stock Exchange Composite Index increased 14.29 percent in 2024 due to A.I, low-altitude economy, and financial sectors.

### Brazil

In 2024, Brazil's economy accelerated, with GDP expanding 3.4 percent, the strongest performance since 2021. Household consumption surged 4.8 percent, bolstered by improved labour incomes and government transfer programs. Brazil ended 2024 with USD 1.14 trillion in foreign direct investment, equal to 46.6 percent of GDP, reflecting robust investment. The main sectors driving 40 percent of this investment were financial services, commerce, electricity, and oil extraction. Unemployment dropped to a record-low 6.6 percent, aided by steady job creation. The Central Bank of Brazil maintained a tight monetary stance, raising the Selic rate from 11.75 to 12.25 by the end of 2024, a strategy that gradually replaced the easing cycle initiated in 2023. The Central bank remained concerned about creating doubts about long-term fiscal discipline. During the year, Brazil's stock exchange, Ibovespa, decreased 10.0 percent as persistent fiscal uncertainty undermined investor confidence throughout the year.

# GLOBAL MARKET

## REVIEW Cont'd

### South Africa

South Africa's economy remained under pressure at the end of 2024, constrained by persistent load shedding and logistical bottlenecks that continued to weigh on businesses and households. GDP growth was modest, with agriculture contracting sharply, particularly in horticulture and poultry, while mining, manufacturing, and construction activity also declined. High unemployment above 35 percent, income inequality, and strike actions further dampened the outlook, keeping GDP per capita under strain as population growth outpaced economic expansion. However, the formation of the Government of National Unity (GNU) after the May 2024 elections marked a turning point, boosting investor confidence and public sentiment. The GNU's collaborative approach and commitment to reforms have been viewed positively by markets, helping to lower risk premiums and improve prospects for stability going into 2025.

### Botswana

As of December 2024, Botswana's economy remained under pressure, contracting by 2.0 percent year-on-year in Q4, following a 4.2 percent decline in Q3. The downturn was driven by a steep 27.3 percent fall in mining activity, primarily diamonds, alongside a 6.5 percent drop in manufacturing and a 2.5 percent decline in agriculture. While water and electricity rebounded strongly (+43.7 percent) and diamond trading surged temporarily (196.2 percent); these gains were inventory-driven rather than structural. Inflation eased to 1.7 percent, well within the Bank of Botswana's 3–6 percent target, and the policy rate was held at 1.9 percent with reserve requirement cuts to support liquidity. Bank of Botswana data shows that foreign exchange reserves dropped by 24.5 percent, falling from BWP 63.7 billion in December 2023 to BWP 48.1 billion in December 2024. Import cover also declined significantly, from a peak of 39 months in 2001 to just 6.3 months by the end of 2024. The Pula exchange rate depreciated by 3.6 percent against the South African rand and 1.5 percent, against the SDR in 2024.

Unemployment remained elevated at roughly 27.6 percent, with youth unemployment particularly high. Despite fiscal pressures, S&P reaffirmed Botswana's BBB+/A2 rating with a stable outlook in 2024, although risks associated with weakness in the diamond sector persist. The International Monetary Fund projects a GDP decline of 0.9 percent for 2025, as diamond revenues remain subdued.

Bank of Botswana reports that total expenditure and net lending rose from P74.1 billion in 2022/23 to BWP85.4 billion in 2023/24, although this was below the revised budget estimate of BWP 88.8 billion due to underspending on development projects. Of the overall spending, recurrent expenditure stood at BWP64.9 billion, compared with BWP 67.9 billion in the revised budget, reflecting a 4.5 percent decline. This reduction highlights the government's cost-containment measures in response to lower projected revenues. Additionally, Bank of Botswana reported that household consumption expenditure grew by 2.7 percent in the 12 months ending September 2024, down from the 4.9 percent growth recorded during the same period ending September 2023.

The Domestic Companies Index (DCI) delivered a total return of 22.62 percent for the year ended December 31, 2024. During the same period, the Fleming Aggregate Bond Index generated 5.83 percent.

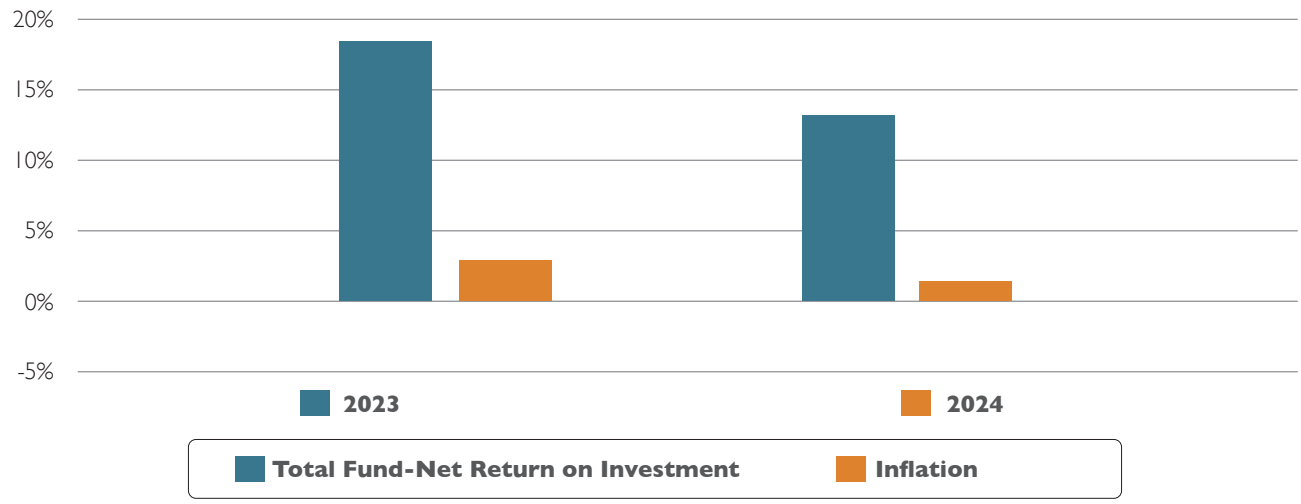
# FUND PERFORMANCE
## HIGHLIGHTS

The Fund's performance underscores its dedication to securing the financial futures of its members. Strong, responsible returns are achieved through effective strategy, robust governance, and a long-term investment outlook. These results continue to strengthen the foundation on which members can confidently build their retirement plans.

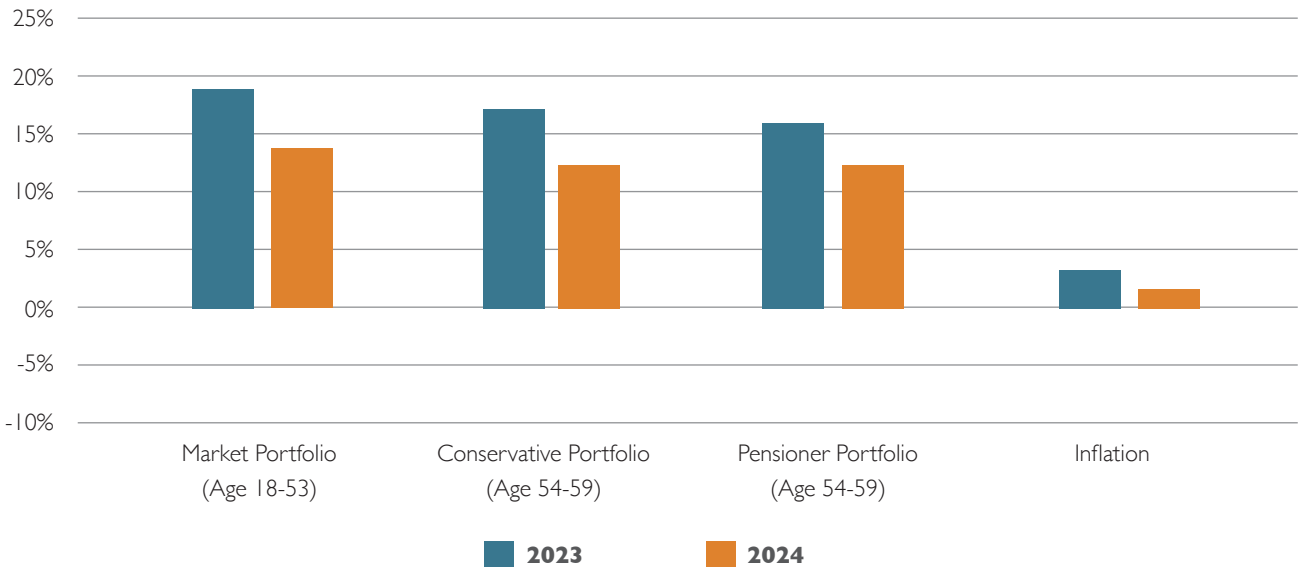
# FUND PERFORMANCE

## HIGHLIGHTS

**Fund Performance Highlights for the year ended 31 December 2024**




**Fund Performance- Life Stage Investment Portfolio Net Returns**



# FUND PERFORMANCE

## HIGHLIGHTS Cont'd

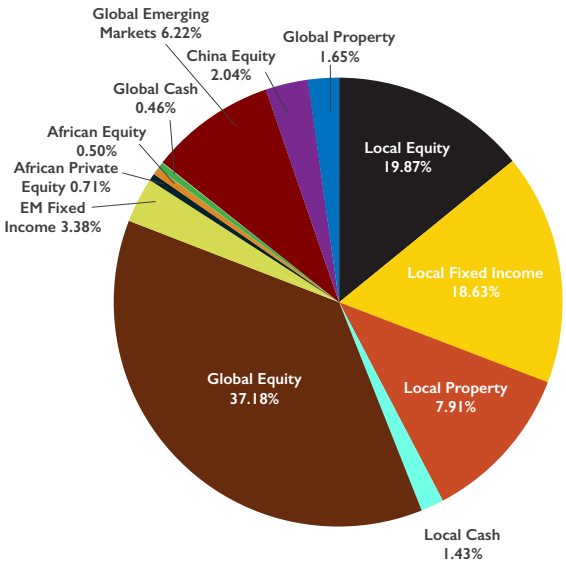
### Fund Performance -Total Fund (Gross)

| Portfolio | 12 Months | 36 Months | 60 Months | Since Inception |
|---|---|---|---|---|
| Market | 14.60% | 9.33% | 10.55% | 12.16% |
| Conservative | 12.55% | 9.07% | 9.66% | 10.12% |
| Pensioner | 12.14% | 8.34% | 9.11% | 11.18% |
| Contingency | 12.94% | 8.69% | 9.20% | - |
| Fund | 13.55% | 8.99% | 9.98% | 11.75% |
| Inflation | 1.70% | 5.80% | 5.63% | - |

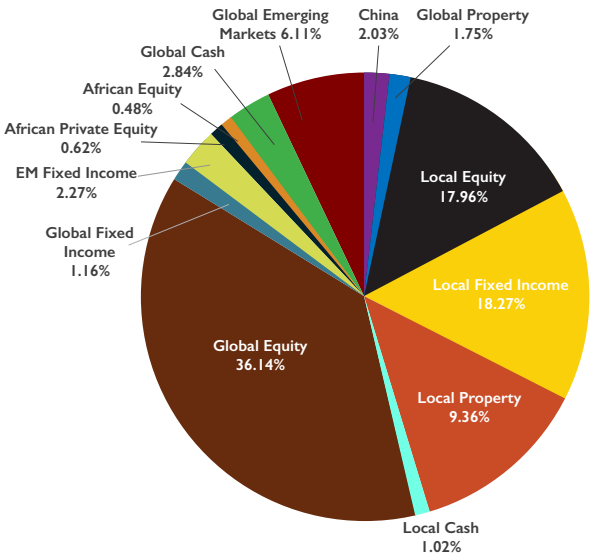
### Asset Allocations

Asset Class Weights as at 31 December 2024 in comparison to Asset Class Weights as at 31 December 2023

**Asset Class Weights December 2024**




**Asset Class Weights as at 31 December 2023**



# FUND PERFORMANCE

## HIGHLIGHTS Cont'd

### Revenue and Expenditure

| | P'000 | | P'000 |
|---|---|---|---|
| Fund as at 31 December 2023 | 10,783,588.00 | | |
| Opening value adjustments | 13,410.00 | Administration and other expenses | 61,587.00 |
| Contributions received | 463,156.00 | Investment fees | 53,872.00 |
| Transfers received | 5,317.00 | Withdrawal and death benefits | 91,681.00 |
| Income from investments | 129,032.00 | Retirement benefits | 596,637.00 |
| Adjustments to fair value of assets | 1,403,650.00 | Pensioner death benefits | 9,860.00 |
| | | Pensions paid | 283,881.00 |
| | | Transfers paid | 108,198.00 |
| | | Fund as at 31 December 2024 | 11,592,437.00 |

# FUND PERFORMANCE

## HIGHLIGHTS Cont'd

### Member Movements

Membership movements for the financial year ended 31 December 2024

| DESCRIPTION | Active Members | Deferred Members | Pensioners | Total |
|---|---|---|---|---|
| **Numbers at beginning of period** | **5,962** | **1,659** | **4,882** | **12,503** |
| Adjustments at data take on | 0 | 0 | 0 | 0 |
| Additions | 294 | 222 | 43 | 559 |
| Transfers in | 0 | 35 | 0 | 35 |
| Transfers out | -62 | -193 | 0 | -255 |
| Withdrawals (Dismissal, Retrenchment, Resignation) | -100 | 0 | 0 | -100 |
| Retirements | -331 | -128 | 0 | -459 |
| Beneficiary Maxi Age | 0 | 0 | -14 | -14 |
| Deaths | -14 | -3 | -65 | -82 |
| **Numbers at end of period** | **5,749** | **1,592** | **4,846** | **12,187** |

The Fund's total membership as at 31 December 2024 was 12,187 compared to 12,503 in 2023. There has been a 2.53% decline in membership (316 Members) in 2024.

**Membership Statistics for 2024 compared to 2023 are as follows:**

| | 2024 | 2023 | Difference | Comment |
|---|---|---|---|---|
| Active | 5749 | 5962 | (290) | Decrease |
| Deferred | 1592 | 1659 | (179) | Decrease |
| Pensioners | 4846 | 4882 | 321 | Increase |
| **Total** | **12,187** | **12,503** | **(148)** | |

### Funding Level

| | Following Transfer 31 Dec 2024 (000) | Prior Transfer 31 December 2024 (000) | Following Transfer 31/12/2022 (000) |
|---|---|---|---|
| Fund Combined Position | | | |
| Fair Value of assets | 11 592 437 | 11 592 437 | 10 783 588 |
| Actuarial Liabilities | 11 301 688 | 11 301 688 | 10 574 396 |
| Surplus/(deficit) | 290 749 | 290 749 | 209 192 |
| **Funding Level** | **103.00%** | **103.00%** | **102.00%** |

The Fund's fair value of assets increased by 7.50% from BWP 10 783 588 in 2023 to BWP 11 592 437 in 2024.

Thabiso Moanakwena
Board Chairperson
Debswana Pension Fund

# CHAIRPERSON'S
## REMARKS

**Dear Members,**

**On behalf of the Board of Trustees, it is my privilege to present the Debswana Pension Fund (DPF) 2024 Annual Report. This year's review offers an opportunity to reflect on our progress, acknowledge our challenges, and outline the strategic direction that continues to guide the Fund toward long-term sustainability and value creation for our members. Importantly, it is a year in which the Fund celebrates 40 years of growth and unwavering commitment to securing member futures.**

### Strategic Progress and Member Commitment

Despite the global environment remaining characterised by persistent macro-economic pressures and geopolitical uncertainty, the Fund demonstrated resilience and focus. Throughout 2024, we remained steadfast in our commitment to safeguarding and enhancing our members' financial well-being. Our strategic refresh, undertaken during the year, sharpened our focus on delivering superior investment returns and supporting a retirement experience that is informed, comfortable, and sustainable.

This renewed five-year strategy (2024-2028) sets the direction for the Fund to remain agile, member-centric, and well-positioned to respond to emerging opportunities in a rapidly evolving financial landscape.

The return of the Pensioner Conference this year, after a hiatus since 2019 due to the global pandemic, was a particularly significant milestone. The event saw 1,200 pensioner members gather once again under one roof to receive updates on the Fund's performance and to reconnect as individuals who served with dedication in their respective roles and now enjoy their retirement. Conferences of this nature are a testament to the Fund's stability and sustainable robustness, demonstrating not only our continued commitment to transparency and member engagement but also the enduring trust our pensioners place in the Fund.

### Fund Performance

The period under review was marked by solid performance and disciplined execution. Supported by robust governance structures and strategic clarity, the Fund continued on a strong growth trajectory. We are pleased to report that Assets Under Management reached BWP 12.175 billion, a significant milestone achieved despite challenging global market conditions.

# CHAIRPERSON'S
## REMARKS

> "The return of the Pensioner Conference this year, after a hiatus since 2019 due to the global pandemic, was a particularly significant milestone."

In addition, the Fund proudly celebrated the opening of the Cresta Grande Hotel in Jwaneng, a strategic investment that not only enhances our property portfolio but also contributes meaningfully to the development of the country's tourism sector. This milestone reflects our commitment to diversifying assets, supporting national economic growth, and investing in ventures that deliver long-term value.

Collectively, this performance underscores the Fund's dedication to prudent financial stewardship, risk-aware investment management, and a long-term perspective that prioritises stable and sustainable returns for our members.

### Governance and Compliance

Governance remains a cornerstone of the Debswana Pension Fund's identity and operational culture. Throughout 2024, we enhanced our governance and compliance frameworks to ensure alignment with evolving regulatory requirements and industry best practices. This included implementing strengthened governance policies and conducting a comprehensive review of governance structures to reinforce transparency, accountability, and ethical conduct.

These enhancements not only protect the interests of our members and stakeholders but also position the Fund as a leading, trusted player in the pension fund industry.

### Board Transitions

In keeping with our governance principles and commitment to Board effectiveness, 2024 saw several changes to the composition of the Board of Trustees. We were honoured to welcome Ms. Keitiretse Tshukudu, elected by members to represent the Jwaneng Constituency; Ms. Wame Mobita, appointed to represent other participating employers; and Ms. Chipo Petros, appointed to represent Debswana Diamond Company. Their wealth of experience and diverse perspectives will further strengthen the Board's oversight and strategic guidance.

We also extend heartfelt appreciation to the outgoing Board members for their exemplary service, dedication, and valuable contributions to the Fund's growth and resilience. Their efforts have helped shape the DPF's continued success and strong governance foundation. It would be remiss of me not to acknowledge the dedication and exceptional effort demonstrated by our outgoing CEO, Ms. Gosego January, who has been a cornerstone of the Fund's success over the years. On behalf of the Board and the Management of the Fund, I wish to extend our heartfelt appreciation for her years of service and unwavering commitment to the Fund and its members. We take this opportunity to wish Ms. January the very best in her future endeavors and express our sincere gratitude for the invaluable contribution she has made to the Debswana Pension Fund.

### Closing Remarks

As we look ahead, the Board remains confident in the Fund's strategic direction and its ability to create sustained value in the years to come. We express our sincere gratitude to our members, partners, management, and staff for their continued trust and support. Together, we will continue to advance the Fund's vision of delivering superior investment performance and ensuring a dignified and sustainable retirement for all members.

**Thabiso Moanakwena, Chairperson**

Gosego January
Chief Executive Officer

# CHIEF EXECUTIVE
## OFFICER'S REMARKS

**Dear Members,**

**It is an honour to address you in this year's Annual Report as we reflect on a period defined by resilience, progress and a renewed commitment to serving our membership. The year 2024 has been significant, not only for the milestones achieved but also for the strategic steps we have taken to enhance the value and experience of being part of the Debswana Pension Fund (DPF).**

### Performance and Progress

Despite persistent global economic headwinds, the Fund continued its strong growth trajectory, underpinned by disciplined execution and robust governance. Our Assets Under Management (AUM) reached yet another historic high of BWP 12.175 billion, representing year-on-year growth of 12%. We also celebrated strategic portfolio enhancements, most notably the opening of the Cresta Grande Hotel in Jwaneng, an investment that strengthens our property portfolio and contributes meaningfully to national economic development.

### Governance

Strong governance remains the backbone of the Fund's long-term sustainability and performance. In 2024, we reinforced this commitment by embarking on a comprehensive offshore due diligence exercise in the United Kingdom and the United States. This undertaking involved meeting with our external asset managers to assess their performance, interrogate their investment processes and ensure ongoing alignment with the Fund's strategic objectives. The insights gained from this engagement have strengthened our oversight, enhanced our understanding of global investment trends and reaffirmed our commitment to world-class stewardship and prudent risk management.

### Serving Our Members Beyond Retirement

At the heart of our strategy lies a simple truth: our members are the reason we exist. As such, member education remains a critical component of our day-to-day operations. This year, our focus has been on driving awareness around the importance of retirement planning and cautioning against premature withdrawals from pension savings. This emphasis has been particularly important following changes to the Retirement Funds Act, specifically the introduction of Section 52, which allows deferred members to encash funds to clear loans. Education on the potential impact of such withdrawals on long-term retirement outcomes was therefore essential.

# CHIEF EXECUTIVE
## OFFICER'S REMARKS

> "In addition, we have strengthened our efforts to deliver solutions that go beyond financial security to support a more holistic and dignified retirement experience."

Encouragingly, we have observed a decline in loan clearance applications, suggesting the positive effects of these educational initiatives.

In addition, we have strengthened our efforts to deliver solutions that go beyond financial security to support a more holistic and dignified retirement experience. A key innovation in this regard is the DPF Member Card, which unlocks exclusive benefits for all members. More than just a form of identification, the card provides access to value-added services that enhance our pensioners' daily experience. Through strategic partnerships, we have also onboarded two leading banks to offer preferential lending rates, recognising the importance of affordable credit in retirement. Additionally, we collaborated with a reputable insurance provider to offer comprehensive motor and household cover, ensuring that our members enjoy protection and peace of mind. These initiatives represent a significant step forward in supporting members beyond traditional retirement benefits.

### People and Partnerships

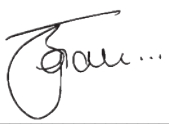
Our achievements this year reflect the dedication of our team and the strength of our partnerships. The year saw the successful return of the Pensioner Conference, where over 1,200 members gathered for engagement, updates and connection, an important milestone following a hiatus since 2019.

In 2024, we also focused on employee development through various training programmes and initiatives, ensuring our team is well-prepared to navigate the complexities of the pension industry. Efforts to enhance workplace culture, foster diversity and promote employee well-being have strengthened our internal capabilities and reinforced our commitment to operational excellence. Recognising the importance of succession planning, we have laid the foundation for leadership continuity, ensuring the Fund is well-positioned for sustained performance in the years ahead. We further expanded our ecosystem of service providers, enabling us to deliver improved value and service to our members. I extend my sincere gratitude to our staff, trustees and partners for their unwavering support and shared commitment to our vision.

### Reflections and the Road Ahead

As I reflect on my 12 years of service with the Debswana Pension Fund, I am deeply grateful for the opportunity to have worked alongside dedicated trustees, staff and partners, and for the relationships I have built with our members over the years. It has been a privilege to contribute to a Fund that consistently prioritises the well-being and security of its members, and to witness the positive impact our initiatives have had on their lives.

Looking ahead, I am confident that the Fund's core strengths, robust governance, strategic clarity, a capable team and a steadfast focus on member well-being will remain, guiding its growth and innovation in the years to come. The initiatives launched this year are part of an ongoing journey to redefine retirement, one that is dignified, secure and full of opportunity. With these enduring foundations, I know the Fund will continue to support its members meaningfully and sustainably. Thank you to our members, trustees and staff for your trust, collaboration and support throughout my tenure. It has been an honour to serve, and I depart with the utmost confidence in the Fund's future.



**Gosego January, CEO**

# COMPLIANCE
## REPORT

Strong compliance practices are vital to building a solid foundation for tomorrow. By prioritising regulatory alignment, rigorous governance, and proactive risk oversight, the Fund upholds transparency, accountability, and confidence in the way it serves its members.

# COMPLIANCE
## REPORT

### CONSTITUTION OF THE FUND

Debswana Pension Fund (DPF) is a defined contribution pension fund established in 1984 as a Trust through a joint initiative between De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd and De Beers Prospecting Botswana (Pty) Ltd. The primary purpose of Debswana Pension Fund is to meet future benefit obligations to members as defined by the Fund's rules, to earn positive investment returns on member funds, and to remain financially sound at all times. DPF invests member funds across various asset classes, mainly Property, Equities, Bonds, Cash and Alternative Assets. Active and deferred member assets are managed under the defined contribution plan, whilst pensioner assets form the defined benefit component through the Fund's provision of life annuities to its retiring active and deferred members.

The Fund now exists as a registered pension fund licensed by the Non-Bank Financial Institutions Regulatory Authority through the Retirement Fund Act of 2014. Retiring members are given the option to purchase annuities from other service providers. Fund membership portfolios as at 31 December 2024 registered 12,187 members comprising of 5,749 Active Members, 1,592 Deferred Members and 4,846 Pensioners.

All current participating employers of the Fund contribute 20% of pensionable salaries of their employees on their behalf towards the Fund on a monthly basis. Member contributions are exempt from income tax as per the provisions of the Botswana Unified Revenue Services (BURS) Act. The Fund, through its education program, continually encourages Active members to make additional voluntary contributions at a preferred percentage within the parameter provided by the BURS Act as a way of achieving better Net Replacement Ratios (NRR) as well as reducing their tax obligation.

The Fund's targeted replacement ratio of 70% is calculated before commutation of the cash lump sum. A member with an average career progression in terms of salary increases and 35 years of service should ideally retire with a pension of 70% of his/her pensionable salary at normal retirement age of 60. The progression of the target member is based on the following assumptions;

- A Career of 35 years continuous employment
- Retirement age of 60 years
- Retirement savings contribution rate at 20% of pensionable salary
- Consistent annual Salary increases in line with inflation

The Trustees recognise that the target replacement ratio may be different for individual members to the extent that their personal experience deviates from that of the target member. If investment conditions so allow, the Fund aims to provide benefits in excess of the targeted NRR of 70%. Given the defined contribution nature of the Fund, the above benefits are only a target and are not guaranteed.

### BOARD OF TRUSTEES

The Debswana Pension Board of Trustees comprises of members appointed in terms of the Fund Rules which are aligned to the Retirement Funds Act. The Rules allow for the following number of Trustees;

Four (4) Trustees appointed by the Participating Employers;
Four (4) Trustees appointed by the Members;
One (1) Trustee appointed by the Pensioners; and
Two (2) Independent Trustee

The Fund's Board of Trustees and its designated Committees perform the oversight function of corporate governance. In accordance with the Fund Rules, the Board has delegated certain responsibilities to the four Committees to act on its behalf; however, the ultimate responsibility for the administration and management of the Fund remains with the Board of Trustees. The Board is governed by the Board Charter.

The Committees, in the performance of their advisory and oversight functions, are guided by each Committee's well-structured terms of reference. Committee members address relevant issues and make recommendations to the Board for final approval. Board Committees function independently of each other and are provided with sufficient authority, resources, and assigned responsibilities to assist the Board. The Board appoints Trustees to serve on each Committee, depending on their areas of knowledge and skills, to ensure that it leverages the expertise of all Trustees. The Term of office for the Trustees is five years and the Trustees can be re-appointed for another five-year term.

# COMPLIANCE
## REPORT

### TRUSTEES LIST

| | Principal Trustees | Type of Appointment | Representation | Qualification | Trusteeship Experience |
|---|---|---|---|---|---|
| 1 | Thabiso Moankawena | Member Appointed | Gaborone Constituency | B.Com (Statistics) Career Preparation Programme in Economics and Management Sciences | 3 years 4 months |
| 2 | Tshepo Mokgethi | Employer appointed | Debswana Diamond Company | Bachelor of Information Technology | 2 years 4 months |
| 3 | Lapologang Letshwenyo | Member appointed | Morupule Constituency | 1. 1. BSc Computer Science,<br>2. 2. Management Development Programme, MSc Strategic | 8 years |
| 4 | Potoko Bogopa | Pensioner Trustee | Pensioners | Btech National Diploma in Engineering | 4 years 11 months |
| 5 | Claire Busetti | Independent Trustee | Independent Trustee | 1. BSc Chemistry<br>2. Masters of Business Administration | 5 years 3 months |
| 6 | Malebogo Ntshwabi | Member appointed | Orapa Letlhakane Damtshaa Constituency | 1. Bachelor of Business Administration<br>2. Diploma-Health and Safety<br>3. NCC- Auto Electrician | 2 years 4 months |
| 7 | Kago Letshabo | Employer appointed | Diamond Trading Company Botswana | 1. Diploma in Human Rights<br>2. Bachelor of Laws<br>3. Post Graduate Certificate in Enterprise Risk Management | 1 year 6 months |
| 8 | Galeboe Busang | Independent Trustee | Independent Trustee | 1. Bachelor of Accountancy<br>2. Association of Chartered Certified Accountants | 1 year 6 months |
| 9 | Keitiretse Tshukudu | Member appointed | Jwaneng | 1. Diploma in Health Education<br>2. Bachelor of Finance<br>3. Masters of Commerce | 1 year |
| 10 | Wame Mobita | Employer appointed | De Beers Global Sightholder Sales | 1. Bachelor of Applied Sciences Statistics<br>2. Postgraduate Diploma- Industrial Psychology<br>3. Master of Science | 10 months |
| 11 | Chipo Petros | Employer Appointed | Debswana | 1. Bachelor of Business Administration<br>2. ACCA stage 2 (part qualified)<br>3. Certified Management Accountant | 2 months |

***Other Participating Employers*** include DeBeers Sightholder Sales Botswana, Morupule Coal Mine, Debswana Pension Fund, DeBeers Global Sightholder Sales

**Ms Chipo Petros joined the Board of Trustees on the 14.12.2024**

# COMPLIANCE
## REPORT

### 2024 TRUSTEES SITTING ALLOWANCES PER SITTING:

| Name of Trustee | NO. of sittings | Sitting Allowance per Meeting | Total paid |
|---|---|---|---|
| Mr. Thabiso Moanakwena | 13 | BWP 9 837.44 | BWP 137 724 |
| Mr. Potoko Bogopa | 19 | BWP 8 837.44 | BWP 167 912 |
| Mr. Lapologang Letshwenyo | 22 | BWP 8 837.44 | BWP 194 424 |
| Ms. Claire Busetti | 18 | BWP 8 837.44 | BWP 159 074 |
| Ms. Kago Letshabo | 22 | BWP 8 837.44 | BWP 194 362 |
| Ms. Galeboe Busang | 23 | BWP 8 837.44 | BWP 203 261 |
| Ms. Keitiretse Tshukudu | 17 | BWP 8 837.44 | BWP 150 237 |
| Ms. Tshepo Mokgethi | 25 | BWP 8 837.44 | BWP 220 936 |
| Ms. Malebogo Ntshwabi | 19 | BWP 8 837.44 | BWP 167 912 |
| Ms. Wame Mobita | 20 | BWP 8 837.44 | BWP 194 424 |
| Ms. Chipo Petros | 5 | BWP 8 837.44 | BWP 53 025 |

### BOARD AND COMMITTEE MEMBERSHIP (AS AT DECEMBER 2024)

| Trustees | Board | Investment & Finance Committee | Benefits & Communications Committee | Audit& Risk Committee | Noms & Remunerations Committee | Number Of Committees |
|---|---|---|---|---|---|---|
| Mr. Thabiso Moanakwena | **Board Chairperson** | | | | | |
| Mr. Lapologang Letshwenyo | √ | √ | **Chairperson** | | | 2 |
| Mr. Potoko Bogopa | √ | | √ | | √ | 2 |
| Ms. Claire Busetti | √ | **Chairperson** | | √ | | 2 |
| Ms. Tshepo Mokgethi | √ | √ | | | **Chairperson** | 2 |
| Ms. Malebogo Ntshwabi | √ | | √ | | √ | 2 |
| Ms. Kago Letshabo | √ | | √ | | √ | 3 |
| Ms. Galeboe Busang | √ | √ | | **Chairperson** | | 3 |
| Ms Keitiretse Tshukudu | √ | | √ | √ | | 2 |
| Ms. Wame Mobita | √ | | | √ | √ | 2 |
| Ms. Chipo Petros | √ | √ | | √ | √ | |
| **TOTAL MEMBERS** | **TEN** | **FIVE** | **FIVE** | **FIVE** | **FIVE** | |
| **VACANCIES** | **NONE** | **NONE** | **NONE** | **NONE** | **NONE** | |

# COMPLIANCE
## REPORT

### TRUSTEES BOARD AND COMMITTEE MEETINGS ATTENDANCE

The attendance of the governance meetings and the frequency of sittings is reported below;

### (i) Board Of Trustees

**Quarter 2 meetings**

| Member | Member Attendance | |
|---|---|---|
| | 25.04.2024 | 29.05.2024 |
| Mr. Thabiso Moanakwena | √ | √ |
| Ms. Tshepo Mokgethi | √ | √ |
| Mr. Claire Busetti | √ | √ |
| Mr. Lapologang Letshwenyo | √ | √ |
| Ms. Galeboe Busang | | |
| Mr. Potoko Bogopa | √ | √ |
| Ms. Malebogo Ntshwabi | √ | √ |
| Ms. Kago Letshabo | √ | √ |
| Ms. Keitiretse Tshukudu | √ | √ |
| Ms. Wame Mobita | √ | √ |
| Ms. Chipo Petros | | |

**Quarter 3 meetings**

| Member | | | | | | |
|---|---|---|---|---|---|---|
| | 05.07.2024 | 09.08.2024 | 22/23.08.2024 | 28.08.2024 | 30.08.2024 | 23/27.09.2024 |
| Mr. Thabiso Moanakwena | √ | √ | √ | √ | √ | √ |
| Ms. Tshepo Mokgethi | √ | √ | √ | √ | √ | √ |
| Mr. Claire Busetti | √ | √ | √ | √ | √ | √ |
| Mr. Lapologang Letshwenyo | √ | √ | √ | √ | √ | √ |
| Ms. Galeboe Busang | √ | √ | √ | √ | √ | √ |
| Mr. Potoko Bogopa | √ | √ | √ | √ | √ | √ |
| Ms. Malebogo Ntshwabi | √ | √ | √ | √ | √ | √ |
| Ms. Kago Letshabo | √ | √ | √ | √ | √ | A |
| Ms. Keitiretse Tshukudu | √ | √ | √ | √ | √ | √ |
| Ms. Wame Mobita | √ | √ | √ | √ | √ | √ |
| Ms. Chipo Petros | | | | | | |

# COMPLIANCE
## REPORT

**Quarter 4 meetings**

| Member | Member Attendance | | | |
|---|---|---|---|---|
| | 04.11.2024 | 12.11.2024 | 26.11.2024 | 17.12.2024 |
| Mr. Thabiso Moanakwena | √ | √ | √ | √ |
| Ms. Tshepo Mokgethi | √ | √ | √ | √ |
| Mr. Claire Busetti | √ | √ | √ | √ |
| Mr. Lapologang Letshwenyo | √ | √ | √ | √ |
| Ms. Galeboe Busang | √ | √ | √ | √ |
| Mr. Potoko Bogopa | √ | √ | √ | √ |
| Ms. Malebogo Ntshwabi | √ | √ | √ | √ |
| Ms. Kago Letshabo | √ | √ | √ | √ |
| Ms. Keitiretse Tshukudu | √ | √ | √ | √ |
| Ms. Wame Mobita | √ | √ | √ | √ |
| Ms. Chipo Petros | √ | √ | √ | √ |

### (ii) Audit And Risk Committee

| Member | | Member Attendance | | | |
|---|---|---|---|---|---|
| | 16.05.2024 | 04.07.2024 | 12.07.2024 | 29.07.2024 | 22.11.2024 |
| Ms. Galeboe Busang | √ | √ | √ | √ | √ |
| Ms. Claire Busetti | √ | √ | A | √ | √ |
| Ms. Keiteretse Tshukudu | √ | √ | √ | √ | √ |
| Ms. Wame Mobita | √ | √ | √ | √ | √ |

- The Fund's External Auditors, PWC, were invited to the Quarter 1 meeting to provide a report on the external audit review conducted on the Fund.
- The Committee has confirmed the effectiveness of the financial controls and the arrangements in place for combined assurance.
- The Audit and Risk Committee met independently with the external auditors and Internal Audit.
- The Chairperson of the Committee is an independent Trustee.

# COMPLIANCE
## REPORT

### (iii) Investment And Finance Committee

| Member | Member Attendance | | | |
|---|---|---|---|---|
| | 15.03.2024 | 24.05.2024 | 19.08.2024 | 27.11.2024 |
| Ms. Claire Busetti | √ | √ | √ | √ |
| Ms. Tshepo Mokgethi | √ | √ | √ | √ |
| Mr. Lapologang Letshwenyo | √ | √ | √ | √ |
| Ms. Galeboe Busang | √ | √ | √ | √ |
| Ms. Chipo Petros | | | | √ |

The Committee has the Investment Consultant, Riscura, and the Actuaries, Willis Towers Watson, as standing invitees to provide specialist advice and reports.

### (iv) Benefits And Communications Committee

| Member | Status | Member Attendance | | | |
|---|---|---|---|---|---|
| | | 26/02/2024 | 31/05/2024 | 02.08.2024 | 10.10.2024 |
| Mr. Lapologang Letshwenyo | Chairperson | √ | √ | √ | √ |
| Mr. Potoko Bogopa | Member | √ | √ | √ | √ |
| Ms. Malebogo Ntshwabi | Member | √ | √ | √ | √ |
| Ms. Keitiretse Tshukudu | Member | √ | √ | √ | A |
| Ms. Kago Letshabo | Member | A | √ | √ | √ |

The Committee invites Mmila Fund Administrators to this meeting as standing invitees to report on member-related issues and administrative matters. The Committee also monitors the Fund's communication plan.

### (v) Nominations And Remunerations Committee

| Member | Member Attendance | | | |
|---|---|---|---|---|
| | 25.03.2025 | 19.07.2024 | 18/29.10.2025 | 25.11.2024 |
| Ms. Tshepo Mokgethi | √ | √ | √ | √ |
| Ms. Malebogo Ntshwabi | √ | √ | √ | √ |
| Mr. Lapologang Letshwenyo | √ | √ | √ | √ |
| Mr. Potoko Bogopa | √ | √ | √ | √ |
| Ms. Kago Letshabo | √ | √ | √ | √ |
| Ms. Wame Mobita | A | √ | √ | √ |

# COMPLIANCE
## REPORT

### BOARD AND COMMITTEE MEETINGS (COMPARISON YEAR 2023 and 2024)

| | | Planned Meetings | Special Meetings | Total | Planned Meetings | Special Meetings | Total |
|---|---|---|---|---|---|---|---|
| | Meetings | 2023 | | | 2024 | | |
| 1 | Board of Trustees | 4 | 3 | 7 | 3 | 8 | 11 |
| 2 | Audit and Risk Committee | 3 | Nil | 3 | 3 | 2 | 5 |
| 3 | Investment and Finance Committee | 4 | Nil | 4 | 4 | Nil | 4 |
| 4 | Nominations and Remunerations Committee | 3 | Nil | 3 | 3 | 2 | 5 |
| 5 | Benefits & Communications | 4 | Nil | 4 | 4 | Nil | 4 |

**The Board of Trustees and all its committees are satisfied that they have fully discharged their mandate as per the Board Charter as well as the respective Committee Terms of Reference.**

### BOARD ACHIEVEMENTS IN 2024

The Debswana Board of Trustees achieved the following in 2024;

#### 1. Governance, Strategy and Policy

- Reviewed the Board evaluation Action Plan
- Reviewed the Trustees Code of Conduct
- Reviewed the Annual Board Plan
- Reviewed the Decision Making Matrix
- Reviewed the Actuarial Report
- Approved the Pensioner's salary increase
- Approved the Infrastructure Policy and the IFRS 17 Policies.

#### 2. Trustees Training

The Trustees undertook the following pension industry related trainings and workshops as a way to ensure they are equipped for their fiduciary responsibility;

- Benefits Distribution Workshop
- Investment Management Workshop
- Roundtable – Pension Funds in the SADC Region
- Botswana Pension Funds Annual Conference
- Advantage Training's African Corporate Governance Conference
- Roundtable-Pension Funds in the SADC Region: Contemporary Issues
- Institute of Retirement Funds of Africa Annual Conference
- Annual Investor Conference – Vantage
- BIFM Trustee Training
- Corporate Governance

# COMPLIANCE
## REPORT

### 3. Audits

**Internal**
Internal Audit conducted 2 audits on the Fund;

- Property Management rated as Moderate
- Communication Management rated as Good.

### 4. Corporate Governance

The Board of Trustees upholds principles of good governance and best practices. In ensuring that the Fund upholds these principles the Board of Trustees submits itself to an independent board evaluation by the Institute of Directors of Southern Africa, for the review of the Board, Committees and the Board Secretary performance.

**1.Ethics**

The Fund has obtained the services of its tip off anonymous facility to promote transparency and guard against issues of fraud, corruption etc. There were no reports in the period under review. There were 2 ethics calls received through the tip-offs anonymous facility.

1. Allegations of unfair labour practices which was closed following investigation outcomes that the allegations were invalid.
2. Non-Compliance with laws, Rules and Regulations- the case was not investigated as the allegations are linked to an ongoing court case.

**II. Corporate Governance Declarations**

a) The Board confirms that it is satisfied that the Delegation of Authority Framework contributes to role clarity and exercise of authority and responsibility by both Management and the Trustees.

b) The Fund's planned areas of future focus in relation to compliance and risk are:

i. The Audit and Risk Committee to conduct independent meetings with both the internal and external auditors.
ii. To have industry experts provide training to the Trustees in Investment Management and Member Benefits.

c) The Board of Trustees confirms that the professional assessment on the governance services conducted annually by the Institute of Directors of Southern Africa is effective.

d) The Board of Trustees have been trained on Corporate Governance.

e) In relation to Member engagement the Fund undertakes to communicate extensively and effectively to all its stakeholder. The key areas of focus are the stakeholder meetings, including meetings with the Regulator as well as the Participating Employers. The Fund continued to engage its members through social media platforms to communicate and educate members and the general public. The Fund hosted a Pensioners Conference this year to engage with pensioners on matters relevant to them.

### 5. Risk Management

Debswana Pension Fund policy has adopted good practices in the identification, evaluation and monitoring of risks. The Fund ensures cost effective controls and mitigations are implored to manage risks. The Fund has adopted robust risk Identification tools and mitigations template to ensure risks are eliminated where possible, reduced to an acceptable level or managed and contained.

# COMPLIANCE
## REPORT

In 2024 the Fund had identified 12 high risks based on the inherent risk rating. These were monitored by the Committees and reported to the Audit and Risk Committee and the Board of Trustees.

**The high risks that were monitored in 2024 are the following;**

1. Sub-optimal returns risk;
2. Market Volatility;
3. Loss of annuity book;
4. Non-Compliance to Environmental Social and Governance Principles;
5. Decreasing membership numbers due to transfer of deferred accounts to preservation fund;
6. Cyber security;
7. High Fund Administration costs;
8. Loss of Trustees membership in the Board and compromised Board composition;
9. Data Privacy breaches;
10. Offshore Investment limitations on the annuity book;
11. Reduction of AUM and aggregate membership;
12. Data integrity errors in the members database.

## 6. KING IV Disclosures

**Principle 1: The governing body should lead ethically and effectively**
The DPF Board of Trustees is governed by a Code of Conduct that the Trustees comply with. The Board is subjected to an annual assessment by an independent assessor. The Rules of the Fund require the Trustees to discharge their fiduciary responsibilities in accordance with and within the confines of the law. All Trustees are trained on PFR 10 on Fit and Proper Person and fiduciary responsibilities of a Trustee.
**Fully applied**

**Principle 2: The governing body should govern the ethics of the organization in a way that supports the establishment of an ethical culture**
The Board governs and manages the Fund's ethics. All ethical issues reported through the Tip Off line are monitored by the Board. Areas of focus are discussed and planned annually through the Audit and Risk Committee. Risks are effectively and closely monitored by the Trustees.
**Fully applied**

**Principle 3: The governing body should ensure that the organization is and is seen to be a responsible citizen**
The governing body approved the Investment Policy (IP), which deals with Environmental, Social and Governance issues. The IP also emphasizes the importance of responsible investment, fostering long-term value creation while reinforcing the Fund's reputation as a responsible and ethical corporate citizen.
**Fully applied**

**Principle 4: The governing body should appreciate the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**
The Board approved the Fund's five-year strategy, which is currently being implemented, and continues to monitor its progress on a quarterly basis.
**Fully applied**

**Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects**
The Fund issues member education reports to inform the members about the Fund and enable them to make informed assessments about their pension benefits. The Fund issues its annual report, along with the annual financial statements, to the general public.

# COMPLIANCE
## REPORT

**Partially applied- the Fund doesn't publish integrated reports.**

**Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organization.**

The Board is assessed on the Trustees' satisfaction with its fulfilled responsibilities on an annual basis. The Board oversees the Fund's corporate governance responsibilities.

**Fully applied.**

**Principle 7: the governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.**

The Board comprises an appropriate balance of knowledge, skills, experience, diversity, and independence to enable effective governance. Due consideration is given to gender and racial diversity in the composition of the Board. The Board includes two independent Trustees, in accordance with the provisions of the Retirement Funds Act. The Chair is considered independent in the execution of his responsibilities and provides objective leadership to the governing body. The Chief Executive Officer serves as an ex officio member of the Board, ensuring appropriate separation of governance and management while facilitating effective oversight.

**Partially applied- the Board does not have a lead independent member but the composition of the Board is aligned to the Retirement Funds Act.**

**Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.**

Each committee comprises a minimum of three members. In accordance with the committees' terms of reference, every Trustee may attend any committee meeting either as an observer or by invitation. Trustees are appointed to committees based on their skills, knowledge, and experience.

The Audit and Risk Committee holds independent meetings with both the Internal Audit Function and the External Auditors. A combined assurance framework is in place, and the Committee assesses and provides its views on the effectiveness of combined assurance. The Committee also expresses its views on the quality and independence of the external audit.

**Partially applied- ARC to provide views on effectiveness of the Head of Internal Audit and arrangements of internal audit. ARC to provide its views on the effectiveness of the CFO and the finance function.**

**Principle 9: The governing body should ensure that the evaluation of its own performance and that of its own committees, its chair, and its individual members, support continued improvement in its performance and effectiveness**

The Board is evaluated on an annual basis and the action plan is reported to the Board and monitored quarterly.

**Fully applied**

**Principle 10: The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.**

The governing body appoints the Chief Executive Officer. The Board oversees the Fund Management succession plan through the Nominations and Remuneration Committee. The Chief Executive Officer is responsible for leading the implementation and execution of the Fund's strategy. The Fund has a Board Secretary who is not a member of the governing body, thereby supporting effective governance and independent advice to the Board.

**Fully applied.**

**Principle 11: The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives**

Risks are reported at each committee meeting. The Board approves the Fund's Risk Appetite and Risk Tolerance Statement annually and exercises oversight over all high and material risks.

**Fully applied.**

**Principle 12: The governing body should govern technology and information in a way that supports the Fund in setting and achieving its strategic objectives**.

All IT policies are approved by the Board.

# COMPLIANCE
## REPORT

**Fully applied.**

**Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Fund being ethical and a good corporate citizen.**

The Board monitors compliance and governance matters quarterly through the Audit and Risk Committee. The Board ensures that the Fund complies with all applicable legal and regulatory requirements.

The Fund has experienced challenges related to deferred member KYC, however, appropriate controls have been implemented to mitigate these challenges.

**Partially applied.**

**Principle 14: The governing body should ensure that the Fund remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.**

The Board approves the Fund's Remuneration Policy. Trustees' sitting allowances are disclosed. The Nominations and Remuneration Committee is responsible for overseeing the Fund's remuneration policy and related processes, including the implementation of the Remuneration Policy.

**Fully applied.**

**Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organization's external reports.**

All assurance providers submit reports to the Board quarterly. The Fund's investment management function is outsourced to licensed asset managers, and their performance is monitored quarterly by the Investment and Finance Committee.

**Fully applied.**

**Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Fund over time.**

The Fund engages with its members through a range of stakeholder engagement platforms, including pensioner conferences, webinars, newsletters, and social media channels. The Fund's Communication Policy is reviewed annually and monitored quarterly by the Board through the Benefits and Communications Committee. Members also receive pre-retirement counselling to support informed decision-making.

**Fully applied.**

# ADMINISTRATION
## REPORT

Effective administration is essential to building a strong and resilient foundation for members' retirement journeys. By maintaining efficient processes, robust systems, and seamless service delivery, the Fund ensures that members' needs are met reliably and with confidence. Strategic focus on operational excellence reinforces trust, strengthens governance, and underpins the long-term sustainability of the Fund.

# ADMINISTRATION
## REPORT

**Membership movements for the financial year ended 31 December 2024**

| DESCRIPTION | Active Members | Deferred Members | Pensioners | Total |
|---|---|---|---|---|
| **Numbers at beginning of period** | **5,962** | **1,659** | **4,882** | **12,503** |
| Adjustments at data take on | 0 | 0 | 0 | 0 |
| Additions | 294 | 222 | 43 | 559 |
| Transfers in | 0 | 35 | 0 | 35 |
| Transfers out | -62 | -193 | 0 | -255 |
| Withdrawals (Dismissal, Retrenchment, Resignation) | -100 | 0 | 0 | -100 |
| Retirements | -331 | -128 | 0 | -459 |
| Beneficiary Maxi Age | 0 | 0 | -14 | -14 |
| Deaths | -14 | -3 | -65 | -82 |
| **Numbers at end of period** | **5,749** | **1,592** | **4,846** | **12,187** |

The Fund's total membership as at 31 December 2024 was 12,187 compared to 12,503 in 2023. There has been a 2.53% decline in membership (316 Members) in 2024.

| | 2024 | 2023 | Difference | Comment |
|---|---|---|---|---|
| Active | 5749 | 5962 | (213) | Decrease |
| Deferred | 1592 | 1659 | (67) | Decrease |
| Pensioners | 4846 | 4882 | (36) | Decrease |
| **Total** | **12,187** | **12,503** | **(316)** | |

The membership statistics for 2024 compared to 2023 are as follows;

**Active Members**
The Participating employers had a reduction in number of employees due to Voluntary Separation Exercises and they remained conservative on their approach to recruitment of pensionable officers.

**Deferred Members**
The deferred members portfolio declined by 67 members. This was mainly driven by deferred members transferring to Mmila Preservation Fund to access retirement at the age of 45 as well as those who attain the age of 50 years opting for early retirement.

**Pensioners Member**
The pensioner portfolio decreased by (36 Members) due to voluntary separations at Debswana Diamond Company. Those members who had attained retirement age opted for normal retirement.

# ADMINISTRATION
## REPORT

**i. Membership per Participating Employer**
As at year end (December 2024) the active members per PE were as follows:

| Participating Employer | 2024 | 2023 | Variance |
|---|---|---|---|
| Debswana Diamond Company | 4,338 | 4,625 | (287) |
| Diamond Trading Company Botswana | 426 | 406 | 20 |
| Morupule Coal Mine | 735 | 688 | 47 |
| DeBeers Global Sightholder Sales | 215 | 204 | 11 |
| DeBeers Botswana Holding | 5 | 9 | (4) |
| Debswana Pension Fund | 30 | 30 | - |
| **TOTAL** | **5,749** | **5,962** | **(213)** |

In 2024 Debswana Pension Fund active membership decreased by (213) members.

**Exits for the Period**
In 2024, a total of BWP 548,308,877.40 was paid to members compared to BWP 386,382,84. The big variance resulting from Debswana Diamond Company voluntary separation exercise that was implemented in 2024 and Member Transfers from DPF to Mmila Preservation Fund.

**i. Contributions**
All Participating Employers make contributions of 20% of pensionable earnings on behalf of their members. Total statutory contributions received in 2024 amounted to BWP 460,846,791 when compared to BWP 429,920,331 in 2023. The increase has been mainly attributed to salary increases effected by the respective Participating Employers. In Addition, members made voluntary contributions of BWP 2,309,058 in 2024 compared to 2,132,744.81 in 2023.

**ii. Transfers-In and Transfers-Out**
The table below compares Transfers-In between 2024 and 2023, as well as Transfers-Out for the same periods. There has been a significant decrease in Transfers-In and a notable increase in Transfers-Out between the two periods. This change has been attributed to members transferring to Mmila Preservation fund to access the early retirement age of 45.

| TRANSFERS | 2024 (BWP) | 2023 (BWP) |
|---|---|---|
| Transfer In | 5,316,048 | 9,766,410 |
| Transfer Out | 108,197,851 | 95,990,734 |

## ADMINISTRATION EXPENSES

Debswana Pension Fund outsourced its pension administration services to Mmila Fund Administrators in 2019, following a change in legislation which barred pension funds from self-administration. However, DPF maintains a secretariat function to have the overall oversight of the business of the Fund and perform some of the functions not provided by the administrator such as investment management, legal and compliance services, actuarial and investment consultancy (outsourced). All of these costs make up the cost per member, which is off set against investment returns. DPF continues to closely monitor costs to ensure they are kept to the minimum, while not compromising on the quality of services rendered to members.

## ACTUARIAL REVIEW

**i. Statement of the Actuary**
Willis Towers Watson (WTW) are the Fund's appointed Actuaries who, among other contracted responsibilities, perform the Fund valuation as required by law governing pension funds as well as the Board of Trustees. While the Retirement Funds Act allows fund valuations to be performed once every three years as a maximum threshold, Debswana Pension Fund was valued by the Fund's actuaries, WTW, in 2024, as it is in the Fund's best interest to assess its financial position annually. DPF considers valuation as a reasonable risk control measure considering inherent risks in the financial markets where the Fund invests members' funds, as well as for an effective management of the annuity book. This cycle has been perpetuated for the financial year 2024, and the

# ADMINISTRATION
## REPORT

valuation report was presented for approval to the Board of Trustees on the 10th of December 2025, which was duly approved by the Trustees. During the valuation period, which is the period between the 2023 valuation and the valuation for the period under review, the Fund was administered by Mmila Fund Administrators (Pty) Limited, as approved by the Board of Trustees.

**ii. Financial Status of the Fund**
The Fund Actuaries confirmed that the Fund remains in a sound financial condition at 31st December 2024 as the value of the assets within each account is equal to or exceeds the liabilities of the respective account. The total fair value of assets was used for purposes of this valuation in order to ensure consistency in the methodology applied in valuing the liabilities.

The table below summarises the overall Fund's financial position, clearly showing the soundness of the Fund as indicated by the combined position funding level of 102% as at end of December 2024.

| | Following Transfer 31 Dec 2024 (000) | Prior Transfer 31 December 2024 (000) | Following Transfer 31/12/2022 (000) |
|---|---|---|---|
| Fund Combined Position | | | |
| Fair Value of assets | 11 592 437 | 11 592 437 | 10 783 588 |
| Actuarial Liabilities | 11 301 688 | 11 301 688 | 10 574 396 |
| Surplus/(deficit) | 290 749 | 290 749 | 209 192 |
| **Funding Level** | **103.00%** | **103.00%** | **102.00%** |

The Fund's fair value of assets increased by 7.50% from BWP 10 783 588 in 2023 to BWP 11 592 437 in 2024.

**a. Pension Increase**
The Trustees awarded a 5.8% pension increase, effective 1 July 2024. This was in line with the Fund's guideline formula for granting increases.

**b. Allocation of investment returns**
The table below shows the 2024 gross investment returns declared per portfolio.

| Net Returns | Market Channel | Conservative Channel | Pensioner Channel | Fund | Inflation |
|---|---|---|---|---|---|
| 2024 Annualised | 14.60% | 12.55% | 12.14% | 13.55% | 1.70% |

# ADMINISTRATION
## REPORT

**c. Investment Return History**
A history of the Fund returns over the period since the initial Statement of Investment Principles was adopted as set out below.

| 31 December | Market Channel | Conservative Channel | Pensioner Channel | Fund | Inflation |
|---|---|---|---|---|---|
| 2005 | 32.90% | 21.00% | 26.90% | 31.20% | 11.40% |
| 2006 | 33.9% | 20.9% | 27.9% | 32.4% | 8.5% |
| 2007 | 16.6% | 15.3% | 17.5% | 16.8% | 8.2% |
| 2008 | -15.2% | -6.2% | -7.3% | -12.9% | 13.7% |
| 2009 | 15.9% | 16.5% | 15.2% | 15.7% | 5.8% |
| 2010 | 7.5% | 7.4% | 7.1% | 7.4% | 7.4% |
| 2011 | 10.6% | 10.7% | 11.7% | 10.9% | 9.2% |
| 2012 | 16.7% | 11.1% | 13.8% | 15.4% | 7.4% |
| 2013 | 28.9% | 17.7% | 22.1% | 26.0% | 4.1% |
| 2014 | 11.5% | 9.7% | 11.0% | 11.2% | 3.8% |
| 2015 | 13.6% | 10.9% | 12.6% | 13.1% | 3.1% |
| 2016 | 3.01% | 3.41% | 2.69% | 2.91% | 3.0% |
| 2017 | 7.87% | 5.1% | 5.35% | 6.86% | 3.2% |
| 2018 | 0.45% | 2.13% | 2.03% | 1.10% | 3.50% |
| 2019 | 17.58% | 14.04% | 15.43% | 16.55% | 2.20% |
| 2020 | 9.77% | 9.36% | 9.80% | 9.74% | 2.20% |
| 2021 | 14.39% | 10.66% | 10.68% | 12.78% | 8.70% |
| 2022 | -4.48% | -2.28% | -2.90% | -3.74% | 12.40% |
| 2023 | 19.04% | 17.06% | 16.75% | 18.07% | 3.50% |
| 2024 | 14.60% | 12.55% | 12.14% | 13.55% | 1.70% |
| 20-year annualised Return (2005-2024) | 12.16% | 10.12% | 11.18% | 11.75% | 6.09% |

# ADMINISTRATION
## REPORT

**i. Funding levels**
The Funding levels for the Fund with respect to Active, Deferred and Pensioners are as below:

| Portfolio/Account | Following Transfer 31 December 2024 | Prior to Transfer 31 December 2024 | Following Transfer 31 December 2023 |
|---|---|---|---|
| Active & Deferred | 100.0% | 100.1% | 99.80% |
| Pensioners | 102.5% | 106.7% | 106.40% |
| Contingency Reserve Accounts | 1.6% | 0.0% | 0.0% |

The surplus in the Member Account over the period was BWP 10 112 000, prior to the recommended transfer. The position in the Pensioner Account has increased from a surplus of BWP 225 960 000 as at 31st December 2023, to BWP P280 637 000 prior to the recommended transfer.

The Pension Account funding level is above the targeted funding level of 102.5%.

**ii. Contingency Reserve Accounts**
The NBFIRA has set out the respective maximums that it would deem reasonable for a Fund to hold in respect of the Contingency Reserves. As at 31st December 2024 these reserves were as follows;

| | Data Reserve Account | Processing Error Reserve Account | Expense Reserve Account | Solvency Reserve Account |
|---|---|---|---|---|
| **Maximum Allowable** | 5% | 1.5% | No Limit | Difference between liabilities on discontinuance matched basis and normal best-estimate basis |
| **Maximum Reference** | Liabilities | Defined Contributions Liabilities | Future Expenses | |
| **Actual Value** | Nil | 0.0% | N/A | 40.9% of maximum allowed |
| **Conclusion** | **Within Limit** | **Within Limit** | **Within Limit** | **Within Limit** |

The reserve accounts are all within the prescribed limits.

**iii. Actuarial Certification Statement**

The Fund Actuary certified that;

a. The Fund is in a sound financial condition as at 31st December 2024 as the value of the assets within each account is equal to or exceeds the liabilities of the respective account. This position should be reviewed at the next valuation date.

b. The strategic asset allocation represents a reasonable long-term allocation given the nature of the Fund's liabilities. In particular, the asset allocations of the various investment channels are reasonable.

# COMMUNICATIONS
## REPORT

Effective communication is central to empowering members to make informed decisions about their retirement planning. By focusing on clear, timely, and accessible information, alongside member education and enhanced digital engagement, the Fund fosters trust and strengthens long-term relationships with its members.

# COMMUNICATIONS REPORT

In 2024, the Fund focused on strengthening communication to build trust and enhance member engagement. Key achievements include high engagement through Email and SMS, successful pensioner conferences, and insights from two major surveys guiding future strategies.

## 1. Communication Activities Delivered

The Fund continued to prioritise clear, timely, and relevant engagement across member segments as a foundation for member trust and informed decision-making. Activities included:

a. Regular Member Updates Through Digital Channels

Email and SMS remained the Fund's most relied-upon channels in 2024, both for operational notifications and ongoing member education. These channels also recorded the highest member engagement and clarity ratings during the 2024 Communications Channel Effectiveness Survey.

b. Bokamoso Newsletter and Business e-Briefs

The Fund continued publishing the Bokamoso Newsletter and Business e-Briefs to provide members and employers with deeper insights into Fund operations, retirement planning, and regulatory matters. Feedback indicated moderate engagement but also opportunities to improve presentation and content relevance.

c. Social media and Web-Based Communication

Facebook and LinkedIn platforms were used to expand reach, though members primarily viewed these channels as supplementary rather than preferred sources for important Fund updates. The Fund's website and webinars showed lower usage levels, highlighting the need to enhance accessibility and content value.

d. Hybrid Member Engagement Initiatives

The Fund continued to diversify engagement formats, offering a mix of virtual sessions and in-person interactions. Physical engagements, particularly for pensioners, proved highly effective in creating meaningful dialogue, as evidenced by high satisfaction ratings during the 2024 Pensioner Conference.

e. Member Portal Awareness Efforts

Despite ongoing campaigns, overall awareness and use of the Member Portal remain lower than expected. This indicates a continued need for more targeted communication, practical demonstrations, and supportive materials to encourage uptake.

## 2. 2024 Stakeholder Satisfaction Surveys

In 2024, the Fund conducted two major member engagement surveys, the Communication Channel Effectiveness Survey and the Pensioner Satisfaction Survey, to evaluate how effectively the Fund communicates with its members and to better understand their overall experience.

### 2.1 Communication Channel Effectiveness Survey

The survey, conducted from the 4th October to the 1st November 2024, assessed engagement levels, clarity of communication, and the effectiveness of the Fund's various platforms. A total of 453 active and pensioner members participated in the survey, providing valuable insights to guide future improvements.

a. Objectives

The survey sought to:

- Measure engagement levels across the Fund's communication channels;
- Assess the clarity and understandability of information shared;
- Determine member satisfaction with specific platforms;
- Identify preferred channels for receiving updates;
- Gather suggestions for improving content quality and accessibility;
- Evaluate awareness and usage of the Member Portal and AVC information.

# COMMUNICATIONS
## REPORT

### b. Key Findings - Communication Channel Effectiveness Survey

| Thematic Area | Finding |
|---|---|
| Engagement with Communication Channels | Email and SMS remain the Fund's most effective communication tools, with over 70% of respondents indicating regular engagement with one or both. Engagement with Bokamoso Newsletters, E-briefs, and Social Media was moderate, while usage of the website, webinars and the Member Portal was comparatively low. |
| Clarity and Satisfaction | More than half of respondents rated information received via email and SMS as clear and easy to understand, reinforcing these platforms as the preferred channels for important Fund updates. |
| Preferred Frequency of Communication | Members expressed a clear preference for periodic updates:<br>· A majority (52%) favoured monthly communication,<br>· While approximately a quarter preferred quarterly updates. Interest in weekly communication remained minimal. |
| Member Portal Awareness and Usage | Awareness and utilisation of the Member Portal remain areas for improvement. While a notable portion of members indicated they were aware of the platform, a significant number had not yet used it, highlighting the need for targeted education and demonstrations to drive adoption. |
| Awareness of Additional Voluntary Contributions (AVCs) | AVC awareness was relatively strong, with over two-thirds (66.76%) of respondents indicating familiarity with the offering. However, active participation levels were lower, pointing to the need for clearer education on the long-term value of AVCs in enhancing retirement outcomes. |

### 2.2 Pensioner Conference Satisfaction Survey 2024

As part of the Fund's commitment to enhancing member engagement and improving service delivery, the 2024 Pensioner Conference Satisfaction Survey was conducted to evaluate pensioners' experiences during the annual conference held on 11th September 2024 in Palapye. A total of 1,000 surveys were distributed, with 496 completed responses, representing a 49.6% response rate.

### a. Survey Objectives

The survey aimed to:

1. Measure overall pensioner satisfaction with the 2024 conference;
2. Assess the quality and delivery of presentations and speakers;
3. Determine the relevance of the topics covered;
4. Evaluate satisfaction with the venue, facilities, and event logistics;
5. Gauge the likelihood of pensioners attending future conferences;
6. Gather feedback for improving future pensioner engagements;
7. Assess broader satisfaction with the Fund's services and support.

# COMMUNICATIONS
## REPORT

### b. Key Findings - Pensioner Conference Satisfaction Survey 2024

| Thematic Area | Finding |
|---|---|
| Overall Conference Satisfaction | Pensioners expressed overwhelmingly positive sentiments (92%) about the event, with most respondents indicating they were either very satisfied (48%) or satisfied(44%) with the conference's overall execution and value. Feedback on the Fund's broader services and support was highly positive, demonstrating continuing trust and confidence among pensioner members. |
| Quality of Presentations and Speakers | Presentations were well received, with a majority rating the content delivery as excellent (52%) or good (43%), reflecting strong appreciation for the relevance and clarity of the information shared. |
| Relevance of Topics | Most respondents found the topics covered to be highly relevant to their needs (86%), indicating that the conference content continues to align well with pensioner priorities and concerns. |
| Venue and Facilities | While most attendees were satisfied with the venue and general facilities(93%), some concerns were raised regarding seating capacity and restroom adequacy, suggesting the need for larger venues in future. |
| Likelihood of Attending Future Conferences | The conference continues to enjoy strong loyalty, with the vast majority of pensioners (93%) indicating they would attend again in future years. |

**2.3 Consolidated Survey Insights**

Findings from the 2024 Communications Channel Effectiveness Survey and the Pensioner Conference Satisfaction Survey reveal a consistent message across the Fund's membership. Both members and pensioners value clear, timely communication, with email and SMS remaining the most trusted channels. There is a strong preference for periodic but meaningful updates, supported by opportunities for direct engagement, particularly through in-person interactions. The surveys also highlighted several areas for improvement. These include enhancing the Member Portal's user experience, introducing WhatsApp as an additional communication channel, providing more accessible benefit information, and strengthening educational content, particularly on AVCs. Pensioners further emphasised the importance of inclusivity through Setswana language support and the need for improved event logistics, including consideration of a larger venue as attendance continues to grow.

Across both groups, shared themes are emerging. Members expect more personalised and easy-to-access communication, pensioners value community connection, and digital platforms need to be supported with guided assistance to increase adoption. These insights will inform the Fund's engagement approach going forward, with a focus on improving accessibility, inclusivity and overall stakeholder experience.

**3. Communication Policy and Strategy Alignment**

The Fund's Communication Policy continued to guide communication in 2024, supported by the annual communication plan and digital-first improvements implemented throughout the year. Emphasis was placed on:

- multi-channel communication,
- improved digital access,
- member education, and
- enhanced responsiveness to member preferences.

**a. Communication Policy Overview**

The Communication Policy is designed to meet legislative communication requirements while also aligning with the Fund's broader communication objectives. The most recent policy review and update took place in 2023, with the next scheduled review set for 2024. The Fund's Communication Policy should be read in conjunction with the supporting Fund Communication Strategy, Annual Communication Plans, and other communication policies approved by the Board.

# COMMUNICATIONS
## REPORT

**b. Communication Mediums and Frequency of Communication**

The communication tools we utilize will incorporate existing channels for efficiency, while also being adaptable to ensure they meet the needs of our diverse audiences.

**4. Fund Communication Matrix**

This matrix outlines the communication channels in use as of 31st December 2023, along with their respective target audiences and communication frequency. The tools and methods we will utilize for each audience are detailed below:

| Communication Medium | Focus Area | Active Members | Deferred Members | Pensioner Members | Participating Employers | Business Partners | Fund Employees | General Public | Frequency of Communication | Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|
| **Print/Paper-Based Communication Mediums** | | | | | | | | | | |
| Bokamoso Newsletter | Fund Communication & Member Education | √ | √ | √ | √ | √ | √ | √ | 2 | Ongoing |
| Annual Report & Financial Statements | Fund Communication | √ | √ | √ | × | × | √ | × | 1 | Ongoing |
| Fund Book of Rules | Member Education | √ | √ | √ | √ | √ | √ | √ | 1 | As per rules changing |
| Active & Deferred Members Guide | Member Education | √ | √ | √ | × | × | √ | × | 1 | 1/12 |
| Pensioners Guide | Member Education | × | × | √ | × | × | √ | × | 1 | 1/12 |
| Death Benefits Payment Policy & Guide | Member Education | √ | √ | √ | √ | × | √ | × | 1 | 1/12 |
| Funeral Advance Cover Guide | Member Education | √ | √ | √ | √ | × | √ | × | 1 | 1/12 |
| AVC & Retirement Planning Guide | Member Education | √ | √ | × | × | × | √ | × | 1 | 1/12 |
| Fund Profile | Fund Communication | √ | √ | √ | √ | √ | √ | √ | 1 | 1/12 |

Bi-Annually · Once a year · Annually · Ongoing · On a need basis · Quarterly
Once a month · Monthly · Once Off · As per rules changing

# COMMUNICATIONS
## REPORT

| Communication Medium | Focus Area | Active Members | Deferred Members | Pensioner Members | Participating Employers | Business Partners | Fund Employees | General Public | Frequency of Communication / year | Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|
| Pension Projection Statements | Fund Communication | √ | √ | X | X | X | √ | X | 2 | 2 |
| Annual Benefit Statements | Fund Communication | √ | √ | X | X | X | √ | X | 1 | 12 |
| Pension Annuity Pay Slips | Fund Communication | X | X | √ | X | X | √ | X | 1 | 12 |
| Letter Correspondences | Fund Communication | √ | √ | √ | √ | X | √ | X | | |
| Newspaper Advertorials & Press Releases (new) | Public Relations / Reputation Management | √ | √ | √ | √ | √ | √ | √ | | 1/12 |
| **Digital/Electronic Media** | | | | | | | | | | |
| Fund Website (www.dpf.co.bw) | Fund Communication | √ | √ | √ | √ | √ | √ | √ | | 12 |
| Member Portal (https://portal.mmila.co.bw/) | Fund Communication | √ | √ | √ | X | X | √ | X | | 12 |
| Bokamoso Newsletter (electronic) | Fund Communication & Member Education | √ | √ | √ | X | √ | X | X | 2 | 12 |
| Business e-Brief (electronic) | Fund Communication | √ | √ | √ | X | √ | X | X | 4 | 12 |
| Email Notices & Updates | Fund Communication | √ | √ | √ | √ | X | X | X | | 12 |

# COMMUNICATIONS
## REPORT

| Communication Medium | Focus Area | Active Members | Deferred Members | Pensioner Members | Participating Employers | Business Partners | Fund Employees | General Public | Frequency of Communication | Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|
| Social Media (Facebook) | Stakeholder Engagement & Public Education (Financial Literacy) | √ | √ | √ | √ | √ | √ | √ | Ongoing | Ongoing |
| Film Documentaries & Docudrama | Member Education | √ | √ | √ | √ | √ | √ | √ | Once Off | On a need basis |
| SMS Communication (Notices & Updates) | Fund Communication | √ | √ | √ | × | × | √ | × | Ongoing | Ongoing |
| **Virtual Communication** | | | | | | | | | | |
| Employer (HR) Training and Workshops | Stakeholder Engagement | × | × | × | √ | √ | √ | × | Once a year | Annually |
| Participating Employers' Senior Leadership Business Updates | Stakeholder Engagement | × | × | × | √ | √ | √ | × | Once a year | Annually |
| New Employee Inductions | Member Education | √ | × | × | × | × | √ | × | Once a month | Monthly |
| Active & Deferred Members Pre-Retirement Seminars | Member Education | √ | √ | × | × | × | √ | × | Once a year | Annually |
| Annual Deferred Member's Meeting | Stakeholder Engagement | × | √ | × | × | × | √ | × | Once a year | Annually |
| Annual Pensioners' Member Meetings | Stakeholder Engagement | × | × | √ | × | × | √ | × | Once a year | Annually |

Bi-Annually · Once a year · Annually · Ongoing · On a need basis · Quarterly
Once a month · Monthly · Once Off · As per rules changing

# INVESTMENT
## REPORT

Building a solid foundation for tomorrow requires a resilient and forward-thinking investment strategy. Over the reporting year, the Fund remained focused on delivering responsible returns while managing risk across global and local markets. Through strategic positioning and prudent investment practices, the Fund continues to safeguard the financial well-being of its members.

# INVESTMENT REPORT

## 2024 DPF Investment Performance Review

During the year ended 31st December 2024, the Debswana Pension Fund grew by 13.55 percent (net of investment and administration fees), increasing from BWP 10.962 billion in Q4 2023 to BWP 12.175 billion in Q4 2024.

Financial markets in 2024 exhibited greater stability than in recent years, supported by easing inflation, synchronised interest rate cuts, and resilient economic fundamentals. Equity markets recorded broad-based gains, led by technology and AI-driven sectors, with notable strength also evident across industrials, financials, and consumer segments. Fixed income delivered solid returns as declining yields and improving credit conditions enhanced demand for both government and corporate bonds. Emerging Markets made positive contributions, while domestic markets in Botswana advanced on the back of regulatory-driven demand and increased bond issuance. These favourable conditions supported strong performance across diversified portfolios, positioning the Fund for continued growth and long-term resilience.

The main detractors to performance were specialist mandates such as Africa Private Equity and Botswana Property. The negative returns experienced in African Private Equity can be attributed to the Fund's initial investments in a new pan-African Fund. Private equity funds often exhibit the J-curve effect, which is characterized by initial negative returns followed by positive returns as investments mature. The decline in property values can be attributed to the realignment of capitalization rates, which measure the expected return on an investment property, to better reflect local market expectations, combined with the adverse impact of a challenging business environment and emerging property-related risks.

## Local & Global Asset Class Comparative Analysis

In aggregate, 2024 was a positive year for Capital markets, with most Asset classes returning positive double-digit returns

Botswana Equities were the top-performing asset class. Domestic Equity performance was driven by strong regulatory-driven buy-side demand and rising share prices. Furthermore, performance was driven by strong gains in the consumer and financial sectors, with dual-listed companies in the Foreign Companies Index contributing to the gains.

The Domestic Companies Index (DCI) delivered a total return of 22.62 percent for the year ended December 31st, 2024, while DPF's equity portfolio outperformed with a return of 25.29 percent. During the same period, the DPF Bond portfolio returned 5.69 percent, slightly below the Fleming Aggregate Bond Index at 5.83 percent. Local cash generated a return of 2.80 percent, ahead of its benchmark which yielded 2.70 percent.

African equities were the second-best-performing asset class. African equities performance was spurred by strong GDP growth, commodity price gains, structural reforms, and new listings, which improved market depth.

Global equities ranked as the third-best-performing asset class in 2024, supported by a shift toward more accommodative monetary policy after years of tightening. This improved liquidity and investor confidence, while a surge in technology stocks, driven by strong enthusiasm for artificial intelligence and its transformative potential, added significant momentum. Additionally, resilient global economic growth helped sustain corporate earnings, reinforcing the positive outlook for equities. American Century out performed all Global Equity Managers increasing by 23.56 percent. The second-best performing asset manager was State Street, which returned 23.41 percent. The third-ranked Global Equity manager was Orbis which generated 17.67 percent. Most of the Fund's other Global equity managers generated positive double digit returns. Net of fees the asset managers returned as follows, Veritas (16.44 percent), Marathon (14.77 percent), and Walter Scott (12.38 percent), Global Bonds similarly experienced exceptional modest performance in 2023. Bond markets advanced as falling yields and renewed investor appetite for fixed income drove strong demand. DPF's fixed income mandate out performed The Barclays Global Bond Index by generating 6.98 percent versus 2.15 percent.

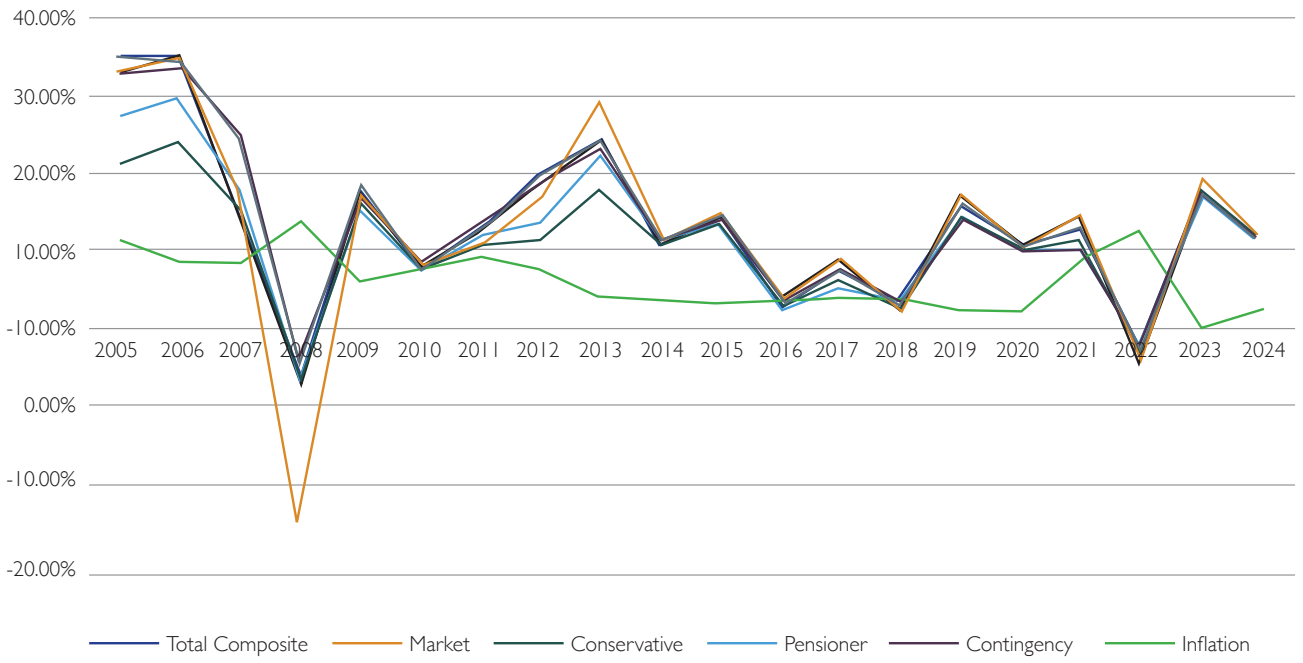
Emerging Market equities and bonds both performed strongly in 2024, delivering returns of 14.31 percent and 14.07 percent, respectively. China posted a solid gain of 13.38 percent, while Global Property and Global Cash rose by 5.26 percent and 3.01 percent. In contrast, Botswana Property and African Private Equity declined by 1.19 percent and 18.88 percent, highlighting regional disparities in asset performance.

## Strategic Asset Allocation and Manager share of Fund as at December 31st, 2024.

For the year ended December 31st, 2024 the Fund had an allocation of BWP 6,025 billion equivalent to 48.68 percent in Botswana domestic assets and BWP 6,350 billion equivalent to 51.32% percent invested in international assets.

# INVESTMENT
## REPORT

**Life Stage Investment Performance**




| Portfolio Net | 3 Months to December 2024 | 6 Months to December 2024 | 12 Months | 36 Months | 60 Months | Since Inception |
|---|---|---|---|---|---|---|
| Market | 2.58% | 5.66% | 14.12% | 8.75% | 9.96% | 11.58% |
| Conservative | 2.42% | 4.77% | 12.84% | 8.55% | 9.14% | 10.67% |
| Pensioner | 2.19% | 3.94% | 11.70% | 7.83% | 8.58% | 10.88% |
| Contingency | 2.39% | 4.58% | 12.36% | 8.19% | 8.70% | 12.21% |
| Fund | 2.43% | 4.99% | 13.18% | 8.44% | 9.43% | 12.51% |
| Inflation | - | - | 1.70% | 5.80% | 5.63% | 6.09% |

**i) Market Portfolio Performance**
The Market Portfolio performance for 2024 returned 14.76 percent. The Market Portfolio has achieved a return of 12.16 percent since inception of the life stage model.

**ii) Conservative Portfolio Performance**
For the year ending December 31st, 2024 the Conservative Portfolio had a net return 13.42 percent. The Conservative Portfolio has achieved a return of 10.12 percent since inception of the life stage model.

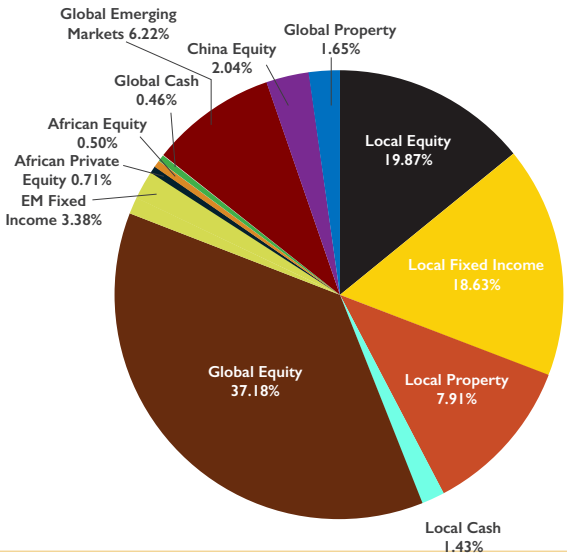
**iii) Pensioner Portfolio Performance**
The Pensioner Portfolio performance for 2024 returned 12.27 percent. The Pensioner Portfolio has achieved a return of 11.18 percent since inception of the life stage model.

# INVESTMENT
## REPORT

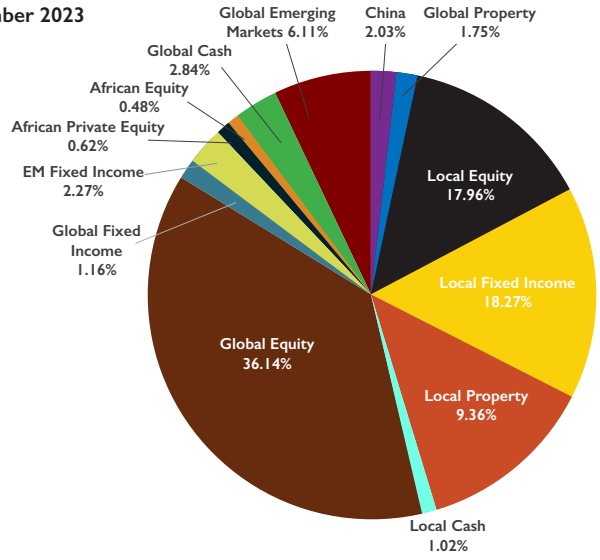
### 2024 Investment Policy Asset Allocation

Empirical evidence indicates that pension fund performance is primarily driven by Strategic Asset Allocation and its Investment Policy.

**Asset Class Weights December 2024**

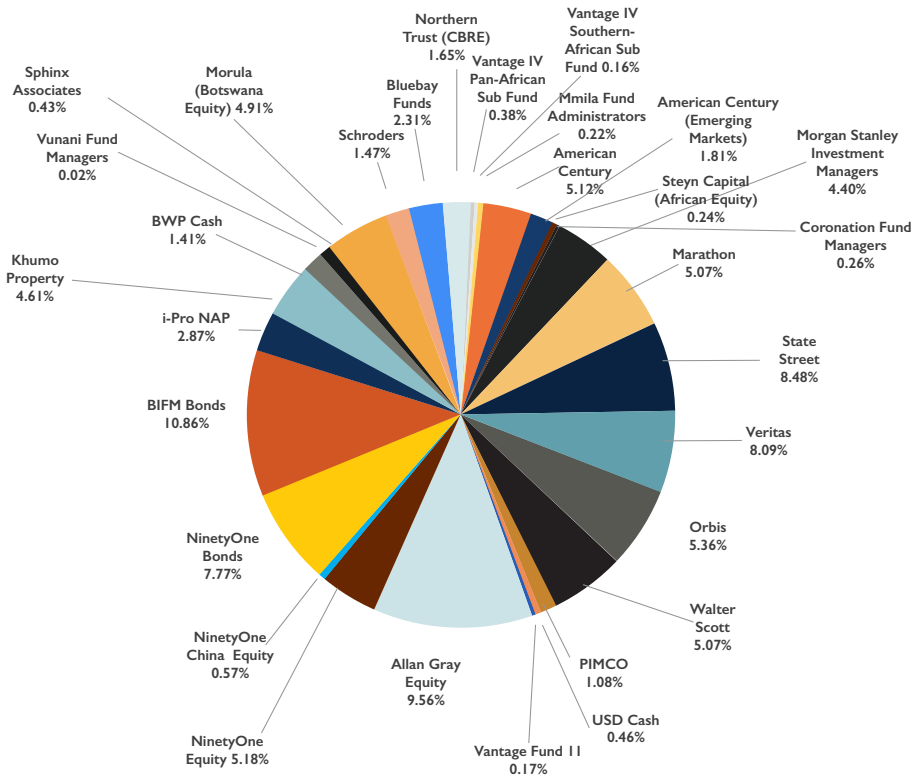



**Asset Class Weights December 2023**



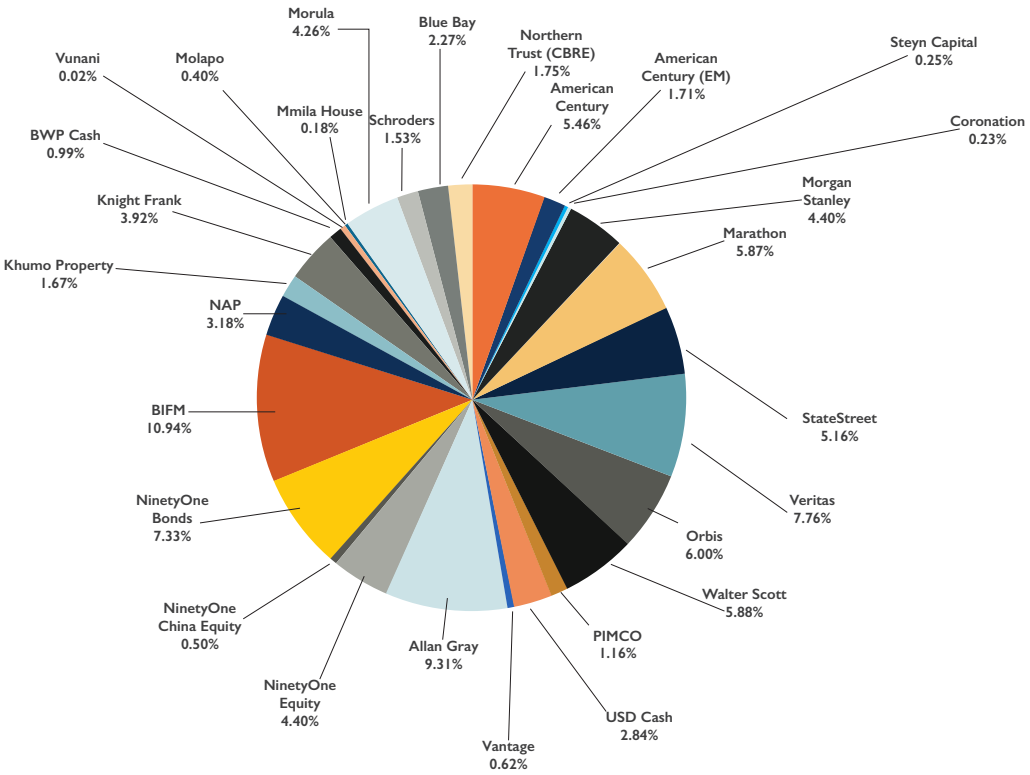
# INVESTMENT
## REPORT

**Asset Manager Weights as at 31 December 2023**



# INVESTMENT
## REPORT

**Asset Manager Weights December 2024**



# INVESTMENT
## REPORT

**Onshore equity investments**

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total |
| Allan Gray Botswana | 839,251,277 | 260,151,237 | 1,099,402,514 | 682,588,666 | 212,884,917 | 895,473,583 |
| Ninety One Botswana Proprietary Limited | 433,835,995 | 134,480,547 | 568,316,542 | 344,850,684 | 107,551,609 | 452,402,293 |
| Morula Capital Partners | 440,589,809 | 136,574,095 | 577,163,904 | 352,397,407 | 109,905,272 | 462,302,679 |
| IPRO Botswana | 215,888,033 | 133,197,865 | 349,085,898 | 201,345,976 | 130,987,945 | 332,333,921 |
| | **1,929,565,114** | **664,403,744** | **2,593,968,858** | **1,581,182,733** | **561,329,743** | **2,142,512,476** |
| **Onshore bonds investments** | | | | | | |
| Ninety One Botswana Proprietary Limited | 463,216,342 | 394,781,108 | 857,997,450 | 362,653,427 | 338,349,548 | 701,002,975 |
| Botswana Insurance Fund Management Limited | 684,774,284 | 583,606,248 | 1,268,380,532 | 595,074,720 | 555,194,706 | 1,150,269,426 |
| | **1,147,990,626** | **978,387,356** | **2,126,377,982** | **957,728,147** | **893,544,254** | **1,851,272,401** |
| **Offshore bonds investments** | | | | | | |
| BlueBay Asset Management | 208,168,040 | 72,929,799 | 281,097,839 | 181,586,530 | 66,391,684 | 247,978,214 |
| Pimco Funds | 31,754,351 | 99,152,835 | 130,907,186 | 27,476,893 | 99,369,852 | 126,846,745 |
| | **239,922,391** | **172,082,634** | **412,005,025** | **209,063,423** | **165,761,536** | **374,824,959** |

# INVESTMENT
## REPORT

**Offshore equity investments**

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total |
| American Century Emerging Markets | 152,674,198 | 68,261,865 | 220,936,063 | 127,640,592 | 59,585,320 | 187,225,912 |
| American Century Global Growth | 432,779,236 | 190,881,416 | 623,660,652 | 408,323,320 | 188,149,371 | 596,472,691 |
| CBRE Group Inc | 201,439,478 | - | 201,439,478 | 191,346,701 | - | 191,346,701 |
| Coronation Asset Management Proprietary Limited | 24,933,203 | 6,738,505 | 31,671,708 | 18,417,990 | 6,717,860 | 25,135,850 |
| Marathon Asset Management Limited | 427,983,418 | 188,766,174 | 616,749,592 | 439,176,074 | 202,365,865 | 641,541,939 |
| Morgan Stanley Investment Management Limited | 370,438,541 | 165,626,058 | 536,064,599 | 327,820,022 | 153,033,299 | 480,853,321 |
| Ninety One UK Limited | 51,333,368 | 17,984,183 | 69,317,551 | 40,000,736 | 14,625,073 | 54,625,809 |
| Orbis Investment Management Limited | 452,785,129 | 199,705,206 | 652,490,335 | 448,841,024 | 206,819,333 | 655,660,357 |
| State Street Global Advisors | 716,286,205 | 315,924,872 | 1,032,211,077 | 386,063,607 | 177,892,423 | 563,956,030 |
| Steyn Capital Management Proprietary Limited | 23,450,504 | 6,337,787 | 29,788,291 | 19,761,669 | 7,207,959 | 26,969,628 |
| Schroder Investment Management Limited | 132,339,360 | 46,363,904 | 178,703,264 | 122,819,085 | 44,905,126 | 167,724,211 |
| Vantage Capital Fund II | 16,258,942 | 4,394,179 | 20,653,121 | 28,189,953 | 10,282,129 | 38,472,082 |
| Veritas Asset Management | 683,430,086 | 301,433,367 | 984,863,453 | 580,835,342 | 267,640,370 | 848,475,712 |
| Walter Scott & Partners Limited | 428,529,357 | 189,006,966 | 617,536,323 | 440,081,586 | 202,783,113 | 642,864,699 |
| Vantage Mezzanine IV Pan African Sub Fund | 36,769,427 | 9,937,390 | 46,706,817 | 8,553,264 | 3,119,756 | 11,673,020 |
| Vantage Mezzanine IV Southern African Sub-Fund | 15,395,944 | 4,160,943 | 19,556,887 | 13,220,253 | 4,822,014 | 18,042,267 |
| | **4,166,826,396** | **1,715,522,815** | **5,882,349,210** | **3,601,091,218** | **1,549,949,011** | **5,151,040,229** |

# INVESTMENT
## REPORT

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total |
| **Money market funds and money market instruments** | | | | | | |
| Morula Capital Partners | 15,648,340 | 4,850,675 | 20,499,014 | 658,900 | 205,497 | 864,397 |
| Vunani Fund Managers | 651,567 | 1,975,389 | 2,626,956 | 534,406 | 1,932,675 | 2,467,081 |
| African Alliance Botswana | - | - | | 4,299 | - | 4,299 |
| Allan Gray Botswana | 33,989,727 | 10,536,141 | 44,525,868 | 62,725,790 | 19,588,835 | 82,314,625 |
| Botswana Insurance Fund Management Limited | 25,336,361 | 21,593,186 | 46,929,547 | 14,421,432 | 13,454,953 | 27,876,385 |
| Ninety One Botswana Proprietary Limited | 65,545,962 | 55,862,251 | 121,408,213 | 32,331,342 | 30,164,599 | 62,495,941 |
| | **141,171,957** | **94,817,642** | **235,989,600** | **110,676,169** | **65,346,559** | **176,022,728** |
| **Cash balances held with Asset Managers** | | | | | | |
| Botswana Insurance Fund Management Limited | 3,720,714 | 3,171,019 | 6,891,733 | 8,919,380 | 8,321,631 | 17,241,011 |
| Morula Capital Partners | 588,874 | 182,539 | 771,413 | 1,512,651 | 471,764 | 1,984,415 |
| Allan Gray Botswana | 14,965,047 | 4,638,868 | 19,603,915 | 29,810,039 | 9,297,118 | 39,107,157 |
| Ninety One Botswana Proprietary Limited | 15,718,367 | 13,396,148 | 29,114,515 | 33,835,200 | 31,567,672 | 65,402,872 |
| | **34,993,002** | **21,388,574** | **56,381,576** | **74,077,270** | **49,658,185** | **123,735,455** |
| **Total Investment securities** | **7,660,469,486** | **3,646,602,766** | **11,307,072,251** | **6,533,818,960** | **3,285,589,288** | **9,819,408,248** |

# INVESTMENT REPORT

## 2024 Strategic Developments

The 2024 Strategic Asset Allocation is expected generate the following performance targets over a 5-year rolling period:
Inflation + 4.7% - Market Channel
Inflation + 4.2% - Conservative Channel
Inflation + 4.1% - Pensioner Channel

| | Market Channel | | | Conservative Channel | | | Pensioners | | |
|---|---|---|---|---|---|---|---|---|---|
| | LB | SAA | UB | LB | SAA | UB | LB | SAA | UB |
| SA ILB MT | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 17.50% | 0.00% | 0.00% | 15.00% |
| SA ILB LT | 0.00% | 0.00% | 10.00% | 0.00% | 0.00% | 10.00% | 0.00% | 0.00% | 15.00% |
| Botswana Equity | 15.00% | 20.00% | 25.00% | 8.00% | 16.00% | 21.00% | 5.00% | 12.00% | 18.00% |
| Botswana Cash | 0.00% | 0.00% | 15.00% | 0.00% | 1.00% | 15.00% | 0.00% | 1.00% | 15.00% |
| Botswana Bonds | 9.00% | 14.00% | 19.00% | 18.00% | 25.00% | 28.00% | 15.00% | 27.00% | 37.00% |
| Botswana ILB | 0.00% | 0.00% | 5.00% | 0.00% | 0.00% | 8.00% | 0.00% | 0.00% | 10.00% |
| Botswana Property | 6.00% | 11.00% | 16.00% | 5.00% | 13.00% | 20.00% | 5.00% | 14.00% | 23.00% |
| Botswana Infrastructure | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Foreign Equity | 22.00% | 37.00% | 42.00% | 25.00% | 32.00% | 37.00% | 25.00% | 32.00% | 37.00% |
| EM Equity | 2.00% | 7.00% | 12.00% | 0.00% | 5.00% | 10.00% | 0.00% | 6.00% | 11.00% |
| Global Property | 0.00% | 3.00% | 8.00% | 0.00% | 0.00% | 5.00% | 0.00% | 0.00% | 10.00% |
| Foreign Bonds | 0.00% | 0.00% | 5.00% | 0.00% | 3.00% | 8.00% | 0.00% | 3.00% | 8.00% |
| EM Debt | 0.00% | 3.00% | 8.00% | 0.00% | 2.00% | 5.00% | 0.00% | 2.00% | 5.00% |
| Foreign Cash | 0.00% | 0.00% | 5.00% | 0.00% | 0.00% | 5.00% | 0.00% | 0.00% | 2.50% |
| Africa Equity | 0.00% | 2.00% | 7.00% | 0.00% | 1.00% | 5.00% | 0.00% | 1.00% | 6.00% |
| China | 0.00% | 3.00% | 5.00% | 0.00% | 2.00% | 5.00% | 0.00% | 2.00% | 5.00% |
| India | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Total** | | **100.00%** | | | **100.00%** | | | **100.00%** | |

# ANNUAL FINANCIAL STATEMENTS

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DPF

DEBSWANA • PENSION • FUND

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## General Information

| | | | |
|---|---|---|---|
| **Country of Incorporation and Domicile** | **Botswana** | | |
| | | **Designation** | **Appointment Date** |
| **Board of Trustees** | Thabiso Moanakwena | Chairperson | |
| | Tshepo Mokgethi | Deputy Chairperson | |
| | Potoko Bogopa | Trustee | |
| | Claire Busetti | Independent Trustee | |
| | Lapologang Letshwenyo | Trustee | |
| | Malebogo Ntshwabi | Trustee | |
| | Kago Letshabo | Trustee | |
| | Galeboe Busang | Independent Trustee | |
| | Keitiretse Tshukudu | Trustee | |
| | Wame Mobita | Trustee | 22.02.2024 |
| | Chipo Petros | Trustee | 14.10.2024 |
| **Registered Office** | Main Mall, Debswana House 5th Floor<br>Gaborone<br>Botswana | | |
| **Postal Address** | Private Bag 00512<br>Gaborone | | |
| **Bankers** | ABSA Bank Botswana Limited<br>First National Bank Botswana Limited<br>Standard Chartered Bank Botswana Limited | | |
| **Auditors** | Ernst & Young Botswana<br>Plot 22, Second Floor ,UN Place<br>Gaborone, Botswana<br>PO Box 41015<br>Gaborone | | |
| **Custodian** | Stanbic Bank Botswana Limited | | |
| **Investment Consultants** | Riscura Consulting Services Proprietary Limited | | |
| **Actuaries** | Towers Watson Proprietary Limited | | |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## General Information

| | |
|---|---|
| **Onshore Investment Managers** | Allan Gray Botswana Proprietary Limited |
| | Botswana Insurance Fund Management Limited |
| | IPro Botswana Proprietary Limited |
| | Morula Capital Partners |
| | Ninety One Botswana Proprietary Limited |
| | Vunani Fund Managers |
| **Offshore Investment Managers** | American Century Emerging Markets |
| | American Century Global Growth |
| | BlueBay Asset Management |
| | CBRE Investment Management |
| | Coronation Asset Management Proprietary Limited |
| | Marathon Asset Management Limited |
| | Morgan Stanley Investments Management Limited |
| | Ninetyone UK Limited |
| | Orbis Investment Management Limited |
| | Pimco Europe |
| | Schroder Investment Management Limited |
| | Southeastern Asset Management |
| | State Street Global Advisors |
| | Steyn Capital Management Proprietary Limited |
| | Vantage Capital Fund II |
| | Vantage Capital Fund IV |
| | Veritas Asset Management |
| | Walter Scott & Partners Limited |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Trustees' Responsibilities and Approval

The members of the board of trustees are responsible for the preparation and fair presentation of the financial statements of Debswana Pension Fund ("the Fund"), comprising the statement of net assets available for benefits as at 31 December 2024, the statement of changes in net assets available for benefits, statement of changes in members' funds and reserves and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of material accounting policies, in accordance with IFRS® Accounting Standards as issued by the International Financial Reporting Standards Board.

The members of the board of trustees are required by the Retirement Funds Act 2022 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and the related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The independent auditor is engaged to express an independent opinion on the annual financial statements and their report is presented on pages 66 to 70.

The members of the board of trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with IFRS Accounting Standards and for such internal control as the board of trustees determine is necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The members of the board of trustees' responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The members of 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 control environment. To enable the members of the board of trustees to meet these responsibilities, the members of 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 throughout the Fund 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 members of the board of trustees have 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 members of the board of trustees are of the opinion, based on the information and explanations given by management, that 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 misstatement or loss.

The annual financial statements set out on pages 63 to 164 which have been prepared on the going concern basis, were approved and authorised for issue by the members of the board of trustees and were signed on 10 December 2025 on its behalf by:

Thabiso Moanakwena
**Board Chairperson**

Galeboe Busang
**Audit & Risk Committee Chairperson**

Shape the future
with confidence

**Firm of Chartered Accountants**
**2nd Floor**
**Plot 22, Khama Crescent**
**PO Box 41015**
**Gaborone, Botswana**

**Tel: +267 397 4078 / 365 4000**
**ey.com**

## Independent Auditor's Report
## To the Trustees of Debswana Pension Fund
## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Debswana Pension Fund ("the Fund") set out on pages 71 to 164 which comprise the statement of net assets available for benefits as at 31 December 2024, and the statement of changes in net assets available for benefits, statement of changes in members' funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of 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 (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Botswana. We have fulfilled our ethical responsibilities in accordance with the IESBA Code, and in accordance with the other ethical requirements applicable to performing the audit of the Fund. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The financial statements of Debswana Pension Fund for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 7 August 2025.

### 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.

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| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| Valuation of investment property<br><br>The Fund has investment properties stated at P304.6 million as at 31 December 2024 (2023: P469.1 million).<br><br>The properties are valued at fair value at the reporting date using the income capitalisation method, as set out in Note 15 – Investment Property.<br><br>These valuations were performed by accredited independent valuers.<br><br>Significant judgement is required to determine the fair value of investment property, especially with respect to the determination of unobservable inputs e.g. the capitalisation rate utilised.<br><br>As a result, significant audit attention was spent on this and we consider this to be a key audit matter.<br><br>Refer to Note 1.6 – Material accounting policies – Investment property and Note 15 – Investment property of | The audit team, together with the support of EY valuation experts, performed the following procedures, amongst others:<br><br>• We assessed the competence, capabilities, and objectivity of management's appointed external valuers.<br>• We evaluated the appropriateness of the valuation approaches and methodologies used by management's external valuers against IFRS requirements and industry norms to confirm that the methodologies were appropriate under the circumstances.<br>• We tested the arithmetical accuracy of the investment property valuation calculations by independently recalculating figures, cross-checking totals and subtotals and reviewing spreadsheet formulas.<br>• Evaluated the basis for determining the capitalisation rate comparing against market trends and economic forecasts relevant to the Fund, computed the discount rates and compared the capitalisation rate used by management to independent sources.<br>• We reviewed the underlying assumptions (the implied capitalisation rate, the growth assumptions), supporting the income capitalisation model and assessed the reasonableness against entity specific, property market circumstances and achievability and sustainability.<br>• We assessed that the valuations were performed at the correct and appropriate date.<br>• We assessed the adequacy of the disclosures in Note 15 – Investment Property in accordance with the requirements of IAS 40 Investment Property. |
| Valuation of investments in equity securities<br><br>The valuation of unlisted private equity investments relies primarily on judgement and data that are not directly observable in the market.<br>As a result, the assessment of inputs from such data can significantly affect the determination of fair value.<br><br>The Fund's private equity investments are stated at fair value which has been determined based on valuations performed by accredited independent valuers, as at 31 December 2024.<br><br>As at 31 December 2024, the carrying value of equity securities was P339.4 million (2023: P217.0 million) (refer to Note 14. Investments in equity securities).<br><br>The complexity, judgments and assumptions over determination of the fair valuation of these equity securities, led to significant audit attention spent and we consider this to be a key audit matter.<br><br>Refer to Note 14 – Investments in equity securities and note 1.7 Unlisted Equity Securities of the fund's annual financial statements. | We obtained an understanding, evaluated the design, implementation and tested the operating effectiveness of the key internal controls over private equity investments.<br><br>The following procedures were also performed for equity investments:<br><br>• We assessed the competence, capabilities and objectivity of Management's specialists involved in determining assumptions and inputs in the valuation of the unlisted securities with reference to their professional capabilities.<br>• We evaluated the appropriateness of the valuation approaches and methodologies used by Management's specialists and fund managers administrators against IFRS requirements and industry norms to confirm that methodologies were appropriate under the circumstances.<br>• With the support of the EY specialist, 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.<br>• We assessed the adequacy of the Fund's disclosure in Note 1.7 – Unlisted Equity Securities and Note 14 – Investments in equity securities. |

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| | |
|---|---|
| Valuation of Insurance Contract Liabilities (IFRS 17)<br><br>As 31 December 2024, the Fund's insurance contract liability – Joint life product and Insurance contract liability – Guarantee product were valued at P691.3 million and P1.7 billion respectively.<br><br>Appropriateness of actuarial assumptions, models and methodology.<br><br>Actuarial assumptions and methodologies reflected in insurance contract liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. The assumptions that we consider having the most significant impact on the actuarial valuations are:<br><br>• Discount rate<br>• Mortality<br>• Expense inflation<br><br>The integrity and suitability of models and methodologies are regarded as essential factors in the comprehensive assessment of insurance contract liabilities.<br><br>Refer Note 20 – Insurance contract liability of the funds annual financial statements | Our audit of the actuarial assumptions, models and methodology applied in the valuation of insurance contract liabilities, inter alia, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas which were considered material:<br><br>• We reviewed management's process for setting actuarial assumptions and their control design.<br><br>• We assessed key technical accounting decisions, judgments, assumptions, and elections against the standard's requirements.<br>• We obtained and documented our understanding of the Fund's basis of valuation and assessed the methodology appropriateness based on our knowledge of the Fund along with industry standards and regulatory requirements, as well as the requirements of IFRS 17.<br>• The discount rate was assessed based on the yield curves used for both unwinding and discounting at prevailing rates.<br>• The mortality rates were compared against market benchmarks.<br>• We assessed the reasonability of the inflation rate assumptions.<br>• We agreed schedules to the general ledger and tested the completeness and accuracy of the subledgers.<br>• We evaluated the accuracy of contract classifications for reporting under IFRS 17.<br>• We assessed the reasonableness of the disclosures related to the application of IFRS 17 and reconciled to underlying accounting records. |

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**Other Information**

The trustees are responsible for the other information. The other information comprises the information included in the 103-Page document titled "Debswana Pension Fund Financial Statements for the year ended 31 December 2024", which includes the General Information and Trustees Responsibilities and Approval, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available at a later date. The 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 on the other information obtained prior to the date of this auditor's report, 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 Trustees for the Financial Statements**

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Retirement Funds Act, 2022, and for such internal control as the 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 trustees are 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 trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance 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.

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- 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 trustees.
- Conclude on the appropriateness of the 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.Other Information

We communicate with the 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 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 actions taken to eliminate threats or safeguards applied.

From the matters communicated with the 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

**Ernst & Young**
**Firm of Chartered Auditors**
**Practising Member: Bakani Ndwapi (CAP 0010 2025)**
**Gaborone**

**12 December 2025**

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Statement of Changes in Net Assets Available for Benefits

for the year ended 31 December 2024

| Figures in Pula | Notes | 2024 | 2023 |
|---|---|---|---|
| **Performance from membership activities** | | | |
| **Member contributions** | | | |
| Employer statutory contributions | 3 | 460,846,791 | 429,920,331 |
| Member voluntary contributions | 3 | 2,309,058 | 2,132,744 |
| Net transfers to other funds | 4 | (102,881,803) | (86,224,324) |
| **Total contributions from members** | | **360,274,046** | **345,828,751** |
| **Member benefit expenses** | | | |
| Benefits on withdrawal | | (91,680,468) | (53,998,088) |
| Lump sums on retirement | | (596,094,632) | (367,051,142) |
| **Total member benefits expenses** | | **(687,775,100)** | **(421,049,230)** |
| **Fund operating expenses** | | | |
| Employee costs - salaries | 6 | (11,973,393) | (15,969,402) |
| Administrative expenses | 6 | (27,758,887) | (70,852,270) |
| Depreciation - property, plant and equipment | 11 | (179,139) | (136,389) |
| Movement in impairment of receivables (Expected Credit Loss) | 19 | (3,332,359) | 539,898 |
| **Total fund operating expenses** | | **(43,243,778)** | **(86,418,163)** |
| **Change in net assets from membership activities before insurance and investment activities** | | **(370,744,832)** | **(161,638,642)** |
| **Performance from investment activities** | | | |
| Investment income | 28 | 1,011,903,458 | 1,288,209,548 |
| Investment expenses | 28 | (144,685,090) | (133,311,478) |
| **Change in net assets from investment activities (Active & Deferred)** | | **867,218,368** | **1,154,898,070** |
| **Performance from Insurance activities (Pensioners)** | | | |
| Insurance revenue | 25 | 235,629,036 | 220,947,323 |
| Insurance service expenses | 25 | (190,102,620) | (176,413,025) |
| **Insurance service result** | | **45,526,416** | **44,534,298** |
| Insurance investment income | 28 | 625,164,509 | 526,757,528 |
| Insurance investment expenses | 28 | (9,462,367) | (16,584,155) |
| Insurance finance expense from contracts issued | 26 | (227,647,660) | (231,851,242) |
| **Net insurance financial results** | | **388,054,482** | **278,322,131** |
| **Change in net assets from insurance activities (Pensioners)** | | **433,580,898** | **322,856,429** |
| **Increase in net assets during the year** | | **930,054,434** | **1,316,115,857** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Statement of Net Assets Available for Benefits

as at year ended 31 December 2024

| Figures in Pula | Notes | 2024 | 2023 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 683,792 | 559,942 |
| Investments in equity securities | 14 | 339,437,649 | 217,000,000 |
| Investment property | 15 | 304,594,980 | 469,138,848 |
| Investment securities | 16 | 11,307,072,251 | 9,819,408,248 |
| Right of use asset | 18 | 2,852,301 | 1,732,865 |
| Financial assets at amortized cost | 13 | 298,046 | 359,113 |
| | | **11,954,939,019** | **10,508,199,016** |
| **Current assets** | | | |
| Other receivables | 19 | 35,947,192 | 26,994,537 |
| **Cash and cash equivalents** | 17 | 229,066,207 | 427,325,615 |
| | | **265,013,399** | **454,320,152** |
| **Total assets** | | **12,219,952,418** | **10,962,519,168** |
| **Funds, Reserves and Liabilities Funds and reserves** | | | |
| Contingency reserves | **30** | **186,364,643** | **-** |
| Reserve account | **30** | **1,580,624,376** | **1,046,253,192** |
| Fund account | **30** | **7,126,338,013** | **7,066,228,000** |
| **Total funds and reserves** | | **8,893,327,032** | **8,112,481,192** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Insurance contract liability - Joint life product | 20 | 691,312,845 | 725,419,004 |
| Insurance contract liability - Guarantee product | 20 | 1,710,992,170 | 1,677,371,070 |
| Lease liability | 12 | 4,309,386 | 4,423,302 |
| **Total non-current liabilities** | | **2,406,614,401** | **2,407,213,376** |
| **Current liabilities** | | | |
| Benefits payable | 31 | 538,912,986 | 64,764,367 |
| Insurance contract liability - Joint life product | 20 | 84,031,405 | 85,991,637 |
| Insurance contract liability - Guarantee product | 20 | 218,951,558 | 195,735,487 |
| Other payables | 31 | 78,027,819 | 95,862,538 |
| Lease liability | 12 | 87,217 | 265,783 |
| **Intercompany balances** | **32** | **-** | 204,788 |
| **Total current liabilities** | | **920,010,985** | **442,824,600** |
| **Total liabilities** | | **3,326,625,386** | **2,850,037,976** |
| **Total Funds, Reserves and Liabilities** | | **12,219,952,418** | **10,962,519,168** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Statement of Changes in Members' Funds and Reserves

for the year ended 31 December, 2024

| Figures in Pula | Contingency reserves | Reserve account | Fund account | Total |
|---|---|---|---|---|
| **Balance at 1 January 2023** | 29,450,000 | 754,842,019 | 6,411,372,035 | 7,195,664,054 |
| Increase in net assets during the year | - | - | 1,316,115,857 | 1,316,115,857 |
| Transfers | (29,450,000) | 291,411,173 | (261,961,173) | - |
| Transfer to Insurance Contract liability - Annuity premium | - | - | (399,298,718) | (399,298,718) |
| **Balance at 31 December 2023** | **-** | **1,046,253,192** | **7,066,228,000** | **8,112,481,192** |
| Increase in net assets during the year | - | - | 930,054,434 | 930,054,434 |
| Transfers | 186,364,643 | 534,371,184 | (720,735,827) | - |
| Transfer to Insurance Contract liability - Annuity premium | - | - | (149,208,594) | (149,208,594) |
| **Balance at 31 December 2024** | **186,364,643** | **1,580,624,376** | **7,126,338,013** | **8,893,327,032** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Statement of Cash Flows

for the year ended 31 December, 2024

| Figures in Pula | Notes | 2024 | 2023 |
|---|---|---|---|
| **Cash generated/(used) from operations** | | | |
| Increase in net assets during the year | | **930,054,434** | **1,316,115,857** |
| **Adjustments for:** | | | |
| **Investment Management : Non cash adjustments** | | | |
| Unrealised fair value gains on investment securities | 8 | (1,030,725,701) | (1,127,680,997) |
| Unrealised foreign exchange gains on investment securities | 8 | (240,561,791) | (297,974,543) |
| Unrealised losses/(gains) on fair valuation of investment properties | 15 | 12,716,089 | (18,462,764) |
| Depreciation right of use asset - Barclays House | 15 | 75,320 | 397,300 |
| Fair value losses from investment in unlisted equities | 14 | 53,887,789 | 60,767,000 |
| Loss on disposal of investment securities | 29 | 39,042,629 | 18,777,222 |
| Onshore investment management fees | 29 | 20,621,858 | 17,318,882 |
| Finance cost - lease liability | 12 | 396,166 | 418,830 |
| Dividend income | 9 | (194,798,107) | (162,647,559) |
| Interest income | 9 | (157,348,768) | (157,208,266) |
| | | **(1,496,694,516)** | **(1,666,294,895)** |
| **Non cash adjustments: Fund Membership and Insurance Operations** | | | |
| Insurance finance expense | 27 | 227,647,660 | 231,851,242 |
| Insurance revenue | | (235,629,036) | (220,947,323) |
| Insurance service expenses | 26 | 190,102,620 | 176,413,025 |
| Depreciation on property, plant and equipment | 11 | 179,139 | 136,389 |
| Loan interest - Barclays House | 13 | (26,149) | (30,139) |
| | | **182,274,234** | **187,423,194** |
| ***Fund Membership and Insurance Operations : Changes in working capital*** | | | |
| (Increase)decrease in operating lease assest | | (1,119,436) | 530,874 |
| Increase in other receivable | | (8,952,655) | (4,180,843) |
| Increase in benefits payable | | 474,148,619 | 5,686,861 |
| (Decrease)/increase in other payable | | (17,834,719) | 65,373,051 |
| | | **446,241,809** | **67,409,943** |
| ***Insurance Operations: Benefits and operating costs*** | | | |
| Benefits paid to Annuitants | 20 | (288,476,263) | (262,097,494) |
| Operating expenses paid | 20 | (22,082,796) | (21,490,557) |
| | | **(310,559,059)** | **(283,588,051)** |
| **Net cash used in operating activities** | | **(248,683,099)** | **(378,933,952)** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Statement of Cash Flows

for the year ended 31 December, 2024

| Figures in Pula | Notes | 2024 | 2023 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Redemption of investment securities | 10 | 489,362,535 | 563,766,188 |
| Capital contribution on investment securities | 10 | (474,522,608) | (57,552,719) |
| Investment property movement | 15 | 3,737,500 | - |
| Purchase of property, plant and equipment | 11 | (302,989) | (233,837) |
| Additions of investment properties | 15 | (18,600,461) | (52,392,266) |
| Capital repayment on Barclays House loan | 13 | 61,067 | 61,068 |
| Loan interest received on Barclays House loan | 13 | 26,149 | 30,139 |
| Dividend received | 9 | 48,543,119 | 50,906,859 |
| Interest received | 9 | 241,452 | 117,572 |
| **Net cash from investing activities** | | **48,545,764** | **504,703,004** |
| **Cash flows used in financing activities** | | | |
| Rental payments | 13 | (688,648) | (670,815) |
| **Cash flows used in financing activities** | | **(688,648)** | **(670,815)** |
| **Cash and cash equivalents movement for the year** | | **(200,825,983)** | **125,098,237** |
| Cash and cash equivalents at the beginning of the year | | 427,325,615 | 297,481,439 |
| Effect of exchange rate movement on cash balances | 8 | 2,566,575 | 4,745,939 |
| **Total cash and cash equivalents at end the of the year** | **17** | **229,066,207** | **427,325,615** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

### 1. Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 1.1 Basis of preparation and summary of material accounting policies

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the Retirement Funds Act 2022.

The separate financial statements have been prepared on the historic cost convention, except for right-of-use asset, investment in equity securities, investment in property and investment in securities, that have been measured at fair value and insurance contract liabilities measured at current cost. They are presented in Botswana Pula, which is the Fund's functional currency, and are rounded to the nearest Pula. In addition, the Fund is exempted from preparing consolidated financial statements in line with the scope of IFRS 10.

### 1.2 Benefits payable

Benefits payable include all valid notified benefit claims and are recognised on an accrual basis.

### 1.3 Reserves

### 1.3.1 Contingency reserve

This reserve represents funds set aside in consultation with the Fund's actuaries to protect the Fund in future against contingencies such as expense overruns, data error as a result of operating a life stage model and unanticipated pensioner expenses. The reserve was initially set at 3% of the total net assets and is reviewed from time to time.

### 1.3.2 Reserve account

This represents reserve earnings to support future pension increases and other adjustments.

### 1.4 Valuation of plan assets

Retirement benefit plan investments that support active and deferred members (pre-retirement members) are carried at fair value.

In the case of marketable securities fair value is market value because this is considered the most useful measure of the securities at the reporting 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, are 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. Assets used in the operations of the Fund are accounted for in accordance with the applicable Standards.

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:

- In the principal market for the asset or liability.

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Fund.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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:

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

For assets and liabilities that are recognised in the financial statements at fair value 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.

### 1.5 Property, plant and equipment

Property, plant and equipment (PPE) are tangible assets which the Fund holds for its own use or for rental to others and which are expected to be used for more than one year. PPE includes furniture and fixtures, motor vehicles and office equipment.

**Initial recognition and measurement**

An item of PPE is recognized as an asset when it is probable that future economical benefits associated with the item will flow to the Fund, and the cost of the item can be measured reliably.

PPE is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

**Subsequent measurement**

Expenditure incurred subsequently for major services, additions to or replacement of parts of PPE are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably.

Maintenance costs are included in the Statement of Changes in Net Assets Available for Benefits in the period in which they are incurred.

All items of PPE are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management.

Depreciation is charged to write off the assets' carrying amount over its' estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the assets economic benefits are consumed by the Fund. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognized.

The residual value, useful life and depreciation method of each asset class are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimates.

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

The depreciation and impairment charges for the year are recognized in the Statement of Changes in Net Assets Available for Benefits unless it is included in the carrying amount of another asset.

Impairment tests are performed on PPE when there is an indicator that they may be impaired. When the carrying amount of an item of PPE is assessed to be higher than the estimated recoverable amount, an impairment loss is recognized immediately to bring the carrying amount in line with the recoverable amount.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from derecognition of an item of PPE, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in the Statement of Changes in Net Assets Available for Benefits when the item is derecognized.

The useful lives of items of PPE and methods of depreciation are stated as follows;

| Item | Depreciation method | Average useful life |
|---|---|---|
| Fixtures and fittings | Straight line | 10 years |
| Motor vehicles | Straight line | 4 Years |
| Office equipment | Straight line | 4-5 Years |

### 1.6 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs and directly attributable costs such as professional fees. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the statement of changes in net assets available for benefits in the period in which they arise.

The Fund occupies 4% of one investment property for own use, being the Debswana House. Applying the requirements set-out in paragraph 10 of IAS 40, the Fund has assessed and met the criteria to classify the entire building as an investment property.

**Disposals**

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit in the period of the retirement or disposal.

### 1.7 Unlisted Equity Securities

The fair value of unlisted equity investments is determined using the market and income valuation methodologies at level 3 fair value. The Fund does not prepare consolidated financial statements but instead prepares separate financials statements in line with IAS 27 Separate financial statements. Gains and losses from changes in the fair value of investments in unlisted equities are included in the statement of changes in net assets available for benefits in the period in which they arise.

### 1.8 Financial instruments

**Initial recognition and measurement**

Financial instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments. Transaction costs are included to the initial value.

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**Financial Assets**

Financial assets held by the Fund are initially recognised at fair value and subsequently measured at fair value or amortised cost. In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

**Subsequent measurement**

**Financial assets at fair value through profit or loss**

All financial assets that support the pensioners/annuitants are measured at fair value through profit or loss

**Amortized cost**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of changes in net assets available for benefits when the asset is derecognized, modified, or impaired. The Fund's financial assets at amortised cost include loans, receivables and cash and cash equivalents.

**Derecognition of financial assets**

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of changes in net assets available for benefits.

**Impairment of financial assets**

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, loans and receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Fund always recognises lifetime expected credit losses (ECL) for receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Funds recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**i) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition. An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

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Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.

Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

An actual or expected significant deterioration in the operating results of the debtor.

Significant increases in credit risk on other financial instruments of the same debtor.

An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

The financial instrument has a low risk of default.

The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts. For financial guarantee contracts, the date that the Fund becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Fund considers the changes in the risk that the specified debtor will default on the contract. The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**ii) Definition of default**

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor;
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund) Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**(iii) Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event (see (ii) above)
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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**(iv) Write-off policy**

The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**v) Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used. The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Trade and other receivables**

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. For trade receivables, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash (i.e. cash on hand and on demand deposits held with Commercial Banks) and cash equivalents which comprise short-term instruments with maturity of three months or less, which are highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment or other purposes. Money market instruments held by the Fund in the current period do not meet the criteria of cash equivalent.

**Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. Significant financial liabilities comprise benefits payable and other payables.

**Derecognition of financial liabilities**

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in statement of changes in net assets available for benefits.

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**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 1.9 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. Withholding tax payable at 10% on dividends received from Botswana equities is netted off against dividend income.

Interest income from Government bonds, promissory notes, term deposits, call accounts and other fixed income securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### 1.10 Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

### 1.11 Foreign currencies

**Functional and presentation 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. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of net assets available for benefits date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### 1.12 Related parties

Related parties are defined as those parties:

a) directly, or indirectly through one or more intermediaries, the party:
i) controls, is controlled by, or is under common control with, the fund (this includes parents, subsidiaries and fellow subsidiaries);
ii) has an interest in the entity that gives it significant influence over the fund; or
b) that are members of the key management personnel (Senior Management) of the fund
All dealings with related parties are transacted at agreed prices and accordingly included in the Statement of Changes in Net Assets Available for Benefits for the year.

### 1.13 Key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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**Impairment of financial assets**

Determining whether a financial asset is impaired requires an estimation of the future cash flows that the Fund is expected to receive from either disposing or holding onto the financial asset in the form of dividends or interest. Judgement is involved in determining asset risk categorization and forward looking information. Estimation methods and assumptions relate to the determination of loss given default and probabilities of default.

**Valuation of investment properties**

The Fund's investment properties were valued as at 31 December 2024 by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Investment Properties were valued at fair value as at the reporting date using the income capitalisation method.

Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property, directly impact fair values. Amongst others, the following assumptions were key in establishing fair value:

- net market rent;
- average market rental growth;
- the capitalisation rate.

The Fund's administrator reviews the valuations performed by the independent valuers for financial reporting purposes.
They report directly to Trustees and the Fund's Investment Committee.

At each financial year-end the administrator;

- assesses all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

**Valuation of investments in unlisted equities**

An investment in unlisted equities is accounted for using the fair value method which is arrived at by using the discounted cash flows of the entity. The gain or loss is accounted for through profit and loss. The trustees utilise independent valuers to minimise the level of estimation uncertainty. The valuation of the unlisted equities was arrived at on the basis of a valuation carried out by KAL-ENI Consulting (Proprietary) Limited and Grant Thornton.

**Actuarial assumptions**

Estimates and judgements related to IFRS 17 valuations are disclosed in accounting policy 1.18.

### 1.14 Impairment of non-financial assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Fund makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or ash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other Fund's assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the Statement of Changes in Net Assets Available for Benefits unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 1.15 Employee benefits

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Fund's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.16 Leases

The Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Leases as a lessee**

**Definition**

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

**Identification of a lease**

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still or now contains a lease.

Where a contract contains a lease, each lease component with the contract is accounted for separately from the non-lease components. The consideration is then allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components are determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, an estimate of the stand-alone price is made, maximising the use of observable information in each case. All non-lease components are accounted for in accordance with whatever other policy is applicable to them.

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**Lease term**

The lease term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease or not exercising of options to terminate the lease is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the Fund's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

**Recognition**

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the statement of net assets available for benefits as a separate line item.

**Measurement**

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequently, the right-of-use asset is measured at fair value, in accordance with IAS 40: Investment Property because the Fund measures other investment property at fair value.

Where a lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Fund tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right-of-use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, else it is based on the Fund's incremental borrowing rate. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if there is reasonably certainty that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

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Subsequently, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate described above, or if applicable the revised discount rate described below.

Surplus or deficit for the year will include the interest expense on the lease liability, and the variable costs not included in the measurement of the lease liability are included in the year in which the event of condition that triggers the payment of the variable costs occurs.

**Reassessment of the lease liability**

Where there are changes in the lease payments, the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. Where the carrying amount of the right of use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the remaining amount of the remeasurement is recognised in surplus or deficit.

The remeasurement is performed by discounting the revised lease payments using a revised discount rate where there is a change in the lease term or where there is a change in the assessment of exercising an option contained in the contract. The discount rate is revised to the interest rate implicit in the remainder of the lease term if it can be readily determined, or at the Fund's incremental borrowing rate at the date of the reassessment.

The remeasurement is performed by discounting the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee, or if there is a change in the future lease payments resulting from a change in an index or a rate used to determine those payments. This remeasurement will use an unchanged discount rate unless the change in lease payments resulted from a change in a floating interest rate.

**Fund as a lessor**

At inception or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Fund is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right- of- use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sublease as an operating lease. If an arrangement contains lease and non-lease components, then the Fund applies IFRS 15 to allocate the consideration in the contract. The Fund applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Fund further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Fund recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other Income'. Straight-lining of operating lease income resulting from rental escalations give rise to an operating lease asset.

The Fund mitigates risks associated with rights retained in the underlying lease assets by embedding a rental escalation clause within the lease agreement.

**Classification**

Leases are classified as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

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**Operating leases (Low value leases)**

Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis. Another systematic basis is applied if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Costs, including depreciation, incurred in earning the lease income is recognised as an expense.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and those costs are recognised as an expense over the lease term on the same basis as the lease income.

Depreciation and impairment is calculated and recognised on the underlying asset in accordance with the relevant policy for the class of underlying asset.

**Lease modifications**

Modifications to an operating lease are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### 1.17 IFRS 17 Insurance contracts

**Definition and classification**

Insurance contracts are contracts under which the Fund accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Fund uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Fund has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The annuity contracts issued by the Fund meet definition of an insurance contract and have the following product features:

| Annuity type | Product features |
|---|---|
| Joint life annuity | This is a joint life annuity with discretionary inflationary adjustment |
| Annuity with guarantee | This is an annuity product with guaranteed non-investment component and a discretionary inflationary adjustment |

**Unit of account – Level on contract aggregation**

The Fund manages annuity contracts issued by product lines, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which annuity contracts are initially recognised and measured. Such groups are not subsequently reconsidered

.

For each portfolio of contracts, the Fund determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Fund uses significant judgement to determine at what level of granularity the Fund has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

Before the Fund accounts for an annuity contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

**Recognition and derecognition**

Groups of annuity contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Fund determines that a group of contracts becomes onerous.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition
An annuity contract is derecognised when it is extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled). The annuity products issued by the Fund cannot be modified subsequently.

**Measurement**

| Annuity type | Measurement approach |
|---|---|
| Joint life annuity | General measurement model |
| Annuity with guarantee | General measurement model |

**Fulfilment cash flows (FCF)**

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Fund expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:
- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Fund, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of annuity contracts, including timing and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the annuity contracts requires significant judgement and estimation. Refer to the discount rate section for details.
The Fund estimates certain FCF at the portfolio level and then allocates such estimates to groups of contracts.

**Contract boundary**

The Fund uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an annuity contract if they arise from the rights and obligations that exist during the period in which the annuitant is obligated to pay premiums or the Fund has a substantive obligation to provide the annuitant with annuity contract services. The substantive obligation end when the primary annuitant dies for the guaranteed product and when the last eligible survivor dies in the case of a joint life product.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

**Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Fund requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Fund fulfils annuity contracts.
Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in detail under the heading of calculation of risk adjustment.

**Initial measurement - Contractual service margin(CSM)**

The CSM is a component of the carrying amount of the liability for a group of annuity contracts issued representing the unearned profit that the Fund will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous. A loss from onerous annuity contracts is recognised in a statement of changes in net assets available for benefits immediately, with no CSM recognised on the statement of net assets available for benefits on initial recognition, and a loss component is established in the amount of loss recognised).

**Subsequent measurement**

The carrying amount at the end of each reporting period of a group of annuity contracts issued is the sum of:

a) the liability for remaining coverage(LRC), comprising:

(i) the FCF related to future service allocated to the group at that date; and

(ii) the CSM of the group at that date; and

b) the liability for incurred claims(LIC), comprising the FCF related to past service allocated to the group at the reporting date.

**Changes in fulfilment cash flows**

The FCF are updated by the Fund for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognised in statement of changes in net assets available for benefits; and
- changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

The following adjustments relate to future service and thus adjust the CSM:

a) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

b) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

c)changes in the risk adjustment for non-financial risk that relate to future service.

d)Adjustments (a) and (c) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

e)When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Fund recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

The following adjustments do not adjust the CSM:

a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b) changes in the FCF relating to the liability for incurred claims(LIC);
c) experience adjustments relating to insurance service expenses

**Changes to the contractual service margin**

For annuity contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Fund to reflect the effect of the following changes:

a) The effect of any new contracts added to the group.
b) Interest accreted on the carrying amount of the CSM.
c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

**Interest accretion on the CSM**

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. If more contracts are added to the existing groups in the subsequent reporting periods, the Fund revises these discount curves by calculating weighted-average discount curves over the period during which the contracts in the group are recognised. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

**Adjusting the CSM for changes in the FCF relating to future service**

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the Changes in fulfilment cash flows section above.

**Release of the CSM to profit or loss**

The amount of the CSM recognised in the statement of changes in net assets available for benefits for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of annuity contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the annuitant, in the case of annuity with guarantee features (investment-return service).

The period of investment-return service or investment-related service ends at or before the date when all amounts due to current annuitants relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the annuitant has a right to withdraw an amount, and the Fund expects these amounts to include an investment return that is achieved by the Fund by performing investment activities to generate that investment return. The investment return is not based on a specified pool of assets.

For annuity contracts issued, the Fund determines the coverage period for the CSM recognition as follows:

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. In determining the appropriate method, the Fund considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group and the expected annuity payments.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

**Onerous contracts – Loss component**

When a loss component exists, the Fund allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a. expected incurred claims and other directly attributable expenses for the period;
b. changes in the risk adjustment for non-financial risk for the risk expired; and
c. finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

**Amounts recognised in the statement of changes in net assets available for benefits**

**Insurance service result from annuity contracts issued**

**Insurance revenue**

As the Fund provides insurance contract services under the group of annuity contracts, it reduces the liability for remaining coverage(LRC) and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Fund expects to be entitled to in exchange for those services.

Insurance revenue comprises the following:

• Amounts relating to the changes in the LRC:

a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:

- amounts allocated to the loss component;
- annuity payments during the guaranteed period (non-distinct investment component)
- amounts of transaction-based taxes collected in a fiduciary capacity; and
- amounts related to the risk adjustment for non-financial risk (see (b));

b) changes in the risk adjustment for non-financial risk, excluding:

- changes included in insurance finance income (expenses);
- changes that relate to future coverage (which adjust the CSM); and
- amounts allocated to the loss component;

c. amounts of the CSM recognised for the services provided in the period.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

**Insurance service expenses**

Insurance service expenses include the following:

a) incurred claims, excluding investment components reduced by loss component allocations;
b) other incurred directly attributable expenses;
c) changes that relate to past service – changes in the FCF relating to the LIC; and
d) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

**Insurance finance expenses**

Insurance finance expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the time value of money and changes in the time value of money; and
b) the effect of financial risk and changes in financial risk.

The main amounts within insurance finance expenses are:

a) interest accreted on the FCF and the CSM; and
b) the effect of changes in interest rates and other financial assumptions.

The Fund disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

**Discount Rates**

The Fund applies the bottom-up approach embedded with an illiquidity premium curve derived from a top-down analysis.

Illiquidity premium

The illiquidity premium can be expressed as a fixed percentage of asset reference portfolio spread over risk-free rates and an additional constant adjustment to reflect the difference between the liquidity characteristics of the insurance contract and the asset reference portfolio.

Illiquidity premium=r*asset reference portfolio spread over risk free

The multiplicative factor "r" represents the portion of the asset spread that relates to the illiquidity premium and can be calibrated historically by calculating [asset spread – (expected loss + unexpected loss)] / (asset spread). For simplicity, "r" is assumed to be a single percentage across the curve.

The reference curve illiquidity premiums for illiquid insurance contracts are set using Emerging Markets investment grade corporate bonds as a reference portfolio, adjusted with a constant to reflect the fact that these insurance contracts are less liquid than corporate bonds, and a credit risk adjustment. For each term up to 20 years, the illiquidity premium is defined as 0.567 of the Emerging Markets investment grade bonds spread over the risk-free rate derived from the Bank of Botswana debt securities.

Risk free rate

In the observable period, for terms up to 20 years, the risk-free rates are derived from Bank of Botswana (BoB) debt securities. The last observable point is set in line with the last observable maturity of BoB bonds. A constant maturity spot rate curve will be bootstrapped from the available government securities using the Nelson-Siegel model.

Contracts with the investment component are bifurcated when applying the illiquidity premium. The guaranteed period is liquid as payment for the whole outstanding investment component portion is due on death of the annuitant. The cashflows relating to the investment component are discounted using the risk-free spot rate without an adjustment for the illiquidity premium. All cashflows not relating to the insurance component are discounted using the illiquid portion of the derived IFRS 17 discount rate as this portion is considered illiquid. All contracts are valued using a single rate based on the month of issue.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

**Risk adjustment for non-financial risk**

Calculation of risk adjustment

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Fund's degree of risk aversion. The Fund estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level and then allocated down to each group of contracts in accordance with their risk profiles. A hybrid approach is adopted; Monte-Carlo simulation will be used to obtain the aggregate disruption on which a probability distribution will be fitted. The fitted distribution will be used to obtain the Variance at Risk(VaR) which will then be converted to risk adjustment factors (i.e., margin approach) applicable to insurance liabilities that are used in monthly reporting to members.

Fund considerations in establishing risk adjustment

The Fund fits a probability distribution at the portfolio level; this method employed reflects the level of diversification among the contracts and cohorts, the quantity of risk borne that varies by contract size, the type of risk borne (longevity risk). Both favourable and unfavourable outcomes were considered in the simulation.

Calibration and disclosure of confidence level

Confidence level of the total risk adjustment is assessed by comparing it against a risk distribution derived from a Monte-Carlo simulation at a portfolio level.

The overall confidence level is at 85%.

### 1.18 Significant judgements in applying IFRS 17

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Consideration whether there are investment components**
The Fund considers all terms of annuity contracts it issues to determine whether there are amounts payable to the annuitants in all circumstances, regardless of the occurrence or non-occurrence of an insured event. The Fund considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the Annuitants. Judgement is applied to determine whether the annuity contracts issued by the Fund contain an investment component that is "distinct" or "non-distinct" as this affects the amount of insurance revenue and expenses recognised during the guarantee period. The Fund does not have any distinct investment components.

**(b) Measurement - Fulfilment cash flows (Overheads)**
The Fund performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

**(c) Measurement - Fulfilment cash flows (Discretionary cash flows)**
The Fund has discretion over the cash flows to be paid to annuitants. Judgement is involved in the determination of what the Fund considers its commitment on initial recognition of such contracts. Further, judgement is required to distinguish subsequent changes in the FCF resulting from changes in the Fund's commitment and those resulting from changes in assumptions that relate to the financial risk on that commitment.

**(d) Level of aggregation**
The Fund applies judgement in determining the three(3) profitability contract groups within a cohort.

# ANNUAL FINANCIAL STATEMENTS

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## Material Accounting Policies

for the year ended 31 December, 2024

**(e) Coverage units**

Selecting a method of allocation of coverage units IFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement and development of estimates considering individual facts and circumstances. In determining the appropriate method, the Fund considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group and the expected annuity payments.

**Estimates and assumptions in applying IFRS 17**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in policy 1.20 and the note 23.

**a) Estimates of future cash flows to fulfil annuity contracts**

Included in the measurement of each group of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Fund estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Fund uses information about past events, current conditions and forecasts of future conditions. The Fund's estimate of future cash flows is based on a determined percentile of the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

| Assumption Factors | 31-Dec-23 | 31-Dec-24 |
|---|---|---|
| Mortality basis | PA 90 parameter adjustment factor +1.015 | PA 90 parameter adjustment factor +1.015 |
| Operating expenses per annuitant | P3,770.76 | R4,434.70 |
| Expense inflation rate | 4.5% in line with long-term inflation | 4.5% in line with long- term inflation |
| Annuity increase rate | 4.50% | 4.50% |

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as absorption costing method.

The Fund has determined that this method results in a systematic and rational allocation. Operating insurance expenses are allocated to groups of contracts based on the number of contracts in force within groups. Uncertainty in the estimation of future claims and benefit payments arise primarily from the unpredictability of long-term changes in the mortality rates, uncertainties regarding future performance of investments for with-profit annuities and expenses growth.

The Fund projects estimates of future expenses relating to fulfilment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads.

**(b) Discount Rates**

All issued contracts have a guarantee period ranging from 5 to 20 years. During the guarantee, period if an insured event occurs, (member dies) payment can either continue till the end of the guarantee period on a monthly basis or a request for an immediate payment of all future monthly payments on a discounted basis can be made. Historically all payments have been immediate within two months of death and this makes the cashflows under the guaranteed period to be very liquid and as a result this portion of cashflows is discounted using a discount rate without a liquidity premium. Past the guaranteed period , the contract cashflows behave like ordinary insurance annuity contracts that are not liquid and consequently this portion of the contract is discounted using a discount rate that takes into account the illiquidity premium. In the absence of active markets, the illiquidity premium is estimated as a portion of the total spread between A rated and BBB rated corporate bonds in emerging markets. An estimate is made of the component that relates to the credit spread with the balance being attributed to liquidity.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

### 2. New Accounting Standards and Interpretation

**Standards and interpretation adopted during the year**

**Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7**

On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements.

The amendments also provide guidance on characteristics of supplier finance arrangements.

The amendment has no impact on prior and current periods of the Fund.

**Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)**

On 22 September 2022, the IASB issued amendments to IFRS 16 Lease Liability in a Sale and Leaseback (the Amendments).

Prior to the Amendments, IFRS 16 did not contain specific measurement requirements for lease liabilities that may contain variable lease payments arising in a sale and leaseback transaction. In applying the subsequent measurement requirements of lease liabilities to a sale and leaseback transaction, the Amendments require a seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The amendment has no impact on prior and current periods of the Fund.

**Classification of Liabilities as Current or Non-current - Amendments to IAS 1**

The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date was initially delayed to 1 January 2023.This is further delayed until 1 January 2024.

The amendments result from a request received by the IASB to clarify the criteria for the classification of a liability as either current or non-current. In particular, the IASB was asked to clarify how having an unconditional right to defer settlement (specified in IAS 1:69(d)) reconciled with having the discretion to refinance or roll over an obligation (specified in IAS 1:73).This is because having an unconditional right to defer settlement was seen as a much higher hurdle than having the discretion to defer settlement.

The IASB decided to address this conflict by proposing amendments to IAS 1 in Exposure Draft ED/2015/1 Classification of Liabilities.The IASB decided to finalise these proposals with additional clarifications, but no fundamental changes.

The amendment has no impact on prior and current periods of the Fund.

**Standards and interpretation issued but not yet effective**

**Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability (Amendments to IAS 21)**

The amendments, published in August 2023, clarify how the entity is impacted when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The amendment is effective for annual reporting periods beginning on or after 1 January 2025.

The amendment is not expected to have an impact on the financial statements of the Fund.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Material Accounting Policies

for the year ended 31 December, 2024

**Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments**

The amendments published in May 2024:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities,
- with a new exception for some financial liabilities settled through an electronic cash transfer system
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environmental social and governance targets)
- make updates to the disclosures for equity instruments designated at fair value through other comprehensive income.

The amendment is effective for annual reporting periods beginning on or after 1 January 2026.

The Fund is still assessing the impact and will adopt the amendments on 1 January 2026

**IFRS 18 Presentation and Disclosure in Financial Statements**

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 replaces IAS 1 Presentation of Financial Statements and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management- defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

The amendment is effective for annual reporting periods beginning on or after 1 January 2027.

The Fund is still assessing the impact and will adopt the amendments on 1 January 2027.

**IFRS 19 Subsidiaries without Public Accountability**

The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the accounting standards in its consolidated financial statements. IFRS 19 is a voluntary accounting standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.

The amendment is effective for annual reporting periods beginning on or after 1 January 2027.

The amendment is not expected to have an impact on the financial statements of the Fund.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | 2024 | 2023 |
|---|---|---|

### 3. Contributions

Contributions are 20% of members' pensionable earnings for all participating employees. Members are also allowed to contribute towards their pension voluntarily.

### 4. Net transfers to other funds

| | | |
|---|---|---|
| Transfers in | 5,316,048 | 9,766,410 |
| Transfers out | (108,197,851) | (95,990,734) |
| | **(102,881,803)** | **(86,224,324)** |

### 5. Rental income and expenses

| | | |
|---|---|---|
| **Rental income** | | |
| Rental income on investment property - Other | 28,004,514 | 22,612,562 |
| Rental income on investment property - Mmila | 608,037 | 605,005 |
| Interest expense - Barclays House | 26,149 | 30,139 |
| | **28,638,700** | **23,247,706** |
| **Rental expenses*** | | |
| Repairs and maintenance | (2,103,817) | (2,085,248) |
| Electricity and water | (289,732) | (935,028) |
| Property rates | (268,809) | (551,777) |
| Security expenses | (929,880) | (564,551) |
| Operating costs | (1,598,987) | (611,745) |
| Valuation fees | (429,718) | (521,000) |
| Letting fees | - | (355,698) |
| Legal fees | (104,855) | (160,637) |
| Insurance | (20,395) | (505,220) |
| Management fees | (1,598,858) | (2,725,363) |
| **Total rental expenses** | **(7,345,051)** | **(9,016,267)** |

***Note: All rental expenses relate to income generating investment property.**

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 6. Administrative expenses

| | 2024 | | |
|---|---|---|---|
| | Pensioners | Active & deferred | Total |
| Actuarial fees | 398,581 | 709,793 | 1,108,374 |
| Bank charges | 98,838 | 176,012 | 274,850 |
| Communications expenses | 386,847 | 688,900 | 1,075,747 |
| Consulting and professional fees | 721,848 | 1,285,470 | 2,007,318 |
| Custodial services fees | 878,898 | 1,565,145 | 2,444,043 |
| External audit fees - current year | 1,236,603 | 2,202,147 | 3,438,750 |
| Fidelity and other Insurance premium | 220,527 | 392,716 | 613,243 |
| Finance cost - lease liability | 142,465 | 253,701 | 396,166 |
| Fund administration fees (Mmila Fund Administrators) | 6,948,194 | 12,373,374 | 19,321,568 |
| Legal fees | 663,569 | 1,181,686 | 1,845,255 |
| License and maintenance fees | 157,778 | 280,972 | 438,750 |
| Other expenses | 1,199,987 | 2,136,945 | 3,336,932 |
| IT costs - Debswana Head Office | 73,644 | 131,144 | 204,788 |
| Internal audit fees - Debswana Head Office | 98,327 | 175,103 | 273,430 |
| Regulatory Fees | 989,960 | 1,762,925 | 2,752,885 |
| Travel and entertainment | 90,034 | 160,333 | 250,367 |
| Independent and Pensioner trustees | 30,817 | 54,879 | 85,696 |
| Unitisation fees | 784,069 | 1,396,274 | 2,180,343 |
| VAT | 466,849 | 831,368 | 1,298,217 |
| **Total administrative expenses** | **15,587,835** | **27,758,887** | **43,346,722** |

| | 2023 | | |
|---|---|---|---|
| | Pensioners | Active & deferred | Total |
| Actuarial fees | 69,448 | 280,571 | 350,019 |
| Bank charges | 60,209 | 243,242 | 303,451 |
| Communications expenses | 296,170 | 1,196,523 | 1,492,693 |
| Consulting and professional fees | 406,199 | 1,641,040 | 2,047,239 |
| Custodial services fees | 497,949 | 2,011,708 | 2,509,657 |
| External audit fees - current year | 1,136,577 | 4,591,763 | 5,728,340 |
| Fidelity and other Insurance premium | 42,274 | 170,786 | 213,060 |
| Finance cost - lease liability | 83,101 | 335,729 | 418,830 |
| Fund administration fees (Mmila Fund Administrators) | 3,716,249 | 15,013,614 | 18,729,863 |
| Independent and Pensioner trustees | 75,527 | 305,129 | 380,656 |
| Internal audit fees - Debswana Head Office | 106,992 | 432,248 | 539,240 |
| Investment consulting fees | 501,306 | 2,025,272 | 2,526,578 |
| IT costs - Debswana Head Office | 45,208 | 182,640 | 227,848 |
| Legal fees | 63,640 | 257,104 | 320,744 |
| License and maintenance fees | 746 | 3,014 | 3,760 |
| Other expenses | 739,259 | 2,986,600 | 3,725,859 |
| Penalties & interest - PAYE* | 5,061,755 | 20,449,450 | 25,511,205 |
| Regulatory Fees | 49,565 | 200,242 | 249,807 |
| Stationery | 7,442 | 30,063 | 37,505 |
| Travel and entertainment | 288,259 | 1,164,566 | 1,452,825 |
| Unitisation fees | 86,698 | 350,258 | 436,956 |
| VAT | 4,203,153 | 16,980,708 | 21,183,861 |
| **Total administrative expenses** | **17,537,726** | **70,852,270** | **88,389,996** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|

### Employee costs

As at 31 December, 2024 the Fund had 12 permanent employees (2023: 11). The total cost of employment of all employees, including the executive director, was as follows:

**2024**

| | Pensioners | Active & deferred | Total |
|---|---|---|---|
| Salaries, wages, bonuses and other benefits (including key management) | 5,920,028 | 10,949,550 | 16,869,578 |
| Defined contribution expense (including key management) | 574,933 | 1,023,843 | 1,598,776 |
| **Total** | **6,494,961** | **11,973,393** | **18,468,354** |

**2023**

| | Pensioners | Active & deferred | Total |
|---|---|---|---|
| Salaries, wages, bonuses and other benefits (including key management) | 3,708,663 | 14,982,967 | 18,691,630 |
| Defined contribution expense (including key management) | 244,168 | 986,435 | 1,230,603 |
| **Total** | **3,952,831** | **15,969,402** | **19,922,233** |

### 7. Other income

| | 2024 | 2023 |
|---|---|---|
| Sundry income | 277,565 | 458,955 |
| | **277,565** | **458,955** |

### 8. Unrealised foreign exchange gain on investment securities

| | | |
|---|---|---|
| Foreign exchange gain on offshore investments | 240,561,791 | 297,974,543 |
| Foreign exchange losses on foreign currency denominated Bank accounts | (2,566,575) | (4,745,939) |
| | **237,995,216** | **293,228,604** |
| **Unrealised fair value gains on investment securities** | | |
| Onshore equity investment | 399,490,233 | 68,133,087 |
| Onshore Bonds investment | 4,904,527 | 262,388,164 |
| Offshore | 659,581,071 | 829,589,271 |
| **Total unrealised fair value gains on investment securities** | **1,063,975,831** | **1,160,110,522** |
| Investment management fees deducted at source | (33,250,130) | (32,429,525) |
| **Net unrealised fair value gains on investment securities** | **1,030,725,701** | **1,127,680,997** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|
| **9. Income from investment securities** | | |
| **Interest income** | | |
| Interest - Bonds | 148,381,445 | 136,396,696 |
| Interest - operating bank accounts | 241,452 | 117,572 |
| Interest - fund management bank accounts | 473,766 | 541,685 |
| Interest - fixed deposit | 8,252,105 | 20,152,313 |
| **Total interest income** | **157,348,768** | **157,208,266** |
| Accrued interest | (42,153,811) | (15,419,354) |
| **Interest received** | **115,194,957** | **141,788,912** |
| **Dividend income** | | |
| Onshore investments | 146,254,988 | 111,740,700 |
| Unlisted equities | 48,543,119 | 50,906,859 |
| **Total dividend income** | **194,798,107** | **162,647,559** |
| **10. Investment security proceeds and purchases Redemptions and capital contributions** | | |
| **Proceeds from sale of investment securities - Redemptions** | | |
| On shore equity | 61,000,000 | 39,000,000 |
| Off shore equity | 428,362,535 | 431,996,809 |
| On shore fixed income | - | 30,000,000 |
| Money market | - | 62,769,379 |
| | **489,362,535** | **563,766,188** |
| **Purchases of investment securities - capital contribution** | | |
| On shore fixed income | 150,000,000 | - |
| On shore equity | 16,236,263 | 48,000,000 |
| Off shore equity | 308,286,345 | 9,552,719 |
| | **474,522,608** | **57,552,719** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 11. Property, plant and equipment

| Original Cost | Motor Vehicles P | Fixtures and Fitting P | Office Equipment P | Total P |
|---|---|---|---|---|
| Opening Balance at 1 January 2024 | 724,349 | 543,246 | 1,958,586 | **3,226,181** |
| Additions | - | 4,000 | 298,989 | **302,989** |
| **31 December, 2024** | **724,349** | **547,246** | **2,257,575** | **3,529,170** |
| **Accumulated depreciation** | | | | |
| Opening Balance at 1 January 2024 | (688,139) | (430,833) | (1,547,267) | **(2,666,239)** |
| Charge for the year | - | (16,812) | (162,327) | **(179,139)** |
| **As at 31 December, 2024** | **(688,139)** | **(447,645)** | **(1,709,594)** | **(2,845,378)** |
| **Net book Value** | **36,210** | **99,601** | **547,981** | **683,792** |

| | Motor Vehicles P | Fixtures and Fitting P | Office Equipment P | Total P |
|---|---|---|---|---|
| Opening Balance at 1 January 2023 | 724,349 | 530,018 | 1,737,977 | **2,992,344** |
| Additions | - | 13,228 | 220,609 | **233,837** |
| Adjustments | - | - | - | **-** |
| **At 31 December 2023** | **724,349** | **543,246** | **1,958,586** | **3,226,181** |
| **Accumulated depreciation** | | | | |
| Opening Balance at 1 January 2023 | (688,139) | (414,754) | (1,426,957) | **(2,529,850)** |
| Charge for the year | - | (16,079) | (120,310) | **(136,389)** |
| **As at 31 December 2023** | **(688,139)** | **(430,833)** | **(1,547,267)** | **(2,666,239)** |
| **Net book Value** | **36,210** | **112,413** | **411,319** | **559,942** |

No assets are pledged as security.

### 12. Lease liability

As at 01 January 2022, the Fund held one (1) property lease contract with a third party in its capacity as the lessee.

In determining the lease term, management considered the non-cancellable period, extension options and terminations clauses embedded in the lease contracts. The asset is physically distinct as being third floor of plot 8842 Barclays House Gaborone measuring 1,282.48 Sqm. The lessor has no substantive substitution rights. The contract does not provide for substitution rights. DPF has exclusive use of the identified asset throughout the period of use and has the right to obtain substantially all of the economic benefits by generating rental income from subletting the property. DPF cannot cede, mortgage or pledge the property and therefore economic benefits are limited to own use or subletting of the assigned floor space.

The lease term is 13 years

The lessee is required to pay for utilities separately and therefore the rental amount does not include a non-lease component.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|
| **Amounts recognised in the statement of net assets available for benefits** | | |
| **Lease liability** | | |
| Building | 4,396,603 | 4,689,085 |
| **Amounts recognised in the statement of changes in net assets available for benefits** | | |
| Finance cost | 396,166 | 418,830 |
| **Lease liability** | | |
| Opening balance | 4,689,085 | 4,941,070 |
| Rental payments | (688,648) | (670,815) |
| Finance cost | 396,166 | 418,830 |
| **Closing balance** | **4,396,603** | **4,689,085** |
| **Lease liability maturity analysis: Lessee** | | |
| Rental payments due within 1 year | 661,949 | 661,949 |
| Rental payments due within 2 - 5 years | 2,647,797 | 2,647,797 |
| Rental payments due over 5 years | 3,274,631 | 3,971,695 |
| Total future rental payments | **6,584,377** | **7,281,441** |
| Less: Total finance costs allocated to future periods | (2,187,775) | (2,592,356) |
| Lease liability at 31 December | **4,396,603** | **4,689,085** |

### 13. Financial assets at amortised cost

The Debswana Pension Fund along with other parties on the 10th of March 1989, entered into a shareholders agreement to finance the settlement of the capital cost for their respective portions in Barclays House. Each party committed to providing funds to cover the costs associated with the construction or acquisition of their portion within the building. The financing by each party was in the form of a loan.

The Fund has recognised a financial asset measured at amortised cost in respect of the loan receivable from Barclays House, as per shareholders agreement. Pension Fund assets should be measured at fair value in line with IAS 26 unless the amortised cost value approximates to fair value.

| | | |
|---|---|---|
| **Opening Balance** | 359,113 | 421,000 |
| Effective interest income | 26,149 | 30,139 |
| Less: Cash received | (87,216) | (92,026) |
| **Closing balance** | **298,046** | **359,113** |

The arrangement for monthly rental payments is such that DPF as a lessee pays rent to Barclays House net of loan interest and capital. The movements for the year are as follows;

| | | |
|---|---|---|
| Rent paid | 688,648 | 670,815 |
| Loan interest | (26,149) | (30,139) |
| Capital repayments | (61,067) | (61,068) |
| **Net rental payment** | **601,432** | **579,608** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Expected Credit Loss Assessment 31 December 2024**

| Credit Rating | IFRS 9 Staging | Probability of Default | Loss given Default | Exposure at Default | Expected credit loss rate | Expected Credit Loss |
|---|---|---|---|---|---|---|
| Equivalent to Investment Grade (Moody's BBB) since the Barclays House has never defaulted nor missed any scheduled payment | Stage 1 - 12month ECL (Low credit risk) | Equivalent to a BB corporate bond rating at 0.64%. | 67% LGD based on long-term recovery rates for investment grade bonds | 298,046 | 0.43% | 1,282 |

Conclusion: ECL is very negligible at P1,282 A low ECL indicates that the fair value of the loan is not materially different from the amortised cost value.

**Expected Credit Loss Assessment 31 December 2023**

| Credit Rating | IFRS 9 Staging | Probability of Default | Loss given Default | Exposure at Default | Expected credit loss rate | Expected Credit Loss |
|---|---|---|---|---|---|---|
| Equivalent to Investment Grade (Moody's BBB) since the Barclays House has never defaulted nor missed any scheduled payment | Stage 1 - 12month ECL (Low credit risk) | Equivalent to a BB corporate bond rating at 0.64%. | 67% LGD based on long-term recovery rates for investment grade bonds | 359,113 | 0.43% | 1,544 |

Conclusion: ECL is very negligible at P1,544. A low ECL indicates that the fair value of the loan is not materially different from the amortised cost value.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|

### 14. Investments in equity securities

The following is a list of all the unlisted equities of the Fund

| Name of company | Principal activity | % Ownership interest 2024 | % Ownership interest 2023 | Fair value accounting carrying amount 2024 | Fair value accounting carrying amount 2023 |
|---|---|---|---|---|---|
| Healthcare Holdings | Medical estate | 58.15% | 58.15% | 124,660,000 | 150,000,000 |
| Mmila Fund Administrators (Proprietary) Limited | Fund Administration | 100.00% | 100.00% | 30,697,649 | 26,800,000 |
| Sphinx Associates (Proprietary Limited | Real estate | 25.00% | 25.00% | 22,100,000 | 30,600,000 |
| Barclays House | Real estate | 13.98% | 13.98% | 8,800,000 | 9,600,000 |
| DBN | Real estate | 66.67% | 0.00% | 100,640,000 | - |
| Engen Maun | Real estate | 25.00% | 0.00% | 10,020,000 | - |
| Engen Palapye | Real estate | 20.00% | 0.00% | 14,860,000 | - |
| Francistown retail | Real estate | 75.00% | 0.00% | 27,660,000 | - |
| | | | | **339,437,649** | **217,000,000** |

| | | |
|---|---|---|
| **Balance at the beginning of the year** | 217,000,000 | 277,767,000 |
| Mmila Fund Administrators (Proprietary) Limited - fair value gains | 3,897,649 | 1,800,000 |
| Sphinx Associates (Proprietary) Limited - fair value (loss)/gains | (8,500,000) | (6,600,000) |
| Healthcare Holdings (Proprietary) Limited - fair value losses | (25,340,000) | (57,000,000) |
| Partnership Investments | 153,180,000 | - |
| Barclays House - fair value (losses)/gains | (800,000) | 1,033,000 |
| | 122,437,649 | (60,767,000) |
| **Balance at the end of the year** | **339,437,649** | **217,000,000** |
| | | |
| **Fair value losses from unlisted equities** | | |
| Fair value movement for the period - Barclays House | (800,000) | 1,033,000 |
| **Fair value (loss)/gain - Barclays House** | **(800,000)** | **1,033,000** |
| Mmila Fund Administrators (Proprietary) Limited | 1,897,649 | 1,800,000 |
| Sphinx Associates (Proprietary) Limited | (8,500,000) | (6,600,000) |
| Partnership Investments | (21,145,438) | - |
| Healthcare Holdings (Proprietary) Limited | (25,340,000) | (57,000,000) |
| **Fair value losses from unlisted equities** | **(53,087,789)** | **(61,800,000)** |
| **Total fair value losses from unlisted equities** | **(53,887,789)** | **(60,767,000)** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|
| **15. Investment property** | | |
| **Investment properties at fair value** | | |
| Freehold and leasehold land and buildings | 300,299,994 | 296,064,443 |
| Leasehold land and buildings -unlisted equities | 166,615,420 | 168,704,099 |
| Reclassification-leasehold land and buildings -unlisted equities* (Note 14) | (166,615,420) | - |
| Right-of-use asset | 4,294,986 | 4,370,306 |
| **Total investment properties** | **304,594,980** | **469,138,848** |

The fair value of the investment properties as at 31 December 2024 and 31 December 2023 were arrived at on the basis of valuations carried out at the respective dates by Apex properties and MG properties (Proprietary) Limited.

These firms of independent chartered valuers are not related to the Fund. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were based on open market values.

The investment properties of the Fund are measured at fair value at the end of each reporting period and fall under Level 3

| | | |
|---|---|---|
| **Recurring fair value measurements at the end of the reporting period** | 304,594,980 | 469,138,848 |
| **Reconciliation of fair value measurements categorised within Level 3 of fair value hierarchy** | | |
| **Balance at the beginning of the year** | 469,138,848 | 398,681,118 |
| Movement in fair valuation of investment properties | (12,716,089) | 18,462,764 |
| Partnership Investments | (166,615,420) | - |
| Depreciation right of use asset- Barclay House | | (397,300) |
| Reclassification to other receivables - prepaid land (Letlhakane)* | (3,737,500) | - |
| Fair value movement of right of use asset- Barclay House | (75,320) | - |
| | (170,428,240) | - |
| Additions | 18,600,461 | 52,392,266 |
| **Balance at the end of the year** | **304,594,980** | **469,138,848** |

*During the year, the Fund reclassified to other receivables (prepayments) an amount previously included under Investment Property relating to partial payment for the purchase of land. The balance represents advance payments made towards the land, for which legal ownership has not yet been transferred to the Fund. The Fund will continue to recognise this amount as a prepayment until the criteria for Investment Property recognition under IFRS are fully met. The reclassification did not have a material impact on the Fund's Statement of Net Assets Available for Benefits.

Gains and losses arising from fair valuation of investment properties are shown as a separate line in Note 28.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|
| Unrealised gains on fair valuation of investment properties | (12,716,089) | 18,462,764 |
| Depreciation of right of use asset- Barclay House | - | (397,300) |
| **Property operating costs relating to rental income are as follows;** | | |
| Direct property costs | 4,922,416 | 4,810,610 |
| Indirect property costs | 2,422,635 | 4,205,657 |
| | **7,345,051** | **9,016,267** |

**Reclassification***

During the financial year, the fund reviewed its investments classifications in accordance with IFRS requirements and the fund's accounting policies.As part of this review , investments in unlisted equities( property partnership )previously disclosed as partnerships and measured using proportional consolidation have been reclassified to investments in private equity, measured at fair value in accordance with IFRS 13 as required by IAS 26.The reclassification did not result in a material change in the carrying amount

**31 December, 2024**

| Valuation techniques and inputs | Valuation technique | Unobservable input | Range |
|---|---|---|---|
| | Income capitalisation approach | Capitalisation rate | 6 - 12% |

**31 December, 2023**

| Valuation techniques and inputs | Valuation technique | Unobservable input | Range |
|---|---|---|---|
| | Income capitalisation approach | Capitalisation rate | 6 - 12% |

**Information about sensitivity to changes in unobservable inputs**

The fair value of investment property is a function of the unobservable inputs generated by each investment property in the portfolio of the Fund. The quantitative effect of changes in inputs is disclosed in note 34 of the financial statements. There are no restrictions associated with the realisability of investment property, remittance of income and proceeds of disposal. Furthermore, the Fund has no contractual obligation to purchase or develop investment property.

**Measurement**

All investment property is measured in accordance with the fair value model.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 16. Investment securities

**Onshore equity investments**

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total |
| Allan Gray Botswana | 839,251,277 | 260,151,237 | 1,099,402,514 | 682,588,666 | 212,884,917 | 895,473,583 |
| Ninety One Botswana Proprietary Limited | 433,835,995 | 134,480,547 | 568,316,542 | 344,850,684 | 107,551,609 | 452,402,293 |
| Morula Capital Partners | 440,589,809 | 136,574,095 | 577,163,904 | 352,397,407 | 109,905,272 | 462,302,679 |
| IPRO Botswana | 215,888,033 | 133,197,865 | 349,085,898 | 201,345,976 | 130,987,945 | 332,333,921 |
| | **1,929,565,114** | **664,403,744** | **2,593,968,858** | **1,581,182,733** | **561,329,743** | **2,142,512,476** |
| **Onshore bonds investments** | | | | | | |
| Ninety One Botswana Proprietary Limited | 463,216,342 | 394,781,108 | 857,997,450 | 362,653,427 | 338,349,548 | 701,002,975 |
| Botswana Insurance Fund Management Limited | 684,774,284 | 583,606,248 | 1,268,380,532 | 595,074,720 | 555,194,706 | 1,150,269,426 |
| | **1,147,990,626** | **978,387,356** | **2,126,377,982** | **957,728,147** | **893,544,254** | **1,851,272,401** |
| **Offshore bonds investments** | | | | | | |
| BlueBay Asset Management | 208,168,040 | 72,929,799 | 281,097,839 | 181,586,530 | 66,391,684 | 247,978,214 |
| Pimco Funds | 31,754,351 | 99,152,835 | 130,907,186 | 27,476,893 | 99,369,852 | 126,846,745 |
| | **239,922,391** | **172,082,634** | **412,005,025** | **209,063,423** | **165,761,536** | **374,824,959** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Offshore equity investments**

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total |
| American Century Emerging Markets | 152,674,198 | 68,261,865 | 220,936,063 | 127,640,592 | 59,585,320 | 187,225,912 |
| American Century Global Growth | 432,779,236 | 190,881,416 | 623,660,652 | 408,323,320 | 188,149,371 | 596,472,691 |
| CBRE Group Inc | 201,439,478 | - | 201,439,478 | 191,346,701 | - | 191,346,701 |
| Coronation Asset Management Proprietary Limited | 24,933,203 | 6,738,505 | 31,671,708 | 18,417,990 | 6,717,860 | 25,135,850 |
| Marathon Asset Management Limited | 427,983,418 | 188,766,174 | 616,749,592 | 439,176,074 | 202,365,865 | 641,541,939 |
| Morgan Stanley Investment Management Limited | 370,438,541 | 165,626,058 | 536,064,599 | 327,820,022 | 153,033,299 | 480,853,321 |
| Ninety One UK Limited | 51,333,368 | 17,984,183 | 69,317,551 | 40,000,736 | 14,625,073 | 54,625,809 |
| Orbis Investment Management Limited | 452,785,129 | 199,705,206 | 652,490,335 | 448,841,024 | 206,819,333 | 655,660,357 |
| State Street Global Advisors | 716,286,205 | 315,924,872 | 1,032,211,077 | 386,063,607 | 177,892,423 | 563,956,030 |
| Steyn Capital Management Proprietary Limited | 23,450,504 | 6,337,787 | 29,788,291 | 19,761,669 | 7,207,959 | 26,969,628 |
| Schroder Investment Management Limited | 132,339,360 | 46,363,904 | 178,703,264 | 122,819,085 | 44,905,126 | 167,724,211 |
| Vantage Capital Fund II | 16,258,942 | 4,394,179 | 20,653,121 | 28,189,953 | 10,282,129 | 38,472,082 |
| Veritas Asset Management | 683,430,086 | 301,433,367 | 984,863,453 | 580,835,342 | 267,640,370 | 848,475,712 |
| Walter Scott & Partners Limited | 428,529,357 | 189,006,966 | 617,536,323 | 440,081,586 | 202,783,113 | 642,864,699 |
| Vantage Mezzanine IV Pan African Sub Fund | 36,769,427 | 9,937,390 | 46,706,817 | 8,553,264 | 3,119,756 | 11,673,020 |
| Vantage Mezzanine IV Southern African Sub-Fund | 15,395,944 | 4,160,943 | 19,556,887 | 13,220,253 | 4,822,014 | 18,042,267 |
| | **4,166,826,396** | **1,715,522,815** | **5,882,349,210** | **3,601,091,218** | **1,549,949,011** | **5,151,040,229** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total | Pension plan assets (IAS 26) Active & deferred | Financial assets @ FVTPL Pensioners | Total |
| **Money market funds and money market instruments** | | | | | | |
| Morula Capital Partners | 15,648,340 | 4,850,675 | 20,499,015 | 658,900 | 205,497 | 864,397 |
| Vunani Fund Managers | 651,567 | 1,975,389 | 2,626,956 | 534,406 | 1,932,675 | 2,467,081 |
| African Alliance Botswana | - | - | | 4,299 | - | 4,299 |
| Allan Gray Botswana | 33,989,727 | 10,536,141 | 44,525,868 | 62,725,790 | 19,588,835 | 82,314,625 |
| Botswana Insurance Fund Management Limited | 25,336,361 | 21,593,186 | 46,929,547 | 14,421,432 | 13,454,953 | 27,876,385 |
| Ninety One Botswana Proprietary Limited | 65,545,962 | 55,862,251 | 121,408,213 | 32,331,342 | 30,164,599 | 62,495,941 |
| | **141,171,957** | **94,817,642** | **235,989,600** | **110,676,169** | **65,346,559** | **176,022,728** |
| **Cash balances held with Asset Managers** | | | | | | |
| Botswana Insurance Fund Management Limited | 3,720,714 | 3,171,019 | 6,891,733 | 8,919,380 | 8,321,631 | 17,241,011 |
| Morula Capital Partners | 588,874 | 182,539 | 771,413 | 1,512,651 | 471,764 | 1,984,415 |
| Allan Gray Botswana | 14,965,047 | 4,638,868 | 19,603,915 | 29,810,039 | 9,297,118 | 39,107,157 |
| Ninety One Botswana Proprietary Limited | 15,718,367 | 13,396,148 | 29,114,515 | 33,835,200 | 31,567,672 | 65,402,872 |
| | **34,993,002** | **21,388,574** | **56,381,576** | **74,077,270** | **49,658,185** | **123,735,455** |
| **Total Investment securities** | **7,660,469,486** | **3,646,602,765** | **11,307,072,251** | **6,533,818,960** | **3,285,589,288** | **9,819,408,248** |

| Figures in Pula | 2024 | 2023 |
|---|---|---|
| **17. Cash and cash equivalents** | | |
| Cash and cash equivalents consist of: | | |
| Bank balances - Pula denominated | 171,964,919 | 113,611,033 |
| Bank balances - US Dollar denominated | 57,082,408 | 310,801,964 |
| Bank balances - ZAR denominated | 18,880 | 2,898,818 |
| | 229,066,207 | 427,311,815 |
| Cash on hand | - | 13,800 |
| **Total cash and cash equivalents** | **229,066,207** | **427,325,615** |
| **18. Operating lease asset** | | |
| **Opening balance** | 1,732,865 | 2,263,739 |
| Movement for the year | 1,119,436 | (530,874) |
| **Closing balance** | **2,852,301** | **1,732,865** |
| **19. Other receivables** | | |
| Contributions receivables | - | 839,504 |
| Advance benefit payments | 2,158,400 | 2,167,788 |
| Expected credit loss (ECL) - advance benefit payments | (2,234,689) | (2,234,689) |
| Advance benefit payments and contributions receivables - net | (76,289) | 772,603 |
| Property rentals receivable | 9,712,567 | 6,092,855 |
| Impairment on receivables (Expected Credit Loss) | (8,093,725) | (4,761,366) |
| Net property rentals receivable | 1,618,842 | 1,331,489 |
| Interest receivable | 694,398 | 694,397 |
| Property partnership receivables at beginning of the period | 7,710,016 | 19,296,753 |
| Share of partnership profit/(losses) | 3,332,359 | (11,586,737) |
| Property partnership receivables at the end of the period | 11,042,375 | 7,710,016 |
| Sundry receivables | 22,667,866 | 16,486,032 |
| | **35,947,192** | **26,994,537** |
| **Movement in impairment of other receivables** | | |
| Opening balance | 4,761,366 | 5,301,264 |
| Movement for the year | 3,332,359 | (539,898) |
| **At the end of the year** | **8,093,725** | **4,761,366** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Other receivables continued...**

**IFRS 9: Impairment Provision Matrix as at 31 December, 2024 Rental receivables**

| | Performing | Non-performing | | | Default | |
|---|---|---|---|---|---|---|
| | **Current** | **30 Days** | **60 Days** | **90 Days** | **Over 90 Days** | **Total** |
| Gross carrying amount | 1,102,727 | 2,086,516 | 457,198 | 394,048 | 6,257,565 | 10,298,054 |
| Expected loss rate | 34.00% | 43.23% | 56.62% | 76.22% | 100.00% | 78.59% |
| Impairment loss allowance | (375,000) | (901,931) | (258,878) | (300,351) | (6,257,565) | (8,093,725) |
| | **727,727** | **1,184,585** | **198,321** | **93,698** | **-** | **2,204,330** |

**IFRS 9: Impairment Provision Matrix as at 31 December, 2023 Rental receivables**

| | Performing | Non-performing | | | Default | |
|---|---|---|---|---|---|---|
| | **Current** | **30 Days** | **60 Days** | **90 Days** | **Over 90 Days** | **Total** |
| Gross carrying amount | 766,040 | 746,190 | 506,564 | 270,897 | 3,803,164 | 6,092,855 |
| Expected loss rate | 31.72% | 35.99% | 49.11% | 73.06% | 100.00% | 78.00% |
| Impairment loss allowance | (242,953) | (268,539) | (248,799) | (197,911) | (3,803,164) | (4,761,366) |
| | **523,087** | **477,651** | **257,765** | **72,986** | **-** | **1,331,489** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 20. Insurance contract liability

Roll-forward of the liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios of annuities.

| Disclosure Note : Insurance contract liability (Annuity with joint life features) as at 31 December, 2024 | | | | |
|---|---|---|---|---|
| **Description** | Liability for remaining coverage | | | |
| | Excluding loss component | Loss Component | Liability for incurred claims | Total insurance liability |
| **Opening balance at 1 January, 2024** | **809,826,107** | **-** | **1,584,534** | **811,410,641** |
| **Insurance revenue** | **(96,150,395)** | **-** | **-** | **(96,150,395)** |
| Expected benefit claims for the period - Post guarantee period | *(77,889,253)* | - | - | *(77,889,253)* |
| Expected operating expenses for the period | *(5,960,865)* | - | - | *(5,960,865)* |
| CSM recognised for services provided during the period | *(11,350,272)* | - | - | *(11,350,272)* |
| Change in risk adjustment for non-financial risk for risk expired | *(950,005)* | - | - | *(950,005)* |
| **Insurance Service Expenses** | **-** | **-** | **84,031,404** | **84,031,404** |
| Expected benefit claims for the period - Post guarantee period | - | - | *77,889,253* | *77,889,253* |
| Experience adjustment relating to expected benefit claims post guarantee | - | - | *(190,259)* | *(190,259)* |
| Actual benefit claims for the period - Post guarantee period | - | - | *77,698,994* | *77,698,994* |
| Expected operating expenses for the period | - | - | *5,960,865* | *5,960,865* |
| Experience adjustment relating expected operating expenses | - | - | *371,546* | *371,546* |
| Actual operating expenses incurred for the period | - | - | *6,332,411* | *6,332,411* |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Insurance finance expense** | **43,031,299** | **-** | **-** | **43,031,299** |
| Accretion of interest before interest rate changes | 23,503,706 | - | - | 23,503,706 |
| Impact of interest rates changes & other financial assumptions | 19,527,593 | - | - | 19,527,593 |
| **Total change in net asset available for benefits from insurance activities** | **(53,119,096)** | **-** | **84,031,404** | **30,912,308** |
| **Cashflow/Transfers from Fund Account** | | | | |
| Annuity premiums received | 16,939,286 | - | - | 16,939,286 |
| Benefits claims paid to annuitants | - | - | (77,585,575) | (77,585,575) |
| Insurance operating expenses paid | - | - | (6,332,411) | (6,332,411) |
| **Total cashflows/transfers from Fund Account** | **16,939,286** | **-** | **(83,917,986)** | **(66,978,700)** |
| **Closing balance at 31 December, 2024** | **773,646,297** | **-** | **1,697,953** | **775,344,250** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note : Insurance contract liability (Annuity with guarantee features) as at 31 December, 2024 | | | | |
|---|---|---|---|---|
| **Description** | Liability for remaining coverage | | | |
| | Excluding loss component | Loss Component | Liability for incurred claims | Total insurance liability |
| **Opening balance at 1 January, 2024** | **1,854,321,453** | **-** | **18,785,103** | **1,873,106,556** |
| **Insurance revenue** | **(139,478,641)** | **-** | **-** | **(139,478,641)** |
| Expected benefit claims for the period - Post guarantee period | *(89,737,253)* | - | - | *(89,737,253)* |
| Expected operating expenses for the period | *(14,269,910)* | - | - | *(14,269,910)* |
| CSM recognised for services provided during the period | *(33,746,339)* | | - | *(33,746,339)* |
| Change in risk adjustment for non-financial risk for risk expired | *(1,725,139)* | - | - | *(1,725,139)* |
| **Insurance Service Expenses** | **-** | **-** | **106,071,216** | **106,071,216** |
| Expected benefit claims for the period - Post guarantee period | - | - | *89,737,253* | *89,737,253* |
| Experience adjustment relating to expected benefit claims post guarantee | - | - | *583,577* | *583,577* |
| Actual benefit claims for the period - Post guarantee period | - | - | 90,320,830 | 90,320,830 |
| Expected operating expenses for the period | - | - | *14,269,910* | *14,269,910* |
| Experience adjustment relating expected operating expenses | - | - | *1,480,475* | *1,480,475* |
| Actual operating expenses incurred for the period | | | 15,750,385 | 15,750,385 |
| **Insurance finance expense** | **184,616,361** | **-** | **-** | **184,616,361** |
| Accretion of interest before interest rate changes | 54,113,434 | - | - | 54,113,434 |
| Impact of interest rates changes & other financial assumptions | 130,502,927 | - | - | 130,502,927 |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Total change in net asset available for benefits from insurance activities** | **45,137,720** | **-** | **106,071,216** | **151,208,936** |
| **Investment components** | **(126,596,346)** | **-** | **126,596,346** | **-** |
| Expected investment benefit claims during guaranteed period | **(129,214,305)** | **-** | **129,214,305** | **-** |
| Experience adjustment relating to investment component | **2,617,959** | **-** | **(2,617,959)** | **-** |
| **Cashflow/Transfers from Fund Account** | | | | |
| Annuity premiums received | 132,269,308 | - | - | 132,269,308 |
| Benefits claims paid to annuitants | - | - | (210,890,688) | (210,890,688) |
| Insurance operating expenses paid | - | - | (15,750,385) | (15,750,385) |
| **Total cashflows/transfers from Fund Account** | **132,269,308** | - | (226,641,073) | (94,371,765) |
| **Closing balance at 31 December, 2024** | **1,905,132,135** | **-** | **24,811,591** | **1,929,943,727** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note : Insurance contract liability (Annuity with joint life features) as at 31 December, 2023 | | | | |
|---|---|---|---|---|
| Description | Liability for remaining coverage | | | |
| | Excluding loss component | Loss Component | Liability for incurred claims | Total insurance liability |
| **Opening balance at 1 January, 2023** | **803,600,708** | **-** | **1,278,353** | **804,879,061** |
| **Insurance revenue** | **(93,105,811)** | **-** | **-** | **(93,105,811)** |
| Expected benefit claims for the period - Post guarantee period | *(74,506,059)* | - | - | *(74,506,059)* |
| Expected operating expenses for the period | *(4,661,208)* | - | - | *(4,661,208)* |
| CSM recognised for services provided during the period | *(13,063,514)* | - | - | *(13,063,514)* |
| Change in risk adjustment for non-financial risk for risk expired | *(875,030)* | - | - | *(875,030)* |
| **Insurance Service Expenses** | **-** | **-** | **85,991,636** | **85,991,636** |
| Expected benefit claims for the period - Post guarantee period | - | - | *74,506,059* | *74,506,059* |
| Experience adjustment relating to expected benefit claims post guarantee | - | - | *4,606,212* | *4,606,212* |
| Actual benefit claims for the period - Post guarantee period | - | - | 79,112,271 | 79,112,271 |
| Expected operating expenses for the period | **-** | **-** | ***4,661,208*** | ***4,661,208*** |
| Experience adjustment relating expected operating expenses | - | - | *2,218,157* | *2,218,157* |
| Actual operating expenses incurred for the period | - | - | 6,879,365 | 6,879,365 |
| **Insurance finance expense** | **71,809,218** | **-** | **-** | **71,809,218** |
| Accretion of interest before interest rate changes | 43,556,750 | - | - | 43,556,750 |
| Impact of interest rates changes & other financial assumptions | 28,252,468 | - | - | 28,252,468 |
| **Total change in net asset available for benefits from insurance activitives** | **(21,296,593)** | **-** | **85,991,636** | **64,695,043** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note : Insurance contract liability (Annuity with joint life features) as at 31 December, 2023 | | | | |
|---|---|---|---|---|
| | Liability for remaining coverage | | | |
| **Description** | Excluding loss component | Loss Component | Liability for incurred claims | Total insurance liability |
| **Cashflow/Transfers from Fund Account** | | | | |
| Annuity premiums received | 27,521,992 | - | - | 27,521,992 |
| Benefits claims paid to annuitants | - | - | (78,806,090) | (78,806,090) |
| Insurance operating expenses paid | - | - | (6,879,365) | (6,879,365) |
| **Total cashflows/transfers from Fund Account** | **27,521,992** | **-** | **(85,685,455)** | **(58,163,463)** |
| | **809,826,107** | **-** | **1,584,534** | **811,410,641** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note : Insurance contract liability (Annuity with guarantee features) as at 31 December, 2023 | | | | |
|---|---|---|---|---|
| **Description** | Liability for remaining coverage | | | |
| | Excluding loss component | Loss Component | Liability for incurred claims | Total insurance liability |
| Opening balance at 1 January, 2023 | **1,566,110,311** | **-** | **10,500,213** | **1,576,610,524** |
| **Insurance revenue** | **(127,841,512)** | **-** | **-** | **(127,841,512)** |
| Expected benefit claims for the period - Post guarantee period | *(83,175,653)* | - | - | *(83,175,653)* |
| Expected operating expenses for the period | *(10,632,769)* | - | - | *(10,632,769)* |
| CSM recognised for services provided during the period Change in risk | - | - | - | - |
| adjustment for non-financial risk for risk expired | *(32,572,682)* | - | - | *(32,572,682)* |
| **Insurance Service Expenses** | **-** | **-** | **90,421,389** | **90,421,389** |
| Expected benefit claims for the period - Post guarantee period | - | - | *83,175,653* | *83,175,653* |
| Experience adjustment relating to expected benefit claims post guarantee | - | - | *(7,365,456)* | *(7,365,456)* |
| Actual benefit claims for the period - Post guarantee period | - | - | 75,810,197 | 75,810,197 |
| Expected operating expenses for the period | - | - | *10,632,769* | *10,632,769* |
| Experience adjustment relating expected operating expenses | - | - | *3,978,423* | *3,978,423* |
| Actual operating expenses incurred for the period | | - | 14,611,192 | 14,611,192 |
| **Insurance finance expense** | **160,042,024** | **-** | **-** | **160,042,024** |
| Accretion of interest before interest rate changes | 92,531,763 | - | - | 92,531,763 |
| Impact of interest rates changes & other financial assumptions | 67,510,261 | - | - | 67,510,261 |
| **Total change in net asset available for benefits from insurance activities** | **32,200,512** | **-** | **90,421,389** | **122,621,901** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Investment components** | **(115,766,097)** | **-** | **115,766,097** | **-** |
| Expected investment benefit claims during guaranteed period | **(112,559,834)** | **-** | **112,559,834** | **-** |
| Experience adjustment relating to investment component | **(3,206,263)** | **-** | **3,206,263** | **-** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Cashflow/Transfers from Fund Account** | | | | |
| Annuity premiums received | 371,776,727 | - | - | 371,776,727 |
| Benefits claims paid to annuitants | - | - | (183,291,404) | (183,291,404) |
| Insurance operating expenses paid | - | - | (14,611,192) | (14,611,192) |
| **Total cashflows/transfers from Fund Account** | **371,776,727** | **-** | **(197,902,596)** | **173,874,131** |
| **Closing balance at 31 December, 2023** | **1,854,321,453** | **-** | **18,785,103** | **1,873,106,556** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note: Insurance contract liability (Annuity with joint life features) - as at 31 December, 2024 | | | | |
|---|---|---|---|---|
| **Description** | Estimates of the present value of future cash flows(BEL) | Risk adjustment(RA) | Contractual service margin(CSM) | Total insurance liability |
| Opening balance at 1 January, 2024 | 697,605,486 | 7,878,397 | 105,926,758 | 811,410,641 |
| **Changes that relate to current services** | **181,286** | **(950,005)** | **(11,350,272)** | **(12,118,991)** |
| Contractual service margin recognised for services provided | - | - | (11,350,272) | (11,350,272) |
| Risk adjustment recognised for the risk expired | - | (950,005) | | (950,005) |
| Experience adjustment relating to expected benefit claims post guarantee | (190,259) | - | - | (190,259) |
| Experience adjustment relating to expected operating expenses | 371,546 | - | - | 371,546 |
| **Changes that relate to future services** | **65,213,132** | **939,086** | **(66,152,218)** | **-** |
| Contracts initially recognised in the period | (6,529,466) | 117,954 | 6,411,512 | - |
| Changes in estimates that adjust the contractual service margin | 71,742,598 | 821,132 | (72,563,730) | - |
| **Insurance finance expense** | **41,794,197** | **(1,980,018)** | **3,217,120** | **43,031,299** |
| Accretion of interest before interest rate changes | 20,059,294 | 227,292 | 3,217,120 | 23,503,706 |
| Impact of interest rates changes & other financial assumptions | 21,734,903 | (2,207,310) | - | 19,527,593 |
| **Total change in net asset available for benefits from insurance activitives** | **107,188,615** | **(1,990,937)** | **(74,285,370)** | **30,912,308** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Cashflow/transfers from Fund Account** | **(66,978,700)** | **-** | **-** | **(66,978,700)** |
| Annuity premiums received | 16,939,286 | - | - | 16,939,286 |
| Benefits claims paid to annuitants | (77,585,575) | - | - | (77,585,575) |
| Insurance operating expenses paid | (6,332,411) | - | - | (6,332,411) |
| **Closing balance at 31 December, 2024** | **737,815,402** | **5,887,460** | **31,641,388** | **775,344,250** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note: Insurance contract liability (Annuity with guarantee features) - as at 31 December, 2024 | | | | |
|---|---|---|---|---|
| **Description** | Estimates of the present value of future cash flows(BEL) | Risk adjustment(RA) | Contractual service margin(CSM) | Total insurance liability |
| Opening balance at 1 January, 2024 | 1,635,354,984 | 11,957,769 | 225,793,806 | 1,873,106,559 |
| **Changes that relate to current services** | **2,064,053** | **(1,725,139)** | **(33,746,339)** | **(33,407,425)** |
| Contractual service margin recognised for services provided | - | - | (33,746,339) | (33,746,339) |
| Risk adjustment recognised for the risk expired | - | (1,725,139) | - | (1,725,139) |
| Experience adjustment relating to expected benefit claims post guarantee | 583,577 | - | - | 583,577 |
| Experience adjustment relating to expected operating expenses | 1,480,475 | - | - | 1,480,476 |
| **Changes that relate to future services** | **29,884,246** | **1,157,960** | **(31,042,206)** | **-** |
| Contracts initially recognised in the period | (10,918,094) | 897,635 | 10,020,459 | - |
| Changes in estimates that adjust the contractual service margin | 40,802,340 | 260,325 | (41,062,665) | - |
| **Insurance finance expense** | **177,534,359** | **(890,459)** | **7,972,458** | **184,616,358** |
| Accretion of interest before interest rate changes | 45,802,174 | 338,799 | 7,972,458 | 54,113,431 |
| Impact of interest rates changes & other financial assumptions | 131,732,185 | (1,229,258) | - | 130,502,927 |
| **Total change in net asset available for benefits from insurance activitives** | **209,482,658** | **(1,457,638)** | **(56,816,087)** | **151,208,933** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Cashflow/transfers from Fund Account** | **(94,371,765)** | **-** | **-** | **(94,371,765)** |
| Annuity premiums received | 132,269,308 | - | - | 132,269,308 |
| Benefits claims paid to annuitants | (210,890,688) | - | - | (210,890,688) |
| Insurance operating expenses paid | (15,750,386) | - | - | (15,750,385) |
| **Closing balance at 31 December, 2024** | **1,750,465,876** | **10,500,131** | **168,977,719** | **1,929,943,727** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note: Insurance contract liability (Annuity with joint life features) - as at 31 December, 2023 | | | | |
|---|---|---|---|---|
| **Description** | Estimates of the present value of | Risk adjustment(RA) | Contractual service | Total insurance liability |
| Opening balance at 1 January, 2023 | 663,258,446 | 7,254,759 | 134,365,856 | 804,879,061 |
| **Changes that relate to current services** | **6,824,369** | **(875,030)** | **(13,063,514)** | **(7,114,175)** |
| Contractual service margin recognised for services provided | - | - | (13,063,514) | (13,063,514) |
| Risk adjustment recognised for the risk expired | - | (875,030) | | (875,030) |
| Experience adjustment relating to expected benefit claims post guarantee | 4,606,212 | - | - | 4,606,212 |
| Experience adjustment relating to expected operating expenses | 2,218,157 | - | - | 2,218,157 |
| **Changes that relate to future services** | **21,539,739** | **793,443** | **(22,333,182)** | **-** |
| Contracts initially recognised in the period | (11,668,087) | 174,397 | 11,493,690 | - |
| Changes in estimates that adjust the contractual service margin | 33,207,826 | 619,046 | (33,826,872) | - |
| **Insurance finance expense** | **64,146,395** | **705,225** | **6,957,598** | **71,809,218** |
| Accretion of interest before interest rate changes | 36,199,265 | 399,887 | 6,957,598 | 43,556,750 |
| Impact of interest rates changes & other financial assumptions | 27,947,130 | 305,338 | - | 28,252,468 |
| **Total change in net asset available for benefits from insurance activitives** | **92,510,503** | **623,638** | **(28,439,098)** | **64,695,043** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Cashflow/transfers from Fund Account** | **(58,163,463)** | **-** | **-** | **(58,163,463)** |
| Annuity premiums received | 27,521,992 | - | - | 27,521,992 |
| Benefits claims paid to annuitants | (78,806,090) | - | - | (78,806,090) |
| Insurance operating expenses paid | (6,879,365) | - | - | (6,879,365) |
| **Closing balance at 31 December 2023** | **697,605,486** | **7,878,397** | **105,926,758** | **811,410,641** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Disclosure Note: Insurance contract liability (Annuity with guarantee features) - as at 31 December, 2023 | | | | |
|---|---|---|---|---|
| **Description** | Estimates of the present value of future cash flows(BEL) | Risk adjustment(RA) | Contractual service margin(CSM) | Total insurance liability |
| Opening balance at 1 January, 2023 | 1,306,465,527 | 9,018,623 | 261,126,374 | 1,576,610,524 |
| **Changes that relate to current services** | **(3,387,033)** | **(1,460,408)** | **(32,572,682)** | **(37,420,123)** |
| Contractual service margin recognised for services provided | - | | (32,572,682) | (32,572,682) |
| Risk adjustment recognised for the risk expired | - | (1,460,408) | | (1,460,408) |
| Experience adjustment relating to expected benefit claims post guarantee | (7,365,456) | - | - | (7,365,456) |
| Experience adjustment relating to expected operating expenses | 3,978,423 | - | - | 3,978,423 |
| **Changes that relate to future services** | **13,551,831** | **3,376,134** | **(16,927,965)** | **-** |
| Contracts initially recognised in the period | (59,929,464) | 2,206,603 | 57,722,861 | - |
| Changes in estimates that adjust the contractual service margin | 73,481,295 | 1,169,531 | (74,650,826) | - |
| **Insurance finance expense** | **144,850,528** | **1,023,420** | **14,168,079** | **160,042,027** |
| Accretion of interest before interest rate changes | 77,813,548 | 550,138 | 14,168,079 | 92,531,765 |
| Impact of interest rates changes & other financial assumptions | 67,036,980 | 473,282 | - | 67,510,262 |
| **Total change in net asset available for benefits from insurance activitives** | **155,015,326** | **2,939,146** | **(35,332,568)** | **122,621,904** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | |
|---|---|---|---|---|
| **Cashflow/transfers from Fund Account** | **173,874,131** | **-** | **-** | **173,874,131** |
| Annuity premiums received | 371,776,727 | - | - | 371,776,727 |
| Benefits claims paid to annuitants | (183,291,404) | - | - | (183,291,404) |
| Insurance operating expenses paid | (14,611,192) | - | - | (14,611,192) |
| **Closing balance at 31 December 2023** | **1,635,354,984** | **11,957,769** | **225,793,806** | **1,873,106,557** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 21. Management fees

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Active and deferred | Pensioners | Total | Active and deferred | Pensioners | Total |
| **Onshore asset management fees** | | | | | | |
| Allan Gray | 5,774,069 | 297,807 | 6,071,876 | 4,644,558 | 573,348 | 5,217,906 |
| Nighty -One | 5,732,525 | 295,664 | 6,028,189 | 4,235,376 | 522,836 | 4,758,212 |
| Morula Capital | 2,643,631 | 136,350 | 2,779,980 | 1,932,324 | 238,536 | 2,170,860 |
| CBRE | - | - | - | 1,225,168 | 151,241 | 1,376,409 |
| Botswana Insurance Fund Management Limited | 5,460,194 | 281,618 | 5,741,812 | 3,378,444 | 417,051 | 3,795,495 |
| **Total onshore asset management fees** | **19,610,419** | **1,011,439** | **20,621,858** | **15,415,870** | **1,903,012** | **17,318,882** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 21. Management fees continued

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| **Offshore asset management fees** | Active and deferred | Pensioners | Total | Active and deferred | Pensioners | Total |
| BlueBay Asset Management | 1,388,623 | 71,620 | 1,460,243 | 1,216,364 | 150,154 | 1,366,518 |
| Pimco Funds | 533,790 | 27,531 | 561,321 | 504,645 | 62,296 | 566,941 |
| American Century Emerging Markets | 1,496,189 | 77,168 | 1,573,357 | 1,154,945 | 142,572 | 1,297,517 |
| American Century Global Growth | 4,651,750 | 239,922 | 4,891,672 | 3,811,816 | 470,550 | 4,282,366 |
| CBRE | 834,636 | 43,048 | 877,684 | 372,604 | 45,996 | 418,600 |
| Coronation Asset Management Proprietary Limited | 366,711 | 18,914 | 385,625 | 314,987 | 38,884 | 353,871 |
| Marathon Asset Management Limited | 1,587,247 | 81,864 | 1,669,111 | 1,425,069 | 175,918 | 1,600,987 |
| Morgan Stanley Investment Management Limited | 4,032,068 | 207,960 | 4,240,028 | 3,119,459 | 385,082 | 3,504,541 |
| Ninety One China Equity | 274,362 | 14,151 | 288,513 | 385,436 | 47,580 | 433,016 |
| Orbis Investment Management Limited | 2,537,158 | 130,858 | 2,668,016 | 2,358,519 | 291,147 | 2,649,666 |
| State Street Global Advisors | 1,036,469 | 53,458 | 1,089,927 | 588,647 | 72,665 | 661,312 |
| Southeastern Asset Management | - | - | - | 2,217,008 | 273,679 | 2,490,687 |
| Vantage IV Pan African Sub Fund | 393,352 | 20,288 | 413,640 | - | - | - |
| Vantage IV Southern African Sub Fund | 423,548 | 21,845 | 445,393 | - | - | - |
| Steyn Capital Management Proprietary Limited | 323,291 | 16,674 | 339,965 | 295,032 | 36,420 | 331,452 |
| Schroder Investment Management Limited | 1,799,935 | 92,835 | 1,892,770 | 2,109,142 | 260,363 | 2,369,505 |
| Veritas Asset Management | 5,916,812 | 305,169 | 6,221,981 | 5,090,988 | 628,457 | 5,719,445 |
| Walter Scott & Partners Limited | 4,023,372 | 207,512 | 4,230,884 | 3,901,483 | 481,618 | 4,383,101 |
| **Total offshore asset management fees** | **31,619,313** | **1,630,817** | **33,250,130** | **28,866,144** | **3,563,381** | **32,429,525** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 22. Losses on disposal of investment securities

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Active and deferred | Pensioners | Total | Active and deferred | Pensioners | Total |
| **Bonds** | | | | | | |
| Absa Bank | - | - | - | 1,702 | 210 | 1,912 |
| BBS Bank | - | - | - | 1,994,692 | 246,235 | 2,240,927 |
| Botswana Government | 16,611,239 | 856,751 | 17,467,990 | 7,536,483 | 930,341 | 8,466,824 |
| CA Sales | - | - | - | 27,164 | 3,353 | 30,517 |
| First National Bank of Botswana | 3,364 | 174 | 3,538 | 16,356 | 2,019 | 18,375 |
| Letshego Holdings Limited | - | - | - | 731,140 | 90,257 | 821,397 |
| National Development Bank | - | - | - | 567,053 | 70,000 | 637,053 |
| Stanbic Bank Botswana | - | - | - | 2,774,582 | 342,508 | 3,117,090 |
| Prime time property | 2,746 | 141 | 2,887 | - | - | - |
| Capital Bank Limited | - | - | - | - | - | - |
| Debt Participation Capital Fun | - | - | - | - | - | - |
| | **16,617,349** | **857,066** | **17,474,415** | **13,649,172** | **1,684,923** | **15,334,095** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Active and deferred | Pensioners | Total | Active and deferred | Pensioners | Total |
| **Equities** | | | | | | |
| Cresta Marakanelo Ltd | - | - | - | 10,720 | 1,323 | 12,043 |
| CA Sales | - | - | - | 4,563 | 563 | 5,126 |
| Letshego Holdings Limited | - | - | - | 104,828 | 12,941 | 117,769 |
| First National Bank of Botswana | 2,085 | 108 | 2,193 | - | - | - |
| Newgold Ltd | - | - | - | (12,720) | (1,570) | -14,290 |
| Ninety One Ltd | 5,475,644 | 282,416 | 5,758,060 | 627 | 77 | 704 |
| Prime Time | - | - | - | 2,845,582 | 351,273 | 3,196,855 |
| Rdc Properties Ltd | - | - | - | 17,395 | 2,147 | 19,542 |
| Sechaba Breweries Holdings Ltd | - | - | - | 23,946 | 2,956 | 26,902 |
| The Far Property Co Ltd | 9,102 | 470 | 9,572 | 60,291 | 7,443 | 67,734 |
| Turnstar | 386,149 | 19,917 | 406,066 | 9,562 | 1,180 | 10,742 |
| Engen | 2,971 | 153 | 3,124 | - | - | - |
| Letlole la rona | 1,074 | 56 | 1,130 | - | - | - |
| Stanbic Bank Botswana | 15,315 | 790 | 16,105 | - | - | - |
| Lucara Diamond Corp | 8,965,495 | 462,410 | 9,427,905 | - | - | - |
| Sefalana Holding Co Ltd | 1,506 | 78 | 1,584 | - | - | - |
| Anglo American plc | 5,649,006 | 291,357 | 5,940,363 | - | - | - |
| BIHL | 2,009 | 103 | 2,112 | - | - | - |
| | **20,510,356** | **1,057,858** | **21,568,214** | **3,064,794** | **378,333** | **3,443,127** |
| Total losses on disposal of investment securities | **37,127,705** | **1,914,924** | **39,042,629** | **16,713,966** | **2,063,256** | **18,777,222** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 23. Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields on Botswana government Pula denominated securities. The illiquidity premium is determined by reference to observable market rates.

| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31/12/2024 | 4.99% | 5.99% | 6.67% | 6.98% | 7.31% | 7.58% | 7.80% | 7.99% | 8.16% | 8.31% | 8.45% | 8.58% | 8.69% | 8.80% | 8.99% | 8.99% | 9.08% | 8.58% | 9.24% | 9.32% |
| 31/12/2023 | 5.50% | 6.24% | 6.67% | 6.98% | 7.22% | 7.41% | 7.58% | 7.72% | 7.84% | 7.96% | 8.06% | 8.15% | 8.24% | 8.31% | 8.39% | 8.46% | 8.52% | 8.58% | 8.64% | 8.70% |

| Liquidity Premium | | |
|---|---|---|
| Liquidity premium - single rate | 0.00% | 2024 |
| Liquidity premium - single rate | 0.81% | 2023 |
| | | |
| | | |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 24. Projected CSM Release

| | < 1year | 1-3 yrs | 4-8 yrs | 9-15 yrs | >15 yrs |
|---|---|---|---|---|---|
| **31 December, 2024** | | | | | |
| CSM expected to be recognised to the SCNAAFB - Joint life product | 31,641,389 | 29,846,093 | 24,991,242 | 18,259,050 | 11,040,258 |
| Opening CSM | 1,898,275 | 6,379,833 | 9,360,120 | 9,539,044 | 12,707,227 |
| CSM Unwind | (3,693,571) | (11,234,684) | (16,092,312) | (16,757,836) | (23,747,484) |
| CSM Release | 29,846,093 | 24,991,242 | 18,259,050 | 11,040,258 | - |
| **Closing.CSM joint life product** | **59,692,186** | **49,982,484** | **36,518,100** | **22,080,516** | **-** |
| | | | | | |
| CSM expected to be recognised to the SCNAAFB - Guarantee product | 168,977,720 | 158,948,766 | 135,595,321 | 98,468,293 | 62,075,062 |
| Opening CSM | 11,356,980 | 34,502,415 | 50,535,670 | 51,793,064 | 78,808,501 |
| CSM Unwind | (21,394,934) | (57,855,860) | (87,662,699) | (88,186,294) | (140,883,563) |
| CSM Release | 158,948,766 | 135,595,321 | 98,468,293 | 62,075,062 | - |
| **Closing.CSM guarantee product** | **317,888,532** | **271,190,642** | **196,936,585** | **124,150,125** | **-** |

| | < 1 year | 1-3 yrs | 4-8 yrs | 9-15 yrs | >15 yrs |
|---|---|---|---|---|---|
| **31 December, 2023** | | | | | |
| CSM expected to be recognised to the SCNAAFB - Joint life product Opening CSM | 105,926,758 | 101,128,401 | 87,854,657 | 67,410,790 | 43,635,298 |
| CSM Unwind | 7,076,337 | 21,376,005 | 32,195,765 | 34,402,260 | 51,912,957 |
| CSM Release | (11,874,694) | (34,649,749) | (52,639,632) | (58,177,752) | (95,548,255) |
| **Closing.CSM joint life product** | **101,128,401** | **87,854,657** | **67,410,790** | **43,635,298** | **-** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| | | | | | |
|---|---|---|---|---|---|
| CSM expected to be recognised to the SCNAAFB - Guarantee product | | | | | |
| Opening CSM | 225,793,806 | 212,820,056 | 180,956,163 | 133,667,167 | 85,150,150 |
| CSM Unwind | 13,987,687 | 44,328,161 | 66,739,893 | 70,016,758 | 108,260,438 |
| CSM Release | (26,961,437) | (76,192,054) | (114,028,889) | (118,533,775) | (193,410,588) |
| **Closing.CSM guarantee product** | **212,820,056** | **180,956,163** | **133,667,167** | **85,150,150** | **-** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 25. Insurance Revenue Disclosure

The table below presents an analysis of the total insurance revenue recognised in the period:

| | Insurance revenue - 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Annuity with joint life features | | | Annuity with guarantee features | | | |
| **Amounts relating to the changes in the liability for remaining coverage** | **Fair value** | **Others** | **Sub-total** | **Fair value** | **Others** | **Sub-total** | **Total** |
| Expected benefit claims for the period - Post guarantee period | 73,266,852 | 4,622,401 | **77,889,253** | 89,737,253 | - | **89,737,253** | **167,626,506** |
| Expected operating expenses for the period | 5,716,806 | 244,059 | **5,960,865** | 12,097,279 | 2,172,631 | **14,269,910** | **20,230,775** |
| CSM recognised for services provided during the period | 9,972,566 | 1,377,706 | **11,350,272** | 27,030,018 | 6,716,321 | **33,746,339** | **45,096,611** |
| Change in risk adjustment for nonfinancial risk for risk expired | 894,863 | 55,142 | **950,005** | 1,364,456 | 360,683 | **1,725,139** | **2,675,144** |
| **Total Insurance Revenue** | **89,851,087** | **6,299,308** | **96,150,395** | **130,229,006** | **9,249,635** | **139,478,641** | **235,629,036** |

| | Insurance revenue - 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Annuity with joint life features | | | Annuity with guarantee features | | | |
| **Amounts relating to the changes in the liability for remaining coverage** | **Fair value** | **Others** | **Sub-total** | **Fair value** | **Others** | **Sub-total** | **Total** |
| Expected benefit claims for the period - Post guarantee period | 71,231,494 | 3,274,565 | **74,506,059** | 83,175,653 | - | **83,175,653** | **157,681,712** |
| Expected operating expenses for the period | 4,525,730 | 135,478 | **4,661,208** | 9,633,176 | 999,593 | **10,632,769** | **15,293,977** |
| CSM recognised for services provided during the period | 11,910,162 | 1,153,352 | **13,063,514** | 28,502,913 | 4,069,769 | **32,572,682** | **45,636,196** |
| Change in risk adjustment for nonfinancial risk for risk expired | 837,293 | 37,737 | **875,030** | 1,277,916 | 182,492 | **1,460,408** | **2,335,438** |
| **Total Insurance Revenue** | **88,504,679** | **4,601,132** | **93,105,811** | **122,589,658** | **5,251,854** | **127,841,512** | **220,947,323** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 26. Insurance service expense

The table below presents an analysis of the total insurance service expenses recognised in the period:

| | Insurance services expenses - 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Product type** | **Annuity with joint life features** | | | **Annuity with guarantee features** | | | |
| **Insurance service expenses** | **Fair value** | **Others** | **Sub-total** | **Fair value** | **Others** | **Sub-total** | **Total** |
| Actual benefit claims for the period - Post guarantee period | 73,141,574 | 4,557,420 | **77,698,994** | 90,320,830 | - | **90,320,830** | **168,019,824** |
| Actual operating expenses incurred for the period | 6,065,024 | 267,387 | **6,332,411** | 13,318,434 | 2,431,951 | **15,750,385** | **22,082,796** |
| **Total insurance service expense** | **79,206,598** | **4,824,807** | **84,031,405** | **103,639,264** | **2,431,951** | **106,071,215** | **190,102,620** |

| | Insurance services expenses - 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Product type** | **Annuity with joint life features** | | | **Annuity with guarantee features** | | | |
| **Insurance service expenses** | **Fair value** | **Others** | **Sub-total** | **Fair value** | **Others** | **Sub-total** | **Total** |
| Actual benefit claims for the period - Post guarantee period | 75,234,217 | 3,878,054 | **79,112,271** | **75,810,197** | - | **75,810,197** | **154,922,468** |
| Actual operating expenses incurred for the period | 6,465,921 | 413,444 | **6,879,365** | **12,659,055** | 1,952,137 | **14,611,192** | **21,490,557** |
| **Total insurance service expense** | **81,700,138** | **4,291,498** | **85,991,636** | **88,469,252** | **1,952,137** | **90,421,389** | **176,413,025** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 27. Insurance finance expense

The table below presents an analysis of the total insurance finance expenses recognised in the period:

| | Insurance finance expense - 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Product type** | **Annuity with joint life features** | | | **Annuity with guarantee features** | | | |
| **Accretion of interest on:** | Fair value | Others | Sub-total | Fair value | Others | Sub-total | Total |
| Best estimate liability | (18,620,390) | (1,438,904) | **(20,059,294)** | (31,825,448) | (13,976,729) | **(45,802,177)** | **(65,861,471)** |
| Risk adjustment | (210,988) | (16,304) | **(227,292)** | (235,413) | (103,386) | **(338,799)** | **(566,091)** |
| Contractual service margin | (2,762,048) | (455,072) | **(3,217,120)** | (5,520,333) | (2,452,125) | **(7,972,458)** | **(11,189,578)** |
| **Sub total - accretion of interest** | **(21,593,426)** | **(1,910,280)** | **(23,503,706)** | **(37,581,194)** | **(16,532,240)** | **(54,113,434)** | **(77,617,140)** |
| **Effects of changes in interest rates and other financial assumptions** | | | | | | | |
| Interest rate changes | 21,020,872 | 2,579,554 | **23,600,426** | 4,702,709 | (2,326,880) | **2,375,829** | **25,976,255** |
| Changes in other financial assumptions | (39,318,079) | (3,809,940) | **(43,128,019)** | (106,443,797) | (26,434,959) | **(132,878,756)** | **(176,006,775)** |
| **Sub total - effects of changes in interest rates and other financial assumptions** | **(18,297,207)** | **(1,230,386)** | **(19,527,593)** | **(101,741,088)** | **(28,761,839)** | **(130,502,927)** | **(150,030,520)** |
| **Total insurance finance expense** | **(39,890,633)** | **(3,140,666)** | **(43,031,299)** | **(139,322,282)** | **(45,294,079)** | **(184,616,361)** | **(227,647,660)** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 27. Insurance finance expense continued

| | Insurance finance expense - 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Product type** | **Annuity with joint life features** | | | **Annuity with guarantee features** | | | |
| **Accretion of interest on:** | **Fair value** | **Others** | **Sub-total** | **Fair value** | **Others** | **Sub-total** | **Total** |
| Best estimate liability | (34,316,048) | (1,883,217) | **(36,199,265)** | (62,557,958) | (15,255,589) | **(77,813,547)** | **(114,012,812)** |
| Risk adjustment | (379,065) | (20,822) | **(399,887)** | (441,714) | (108,423) | **(550,137)** | **(950,024)** |
| Contractual service margin | (6,295,194) | (662,404) | **(6,957,598)** | (11,524,661) | (2,643,418) | **(14,168,079)** | **(21,125,677)** |
| **Sub total - accretion of interest** | **(40,990,307)** | **(2,566,443)** | **(43,556,750)** | **(74,524,333)** | **(18,007,430)** | **(92,531,763)** | **(136,088,513)** |
| **Effects of changes in interest rates and other financial assumptions** | | | | | | | |
| Interest rate changes | (22,326,345) | (1,548,524) | **(23,874,869)** | (46,450,488) | (22,660,720) | **(69,111,208)** | **(92,986,077)** |
| Changes in other financial assumptions | (4,158,774) | (218,825) | **(4,377,599)** | 1,802,459 | (201,512) | **1,600,947** | **(2,776,652)** |
| **Sub total - effects of changes in interest rates and other financial assumptions** | **(26,485,119)** | **(1,767,349)** | **(28,252,468)** | **(44,648,029)** | **(22,862,232)** | **(67,510,261)** | **(95,762,729)** |
| **Total insurance finance expense** | **(67,475,426)** | **(4,333,792)** | **(71,809,218)** | **(119,172,362)** | **(40,869,662)** | **(160,042,024)** | **(231,851,242)** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 28. Total investment income and net insurance finance result

The table below presents an analysis of total investment income/(loss) and insurance finance result recognised in the statement of changes in net assets available for benefits in the period

| Amounts recognised in the statement of changes in net assets available for benefits | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| **Net investment income/(loss)** | **Annuity with joint life features** | **Annuity with guarantee features** | **Total** | **Annuity with joint life features** | **Annuity with guarantee features** | **Total** |
| Investment income | 179,119,319 | 445,853,834 | **624,973,153** | 163,409,188 | 359,985,579 | **523,394,767** |
| Investment expenses | (2,138,738) | (5,323,628) | **(7,462,366)** | (4,780,249) | (10,530,746) | **(15,310,995)** |
| **Total net investment income/(loss)** | **176,980,581** | **440,530,206** | **617,510,787** | **158,628,939** | **349,454,833** | **508,083,772** |
| **Insurance finance income/(expenses) from annuity contracts issued** | | | | | | |
| Interest accretion | (23,503,706) | (77,617,140) | **(101,120,846)** | (64,871,960) | (71,216,555) | **(136,088,515)** |
| Due to interest rate changes and other financial assumptions | (19,527,593) | (150,030,520) | **(169,558,113)** | (32,813,957) | (62,948,773) | **(95,762,730)** |
| **Total insurance service expense** | **(43,031,299)** | **(227,647,660)** | (270,678,959) | **(97,685,917)** | **(134,165,328)** | **(231,851,245)** |

**Concentration risk by product**

The annuity product type concentration of the Fund for contracts issued is shown below.The disclosure is based on the carrying amount of annuity contract liabilities disaggregated by product type.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Annuity product type | Insurance contract liability | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | Amount | Concentration (%) | Amount | Concentration (%) |
| Annuity with joint life | 100 | 29% | 100 | 33% |
| Annuity with guarantee | 200 | 71% | 200 | 67% |
| **Total** | **300** | **100%** | **300** | **100%** |

**Financial effect on initial recognition of new contracts issued during the**

| Insurance contracts issued during the year | 2024 | | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Annuity with Joint Life Features | | | Annuity with Guarantee Features | | | |
| | Non-onerous contracts issued | Onerous contracts issued | Sub-total | Non-onerous contracts issued | Onerous contracts issued | Sub-total | |
| Estimate of present value future cash inflows(Premium is received upfront) | **(16,939,286)** | - | (16,939,286) | **(132,269,308)** | - | **(132,269,308)** | **(149,208,594)** |
| Estimate of present value future cash outflows (Claims & related expenses ) | 10,409,820 | - | 10,409,820 | 121,351,214 | - | 121,351,214 | 131,761,034 |
| Risk adjustment for non-financial risk | 117,954 | - | 117,954 | 897,635 | - | 897,635 | 1,015,589 |
| Contractual service | 6,411,512 | - | 6,411,512 | 10,020,459 | - | 10,020,459 | 16,431,971 |
| **Increase in insurance contract liability from contracts recognised in the period** | - | - | - | - | - | - | - |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Insurance contracts issued during the year | 2023 | | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Annuity with Joint Life Features | | | Annuity with Guarantee Features | | | |
| | Non-onerous contracts issued | Onerous contracts issued | Sub-total | Non-onerous contracts issued | Onerous contracts issued | Sub-total | |
| Estimate of present value future cash inflows (Premium is received upfront) | (27,521,991) | - | **(27,521,991)** | (371,776,726) | **-** | **(371,776,726)** | **(399,298,717)** |
| Estimate of present value future cash outflows (Claims & related expenses ) | 15,853,904 | - | **15,853,904** | 311,847,262 | - | **311,847,262** | **327,701,166** |
| Risk adstment for Non - Financial Risk | 174,397 | - | **174,397** | 2,206,603 | - | **2,206,603** | **2,381,000** |
| Contractual service | 11,493,690 | - | **11,493,690** | 57,722,861 | - | **57,722,861** | **69,216,551** |
| **Increase in insurance contract liability from contracts recognised in the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 29. Net Investment income/(loss)

| | | 2024 | | |
|---|---|---|---|---|
| | | Allocation of investment returns | | |
| | | Pensioner | Active & Deferred | Total |
| Interest income | 9 | 60,102,474 | 97,246,293 | 157,348,767 |
| Dividend income | 9 | 74,260,974 | 120,537,133 | 194,798,107 |
| Other income | 7 | 106,021 | 171,544 | 277,565 |
| Rental income | 5 | 10,939,118 | 17,699,582 | 28,638,700 |
| Unrealised fair value gains on investment securities | 8 | 393,706,073 | 637,019,628 | 1,030,725,701 |
| Unrealised foreign exchange gains on investment securities | 8 | 90,906,981 | 147,088,235 | 237,995,216 |
| Net unrealised gains on fair valuation of investment properties | 15 | (4,857,132) | (7,858,957) | (12,716,089) |
| **Total investment income** | | **625,164,509** | **1,011,903,458** | **1,637,067,967** |
| Onshore investment management fees | 21 | (1,011,439) | (19,610,419) | (20,621,858) |
| Offshore investment management fees | 21 | (1,630,817) | (31,619,313) | (33,250,130) |
| Fair value losses from investment in unlisted equities | 14 | (4,544,937) | (49,342,852) | (53,887,789) |
| Losses on disposal of investment securities | 22 | (1,914,922) | (37,127,707) | (39,042,629) |
| Rental expenses | 5 | (360,252) | (6,984,799) | (7,345,051) |
| **Total investment expenses** | | **(9,462,367)** | **(144,685,090)** | **(154,147,457)** |
| **Net investment income** | | **615,702,142** | **867,218,368** | **1,482,920,510** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**2023**

| | | Allocation of investment returns | | |
|---|---|---|---|---|
| | | **Pensioners** | **Active & Deferred** | **Total** |
| Interest income | 9 | 45,626,533 | 111,581,733 | 157,208,266 |
| Dividend income | 9 | 47,205,178 | 115,442,381 | 162,647,559 |
| Rental income | 5 | 6,747,066 | 16,500,640 | 23,247,706 |
| Unrealised fair value losses on investment securities | 8 | 336,698,715 | 823,411,807 | 1,160,110,522 |
| Unrealised foreign exchange gains on investment securities | 8 | 85,103,697 | 208,124,907 | 293,228,604 |
| Net unrealised gains on fair valuation of investment properties | 15 | 5,358,445 | 13,104,319 | 18,462,764 |
| Depreciation on right-of-use asset - Barclays House | 15 | (115,308) | (281,992) | (397,300) |
| **Total investment income** | | 526,757,528 | 1,288,209,548 | 1,814,967,076 |
| Onshore investment management fees | 21 | (1,903,012) | (15,415,870) | (17,318,882) |
| Offshore investment management fees | 21 | (3,563,381) | (28,866,144) | (32,429,525) |
| Share of partnership losses | 19 | (1,273,160) | (10,313,577) | (11,586,737) |
| Fair value losses from unlisted equities | 14 | (6,790,632) | (53,976,368) | (60,767,000) |
| Losses on disposal of investment securities | 22 | (2,063,256) | (16,713,966) | (18,777,222) |
| Rental expenses | 5 | (990,714) | (8,025,553) | (9,016,267) |
| **Total investment expenses** | | (16,584,155) | (133,311,478) | (149,895,633) |
| **Net investment income** | | **510,173,373** | **1,154,898,070** | **1,665,071,443** |

### 30. Contingency reserves

The contingency reserve has been split into various contingency reserve accounts as defined in the Fund rules and in line with PFR 1 issued by NBFIRA as follows:

| | Maximum limit | 2024 | 2023 |
|---|---|---|---|
| Processing error reserve | 1.5% | 10,111,277 | - |
| Solvency reserve | 40% | 176,253,366 | - |
| | | 186,364,643 | - |

**Processing error reserve**

Processing errors include provision for mismatching and for timing differences in the actual investment or disinvestment of moneys from the time when the errors are deemed to have occurred in the calculation of benefits or the accrual of investment returns.

**Solvency reserve**

The solvency reserve is meant to introduce a level of prudence into the valuation and it is influenced by recognition of inherent risks in the asset valuation method adopted.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Fund Account**

This represents amounts attributable to active and deferred members as determined by the Fund Actuary.

| | | |
|---|---|---|
| Fund account | 7,126,338,013 | 7,066,228,000 |

**Reserve account**

This is a non-distributable reserve attributable to active and deferred members.

| | | |
|---|---|---|
| Reserve account | 1,580,624,376 | 1,046,253,192 |

### 31. Benefits payable

| | | |
|---|---|---|
| Retirement | 446,031,002 | 21,704,530 |
| Withdrawal | 81,276,537 | 8,684,971 |
| Death | 10,640,493 | 33,455,763 |
| Unclaimed benefits | 964,954 | 919,103 |
| **Total benefits payable** | **538,912,986** | **64,764,367** |

All benefits are payable within 12 months.

Benefits payables are settled in accordance with the Rules of the Fund. No interest is charged on outstanding benefits payables.

### 32. Other payables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Sundry creditors | 35,635,562 | 48,338,571 |
| Security deposits (Rental) | 813,151 | 828,901 |
| | 36,448,713 | 49,167,472 |
| **Non-financial instruments:** | | |
| Value added tax (VAT) | 16,067,901 | 21,183,861 |
| Pay as you earn (PAYE) | 25,511,205 | 25,511,205 |
| | 41,579,106 | 46,695,066 |
| | **78,027,819** | **95,862,538** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 33. Related parties

**Intercompany balances**
**Amount due from related party**

| Name of related party | Nature of transaction | Related party relationship | | |
|---|---|---|---|---|
| Mmila Fund Administrators (Pty) Ltd | Recovery of costs paid on behalf of Mmila Fund Administrators (Pty) Ltd | Unlisted equity investment | - | (204,788) |

The related parties of the Fund comprise of the Trustees, Key management personnel, investment in unlisted equities as well as the participating employers.

Inter company payables arise from outstanding balances relating to administration services fees and any other costs paid by a related party on behalf of the Fund or costs paid by the Fund on behalf of a related party. These are payable within 14 working days upon receiving the invoice by the Fund or the related party.

| Figures in Pula | | 2024 | 2023 |
|---|---|---|---|
| **Related party transactions** | | | |
| | **Relationship** | | |
| Contributions income from participating employers | | 460,846,791 | 429,920,331 |
| Internal audit fees charged by Debswana Head Office - Note 6 | Participating employer | 438,750 | 539,240 |
| Fund administration fees charged by Mmila Fund Administrators - Note 6 | Unlisted equity | 19,321,567 | 18,729,863 |
| IT Costs charged by Debswana Head Office - Note 6 | Participating employer | 214,490 | 227,848 |
| Rent charged to Mmila Fund Administrators - Note 5 | Unlisted equity | 608,037 | 605,005 |
| Share of partnership profits - Note 19 | | 2,212,923 | |
| Dividends received from Sphinx Associates | Unlisted equity | 1,912,500 | - |
| Fair value gain/(loss) - Barclays House - Note 14 | Unlisted equity | (800,000) | 1,033,000 |
| Fair value (loss)/gain from (Sphinx Associates) - Note 14 | Unlisted equity | (8,500,000) | (6,600,000) |
| Fair value losses from unlisted equity (Healthcare Holdings) - Note 14 | Unlisted equity | (25,340,000) | (57,000,000) |
| Fair value gains/(losses) from unlisted equity (Mmila) - Note 14 | | 1,897,649 | 1,800,000 |
| Fair value losses from unlisted equity - Note 14 | | (31,942,351) | (61,800,000) |
| | | **(8,034,084)** | **(40,665,044)** |
| **Trustees fees** | | | |
| Independent and Pensioner trustees - Note 6 | | **1,845,255** | **380,656** |
| **Remuneration of key management personnel** | | | |
| Key management personnel comprises the Chief Executive Officer | | | |
| Short-term employee benefits | | 3,472,486 | 3,307,130 |
| Post-employment benefits - Pension - Defined contribution plan | | 326,776 | 311,215 |
| Long term incentive plan (LTIP) | | - | 5,114,616 |
| | | **3,799,262** | **8,732,961** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

### 34. Impairment of bank balances

| Balances with other Banks: General Model: IFRS 9 provision as at 31 December, 2024 | Country Status | IFRS 9 Staging | Rating Agency *** | Proxy Rating | Economic | Credit Quality | 12 Month PD* | LGD** | EAD | ECL | Coverage |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Absa Bank Botswana Limited | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 76,472,859 | - | 0% |
| First National Bank Botswana Limited | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 95,615,833 | - | 0% |
| Standard Chartered Bank Botswana Limited | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 56,759,518 | - | 0% |
| Stanbic Bank Botswana | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 217,997 | - | 0% |
| | | | | | | | | | **229,066,207** | **-** | |

**Notes**

* Historical Probability of Default for Botswana Commercial and Central Banks is Zero and the same trend is expected to continue for the foreseeable future.

** Average recovery rates for global bonds by Standards & Poor is at 40% and consequently the LGD is placed at 60%.

*** Information on credit rating of Botswana Commercial banks is not publicly available and therefore we have used credit ratings of the Parent Company as a proxy rating.

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for the year ended 31 December, 2024

| Balances with other Banks: General Model: IFRS 9 provision as at 31 December, 2023 | Country Status | IFRS 9 Staging | Rating Agency *** | Proxy Rating | Economic | Credit Quality | 12 Month PD* | LGD** | EAD | ECL | Coverage |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Absa Bank Botswana Limited | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 31,402,543 | - | 0% |
| First National Bank Botswana Limited | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 81,539,080 | - | 0% |
| Standard Chartered Bank Botswana Limited | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 299,500,530 | - | 0% |
| Stanbic Bank Botswana | Botswana Corporate | Level 1 | Moodys | Bal | Stable | Investment Grade | | 60% | 14,869,662 | - | 0% |
| | | | | | | | | | **427,311,815** | **-** | |

**Notes**

* Historical Probability of Default for Botswana Commercial and Central Banks is Zero and the same trend is expected to continue for the foreseeable future.

** Average recovery rates for global bonds by Standards & Poor is at 40% and consequently the LGD is placed at 60%.

*** Information on credit rating of Botswana Commercial banks is not publicly available and therefore we have used credit ratings of the Parent Company as a proxy rating.

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For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|

### 35. Financial risk management

This note explains the Fund's exposure to financial risks and how these risks could affect the Fund's future financial performance. Current year surplus and deficit information has been included where relevant to add further context.

Risk is inherent in the Fund's management of investments which are held in various financial instruments. This is managed through a process of on-going identification, measurement and monitoring that is subject to an extensive framework of risk limits and other controls. The process of risk management is critical to the Fund's on-going operations with the day to day management of financial instruments being conducted by investment managers. The Fund's objectives, policies and procedures for managing the risk exposure and the methods used to measure the risks have remained consistent with the prior year.

The Fund has established investment guidelines. These guidelines set out its investment objectives, a benchmark portfolio and approved investments. The investment guidelines also set out minimum performance measurements of returns on its investments, which are managed by a number of investment managers. Strict measures are observed for appointing investment managers. The active and deferred members are placed into the age-banded life stage model, which provides a range of investment portfolios with specified investment strategies.

**Risk Management Governance Structure**

**Board of Trustees**

The Board of Trustees is responsible for the Fund's overall risk management approach and for approving investment guidelines, the risk strategies and principles. The Fund's Investment Committee reviews the risk profile from time to time, and the overall risk profile and investment strategies are reviewed and approved by the Board of Trustees.

**Investment and Finance Committee**

The Investment Committee comprising members of the Board of Trustees and management meets quarterly to review developments in the international financial and capital markets. Where necessary the Investment Committee makes decisions on the Fund's investments in terms of composition and other relevant factors. The Investment Committee has outsourced the investment managers' performance assessment and review to Riscura Consulting Services, who report quarterly to the Board of Trustees.

**Audit and Risk Committee**

The Audit and Finance Committee comprising members of the Board of Trustees and management meets quarterly and reviews the risk management process, the risk assurance plan, and approve the annual audit coverage for both internal and external audit.

**Benefits and Communications Committee**

The Benefits and Communications Committee comprising of the Board of Trustees and management meets quarterly and reviews the distribution and disposal of death benefits. The Benefits and Communications Committee is also responsible for the Fund's communication strategy and its implementation.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|

**Nominations and Remuneration Committee**

The Nominations and Remuneration Committee comprising of the Board of Trustees meets regularly and ensures that there is a formal, rigorous and transparent procedure for the appointment of new Independent Trustees and Committee members to the Board and Sub-committees. The Committee ensures that the Board and its Sub- Committees have appropriate balance of skills, experience, independence and knowledge of the Fund to enable them to discharge their respective duties and responsibilities. The Nominations and Remuneration Committee is also responsible for the Fund's Human Resources mandate.

**Types of Risk Exposure**

The Fund is exposed to various types of risk exposures, namely market risk, comprising capital risk, currency risk, interest rate risk and equity price risk, as well as credit risk and liquidity risk.

**Capital risk**

The Fund's objective when managing member funds is to safeguard the Fund's ability to continue as a going concern, so that it can award benefits to members when they are due and to continue to provide benefits to other stakeholders. The Fund manages its capital risk by investing member funds in stable markets. The Actuarial results below show the funding level of the Fund.

| Combined position | Following transfer 31 December 2024 | Prior to transfer 31 December 2024 | Following transfer 31 December 2023 |
|---|---|---|---|
| Fair value of assets | 11 592 436 726 | 11,592,436,726 | 10,783,588,000 |
| Actuarial liabilities, member funds and reserves | 11 301 688 325 | 11,301,688,325 | 10,574,396,000 |
| **Surplus** | **290,748,401** | **290,748,401** | **209,192,000** |
| **Funding level** | **103%** | **103%** | **102%** |

**Currency risk**

The Fund is exposed to currency risk mainly through its investments and short term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and short term deposits denominated in United States Dollars (USD) and South African Rands (ZAR) as at 31 December 2024 is shown below.

| **Offshore bonds** | 2024 | 2023 |
|---|---|---|
| USD denominated - Note16. | 412,005,025 | 374,824,959 |
| Offshore equity | | |
| USD denominated - Note16. | 5,842,139,202 | 5,094,525,880 |
| ZAR denominated - Note16. | 40,210,008 | 56,514,349 |
| | **5,882,349,210** | **5,151,040,229** |
| **Bank balances - Foreign currency denominated** | | |
| USD denominated - Note17. | 57,063,528 | 307,903,146 |
| ZAR denominated - Note17 . | 18,880 | 2,898,818 |
| | **57,082,408** | **310,801,964** |
| | **6,351,436,644** | **5,836,667,152** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|

**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. Interest rate risk is measured by modified duration, which measures the sensitivity of the price of a bond to changes in interest rates expressed in years.

Financial instruments that are sensitive to interest rate risk are bank balances, interest bearing securities, term deposits and rental interests from Barclays House Investment. Interest rates earned on financial instruments compare favourably with those currently available in the market. The net exposure to interest rate risk is as shown below

| | | |
|---|---|---|
| Investments in onshore bonds and term loans - Note16. | 2,126,377,982 | 1,851,272,401 |
| Investments in offshore bonds - Note16. | 412,005,025 | 374,824,959 |
| Investments in money markets - Note16. | 235,989,600 | 176,022,728 |
| Cash and cash equivalents - Note17. | 229,066,207 | 427,311,815 |
| | **3,003,438,814** | **2,829,431,903** |

**Equity price risk:**

Equity price risk is the risk that the value of equities decreases as a result of changes in the equity prices and diminution of value of individual stocks. The investment guidelines stipulate the allowable holding levels. The net exposure to equity price risk as at 31 December 2024 for offshore equities and offshore unitised funds is shown below.

| | | |
|---|---|---|
| Onshore equity investments - Note16. | 2,593,968,858 | 2,142,512,476 |
| Offshore equity investments - Note16. | 5,882,349,210 | 5,151,040,229 |
| | **8,476,318,069** | **7,293,552,705** |

**Fair values of financial instruments**

The Board of Trustees considers that the carrying amounts of assets and liabilities recognised in the financial statements at amortised cost approximate their fair values.

**Valuation techniques and assumptions applied for the purpose of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed equities and bonds).

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Fair value measurements recognised in the Statement of Financial Position**

The following table provides an analysis of security investments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).

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## Notes to the Financial Statements

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Level 3 Fair value measurements are those derived from valuation techniques that includes inputs for the asset or liability that are not based on observable market data (unobservable inputs). This note provides information about how the Fund determines the fair values of the various investments.

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## Notes to the Financial Statements

for the year ended 31 December, 2024

| | Notes | Recurring Fair Value as at 31 December | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | | 2024 P | 2023 P | | | | |
| Onshore listed equity investments | 16 | 2,593,968,858 | 2,142,512,476 | Level 1 | Quoted last traded prices in an active market. | N/A | N/A |
| Onshore listed bonds investments | 16 | 2,126,377,982 | 1,851,272,401 | Level 2 | Valued based on the aggregate published bond index | N/A | N/A |
| Offshore bonds investments | 16 | 412,005,025 | 374,824,959 | Level 3 | Weighted average price for units held in portfolio. Fair value of underlying assets in portfolio is determined using quoted bid prices in an active market. | N/A | N/A |

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| | Notes | Recurring Fair Value as at 31 December | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | | 2024 P | 2023 P | | | | |
| Onshore listed equity investments | 16 | 5,882,349,210 | 5,151,040,229 | Level 2 | Weighted average price for units held in portfolio. Fair value of underlying assets in portfolio is determined using quoted bid prices in an active market. | N/A | N/A |
| Associate - Healthcare Holdings (Proprietary) Limited | 14 | 124,660,000 | 150,000,000 | Level 3 | Capitalisation rate and Income capitalisation approach used as the primary methodology. | Discount rates (2024: 8.7% \| 2023: 5.6%) | Inverse |
| Associate - Sphinx (Proprietary) Limited | 14 | 22,100,000 | 30,600,000 | Level 3 | Capitalisation rate and income capitalisation approach used as the primary methodology. | Discount rates (2024: 8.7% \| 2023: 5.6% | Inverse |

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## Notes to the Financial Statements

for the year ended 31 December, 2024

| | Notes | Recurring Fair Value as at 31 December | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | | 2024 P | 2023 P | | | | |
| Mmila Fund Administrators | 14 | 30,697,649 | 26,800,000 | Level 3 | Capitalisation rate and Income capitalisation approach used as the primary methodology | Discount rates (2024: 6.3% \| 2023: 10%) | Inverse |
| Partnership Investments | 14 | 153,180,000 | - | Level 3 | Capitalisation rate and Income capitalisation approach used as the primary methodology | Discount rate - 2024: 8.7% | Inverse |
| Barclays House | 14 | 8,800,000 | 9,600,000 | Level 3 | Capitalisation rate and Income capitalisation approach used as the primary methodology | Discount rates (2024: 8.7%\| 2023: 8%) | Inverse |

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For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Credit risk**

This is the risk that would arise if an entity that the Fund conducts business with, is unable to meet its financial obligation or in an event of an adverse credit event or default.

Financial assets that are subject to credit risk include bonds, loans, financial assets at amortised cost and other receivables. Investments in bonds, cash and cash equivalents are considered low credit risk because the funds are held by financial institutions that are considered investment grade and consequently the expected credit loss is immaterial. The loan due from Barclays House is also considered low credit risk based on zero historical default rate. Bonds measured at fair value are not subject to the impairment requirements. The credit risk exposure of all investment securities subject to credit risk are disclosed under the concentration risk disclosure below, by category of investment. Rental receivables are considered to have significant credit risk for which the expected credit loss is calculated as per the table on Note 19

Low credit risk investments are considered as performing investments.
Management has a strict policy with regards to the Fund's exposure to credit risk, and where there is exposure, this is monitored on an on-going basis. Reputable financial institutions are used for cash handling purposes.

The Fund allocates funds to a number of investment managers, which have diversified mandates and the credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

There are no investments with any primary investee exceeding 5% of the total investment portfolio.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | | 2024 | 2023 |
|---|---|---|---|
| **Categories of financial instruments** | | | |
| **Financial assets at amortized cost** | **Notes** | | |
| Cash and cash equivalents | 17 | 229,066,207 | 427,325,615 |
| Other receivables | 19 | 18,060,757 | 26,994,537 |
| Financial assets at amortised cost (Barclays House Loan) | 13 | 298,046 | 359,113 |
| **Financial liabilities at amortized cost** | | | |
| Benefits payable | 31 | 538,912,986 | 64,764,367 |
| Other payables | 32 | 36,448,713 | 49,167,472 |
| Lease liability | 12 | 4,396,603 | 4,689,085 |
| Intercompany payable | 33 | - | 204,788 |

The Fund is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- payment of rental receivables as invoices fall due after being raised;
- contractual cash flows of advance benefit pension payment recoveries carried at amortised cost.

The Fund applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all short-term trade receivables. To measure the expected credit losses, short-term trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2024 is determined and disclosed in note 19.

The fund holds financial assets at amortized cost of which the liquidity risk associated with these financial assets has been assessed, and it is determined to be considered low risk.

The financial assets at amortized cost are readily marketable, and the fund has the ability to sell these assets in active and established markets with minimal impact on their fair value. Therefore, the liquidity risk associated with financial assets at amortized cost is considered low.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Sensitivity Analysis to key valuation Variables**

| | Sensitivity Analysis | | | | | |
|---|---|---|---|---|---|---|
| **31 December, 2024** | **FCF** | **Joint life product CSM** | **Equity** | **FCF** | **Guarantee product CSM** | **Equity** |
| **Annuity Product** | 743,702,861 | 31,641,389 | - | 1,760,966,007 | 168,997,720 | - |
| **Non Financial Risks** | | | | | | |
| Longevity +1% | 28,528 | (30,209) | 1,682 | 37,268 | (39,791) | 2,523 |
| Longevity -1% | (26,189) | 27,688 | (1,499) | (41,756) | 44,230 | (2,474) |
| Benefit Inflation +1% | 27,871 | (29,688) | 1,817 | 70,640 | (73,548) | 2,909 |
| Benefit Inflation -1% | (25,455) | 27,066 | (1,621) | (73,604) | 76,517 | (2,913) |
| Expenses Inflation +0.5% | 3,971 | (4,119) | 148 | 33,532 | (34,628) | 1,095 |
| Expenses Inflation -0.5% | (3,971) | 4,119 | (148) | (31,574) | 32,513 | (939) |
| Expenses Inflation +10% | 963 | (1,641) | 678 | 3,377 | (5,204) | 4,752 |
| Expenses Inflation -10% | (1,050) | 1,046 | 4 | (4,320) | 4,343 | 3,582 |
| **Financial Risks** | | | | | | |
| Interest +0.5% | (13,056) | - | 13,056 | (39,180) | - | 39,180 |
| Interest -0.5% | 13,559 | - | (13,559) | 33,356 | - | (33,356) |
| Interest +1% | - | - | - | - | - | - |
| **Interest -1%** | **-** | **-** | **-** | **-** | **-** | **-** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| 31 December, 2023 | FCF | Joint life product CSM | Equity | FCF | Guarantee product CSM | Equity |
|---|---|---|---|---|---|---|
| **Annuity Product** | 705,481,876 | 106,018,278 | - | 1,647,312,750 | 225,793,807 | - |
| **Non Financial Risks** | | | | | | |
| Longevity +1% | 10,314,866 | (10,306,517) | 8,348 | 40,276,437 | (40,863,517) | (587,080) |
| Longevity -1% | (10,406,496) | 10,461,963 | 55,467 | (39,778,502) | 40,400,529 | 622,027 |
| Benefit Inflation +1% | 44,276,105 | (44,960,295) | (684,190) | 97,289,076 | (96,390,564) | 898,511 |
| Benefit Inflation -1% | (39,430,166) | 40,113,136 | 682,971 | (90,749,971) | 90,029,564 | (720,407) |
| Expenses Inflation +0.5% | 2,926,071 | (2,990,609) | (64,538) | 7,576,358 | (7,571,829) | 4,529 |
| Expenses Inflation -0.5% | (2,926,071) | 2,990,609 | 64,538 | (7,576,358) | 7,571,829 | (4,529) |
| Expenses Inflation +10% | 965,793 | (1,373,289) | (407,495) | 871,922 | (2,790,474) | (1,918,552) |
| Expenses Inflation -10% | (910,626) | 925,294 | 14,669 | (3,455,610) | 2,117,982 | (1,337,628) |
| **Financial Risks** | | | | | | |
| Interest +0.5% | (20,274,582) | - | (20,274,582) | (46,583,039) | - | (46,583,039) |
| Interest -0.5% | 21,483,799 | - | 21,483,799 | 46,311,081 | - | |
| Interest +1% | - | - | - | - | - | - |
| Interest -1% | - | - | - | - | - | - |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Liquidity risk**

Liquidity risk is the risk that the investments will not readily convert into cash should the need for funds arise. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Ultimate responsibility for the liquidity risk management rests with the Board of Trustees, which has built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long term funding and liquidity management requirements. The Fund manages liquidity by maintaining adequate reserves by continuously monitoring forecast and actual cashflows and matching the maturity profiles of all investment securities, financial assets and financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Fund held deposits at call of P235,989,598 (2023: P176,022,728) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Fund treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Fund's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 17) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Fund in accordance with practice and limits set by the Fund. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Fund's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring the statement of net assets available for benefits liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**Insurance Risk (IFRS 17)**

**Risk Management Objectives and Governance**

The Fund aims to manage longevity, interest rate, and lapse risks inherent in annuity portfolios. Risk oversight is conducted by the Audit and Risk Committee, with actuarial input on assumption setting and experience monitoring. Policies are aligned with the enterprise risk framework.

**Nature and Extent of Risks**

- Longevity Risk: Risk that annuitants live longer than expected, increasing payout duration.
- Interest Rate Risk: Exposure due to mismatch between asset returns and discounted liability cash flows.
- Inflation Risk: Risk of inflation increasing beyond the Bank of Botswana projected range.
- Expense Risk: Variability in servicing costs over long durations.
- Concentration Risk: Exposure to specific age bands.

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Insurance Liability by Age Bracket (Concentration by Absolute Figures) - 2024**

| Age bracket | < 55 | 55 - 60 | 60 - 65 | 65 - 70 | 70 - 80 | > 80 | Total |
|---|---|---|---|---|---|---|---|
| **Joint Life** | 63,665,876 | 156,544,779 | 231,916,626 | 204,355,047 | 112,386,920 | 6,485,002 | 775,354,250 |
| **Guaranteed Life** | 327,276,458 | 579,127,136 | 484,932,670 | 338,940,726 | 186,423,207 | 13,243,530 | 1,929,943,727 |
| **Total** | **390,942,334** | **735,671,915** | **716,849,296** | **543,295,773** | **298,810,127** | **19,728,532** | **2,705,297,977** |

**Insurance Liability by Age Bracket (Concentration by Percentages- %)**

| Age bracket | < 55 | 55 - 60 | 60 - 65 | 65 - 70 | 70 - 80 | > 80 | Total |
|---|---|---|---|---|---|---|---|
| **Joint Life** | 2.35% | 5.79% | 8.57% | 7.55% | 4.15% | 0.24% | 28.66% |
| **Guaranteed Life** | 12.10% | 21.41% | 17.93% | 12.53% | 6.89% | 0.49% | 71.34% |
| **Total** | **14.45%** | **27.19%** | **26.50%** | **20.08%** | **11.04%** | **0.73%** | **100.00%** |

**Insurance Liability by Age Bracket (Concentration by Absolute Figures) - 2023**

| Age bracket | < 55 | 55 - 60 | 60 - 65 | 65 - 70 | 70 - 80 | > 80 | Total |
|---|---|---|---|---|---|---|---|
| **Joint Life** | 72,759,183 | 169,646,173 | 278,385,395 | 196,181,249 | 89,244,799 | 5,193,842 | 811,410,641 |
| **Guaranteed Life** | 319,123,399 | 569,974,839 | 510,871,461 | 309,961,205 | 151,914,117 | 11,261,537 | 1,873,106,558 |
| **Total** | **391,882,582** | **739,621,012** | **789,256,856** | **506,142,454** | **241,158,916** | **16,455,379** | **2,684,517,199** |

**Insurance Liability by Age Bracket (Concentration by Percentages - %)**

| Age bracket | < 55 | 55 - 60 | 60 - 65 | 65 - 70 | 70 - 80 | > 80 | Total |
|---|---|---|---|---|---|---|---|
| **Joint Life** | 2.71% | 6.32% | 10.37% | 7.31% | 3.32% | 0.19% | 30.23% |
| **Guaranteed Life** | 11.89% | 21.23% | 19.03% | 11.55% | 5.66% | 0.42% | 69.77% |
| **Total** | **14.60%** | **27.55%** | **29.40%** | **18.85%** | **8.98%** | **0.61%** | **100.00%** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Maturities of financial liabilities**

The tables below analyses the Fund's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Contractual maturities of financial liabilities | Less than 6 months | Between 6 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| **31 December 2024** | | | | | | | |
| **Non-derivatives** | | | | | | | |
| Benefits payable (Note 31) | - | 538,912,986 | - | - | - | **538,912,986** | **538,912,986** |
| Other payables (Note 32) | - | 36,448,713 | - | - | - | **36,448,713** | **36,448,713** |
| Lease liability (Note 12) | 330,975 | 330,975 | 661,949 | 2,647,797 | 2,656,724 | **6,628,429** | **4,396,603** |
| **Total non-derivatives** | **330,975** | **575,692,675** | **661,949** | **2,647,797** | **2,656,724** | **581,990,119** | **579,758,302** |
| | | | | | | | |
| **31 December 2023** | | | | | | | |
| **Non-derivatives** | | | | | | | |
| Benefits payable (Note 31) | - | 64,764,367 | - | - | - | **64,764,367** | **64,764,367** |
| Other payables (Note 31) | - | 49,167,472 | - | - | - | **49,167,472** | **49,167,472** |
| Lease liability (Note 12) | 119,127 | 146,656 | 627,777 | 876,500 | 2,919,025 | **4,689,085** | **4,689,085** |
| Intercompany payable from subsidiary (Note 33.) | - | 204,788 | - | - | - | **204,788** | **204,788** |
| **Total non-derivatives** | **119,127** | **114,283,283** | **627,777** | **876,500** | **2,919,025** | **118,825,712** | **118,825,712** |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

**Market risk sensitivity analysis**

The set of assumptions used for each of the risk factors here under 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.

| Risk Variable | Adverse market change | | | Beneficial market change | | |
|---|---|---|---|---|---|---|
| | Scenario | Effect on statement of Changes in Net Assets Available for Benefits | | Scenario | Effect on statement of Changes in Net Assets Available for Benefits | |
| | | 2024 | 2023 | | 2024 | 2023 |
| **Currency risk** | Strengthening of the Pula vs ZAR (2024: -2% \| 2023: 4%) | (1,285,870) | (2,376,527) | Weakening of the Pula vs ZAR (2024: -2% \| 2023: 4%) | 1,285,870 | 2,376,527 |
| | Strengthening of the Pula vs USD USD (2024: -4% \| 2023: 5%) | (234,207,294) | (289,007,695) | Weakening of the Pula vs USD (2024:-4% \| 2023: 5% | 234,207,294 | 289,007,695 |
| **Global Equity Risk** | Decline in global equity prices by 1% | (41,668,264) | (36,010,912) | Increase in global equity prices by 1% | 41,668,264 | 36,010,912 |
| **Local Equity Risk** | Decline in local equity prices by 1% | (19,295,651) | (15,811,827) | Increase in local equity prices by 1% | 19,295,651 | 15,811,827 |
| **Interest Rate Risk** | Increase in interest yield by 1% | (28,307,542) | (25,258,555) | Decline in interest yield by 1% | 28,307,542 | 25,258,555 |
| **Investment property** | Increase in capitalisation by 1% | (4,729,345) | (4,691,388) | Decline in capitalisation by 1% | 4,729,345 | 4,691,388 |
| **Investment in unlisted equities** | Increase in capitalisation by 1% | (1,882,576) | (2,170,000) | Decline in capitalisation by 1% | 1,882,576 | 2,170,000 |

# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2024

## Notes to the Financial Statements

for the year ended 31 December, 2024

| Figures in Pula | 2024 | 2023 |
|---|---|---|
| **36. Membership statistics** | | |
| **Members comprise:** | | |
| Active | 5,749 | 5,962 |
| Deferred | 1,592 | 1,659 |
| Pensioners | 4,846 | 4,882 |
| | **12,187** | **12,503** |

### 37. Taxation

The fund is an approved scheme under the Income Tax Act (Chapter 52:01) and is therefore not subject to taxation

### 38. Events after the reporting date

There were no material events that occurred after the reporting period that required adjustment or disclosure in these annual financial statements.

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