

# 2020

ANNUAL REPORT

“YOUR  
SAFETY **NET**”



**DPF**  
DEBSWANA · PENSION · FUND



## Your Safety Net

The advent of the COVID-19 virus continues to shift mindsets, priorities and economies the world over, presenting effects that will linger long across all aspects of our lives.

While we all grapple with change, the security and protection of our Members' funds remains at the core of the Fund's daily responsibilities as we work tirelessly to improve our Member's lives through a proactive and deliberate approach to fund management.

Delivering excellent, efficient and compassionate retirement services requires building a sophisticated tapestry of resources; intricate fibers knotted and twisted together to create an elaborate, strong and sturdy safety net, that our Members can use for a comfortable retirement.

Extending on our Vision to "secure members futures through sustainable superior returns", we are inspired by the concept of safety nets as well as the physical structure as a means of providing a harness against the far-reaching effect of the COVID-19 pandemic.

Thank you for continuing to trust us to be your safety net.



# DOMICILE, TRUSTEES & PRINCIPAL BUSINESS PARTNERS

## PRINCIPAL ADDRESSES OF THE FUND

Debswana Pension Fund Secretariat  
Private bag 00512,  
Gaborone  
Plot 1188 - 1196,  
Debswana House 5<sup>th</sup> 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

#### Christopher Mokgware

Board Chairperson - Company Appointed Trustee  
DBGSS, DBHB, MCM, DPF

#### China Reobonye Abel

Deputy Board Chairperson - Member Elected Trustee  
Orapa, Letlhakane, Damtshaa Constituency

#### Lynette Armstrong

Company Appointed Trustee - Debswana Diamond Company

#### Esther Palai

Member Elected Trustee - Jwaneng Constituency  
(Term Ended June 2020)

#### Lebole Mpho Mokoto

Company Appointed Trustee - Debswana Diamond Company

#### Lebogang Sebopelo

Company Appointed Trustee - DTCB

#### Lapologang Letshwenyo

Member Elected Trustee - MCM

#### Lebogang Kwapa

Member Elected Trustee - DTCB  
(Resigned September 2020)

#### Thabo Moepi

Member Elected Trustee - Jwaneng Constituency  
(Appointed November 2020)

#### Potoko Bogopa

Member Elected Trustee - Pensioner Constituency  
(Appointed February 2020)

#### Claire Buseti

Independent Trustee

## EXECUTIVE MANAGEMENT

**Gosego January** - Chief Executive Officer

**Thato Norman** - Investments Manager

**Tidimalo Poonyane** - Legal & Compliance Manager

**Saone Balopi** - Strategy and Business Development Manager

**Daniel Mompoti** - Fund Accountant

## AUDITOR

Price Waterhouse Coopers

## BANKERS

ABSA Bank Botswana Limited

## CUSTODIAN

Stanbic Bank Botswana Limited

## INVESTMENT CONSULTANTS

Riscura Consulting Services (Proprietary) Limited

## ACTUARIES

Tower 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

## OFFSHORE INVESTMENT MANAGERS

American Century Emerging Markets Limited  
American Century Global Growth  
BlueBay Asset Management  
Coronation Asset Management (Proprietary) Limited  
Marathon Asset Management Limited  
Morgan Stanley Investments Management Limited  
Ninety One UK Limited  
Orbis Investment Management Limited  
PIMCO Funds  
Schroder Investment Management Limited  
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

## ADMINISTRATORS

Mmila Fund Administrators (Pty) Ltd  
(Debswana Pension Fund ceased to self-administer in April 2019 with the enactment of the Retirement Funds Act as of 2014. The Fund provides optional annuities in-house for its retiring active and deferred members.)

## REGISTERED OFFICE

Gaborone  
Private bag 00512, Gaborone  
Plot 1188 - 1196, Debswana House 5<sup>th</sup> Floor, Main Mall  
Tel: +267 361 4288, Fax: +267 393 6239

## ENQUIRIES

Enquiries about the Fund and its services may be made by visit, telephone or email to bokamoso@debswana.bw. More information is available on the website:

[www.dpf.co.bw](http://www.dpf.co.bw)

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# FUND OVERVIEW

FOR THE YEAR ENDED 31 DECEMBER, 2020





## FUND BACKGROUND

The Debswana Pension Fund (DPF) is the largest private pension fund in Botswana and a major player in the retirement services industry with assets valued at BWP9.134 billion and a total membership of 12466 inclusive of active, deferred and pensioner members.

The DPF is a pension fund secretariat to the Debswana & De Beers family of companies namely; Debswana Diamond Company (Debswana), 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, Legal 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.

The DPF has only one office in Gaborone located at Debswana House 5<sup>th</sup> Floor, Main Mall.

## OUR VISION

To secure members' futures through sustainable superior returns.

## OUR MISSION

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

- Prudent & optimal management of member funds
- Ensuring efficient benefits administration
- Focused communication / information
- Effective socially responsible investments to benefit our members
- Innovative and relevant products.

## OUR VALUES

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

20  
20

# BOARD OF TRUSTEES



**CHRISTOPHER MOKGWARE**  
BOARD CHAIRPERSON

*Company Appointed Trustee - DBGSS, DBHB, MCM, DPF*





**REOBONYE CHINA ABEL**  
DEPUTY BOARD CHAIRPERSON  
*Member Elected - OLDLM Constituency*



**ESTHER PALAI**  
MEMBER ELECTED TRUSTEE  
*Jwaneng Constituency  
Term Ended June 2020*



**LYNETTE ARMSTRONG**  
COMPANY APPOINTED TRUSTEE  
*Debswana*



**LEBOGANG SEBOPELO**  
COMPANY APPOINTED TRUSTEE  
*DTC Botswana*



**LEBOLE MPHOKOTO**  
COMPANY APPOINTED TRUSTEE  
*Debswana*



**LAPOLOGANG LETSHWENYO**  
MEMBER ELECTED TRUSTEE  
*Morupule Constituency*



**LEBOGANG KWAPA**  
MEMBER ELECTED TRUSTEE  
*Gaborone Campus  
Resigned September 2020*



**CLAIRE BUSETTI**  
INDEPENDENT TRUSTEE



**POTOKO BOGOPA**  
MEMBER ELECTED TRUSTEE  
*Pensioner Constituency  
Appointed February 2020*



**THABO MOEPI**  
MEMBER ELECTED TRUSTEE  
*Jwaneng Constituency  
Appointed November 2020*

# EXECUTIVE MANAGEMENT



**GOSEGO JANUARY**  
CHIEF EXECUTIVE OFFICER



**THATO NORMAN**  
INVESTMENT MANAGER



**TIDIMALO POONYANE**  
LEGAL & COMPLIANCE MANAGER



**SAONE BALOPI**  
STRATEGY AND BUSINESS  
DEVELOPMENT MANAGER



**DANIEL MOMPATI**  
FUND ACCOUNTANT



# 2020 GLOBAL MARKET OVERVIEW

FOR THE YEAR ENDED 31 DECEMBER, 2020



## North America

United States (US) equities outperformed in 2020 with the equity market rally underpinned by increased market optimism of the global growth trajectory following the debilitating effect of the global COVID-19 pandemic. Increased optimism on the advancement and enrolment of COVID-19 vaccines across Emerging and Developed Economies, coupled with rising confidence that the economic effect of the pandemic is transitory partially drove global asset prices. Meanwhile, moderating concerns of additional future interest rate hikes by the US Federal Reserve Bank, in light of the COVID-19 pandemic accompanied by decreased US-China trade tensions contributed to the equity rally. Forecast business earnings improved on increased optimism of an acceleration in household consumption, which accounts for two-thirds of US economic activity, following an increase in domestic household savings. Gross Domestic Product (GDP) declined 3.5 percent in 2020, marking the worst decline in decades as the economy shut-down due to the ravaging effect of COVID-19. This followed an economic expansion of 2.2 percent in the final quarter of 2019 against 2.9 percent in the last quarter of 2018. Output was driven by decreased business activity and investment as global trade halted during the first half of the year. The successful transition from a Trump to a Biden Presidency reduced the US-China trade war and is expected to boost capital expenditure and investment. Despite the COVID-19 uncertainty, the US economy reported improved levels of household confidence which underpinned consumption during the second half of the year. Sharp upwards and downwards movements in asset prices peaked in the second quarter of the year at the height of the global economic shut-down, as markets remained cautious about the impact of the pandemic on growth and business activity. Standard & Poor's Composite Index, Dow Jones Industrial Index, and Russell 2000 extended their rally in 2020. Improving prospects of employment as economies re-opened, underpinned by strong household balance sheets supported domestic consumption and business activity. US unemployment was 3.6 percent in January 2020 and peaked to 14.7 percent in April before declining to 6.7 percent in December 2020.

Amidst a major economic recession driven by the COVID-19 impact, the Federal Reserve Bank (Fed) cut the key policy rate. During the year, the key policy rate target range shifted downwards from 1.75 – 1.50 percent to a new range of 0.00 – 0.25 percent. The Federal Open Market Committee (FOMC) also provided Quantitative Easing entailing the purchases of USD 700 million in government treasuries. Overnight lending facilities were also extended in a bid to support capital markets and the wider economy. Monetary Policy Stimulus was coordinated amongst major central banks across the globe. The FOMC indicated that they would continue to provide monetary policy support over the near to medium term in support of the domestic economy. Meanwhile, the US government pledged direct stimulus packages to households, unemployment benefits, small business loans and grants. President Elect Biden also pledged additional stimulus on the ascendency of his presidency. Against this background, US Treasury bond yields rallied during the year, predominantly driven by the Fed's monetary policy and low inflation expectations. The investment grade bond Barclays Global US Bond Index increased 11.50 percent in 2020. Optimism on prolonged accommodative monetary policy; further supporting economic activity and has acted as a tailwind for US equities.

## Europe

The Euro-19 Gross Domestic Product (GDP) decreased from 1.1 percent in 2019 to -6.8 percent in 2020. The slowdown was predominantly driven by the impact of the COVID-19 pandemic on the economy, which curtailed global trade and demand for EU exports. Outlook was further curtailed by geopolitical events, such as Brexit and its impact on the outlook of the European Union and ongoing trade wars. Domestic activity was curtailed by a significant drop in industrial production, decreased business confidence amidst national shut-downs throughout the monetary union block. Aggregate consumption, manufacturing and net exports remained weak fuelling concerns of a narrowing recovery in the Euro-zone. Markets continued to forecast continued expansionary monetary policy by the European Central Bank following the rising threat of COVID-19 which continues to plague many

member states. The unemployment rate increased from 7.9 percent in January, 2020, to 8.3 percent in December, 2020. Economic indicators pointed to weak output across the Euro-19's major economies. The Euro-19's largest economy, Germany, experienced a 5 percent decline in 2020, as the halt in demand for exports hurt the country's industrial sector thereby marking the largest decline in numerous years. Other major economies in the Euro-zone namely, France, Italy, Spain and Belgium were also affected by the negative consequences of COVID-19 on their respective economies. Italy has experienced higher sovereign bond yields as it remains the epicentre of Euro financial risk with fiscal imbalances amidst structural challenges. Business activity and confidence remained subdued with the European Central Bank (ECB) announcing a Pandemic Emergency Purchase Programme of EUR 750 million in March 2020. Subsequently, the ECB extended the PEPP programme by EUR 600 million as a way of protecting the Euro-19 economy from the debilitating effects of the pandemic. Political risk in the Euro-19 remained stable during the year with risks moving between United States, China and the United Kingdom.

Similar to most major economies, the Office for National Statistics (ONS) reported that UK economy significantly decreased from 1.4 percent in 2019 to -9.9 percent in 2020. The national shut-down caused by COVID-19 amidst concerns about the UK leaving the European Union (Brexit) weighed down on business confidence and business activity. The services sector was predominantly affected by the health crisis with household consumption declining while business investment halted as companies were materially affected by unprecedented restrictions of movement. The services sector, which accounts for 80 percent of output, fell as retail and wholesale trade dropped during the first half of the year. The unlocking of restrictions in the second half of the year, led to a record 16.1 percent increase in Quarter 3 GDP following a record 19 percent decline in Quarter 2 GDP. Household confidence surveys remained weak as consumers remained worried about the negative effect of the pandemic. The unemployment rate increased from 3.8 in January 2020 to 5.0 percent in December 2020. The Bank of England cut the bank rate to a historic low

of 0.10 percent amidst mounting signs of weakening domestic economic growth.

## Japan

Japan's GDP decreased 4.8 percent in 2020 following an increase of 1.1 percent in 2019. The compounded effect of the COVID-19 pandemic affected domestic consumption and manufacturing activity. A sudden and unexpected drop in global trade hurt Japan's export dependent economy. This was compounded by weaker demand for exports, which were partially affected by the US - China trade wars and tepid global demand. As the economy reopened, following the national lock-down in the first half of the year, output increased by 3 percent in Quarter 4 as consumption and exports recovered. The Core Consumer Price Index, which excludes energy and food prices, fell 0.2 percent in 2020. Japan's aging demographics continue to dampen inflation. Wage growth has remained anemic consequently dampening inflation expectations during the year. In an effort to support the economy from the effect of the pandemic, the Bank of Japan increased its stimulus spending to USD 3 trillion. Since the global financial crisis, Bank of Japan has continued its accommodative monetary policy of quantitative and qualitative easing (QQE) in order to achieve the elusive 2 percent inflation target. Weak economic growth has prompted the central bank to take a cautious stance on Japan's growth outlook. The Topix index increased by approximately 3.31 percent, following renewed optimism of corporate earnings improvement.

## Emerging Markets

Emerging Markets (EM) comprise half of the global economy and approximately over half of the global youth population. Emerging Markets reported lower fatalities in comparison to Developed Economies which has anecdotally been attributed to younger demographics. Over the years, Emerging Markets have experienced significant demand for infrastructure development as urbanization and increasing levels of household wealth continue to drive demand for consumption. During the review period, Emerging Market asset classes outperformed Developed Markets asset classes with EM equity markets predominantly driven by their

relative resilience to the pandemic offered increased optimism of a quicker market recovery. According to the International Monetary Fund, Emerging Markets and Developing Economies growth moderated from 3.7 percent in 2019 to a contraction of 2.2 percent in 2020; however the IMF forecasts growth to advance 6.7 percent in 2021.

## China

China's economy decelerated from 6.1 percent in 2019 to 2.2 percent in 2020, underlining a softening of China's economy during the pandemic. China remains one of the only few major economies to report positive growth during the year. The International Monetary Fund (IMF) forecasts growth to improve to 8.4 percent in 2021 and 5.6 percent in 2022. Industrial production was 7.3 percent in December, 2020 against a marginal improvement of 7.0 percent in November, 2020. Industrial and manufacturing production were predominantly affected by the drop in global trade arising from the shutdown in national economies. Fixed investments rose 2.2 percent in 2020 which was lower than initial market forecasts of 3.2 percent. Rising nationalistic agendas across the globe continue to pose a significant risk to the outlook for China, though the impact thus far has been predominantly contained. China, alongside Russia and India, have engaged in vaccine diplomacy, offering numerous emerging and frontier nations access to COVID-19 vaccines and subtly positioning themselves and safeguarding their economic interests. The government's focus on domestic infrastructure investment are expected to partially offset the challenges of trade protectionism policies. The Peoples Bank of China (PBC) reduced the key policy rates to ward off the economic downfall presented by the global shutdown. However, China's economic resilience has prompted some discussions of a possible end to the current accommodative monetary policy. The Shanghai Stock Exchange Composite Index increased 12.31 percent in 2020. The index has continued to outperform as China emerged as one of the first major economies to contain the Covid pandemic.

## Brazil

The economy contracted 3.1 percent against a previous increase of 1.1 percent in 2019. Brazil has reported high cases of COVID-19 which has undermined the economic outlook. The International Monetary Fund currently forecasts growth of 3.7 percent in 2021 and 2.6 percent in 2022. Due to the foregoing, the Central Bank of Brazil cut the benchmark interest rate to a historic low of 2 percent in an effort to provide a tailwind to the economic recovery. Unemployment increased to 13.5 percent in 2020 from 12.2 percent the previous year, demonstrating the material job losses experienced as businesses closed due to COVID-19. The Ministry of Finance reported that over the year, gross debt increased to 89.3 from 75.8 percent of GDP. During the year, Brazil's stock exchange, Ibovespa, increased 2.59 percent as investors were marginally confident of on the stock market economic recovery.

## Russia

The Russian economy declined to 3.10 percent in 2020 from a contraction of 1.0 percent in 2019. The negative impact of the pandemic severely affected Russia's major trading partner, the Euro-19, thereby curtailing business investment and consumption. Industry production growth decelerated to 2.9 percent in December. Concerns of President Putin's strong leadership of Russia increased threats of sanctions from major economies. The federal government reported a budget deficit of 3.9 percent of GDP following a surplus of 1.8 percent the previous year. The decline in oil prices, one of Russia's major export commodities, contributed to lower tax receipts.

## South Africa

South Africa's economic growth momentum was interrupted by the COVID-19 pandemic. South Africa's economy contracted 7 percent in 2020 following growth of 0.8 percent in 2018 to 0.3 percent in 2019. South Africa's GDP per capita continued to moderate as the rate of population growth continues to exceed the pace of economic growth. The economy remains



affected by high rates of unemployment as the country's major mines were affected by the global COVID-19 crisis through the closure of some mines and restricted mineral trade. President Cyril Ramaphosa who is considered more business friendly than his predecessor continues to promote much needed investment and structural reforms.

## Botswana

Botswana's economy decreased 6.0 percent in the third quarter of 2020 against a previous increase of 3.1 percent in the same quarter of 2019. Most sectors of the economy contracted with the exception of government, agriculture, water & electricity and social & personal services. During the same period, the government sector increased 2.5 percent against a previous increase of 3.6 percent. Initiatives to improve and support agricultural activity resulted in the sector increasing 3.1 percent from a decline of 1.4 percent. Initiatives adopted by governments across the globe including Botswana which are aimed to curtail the spread of the COVID-19 pandemic affected major sectors of the economy such as mining and tourism. Mining activity declined 15.2 percent, while trade, hotels & tourism dropped 15.3 percent and manufacturing fell 5.3 percent. Mining activity was curtailed by a reduction in diamond and soda ash production. Decreased international demand for commodities particularly diamonds and coal is expected to curtail mining activity.

Household consumption improved 2.8 percent in the third quarter of 2020 while government expenditure rose 4.1 percent. Gross capital formation decreased 9.5 percent as business investment experienced a material drop due to instituted COVID-19 shut-downs across the nation and the wider globe. Exports increased 9.4 percent supported by a large increase in diamond sales which had been disrupted by the pandemic while imports rose 11.6 percent. Government expenditure rose 4.1 percent with increased government expenditure partially arising from interventions instituted to reduce the impact of the pandemic on the country. Statistics Botswana reported that Botswana's unemployment rate increased from 23.2 percent in Quarter 1 to 24.5 in Quarter 4 2020. Youth unemployment remained high at 32.4 percent. Domestic output remains exposed to

headwinds such as the global pandemic, commodity price volatility, weak tourism activity, geopolitical risks, amidst poor growth by Botswana's largest trading partners. Meanwhile, households have struggled from high levels of debt, tight credit availability and anemic wage growth with mounting concerns of job losses once the State of Emergency is lifted.

The fiscal deficit widened to 5.6 percent of GDP in 2020 from a deficit of 2.3 percent the previous year due to lower mineral revenue, tax receipts and increased expenditure. In the 12 month period to September, 2020, the balance of payments deficit widened to BWP21.1 billion compared to BWP7.3 billion in September, 2019. The deficit comprises mostly of government payments and imported goods and services. The current account deficit is expected to widen to BWP 7 billion in Quarter 2 2020 against a deficit of BWP 219 million the previous year. Botswana managed to maintain an "A investment grade" rating by both Standard & Poor's and Moody's Investors rating agencies. In an effort to stoke domestic activity the Bank of Botswana cut the bank rate by a cumulative 100 basis points from 4.75 percent in April, 2020 to 3.75 percent in October, 2020. Meanwhile countercyclical monetary policy initiatives were also introduced in a bid to support the economy from the financial negative effects of the pandemic. Inflation ended the year at 2.2 percent in December and remained below the BoB 3 - 6 percent inflation target. As at November 2020, Botswana's foreign reserves stood at BWP58.7 billion equivalent to 10.9 months of import cover.

The Pula appreciated against the South African rand by 1.81 percent while depreciating against the International Monetary Fund (IMF) unit of account the Special Drawing Rights (SDR) by 5.6 percent. Against the USD, the Pula depreciated by 1.28 percent partially driven by the weakening rand as concerns about the resilience of Frontier Markets and Emerging Market currencies rose. The COVID-19 pandemic led investors to buy safe haven assets such as the US dollar.

During 2020 the Domestic Companies Total Return Index marginally decreased 3.64 percent as companies struggled with the ensuing national lock-downs, restraint of business and sharp drop in international

business and tourist travellers. Counters ranging from the banking and financial services industry to mining and the leisure industry have continued to operate in a tough trading environment predominantly afflicted the pandemic. Concerns about mounting job losses once the State of Emergency is lifted has curtailed consumer and business confidence.

The Fleming Aggregate Bond Index (FABI) returned 1.63 percent over the year. Weak domestic activity and the benign inflation outlook amidst heightened uncertainty prompted Bank of Botswana to cut the Bank rate to a historic low of 3.75 percent. The government bond yield curve steepened during the year.





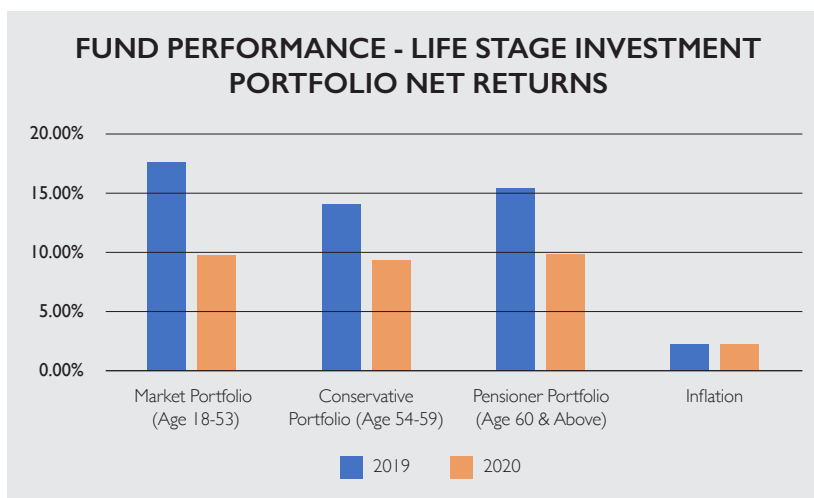
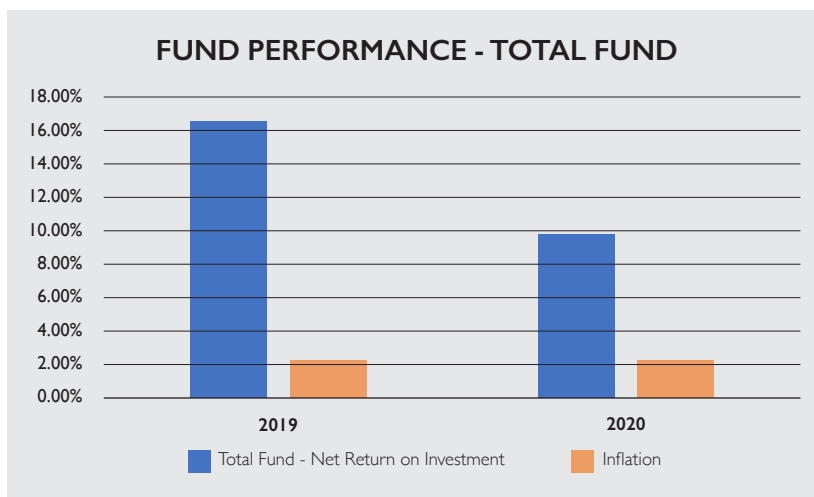


# FUND PERFORMANCE HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



**Fund Performance Highlights** – For the year end 31 December 2020



**Fund Performance**

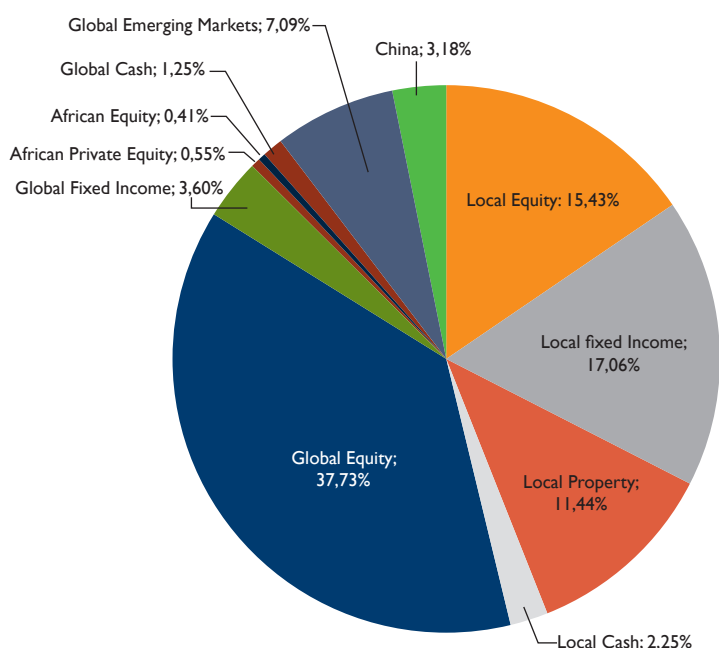
**Life Stage Investment Portfolios (Investment Portfolios Returns)**

Fund	12 Month	36 Month	60 Month	Since Inception (Aug 2004)
Market	9.77%	9.04%	7.6%	12.00%
Conservative	9.36%	8.55%	6.53%	11.09%
Pensioner	9.80%	8.97%	6.3%	11.47%
Contingency	9.91%	8.69%	6.68%	13.07%
Fund	9.74%	9.04%	7.17%	13.32%
Inflation	2.20%			

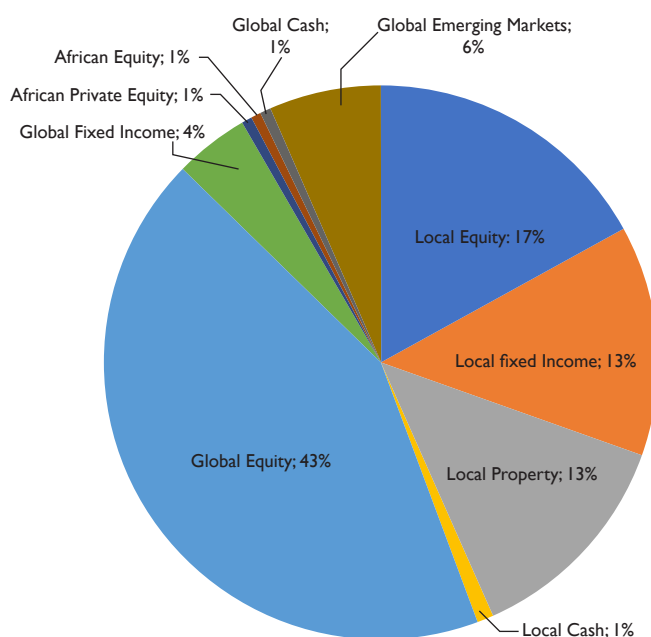
### Asset Allocations

Asset Class Weights as at 31 December 2020 in comparison to Asset Class Weights as at 31 December 2019

**ASSET CLASS WEIGHTS AS AT  
31 DECEMBER 2020**



**ASSET CLASS WEIGHTS AS AT  
31 DECEMBER 2019**



### Revenue and Expenditure

	P'000		P'000
Fund as at 31 December 2019	8,346,693	Investment fees	43,524
Contributions received	352,064	Withdrawal and death benefits	23,411
Transfers received	7,809	Retirement benefits	150,611
		Pensioner death benefits	2,642
		Pensions paid	175,620
		Transfers paid	2,172
		Fund as at 31 December 2020	9,014,642

## Membership Movements

Membership movements for the financial year ending 31 December 2020

DESCRIPTION	Active members	Deferred Members	Pensioners	Beneficiaries	Total
Numbers at beginning of period	6,284	2,080	4,008	83	12,455
Adjustments at data take on	0	0	0	0	0
Additions	126	65	277	4	472
Transfers in	0	4	0	0	4
Transfers out	0	(5)	0	0	(5)
Withdrawals (Dismissal, retrenchment, Resignation)	(71)	0	0	0	(71)
Retirements	(201)	(106)	0	0	(307)
Beneficiary Maxi Age				-6	
Deaths	(9)	(7)	(60)	0	(76)
<b>Numbers at end of period</b>	<b>6,129</b>	<b>2,031</b>	<b>4,225</b>	<b>81</b>	<b>12,466</b>

The Fund's total membership as at 31 December 2020 was 12466 compared to 12455 in 2019. There has been growth in membership of 0.09% (11 Members) in 2020.

The membership statistics for 2020 compared to 2019 are as follows;

	2020	2019	Difference	Comment
Active	6129	6284	(155)	Decrease
Deferred	2031	2080	(49)	Decrease
Pensioners	4306	4091	215	Increase
<b>Total</b>	<b>12466</b>	<b>12455</b>	<b>11</b>	

## Funding Level

Combined Position	31/12/2020	31/12/2019	Change
	P'000,000	P'000,000	%
Fair value of assets	9,014	8,345	8.02
Actuarial liabilities	8,562	7,963	11.3
Surplus / (deficit)	452	382	18.32
Funding level	105.30%	104.80%	







## CHAIRPERSON'S REMARKS

**CHRISTOPHER MOKGWARE**  
BOARD CHAIRPERSON

### **Dear Members,**

On behalf of the DPF Board of Trustees, I present to you the 2020 financial year Annual Report.

2020 was a historically turbulent year globally. The world is a very different place from this time last year and we all continue to adjust and adapt to the effects of the COVID-19 pandemic. Sadly, during this period, we have lost colleagues and some have their loved ones, I therefore would like to extend my deepest sympathy to everyone who has suffered a loss due to COVID-19.

### **A Resilient and Strong Financial Performance**

The pandemic hit the global economy very hard with the Fund not spared in the first quarter of the year from the effects of COVID-19 and its resultant impact on global markets. Despite this challenge, the Board of Trustees and the Fund Management are pleased to report that once again our investment strategy has proven resilient during this very turbulent period. The Fund was able to deliver exceptional returns in 2021, achieving a new historical milestone of BWP 9.134 Billion Fund Value and a growth of 9.74 percent.

The Fund experienced a significant rally in investment performance in 2020, which was partially driven by the monetary and fiscal countercyclical initiatives instituted by governments and other central banks across the

globe. In particular, United States equities outperformed during the year on the backdrop of historical low interest rates and the USD 3 trillion fiscal support. The globe's second largest economy, China, was the only major economy to register positive economic output during the year, following strong pandemic controlling initiatives which strengthened domestic activity. The resurgence of industrial and manufacturing activity, travel and tourism in China has provided a numerous nations across the globe with a much needed template on how the challenges brought about by the pandemic can be overcome. We continued to see economies with strong fiscal positions and balance sheets outperform countries with poorer balance sheets, thereby creating a two tier global recovery path. Meanwhile, the economy of Botswana continued to face challenges of low demand for its commodities and tourism sites as a result of the pandemic thereby curtailing economic activity.

### **Governance**

COVID-19 presented many challenges, amongst those being the travel restrictions which resulted in the Fund deferring the Bi-annual due diligence trips to a time in which travel will be permissible. However, this has not stopped Fund Management to still carry out the necessary due diligence reviews on our assets managers

as it is important to ensure that Members Funds as well managed while all the necessary controls and in place.

Debswana Pension Fund has continued to tighten operational controls and risk management and delivered sound audit outcomes during the period under review. In addition, the Fund has remained a critical contributor to its key stakeholders and continued to strengthen its relationships and adhere to the regulatory requirements timeously.

I am delighted to welcome a new member to the Board, Mr Thabo Moepi, Member Elected Trustee, Jwaneng Constituency who took over from Ms Esther Palai following her term coming to an end. In the year, Member Elected Trustee Gaborone Constituency, Ms Legogang Kwape rendered her resignation. I wish to thank both Esther and Lebogang for their valuable contribution over their period of service to the Board.

### **2019-2023 Strategy**

The Board of Trustees continues to oversee the Fund's Transformational Strategy. The Board and Fund Management's goal is to ensure that we continue to enhance our product offering and continuously deliver exceptional service to our Members by driving offerings digitally and creating long term value for our Members.

### **Outlook**

As per custom, I believe that the Fund has demonstrated its resilience in the past year. Although we are not yet out of the woods, global economies are slowly recovering and the roll-out of COVID-19 vaccines is bringing about hope. This has been demonstrated in many economies such as United States of America and China. However, it will take time for the socio economic impacts of the pandemic to be behind us. The domestic economic and social environment also remains challenged. It is therefore important that we continue to be vigilant and agile by responding quickly and adapting to any future headwinds. We remain committed to deliver new milestones in the coming year.

I wish to thank all of our stakeholders including DPF Trustees, DPF Management and Staff and business partners for their determination and dedication to the Fund in the year.

Sincerely



**Christopher Mokgware**  
Board Chairperson







# CHIEF EXECUTIVE OFFICER'S REMARKS

**GOSEGO JANUARY**  
CHIEF EXECUTIVE OFFICER

## **Dear Members,**

Debswana Pension Funds main purpose is to ensure that we create wealth and provide comfortable retirement for our Members. Despite the challenging year of 2020 of the devastating global COVID-19 pandemic, I am pleased that we have been able to attain our desired mandate and deliver strong returns for our Members having grown the Fund's Asset Under Management (AUM) by 9.74 percent from BWP 8,400 billion to BWP 9,134 billion. Performance over the 12-month period, is predominantly attributed to accommodative monetary and fiscal policies, strong developed world balance sheets and an improved outlook for company earnings.

During this period of heightened uncertainty, the Fund continues to ensure that the asset managers appointed deliver to the expected levels. Further to this, the Fund has invested in a diversified and high yielding assets portfolio which have continued to drive strong investment returns for members.

### **Working from Home**

With the pandemic forcing countries into lockdown, Fund Management quickly prepared for the worst and ensured that all staff were quickly setup and able to effectively work from home and ensure that there were no interruptions to the operations of the

Fund once the country went into lockdown. I would like to applaud the Board and the DPF Team on their commitment during this period and that not only do we continue to deliver on our day to day objectives, but also achieve such great investment returns for our Members.

### **Strategic Focus**

Over the past couple of years, the Fund has been building and strengthening its Risk Management Framework as well as key strategies that should see the Fund transform and increase its product offering and ultimately derive and unlock value for Members. I am happy to report that the Board of Trustees have approved the 2019-2023 Transformation Strategic priorities and the Fund will be focusing on these in the coming year. Furthermore, I wish to thank the regulator for their continued support and assistance as we worked on the strategy.

### **Governance**

In 2020 the Fund went through several Internal and External Audits. The Fund has continued to deliver good audit outcomes and closed on identified audit findings. The Internal Controls and Risk Management have been tightened and reviewed to ensure that there



are no breaches or potential lapses especially as a result of the changed ways of working due to the COVID-19 pandemic. Governance has been an issue of discussion lately regarding pension funds, we as DPF are happy to report that we have not had any governance breaches.

### Enhanced Member communication

During the year, we have had to use alternative means of communication outside of face-to face meetings that we were accustomed to hosting. Instead we leveraged on digital technologies and hosted successful webinars across our Member portfolios. We leveraged on channels such as the Botswana Television where we presented on the BTV morning show as well as formed part of a panel discussion on "Molemo wa Kgang". Certainly for the Board of Trustees and Management Team it was even more important to keep our members abreast of the performance of the Fund as well as other Fund activities to allay any fears that our Members may have had around the performance of the Fund during these difficult times.

We have leveraged off our Social media platform to run various educational Campaigns such as the Benefits and Nominations Campaign, Additional Voluntary Contribution Campaign and driving understanding of the various member statements available through the member portal. The Fund has also rolled out the Mobile Member Portal to ensure that our members are able to access their Pension information and statements at

their fingertips enhancing and digitizing our services.

### Member Satisfaction Surveys

During the course of the year, Fund Management has worked hard in embedding the initiatives that we deemed necessary to improve on the overall Member Satisfaction. I am happy that our Member satisfaction rating has improved and achieved a score of 94%, an improvement of 18% from the previous year's score. We certainly are determined to continue to drive member satisfaction in all that we do.

I believe that the Fund is well poised to deliver great results in 2021. I am also cognisant of the uncertainties of both the domestic and global economies. Notwithstanding I believe that the Board of Trustees and my team will be able to navigate the storms and continue to take the Fund to greater heights. I wish to thank you our Members, for trusting us with your wealth and ask that you continue to keep safe from the pandemic.

Sincerely



**Gosego January**  
Chief Executive Officer







# TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2020



## CONSTITUTION OF THE FUND

The 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 the Debswana Pension Fund is to meet future benefit obligations to members as defined by the rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. DPF invests member funds across various asset classes mainly Property, Equities, Bonds, Cash and alternatives. 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 2020 registered 12,466 members comprising of 6 129 Active Members, 2031 Deferred Members and 4306 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.



## COMPLIANCE REPORT

### Governance Statement

#### I. Board of Trustees

According to the Retirement Funds Act, the fiduciary responsibility for the Fund rests with the Board of Trustees. The Fund is managed by the Trustees on behalf of the Members in accordance with the Fund Rules. The Trustees are elected in terms of the Fund Rules. Currently the DPF Board composition is as follows;

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

The Fund is committed to the attainment and preservation of high standards of corporate governance incorporating the principles of integrity, accountability, transparency and social responsibility and that is attained through optimum use of resources.

The Fund's Board of Trustees and its designated Committees performs the oversight function of corporate governance. In line with the Fund Rules,

the Board has delegated some responsibilities to the Committees to act on its behalf; however, the ultimate responsibility of the administration and management of the Fund still rests with the Board of Trustees. The Board has its own Board Charter that is reviewed every two years to ensure that it remains up to date and relevant.

The Committees, in the performance of their advisory and oversight function are guided by each Committee's well-structured terms of references.

Committee members address relevant issues and make recommendations to the Board for final approval. Board Committees function independently from each other and are provided with sufficient authority, resources, and assigned responsibilities in assisting the Board. The Board appoints Trustees to serve on each Committee depending on their areas of knowledge and skills to ensure that it takes advantage of the expertise of all the Trustees.

There are four main Committees. The Term of office for the Trustees is five years and the Trustees can be re-appointed for another five-year term. The Board of Trustees has embarked on a process of strengthening Fund governance and oversight.

## 2. Trustees List

	Principal Trustees	Representation
1	Christopher Mokgware (Chairperson)	Other Participating Employers* (De Beers Group Sightholder Sales)
2	Reobonye China Abel	Orapa, Letlhakane, Damtshaa, Constituency
3	Lebole Mpho Mokoto	Debswana Diamond Company
4	Lynette Armstrong	Debswana Diamond Company
5	Lebogang Sebopelo	Diamond Trading Company Botswana
6	Esther Palai (Term ended June 2020)	Jwaneng Constituency
7	Lebogang Kwapa (Resigned September 2020)	Gaborone Constituency
9	Lapologang Letshwenyo	Morupule Constituency
10	Claire Busetti	Independent Trustee
11	Potoko Bogopa (Appointed February 2020)	Pensioner
12	Thabo Moepi (Appointed November 2020)	Jwaneng Constituency

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

### 3. Board and Committee Membership (As at December 2020)

TRUSTEES	BOARD	INVESTMENT & FINANCE COMMITTEE	BENEFITS & COMMUNICATIONS COMMITTEE	AUDIT & RISK COMMITTEE	NOMS & REMUNERATIONS COMMITTEE	TOTAL NUMBER OF COMMITTEES
<b>MEMBERS</b>						
MR. CHRISTOPHER MOKGWARE (Other PE's)	Board Chairperson					0
MR. R CHINA ABEL (Orapa Constituency)	Deputy Chair (outgoing)		√	√		2
MS. LYNETTE ARMSTRONG		√		Chairperson		2
MR. LBOGANG SEBOPELO	√	√			√	2
MR. LAPOLOGANG LETSHWENYO (Morupule Constituency)	√	√	Chairperson	√		3
MS. LEBOLE MPHOKOTO	Deputy Chair (Appointed December 2020)	√	√		Chairperson	3
MR. POTOKO BOGOPA (Pensioner Trustee)	√		√		√	2
MS. CLAIRE BUSETTI (Independent Trustee)	√	Chairperson		√		2
MR. THABO MOEPI (Jwaneng Constituency)	√		√			2
<b>TOTAL MEMBERS</b>	<b>NINE</b>	<b>FIVE</b>	<b>FIVE</b>	<b>FOUR</b>	<b>FOUR</b>	
<b>VACANCIES</b>	<b>ONE</b>	<b>NIL</b>	<b>ONE</b>	<b>ONE</b>	<b>NIL</b>	

Currently the Fund has a vacancy in the Board of Trustees, Audit and Risk Committee and Benefits and Communications Committee.

#### 4. Board and Committee Meetings (Comparison Year 2019 and 2020)

In 2020 the Board of Trustees had in total seven (7) meetings which comprised of four (4) scheduled meetings and three (3) special meetings. The table below indicates the number of meetings held by both the Board and its Committees in 2019 compared to 2020.

		Planned Meetings	Special Meetings	Total	Planned Meetings	Special Meetings	Total
	Meetings	2019			2020		
1	Board of Trustees	4	1	5	4	3	7
2	Audit Committee	3	Nil	3	3	Nil	3
3	Investment Committee	4	Nil	4	4	1	5
4	Nominations Committee	2	Nil	3	3	Nil	3
5	Benefits & Communications	4	Nil	4	3	Nil	3

#### 5. Board Achievements in 2020

The Debswana Board of Trustees amongst other things managed to achieve the following in 2020;

##### a. Under Board achievements include;

- Reviewed and approved 2020 updated Balance Scorecard and 2020 Key performance Indications
- Annual Board Assessment conducted by an independent assessor; including completing the action items on scheduled time.
- Approval of pension increase of 4%.
- Grew the Fund by 9.74% to reach the market value of BWP 9.134 billion mark at the end of the year.
- Appointed PWC as the Funds External Auditors.
- Reviewed and approved Valuation Report; and
- Reviewed and approved Financial Statement
- Reviewed and approved the Funds Communication Plan.
- Reviewed and approved the Funds AML Framework.
- Approved the appointment of Banking Service provider.
- Reviewed and approved the Fund's Mission, Vision and Values.
- Reviewed and approved the Rates Manual, Rewards and Remunerations Policy, Performance Management Policy, Risk Management Policy, AML Policy, Foreign Exchange Policy and the Currency Management Framework; and
- Reviewed and approved the Committee's Terms of Reference.



#### **b. Appointment and/or election of Trustees**

- Following the end of term for Ms Esther Palai service as a Trustee the Jwaneng Constituency, which she represented, went for elections. Mr Thabo Moepi was the successful candidate and was subsequently vetted and approved to be appointed as a Trustee representing Jwaneng Constituency. He therefore joined the Board on the 5th November 2020; and
- Ms Lebogang Julia Kwapa who was a Trustee elect for the Gaborone constituency resigned from the DPF Board on the 25th September 2020. As per process elections were conducted and the Fund is in the process of finalising the appointment and recommendation to NBFIRA for the successful candidate to be vetted by NBFIRA.

#### **c. Investments and Finance Committee Mandate**

- Achieved all investment targets across the Fund's 3 Life Stage channels.
- Reviewed and approved Investment Policy Statement.
- Foreign Exchange Policy and the Currency Management Framework were reviewed and approved.
- Made investments that were aligned to the Strategic Asset Allocation; and
- Reviewed and monitored the Funds' overall performance and the performance of both local and offshore managers.

#### **d. Audit, and Risk Committee Mandate**

- Reviewed and approved the Fund Top Ten Risks quarterly during the year.
- Reviewed and approved the Funds 2019 Financial Statement.
- Recommended the successful appointment of PWC as the Funds' External Auditor.
- Reviewed and monitored the Funds' responses to internal and external audit findings; and
- Reviewed and recommended the approval of the Risk Management Policy and the AML Policy.

#### **e. Benefits and Communications Committee Mandate**

- Reviewed and approved Communications Policy and Plan; and
- Reviewed and approved Death Benefits Distribution quarterly.

#### **f. Nominations and Remunerations Mandate**

- Reviewed and recommended the Board Committee composition.
- Reviewed and approved Salary Increments and Staff Bonuses; and
- Reviewed and recommended to Board the approval of the Rates Manual, Rewards and Remunerations Policy, Performance Management Policy.

## 6. Fund Rules Amendments

The Fund Rules were amended to align with the Retirement Funds Act and the Income Tax Act. The Rules were reviewed and approved by NBFIRA and BURS and subsequently shared with our members through the Fund website,

## 7. Trustees Training

During the year 2020 the Fund Trustees did not attend scheduled trainings due to local and international travel restrictions, some training sessions were also cancelled as a result of the outbreak of the COVID-19 virus. However, 2 Trustees were able to attend virtual training on;

1. African Corporate Governance VIRTUAL Conference by Advantage Training

## 8. Audits

### Internal

In 2020 a total of two (2) audits were completed by the Internal Auditors and the following profile was issued:

1. Legal and Regulatory Compliance rated Good
2. Strategy and Business Development rated Good

Based on reviews and assessments completed for the year ended 2020 (12 months to December 2020), the internal controls of the Fund were found to be reasonably adequate, appropriate, and effective to provide reasonable assurance that risks are being managed appropriately and objectives should be met.

### External Audit

In 2020 there were no significant findings reported by the External Auditors.

## 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.

In 2020 the most significant risks which were identified, closely monitored and mitigated by Board and Management were;

1. Sub-optimal returns risk caused by low bond yields, high equity valuations, low global output, non-delivery of IP initiatives, Geo political events, Currency wars, depleting foreign reserves and EU/FATF Blacklisting.
2. Non Compliance to ESG requirements caused by poor governance by listed companies.
3. Increased Fund Administration cost caused by a highly fixed cost structure, operational Inefficiencies, inadequate planning, change in legislation, outsourcing of fund administration services.
4. Decreasing membership numbers due to transfer of deferred accounts to preservation fund caused by new legislation that requires Deferred Members to be managed under Preservation Fund and new legislation that allows deferred members who have being unemployed for a period over 1 year to cash up to 25% under Preservation Fund.
5. Business Disruption caused by the Fund not having a BCP.
6. Failure to meet SLA obligations by outsourced administrator caused by non-compliance of contractual obligations and inability to transition into a service led organization.
7. Non Compliance with the Regulatory Requirements on licensing to carry on retirement fund business (re-licensing of DPF under the new RFA) caused by Misinterpretation of regulations and limited compliance timelines.
8. Reputational damage caused by inadequate stakeholder engagement, public scandals involving both internal and external stakeholders, increased member and other stakeholder dissatisfaction and employee dissatisfaction.
9. Loss of Human Capital due to COVID-19 that may cause retrenchments or staff contracting the virus.
10. Failure by the Fund to meet its future liabilities if PEs were to cut contribution rate, retrench members e.t.c that may be lead by diamond market recession, PEs Policy Change (Pension vs. Gratuity, Insourcing Vs Outsourcing) and liquidation of an Employer (s)
11. Legal action brought by former DPF Employees that may lead to claim for retrenchment packages following separation of DPF and Mmila and the claim for bonus payment

## ADMINISTRATION REPORT

### MEMBERSHIP MOVEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

DESCRIPTION	Active Members	Deferred Members	Pensioners	Beneficiaries	Total
Numbers at beginning of period	6,284	2,080	4,008	83	12,455
Adjustments at data take on	0	0	0	0	0
Additions	126	65	277	4	472
Transfers in	0	4	0	0	4
Transfers out	0	(5)	0	0	(5)
Withdrawals (Dismissal, retrenchment, Resignation)	(71)	0	0	0	(71)
Retirements	(201)	(106)	0	0	(307)
Beneficiary Maxi Age				-6	
Deaths	(9)	(7)	(60)	0	(76)
<b>Numbers at end of period</b>	<b>6,129</b>	<b>2,031</b>	<b>4,225</b>	<b>81</b>	<b>12,466</b>

The Fund's total membership as at 31 December 2020 was 12466 compared to 12455 in 2019. There has been growth in membership of 0.09% (11 Members) in 2020.

The membership statistics for 2020 compared to 2019 are as follows;

	2020	2019	Difference	Comment
<b>Active</b>	6129	6284	(155)	Decrease
<b>Deferred</b>	2031	2080	(49)	Decrease
<b>Pensioners</b>	4306	4091	215	Increase
<b>Total</b>	<b>12466</b>	<b>12455</b>	<b>11</b>	

#### Active Members:

Debswana Diamond Company through voluntary separations registered 151 exits. The rest of the Participating employers remained conservative on their approach to recruitment of pensionable officers.

#### Deferred Members

The deferred members portfolio also declined mainly because majority deferred members who attain the age of 50 years opt for early retirement.



## Pensioners

Pensioner portfolio increased significantly because of voluntary separations experienced at Debswana Diamond Company. Those members who had attained retirement age opted for normal retirement.

### i. Membership per participating Employer

As at year end (December 2019) the active members per PEs were as follows:

Participating Employer	2019	2020	Diff
Debswana Diamond Company	5060	4897	(163)
Diamond Trading Company Botswana	385	385	0
Morupule Coal Mine	627	629	2
DeBeers Global Sightholder Sales	160	162	2
DeBeers Botswana Holdings	26	26	0
Debswana Pension Fund	26	30	4
Anglo Coal Botswana	0	0	0
<b>TOTAL</b>	<b>6284</b>	<b>6129</b>	<b>155</b>

- In 2020 Debswana Diamond Company membership numbers decreased by 163 pensionable officers.

### ii. Exits for the Period

In 2020 total of **BWP 511,783,272.79** was dis-invested on behalf of 460 members when compared to **BWP 339,111,876.50** on behalf of 404 members who exited the active portfolio using various exits mode; resignations, dismissals, retrenchments, deaths, retirements, transfers out and contributions refunds.

### iii. Contributions

All Participating Employers make contributions of 20% of pensionable earnings on behalf of their members. Total contributions received in 2020 amounted to **BWP 352,063,683** when compared to **BWP 328,113,648** in 2019. The increase is attributable to salary increases effected by the respective Participating Employers.

### iv. Transfers Out

Transfers-out in 2020 amounted to **BWP 2,171,819** compared to **BWP 18,677,232** in 2019. The decline is as a result of DPF having opened a preservation Fund through its subsidiary company Mmila.

## 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, the 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.

### a. ACTUARIAL REVIEW

#### i. Statement of the Actuary

Willies Towers Watson 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 2014 provides that Fund valuation may be performed once in three years as a maximum threshold, Debswana Pension Fund was valued by the Fund Actuaries; Willies Towers Watson in 2020 as it is in the best interest of the Fund to assess its financial position annually. The DPF considers valuation as a reasonable risk control measure considering inherent risks in the financial markets where the Fund invests members' money, as well as for an effective management of the annuity book. This cycle has been perpetuated for the financial year 2020, and the valuation report was presented for approval to the Board of Trustees at the June 2020 sitting, which was duly approved by the Trustees.

During the valuation period, which is the period between the 2019 valuation and the valuation for the period under review, the Fund was administered by the Mmila Fund Administrators 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 31 December 2020 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 funding levels of member liabilities by the Fund assets at 105.3%.

	Following Transfer 31 December 2020 (000)	Prior Transfer 31 Dec 2020 (000)	31 Dec 2019 (000)
<b>Fund Combined Position</b>			
<b>Fair value of assets</b>	9 013 808	9 013 808	8 344 934
<b>Actuarial liabilities</b>	8 562 090	8 562 090	7 962 825
<b>Surplus / (deficit)</b>	<b>451 178</b>	<b>452 554</b>	<b>382 109</b>
<b>Funding Level</b>	<b>105.3%</b>	<b>105.3%</b>	<b>104.8%</b>

The Fund's fair value of assets grew by 8.01% % from **BWP 8,344,934** to **BWP 9,014,642** in 2020.

#### a. Pension Increase

The Trustees awarded a **4.0 %** pension increase in 2019 and in 2020 the Trustees approved a pension increase of **2.2%** which effected on 1 July 2020. This was in line with the guideline formula adopted by the Fund for granting increases.

#### b. Allocation of investment returns

The below table indicates the 2020 net investment returns which were declared per portfolio;

NET RETURNS	INVESTMENT PORTFOLIO	CONSERVATIVE PORTFOLIO	Annuity Product	Fund	Inflation
2020 Annualised	9.265%	9.168%	9.288%	9.293%	2.200%

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

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
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%
<b>15 year annualised return (2006 – 2020)</b>	<b>12.77%</b>	<b>10.40%</b>	<b>11.89%</b>	<b>12.40%</b>	<b>6.25%</b>

### iii. Funding Levels

The Funding levels for the Fund in respect of Active, Deferred and Pensioners is as below:

	PORTFOLIO/ ACCOUNT	31 DECEMBER 2019	31 DECEMBER 2020
1	Active & Deferred	100.0%	100.0%
2	Pensioners	106.4%	107.6%
3	Contingency Reserve Accounts	2.9%	2.9%



There was generally an increase on the Funding levels when comparing the period under review to 2019, mainly under pensioner portfolio. The Fund however still remained in a sound financial condition as at 31 December 2020, as the value of the assets on the rest of the accounts are equal the liabilities of the respective account.

#### iv. 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 December 2020 these reserves were as follows;

	<b>Data Reserve Account</b>	<b>Processing Error Reserve Account</b>	<b>Expense Reserve Account</b>	<b>Solvency Reserve Account</b>
Maximum Allowable	5%	1.5%	No Limit	2.5%
Maximum Reference	Liabilities	Defined Contributions Liabilities	Future Expenses	Fund Assets
Actual Value	Nil	1.3%	N/A	1.97%
<b>Conclusion</b>	<b>Within Limit</b>	<b>Within Limit</b>	<b>Within Limit</b>	<b>Within Limit</b>

The reserve accounts are all within the prescribed limits.

#### v. Actuarial Certification Statement

The Fund Actuary certified that;

- a. The Fund remains in a sound financial condition at 31 December 2020 as the value of the value of assets within each account is equal to or exceed the liabilities of the respective account. This position should be reviewed at the next valuation.
- b. In their view the current provision for the future pension increases is sufficient under reasonable investment markets conditions to support future pension increases in line with inflation.
- c. As a defined contribution arrangement, the contributions required in terms of the Fund Rules meet the future service obligations in respect of the active members.
- d. The Strategic asset allocation represents a reasonable long-term investment strategy given the nature of the Fund liabilities. In particular, the assets allocations of the various investment channels are reasonable given the time horizon of each channel.
- e. The matching of the Fund asset against liabilities was in their opinion, adequate.

# COMMUNICATION REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2020

**Dear Members,**

## **I. 2020 Communication Report**

The following are the key communication projects completed in 2020 for external stakeholders;

1. Two editions of Bokamoso Newsletter (for members)
2. 2019 Annual Report
3. Three Business e-Briefs
4. Virtual Member Engagement initiatives  
BTV Morning Breakfast Show  
Molemo Wa Kgang
5. Virtual Active Member Engagement  
DTCB  
Debswana – Jwaneng Constituency  
Debswana – OLD M (Fair)
6. Two Social Media Campaigns  
Beneficiary Nomination  
DPF Retirement Options

## **2. 2020 Stakeholder Satisfaction Survey Report**

Debswana Pension Fund conducts annual satisfaction surveys on all its stakeholders as a means to measure the effectiveness of its operations for the year in review.

The Pension Administration company engaged is therefore tasked with the measurement of stakeholder satisfaction levels as part of the annual Fund communication plans.

### **2.1 Survey Objectives**

The Survey objectives are as follows;

- a. To evaluate the members' satisfaction with regard to services experienced in 2020
- b. To identify gaps in the Administrator's service delivery
- c. To obtain feedback and suggestions that can inform business improvement initiatives.
- d. To determine the success or lack thereof of new innovations implemented during 2020.
- e. To inform the Fund Balanced Scorecard and Individual Output agreements with performance scores for 2020 in the respective areas of business.

## 2.2 Targets and benchmarks vs performance

### a. Response Rate

DPF targets a response rate of 10% or better on the surveyed population for all surveys carried out. Member response rates have slightly increased by 1% in 2020 from previous year as depicted below.

Year	Total Surveyed Population	Total Responses	Response Rate	Previous Year	Growth/Decline
2018	12221	2005	16%	15%	1%
2019	12445	1239	10%	16%	-6%
2020	12 466	1312	11%	10%	1%

### b. Satisfaction levels

The Fund benchmarks its member and business partners satisfaction levels on customer satisfaction indexes reported by leading research institutions globally, particularly in the Finance and Insurance Sectors surveyed. The customer satisfaction benchmark used for 2020 was 78% whilst the business partner satisfaction benchmark used for the year under review was 77.3%.

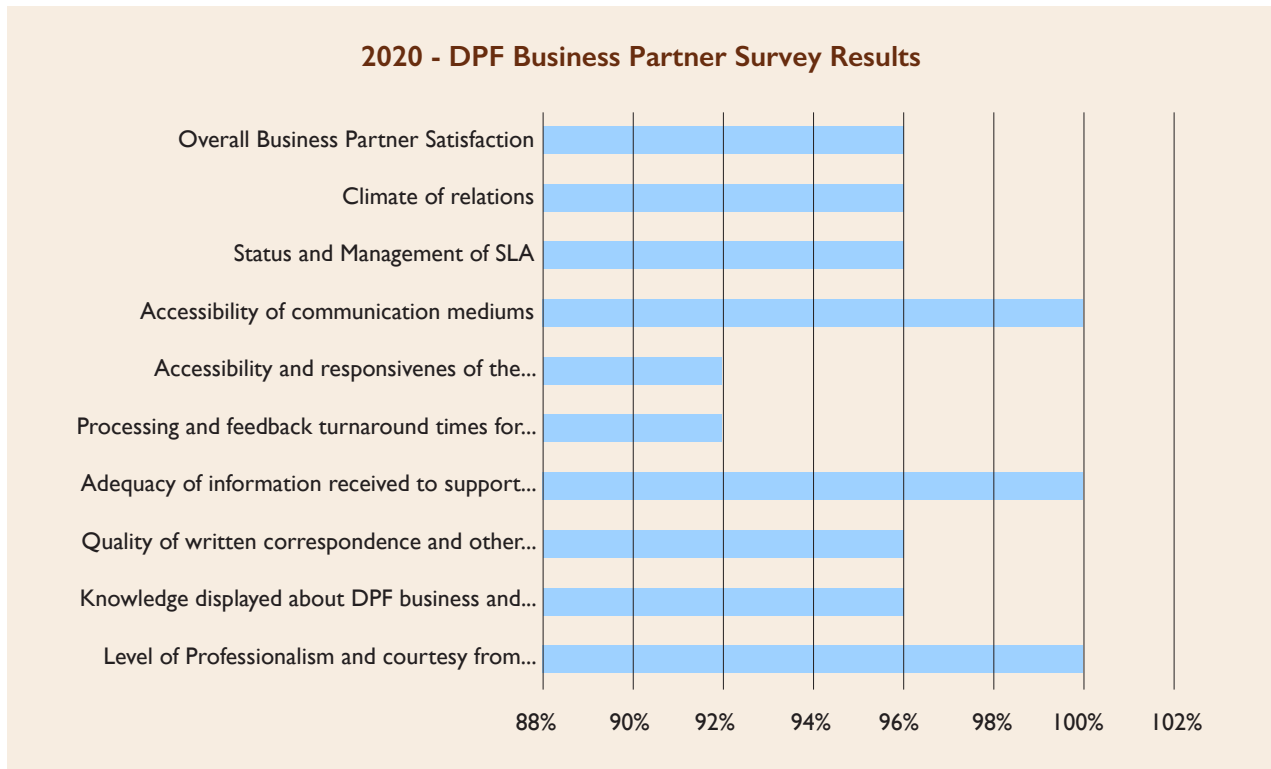
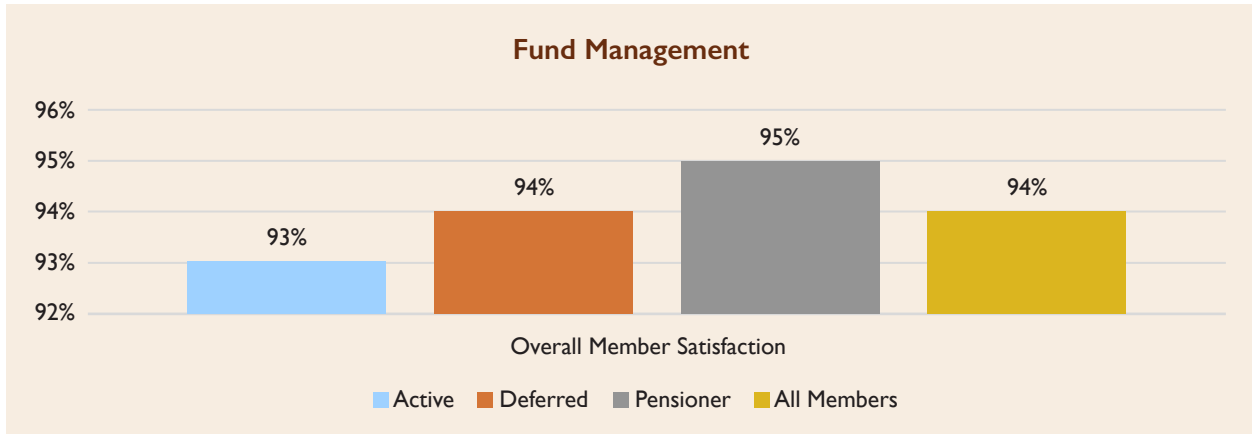
Below is the summary outcome of the 2020 Satisfaction survey results:

Survey	2018	2019	2020 Outcome	2020 DPF Scorecard Target	Global Benchmark
Member satisfaction	79.5%	75%	94%	78%	78%
Business Partners	87%	92%	96%	96%	77%

### c. Summary Results

Members and Business Partners are satisfied with DPF service in 2020.

**2020 Member Satisfaction Survey Results**





Summary of key learnings from the 2020 Stakeholder Satisfaction Survey

**a. Strengths**

- Relative to benchmark, Members and Business Partners are satisfied with Fund Management and have outperformed the targeted scores
- Pensioner members are the most responsive
- Despite the situation brought about by COVID-19, DPF members are satisfied with the alternative interactions that were implemented as dictated by the situation.

**b. Threats**

- Deferred members failed to reach the response rate of 10% for the second year running
- The numbers of Active members contacting the Administrator upon enrollment is low
- The numbers of all member portfolios contacting the Administrator for personal details update and or beneficiary nomination updates are low

**c. Opportunities**

- Active members prefer to receive email notices from the Fund. This is a fast and cost effective communication medium

**d. Challenges**

- Getting used to the new normal of doing things is still a challenge as only 67% of the members attended the virtual member engagements

- Pensioner members attribute lack of watching the TV shows that DPF appeared on incompatible timing and short notice

**3. Communication Policy Statement**

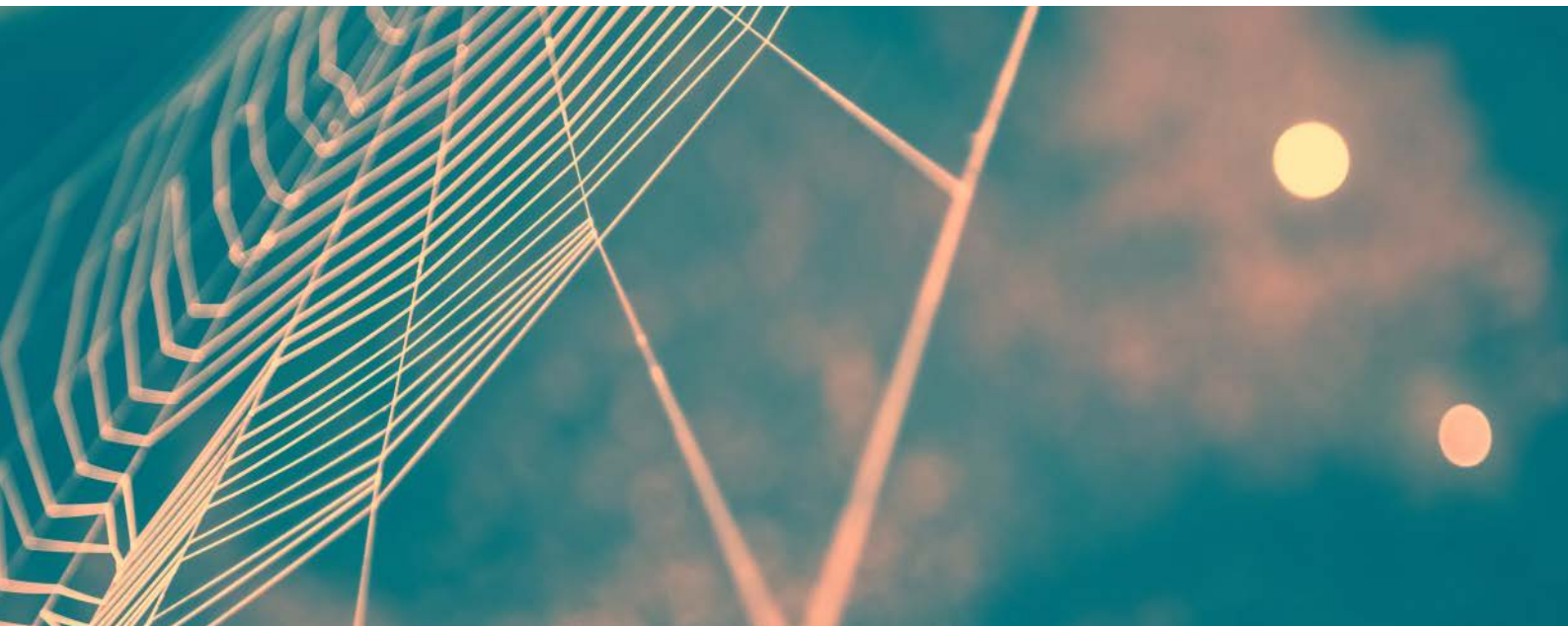
**a. Communication Policy overview**

The Communication Policy has been designed to meet the legislative communication requirements as well as meet the general Fund communication objectives. The Policy was reviewed in 2020 and updated to align with the Electronic Communications and Transactions Act of 2014 required provisions.

The Fund Communication Policy should be read in conjunction with the supporting Fund Communication Strategy, Annual Communication Plans and other Communication Policies approved by the Board.

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

The communication tools we use will incorporate our existing communication channels for efficiency. The tools we use may adapt as we receive feedback from each of audiences.



## Fund Communication Matrix

This matrix outlines the current communication channels, their target audience and frequency. The tools we will use for each of our audiences are outlined below:

Communication Medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
<b>Print/Paper Based</b>										
Bokamoso Newsletter	Fund Communication & Member Education	√	√	√	√	√	√	√	Two per annum	Ongoing
Abridged Annual Report & Financial Statements	Fund Communication	X	√	√	X	X	√	X	Once a year	Ongoing
Fund Book of Rules	Member Education	√	√	√	√	√	√	√	Once off	As per rules change
Active & Deferred Members Guide	Member Education	√	√	X	X	X	√	X	Once off	On a need basis
Pensioners Guide	Member Education	X	X	√	X	X	√	X	Once off	On a need basis
Death Benefits Payment Policy & Guide	Member Education	√	√	√	√	X	√	X	Once off	On a need basis
Funeral Advance Cover guide	Member Education	√	√	√	√	X	√	X	Once off	On a need basis
AVC & Retirement Planning Guide	Member Education	√	√	X	X	X	√	X	Once off	On a need basis
Fund Profile	Fund Communication	√	√	√	√	√	√	√	Once off	On a need basis
Pension Projection Statements	Fund Communication	√	√	X	X	X	√	X	Bi-annually	Bi-annually
Annual Benefit Statements	Fund Communication	√	√	X	X	X	√	X	Once a year	Annually
Pension Annuity Pay Slips	Fund Communication	X	X	√	X	X	√	X	Twice a year	Annually
Letter Correspondences	Fund Communication	√	√	√	X	X	X	X	Ongoing	Ongoing
Newspaper advertorials & Press Releases (new)	Public Relations /Reputation Management	√	√	√	√	√	√	√	Ongoing	On a need basis

## Fund Communication Matrix

Communication Medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
<b>Digital/Electronic media</b>										
Fund Website (www.dpf.co.bw)										
Fund Communication	√	√	√	√	√	√	√	Ongoing	monthly	
Member Portal ( <a href="https://portal.mmila.co.bw/">https://portal.mmila.co.bw/</a> )	Fund Communication	√	√	√	×	×	√	×	Ongoing	monthly
Bokamoso Newsletter (electronic)	Fund Communication & Member Education	√	√	√	×	×	√	×	two times a year	Annually
Business e-Brief (electronic)	Fund Communication	√	√	√	√	×	√	×	quarterly	Annually
Email notices & updates	Fund Communication	√	√	√	√	×	√	×	Ongoing	Ongoing
Social Media (Facebook & Twitter)	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
<b>Virtual Communication</b>										
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' Conference	Stakeholder Engagement	×	×	√	×	×	√	×	Once a year	Annually
Active & Deferred Member's Finance Fairs (new)	Member Education	√	√	×	×	×	√	×	once a year	Annually

# INVESTMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2020

## 2020 DPF Investment Performance Review

During the year ended December 31, 2020, the Debswana Pension Fund increased 9.47 percent (net) to BWP9,134 billion, eclipsing the BWP 9 billion milestone. The advent of COVID-19 as a global pandemic during the first quarter of the year led to a material drop in assets from BWP8,400 billion as at December 31, 2019 to BWP7.782 billion as at March 31, 2020. Since March 31, 2020 offshore asset classes have demonstrated a strong recovery, partially driven by strong fiscal balance sheets in major economies. Global equities returned 17.46 percent as markets were supported by accommodative monetary and fiscal policy instituted by major economies. American Century outperformed all global equity managers and generated returns of 26.41 percent. Global equity managers outperformed the benchmark returning net of the following fees namely; Orbis (23.89 percent),

Walter Scott (20.96 percent), Veritas (15.01 percent), State Street (17.46) percent). South Eastern was the least performing global equity manager at 5.01 percent.

In a year characterized by episodes of risk aversion, the Barclays Global Bond Index increased 10.85 percent. The fixed income mandate allocation to PIMCO outperformed the benchmark by returning 12.5 percent net of fees.

The Domestic Companies Index (DCI) declined 3.64 percent on a total return basis for the year ended December 31, 2020. During the same period the Fleming Aggregate Bond Index returned 1.63 percent while local cash returned 0.07 percent.



## 2020 DPF Investment Performance Review (Continued)

### Global Asset Classes vs Local Asset Classes 2020

In 2020, Global Asset Classes outperformed local asset classes thereby continuing their outperformance over domestic asset classes. In the period leading to the fourth quarter Global Asset classes experiencing strong growth, as a supportive monetary and fiscal policy

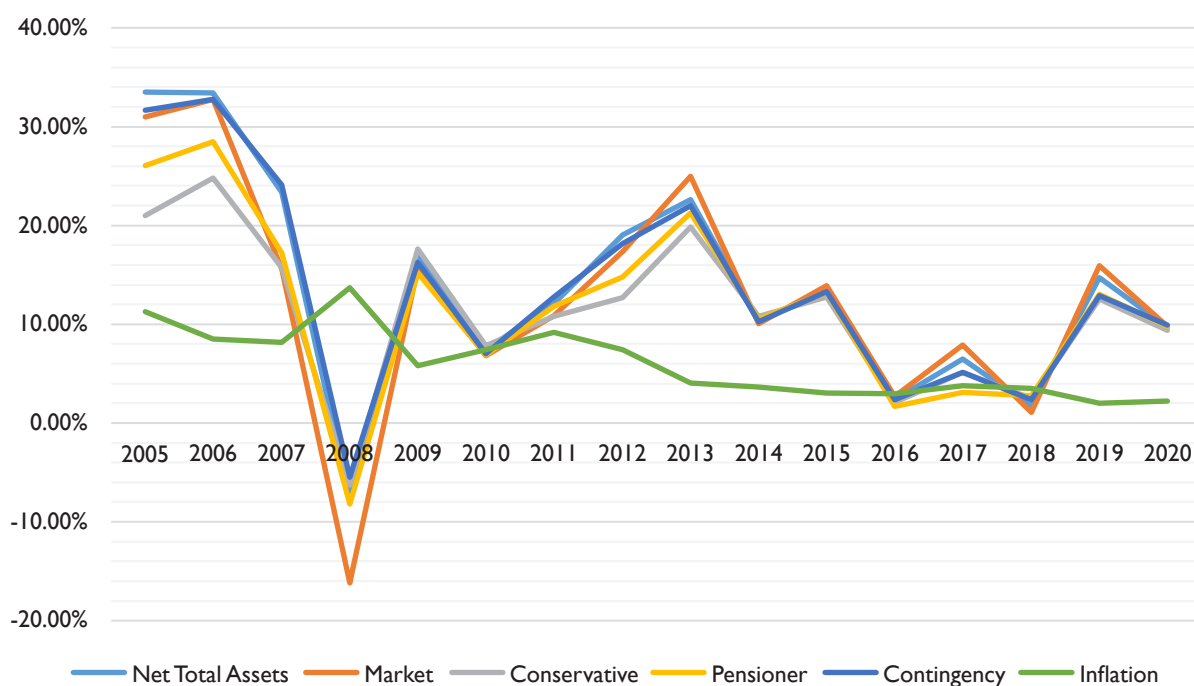
stimuli helped advance major economies and their listed companies. A major key difference stems from the balance sheets of developed versus developing countries, whereby richer economies have a greater and advanced capacity of supporting their economies.

### Strategic Asset Allocation and Manager share of Fund as at December 31, 2020.

For the year ended December 31, 2020 the Fund had an allocation of P4.185 billion equivalent to 46.0 percent in Botswana domestic assets and P 4.917 billion equivalent to 54.0 percent invested in international assets. Offshore investments for the Fund have remain overweight the Strategic Asset Allocation over the past several years due to the historical outperformance of foreign asset classes, particularly US based assets.

Figure I illustrates the Market Channel, Conservative Channel, Pensioner Channel and Aggregate Fund returns since 2004. In particular, returns in 2020 increased due to several factors such as the countercyclical measures of fiscal and monetary expansion by central banks across the globe aimed at offsetting the debilitating economic effects of the Covid-19 pandemic. Global economic performance remained uneven, with structural challenges affecting both developed and emerging market economies.

Figure I: 2020 Investment Return History



## 2020 DPF Investment Performance Review (Continued)

Fund	12 Month	36 Month	60 Month	Since Inception (Aug 2004)
Market	9.77%	9.04%	7.6%	12.00%
Conservative	9.36%	8.55%	6.53%	11.09%
Pensioner	9.80%	8.97%	6.3%	11.47%
Contingency	9.91%	8.69%	6.68%	13.07%
Fund	9.74%	9.04%	7.17%	13.32%

Inflation 2.20%

### i) Market Portfolio Performance

The Market Portfolio performance for 2020 returned 9.77 percent. The Market Portfolio has achieved a return of 12.00 percent since inception of the life stage model.

### ii) Conservative Portfolio Performance

For the year ending December 31, 2020 the Conservative Portfolio had a net return 9.36 percent and 11.09 percent since inception.

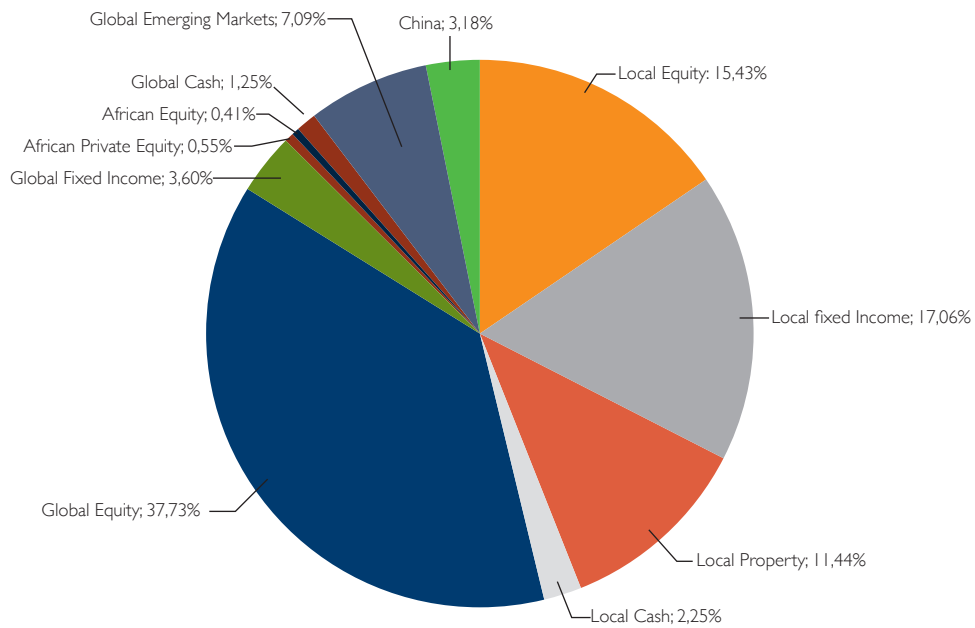
### iii) Pensioner Portfolio Performance

The Pensioner Portfolio performance for the year ended December 31, 2020 returned 9.8 percent and 11.47 percent since inception.

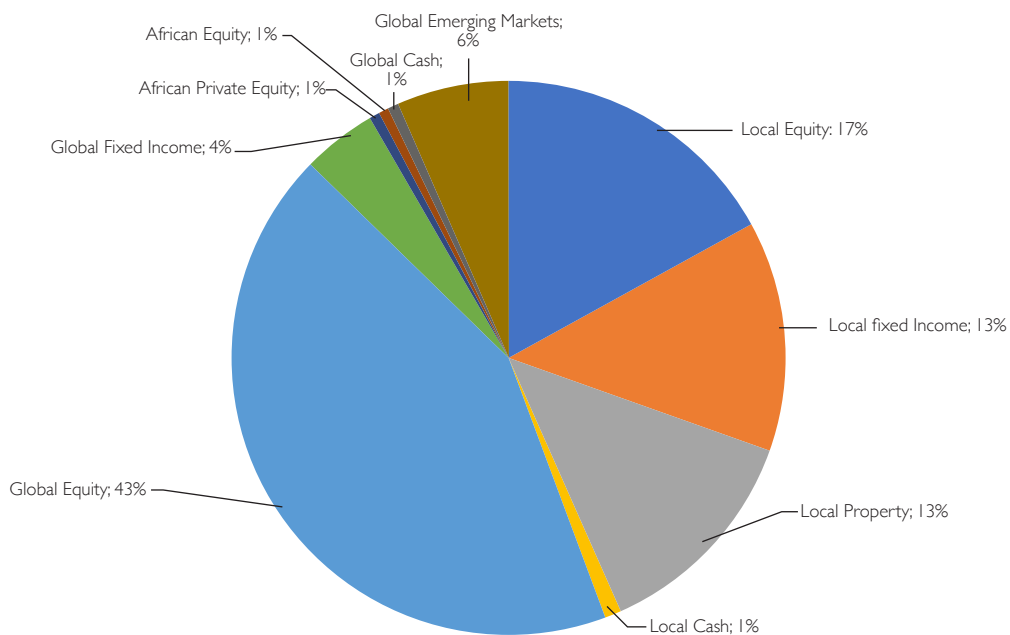
## 2020 Investment Policy Asset Allocation

Empirical evidence indicates that the performance of pension funds is predominantly driven by Strategic Asset Allocation and the Investment Policy.

**ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2020**

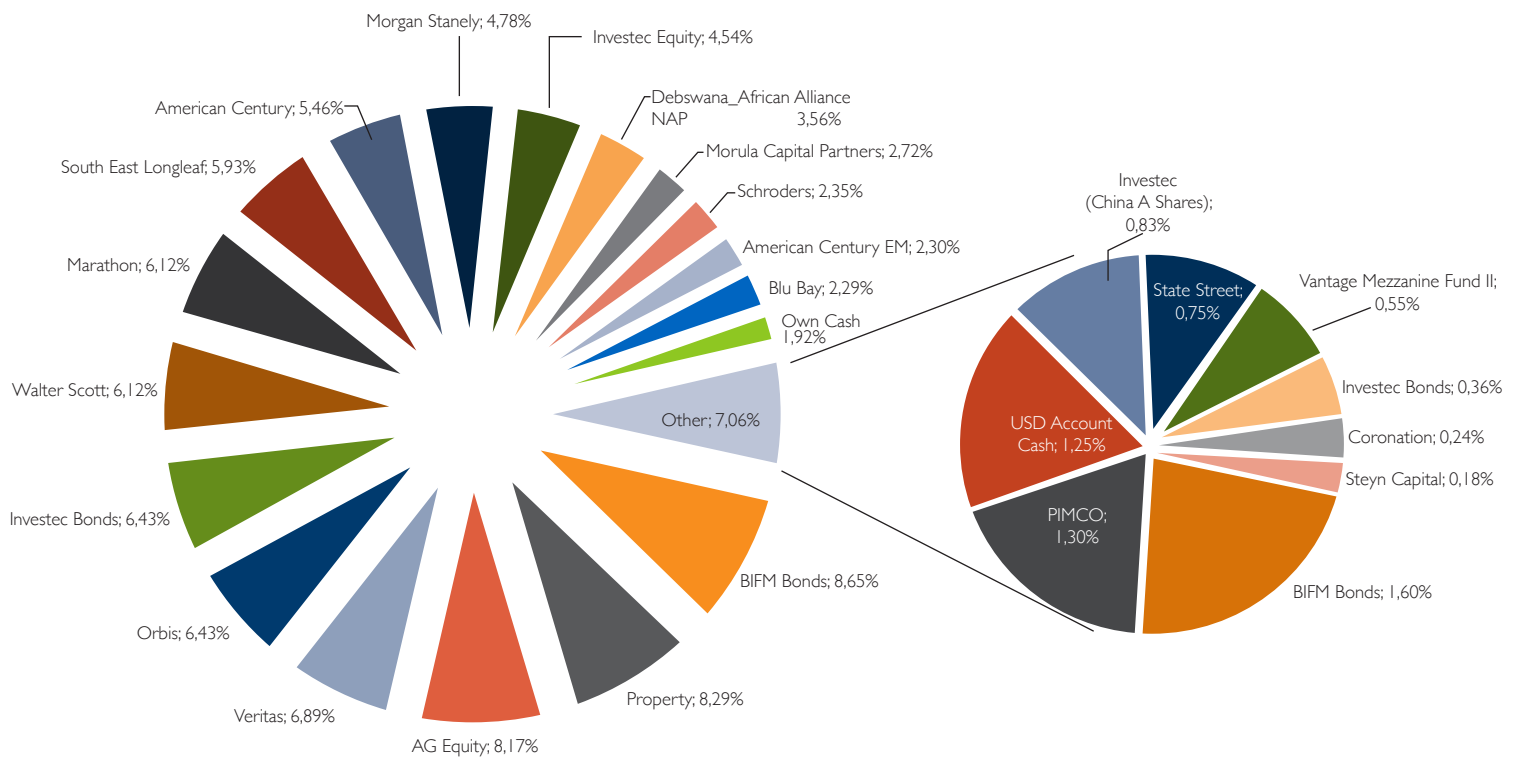


**ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2019**



**2020 Investment Policy Asset Allocation (Continued)**

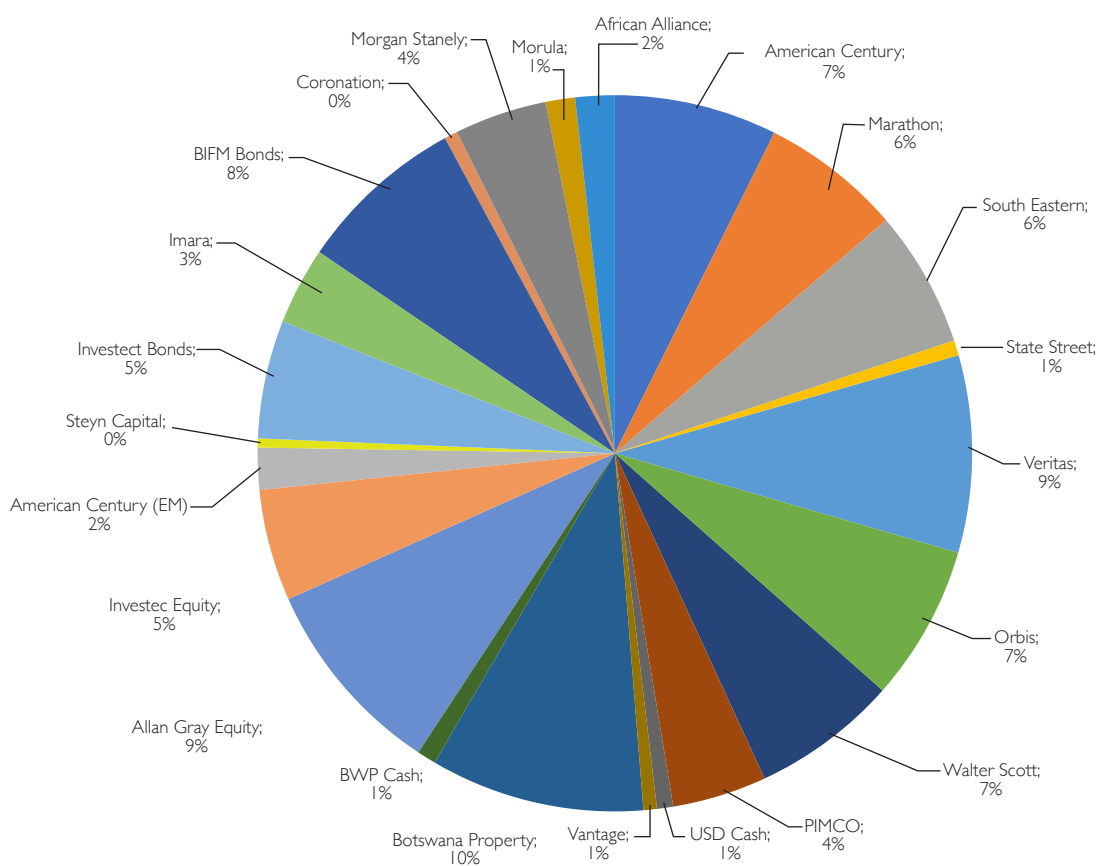
**MANAGER WEIGHTS AS AT 31 DECEMBER 2020**





**2020 Investment Policy Asset Allocation (Continued)**

**MANAGER WEIGHTS AS AT 31 DECEMBER 2020**



## 2020 Investment Policy Asset Allocation

Manager	31 Dec - 2020	31 Dec - 2019
American Century	499,189,836.00	615,635,200.00
Marathon International Equity	559,524,375.00	535,644,478.00
South-Eastern	542,554,475.00	516,628,596.00
State Street	68,509,356.00	58,506,819.00
Veritas International Equity	629,772,664.00	739,323,615.00
Orbis International Equity	588,376,558.00	592,076,166.00
Walter Scott International Equity	560,204,168.00	550,484,650.00
Coronation	21,614,658.00	23,154,245.00
Steyn Capital	16,028,902.00	18,861,046.00
Morgan Stanley	437,169,785.00	375,523,299.00
American Century (EM)	210,504,660.00	163,931,813.00
Schroders (China)	214,556,686.00	-
Ninety One (China)	75,850,118.00	-
PIMCO International Bonds	119,311,374.00	360,934,764.00
Blue Bay Funds	209,471,926.00	-
USD Cash	114,492,603.00	56,426,149.00
Vantage Mezzanine	50,308,108.00	58,866,811.00
Directly Owned-New Africa Properties Limited	280,763,597.00	283,358,396.00
Property	729,600,178.00	758,432,299.00
Allan Gray Equity	671,616,643.00	630,943,645.00
Ninety One Equity	316,269,666.00	-
Investec Equity	-	345,222,091.00
African Alliance Equity	-	118,729,045.00
Morula Capital Equity	211,975,467.00	-
Morula Capital Partners	-	88,568,061.00
Ninety One Bonds	587,977,474.00	-
Investec Bonds	-	355,262,581.00
BIFM Bonds	791,610,032.00	593,237,065.00
Allan Gray Botswana (Proprietary) Limited	7,100,260.00	7,109,442.00
Own Cash	588,475,442.00	499,276,412.00
<b>Total AUM</b>	<b>9,102,829,011</b>	<b>8,346,136,688</b>

## 2020 Strategic Developments

The Fund reviewed its Investment Policy in 2019 and the Strategic Asset Allocation continued to include assets such as African Equity, while adding Emerging Market Debt, China A- Shares as an asset class and Foreign Property. In the absence of domestic inflation linked bonds, allocation to South African Inflation Linked Bonds remained excluded.

The 2019 Strategic Asset Allocation is expected generate the following performance targets over a 5 year rolling period:

Inflation + 4.71% - Market Channel

Inflation + 4.20% - Conservative Channel

Inflation + 4.11% - 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	14.00%	19.00%	24.00%	9.00%	15.00%	20.00%	5.00%	11.00%	17.00%
Botswana Cash	0.00%	0.00%	15.00%	0.00%	1.00%	14.00%	0.00%	1.00%	13.00%
Botswana Bonds	7.50%	12.50%	17.50%	18.00%	23.00%	28.00%	15.00%	25.00%	35.00%
Botswana ILB	0.00%	0.00%	5.00%	0.00%	0.00%	8.00%	0.00%	0.00%	10.00%
Botswana Property	7.5%	12.50%	27.5%	5.00%	15.00%	25.00%	5.00%	16.00%	25.00%
Foreign Equity	22.00%	37.00%	42.00%	24.50%	32.00%	34.5%	21.00%	32.00%	36.00%
EM Equity	0.00%	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%	5.00%	0.00%	2.00%	5.00%	0.00%	2.00%	5.00%
Foreign Cash	0.00%	0.00%	2.50%	0.00%	0.00%	2.50%	0.00%	0.00%	2.50%
Africa Equity	0.00%	3.00%	7.50%	0.00%	2.00%	7.50%	0.00%	2.00%	7.00%
China	0.00%	3.00%	5.00%	0.00%	2.00%	5.00%	0.00%	2.00%	5.00%
<b>Total</b>		<b>100.00%</b>			<b>100.00%</b>			<b>100.00%</b>	

## Board review of Investment and Dis-Investment Decisions

The Fund successfully completed the transition of offshore assets to new managers in 2020. Ninety One and Schroders were funded the China A Share allocation in April 2020 while the Blue Bay Emerging Market Hard Currency Bond allocation completed in May 2020. The CBRE allocation was delayed by the requirement for the appointment of a global custodian, which has been successfully completed.

The allocation of domestic shares to IPRO Botswana was completed in November 2020.







DEBSWANA PENSION FUND  
**FINANCIALS  
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER, 2020

## GENERAL INFORMATION

Country of incorporation and domicile	Botswana	
Trustees	Designation	
	Christopher Mokgware	Chairperson
	Reobonye China Abel	Principal Trustee
	Lynette Armstrong	Principal Trustee
	Lebogang Sebopelo	Principal Trustee
	Esther Palai	Principal Trustee
	Lebogang Kwapa	Principal Trustee
	Mpho Lebole Mokoto	Principal Trustee
	Lapologang Letshwenyo	Principal Trustee
	Claire Busetti	Independent Trustee
	Gosego January	Chief Executive Officer
Registered office	Plot 1188 – 1196, 1845 Debswana House, Main Mall Gaborone Botswana	
Business address	Main Mall, Debswana House 5th Floor Gaborone Botswana	
Postal address	Private Bag 00512 Gaborone	
Bankers	ABSA Bank Botswana Limited	
Auditors	Price Waterhouse Coopers Fairgrounds, Gaborone Gaborone, Botswana P O Box 778 Gaborone	
Custodian	Stanbic Bank Botswana Limited	
Investment Consultants	Riscura Consulting Services (Proprietary) Limited	
Actuaries	Tower 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	



## GENERAL INFORMATION

### Offshore Investment Managers

American Century Emerging Markets  
American Century Global Growth  
BlueBay Asset Management  
Coronation Asset Management (Proprietary) Limited  
Marathon Asset Management Limited  
Morgan Stanley Investments Management Limited  
Ninetyone UK Limited  
Orbis Investment Management Limited  
PIMCO Funds  
Schroder Investment Management Limited  
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



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# Trustees' Responsibilities and Approval of the Financial Statements

## Trustees' responsibilities for the financial statements

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 assets available for benefits as at 31 December 2020, and the statement of changes in net assets available for benefits, statement of changes in members' funds and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards ("IFRS").

The members of the board of trustees are required by the Retirement Funds Act 2014 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and the related financial information included in this report. It is their responsibility to ensure that the 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 auditors are engaged to express an independent opinion on the financial statements and their unmodified report is presented on pages 62-66.

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

The 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 board of trustees to meet these responsibilities, the board of trustees sets 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. Uncertainties related to Covid-19 pandemic have been disclosed in note 26 of the financial statements.

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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

## Trustees' approval of the financial statements

The financial statements set out on pages 67 to 110, which have been prepared on the going concern basis, were authorised for issue by the board of trustees on 31 May 2021 and were signed on their behalf by:

Approval of financial statements



Chairperson-Board of trustees



Chairperson-Audit and Risk Committee





## INDEPENDENT AUDITOR'S REPORT

To the members of Debswana Pension Fund

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### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund (the "Fund") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **What we have audited**

Debswana Pension Fund's financial statements set out on pages 67 to 110 which comprise:

- the statement of assets available for benefits as at 31 December 2020 ;
- the statement of changes in net assets available for benefits for the year then ended;
- the statement of changes in members' funds and reserves for the year then ended;
- the statement of cash flows for the year then ended;
- significant accounting policies; and
- notes to the financial statements.

---

### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Fund in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

---

### *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.

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T: (267) 370 9700, [www.pwc.com/bw](http://www.pwc.com/bw)

Country Senior Partner: B D Phirie  
Partners: R Binedell, A S Edirisinghe, L Mahesan, I Molebatsi, S K Wijesena

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment property</i></p> <p>The Fund accounts for investment property at fair value and the carrying value as at 31 December 2020 was P390 670 860.</p> <p>Investment Properties were valued at fair value as at the reporting date using the income capitalisation method.</p> <p>The Fund’s valuation of the portfolio of properties was based on valuations carried out by independent valuers.</p> <p>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:</p> <ul style="list-style-type: none"> <li>● net market rent</li> <li>● average market rental growth</li> <li>● capitalisation rate</li> </ul> <p>We considered the valuation of investment property to be a matter of most significance to the current year audit due to the nature of assumptions applied by the Fund in determining the fair values and the magnitude of the carry value.</p> <p>The disclosure associated with investment properties is set out in the financial statements as follows:</p> <ul style="list-style-type: none"> <li>● Significant accounting policies - “1.9 Investment Property”;</li> <li>● Significant accounting policies - “1.15 Key sources of estimation uncertainty”;</li> <li>● Notes to the financial statements - “9 Investment Property”;</li> <li>● Notes to the financial statements - “19 Financial risk management (Market sensitivity analysis)”;</li> <li>● Notes to the financial statements “20 Interest in property partnerships”;</li> </ul>	<p>In respect of the Fund’s independent valuers (the “Valuers”), we performed the following procedures:</p> <ul style="list-style-type: none"> <li>● Inspected the Valuers’ valuation reports for statements of independence and compliance with generally accepted valuation standards, as well as for confirmation of the Valuers’ affiliation with the relevant professional body.</li> <li>● Inspected the Valuers’ professional certifications and curricula vitae, which list their experience in the industry. Based on our procedures performed, we noted no matters requiring further consideration.</li> <li>● Evaluated whether there are any matters that might have affected the Valuers’ objectivity or may have imposed scope limitations upon the work performed by the Valuers by obtaining written confirmation from the Valuers that: <ul style="list-style-type: none"> <li>● all professional staff involved in the valuation process are in good standing with relevant professional bodies;</li> <li>● they are free from any direct or indirect financial interest in the Fund;</li> <li>● the Fund did not place any restrictions on the valuation process; and</li> <li>● they are not aware of any information relevant to the valuation which had been withheld by the Fund.</li> </ul> </li> </ul> <p>Based on our procedures performed, we noted no matters requiring further consideration.</p> <p>We assessed the appropriateness of the valuation methodologies used by the Valuers against the requirements of IFRS 13 - Fair value measurement and industry practice. Based on our procedures performed, we accepted the valuation methodology used by the Valuers.</p> <p>We compared data inputs used in the independent valuations for a sample of investment properties, including net cash flows, to relevant documentation (such as tenancy schedules, rental agreements, business plans and historical income statements). The data inputs used in the independent valuations were found to be consistent with such supporting information.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investments in associates and subsidiary</b></p> <p>The Fund accounts for investment in associates and subsidiaries at fair value and the carrying value as at 31 December 2020 was P338 387 000.</p> <p>The Fund accounts for these investments based on valuations carried out by independent valuers using the income capitalisation method.</p> <p>Judgement is exercised to determine the fair value of investments in associates and subsidiary, especially with respect to the determination of appropriate capitalisation rates and maintainable income.</p> <p>We considered the valuation of investments in associates and subsidiary to be a matter of most significance to the current year audit due to the nature of assumptions applied by the Fund in determining the fair values, as well as the magnitude of the balances.</p> <p>The disclosures associated with investments in associates and subsidiary is set out in the financial statements as follows:</p> <ul style="list-style-type: none"> <li>• Significant accounting policies - “1.8 Investment in associates and subsidiary”;</li> <li>• Significant accounting policies “ 1.15 Key sources of estimation uncertainty”;</li> <li>• Notes to the financial statements - “8 Investment in associate and subsidiary”;</li> <li>• Notes to the financial statements - “19 Financial risk management (Market sensitivity analysis)”</li> </ul>	<p>For a sample of investment properties, we compared capitalisation rates utilised by the Valuers to rates utilised in valuation of comparable properties based on our experience, and rates used in historical valuations for the same properties. Based on our procedures, we accepted the capitalisation rates used by the Fund.</p> <p>For a sample of investment properties, we compared the fair value recorded in the accounting records to the external valuation reports and found no exceptions.</p>
<p><b>Valuation of investments in associates and subsidiary</b></p> <p>The Fund accounts for investment in associates and subsidiaries at fair value and the carrying value as at 31 December 2020 was P338 387 000.</p> <p>The Fund accounts for these investments based on valuations carried out by independent valuers using the income capitalisation method.</p> <p>Judgement is exercised to determine the fair value of investments in associates and subsidiary, especially with respect to the determination of appropriate capitalisation rates and maintainable income.</p> <p>We considered the valuation of investments in associates and subsidiary to be a matter of most significance to the current year audit due to the nature of assumptions applied by the Fund in determining the fair values, as well as the magnitude of the balances.</p> <p>The disclosures associated with investments in associates and subsidiary is set out in the financial statements as follows:</p> <ul style="list-style-type: none"> <li>• Significant accounting policies - “1.8 Investment in associates and subsidiary”;</li> <li>• Significant accounting policies “ 1.15 Key sources of estimation uncertainty”;</li> <li>• Notes to the financial statements - “8 Investment in associate and subsidiary”;</li> <li>• Notes to the financial statements - “19 Financial risk management (Market sensitivity analysis)”</li> </ul>	<p>In respect of the Fund’s independent valuers (the “Valuers”), we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Inspected the Valuers’ professional certifications and curricula vitae, which list their experience in the industry. Based on our procedures performed, we noted no matters requiring further consideration;</li> <li>• Evaluated whether there are any matters that might have affected the Valuers’ objectivity or may have imposed scope limitations upon the work performed by the Valuers by obtaining written confirmation from the Valuers that: <ul style="list-style-type: none"> <li>• all professional staff involved in the valuation process are in good standing with relevant professional bodies;</li> <li>• they are free from any direct or indirect financial interest in the Fund;</li> <li>• the Fund did not place any restrictions on the valuation process; and</li> <li>• they are not aware of any information relevant to the valuation which had been withheld by the Fund.</li> </ul> </li> </ul> <p>Based on our procedures performed, we noted no matter requiring further consideration.</p> <p>Involved our internal valuation specialists to evaluate the appropriateness of the valuation models and capitalisation rates used by the Fund’s experts for a sample of valuations. We found the valuation models used by the Valuers to be appropriate and found the capitalisation rates used to be within an acceptable range.</p>



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<p>For a sample of valuations, we compared the maintainable earnings projections used for the valuation against the associates' most recent financial statements and found these to be reasonable.</p> <p>For a sample of valuations, using our independently determined capitalisation rates, we determined the fair value and compared against the values accounted for by the Fund in the financial statements. Our tests did not identify any significant differences.</p> <p>Compared the fair value recorded in the accounting records to the external valuation reports for all investments in associates and subsidiary and found no material exceptions.</p>

***Other information***

The Trustees are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Debswana Pension Fund Financial Statements for the year ended 31 December 2020". 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 that we 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

### *Auditor's responsibilities for the audit of the financial statements*

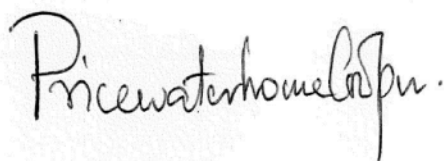
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

We communicate with those charged with governance 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.

From the matters communicated with those charged with governance, 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.



**Individual Practicing Member: Lalithkumar Mahesan**  
**Registration Number:20030046**

**Gaborone**  
**31 May 2021**



### Statement of Changes in Net Assets Available for Benefits

Figures in Pula	Note(s)	2020	2019
<b>Revenue</b>			
Contributions	3	352 063 683	328 113 648
Net transfers from/(to) other funds	4	5 637 493	(5 668 600)
		<b>357 701 176</b>	<b>322 445 048</b>
<b>Net investment income</b>			
Dividend income		82 600 842	102 294 624
Interest income		77 115 598	62 009 640
Net rental income	5	26 444 724	21 274 327
Share of profits from private equity loan investment		-	20 551 616
Other income		141 746	125 000
		<b>186 302 910</b>	<b>206 255 207</b>
<b>Total revenue</b>		<b>544 004 086</b>	<b>528 700 255</b>
<b>(Losses)/gains on investments</b>			
Losses on disposal of financial assets at fair value through profit and loss		(37 537 580)	(7 780 406)
Unrealised foreign exchange gains/(losses) on financial assets		304 527 516	(44 647 582)
Unrealised fair value gains on financial assets		319 704 886	914 543 530
Net unrealised gains on fair valuation of investment properties	9	119 681	19 061 779
Fair value (losses)/gains from associates and subsidiary	8	(30 067 000)	66 683 000
		<b>556 747 503</b>	<b>947 860 321</b>
<b>Expenditure</b>			
<b>Benefits payable</b>			
Benefits on withdrawal and death		(23 411 438)	(33 536 927)
Pensions to retired members		(175 619 891)	(164 662 962)
Pensioners' death benefits		(2 642 128)	(693 956)
Lump sums on retirement		(150 610 539)	(89 858 563)
		<b>(352 283 996)</b>	<b>(288 752 408)</b>
<b>Fund expenses</b>			
Administrative expenses	6	(37 652 310)	(33 873 759)
Impairment of sundry debtors		2 261 376	651 549
Onshore investment management fees		(12 493 173)	(11 126 923)
Offshore investment management fees		(31 030 406)	(31 148 277)
Depreciation of plant and equipment	7	(266 360)	(278 934)
Amortisation and impairment of intangible assets		-	(1 477 940)
		<b>(79 180 873)</b>	<b>(77 254 284)</b>
<b>Surplus for the year</b>		<b>669 286 720</b>	<b>1 110 553 884</b>

## Statement of Assets Available for Benefits

Figures in Pula	Note(s)	2020	2019
<b>Assets</b>			
Plant and equipment	7	634 563	681 259
Investments in associates and subsidiary	8	338 387 000	368 454 000
Investment property	9	390 670 860	389 375 299
Financial assets at FVTPL	10	7 670 260 789	7 032 001 827
Financial assets at amortized cost	11	542 318	603 000
Other receivables at amortized cost	12	31 034 765	47 951 508
Intercompany receivable from subsidiary		-	5 337 144
Cash and cash equivalents	13	702 968 044	555 702 561
		<b>9 134 498 339</b>	<b>8 400 106 598</b>
<b>Funds, Reserves and Liabilities</b>			
<b>Funds and reserves</b>			
Pensioners' account	14	2 709 303 000	2 413 953 000
Contingency reserves	15	259 774 000	237 852 000
Fund account		6 045 565 655	5 694 888 050
		<b>9 014 642 655</b>	<b>8 346 693 050</b>
<b>Liabilities</b>			
Benefits payable	16	106 162 928	42 017 817
Other payables	17	13 578 125	8 575 418
Intercompany payable to subsidiary	18	114 631	2 820 313
<b>Total liabilities</b>		<b>119 855 684</b>	<b>53 413 548</b>
<b>Total Funds, Reserves and Liabilities</b>		<b>9 134 498 339</b>	<b>8 400 106 598</b>

## Statement of Changes in Members' Funds and Reserves

Figures in Pula	Notes	Pensioner's account	Contingency reserves	Fund account	Total
<b>Balance at 01 January 2019</b>		<b>2 119 511 000</b>	<b>213 777 000</b>	<b>4 902 851 162</b>	<b>7 236 139 162</b>
Surplus for the year		-	-	1 110 553 884	1 110 553 884
<b>Total change in net assets available for benefits</b>		-	-	<b>1 110 553 884</b>	<b>1 110 553 884</b>
Transfers between reserves		294 442 000	24 075 000	(318 517 000)	-
		<b>294 442 000</b>	<b>24 075 000</b>	<b>(318 517 000)</b>	-
<b>Balance at 31 December 2019</b>		<b>2 413 953 000</b>	<b>237 852 000</b>	<b>5 694 888 046</b>	<b>8 346 693 046</b>
Surplus for the year		-	-	669 286 720	669 286 720
<b>Total change in net assets available for benefits</b>		-	-	<b>669 286 720</b>	<b>669 286 720</b>
Transfer between reserves		295 350 000	23 259 111	(318 609 111)	-
Transfer of expenses (Project costs)		-	(1 337 111)	-	(1 337 111)
<b>Balance at 31 December 2020</b>		<b>2 709 303 000</b>	<b>259 774 000</b>	<b>6 045 565 655</b>	<b>9 014 642 655</b>

### Statement of Cash Flows

Figures in Pula	Note(s)	2020	2019
<b>Cash flows used in operating activities</b>			
Surplus for the year		669 286 720	1 110 553 884
<b>Adjustments for:</b>			
Amortisation and impairment of intangible asset		-	1 477 940
Depreciation of plant and equipment	7	266 360	278 934
Impairment of receivables as per IFRS 9		(2 261 376)	(651 549)
Net investment income		(186 302 910)	(206 255 207)
Net gains on investments (Inclusive of investments in associates and subsidiary)		(556 747 503)	(947 860 321)
Cash used in operations		(75 758 709)	(42 456 319)
Movements in deferred lease rentals and advances		-	(461 018)
Decrease/(increase) in contributions and other receivables		16 916 743	(7 379 738)
Decrease/(increase) in intercompany receivable from subsidiary		5 337 144	(5 337 144)
Increase in benefits payable		64 145 111	6 481 193
Increase/(decrease) in other payables		5 002 707	(414 390)
Increase/(decrease) in intercompany payable to subsidiary		(2 705 682)	2 820 313
<b>Net cash used in operating activities</b>		<b>12 937 314</b>	<b>(46 747 103)</b>
<b>Cash flows used in investing activities</b>			
Net investment income		186 302 910	206 255 207
Purchase of plant and equipment	7	(292 329)	(152 671)
Sale of plant and equipment		72 665	-
Additions of investment properties	9	(1 175 880)	(16 490 003)
Net movement in associates		-	(13 875 657)
Net purchases of financial assets		(51 564 140)	(197 224 252)
<b>Net cash used in investing activities</b>		<b>133 343 226</b>	<b>(21 487 376)</b>
<b>Total cash movement for the year</b>			
		<b>146 280 540</b>	<b>(68 234 479)</b>
Cash and cash equivalents at the beginning of the year		555 702 561	622 825 372
Effect of exchange rate movement on cash balances		984 943	1 111 668
<b>Total cash and cash equivalents at end of the year</b>	13	<b>702 968 044</b>	<b>555 702 561</b>

## **I. Significant accounting policies**

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

### **I.1 Basis of preparation**

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements.

The financial statements have been prepared on the historic cost convention, except for the revaluation of certain financial instruments and investments properties. They are presented in Botswana Pula, which is the Fund's functional currency.

Items on the statement of Assets Available for Benefits are presented in liquidity order.

### **I.2 Benefits payable**

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

### **I.3 Pensioners' account**

This account comprises the equivalent of net assets of the Fund attributable to the Fund's pensioners. This reserve will be used to cover the Fund's liability, which is the actuarial value of the current pensions in payment and allows for future increases in pensions. Regular actuarial valuations are carried out to determine the Fund's liability to the pensioners. The last actuarial valuation was conducted as at 31 December 2020.

### **I.4 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.

### **I.5 Valuation of plan assets**

Retirement benefit plan investments 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 report date and of the investment performance for the period. Those securities that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof, 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.



## I. Significant accounting policies

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.

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.

### I.6 Plant and equipment

Property, plant and equipment 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.

## I. Significant accounting policies

### I.6 Plant and equipment (Continued)

Land and buildings held for use in the provision of services, or for administrative purposes, are stated in the statement of assets available for benefits at cost or, where applicable, at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Properties in the course of construction, production, rental or administrative purposes or for purposes not yet determined are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs is capitalized in accordance with the Fund's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method. Each part of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	4 - 5 years

### I.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Statement of Changes in Net Assets Available for Benefits in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of Statement of Changes in Net Assets Available for Benefits in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control)

## **I. Significant accounting policies**

### **I.7 Intangible assets (Continued)**

or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of Statement of Changes in Net Assets Available for Benefits.

#### **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- how the intangible asset will generate probable future economic benefits;
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

### **I.8 Investment in associates and subsidiary**

The fair value of unquoted 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 financial statements inline with IAS 27 Separate financial statements which is in line with the requirements of IAS 26. Gains and losses from changes in the fair value of investments in associates and subsidiary are included in the statement of changes in net assets available for benefits in the period in which they arise.

### **I.9 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. 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.

## **I. Significant accounting policies**

### **I.9 Investment property (Continued)**

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Statement of Changes in Net Assets Available for Benefits in the period in which the property is derecognised.

### **I.10 Interest in joint operations**

A partnership is a joint arrangement whereby the parties that have joint control of the partnership have rights to the assets and obligations for the liabilities, relating to the partnership. Joint control is the contractually agreed sharing of the control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Fund undertakes its activities under partnerships, the Fund as a joint operator recognises in relation to its interest in the partnership:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the partnership.
- Its share of the revenue from the sale of the output by the partnership.
- Its expenses, including its share of any expenses incurred jointly.

The Fund accounts for the assets, liabilities, revenues and expenses relating to its interest in a partnership in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Fund transacts with partnerships in which the Fund is a joint operator (such as a sale or contribution of assets), the Fund is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Fund's financial statements only to the extent of other parties interests in the joint operation.

When the Fund transacts with a joint operation in which the Fund is a joint operator (such as a purchase of assets), the Fund does not recognize its share of the gains and losses until it resells those assets to a third party.

## **I. Significant accounting policies**

### **I.1 Financial instruments**

#### **Initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **i) Financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at fair value through profit or loss and amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.



## I. Significant accounting policies

### I.1 Financial instruments (continued)

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss (equity and debt instruments)

#### Financial assets at amortised cost (debt instruments)

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 profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes trade and other receivables

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

Financial assets at fair value through profit or loss are carried in the statement of Assets Available for Benefits at fair value with net changes in fair value recognised in the statement of profit or loss (Statement of Changes in Net assets Available for Benefits).

This category includes listed and unlisted equity and debt investments.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of available benefits) when:

- The rights to receive cash flows from the asset have expired

Or

- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

## I. Significant accounting policies

### I.11 Financial instruments (continued)

#### Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of assets available for benefits date. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of contribution receivables, where the carrying amount is reduced through the use of an allowance account. When a contribution receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of the amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Changes in Net Assets Available for Benefits. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Fund applies the simplified expected credit loss (ECL) model for short-dated receivables with maturities of twelve (12) month or less. The Fund defines a default when an amount is 90 days past due. Probabilities of default (PDs) and loss given default (LGDs) are derived debtors age analysis to compute the ECL. Macro-economic forward looking information is not considered in the computation of ECL due to the very short-term nature of the receivables held by the Fund. Cash equivalent held in commercial banks is deemed to have low credit with zero historical default rates and consequently no loss allowance is calculated for this of financial assets.

#### Cash and cash equivalents

Cash and cash equivalents comprise bank balances and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (ii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities comprise benefits payable and other payables. Benefits payable and other accounts payables are stated at their amortised cost.

#### Derecognition

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

## **I. Significant accounting policies**

### **I.11 Financial instruments (continued)**

#### **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.

### **I.12 Revenue recognition**

#### **Contributions**

Contribution revenue is recognised on an accruals basis.

#### **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 7.5% 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.

#### **Rental income**

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

### **I.13 Foreign currencies**

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

Transactions in currencies other than Botswana Pula are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of 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.

## **I. Significant accounting policies**

### **I.14 Related party transactions**

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.

### **I.15 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.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

### **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.

### **Valuation of investment properties**

The Fund's investment properties were valued as at 31 December 2020 by independent professionally qualified valuers who hold a recognised relevant professional qualification 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.

## **I. Significant accounting policies**

### **I.15 Key sources of estimation uncertainty (continued)**

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
- 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 associates and subsidiary**

An investment in associates and subsidiary 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 associates was arrived at on the basis of a valuation carried out by Riscura Consulting Services (Proprietary) Limited a firm of qualified Investment consultants.

The valuation of the subsidiary was arrived at on the basis of a valuation carried out by KAL-ENI Consulting (Proprietary) Limited a firm of qualified consultants.

- maintainable income
- 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.



## **I. Significant accounting policies**

### **I.15 Key sources of estimation uncertainty (continued)**

The valuation of the associates was arrived at on the basis of a valuation carried out by Riscura Consulting Services (Proprietary) Limited a firm of qualified Investment Consultants.

The valuation of the subsidiary was arrived at on the basis of a valuation carried out by KAL-ENI Consulting (Proprietary) Limited a firm of qualified Consultants.

#### **Actuarial assumptions.**

The pensioner liability is defined benefit in nature and is calculated using assumptions about the Fund's anticipated future investment returns on the pensioner assets, the expected mortality of pensioners and the Fund pensioner expenses. The key assumptions used to calculate the pensioner liability for the current and future valuation are disclosed in note 14.

### **I.16 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 cash-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.

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.

## **I. Significant accounting policies**

### **I.17 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.

### **I.18 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.

#### **i) 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

## Notes to the financial statements

### 1.18 Leases

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'.

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

## 2. New Standards and Interpretations

### 2.1 Standards and interpretation adopted during the year

#### 2.1.1 Amendment to IFRS 3, 'Business combinations' - Definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

#### 2.1.2 Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

\*use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;

\*clarify the explanation of the definition of material; and

\*incorporate some of the guidance in IAS 1 about immaterial information. Additional text

The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The adoption of this amendment has no impact on current and prior periods.

## Notes to the financial statements

### 2. New Standards and Interpretations (continued)

#### 2.1.3 Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The adoption of this amendment has no impact on current and prior periods because the Fund does not apply hedge accounting.

#### 2.1.4 IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

The adoption of this amendment has no impact on current and prior periods because the Fund does not hold leases in a lessee capacity.

### 2.2 Standards and interpretation effective but not yet effective

#### 2.2.1 Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Effective for annual periods beginning on or after 1 January 2021

The Fund is still assessing the impact of the amendment on its portfolio of investments.

#### 2.2.2 Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). Effective for annual periods beginning on or after 1 January 2022.

The amendment is not expected to have an impact on the Fund

## Notes to the financial statements

### 2. New Standards and Interpretations (continued)

#### 2.2.3 Amendment to IFRS 3, 'Business combinations'

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Effective for annual periods beginning on or after 1 January 2022.

The amendment is not expected to have an impact because the Fund does not consolidate subsidiaries instead applies IAS 26 and measures all pension plan assets at fair value.

#### 2.2.4 Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in the Statement of Changes in Net Assets Available for Benefits. Effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in the Statement of Changes in Net Assets Available for Benefits. Effective for annual periods beginning on or after 1 January 2022.

#### 2.2.5 Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. Effective for annual periods beginning on or after 1 January 2022.

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



### Notes to the financial statements

Figures in Pula 2020 2019

#### 3. Contributions

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

#### 4. Net transfers from/(to) other funds

Transfers in	7 809 312	13 022 364
Transfers out	(2 171 819)	(18 690 964)
<b>Net transfers</b>	<b>5 637 493</b>	<b>(5 668 600)</b>

#### 5. Net rental income

Rental income on investment property	38 168 309	27 924 299
Property management expenses	(11 723 585)	(6 649 972)
	<b>26 444 724</b>	<b>21 274 327</b>

#### 6. Administrative expenses

Actuarial fees	437 336	343 902
External audit fees - current year	377 146	637 561
Audit fees - internal audit	448 500	330 000
Bank charges	431 408	513 241
Communications expenses	912 578	1 380 372
Fidelity and other Insurance premiums	584 970	343 060
Legal and professional fees	377 490	1 521 310
License and maintenance fees	257 471	679 013
Other expenses	4 204 696	3 344 493
Fund administration fees	17 038 586	9 797 814
Employee costs	10 513 515	10 964 546
Stationery	33 860	42 962
Travel and entertainment	249 866	2 455 006
Investment consultancy fees	1 474 747	1 216 894
Unitisation fees	310 141	303 585
	<b>37 652 310</b>	<b>33 873 759</b>

### Notes to the financial statements

#### 7. Plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	531 709	(409 890)	121 819	1 352 116	(1 084 767)	267 349
Motor vehicles	724 349	(640 077)	84 272	724 349	(561 570)	162 779
Office equipment	1 692 671	(1 264 199)	428 472	1 515 330	(1 264 199)	251 131
<b>Total</b>	<b>2 948 729</b>	<b>(2 314 166)</b>	<b>634 563</b>	<b>3 591 795</b>	<b>(2 910 536)</b>	<b>681 259</b>

#### Reconciliation of plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	267 349	-	(72 665)	(72 865)	121 819
Motor vehicles	162 779	-	-	(78 507)	84 272
Office equipment	251 131	292 329	-	(114 988)	428 472
	<b>681 259</b>	<b>292 329</b>	<b>(72 665)</b>	<b>(266 360)</b>	<b>634 563</b>

#### Reconciliation of plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	228 417	66 485	(27 553)	267 349
Motor vehicles	260 057	-	(97 278)	162 779
Office equipment	319 048	86 186	(154 103)	251 131
	<b>807 522</b>	<b>152 671</b>	<b>(278 934)</b>	<b>681 259</b>

No assets are pledged as security.

#### 8. Investments in associates and subsidiary

The following are a list all of the associates and subsidiary in the fund:

##### Healthcare Holdings (Proprietary) Limited

Debswana Pension Fund owns 58.15% in equity in Healthcare Holdings as at 31 December 2020. Healthcare Holdings is a property management company with interests on land, on which a hospital and a number of residential properties have been constructed. The Fund retains voting rights on the board of directors of the entity. Healthcare Holdings is domiciled in Gaborone.

##### Mmila Fund Administrators (Proprietary) Limited

Mmila is a subsidiary owned 100% by the Fund for the purpose of rendering fund administration services to the Fund and to the market. The Fund has appointed an independent board of directors to give strategic direction to the entity to which the Fund has one representative. The company is domiciled in Gaborone.

### Notes to the financial statements

Figures in Pula 2020 2019

#### 8. Investments in associates and subsidiary (continued)

##### Sphinx (Proprietary) Limited

Debswana Pension Fund has a 25% Shareholding in Sphinx. Sphinx holds a 100% of the Molapo Crossing mall (Molapo) shares. Molapo is a double-storey retail property development domiciled in Gaborone which generates income from leasing out commercial space. The Fund retains a sitting in the board of directors of the entity.

Name of company	Ownership type	% Ownership interest 2020	% Ownership interest 2019	Fair value accounting carrying amount 2020	Fair value accounting carrying amount 2019
Healthcare Holdings (Proprietary) Limited	Associate	58,15 %	58,15 %	276 887 000	311 954 000
Mmila Fund Administrators (Proprietary) Limited	Subsidiary	100,00 %	100,00 %	18 500 000	15 500 000
Sphinx Associates (Proprietary) Limited	Associate	25,00 %	25,00 %	43 000 000	41 000 000
				<b>338 387 000</b>	<b>368 454 000</b>
Balance at the beginning of the year				368 454 000	287 895 343
Fair value gains of associates and subsidiary				(30 067 000)	66 683 000
Mmila Fund Administrators (Proprietary) Limited-additions				-	13 875 657
<b>Balance at the end of the year</b>				<b>338 387 000</b>	<b>368 454 000</b>

#### 31 December 2020

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Income capitalisation approach	Capitalisation rate	6 - 11%

#### 31 December 2019

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Income capitalisation approach	Capitalisation rate	6 - 8%

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

The fair value of investments in associates and subsidiary is a function of the unobservable inputs and the capitalisation rate generated by each associate in the portfolio of the Fund. Significant increases/(decreases) in the capitalisation rate would result in significantly lower/(higher) fair value measurement and operating business valuation. The factors considered include the history of the business, economic outlook, financial condition of the business, earnings and dividend paying capacity of the associate. The quantitative effect of damages in inputs is disclosed in note 19 of the financial statements.

## Notes to the financial statements

Figures in Pula	2020	2019
<b>9. Investment property</b>		
<b>Investment properties at fair value</b>		
Freehold and leasehold land and buildings	248 477 099	250 210 003
Leasehold land and buildings held in partnerships	140 194 764	137 166 299
	<b>388 671 863</b>	<b>387 376 302</b>
<b>Loans in property investment companies</b>		
Deferred lease rental	388 671 863	387 376 302
	1 998 997	1 998 997
<b>Total investment properties</b>	<b>390 670 860</b>	<b>389 375 299</b>

The fair value of the Fund's investment properties as at 31 December 2020 and 31 December 2019 were arrived at on the basis of valuations carried out at the respective dates by Messrs Wragg (Proprietary) Limited and MG Properties (Proprietary) Limited firms of independent chartered valuers 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.

<b>Recurring fair value measurements at the end of the reporting period</b>	390 670 860	389 375 299
<b>Reconciliation of fair value measurements categorised within Level 3 of fair value</b>		
Balance at beginning of the year	387 376 302	351 824 520
Net unrealised gains on fair valuation of investment properties	119 681	19 061 779
Additions	1 175 880	16 490 003
Deferred lease rental	1 998 997	1 998 997
<b>Balance at end of the year</b>	<b>390 670 860</b>	<b>389 375 299</b>

Gains and losses arising from fair valuation of investment properties are shown as a separate line in the statement of comprehensive income as follows:

Net unrealised gains on fair valuation of investment properties	119 681	19 061 779
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## Notes to the financial statements

Figures in Pula 2020 2019

### 9. Investment property (Continued)

31 December 2020

Valuation techniques and inputs

Valuation technique	Unobservable input	Range
Income capitalisation approach	Capitalisation rate	5 - 11%

31 December 2019

Valuation techniques and inputs

Valuation technique	Unobservable input	Range
Income capitalisation approach	Capitalisation rate	5 - 11%

### Information about sensitivity to changes in unobservable inputs

The fair value of investment properties is a function of the unobservable inputs and the net rental generated by each property in the portfolio of the Fund. Significant increases/(decreases) in the capitalisation rate would result in significantly lower/(higher) fair value measurement. The changes are dependant on various market factors including location of property and quality and length of lease periods. The quantitative effect of changes in inputs is disclosed in note 19 of the financial statements



## Notes to the financial statements

Figures in Pula	2020	2019
<b>10. Financial assets at FVTPL</b>		
<b>Designated as at fair value through profit or loss</b>		
<b>Onshore equity investment by asset manager</b>		
Ninety One Botswana (Proprietary) Limited	316 269 666	345 222 091
African Alliance	-	118 729 045
Allan Gray Botswana (Proprietary) Limited	671 616 643	630 943 645
Morula Capital Partners	211 975 467	88 568 061
Directly Owned-New Africa Properties Limited	-	283 358 396
IPro Botswana (Proprietary) Limited	280 763 597	-
	<u>1 480 625 373</u>	<u>1 466 821 238</u>
<b>Onshore bonds unitised funds</b>		
Ninety One Botswana (Proprietary) Limited	587 977 473	355 262 581
Botswana Insurance Fund Management Limited	791 610 033	593 237 065
Allan Gray Botswana (Proprietary) Limited	7 100 260	7 109 442
	<u>1 386 687 766</u>	<u>955 609 088</u>
<b>Offshore bonds unitised funds</b>		
Pimco Funds	119 311 374	360 934 764
BlueBay Asset Management	209 471 926	-
	<u>328 783 300</u>	<u>360 934 764</u>
<b>Offshore equity unitised funds</b>		
Marathon Asset Management Limited	559 524 375	535 644 478
Orbis Investment Management Limited	588 376 558	592 076 166
Walter Scott & Partners Limited	560 204 168	550 484 650
Southeastern Asset Management	542 554 476	516 628 596
State Street Global Advisors	68 509 356	58 506 819
Veritas Asset Management	629 772 663	739 323 615
Brown Brothers Harriman Fund Administration Services (Ireland) American Century Global Growth	499 189 837	615 635 199
Brown Brothers Harriman Fund Administration Services (Ireland) American Century Emerging Markets	210 504 661	163 931 813
Vantage Capital Fund Managers (Proprietary) Limited	50 308 109	58 866 811

## Notes to the financial statements

Figures in Pula	2020	2019
<b>10. Financial assets at FVTPL (continued)</b>		
Steyn Capital Management (Proprietary) Limited	16 028 901	18 861 046
Morgan Stanley Investment Management Limited	437 169 785	375 523 299
Schroders	214 556 686	-
Ninety One UK Limited	75 850 117	-
Coronation Asset Management (Proprietary) Limited	21 614 658	23 154 245
	<u>4 474 164 350</u>	<u>4 248 636 737</u>
<b>Total other financial assets</b>	<b><u>7 670 260 789</u></b>	<b><u>7 032 001 827</u></b>

### 11. Financial assets at amortized cost

Loan from Barclays House	542 318	603 000
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The carrying amount of financial assets measured at amortized cost approximates to their fair value

### 12. Other receivables at amortized cost

Contributions receivables	793 303	1 689 911
<i>Advance benefit payments</i>	2 275 218	2 234 689
<i>Allowance for doubtful debts - advance benefit payments</i>	(2 234 689)	(2 234 689)
Net advance benefits payments	40 529	-
20% death advance claim	23 999	186 870
Pensioner deaths overpayments	(76 442)	290 995
BURS-VAT & PAYE	1 463 430	-
Interest receivable	694 398	694 398
Property rentals receivable	2 175 896	1 626 785
Property partnership current assets	20 22 419 775	42 931 255
Other receivable	3 908 763	3 201 555
Impairment on receivables	(408 886)	(2 670 261)
	<u><b>31 034 765</b></u>	<u><b>47 951 508</b></u>

The carrying amount of financial assets measured at amortized cost approximates to their fair value

### Notes to the financial statements

Figures in Pula 2020 2019

#### 12. Other receivables at amortized cost (continued)

##### IFRS: Impairment Provision Matrix as at 31 December 2020

Description	Current	30 Days	60 Days	90 Days	120+ Days	Total
Gross carrying amount	479 089	331 837	176 762	207 538	263 819	1 459 045
Expected loss rate	36,767 %	48,265 %	66,036 %	96,401 %	100,000 %	76,00 %
Impairment loss allowance	(176 147)	(160 161)	(116 727)	(200 069)	(263 819)	(916 923)
Amount not provided for	-	-	-	-	-	30 492 643
	<b>302 942</b>	<b>171 676</b>	<b>60 035</b>	<b>7 469</b>	<b>-</b>	<b>31 034 765</b>

Note: Share of receivables from joint ventures have already been subjected to impairment by joint operations.

##### IFRS: Impairment Provision Matrix as at 31 December 2019

Description	Current	30 Days	60 Days	90 Days	120+ Days	Total
Gross carrying amount	484 732	201 031	161 341	294 572	2 004 499	3 146 175
Expected loss rate	36,767 %	48,265 %	66,036 %	96,401 %	100,000 %	76,00 %
Impairment loss allowance	(178 221)	(97 028)	(106 543)	(283 970)	(2 004 499)	(2 670 261)
Amount not provided for	-	-	-	-	-	47 475 594
	<b>306 511</b>	<b>104 003</b>	<b>54 798</b>	<b>10 602</b>	<b>-</b>	<b>47 951 508</b>

Note: Share of receivables from joint ventures have already been subjected to impairment by joint operations.

#### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Short-term deposits	184 549 733	109 196 724
Bank balances - Pula denominated	403 925 708	390 079 688
Bank balances - US Dollar denominated	114 492 603	56 426 149
	<b>702 968 044</b>	<b>555 702 561</b>

## Notes to the financial statements

Figures in Pula 2020 2019

### 14. Actuarial valuation

In accordance with the Rules of the Fund, the actuarial position of the Fund, which does take account of such liabilities, is examined and reported upon by the actuaries of the Fund.

An actuarial valuation was carried out as at 31 December 2020. The valuation shows that the pensioners' account of the Fund, amounting to P2 709 303 000 (2019: P 2 413 953 000) adequately covers the pensioners' liabilities at that date amounting to P2 517 359 000 (2019: P 2 269 696 000), without taking into account future pension increases.

The pensioner liability is defined benefit in nature and is calculated using assumptions about the Fund's anticipated future investment returns on the pensioner assets, the expected mortality of pensioners and the Fund pensioner expenses. The key assumptions used to calculate the pensioner liability for the current and future valuation are outlined below:

#### Basis item

Inflation (mid-point of the Bank of Botswana target range of 3%-6%)	4,5%	4,5%
Gross post-retirement rate of interest	8.68% per annum	8.68% per annum
Pensioner increase	5,6%	4,5%
Net post-retirement rate of interest	4,0% per annum	4,0% per annum
Provision for monthly pension expenses (for each pension in payment)	P224,55, increasing at the underlying inflation rate	P231.67, increasing at the underlying inflation rate
Pensioner mortality	Mortality table PA (90) male and female	Mortality table PA (90) male and female

The Fund's actual experience in future with regard to actual investment returns, pension increases, pensioner mortality and pensioner expenses will differ from the assumptions used. Accordingly, profits or losses will arise in the Fund in future. Ultimately it is the Fund's actual experience with regards to these aspects that will determine the actual cost of the pensioners to the Fund and pensioner increases that can be awarded.

### 15. Contingency reserves

The contingency reserve has been split into various contingency reserve accounts as defined in the revised set of rules and in line with PFR I issued by NBFIRA as follows:

	Maximum limit	2020	2019
Processing error reserve	1,5%	76 893 000	67 194 000
Expense reserve	No limit	5 434 000	6 443 000
Solvency reserve	25,0%	177 447 000	164 215 000
		<b>259 774 000</b>	<b>237 852 000</b>

## Notes to the financial statements

Figures in Pula 2020 2019

### 15. Contingency reserves (Continued)

#### 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.

#### Expense reserve

This reserve is meant to handle fluctuations in future expenses of the Fund or to provide for future increases in expenses.

#### Solvency reserve

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

### 16. Benefits payable

Retirement	80 861 134	14 603 364
Withdrawal	10 983 981	1 995 170
Death	8 633 947	21 445 834
Tax payable on benefits	-	13 613
Unclaimed benefits	859 270	859 270
Pensioners' deaths	1 305 091	607 704
Monthly pensions	3 438 945	2 412 302
Contributions for ineligible members	80 560	80 560
	<b>106 162 928</b>	<b>42 017 817</b>

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.

### 17. Other payables

Rental deposits		859 418	859 418
Property partnership current liabilities	20	1 497 632	1 521 690
Sundry creditors		11 221 075	6 194 310
		<b>13 578 125</b>	<b>8 575 418</b>



## Notes to the financial statements

Figures in Pula 2020 2019

### 18. Related party transactions and balances

#### Related party balances

##### Intercompany balances

Intercompany payable to subsidiary	-	(2 820 313)
Intercompany receivable from subsidiary	(114 631)	5 337 144
	<b>(114 631)</b>	<b>2 516 831</b>

The related parties of the Fund comprise of the Trustees, Key management personnel as well as the participating employers as disclosed in note 21.

Inter company payables arise from outstanding administration services fees and they are payable within 14 working days upon receiving the invoice by the Fund.

All financial dealings with related parties are at arms length.

#### Related party transactions

Contributions income from participating employers	21	352 063 683	328 113 648
Internal audit fees charged by Debswana Head Office		448 500	330 000
Fund administration fees charged by Mmila Fund Administrators		14 219 986	12 618 128
Printing costs charged by Debswana Head Office		400 489	128 980
Rent charged to Mmila Fund Administrators		525 246	(44 830)
Dividends received from Health Care holdings		(10 038 714)	(11 832 660)
		<b>5 555 507</b>	<b>1 199 618</b>

#### Trustees fees

Independent and Pensioner trustees	83 179	16 302
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#### Remuneration of key management personnel

Key management personnel comprises the Chief Executive Officer

Gross emoluments of the key management personnel are:

Short-term employee benefits	2 102 249	1 943 066
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## Notes to the financial statements

Figures in Pula	2020	2019
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### 19. Financial risk management

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 Committee

The Investment Committee comprising members of the Board of Trustees and management meets regularly 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 regularly to the Board of Trustees.

##### Audit and Finance Committee

The Audit and Finance Committee comprising members of the Board of Trustees and management meets regularly 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 regularly 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.

## Notes to the financial statements

### 19. Financial risk management (continued)

#### 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 currency risk, interest rate risk and equity price risk, as well as credit risk and liquidity risk.

#### Currency risk

The Fund is exposed to currency risk mainly through its investments and term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and term deposits denominated in United States Dollars and South African Rands as at 31 December 2020 amounted to P4 707 968 327 (2019: P4 665 997 650).

#### 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 and cash, interest bearing securities and term deposits. Interest rates earned on financial instruments compare favourably with those currently available in the market. The net exposure to interest rate risk as at 31 December 2020 amount to P1 386 687 766 (2019: P955 609 088) being investments in onshore bonds and term loans, P328 783 300 (2019: P360 934 764) being investments in offshore bonds, and P702 968 044 (2019: P555 702 561) being short term deposits and cash and cash equivalents as disclosed in notes 10 and 13.

#### 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 2020 amounted to P1 480 625 373 (2019: P1 466 821 238) for local equities, P4 474 164 349 (2019: P4 248 636 737) for offshore equities and offshore unitised funds.

## Notes to the financial statements

### 19. Financial risk management (continued)

#### Fair values of financial instruments

##### Fair values of financial instruments carried at amortised cost

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 financial instruments 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).

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).

### Notes to the financial statements

#### 19. Financial risk management (continued)

Financial assets	Note	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2020 P	2019 P				
Onshore listed equity investments	10	1 480 625 373	1 466 821 238	Level 1	Quoted last traded prices in an active market	N/A	N/A
Onshore listed bonds	10	1 386 687 766	955 609 088	Level 2	Valued based on the aggregate published bond index	N/A	N/A
Offshore bonds unitised funds	10	328 783 300	360 934 764	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
Offshore equity unitised funds	10	4 474 164 350	4 248 636 737	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



## Notes to the financial statements

### 19. Financial risk management (continued)

Financial assets	Note	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2020 P	2019 P				
Associate - Healthcare Holdings (Proprietary) Limited	8	276 887 000	311 954 000	Level 3	Capitalisation rate and Income capitalisation approach used as the primary methodology	N/A	N/A
Associate - Sphinx (Proprietary) Limited	8	43 000 000	41 000 000	Level 3	Capitalisation rate and Income capitalisation approach used as the primary methodology	N/A	N/A
Mmila Fund Administrators	8	18 500 000	15 500 000	Level 3	Capitalisation rate and Income capitalisation approach used as the primary methodology	N/A	N/A

There were no transfers between level 1 and 2 in the current year.

### Notes to the financial statements

Figures in Pula 2020 2019

#### 19. Financial risk management (continued)

##### 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.

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.

##### Concentration of credit risk

##### Counterparty (investment manager)

Ninety One Botswana (proprietary) Limited  
Ninety One Botswana (proprietary) Limited  
Ninety One Botswana (proprietary) Limited  
Botswana Insurance Fund Management Limited  
Botswana Insurance Fund Management Limited  
Botswana Insurance Fund Management Limited  
Allan Gray Botswana (Proprietary) Limited  
BlueBay Asset Management  
Pimco Funds: Global Investors Series plc.

Botswana Insurance Fund Management Limited

##### Total

##### Investment type

Government bonds	434 470 857	247 944 586
Corporate bonds	105 356 772	90 209 346
Parastatals bonds	25 584 685	17 108 649
Government bonds	464 471 926	206 029 736
Corporate bonds	276 632 053	348 399 997
Parastatals bonds	33 206 130	20 835 989
Government bonds	7 100 260	7 109 442
Parastatals bonds	209 471 926	-
Unitised offshore bonds	119 311 374	360 934 764
Loans	17 300 717	17 971 343

**I 692 906 700    I 316 543 852**

##### Bank balances and fixed deposits

##### Counterparty (investment manager)

First National Bank of Botswana Limited  
ABSA Bank Botswana Limited  
ABSA Bank Botswana Limited  
Standard Chartered Bank Botswana Limited  
Standard Chartered Bank Botswana Limited  
Stanbic Bank Botswana  
African Alliance  
Other Institutions

##### Investment type

Fixed deposits	37 313 249	32 412 309
Fixed deposits	39 447 818	41 021 896
Bank balances	160 138 414	123 860 945
Fixed deposits	35 068 920	16 027 616
Bank balances	-	559 001
Bank balances	352 439 720	290 824 214
Bank balances	-	31 240 608
Fixed deposits	78 559 923	19 755 972

**702 968 044    555 702 561**

## Notes to the financial statements

Figures in Pula	2020	2019
<b>19. Financial risk management (continued)</b>		
<b>Categories of financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	702 968 044	555 702 561
Designated as at FV through profit /(loss)	7 670 260 789	7 032 001 827
Contributions and other receivables	29 623 778	47 473 643
Mmila Fund Administrators	-	5 337 144
<b>Financial liabilities</b>		
Benefits payable	106 162 928	42 017 817
Other payables	13 578 125	8 575 418
Intercompany payable to subsidiary	114 631	2 820 313

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 receivables. To measure the expected credit losses, short-term receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2018 is determined and disclosed in note 12.

## Notes to the financial statements

Figures in Pula	2020	2019
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### 19. Financial risk management (continued)

#### Liquidity risk

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 financial assets and liabilities.

Based on the nature of the Fund's payables, an analysis of undiscounted cash flows of financial liabilities is not relevant. Substantially, the Fund's benefits and other accounts payable are due for settlement within three months after the year end.

#### 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 overleaf 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.

## Notes to the financial statements

Figures in Pula 2020 2019

### 19. Financial risk management (continued)

Risk Variable	Scenario	Adverse market change		Beneficial market change	
		Effect on statement of comprehensive income		Effect on statement of comprehensive income	
		2020	2019	2020	2019
Currency risk	Strengthening of the Pula by 1%	(48 029 476)	(46 659 977)	Weakening of the Pula by 1%	48 029 476 46 659 977
Global Equity Risk	Decline in global equity prices by 1%	(46 836 363)	(42 486 367)	Increase in global equity prices by 1%	46 836 363 42 486 367
Local Equity Risk	Decline in local equity prices by 1%	(14 806 254)	(14 668 212)	Increase in local equity prices by 1%	14 806 254 14 668 212
Interest Rate Risk	Increase in interest yield by 1%	(22 089 672)	(18 722 464)	Decline in interest yield by 1%	22 089 672 18 722 464
Investment property	Increase in interest yield by 1%	(29 421 000)	(42 569 848)	Decline in interest yield by 1%	29 421 000 55 835 652
Investment in associates	Increase in capitalisation by 1%	(33 133 000)	(22 518 651)	Decline in capitalisation by 1%	33 133 000 30 091 529



### Notes to the financial statements

#### 20. Interest in property partnerships

Details of the Fund's material investments in other entities at the end of the reporting period are as follows:

Name of partnership	Principal activity	Place of Incorporation and Principal place of business	Effective Holding 2020	Effective Holding 2019
Engen Palapye partnership	Property partnership	Palapye	20,00 %	20,00 %
Engen Maun partnership	Property partnership	Maun	25,00 %	25,00 %
DBN Developments partnership	Property partnership	Gaborone	66,66 %	66,66 %
Francistown Retail partnership	Property partnership	Francistown	75,00 %	75,00 %

31 December 2020	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	Total
Investment properties	9	14 760 000	7 425 000	95 284 764	22 725 000	140 194 764
Current assets	12	1 811 479	3 133 044	13 624 995	3 850 257	22 419 775
Current liabilities	17	(96 665)	(122 755)	(1 019 252)	(258 960)	(1 497 632)
Revenue - net rental income		6 066 862	2 922 781	12 864 482	3 406 880	25 261 005
Unrealised fair value gains on fair valuation of investment property		1 600 000	900 000	3 950 000	(200 000)	6 250 000
Total comprehensive income for the year		7 666 862	3 854 354	16 814 482	3 206 880	31 542 578
Net cash generated from operating activities		5 796 518	2 503 133	11 471 765	2 816 024	22 587 440
Net cash utilised in investing activities		7 840 349	(2 945 102)	18 165 312	11 643 411	34 703 970
Net cash (outflow)/inflow		(1 363 133)	(441 969)	(362 923)	(540 565)	(2 708 590)

### Notes to the financial statements

#### 20. Interest in property partnerships (Continued)

31 December 2019	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	Total
Investment properties	9	14 440 000	7 200 000	92 651 299	22 875 000	137 166 299
Current assets	12	3 630 534	2 472 267	24 238 937	12 589 517	42 931 255
Current liabilities	17	(129 092)	(200 560)	(888 657)	(303 381)	(1 521 690)
Revenue - net rental income		5 421 867	2 596 877	4 795 415	3 142 726	15 956 885
Unrealised fair value gains on fair valuation of investment property		2 850 683	800 000	2 631 708	500 000	6 782 391
Total comprehensive income for the year		8 272 550	3 396 877	7 427 123	3 642 726	22 739 276
Net cash generated from operating activities		3 229 754	2 697 149	4 911 674	2 824 210	13 662 787
Net cash utilised in investing activities		(1 119 433)	(2 706 332)	(3 607 924)	(2 498 740)	(9 932 429)
Net cash (outflow)/inflow						
21. Description of the Fund		2 110 321	(9 183)	1 303 750	325 470	3 730 358

The Fund was established on 1 October 1984 as a defined contribution pension Fund.

The main purpose of the Fund is to provide for the payment of pensions to qualifying members on retirement. A secondary objective of the Fund is to provide benefits to nominated beneficiaries of the qualifying members as the case may be.

## Notes to the financial statements

### 21. Description of the Fund (continued)

The participating employers are: Debswana Diamond Company (Proprietary) Limited, Morupule Coal Mine Limited, De Beers Holdings Botswana (Proprietary) Limited, Diamond Trading Company Botswana (Proprietary) Limited, Anglo Coal (Proprietary) Limited, De Beers Global Sightholder Sales (Proprietary) Limited and Debswana Pension Fund.

### 22. Membership statistics

#### Number of members

Active	6 185	6 284
Deferred	2 098	2 080
Pensioners	4 258	4 091
	<b>12 541</b>	<b>12 455</b>

### 23. Fidelity insurance cover

The Trustees are of the opinion that the Fund has adequate fidelity insurance cover.

### 24. Taxation

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

### 25. Future deferred lease receipts

#### Future deferred lease receipts - Age analysis

First year	13 849 444	16 323 192
Year two to year four	9 639 363	23 080 711
	<b>23 488 807</b>	<b>39 403 903</b>

## Notes to the financial statements

### 26. Impact of Covid-19

On 31 March 2020 the President of Botswana declared a “State of Emergency” in Botswana and from the second of April 2020 up to now some companies have been restricted from operating fully as a measure to curb the spread of COVID 19. As a result of this numerous sectors of the economy in Botswana are suffering damage and the long-term economic and business consequences remain unknown. Impacts such as sales and production disruptions, supply-chain interruptions, negative impacts on customers, volatility in the equity and debt markets, reduced revenue and cash flows and other economic consequences have been observed.

Management performed an assessment of the impact of COVID-19 on the Fund and it became apparent that as at 31 December 2020, up to and including the date of financial reporting there were no significant adverse events or conditions in Botswana, or our within the Fund that were brought about by COVID 19. The Fund continued to carry out its day to day financial functions as usual.

Management has concluded that any effects, or financial conditions COVID 19 brought about as at 31 December 2020 and subsequent thereto have no material impact on appreciation of the financial affairs of the Fund.

The extent of the impact of COVID-19 on business operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the length of business any lockdown period (if applicable), impact on our employees, members and vendors all of which are still uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Management does not expect material impact on revenue due to Covid-19, the Fund is expected to continue as a going concern for a period of at least 12 months after the year end

### 27. Events after the reporting date

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

