

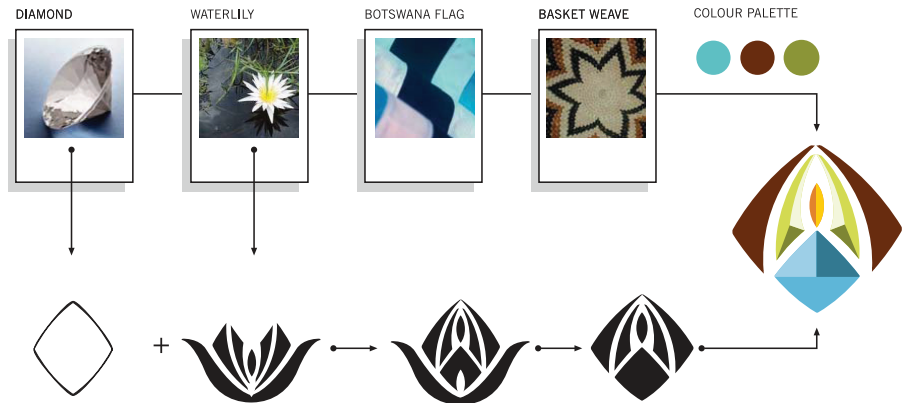
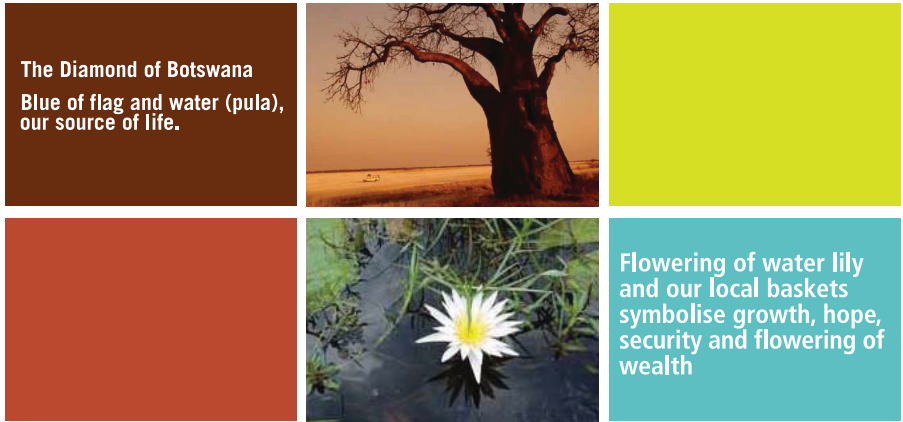


DPF
DEBSWANA · PENSION · FUND



Fund Profile

DPF logo rationale



DPF

DEBSWANA • PENSION • FUND

Your Fund, Your Security, Your Future

I. Our History

The Debswana Pension Fund was established in 1984 through the visionary leadership of a number of key individuals at the time, one of them being a consulting engineer for Debeers Botswana Mining company (Now Debswana) by the name of Mr Andrew Peter Britz, who in the years preceding the establishment of the DPF worked as the General Manager of Orapa Mine. He was instrumental in kick starting the process of negotiations between Debswana Diamond Company, De Beers Botswana Prospecting and the Union leadership to setup an independent fund to manage employee pension benefits and further use it as a replacement for the gratuity system that was then the only available option to employees at the time. The Union leadership, who at the time had also identified a growing challenge of rampant misuse of gratuity benefits by a significant number of their retiring members leading to their destitution, was encouraged by the idea of a pension fund which presented stricter controls over their member's usage of their severance and or retirement benefits. They saw this as safeguard for future financial wellness of their members. Thus the suggestion by Mr. Andrew Peter Britz was met with optimism and the negotiations commenced between the Union and Management.

Consequently, through detailed consultations and benchmarking with other Mineworker's Unions in South Africa, the Union leadership and the Employers agreed to the setup of a pension fund in principles after which consultations with members began with the view to seek

their consensus. This would however not be an easy journey for both the employers and the Union leadership, but eventually reason prevailed and the members accepted the formation of the DPF. Key individuals that played significant roles in the establishment of the DPF at the time included (but not limited to) the former Debswana Managing Director Mr. Blackie Marole, Retired HR Manager Mrs Tsetsele Fantan who is also the founding company appointed Trustee, Mr Bashi Sengwaketse, a founder Member elected Trustee, and Kgotla Autlwetse, former Union President amongst others. Following the widespread acceptance of the Pension Fund by union members, the Debswana Pension Fund was formally enacted on 1st October 1984, becoming the first ever pension fund to be established in Botswana.

The Debswana Pension Fund (DPF) is to date still the largest private pension fund in Botswana and a major player in the retirement services industry with assets valued over BWP6.4 billion and a total membership exceeding 11500 as at 31 December 2015, inclusive of active, deferred and pensioner members. The DPF is a secretariat to the Debswana & De Beers family of companies namely; Debswana Diamond Company (Debswana), Diamond Trading Company Botswana (DTCB), De Beers Holding Botswana (DBHB), Morupule Coal Mine (MCM), De Beers Global SightHolder Sales (DBGSS), Anglo Coal Botswana and the DPF itself.

2. Our Journey: Key Strategic developments

For the larger part of its life after inception (1984 -2006), the administration of the DPF remained under the stewardship of its parent company Debswana Diamond Company until it matured and was transformed into an independent secretariat in 2007. The DPF transition into a Secretariat was a result of the deliberate decision by Debswana Diamond Company through their then North Star Strategy, to re-focus the business of the company to its core deliverable, being diamond mining, and as such, the decision was made to outsource all internal business functions that did not pertain to this deliverable. Mr. Blackie Marole was then the incumbent Managing Director:

At the helm of the Fund during the DPF transition was former Board Chairperson Mr. Tabake Kobedi who led the Fund through its transformation into a stand-alone entity. Through his leadership, a five- year organisational strategy (2008-2013) was formulated and implemented effective August 2008. The strategy sought- to achieve firstly operational efficiencies that would transform the DPF into a high performance organisation and further seek growth opportunities that would ensure that the DPF's remains sustainable in the long term. A key strategic development was the decision to insource administration of the Fund, which further led to the acquisition of a new IT infrastructure in the form of a Benefits administration system. The system, implemented in 2010 would enable insourcing of the Fund's administration which, prior to this development, was outsourced to the external administrators Alexander Forbes Financial Services for ten years from the year 2000 until September 2010. The Fund's new position as a self-administered Fund was a first for the retirement industry in Botswana thus reinforcing the DPF position as a prominent player and a key benchmark in the Botswana retirement services industry. The DPF has remained fully insourced since 2010 to date. The Fund reviews its strategy periodically in order to ensure continued business improvements as well as compliance to current governance and regulatory practices.



In 2012 the Board of Trustees further reviewed the Fund strategy with the aim to achieve the following objectives;

1. Assess the appropriateness of the Fund's operational strategy relative to its size and value and propose alternatives where appropriate
2. Assess current operating model against leading practice, relevant benchmark and key insights to develop interventions to reduce the future cost base.
3. Review existing organisational structure and provide insights where improvements can be made.
4. Review current cost structure in comparison to leading practice and benchmarks highlighting areas for improvement
5. Provide a business case for each of the target operating models
6. Develop Transition plan for the preferred target operating model

Following the review the Board resolved to retain insourced model subject to further operational efficiencies being achieved mainly the replacement of current administration system which was determined to be unsustainable due to limited support and the need for a more integrated platform over and above what current system could provide which would achieve further cost reduction through automation in other areas of the Fund. A revised organisational strategy (2012-2017) was formulated and implemented. This strategy endorsed and replaced the previous one (2008-2012).

By retaining the insourced operating model the Board sought to maintain;

1. Control - DPF retains control over its own destiny – through control over data, service and cost
2. Quality - Due to the retention of control, DPF can ensure data and service quality levels are maintained
3. Knowledge - DPF retains the knowledge and skills base it has worked hard at building up over the last 4 years since in-sourcing
4. Pioneering spirit - DPF remains a truly Botswana fund with a unique end to end service offering to its members

As a result, Project Anchor was launched in April 2015, culminating in a major organisational restructuring that aimed to align people, processes and technology. As at March 2016, the project was completed successfully and the Fund operations running seamlessly under the new operating model.

3. Our Business Philosophy

The dynamics in the field of pension funds has strongly increased. The establishment of the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) has led, among others, to an increase in supervision and stricter regulation of the financial policies and the information obligations for pension Fund administrators and their participating employers. In addition, the regulators are increasing their demands on the conduct of business of pension funds and the way monitoring and accountability is administered, in particular under the influence of the effects of market volatility over recent period, and the new Retirement Funds Act that was passed by parliament in 2014. Besides this, there is an increasing need for effective management of costs for pension administration and asset management as general market costs for resources continue. This is necessary to ensure members can achieve their pension investment objectives at retirement in line with the desired net replacement ratios. The DPF is fully committed to its mission, vision and values and will continually strive to build and maintain a value adding high performance organisation.

a) Our Vision

To be the preferred provider of retirement fund services in Botswana

b) Our Mission

In order to be able to continue to achieve adequate realization of both a good pension fund administration and investment return objectives in the coming years, the DPF shall strive to fulfil the following mission statement:

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

- *Prudent management of member funds*
- *Efficient administration of member records*
- *Provision of focused communication*
- *Maximise investments in a socially responsible manner*

c) Our Values

Trust and Integrity

DPF wants to be a reliable partner for the industry and companies it works for. The reliability translates itself in a professional administration, solid asset management under responsible risks, and, through the years, affordable pension and an accurate administration with an eye on service and ease for employer and member, through a reliable and trustworthy workforce.

Customer Focused

The Fund provides, without any reward, a superior service offering to its members in terms of client relations and communication, and on the administration of the fund and asset management the DPF is focused on beating relevant benchmarks. For the Fund administration focus is on efficiencies that will render a cost-effective operation to the benefit of the members' fund credit.

Agility

The policies and practices that the DPF implements are well adaptable to the changing regulatory and economic environments, and the systems and processes are developed in such a way that acknowledges the differentiated needs of members, employers and pensioners and can be anticipated upon in a flexible way. Furthermore, pension information is provided at the right moment, in an intelligible way and focused on the personal situation of each stakeholder.

Innovation

DPF wishes to operate proactively towards exploiting emerging opportunities for the benefit of its members. For that reason, the Fund has put in place strategies for identifying and adopting value-adding services and best practices in pension Fund management on an on-going basis.

Quality Focused

DPF wishes to take the interests of members and pensioners, (young and old) and of participating employers into account in a balanced way. Apart from this, the fund aspires to contribute to a durable development of the retirement services industry and the local economy. Our outputs and position in the market must be easily comparable and of the highest standards relative to our peers globally.

d) Our Key Standards

Debswana Pension Fund envisions itself amongst the leading Funds in the retirement Funds industry. Business partners, employers and employees can count on: a professional control of their fund, a solid and durable governance of assets and liabilities and an effective, efficient and flexible execution of pension administration. The fund actively manages the organization to ensure involvement, transparency, professionalism and a result-driven attitude. By our engagement, we want to keep enhancing the personal bond with our stakeholders and the ease of administration while beating relevant benchmarks. From these objectives, key standards have been formulated, which are being practiced by the Fund through various policies and practices.

4. Fund Governance

a) Nature of the Fund

The Fund is a defined contribution fund which was established in 1984 as a trust and brought under the provisions of the Pensions and Provident Fund Act, 1987 as well as the associated Pensions and Provident Funds Regulations, 1988. The Fund is currently governed by the Retirement Funds Act (2014), the Income Tax Act (1995), the Rules of the Fund and the Non-Bank Financial Institutions Regulatory Authority Act (2006).



The objective of the Fund is “to provide members with a pension after retirement, and to offer financial support to members' dependents upon the members' death”.

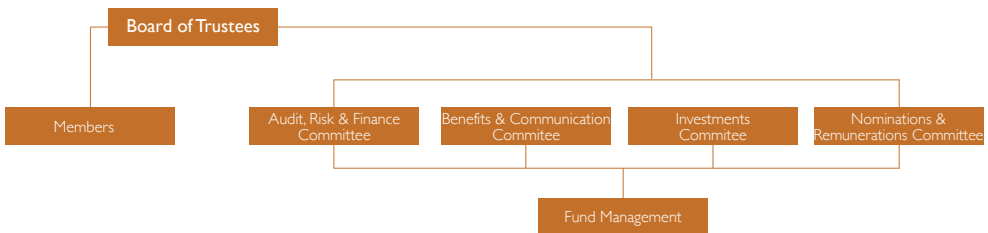
b) Regulation

The Fund exists in terms of the:
 The Retirement Funds Act (2014),
 The Income Tax Act (1995),
 The Companies Act (2004),
 The Financial Intelligence Act (2009),
 The Rules of the Fund,
 The Non-Bank Financial Institutions Regulatory Authority Act (2006), and
 The Pensions and Provident Fund Act, (1987).

c) Board of Trustees

According to the Pension and Provident Fund Act, fiduciary responsibility for the Fund rests with the Board of Trustees. The Board of Trustees are elected in terms of the Fund Rules. Currently there are nine (9) Principal Trustees, four (4) being employer appointed and the other five (5) being member elected. The Fund has one Independent Trustee. Each Principal has an alternate except for the Independent Trustees.

The Board of Trustees having set up the Sub Committees in terms of the Fund Rules, have delegated some responsibilities to the four Committees who act on behalf of the Board, but the ultimate responsibility of the administration 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. Each Committee has its own set of Terms of references that clearly outlines the mandate of the Committee. As and when required, the Board may set up a Steering Committee to overlook the proper implementation of the Fund's Strategy and major Fund projects with a clear charter outlining its mandate. The Board of Trustees reports directly to the regulators and is accountable to the membership of the Fund. The current governance structure of the DPF is as follows;



The Term of office for the Trustees is five years and the Trustees can be re-appointed for another five year term. The Board consists of 19 Trustees (9 principals, 9 alternates and 1 independent), led by an elected Chairperson. Each principal Trustee has an elected or appointed alternate ensuring full and proper representation at all times. In their endeavour to enhance good governance the Trustees have not only increased the term of office for the Trustees but have also ensured that elected member representatives with the second highest votes are automatically alternate Trustees as they have been elected by the members. Furthermore the company appointed Trustees no longer elect alternate of their choice but the alternates are appointed by the respective Participating employers that appoints the Principal Trustees.

The Board of Trustees have appointed independent Trustees to augment skills. The Board of Trustees has embarked on a process of strengthening Fund governance and oversight. During the 2014 financial year, the Board approved a Five Year Strategy that will ensure that the Fund is operating optimally. The Board continuously reviews the Fund's Organisational Structure to ensure that people, processes and systems are fully aligned and in the best interest of its members, pensioners and other stakeholders.

The Fund is committed to the attainment and maintenance 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. There are four main Committees and the Board reviews the governance structures to re-align the Committee mandates to ensure that corporate objectives are met, resources are equitably allocated and used, members' funds are properly invested and risk management as well as member communication is optimised. The DPF Board of Trustees reviews the Fund strategies annually to respond to emerging developments and opportunities to ensure the continued achievement of its strategic objectives. Each Committee has its own specific Terms of References which clearly outlines the responsibilities of that Committee

Board Committees and Purpose

1. Benefits and Communication Committee

- Reviews and recommends payment/distribution of benefits for beneficiaries of deceased active members, deferred members, ill-health retirees and pensioners
- Fund Communication implementation oversight and approval of Communication Policy and Strategy

2. Audit, Risk & Finance Committee

This committee oversees Fund business in the following key areas;

- Financial reporting
- Overall good corporate governance and control environments
- Risk Management
- Actuarial review and reporting
- Appointment of Auditors

3. Nominations & Remunerations Committee

The committee oversees

- the development and implementation of the Human Resources Strategy,
- Manpower planning
- succession planning of the Fund
- Board composition, nominations, elections, Trustee training and skills alignment to Board sub-committees

4. Investments Committee

The IC is responsible for

- Development, Implementation oversight and monitoring of the Fund investment strategy
- Advising the Board and Development of Investment Policy (IP)
- Selection of various assets and asset classes
- Selection and management of Assets Managers
- Monitoring of Investment Performance and risk management
- Investment reporting



Trustee Training & Development

For Trustees to be able to perform their fiduciary duties diligently and make prudent investments the Compliance department of the DPF is responsible to come up with a comprehensive training plan based on Trustees needs that

covers a broader spectrum of the pension Fund Industry issues. The Trustees Training can be undertaken under various forums including in-house training where boot camps are arranged for Committees and Board retreats where industry specialists and advisors from all over the world are invited to make presentation to the Trustees and management. Trustees and Fund Management are often sent to forums locally and internationally to attend Pension Fund specific conferences and to network with other Trustees and understand the pension landscape from a global perspective. This is especially important as some of the Fund's investments are held offshore.

5. Our Business Functions & Operations

The DPF has five main business units which include Finance & Administration, Legal Risk & Compliance, Investments, Communication, and IT. The Fund manages the majority of its functions in-house however in specialist areas such as Actuarial services etc. services are either co-sourced or outsourced. Also for cost sharing purposes, some standard functions such as internal audit and IT are co-sourced with the founding employer Debswana Diamond Company.

The DPF provides members with end to end benefits administration in-house, which includes the management of annuities for retired members. There are three (3) Member Relations offices that provide on-going support to members and employers in three of the membership constituencies of the Fund. The offices consists of the Gaborone head office and two satellite offices in Jwaneng and Orapa, all within the vicinity of the various participating employers and other member communities where they can be accessed easily.

DPF FUNCTION	STATUS	PURPOSE
FINANCE & ADMINISTRATION	INSOURCED	pension benefits administration, Fund accounting, member Relations and Member Education
LEGAL, RISK & COMPLIANCE	INSOURCED	Board secretarial, legal advisory, Risk and compliance monitoring
INFORMATION MANAGEMENT & IT SUPPORT	CO-SOURCED	IT infrastructure management and support, Project Management
MEMBER COMMUNICATION	INSOURCED	Member Communication and Corporate Affairs
ACTUARIAL SERVICES	OUTSOURCED	Fund Valuations and other actuarial services
ASSET MANAGEMENT	OUTSOURCED	Investment trading, monitoring and reporting
INVESTMENT CONSULTING	OUTSOURCED	Investment oversight, advisory, asset manager supervision, investment risk and strategy support
INVESTMENT MANAGEMENT	INSOURCED	Investment administration & manager relations
INTERNAL & EXTERNAL & AUDIT SERVICES	OUTSOURCED	Governance assurance
EMPLOYEE / HR MANAGEMENT	INSOURCED	Employee welfare and wellness

6. Our Long term Organisational Strategy (an overview)

Given the developments in the pension industry, particularly from a regulatory perspective, the Fund has made concerted efforts to implement a broader risk management framework to ensure continuous compliance to legislation as well as its own rules. A key area is the achievement of administration efficiency as seen from the Fund's operational transitions made over the last five years, i.e. from outsourcing to insourcing through the procurement of a new and robust administration system. The Fund's current long term strategy is in two phases: phase I which ended in December 2015, was to align people, processes and technologies, and this saw the DPF undergo a major restructuring between 2014 and 2015 as well as launch Project Anchor, which brought about the procurement and implementation of a new administration system, automation of finance processes and the general integration and consolidation of Administration and Finance functions. All of these aimed at the long term objective of maintaining a superior service offering at a reasonable cost per member. To date the Fund has recorded a successful transition into a standalone Fund, and going forward into phase 2, the Fund's focus will now shift to the pursuit of feasible growth opportunities and continuous operational excellence.

7. Key Performance Indicators

a) Fund Administration Policy

Debswana Pension Fund is responsible for the administration of member pensions for approved participating employers within Botswana. The service is carried out by Debswana Pension Fund on behalf of qualifying employers and ultimately

the members. The fund has in place policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service.

Our administration policy recognizes that both employing bodies (Participating Employers) and the Debswana Pension Fund have a joint role to play in delivering an efficient service and that any overall improvements can only be achieved in partnership. The policy recognises the many administrative challenges faced by the Fund and Employers and strives to improve the services given to members and Employers.

The aim of the policy is to move towards a seamless pension administration services, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Employers and stakeholders and a more efficient service to members.

The key objectives of the Fund administration policy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the NBFIRA and Debswana Pension Fund Regulations and in the delivery of administrative functions (largely defined in Service Level Agreements)
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other stakeholders
- Accurate records are maintained for the purpose of calculating pensions entitlements and Fund liabilities, ensuring all information and data is communicated accurately, timely and in a secure manner
- The Fund and Employers have appropriate skills and that training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in each Employer's Service Level Agreement
- Potential risks to the Fund and Employers, in particular compliance risk, leading to financial penalties arising from the administration, are identified, mitigated and monitored
- Effective governance arrangements are established for the monitoring and improvement of the Administration Strategy
- Administrative services are delivered in a cost effective and efficient manner utilising appropriate technology and best practice, in order to maintain costs at below or average levels

b) i) Membership

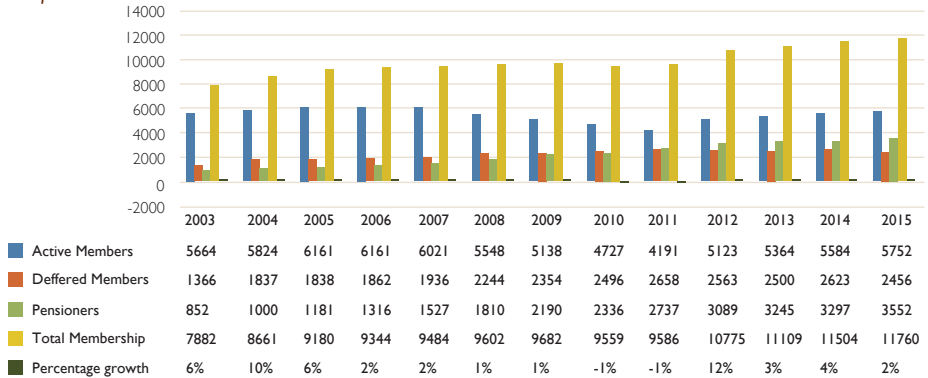
a) Participating Employers

The Debswana Pension Fund is currently an exclusive Fund providing pension administration services to the Debswana and DeBeers family of companies namely Debswana Diamond Company, De Beers Holding Botswana, De Beers Global SightHolder Sales, Diamond Trading Company Botswana, Morupule Coal Mine, Anglo Coal Botswana and DPF.

b) Historical membership growth

The Fund has experienced steady membership growth over the years suffice for a couple of dips experienced during the 2008-2011 recession which triggered reorganisation and retrenchments in some of the major participating employers. The chart below shows Fund membership progression from 2002 to 2015

Membership statistics 2003-2015



b) ii) Employer contribution rates

The fixed future service contributions in respect of the Employers and active members is summarised as follows;

<i>Contribution rates</i>	<i>All Participating Employers</i>
Member contributions	0.00% <i>(Members have the option to participate in Additional Voluntary Contributions)</i>
Company contributions	20.00%
Retirement funding	20.00%

c) Investments Management

i) Investment Policy

The DPF has produced an Investment Policy, which is reviewed annually to enable regulatory submissions: copies are available on request from the Pension Fund Secretariat. A formal Investment Policy governs the Fund Investment Process. The Investment Policy details but not limited to:

- Total return and risk objectives
- Spending policy
- Permitted and excluded investments
- Asset allocation guidelines with defined targets and permissible ranges
- Evaluation benchmarks by asset class and for the portfolio as a whole
- Risk and diversification requirements by asset class
- Use of derivatives
- Performance standards and evaluation
- Responsibilities of all parties concerned

Targeted Net Replacement Ratio (NRR) for in-service/active members;

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 target replacement ratio of 70% is calculated before commutation of the cash lump sum. The progression of the target member is based on the following assumptions.

Item Assumption

- Career 35 years
- Age at retirement 60
- Retirement savings contribution rate 20% of pensionable salary
- 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, being able to provide benefits in excess of the above. Given the defined contribution nature of the Fund, the above is only a target and not guaranteed.

ii) Investment Philosophy

The DPF have adopted a long-term horizon in formulating the Fund's investment strategy. This means that the overall success of the strategy will only be measured over a period of at least 5 years, with the planned measurement period that varies for each investment portfolio.

The primary risk of the Fund is inflation risk. This is the risk that the Fund does not earn a sufficient return to be able to provide reasonable retirement benefits and pension increases in line with inflation.

A secondary risk for in-service members close to retirement is that if the markets fall sharply just before they retire. Generally members that retire will secure a with profit life annuity from the Fund. The terms of this pension are set at retirement and so the retiring member should not be placed in the position that he/she would need to "lock-in" large negative returns at the time he/she retires.

Consistent with the Fund's purpose and risk budget, the primary investment philosophy of the Fund is to provide a return that is:

- 1) Well in excess of that provided by the capital markets in the event that general market conditions are weak (and deliver a low return relative to inflation)
- 2) Slightly ahead of capital markets in the event that market conditions are in the normal range (and where the investment returns relative to inflation are likely to be reasonable)
- 3) Behind the returns delivered by the capital markets in mature bull markets (i.e. very high returns relative to inflation). In this environment the Fund would be prepared to sacrifice some return to protect capital to a greater extent should the markets subsequently correct. The achievement of such a return signature should allow the Fund to meet its objective of providing reasonable and competitive benefits over as wide a range of investment scenarios as possible.

This philosophy is varied for in-service members as they approach retirement, where the primary investment philosophy is the protection of capital and to reduce the chance of negative investment returns over an investment horizon of 12 months. The philosophy gives primacy to retirement benefits. The Fund's investments are conducted in a manner that is honest, transparent and ethical.

iii) Investment Strategy

a) Liability Driven Investment Strategy

The Fund has pursued a Liability Driven Investment (LDI) strategy, namely an investment strategy that is tailored specifically to meet the Fund's liabilities. This strategy contributes to a level of confidence that the Fund will be adequately funded to meet its liabilities over the longer term as well as addressing cash flow needs in the more volatile short term. For a defined contribution (DC) fund such as the DPF, liabilities are not defined by the rules of the Fund as would be set out in the rules of a defined benefit (DB) fund. In a DC fund, the amount which a member will receive on exiting the fund is determined by how much the member contributed and how well his/her assets performed whilst he/she

was a contributing member: How well his/her assets perform is a function of the aggregated expectations and presumed risk tolerances of all the members in the fund.

b) Asset Liability Modelling

Asset Liability Modelling (ALM) enables the Fund to gain invaluable insight into the liability structure of the Fund and stochastically models an asset structure to suit the liabilities of the Fund. The results provide a solid platform from which to make informed decisions regarding appropriate investment strategy for the Fund.

c) The Strategic Asset Allocation (Asset Mix)

The output of the ALM process is the Strategic Asset Allocation (SAA) which is the appropriate longer term asset allocation for the Fund to have over time for each of its member categories.

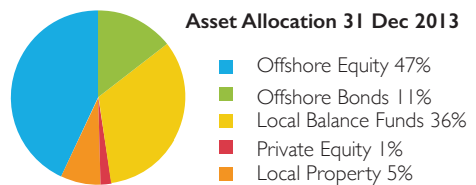
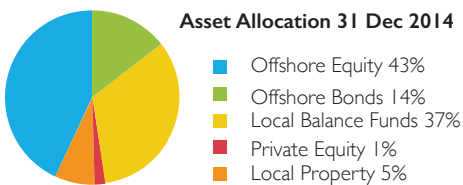
The SAA is contained in the detailed Fund Investment Policy and sets out the percentage of the total Fund which should be allocated to each asset class per member category. The SAA also contains the appropriate benchmark against which the returns of each asset class are to be compared (e.g. Botswana Domestic Companies Index for Local equities).

d) Asset Classes

The Fund is currently diversified across the following asset classes and geographic regions and will in time be including those asset classes and geographic regions indicated below:

- Botswana equity;
- Botswana bonds;
- Botswana inflation-linked bonds (New)
- Botswana property;
- Botswana cash;
- South Africa inflation-linked bonds (New)
- Foreign equities;
- Foreign bonds;
- Foreign cash; and
- Africa Listed Equity (New)
- Private Equity

e) Typical Asset Allocation Position For The DPF



f) Investment Model

The DPF has been using the Life Stage Investment model since 2004. The general principle of the life stage model is to invest member funds based on a member's presumed risk appetite. Capital preservation for near retirees is therefore pursued through reduced exposure of their assets to high risk investment instruments. Conversely, Members far from retirement are invested aggressively in high risk-high yield vehicles. Under life staging, member assets are split into three portfolios that have different investment objectives; the Market portfolio (18-53) Conservative Portfolio (age 57-60) and a Pensioner Portfolio (above 60).

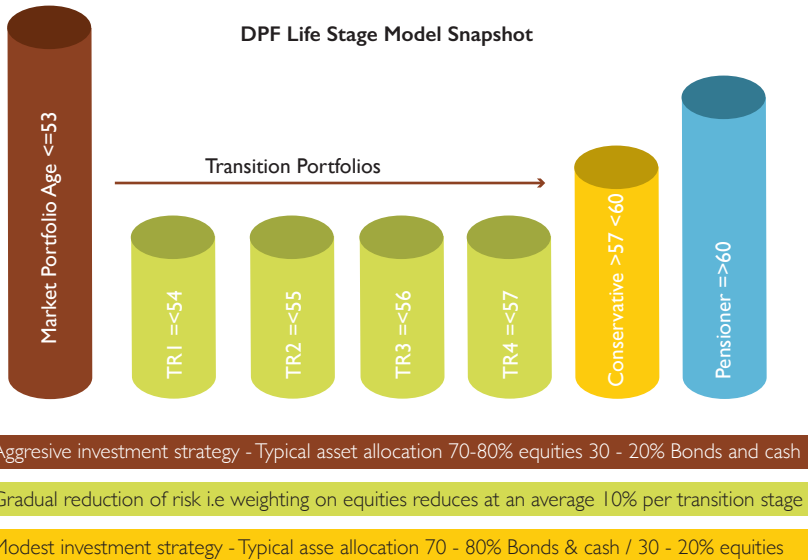
Through the Life Stage Model the Fund investment objective for the above stated portfolios is currently as follows;

- I. The primary investment objective of the Market Portfolio is to provide a net real return of 6 % p.a. over any rolling

8-year period (after management fees, tax and other costs)

- The investment objective of the Conservative Portfolio is to earn a net real return of 4 % p.a. (after management fees, tax and other costs)
- The pensioner liabilities have been valued at an interest rate of 5 % p.a. This means that the pensioner assets need to earn a net real return of 5 % p.a. (after management fees, tax and other costs) in order to grant pension increases that match inflation.

The Life Stage Investment model has so far consistently achieved its intended objectives since inception.



g) Socially Responsible Investing

The Trustees recognise that a key risk to long term investing is the under-estimation of factors that ultimately adversely affect the intrinsic value of a company (e.g. a change in environmental legislation or even just the stricter application of existing laws). Consistent with this, the Trustees will challenge its active managers on the economic sustainability of their investment decisions and the extent to which they have allowed for low probability but high impact events in the assessment of intrinsic value. The Fund will not classify investments as SRI, but rather relate the investment to its underlying nature. For example, if the investment is in infrastructure, it will be called “Infrastructure” – in this way it is clear to members what the nature of the investment is.

The Fund will assess its allocation to SRI on a look-through basis to assets held in the current portfolios. The following can all be seen as SRI within the Fund’s existing investment strategy:

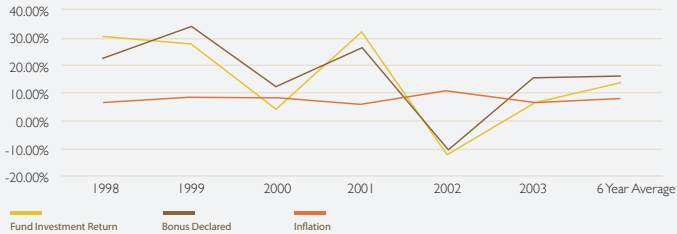
- A substantial portion of local fixed interest investments, the majority of which will typically be invested in loans to the Government (which is the prime agent for “social investment” in Botswana)
- Dedicated investment in infrastructure and development projects that would have a positive impact on society

d) Fund Performance History

The Debswana Pension Fund prides itself with a sparkling investment performance history as noted in the statistics below. Prior to the year 2004, the DPF investment strategy was based on a smoothed return process. Through this strategy, members were awarded investment return bonuses equally across the board based on market performance subsequent to a bonus declaration. Below is the investments recorded prior to the 2004 period.

Investment Performance By Smoothed Returns & Bonuses Declared

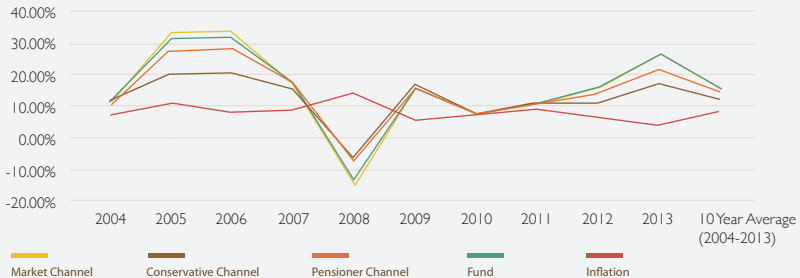
To members (1998-2003)



In the 6 years up to 2003, the Fund was fortunate enough to earn record returns well above inflation. The market downturn of 2001/2002 however brought about new lessons for the Fund. Near retirees were hardest hit by the -12.13% loss on their fund credits, hence therefore leaving the immediate retirees with reduced pension savings in that year by the Trustees. Following from that experience the DPF Board of Trustees reviewed and identified the Life Stage Investment Model as the best way to mitigate and minimise future potential losses for vulnerable members. The efficiency of the Life Stage Model was further put to the test during the 2008 financial downturns and as anticipated the near-retirees (conservative portfolio) were the least impacted by the investment losses experienced at the time, thus reaffirming the Board decision to adopt the strategy.

Life Stage Investment Portfolios Performance

(2004-2013)



Overall the Fund has satisfactory performed to target and above benchmarks for most of its investment life.

Fund Performance History (1998-2014)



e) Fund Valuation Principles

The Pensions and provident Funds Act allows for a maximum period of three years between each Fund valuation however due to the nature of the business of the Fund as an annuities provider for its retiring active and deferred members, the Trustees have historically conducted Fund valuations on an annual basis and continues to do so for the purpose of continuous and close monitoring of its funding levels.

i) Asset Liability Management

In 2015 the DPF Board of Trustees made the decision to establish a new strategic approach for the investment objectives of the fund through the adoption of Asset Liability Modelling framework. ALM stands for Asset Liability Management. The asset is the possession (investments etc.) of the fund and the liabilities are the obligations the fund has (the pension benefits). ALM-studies are conducted in order to gain insight in the risks and the extent to which the ambition of the fund can be realized in order to be able to make the pension benefit payments as a consequence of possible developments such as the composition of the participants, the inflation and the investment returns. At DPF the ratio of pensioners to participants is shifting rapidly on the high rise. At the moment, the fund has more pensioners than deferred members and the pensioner numbers are itching close to the active/in-service members and thus the Fund is obliged to manoeuvre in such a direction in order to ensure that it is sufficiently funded to meet its future liabilities

ii) Active and Deferred members liabilities

The benefits of active and deferred members are defined contribution in nature. Given that the benefits paid on exit represent the retirement funding contributions paid by or on behalf of members accumulated with the net investment returns earned by the Fund. The liabilities in respect of active and deferred members are determined as the sum of their individual accounts.

iii) Pensioner liabilities & calculation methodology

The benefits of pensioners who are paid from the Fund are defined benefit in nature. Given that pensions are expressed in Pula terms at retirement, the pensioners receive discretionary pension increases each year and are payable for the lifetime of the pensioner. At retirement, members can elect to purchase a pension from an approved provider outside the Fund or to "purchase" a pension from the Fund. For members that elect the second option, the relevant portion of the member's fund credit is transferred to the Pensioner Account and converted to a pension using predefined factors.

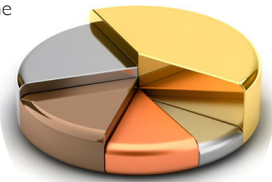
The Fund's pensioner liability is the amount (based on future assumptions) that the Fund should hold at the valuation date in order to continue to pay current pensions in payment. The amount must also make provision for the payment, on the future death of the pensioner, of any elected contingent pensions to a nominated spouse, children and other dependents. The pensioner liability must make allowance for Fund expenses and for future pension increases on 1st July each year. In terms of the Fund's pension increase policy, pension increases are targeted at 100% of the mid-point of Botswana inflation rate target range.

iv) Pension Increase Policy

Subject to affordability, as assessed by the Trustees in consultation with the Actuary, the Trustees may grant an increase to pensions in payment from the Fund on 1 July each year. Any pension increase granted may be uniform for all pensioners or varied according to the year of retirement, or have any other form that the Trustees consider equitable.

The annual increase on 1 July is targeted but not guaranteed to be equal to the year-on-year increase in the Consumer Price Index (Inflation) (as published by Statistics Botswana) up to the preceding 31 December.

Any increase for Pensioners whose pensions commenced during the 12-month period immediately preceding a 1 July increase will be pro-rata to the number of pension payments payable to the Pensioner during this 12-month period divided by 12.



The investment returns available for pension increases is the investment return on the pensioner account less taxes, manager fees and other relevant Fund costs, less the budgeted return (currently 5% per annum net of inflation) assumed from time to time by the actuary to value pensioner liabilities. It is however important to note that Trustee discretion over pensioner increase includes a long term view which may prompt the decision not to award any increase during periods of poor performance.

v) Fund Expenses

Fund expenses (for example administration, actuarial, audit, legal) are met by way of a monthly expense provision as decided by the Trustees, expressed as a pula amount per month in respect of each pension in payment and each active and deferred member. This expense provision, together with unitisation fees and investment manager fees, are deducted monthly from the Fund investment returns and held by the Fund in separate operations accounts from which the Fund pays the actual expenses as they arise.

The Trustees shall continue to monitor the Fund's expenses and ensure that the expenses of the Fund are managed appropriately.

vi) Allocation Of Investment Returns

The Trustees established the investment strategy of the Fund with effect from 01 January 2004. The strategy, which is set out in the document "Investment Policy – Debswana Pension Fund" allows for a specific strategic asset allocation for the pensioners and a separate and specific asset allocation for the active and deferred members and the contingency reserves. This approach is designed to take account of the different liability profiles applicable to the different categories of the Fund. The Investment Policy (IP) has been revisited by the Trustees from time to time and the investment strategy continually refined to increase exposure to other asset classes.

Active and deferred members are credited monthly with the actual net investment returns (positive or negative) achieved on the relevant assets. Similarly, the Pensioner Account and Contingency Reserve accounts are credited monthly with the actual net investment returns (positive or negative) achieved on the relevant assets backing the accounts.

vii) Contingency Reserve

The Trustees maintain a Contingency Reserve Account in the Fund to meet unexpected contingencies. The Trustees have set the required level of the Contingency Reserve Account at 3% of the Fund's assets. The main contingencies relate to the Pensioner Portfolio since the In-service assets and liabilities are matched. The Contingency Reserve will follow the same strategic asset allocation as the Pensioner Portfolio.

The Regulator, Non-Bank Financial Institutions Regulatory Authority (NBIFIRA) has set out the respective limits that it would deem reasonable for a Fund to hold in respect of the existing reserves.

f) Communication Policy

The DPF has a standing communications policy document which clarifies our communication objectives, defines our audiences, as well as how we aim to communicate with them and the frequency with which we communicate to achieve the desired objectives. Hereunder is a summary of the policy;

i) Primary Objectives

- To ensure that we are communicating with our audiences and we enhance the service we currently offer, we have set the following objectives:
- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally.
- Ensure our communications are simple, relevant and have impact.
- Deliver information in a way that suits all types of stakeholder.
- Aim for full appreciation of the pension fund benefits and changes to the Fund by all Fund members, prospective Fund members and participating employers.

- Promote the achievement of targeted Net Replacement Ratios by members through extensive marketing of Additional voluntary contributions as well as provide comprehensive financial education through the Fund's various communication mediums

ii) Secondary Objectives

Reputation Management

The Fund Communications manager is tasked with risk monitoring and management of all communication risk that may face the Fund. In that regard, the department maintains a risk log for review and mitigation on an on-going basis. At any given point and in line with the mandate of the Fund, the DPF will consider the management of Fund reputation, and ensuring sufficient member education as key considerations amongst the prevailing communication risks. A reputational risk matrix has been developed to guide the organization on the possible risk events that can damage the Fund reputation. The top two communications risks identified at all given times are fed into the organizational risk log, which is reviewed by the Board of Trustees on a quarterly basis.

Our audiences

The DPF communicates with various stakeholders. For the purposes of our communication policy, communication with the following audiences is considered;

- Members
- Prospective members
- Employers
- Community leaders
- Trustees
- Regulators
- Fund employees
- Business Partners/service providers
- Public and Media.

iii) Communication Mediums

The DPF Communication Strategy adopts a multi-channel approach that takes into account both the traditional mediums and new media. The Fund continually benchmarks across industries to identify useful emerging best practices in communication. The communication mediums that the DPF uses include the following;

- The Internet & intranet
- Publications
- Administration correspondence (forms and letters)
- General Correspondence (Public notices)
- Telephone & SMS Communication System
- Audio-visual mediums
- Member Welfare Offices (Face to face)
- Pensioner Meetings and conferences
- In-house Presentations for active members
- Induction presentations for new employees
- Education Fairs
- Pre-Retirement Workshops
- HR Training Workshops
- Social media
- Deferred Members Annual General Meetings

iv) Communication awards

The Fund has earned itself a high reputation regionally as the leading Fund in communication best practice over the years, garnering award after another year on year. Below are some of the awards received from the Institute of Retirement Funds Africa (IRFA) in recent years.



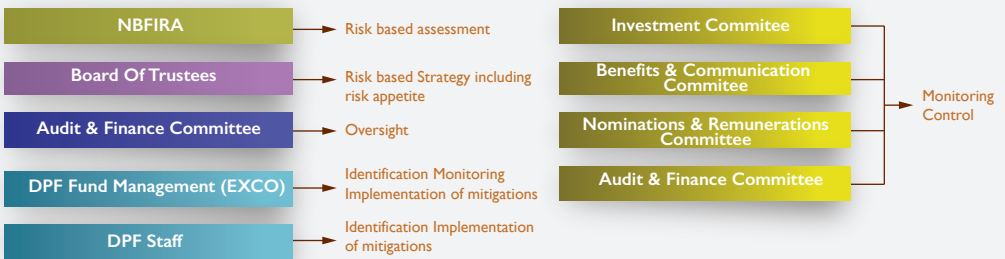
g) Compliance and Risk Management

The Debswana Pension Fund policy is to adopt good practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated where possible, reduced to an acceptable level or managed and contained; and to embed risk management practices within management and planning activities.

The Audit, Risk and Finance Committee reviews the risk logs, where all key financial and non-financial risks affecting the Fund business are recorded. New risks, if and when identified, are added to the risk log while others fall away over a period of time. A systematic process is used to prioritize the risks for on-going monitoring and management.

i) Established risk management structure within the DPF.

The Following is the Fund Risk management structure and related roles;



The Audit, Risk and Finance Committee reviews the risk logs, where all key financial and non-financial risks affecting the Fund business are recorded. New risks, if and when identified, are added to the risk log while others fall away over a period of time. A systematic process is used to prioritize the risks for on-going monitoring and management.

ii) Statutes

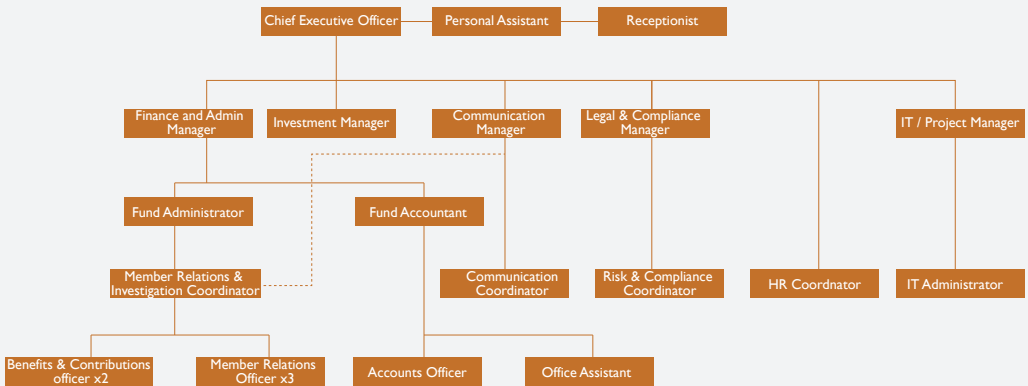
A revised Retirement Funds Act was enacted by Parliament into law in 2014, a development that prompted a Fund Rules review by the Trustees. The Fund rules were revised and approved by the regulator, Non-Bank Financial Institutions Regulatory Authority (NBFIRA) in November 2014. In addition to the Act, the regulator NBFIRA implements the NBFIRA Act and various prudential rules through a risk based supervision method over Fund governance, and key amongst them is PFR2 Prudential Investment Rule which covers; Investment Strategy, Prescribed Valuation Method for Pension Fund Assets, Limits on the Investable Assets etc.

The Fund is approved under the Income Tax Act 1971. Although exempt from Botswana income and capital gains tax, the Fund is unable to recover the tax credit on Botswana dividends

iii) Code of Conduct

The DPF has formulated a code of conduct for people engaged with the fund (board members and employees of the Fund) in order to guarantee the trust which interested parties have in the fund and in order to prevent integrity risks. As at December 2015, the DPF has a staff complement of 22 in the following positions.

DPF Organisational Structure



Fund Contacts and Relevant stakeholders as at 31st March 2016.

Principal addresses of the Fund

Debswana Pension Fund Secretariat
Private bag 00512, Gaborone
Plot 5036 I Block D, Carlton House
Fairgrounds Office Park
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 Holding Botswana (DBHB)
Debswana Pension Fund (DPF)
Anglo Coal Botswana

Trustees as at 31st March 2016

Principals

Richard Vaka (Board Chairman)
Reobonye China Abel (Deputy Chairman)
Lynette Armstrong
Chris Mokgware
Esther Palai
Gakenaope Gakologelwang
Ishmael Mokobi
Garekwe Mojaphoko
Lebogang Sebobelo
Wanjiru Kirima

Alternates

Eunice Mpoloka
Emmanuel Kgaboetsile
Tefo Sethlare
Letsibogo Ndwapu
Victor Mbanga
George Rantshilwane
Mooketsi Menyato
Potoko Bogopa
Kitlanang Phuthego

Chief Executive Officer

Gosego January

Actuary

Towers Watson

Auditors

Deloitte & Touche

Administrator & Annuity provider

Debswana Pension Fund Administrators

(Debswana Pension Fund is a self-administered Fund that also provides optional annuities in-house for its retiring active and deferred members.)

Investment managers as at 31st March 2016

Local managers

Investec Botswana – Equity Manager
Allan Gray Botswana – Deputy Manager
Fleming Botswana – Equity Manager
Knight Frank – Property Manager
(other local mandates pending appointment)

Offshore managers

Walter Scott International (Equity)
Aberdeen International (Equity)
Marathon International (Equity)
Orbis International (Equity)
PIMCO International (Bond)

Custodian

Stanbic Bank Botswana Ltd

Investment Consultants

Riscura International

Bankers

Barclays Bank Botswana (Pty) Ltd
First National Bank Botswana (Pty) Ltd

Administrators Office

Gaborone Office

Private Bag 00512, Gaborone Botswana
Plot 50361, Block D, Carlton House
Fairgrounds, Gaborone Botswana
Tel: +267 361 4267, Fax: +267 3936239

Jwaneng Office

Township Housing Office Block,
Office No.9
Tel: +267 588 4849

Orapa Office

HR Block,
Office No.11
Tel: +267 290 2323

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