BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

INTEGRATED ANNUAL REPORT

Improving Livelihoods

CONTENTS

KEY ACHIEVEMENTS IN 2022

REVENUE

Net insurance premium income
↓ 2% to **P3,01 billion**

Net recurring premium income
↑ 1% to **P1,79 billion**

Revenue from contracts with customers
↑ 9% to **P139 million**

Value of new business
↓ 9% to **P160 million**

EARNINGS

Operating profit
↑ 132% to **P408 million**

Core earnings
↑ 138% to **P481 million**

Share of profit of associates
↓ 22% to **P237 million**

Profit attributable to equity holders
↑ 56% to **P615 million**

ASSETS UNDER MANAGEMENT (AUM)

↑ 7% to **P38,5 billion**

SOLVENCY

Business is well capitalised; required capital for the group subsidiaries is covered

7,7 times
(December 2021: 6,8 times)

DIVIDENDS

Paid as dividends during the year
P405 million
(December 2021: P195 million)

Final dividend proposed net of tax
P285 million
(December 2021: P200 million)

Special dividend proposed net of tax
P251 million
(December 2021: nil)

EMBEDDED VALUE

↑ 9% to **P5,76 billion**
(December 2021: P5,29 billion)

Return on group embedded value
↑ **16,9%**
(December 2021: 11,3%)

ABOUT THIS REPORT

REPORTING SCOPE AND BOUNDARY

This is the integrated annual report of Botswana Insurance Holdings Limited (BIHL or the company) for the year ended 31 December 2022.

This report includes material information for our stakeholders about our financial, economic, social and environmental performance and demonstrates our performance against our previously stated plans.

The content encompasses all divisions and subsidiaries of the company across all regions of operation in Botswana and our associates in Eswatini, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

We provide insights into matters of importance to our stakeholders, highlighting how the organisation is governed, the material matters we identified and the risks and opportunities that could impact our business. We show how these factors influence our business model, strategic objectives and future plans in creating and sustaining value for our stakeholders in the short, medium and long term.

REPORTING PRINCIPLES AND FRAMEWORK

We applied international and Botswana reporting guidelines and best practices in compiling the report, including the following:

- Botswana Stock Exchange (BSE) Listings Requirements
- International Financial Reporting Standards (IFRS)
- Botswana Institute of Chartered Accountants (BICA) Financial Reporting Guides
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV™)
- International Integrated Reporting Framework (<IR> Framework) of the IFRS Foundation
- United Nations Sustainable Development Goals (SDGs), and
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

as well as the relevant regulations and directives in force under the laws of Botswana.

The annual financial statements on pages 117 to 225 are presented in Pula, the group's presentation currency.

THEME

This is our purpose statement and is the essence of everything that we do as a business. We believe that we enhance the overall well-being and quality of life of individual and communities we operate in. Our intent as we operate is to develop strategies, initiatives and interventions that aim to enhance income opportunities, access to financial services and socio-economic conditions for people, thereby enabling them to lead healthier, more productive, and fulfilling lives.

Read more about our purpose on page 8.

NAVIGATION

This integrated annual report was enhanced with digital navigation capabilities to assist you in moving between sections. You can do so by using the navigation icons at the top of the page or where you see one of these links:

Refers you to information available online at **www.bihl.co.bw**

Refers you to a **page** where more information can be found in this report.

MATERIALITY

This report discloses BIHL's approach to sustainability and identifies and explains the material environmental, social and governance (ESG) issues facing the group. The board has considered matters viewed as material to the business of the BIHL Group and its stakeholders. These are determined through board discussion, market research, stakeholder engagement, continuous risk assessments and the review of prevailing trends in our industry and the global economy. Sustainability issues that are not considered material to our business are not discussed. This approach should enable stakeholders to accurately evaluate the BIHL Group's ability to create and sustain value over the short, medium and long term. Management is not aware of the unavailability of any reliable information or any legal prohibitions to disclosing any material information.

Refer to page 16 for more information on our material matters.

FEEDBACK

A hard copy of this integrated annual report is available on request as well as online at **https://www.bihl.co.bw/investor-relations-pages**

We are committed to improving this report each year and appreciate and encourage constructive feedback. Please forward comments to **hndzinge@bihl.co.bw**

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 December 2022. Actual results may differ materially from these expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise, and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, unless required to do so by legislation and regulation. The external auditor and assurance providers have not assured these statements.

ASSURANCE

BIHL has a combined assurance model, which is set out below.

Business process	Nature of assurance	Assurance provider
Annual financial statements	External audit	Ernst & Young
Internal control processes	Internal audit services	Internal audit services with the assistance of Sanlam Internal Audit
BSE Listings Requirements	Compliance reviews	BSE and Ernst & Young
Insurance due diligence	Independent risk reviews	Ernst & Young, independent actuary and reinsurers

Per Botswana law and the BSE Listings Requirements, BIHL's annual financial statements were audited by our independent auditor, Ernst & Young.

Their unqualified independent auditor's report is set out on pages 112 to 116. The scope of their audit is limited to the information set out in the annual financial statements on pages 117 to 225.

APPROVAL

The audit and risk committee and the board acknowledge their responsibility to ensure the integrity of this report, which was reviewed by the audit and risk committee, the board, the Company Secretary and Statutory Actuary.

The board, after consultation with the audit and risk committee, concluded that this integrated annual report is presented materially in accordance with the <IR> Framework and approved it for publication on 6 May 2023.

Mahube Mpugwa
Acting Chairman

Catherine Lesetedi
Group Chief Executive Officer (CEO)

Kudakwashe Mukushi
Group Chief Financial Officer (CFO)

Andrew Cartwright

Chandrakant Chauhan

Robert Dommisse

John Hinchliffe

Lieutenant General Tebogo Masire

Nigel Suliaman

Kobus Vlok

Signatures were removed for security and privacy reasons.

CORPORATE INFORMATION

Contact details for BIHL are set out on the inside back cover.

About BIHL

ABOUT BIHL

The BIHL Group is a leading BSE-listed financial services group with a proud record of achievements.

We are the holding company of two subsidiaries.

BIHL GROUP

Botswana Life

Botswana Life Insurance Limited
Botswana's leading life insurer with a market share estimated at over 71%. Botswana Life administers more than 300 000 policies and underwrites over P1,9 billion in recurring premium income.

Bifm

Botswana Insurance Fund Management Limited
A pioneer in asset management managing in excess of P36 billion in assets across equity, fixed income, real estate, liquidity and alternative investments.

BIHL top shareholders

Sanlam	58,43%
Botswana Public Officers Pension Fund	14,72%
Motor Vehicle Accident Fund	4,04%
Other	22,81%

Associates

Letshego 27,91%	BIC 50,00%
FSG* 37,62%	NICO 25,10%
GRAND RE 33,00%	

* *Sold subsequent to year-end.*

BIHL further holds a stake in five associate companies:

- Letshego Holdings Limited (Letshego or LHL)
- Botswana Insurance Company Limited (BIC)
- FSG
- Nico Holdings PLC
- Aflife Holdings Zambia.

CORE VALUES

- Collaboration
- Corporate citizenship
- High performance
- Agility and innovation
- Client-centricity

CORE BUSINESSES

- Life insurance
- Asset management
- Short-term insurance
- Other services

INVESTMENT CASE

- Key player in the Botswana financial markets
- Financial business with diverse revenue streams
- Strong group liquidity and balance sheet position
- High-quality and competent management and staff
- Technical institutional memory embedded in the leadership team
- Track record of compelling product offering across Botswana
- Diverse and client-centric
- Strong partnerships and networks across different industries
- Responsible and efficient capital allocation
- Strong and trusted brand identity
- Satisfactory growth track record
- Innovative product development team

OUR PURPOSE

We are focused on our purpose of improving livelihoods. We have a clear strategy to achieve our vision and mission through our strategic objectives. We strive to meet these objectives by leveraging our strong values.

PURPOSE

To improve livelihoods

VISION

To be the financial services provider of choice for our customers and to deliver best-in-class returns for our shareholders

MISSION

We will achieve this through service excellence, providing innovative wealth and insurance products and living our stated core values every day

BIHL GROUP

OUR STRATEGIC TARGETS	KEY STRATEGIC GOALS
Client-centricity	Profitable and sustainable revenue growth
Innovation and transformation	Cost optimisation
Cost optimisation	Superior client service

OUR SIX STRATEGIC OBJECTIVES

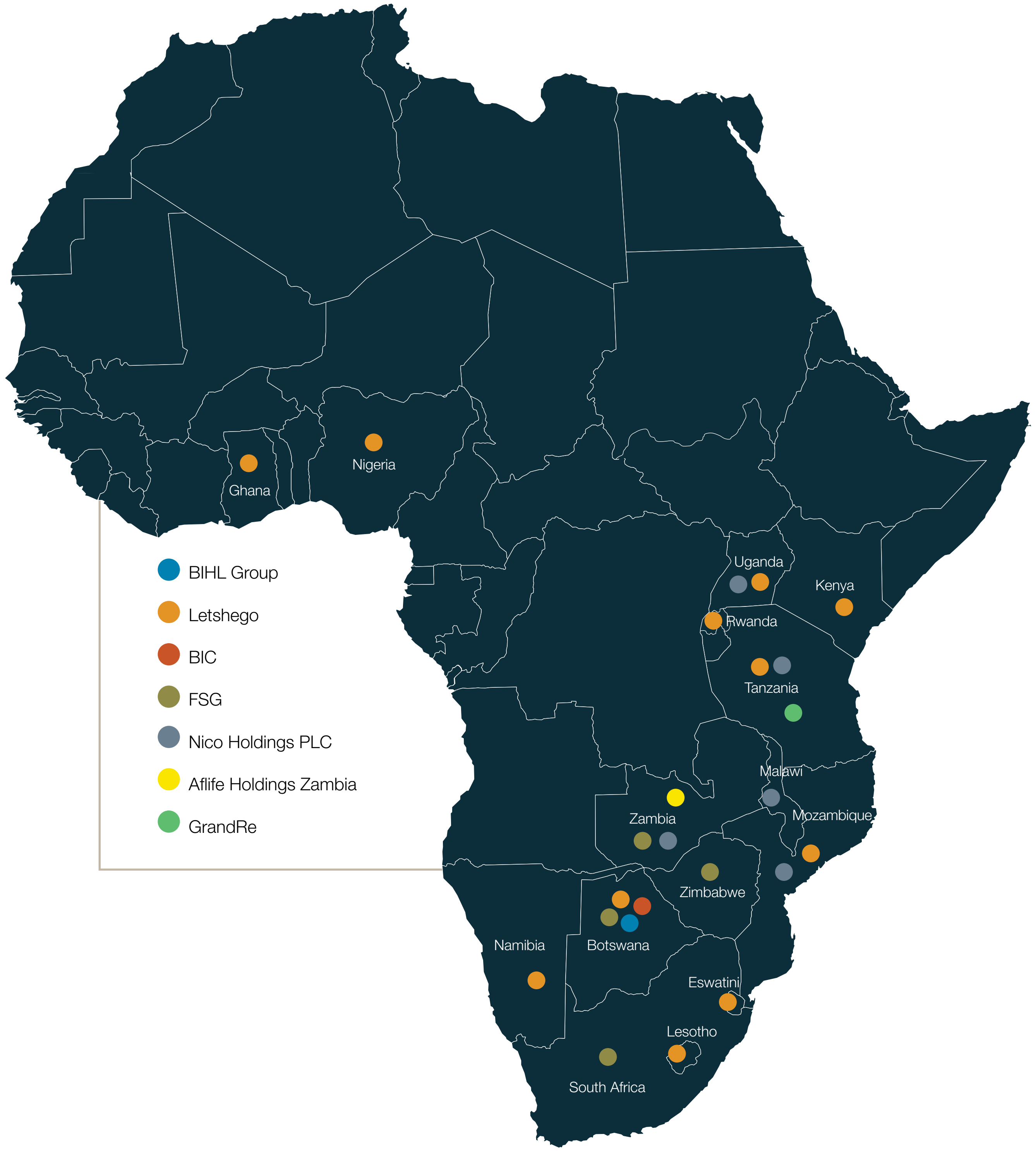
1/	2/	3/	4/	5/	6/
CLIENT-CENTRICITY	**INNOVATION AND TRANSFORMATION**	**COST OPTIMISATION**	**NEW GROWTH OPPORTUNITIES**	**COLLABORATION**	**EMPLOYEE VALUE PROPOSITION**
Prioritising an exceptional and convenient client experience	Capitalising on new leading-edge ideas for sustainable value and future-proofing	Ensuring prudent spending and cost optimisation while maximising business value	Pursuing new business partnership and expansion opportunities	Driving synergistic value across the group	Improving future-fit employee competencies and culture

VALUES

Client-centricity | Collaboration | Agility and innovation | High performance | Corporate governance

WHERE AND HOW WE TOUCH LIVELIHOODS

OUR FOOTPRINT



TIMELINE

2022
- Sponsored the Forbes Under 30 Summit and sent a youth representative to present on the BIHL Group's behalf
- Partner with UNICEF to execute on the youth behavioural change initiative in far to reach communities in Botswana
- Botswana Life partners with Emergency Assist 991 to offer comprehensive 24-hour emergency medical evacuation cover

2021
- Launched Botswana Life Retirement Annuity Fund and Fiduciary Services
- Established Innovation and Transformation Office
- Launched Young Leaders Forum

2020
- More channels for improved reach and ease of doing business

2019
- BIHL Trust launch mobile app solution #AppForChange
- Botswana Life launch Masika Otlhe funeral plan
- New BIC corporate identity: 'Make Life Better'

2018
- Bifm citizen share scheme – 25,1% of BIHL owned by citizen employees
- Hosted inaugural Global Financial Summit
- New Botswana Life CEO
- #AppForChange competition

2017
- Botswana Life launch pioneering Poelo Whole of Life product

2016
- Acquired indirect 50% in BIC

2015
- Acquired 25,1% of Nico Holdings PLC

2014
- Botswana Life refreshes brand identity

2012
- New BIHL Group corporate identity
- Bifm Capital sale
- Launched BIHL Sure!

2010
- Rail Park Mall project with Botswana Railways
- Airport Junction Shopping Centre in Gaborone

2009
- Completed development of new Southern African Development Community headquarters project

2008
- Launched Botswana Insurance Fund Management's (Bifm) first public-private partnership project

2007
- Approved the establishment of a community development trust

2006
- Botswana Life launch Mmoloki, Motlhokomedi and Mortgage Protector Plan

2004
- New Bifm corporate identity and positioning

2003
- Launched policies which include HIV and AIDS

1993
- Acquired controlling stake in IGI Botswana Holdings Limited

1991
- Listed on the BSE

1975
- Company established

OUR MARKET AND TRENDS

OUR RESPONSE TO COVID-19

Botswana experienced a stable COVID-19 situation for most of 2022, thanks to the Government's increased focus on vaccination. This resulted in fewer COVID-19 positive cases and deaths being registered country-wide.

During the first quarter of 2022, the Government revised the COVID-19 protocols based on the latest scientific evidence and public health advice. It included adjusting the number of isolation days and the cancellation of contact tracing. In the third quarter, all COVID-19 restrictions were lifted. This was a positive step towards returning to normalcy. The public was, however, encouraged to continue practising measures to prevent the spread of COVID-19 such as wearing masks, practising social distancing and getting vaccinated. The Government continued monitoring the situation closely.

BIHL responded to the pandemic by implementing internal measures such as a staff vaccination programme, office decongestion, social distancing and mask-wearing. These measures led to a significant decline in the number of COVID-19 cases, paving the way for the easing of health restrictions and a gradual return to normal life.

The crises management team implemented a gradual process for returning to the office, with exceptions made for special cases or areas still impacted by the pandemic.

A pandemic plan was put in place, with a focus on:

- Compliance with regulations on the movement of people
- Emphasis on personal hygiene
- Social distancing techniques in the workplace
- Limitations around international and domestic travel
- Maximum utilisation of the capacity to work from home
- Self-isolation where staff might have been exposed to the virus
- Continuous communication to staff, clients and other stakeholders
- Heightened risk management
- Liquidity management improvements

These measures were effective in managing the pandemic situation for BIHL and the crisis management team continues to monitor the pandemic situation.

EMPLOYEE WELL-BEING AND HEALTH AND SAFETY

BIHL prioritised the health and safety of its employees and customers throughout the COVID-19 pandemic. The following steps were introduced to ensure the well-being of employees:

- A hybrid remote working policy and spending to equip employees to work from home effectively
- Personal protective equipment was procured for employees who worked from the office
- A partnership with Kalafhi Medical Centre to manage COVID-19 cases among employees
- Psychosocial support was provided to employees to help them cope with the challenges posed by the pandemic.

COMMUNICATING IN A CRISIS

BIHL implemented communication strategies to effectively respond during the pandemic, including utilising multiple communication channels such as social media, email and phone to reach out to stakeholders. We established a dedicated crisis management team responsible for monitoring the situation and providing timely updates to stakeholders.

BIHL regularly updated its communication plan and provided training to employees on effective communication strategies. It also established platforms for stakeholders to contact the crisis management team with any questions or concerns. In addition to external communication, we prioritised internal communication to ensure that all employees were informed and equipped to respond to the crisis. Regular updates were provided to employees and the company established an internal messaging platform to facilitate communication and collaboration among employees.

Overall, BIHL's effective communication strategies helped to mitigate the impact of the pandemic and maintain trust and credibility with its stakeholders. The company's proactive and transparent approach to communication will serve as a model for future crisis management efforts.

Trends in the insurance and investment management sectors

Refer to the BIHL Group Chief Executive Officer's report on page 36 and our people on page 59 for more detail.

		Opportunities created
Digital marketing and a digital marketplace	Adults spend approximately 12% of a 24-hour day on their smartphones, making digital marketing key to interacting with customers.	Data-driven segmentation can help target customers more accurately at the point of certain life events to deliver the right message at the right time.
Leveraging the power of ecosystems	With industry borders blurring and new entrants and start-ups competing in the financial services industry, organisations need to expand their product and service offerings or form new partnerships to remain relevant.	Offering customers products or services that directly or indirectly relate to the primary offering can increase the probability of turning a lead into a sale. Forming new partnerships with companies outside of the financial services industry can greatly increase retention rates.
Shifting to a digital mindset	With a rapidly changing world, shifting the culture and behaviours of an organisation to be innovative, future-thinking and digitally savvy is paramount to identifying opportunities and becoming the digital advisors that customers need.	Compressing the role of the advisor is inevitable as customers move to self-directed research. Organisations need to reinvent the role of advisors, build digital leadership skills and instil a 'fail fast, fail cheap' culture in order to rapidly innovate.
Agile ways of working and a digital workplace	Customers expect experiences that keep up with their needs. With the pace that trends, regulations and technology change, this requires flexibility from businesses. Similarly, employees are also asking for this kind of flexibility from their businesses to keep up with work trends, regulations and technologies.	Multi-disciplinary squads can innovate rapidly in response to changes happening inside and outside the organisation and push new offerings faster than traditional methods. Agile ways of working have been shown to boost both employee productivity and customer experience ratings.
Emerging technologies and InsurTech	Traditional financial companies are feeling threatened by how rapidly InsurTech can innovate to deliver on great customer experiences and competitors who can leverage big data.	Collaboration with open banking is key. By sharing insurance data with vendors, customers refine modelling, pricing and predict claims with more accuracy.
Becoming a data-driven organisation	Data is the new oil and insurers have reservoirs of assets that can be turned into business value that will affect the bottom line.	By putting data and analytics at the centre of the organisation, and making sure that employees have access to the right data at the right time, they can make powerfully informed decisions.
Disruptive pricing models	Insurance is typically a grudge purchase and clients battle to navigate the complex relationship between short-term financial decisions and long-term consequences when choosing a coverage option.	Leverage innovative pricing models (such as dynamic pricing or 'pay as you go' payment options) to help customers save for the future while being able to navigate their current circumstances.
Digitalisation and personalisation of services	With the rise of self-service channels, virtualisation and omni-channel offerings, services and the experience provided to customers continue to radically shift in an ever-increasingly digital world. Customers are also expecting simultaneously fast, cheap and personalised service.	Human interaction will remain pivotal in the future, but advisors will be supported with data and artificial intelligence (AI) to deliver personalised insights with a human touch. Back-end processes will be automated, and AI will kick off processes based on predictions even before a human trigger.

How we create value

Creating long-term value
for all our stakeholders

OUR MATERIAL MATTERS

As the only integrated financial services provider in Botswana, we seek to leverage group synergies and resources to continue providing value to our key stakeholders.

Our executive management takes responsibility for managing the group's key material issues and we follow a structured approach to determine the relevant material issues that could affect our ability to create value. The material issues are presented to the board for endorsement.

DETERMINING OUR MATERIAL ISSUES

Material matters are those matters of relevance we address and report on, considering their significance to both the business and our stakeholders and their potential to affect BIHL's ability to create value over the short, medium and long term. This allows us to evolve our strategy and tailor our reporting to ensure it is aligned with the interests and needs of our audiences, as well as those of the group. We determine our material issues against the changing context of the business, stakeholder feedback and emerging issues. An external party was engaged to facilitate this process.

Our material issues are driven by our ambition to be the leading client-centric, broad-based financial services group in the markets we choose to operate in, and are presented in the following table. We show which of our stakeholders are affected by these issues and how we have taken cognisance of these issues in determining our key strategic objectives.

Material issues	Strategic objectives	Strategic initiatives
Growth	• Client-centricity • Employee value proposition (EVP) • Collaboration • New growth opportunities • Innovation and transformation	• Retaining market-leading positions • Growth through deepening penetration of selected segments – Underserved markets – Product mix • Partnership with ecosystems and alternative distribution channels
Margins	• Cost optimisation	• Simplify customer journeys for improved interactions and retention – Improve client engagement, leveraging off strong net promoter score – Repricing to ensure profitable top-line growth – Fintechs and platforms for growth – Reducing costs and maintaining margins – Phase out products with negative margins • Product mix and diligent management of products requiring high capital allocation
Capital efficiency	• Optimised delivery	• Capital management and maximising returns for our portfolio • Maintain our dividend policy • Maintain strong governance while mitigating risks of increasing regulation

The strategic objectives are described on page 8.
Our top risks are discussed in more detail on pages 21 and 22.
Our key stakeholder relationships are outlined on pages 26 and 27.

OUR STRATEGY

SUSTAINABLE GROWTH STRATEGY 2019 – 2023

As the only integrated financial services provider in Botswana, we seek to leverage group synergies to continue providing value to our key stakeholders. Future growth opportunities exist in both optimised insurance and asset management penetration, as well as through growth into other services and markets.

Strategic pillar	Progress in 2022	Focus for 2023
Client-centricity	• Botswana Life net promoter score: 21 (2021: 24) • Botswana Life new policies: 46 000 • Reinstatements: 8 009 policies • Life rewards cards in circulation: 47 953. P588,9 million claims paid on the card • Bifm AUM growth 6% above the previous year • Slow but positive uptake of alternative collection channels • Bifm Unit Trusts AUM growth 6% above previous year • Stable file size	• Products that fulfil client needs; less likely to be withdrawn or lapsed • Improve customer experience through enhanced touchpoints • Increase product uptake, digital adoption and educate clients • Stakeholder relationship management – aligning our services with the needs of clients • Enhanced affluent value proposition, including a members-only service centre
Profitable revenue	• Recurring income growth rate 1% over prior year despite high lapses • Bifm retention of mandates: 100% • Key clients relationship management • Corporate clients: 229 • Unit costs for acquisition and maintenance over budget • Bifm Unit Trusts outflows remain high resulting in slow AUM growth	• Greater penetration of existing segments and target new segments • Alternative distribution model • Cross-selling across products and businesses • Exploring leads generation model • Competitive scheme pricing and augmenting benefit levels • Innovation to increase market penetration • Client relationship management and value exploration • Premium deduction at source to reduce lapses
People	• eLearning: 305 active users • Engagement: 73% • Courses completed: 1 001 • Inaugural Young Leaders' Forum launched an employee recognition platform and a group-wide communications tool • Interim (six months) staff harsh economy cushion subsidy of P500 • Delays in succession and talent management due to Botswana Life retrenchments in October 2022	• EVP • Staff engagement • Talent pool succession plan • Group-wide employee development through eLearning training platform • Emphasis on improving culture and staff morale
Efficiency and compliance	• Full digital on-boarding of Mosako policies • Launching of a digital policy in conjunction with Letshego • Cost-optimisation initiatives resulting in significant unit costs savings • Roll-out of alternative collection channels to improve efficiency and convenience • Key project milestones achieved in readying KYC and WhatsApp for business solutions	• Fit-for-purpose organisational structure • Measures to increase productivity of existing channels • Grow cheaper alternative payment options • Optimise processes • Retain existing clients • File size management

OUR VALUE-CREATING BUSINESS MODEL

Our capital inputs	Outputs delivered	Stakeholders affected	Outcomes desired
Financial capital Our solid investments and cash resources, underpinned by stringent debt and working capital management **Investments: P17,5 billion** (2021: P17,4 billion) **Cash deposits: P401 million** (2021: P137 million) **Embedded value: P5,8 billion** (2021: P5,3 billion)	**Net insurance premium income: P3,0 billion** (2021: P3,1 billion) **AUM: P38,5 billion** (2021: P36,0 billion) **Fee revenue: P139 million** (2021: P128 million) **Return on group embedded value: 16,9%** (2021: 11,3%) **Dividends paid: P405 million** (2021: P195 million) **Required capital covered: 7,7 times** (2021: 6,8 times)	Investors and analysts Clients Key accounts	A well-capitalised operation, delivering sustainable earnings and distribution growth
Manufactured capital Our well-developed infrastructure **Property and equipment: P173 million** (2021: P183 million)	**Leasehold improvements net value: P35 million** (2021: P38 million)	Suppliers and vendors Clients	Functional infrastructure with a large footprint
Intellectual capital Our skilled workforce with their knowledge base, established and recognised brands, sound systems and procedures and digital transformation strategy **Intangible assets: P101 million** (2021: P107 million)	**Life policies: 6** (2021: 6) **Investment products: 3** (2021: 3) **Funeral products: 5** (2021: 5) **Retirement annuity product: 1** (2021: 1)	Trade associations/ affinity schemes	Life insurance and investment products for a broad range of society
Human capital Our depth of skills and experience and ongoing training and development **Employees: 398** (2021: 407) **Financial advisors: 629** (2021: 880)	**Training spend: P4,4 million** (2021: P4,5 million)	Employees Intermediaries and distribution partners	A skilled workforce
Social and relationship capital Our strong relationships with our stakeholders based on a client-centric approach to our customers and our corporate social investment (CSI) programme **Active policies: 298 224** (2021: 304 766) **CSI investment: P1,4 million** (2021: P1,3 million)	**CSI spend: P1,4 million** (2021: P1,3 million) **Social upliftment projects: 3** (2021: 5) **Educational projects: 3** (2021: 2)	Communities Governments and regulatory bodies	BIHL Trust focused on education, public health, conservation of the environment and social upliftment
Natural capital Responsible use of resources	**Water usage: P337 000** (2021: P312 000) **Electricity usage: P1,7 million** (2021: P1,6 million) **Fuel usage: P833 000** (2021: P572 000)		As a low-impact industry, we pride ourselves on the responsible use of natural resources

Business activities and trade-offs made

Improving Livelihoods

We continue to invest in the protection of the livelihoods of our customers and our people.

This requires significant investment of financial resources and valuable time in the short term to ensure long-term sustainability and growth.

We believe that investment in the development and skills of our people, goodwill in the community and care for the environment will provide handsome returns in the future.

OUR RISKS AND OPPORTUNITIES

GOVERNANCE

The board is ultimately responsible for overseeing risk management. The audit and risk committee is mandated by the board to advise and assist with the design and implementation of BIHL's risk assurance framework. Therefore, the audit and risk committee takes responsibility for reviewing the risk appetite statement and level of risk tolerance for the group for recommendation to the board and monitoring the implementation of the group risk assurance framework and supporting policies.

A comprehensive and mature group risk assurance framework is in place, with appropriate risk escalation processes from business unit to group level. The group risk assurance framework is reviewed annually.

Refer to note 24 on page 201 to the annual financial statements for additional information on BIHL's risks.

RISK MANAGEMENT

The board adopted the three lines of defence model for managing risks. The model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the group. It incorporates oversight, management and assurance of risk management, especially given the three independent views of risk.

This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the board and the group executive committee that risks are managed effectively. It contributes to sustainable achievement of performance objectives by managing or mitigating adverse outcomes and reputational damage.

1st LINE OF DEFENCE

Group Chief Executive and group executive committee

- Risk-taking business units within the clusters
- Roles and responsibilities (doing and recording)
- Delegated board authority to:
  - Develop and implement strategy
  - Measure and manage performance
  - Implement the internal control and risk management framework within the agreed risk appetite
- Assurance: Management-based

2nd LINE OF DEFENCE

Risk management and compliance functions within the group

- Roles and responsibilities (internal verification)
- Objective oversight of risks. Key activities include:
  - Designing and deploying the overall risk management framework
  - Developing and monitoring policies and procedures
  - Monitoring adherence to the framework and strategy
- Assurance: Risk- and compliance-based

3rd LINE OF DEFENCE

BIHL board-mandated committees

- Audit and risk committee
- Actuarial committee
- Human resources committee

Internal and external audit

- Roles and responsibilities (independent verification)
  - Independent and objective assurance over the effectiveness of corporate standards and compliance
  - Assurance that the risk management process is functioning as designed
  - Identifies improvement opportunities
- Assurance: Independent-based

OUR TOP RISKS

We identified the top risks that pose a potential threat to the execution of our business strategy.

Rank	Risk	Description	Mitigating actions
2	**Lapse risk**	• Botswana Life has been experiencing higher than budgeted lapses and resulting in lower income • This is partly due to the economic effects of COVID-19 and high inflation that put household income under pressure • Other possible causes may be operational issues or low quality of new business at point of sale	• Focus on deduction at source business with higher collection rates • Segment clients and sell relevant products for each segment • Create awareness on alternative payment channels • Identify recoverable clients
2	**Exposure to Letshego**	• The carrying value of the investment in Letshego constitutes 37% of BIHL's net asset value and 25% of group equity value • BIHL's shareholding is 27,91% which does not allow for control over the board of Letshego • Letshego shares are currently trading below net asset value • The expansion of Letshego comes with exposure to more risk	• The strategy presented by management has an aggressive growth agenda and the execution of this strategy should unlock value for shareholders • Individual country performance will be closely monitored. Letshego management has set hurdles and timelines. If performance is not satisfactory, the company will exit the markets
3	**Cybersecurity**	• Potential theft or manipulation of corporate data through cybercrime	• Proper controls and processes in place • Increase employee awareness of cyber risk through employee cyber risk training • Two factor authentication for network access through the virtual private network
4	**IFRS 17 implementation**	• Botswana Life needs to comply with the new reporting standard from 1 January 2023 • The project may not be delivered on time • Cost overruns of implementing the project • Lack of skills to implement the project because of its complexity	• Use of external resources (actuarial experts engaged by Sanlam) • Tracking of costs • Capitalise on support from Sanlam resources • Maximum use of dedicated internal resources
5	**Performance of the Zambian business**	• The depreciation of the Kwacha had a significant impact on business performance. There is some stability in the Kwacha although this is still precarious because of the delay in getting the International Monetary Fund loan to support the economy • Reduction of profits in the business triggering loss of investor value • Erosion of shareholder value	• Work with the board in coming up with a recovery plan for the businesses • Introduce tight governance principles

Rank	Risk	Description	Mitigating actions
6	**Exposure to Nico Holdings**	• Concerns relating to compliance with statutory capital requirements • The deteriorating foreign exchange situation in Malawi means BIHL is not able to receive dividends timely • Poor information technology (IT) systems affecting customer service	• Implementation and close monitoring of robust turnaround strategies • Implementation of robust risk management strategies across Nico Holdings group • Alignment with key sectors of the economy to win and retain key clients and ensure sustainability of businesses
7	**Data privacy project**	• The Data Privacy Act, 2018 came into effect on 15 October 2021 with a one-year grace period to allow entities to implement controls and processes for compliance • Potential fines by the regulators (either the Botswana Communications Regulatory Authority or Non-Bank Financial Institutions Regulatory Authority (NBFIRA)) if not compliant by the deadline	• Develop and implement a data privacy policy • Conduct a privacy impact assessment to identify key areas of concern • A project has been set up for group companies to implement the requirements of the Act
8	**People and culture risk**	• Inability to source certain skills and the cost of recruiting from the market is high • Possible loss of key talent • Disruption and distortion of current pay practices	• Staff engagement activities • Culture improvement activities • Coursera learning platform for employee development • Enhance graduate development initiatives • Review and implement attractive retention measures • Improve employer branding and introduce incentives

ENGAGING WITH OUR STAKEHOLDERS

The board views engagement with our stakeholders as imperative for our sustainability and business strategy.

We are committed to ensuring consistent, timeous and open communication with all stakeholders and regularly engage with various stakeholder groups. Feedback from these engagements is communicated to the board and this informs our key strategic decisions and the identification of our material issues.

BIHL strives to ensure open and transparent engagement with all stakeholders to ensure continuous value addition and exchange. We consistently scan the environment and identify risks using various forums such as executive sales meetings, executive committee meetings and risk forums.

ENGAGING WITH OUR MAJOR SHAREHOLDER

BIHL strengthened its partnership with one of its key stakeholders as it hosted the Sanlam Emerging Markets CEO, Heinie Werth, at the recently held shareholder cocktail engagement at the Gaborone International Convention Centre.

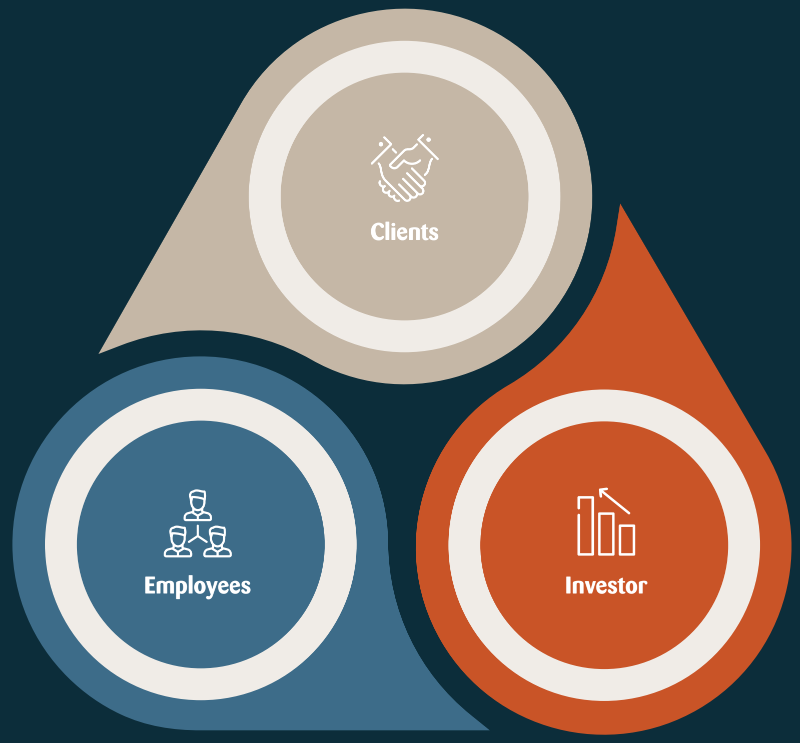
Sanlam is the majority shareholder of the BIHL Group with a 58% stake and has therefore been a key partner in working to help capacitate and support us in delivering our purpose of improving livelihoods.

TYPES OF ENGAGEMENT

The omni-channel stakeholder communication approach leverages websites, regular newsletters, presentations, interaction with the media, one-on-one meetings and discussion, both formal and otherwise.

Clients, employees and investors are the most direct determinants of performance and are therefore afforded primacy.

Aligning expectations of employees and investors has been identified to yield multiplicative returns, as both segments gain from increased client satisfaction. However, trade-offs prevail.



Our key stakeholders and the issues that concern them are outlined below.

Stakeholders	Their expectations	How we engage	Value created
Clients	• Product and service quality • Price • Transparency • Trust	**Involve** • Face-to-face engagement forums with key clients • Road and radio shows **Consult** • Customer satisfaction survey **Inform** • Print and social media broadcasts geared towards product development and regulatory developments • Summarised performance reports and updates	Client satisfaction (retention and penetration) Brand value (brand recognition and brand image) Supporting economic value through communication of products and services Improving their livelihoods
Employees	• Fulfilment (job satisfaction) • Career path (learning opportunities) • Staff engagement and involvement • Staff welfare • Remuneration, reward and recognition • Career progression • Employment security	**Inform** • Virtual meetings • CEO's virtual engagements • Internal communications • Reports and business updates **Involve** • CEO's virtual engagements • Regular engagement sessions • Employee toll-free lines • BIHL wellness programme **Consult** • Workshops and focus groups	Talent attraction and retention Strong bench for key positions Increased employee productivity, creativity and innovation Skills development Personal growth opportunities
Intermediaries and distribution partners	• Access to markets • Start and build enterprises • Opportunities to sell • Career progression • Servicing clients • Skills development	**Inform** • Virtual meetings **Involve** • Motivational talks **Collaborate** • Industry informational engagements	Increased productivity Competitive advantage Leveraging the trusted brand Trusted underwriters
Investors and analysts	• Disclosures • Growth in shareholder value • Return on investment • Sustainability and business continuity	**Inform** • Investor relations and engagement plan • Group financial results presentation • Annual general meeting (AGM) **Involve** • Virtual one-on-one meetings • Face-to-face investor engagement **Monitor** • Analyst reporting	Increased investor confidence Brand value (brand recognition and brand image) Sustainability and business continuity Shareholder value Return on equity

Value created
Financial: returns related to revenue
Emotional: returns that promote organisational trust
Functional: returns that offer flexibility to increased productivity

Stakeholders	Their expectations	How we engage	Value created
Communities	• Health and safety • Investment in corporate social responsibility (CSR) initiatives • Sustainable business practices • Positive environmental impact	**Inform** • Publicise the objectives of the Trust in print media and group financial results presentations **Collaborate** • Engage with community leaders with insights into the needs of the underprivileged • Collaborate with like-minded institutions such as UNICEF	Brand value (brand recognition and brand image) Reinforced social capital Ploughing back into the communities we serve
Governments and regulatory bodies	• Disclosures • Compliance • Tax returns • Employment • Externalities	**Monitor** • Print media publications and reports from Government and other regulatory bodies **Collaborate** • Engage on policy matters to promote Botswana's image **Involve** • Engagement with various ministries and Government organs on policy matters	Brand value (brand recognition and brand image) Investor confidence Employment creation Citizen empowerment
Suppliers and vendors	• Assurance on payments and commitments • Citizen procurement policy • Revenues and safety • Equitable business opportunities	**Transact** • Ensure alignment to procurement and invoice payment turnaround times **Inform** • Regulatory and process-related policies	Brand value (brand recognition and brand image) Growth and partnership opportunities
Trade associations/ affinity schemes	• Member benefits • Rewarding partnerships • Distribution, marketing and compliance support	**Involve and consult** • Webinars • Virtual meetings • Face-to-face engagement **Collaborate** • Strategy workshop	Client satisfaction (retention and penetration) Brand value (brand recognition and brand image) Assist in enhancement of customer value proposition
Key accounts	• Enhanced offerings • Distribution, marketing and compliance support • Data analytics	**Involve and collaborate** • Webinars • Workshops • Face-to-face engagements • Bilateral meetings **Inform** • Key account performance reports • Product and regulatory development	Client satisfaction (retention and penetration) Brand value (brand recognition and brand image) Enhance customer value proposition Enhanced employee proposition

Our stakeholder engagement is further enhanced through our membership of industry associations such as Business Botswana, the Botswana Insurance Industry Institute, Botswana Life Underwriters Association, Institute of Actuaries, Institute of Chartered Accountants and Institute of Chartered Auditors as well as the Life Insurance Marketing and Research Association (LIMRA) and Life Office Management Association (LOMA).

Performance and outlook

Strong performance in the past year justifies a positive outlook

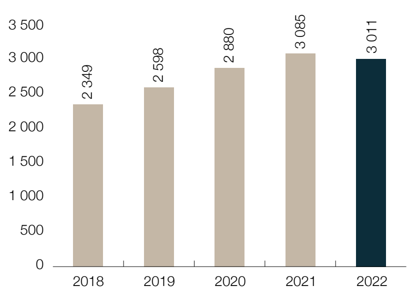
FIVE-YEAR REVIEW

	2022 P'000	2021 P'000	2020 P'000	2019 P'000	2018 P'000
CONSOLIDATED INCOME STATEMENT					
Continuing operations					
Net insurance premium income	**3 010 585**	3 084 928	2 879 625	2 597 852	2 349 017
Gross premium income – recurring	**1 786 684**	1 880 903	1 635 388	1 510 609	1 353 288
– single	**1 306 569**	1 258 320	1 301 267	1 140 404	1 044 081
Insurance premiums ceded to reinsurers	**(82 668)**	(54 295)	(57 030)	(53 161)	(48 352)
Revenue from contracts with customers	**138 753**	127 760	108 935	98 414	107 021
Investment income	**109 161**	74 149	67 761	208 569	142 698
Interest income using the effective interest rate	**4 127**	4 467	6 838	11 165	11 065
Other interest income	**946 888**	1 050 615	658 991	797 700	615 050
Profit on sale of subsidiary	**–**	–	1 396	3 472	–
Net (loss)/gains on financial assets held at fair value through profit or loss	**(317 249)**	(955 699)	(436 803)	55 998	(50 762)
Total revenue	**3 892 265**	3 386 220	3 286 743	3 773 170	3 174 089
Net insurance and investment contract benefits and claims	**(2 351 687)**	(2 277 887)	(2 058 818)	(2 622 131)	(2 145 572)
Policyholder benefits paid	**(2 005 712)**	(2 330 426)	(1 649 831)	(1 614 748)	(1 487 101)
Change in liabilities under investment contracts	**(281 820)**	(349 195)	(3 912)	(421 258)	(191 599)
Change in liabilities under insurance contracts	**(64 155)**	401 734	(405 075)	(586 125)	(466 872)
Expenses	**(1 018 486)**	(937 043)	(819 020)	(755 980)	(619 231)
Selling expenses	**(569 320)**	(516 554)	(424 194)	(397 221)	(310 895)
Administration expenses	**(442 483)**	(417 915)	(374 909)	(353 675)	(308 336)
Finance cost on leases (IFRS 16)	**(1 076)**	(543)	(861)	(1 110)	–
Impairment losses	**(5 231)**	(2 031)	(19 056)	(3 974)	–
Profit before share of profit of associates and joint ventures	**522 092**	171 290	408 905	395 059	409 286
Share of profit of associates and joint ventures	**236 674**	305 333	257 268	229 001	52 871
Impairment of associates	**–**	–	–	(86 768)	–
Profit before tax from continuing operations	**758 766**	476 623	666 173	537 292	462 157
Tax expense	**(144 248)**	(83 886)	(128 664)	(98 919)	(95 694)
Profit from continuing operations	**614 518**	392 737	537 509	438 373	366 463
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	–	2 191	4 069
Profit for the year	**614 518**	392 737	537 509	440 564	370 532
Earnings per share (thebe) – basic	**217**	140	193	158	135
Earnings per share (thebe) for continuing operations	**217**	140	193	157	133
Gross dividends per share (thebe)	**255**	71	122	114	143
Weighted average number of shares in issue ('000)	**279 908**	277 665	276 023	274 533	274 945

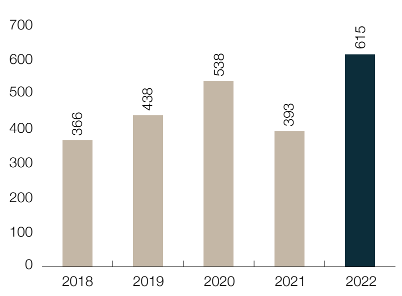
	2022 P'000	2021 P'000	2020 P'000	2019 P'000	2018 P'000
CONSOLIDATED FINANCIAL POSITION					
Property and equipment	**173 158**	183 232	179 261	154 562	155 320
Intangible assets	**101 197**	107 076	99 089	104 226	99 454
Right-of-use assets	**14 713**	8 112	15 514	20 767	–
Investments	**17 361 855**	17 410 914	16 258 980	15 799 698	15 091 233
Non-current assets held for sale	**99 988**	–	–	–	47 688
Insurance and other receivables	**359 802**	280 725	284 199	252 291	304 585
Deferred tax	**2 016**	–	–	–	47 688
Cash deposits and similar securities	**400 711**	137 418	239 637	162 095	112 844
Total assets	**18 513 440**	18 127 477	17 076 680	16 493 639	15 811 124
Ordinary shareholders' equity	**3 526 557**	3 332 263	2 984 617	2 903 345	2 818 565
Non-controlling interest	**22 428**	18 728	25 228	23 597	22 008
Policyholder liabilities	**10 511 760**	10 446 306	10 847 636	10 444 102	12 521 188
– Insurance contracts	**10 511 760**	10 446 306	10 847 636	10 444 102	9 859 345
– Investment contracts	**–**	–	–	–	2 661 843
External investors in consolidated funds	**3 619 273**	3 635 183	2 519 241	2 667 763	–
Derivatives instrument	**37 259**	42 366	2 400	5 810	–
Deferred tax liability	**–**	23 780	19 521	22 161	13 695
Liabilities classified as held for sale	**–**	–	–	–	21 795
Lease liability	**16 210**	9 234	16 858	21 431	–
Trade and other payables	**779 953**	621 617	661 179	405 430	413 873
Total equity and liabilities	**18 513 440**	18 127 477	17 076 680	16 493 639	15 811 124
GROUP STATEMENT OF CASH FLOWS					
Cash generated from operating activities	**631 093**	1 477 887	1 292 305	763 865	557 053
Interest received	**295 053**	396 008	40 341	133 179	97 323
Dividend received from equity investments	**70 791**	28 172	14 947	108 547	–
Dividend received from associates and joint ventures	**149 844**	147 304	105 969	73 247	–
Interest expense on leases (IFRS 16)	**(1 076)**	(543)	(861)	(1 110)	–
Tax paid	**(109 846)**	(83 833)	(70 666)	(98 139)	(84 464)
Dividends (paid)/received	**(404 964)**	(194 756)	(428 080)	(370 861)	(186 543)
Cash flow from operating activities	**630 895**	1 770 239	953 955	608 728	383 369
Cash flow from/(utilised in) investing activities	**362 938**	(1 867 020)	(873 276)	(555 501)	(454 779)
Net cash flows utilised in financing activities	**(4 664)**	(5 438)	(4 573)	(3 976)	–
Net increase/(decrease) in cash and cash equivalents	**263 293**	(102 219)	76 106	49 251	(71 410)
Cash and cash equivalents at the beginning of the year	**137 418**	239 637	162 095	112 844	184 254
Cash and cash equivalents at the end of the year	**400 711**	137 418	238 201	162 095	112 844

FIVE-YEAR REVIEW continued

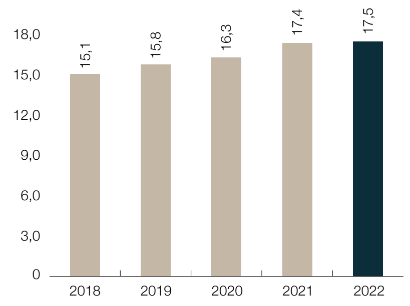
PREMIUM INCOME
(P'million)



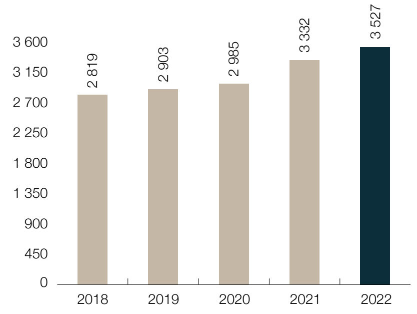
PROFIT AFTER TAX
(P'million)



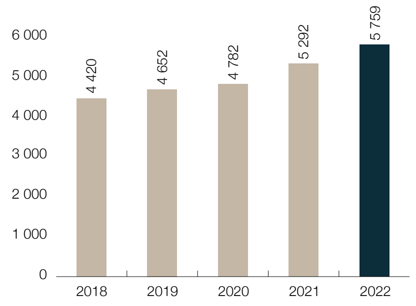
INVESTMENTS
(P'billion)



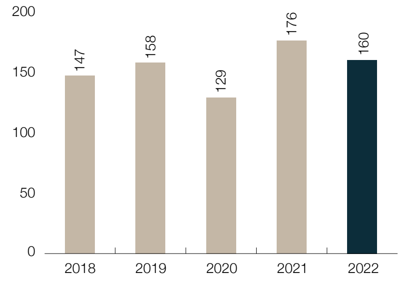
SHAREHOLDERS' EQUITY
(P'000)



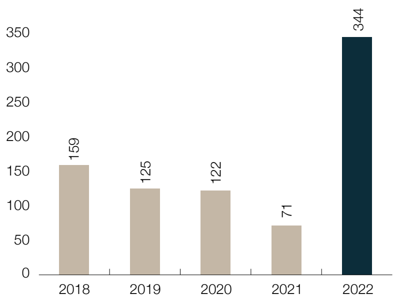
EMBEDDED VALUE
(P'billion)



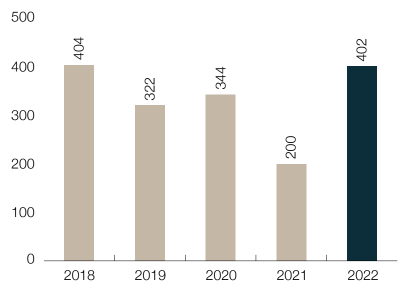
VALUE OF NEW BUSINESS
(P'000)



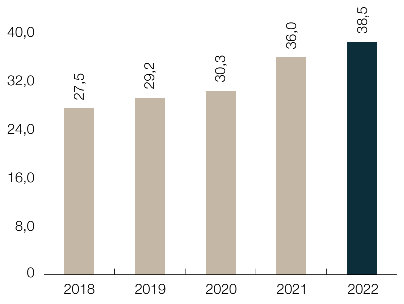
TOTAL DIVIDEND PER SHARE INCLUSIVE OF SPECIAL DIVIDEND
(thebe)



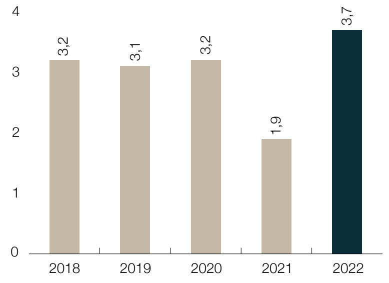
DIVIDENDS PAID
(P'million)



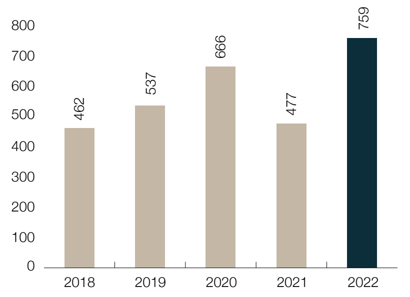
ASSETS UNDER MANAGEMENT
(P'billion)



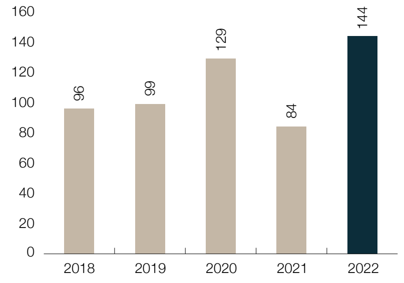
BIHL Trust
(P'million)



PROFIT BEFORE TAX
(P'million)



TAX PAID
(P'million)



CHAIRMAN'S MESSAGE

MR MAHUBE MPUGWA
BIHL Acting Chairman

VAT lowered
↓ **14% to 12%**

Monetary policy rate unchanged at
2,65%

Gross domestic product (GDP)
↑ **6,3%**
(2021: 8,9%)

Credit extension grew by
↑ **6,3%**

Headline inflation gradually edged downwards to
↓ **13,8%**

OUR MACROECONOMIC ENVIRONMENT

2022 started on a weaker footing as markets reacted to a more hawkish US Federal Reserve, even before Russia invaded Ukraine. The resulting commodity supply shock, and an increasingly challenging environment for central bankers, as high inflation proved less transitory than hoped, set the tone for much of the year.

> Despite the broader weakness in markets, the year was notable for multiple periods of sharp upward moves in markets, followed by reversals, largely driven by shifts in short-term sentiment regarding policy pivots from central banks.

Towards the end of the year, markets found respite from the challenging first three quarters despite lingering concerns on the Russia-Ukraine conflict, higher inflation, central bank policy tightening and recessionary risks. Worries over gas shortages in Europe, due to the ongoing Russia-Ukraine conflict, eased with storage facilities close to capacity after a ramp-up in imports and lower demand amid mild weather and energy-saving measures. As a result, global natural gas prices reduced significantly, further easing the pressure.

In Botswana, persistently higher inflation and tighter monetary policy dominated local investor concerns in 2022. This was despite the Government measures to cushion the financial burden of higher prices on households which included lowering value added tax (VAT) from 14% to 12% and declaring a few essential food items VAT zero-rated. Economic risks emanating from the threat of a global recession and tighter monetary policies added to local investor worries. Recovery from the pandemic effects and improved corporate earnings, however, left investor sentiments positive.

The new Retirement Act changes, requiring that a minimum of 50% of pension fund assets be invested in local assets, became a source of concern as its immediate implementation could result in excess liquidity and asset price bubbles. Overall, investors took comfort when the NBFIRA proposed that the changes to the Pension Fund Investment Rules (PFR2) be implemented gradually.

On the economic data front, real GDP grew by 6,3% in the third quarter of 2022, compared to 8,9% registered in the same quarter in the previous year. Mining remained the leading contributor to overall GDP due to the sustained increase in diamond production. Having opened the fourth quarter at 13,8%, headline inflation gradually edged downwards to close the year at 12,4%. The Bank of Botswana left the monetary policy rate unchanged at 2,65% in October and December to support the ongoing economic recovery against a backdrop of the higher cost of living and economic uncertainty. Credit extension grew by 2,26% over the third quarter of 2022, a slight slowdown from the 2,47% growth registered in the second quarter. The Bank of Botswana September 2022 Business Expectations Survey showed that firms had turned optimistic in the third quarter, in contrast to the pessimism in earlier quarters due to the ongoing Russia-Ukraine conflict, tighter access to credit and higher input costs.

PERFORMANCE DURING THE YEAR

Given the challenging macroeconomic environment, BIHL delivered solid results.

Profit for the year, at P615 million, is up 56% on prior year, enabling the group to distribute substantial dividends to shareholders.

At the same time, the group is in a strong financial position with AUM having increased by 7% to P38,5 billion and total assets of the group now exceeding P18,5 billion.

Refer to the Chief Executive Officer's report on page 36 and the Chief Financial Officer's report on page 40 for more information on the group's performance.

THE BOARD

There were no changes to the board during the year.

GRATITUDE

I am grateful to the board for their support and insight in the past year.
I thank the CEO, her management team and all staff for their ongoing dedication and hard work in delivering pleasing results.

Mahube Mpugwa
BIHL Acting Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

MS CATHERINE LESETEDI
BIHL Group Chief Executive Officer

The BIHL executive leadership has now assumed full responsibility for the life business departments under a matrix reporting to the Botswana Life CEO and group CEO. Forums are now in place for the regular management of the Botswana Life operations. The executive Group Chief Operating Officer and group actuary at BIHL recruitments are currently underway.

> Building long-term corporate relationships with key clients and partners across the group was a primary focus area and included opportunity exploration workshops with new and existing partners.

OPERATIONAL PERFORMANCE

The group is organised into four principal business areas based on their products and services.

Botswana Life

Life insurance

Services provided by 100%-held Botswana Life Insurance Limited, Botswana's leading life insurance company

Botswana Life delivered a solid set of results:

- Net premium income declined by 2% due to low business volumes across all income lines
- Recurring premium income – a sustainable source of profit in the long term – showed resilience, increasing by 1% from P1,64 billion to P1,79 billion
- Single premiums decreased by 5% from P1,37 billion to P1,31 billion, hampered by ongoing inflationary pressures and increased interest rates impacting household income
- Banks tightened their lending, resulting in reduced credit life premiums
- The value of new business – the present value of future profits from new business premiums – decreased by 9% compared to the prior year due to low new business volumes and lower margins
- Operating profit improved by 206% year-on-year to P416 million on the back of lower mortality claims post COVID-19.

OUR OVERALL PERFORMANCE

BIHL delivered a good set of results during the year despite emerging challenges, including elevated inflation rates and subsequent bank rate hikes brought about by external economic shocks from the Russian invasion of Ukraine.

Operating profit for the group increased by 132% for the year ended 31 December 2022 compared to the prior year.

The excess mortality experience brought about by COVID-19 in 2021 eased off after successful nationwide vaccinations. This resulted in an improved operating profit for the life business by 206% year-on-year.

The asset management business operating profit for the year is 4% higher than the prior year owing to an improved AUM position and good performance from Aflife Zambia.

BIHL's share of profit of associates and joint ventures decreased by 16% on account of the subdued Letshego performance and the exclusion of the FSG share of income for the last six months of the year because of the decision to dispose of the investment.

Bifm

Asset management

Services from 89%-held Botswana Insurance Fund Management Limited and Bifm Unit Trusts

Bifm yielded positive results as most underlying businesses recorded improved performance:

- Operating profits grew 31% year-on-year, mainly driven by the Zambian operations, which continue to benefit from the Pula/Kwacha currency conversion and a general improvement in the operating environment
- Operating income increased by 9% on the back of growth in overall AUM
- AUM increased by 7% to P38,5 billion (2021: P36,1 billion), including Zambia's P5,7 billion and Bifm Unit Trusts at P1,8 billion.

BIC BOTSWANA INSURANCE COMPANY

GRAND RE

General insurance

Short-term insurance, legal insurance and reinsurance from 50%-held Botswana Insurance Company Limited and BIHL Insurance Company Limited as well as 33%-held Grand Re Tanzania

The general insurance segment is not material to the group and is included under 'associates and joint ventures' in the income statement as it only accounts for 3% of the group's earnings.

Letshego

NICO

Associates

BIHL has associate holdings of 27,91% in Letshego Holdings Limited and 25,1% in Nico Holdings Limited (Malawi).

Letshego had a tough year, having to book significant impairments relating to Government bonds in Ghana and some goodwill held in other non-performing markets.

Nico Group delivered pleasing results, especially from the bank and asset management company.

BIHL recently disposed of its interest in FSG. See **subsequent events** as follows.

SUBSEQUENT EVENTS

BIHL, through its subsidiary Botswana Life, disposed of its 37,62% shareholding in FSG. The transaction was concluded on 7 February 2023, following regulatory approval and fulfilment of all conditions precedent. As per the key terms of the agreement, the cash consideration of P250 million was received. As at December 2022, the carrying value of FSG in the group's statement of financial position was P100 million and is shown under non-current assets held for sale. Earnings from FSG for the year include a share of profits of P12,6 million and dividend income of P15,5 million.

OUTLOOK AND PROSPECTS

Botswana achieved one of the fastest recoveries from the COVID-19 pandemic with a GDP growth rate of 11,8% in 2021, the highest in sub-Saharan Africa.

BIHL faced strong challenges in the past year from high inflation and we do not expect the environment to return to normalcy in the short term. Management therefore expects the pressure on costs and household income to underpin key decisions going into the future. We will continue to focus on our digitalisation strategy to improve customer experience and achieve operational efficiencies ensuring the group's value proposition remains sound. The new executive team, under the changed structure for the group, is well-placed to deliver on these key outcomes while focusing on growing revenues through traditional and new distribution channels.

Our priorities for 2023 will be:

- Continuing growth by increasing **profitable revenue**,
- Focusing on new channels and products to improve our **client-centricity**,
- Ensuring that our systems are **efficient and compliant** in serving both customers and the business, and
- Cultivating a growth-conducive culture among our **people**.

APPRECIATION

We would like to thank all our clients, brokers, agents and other stakeholders for the ongoing partnerships and support and look forward to serving them in the future.

I would like to thank all our employees and our management teams for their dedication, hard work and commitment during a challenging year which required all of us to adapt to a new environment.

My appreciation also to the board for their wise counsel and support.

Catherine Lesetedi
BIHL Group Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

MR KUDAKWASHE MUKUSHI

BIHL Group Chief Financial Officer

A STRONG PERFORMANCE

The group bounced back from the reduced profits experienced during the 2021 COVID-19 peak to record increased profits from subsidiaries though the associates' results were weighed down by Letshego's poor performance.

We measure ourselves on return on group equity value and the group achieved a return of 16,9% – significantly above our target of 14,5% – with most of the operations posting above-target performance. The return came from an increase of 11% in the value of in-force business and 6% growth in shareholder net assets. Of note is the positive return on embedded value from Botswana Life which attained 19,5%, well above a target of 18,4%. Letshego was the main detractor with a return on equity value of 6,5% compared to a target of 16%.

> Overall, we saw growth of 56% in profit attributable to shareholders over the year which by any standard is great.

While the return from the core life Insurance segment was pleasing, new business volumes were subdued, resulting in a decline of 9% in the value of new business compared to the prior year.

- The **life business** saw a 2% decline in premiums for the year primarily driven by a 9,5% decline in single premiums. Recurring premiums continued to be resilient, showing a 1% increase year-on-year. Operating profit before tax increased by 194% compared to the prior year, posting an impressive P399 million.
- Our **asset management** business did very well with a return on group equity value of 20,9% against a target of 15,5% on the back of increased AUM and receiving new mandates. Operating profit for the asset management segment registered 31% yearly growth with steady growth in the main Botswana business complemented by a good performance from the Zambia unit which recorded significant performance fees.
- Our largest associate, **Letshego**, registered a drop in its return on group equity value from 14,4% recorded last year to 6,5%, significantly below the target of 16%. The business had to book significant impairments relating to Government bonds in Ghana and some goodwill held in other non-performing markets. Our valuation of Letshego has remained steady, hence no impairments were booked during the period under review.
- **Nico Group** had an excellent year and contributed considerably to the overall profit performance of the group.

Life business operating profit before tax
↑ **194%**

Nico Group's operating profit before tax and minorities
↑ **30%**

Asset management business operating profit before tax
↑ **31%** yearly growth

FSG's return on group equity value
↑ **10,53%** (below target of 15,5%)

Letshego return on group equity value
↓ **14,4% to 6,5%**

BIC achieved a return of
↑ **15,7%** (above target of 14%)

The return on group equity value totalled 68,1% against a target of 25,2%. The NBS Bank has emerged as a significant contributor to the group's performance with significantly improved performances since its recapitalisation exercise in 2018. The Nico Group's profit before tax and minorities grew by 30%. The group presents good opportunities for growing shareholder value especially if the profits generated by the bank and asset management company continue to grow consistently.

- Reduced funerals resulted in a reduced profit contribution from **FSG**, our funeral services associate. FSG's return on group equity value of 10,5% was below the target of 15,5% mainly driven by the lower profits from the core business. The 2022 profits from FSG were 24% of the prior year because the investment was accounted for as held for sale in the second half of the year following a decision to dispose of the group's shareholding in the company. We did not book any equity-accounted earnings in the second half of 2022. The transaction to dispose of the group's shareholding in FSG was concluded on 7 February 2023, and the group received a total of P250 million from Africa Lighthouse Capital as proceeds of the sale.
- **BIC**, of which we own 50%, had a target return on group equity value of 14% and achieved a return of 29,7%. The return on equity value benefited from improved gross written premiums and good profits from Legal Guard and Grand Re Tanzania.

Key financial statistics

	2022 P'000	2021 P'000
Net income	**3 149 338**	3 212 688
Other income and expense	**742 926**	173 532
Administrative expenses	**(442 859)**	(417 915)
Profit from investments	**211 288**	282 664
Participation in profits of joint ventures	**25 386**	22 669
Finance income/(expense)	**(1 076)**	(543)
Current and deferred income taxes	**(144 248)**	(83 886)
Net profit after taxes	**614 518**	392 737
(Exclusions)/inclusions for earnings	**(13 951)**	125 130
Distributable earnings	**600 567**	517 867

PROFITABILITY

We look at profitability in two different ways: we consider the operating profit from various subsidiaries before tax, and then we consider our share of the profit after tax. Overall, we saw growth of 56% in profit attributable to shareholders over the year which by any standard is great. Growth came from Botswana Life, the Bifm Group and the Nico Group with a healthy margin on gross numbers.

- **Botswana Life**, which is the group's largest contributor to operating profit, saw operating profit grow by 194%. This was due to improved mortality, which impacted all our risk products positively. New business volumes were, however, lower than the prior year, resulting in reduced value of new business. In addition, the file size dropped slightly, reflecting the pressures that household incomes are experiencing. This led to slightly lower premium income compared to the prior year.
- **Bifm's** Botswana arm performed well, with operating profit before tax showing 7% growth year-on-year from P59 million in the previous year to P63 million. This result is off the back of administration fees that grew 9% year-on-year. The Zambian arm of the business performed well with operating profit almost trebling compared to the prior year on the back of a favourable exchange rate in addition to once-off impairment reversals on related party loans – a significant outperformance in 2021 client portfolios saw a significant performance fee accrue for the Zambia asset management business.
- **Letshego** experienced a dip in profits at P801 million, which was 70% of last year's operating profit before tax. The poor performance was exacerbated by impairments in Ghana because of sovereign debt restructuring as well as the higher cost of funding. The loan book growth of 7% is considered appropriate given the prevailing business conditions. The effective tax rate has been of some concern but has come through at target levels.
- **BIC** had a steady top line in relation to net written premiums which were up 5% year-on-year. Underwriting profit grew by 17%, showing that management continues to improve the quality of business underwritten. Claims were under pressure because of the stronger US Dollar compared to the Pula. As most motor spares are imported, there was a negative impact from the exchange rate changes.

	2022 P'000	2021 P'000	Change %
Operating profit	408 447	176 005	132
Investment income on shareholders's assets	72 324	25 666	182
Core earnings	480 771	201 671	138
Share of profit of associates and joint ventures net of tax	236 674	305 333	(22)
Investment surpluses on shareholders assets	41 321	(30 381)	(236)
Profit before tax	758 766	476 623	59
Tax	(144 248)	(83 886)	72
Profit after tax	614 518	392 737	56

EXPENSES

Expenses grew compared to 2021 on account of resumption of normal work at the office and increased travel to engage with stakeholders and clients following reduced travel restrictions post COVID-19.

PROFIT AFTER TAX

Profit after tax grew 56% year-on-year with Botswana Life business contributing the bulk of the profits, followed by Letshego, Nico Group and Bifm. Our other divisions also supported us in achieving this positive result.

We had a strong and resilient financial year with group equity value increasing by P467 million from P5,29 billion to P5,76 billion, which speaks to the value embedded in our operations.

Headline earnings and distributable income reconciliation

	2022 P'000	2021 P'000	Change %
Headline earnings	614 518	392 737	56
Exclusions for earnings	(13 951)	125 130	(111)
Distributable earnings	600 567	517 867	16

CAPITAL COVER

We have a very solid base to work from with a well-capitalised group that is future ready. We have 7,7 times the required capital cover, up from 6,8 times last year as a result of the capital requirement decreasing from P482 million to P447 million.

CLAIMS AND BENEFITS

This year, we paid almost P2,06 billion in claims, P400 million less than last year. We exist to pay claims; this is our purpose, and we honour claims and pay as and when they fall due. Our balance sheet confirms that we can continue to do this for the foreseeable future.

APPRECIATION

I would like to take this opportunity to thank the dedicated group of individuals who have worked diligently and efficiently to produce the numbers that appear in this integrated annual report.

Kudakwashe Mukushi
BIHL Group Chief Financial Officer

GROUP EMBEDDED VALUE

For the year ended 31 December 2022

1. DEFINITION OF EMBEDDED VALUE

The embedded value represents an estimate of the economic value of the company excluding the value attributable to future new business and the value attributable to minority interests.

The embedded value comprises:

- the value of the shareholders' net assets
- fair value adjustments and
- the value of in-force business.

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuation date, discounted at the risk discount rate, and adjusted for the cost of capital required to support the business.

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2022, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

	31 Dec 2022 P'000	31 Dec 2021 P'000
2. EMBEDDED VALUE RESULTS		
Shareholders' net assets excluding goodwill	3 464 538	3 280 688
Value of in-force business	2 294 753	2 011 389
Value before cost of capital	1 910 101	1 852 166
Fair value adjustments (refer to section 4)	519 774	367 914
Cost of capital	(135 122)	(208 691)
Embedded value	5 759 291	5 292 077
Embedded value per share (Pula)	20,40	18,70
3. EMBEDDED VALUE EARNINGS		
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	5 759 291	5 292 077
Embedded value at the beginning of the year	5 292 077	4 781 823
Change in embedded value	467 214	510 253
Movement in capital and opening net asset value reinstatement	22 974	(153 864)
Dividends paid	402 440	183 541
Embedded value earnings	892 628	539 930
Return on embedded value (%)	16,9	11,3
These earnings can be analysed as follows:		
3.1 Embedded value from covered business		
Expected return on life business in force	209 011	186 048
Value of new business	160 274	189 889
Value at point of sale	160 274	175 818
Expected return to the end of the year	15 924	14 071
Operating experience variances	103 876	(152 170)
Mortality/morbidity	100 607	(226 735)
Persistency	(10 115)	33 958
Expenses	(7 037)	24 547
Other	20 421	16 060

	31 Dec 2022 P'000	31 Dec 2021 P'000
3. EMBEDDED VALUE EARNINGS continued		
3.1 Embedded value from covered business continued		
Operating assumption changes	(76 972)	(118 990)
Mortality/morbidity	(41 109)	(99 509)
Persistency	(6 911)	(27 757)
Expenses	(10 673)	(15 054)
Other	(18 279)	23 330
Embedded value earnings from operations	412 113	104 777
Investment variances	82 605	(20 523)
Economic assumption changes	(17 524)	27 256
Interest and inflation	29 313	(6 382)
Risk discount rate	(46 837)	33 638
Total embedded value earnings from covered business	477 194	111 510
3.2 Return on shareholders' assets	263 576	296 256
Investment returns	15 198	(43)
Net profit non-life operations	248 378	296 299
3.3 Change in shareholders' fund adjustments		
Change in shareholders' fund adjustments	151 859	132 164
Investment surpluses on treasury shares	(640)	(3 091)
Movement in present value of holding company expenses	13 991	(3 114)
Movement in fair value of incentive scheme shares	(7 974)	(3 049)
Movement in other net worth adjustments	146 482	141 418
Embedded value earnings	892 629	539 930
4. FAIR VALUE ADJUSTMENTS		
Staff share scheme	(22 959)	(36 950)
Non-life operations write-up to fair value	332 087	305 206
Non-life operations write-up to fair value – other	337 844	218 242
Group holding expenses	(166 367)	(158 392)
Reversal of cross-holding adjustment	39 168	39 808
Total	519 773	367 914

5. VALUE OF NEW BUSINESS

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2022, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

	31 Dec 2022 P'000	31 Dec 2021 P'000
Value of new business at the end of the year	**176 199**	189 888
Value at point of sale after cost of capital	**160 274**	175 818
Value at point of sale before cost of capital	**173 338**	188 221
Recurring premium	**83 129**	110 540
Single premium	**90 209**	77 681
Cost of capital at point of sale	**(13 064)**	(12 403)
Expected return to the end of the year	**15 924**	14 071

6. SENSITIVITY TO THE RISK DISCOUNT RATE

The risk discount rate appropriate to an investor will vary depending on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future profits of the BIHL Group. The sensitivity of the embedded value to the risk discount rate is set out below.

	Base values	Sensitivity scenarios	
Risk discount rate	**11,7% P'000**	**1% reduction P'000**	**1% increase P'000**
Shareholders' net assets and fair value adjustments, excluding goodwill	3 464 538	3 464 538	3 464 538
Value of in-force business	2 294 753	2 406 537	2 193 777
Value before cost of capital	1 910 101	1 997 972	1 830 217
Fair value adjustments	519 774	519 774	519 774
Cost of capital	(135 122)	(111 209)	(156 214)
Embedded value	5 759 291	5 871 075	5 658 315
Value of one year's new business at valuation date	160 274	175 925	149 052
Value before cost of capital	173 338	190 767	159 996
Cost of capital	(13 064)	(14 842)	(10 944)

7. ASSUMPTIONS

The assumptions used in the calculation of the embedded value are the same best estimate assumptions used for the financial soundness valuation. The main assumptions used are as follows:

	31 Dec 2022 %	31 Dec 2021 %
7.1 Economic assumptions		
Best estimate economic assumptions are the same as assumed in the financial soundness valuation as shown in the annual financial statements. The main assumptions (% per annum) used are as follows:		
Risk discount rate	**11,65**	10,30
Overall investment return (before taxation)	**10,24**	8,58
Expense inflation rate	**5,15**	3,80

7.2 Mortality rates

The assumptions for future mortality rates are based on the results of recent experience investigations conducted by the company, the most recent conducted on 30 November 2022.

7.3 Expenses

Expenses are projected into the future allowing for inflation as specified by the inflation curve.

7.4 Premium escalations

The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the period to 31 December 2022.

7.5 Persistency/surrender basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 30 November 2022 by the company.

7.6 Tax

Allowance was made for the current life office taxation basis, including capital gains tax.

7.7 Mix of assets backing the capital adequacy requirement

	31 Dec 2022 %	31 Dec 2021 %
Asset class		
Property	**50**	50
Cash	**50**	50
Total	**100**	100

7.8 Other assumptions

The embedded value per share does not include an allowance for the future cost of the share option scheme. Where shares have not yet been issued, the number of shares used to calculate the embedded value per share will be increased as and when these options are granted. Granting share options will therefore influence the embedded value per share in future.

8. SENSITIVITIES

This section illustrates the effect of different assumptions on the value of in-force business net of cost of capital. The effect of assumption changes in the financial soundness valuation has been included in the value of in-force business. For each sensitivity illustrated, all other assumptions have been left unchanged.

	Value of in-force P'000	Cost of capital over base capital P'000	Value before cost of capital Total P'000	% change
Embedded value as at 31 December 2022				
Base	2 294 753	135 122	2 429 875	
Discontinuance rates decrease by 10%	2 353 697	139 643	2 493 340	2,6
Future expenses decrease by 10%	2 351 131	135 122	2 486 253	2,5
Mortality experience decreases by 5%	2 371 620	135 075	2 506 696	3,3
Investment returns decrease by 1%	2 389 633	136 306	2 525 939	4,1
Risk discount rate decreases by 1%	2 406 537	111 209	2 517 746	4,9
Risk discount rate increases by 1%	2 193 777	156 214	2 349 991	(4,4)
Embedded value as at 31 December 2021				
Base	2 044 561	208 691	2 253 252	
Discontinuance rates decrease by 10%	2 134 501	188 949	2 323 450	3,1
Future expenses decrease by 10%	2 095 261	208 691	2 303 952	2,3
Mortality experience decreases by 5%	2 162 863	90 388	2 253 252	0,0
Investment returns decrease by 1%	2 107 120	213 072	2 320 192	3,0
Risk discount rate decreases by 1%	2 163 582	185 341	2 348 924	4,2
Risk discount rate increases by 1%	1 937 945	229 118	2 167 063	(3,8)

	Value of new business P'000	Cost of capital P'000	Value before cost of capital P'000	% change
Value of one year's new business as at 31 December 2022				
Base	160 274	13 064	173 338	
Discontinuance rates decrease by 10%	181 272	13 223	194 494	13,1
Future expenses decrease by 10%	172 380	13 064	185 444	7,6
Acquisition costs decrease by 10%	170 913	13 064	183 977	6,6
Mortality experience decreases by 5%	175 660	13 289	188 949	9,6
Investment returns decrease by 1%	124 452	13 235	137 687	(22,4)
Risk discount rate decreases by 1%	175 925	14 842	190 767	9,8
Risk discount rate increases by 1%	149 052	(10 944)	138 108	(7,0)
Value of one year's new business as at 31 December 2021				
Base	175 818	12 403	188 221	
Discontinuance rates decrease by 10%	83 202	10 847	94 049	(50,0)
Future expenses decrease by 10%	77 361	12 403	89 764	(52,3)
Acquisition costs decrease by 10%	71 359	12 403	83 762	(55,5)
Mortality experience decreases by 5%	316 862	–	316 862	68,3
Investment returns decrease by 1%	72 606	12 664	85 270	(54,7)
Risk discount rate decreases by 1%	188 794	11 377	200 171	6,3
Risk discount rate increases by 1%	164 038	13 468	177 505	(5,7)

REPORT OF THE STATUTORY ACTUARY

LIFE BUSINESS

The results presented in this integrated annual report are based on the requirements of the Companies Act, which uses the basis set out below, referred to as the published basis. For reporting under the Botswana Insurance Act, the results are prepared according to Botswana Insurance Prudential Regulations, referred to as the prescribed basis. As at 31 December 2022, the assets and liabilities under the two approaches are the same.

	31 Dec 2022 P'000	31 Dec 2021 P'000
Statement of actuarial values of assets and liabilities		
Total assets	13 951 842	13 665 698
Current liabilities and deferred tax	884 601	797 325
Net assets	13 031 230	12 868 373
Actuarial value of policy liabilities	10 511 596	10 849 176
Excess of assets over liabilities	2 519 634	2 420 932
Capital adequacy requirement	223 995	241 818
Capital adequacy requirement cover	11,25	10,01
Analysis of change in excess of assets over liabilities		
Excess assets as at the beginning of the reporting period as previously reported	2 420 932	2 131 123
Excess assets as at the end of the reporting period	2 519 634	2 420 932
Change in excess assets over the reporting period	98 702	289 809
This change in the excess assets is due to the following:		
Total investment return on shareholders' funds	36 563	22 744
Change in valuation methods or assumptions	(46 408)	(20 395)
Operating profits before tax	445 830	157 003
Taxation	(105 062)	(56 229)
Ordinary shareholders' surplus for the period	330 923	103 123
Share of profit from associates	125 028	225 332
Changes in reserves of associates	16 776	104 380
Dividends and other capital movements	(374 025)	(143 025)
Total change in excess assets	98 702	289 809

CERTIFICATION OF FINANCIAL POSITION ON THE PRESCRIBED BASIS

Changes in valuation methods or assumptions of assets and liabilities

Changes in basis and methodology had the effect of increasing the total value of policyholder liabilities by P46,4 million (2021: P20,4 million). The impact of valuation assumption and methodology changes on policyholder liabilities are summarised below.

	31 Dec 2022 P'million	31 Dec 2021 P'million
Assumptions and model change		
Mortality	7,9	39,0
Lapses	(5,6)	7,6
Expenses	(12,8)	7,7
Economic	(20,5)	9,9
Other	77,3	(43,8)
Total	46,4	20,4

Valuation methods and assumptions

The valuation was performed using the gross valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis as per NBFIRA IPR1L: Prescribed Valuation Method for Long-term Insurance and IFRS 4. No contracts are classified as investment contracts and valued under IFRS 9 *Financial Instruments* as all our investment contracts offer the policyholder the option to add a risk rider in the future and are therefore life insurance contracts.

Instruments: Recognition and measurement

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy to avoid the premature recognition of profits that may give rise to losses in later years.

Assets and policy liabilities have been valued using methods and assumptions that are consistent with each other. A gross premium valuation gives a statement of the financial position of a life assurance company, according to a realistic or best estimate set of assumptions regarding future investment returns, bonus rates, expenses, persistency, mortality and other factors that may impact the financial position of the company. Assumptions are based on past experience and anticipated future trends. The liability calculations also make allowance for the reasonable benefit expectations of policyholders, which may exceed the minimum contractual obligations of the company.

Liability valuation methods and assumptions

The actuarial value of the policy liabilities is determined using the method as described in Botswana's Insurance Industry Prudential Rule IPR1L issued by the NBFIRA. Assets are valued at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne.

In the valuation of liabilities, provision is made for:

- the best estimate of future experience
- the compulsory margins prescribed in IPR1L
- discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities as at 31 December 2022 exceeds the minimum requirements in terms of IPR1L.

The application of guidance is described below in the context of the company's major product classifications.

BEST ESTIMATE OF FUTURE EXPERIENCE

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from the medium- to long-term inflation assumption, provided by an independent economist, and appropriate risk gaps for different asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and taxation at current tax rates are also considered.
- Unit expenses are based on the greater of the current year expenses and next year's budgeted expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions regarding future mortality, morbidity and disability rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates because of AIDS and for expected improvements in mortality rates in the case of annuity business. The company experienced significant claims as a result of excess mortality due to the COVID-19 pandemic. Mortality assumptions were adjusted to reflect the expected impact of excess mortality as a result of the COVID-19 pandemic.
- Persistency assumptions regarding lapse, surrender and paid-up rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability.

For the market-related portion of the unbundled business (e.g. those where a portion of the premium is allocated to an accumulation account), the market-related liability was taken as the market value of the units notionally credited to the policies. The non-market-related portion of the liability was calculated as the present value of future charges required for risk benefits and renewal expenses (the 'Pula' reserves). For calculating the Pula reserves, the discount rates as supplied below were used.

Appropriate reserves for the unexpired risk portion and for claims incurred but not reported were held for group life and credit life risk premium benefits. The unexpired premium reserve assumes that premiums are earned uniformly for the term of the policy and the reserve is subject to a minimum of the surrender value on the policy. These reserves are calculated using standard actuarial methods and assume that current claims reporting experience is an indicator of future experience.

Liabilities for life and term annuities were valued on a discounted cash flow basis at interest rates based on the bond yield curve at the valuation date.

Where policyholders participate on a discretionary basis in the proceeds of the business, their reasonable benefit expectations have been interpreted as their share in the funds accumulated to them as a group over their in-force lifetime. To achieve a steady build up via bonus declarations, it is necessary to apply some smoothing of investment returns experienced by these funds. For this purpose, a bonus stabilisation reserve is held that represents the difference between the funds set aside and the value of policy liabilities based on declared bonuses, ensuring that excess investment returns are held back to provide for future payment of policy benefits. It is possible in difficult investment times for the bonus stabilisation reserves to be negative. No bonus stabilisation reserve for any class of business was more negative than -7,5% of corresponding liabilities at the valuation date.

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 10,42% per annum (2021: 8,06%). The economic basis methodology was changed to be market consistent, and a risk-free yield curve is used as a base to discount liabilities. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

In the case of policies for which the bonuses are stabilised, the liabilities are equal to the balances of the investment accounts plus corresponding bonus stabilisation reserves. Bonus stabilisation reserves held equate the liabilities to the market value of the corresponding assets.

Where relevant, liabilities include provisions to meet maturity, mortality and disability guarantees and for losses in respect of potential lapses and surrenders.

The significant discretionary margins held on individual life products are as follows:

- Margin of 15% on surrender rates for the Mompati product (2021: 15%)
- Additional reserves are created to ensure that no policy is treated as an asset. No other discretionary margins are held on individual life products.

For annuities, discretionary reserves are created through a methodology approved by the actuarial committee and the Statutory Actuary. An explicit discretionary reserve of P333,6 million (2021: P387,8 million) was held at the end of the current period. A more detailed description of the individual elements of the basis follows below.

Economic parameters

The best estimate assumptions for the major investment parameters are based on a risk-free yield curve. Fixed gaps are added to the reference rate on the yield curve to determine the investment return assumptions for the different asset classes. The estimate for future expected Botswana inflation is set by deducting a fixed gap from the yield curve.

The assumptions quoted below are before the allowance for compulsory and discretionary margins and tax.

	2022 %	2021 %
Gilt return	**8,2**	6,8
Equity return	**11,7**	10,3
Property return	**9,2**	7,8
Cash return	**7,2**	5,8
Average return	**9,0**	7,7
Expense inflation	**5,2**	3,8

Bonus rates

Bonus rates on smoothed bonus policies have been assumed at a self-supporting rate.

POLICY DECREMENTS

The assumptions (before adding margins) for future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the company's recent experience. Provisions have also been made for the expected occurrence of AIDS-related claims. The most recent lapse investigation was done as at the end of October 2022. The most recent mortality investigations for annuity and the individual life retail book were done in November 2022.

EXPENSES

Provision for expenses (before adding margins) starts at a level consistent with the greater of current experience and next year's budgets and allows for inflation of 5,2% (2021: 3,8%) escalation per annum.

Valuation basis of policy liabilities for investment contracts without discretionary participation features

In the calculation of liabilities for investment contracts that provide investment management services, e.g. market-related investment contracts, the account balance has been held as the value of the liability. Either a negative Pula reserve or a deferred acquisition cost asset is also held for these contracts.

Valuation of assets

The assets (including the excess of assets over liabilities) are valued at fair value, as per the accounting policies in the annual financial statements. Goodwill has been excluded from the value of the assets.

Prescribed capital target (PCT)

The PCT is the minimum level of capital that is necessary to provide for more extreme adverse deviations in future experience than those assumed in the calculation of policy liabilities. The PCT has been calculated on two bases in accordance with the NBFIRA's IPR3L: Prescribed Capital Target for Long-term Insurers with the maximum of the two bases being used.

For Botswana Life, the maximum capital target is on the terminal capital target basis.

The ratio of accumulated surplus to the PCT of P223,9 million (2021: P241,8 million) under the prescribed basis is 11,25 times (2021: 10,01 times).

I hereby certify that:

- The valuation of the liabilities of Botswana Life as at 31 December 2022, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01), the Botswana Insurance Industry Prudential Rule IPR1L: Prescribed Valuation Method for Long-term Insurance Liabilities and IPR2L: Prescribed Valuation Method and Admissibility Restrictions for Long-term Insurance Assets.
- This valuation report has been produced in accordance with Botswana Insurance Prudential Rule LR3: Valuator's Annual Report.
- The company was financially sound as at the valuation date and, in my opinion, is likely to remain financially sound for the foreseeable future.

Daan du Plessis
Statutory Actuary
Fellow of the Actuarial Society of South Africa

1 March 2023

Environmental, social and corporate governance

Committed to delivering on our responsibility to society

OUR LONG-TERM SUSTAINABILITY

The 2030 Agenda for Sustainable Development and the 17 associated **SDGs** balance the three dimensions of sustainable development: economic, social and environmental. The table below indicates the significant contribution that BIHL makes towards meeting the SDGs through its focus on its own strategic objectives.

Strategic objective	SDG outcomes		BIHL's contribution
Client-centricity	3 GOOD HEALTH AND WELL-BEING		• Products meeting specific health and livelihood needs • Promoting wellness
Innovation and transformation	11 SUSTAINABLE CITIES AND COMMUNITIES	**Make cities and human settlements inclusive, safe, resilient and sustainable**	• Instilling investor confidence • Guaranteeing that all claims will be paid • Instilling an ethical culture
Cost optimisation	4 QUALITY EDUCATION	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	• Learnership programmes • Graduates and interns • Consumer education on the benefits of insurance
New growth opportunities	10 REDUCED INEQUALITIES	**Reduce inequality within and among countries**	• Contributing to transformation • Inclusive and affordable insurance
Collaboration	17 PARTNERSHIPS FOR THE GOALS	**Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development**	• Affordable insurance • Contributing to growth and transformation
Employee value proposition	5 GENDER EQUALITY	**Achieve gender equality and empower all women and girls**	• Attracting and promoting women
Environment	13 CLIMATE ACTION	**Take urgent action to combat climate change and its impacts**	• Maintaining a low carbon footprint

More details regarding the SDGs can be found online at ***www.un.org/sustainabledevelopment/sustainable-development-goals***

OUR APPROACH TOWARDS CLIMATE CHANGE

ENVIRONMENT

The group has a low environmental footprint, but we are nevertheless committed to lowering our environmental impact by educating our staff and continuously implementing actions to reduce our consumption. As such, we actively track water, electricity and fuel usage.

BIHL GROUP
P30 960 | P100 282 | P16 200

Bifm
P25 212 | P131 732 | P20 987

BIC BOTSWANA INSURANCE COMPANY
P103 597 | P487 698 | P91 258

Botswana Life
P177 502 | P1 026 647 | P704 000

BIHL supports the Paris Agreement goal to reduce global carbon emissions to limit average global temperature rise to well below two degrees Celsius. In doing so, the board has committed to addressing climate risk at the highest level to gain a better understanding of potential exposure to risks, gauge their impact on the business and identify meaningful mitigation responses.

We believe that a sustainable approach is not only good for the environment but makes good business sense. We recognise the role we have to play. We acknowledge the increasing risks related to a changing climate and the demand from investors to know how we are responding. We are committed to aligning our climate risk assessments and disclosures with the TCFD guidelines and commence this process with this statement, demonstrating the priority and importance we place on understanding and responding to the challenges presented by a changing climate.

The Task Force on Climate-related Financial Disclosures

The TCFD was created in 2015 by the Financial Stability Board to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities will strengthen the stability of the financial system, contribute to greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

Our TCFD statement is based on recommended disclosures under the four key pillars of the TCFD guidelines:

Governance	Strategy	Risk management	Metrics and targets
BIHL is committed to the highest standards of corporate governance and recognise that an effective corporate governance culture is critical to the long-term performance of the business. The board is responsible for overseeing the management of BIHL and providing strategic direction. The board established committees to assist it in the execution of its functions. *More information on BIHL's corporate governance is available on page 77.* The board is committed to addressing climate risk at the highest level, to gain a better understanding of potential impacts to the business and identify and deliver meaningful responses.	Our strategy is designed to actively respond to the current and projected impacts of climate change on our business and to meet increasing demand from investors for disclosure on our approach. Initially, we will focus on undertaking detailed analysis of both the physical and transition climate change risks posed to our business. BIHL completes an annual risk profiling process to identify its material business risks. Results are reported to the audit and risk committee and the board and published in the integrated annual report *(refer to page 20)*. Our approach to managing climate risks is incorporated into BIHL's risk management framework including our investment management activities. Our responses and initiatives are strategic and based on long-term outcomes. These involve both mitigating identified risks and capitalising on business opportunities associated with using renewable energy, providing on-site energy solutions and achieving carbon-neutral operations.	BIHL has a robust and comprehensive risk management framework in place. As with our broader ESG priorities, climate risks will increasingly be integrated into our risk management programme and responsible investment structure. The risk management framework includes a clear disclosure strategy. The results of our climate-related assessments and progress with associated targets will be included in our climate disclosures – including voluntary reporting and the ESG and climate-related benchmarks in which we participate. Our approach to defining and managing climate risks has evolved over time. We are considering a scenario-based climate risk assessment to identify and assess our climate-related risks and opportunities, and we support using scenario analysis to improve consistency and transparency across our investment sector.	BIHL has disclosed its ESG performance consistently in its previous integrated annual reports, using it as its primary platform to reach its stakeholders. The extent of our disclosure has broadened over time. Going forward, we will gather and disclose such information on metrics and targets as our minority shareholding in and the abilities of our investees allow. We will explore information and targets regarding renewable and other energy use, greenhouse gas, carbon and other emissions as well as green building ratings.

OUR PEOPLE

BIHL adopted a new people management strategy to support the group's five-year strategy. In adapting to the ever-changing business landscape, the strategy recognises and commits to the following:

1. EVP – a brand promise to existing and potential staff regarding the standard to expect and live in supporting their growth
2. The evolution of human resources, acknowledging that the discipline continues to adapt to be an agile strategic partner
3. The digital transformation agenda; embracing and promoting this new culture to all staff as a smart way of working that enhances productivity
4. Ensuring the health and safety of staff and clients, ultimately promoting employee wellness
5. 'Strengthening the Core', focusing on the group strategy through these initiatives:
   - Embedding the performance management system to create a high-performance culture
   - Talent development and succession
   - Strengthen the succession bench
   - Strengthening the EVP
   - Launch of Coursera platform to all staff

The Young Leaders Forum is one of the initiatives under the digital transformation programme designed to provide a platform for young talent to assist the business with innovative solutions for current challenges. Through their mission-led teams, they are addressing the issues below.

Culture transformation – an employee engagement and recognition platform, instilling an agile culture as well as employee experience and culture metrics monitoring.

The people management department has partnered and is working closely with this team to implement an online platform named 'Kudos' which will foster an innovative and collaborative environment and contribute to work/life balance while recognising impactful contributions.

Digital channels adoption – they propose improvements in monitoring the framework, process optimisation, prioritisation for digitalisation and customer experience monitoring.

Employee safety and well-being remains a priority and the group crisis management team continues to monitor and respond to the management of the pandemic as well as aligning proactive responses to both Government protocols and pronouncements.

A Safety, Health and Environmental Officer has been engaged to regularly monitor and ensure compliance across all offices and branches.

DOING GOOD 2022

The Hands That Give is a staff volunteering initiative which gives staff the opportunity to choose their CSR project from the following BIHL Trust focus areas:

- Education (including financial literacy)
- Conservation of the environment
- Social upliftment
- Health.

Hands That Give is a staff voluntary initiative brought to staff by the BIHL Trust. Core to our mandate is ensuring that we deliver sustainable, positive and impactful projects through our staff across the BIHL Group and all of our subsidiaries – Botswana Life and Bifm.

Our staff are privileged to have the opportunity to truly make a difference, change lives and restore to some extent hope and joy in the lives of our fellow Batswana.

To participate, the following rules applied for staff to propose an initiative and motivate for it to be funded by the BIHL Trust:

- Staff grouped themselves into groups of 10 and identified their chosen cause or project, making sure it was within the Trust's focus areas
- Groups wrote a 250-word motivation for their chosen cause
- Projects were assessed by the Trust; 10 projects were chosen and granted P10 000 to deliver the projects
- Photos and videos of the projects were shared with the Trust.

Group name	Project	Desired impact and sustainability
Batlamedi	**Personal hygiene among students with visual impairment at Matsieng Primary School for the Blind (Mochudi)** Severe vision impairment (blindness) is a significant community problem. It has lifelong implications for both children and their families. One of the implications is how it affects their self-care skills. The students have unsatisfactory knowledge and practice regarding personal hygiene. Batlamedi group wish to provide personal hygiene supplies to assist the school. Hygiene and good grooming habits are commonly understood as prevention methods against infection and illness. This means not only washing hands but also bathing, washing, brushing hair, etc.	Good personal hygiene and mastery of age-appropriate grooming habits will also help students to have a sense of pride in their appearance. This, in turn, will be a confidence boost for the students and it is well known that the more confidence one has in themselves the more they can achieve.

Group name	Project	Desired impact and sustainability
Shares of Joy	**Build an outdoor teaching area for Pallaroad Primary School (Pallaroad)** An outdoor teaching area is a necessity at the school for the following reasons: • The outdoor teaching area will give shelter to students who are normally taught under trees • It will also lessen the shifting of classes when weather conditions do not allow for outdoor teaching • The class will get to have a space that belongs to them.	Our vision and mission of seeing this project through is central to the BIHL Trust giving back to communities. It will be a permanent structure that will be used by students now and in years to come.
Worthy Work	**Ramotswa Centre for the Deaf** The centre is a special school operating under the ambit of the Botswana Society for the Deaf (a group funeral scheme under the Corporate Operations Department). The school has 80% financial support from the Ministry of Basic Education and 20% is raised from donations. It is a boarding school that provides simulation and pre-primary education. It provides simulation programmes from the age of two-and-a-half. Capacity is 10 learners for both classrooms and the boarding facility. It has a total of 92 students. The school indicated their top three pain areas, of which we will fund one: • They experience a lot of power outages in their area which makes them vulnerable as they have young and disabled children. A generator will allow children to have more study time, especially during examination preparations when there is no electricity • The learning environment must be conducive for their learning development and free from distraction from outside. They need soundproof carpets for both floors and walls which will help the children to be able to focus and concentrate • The school uses visuals as teaching aids for demonstration. Document cameras, which project images of documents and objects, will enable the children to learn more efficiently and effectively since they are visual learners.	The Botswana Society for the Deaf has a funeral scheme with Botswana Life. By helping the school, we will be giving back and promoting unity among the two companies. It goes with the core mandate of social upliftment in that not only will we help with the learning development of these children but also help uplift their spirits because what better way to learn than in a resourceful environment. A generator is an environmentally friendly machine which has low carbon emissions, making it a suitable alternative when there is an electric outage. The use of document cameras will allow stories or information to be stored for future use by other students and making them easily accessible for editing.

Group name	Project	Desired impact and sustainability
Vatumwa mu Chobe	**Maintenance of the boys' dormitory at Chobe Junior Secondary School (Kasane)** Home is where the heart is and is a place of love, hope and dreams. The school boards 200 boys from villages in the Chobe region, making the hostel their secondary home. The team identified several concerns, the most pressing being broken windows and doors with no locks or handles and no storage lockers. With these conditions, there is no sense of security, privacy or safety and this is made worse by the fact that the school is in a wild animal-infested area. Our initiative will focus on improving the boys' hostel infrastructure by doing maintenance and repair work on the windows and doors.	The project is motivated by holistic wellness and aims to support social, spiritual, mental, physical and emotional well-being. The current living conditions have a detrimental impact on students' academic success. We firmly believe that our contribution will increase the sense of homeliness, improve students' safety and hygiene and ultimately positively contribute to their school performances. The project is sustainable. Maintenance of buildings provides long-term benefits that will benefit incoming students over the next few years.
We dream in colour	**Phatlhogo Primary School for the Visually Impaired (Francistown)** The school is in need of Braille paper, a Perkins Brailler writer, hand frame and stylus – vital equipment for these special needs children. The shortage delays students' learning as they must share or wait for others to finish. Our idea is to have a fun run focused on raising funds for special needs pupils of the school. The plan is to raise funds through selling stalls and tickets to the public during the fun run, something that does not happen often in the area.	The proceeds from the fun run will meet the focus area of education. The equipment they will be able to purchase will be used for a long period of time and will benefit many children.
Bifm Risk and Compliance Office	**Monarch Elderly Home (Metsimotlhabe)** The group identified an elderly home with pressing needs. The home provides the elderly with assistance and medical care while still enabling them to stay in a homely setting. We will donate two industrial stoves for cooking and warming water, gas cylinders, industrial pots, linen, a first aid box and adult diapers.	This project goes to the BIHL Trust focus on social upliftment. It is very important for the elderly who are often not able to help themselves.

Group name	Project	Desired impact and sustainability
Botswana Life Palapye Branch	**Complete a house in Matlhakola (Palapye)** Matlhakola is a rural village located 40km from Palapye. In August 2021, the village development committee started mobilising community members to contribute to building a house for graduated orphan, Basetsana Bontsibokae. He has been a Tirelo Sechaba (the Botswana National Service Programme) participant for the Matlhakola Social and Community Development office. The community started construction of a house for the family of seven. The house is currently at window level and the intention is to complete the house, connect water, connect electricity and fence the plot so that it looks habitable. Two community members have volunteered to build the house free of charge, a noble gesture.	Since 1966, when Botswana became independent, communities have been mobilised to uplift the spirit of Boipelego or self-reliance. Botswana 2036's long-term vision encourages human and social development. Matlhakola's village development committee is living the vision. Basetsana and his family of seven are currently living in one traditional house. When the house is completed, the family members will have dignified lives. The project is sustainable as the family will no longer be exposed to harsh climatic conditions. The construction of the house contributes to the idea of building sustainable communities.
CRL Group	**Solar lamp drive** There is a power crisis in Botswana. This has resulted in shortages in power supply known as loadshedding. While loadshedding affects most Batswana from time to time, some people do not have electricity at all and rely on candles and other traditional means of lighting. These items are not always safe, especially as young children can cause serious fire accidents by leaving such lights on.	The project speaks to conservation of the environment, social upliftment and education. Scholars writing their exams will have the opportunity to study using these lights even at night time. Solar energy is free and sustainable because it does not harm the environment.
Bravehearts	**Teens empowerment (Ntlhatlhane)** The country faces dropping pass rates in schools. Social ills such as gender-based violence, substance abuse, teenage pregnancy and suicide are also increasing, leading to rising mental illness. We decided to hold a one-day empowerment seminar for the students at Emang Junior Secondary School to motivate and inspire them to create better futures for themselves. We will feature speakers on key issues such as attaining academic excellence, the importance of vision boards, career coaching, overcoming mental health issues and remaining focused in the era of adversities. We will also be donating a sign board on mental health awareness with numbers to call for free support and books to the school library.	We want to breed a culture of optimism and hard work toward achieving excellence among all the students. We want to open their minds to a world of possibilities, make them self-aware and assertive, and increase their competencies for their own futures. We also want to curb the mental health challenges among the youth and make them aware that they can get help. Our desired impact is for the community to live positive lives. Investments in education, empowerment and social upliftment are pivotal in the moulding of not only a child's future, but also of their families and communities. The project can be carried forward and can be cascaded to other schools and communities.

Group name	Project	Desired impact and sustainability
Botswana Life Phikwe Branch	**Blood drive (Selibe-Phikwe)** As life insurers, we engage when families have lost loved ones, a painful and uncomfortable time for our clients. Although we deliver on our promise and make funeral processes easy and stress-free in trying times, our goal is to assist in avoiding death. We can make a real difference in the lives of Batswana. It is so unfortunate when a loved one has been hospitalised, was involved in an accident, needs an emergency operation or has lost too much blood from bringing a precious life into this world only to find out that the blood bank is empty and close family members and friends are not positive matches to the one in need. We propose collaborating with the Blood Bank BW to achieve our goals: • Fill up the Blood Bank • Encourage consistent blood donation in our communities • Educate Batswana on the importance of donating blood.	The desired impact is to save lives. When you donate at the Blood Bank, your donation is used to help treat and save the lives of local residents. This means that every time you donate blood, platelets or plasma, you are helping your family members, loved ones, friends, co-workers and members of your community. This is part of our commitment in helping to create happy, healthy and sustainable communities. BIHL's involvement can be a way to call on communities at large to donate blood, educate on the need for this through the Blood Bank BW and to encourage consistent donations.

AWARDS

The group received numerous awards during the year. We, however, remain humble in our quest to improve livelihoods.

AFRICA.COM NAMES CATHERINE LESETEDI IN DEFINITIVE LIST OF WOMEN CEOs

Our CEO, Catherine Lesetedi, included in the Africa.com Definitive List of Women CEOs, among incredible depth of female talent across the continent, with 74 women recognised in the prestigious list.

This is the second annual Africa.com Definitive List of Women CEOs which was published on International Women's Day, 8 March 2022. This is also the second year that she has been included. The list is a unique, data-driven research effort that highlights the women who lead big business in Africa, based on data by Bloomberg. No other list of successful African businesswomen is grounded in quantifiable research such as this, making the Definitive List of Women CEOs among the most well-reputed on the continent.

She is among such other visionary women leaders as Natascha Viljoen of Anglo American Platinum, Mpumi Madisa of Bidvest, Bertina Engelbrecht of Clicks Group, Lizé Lambrechts of Santam and Nneka Onyeali-Ikpe of Fidelity Bank Nigeria, to name just a few.

She also stands along with Keabetswe Pheko-Moshagane of Absa Bank Botswana and Faith Mabu Nteta of Sechaba Breweries as the only three women named from Botswana.

We need to continue to empower women and girls, as it is essential to the health and social development of families, communities and countries. It is also key to economic growth, political stability and social transformation.

BOTSWANA LIFE WIN BIG AT THE GLOBAL BANKING AND FINANCE AWARDS 2022

The rankings of the Global Banking and Finance Awards reflect the innovation, achievement, strategy, progressive and inspirational changes taking place within the global financial community.

The awards were created in 2011 to recognise excellence in the financial world. For 2022, the awarding body recognised as winners:

- Botswana Life Insurance Limited – Life Insurance Brand of the Year Botswana 2022
- Ronald Samuels, Botswana Life Insurance Limited – Life Insurance CEO of the Year Botswana 2022

PMR DIAMOND ARROW AWARD 2022

BIC was awarded a PMR Diamond Arrow Award as Best General Insurer in Botswana for the second year in a row.

130 CEOs were interviewed in Botswana, and BIC was rated 4,25 out of a possible score of 5.

OTHER 2022 AWARDS

BIC was awarded the Winning General Insurance Company in Botswana for Customer Service Excellence by the Chartered Institute of Customer Management. This is the second year in a row. Over 12 340 customers were surveyed across Botswana during the selection and adjudication process.

Customer service awareness is gaining momentum in Botswana as a key differentiator between financial service competitors.

BIC also won:

- Global Banking and Finance Awards – Best General Insurance Company Botswana 2022
- Global Brands Magazine – Best General Insurer Botswana 2022.

AWARDS continued

FORBES AFRICA BOTSWANA EDITION

BIC was the only short-term insurance company to be featured in the Forbes Africa Botswana edition, which also featured major banks and Government divisions.

BOTSWANA – A Jewel At The Heart Of Africa

Botswana Insurance Company (BIC)

Placing the Needs of Customers First

Offering Insurance Solutions With Convenience

Botswana Insurance Company provides globally acclaimed financial risk management tools in line with the demands of today's world.

Recognised as the 'Heritage Insurance Brand of Botswana', Botswana Insurance Company (BIC) has been providing a financial safety net for many Botswana citizens for close to five decades. BIC is an important part of Botswana's economic growth by providing protection against unforeseen events or catastrophes that impact the sustainability of businesses and individuals. BIC offers innovative risk management solutions, the latest of which includes insurance for cybersecurity risks. "Our purpose is making lives better and the client is at the centre of all of our decisions," says Newton Jazire, Group CEO of Botswana Insurance Company.

BIC holds a range of accolades cementing its credibility as a high-quality service provider. "We hold the PMR Diamond Arrow award for the best overall short-term insurer in Botswana for 2021 and 2022. It is an award voted on by 130 CEOs across the country. We've also received the Global Banking and Finance award as the best short term insurer in Botswana for 2021 and 2022, as well as the Chartered Institute of Customer Management's award as Top Customer Service Provider in the Short Term industry as voted on by over 12 000 customer surveys conducted in Botswana for 2021 and 2022," Jazire says.

The firm's global ranking by Moody's is another testimony to the strength of its performance. "We have a Moody's rating of Baa2, which shows our ability to pay claims. We take pride in being the only insurer in the country with a global rating. In addition, we have been able to maintain our number one position in the market and we continue to grow," explains Jazire.

In line with the world's increased reliance on digital tools, BIC has embraced digital transformation and has built a system that enables mundane tasks to be handled by a bot, a software application that is programmed to handle client requests. "When clients lodge a claim with us, the bot handles everything with very minimum human intervention in our transaction process, except for the very complex big claims," states Jazire.

Transforming the client's experience through digital tools, providing competitive pricing and paying claims fast are some of the key strategic pillars that the company focuses along with a focus on sustainable growth, which recognizes that the firm's existence and its purpose of "Making Life Better" will transcend generations.

EMPOWERING YOUTH TO CREATE A BRIGHTER FUTURE

By Amantle Mumsy Moremi (BIHL Group representative at Forbes Under 30 Africa Summit)

Half of the world's population is now under the age of 30, with emerging and developing countries accounting for 90% of this age group. These countries continue to make every effort to empower young people to build a better future for themselves. Investing in the youth, in particular, can help accelerate progress toward a prosperous and sustainable future by exposing them to relevant and future-proof skills, connecting them to entrepreneurship and employment opportunities and supporting them as they change our world for the betterment of themselves and all of us.

The Forbes Under 30 Summit Africa 2022 was hosted in Botswana to empower youth by allowing delegates to network with other young people and learn about cultures from all around Africa, as well as elevating the voices of elite young entrepreneurs and game-changers. This was a fantastic chance for young people to obtain the skills, resources and networks they need to solve challenges in their communities, as well as to be empowered to lead processes, create jobs that contribute to economic growth and much more.

Through this platform, a wealth of knowledge and new avenues were availed for the youth by collaborating and leveraging opportunities for Botswana youth to interact with other youth in Africa. It is platforms like the Forbes Africa that bring the world to us as Botswana, especially when it comes to exposure, learning, benchmarking, as well as developing networks and discovering prospective partners. This was an opportunity to make the most of and use it as a springboard into the commercial world by Botswana youth. This is an opportune time for the youth for it has given them the ability to network, engage and build rapport with other attendees and indeed a chance presented to Botswana's youth to create the possibility of a better day, a brighter and better tomorrow.

Youth-owned businesses are growing and education has taken a dynamic shift from what we used to know. The youth need to actively and intentionally foster long-lasting and workable solutions to find space in a world of transformation and build brighter futures. The summit was exactly needed to put Botswana on the map. It was also an opportunity for not only the Government of Botswana but also for parastatals and the private sector to join hands in promoting ESG initiatives and be part of growing Botswana's economy.

In choosing to sponsor the forum, BIHL reaffirms support towards enabling social entrepreneurship and putting youth in the proverbial driver's seat so they can make actionable strides in improving their environments. Youth energy, passion and courage to challenge the status quo are needed to identify and address complex global problems. Their insights are worthy of attention and investment for they are the future. Access – to people, resources and platforms – is how those before us can help pave the way for us.

BIHL selected the most suitable candidates by shortlisting 10 candidates who were tasked with doing a presentation to the executive committee with the theme centred on the future outlook of the group with an emphasis on digital evolution and taking into consideration the various stakeholders. My presentation was based on practicality and realistic steps that the group can implore to move towards transformation. I provided a holistic view of the current internal and external factors affecting businesses as a whole, the potential pitfalls and the endless opportunities.

Building legacies and investing in the lives of young people through forums like this is a step in ensuring that the youth are exposed to platforms that are you-inclusive and ESG-led. As champions of and for advancement and innovation, the youth should not limit themselves. They should support one another in order to build stronger support ecosystems to help them turn and materialise their goals into practical and innovative development solutions.

This is just one way we seek to empower youngsters to build a better future for themselves, and we commit to investing in this important aspiration through platforms like this. After all, our youth are our future.

CORPORATE SOCIAL RESPONSIBILITY

> CSI is a vital part of the group's identity and we have a proud history of creating, maintaining and supporting developmental, social and environmental projects. As a group, we support local foundations and institutions by donating money, items or volunteering in the local community.

The establishment of the BIHL Trust in 2007 formalised and streamlined the group's CSR activities. BIHL contributes 1% of its profit after tax every year to the Trust. Since inception, the BIHL Trust has invested more than P30 million in communities in Botswana.

The BIHL Trust has undertaken and contributed to many projects over the past 16 years. The Trust has four key focus areas, namely education, public health, conservation of the environment and social upliftment, each working to ensure more targeted and sustainable impact.

2022 SANLAM GROUP AWARDS FOR EXCELLENCE IN FINANCIAL JOURNALISM

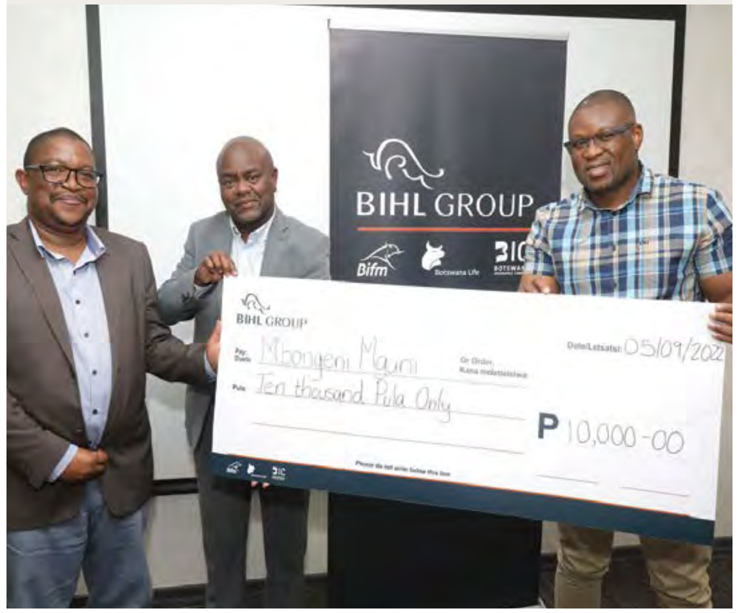
BIHL, in association with Sanlam, received entries for these awards, open to African journalists based in Africa, working in an African news organisation and publishing or broadcasting their works on the continent. Entries must have been published during 2022 covering financial journalism across print, radio, television and online platforms.

Botswana has an abundance of local journalistic talent, and platforms such as this present opportunities for due recognition. The categories below are open to journalists from Botswana, from print and online media:

- The African growth story
- Environmental, social and governance
  - Business and the environment
  - Business and society
- Broadcast: Radio/audio/podcasting (in business reporting)
- Broadcast: Television/video (in business reporting).

The awards are now co-sponsored by the Sanlam Group subsidiaries, Sanlam and Santam. The independent judging panel consists of Nixon Kariithi (Chair), Paula Fray (expert media trainer), Charles Naude (retired business editor), Ulrich Joubert (retired independent economist), Ylva Rodny Gumede (Professor of media studies and international relations), Angela Agoawike (communications consultant based in Nigeria), Tom Indimuli (media consultant based in Kenya) and Emily May Brown (media studies lecturer based in Namibia).

Mmegi's own Mbongeni Mguni was awarded the African growth story second runner-up prize for his entry last year, demonstrating the ability of Botswana media to make their mark through the platform.



EDUCATION

GIRLS EXCELLING IN MATHEMATICS AND SCIENCE PROGRAMME

The BIHL Trust and Botswana International University of Science and Technology continued to bolster their partnership by hosting a prize-giving ceremony geared towards promoting the participation of young girls in science, technology, engineering and mathematics (STEM) fields through an initiative called 'Girls Excelling in Mathematics and Science (GEMS)'.

This year, 36 girls received awards. GEMS is a programme for female Form 5 students from senior secondary schools who are driven and motivated. These students are majoring in pure (single) science and want to work in the STEM fields. By providing a platform for girls to flourish in STEM subjects, the two organisations have linked up to promote gender equity and access to educational opportunities.

The projects which GEMS have chosen are:

- Gantsi Senior Secondary School: *'Egg shells and moringa oleifera seeds: An eco-friendly, low-cost solution to wastewater treatment'*
- Mahupu Unified School: *'The rising amount of carbon dioxide in the atmosphere that is causing the greenhouse effect'*
- Matsha College School: *'Making coffee from camel thorn trees'*
- Maun Secondary School: *'Making of a rocket stove'*
- Shakawe Secondary School: *'Using indigenous plants to make a mosquito repellent agent which can be cheaper than what is available on the market… From lab to market solution'*
- Tsabong Secondary School: *'An online repository of educational materials for the BGCSE exams'.*

This activity is essential for teaching female students to experiment, think critically, solve problems and persistently ask why and what comes next. This is a wonderful gesture that will encourage female students to extend their views and embrace a growth mindset. This prospective approach aims to support girls' advancement and reinforce the idea that skills can be acquired rather than remaining constant and unchangeable.

As the BIHL Trust, we strongly believe that gender equity and the empowerment of women are fundamental towards working to achieve an inclusive society and sustainable economic growth. We continue to transition from a resource-based economy to a knowledge-based one, driven by technological advancement and greater emphasis on being more inclusive of women in science-related careers.

BIHL TRUST NATIONAL ESSAY WRITING COMPETITION

The BIHL Trust National Essay Writing Competition 2022 took place in August 2022 after a call for participation to all Government primary level schools by the Ministry of Basic Education.

This year, seven regions submitted their essays, and three missed the submission deadline. Adjudicators were engaged to mark at national and regional level. The top three students were:

- Kevin Moncho from Mokgadi Primary School (Kanye)
- Catherine Serumola from Mathathane Primary School (Mathathane) and
- Nchindo Mapulanga from Kavimba Primary School (Kavimba).

MARU-A-PULA ORPHAN AND VULNERABLE CHILDREN PROGRAMME

On 28 September 2022, the BIHL Trust once again reaffirmed its focus on empowerment through education.

For the 11th year, the Trust has pledged support to the Maru-a-Pula Secondary School Orphan and Vulnerable Children's (OVC) Programme, this year handing over P250 000 towards bursaries for the OVC Programme.

To date, the BIHL Group, through the Trust and on behalf of subsidiaries Botswana Life and Bifm, has donated a total of P2,35 million to the programme.

DELTA WATERS INTERNATIONAL SCHOOL OVC PROGRAMME

BIHL, through the BIHL Trust, continues to heed the national call to ensure future generations are given equal access opportunity for a strong educational foundation.

Building on the successful support for the Maru-a-Pula OVC Programme in Gaborone for over a decade to date, the Trust sought the assistance of the Ministry of Basic Education in identifying other schools in which such assistance may work well.

Delta Waters International School in Maun was the selected school that had a programme that is similar to that of Maru-a-Pula. With the Trust's recommendations fulfilled, it was pleased to hand over P150 000 to the school on 8 July 2022 to be channelled towards its OVC Programme.

The donation will support their learning and academic experience, from tuition fees to uniforms and other elements core to a positive school experience.

MTV SHUGA PEER EDUCATION COMPETITION

We agreed with UNICEF to deliver a national peer education competition which will be used to encourage more young people to meaningfully participate in their communities and also give young people a chance to develop programmatic initiatives that work for them.

The competition will start at school level, move to district level and eventually to national level, focusing on the exchange of opinions and innovative ideas on how young people can survive the ordeals and challenges they are facing. The winners were awarded at an event organised by partners that took place towards the end of 2022. Evaluation of ideas will be based on feedback from other young people who have been exposed to the programme/initiative through field testing of the idea. This makes the whole process all about young people from design to evaluation.

Competition is one of the concepts used in behaviour change programming as it offers participants something to look forward to while learning something that builds their knowledge and shifts their perceptions on the way to the promise or aspiration. More often, when one is in competition it is inevitable to study the competition subject more to become competitive, and if the competition requires coming up with innovative ideas or opinions, the experience drives perceptions and behaviour shifts much more strongly.

PUBLIC HEALTH

ROAD SAFETY CAMPAIGN

BIC launched its Road Safety Campaign in December 2022 and implemented it through various channels such as a weekly competition on Facebook, distribution of stickers through intermediaries, support for an Motor Vehicle Accident Fund Road Accident Campaign and advertisement of general road safety messages.

BIC supported Motor Vehicle Accident Fund Botswana in their roadshows to raise awareness about road safety and spent 8 December in Kanye at Mongala Mall, reminding people to stay safe on the roads during the holiday season.

BREAST CANCER AWARENESS

BIC sponsored Atlega Clinic's breast cancer screening day which offered consultations, examinations, mammograms and ultrasound services to 272 patients. Out of these, 147 patients required further imaging, with 20% being benign findings and 1% being malignant.

PRINCESS MARINA HOSPITAL CHRISTMAS VISIT

SATIB visited the Princess Marina Hospital on Christmas morning with gifts sponsored by BIC. SATIB is a key broker partner to BIC and a major influencer in the broker market.

SOCIAL UPLIFTMENT

BOTSWANA LIFE MARKETING CAMPAIGNS

Botswana Life launched its brand-positioning and financial performance-based marketing, communications and public relations campaign called 'The Numbers Campaign'.

It feeds off the 'Life and More" campaign that ran for the past three years supporting the corporate strategy Se sarona (2019 – 2023) during the COVID-19 pandemic.

The Numbers Campaign illustrates the business' outstanding resilience during unchartered socio-economic milieus to payouts surpassing P2,4 billion in benefits and claims to our customers in just 12 months. It supports Botswana Life's vision to be Botswana's first choice in life insurance-based financial solutions and advisory services.

Botswana Life's new brand and product – positioning campaign was launched – Di salela mang?. Loosely translated, it means "Who deals with the obligations when you are gone?".

The campaign aims to:

- educate the public and demystify life cover insurance
- create awareness of Botswana Life's product offering
- sell Botswana Life's life cover offering.

With a suite of seven life cover products that cater to different needs and affordability, the campaign was also influenced by the business' need to increase and elevate life cover policies to balance revenue generation among other pillars.

Botswana Life's public relations, communications and marketing teams strengthened their relationship with the media by:

- demonstrating Botswana Life's accountability to the nation through transparency and multiple communication channels
- reflecting on Botswana Life's major milestones of active product and service offerings
- running a life cover financial literacy marketing campaign.

The department hosted one-on-one breakfast engagements with business journalists from various media houses and held an Arts and Craft Media Day at Mogobane Village.

ANNUAL BIFM BREAKFAST SEMINAR

Bifm hosted institutional clients and stakeholders for a successful annual Bifm Breakfast Seminar.

The theme for this year's seminar was 'Global Inflation and the Role of Alternative Investments within Client Portfolios'. The theme was necessitated by the high global inflation and interest rate environment and the challenge in generating positive real returns in such an environment. The event featured Patrick Buthelezi, an economist from Sanlam Specialised Finance. He highlighted the key drivers of global inflation and why it is a major concern for central banks around the world. He noted that central banks' monetary policy faced the challenging trade-off between fighting soaring inflation and safeguarding post-COVID-19 pandemic recovery. He predicted that inflation was expected to peak in the second half of 2022 and slow down in 2023. Central banks are therefore likely to shift their priority to stimulating economic growth from 2023.

The event also featured a panel discussion which unpacked the merits and potential risks of alternative investments to retirement funds. The discussion was facilitated by Neo Bogatsu (Bifm CEO) and comprised Mumba Musunga (African Life Financial Services Zambia Portfolio Manager), Lame Botshoma (Strategic Wealth Chief Investment Officer Designate), Ati Mannathoko (Alex Forbes Chief Operations Officer) and Khalil Modarissi (Bifm Chief Investment Officer).

The morning was capped with a presentation by Botlhe Tshukudu (Unlisted Investments Portfolio Manager), speaking to alternatives in the context of Botswana and the role played by Bifm.

Bifm is committed to improving the brand by delivering on its mandate and this is done through information-sharing platforms such as these events. Efforts to engage with trustees and broader stakeholders are vital.

2022 BIFM TRADITIONAL MUSIC EXPO

The Bifm Traditional Music Expo on 1 December 2022 was a joyous and colourful musical event which celebrated the beautiful arts and culture of this fascinating country.

It has become a norm for Bifm to celebrate the richness of our culture through music, dance and attire. Bifm prides itself in contributing to the rebirth of Botswana's traditional culture through this expo and we further commend our partners, Footprints Advertising Agency, for their continued support.

Over the years, the event has featured music giants such as Culture Spears, who made it to the international arena, the amazing energetic duo Khoisan, who are also Botswana's diamonds, Charma Girl, who we have witnessed grow her career, and Big Fish, who has been the event MC from day one.

This 19th edition event introduced a mix of fresh talent such as Dilo Makwati Dance troupe and Abednico. We believe that this platform will help these local artists gain exposure, showcase their art and build their brands.

Each year, the event provides the audience with something new and fresh and this year was no exception, as we mixed 'traditional' with 'urban'. Attendees witnessed amazing performances from Ubuntu Band and Bangu.

Bifm will continue its collaboration with the community and support such initiatives and, in return, elevate the local creative industry.

2023 BOTSWANA PENSION SOCIETY CONFERENCE

Bifm and Botswana Life were this year's gold sponsors for the Botswana Pension Society Conference.

The main objective of the conference is to promote retirement industry knowledge among pension fund members, trustees, service providers and the public.

This year's event attracted various key speakers, including Mbaki Mudlovu CFA (Bifm Fixed Income Investment Analyst), who gave a presentation on how a well-regulated environment tends to promote better investment performance. He also highlighted Bifm and Botswana Life's aim to continue playing a meaningful role in developing the local pension fund industry as the retirement landscape is ever-evolving and requires such collaborations to better understand and serve.

This year's theme, 'the Regulatory Framework and its impact on Retirement Funds' attracted an audience of more than 100 key stakeholders, captains of industry and trustees. One of the key issues discussed was key developments in the retirement funds regulatory framework and their importance. This encouraged attendees to share insights and ideas on what shapes the industry and how current regulatory trends and patterns observed will affect pension funds.

This is the 17th year in a row that we have supported this forum, and it has proven to be an enlightening platform for our stakeholders and trustees. Bifm remains the country's oldest asset manager after beginning operations in 1975. Such forums enable the brand to remain true to BIHL's purpose of improving livelihoods. We are committed to contributing to such information-sharing platforms, and we look forward to next year's engagement.

PIMP MY RIDE CAMPAIGN GRAND PRIZE DRAW

The Pimp my Ride campaign, which was aimed at increasing the uptake of the 'My BIC' portal, increasing awareness of the BIC brand and reinforcing brand loyalty, ended with a competition draw that was held in August.

The campaign received strong media support from news articles and radio coverage. This was the first step in a series of efforts to improve the campaign's image following negative publicity earlier in the year 2022.

BIC awarded a lucky policyholder with P50 000 worth of motor vehicle accessories. The recipient, who was recently widowed, had customised her late husband's car so she could visit their cattle post and was very grateful for the award.

MISS TEEN INTERNATIONAL

Gimhani Mohau Perera was awarded a top-10 placement, Miss Continental-Africa and the Miss Popularity award at Miss Teen International 2021 on 30 July 2022.

BIC sponsored Miss Teen 2021 and recently launched its youth product, aligning with the target audience reached through its support of the event in Botswana.

AIRPORT JUNCTION FATHER'S DAY EXPO

BIC participated in the Airport Junction Father's Day Exhibition and was the only insurer to do so. The exhibition featured top motor brands such as Mercedes Benz, Isuzu, Jeep, Hyundai, Honda, BMW and Ford, as well as top vehicle financers including Absa Vehicle Finance and WesBank. The BIC team at Airport Junction generated 164 new policy leads and an additional 150 from the team at Game City.

CONSUMER FAIR AND PROPERTY EXPO

BIC and Legal Guard were the only short-term insurers present at the Consumer Fair, with BIHL also represented by Botswana Life and Bifm. The event was the second lead activation drive for BIC representatives, resulting in 45 leads, 20 quotes and four policies.

BIC participated in the Property and Developers Exhibition in September, which was the third lead activation drive for BIC representatives.

WOMAN TO WOMAN NETWORKING GOLF TOURNAMENT

Botswana Life sponsored the second Woman to Woman Nine Hole Golf Networking Tournament.

The Honourable Minister of Nationality, Immigration and Gender Affairs, Anna Mokgethi, attended the event.

Botswana Life continues to support sports and sport development in the country as a gateway to enriching lives of Batswana.

2022 ORAPA DIAMOND GOLF CHALLENGE SPONSORSHIP

BIHL supports the Orapa Diamond Golf Challenge as a Diamond Sponsor with an investment of P300 000.

This initiative is in alignment with BIHL's dedication to positively impact and make a true difference to communities in need through the charitable component as well as support for local sporting codes such as golf.

Also present at the Golf Challenge was Botswana Life's subsidiary, Botswana Life Fiduciary Services.

SECURITY SYSTEMS XI SPONSORSHIP

BIC signed a five-year sponsorship agreement with the Security Systems XI Soccer Team and will provide a minimum of P1 750 000. The launch of the sponsorship was held at the Blue Tree Golf Venue and was attended by media and representatives from both Security Systems and BIC.

STANBIC AND HATAB GOLF DAYS

BIC sponsored the top prizes at the Stanbic Annual Golf Day, with Newton Jazire playing in a 4-ball with key VIPs and William Surmon representing BIC during the evening prize-giving ceremony.

BIC sponsored the 18th hole during the HATAB Golf Day in December. The players had the opportunity to engage with BIC staff and enjoy the refreshments that were made available for them.

CORPORATE GOVERNANCE OVERVIEW

The board supports the highest standards of corporate governance and the development of best practice.

BIHL is fundamentally committed to good corporate governance and strives to ensure business integrity and professionalism in all activities, and that all aspects of its business conform to all relevant guidelines and regulations.

The board ensures that our strategy remains relevant, in line with current and emerging investor and stakeholder requirements, making adjustments and changes to maintain short-, medium- and long-term value-focused objectives. Good corporate governance forms part of this and helps us to build an environment of trust, transparency and accountability necessary to facilitate long-term investment, financial stability and business integrity, thereby supporting stronger growth and a society that is more inclusive.

The board supports the highest standards of corporate governance and the development of best practice. The board is of the opinion that the BIHL Group currently complies with the governance principles of King IV™ and the BSE Listings Requirements. BIHL's corporate governance practices are continually reviewed and improved by benchmarking against accepted best practice.

The King IV™ application register is set out on pages 98 to 103.

The board is committed to continuous improvement of our corporate governance principles, policies and practices, and does so through awareness of evolving regulation and best practices, engagement with regulators and industry bodies and regular feedback from other stakeholders.

ETHICS AND CULTURE

The board is committed to the highest standards of ethical behaviour. Directors strive to uphold the standards of conduct required of them by law, regulation and policies, while demonstrating behaviours that are consistent with the group's values.

BIHL recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the Code of Ethical Conduct, and undermine the organisational integrity of BIHL. The commitment to combating financial crime is designed to counter the threat of white collar crimes, including fraudulent acts and malicious intentional acts that damage BIHL's good standing. A zero-tolerance approach is applied to these matters and all alleged offenders are prosecuted. BIHL has in place an anonymous hotline that stakeholders can use for reporting any wrongdoing in the business. The anonymous hotline ensures independence and good practice.

CORPORATE CITIZENSHIP

The board acknowledges the role of the group in:

- contributing to the growth and development of the societies in which we operate
- being accountable for our impact on the environment, and
- evolving as our communities change. Compliance with laws and regulations is a critical aspect of our citizenship efforts.

Governance structure

The board

Mahube Chilisana Mpugwa *(Group Acting Chairman)***
Catherine Lesetedi *(Group Chief Executive Officer)*
Kudakwashe Mukushi *(Group Chief Financial Officer)*
Chandrakant Chauhan *(Botswana Life Chairman)***
John Hinchliffe *(Bifm and Bifm Unit Trusts Chairman)***
Andrew Cartwright *(Audit and risk committee Chairman)***
Kobus Vlok^
Lieutenant General Tebogo Masire**
Nigel Suliaman^
Robert Dommisse^

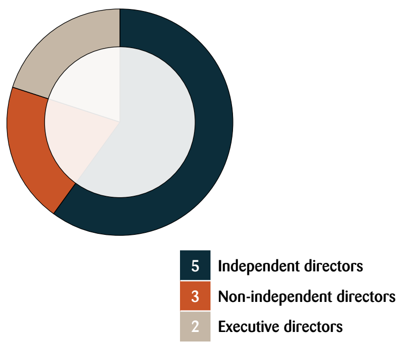
*** Independent non-executive*
^ Non-executive

	Audit and risk committee	Human resources committee	Nominations committee	Investment committee	Independent review committee
	Refer to pages 104 and 105 for the full report	*Refer to page 106 for more detail*	*Refer to page 106 for more detail*	*Refer to page 107 for more detail*	*Refer to page 107 for more detail*
Members	Andrew Cartwright *(Chairman)* Chandrakant Chauhan John Hinchliffe Philip Van Rooijen Robert Dommisse	Kate Maphage *(Chairman)* Robert Dommisse Mahube Mpugwa	Chandrakant Chauhan *(Chairman)* John Hinchliffe	Nigel Suliaman *(Chairman)* Mahube Mpugwa Robert Dommisse	John Hinchliffe *(Chairman)*
Independent	3 of 5	1 of 2	1 of 1	2 of 2	2 of 3
Focus areas	• Reporting (financial and integrated) • Audit matters (internal and external) • Risk and compliance management, information and technology governance • Information and cybersecurity	• Remuneration strategy and policy • Human capital management	• Succession planning • Board evaluations • Nomination matters (structure, size and composition)	• Determines and monitors appropriate investment strategies	• Related party transactions

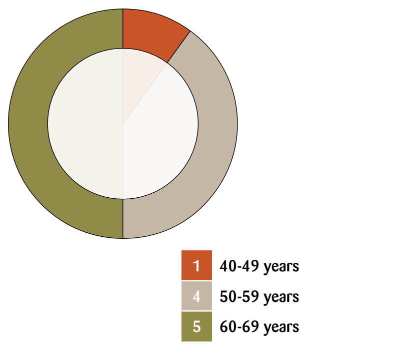
Oversight priorities

THE BOARD

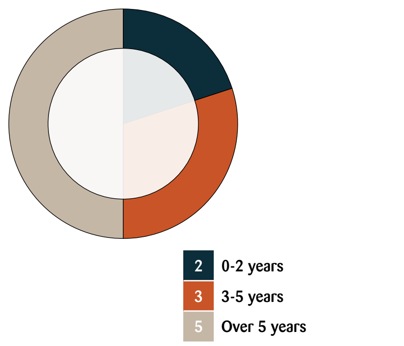
Board independence



Board age diversity



Board tenure



The unitary board consists of 10 directors of whom five are independent non-executives. The Chairman is committed to ensuring the overall effectiveness of the board and that it achieves the appropriate composition and balance of directors. The magnitude and complexity of the group influences our board's composition and we strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision-making and strong technical inputs. We assess diversity against skills and expertise, independence, gender and age as well as tenure.

Board charter

The board operates in terms of a formal charter that is reviewed and adopted annually, the purpose of which is to regulate the conduct of its business in accordance with sound corporate governance principles. The objectives of the charter are to ensure that all directors acting on BIHL's behalf are aware of their duties and responsibilities and the legislation and regulations affecting their conduct. Further, it seeks to ensure that sound corporate governance principles are applied in all dealings by directors in respect of and on behalf of BIHL. The charter sets out the specific responsibilities to be discharged by the directors collectively and individually. The charter is available upon request from the BIHL Group.

Skills and expertise

Board members are required to have the highest levels of integrity, a deep understanding of governance, appropriate technical, financial and non-financial knowledge and interpersonal skills, in particular, skills and experience in the areas of insurance, risk, capital management, technology, finance, auditing, accounting, legal and human resources. The board is collectively responsible for the long-term success of the group and for ensuring leadership within a framework of effective controls.

The board sets the strategic direction of the group, approves the strategy and takes the appropriate action to ensure that the group is suitably resourced to achieve its strategic aspirations. The group considers the impact of its decisions and its responsibilities to all our stakeholders, including the group's employees, shareholders, regulators, clients, suppliers and communities in which it operates.

Board focus areas for 2022 and 2023

What kept the board busy this year	What will keep the board busy in 2023
• Reviewed and approved the five-year strategy • Reviewed and scrutinised the strategic and operational performance of the business • Received regular risk reports • Reviewed the risk appetite statement • Monitored the group's financial performance • Approved the group's budget • Approved the full and half-year results and considered the key internal and external factors in determining payment of a final and interim dividend • Received an update on management team succession planning • Received an update of the macroeconomic headwinds and tailwinds in the global economy including an assessment of their impact on the key drivers of the group's financial performance • Approved the anti-money laundering/counter financing of terrorism and proliferation (AML/CFT and P) policy • Approval of FSG disposal • Review and approval of the BIHL Group structure	• Strong business performance • Key focus areas carried over from 2022 • Embed the new group structure • Review of the BIHL Group five-year strategy

Board independence

Through the appointment of independent directors and the separation and clear definition of the roles and responsibilities of the Chairman and CEO, BIHL has a clear balance of power and authority at board level. The group ensures that the interests of all stakeholders are protected.

The board's primary responsibilities

The group CEO is responsible for the management of all aspects of the group's businesses, developing the strategy in conjunction with the Chairman and the board, and leading its implementation. The management team comprises the group CEO, the group CFO and two CEOs from Botswana Life and Bifm, respectively.

To enable the board to use its time effectively and efficiently, supported by the group Company Secretary, it maintains a scheduled programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda to ensure that the board can focus on key matters at the appropriate time. The board also schedules informal sessions and interactions, which allows board members to discuss areas of the business strategy and the external environment with members of the management team.

Members of the management team and other senior executives attend board and subcommittee meetings to ensure effective interaction with the board. The group CEO comments on current trading conditions, business performance, the market, employees, relevant stakeholders and regulatory and external developments at each meeting.

BOARD AND COMMITTEE MEETING ATTENDANCE

The board meets at least four times per annum to consider business philosophy and strategic issues, set risk parameters, approve financial results and budgets and monitor the implementation of delegated responsibilities. Special board meetings are convened when necessary. Where appropriate, decisions are taken by way of circulated resolutions.

The board and committee meetings during the year are set out below.

	Board	Audit and risk committee	Human resources committee	Nominations committee
Mahube Mpugwa** *(Group Acting Chairman)*	4/4	n/a	4/4	n/a
Catherine Lesetedi^ *(Group Chief Executive Officer)*	4/4	n/a	n/a	n/a
Kudakwashe Mukushi^ *(Group Chief Financial Officer)*	4/4	n/a	n/a	n/a
Chandrakant Chauhan** *(Botswana Life Chairman)*	4/4	4/4	n/a	3/3
John Hinchliffe** *(Bifm and Bifm Unit Trusts Chairman)*	4/4	4/4	n/a	3/3
Andrew Cartwright**	4/4	4/4	n/a	n/a
Kobus Vlok**	4/4	n/a	n/a	n/a
Lieutenant General Tebogo Carter Masire**	4/4	n/a	n/a	n/a
Nigel Suliaman*	4/4	n/a	n/a	n/a
Philip Van Rooijen*	–	4/4	n/a	n/a
Robert Dommisse*	4/4	4/4	4/4	3/3

** *Independent non-executive*
* *Non-executive*
^ *Executive*

BOARD COMMITTEES

In the course and scope of discharging their mandate, the directors are empowered to delegate part of their duties. Certain functions of the board are facilitated through the main subcommittees including the audit and risk, human resources, nominations and independent review committees. These subcommittees have formal charters and report to the board at regular intervals and are chaired by independent non-executive directors. Reappointment to the subcommittees is not automatic and is subject to the approval of BIHL's nominations committee. When BIHL directors retire by rotation, they automatically retire from the subcommittees on which they serve.

The terms of reference for all board subcommittees have been confirmed by the board. There is full disclosure from these subcommittees to the board, and their minutes are submitted to the board for noting. In addition, all authorities delegated by the board are reviewed and updated annually by the board.

Information on the board of directors and their committee memberships is included in this report on pages 92 to 94.

BOARD APPOINTMENTS AND SUCCESSION PLANNING

Directors are selected and appointed in a formal and transparent manner to achieve the necessary balance of skills, experience and professional and industry knowledge to meet BIHL's strategic objectives. We follow broad principles to maintain an independent and vibrant board that constructively challenges management's strategies and evaluates performance against agreed benchmarks and applicable codes of conduct. The majority of the non-executive directors are independent.

The board gives strategic direction to BIHL, appoints the CEO and ensures that succession planning is in place and reviewed regularly. The group seeks to promote independent judgement, diverse mindsets and all directors are subject to an annual performance evaluation. Nomination and approval of appointees to the board and its committees is carried out in accordance with the remuneration and nomination charter.

We maintain a balance among non-executive directors that ensures that the majority of these are independent directors. The re-election of directors will be dealt with via individual resolutions. BIHL's company Constitution requires that one-third of the directors of the group retire by rotation and offer themselves for re-election by shareholders at the AGM, with the exception of the executive directors.

RISK AND CONTROL

The group's enterprise risk management framework incorporating the principal and key risks is approved by the board. The board also approves the group's risk appetite and then monitors the implementation of both, including the approval of key risk frameworks through its committee and receives reports on under- and over-utilisation of risk appetite together with triggers, limits and management actions.

See the risk management report on page 20 for further detail.

STAKEHOLDER RELATIONS

The board and management proactively engage with material stakeholders and address their concerns in the best way possible. Collaboration is important to the group's approach and strategic partnerships are driven with like-minded stakeholders. In addition, personal meetings with analysts and fund managers/trustees are arranged when appropriate. BIHL publishes its interim and annual results in the media when finalised and in addition mails its integrated annual report to all shareholders.

See stakeholder engagement on page 23 for further detail.

Where there is an item of special business included in the notice of the AGM, it is accompanied by a full explanation of the implications of the proposed resolution. In the course of the AGM, as at other shareholder meetings, the Chairman provides reasonable time for discussion.

Shareholders are always encouraged to attend the AGM.

ACCOUNTABILITY AND TRANSPARENCY

The board commits to providing credible and comprehensive financial and non-financial reporting accompanied by constructive stakeholder engagement. With respect to the public and other stakeholder interests, we align with best practice relating to disclosures and are subject to internal and/or external assurance and governance procedures.

IT AND INFORMATION GOVERNANCE

The BIHL Group's IT charter represents the board's and group senior management's expectations regarding the governance of the utilisation of information across the BIHL Group. The information governance framework provides guidance on the use of information and it is key due to the growing importance placed on information by enterprises, clients and regulators and is supported through formalisation of the underlying information management practices.

Information management refers to our capabilities on managing various types of information or aspects related to information. The application of these management practices can improve the value and quality of information. Our information governance is ultimately the responsibility of the board and senior management of the BIHL Group.

The company has an IT internal control framework in place. Our IT internal control framework is aligned to the IT control frameworks that include ITIL and CobiT 5. Sanlam IT internal audit, and an independent external entity conduct annual audits on the effectiveness of the IT internal controls and provide feedback through reports communicating gaps identified and controls required to mitigate and improve the security position of the group or minimise the risk exposure to the group information assets.

There is board oversight for all IT activities. The group has an IT governance structure with forums and committees formed to provide feedback on IT progress monthly.

The IT department and information management systems are fully integrated. During the year, we undertook a number of IT projects to minimise IT risk and increase operational efficiency including:

- Microsoft Intune
- Microsoft OneDrive and VPN two factor authentication
- Database encryption and Oracle audit vault (tracking and monitoring system privileged accounts) – project ongoing
- Conducted penetration testing and vulnerability scanning with mitigating controls applied
- Internal and external audits conducted
- Crown Jewels Risk Assessment (determining the group's mission-critical systems then assessing the risk exposure to these systems)
- Migration of the Microsoft Productivity suite (Exchange email, user folders to OneDrive, Word, PowerPoint, Excel, Outlook) to the Microsoft Cloud
- Self-service password reset
- Use of the Knowbe4 platform for reading and acceptance of business policies
- Introduction of work from home policy and guidelines and
- Review of IT policies, procedures and standards.

Management provides the board with quarterly reports on the progress of the IT function's objectives and whether it adequately protects the company from IT risk. The report details progress on key IT activities, challenges and risks. IT risks are reviewed monthly and the register is updated accordingly. There are programmes in place to manage these risks in line with the group's cyber resilience framework.

The BIHL Group has, through the audit and risk committee, implemented the cyber resilience framework in its approach to cybersecurity risks. The framework incorporates key aspects of the National Institute of Standards and Technology Cybersecurity Framework, CobiT 5 and the ISO 27002 standards and comprises five key domains namely, governance, early warning, monitoring, response and prevention. The group implements a combination of people, process and technology solutions together with proactive, regular gap assessments against predefined group baselines and standards.

The group has processes in place to protect against any potential cybersecurity risks including:

- Cyber awareness and publishing training through campaigns for the entire staff on a monthly basis
- Use of company policies, procedures and standards to guide users on how to use company assets/property and guide them on how to conduct themselves while under the employ of the company
- Proactive monitoring through cyber reason and security information and events management
- Conducting internal and external audits
- Conducting cybersecurity readiness assessments and Crown Jewels Risk Assessments
- Monitoring of privileged accounts activities of business systems
- Encryption of the Botswana Life core system database
- Use of Secure File Transfer Protocol to securely send and receive files to and from external entities
- Use of Microsoft Intune for group user-issued mobile device management to protect corporate data
- Use of perimeter and web application firewalls
- Use of the demilitarised zone to segregate the network that contains and exposes the group's external-facing services to an untrusted network. This provides an additional layer of security as it ensures that there is no direct access from the internet to systems hosted on the internal network
- Use of antivirus and regular patch management
- Regular penetration testing and vulnerability scanning
- Two-way factor authentication
- Remote connection to business systems strictly via VPN and
- Bitlocker implementation on group laptops to protect corporate data by providing data encryption on the laptops.

A business continuity and disaster recovery plan is in place, governed by the business continuity management policy. The policy stipulates that biannual rehearsals to test business readiness against any form of disaster be performed with gaps identified documented in an activity report for resolution and tracking purposes. A detailed business continuity and disaster recovery test report is then prepared and shared with the IT steering committee, executive committee and the board.

During the year, there were no incidents of cybersecurity breaches.

REMUNERATION PHILOSOPHY

The board recognises that appropriate remuneration for executive directors, members of the BIHL executive committee and other employees is inextricably linked to the attraction, development and retention of top-level talent and intellectual capital within the group. BIHL's operating environment is characterised by a tough economic climate, changing regulatory requirements and ongoing skills shortages. Therefore, it is essential that adequate measures are in place to attract and retain the required skills. In order to meet the strategic objectives of a high-performance company, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time.

The primary objectives of the policy are to:

- attract, motivate, reward and retain key talent
- promote the company's strategic objectives, within its risk appetite
- promote positive outcomes across the capitals which the group uses or affects
- promote an ethical culture and behaviour that are consistent with our values and which encourage responsible corporate citizenship.

BIHL's remuneration philosophy aims to:

- inform stakeholders of BIHL's approach to rewarding its employees
- identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere
- provide a general framework for all the other elements of the reward philosophy
- offer guidelines for short-term incentive (STI), long-term incentive (LTI) and retention processes
- offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. The BIHL remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own remuneration or human resources committees play in ensuring good governance. The group continues to apply a total reward strategy for its employees, as far as practicable. This offering comprises remuneration (which includes cash remuneration, STIs and LTIs), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

PAY PRINCIPLES

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed.

Pay for performance

Performance is a key guiding principle of the remuneration philosophy and, as such, all remuneration practices are designed to create clear differentiation between individuals with regard to performance. Remuneration practices are also designed to create a clear alignment between performance hurdles and the achievement of the group's strategy.

Competitiveness

A key objective of the remuneration philosophy is that remuneration package levels should enable the group and its businesses to attract and retain highly talented employees in order to ensure the group's performance, growth and sustainability.

Leverage and alignment

The reward impact for individual employees is, as far as possible, aligned with and influenced by:

- the interests of BIHL shareholders
- the performance of the group as a whole
- the performance of any region, business unit or support function
- the employee's own performance contribution.

Consistency and fairness

The reward philosophy strives to be consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.

Attraction and retention

Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the group's objectives and ensure its sustainability over the long term.

Shared participation in relevant components of remuneration

Employee identification with the success of BIHL is important owing to its direct link to BIHL's and individuals' performance. All employees should be recognised and rewarded for their contribution and the value they add to BIHL, and, in particular, for achieving excellent performance and results in relation to BIHL's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.

Best practice

Reward packages and practices reflect local and international best practice, where appropriate and practical.

Market information

Accurate and up-to-date market information, information on best practice and trend information from reputable sources are crucial in determining the quantum of remuneration packages.

EXECUTIVE REMUNERATION

BIHL executive directors and executive committee members are contracted as full-time, permanent employees for employment contracting purposes. Notice periods regarding termination of employment range from one month to three months' written notice. Bonus payments and the vesting of LTIs that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed by the human resources committee based on the recommendations of the CEO.

The different components of remuneration applied for all group employees are:

- Total guaranteed package (TGP)
- STIs
- LTIs.

The quantum of the different components of the package is determined as follows:

- The STI component of remuneration is based on individual and business performance during the performance measurement period (January to December)
- The LTI allocations are based on the individual's performance, potential and strategic contribution to the group and/or business, and on market benchmarks for the employee's role.

Total guaranteed package

TGP is the guaranteed component of the remuneration offering. It forms the basis of the group's ability to attract and retain the required skills. The guaranteed package is market-related and based on the individual's performance, competence and potential. TGP is normally positioned at the 50th percentile of the market for general staff and, for the high-skilled area, at the 75th percentile.

As an integral part of TGP, BIHL provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- retirement funding
- group life cover
- medical aid/insurance.

Average TGP is normally set by reference to the median paid by a comparator group of similarly sized companies which BIHL considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that are in the insurance sector (but not limited to this sector), have similar market capitalisation and turnover in terms of revenue. The process followed for benchmarking TGP against these comparator companies is data obtained and analysed from several local salary surveys. In addition to this benchmarking process, BIHL considers the skills, potential and performance of the individual concerned and the current consumer price index of the country. TGP levels are positioned on average around the median of the comparator market. Where specific skills dictate, TGP levels may be set in excess of the median.

Short-term incentives

The purpose of the annual bonus plan is to align employees' performance with the group's goals and to motivate and reward employees who outperform the agreed performance hurdles. The focus is on operational matters to optimise returns to the shareholders. The design and quantum of the annual performance bonus is regularly reviewed against best market practice and the quantum is benchmarked against the market using a relevant comparator group. However, gaining access to this market data has been a challenge due to limited information published in the market.

The annual bonus plan is a cash-based bonus scheme. Where the annual business and individual bonus targets are achieved in full, up to 20% of the TGP will be paid to employees. For certain senior management (and specifically executive directors), up to 45% of the TGP will be paid on achievement of targets. Where the bonus targets are not achieved in full, a reduced bonus, based on a sliding scale, will be paid.

The annual bonus targets at business unit level incorporate financial and non-financial performance measures that are directly linked to the group strategy and key performance indicators, including the operating profit result, new business revenue growth, management expense ratio and transformation targets. The specific performance targets and relative weighting are determined per business unit based on the business unit's strategic initiatives. The support functions' targets reflect the group's overall performance.

Long-term incentives

BIHL currently grants awards under the following two LTI plans:

- The BIHL conditional share plan (CSP)
- The BIHL share option scheme (SOS)
- The Bifm citizen economic empowerment (CEE) share-based scheme.

These LTI plans are equity-settled except for the Bifm CEE plan which is cash-settled. The purpose of the BIHL share plans is to attract, retain and reward selected employees of the group who are able to contribute to the business and to stimulate personal involvement of the employees thereby encouraging their continued service with the group.

BIHL's general policy is that awards are made annually to ensure that the total face value of outstanding awards (calculated on their face value at date of grant) is equal to a set multiple of the individual's TGP. The set multiples are determined by reference to the individual's job grade and performance impact on the group. In addition, transformation considerations and the role and performance of an individual and the need to attract and retain key talent are considered when determining the total multiple. In general, the total multiple for award ranges from 20% to 150% of TGP but may exceed this in specific circumstances as referred to previously.

Limits

The aggregate number of shares at any one time which may be allocated under the share schemes shall not exceed 10% of the issued shares. The maximum number of shares allocated in respect of all unvested conditional awards granted to any participant that have been allocated in respect of all unvested options granted shall not exceed two million or 1% of the issued shares.

The share scheme awards are eligible for vesting after year three.

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS

Remuneration earned by the executive directors was as follows:

Remuneration for the year ended 31 December 2022

Individual	Months in service	Salary P	Gratuity fund P	Sub-total guaranteed package P	Performance bonus P	Long-term incentive P	Total remuneration P
C Lesetedi	12	2 633 400	501 600	3 135 000	1 500 000	760 695	5 395 695
K Mukushi	12	1 817 959	338 225	2 156 184	961 478	–	3 117 662
Total		4 451 359	839 825	5 291 184	2 461 478	760 695	8 513 357

Remuneration for the year ended 31 December 2021

Individual	Months in service	Salary P	Gratuity fund P	Sub-total guaranteed package P	Performance bonus P	Long-term incentive P	Total remuneration P
C Lesetedi	12	2 498 400	501 600	3 000 000	1 350 000	1 792 455	6 142 455
K Mukushi	12	1 714 111	338 225	2 052 336	961 478	896 228	3 910 042
Total		4 212 511	839 825	5 052 336	2 311 478	2 688 683	10 052 497

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

Fee structures are reviewed every three years based on data from independent service providers and, where applicable, external advice. Recommendations are reviewed for reasonableness by the human resources committee and the board and are then proposed to shareholders for approval at the AGM (refer to detail of proposed fees in the AGM notice).

The fee structure will remain in place for two years, until 30 June the following year. Non-executive directors receive board seating fees and retainers. BIHL pays for all travel and accommodation expenses in respect of board meetings. The Chairman receives a fixed annual fee that is inclusive of all board and committee meeting attendance, as well as all other services performed on behalf of the group.

Disclosure of individual directors' emoluments, as required in terms of the BSE Listings Requirements, is detailed below.

Non-executive directors' emoluments for the year ended 31 December 2022

Name	Retainer P	Board meeting P	Audit and risk committee P	Human resources committee P	Subsidiary boards P	Nomina-tions committee P	Other P	Investment committee P	Credit committee P	Total P
M Mpugwa *(Acting Chairman)*	–	498 751	–	–	20 000	–	–	26 819	35 769	581 339
C Chauhan	100 000	82 580	126 404	–	360 000	68 250	–	–	–	737 234
J Hinchliffe	100 000	82 580	126 404	–	275 000	–	–	–	–	583 984
Lieutenant General T Masire	100 000	82 580	–	–	–	–	–	–	–	182 580
A Cartwright	100 000	82 580	287 644	–	132 000	–	–	–	–	602 224
R Dommisse*	100 000	82 580	126 404	56 700	125 900	–	–	–	–	491 584
N Suliaman*	100 000	82 580	–	–	125 900	–	–	143 076	107 276	558 832
K Vlok*	100 000	82 580	–	–	132 000	–	97 500	–	–	412 080
Total	700 000	1 076 811	666 856	56 700	1 170 800	68 250	97 500	169 895	143 045	4 149 857

* *The fees are paid to the Sanlam Group and not individual directors.*

Non-executive directors' emoluments for the year ended 31 December 2021

Name	Retainer P	Board meeting P	Audit and risk committee P	Human resources committee P	Subsidiary boards P	Nomina-tions committee P	Other P	Investment committee P	Credit committee P	Total P
B Dambe-Groth	–	475 000	–	–	–	–	–	–	–	475 000
C Chauhan	65 000	115 764	126 404	–	100 000	68 250	–	–	–	475 418
J Hinchliffe	65 000	115 764	94 803	–	115 000	–	145 375	–	–	535 942
M Mpugwa	65 000	115 764	–	56 700	95 000	–	–	107 276	143 076	582 816
Lieutenant General T Masire	65 000	96 470	–	–	–	–	–	–	–	161 470
A Cartwright	65 000	115 764	287 644	–	80 000	–	–	–	–	548 408
R Dommisse*	65 000	115 764	126 404	56 700	95 000	–	–	–	–	458 868
N Suliaman*	65 000	96 470	–	–	75 000	–	–	143 076	107 276	486 822
K Vlok*	65 000	115 764	–	–	80 000	–	–	–	–	260 764
Total	520 000	1 362 524	635 255	113 400	640 000	68 250	145 375	250 352	250 352	3 985 508

* *The fees are paid to the Sanlam Group and not individual directors.*

PERFORMANCE EVALUATION

The directors complete board self-assessment questionnaires on an annual basis to evaluate the effectiveness of the board as a whole.

This mechanism is used to ensure that the responsibilities of the board and of individual directors in terms of the board charter, the Constitution and significant governance principles of King IV™ are adhered to, and that adequate attention is paid to matters of both performance and conformance. The results of the self-assessments are collated by the Company Secretary, considered by the Chairman and discussed with the board for purposes of performance improvement. The performance of the individual directors is reviewed during individual discussions between each respective director and the Chairman. The Chairman's performance is, in turn, reviewed by the other directors.

The board conducted a self-evaluation exercise in November 2022. An area marked for improvement was time allocated to board meetings whereby the board agreed that the time allocated to board meetings was inadequate to allow them to fully delve into pertinent issues.

Committee evaluations were conducted in the fourth quarter of 2021. There were various findings from each committee, which were shared by the respective chairmen. The main issue is in making the meetings more effective by adopting a strategic reporting approach and eradicating a lot of detail in the reports which takes away attention from the key issues. The other issue is to bring in more skills to the board, especially in this digital era.

SHARE DEALINGS AND CONFLICTS OF INTEREST

Directors are required to inform the board timeously of conflicts of interest or potential conflicts of interest that may exist in relation to particular aspects of BIHL's business. Directors are obliged to recuse themselves from discussions on matters in which they may have a conflicting interest, unless resolved otherwise by the remaining members of the board. Directors are required to disclose their shareholding in BIHL, other directorships and their interests in contracts that BIHL may conclude, at least annually and as and when changes occur.

All directors are required to consult with and obtain consent of the Chairman and the CEO in the case of executive directors with regard to appointments to the boards of other companies. The directors have declared their interests and are free from any business or other relationships which could reasonably be said to interfere with the exercise of their judgement.

The BIHL Group complies with the BSE Listings Requirements in respect of share dealings by its directors. In terms of BIHL's closed-period policy, all directors and staff are precluded from dealing in BIHL securities during closed periods. These are typical while half-year and full-year financials are being finalised and during other price-sensitive transactions such as a period covered by a cautionary announcement. A preapproval policy and process for all dealings in BIHL securities by directors and selected key employees is strictly adhered to. Similar trading policies regarding personal transactions in all financial instruments are enforced at BIHL's portfolio investment companies.

All directors have access to the advice and services of the Company Secretary, Haig Ndzinge, and are entitled to obtain independent and professional advice at BIHL's expense.

STATUTORY ACTUARY AND FORENSICS

Daan du Plessis is an independent Statutory Actuary who is not in the employ of BIHL. He is responsible for assisting the board in all actuarial matters and conducts the actuarial valuation of Botswana Life. He is also responsible for all regulatory reporting to the Regulator or NBFIRA and for safeguarding the interests of policyholders. The Statutory Actuary attends the interim and year-end board meetings and audit and risk committee meetings.

The report of the Statutory Actuary is set out on pages 50 to 53 of this integrated annual report.

COMPANY SECRETARY

The Company Secretary, Haig Ndzinge, plays a vital role in the corporate governance of the group and is responsible for ensuring that the board complies with statutory regulations and procedures. He is accessible to the board and provides guidance and assistance in line with the requirements outlined in King IV™ and the BSE Listings Requirements. The board has considered and satisfied itself on the competence, qualifications and experience of the Company Secretary.

He is accountable to the board for ensuring that prescribed procedures are complied with and that sound corporate governance and ethical principles are adhered to. Directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at BIHL's expense, though the encouraged practice is for this to be done through the Company Secretary.

The board is also satisfied that an arm's-length relationship is maintained between the Company Secretary, the board and its subcommittees and confirms that Haig Ndzinge is not a director or public officer of the group or any of its subsidiaries.

STRATEGIC RISK MANAGEMENT

In acknowledging its responsibility for strategic risk management within BIHL, the board has tasked the audit and risk committee to ensure that these responsibilities are fulfilled. A major function of the committee is therefore to analyse and report to the board on the status of various risks and risk management policies and procedures.

A detailed risk management report is included on pages 20 to 22.

EMPLOYMENT EQUITY AND LOCALISATION

Employment equity and localisation remain high-priority business imperatives. All BIHL businesses have localisation plans which are reviewed annually to ensure they remain aligned with BIHL's business objectives and industry needs.

FINANCIAL REPORTING

The minimum financial reporting standards for BIHL annual financial statements are compliant with IFRS and the Companies Act (CAP 42:10).

INTERNAL AUDIT

BIHL's internal audit function is coordinated at Sanlam Group level, assisted by two locally appointed resources who sit at a BIHL level. Regular risk-focused reviews of internal control and risk management systems are carried out throughout the BIHL Group. The authority, resources, scope of work and effectiveness of this function are reviewed regularly by the audit and risk committee.

EXTERNAL AUDIT

The external auditor provides an independent assessment of BIHL's systems of internal financial control and expresses an independent opinion on the annual financial statements. The external audit function provides reasonable but not absolute assurance on the accuracy of the financial disclosures within disclosed thresholds of materiality. The external auditor's plan is reviewed by the audit and risk committee to ensure that significant areas of concern are covered without infringing on the external auditor's independence and right to the audit.

There exists close cooperation between the internal and external auditors to ensure that there is adequate coverage of all material areas of BIHL's business, sharing of information and minimisation of duplicated effort.

LEGAL COMPLIANCE

BIHL considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The group ascribes to the BSE Listings Requirements and is required to provide a compliance certificate annually and the Botswana Accountancy Oversight Authority issues BIHL with a compliance certificate.

During the year, there have been no compliance issues or any legal actions for anti-competitive behaviour or anti-trust and monopoly practices at the group.

BIHL's compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements, drafting compliance management plans and subsequently implementing the plans throughout the group and monitoring the implementation of suggested controls to ensure compliance with applicable statutory and regulatory requirements.

The compliance framework manual which was rolled out to the businesses covers dissemination of new legislation, handling of regulatory visits, development/review of the compliance universes, customer due diligence procedures and suspicious activity reporting procedures.

Considered an integral part of the decision-making process in BIHL, the primary objective of BIHL's strategy with respect to risk management is to optimise BIHL's risk-adjusted return on capital and embedded value. To ensure an optimal return, BIHL determines an acceptable level of risk in conducting its operations.

The role of risk management is therefore to enhance the organisation's ability to manage, though not necessarily avoid or eliminate every risk, and to ensure that the overall risk profile remains within approved risk limits and tolerance limits. This may involve various risk responses or combinations thereof, namely acceptance, mitigation and/or avoidance of the risk. The processes in place provide reasonable, but not absolute, assurance that the risks are adequately managed. The risk appetite and tolerance limits have been in place during this financial year and cover all material business activities of BIHL.

The strategy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to risk policies require board approval. The assessment of the various risks in BIHL is evaluated on both a quantitative and a qualitative basis. Risks characterised by a low likelihood of occurrence, but with a potentially catastrophic impact, are regarded as unacceptable and are avoided as far as practically possible.

Business continuity management plans have been put in place to ensure that the business is resilient. The risk assurance framework provides tools to define the risks and the level at which risks should be reported in terms of the risk escalation matrix.

The compliance framework outlines the compliance process and responsibilities. Policies, procedures and methodologies have been adopted and implemented throughout BIHL that enable effective identification and management of risks. All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed.

GOING CONCERN

The board has considered and recorded the relevant facts and assumptions and has concluded that BIHL will continue as a going concern during the 2023 financial year. There are no specific material risks or uncertainties regarding future cash flows and operational results which would impact the company's continuity for the period of 12 months after the preparation of the report.

Their statement in this regard is also contained in the statement of directors' responsibility for the annual financial statements.

KING IV™

With the updated King IV™, organisations have had to make adjustments to align to best practice. BIHL has been very proactive on this, with the result being that we are a lot further down the road to King IV™ alignment than many other organisations of similar size.

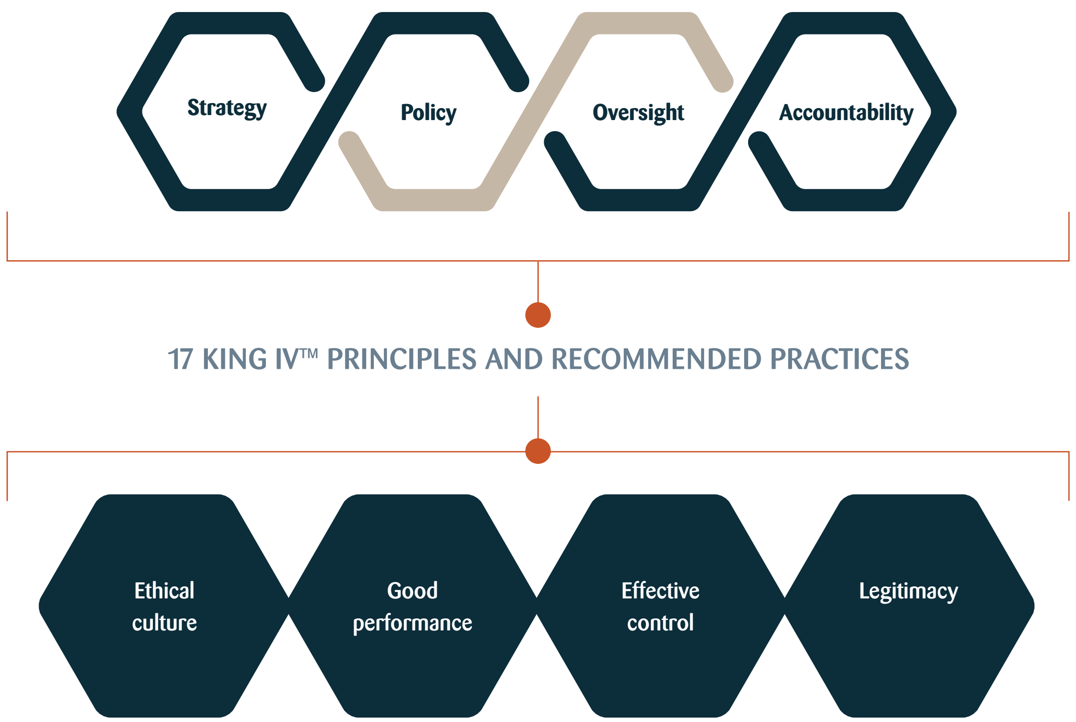
At the BIHL Group, the application of best practice corporate governance protocols and processes has been a practice for many decades. The King IV™ guidelines have been, for the most part, applied by our group. King IV™ aims to better align and modernise the codes to global best practice, and to align it to shifts in the approach to capitalism which are towards inclusive, integrated thinking that seek long-term sustainability of the organisation over short-term gains.

It further takes into account specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures, emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. integrated reporting.

While King IV™ is voluntary, it is envisaged that it will be applicable to all organisations irrespective of their form or manner of incorporation. We are happy to disclose that we are well down the path of alignment to King IV™. We have taken this position because of our strong belief that a sustainable organisation is one that is well run, profitable and also plays its part within the organisations and ecosystems it operates in. For that reason, best practice in governance will always be a priority for us at BIHL.

Refer to pages 98 to 103 for our application of King IV™.

Governing body responsibilities at BIHL



OUR BOARD OF DIRECTORS

Executive	(red bar)	Audit and risk committee	■
Independent non-executive	(blue bar)	Investment committee	●
Non-executive	(olive bar)	Nominations committee	▲
		Human resources committee	⬟
		Independent review committee	✱

1 MAHUBE CHILISANA MPUGWA (56)

Board Acting Chairman
Board member – Bifm
Nationality: Motswana | Appointed: June 2010

BA (Hons) (University of Windsor, Canada), MBA (Strathclyde University, Scotland)

Skills brought to BIHL: Board experience, Government relations and strategic communications

Mahube is CEO of Kwa Nokeng Oil. He was previously the executive director and General Manager of Puma Energy Botswana (formerly BP Botswana) from 2008. Prior to that, he held several positions at BP Botswana and BP South Africa where he was responsible for strategic communications and Government relations. He also worked for the Botswana Development Corporation.

Mahube is a director of Sefalana Holdings and Kwa Nokeng Oil.

He was appointed as Acting Chairman with effect from 1 January 2022.

Mahube has a deep passion for outdoor activities for a good cause.

2 CATHERINE LESETEDI (56)

Group Chief Executive Officer
Nationality: Motswana | Appointed: March 2016

BA Statistics and Demography (University of Botswana), Management Development Programme (UCT Graduate School of Business), Advanced Insurance Practice, Diploma in Insurance Studies (UNISA), Sanlam Executive Leadership Programme (GIBS), AIISA Associate

Skills brought to BIHL: Board experience, entrepreneurship, finance, insurance and investment

Catherine first joined BIHL Group in June 1992 as a supervisor and was subsequently promoted to the position of Assistant Manager in 1998 and later Divisional Manager Corporate Business in 2000. She spent three years with AON Botswana between 2004 and 2007 as Senior Accounts Executive and then General Manager of Life and Employee Benefits before returning to Botswana Life as Head of Corporate and High Value Business. In 2010, she was appointed Acting CEO and then CEO of Botswana Life, a position she held until February 2016, when she was appointed to her current board position.

Catherine serves on the boards of BIHL, Bifm Capital Investments Fund 1, BIC, Nico Holdings PLC, Sanlam Namibia and Letshego.

3 KUDAKWASHE MUKUSHI (47)

Group Chief Financial Officer
Nationality: Zimbabwean | Appointed: April 2019

Chartered Financial Analyst Charterholder, Association of Certified Chartered Accountants Fellow

Skills brought to BIHL: Board experience, banking, life insurance, pension funds, reinsurance, retail and energy solutions

Kudakwashe joined BIHL Group in 2013 as the CFO of Botswana Life and was promoted to the position of group CFO in April 2017.

He has over 20 years of experience across various industry sectors including banking, reinsurance, pension funds, life insurance and the retail and energy sectors. This gives him a broad view to strategy and business management.

Kudakwashe represents the BIHL Group on various boards and board committees in investee companies.

4 ANDREW WILLIS CARTWRIGHT (64)

Board member – Botswana Life
Nationality: South African | Appointed: May 2019

BBusSci (Cape Town), Senior Management Programme (Stellenbosch), Old Mutual Leadership Programme (London Business School), Financial Planning Institute, Fellow of the Institute and Faculty of Actuaries (UK), Fellow of the Actuarial Society of SA, Fellow Institute of Actuaries (India)

Skills brought to BIHL: Board experience, client services, group schemes, insurance pricing and risk management

Andrew's influential career at Old Mutual began in corporate planning. He became a product development actuary responsible for new product development and support for the retail middle income segment and later Customer Solutions Executive responsible for finance, customer offerings, new initiatives and risk management. As Chief Operating Officer for Group Schemes, he was responsible for risk management, IT and client services. He was General Manager of Protection Solutions from 2013 to his retirement from the corporate world in 2015.

He served on various industry and professional bodies in both South Africa and India.

Currently, Andrew volunteers at LEAP science and maths schools and is assisting with an insurance start-up.

5 CHANDRAKANT CHAUHAN (60)

Board Chairman – Botswana Life
Nationality: Motswana | Appointed: April 2009

BAcc (Hons) (University of Zimbabwe), ACA (England and Wales), ACA (Botswana)

Skills brought to BIHL: Board experience, entrepreneurship, finance and investment

Chandrakant is the Group Managing Director of Sefalana Holding Company Limited, a listed company on the BSE, having been appointed to its board in 2003 and as its Group Managing Director in July 2004. He is also a director of various other companies.

Chandrakant is a chartered accountant, successful entrepreneur and respected businessman who has been credited with turning around and restructuring Sefalana, whose market capitalisation has increased from P64 million in 2004 to just over P2,26 billion under his stewardship.

He is a naturalised Botswana citizen and was appointed to the BIHL board on 20 April 2009.

6 JOHN HINCHLIFFE (66)

Board Chairman – Bifm

Nationality: British | Appointed: June 2010

BA (Econ) Honours Degree (Manchester University), Fellow (BICA), Fellow (Institute of Chartered Accountants in England and Wales)

Skills brought to BIHL: Board experience, consulting and finance

John heads John Hinchliffe Consultants, an accounting and consulting practice in Gaborone. He was appointed to the BIHL board on 1 June 2010.

He is also a director of various other organisations, including Development Securities Proprietary Limited, Nsenya Proprietary Limited, Portion 84 Mokolodi Sanctuary Proprietary Limited, Botswana Insurance Company Limited, Mokolodi Utilities Proprietary Limited and Camphill Community Trust. John began his career as an accountant at Coopers and Lybrand in London, before being seconded to the firm's Botswana office in 1982. Thereafter, he worked for two other Botswana companies before establishing his own consultancy in Gaborone. He then joined DCDM Botswana, a multi-disciplined professional services firm, as Managing Director before re-establishing his consulting firm in 2005.

He is the Chairman of the board of Bifm and is a member of the BIHL audit and risk committee. John is also the Chairman of the audit and risk committee of BIC, a member of the BIC board, Chairman of Legal Guard and a member of the Legal Guard audit committee. He has a BA (Econ) Honours degree from Manchester University and is a Fellow of BICA as well as a Fellow of the Institute of Chartered Accountants in England and Wales.

7 ROBERT DOMMISSE (55)

Board member – Bifm and Bifm Unit Trusts

Nationality: Motswana | Appointed: December 2020

BAcc Hons, MBA cum laude (Stellenbosch), CA(SA)

Skills brought to BIHL: Board experience, financial, insurance and accounting

Robert has more than 25 years' experience in the financial services industry. He is currently the Chief Executive of Sanlam Pan Africa Life, consisting of 21 life insurance businesses and a number of asset management and associated credit businesses across the African continent.

He is also a member of the Financial Planning Institute.

8 LIEUTENANT GENERAL TEBOGO CARTER MASIRE (67)

Board member

Nationality: Motswana | Appointed: March 2016

Diploma in Science (Troy State University), BSc (Troy State University), MBA (University of Southern Queensland, Australia)

Skills brought to BIHL: Board experience and leadership

Tebogo is the former Commander of the Botswana Defence Force. He is one of the founding members of the Southern African Development Community standing aviation committee and also a founding board member of the Civil Aviation Authority of Botswana.

Tebogo serves as the Chairman on the Air Botswana board, Chairman of the BSE Limited as well as a board member of House Maintenance, BelServest and THC Foundation. He is also a member of the Vision 2036 Council and a patron of the Botswana Sports Foundation Trust.

9 NIGEL SULIAMAN (57)

Board member – Bifm and Bifm Unit Trusts

Nationality: South African | Appointed: June 2020

BCom (Accounting) (University of Cape Town), CA(SA), CFA, Management Development Programme (Harvard Business School)

Skills brought to BIHL: Board experience, financial, insurance and accounting

Nigel is a chartered accountant with over 30 years' work experience. He currently holds the position of Portfolio Manager at Sanlam Investment Management.

10 KOBUS VLOK (64)

Board member – Botswana Life

Nationality: South African | Appointed: May 2019

BCom (University of Pretoria), MBL in Strategic Planning and Business Leadership (University of South Africa), Post Graduate and Advanced Post Graduate Diploma in Financial Planning (University of the Free State)

Skills brought to BIHL: Board experience, life distribution, financial and research

Kobus was Sanlam's emerging markets Executive of Distribution Support from January 2019 until his retirement from full-time employment at the end of 2022.

Kobus has more than 25 years' experience as the head of distribution channels and divisions in the South African financial services industry. He has served on the boards of public and private companies in life insurance, linked investments and unit trusts, health insurance, home loans, distribution services and brokerage businesses in various capacities such as executive director, non-executive director and Chairman.

Kobus was previously CEO of MCIS Insurance Berhad (Sanlam Life Insurance company in Malaysia) and Sanlam Personal Finance distribution. He has also been the executive director of Sage Life Limited as well as the Senior Personal Research Officer of Standard Bank Group South Africa.

OUR MANAGEMENT TEAM

1 CATHERINE LESETEDI (56)

Group Chief Executive Officer

Nationality: Motswana

Refer to page 93 for full CV.

2 KUDAKWASHE MUKUSHI (47)

Group Chief Financial Officer

Nationality: Zimbabwean

Refer to page 93 for full CV.

3 RONALD SAMUELS (54)

Botswana Life Chief Executive Officer

Nationality: South African

PG Dip in Management Practices (University of Cape Town and Melbourne), Management and Senior Management Development Programmes (Stellenbosch Business School), Executive Leadership Development Programme (GIBS Business School), Executive MBA (University of Reading, UK, MGIMO and Russia)

Ronald was appointed CEO of Botswana Life in November 2018. Prior to this, he held various senior leadership positions within the financial services sector over the past 25 years, starting in distribution at Old Mutual before joining the Sanlam Group in 2000.

After being appointed as Sanlam's Provincial Manager for the Western Cape, he held numerous senior positions within the group over the years including Head of Sanlam Connect, General Manager of Sanlam Employee Benefits, Managing Director of FIN Q Financial Services (wholly-owned by Sanlam), General Manager Broker Division and CEO of Sanlam Trust.

He also served on various boards (Sanlam Trust, Sanlam Wealth Smiths and Sanlam Glacier) during this period. He currently serves on the boards of Botswana Life and that of the BIHL Trust.

4 NEO BOGATSU (49)

Bifm Chief Executive Officer

Nationality: Motswana

BCom (Accounting) (University of Botswana), MBA (University Of Chicago Booth School Of Business), Association of Certified Chartered Accountants (fellow), Senior Executive Program Africa (Harvard Business School)

Neo joined Bifm in 2011 as Chief Finance Officer, and was later promoted to the position of CEO.

Prior to joining Bifm, she was with Barclays Bank of Botswana for more than 10 years, working in the finance and business analytics departments, and holding different positions from middle to senior management level.

She started her career with Ernst & Young in 1996, where she trained and qualified as a chartered accountant.

In addition to her role as CEO of Bifm, she serves as a director on various boards of companies in different industries, including financial services, property management and development and education.

5 THOMAS MASIFHI (57)

Group Executive Head of Business Development and Stakeholder Management

Nationality: Motswana

Diploma in Sales and Marketing Management (Damelin Business School), MDP (University of Stellenbosch), ICBS in Insurance (IISA), EDM (LIMRA), Diploma in Insurance (LCII), Associate (Insurance Institute of South Africa), Post Graduate Certificate in Enterprise Risk Management (BAC), Managing Managers for Results (GIBS), Senior Executive Development Program (Harvard Business School)

Thomas joined the BIHL Group in June 1992 as an insurance broker with Botswana Life. He left to become the Broker Manager at Southring Insurance Brokers in 1994 and later registered his own independent insurance agency. In 1997, he returned to Botswana Life as Regional Sales Manager, Senior Manager Operations, Head of Business Support and Head of Client Services and Business Support before being appointed to head the new LifeRewards and loyalty programme business unit.

He was appointed to his current position in February 2017.

He also serves on the committees of various sporting organisations such as the Botswana Football Association.

6 HAIG NDZINGE (47)

Group Executive Finance and Company Secretary

Nationality: Motswana

Chartered Institute of Management Accountants (ACMA, CGMA), EDP (University of Stellenbosch), IISA Certificate of Proficiency (CoP), Senior Executive Program Africa (Harvard Business School)

Haig has vast experience in life insurance business and the preparation of financial statements. He began his career in 2000 as the BIHL Group Accounts Assistant. Six years later, he took on the role of Botswana Life Accountant, a position he held for five years.

In 2016, he returned to a group role and was appointed as the BIHL Group Finance Manager and Company Secretary, a position he still holds and which sees him provide support to Botswana Life from an executive level.

7 NEO NDWAPI (50)

Head of Human Capital and Culture

Nationality: Motswana

B Social Work (University of Botswana), HR Management Diploma (Damelin), MBA (University of Demont Fort)

Neo joins the group as the Head of Human Capital and Culture. She brings to the group a wealth of strategic leadership experience spanning more than 20 years in different industries. She joins the group from Access Bank, formerly known as BancABC, where she worked as the Head of Human Capital.

She started her HR career at Standard Chartered Bank where she worked in different roles in administration, service delivery and business partnering. Prior to that, she did developmental work with the United Nations.

Neo is excited to be joining the group and is ready to learn, unlearn and relearn in a new industry and is ready to be part of the journey to take the organisation to another level.

KING IV™ APPLICATION REGISTER

Principle from King IV™	Application of the principle
Principle 1 The governing body should lead ethically and effectively	The board is responsible for BIHL's performance by steering and setting the direction for the realisation of BIHL's core purpose and values through its adopted strategy. The board performs its duties in good faith and in the best interests of BIHL and is committed to actively promoting BIHL as a transformed, inclusive, vibrant and globally competitive financial sector company. In addition to continuously practising and demonstrating effective leadership, the board possesses the necessary skills and competencies to fulfil and discharge its duties as the governing body of BIHL in an ethical manner. The board's role and responsibilities are outlined in BIHL's Constitution and the board charter. Furthermore, the members of the board act in good faith and in the best interests of BIHL and all its stakeholders. It executes its responsibility and accountability for steering and setting the strategic objectives of the company by approving policies and procedures, overseeing the monitoring and execution thereof by management as well as ensuring accountability of organisational performance. The board charter and its annual work plan, which are both reviewed on an annual basis, guide the board in a structured manner to ensure that each of its core deliverables are attended to. The board charter also outlines the process for policies and practices on board matters such as dealing in securities, the declaration of conflicting interests and matters which are delegated to management. The board, through the office of the group Company Secretary, duly considers and deliberates on declarations at every meeting when there is a conflict of interest identified. BIHL's directors, its executives and employees are, furthermore, prohibited from dealing in BIHL securities during specified periods. The group Company Secretary regularly informs directors, executives and employees of the regulatory requirements relevant to insider trading and advises them of closed periods.
Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	The BIHL Group abides by tight principles in ensuring that business is conducted in a responsible manner. During the period under review, the board reviewed the Code of Ethics to ensure it is still relevant in terms of addressing any emerging ethical risks including issues of dealing with price-sensitive information. An external service provider has been engaged to manage the group's hotline where issues of breach are anonymously reported. Through the human resources committee, the group carried out a culture survey among staff to gather insights and ensure all aspects of culture are aligned at group level. *Additional information on ethical leadership is available on page 77 of this report.*
Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	The board acts as the custodian of corporate governance for the group and manages the interrelationships with management, the shareholders and other stakeholders of the group in accordance with sound corporate governance principles. The board ensures that BIHL is and is seen to be a responsible corporate citizen by having regard not only to the financial aspects of the business but also to the impact that business operations have on natural resources and the society within which it operates. The board, through the audit and risk committee, continues to ensure that the group complies with all issues of regulation. The policies and standard operating procedures continue to be revised to ensure relevance and alignment with the law. Through its human resources committee, the board ensures that issues of employment equity, fair remuneration, health and safety are continuously addressed. The key focus area during the reporting period was to ensure that employees were well taken care of to ensure that transmission of COVID-19 at the workplace was kept to a minimum.

Principle from King IV™	Application of the principle
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process	BIHL's short-, medium- and long-term strategy is delegated to management and approved by the board having considered that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management. The board provides ongoing oversight and monitors, with the support of its committees, the implementation and execution of the group's strategy within agreed timelines. It also ensures that BIHL's core purpose, risks and opportunities that the company is exposed to, its strategy, business model, performance and sustainable development are all inseparable in creating value for all its stakeholders on a continuous basis. In managing risk, the board, through its audit and risk committee, has implemented a combined assurance model. The purpose of the model is to give the board an idea of the type of assurance for major processes and risks in the organisation and to also provide the board with the comfort that the business has enough assurance providers in place to mitigate a particular risk. The board is satisfied that it has fulfilled its primary role and responsibilities in relation to corporate governance in alignment with the approved terms of reference.
Principle 5 The governing body should ensure that reports issued by the company enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects	The board, through the audit and risk committee, ensures that the necessary controls are in place and that the requisite assurance is provided, where necessary, to verify and safeguard the integrity of BIHL's integrated annual report including any other disclosures. In this regard, the board continues to be accountable for overseeing BIHL's response to applicable disclosure requirements. The board ensures that through the integrated annual report, BIHL's response to the King IV™ 'apply and explain' disclosure requirements, BIHL's annual financial statements, as well as any other relevant information to stakeholders, are published as is appropriate. In addition, the current and future outlook information for the BIHL Group is contained in the integrated annual report.
Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation	The board operates in accordance with clearly defined terms of reference which are regularly reviewed to guide its effective functioning. The terms of reference are detailed in the board charter and define among other things, its role, responsibilities, membership requirement and procedural conduct. The board, as well as any director or committee member, may obtain independent, external professional advice at the company's expense concerning matters within the scope of their duties. Similarly, the directors may request documentation from management and set up meetings with management as and when required. *The number of meetings held during the year and attended per each member are disclosed on page 80.* The board carried out annual assessments on its effectiveness and is satisfied that it has fulfilled its responsibilities in accordance with its charter.

Principle from King IV™	Application of the principle
Principle 7 The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	The board assesses the adequacy of its composition annually to ensure that it is still fit for purpose, has the right balance of skills, experience, diversity, independence and knowledge and that it can still effectively discharge its role and responsibilities. A process of formulating a policy that details procedures for recruiting directors and which promotes board diversity is being developed. The majority of members of the board are non-executive independent directors. The group CEO and the group CFO are the executive members of the board. Independent members of the board are allowed to serve on the board for nine years and thereafter, they are assessed for independence every two years and can serve up to 13 years upon which they retire. At least one-third of non-executive directors should retire by rotation at the AGM or other general meetings. The retiring directors may be re-elected, provided they are eligible and they offer themselves up for re-election. Rotation of directors is structured so as to retain valuable skills, to have continuity of knowledge and experience and to introduce persons with new ideas and expertise. The Chairman of the board is an independent non-executive member. The Chairman's role and responsibilities are documented in the board charter and the tenure of the Chairman is aligned to those of independent members. The board has appointed an independent non-executive member as the Lead Independent member.
Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties	The board has established the following committees to assist with particular roles and responsibilities in order to achieve its objectives. The committees are governed by their own charters which deal with the composition of each respective committee, its overall role and responsibilities, decision-making process, how the committee reports to the board, meeting procedures and evaluation of committee performance. The following are the current committees of the board: • Audit and risk committee • Investment committee • Human resources committee • Nominations committee, and • Independent review committee. The committees meet at least quarterly. The Chairman of each of the committees or a member nominated by the Chairman makes a presentation to the board on issues submitted for discussion at the committee meetings. The committees are appropriately constituted and each member is appointed by the board as per the recommendations made by the nominations committee.

Principle from King IV™	Application of the principle
Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members, support continued improvement in its performance and effectiveness	The effectiveness of the performance of the board and respective committees is assessed annually by the group Company Secretary through a survey. The results of the survey are compiled and shared with the Chairman. A consolidated summary of the results of the process is reported to the full board by the Chairman. If a deficiency has been identified, a plan is developed and implemented for the board to acquire the necessary skills or behaviour patterns. This also forms the basis for the group to identify key objectives for the effective functioning of the board for the subsequent year. The board sets aside time for consideration, reflection and discussion of the results of these formal performance evaluations as part of its consideration of its annual work plan. The board is satisfied with the outcome of the board evaluation process that was conducted during the 2022 financial year. It has been confirmed that the board continued to operate effectively and efficiently in creating value for BIHL's stakeholders. Consensus has been reached on the continuous commitment, competence and experience exercised at board and committee level.
Principle 10 The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities	The board sets certain specific targets directed at achieving BIHL's goals and business objectives and an appropriate delegation of authority to the group CEO to ensure that the targets are achieved. The group CEO acts within the specific authorities delegated to her by the board. The board approves and regularly reviews the governance policy and framework and the top-level delegation of authority in terms of which matters are delegated to the group CEO. The board agreed to the manner in which the delegated authority is exercised by the group CEO which includes the development and implementation of the BIHL strategy. The group Company Secretary has been duly appointed by the board in accordance with the Companies Act. The board considers and evaluates the competence, qualifications and experience of the group Company Secretary annually and is satisfied that he is competent and has the appropriate qualifications and experience to fulfil his role and responsibilities. The group Company Secretary has a direct channel of communication to the Chairman of the board, while maintaining an arm's-length relationship with the directors as far as is reasonably possible. The role and responsibilities of the group Company Secretary are described in the board charter as well as summarised in the governance report.
Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic direction	The board ensures that governance of risk is done through formal processes and that the appropriate building blocks for risk management are put in place through the combined assurance model. The board ensures that the risk assessments that identify all risks are performed on an annual basis. Risk identification is defined by the BIHL risk assurance framework, which has been implemented to increase the probability of anticipating risks and ensure that management considers and implements appropriate risk responses. The board ensures continuous risk monitoring by management through receipt of quarterly reports on risk, assurances regarding the effectiveness of the risk management processes and by ensuring that there are processes in place to enable complete, timely, relevant, accurate and accessible risk disclosures to stakeholders. The board has delegated the responsibility to the audit and risk committee to oversee that the combined assurance model effectively covers BIHL's significant risks and material matters through a combination of the following assurance service providers and functions: • First line functions that own and manage risks • Specialist functions that facilitate and oversee risk management and compliance • The internal auditor, forensic fraud examiners and auditors and statutory actuaries, and • Independent external assurance service providers such as the external auditor.

Principle from King IV™	Application of the principle
Principle 12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	IT has become an integral part of the business in the sense that information systems are the core of the business of the group. As a strategic asset of the group, IT presents significant risks which are governed and controlled. The board therefore exercised its duties during the year under review to ensure that prudent and reasonable steps are taken in respect to the governance of IT. The board, through the audit and risk committee, ensured that information systems are aligned with the long-term strategic direction of the group, delegating the responsibility for the implementation of an IT governance framework to management and by monitoring and evaluating significant IT investments and expenditure. The board has satisfied itself that IT governance is effective and that due care and diligence has been exercised through an IT governance framework. The framework was reviewed for its effectiveness during the year; it was found to be relevant.
Principle 13 The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	The board, through the audit and risk committee, reviewed the group's compliance with mandatory corporate governance principles and the Companies Act, BSE Listings Requirements, King IV™ and all applicable laws and adopted non-binding rules, codes and standards. The committee evaluated the appropriateness and effectiveness of the corporate governance structures, processes, practices and instruments and the approval framework and found them to be working satisfactorily. The group's design and implementation of sound compliance management practices and procedures are aimed at detecting and mitigating compliance risks. The audit and risk committee receives regular reports on compliance-related matters through the group CFO who is suitably skilled and experienced.
Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of its strategic objectives and positive outcomes in the short, medium and long term	The board is ultimately responsible and accountable in terms of ensuring that BIHL remunerates fairly, responsibly and transparently for the achievement and promotion of BIHL's strategic objectives over the short, medium and long term. BIHL's remuneration philosophy and policy support the group's strategy by incentivising the behaviour required to meet and exceed predetermined strategic goals. Both short- and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk taking and balances longer-term strategic objectives with short-term operational performance. The human resources committee has been delegated this responsibility. The human resources committee is responsible for matters relating to developing an appropriate remuneration policy, monitoring the implementation of the policy and regularly reviewing the suitability of the policy. Over and above matters relating to reward, matters pertaining to the attraction and retention of skilled resources, the fit and proper requirements relevant to the status of directors and the management of material human resources-related risks are covered in the policy and the human resources committee charter.

Principle from King IV™	Application of the principle
Principle 15 The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	The board assumes overall responsibility for assurance and the integrity of information reported. The audit and risk committee is delegated the responsibility for overseeing the group's approach towards combined assurance in order to ensure that it incorporates and optimises the various assurance services and functions across the business. This includes, holistically, that the requisite assurance objectives of effective internal control and integrity of reported information are achieved. The audit and risk committee ensures that appropriate assurance that covers the significant risks and material matters is obtained. This is done through a combination of reporting by first line management functions that own and manage risks, specialist risk functions that oversee risk management and compliance as well as independent assurance providers such as internal and external audit. The board is responsible for the quality and integrity of the information disclosed in BIHL's integrated annual report. The board, with the support and assistance of the audit and risk committee, satisfies itself that the quality and integrity of the combined assurance model is effective and sufficiently robust. The latter continues to assist and enable the board to place reliance on the group's response to combined assurance, which underpins the statements that the board makes concerning the integrity of BIHL's external reports. Based on the results of the review of BIHL's systems of internal control, risk and opportunities management, the audit and risk committee concluded during the reporting period that BIHL's systems of internal control and risk management were effective.
Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	The board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted by BIHL. The group recognises that the sustainability of the business is dependent on successful interaction with its stakeholders. A stakeholder engagement plan sets out the strategies and objectives behind the group's engagement with material stakeholders, with an important objective that the company be recognised as a responsible corporate citizen. The board has delegated the duty to proactively deal with stakeholder groupings and, where necessary, to provide feedback to management. The board considers the balance of engagement with each stakeholder grouping and endeavours to achieve a climate of respect with constructive debate. Interaction with BIHL stakeholders happens during the normal course of business at multiple levels across the group and management strives to resolve any disputes with its stakeholders effectively and expeditiously.
Principle 17 The governing body ensures that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests	BIHL ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.

AUDIT AND RISK COMMITTEE REPORT

MR ANDREW CARTWRIGHT
Audit and risk committee Chairman

Members:
Andrew Cartwright *(Chairman)*
Chandrakant Chauhan
John Hinchliffe
Philip Van Rooijen
Robert Dommisse

> The subcommittee has a formal written charter which sets out its responsibilities and is reviewed annually. The internal and external auditors attend the audit and risk committee meetings and have unrestricted access to the Chairman of the committee. The audit and risk committee met four times during the financial year. Meeting attendance is set out on page 80.

The main responsibility of the audit and risk committee is to assist the board in discharging its responsibilities under the Companies Act (CAP 42:10), the NBFIRA Act, other relevant legislation and common law relating to the business of the BIHL Group. It monitors financial controls, accounting systems and reporting, compliance with legal and statutory requirements, evaluation and the management of risk areas and internal control systems and the effectiveness of the external and internal auditors and the finance function. The subcommittee also evaluates BIHL's exposure and response to significant risks, including sustainability issues.

AREAS OF FOCUS DURING 2022

The subcommittee focused on the following key areas:

Compliance management

- The new Data Protection Act: The committee noted and reviewed reports from management showing the roadmap and implementation progress for the group companies to comply with the legislative requirements by the extended transition period deadline of September 2023.
- Compliance with AML/CFT and P requirements across the group's subsidiaries. The revised Financial Intelligence Act and Regulations of 2022 commenced in February 2022, and the committee oversaw implementation of initiatives to close any gaps identified by management. Risk-based Know Your Customer procedures continue to be the bedrock of the group's compliance work on AML/CFT and P.
- Compliance with the Retirement Funds Act: The committee reviewed the progress that management has made in setting up the appropriate structures to comply with the Act, including various engagements with the Regulator to establish the best way to serve clients that purchased the underwritten retirement annuity policies. Overall, the committee is satisfied that the implementation of the requirements of the Act is receiving appropriate attention from management. Given the unique nature of underwritten policies, the committee continues to guide management to engage the Regulator so that the implementation of the Act does not prejudice clients.
- Review of the group's compliance maturity status: The annual risk maturity assessment continues to reveal focus areas that should assist management to improve the risk management environment within the group. The maturity scores continue to show that all subsidiaries meet the basic requirements of a functioning risk management environment, however, the businesses identified areas of focus to improve the 2023 scores.

Risk management

During the year, the subcommittee reviewed:

- The risk profiles and risk appetite reports of the various subsidiaries
- The ratings and the effectiveness of mitigating factors through quarterly monitoring of the key risks that faced the group
- Unlisted investments with a focus on credit assets which required attention from a risk management perspective – albeit the credit risk showed significant signs of reduction with a lot of counterparties' operations restored post-COVID-19 restrictions
- Management's strategy and actions to improve risk maturity in subsidiaries and associates.

Audits

- The committee considered various audit reports from the internal and external auditors and is satisfied that the group has a healthy control environment. The key audit matters highlighted by the external auditor during the year include the following:
  - Valuation of policyholder liabilities under insurance contracts
  - Valuation of material investments in associates
  - Valuation of unlisted investments.

The committee is satisfied that all material matters brought to its attention received adequate attention from management.

IFRS 17 *Insurance Contracts*

- The imminent introduction of IFRS 17 is going to result in significant changes in the BIHL financial statements, and the committee spent substantial time reviewing and understanding the potential impact of the standard. A project to implement the standard has been in motion since 2021, and management has made considerable progress in the implementation process.

CFO and the finance function

The committee is satisfied that the CFO, Kudakwashe Mukushi, continues to discharge his duties in a satisfactory manner and that he is supported by an able team of professionals in the finance department. The board also reviews the finance function as part of the board assessment, and the scores showed that the board is very satisfied with the finance function.

Andrew Cartwright
Audit and risk committee Chairman

ACTIVITIES OF THE OTHER BOARD COMMITTEES

Refer to pages 104 and 105 for the audit and risk committee report.

Nominations committee		Activities during 2022	Focus for 2023
Members Chandrakant Chauhan *(Chairman)* Robert Dommisse John Hinchliffe	The nominations committee meets on an ad hoc basis to appoint, identify and evaluate suitable candidates for possible appointments to the board. The subcommittee makes recommendations to the board regarding the appointment of non-executive and independent non-executive directors. The subcommittee regularly reviews the structure, size and composition of the board and its committees and makes recommendations to the board. The subcommittee meets as and when appropriate.	• Consideration of the appointment of suitable candidates as members of the board and subcommittees including the board Chair • Consideration of the appointment of suitable candidates as board members of group subsidiaries	• Ensuring balanced skillsets in light of the composition of the board and committees • Appointment of board members of group subsidiaries to replace those who are due to retire

Human resources committee		Activities during 2022	Focus for 2023
Members Kate Maphage *(Chairman)* Robert Dommisse Mahube Mpugwa	The subcommittee is responsible for monitoring and advising on the status of BIHL's human and intellectual capital and the transformation processes regarding employees. In particular, the subcommittee approves executive appointments and reviews succession planning. The subcommittee is also responsible for the remuneration strategy within the BIHL Group and for the approval of guidelines for incentive schemes and the annual determination of remuneration packages for BIHL's executive committee. The subcommittee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that a robust performance management culture is in place. It also makes recommendations to the board regarding directors' remuneration. The CEO, the subsidiary CEOs and the Executive Head: People Management attend the meetings by invitation. Non-executive directors do not participate in an incentive bonus nor do they receive share options. The subcommittee meets on a quarterly basis and has a formal charter that sets out its responsibilities and is reviewed annually.	• Ensuring adherence to best practice in light of corporate governance for tenure of members of the board • Fostering training of members of the board and committees • Executive recruitment and succession planning	• Talent management • Succession planning of human resources within the group • Skills development of board members and committee members

Independent review committee		Activities during 2022	Focus for 2023
Members John Hinchliffe *(Chairman)* Chandrakant Chauhan	In order to enhance the governance structures within the BIHL Group, and any other matters referred to it by the board or any of its subcommittees, the board established an independent review committee. The committee is responsible for reviewing all related party transactions. The committee meets as and when appropriate and has adopted a formal charter that is reviewed on an annual basis.	• None	• Observation of best practice in light of related party transactions

Investment committee		Activities during 2022	Focus for 2023
Members Nigel Suliaman *(Chairman)* Robert Dommisse Mahube Mpugwa	The committee reviews all material investment opportunities prior to making recommendations to the board. It meets as and when appropriate and has a formal charter that is reviewed on an annual basis.	• Matters arising	• Arising opportunities

Annual financial statements

Our audited annual financial statements were prepared in terms of IFRS

DIRECTORS' REPORT

The board of directors of Botswana Insurance Holdings Limited (BIHL or the company) has pleasure in submitting its integrated annual report and the audited annual financial statements of the BIHL company and its subsidiaries for the year ended 31 December 2022.

NATURE OF THE BUSINESS

The company and its subsidiaries (the group) underwrite all classes of long-term insurance, administer deposit administration schemes, manage investments, and administer life and pension funds. It also provides funeral services and microlending through its associated companies. The company is listed on the Botswana Stock Exchange (BSE).

RESULTS FOR THE YEAR

The group reported a net profit, after tax, for the year to 31 December 2022 of P615 million (2021: P393 million) largely due to improved mortality as 2021 results were negatively affected by excess death claims due to COVID-19. Shareholders' equity as at 31 December 2022 was P3,549 billion (2021: P3,351 billion). Further details regarding the group's results and prospects are included in the financial review in the integrated annual report.

STATED CAPITAL

The issued and fully paid share capital as at 31 December 2022 was 282 370 652 ordinary shares (2021: 282 370 652).

Refer to note 6 to the annual financial statements on page 177.

DIVIDENDS

A net interim dividend of 65 thebe (2021: nil thebe) per share was declared during the year. The directors propose a final dividend of 101 thebe (2021: 71 thebe) per share, and a special dividend of 89 thebe per share, bringing the total dividend for the year to 255 thebe per share (2021: 71 thebe per share) net of tax.

DIRECTORS' SHAREHOLDINGS

The aggregate number of BIHL shares held directly or indirectly by directors of the company was 396 444 (2021: 467 466). Details of the holding of these shares are disclosed in note 20.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Refer to note 27 to the annual financial statements on page 225 for the disclosures on events subsequent to the reporting date.

DIRECTORATE

M Mpugwa *(acting Chairman)*
C Chauhan
J Hinchliffe
K Vlok
A Cartwright
Lieutenant General T Masire
N Suliaman
R Dommisse
K Mukushi *(Group Chief Financial Officer)*
C Lesetedi *(Group Chief Executive Officer)*

COMPANY SECRETARY AND REGISTERED ADDRESS

H Ndzinge
Plot 66458, Block A
Fairgrounds Office Park
Gaborone, Botswana

INDEPENDENT AUDITOR

Ernst & Young
2nd Floor, 22 Khama Crescent Gaborone, Botswana

STATUTORY ACTUARY

Daan du Plessis
Sanlam Group Office
2 Strand Street, Bellville 7530
South Africa

BANKERS

Absa Bank of Botswana Limited
Bank Gaborone Limited
Bank of Baroda (Botswana) Limited
Capital Bank Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Access Bank

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The directors of the group and company are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Insurance Industry Act, 2015 and the Companies Act (CAP 42:01).

The group and company maintain systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect their transactions and provide protection against serious misuse or loss of company assets. The directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group or company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditor conducts an examination of the annual financial statements in conformity with International Standards on Auditing, which includes tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditor to review matters relating to internal controls and financial reporting. The external auditor has unrestricted access to the board of directors.

The annual financial statements set out on pages 117 to 225 were authorised for issue by the board of directors on 1 March 2023 and were signed on their behalf by:

Mahube Mpugwa
Chairman (acting)

Catherine Lesetedi
Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Botswana Insurance Holdings Limited
Report on the audit of the consolidated and separate financial statements

OPINION

We have audited the consolidated and separate financial statements of Botswana Insurance Holdings Limited and its subsidiaries (the group) and company set out on pages 117 to 225, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the group and company as at 31 December 2022, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act, 2015.

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 Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

THE KEY AUDIT MATTERS APPLY ONLY TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matter	How the matter was addressed in the audit
1. Valuation of policyholder liabilities Botswana Insurance Holdings Limited (the group) has policyholder liabilities stated at P10,5 billion as at 31 December 2022 (2021: P10,4 billion) representing 71% (2021: 70%) of the group's total liabilities. The actuarial assumptions and methodologies that are reflected in the policyholder liabilities are subject to a considerable level of management judgement. They are informed by actual experience, market/data practice and expectations of future trends and events both internal and external to the group. As such, small changes in these assumptions can individually and in combination, result in a material impact to the valuation of policyholder liabilities under insurance contracts. We considered the valuation of policyholder contract liabilities to be significant to the audit due to several changes introduced by management to the actuarial assumptions and methodologies in the current year that required additional audit effort and specific focus from our actuarial specialists involved on the engagement: 1. The reference rate which is used for the determination of expected investment returns was split by management from a single rate, as applied in the prior year, into a discrete investment reference rate and a risk reference rate. These reference rates are highly sensitive to the valuation of policyholder liabilities. 2. The group business methodology is based on the chain ladder-runoff triangle method which is used for calculating the group credit expense and loss ratios. The methodology was updated by management to include commissions in the calculations. The change had a significant impact to the value of new business and the valuation of policyholder liabilities under insurance contracts. Refer to the 2022 section of the accounting policies, note 4 – Significant accounting judgements, estimates and assumptions of the group financial statements and note 8 – Long-term policyholder liabilities of the group financial statements.	The following audit procedures, among others, were executed with the involvement of our internal Actuarial and IT specialists: • We evaluated the design and tested the operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems, together with the data extraction and conversion processes. • We obtained an overall understanding of, evaluated the design and tested the operating effectiveness of the key controls related to the actuarial valuation process for the setting and updating of actuarial assumptions. • We performed a sensitivity analysis over management's assumptions in order to assess the impact of changes in the key assumptions on the valuation of policyholder liabilities. • We assessed the methodologies used to derive assumptions against the latest actuarial guidance, legislation, regulatory, financial reporting requirements and approved group policy. • We evaluated the appropriateness of the risk and investment reference rates used for the determination of expected investment returns by independently recomputing and recalibrating the yield curve used and comparing it to the one applied by management. • We assessed the appropriateness of the changes made to the group business methodology for calculating credit expense and loss ratios by benchmarking the methodology against industry standards and the latest actuarial guidance. • We assessed the completeness and accuracy of data included in the valuation models by evaluating the design, implementation and operating effectiveness of controls related to the integrity of the data used in the models. We did this by agreeing on a sample basis the policyholder data inputs to source documentation and by testing of the reconciliations between the policy administration systems and the data sent to the model point file system. • We assessed the adequacy and completeness of the disclosures regarding the policyholder liabilities in the consolidated financial statements in accordance with the requirements of IFRS 4 – *Insurance Contracts*.

Key audit matter	How the matter was addressed in the audit
2. Assessment of the impairment of the group's investment in Letshego Holdings Limited As at 31 December 2022, Letshego Holdings Limited was valued at P1,5 billion (2021: P1,4 billion) using the discounted cash flow model. The carrying amount as at 31 December 2022 was P1,4 billion (2021: P1,37 billion). Significant judgement is required in the determination of the appropriateness of the macroeconomic assumptions such as growth rates and risk discount rates used in the discounted cash flow (DCF) model which is used to assess the potential impairment of the investment. In the current year, we considered the assessment of the impairment of the group's Investment in Letshego Holdings Limited to be significant to the audit due to the impact of the below two macroeconomic factors which influence the risk-free rate, risk discount rate, staff, and expense inflation assumptions. The final valuation of the investment is highly sensitive to these changes, the audit of which required additional audit effort in the current financial year and involvement of our internal valuation specialists. • The global economic recovery from the COVID-19 pandemic, and • The Russia-Ukraine conflict. Refer to note 4 – Significant accounting judgements, estimates and assumptions of the accounting policies and note 4.5 – Interest in associates/joint ventures and subsidiaries of the group financial statements.	The following audit procedures, among others, were executed with the involvement of our internal valuation specialists: • We assessed managements valuation model against the industry norms for such valuations, evaluated their assumptions used in the valuation model against publicly available information, and considered the accuracy of the forecasts and expectations of future cash flows with reference to their internal data. • We performed a reasonability test of the output of managements' DCF model by comparing it to a range of indicative equity values determined by valuation specialists using a multiples-based approach, adjusting for entity-specific factors and then comparing the result to similar companies. • We considered the reasonability of the assumptions applied by management in accounting for the impact of the recovery from the COVID-19 pandemic and the Russia-Ukraine conflict on the discount rate and growth rates applied in the valuation model against independent market data and the knowledge and experience of our internal valuation specialists of such adjustments in the local market. • We performed a sensitivity analysis over management's assumptions in order to assess the impact of changes in the key assumptions on the valuation of investments. • We evaluated the appropriateness of inputs that required significantly more judgement, such as the risk-free rate, risk discount rate, staff and expense inflation by benchmarking inputs against those of other comparable industry participants.

OTHER INFORMATION

The directors are responsible for the other information. Other information comprises the information included on pages 110 and 111 which includes the directors' report as required by the Companies Act (CAP 42:01), which we obtained prior to the date of this report, and the integrated annual report, which is expected to be made available to us after that date. The directors are responsible for the other information. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company'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 directors either intend to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 group's and company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' 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 group's and company'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 consolidated and separate 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 group and company to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

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

Ernst & Young
Practising member:
Bakani Ndwapi

Partner
Certified Auditor
Membership number: CAP 0010 2022
Gaborone

8 March 2023

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	GROUP 2022 P'000	GROUP 2021 P'000	COMPANY 2022 P'000	COMPANY 2021 P'000
ASSETS					
Property and equipment	2	**173 158**	183 232	**3 153**	3 391
Intangible assets	3	**101 197**	107 076	**289**	537
Right-of-use assets	2.1	**14 713**	8 112	**4 266**	6 000
Investment property	4.4	**12 260**	10 160	**–**	–
Investments in associates and joint ventures	4.5	**1 930 412**	1 972 698	**266 711**	266 711
Long-term reinsurance assets	8.5	**7 555**	10 855	**–**	–
Interest in subsidiaries	4.5	**–**	–	**87 633**	90 415
Non-current asset held for sale	4.6	**99 988**	–	**–**	–
Financial assets at fair value through profit or loss		**15 411 628**	15 385 244	**–**	–
Bonds (Government, public authority, listed and unlisted corporates)	4.1	**8 426 652**	8 663 449	**–**	–
Investment in property funds and companies	4.4	**1 205 650**	1 173 325	**–**	–
Equity investments (local and foreign)	4.2	**2 589 245**	2 403 845	**–**	–
Money market instruments	4.1	**3 190 081**	3 144 625	**–**	–
Loans at amortised cost	4.3	**–**	31 957	**–**	–
Insurance and other receivables	5	**359 802**	280 725	**311**	443
Deferred tax	17	**2 016**	–	**–**	–
Tax receivable	17	**–**	–	**271**	116
Related party balances	20	**–**	–	**1 825**	1 993
Cash and cash equivalents	23	**400 711**	137 418	**66 126**	24 768
Total assets		**18 513 440**	18 127 477	**430 585**	394 374
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	6	**154 936**	154 936	**154 936**	154 936
Non-distributable reserves	7	**350 208**	395 716	**40 649**	35 434
Retained earnings		**3 021 413**	2 781 611	**199 724**	172 867
Total equity attributable to equity holders of the parent		**3 526 557**	3 332 263	**395 309**	363 237
Non-controlling interests	10	**22 428**	18 728	**–**	–
Total equity		**3 548 985**	3 350 991	**395 309**	363 237
Liabilities					
Long-term policyholder liabilities	8	**10 511 760**	10 444 306	**–**	–
External investors in consolidated funds	9	**3 619 273**	3 635 183	**–**	–
Derivatives instrument	8.7	**37 259**	42 366	**–**	–
Deferred tax liability	11	**–**	23 780	**–**	–
Lease liability	2.2	**16 210**	9 234	**5 808**	7 603
Insurance and other payables	12	**750 518**	616 587	**28 775**	23 534
Tax payable	17	**26 246**	3 441	**–**	–
Related party balances	20	**3 189**	1 589	**693**	–
Total equity and liabilities		**18 513 440**	18 127 477	**430 585**	394 374

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	GROUP 2022 P'000	GROUP 2021 P'000	COMPANY 2022 P'000	COMPANY 2021 P'000
Revenue					
Net insurance premium income		**3 010 585**	3 084 928	**–**	–
Gross insurance premium income	13	**3 093 253**	3 139 223	**–**	–
Insurance premium ceded to reinsurers		**(82 668)**	(54 295)	**–**	–
Revenue from contracts with customers	13.1	**138 753**	127 760	**–**	–
Investment returns		**742 926**	173 532	**485 203**	209 023
Investment income	14.3	**109 161**	74 149	**484 112**	207 455
Interest income using the effective interest rate (EIR)	14.1	**4 127**	4 467	**1 091**	1 568
Other interest income	14.2	**946 888**	1 050 615	**–**	–
Fair value (losses)/gains from derivative instrument	8.7	**(5 107)**	39 966	**–**	–
Fair value gain/(loss) from external investors in consolidated funds	14.4	**36 538**	(23 007)	**–**	–
Net loss from financial assets held at fair value through profit or loss	14.4	**(348 681)**	(972 658)	**–**	–
Total revenue		**3 892 264**	3 386 220	**485 203**	209 023
Net insurance and investment contract benefits and claims		**(2 351 686)**	(2 277 887)	**–**	–
Gross insurance benefits and claims	14	**(2 056 610)**	(2 462 420)	**–**	–
Reinsurance claims	14	**50 898**	131 994	**–**	–
Change in liabilities under investment contracts	8.1	**(281 820)**	(349 195)	**–**	–
Change in policyholder liabilities under insurance contracts	8.1	**(67 454)**	403 330	**–**	–
Change in contract liabilities ceded to reinsurers	8.6	**3 300**	(1 596)	**–**	–
Expenses		**(1 018 486)**	(937 043)	**(53 767)**	(80 004)
Sales remuneration		**(569 320)**	(516 554)	**–**	–
Administration expenses	16	**(442 859)**	(417 915)	**(50 507)**	(56 962)
Finance cost on leases (IFRS 16)	2.2	**(1 076)**	(543)	**(478)**	(599)
Impairment losses	16.2	**(5 231)**	(2 031)	**(2 782)**	(22 443)
Profit before share of profit of associates, joint ventures and other income		**522 092**	171 290	**431 436**	129 019
Share of profit of associates and joint ventures	4.5	**236 674**	305 333	**–**	–
Profit before tax		**758 766**	476 623	**431 436**	129 019
Income tax expense	17	**(144 248)**	(83 886)	**(20 555)**	(13 223)
Profit for the year		**614 518**	392 737	**410 881**	115 796
Profit attributable to:					
– Equity holders of the parent		**608 294**	388 022	**410 881**	115 796
– Non-controlling interests	10	**6 224**	4 715	**–**	–
		614 518	392 737	**410 881**	115 796
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
– Basic	18	**217**	140		
– Diluted	18	**217**	140		

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	GROUP 2022 P'000	GROUP 2021 P'000	COMPANY 2022 P'000	COMPANY 2021 P'000
Profit for the year		**614 518**	392 737	**410 881**	115 796
Items that are or may subsequently be reclassified to profit or loss (net of tax):					
Exchange differences on translation of foreign operations	7	**(13 951)**	125 130	**–**	–
Total comprehensive income for the year		**600 567**	517 867	**410 881**	115 796
Total comprehensive income attributable to:					
– Equity holders of the parent		**594 343**	513 152	**410 881**	115 796
– Non-controlling interests		**6 224**	4 715	**–**	–
		600 567	517 867	**410 881**	115 796

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Stated capital P'000	Treasury shares P'000	Share-based payment reserve P'000	Capital reserve account P'000	Fair value reserve P'000	Foreign currency translation reserve P'000	Consoli-dation reserve P'000	Total non-distributable reserves P'000	Retained income P'000	Total P'000	Non-controlling interest P'000	Total equity P'000
GROUP												
Balance as at 1 January 2021	154 936	(71 660)	100 365	462 357	–	(206 940)	(40 155)	243 967	2 585 714	2 984 617	25 228	3 009 845
Total comprehensive income	–	–	–	–		125 130	–	125 130	388 022	513 152	4 715	517 867
Profit for the year	–	–	–	–	–	–	–	–	388 022	388 022	4 715	392 737
Foreign currency translation	–	–	–	–	–	125 130	–	125 130	–	125 130	–	125 130
Share-based payment expense (note 7)	–	–	3 985	–	–	–	–	3 985	–	3 985	–	3 985
(Transfer to statutory reserve)/transfer from retained income	–	–	–	19 542	–	–	–	19 542	(19 542)	–	–	–
Cost of treasury shares (acquired)/disposed	–	2	–	–	–	–	3 090	3 092	–	3 092	–	3 092
Dividends paid	–	–	–	–	–	–	–	–	(183 541)	(183 541)	(11 215)	(194 756)
Other movements in reserves*	–	–	–	–	–	–	–	–	10 958	10 958	–	10 958
Balance as at 31 December 2021	154 936	(71 658)	104 350	481 899	–	(81 810)	(37 065)	395 716	2 781 611	3 332 263	18 728	3 350 991
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(13 951)**	**–**	**(13 951)**	**608 294**	**594 343**	**6 224**	**600 567**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**608 294**	**608 294**	**6 224**	**614 518**
Foreign currency translation	**–**	**–**	**–**	**–**	**–**	**(13 951)**	**–**	**(13 951)**	**–**	**(13 951)**	**–**	**(13 951)**
Share-based payment expense (note 7)	**–**	**–**	**5 215**	**–**	**–**	**–**	**–**	**5 215**	**–**	**5 215**	**–**	**5 215**
Transfer from retained income/(transfer to statutory reserve)	**–**	**–**	**–**	**(33 948)**		**–**	**–**	**(33 948)**	**33 948**	**–**	**–**	**–**
Cost of treasury shares (acquired)/disposed	**–**	**(4)**	**–**	**–**	**–**	**–**	**1 121**	**1 117**	**–**	**1 117**	**–**	**1 117**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(402 440)**	**(402 440)**	**(2 524)**	**(404 964)**
Other movements in reserves*	**–**	**–**	**5 557**	**–**	**(9 498)**	**–**	**–**	**(3 941)**	**–**	**(3 941)**	**–**	**(3 941)**
Balance as at 31 December 2022	**154 936**	**(71 662)**	**115 122**	**447 951**	**(9 498)**	**(95 761)**	**(35 944)**	**350 208**	**3 021 413**	**3 526 557**	**22 428**	**3 548 985**
COMPANY												
Balance as at 1 January 2021	154 936	–	31 449	–	–	–	–	31 449	240 612	426 997	–	426 997
Profit for the year	–	–	–	–	–	–	–	–	115 796	115 796	–	115 796
Share-based payment expense	–	–	3 985	–	–	–	–	3 985	–	3 985	–	3 985
Dividends paid	–	–	–	–	–	–	–	–	(183 541)	(183 541)	–	(183 541)
Balance as at 31 December 2021	154 936	–	35 434	–	–	–	–	35 434	172 867	363 237	–	363 237
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**410 881**	**410 881**	**–**	**410 881**
Share-based payment expense	**–**	**–**	**5 215**	**–**	**–**	**–**	**–**	**5 215**	**–**	**5 215**	**–**	**5 215**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(384 024)**	**(384 024)**	**–**	**(384 024)**
Balance as at 31 December 2022	**154 936**	**–**	**40 649**	**–**	**–**	**–**	**–**	**40 649**	**199 724**	**395 309**	**–**	**395 309**

* *Contained in this amount is the group's share of share-based payment and revaluation from its associates.*

The total dividend per share for the year was 255 thebe per share (2021: 71 thebe) net of withholding tax.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Note	GROUP 2022 P'000	GROUP 2021 P'000	COMPANY 2022 P'000	COMPANY 2021 P'000
Net cash flows from operating activities		**630 895**	1 770 239	**43 752**	(44 998)
Cash generated from operations	22	**631 093**	1 477 887	**(31 957)**	(55 242)
Interest received		**295 053**	396 008	**1 091**	1 568
Dividend received from equity investments		**70 791**	28 172	**–**	–
Dividend received from subsidiaries		**–**	–	**435 182**	169 802
Dividend received from associates and joint ventures		**149 844**	147 304	**24 968**	23 038
Interest paid		**(1 076)**	(543)	**(478)**	(599)
Tax paid	17.1	**(109 846)**	(83 833)	**(1 030)**	(24)
Dividend paid		**(404 964)**	(194 756)	**(384 024)**	(183 541)
Net cash flows utilised in investing activities		**(362 938)**	(1 867 020)	**(599)**	2 854
Purchase of property and equipment	2	**(6 652)**	(16 424)	**(599)**	(1 297)
Purchase of computer software	3	**(5 201)**	(18 496)	**–**	–
Proceeds from sale of investment in subsidiaries	4.5	**–**	4 151	**–**	4 151
Acquisition of property investments		**(39 091)**	(122 215)	**–**	–
Net purchases and withdrawals of bonds		**(54 242)**	(720 361)	**–**	–
(Purchase)/withdrawals of equity investments		**(247 282)**	90 463	**–**	–
Net purchases and withdrawals of money market instruments		**(45 787)**	(1 090 138)	**–**	–
Receipts from loans receivable at amortised cost		**35 317**	6 000	**–**	–
Net cash flows from financing activities		**(4 664)**	(5 438)	**(1 795)**	(1 500)
Payment of principal portion of lease liabilities (IFRS 16)		**(5 781)**	(5 438)	**(1 795)**	(1 500)
Disposal of treasury shares		**1 117**	–	**–**	–
Net (decrease)/increase in cash and cash equivalents		**263 293**	(102 219)	**41 358**	(43 644)
Cash and cash equivalents at the beginning of the year		**137 418**	239 637	**24 768**	68 412
Cash and cash equivalents at the end of the year	23	**400 711**	137 418	**66 126**	24 768

The money market instruments on the face of the statement of financial position amounting to P2,264 million (2021: P2,819 million) are policyholder assets and are not available for use by BIHL. As a result, the change in cash flows of the money market instruments has been included in the net cash flows from investing activities on the statement of cash flows.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

For the year ended 31 December 2022

GENERAL INFORMATION

The company and its subsidiaries (the group) underwrite all classes of long-term insurance, legal insurance, administer deposit administration schemes, manage investments and administer life and pension funds. It is also exposed to funeral services, short-term insurance and microlending through its associated companies.

The company is a limited liability company incorporated in Botswana. The company is listed on the BSE. The group's ultimate parent company, Sanlam, holds 58% of the company's stated capital. Sanlam is one of the leading financial services groups in South Africa. It is listed on the Johannesburg Stock Exchange and on the Namibian Stock Exchange.

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The group and company annual financial statements have been prepared in accordance with IFRS and in the manner required by the Companies Act (CAP 42:01), the Insurance Industry Act, 2015 and the Botswana Stock Exchange Act. The annual financial statements have been prepared on the historical cost convention, modified by measurement at fair value for financial assets, policyholder liabilities and investment properties.

The accounting policies of the group are the same as the accounting policies for the company, except for accounting policies regarding the investments in subsidiaries, associates and joint ventures.

The consolidated annual financial statements are presented in Pula (P'000), which is the company's functional currency and the group's presentation currency. All values are rounded to the nearest thousand, unless otherwise stated.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out from page 144. The financial soundness valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

2. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, the amount of any non-controlling interest in the acquiree and the fair value of any previously held interest. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed an asset or liability, will be recognised in accordance with IFRS 9 either as fair value through profit or loss or as fair value through other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

3. CHANGES IN ACCOUNTING POLICIES

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. CHANGES IN ACCOUNTING POLICIES continued

The nature and the impact of each new standard and amendment is described below:

New or revised standards	Effective for the accounting period beginning on or after
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Annual improvements to IFRS 9 *Financial Instruments* – Fees in the '10 percent' test for derecognition of financial liabilities	1 January 2022

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the International Accounting Standards Board (IASB) issued Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day two' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Transition

The amendments must be applied prospectively and are applicable to accounting periods that commence on or after 1 January 2022.

Impact

The group adopted the amendments during the year, however, there were no transactions falling under the scope of the standard. The amendments had no impact on the group in the current year.

Amendments to IAS 16 *Property, Plant and Equipment* – Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Transition

The amendment must be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Impact

The group adopted the amendments during the year, however, there were no transactions falling under the scope of the standard. The amendments had no impact on the group in the current year.

Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly-related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Transition

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

Impact

The amendments are effective for reporting periods commencing on or after 1 January 2022. The group adopted the amendments in the current year with no further impact or changes to the existing accounting policies.

Annual improvements to IFRS 9 *Financial Instruments* – Fees in the '10 percent' test for derecognition of financial liabilities

The annual improvements to IFRS 9 *Financial Instruments* amendment is part of the 2018 – 2020 annual improvements cycle. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

The amendment is applicable to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the amendment is first adopted.

The amendment is effective for reporting periods commencing on or after 1 January 2022. The group adopted the amendment during the current year, however, the group does not have any hedging transactions and was not impacted by the amendment.

Standards issued but not yet effective

Standards issued but not effective up to the date of issuance of the group's consolidated annual financial statements are listed below. This listing is of standards and interpretations issued, which the group reasonably expects to be applicable at a future date. The group intends to adopt these standards when they become effective.

New or revised standards	Effective for the accounting period beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities from a single transaction	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023

The above new standards and amendments to existing standards are not expected to have an impact on the group and company except for IFRS 17 as listed below.

IFRS 17 *Insurance Contracts*

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard will result in a profound change to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes.

IFRS 17 *Insurance Contracts* replaces IFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The group commenced with the application of the standard on 1 January 2023 and will restate 2022 comparatives when reporting on 2023 financial periods.

The group applies IFRS 17 *Insurance Contracts* to insurance contracts it issues and the reinsurance contracts it holds. The group does not presently issue reinsurance contracts nor investment contracts with discretionary participating features. All references to insurance contracts apply to insurance contracts issued or acquired, and reinsurance contracts held, unless specifically stated otherwise.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and aims to ensure that the group provides relevant information that faithfully represents the insurance contracts of the group. This will provide a basis for users of the financial statements to assess the effect that the insurance contracts have on the group's financial position, performance and cash flows.

IFRS 17 requires new disclosures about the amounts recognised in the financial statements, including detailed reconciliations of insurance liabilities, the measurement impact of recognising new contracts, and disclosures about significant estimates and judgements made when applying the standard.

Disclosures will be expanded with additional detail on the nature and extent of risks related to insurance contracts. The group has assessed the expected impact of the initial application of IFRS 17 on the statement of financial position as at 1 January 2022. Refer to the transition section for the impact on equity.

Transition

The IFRS 17 standard is applicable to annual periods beginning on or after 1 January 2023. However, the requirement for 2022 comparative information means that the IFRS 17 transition statement of financial position is required at 1 January 2022.

When determining the insurance liabilities at transition, the IFRS 17 standard should be applied retrospectively as if it had always applied unless it is 'impracticable' to do so based on the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This retrospective approach is referred to as the full retrospective approach (FRA). Where it is impracticable to apply IFRS 17 retrospectively, various simplifications are permitted when adopting the modified retrospective approach (MRA) or fair value approach (FVA) provided that certain criteria have been met. The FVA has to be applied if there is no reasonable and supportable information to apply the MRA.

The transition approach will be determined at a group of insurance contracts level. The high-level distribution of transition approaches across the group is summarised below:

- The FRA will be applied to groups of contracts measured under the premium allocation approach
- For contracts measured under the general measurement method or variable fee approach, the FRA is not expected to be applied to any groups of contracts issued before 1 January 2019
- The FVA will be applied to the remaining groups of contracts, including closed books of business.

3. CHANGES IN ACCOUNTING POLICIES continued

IFRS 4 to IFRS 17 transition impact on earliest comparative period (opening balances for 2022)

The table below shows the impact of the IFRS 17 changes to the affected balances in the statement of financial position as at 1 January 2022, and changes are documented in the notes that follow.

	Reported closing balance (IFRS 4)	Insurance assets and liabilities	Re-insurance assets and liabilities	Change in insurance liability valuation	IFRS 9 investment contracts – DAC asset	Deferred tax impact	Re-calculated opening balances (IFRS 17)	Net impact
ASSETS								
Reinsurance	10 855	–	(10 855)	50 417	–	–	50 417	39 562
Deferred acquisition cost (DAC)	–	–	–	–	16 129	–	16 129	16 129
Insurance and other receivables	280 725	(73 521)	(66 390)	–	–	–	140 814	(139 911)
Total	291 580	(73 521)	(77 245)	50 417	16 129	–	207 360	(84 220)
LIABILITIES								
Insurance contract liabilities	10 444 306	76 833	(60 305)	(3 772 321)	–	–	6 688 513	(3 755 793)
Trade and other payables	616 587	(150 354)	(16 940)	–	–	–	449 293	(167 294)
Investment contract liability	–	–	–	3 320 887	–	–	3 320 887	3 320 887
Deferred tax liability	9 234	–	–	–	–	113 956	123 190	113 956
Total	11 070 127	(73 521)	(77 245)	(451 434)	–	113 956	10 581 883	(488 244)
EQUITY								
Retained income	2 781 611	–	–	114 051	16 129	(113 956)	2 797 835	16 224
Other reserves	–	–	–	387 800	–	–	387 800	387 800
Total	2 781 611	–	–	501 851	16 129	(113 956)	3 185 635	404 024

Reallocation of insurance assets and liabilities

IFRS 17 requires cash flows that directly relate to the fulfilment of the insurance contracts and reinsurance contracts held to be included as part of the insurance contract and reinsurance contract liability. This step therefore moves claims payable and premiums receivable into insurance contract liabilities and reinsurance premiums payable and reinsurance recoveries receivable into reinsurance contract liabilities for IFRS 17. These items are classified as either receivables or payables in IFRS 4 and not as part of policyholder actuarial liabilities. The net effect of this change is that assets reduce, and liabilities reduce by that same amount and the net asset value is unchanged.

Reinsurance asset and liability adjustments

This accounts for the change in valuation of insurance contract assets from IFRS 4 to IFRS 17 based on fully retrospective and fair value actuarial calculations. Additionally, in order to present a consolidated disclosure of the reinsurance asset liability position in the balance sheet, reinsurance receivables and payables previously classified under IFRS under other assets and trade and other payables, respectively, have been reclassified into the reinsurance asset line.

Reclassification: IFRS 4 to IFRS 9

The total liability (of IFRS 17 and IFRS 9 contracts) is increasing as we held some negative liabilities for our unit-linked investment contracts that we will not be able to hold under IFRS 9. The reclassification reduces the net asset value because the overall net asset value is increasing.

Release of margins and discretionary reserves

The adjustment represents:

- The change in valuation of insurance contract liabilities from IFRS 4 to IFRS 17. Measurement of insurance contract liabilities under IFRS 17 requires the release of all discretionary and compulsory reserves held on IFRS 4 liabilities to be replaced by a risk adjustment which represents the compensation the insurer requires for non-financial risk on future cash flows. Adjustments are also made for the introduction of a contractual service margin representing the future profits the insurer stands to earn as it provides future services. These valuation changes are adjusted against retained earnings and other reserves.
- Separate presentation of investment contracts falling under IFRS 9. Some contracts classified as life insurance under IFRS 4 cannot be classified as insurance contract under IFRS 17 as they do not carry significant insurance risk. This affects unit-linked investment contracts with no risk riders and certain annuity contracts. These contracts will be reported under IFRS 9.
- The expected future tax effects arising from the earnings impact of transitioning to IFRS 17 resulting in a deferred tax asset.

Deferred tax impacts

The expected future tax effects arising from the earnings impact of transitioning to IFRS 17.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The group makes judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. Several sources of uncertainty need to be considered in the estimate of the liability that the company will ultimately pay for such claims, in particular, the claims arising from HIV and AIDS-related causes and future epidemics and pandemics.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the group. Estimates are made as to the expected number of deaths for each of the years in which the group is exposed to risk. The group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the group's own experience. The estimated number of deaths influences the value of the benefit payments and the valuation of premiums. The main source of uncertainty is that epidemics such as AIDS and pandemics such as COVID-19 as well as wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity. The longevity risk has been allowed for in the annuity portfolio.

Assumptions regarding future mortality, morbidity and disability rates are consistent with the group's recent experience or expected future experience if this would result in a higher liability. The group experienced significant claims in 2021 because of excess mortality due to the COVID-19 pandemic. Mortality assumptions were adjusted to reflect the expected impact of excess mortality because of the COVID-19 pandemic.

For contracts without fixed terms, it is assumed that the group will be able to increase mortality risk charges in future years in line with emerging mortality experience. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on the medium- to long-term inflation assumption for Botswana plus a risk gap for different asset classes. The balance of policyholder liabilities as at 31 December 2022 was P10,5 billion (2021: P10,4 billion). Refer to the Statutory Actuary's report for assumptions on the actuarial valuation of the liability.

Fair value of investments in unquoted equity

The investments in unquoted equity instruments have been valued based on the expected cash flows, discounted at the current rates applicable for items with similar terms and risk characteristics. This valuation requires the group to make estimates about expected future cash flows and discount rates and hence they are subject to significant judgement. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as discount rates, prepayment rates and default rate assumptions for asset-backed securities.

For DCF analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The carrying amount of these instruments at year-end was P282 million (2021: P277 million).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled expected credit loss (ECL) scenarios and the relevant inputs used. Refer to note 24.6 on the methods and assumptions applied in estimating the ECLs.

The group applies the incurred loss model in calculating impairment for insurance receivables. The group reviews its receivables ageing for balances which meet the criteria below:

- More than 90 days past due
- Over 90 days and assessed as unlikely to pay its credit obligations in full without realisation of collateral.

Arrear balances meeting the above criteria are provided for at 100% of the amount exceeding 90 days. The impairment assessment of insurance-related receivables is not covered specifically by any IFRS; therefore, the group has developed its own and assesses any indication of impairment using the incurred loss model based on the events or circumstances that indicate that the carrying amount may not be recovered, with the impairment loss recorded in the statement of comprehensive income. An impairment loss of P2,7 million (2021: P3,3 million) was recorded during the year.

Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when indicators of impairment exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. There were no impairment losses written off during the year.

Determination of fair value of investment properties

Investment property comprises properties held to earn rental income and/or capital appreciation. Investment properties are carried at fair value based on valuations by independent valuators. Fair value is determined by discounting expected future cash flows at appropriate market interest rates. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The valuators have appropriate qualifications and extensive experience in property valuation in Botswana. Refer to note 4.4.

Deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised to the extent that it is probable that there will be sufficient taxable temporary differences to net off against the deductible temporary difference or sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are recognised in respect of tax losses to the extent that there is convincing evidence that taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

Liability for life insurance contracts

The liability for life insurance contracts is based either on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased by a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test which reflects management's best current estimates of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The group bases mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted where appropriate to reflect the group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that cover risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide-ranging changes to lifestyle, could result in significant changes to expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates depend on product features, policy duration and external circumstances, such as sale trends. Credible own experience is used in establishing these assumptions. Discount rates are based on current industry risk rates, adjusted for the group's own risk exposure. The carrying value at the reporting date for life insurance contract liabilities was P10,5 million (2021: P10,4 million). Refer to note 8.1.

Bonus stabilisation reserves

The group business and individual stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the actuarial liabilities, a positive bonus stabilisation reserve is created which will be used to enhance future bonuses.

Conversely, if the fair value of assets is less than the actuarial liabilities, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years if investment returns are in line with long-term assumptions.

Bonus stabilisation reserves are included in long-term policy liabilities. The carrying value included in the liabilities is P10 million (2021: P14 million). Refer to the Statutory Actuary's report for assumptions on the actuarial valuation of the liability.

Provision for future bonuses

Future bonuses of 2,5% (2021: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business

The business is valued on a prospective basis assuming 2,5% (2021: 3%) per annum bonus rates going forward and allowing for prescribed margins.

Individual stable bonus and market-related business

For policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. No second-tier margins are held on this business, except to the extent that negative Pula reserves are eliminated. The carrying amount is P25,9 million (2021: P25,7 million).

Estimates of claims incurred but not reported (IBNR)

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims at the reporting date IBNR. It can take a significant period before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

As the group does not have significant history of claims from which to develop a claims development pattern, industry averages are used to estimate the IBNR reserve at year-end combined with management's evaluation of the relationship between the business lines and the industry rates. The average industry rates are based on 10% of net written premiums after considering the reinsurance premiums.

Unexpired risk provisions

An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regard to events that have occurred prior to the reporting date. Unexpired risk surpluses and deficits are aggregated where business classes are managed together.
No unexpired risk provision was raised as at 31 December 2022 or 31 December 2021 as management did not have any reason to provide for this at year-end.

Fair value measurement

A number of assets and liabilities included in the group's annual financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- **Level 1:** Quoted prices in active markets for identical items (unadjusted)
- **Level 2:** Observable direct or indirect inputs other than Level 1 inputs
- **Level 3:** Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The group measures several items at fair value:

- Investment property (note 4.4)
- Financial instruments (notes 4, 5,12 and 24)
- Insurance liabilities (note 8).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to specific assets and obligations for the liabilities (in which case it is classified as a joint operation). Factors the group must consider include:

- structure
- legal form
- contractual agreement
- other facts and circumstances.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Classification of joint arrangements continued

Upon consideration of these factors, the group has determined that its joint arrangement structure through a separate vehicle (Khumo Property Asset Management Proprietary Limited) only gives rights to the net assets and is therefore classified as a joint venture.

Furthermore, effective 1 January 2016, the group acquired 50% of a company called Teledimo Proprietary Limited (Teledimo), a non-operating holding company, which holds a 100% investment in a short-term insurance company, Botswana Insurance Company Limited (BIC). Trans Industries Proprietary Limited (TI), which is a privately-owned company incorporated in Botswana, owns the remaining 50% of Teledimo. The shareholders' agreement between BIHL and TI provides for 50:50 representation and equal voting rights between the shareholders. BIHL and TI also equally exercise the decision-making authority through a unanimous agreement.

Based on the aforementioned, the group assessed that it has joint control of BIC and accounts for the joint arrangement as a joint venture using the equity method in the consolidated annual financial statements while it accounts for the joint venture at cost in the separate annual financial statements of the company.

Valuation of investments in associates

The investments in associates are considered for impairment at least annually. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data. The value in use calculation is based on a DCF model. The cash flows are derived from budgeted margins based on past performance and management expectations for market developments.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These require significant judgement. The consideration of impairment for National Insurance Company Limited (NICO) and Letshego Holdings Limited (Letshego) is discussed further in note 4.5 to the annual financial statements.

Investment in subsidiaries, associates and joint ventures (at company level)

- **Subsidiaries** – Investment in subsidiaries is recognised at cost less accumulated impairment losses. All subsidiaries are incorporated in Botswana. These are Botswana Life Insurance Limited (Botswana Life), Bifm Holdings Limited, Kgolo Ya Sechaba (KYS), Private Property Botswana (PPB) and BIHL Share Scheme Trust
- **Associates** – Associates are all entities over which the company has significant influence but not control or joint control, generally accompanying a shareholder of between 20% to 50% plus one vote of the voting rights. Associates are accounted for at cost less accumulated impairment losses. The company has an associate incorporated in Malawi (Nico Holdings Limited-NICO)
- **Interest in a joint venture** – The company has an interest in a joint venture which is jointly controlled. A joint venture arrangement is an arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture arrangement that involves the establishment of a separate entity in which each venture has an interest in the net assets of the jointly controlled entity. Investments in joint ventures are accounted for at cost less impairment losses. The company has a joint venture arrangement incorporated in Botswana (Teledimo).

Consolidation of investment funds

The group acts as a fund manager and invests in a number of investment funds and has varying holdings. In determining whether the group controls such funds, it will focus on an assessment of the aggregate economic interests of the group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. This general assessment is supplemented by an assessment of third-party rights in the investment funds with regard to their practical ability to allow the group not to control the fund. The group assesses its interest in the investment funds on an annual basis to determine if the fund will be consolidated. The non-controlling interest owned by third parties is classified as a financial liability in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value which is equal to the number of units not owned by the group. In practice, the group considers itself to have control of a fund when it both owns the asset manager and holds greater than 20% thereof.

5. OFF-BALANCE SHEET SEGREGATED FUNDS

The group also manages and administers assets for the account of and the risk of clients. As these are not assets of the group, they are not recognised in the group's statement of financial position in terms of IFRS but are disclosed as a note. Refer to note 8.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from contracts with customers

In terms of IFRS 15 *Revenue from Contracts with Customers*, the group applies a five-step approach when reviewing customer contracts in order to determine how revenue is recognised. These steps are:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The group earns its fee revenue from investment management fees, dividends, rental, fair value appreciation on financial instruments and interest. The five-step approach is only relevant to investment management fees which are derived from mandates with customers. Specifically, revenue is recognised as follows:

- Revenue from contracts with customers, subject to the provisions of IFRS 15, consists of fees for investment management services which are time-based and performance-based. Time-based fees are recognised as services are rendered and are due when billed. Performance-based fees are due when specific criteria have been met. Refer to note 13.1 for further details
- Fees for investment management services arising from services rendered in conjunction with the issue and management of investment contracts where the group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

Performance obligations

Management fee income is generally accrued daily as asset management services are rendered. The investment mandates do not place further pre-conditions and the fees are therefore computed on fixed percentages of the value of assets under management (AUM). The fees fall due and payable when billed either monthly, quarterly or biannually as stipulated in each contract. Performance fees are fees earned when predetermined criteria are achieved. The performance fees were generated from one contract which commenced in December 2017. The following criteria are stipulated in the performance contract and were evaluated using the five-step approach defined in IFRS 15.

Contract criteria

The performance evaluation of the specified fund is determined over a 12-month period against the fund's annual return target of Fleming Aggregate Bond Index + 0,50% starting on 1 December each year. The performance fee rate is 0,1% of the market value of the fund as at 30 November 2022, which is also the contract evaluation date. The annual performance fees for 2022 are for the period 1 December 2021 to 30 November 2022. The performance fees are calculated gross of the portfolio management fees. The performance fee is payable net of transaction fees, brokerage fees, agency or subcontractor fees and fiscal charges or levies.

IFRS 15 considerations

A contract exists between the group and the fund. The contract is subject to management fees and performance-based fees.

Performance obligations

The performance period and the performance obligations described above were not met as at the evaluation date.

Insurance revenue

Life insurance

The monthly premiums in terms of the policy contracts are accounted for when due. Group life insurance premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. Single premiums on insurance contracts are recognised as income on the date on which the policy is effective, which is the date when the premium is received. Premium income is reflected gross of reinsurance premiums, and premiums payable on assumed reinsurance are recognised when due.

The unearned portion of accrued premiums is included within policyholder liabilities. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim. Gross changes in the unearned premium provision are recorded against premiums income in the reporting period.

Reinsurance premiums – life insurance

Gross reinsurance premiums on life policies are recognised as a net off against revenue on the earlier of the date when premiums are payable or when the policy becomes effective.

Non-life insurance

Gross non-life insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Third-party premiums embedded in the products that form part of the premium rate are deducted from the gross premium.

A cash-back bonus is provided for as an operating expense, and a related provision is recognised in the statement of financial position. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of non-life premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily *pro rata* basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and removed from the premium income in the reporting period.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Insurance revenue continued

Reinsurance premiums – non-life insurance

Gross non-life reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risk-attaching contracts and over the term of the reinsurance contract for loss-occurring contracts by making use of a prepayment account and adjusting the reinsurance expense in the reporting period.

Other revenue

Investment income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Dividend income is recognised when the shareholder's right to receive payment is established through approval by the shareholders.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at fair value through profit or loss are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at fair value through profit or loss and exclude interest and dividend income and expenses. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at fair value through profit or loss are calculated using the first-in, first-out method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Reinsurance assets

The group cedes insurance risk on risk policies with an insured value that exceeds a certain threshold, which is set and revised by management from time to time. Reinsurance assets represent balances due from reinsurance companies. Reinsurance asset amounts are estimated in a manner consistent with the outstanding claims provision and the long-term insurance liabilities and are in accordance with the reinsurance contract.

Contracts entered into with reinsurers under which the group is compensated for losses on one or more long-term policy contract issued by the group, and that meet the classification requirements for insurance contracts, are classified as long-term reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the group will receive from the reinsurer can be measured reliably. The impairment loss is charged to the income statement. 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. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed what the balance would have been, at the date of reversal, if the impairment loss was not recognised in the past.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the group from its obligations to policyholders.

Benefits, claims and expenses recognition

Gross benefits and claims

Life insurance policy claims received up to the last day of each financial period are provided for and included in policy benefits. Life insurance policy claims include a provision for IBNR claims at year-end.

Non-life insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of the payment date or the date on which the policy ceases to be included in long-term policy liabilities. Provision is made for underwriting losses that may arise from unexpired insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims. Claims recoveries from reinsurance policies are recognised concurrently with the recognition of the related policy benefit. Premiums payable on reinsurance are recognised when due. Claims handling costs are accounted for separately.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Amounts recoverable from reinsurers or outstanding claims are shown as a deduction from the gross benefits.

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term insurance business, life business and expenses directly related thereto. Commission on long-term insurance business and life business is accounted for on all activated policies in the financial period during which it is incurred. All acquisition costs on risk business are expensed.

Basis of consolidation

The consolidated annual financial statements comprise the financial statements of BIHL, its subsidiaries and consolidated funds as at 31 December 2022. The reporting dates of the subsidiaries and the group are within three months of the group's reporting date and all use consistent accounting policies. In the company only accounts, subsidiaries, associates, and joint ventures are accounted for at cost less accumulated impairment losses.

Subsidiaries

Subsidiaries are those entities in which the group has an interest and control. Control is achieved when the group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure or rights to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary. Where the reporting date of the subsidiary is different from the group, adjustments are made for the effects of any major transactions or events that occur between the reporting date of the subsidiary and that of the group.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the group had directly disposed of the related assets or liabilities.

Associates

Investments in associates are accounted for using the equity method of accounting. Under this method, the group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income/equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. The group's share of post-acquisition profits or losses is based on the earnings attributable to the owners of the associates (after tax and non-controlling interest in the associates). Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group has significant influence even if it has less than 20% voting rights, but which it does not control.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation continued

Associates continued

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The group's investment in associates includes goodwill on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses unless the group has incurred obligations or made payments on behalf of the associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to share of profit/(loss) of an associate in the income statement.

Interest in a joint venture

The group has an interest in joint arrangements, which are a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate legal entity in which each venturer has an interest in only the net assets of the separate entity. The group recognises its interest in the joint ventures using equity accounting. The year-ends of the group's joint ventures are 31 October and 31 December. Adjustments are made for any significant transactions or events in the intervening period between 31 October and the group's reporting date.

Consolidated funds

A financial liability is recognised and classified as at fair value through profit or loss for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

Acquisition of non-controlling interests

Non-controlling interests represent the equity of the subsidiary not held by the group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest leading to changes in ownership interest without control being affected are accounted for in equity as transactions with owners.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time; that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Financial instruments

Financial instruments carried on the statement of financial position include investments (excluding associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and payables. Financial instruments are recognised when the group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the group that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.

Financial instruments are classified at initial recognition and measured at:

- amortised cost, or
- fair value through profit or loss (either mandatory or designated).

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired, or liabilities assumed.

Initial recognition and measurement

A financial asset is measured at amortised cost if it meets the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised cost comprise insurance and other receivables, cash, deposits and similar securities, loans and amounts owing by related parties.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group does not have any assets held at fair value through other comprehensive income.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described previously are mandatorily measured at fair value through profit or loss. In addition, the group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition, the group designates a financial asset at fair value through profit or loss when doing so results in more relevant information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- a group of financial liabilities or a group of financial assets and liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel
- the following investments in financial assets are designated at fair value through profit or loss for policyholders and shareholders:
  - Corporate and quasi-government bonds
  - Fixed interest securities
  - Equity investments – listed
  - Equity investments – unlisted
  - Policy loans and other loan advances
  - Money market instruments.

The group designates financial instruments at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the group's capital and activities on a fair value basis.

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Costs directly attributable to the acquisition of financial assets classified at fair value through profit or loss are recognised in the income statement as a net loss from financial assets held at fair value through profit or loss.

Derecognition

A financial asset is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired
- the group 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
- the group has transferred substantially all the risks and rewards of the asset, or 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 group has transferred its rights to receive cash flows from an asset or has entered a pass-through 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 group continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the group 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 group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include investment and insurance contract liabilities designated upon initial recognition at fair value through profit or loss. Gains and losses on financial liabilities held at fair value through profit or loss are recognised in profit or loss. The fair value of the investment contract liabilities is determined by the fair value of the underlying financial assets that are directly backing the financial liability.

Other liabilities such as trade and other payables and amounts owing to other related companies are initially measured at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR method amortisation process.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities continued

Financial liabilities at fair value through profit or loss continued

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss.

Derecognising financial liabilities

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 profit or loss.

Derivative financial instruments

The group is exposed to certain risks relating to its ongoing business operations. The primary risk, which is managed using derivative instruments, is the foreign currency risk relating to the company's investment in foreign currency-denominated financial instruments. The derivative instruments reflect the change in fair value of foreign exchange swap transaction contracts that are intended to reduce the level of foreign currency risk. These derivatives are measured at fair value through profit or loss. The company does not apply hedge accounting.

Impairment of financial assets and non-financial assets

Financial assets at amortised cost

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

Trade receivables, excluding premium debtors

For trade receivables, ECLs are recognised using the simplified approach. The simplified approach is applicable to trade receivables which do not have a significant financing component. Trade and other receivables do not contain significant financing components and they are for a maximum period of 90 days. When applying the simplified approach, the group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group determines the ECLs for each of the balances based on the historical probabilities of default for each group of trade receivables and the loss given default (LGD). LGD is the percentage that can be lost when a debtor defaults.

Other receivables

For other receivables, ECLs are recognised using the general approach. The related party loans arise from transactions on insurance contracts and other services (charges for services provided to the group companies) which are settled within 90 days. Loans to brokers and agents are mainly advances in lieu of commissions. They are matched to commissions payable to brokers/agents.

ECLs are recognised based on three stages. Stages 1 and 2 consider whether there has been a significant change in credit risk since the recognition of the financial asset or not, and stage 3 considers if the asset is already credit impaired. In 2021, a number of brokers' and agents' loans were included in the credit loss provision due to the brokers and agents becoming inactive for an extended period of time. The risk of default was deemed to be higher as the loan recipients were no longer actively engaged by the group.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

Impairment of non-financial assets

Assets that are subject to depreciation/amortisation, except intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash

inflows (cash-generating units) that are largely independent from cash inflows generated by other asset(s) or group(s) of assets. Non-financial assets are only considered in cash-generating units if the individual asset cannot generate cash inflows that are largely independent from cash inflows generated by other assets or groups of assets.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators of comparable assets.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 group makes an estimate of the recoverable amount. 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 profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position 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.

Collateral in respect of financial assets

Collateral placed at counterparties as part of the group's capital market activities is not recognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counterparties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. The counterparty, however, has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low-risk and recoverable.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and funds on deposit.

Foreign currency translation

Functional and presentation currency

The consolidated annual financial statements are presented in Botswana Pula, which is the group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences on remeasurement and settlement of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of the gain or loss on a change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively). Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation continued

Foreign operation financial statements

The functional currency of the foreign operations, African Life Financial Services (Zambia) Limited and Quantum Assets Zambia Limited, is Zambian Kwacha. The group is also invested in an associated company in Malawi whose functional currency is the Malawian Kwacha. As at the reporting date, the assets and liabilities of the associate and subsidiary are translated into the presentation currency of the group at the rate of exchange ruling at the reporting date and the income statement is translated at the weighted average exchange rate for the year.

The exchange differences arising on translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement as part of profit or loss on disposal of the subsidiary.

Property and equipment and owner-occupied property

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Land is not subject to depreciation. Owner-occupied property comprises land and buildings held for use in the supply or for administration purposes.

The following are the applicable useful lives:

Buildings	20 years
Furniture and fittings	5 – 10 years
Computer equipment	4 years
Motor vehicles	4 years
Leasehold improvements	Lower of lease term and useful life of improvements (5 – 10 years)

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset if the recognition criteria are met. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation commences when the item of property and equipment is available for use as intended by management and ceases when the item is derecognised or classified as held for sale or included in a discontinued operation. Depreciation ceases temporarily while the residual value is equal to the carrying value.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

All assets are tested for impairment on an annual basis and the assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year-end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment at each reporting date and whenever there is an indication that the intangible asset is impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least each financial year-end. Changes in the expected useful life and the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method as appropriate and treated as changes in accounting estimates. The amortisation expense is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation commences when an intangible asset is available for use and ceases at the earlier of the intangible asset being classified as held for sale and the date that the asset is derecognised. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in the income statement when the asset is derecognised.

Computer software

Generally, costs associated with purchasing computer software programs are capitalised when the requirements for capitalisation are met. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Costs that are clearly associated with an identifiable system, which will be controlled by the group, and which have a probable benefit beyond one year, are recognised as an asset

provided they meet the definition of development costs.

Computer software development costs recognised as assets are amortised in the income statement on the straight-line method over their useful lives, not exceeding a period of three years, and are carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses. The carrying amount, useful lives and amortisation methods of assets are reviewed and adjusted if appropriate at each reporting date.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the acquisition date fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment on goodwill is never reversed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Taxes and value added tax (VAT)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss unless the underlying transaction was recorded directly in other comprehensive income or equity.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxes and value added tax (VAT) continued

Deferred tax continued

In such an instance, the deferred tax is recorded in other comprehensive income and equity as well. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current income tax

Current taxation is charged on the net income for the year after considering income and expenditure, which is not subject to taxation, and capital allowances on fixed assets. Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in the income statement. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date.

Value added tax

Revenue, expenses and assets are recognised net of the amount of VAT except:

- where VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Uncertainty over income tax treatments

As per the provisions of IFRIC 23, the interpretation does not apply to taxes or levies outside the scope of IAS 12. The interpretation also does not specifically include requirements relating to interest and penalties associated with the uncertain tax treatments. In addition, the interpretation applies when there is uncertainty over income tax affecting both current tax and deferred tax. The interpretation specifically addresses the following:

- Whether to consider uncertain tax treatment separately
- The assumptions to be made about the examination of tax treatments by the tax authorities
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- Consideration for changes in facts and circumstances on which judgements and estimates are based.

The group assesses changes in facts and circumstances on which judgements and estimates are based, however, for the year ended 31 December 2022, there were no uncertain tax positions.

Stated capital

Stated capital is recognised at the fair value of the consideration received by the company. Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the company's own equity stated capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

Employee benefits

Pension obligations

Defined contribution plan

The group operates a defined contribution plan. Under the defined contribution plan:

- the group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and the employee) to a trustee administered fund, together with investment returns arising from the contributions
- in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee. Defined benefit contributions are recognised as expenses when incurred.

Medical aid

In terms of employment contracts and the rules of the relevant medical aid scheme, medical benefits are provided to employees. The group subsidises a portion of the medical aid contributions for employees. Contributions in relation to the group's obligations in respect of these benefits are charged against income in the period of payment.

The group has no post-retirement medical funding obligations.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises a liability and expense for termination benefits at the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits
- When the entity recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

Termination benefits are normally paid off within 12 months, hence they are not discounted.

Leave pay accrual

The group recognises, in full, an employee's rights to annual leave entitlement in respect of past service. The recognition is made each year-end and is calculated based on accrued leave days not taken at year-end. The charge is made to expenses in the income statement and trade and other payables in the statement of financial position.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonuses is recognised in trade and other payables when there is no realistic alternative but to settle the liability when both of the following conditions are met:

- The group has a present legal or constructive obligation to make such payments as a result of past events
- A reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based compensation

In 2010, the group introduced two schemes being: the share option scheme and the conditional share plan (CSP).

Share option scheme

All employees are eligible to participate in the scheme based on performance. Each employer company recommends to the human resources committee which employees it intends to incentivise by making offers subject to the approval of the human resources committee. Options are exercised by payment of the offer price after the vesting date by the employees in exchange for equity shares. The vesting period is three years.

The subsidiaries account for the awards as cash-settled while the group and holding company account for the awards as equity-settled.

Conditional share plan

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the group. The awards are given as grants. The awards are aligned to strategic periods and targets. Vesting is based on a future date in line with a specific strategy period and subject to specific performance criteria. The subsidiaries account for the awards as cash-settled while the holding company accounts for the awards as equity-settled.

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The fair value of options at grant date is expensed over the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied if all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified.

An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If a new award is, however, substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in note 21. For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Cash-settled transactions continued

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the obligation by considering the terms and conditions on which the rights were granted, and the extent to which the employees have rendered services to date.

Botswana Insurance Fund Management (Bifm) citizen economic empowerment (CEE) share option scheme (CEESOS)

Bifm implemented a CEE share scheme (the scheme) in 2019, whereby the company issued 25,1% of its ordinary share capital to citizen employees of Bifm. The scheme aims to fulfil the following motives of the company:

- To meet the requirements of key clients in the market regarding CEE
- To attract and retain key local skills within the company
- To empower citizen employees economically
- To align the interest of staff with those of the clients.

At the inception of the Bifm CEESOS, Bifm issued 21 849 246 additional shares (representing 25,1% of the issued capital of the company). The additional issued share capital was independently valued by Deloitte at P64,7 million. The 25,1% issued capital was issued in the following manner.

At the commencement of the scheme:

- 11% (9 575 368 shares) was immediately allocated to existing employees as participatory shares to be purchased by the employees at arm's length with the aid of Bifm staff loans
- 4% (3 481 950 shares) was reserved in the Bifm CEE Share Trust (a Trust formed in 2019 to hold shares in Bifm on behalf of its employees) for future allocation to employees.
- These shares were originally part of a 15% allocation toward the participatory shares and were transferred to the Bifm CEE Share Trust after 11% was taken up by staff in February 2019
- 10,1% (8 791 928 shares) was issued to the Bifm CEE Share Trust to hold on behalf of Bifm employees to be allocated annually in the form of grants with a vesting period of three years.

Bifm company accounts for the awards as cash-settled. As a result of the issue of the shares to employees, BIHL Group lost part of its interest in Bifm Holdings from 100% to 89%. The impact of this dilution is disclosed in the statement of changes in equity.

Dividends

Dividends are recorded in the group's consolidated financial statements in the period in which they are approved by the shareholders. Hence, dividends proposed or declared after the period-ends are not recognised at the reporting date. Dividends that are approved after the reporting date but before the financial statements are authorised for issue are disclosed by way of a note to the financial statements together with the related per share amount.

The withholding taxes are accrued for in the same period as the dividends to which they relate. Withholding taxes at the statutory rate of 10% are deducted from the total dividend declared. Where the company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

Sales remuneration

Sales remuneration consists of commission and bonuses payable to sales staff on long-term insurance business and expenses directly related thereto. Commission on life business is accounted for on all in-force policies in the financial period during which it is incurred.

Administration expenses

Administration expenses include, *inter alia*, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs and are recognised on an accrual basis. Expenses incurred by functional departments are allocated to group and individual business, and then furthermore for individual business by acquisition and maintenance in accordance with the function performed by the departments. Premium collection costs are accounted for on the accrual basis.

Leases

At inception of a contract, the group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset, and if the supplier has a substantive substitution right then the asset is not identified
- the group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use
- the group has the right to direct the use of the asset. The group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either
  – the group has the right to operate the asset
  – the group designed the asset in a way that predetermines how and for what purpose it will be used.

Group as a lessee

The group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The group has nine rental leases that make up the right-of-use assets around the country. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term which is also the useful life of the right-of-use asset. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

Buildings – 1 to 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit on the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payment
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period and the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including information technology (IT) equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Contingent liabilities and assets

Possible obligations of the group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group and present obligations of the group arising from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the group consolidated statement of financial position but are disclosed in the notes to the annual financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Contingent liabilities and assets continued

Possible assets of the group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group are not recognised in the group statement of financial position and are only disclosed in the notes to the annual financial statements where an inflow of economic benefits is probable.

Non-distributable reserves

Non-distributable reserves include the following:

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and assets supporting these liabilities. Certain assets held in policyholder portfolios may be measured on a basis inconsistent with that of the corresponding liability by IFRS. The consolidation reserve is created for the effect of treasury shares, which represent BIHL shares purchased and held within the group but are supporting policyholder liabilities which are measured at fair value.

The cost of treasury shares is deducted from equity through a separate reserve account called a treasury share reserve. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve, which is a capital reserve. The reserve represents a temporary mismatch in that the reserve will reverse when the affected investments are realised through sale to parties external to the group.

Capital reserve account – life insurance

The provision of the Insurance Industry Regulation of 2020 requires a long-term insurer to maintain minimum capital which shall be the higher of P10 million or an amount representing 25% of operating expenses as defined and reported in the annual return, estimated for the following year. Previously, the provisions of the Insurance Industry Act (section 9 of the Insurance Industry Act, 2015) required that 25% of the surplus arising in a year should be transferred to this reserve. This reserve can be utilised at least once every five years to increase the paid-up stated capital of the company.

As part of its review of the capital structure, the group made an application in prior years to the regulator, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), for exemption from further transfers to the statutory capital reserves as the group was holding excess capital reserves which were not utilised.

The regulator approved the suspension of the transfer of the 25% annual after-tax profit to the statutory capital reserves for an indefinite period until the objective of the suspension is achieved. The group currently holds statutory capital reserves of at least 2,9 times the required capital levels based on IPR3L: Prescribed Capital Target.

Share-based payment reserve

This is associated with equity-settled share-based payment compensation as described in the heading (employee benefits).

Treasury share reserve

Own equity instruments of the group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the group own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of own equity instruments.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from translation of investment of foreign investments in associates and a share of other comprehensive income of an associate emanating from the translation of the financial statements of its foreign operations.

Insurance contract liabilities

The group's main insurance products are:

- non-participating annuities
- employee benefits
- universal individual life product 'Mompati'
- insurance contracts with discretionary participation features (DPF).

Mompati is a universal life product designed to provide insurance benefits such as life cover, disability and hospitalisation benefits under an umbrella product with an investment component. The product also allows for funeral cover for the main member as well as his/her family members. The value of the investment account is paid in the event of maturity or surrender. The investment account is credited with premiums received (net of expense charges, commission and the cost of risk benefits) and investment returns.

The policyholder liability for annuities includes a mismatch and reinvestment reserve. Its purpose is twofold:

To ensure that the group can withstand any losses due to the mismatch of asset and liability cash flows.

To provide against reinvestment risk that arises because of the duration of the assets being shorter than the liabilities. The shorter term of the assets may result in future asset proceeds being reinvested on less favourable terms than were available at policy inception. The group is exposed to financial risk if the investment returns on reinvested asset proceeds are lower than were allowed for in the product pricing.

Valuation bases and methodology

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement are set as follows. The value of policy liabilities as at 31 December 2022 and 31 December 2021 exceeded the minimum requirements in terms of the Insurance Industry Act, 2015 and the Non-Bank Financial Institutions Regulatory Authority Act.

Insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The entity calculates DCF reserves, bonus stabilisation reserves, unit reserves, sterling reserves, unexpired premium and unexpired risk reserves, IBNR and discretionary reserves (including data reserves). DCF reserves are calculated using the gross premium valuation method. The liability is determined as the sum of the discounted value of expected future benefits (including any declared bonuses), claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected premiums and investment income from assets backing the reserves, which are directly related to the contract.

Bonus stabilisation reserves are calculated for contracts with discretionary benefits by building up retrospective reserves with policyholder allocated profits. To the extent that these reserves differ (less or more) from the calculated DCF reserves, the insurer holds bonus stabilisation reserves. Unit reserves are set equal to the value of unitised funds underlying unit-linked contracts by multiplying the number of units by the price of these units.

The group also has Pula reserves under its unit-linked contracts. These are calculated using the gross premium valuation method and represent the liability faced by the insurance company that relate to cash flows the insurer will be liable for under a contract after setting up the unit reserves. The liability is determined as the sum of the discounted value of expected future benefits in excess of any unit-linked benefits, claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected charges and investment income from assets backing the Pula reserves, which are directly related to the contract.

The liability calculations are based on current assumptions, including allowance for compulsory and discretionary margins as per Botswana regulation IPR1L. Discretionary reserves are also held, some of which are based on judgement (e.g. expert data reserves) and others are built up and released using specifically developed methodologies. Furthermore, the liability for life insurance includes provisions for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the group. Adjustments to the liabilities at each reporting date are recognised in profit or loss. The liability is derecognised when the contract expires, is discharged or is cancelled.

Classification of contracts

A distinction is made between investment contracts (which fall within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*), investment contracts with discretionary participating features and insurance contracts (where the financial soundness valuation method continues to apply, subject to certain requirements specified in IFRS 4 *Insurance Contracts*). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay significant additional benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF
- Investment contracts with investment management services
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits
- The timing and amount of the benefits are at the discretion of the BIHL Group, which must be exercised in a reasonable way
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IFRS 9 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss. Investment contracts are classified between contracts with and without DPF. The group does not currently have investment contracts with DPF.

Investment contract liabilities

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position, known as deposit accounting. Fees charged and investment income received are recognised in the income statement when earned.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contract liabilities continued

Investment contract liabilities continued

Fair value adjustments are performed at each reporting date and are recognised in the income statement. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit price of those funds at the reporting date.

The fund assets and liabilities used to determine the unit price at the reporting date are valued on the bases as set out in the accounting policy for investments. It was not considered necessary to exclude intangible assets, which are inadmissible assets for prudential regulatory purposes, from the value of the assets for the purpose of the annual financial statements. The liability is derecognised when the contract expires, is discharged or cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value. Investment contracts expose the investor to financial risks.

Capital and risk management

The business is exposed to various risks in connection with its current operating activities. These risks contribute to the key financial risk that the proceeds from the business financial assets are not sufficient to fund the obligations arising from insurance and investment policy contracts and the operating activities conducted by the business. The business has an integrated approach towards the management of its capital base and risk exposures with the main objective being to achieve a sustainable return on embedded value at least equal to the business' cost of capital.

The business is exposed to various risks that have a direct impact on the business capital base and earnings, and as such return on embedded value. The management of these risks is therefore an integral part of the business' strategy to maximise return on embedded value. The business' risk exposures can be classified into the following broad categories:

- Financial risks affecting the net asset value of the shareholders' fund (note 24)
- General operational risks
- Long-term insurance risks.

Capital management

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value.

The group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

The group monitors capital using a capital adequacy requirement. Capital adequacy implies the existence of a buffer against experience worse than assumed under the Financial Stability Board's statutory valuation method. The sufficiency of the buffer is measured by comparing the excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities.

The group complied with all externally imposed capital requirements. The provisions of the Insurance Industry Act, 2015 require that 25% of the surplus arising in a year should be transferred to a capital reserve. This reserve can be utilised at least once every five years to increase the paid-up stated capital of the group.

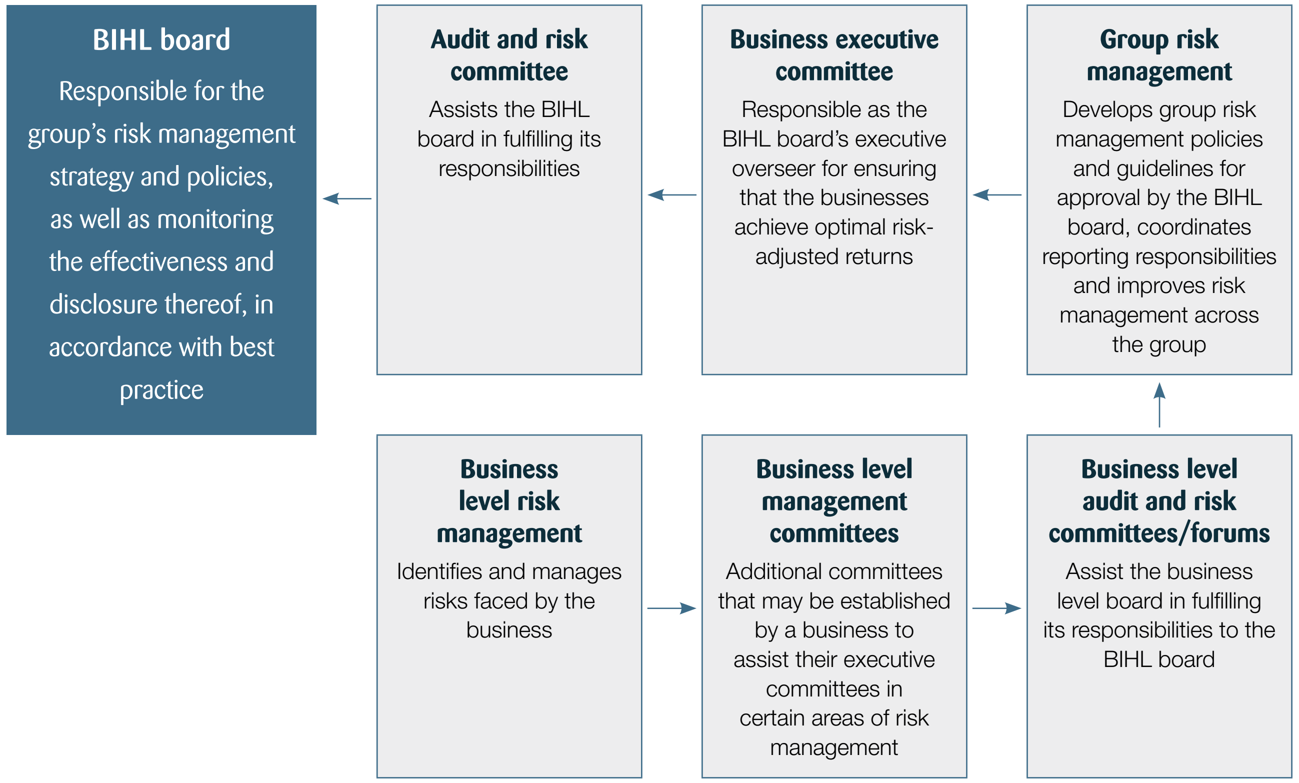
Capital includes shareholders' equity and long-term debt. As at year-end, there was no long-term debt.

	2022 P'000	2021 P'000
Shareholders' equity	3 584 581	3 332 263
Prescribed capital target (PCT) (life business only)	223 995	241 818
Ratio of excess assets to PCT (life business only)	11,49	10,1

Governance structure

The agenda of the BIHL board focuses on group strategy, capital management, accounting policies, financial results, dividend policy, human resource development, corporate governance and BSE requirements. The BIHL board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the group.

The group operates within a decentralised business model environment. In terms of this philosophy, the BIHL board sets the group risk management policies and frameworks, and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL board.



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Other risk monitoring mechanisms

BIHL board
Reviews and oversees the management of the group's capital base

Actuarial committee
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Compliance committee
Facilitates management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof

Group risk forum
Aids coordination and transfer of knowledge between businesses and the group, and assists group risk management in identifying risks requiring escalation to the BIHL board

Non-listed asset review
Reviews and approves the valuation of all unlisted assets in the group for recommendation to the BIHL board

Chief Financial Officer
Ensures that sound financial practices are followed, adequate and accurate reporting occurs and financial statement risk is minimised

Actuarial
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon by using appropriate modelling techniques

Group governance/ secretariat and public officers
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Forensics
Investigates and reports on fraud and illegal behaviour in businesses

Investment committee
Determines and monitors appropriate investment strategies for policyholder solutions

Credit review committee
Reviews, assesses, approves and monitors specific counterparty credit and manages the credit risk inherent in the portfolios on an ongoing basis

Group IT risk management
Manages and reports group-wide IT risks

Risk officer (per business)
Assists business management in their implementation of the group risk management process and monitors the business' entire risk profile

Internal audit
Assists the BIHL board and management by monitoring the adequacy and effectiveness of risk management in the businesses

Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the board and its committees. Some of the main policies are: the BIHL Group enterprise risk management (ERM) policy, group risk escalation policy and group business continuity management policy.

These policies were developed by group risk management and must be implemented by all group businesses. The maturity of the implementation does, however, vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly group risk forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the ERM policy.

BIHL Group ERM policy

The group ERM policy includes the following components:

- The broad objectives and philosophy of risk management in the group
- The roles and responsibilities of the various functionaries in the group tasked with risk management
- The group's minimum standards for implementation of risk management in the businesses.

BIHL Group risk escalation policy

The risk escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the BIHL Group level. This includes quantifiable and unquantifiable measures.

General operational risks

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions, and other measures such as backup facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted based on the segregation of duties designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business securities. To ensure validity, all transactions are confirmed with counterparties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews. The BIHL investment committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters. The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the Chairman of the audit and risk committee and has unrestricted access to the Chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The group's external auditor is Ernst & Young. The report of the independent auditor for the year under review is contained on pages 112 to 116 of these annual financial statements. The external auditor provides an independent assessment of certain systems of internal financial control, which it may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditor are strictly governed by a group policy in this regard. A compulsory rotation of audit partners has also been implemented.

External consultants

The group appoints external consultants to perform an annual review of the group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk

IT risks are managed across the group in an integrated manner following the ERM framework. Group IT is the custodian of the group's IT policy framework and ensures explicit focus on and integration with the group's IT governance framework, which includes the governance of information security. The head of group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with group-wide strategic or operational impact. A quarterly IT governance report, summarising the group-wide situation, is also delivered to the risk and compliance committees.

Going concern/business continuity risk

The board records the facts and assumptions on which it relies to conclude that BIHL will continue as a going concern. Reflecting on the year under review, the directors considered an opinion that adequate resources exist to continue business and that BIHL will remain a going concern in the foreseeable future. The board's statement to this effect is also contained in the directors' statement of responsibility in the annual financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

General operational risks continued

Compliance risk

Laws and regulations

BIHL considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The group compliance function, together with the compliance functions of the group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements and monitoring the implementation and execution thereof.

Compliance with client mandates

Rules for clients' investment instructions are loaded on an order management system, which produces post-trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Head of Investment Operations monthly.

Fraud risk

The BIHL Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the group's Code of Ethics, and undermine the organisational integrity of the group. The financial crime combating policy for the BIHL Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime, and all offenders will be prosecuted.

The forensic services function at group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the group or the executive of a business cluster. Group forensic services is also responsible for the formulation of group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The Chief Executive Officer of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the board of BIHL. Quarterly reports are submitted by group forensic services to the audit and risk committee on the incidence of financial crime and unlawful conduct in the group and on measures taken to prevent, detect, investigate and deal with such conduct.

Legal risk

Legal risk is the risk that the business will be exposed to contractual obligations that have not been provided for, particularly in respect of policy liabilities. The risk also arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of the group's counterparties, including contractual provisions intended to reduce credit exposure by providing for the netting of mutual obligations.

During the development stage of any new product and for material transactions entered into by the business, the legal resources of the business monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. The group seeks to minimise uncertainties through continuous consultation with internal and external legal advisors to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Lapse risk

Distribution models are used by the business to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse rates. The design of insurance products excludes material surrender value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Lapse assumptions are based on experience adjusted for expected future changes on experience, to ensure that adequate provisions are made for lapses and surrenders. Further prudence is provided for through compulsory margins prescribed by regulation.

Legislation risk

The risk is managed as far as possible through clear contracting. The business monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The business' internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to influence changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Reputation risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The audit and risk committee and board of directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

Strategy risk

The group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the group's strategy are escalated and addressed at the earliest opportunity. The board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the group, the most important of which are:

- The group's strategic direction and success is discussed and evaluated at an annual special strategic session of the BIHL board as well as at the scheduled board meetings during the year
- As part of the annual budgeting process, the group businesses present their strategic plans and budgets to the BIHL board, which ensures that the business' strategies are aligned with the overall group strategy
- The BIHL board, which includes the Chief Executives of the various group businesses, meets on a regular basis to discuss, among others, the achievement of the business' and group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Long-term insurance risk

The investment committee and actuarial committee are established within the long-term insurance businesses. The principal aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

The business' long-term insurance operations are subject to the general operational risks described previously, but also to specific long-term insurance risks, which include the following:

Risk management: per type of risk

Underwriting risk

Underwriting risk is the uncertainty relating to the ultimate amount of net cash flows from premiums, commissions, claims and claim settlement expenses paid under a contract and timing risk, defined as uncertainty about the timing of the receipt and payment of those cash flows. Note 24 to the annual financial statements gives further information on the quantitative aspects of our insurance risks.

Insurance events are random and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per policyholder and manage concentration of risks, the claims handling policy and adequate pricing and reserving. For life insurance products, half-yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy

The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products
- Generally, our retail life insurance products with substantial risk exposure are medically underwritten. The medical underwriting includes HIV tests. Those products that are not underwritten are subject to lower sum assured limits. For life insurance group risk, lives above free cover limits are medically underwritten
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life
- Reasonable income replacement levels apply to disability insurance
- The experience of reinsurers is used where necessary for the rating of substandard risks
- The right to re-rate premiums is retained as far as possible. The risk premiums for group risk business and most of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years
- Risk profits are determined monthly
- Mortality and morbidity investigations are conducted at least annually. Product pricing and actuarial reserving considers the results of these investigations
- Expenses are continuously monitored and managed through the business' budgeting process.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Risk management: per type of risk continued

Underwriting strategy continued

The net claims ratio for the life business, which is important in monitoring insurance risk, has developed as follows over the past five years:

Claims/loss ratio %*	2022 %	2021 %	2020 %	2019 %	2018 %
Before reinsurance	**66**	78	58	62	63
After reinsurance	**67**	76	57	62	63

* *Expressed as a percentage of net premiums earned.*

The 2021 ratio was elevated by the unprecedented excess mortality due to COVID-19.

Product pricing is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the principal cost, the group also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk are adequately managed.

Claims development tables

The presentation of the claims development tables is based on the actual date of the event that caused the claim (incident year basis). The claims development tables represent the development of actual claims paid for continuing operations (life business).

Reinsurance

Our reinsurance strategy aims to optimise risk profits while transferring mortality and morbidity risk above our risk appetite. Risk exposure above our preferred retention limits is therefore reinsured. Where risk is rejected under the reinsurance treaty with the main reinsurer, the risk is offered to another reinsurer on a facultative basis. Our reinsurance strategy is reviewed annually. Credit risk from the reinsurer(s) is managed by limiting the business' exposure to companies with high credit ratings as per the business' risk appetite. Credit ratings for the reinsurer(s) are monitored regularly.

Claims risk

The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Non-participating annuities

Interest rate risk is the principal financial risk in respect of non-participating annuities given the long-term profile of these liabilities. Liabilities are matched with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities is closely matched. The duration of annuity assets and liabilities is shown below.

	2022 years	2021 years
Liabilities	**7,7**	7,2
Assets	**6,9**	6,4

The table below indicates the impact of changes in assumptions.

P'000	Base value	Investment returns and inflation	Equity and property prices	Equity and property returns	Maintenance expense	Dis-continuance rates	Mortality and morbidity rates
2022							
Individual life business	**2 828 510**	**2 783 046**	**2 843 174**	**2 815 527**	**2 734 874**	**2 818 758**	**2 927 581**
Annuity business	**7 008 531**	**7 469 465**	**6 814 472**	**6 814 472**	**6 959 973**	**6 814 472**	**6 870 183**
Group life business	**536 342**	**536 342**	**536 342**	**536 342**	**536 342**	**536 342**	**536 342**
Total	**10 373 383**	**10 788 853**	**10 193 988**	**10 166 341**	**10 230 802**	**10 169 572**	**10 333 068**
2021							
Individual life business	2 931 068	2 943 328	2 951 463	2 916 343	2 907 933	2 922 528	2 927 581
Annuity business	6 814 294	7 291 803	6 814 294	6 814 294	6 802 917	6 814 294	6 870 183
Group life business	585 313	585 313	585 313	585 313	585 313	585 313	585 313
Total	10 330 675	10 820 444	10 351 070	10 315 950	10 296 163	10 322 135	10 383 077

The above sensitivities are after considering the re-rating of premiums but before the impact of reinsurance. The impact of reinsurance is not material for the disclosed sensitivities.

Sensitivity analysis of insurance risks

	Variance inflation factor after tax	
	2022 P'000	2021 P'000
Base value	**1 910 101**	1 852 166
Increase risk discount rate by 1%	**1 830 217**	1 765 977
Decrease risk discount rate by 1%	**1 997 972**	1 947 838
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	**2 006 165**	1 934 955
Equities/property assets fall by 10% without a corresponding fall/rise in dividend/rental yield	**1 897 419**	1 837 573
Increase expected return on equities/property assets by 1% per annum due to a change in the equity/property risk premium with no consequential change to discount rates	**1 921 319**	1 862 965
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	**1 966 479**	1 902 276
Discontinuance rates – life insurance business – decrease by 10%	**1 971 297**	1 922 364
Base mortality and morbidity rates decreased by 5% for life assurance business	**1 986 922**	1 935 372
Base mortality and morbidity rates decreased by 5% for life annuity business	**1 911 158**	1 853 378

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Sensitivity analysis of insurance risks continued

Capital adequacy risk

The PCT cover can also be calculated on the statutory reporting basis where both the excess of assets over liabilities and the PCT are calculated on the statutory basis. The statutory basis is currently more stringent than the IFRS basis and results in lower excess assets over liabilities.

The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which, in turn, is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the companies' shareholders' fund (as determined according to IPR3L: Prescribed Capital Target for Long-term Insurers by the NBFIRA. The PCT for the life business is covered 11,7 times (2021: 10,01 times).

Concentration of insurance risk

Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could, however, increase the relative portfolio risk. The following tables provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The figures represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

Benefits insured per individual life

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2022 P'000	2021 P'000	2022 %	2021 %	2022 %	2021 %
0 – 500	597 203	631 083	19	21	33	35
501 – 1 000	3 398	2 637	3	3	30	33
1 001 – 5 000	20 137	18 361	63	63	37	32
5 001 – 8 000	837	760	8	8	–	–
> 8 000	356	295	7	5	–	–
Total	621 931	653 136	100	100	100	100

Non-participating annuity payable

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2022 P'000	2021 P'000	2022 %	2021 %	2022 %	2021 %
0 – 20	3 331	3 133	6	6	6	6
21 – 40	2 636	2 450	11	11	11	11
41 – 60	1 661	1 582	12	12	12	12
61 – 80	1 296	1 240	13	14	13	14
81 – 100	984	952	13	13	13	13
>100	2 004	1 828	45	43	45	43
Total	11 912	11 185	100	100	100	100

Fair values

The carrying amounts and fair values of financial assets and financial liabilities are the same because financial assets and liabilities are either designated at fair value through profit or loss or have short-term duration such that their carrying amounts approximate fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. SEGMENTAL ANALYSIS

Basis of segmentation

For management purposes, the group is organised into two principal business areas based on their products and services, and these make up the two reportable operating segments as follows:

- The life insurance segment which provides life insurance services to its customers through Botswana Life, a subsidiary of the group
- The asset management segment which provides asset management services to its customers through Bifm, a subsidiary of the group.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on their revenue, profit or loss after tax and return on equity value and is measured consistently with those of the group in the consolidated financial statements.

Segments that do not fall under the two key segments have been classified under 'other'. These comprise the associate businesses (Letshego, NICO, FSG, BIC and BIHL Insurance Company Limited) and the holding company. The associates offer diverse products and services which can be broken down into their own segments.

Inter-segment transactions that occurred during 2022 and 2021 between business segments are set on an arm's-length basis in a manner similar to transactions with third parties. Segmental income, segment expenses and segment results will then include those transfers between business segments, which will be eliminated on consolidation.

Business segments

At 31 December 2022, the group's operating businesses are organised and managed separately according to the nature of the products and services offered, with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the group reports its segment information. The group is therefore organised into two principal areas of business – life insurance and asset management services.

Geographical segments

The group, under its 100% owned subsidiary, Bifm Holdings, has associates in Zambia. For management purposes, the Zambia operations are reported under Bifm Holdings. The group also has a 25,1% stake in a Malawian operation, Nico Holdings Limited. These investments are not material and therefore the group only has significant operations in Botswana hence a geographical segment analysis has not been provided. The results for African Life Financial Services (Zambia) Limited, Aflife Holdings Zambia Limited and Nico Holdings, the associate companies, are disclosed in note 4.5.

Customer segments

No customer contributes 10% or more to the group's revenue.

The amounts used for segment reporting are measured using IFRS principles.

Other segments

Due to their immaterial nature, the unit trust business, holding company and the corporate social investment trust are included in the 'other segments' column. There are no reportable segments under other.

1. SEGMENTAL ANALYSIS continued

1.1 Segment information by products and services

	Life business		Asset management		Other		Inter-segmental		Consolidated total	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000	2022 P'000	2021 P'000	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Premium revenue	3 010 585	3 084 928	–	–	–	–	–	–	3 010 585	3 084 928
Fee revenue										
– Internal	–	–	2 383	2 125	–	–	(2 383)	(2 125)	–	–
– External	–	–	174 995	142 569	(36 242)	(14 809)	–	–	138 753	127 760
Investment income	711 171	748 879	17 108	5 866	906 335	579 863	(578 565)	(209 842)	1 056 049	1 124 766
Interest income using EIR	1 541	1 197	–	–	2 586	3 270	–	–	4 127	4 467
Net gain/(loss) from financial assets held at fair value through profit or loss	(394 482)	(925 877)	40 693	(6 815)	41 485	(23 007)	(4 946)	–	(317 250)	(955 699)
Total net income	3 328 815	2 909 127	235 179	143 745	914 164	545 317	(585 894)	(211 967)	3 892 264	3 386 222
Depreciation	14 668	10 331	1 221	1 343	837	779	–	–	16 726	12 453
Amortisation and impairment	10 277	9 856	555	405	248	247	–	–	11 080	10 508
Right-of-use asset depreciation	5 653	5 216	1 065	1 420	1 282	1 582	(2 347)	(3 002)	6 481	5 216
Sales remuneration	569 320	516 554	–	–	–	–	–	–	569 320	516 554
Net insurance benefits and claims	2 056 610	2 462 420	–	–	–	–	–	–	2 056 610	2 462 420
Change in policyholder liabilities under life insurance contracts	67 454	(403 330)	–	–	–	–	–	–	67 454	(403 330)
Change in liabilities under investment contracts	–	–	(281 820)	(349 195)	–	–	–	–	(281 820)	(349 195)
Profit before tax	435 981	159 354	158 559	74 527	430 560	129 256	(503 008)	(191 846)	522 092	171 291
Income tax expense	105 061	56 215	28 789	18 885	10 398	8 787	–	–	144 248	83 887
Profit after tax	330 920	103 139	129 770	55 642	420 162	120 469	(503 008)	(191 846)	377 844	87 404
Total assets	13 881 922	13 522 548	6 748 943	6 628 117	1 978 080	1 861 535	(4 095 504)	(3 884 722)	18 513 441	18 127 478
Total liabilities	11 362 289	11 101 601	6 220 147	6 128 558	1 224 792	1 220 644	(3 842 773)	(3 674 316)	14 964 455	14 776 487
Capital expenditure	9 965	31 392	1 625	2 231	599	1 297	–	–	12 189	34 920
– Share of profit of associates	–	–	–	–	236 674	305 333	–	–	236 674	305 333
– Investment in associates and joint ventures	1 507 999	1 483 778	84 526	79 823	577 917	499 738	(141 548)	(90 641)	2 030 400	1 972 698
Return on equity value (%)	19,50	4,42	20,87	16,98	12,13	18,92	n/a	n/a	16,87	12,98

1. SEGMENTAL ANALYSIS continued

1.2 Reconciliation of profit

	2022 P'000	2021 P'000
Segment profit	594 540	233 881
Life business	435 981	159 354
Asset management	158 559	74 527
Other segments	430 560	129 256
Inter-segment elimination	(503 008)	(191 846)
Profit before tax and associates	522 092	171 291
Share of associates and joint venture	236 674	305 333
Profit before tax for the year	758 766	476 624
Reconciliation of assets		
Segment operating assets		
Life business	13 881 922	13 522 548
Asset management	6 748 943	6 628 117
Other segments	1 978 080	1 861 535
Inter-segment elimination	(4 095 504)	(3 884 722)
Total assets	18 513 441	18 127 478
Reconciliation of liabilities		
Segment operating liabilities		
Life business	11 362 289	11 101 601
Asset management	6 748 943	6 628 117
Other segments	1 224 792	1 220 644
Inter-segment elimination	(3 842 773)	(3 674 316)
Total liabilities	15 493 251	15 276 046
Geographical information		
Revenue from external customers		
Botswana		
Life business	3 010 585	3 084 928
Asset management	138 753	127 760
Total	3 149 338	3 212 688

The revenue information above is based on the locations of the customers.

2. PROPERTY AND EQUIPMENT

	GROUP					
	Owner-occupied property P'000	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improve-ments P'000	Total P'000
2022						
Cost						
At 1 January 2022	135 042	54 509	25 648	2 771	63 327	281 297
Additions	–	1 619	1 034	491	3 508	6 652
Disposals	–	(2 151)	(1 400)	–	–	(3 551)
At 31 December 2022	135 042	53 977	25 282	3 262	66 835	284 398
Accumulated depreciation						
At 1 January 2022	7 614	42 905	19 454	2 384	25 708	98 065
Current year charge	1 380	6 339	3 066	229	5 712	16 726
Disposals	–	(2 151)	(1 400)	–	–	(3 551)
At 31 December 2022	8 994	47 093	21 120	2 613	31 420	111 240
Carrying amount						
At 1 January 2022	127 428	11 604	6 194	387	37 619	183 232
At 31 December 2022	126 048	6 884	4 162	649	35 415	173 158
2021						
Cost						
At 1 January 2021	135 042	47 437	22 656	3 952	58 876	267 963
Additions	–	8 843	3 130	–	4 451	16 424
Disposals	–	(1 771)	(138)	(1 181)	–	(3 090)
At 31 December 2021	135 042	54 509	25 648	2 771	63 327	281 297
Accumulated depreciation						
At 1 January 2021	6 234	40 926	18 173	3 273	20 096	88 702
Current year charge	1 380	3 750	1 419	292	5 612	12 453
Disposals	–	(1 771)	(138)	(1 181)	–	(3 090)
At 31 December 2021	7 614	42 905	19 454	2 384	25 708	98 065
Carrying amount						
At 1 January 2021	128 808	6 511	4 483	679	38 780	179 261
At 31 December 2021	127 428	11 604	6 194	387	37 619	183 232

The gross carrying amount of fully depreciated property and equipment that were still in use by the group amounted to P65 million (2021: P58 million).

2. PROPERTY AND EQUIPMENT continued

	COMPANY				
	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improve-ments P'000	Total P'000
2022					
Cost					
At 1 January 2022	6 053	2 663	179	5 863	14 758
Additions	108	–	491	–	599
At 31 December 2022	6 161	2 663	670	5 863	15 357
Accumulated depreciation					
At 1 January 2022	5 935	2 024	179	3 229	11 367
Current year charge	60	162	33	582	837
At 31 December 2022	5 995	2 186	212	3 811	12 204
Carrying amount					
At 1 January 2022	118	639	–	2 634	3 391
At 31 December 2022	166	477	458	2 052	3 153
2021					
Cost					
At 1 January 2021	7 718	2 328	179	5 145	15 370
Additions	106	473	–	718	1 297
Disposals	(1 771)	(138)	–	–	(1 909)
At 31 December 2021	6 053	2 663	179	5 863	14 758
Accumulated depreciation					
At 1 January 2021	7 634	2 011	179	2 673	12 497
Current year charge	72	151	–	556	779
Disposals	(1 771)	(138)	–	–	(1 909)
At 31 December 2021	5 935	2 024	179	3 229	11 367
Carrying amount					
At 1 January 2021	84	317	–	2 472	2 873
At 31 December 2021	118	639	–	2 634	3 391

The gross carrying amount of fully depreciated property and equipment that were still in use by the company amounted to P8,1 million (2021: P7,5 million).

2. PROPERTY AND EQUIPMENT continued

2.1 Right-of-use assets

	GROUP P'000	COMPANY P'000
2022		
Cost		
At 1 January 2022	23 453	12 000
Additions	13 082	–
At 31 December 2022	36 535	12 000
Accumulated depreciation		
At 1 January 2022	15 341	6 000
Current year depreciation	6 481	1 734
At 31 December 2022	21 822	7 734
Carrying amount		
At 1 January 2022	8 112	6 000
At 31 December 2022	14 713	4 266
2021		
Cost		
At 1 January 2021	25 639	15 465
Effects of modification of lease terms	(4 823)	(4 821)
Additions	2 637	1 356
At 31 December 2021	23 453	12 000
Accumulated depreciation		
At 1 January 2021	10 125	4 418
Current year depreciation	5 216	1 582
At 31 December 2021	15 341	6 000
Carrying amount		
At 1 January 2021	15 514	11 047
At 31 December 2021	8 112	6 000

The group leases a number of offices across the country. As at 31 December 2022, a total of 10 offices were leased (10 in December 2021). The leases have remaining lease periods of between one year and six years as at 31 December 2022. The lease with the longest life is expected to expire on 31 August 2028.

The following assumptions were made in arriving at the valuation:

- Initial term of leases – Ranging from one year to five years (2021: one year to five years)
- Option to extend in years – None in the revised contracts (2021: one year to three years)
- Annual lease escalation rate per annum – Ranging from 4,5% to 10% (2021: 4,5% to 10%)
- Incremental borrowing rate: 8,9% to 9,5% (2021: 8,9% to 9,5%).

2. PROPERTY AND EQUIPMENT continued

2.2 Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	GROUP P'000	COMPANY P'000
2022		
Lease liability as at 1 January	9 234	7 603
Additional lease commitments at present value	12 757	–
Accretion of interest	1 076	478
Lease payments	(6 857)	(2 273)
As at 31 December	16 210	5 808
The maturity analysis of the lease liability is as follows:		
Within one year	6 716	2 376
Two to five years	15 000	3 890
More than five years	156	–
	21 872	6 266
Less: Finance charges component	(5 662)	(458)
Present value of lease liability	16 210	5 808
2021		
Lease liability at 1 January	16 858	12 568
Additional lease commitments at present value	2 637	1 356
Accretion of interest	543	599
Effects of modification of lease terms	(4 823)	(4 821)
Lease payments	(5 981)	(2 099)
As at 31 December	9 234	7 603
The maturity analysis of the lease liability is as follows:		
Within one year	4 439	2 080
Two to five years	5 287	6 459
	9 726	8 539
Less: Finance charges component	(492)	(936)
Present value of lease liability	9 234	7 603

3. INTANGIBLE ASSETS

	GROUP		
	Goodwill P'000	Computer software P'000	Total P'000
2022			
Cost			
As at 1 January	114 923	140 293	255 216
Additions	–	5 201	5 201
As at 31 December	114 923	145 494	260 417
Accumulated amortisation and impairment			
As at 1 January	51 931	96 209	148 140
Current year amortisation	–	11 080	11 080
As at 31 December	51 931	107 289	159 220
Carrying amount			
As at 1 January 2022	62 992	44 084	107 076
As at 31 December 2022	62 992	38 205	101 197
2021			
Cost			
As at 1 January	114 923	124 090	239 013
Additions	–	18 496	18 496
Disposals	–	(2 293)	(2 293)
As at 31 December	114 923	140 293	255 216
Accumulated amortisation and impairment			
As at 1 January	51 931	87 993	139 924
Current year amortisation	–	10 509	10 509
Disposals	–	(2 293)	(2 293)
As at 31 December	51 931	96 209	148 140
Carrying amount			
As at 1 January 2020	62 992	36 097	99 089
As at 31 December 2020	62 992	44 084	107 076

3. INTANGIBLE ASSETS continued

	COMPANY	
	Computer software P'000	Total P'000
2022		
Cost		
As at 1 January	12 081	12 081
As at 31 December	12 081	12 081
Accumulated amortisation and impairment		
As at 1 January	11 544	11 544
Current year amortisation	248	248
As at 31 December	11 792	11 792
Carrying amount		
As at 1 January	537	537
As at 31 December	289	289
2021		
Cost		
As at 1 January	12 081	12 081
As at 31 December	12 081	12 081
Accumulated amortisation and impairment		
As at 1 January	11 297	11 297
Current year amortisation	247	247
As at 31 December	11 544	11 544
Carrying amount		
As at 1 January	784	784
As at 31 December	537	537

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to one cash-generating unit (asset management) which is equivalent to one of two operating segments of the group. There were no impairment indicators on goodwill for the asset management segment during the year (2021: Pnil).

Asset management business

	2022 P'000	2021 P'000
Carrying amount of goodwill		
Asset management business	62 992	62 992
Total	62 992	62 992

Management estimates that the recoverable amount of the asset management cash-generating unit exceeds or equals the carrying amount. Management estimates include a new review of the performance of the cash-generating unit when compared to estimates applicable at the original recognition of the goodwill. The performance of the asset management business has shown a positive trend on a year-on-year basis.

3. INTANGIBLE ASSETS continued

Asset management business

The recoverable amount of the asset management business unit was determined based on the value in use calculation using the cash flow projections on financial budgets approved by senior management covering a five-year period and extrapolated to 10 years based on economic and specific sector growth using a perpetual growth of 4,6% (2021: 3,8%) thereafter. The cash flows are extrapolated to a 10-year period to reflect the long-term plans of the group. A pre-tax group-specific risk-adjusted discount rate of 17,7% (2021: 16,3%) is used. The projected cash flows are determined by budgeted margins based on past performances, management expectations and market developments as well as the impact of geopolitical uncertainty emanating from the Russia-Ukraine crisis on AUM.

The key assumptions used for the impairment calculations of the asset management business are:

	2022 %	2021 %
Investment income/surplus return	2,2	2,1
Investment growth on AUM (after tax)	5,5	5,2
Net inflows as a % of AUM	0,7	0,9

These growth rates are based on published industry research.

Sensitivity to changes in assumptions

For the asset management business, a reasonably possible change in the investment market conditions assumption will cause the carrying amount to exceed the recoverable amount. The actual recoverable amount exceeds its carrying amount by P269 million (2021: P284 million). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction of 2% in the funds flow and a 3% reduction in investment growth, due to risk averse decisions in order to preserve capital, as a percentage of AUM would result in the reduction in the recoverable amount of the asset management business by P44 million (2021: P42 million).

4. INVESTMENTS

Fair values

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Investments designated at fair value through profit or loss				
At the beginning of the year	14 211 919	13 433 555	–	–
Net contributions	342 740	1 751 022	–	–
Fair value adjustments on investments	(348 681)	(972 658)	–	–
At the end of the year	14 205 978	14 211 919	–	–

4.1 Designated at fair value through profit or loss

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Bonds (Government, public authority, listed and unlisted corporates)*	8 426 652	8 663 449	–	–
Money market instruments	3 190 081	3 144 625	–	–
Equity investments (note 4.2)	2 589 246	2 403 845	–	–
	14 205 979	14 211 919	–	–

* *The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 4,5% to 11,2% (2021: 4,5% to 11,2%). Bond repayment terms range between 0 to 25 years (2021: 0 to 27 years) for all listed and unlisted bonds.*

4. INVESTMENTS continued

4.1 Designated at fair value through profit or loss continued

Fair value measurement

Listed bonds

The closing prices at year-end have been used to value these investments.

Unlisted bonds

The fair values of unlisted bonds have been calculated by discounting expected future cash flows at the risk-adjusted interest rates applicable to each financial asset. The cash flows for the unlisted bonds are determined with reference to contractual rates of return and the timing of the cash flow. Refer to note 25 for the additional disclosures. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market. The risk premium for the unlisted bonds and notes held by the company ranges from 150 – 694 basis points in the current year (2021: 150 – 694 basis points) on the basis of the risk surrounding the operations of the company. The risk premium has been used as a risk adjustment to the Government risk-free rate.

For unlisted bonds, interest rates are fixed, with coupon rates falling between 6% and 9% (2021: 5,2% and 11%) annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 0 to 27 years (2021: 0 to 21 years) for all listed and unlisted bonds.

Money markets constitute funds invested in call accounts. The average market interest rate for money market instruments was 1,4% (2021: 1,3%). All money market instruments are of a short-term nature, being exercisable within one year of the year-end.

Determination of fair value and the fair value hierarchy is disclosed on note 25.

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	**820 613**	1 746 341	**–**	–
Financials	**4 747 002**	4 739 472	**–**	–
Education	**28 357**	34 984	**–**	–
Property	**1 008 372**	972 208	**–**	–
Tourism	**65 114**	113 737	**–**	–
Offshore foreign equities	**1 759 835**	1 600 827	**–**	–
Government	**5 755 585**	5 003 099	**–**	–
	14 205 978	14 211 919	**–**	–

4. INVESTMENTS continued

4.2 Equity investments

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Listed in Botswana	**642 310**	532 832	**–**	–
Listed in foreign markets	**1 664 824**	1 594 122	**–**	–
Unlisted	**282 111**	276 891	**–**	–
	2 589 245	2 403 845	**–**	–

Listed equity investments

The closing price at year-end has been used to value these investments.

Unlisted equities

The fair value of unlisted equities is derived using the DCF method.

For direct equity instruments, the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

Unlisted units in funds

The fair value of the assets is calculated based on units held and unit prices provided by the fund managers. The underlying funds in which the company invests are unlisted and valued using DCF and price earnings methods with significant inputs that are not based on observable market data hence the classification under Level 3.

Other loans

The loans are advances to public-private partnerships which are partnerships between private companies and the Government of Botswana for construction projects. The interest rate on the loans is based on the prime lending rate in Botswana and the terms of the loans range from 10 years to 17 years. As at year-end, the prime rate was 4,25% (2021: 4,25%).

The fair value of the loans is based on assessment of risk in comparison to similar market-based instruments. The risk assumed is specific to each instrument and is used to determine the risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market and the credit risk of the borrower. The average risk premium for the other loans held by the group is nil (2021: nil). The risk premium has been used as a risk adjustment to the Government risk-free rate.

4.3 Loans at amortised cost

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Opening balance	**31 957**	36 132	**–**	–
Interest charged for the year	**3 958**	4 573	**–**	–
Interest received during the year	**(2 989)**	(3 527)	**–**	–
Capital repayment	**(35 317)**	(6 000)	**–**	–
Impairment reversal	**2 391**	779	**–**	–
Closing balance at 31 December	**–**	31 957	**–**	–

The company granted a loan with a principal amount of P50 million to Babereki Investments Proprietary Limited to fund its loan book. The loan was repayable over 10 years. The loan was secured through a cession of the loan book and a guarantee and subordination agreement with Botswana Public Employees Union (BOPEU).The interest was a fixed interest rate of 12% per annum payable quarterly. The loan was repaid during the year and the related impairment provision released.

4. INVESTMENTS continued

4.4 Investment property and investments in unlisted property funds

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
At the beginning of the year	**1 183 485**	1 066 040	**–**	–
Purchase of investments	**36 758**	122 215	**–**	–
Fair value losses	**(2 333)**	(4 770)	**–**	–
	1 217 910	1 183 485	**–**	–
Physical properties held	**12 260**	10 160	**–**	–
Investments in unlisted property companies	**1 205 650**	1 173 325	**–**	–
	1 217 910	1 183 485	**–**	–

Investments in unlisted property companies are held at fair value through profit or loss.

Investment properties

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Opening balance at 1 January	**10 160**	10 160	**–**	–
Fair value gains	**2 100**	–	**–**	–
Closing balance at 31 December	**12 260**	10 160	**–**	–
The physical properties are Plot 70656 (P6, 7 million) and Plot 70657 (P5,56 million) both in Gaborone.				
The group investment properties consist of commercial properties.				
Rental income derived from investment properties	**12 580**	20 708	**–**	–
Direct operating expenses (including repairs and maintenance) generating rental income	**(6 239)**	(5 605)	**–**	–

Investment properties and investments in unlisted property funds are stated at fair value which has been determined based on valuations performed by Knight Frank, MG Properties Proprietary Limited, Wragg Proprietary Limited and Kwena Property Services Proprietary Limited, which are accredited independent valuers, as at 31 December 2022 and 31 December 2021 for the current and previous years, respectively. These valuers are specialists in valuing these types of investment properties.

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.

There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

4. INVESTMENTS continued

4.4 Investment property and investments in unlisted property funds continued

In calculating the market value of commercial properties, the valuation method, being a DCF approach, had been adopted whereupon the current contractual annual rentals are netted off against relevant expenses (including normal repairs and maintenance, operating costs, management/collection commission fees, insurance and rates among others). The valuation also includes estimated future rental income after the term of the lease agreement based on the remaining useful life of the building. The resulting net income is discounted at a market-related discount rate to arrive at the market value. The following primary inputs have been used:

	2022 %	2021 %
Inflation rate	**12,4**	8,7
Capitalisation rates	**7,50**	7,75
Long-term vacancy rates	**0 – 2,5**	0 – 3

The valuations have been undertaken on the assumption that the properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials.

Valuations and appraisals were carried out in accordance with the RICS Appraisal and Valuation Standards (The Red Book), by valuers who conform to its requirements, and with regard to relevant statutes or regulations and with reference to market evidence of transaction prices for similar properties.

Properties are valued individually and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions contained in the RICS Appraisal and Valuation Standards (The Red Book).

The fair value of the investment in unlisted property companies is determined with reference to the fair value of the underlying property as detailed above.

Investments in property funds are valued by revaluation of the underlying property(ies) using the same inputs as the above.

4. INVESTMENTS continued

4.5 Interest in associates/joint ventures and subsidiaries (subsidiaries at company level)

	GROUP		GROUP							
	Joint ventures		Associates							
	Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	FSG	Bongwe	African Life Financial Services (Zambia) Limited	Aflife Holdings Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Total
2022										
Carrying amount (P'000)	16 366	148 075	28 265	99 988	7 726	110 186	(38 287)	250 070	1 408 010	2 030 400
Interest in issued share capital										
Shareholders' fund (%)	50,00	50,00	20,00	37,62	33,00	49,00	49,00	25,10	27,91	
Share of earnings after tax for the current year (P'000)	3 293	25 387	1 000	12 593	2 776	31 193	(9 280)	57 277	112 435	236 674
Foreign currency translation differences	–	–	–	2 086	–	(5 851)	–	(28 008)	17 822	(13 951)
Change in reserves in associates and other comprehensive income	4 618	–	–	–	–	7 019	(23 702)	–	(3 112)	(15 177)
Distributions received (P'000)	(2 870)	(22 234)	–	(25 009)	(1 326)	–	–	(5 833)	(92 572)	(149 844)
Total assets and liabilities of the joint ventures and associates (P'000)										
Non-current assets	1 312	187 336	100 181	222 955	82 698	31 909	43 554	161 032	685 208	1 516 185
Current financial assets excluding cash and cash equivalents	11 832	97 967	30 401	41 039	56 679	62 691	3 876	22 673	14 510 539	14 837 697
Cash and cash equivalents	10 147	78 243	2 183	88 534	6 000	2 431	2 043	81 907	1 713 872	1 985 360
Non-current financial liabilities excluding trade and other payables	–	(16 705)	(2 755)	(15 066)	(21 191)	(396)	18	(34 479)	(9 584 126)	(9 674 700)
Current financial liabilities excluding trade and other payables and provisions	(9 041)	(73 069)	(1 055)	(7 355)	(46 433)	–	–	–	(68 426)	(205 379)
Current liabilities including trade and other provisions	(2 436)	(18 677)	(28 375)	(40 645)	(11 954)	(12 951)	(8 682)	(23 639)	(1 597 894)	(1 745 253)
Shareholders' equity	11 814	255 095	100 580	289 462	65 799	83 684	40 809	207 494	5 659 173	6 713 910
Carrying amount (P'000)	148 075	28 265	28 265	99 988	7 726	110 186	(38 287)	250 070	1 408 010	2 030 400
Calculated carrying value	127 548	20 116	20 116	108 809	21 714	41 005	19 997	52 081	1 579 475	1 976 652
Effects of fair value adjustments and goodwill at initial recognition	20 527	8 149	8 149	(8 821)	(13 988)	69 181	(58 284)	197 989	(171 465)	53 748
Summarised statement of profit or loss of the joint ventures and associates (P'000)										
Revenue	29 670	303 267	92 498	251 891	20 234	83 892	11 297	1 625 473	2 145 366	4 563 589
Interest income	201	8 084	1 854	5 934	11 207	14 293	289	416 258	–	458 120
Cost of sales	–	–	(7 038)	(36 684)	(14 308)	–	–	(13 727)	–	(71 757)
Administration expenses excluding depreciation and amortisation	(21 047)	(249 390)	(65 203)	(101 096)	(1 636)	(24 855)	(18 657)	(916 974)	(1 436 112)	(2 834 970)
Depreciation and amortisation	(106)	–	(5 330)	(13 699)	–	(3 520)	–	–	–	(22 655)
Finance costs including interest expense	–	–	–	(637)	(4 854)	–	–	(9 002)	92 002	77 509
Profit/loss before tax	8 718	61 961	16 781	105 709	10 643	69 811	(7 071)	1 102 028	801 256	2 164 962
Share of loss of joint ventures	–	–	–	(185)	–	–	–	–	–	(185)
Income tax expense	(2 133)	(2 430)	(2 861)	(33 692)	(2 231)	(2 500)	(11 869)	(580 493)	(332 311)	(970 520)
Profit/loss for the year (continuing operations)	6 585	59 531	13 920	71 832	8 412	67 311	(18 940)	521 535	468 945	1 199 131
Group's share of profit/loss for the year	3 293	25 387	1 000	12 593	2 776	31 193	(9 280)	57 277	112 435	236 674

The statement of financial position and the statement of comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

4. INVESTMENTS continued

4.5 Interest in associates/joint ventures and subsidiaries (subsidiaries at company level) continued

	GROUP		GROUP							
	Joint ventures		Associates							
	Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	FSG	Bongwe	African Life Financial Services (Zambia) Limited	Aflife Holdings Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Total
2021										
Carrying amount (P'000)	11 325	144 922	27 265	110 318	6 276	77 825	(5 304)	226 634	1 373 437	1 972 698
Interest in issued share capital										
Shareholders' fund (%)	50,00	50,00	20,00	37,62	33,00	49,00	49,00	25,10	28,05	
Share of earnings after tax for the current year (P'000)	3 531	22 669	(687)	37 732	(121)	8 247	2 379	43 983	187 600	305 333
Foreign currency translation differences	–	–	–	2 194	–	29 383	–	913	92 640	125 130
Change in reserves in associates	(991)	–	–	1 477	–	(25 321)	(8 247)	–	8 627	(24 455)
(Disposal)/additional investment in associates, joint ventures and subsidiaries	–	–	–	–	–	–	–	–	–	–
Distributions received (P'000)	(3 055)	(19 550)	–	(24 998)	(704)	–	–	(5 828)	(93 169)	(147 304)
Total assets and liabilities of the joint ventures and associates (P'000)										
Non-current assets	1 154	218 299	115 340	229 408	88 818	70 040	62 397	229 758	465 081	1 480 295
Current financial assets excluding cash and cash equivalents	9 646	114 376	12 439	44 791	5 476	57 723	133	7 138	13 321 364	13 573 086
Cash and cash equivalents	12 051	95 916	20 131	101 800	17 249	3 474	157	53 026	2 272 996	2 576 800
Non-current financial liabilities excluding trade and other payables	–	(8 761)	(8 357)	(14 254)	(92 392)	(2 014)	(18 699)	(41 544)	(8 682 690)	(8 868 711)
Current financial liabilities excluding trade and other payables and provisions	(16 526)	(84 660)	(1 175)	(10 084)	(7 574)	(5 405)	(14 113)	–	(904 889)	(1 044 426)
Current liabilities	(1 067)	(32 346)	(20 921)	(42 237)	(2 034)	(21 569)	(9 007)	(16 370)	(965 860)	(1 111 411)
Shareholder' equity	5 258	302 824	117 457	309 424	9 543	102 249	20 868	231 711	5 506 002	6 605 633
Carrying amount (P'000)	11 325	144 922	44 434	108 906	6 276	57 942	(5 304)	226 634	1 374 012	1 969 146
Calculated carrying value	2 629	151 412	23 491	116 312	3 149	50 102	10 225	58 159	1 544 434	1 959 913
Effects of fair value adjustments and goodwill at initial recognition	8 696	(6 490)	20 943	(7 406)	3 127	7 840	(15 529)	168 475	(170 422)	9 233
Summarised statement of profit or loss of the joint ventures and associates (P'000)										
Revenue	28 077	283 705	92 498	292 376	5 411	81 654	16 922	1 625 473	2 346 758	4 770 611
Interest income	125	10 211	1 854	4 456	8 366	7 623	10 087	416 258	–	456 369
Cost of sales	–	–	(7 038)	(48 602)	(4 919)	–	–	(13 727)	–	(74 286)
Administration expenses excluding depreciation and amortisation	(18 658)	(239 748)	(65 203)	(93 744)	(1 621)	64	–	(916 974)	(1 201 320)	(2 537 204)
Depreciation and amortisation	(232)	–	(5 330)	(13 735)	–	(3 903)	–	–	–	(23 200)
Finance costs including interest expense	–	–	–	(779)	(7 368)	–	–	(9 002)	1 306	(15 843)
Profit/loss before tax	9 312	54 168	16 781	139 972	(131)	85 438	27 009	1 102 028	1 146 744	2 576 447
Share of loss of joint ventures	–	–	–	(523)	–	–	–	–	–	(523)
Income tax expense	(2 249)	(8 829)	(2 861)	(39 146)	(238)	(14 407)	–	(580 493)	(417 243)	(1 065 466)
Profit/loss for the year (continuing operations)	7 063	45 339	13 920	100 303	(369)	71 031	27 009	521 535	729 501	1 510 458
Group's share of profit/loss for the year	3 531	22 669	(687)	37 732	(121)	8 247	2 379	43 983	187 600	305 333

The statement of financial position and the statement of comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

4. INVESTMENTS continued

4.5 Interest in associates/joint ventures and subsidiaries (subsidiaries at company level) continued

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Carrying amounts at the beginning of the year	1 972 698	1 713 994	357 126	379 569
Share of results after tax	236 674	305 333	–	–
Impairment of a subsidiary*	–	–	(2 782)	(22 443)
Dividend received	(149 844)	(147 304)	–	–
Reclassified to held for sale***	(99 988)	–	–	–
Change in reserves in associates**	(15 177)	(24 455)	–	–
Foreign currency translation differences	(13 951)	125 130	–	–
Carrying amount at the end of the year	1 930 412	1 972 698	354 344	357 126

* *The carrying amount of the investment in the BIHL share scheme exceeded the net asset value of the share scheme by P2,8 million. BIHL company owns 100% of the Share Scheme Trust and the shares in the Trust are listed shares of the parent on the BSE. The impairment arose as a result of losses incurred in the current year. Management have determined the recoverable amount of the share scheme to be P12 million which is the net asset value. The net asset value approximates the fair value of the share scheme.*

** *Contained in this amount is the group's share of share-based payment and revaluation from its associates.*

*** *Refer to note 4.6 for held for sale assets.*

The group, through its 100% owned subsidiary, Bifm Holdings, has a 50% interest in Khumo Property Asset Management, a jointly controlled entity involved in property management. The group's interest in Khumo Property Asset Management is accounted for using the equity method in the consolidated annual financial statements. The year-end for the jointly controlled entity is 31 October. The previous table illustrates the summarised financial information of the joint venture, based on its IFRS financial statements, and the reconciliation with the carrying amount of the investment in the consolidated annual financial statements.

The group, through its 100% owned subsidiary, Bifm Holdings, has invested in associates being Bongwe and African Life Financial Services (Zambia) Limited and Aflife Holdings Zambia Limited. The previous table shows the group's percentage shareholding and total summarised financial interest.

The group, through its 100% owned subsidiary, Bifm Holdings Limited, has a 49% interest in African Life Financial Services (Zambia) Limited. African Life Financial Services (Zambia) Limited is based in Zambia. The entity is involved in the provision of asset management and employee benefits administration. The group's interest in African Life Financial Services (Zambia) Limited is accounted for using the equity method in the consolidated annual financial statements. The entity is strategic to the group's activities.

The group, through its 62,9% owned subsidiary, KYS, has a 20% interest in The Minor Hotel Group Gaborone Proprietary limited.

The group, through its 100% owned subsidiary, Botswana Life, has a 27,91% (2021: 28,05%) interest in Letshego Holdings Limited (LHL), which is involved in the provision of short- to medium-term secured and unsecured loans in the public, quasi-public and private sectors. The company is incorporated in Botswana and has subsidiaries in various countries in Africa. LHL is a public company listed on the BSE. The group's interest in LHL is accounted for using the equity method in the consolidated annual financial statements. The entity is strategic to the group's activities. The table above illustrates the summarised financial information of the group's investment in LHL.

The company has a 25,1% interest in NICO. The latter group operates in Malawi, Tanzania, Uganda, Zambia and Mozambique and approximately 70% of NICO operations remain in Malawi. NICO operates its business through six segments which are general insurance business, life insurance and pensions business, banking business, asset management, information technology and investment holding. It is also involved in the hospitality industry and real estate industry as portfolio investments through some of its subsidiaries and associate companies. The company is incorporated in Malawi and it is a public company listed on the Malawi Stock Exchange. The group's interest in NICO is accounted for using the equity method in the consolidated annual financial statements, while in the company's annual financial statements it is accounted for at cost. The entity is strategic to the group's activities.

4. INVESTMENTS continued

4.5 Interest in associates/joint ventures and subsidiaries (subsidiaries at company level) continued

The group, through its 100% owned subsidiary, Botswana Life, owns 37,62% (2021: 37,62%) of FSG. FSG is involved in the manufacturing and distribution of coffins and caskets, providing funeral services and establishing and managing private cemeteries. The company is incorporated in Botswana and has subsidiaries in Zambia and South Africa. Until 3 December 2015, FSG was a public company listed on the BSE. The group's interest in FSG was accounted for using the equity method in the consolidated financial statements up to 30 June 2022 (the date it met the requirements to be classified as held for sale; refer to note 4.6).

The fair value of LHL was P1,509 million (2021: P1,434 million). The recoverable amount was determined based on a fair value calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the current economic conditions the business operates in. The pre-tax discount rate applied to cash flow projections is 16,7% (2021: 16,5%), and cash flows beyond the five-year period are extrapolated using a 7,2% growth rate (2021: 9,0%). It was concluded that the fair value less costs of disposal exceeded the carrying value. As a result of this analysis, management has recognised an impairment charge of Pnil in the current year (2021: Pnil) and foreign currency translation gains of P18 million (2021: P92 million).

The fair value of NICO was P348 million (2021: P232 million). The recoverable amount was determined based on a fair value calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services for NICO Life and increased performance for NBS Bank. The pre-tax discount rate applied to cash flow projections is 33% (2021: 33%), and cash flows beyond the five-year period are extrapolated using a 19,5% growth rate (2021: 19,5%) that is the same as the long-term average growth rate for the insurance industry. It was concluded that the fair value less costs of disposal exceeded the carrying value. As a result of this analysis, management has recognised an impairment charge of Pnil in the current year (2021: Pnil) and foreign currency translation gains of P28 million (2021: -P0,913 million) have been recognised.

The company has joint control in a company called Teledimo Proprietary Limited, which holds a 100% investment in a short-term insurance company, Botswana Insurance Company Limited (BIC) and a 66% investment in GrandRe Holdings (a private company incorporated in Botswana). Teledimo is a non-operating holding company and only has two investments i.e. the investment in BIC and GrandRe Holdings. BIC is incorporated in Botswana, is a private company and owns 100% of BIHL Insurance Limited (t/a Legal Guard). The group's interest in Teledimo is accounted for as a joint venture using the equity method in the consolidated annual financial statements while in the company's annual financial statements, it is accounted for at cost.

FSG

The group, through its subsidiary Botswana Life, entered into an agreement with ALCF I Investment II Proprietary Limited, a company incorporated in accordance with the laws of Botswana, to sell its 37,62% equity stake in FSG. As announced to the shareholders on 5 August 2022 and 23 August 2022, the key term of the agreement is that BIHL will receive a cash consideration of P250 million once all the necessary approvals have been concluded. The transaction was executed by way of an auction process to establish a market price and to maximise value for BIHL's shareholders. As at 31 December 2022, the transaction was not yet concluded pending regulatory approvals, hence classified as held for sale. The fair value less costs to sell was assessed on 30 June 2022 and was higher than the carrying amount, therefore there was no impairment recognised. The asset met all the requirements of classification as held for sale on 30 June 2022.

Carrying amount

	2022 P'000
Carrying amounts at the beginning of the year	110 318
Share of results after tax	12 593
Dividend received	(25 009)
Foreign currency translation differences	2 086
Carrying amount at the end of the year	99 988

The share of results after tax, dividend received and foreign currency translation reserve represent the group's share in the associate for the period up to 30 June 2022 (the date that the group ceased equity accounting for the associate). The dividend (P15 million) received after 30 June 2022 was recognised in the income statement.

4. INVESTMENTS continued

4.6 Non-current assets held for sale

Fair value less cost to sell as at 31 December 2022

	2022 P'000
Fair value (sales consideration)	250 000
Cost to sell	(8 345)
Fair value less cost to sell	**241 655**

5. INSURANCE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Insurance receivables				
Due from policyholders, agents and brokers	118 852	106 399	–	–
Due from reinsurers	34 246	68 715	–	–
Impairment allowances	(2 716)	(3 253)	–	–
	150 382	171 861	–	–
Other receivables	248 255	138 979	311	443
Impairment allowances	(38 835)	(33 368)	–	–
	209 420	105 611	311	443
Insurance and other receivables	359 802	277 472	311	443

Insurance receivables consist of outstanding premiums and amounts due from reinsurers. Premiums for group policies are generally collectable over a maximum period of 45 days. Individual life premiums are collectible in 30 days and reinsurance claims every quarter (90 days). 'Other amounts receivable' include staff advances, agents and brokers advances as well as prepaid expenses.

The ageing analysis of these receivables is as analysed below.

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Impaired	41 551	36 621	–	–
Neither past due nor impaired	211 462	112 649	311	443
Past due but not impaired	148 340	164 823	–	–
Less than 30 days	76 793	111 753	–	–
30 – 60 days	29 953	25 483	–	–
61 – 90 days	38 451	23 922	–	–
Over 90 days	3 143	3 665	–	–
	359 802	277 472	311	443

The carrying values of insurance and other receivables are reasonable approximations of their fair values due to the short-term nature thereof. Refer to note 24.6 for the impairment considerations.

5. INSURANCE AND OTHER RECEIVABLES continued

Impairment movement

As at 31 December 2022, outstanding premiums with a nominal value of P2,7 million (2021: P3,3 million) were impaired and additionally provided for. Movement in the impairment provision was as follows:

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
As at 1 January	3 253	11 782	–	–
Provision reversed	(2 692)	(8 529)	–	–
Provision raised	2 155	–	–	–
As at 31 December	2 716	3 253	–	–

Other amounts receivable include trade and other receivables, agents and brokers advance. Other amounts receivable are stated after an impairment provision of P38,8 million as at 31 December 2022 (2021: P33,4 million).

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
As at 1 January	33 368	30 558	–	–
Provision raised	5 467	2 810	–	–
As at 31 December	38 835	33 368	–	–

6. STATED CAPITAL

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Authorised shares (number)	282 370 652	282 370 652	282 370 652	282 370 652
Ordinary shares issued and fully paid 282 370 652 (2021: 282 370 652) ordinary shares at no par value	154 936	154 936	154 936	154 936

7. NON-DISTRIBUTABLE RESERVES

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Foreign currency translation reserve	(81 810)	(206 940)	–	–
Opening balance	(13 951)	125 130	–	–
Movement for the year	(95 761)	(81 810)	–	–
Balance at the end of the year				
Consolidation reserve				
Opening balance	(37 065)	(40 155)	–	–
Cost of shares disposed/(purchased)	1 121	3 090	–	–
Balance at the end of the year	(35 944)	(37 065)	–	–

A consolidation reserve is created for the effect of treasury shares, which represents BIHL shares purchased and held within the group, but are supporting policyholder liabilities which are measured at fair value. The cost of treasury shares is deducted from equity through a separate reserve account called a treasury share reserve. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve, which is a capital reserve. The reserve represents a temporary mismatch in that the reserve will reverse when the affected investments are realised through sale to parties external to the group.

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
BIHL shares held by policyholders				
Number of shares held as at 31 December	2 208	2 273	–	–
	2 208	2 273	–	–
Market price per share (Pula)	17,71	17,50	–	–
Non-distributable reserves				
Treasury shares				
Opening balance	(71 658)	(71 660)	–	–
Cost of treasury shares (purchased)/disposed	(4)	2	–	–
Balance at the end of the year	(71 662)	(71 658)	–	–
Share-based payment reserve				
Opening balance	104 350	100 365	35 434	31 449
Expense arising from equity-settled share-based payment transactions	5 215	3 985	5 215	3 985
Balance at the end of the year	109 565	104 350	40 649	35 434
Capital reserve account				
Opening balance	481 899	462 357	–	–
Transfer to retained earnings	(33 948)	19 542	–	–
Balance at the end of the year	447 951	481 899	–	–

7. NON-DISTRIBUTABLE RESERVES continued

Insurance Industry Regulation of 2020 states that a long-term insurer and reinsurer shall maintain a minimum capital which shall be the higher of P10 million or an amount representing 25% of operating expenses as defined and reported in the annual return, estimated for the following year. This reserve can be utilised at a minimum of once every five years to increase the paid up stated capital of the company. For the year ended 31 December 2022, 25% of the operating expenses of Botswana Life amounts to P211 million (2021: P195 million). At year-end, the group therefore held statutory capital reserves of at least 2,12 times the required capital levels based on IPR3L: Prescribed Capital Target.

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Total non-distributable reserves	354 149	395 716	40 649	35 434

8. LONG-TERM POLICYHOLDER LIABILITIES

8.1 Analysis of movement in long-term policyholder liabilities

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Income	3 343 387	2 834 024	–	–
Premium income	3 010 585	3 084 928	–	–
Investment return	332 802	(250 904)	–	–
Outflow	(3 275 933)	(3 237 354)	–	–
Policy benefits	(2 056 610)	(2 462 420)	–	–
Fees, risk premiums and other payments to shareholders' fund	(1 219 323)	(774 934)	–	–
Net movement for the year	67 454	(403 330)	–	–
Balance at the beginning of the year	10 444 306	10 847 636	–	–
Balance at the end of the year	10 511 760	10 444 306	–	–
Total policyholder liabilities	10 511 760	10 444 306	–	–

8.2 Composition of long-term policyholder liabilities

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Individual business	9 933 915	9 843 807	–	–
Linked and market-linked liabilities	2 889 450	2 984 460	–	–
Bonus stabilisation reserve	10 017	14 314	–	–
Individual stable bonus and market-related business	25 916	25 702	–	–
Non-participating annuities	6 794 721	6 580 825	–	–
Annuities – participating	213 811	238 506	–	–
Employee benefits business	(30 206)	(7 553)	–	
Non-participating risk business	(30 206)	(7 553)	–	–
Unearned premium reserve	608 052	608 052	–	–
Total policyholder liabilities	10 511 760	10 444 306	–	–

8. LONG-TERM POLICYHOLDER LIABILITIES continued

8.3 Maturity analysis of long-term policyholder liabilities

	<1 year P'000	1 – 5 years P'000	>5 years P'000	Open ended P'000	Total P'000
2022					
Maturity analysis of long-term policyholder liabilities					
Linked and market-related liabilities	**147 744**	**582 113**	**2 123 102**	**–**	**2 852 959**
Stable bonus fund	**2 286**	**3 316**	**4 415**	**–**	**10 017**
Guaranteed business	**16 498**	**174**	**9 270**	**–**	**25 942**
Non-participating annuities	**1 444**	**25 009**	**15 671 516**	**–**	**15 697 970**
Annuities – participating	**–**	**–**	**–**	**43 096**	**43 096**
Non-participating risk business	**18 826**	**215 250**	**1 582 340**	**–**	**1 816 416**
Total	**186 797**	**825 863**	**19 390 643**	**43 096**	**20 446 399**
2021					
Maturity analysis of long-term policyholder liabilities					
Linked and market-related liabilities	148 134	627 763	2 208 563	–	2 984 460
Stable bonus fund	2 563	5 845	5 906	–	14 314
Guaranteed business	17 265	2 355	6 082	–	25 702
Non-participating annuities	1 346	18 821	6 560 658	–	6 580 825
Annuities – participating	–	–	–	238 506	238 506
Non-participating risk business	70 479	196 025	333 995	–	600 499
Total	239 787	850 809	9 115 204	238 506	10 444 306

The above table shows the maturity of our policyholder liabilities by remaining duration. For insurance business, the liability is split by remaining duration in proportion to the cash flows expected to arise during that period, as permitted under IFRS 4 *Insurance Contracts*. The majority of linked business may be surrendered or transferred on demand. For such contracts, the earliest contractual maturity date is therefore the current statement of financial position date, for a surrender amount approximately equal to the current statement of financial position liability. However, we expect surrenders, transfers and maturities to occur over many years, and therefore the tables above reflect the expected cash flows for these contracts, rather than their contractual maturity date.

8.4 Policy liabilities include the following:

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Asset mismatch reserve	**213 811**	238 506	**–**	–

Asset mismatch reserve refers to the reserve held to cushion against losses that may occur due to movement in interest rates as the value of liabilities does not move in line with the value of assets backing those liabilities.

8. LONG-TERM POLICYHOLDER LIABILITIES continued

8.5 Reinsurance assets

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Balance at the beginning of the year	**10 855**	9 259	**–**	–
New business IBNR and unearned premium reserve raised	**63**	480	**–**	–
In-force unearned premium reserve and IBNR release	**(7 661)**	(6 578)	**–**	–
In-force unearned premium reserve and IBNR raised	**4 298**	7 694	**–**	–
Balance at the end of the year	**7 555**	10 855	**–**	–
Maturity analysis				
Due within one year	**6 304**	9 452		
Due within two to five years	**1 251**	1 403		
	7 555	10 855		

8.6 Movement in life insurance contract liability

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Change in policyholder liabilities under insurance contracts	**67 454**	(403 330)	**–**	–
Change in contract liabilities ceded to reinsurers	**(3 300)**	1 596	**–**	–
Movement in the income statement	**64 154**	(401 734)	**–**	–

8.7 Derivatives instrument

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Foreign exchange swap transaction	**37 259**	42 366	**–**	–
Reconciliation of movement during the year				
Balance at 1 January	**42 366**	2 400	**–**	–
Fair value adjustment	**(5 107)**	39 966	**–**	–
Closing balance at 31 December	**37 259**	42 366	**–**	–

This transaction was entered into between BIHL Group and African Life Assurance Company Botswana Proprietary Limited (ALBOTS), a wholly-owned subsidiary of Sanlam, whose sole asset and source of revenue is a 17% shareholding in BIHL. ALBOTS, which receives periodic dividends and converts the same to South African Rand, wished to swap these cash flows to mitigate against currency movements. The group (through the Botswana Life annuity portfolio), wished to gain exposure to long-dated bonds, however, given the shortage of such in Botswana, resolved to gain similar exposure synthetically. The parties then entered into a swap which saw BIHL Group, through Botswana Life, purchasing a long-dated South African Government bond and swapping the South African Rand coupons received from the note for Pula. ALBOTS swapped its Pula dividends for South African Rand and thus each party obtained exposure to their desired currency. This resulted in a synthetic Pula bond exposure for BIHL Group, which is valued in the same way all the other bonds in the annuity book are valued – via the Botswana zero curve. The South African Rand bond's value is taken to be the bond's market value at every valuation date.

The positions are valued monthly and the difference between the two is the swap contract's value at valuation date. No cash flow exchanged hands during the life of the contract (i.e. the swap value becomes unrealised gains or losses in the book).

9. EXTERNAL INVESTORS IN CONSOLIDATED FUNDS

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Balance at the beginning of the year	3 635 183	2 519 241	–	–
Fair value losses	36 538	(23 007)	–	–
Net investment return	245 282	372 202	–	–
Net funds inflow/(outflows)	(297 730)	766 747	–	–
Balance at the end of the year	3 619 273	3 635 183	–	–
Segregated funds accounted for off the statement of financial position	29 172 552	26 940 905	–	–

Net investment return comprises interest income on financial assets at fair value through profit or loss, rental income and dividend income.

Segregated funds are excluded from investments and liabilities under investment management contracts on the statement of financial position. The assets are kept on behalf of the investors and are not assets of the group. The assets are managed by the asset management company (Bifm).

10. NON-CONTROLLING INTERESTS

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Balance at the beginning of the year	18 728	25 228	–	–
Share of profit	6 224	4 715	–	–
Dividend payment	(2 524)	(11 215)	–	–
Balance at the end of the year	22 428	18 728	–	–

10.1 Proportion of equity interest held by non-controlling interests

Name	Country of incorporation and operations	2022 %	2021 %
KYS Investments Proprietary Limited	Botswana	37	37
Bifm CEE	Botswana	11	11
PPB	Botswana	26	26

10. NON-CONTROLLING INTERESTS continued

10.1 Proportion of equity interest held by non-controlling interests continued

	2022 P'000	2021 P'000
Accumulated balances of material non-controlling interest		
KYS Investments Proprietary Limited	16 010	15 690
Bifm CEE	6 375	2 995
PPB	43	43
	22 428	18 728
Profit/(loss) allocated to material non-controlling interest		
KYS	320	(294)
Bifm	6 621	5 009
	6 941	4 715

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	Bifm P'000	KYS P'000	PPB P'000
Summarised profit or loss for 2022			
Revenue	232 796	1 204	–
Administrative expenses	(74 237)	(342)	–
Profit before tax	158 559	862	–
Income tax	(28 789)	–	–
Profit for the year from continuing operations	129 770	862	–
Total comprehensive income	129 770	862	–
Attributable to non-controlling interests	6 621	320	–
Dividends paid to non-controlling interests	(2 524)	–	–
Summarised profit or loss for 2021			
Revenue	141 620	(652)	–
Administrative expenses	(67 093)	(141)	–
Profit before tax	74 527	(793)	–
Income tax	(18 885)	–	–
Profit for the year from continuing operations	55 642	(793)	–
Total comprehensive income	55 642	(793)	–
Attributable to non-controlling interests	5 009	(294)	–
Dividends paid to non-controlling interests	(11 058)	–	–

10. NON-CONTROLLING INTERESTS continued

10.1 Proportion of equity interest held by non-controlling interests continued

	Bifm P'000	KYS P'000	PPB P'000
Summarised statement of financial position as at 31 December 2022			
Trade receivables and cash and bank balances (current)	106 989	1 236	2 544
Property and equipment and other non-current financial assets (non-current)	6 641 954	34 112	–
Trade and other payables (current)	(33 983)	913	(2 377)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(6 628)	–	–
Total equity	6 708 332	36 261	167
Attributable to:			
Equity holders of the parent	6 701 957	20 251	124
Non-controlling interests	6 375	16 010	43
Summarised statement of financial position as at 31 December 2021			
Trade receivables and cash and bank balances (current)	129 965	2 569	2 544
Property, plant and equipment and other non-current financial assets (non-current)	6 498 152	31 922	–
Trade and other payables (current)	(31 636)	918	(2 377)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(15 344)	–	–
Total equity	6 581 137	35 409	167
Attributable to:			
Equity holders of the parent	6 578 142	19 676	124
Non-controlling interests	2 995	15 733	43

	Bifm P'000	KYS P'000	PPB P'000
Summarised cash flow information for the year ended 31 December 2022			
Operating	14 905	280	–
Investing	(23 960)	–	–
Financing	(1 412)	–	–
Net increase/(decrease) in cash and cash equivalents	(10 467)	280	–
Summarised cash flow information for the year ended 31 December 2021			
Operating	5 861	(1 115)	–
Investing	3 486	–	–
Financing	(1 319)	–	–
Net increase/(decrease) in cash and cash equivalents	8 028	(1 115)	–

11. DEFERRED TAX

Deferred tax included in the statement of financial position and changes recorded in the income tax expense are as follows:

	GROUP			
	Deferred tax 2022 P'000	Profit or loss 2022 P'000	Deferred tax 2021 P'000	Profit or loss 2021 P'000
Balance at the beginning of the year	(23 780)	–	(19 521)	–
Charge to the income statement	23 183	–	(4 259)	(4 259)
Reallocation of tax	2 613	–	–	–
Balance at the end of the year	2 016	–	(23 780)	(4 259)
Representing:				
Accelerated depreciation for tax purposes	13 690	8 244	5 446	1 242
Unrealised gains on shareholders' investments	(14 922)	(38 208)	23 286	4 540
SPA (Sanlam Pan Africa) recharges deferred tax	(528)	(207)	(321)	–
Right-of-use assets IFRS 16	(256)	4 375	(4 631)	(1 524)

No deferred tax asset was recognised in the holding company due to the assessable tax losses amounting to P9 million (2021: P8 million). There is uncertainty when taxable profits will be available against which the deferred tax asset can be utilised.

12. INSURANCE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Insurance payables	68 439	57 631	–	–
Due to agents and brokers	20 450	16 940	–	–
Due to reinsurers	320 327	264 053	–	–
Life insurance claims payable	91 824	91 206	–	–
Premiums received in advance				
Other payables	249 478	186 757	28 775	23 534
Other accounts payable	750 518	616 587	28 775	23 534

Terms and conditions of the above financial liabilities are:

Trade payables are non-interest-bearing insurance-related liabilities and their terms and conditions are as follows:

- Insurance claims are settled within 30 days
- Reassurance payable is settled within 90 days
- Due to agents and brokers – these are intermediary retention balances held on behalf of brokers and agents and are released on the anniversary of the policy
- Short-term insurance payables are settled within 30 days.

Other payables relate to payroll accruals – leave pay, bonuses and gratuities.

13. PREMIUM REVENUE

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Life insurance				
Individual life	2 192 982	2 139 293	–	–
Gross premium	2 236 548	2 175 031	–	–
– Recurring premium	1 475 743	1 448 416	–	–
– Single	760 805	726 615	–	–
Premium ceded to reinsurers	(43 566)	(35 738)	–	–
Group and employee benefits	817 603	945 635	–	–
Gross premium	856 705	964 192	–	–
– Recurring premium	310 941	317 443	–	–
– Single	545 764	646 749	–	–
Premium ceded to reinsurers	(39 102)	(18 557)	–	–
Total	3 010 585	3 084 928	–	–

13.1 Revenue from contracts with customers

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Fee income	138 753	127 760	–	–
	138 753	127 760	–	–

14. INVESTMENT RETURNS

14.1 Shareholders' interest income

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Interest income using EIR	4 127	4 467	1 091	1 568
	4 127	4 467	1 091	1 568

14.2 Interest income on financial assets at fair value through profit or loss

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Shareholders' interest income	45 647	19 342	–	–
	45 647	19 342	–	–
Policyholders' interest income				
Policyholder insurance contracts	655 962	659 074	–	–
Policyholder investment contracts	245 279	372 199	–	–
	901 241	1 031 273	–	–
Total interest income	946 888	1 050 615	–	–

14. INVESTMENT RETURNS continued

14.3 Investment income

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Shareholders' investment income				
Rental income on investment properties	12 580	20 708	–	–
Other income	–	–	1 466	1 682
Dividends	24 632	1 153	482 646	205 773
	37 212	21 861	484 112	207 455
Policyholders' investment income				
Policyholder insurance contracts				
Rental income on investment properties	25 790	25 269	–	–
Dividends	46 159	27 019	–	–
	71 949	52 288	–	–
Policyholder investment contracts				
Dividends	–	–	–	–
	–	–	–	–
Total policyholder's investment income	71 949	47 589	–	–
Total investment income	109 161	69 450	484 112	207 455

14.4 Net losses from financial assets held at fair value through profit or loss

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Shareholders' net losses from financial assets held at fair value through profit or loss				
Fair value losses on investments	(28 099)	(8 452)	–	–
Foreign exchange gains	69 420	513	–	–
	41 321	(7 939)	–	–
Policyholders' net gains from financial assets held at fair value through profit or loss				
Insurance contracts				
Fair value (loss)/gains on investments	(502 684)	(936 641)	–	–
Foreign exchange gains/(losses)	107 575	11 888	–	–
	(395 109)	(924 753)	–	–
Investment contracts				
Fair value (losses)/gains on investments	36 538	(23 007)	–	–
	36 538	(23 007)	–	–
Total policyholder net (losses)/gains from financial assets held at fair value through profit or loss	(358 571)	(947 760)	–	–
Total net losses from financial assets held at fair value through profit or loss	(317 250)	(955 699)	–	–

15. NET INSURANCE BENEFITS AND CLAIMS

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Individual life				
Death and disability claims	198 094	374 989	–	–
Maturity claims	357 161	285 680	–	–
Policy surrenders	198 450	226 697	–	–
Annuities	698 246	655 389	–	–
Reinsurance share on death and disability claims	(24 953)	(94 984)	–	–
Total individual life	1 426 998	1 447 771	–	–
Group and employee benefits				
Death and disability claims	381 018	693 371	–	–
Policy surrenders	223 641	226 294	–	–
Reinsurance share on death and disability claims	(25 945)	(37 010)	–	–
Total group and employee benefits	578 714	882 655	–	–
Total net insurance benefits and claims	2 005 712	2 330 426	–	–

16. ADMINISTRATION EXPENSES AND IMPAIRMENTS

16.1 Administration expenses include:

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Auditor's remuneration				
– Audit fee current period	5 175	4 461	574	535
Depreciation of property and equipment	16 726	12 453	837	779
Amortisation of intangible assets	11 080	10 509	248	247
Depreciation of right-of-use asset	6 481	5 216	1 734	1 582
Directors' fees				
– For services as directors	5 065	4 643	2 878	3 033
– For managerial services	21 821	23 291	8 605	10 313
– Pension contribution	2 037	1 956	840	808
Staff costs	196 740	168 985	37 167	28 581
Salaries and wages for administration staff	161 374	139 566	28 644	22 974
Pension costs	19 294	18 321	3 308	1 622
Share-based payment	16 071	11 098	5 215	3 985
Investment management fees	39 437	37 513	–	–
Average number of employees	397	382	25	25

16. ADMINISTRATION EXPENSES AND IMPAIRMENTS continued

16.2 Impairments

	Note	GROUP		COMPANY	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000
Impairment expense of investment in subsidiaries and associates	4.5	–	–	(2 782)	(22 443)
Impairment of loan at amortised cost	4.3	(2 391)	(779)	–	–
Impairment of premiums receivable		2 155	–	–	–
ECLs on brokers' and agents' loans		5 467	2 810	–	–
		5 231	2 031	(2 782)	(22 443)

17. TAXATION

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Current tax	(132 651)	(55 153)	–	–
Deferred tax	23 183	(4 259)	–	–
Withholding tax on dividends	(34 780)	(24 089)	(20 555)	(13 223)
Capital gains tax	–	(385)	–	–
Tax charge	(144 248)	(83 886)	(20 555)	(13 223)
Tax reconciliation				
Reconciliation between tax expense and accounting profit at the standard tax rate				
Profit before tax	758 766	476 623	431 436	129 019
Tax calculated at a tax rate of 22%	166 929	104 857	94 916	28 384
Expenses not deductible for tax	8 320	8 811	11 829	17 601
Income not subject to income tax	(65 780)	(54 256)	(106 745)	(45 985)
Tax on dividends	34 780	24 089	20 555	13 223
Capital gains tax	–	385	–	–
Tax charge	144 248	83 886	20 555	13 223
Effective tax rate (%)	19	18	5	10

Income not subject to income tax includes dividends from subsidiaries and associates. Expenses not deductible relate to head office expenses incurred in the generation of non-taxable income. The holding company had assessable losses amounting to P9 million (2021: P8 million). In terms of Botswana tax laws, the amounts can be carried for a period not exceeding five years.

17.1 Tax paid

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Opening balance	3 441	31 736	(116)	(382)
Tax charge	167 431	79 627	20 555	13 223
Withholding tax paid at source	(34 780)	(24 089)	(19 680)	(12 933)
Closing balance	(26 246)	(3 441)	271	116
Tax paid	109 846	83 833	1 030	24

18. EARNINGS PER SHARE (GROUP ONLY)

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2022 P'000	2021 P'000
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	608 294	388 022
Number of shares in issue	282 371	282 371
Staff share scheme and treasury shares	(2 463)	(4 705)
Weighted average number of shares used for calculating basic earnings per share	279 908	277 665
Weighted number of dilutive options	(2 463)	(4 705)
Weighted average number of shares used for calculating diluted earnings per share	277 445	272 960
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
– basic	217	140
– diluted	217	140

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these annual financial statements.

19. DIVIDENDS PER SHARE PAID AND PROPOSED (GROSS OF WITHHOLDING TAX)

	2022 P'000
Declared and paid during the year	
Final dividend for the year to 31 December 2021: 71 thebe (2020: 65 thebe)	200 483
Interim dividend for the six months to 30 June 2022: 65 thebe (2021: nil)	183 541
	384 024
Dividend proposed after year-end not recognised in the annual financial statements	
Final dividend for the year to 31 December 2022: 101 thebe (2021: 71 thebe)	285 195
Special dividend for the year to 31 December 2022: 89 thebe (2021: nil thebe)	251 310
Dividend proposed for approval at the annual general meeting (before withholding tax – not recognised as a liability as at 31 December)	536 505

20. RELATED PARTY DISCLOSURES

The consolidated annual financial statements include the financial statements of BIHL, subsidiaries, associates and joint ventures as listed in the following table:

	Country of incorporation	% of interest held 2022	2021	Nature of business
Directly held				
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Limited	Botswana	100	100	Holding company
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
Bifm Unit Trusts Proprietary Limited	Botswana	89	89	Unit trusts
BIHL Legal Guard Proprietary Limited	Botswana	100	100	Dormant
BIHL Trust	Botswana	100	100	Corporate social responsibility
BIHL Employee Share Scheme Trust	Botswana	n/a	n/a	Employee share trust
KYS Investments Proprietary Limited	Botswana	63	63	Hospitality industry
Private Property (Botswana) Proprietary Limited	Botswana	74	74	Real estate
Letshego Guard Proprietary Limited	Botswana	100	100	Dormant
Indirectly held				
Botswana Insurance Fund Management Limited (referred to as Bifm)	Botswana	89	89	Asset management
Botswana Life Properties Proprietary Limited	Botswana	100	100	Dormant
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance
Bifm Projects Proprietary Limited	Botswana	100	100	Deregistered
Bifm Unit Trusts Proprietary Limited	Botswana	100	100	Unit trusts
Collective investment undertaking				
Balanced Prudential Fund	Botswana	20	20	Collective investment undertaking
Pula Money Market	Botswana	28	36	Collective investment undertaking
Local Equity Funds	Botswana	74	75	Collective investment undertaking
Letlotlo	Botswana	83	88	Collective investment undertaking
Yamasa	Botswana	77	93	Collective investment undertaking
Bifm Global Sustainable Growth Fund	Botswana	77	93	Collective investment undertaking
Bifm Global Balanced Conservative Fund B1	Botswana	11	99	Collective investment undertaking
Bifm Offshore Bond Fund B1	Botswana	99	99	Collective investment undertaking
Bifm Off Money Market Fund B1	Botswana	56	56	Collective investment undertaking
Bifm Off Private Equity B1	Botswana	11	20	Collective investment undertaking
Bifm Local Bond Fund B1	Botswana	35	35	Collective investment undertaking
Bifm Local Equity Fund B1	Botswana	86	57	Collective investment undertaking
Bifm Local Property B1	Botswana	56	60	Collective investment undertaking
Bifm Local Money Market B1	Botswana	35	37	Collective investment undertaking
Bifm Local Money Market B1	Botswana	21	25	Collective investment undertaking

Holding company

The ultimate holding company of the group is Sanlam Limited which is based and listed in South Africa.

Associates and joint ventures

The group's interest in associates and joint ventures is disclosed in note 4.5 to the annual financial statements.

20. RELATED PARTY DISCLOSURES continued

20.1 Related party transactions

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Transactions on insurance contracts (expense)/income				
Sanlam Limited (59% shareholder of BIHL)				
– Recoveries, travel claims and other meeting expenses	3 189	1 598	–	–
Letshego Holdings Limited (associate company of BIHL)				
– Credit life income	202 261	204 725	–	–
– Claims paid	(137 820)	(178 352)	–	–
FSG Limited (associate company of BIHL)				
– Share of net insurance income	(8 762)	(28 880)	–	–
Summary of transactions with related parties				
Shared expenses				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	5 945	5 945
– Bifm (74,9% owned by BIHL)	–	–	1 365	1 365
– BIHL Unit Trusts (100% owned by BIHL)	–	–	74	74
Dividends received				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	374 025	143 025
– Bifm (74,9% owned by BIHL)	–	–	77 739	37 370
Investment returns				
Balanced Prudential Fund	(442)	2 847	–	–
Pula Money Market	24 806	24 775	–	–
Local Equity Funds	1 190	1 196	–	–
Letlotlo	(41)	2 092	–	–
Yamasa	299	862	–	–
Bifm Global Sustainable Growth Fund	(1 810)	879	–	–
Global Balanced Conservative Fund B1	10	24	–	–
Local Balanced Conservative Fund Class B	71 151	55 926	–	–
Offshore Bond Fund B1	(13 104)	5 265	–	–
Off Private Equity B1	648	1 020	–	–
Local Bond Fund B1	22 972	193 749	–	–
Local Equity Fund B1	28 233	(6 977)	–	–
Local Property B1	26 491	17 579	–	–
Local Money Market B1	21 524	30 111	–	–

20. RELATED PARTY DISCLOSURES continued

20.1 Related party transactions continued

Year-end balances arising from transactions on other services other than insurance contracts

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Amount receivable				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	1 352	1 540
– Botswana Insurance Fund Management (100% owned by BIHL)	–	–	–	432
– BIHL Employee Share Scheme Trust	–	–	473	–
– BLI Investments Proprietary Limited (100% owned by BIHL)	–	–	–	–
– BIHL Trust	–	–	–	21
	–	–	1 825	1 993
Amount payable				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	–	–
– Botswana Insurance Fund Management (100% owned by BIHL)	–	–	685	–
– BIHL Trust	–	–	8	–
– Letshego Guard Proprietary Limited (100% owned by BIHL)	–	–	–	–
– Sanlam (59% shareholder of BIHL)	3 189	1 589	–	–
	3 189	1 589	693	–

Year-end balances arising from transactions on insurance contracts

	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Net due from:				
Balanced Prudential Fund	4	4	–	–
Pula Money Market	234 304	211 390	–	–
Global Balanced Conservative Fund B1	–	–	–	–
Local Balanced Conservative Fund Class B	1 516	1 501	–	–
Offshore Bond Fund B1	1 414	1 321	–	–
Off Money Market Fund B1	–	–	–	–
Off Private Equity B1	–	–	–	–
Local Bond Fund B1	37 415	37 294	–	–
Local Equity Fund B1	–	–	–	–
Local Money Market B1	–	–	–	–
	274 653	251 510	–	–

The above transactions were carried out on commercial terms and conditions and at market prices.

Loans to directors (group)

There were no loans to directors.

Terms and conditions of transactions with related parties

The transactions between related parties are made at terms equivalent to those that prevail in arm's-length transactions. Outstanding balances at year-end are unsecured and interest-free and are generally settled in 90 days. There have been no guarantees provided or received for any related party receivables or payables.

20. RELATED PARTY DISCLOSURES continued

20.1 Related party transactions continued

Transactions with key management

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Compensation of key management personnel of the group				
– Short-term employee benefits	18 705	17 382	12 343	10 967
– Pension costs – defined contribution plans	2 037	1 956	1 233	1 187
– Share-based payments	3 116	4 061	1 585	3 645
	23 858	23 399	15 161	15 799

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

	Number of shares 2022	Number of shares 2021
Directors' shareholding in the group		
B Dambe-Groth*	–	23 923
M Mpugwa	5 569	5 569
C Chauhan	75 020	75 020
TC Masire	591	591
C Lesetedi	211 271	225 370
K Mukushi	103 993	136 993
	396 444	467 466

* *Resigned in December 2021.*

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Non-executive directors' remuneration				
– For services as directors	5 065	4 643	2 878	3 033
	5 065	4 643	2 878	3 033

Executive directors' emoluments (group and company)

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long-term incentive plans.

Short-term emoluments

Name	Months of service P'000	Salary P'000	Bonus P'000	Other benefits P'000	Total P'000
2022					
C Lesetedi	12	3 695	1 500	761	5 956
K Mukushi	12	2 528	961	–	3 489
Total executive directors		6 223	2 461	761	9 445
2021					
C Lesetedi	12	3 035	1 350	1 929	6 759
K Mukushi	12	2 082	961	1 021	4 363
Total executive directors		5 117	2 311	2 950	11 122

20. RELATED PARTY DISCLOSURES continued

20.1 Related party transactions continued

Long-term emoluments

Share purchase plans	Number of options	Number of grants – CSP	Strike or spot price (Pula)	Exercised	Forfeited	Outstanding
2022						
C Lesetedi						
Granted 2010	231 413	–	17,13	(231 413)	–	–
Granted 2013	–	89 489	15,20	(89 489)	–	–
Granted 2013	–	66 158	16,30	(66 158)	–	–
Granted 2014	–	65 270	18,55	(65 270)	–	–
Granted 2015	–	105 846	17,50	(105 846)	–	–
Granted 2016	–	80 402	17,50	(80 402)	–	–
Granted 2017	–	71 423	17,50	(71 423)	–	–
Granted 2018	–	102 426	17,50	(102 426)	–	–
Granted 2019	–	43 468	17,50	(43 468)	–	121 238
Granted 2021	–	93 485	17,50	–	–	93 485
Granted 2022	–	96 965	17,50	–	–	96 965
Total	231 413	936 170		(855 895)	–	311 688
2021						
C Lesetedi						
Granted 2010	231 413	–	17,13	(231 413)	–	–
Granted 2013	–	89 489	15,20	(89 489)	–	–
Granted 2013	–	66 158	16,30	(66 158)	–	–
Granted 2014	–	65 270	18,55	(65 270)	–	–
Granted 2015	–	105 846	17,50	(105 846)	–	–
Granted 2016	–	80 402	17,50	(80 402)	–	–
Granted 2017	–	71 423	17,50	(71 423)	–	–
Granted 2018	–	102 426	17,50	(102 426)	–	–
Granted 2019	–	43 468	17,50	–	–	43 468
Granted 2020	–	121 238	17,50	–	–	121 238
Granted 2021	–	93 485	17,50	–	–	93 485
Total	231 413	839 205		(812 427)	–	258 191

20. RELATED PARTY DISCLOSURES continued

20.1 Related party transactions continued

Long-term emoluments continued

Share purchase plans	Number of options	Number of grants – CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding
2022						
K Mukushi						
Granted 2016	**–**	**173 227**	**17,50**	**(173 227)**	**–**	**–**
Granted 2017	**–**	**85 780**	**17,50**	**(85 780)**	**–**	**–**
Granted 2018	**–**	**51 213**	**17,50**	**(51 213)**	**–**	**–**
Granted 2020	**–**	**86 086**	**17,50**	**–**	**–**	**86 086**
Granted 2021	**–**	**53 934**	**17,50**	**–**	**–**	**53 934**
Granted 2022	**–**	**55 408**	**17,50**	**–**	**–**	**55 408**
Total	**–**	**505 648**		**(310 220)**	**–**	**195 428**
2021						
K Mukushi					–	
Granted 2016	–	173 227	17,50	(173 227)	–	–
Granted 2017	–	85 780	17,50	(85 780)	–	–
Granted 2018	–	51 213	17,50	(51 213)	–	–
Granted 2020	–	86 086	17,50	–	–	86 086
Granted 2021	–	53 934	17,50	–	–	53 934
Total	–	450 240		(310 220)	–	140 020

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed. Refer to note 21 for additional information on the scheme.

21. EMPLOYEE BENEFITS

Retirement benefit plan

Defined contribution plan

A defined contribution plan is a pension plan under which the group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the group in a fund under the control of trustees. The total expense charged to income of P19,2 million (2021: P18,3 million) represents contributions payable to these plans by the group at rates specified in the rules of the plan.

Share-based payment

The group has a share-based payment scheme. The group introduced two additional new schemes in 2010. These are:

- the share option scheme
- the conditional share plan.

Conditional share plan

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the group. The awards are given as grants. The awards are aligned to strategic periods and targets. Employees must remain in service for a period of three consecutive years from the date of grant. Vesting is based on satisfactory performance of individuals as per their scorecards over the stated three years. BIHL grants employees the option to obtain shares in BIHL. The employer companies will, however, remain responsible for funding the procurement and settlement of shares issued to its employees in terms of the scheme at the time the shares are so procured.

The amount carried in the share-based reserve as at 31 December 2022 is P110 million (2021: P104 million). The expense recognised in the income statement is P16 million (2021: P11,4 million).

21. EMPLOYEE BENEFITS continued

Share-based payment continued

Conditional share plan continued

Movement during the year	2022 Number of grants ’000	2022 Weighted average fair value price at grant/ exercise date P	2021 Number of grants ’000	2021 Weighted average fair value price at grant/ exercise date P
Outstanding at the beginning of the year	**1 878**	**17,50**	1 697	17,50
Granted	**551**	**17,55**	824	17,50
Forfeited	**(138)**	**17,55**	–	–
Exercised	**(612)**	**17,50**	(643)	17,50
Outstanding at the end of the year	**1 679**	**17,71**	1 878	17,50

The weighted average remaining contractual life of the grants outstanding as at 31 December 2022 is three years (2021: three years).

The number of conditional shares granted during the year was 824 301 (2021: 1 054 108 100).

The weighted average fair value exercise price for grants outstanding at the end of the year was P17,50 (2021: P17,50).

The following assumptions have been used in the valuation model of the share option scheme:

	2022 %	2021 %
Dividend yield (%)	**0 – 7,69**	0 – 7,15
Risk-free interest rate (%)	**7,38**	5,38
Spot price	**17,71**	17,50
% of remaining employees	**100,00**	100,00

21. EMPLOYEE BENEFITS continued

Share-based payment continued

Conditional share plan continued

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option pricing model. In terms of best practice, management and the directors have adopted a modified binomial tree model for valuation purposes, which can be described, at a high level, as follows:

- The life of the option is divided into a large number of small time periods.
- A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.
- Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and a risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.
- For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date.
- Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with a valuation date) is calculated. This represents the fair value of the option.

Other inputs used

Generally, there are six variables that determine the price of an employee share option:

- The market price of the underlying share at the grant date
- The strike price of the option
- The time remaining until the option expires (i.e. the expiry date of the option)
- The time remaining until the option vests
- The expected dividend yield of the underlying share over the life of the option
- The expected volatility of the underlying share over the life of the option.

Volatility

The volatility input to the pricing model is a measure of the expected price fluctuations of the underlying security over a given period of time. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. This is in line with market practice. All else being equal, the more volatile the underlying share, the greater the price of the option.

There are two common approaches to calculating volatility. The first method uses historical price data of the underlying share, while the second technique employs data from the options market itself (provided that an active market exists for the options under consideration). Because there are no options trading in the market that are similar to the BIHL share options, historical data from a period prior to each grant date, which is commensurate with the options' contractual term to maturity, was used to calculate the expected volatility of the BIHL shares over the options' lifetimes.

21. EMPLOYEE BENEFITS continued

Bifm CEE scheme

BIHL provides an employee share scheme for the benefit of the employees of Bifm through the establishment of a Trust registered as a Deed of Trust signed on 18 December 2017 and a share plan scheme signed on 18 December 2017. A total of 21 849 246 Bifm shares, comprising 25,1% of the issued capital, have been reserved for the share scheme. The Trust was established for purposes of subscribing for 8 739 698 ordinary shares, representing 10,1% of the issued share capital of Bifm, to be held for the benefit of the citizen employees of Bifm.

Participants to the Bifm CEE scheme are given participation rights in the form of units which, in turn, are linked to the performance of the Bifm share price. The vesting of the conditional awards is subject to the participant being continuously employed for three years until the vesting date and fulfilling performance conditions.

After the grant options have vested, employees are given a period of 30 days from the date of vesting to exercise their options. The expense recognised in the income statement is P4,4 million (2021: P2,9 million).

	2022		2021	
Movement during the year	Number of share options '000	Weighted average exercise price P	**Number of share options '000**	**Weighted average exercise price P**
Outstanding at the beginning of the year	**2 779**	**2,91**	2 975	2,93
Granted	**1 064**	**4,30**	815	2,90
Exercised	**(1 037)**	**4,31**	(1 011)	2,93
Outstanding at the end of the year	**2 806**	**3,44**	2 779	2,91
Exercisable as at 31 December	**2 806**	**3,44**	2 779	2,91

The Bifm CEE scheme is cash-settled and is thus repriced at each reporting date. The fair value of shares granted under this scheme during the current financial year has been calculated using the closing price of P4,25 (2021: P4,31) and adjusted for expected future dividends that will be declared by Bifm during the vesting period.

Included in the share-based payment liability is an amount of P6,1 million (2021: P5,5 million) arising from the Bifm CEE scheme.

22. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Profit before tax	758 766	476 623	431 436	129 019
Non-cash flow items	200 721	291 082	10 816	29 036
Depreciation	16 726	12 453	837	779
Amortisation	11 080	10 509	248	247
Depreciation of right-of-use asset	6 481	5 216	1 734	1 582
Impairment expense of subsidiary	–	–	2 782	22 443
Share-based payments	16 071	11 098	5 215	3 985
Unrealised fair value losses on shareholder assets	(41 321)	7 939	–	–
Net unrealised losses from financial assets held at fair value through profit or loss	390 002	964 719	–	–
Unrealised fair value losses/(gains) on investment properties and property funds	2 333	4 770	–	–
Fair value adjustment in external investors in consolidated funds	(36 538)	23 007	–	–
Fair value adjustment in derivative instrument	5 107	(39 966)	–	–
Net movement in long-term policyholder liabilities	67 454	(403 330)	–	–
Equity-accounted earnings	(236 674)	(305 333)	–	–
Items disclosed separately	(364 768)	(423 637)	(480 444)	(206 742)
Interest income	(295 053)	(396 008)	(1 091)	(1 568)
Interest expense	1 076	543	478	599
Dividend income	(70 791)	(28 172)	(479 831)	(205 773)
Working capital changes:	59 754	(5 130)	6 235	(6 555)
Net (increase)/decrease in insurance and other receivables	(79 077)	3 474	300	(2 063)
(Increase)/decrease in reinsurance assets	3 300	(1 596)	–	–
Net increase/(decrease) in insurance and other payables	135 531	(7 008)	5 935	(4 492)
Net change in external investors in consolidated funds	(23 380)	1 138 949	–	–
Cash generated from operations	631 093	1 477 887	(31 957)	(55 242)

23. CASH AND BANK

	GROUP		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Cash and bank	334 585	112 650	66 126	24 768
Funds on deposit	66 126	24 768	–	–
Cash and cash equivalents	400 711	137 418	66 126	24 768

24. RISK MANAGEMENT

24.1 Financial risks

The main categories of financial risks associated with the financial instruments held by the business' shareholders' fund are summarised in the following table:

Type of risk	Description
Market risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following: • **Equity price risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market • **Interest rate risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and • **Currency risk:** the risk that the fair value or future cash flows of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk includes: • **Reinsurance risk:** concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Liquidity risk	Liquidity risk is the risk that the business will encounter difficulty in meeting its obligations associated with financial liabilities.
Insurance risk	Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the insurer. The group has included: • **Underwriting risk:** the risk that the actual experience relating to mortality, disability, medical and short-term insurance risks will deviate negatively from the expected experience used in the pricing/valuation of solutions • **Lapse risk:** the risk of financial loss due to negative lapse experience • **Expense risk:** the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities, and • **Concentration risk:** the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.
Capital adequacy risk	Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience, worse (to the extent as defined) than that which has been assumed in the financial soundness valuation.

24. RISK MANAGEMENT continued

24.1 Financial risks continued

The credit risk and liquidity risk notes include financial instruments from the shareholder and policyholder, while the market risk notes only include shareholder instruments and policyholder instruments that are not linked or not market-related.

On 11 October 2019, Bifm transferred the pooled funds to newly formed and registered collective investment undertaking (CIU) trusts, effectively moving all third-party investments off the Bifm balance sheet and retaining the investments and units directly owned by Bifm. The CIU funds are now consolidated in the group's financials where the group has invested more than 20%. A corresponding liability to the investors is reflected in note 8 and the assets are included as part of note 4.

24.2 Market risk

The group is exposed to financial risk, credit risk and liquidity risk on shareholder financial instruments as well as financial instruments backing non-participating or not market-linked insurance contract liabilities. For investment contracts, policyholder assets and liabilities will offset one another and therefore there is no exposure to market risk. Market risk arises from the uncertain movement in the fair value of financial instruments that stems principally from potential changes in sentiment towards the instrument, the variability of future earnings that is reflected in the current perceived value of the instrument and the fluctuations in interest rates and foreign currency exchange rates.

The shareholders' fund investments in equities and interest-bearing instruments are valued at fair value and are therefore susceptible to market fluctuations.

Comprehensive measures and limits are in place to control the exposure to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the life operations' long-term solvency capital and the business' investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

24.3 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is the group's and company's objective to minimise interest rate risk.

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

The group's and company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The investment committee sets the limits in the investment mandates, and meets quarterly to review compliance with the agreed mandates, and where necessary reviews the limits.

Sensitivity analysis to interest rate risk

The group is exposed to interest rate risk through a change in interest income or expense based on floating rate instruments and through changes in fair value of financial instruments at fair value through profit or loss based on fixed rate instruments. The impact on equity is the post-tax amount.

The purpose of this note is to enable the user to have a better understanding of the effect of interest rate movement on interest-bearing instruments. Interest rate risk relates to variable rate financial instruments, call deposit accounts and floating rate fixed income securities. The following table sets out the carrying amounts of the group's financial instruments that are exposed to interest rate risk.

24. RISK MANAGEMENT continued

24.3 Interest rate risk continued

Variable interest rates

	GROUP			
	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2022				
BWP	**0,75**	**389 097**	**2 918**	**2 276**
BWP	**(0,75)**	**389 097**	**(2 918)**	**(2 276)**
USD	**0,5**	**15 158**	**76**	**59**
USD	**(0,5)**	**15 158**	**(76)**	**(59)**
2021				
BWP	0,75	361 786	2 713	2 116
BWP	(0,75)	361 786	(2 713)	(2 116)
USD	0,5	3 730	19	15
USD	(0,5)	3 730	(19)	(15)

	COMPANY			
	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2022				
BWP	**0,5**	**66 126**	**331**	**258**
BWP	**(0,5)**	**66 126**	**(331)**	**(258)**
2021				
BWP	0,5	24 768	124	97
BWP	(0,5)	24 768	(124)	(97)

24. RISK MANAGEMENT continued

24.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's principal transactions are carried out in Botswana Pula and its exposure to foreign exchange risk arises primarily with US Dollar and South African Rand. It is the group's objective to minimise currency risk.

The main foreign exchange risk arises from recognised assets denominated in currencies other than those in which insurance and investment liabilities are expected to be settled. The group manages its South African Rand foreign currency risk by hedging transactions in line with the expected duration of risk.

	GROUP
	P'000
2022	
Equity instruments	37 415
Money market instruments	13 643
Bonds	1 516
Foreign currency exposure	52 574
Average rate	12,25
Closing rate	12,75
2021	
Equity instruments	37 294
Money market instruments	2 230
Bonds	1 501
Foreign currency exposure	41 025
Average rate	11,28
Closing rate	11,76

Currency sensitivity

The following table demonstrates the sensitivity (for shareholder funds and assets backing non-participating policies) to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	GROUP			
	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2022				
USD	3	52 574	1 577	1 230
USD	(3)	52 574	(1 577)	(1 230)
2021				
USD	3	41 025	1 231	960
USD	(3)	41 025	(1 231)	(960)

24. RISK MANAGEMENT continued

24.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) in equities and debt securities, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

Price sensitivity analysis

The group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market. The price risk movement on bonds is included in the interest rate risk note.

	GROUP			
	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2022				
World Equity Index	1,8	37 415	673	525
Botswana Unit Trusts	1	350 166	3 502	2 732
Total exposure		387 581	4 175	3 257
2021				
World Equity Index	2	37 294	671	523
Botswana Unit Trusts	1	322 991	3 230	2 519
Total exposure		360 285	3 901	3 042

24. RISK MANAGEMENT continued

24.6 Credit risk

Credit risk in the group arises from the possibility of investments in bonds, offshore money markets, long-term reinsurance assets, insurance and other receivables, reinsurance contracts receivable, deferred insurance acquisition costs, local money markets, policy loans and other loans, related party receivables and cash and bank balances with banks not being redeemed by the relevant counterparties when they become due.

The following policies and procedures are in place to mitigate the group's exposure to credit risk:

A group credit risk policy setting out the assessment and determination of what constitutes credit risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the investment committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. It is the group's objective to minimise credit risk.

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

The group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. There is no concentration of risk with respect to customer balances as the company has a large number of varied customers.

The policyholder and shareholder funds follow specific investment mandates that have been agreed with asset managers. These mandates depict how much each type of asset holds in each portfolio based on their perceived risk thereby reducing both concentration of specific assets and of currency. There is also diversity in the different sectors of the economy in which our funds are invested (see note 4). Investments in Government bonds, money markets and corporate bonds are managed by Bifm, the asset management subsidiary, as per signed mandates.

There is no concentration on money markets, cash and bank; the risk is spread as the group and company invest with various banks in the country.

24. RISK MANAGEMENT continued

24.6 Credit risk continued

Maximum credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

The disclosures are based on both shareholder and policyholder assets.

	GROUP	
	2022 P'000	2021 P'000
Long-term reinsurance assets	7 555	10 855
Bonds		
– Government	5 755 585	5 003 099
– Corporate (listed, unlisted)	2 671 067	3 660 350
Money market instruments	3 190 081	3 144 625
Loans at amortised cost	–	31 957
Insurance and other receivables	359 802	280 725
Cash, deposits and similar securities	400 711	137 418
Maximum credit risk exposure	12 384 801	12 269 029

	COMPANY	
	2022 P'000	2021 P'000
Other receivables	311	443
Related party balances	1 825	1 993
Cash, deposits and similar securities	66 126	24 768
Maximum credit risk exposure	68 262	27 204

Cash and cash equivalents are held by entities with acceptable credit ratings. Related party balances are considered to be of acceptable/high credit quality due to the financial position of the counterparties.

Financial assets pledged as collateral

There are no financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.

24. RISK MANAGEMENT continued

24.6 Credit risk continued

Credit quality of interest-bearing financial assets

The table below shows the maximum exposure to credit risk for the components of the balance sheet. Generally, most companies' financial instruments do not have official credit ratings therefore the majority of balances are not rated. Moody's Investors Service retained the stable outlook and the A2 rating (2021: A2 rating) for both foreign and domestic bonds. The A2 rating is based on the assessment that balances potential challenges associated with a country having a small-size economy and middle-income status, against the strength relating to the country's sound policy framework and effectiveness of Government. The assessment further noted that the country has institutional strength supporting a well-designed macroeconomic framework and a stable political environment.

	GROUP			
	P'000	A2 rated	Not rated	Total P'000
2022				
Long-term reinsurance assets	7 555	–	7 555	7 555
Government bonds	4 210 472	4 210 472	–	4 210 472
Corporate bonds and other	4 216 180	–	4 216 180	4 216 180
Money markets	3 190 081	–	3 190 081	3 190 081
Other loans at amortised cost	–	–	–	–
Insurance and other receivables	359 802	–	359 802	359 802
Cash and bank balances	400 711	–	400 711	400 711
Total assets	12 384 801	4 210 472	8 174 329	12 384 801
2021				
Long-term reinsurance assets	10 855	–	10 855	10 855
Government bonds	3 349 704	3 349 704	–	3 349 704
Corporate bonds and other	5 313 745	–	5 313 745	5 313 745
Money markets	3 144 625	–	3 144 625	3 144 625
Other loans at amortised cost	31 957	–	31 957	31 957
Insurance and other receivables	280 725	–	280 725	280 725
Cash and bank balances	137 418	–	137 418	137 418
Total assets	12 269 029	3 349 704	8 919 325	12 269 029

Corporate bonds and other are held by reputable financial institutions and parastatals. An annual independent evaluation is performed on the financial strengths of the corporates to assess the credit risk on these bonds. Continuous monitoring is also performed. Money market investments are with reputable local banks and reputable foreign fund managers with good financial wealth. Policy loans were secured by the policy investment value. Trade and other receivables are on 30-day terms (refer to note 5).

24. RISK MANAGEMENT continued

24.6 Credit risk continued

Collateral held in respect of financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low-risk and recoverable.

No transfer of ownership takes place in respect of collateral and any such collateral accepted from counterparties may not be used for any purpose other than being held as security.

	2022		2021	
	Collateral held P'000	Credit exposure P'000	Collateral held P'000	Credit exposure P'000
Unlisted bonds				
ABC Holdings Limited	–	–	–	–
Allied Investments Limited	231 930	160 000	200 000	160 000
Babereki Investments Proprietary Limited	–	–	38 123	33 302
Botho Park	197 000	26 000	–	26 000
Botswana Savings Bank	–	–	–	50 000
Cash Bazaar Holdings	150 000	100 000	150 000	100 000
First National Bank of Botswana	–	410 993	–	637 078
Flip Coin Proprietary Limited	123 905	83 312	117 381	83 312
Lonrho Hotels Botswana	–	–	12 500	10 000
Meybeernick Investment Proprietary Limited	–	100 000	–	100 000
Prime Time Holdings	93 065	65 000	81 250	65 000
RDC Properties Limited	139 000	125 000	156 250	125 000
Real People Investment Holdings	–	3 924	–	16 951
Stanbic Bank PLC	–	813 011	–	1 368 337
Stanbic Bank Botswana Limited (SBL061)	–	21 715	–	49
Standard Bank	–	423 007	–	756 274
The FAR Property Company Limited	–	–	60 000	40 000
Three Partners Resort Proprietary Limited	566 000	63 430	79 288	63 430
Debt Participation Capital Fund (DPCF006)	–	4 670	–	19 190
Debt Participation Capital Fund (DPCF007)	–	–	–	12 070
Water Utilities Corporation (WUC002)	–	73 500	–	100 000
Total	1 500 900	2 473 562	894 792	3 765 993

Impairment assessment

Accounting policy note 4 on financial liabilities – impairment of financial assets, details the approach to determining whether an instrument or a portfolio of instruments is subject to 12-month ECLs or lifetime ECLs.

24. RISK MANAGEMENT continued

24.6 Credit risk continued

Impairment of insurance receivables at amortised cost – incurred loss model

The group applies the incurred loss model in calculating impairments for insurance receivables. The group reviews its receivables ageing for balances which meet the criteria below:

- More than 90 days past due
- Over 90 days and assessed as unlikely to pay its credit obligations in full without realisation of collateral.

Arrear balances meeting the above criteria are provided for at 100% of the amount exceeding 90 days.

	Impairment method	Balance at 31 Dec 2022 P'000	Balances >90 days P'000	Provision %	Loss allowance P'000
Premium debtors and reinsurance debtors					
Outstanding premiums	Incurred loss	118 852	2 716	100	2 716
Due from reinsurers	Incurred loss	34 246	–	100	–
					2 716

	Impairment method	Balance at 31 Dec 2021 P'000	Balances >90 days P'000	Provision %	Loss allowance* P'000
Premium debtors and reinsurance debtors					
Outstanding premiums	Incurred loss	106 399	3 253	100	3 253
Due from reinsurers	Incurred loss	68 715	–	100	–
					3 253

The outstanding premiums and amounts were assessed at 31 December 2022. The receivables are generally collected over a maximum of 45 days to 90 days and the collection period is unlikely to exceed 12 months. The net decrease of P0,5 million in the ECL provision is attributed to a P2,7 million reversal of the credit loss allowance attributable to previously impaired but recovered debtors and an additional provision of P2,2 million.

24. RISK MANAGEMENT continued

24.6 Credit risk continued

Impairment of financial assets at amortised cost – general approach

The group applied the general approach to broker' loans, agents' loans, staff loans and loans at amortised cost. ECLs are recognised in three stages as follows:

- Stage 1: Upon initial recognition and annually thereafter, for exposures where there has not been a significant increase in credit risk, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL)
- Stage 2: For exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL)
- Stage 3: For exposures where the balances are credit impaired (non-performing), the ECLs are provided for over the remaining life of the exposure (a lifetime ECL).

Broker loans and agent advances/commissions	Impairment method	Balance as at 31 Dec 2022 P'000	PiT (PD) %	Exposed to default P'000	LGD %	ECLs (lifetime) P'000
Broker loans	GA/Stage 2	1 221	70,04	855	100	855
Advances/loans to brokers exposed to default	GA/Stage 2	16 462	96,00	15 803	71	11 255
Loans to agents	GA/Stage 2	29 488	100,00	29 488	72	21 269
						33 379
Other receivables						
Staff debtors	GA/Stage 2	1 708	76,36	1 305	25	326
Sundry debtors	GA/Stage 2	163 643	13,75	22 498	23	5 130
						5 456
Total estimated credit losses at 31 December 2022						38 835

GA = ECL calculated using the general approach.
Stage 2 = Lifetime ECL due to significant increase in risk.

The gross carrying amounts of the other receivables in the current year were higher than the prior year by P15,5 million (2021: P18,1 million lower). The exposure to default was also higher by P13 million (2021: P7,7 million lower) in the current year. In addition, the company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Loan at amortised cost

	Impairment method	Balance as at 31 Dec 2022 P'000	PiT (PD) %	Exposed to default P'000	LGD %	ECLs (lifetime) P'000
BOPEU loan (note 8.5)	GA/Stage 2	–	38,67	–	18	–
						–

GA = ECL calculated using the general approach.
Stage 2 = Lifetime ECL due to significant increase in risk.

The loan receivable from BOPEU was settled during the year and the impairment provision reversed.

24. RISK MANAGEMENT continued

24.6 Credit risk continued

Loan at amortised cost continued

Broker loans and agent advances/commissions	Impairment method	Balance as at 31 Dec 2021 P'000	PiT (PD) %	Exposed to default P'000	LGD %	ECLs (lifetime) P'000
Broker loans	GA/Stage 2	1 102	70,00	771	100	771
Broker advances	GA/Stage 2	17 467	96,00	16 768	69	11 536
Loans to agents	GA/Stage 2	26 508	100,00	26 508	72	19 119
						31 426
Other receivables						
Staff debtors	GA/Stage 2	1 197	76,36	914	25	229
Sundry debtors	GA/Stage 2	17 131	70,00	11 992	23	2 734
						2 963
Total estimated credit losses at 31 December 2021						34 389

GA = ECL calculated using the general approach.
Stage 2 = Lifetime ECL due to significant increase in risk.

	Impairment method	Balance as at 31 Dec 2021 P'000	PiT (PD) %	Exposed to default P'000	LGD %	ECLs (lifetime) P'000
BOPEU loan (note 8.5)	GA/Stage 2	34 348	38,67	13 281	18	2 391
						2 391

Related party receivables

For the year ended 31 December 2022, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Pnil). Related party balances are all cleared within 60 days and as at 31 December 2022, the related party balances were immaterial.

24.7 Liquidity risk

Liquidity risk arises from the potential inability of the group paying its policyholders and short-term creditors when they become due or they mature because assets are not properly matched. There is an actuarial committee and an investment committee that meet periodically to review the matching of assets and liabilities and other investment decisions; the group is continually looking for investments that match its liabilities.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities is based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Asset maturities have been disclosed on the basis of contractual maturities. The disclosures are based on both shareholder and policyholder assets.

24. RISK MANAGEMENT continued

24.7 Liquidity risk continued

	COMPANY				
	<1 year P'000	1 – 5 years P'000	>5 years	On demand	Total
2022					
Financial assets					
Insurance and other receivables	**311**	**–**	**–**	**–**	**311**
Related party balances	**1 825**	**–**	**–**	**–**	**1 825**
Cash, deposits and similar securities	**66 126**	**–**	**–**	**–**	**66 126**
	68 262	**–**	**–**	**–**	**68 262**
Financial liabilities					
Insurance and other payables	**28 775**	**–**	**–**	**–**	**28 775**
Related party balances	**693**	**–**	**–**	**–**	**693**
IFRS 16 – Lease liability	**2 376**	**3 890**	**–**	**–**	**6 266**
	31 844	**3 890**	**–**	**–**	**35 734**
2021					
Financial assets					
Insurance and other receivables	443	–	–	–	443
Related party balances	1 993	–	–	–	1 993
Cash, deposits and similar securities	24 768	–	–	–	24 768
	27 204	–	–	–	27 204
Financial liabilities					
Insurance and other payables	23 534	–	–	–	23 534
IFRS 16 – Lease liability	2 080	6 459	–	–	8 539
	25 614	6 459	–	–	32 073

24. RISK MANAGEMENT continued

24.7 Liquidity risk continued

Maturity analysis of financial assets and financial liabilities

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the group based on remaining undiscounted contractual obligations, including interest payable and receivable.

	GROUP					
	Carrying value P'000	<1 year P'000	1 – 5 years P'000	>5 years P'000	On demand P'000	Total P'000
2022						
Financial assets						
Long-term reinsurance assets	7 555	7 555	–	–	–	7 555
Investment in unlisted property companies	1 205 650	–	–	–	1 205 650	1 205 650
Bonds (Government, public authority, listed and unlisted corporates)	8 426 652	535 321	1 165 612	7 046 510	–	8 747 443
Equity investments	2 589 245	–	–	–	2 589 245	2 589 245
Money market instruments	3 190 081	3 190 081	–	–	–	3 190 081
Insurance and other receivables	359 802	359 802	–	–	–	359 802
Cash, deposits and similar securities	400 711	400 711	–	–	–	400 711
Total undiscounted assets	16 179 696	4 493 470	1 165 612	7 046 510	3 794 895	16 500 487
Financial liabilities						
Long-term policyholder liabilities	10 511 760	226 582	828 386	9 242 982	213 811	10 511 761
External investors in consolidated funds	3 619 273	1 170 301	34 056	61 155	2 366 174	3 631 686
Related party balances	3 189	3 189	–	–	–	3 189
Insurance and other payables	750 518	750 518	–	–	–	750 518
IFRS 16 – Lease liability	16 210	6 716	9 338	156	–	16 210
Total undiscounted liabilities	14 900 950	2 157 306	871 780	9 304 293	2 579 985	14 913 364

24. RISK MANAGEMENT continued

24.7 Liquidity risk continued

Maturity analysis of financial assets and financial liabilities continued

	GROUP					
	Carrying value P'000	<1 year P'000	1 – 5 years P'000	>5 years P'000	On demand P'000	Total P'000
2021						
Financial assets						
Long-term reinsurance assets	10 855	10 855	–	–	–	10 855
Investment in unlisted property companies	1 173 325	–	–	–	1 173 325	1 173 325
Bonds (Government, public authority, listed and unlisted corporates)	8 663 449	1 173 123	1 673 526	6 013 573	–	8 860 222
Equity investments	2 403 845	–	–	–	2 403 845	2 403 845
Money market instruments	3 144 625	3 144 625	–	–	–	3 144 625
Other loans at amortised cost	31 957	4 716	9 457	–	–	14 173
Insurance and other receivables	280 725	280 725	–	–	–	280 725
Cash, deposits and similar securities	137 418	137 418	–	–	–	137 418
Total undiscounted assets	15 846 199	4 751 462	1 682 983	6 013 573	3 577 170	16 025 188
Financial liabilities						
Long-term policyholder liabilities	10 444 306	239 787	850 809	9 115 204	238 506	10 444 306
External investors in consolidated funds	3 635 183	1 054 175	110 796	208 741	2 300 702	3 674 414
Related party balances	1 589	1 589	–	–	–	1 589
Insurance and other payables	616 587	616 587	–	–	–	616 587
IFRS 16 – Lease liability	9 234	4 439	4 795	–	–	9 234
Total undiscounted liabilities	14 706 899	1 916 577	966 400	9 323 945	2 539 208	14 746 130

Policyholders' insurance liabilities are allocated into the maturity profiles based on the estimated present value of claims obtained through an actuarial modelling process.

24. RISK MANAGEMENT continued

24.8 Insurance risk

The principal risk the group faces under non-life insurance contracts is that the actual claims and benefit payments or the timing thereof differs from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the group is to have sufficient reserves available to cover these liabilities.

The risk exposure is mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The company purchases reinsurance as part of its mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the company's net exposure to catastrophe losses. Retention limits for the excess of reinsurance vary by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the group substantially dependent upon a single reinsurance contract. Reinsurance is placed with reputable institutions.

25. FAIR VALUE DISCLOSURES

Determination of fair value and fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2022:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) P'000	Significant observable inputs (Level 2) P'000	Significant unobservable inputs (Level 3) P'000	Total fair value P'000
2022				
Non-financial assets				
Investment properties – physical properties	–	–	12 260	12 260
Financial assets				
Investment properties – investment in unlisted property companies	–	–	1 205 650	1 205 650
Bonds	4 210 472	–	4 216 180	8 426 652
– Government	4 210 472	–	–	4 210 472
– Corporate bonds – unlisted	–	–	4 216 180	4 216 180
Money market instruments	–	3 190 081	–	3 190 081
Equity investments	2 307 134	–	282 111	2 589 245
	6 517 606	3 190 081	5 716 201	15 423 888
Financial liabilities				
External investors in consolidated funds	–	3 619 273	–	3 619 273
Derivatives instrument	–	37 259	–	37 259
	–	3 656 532	–	3 656 532

25. FAIR VALUE DISCLOSURES continued

Determination of fair value and fair value hierarchy continued

	Fair value measurement using			
	Quoted prices in active markets (Level 1) P'000	Significant observable inputs (Level 2) P'000	Significant unobservable inputs (Level 3) P'000	Total fair value P'000
2021				
Non-financial assets				
Investment properties – physical properties	–	–	10 160	10 160
Financial assets				–
Investment properties – investment in unlisted property companies	–	–	1 173 325	1 173 325
Bonds	3 349 704	–	5 313 745	8 663 449
– Government	3 349 704	–	–	3 349 704
– Corporate bonds – unlisted	–	–	5 313 745	5 313 745
Money market instruments	–	3 144 625	–	3 144 625
Equity investments	2 126 954	–	276 891	2 403 845
	5 476 658	3 144 625	6 774 121	15 395 404
Financial liabilities				
External investors in consolidated funds	–	3 635 183	–	3 635 183
Derivatives instrument	–	42 366	–	42 366
	–	3 677 549	–	3 677 549

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group, and those prices represent actual and regularly occurring market transactions on an arms-length basis. The quoted market price used for financial assets held by the group is the last trading price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques to maximise the use of observable market data where it is available and relies as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2

Money market instruments – Refer to note 4.1 for interest rates. Also refer to the accounting policy note on fair value and the valuation techniques table on page 220.

External investors in consolidated funds – Refer to the accounting policy note on fair values and the valuation techniques table on page 220.

Policyholder liabilities under insurance contracts – Refer to the accounting policy note on fair values and the valuation techniques table on page 220.

25. FAIR VALUE DISCLOSURES continued

Determination of fair value and fair value hierarchy continued

Level 3 valuation

Investment properties – Refer to note 4.4 on how the fair value is determined.
Unlisted bonds – Refer to note 4.1 on how the fair value is determined.
Policy loans and other loan advances – Refer to note 4.3 on how the fair valuation is determined.
Equity investments – The fair value of the assets is calculated based on units held and unit prices provided by the fund managers.

If one or more of the significant inputs is not based on observable market data, the unlisted instrument is included in Level 3.

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

	GROUP				
	Investment in physical properties P'000	Investment in unlisted property companies P'000	Equity investments P'000	Bonds P'000	Total assets P'000
Level 3 financial assets					
2022					
Opening balance	**10 160**	**1 173 325**	**276 891**	**5 313 745**	**6 774 121**
Total gains/(loss) in comprehensive income	**2 100**	**(4 433)**	**9 861**	**482 048**	**489 576**
Acquisitions	**–**	**36 758**	**–**	**–**	**36 758**
Disposals	**–**	**–**	**(4 641)**	**(1 579 613)**	**(1 584 254)**
Closing balance	**12 260**	**1 205 650**	**282 111**	**4 216 180**	**5 716 201**
2021					
Opening balance	10 160	1 055 880	178 857	4 685 565	5 930 462
Total gains/(loss) in comprehensive income	–	(4 770)	(5 678)	618 136	607 688
Acquisitions	–	122 215	103 712	18 731	244 658
Disposals	–	–	–	(8 687)	(8 687)
Closing balance	10 160	1 173 325	276 891	5 313 745	6 774 121

25. FAIR VALUE DISCLOSURES continued

Determination of fair value and fair value hierarchy continued

Gains and losses (realised and unrealised) included in profit or loss

	GROUP	
	2022 P'000	2021 P'000
Total gains or losses included in profit or loss for the period	489 576	607 688
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(348 681)	(972 658)

There were no transfers from Level 1 to Level 2 fair value measurements during the year ended 31 December 2022 (2021: nil).

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Significant observable inputs	Significant unobservable inputs	Range of unobservable inputs
Investment in physical properties	3	DCF model	Consumer price index	Estimated cash flows plus capitalisation rate and vacancy rates	Capitalisation rate: 11,6% Vacancy rate: 0% to 13,4% Discount rate: 17,16%
Investment in unlisted property companies	3	Net asset value of underlying assets derived using the DCF model	Market price for underlying properties	Estimated cash flows plus capitalisation rate and vacancy rates	Capitalisation rate: 11,6% Vacancy rate: 0% to 13,4% Discount rate: 17,16%
Money markets	2	DCF model	Unit price	–	–
Equity investments (unlisted)	3	DCF model	Cash flow plus risk-adjusted rate	Discount rate, budgets and forecasts	Discount rate: 14,5% and 17,4%
Unit funds (unlisted)	2	DCF, earnings multiple, units held multiplied by unit prices	Cash flow plus risk-adjusted rate unit prices	Earnings multiple	–
Other loans	3	DCF model	Cash flow plus risk-adjusted rate	Discount rate, cash flows, interest rate curve, credit risk spread	Interest rate curve: 3,2% to 6,1% Credit risk spread: 0,7% to 30,18% Export rate curve: 2,84% to 5,63%
Unlisted bonds	3	DCF model	Risk-free rate plus credit spread	Discount rate, cash flows, interest rate curve, credit risk spread	Interest rate curve: 3,2% to 6,1% Credit risk spread: 0,7% to 30,18% Export rate curve: 2,84% to 5,63%
External investors in consolidated funds	2	Net fair value of related assets	Unit price	Based on underlying assets	–
Derivative instrument – foreign exchange swap transaction	2	DCF model, currency, interest rate	Risk-free rate plus credit spread	–	–

25. FAIR VALUE DISCLOSURES continued

Determination of fair value and fair value hierarchy continued

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

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

	GROUP				
Financial assets	Carrying amount P'000	Effect of a 10% increase in estimated cash flows P'000	Effect of a 10% decrease in estimated cash flows P'000	Effect of a 1% increase in capitalisation rate P'000	Effect of a 1% decrease in capitalisation rate P'000
2022					
Investment in physical properties	12 260	956	(956)	(981)	981
Investment in unlisted property companies	1 205 650	94 041	(94 041)	(96 452)	96 452
2021					
Investment in physical properties	10 160	792	(792)	(813)	813
Investment in unlisted property companies	1 173 325	91 519	(91 519)	(93 866)	93 866

	GROUP				
Bonds	Carrying amount P'000	Effect of a 10% increase in estimated cash flows P'000	Effect of a 10% decrease in estimated cash flows P'000	Effect of a 2% increase in capitalisation rate P'000	Effect of a 2% decrease in capitalisation rate P'000
2022	4 216 180	(328 862)	328 862	(65 772)	65 772
2021	5 444 061	(424 637)	424 637	(84 927)	84 927

	GROUP		
Equity investments	Carrying amount P'000	Effect of a 2% increase in unit price P'000	Effect of a 2% decrease in unit price P'000
2022	282 111	4 401	(4 401)
2021	276 891	4 319	(4 319)

25. FAIR VALUE DISCLOSURES continued

Investment policy

The BIHL Group through its asset management company, Bifm, a traditional investment manager, manages a comprehensive range of distinct asset classes, each against an appropriate benchmark that acts as the neutral position. Bifm is an active investment manager that implements positions that deviate from the benchmark within predetermined constraints. Bifm aims to capture and create value from long-term relative valuation differences, both between asset classes and within an asset class between individual securities.

Bifm implements a value-style bias that complements its investment philosophy. Bifm is of the view that pockets of inefficiency exist in capital markets. This presents opportunities to purchase undervalued securities and hold them until their market value equals or exceeds their intrinsic value. Bifm aims to realise these relative value anomalies over the long term and avoid short-term fluctuations or market noise.

Bifm combines investment strategies with the aim of delivering superior investment returns given a level of risk over the long term (three years and more). For local equity security selection, Bifm uses a bottom-up approach. The bottom-up approach is research-intensive and focuses on individual companies as a starting point. Companies, sectors and geographical regions not covered by a portfolio manager's universe may be neglected.

To compensate, Bifm also applies a top-down decision-making process to implement tactical positions. The top-down approach utilises macroeconomic data, relative asset class valuations, market sector valuations and the prospects of geographical regions.

Bifm adopts fundamental analysis to place a fair value on individual securities and to identify mispriced securities with upside potential. Fundamental analysis is a primary function and of high importance as it guides us on security selection.

When selecting offshore managers, Bifm appoints managers with differing styles and approaches. The rationale for using the different styles reflects our appreciation of the fact that style diversification is a risk management tool as well as a way of taking advantage of the anomalies that could be identified by each style.

Equity – Bifm invests for the long term, three- to five-year period, to maximise returns at the lowest possible risk. Bottom-up stock-picking and fundamental stock analysis coupled with a value-style bias are used for portfolio construction.

Fixed income – The approach used for long-dated bonds and short-dated money market instruments differs:

- Long-dated bonds – Bifm believes that value can be created through active duration management, taking into account macroeconomic factors such as inflation and interest rates. This reflects a top-down approach for the management of bonds, which is applied both locally and offshore. Bifm utilises fixed and floating instruments as different assets to match different liabilities, to benefit from the shape of the yield curve, and as a tool to manage duration.
- Cash and money market: Bifm manages cash and short-dated money market instruments primarily for liquidity purposes. Bifm minimises credit risk by investing with reputable banks. Bifm negotiates to obtain high interest rates on behalf of its clients.

Property – Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of Bifm's drive to develop the local economy and capital markets. Bifm's subsidiary, Khumo Property Asset Management, is a fully fledged property development and management company.

Alternative investments – The alternative assets that Bifm invests in are private equity, private debt and hedge funds. Alternatives are utilised where the risk-reward trade-off is believed to be superior. Examples are:

- Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. Bifm invests in local, regional and global private equity funds.
- Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana.
- Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

The CIU funds are now consolidated in the group's financials where the group has invested more than 20%. A corresponding liability to the investors is reflected in note 8 and the assets are included as part of note 4.

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below summarises categories of financial assets and financial liabilities held by the group.

	GROUP						
	Financial assets designated at fair value through profit or loss P'000	Financial assets at amortised cost P'000	Financial assets mandatorily at fair value through profit or loss P'000	Financial liabilities designated at fair value through profit or loss P'000	Financial liabilities mandatorily held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
2022							
Financial assets							
Investment in unlisted property companies	–	–	1 205 650	–	–	–	1 205 650
Bonds (Government, public authority, listed and unlisted corporates)	8 426 652	–	–	–	–	–	8 426 652
Money market instruments	3 190 081	–	–	–	–	–	3 190 081
Equity investments	–	–	2 589 245	–	–	–	2 589 245
Other receivables	–	240 950	–	–	–	–	240 950
Cash, deposits and similar securities	–	400 711	–	–	–	–	400 711
Loans at amortised cost	–	–	–	–	–	–	–
Total financial assets	11 616 733	641 661	3 794 895	–	–	–	16 053 289
Financial liabilities							
External investors in consolidated funds	–	–	–	3 619 273	–	–	3 619 273
Derivatives instrument	–	–	–	–	37 259	–	37 259
Lease liabilities	–	–	–	–	–	16 210	16 210
Related party balances	–	–	–	–	–	3 189	3 189
Other payables	–	–	–	–	–	658 694	658 694
Total financial liabilities	–	–	–	3 619 273	37 259	678 093	4 334 625

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

	GROUP					
	Financial assets designated at fair value through profit or loss P'000	Financial assets at amortised cost P'000	Financial liabilities designated at fair value through profit or loss P'000	Financial liabilities held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
2021						
Financial assets						
Investment in unlisted property companies	1 173 325	–	–	–	–	1 173 325
Bonds (Government, public authority, listed and unlisted corporates)	8 663 449	–	–	–	–	8 663 449
Money market instruments	3 144 625	–	–	–	–	3 144 625
Equity investments	2 403 845	–	–	–	–	2 403 845
Other receivables	–	174 326	–	–	–	174 326
Cash, deposits and similar securities	–	137 418	–	–	–	137 418
Loans at amortised cost	–	31 957	–	–	–	31 957
Total financial assets	15 385 244	343 701	–	–	–	15 728 945
Financial liabilities						
External investors in consolidated funds	–	–	3 635 183	–	–	3 635 183
Derivatives instrument	–	–	–	42 366	–	42 366
Lease liabilities	–	–	–	–	9 234	9 234
Related party balances	–	–	–	–	1 589	1 589
Other payables	–	–	–	–	525 381	525 381
Total financial liabilities	–	–	3 635 183	42 366	536 204	4 213 753

In the current year, financial assets at fair value were split between those that are designated at fair value and those that are mandatorily at fair value. In the prior year, all financial assets at fair value were categorised at fair value through profit or loss. The current year change was not considered material to the economic needs of the users of the financial statements.

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

	COMPANY		
	Financial assets at amortised cost P'000	Financial liabilities measured at amortised cost P'000	Total P'000
2022			
Financial assets			
Other receivables	**311**	**–**	**311**
Related party balances	**1 825**	**–**	**1 825**
Cash, deposits and similar securities	**66 126**	**–**	**66 126**
Total financial assets	**68 262**	**–**	**68 262**
Financial liabilities			
Trade and other payables	**–**	**28 775**	**28 775**
Total financial liabilities	**–**	**29 468**	**29 468**
2021			
Financial assets			
Other receivables	443	–	443
Related party balances	1 993	–	1 993
Cash, deposits and similar securities	24 768	–	24 768
Total financial assets	27 204	–	27 204
Financial liabilities			
Trade and other payables	–	23 534	23 534
Total financial liabilities	–	23 534	23 534

27. EVENTS AFTER THE REPORTING PERIOD

27.1 Dividends declared

The directors have resolved to award a final dividend of 101 thebe (2021: 71 thebe) per share (net of tax) and a special dividend of 91 thebe (2021: nil thebe) per share (net of tax).

The group through its subsidiary, Botswana Life, during the year started a process of disposing of its 37,62% shareholding in FSG Limited. The transaction was concluded on 7 February 2023 following the regulatory approval and fulfilment of all conditions precedent. As per the key term of the agreement, the cash consideration of P250 million was received. As at December 2022, the carrying value of FSG in the group's balance sheet was P100 million and is shown under non-current assets held for sale.

There have been no other events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these annual financial statements or the notes thereto.

Shareholder information

AGM notice and form of proxy included

SHAREHOLDER ANALYSIS

Share analysis – ordinary shareholders

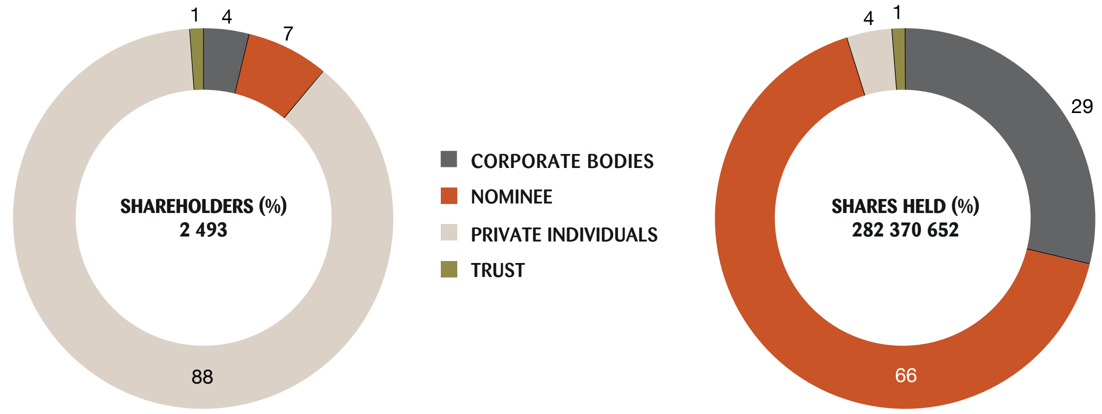
	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
1 to 5 000	2 002	80,30	1 799 273	0,60
5 001 to 10 000	163	6,54	1 066 896	0,40
10 001 to 50 000	202	8,10	4 222 638	1,50
50 001 to 100 000	40	1,60	2 756 760	1,00
100 001 to 500 000	64	2,57	14 452 830	5,10
500 001 to 1 000 000	5	0,20	3 759 463	1,30
Over 1 000 000	17	0,68	254 312 792	90,10
Total	**2 493**	**100,00**	**282 370 652**	**100,00**

Top 10 shareholders

	Shares held	% of issued shares
SCBN Proprietary Limited Sanlam Emerging Markets: Bw0000016225	116 388 211	41,22
African Life Assurance Company (Botswana) Proprietary Limited	48 603 380	17,21
FNB Botswana Nominees Re: Bifm – Act Mem & Dp Eq	24 758 332	8,77
Botswana Public Officers Pension Fund	16 647 645	5,90
Motor Vehicle Accident Fund	11 395 140	4,04
Botswana Public Pension Fund Vunani	10 455 386	3,70
Stanbic Nominees Botswana Re Bpopf Wt Pro Port Mcp	5 256 603	1,86
Stanbic Nominees Botswana Re Bifm Plef	3 689 945	1,31
Stanbic Nominees Botswana Re Bifm Mlf	2 988 419	1,06
Debswana Pension Fund Debswana Pension Fund	2 699 163	0,96
Other	39 488 428	13,98
Total	**282 370 652**	**100,00**

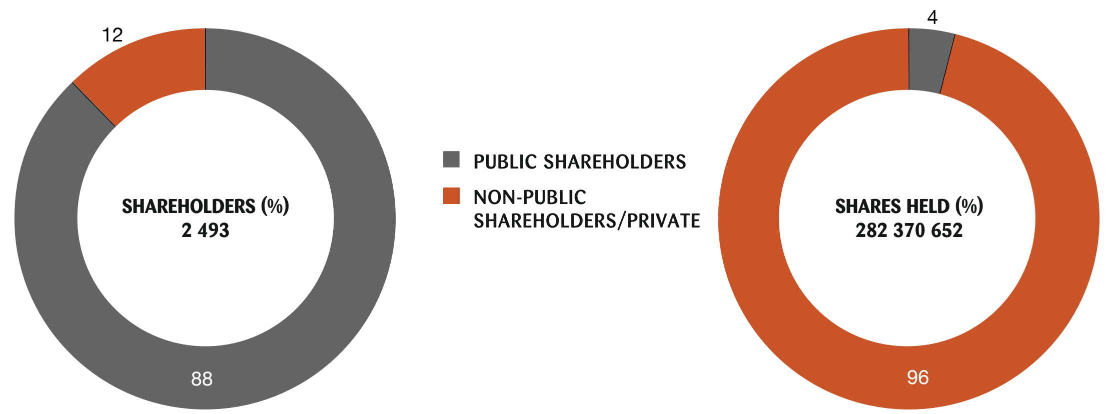
Category (i)

	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
Corporate bodies	96	4	81 159 787	29
Nominee	167	7	187 442 737	66
Private individuals	2 205	88	12 329 731	4
Trust	25	1	1 438 397	1
Total	**2 493**	**100**	**282 370 652**	**100**



Category (ii)

	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
Public shareholders	2 200	88	11 734 194	4
Non-public shareholders	293	12	270 636 458	96
Total	**2 493**	**100**	**282 370 652**	**100**



SHAREHOLDERS' DIARY

Results announcement	
Announcement of 2022 financial results	8 March 2023
Announcement of 2023 interim results	30 August 2023
Annual report	
2022 integrated annual report available to shareholders	8 June 2023
Annual general meeting	30 June 2023

DIVIDEND DISTRIBUTION

Year-end dates	
Declaration of final dividend	1 March 2023
Ex-dividend date	5 April 2023
Record date/last day to register	11 April 2023
Payment date	19 April 2023
Interim dates	
Declaration of interim dividend	16 August 2023
Ex-dividend date	6 October 2023
Record date/last day to register	10 October 2023
Payment date	20 October 2023

NOTICE OF ANNUAL GENERAL MEETING

For the year ended 31 December 2022

BIHL GROUP
BOTSWANA INSURANCE HOLDINGS LIMITED
Registration number: BW00000798601

Notice is hereby given that the 31st annual general meeting (AGM) of Botswana Insurance Holdings Limited (BIHL or the company) will be held at the Botswana Life Insurance Limited Boardroom, Plot 66458, Block A, 3rd Floor, Fairgrounds Office Park, Gaborone, Botswana on 30 June 2023 at 16:00 for the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting

2. Ordinary resolution number 1: Presenting the BIHL annual financial statements

To present, consider and adopt the BIHL annual financial statements for the year ended 31 December 2022, that have been distributed to shareholders as required, including the consolidated audited financial statements for the company and its subsidiaries, as well as the auditor's and directors' reports.

3. Ordinary resolution number 2: Approval of dividends

To approve the dividends declared by the directors on 17 August 2022 and 1 March 2023.

4. Ordinary resolution number 3: Re-election of directors

To re-elect directors in accordance with the provisions of the Constitution of the company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:

a) Mr Nigel Suliaman
b) Mr Robert Dommisse
c) Lieutenant General Tebogo Masire

Ordinary resolution number 3.1: Re-election of Mr Nigel Suliaman as a director

To re-elect Mr Nigel Suliaman who retires by rotation in terms of Article 19 of the Constitution of the company, being eligible and offering himself for re-election.

Mr Nigel Suliaman (57)

Independent non-executive director since 23 June 2020

Qualifications: Bachelor of Commerce (Accounting) degree from the University of Cape Town, Management Development Programme from Harvard Business School, a member in good standing of the South African Institute of Chartered Accountants and Chartered Financial Analyst (CFA) Charterholder

BIHL Group directorships: Botswana Insurance Fund Management Board, Bifm Unit Trusts Proprietary Limited and Chairperson of the Botswana Insurance Fund Management investment committee

Major external positions, directorships or associations: None

Fields of expertise: Board experience, financial, insurance and accounting

The board recommends the re-election of this director.

Ordinary resolution number 3.2: Re-election of Mr Robert Dommisse as a director

To re-elect Mr Robert Dommisse who retires by rotation in terms of Article 19 of the Constitution of the company, being eligible and offering himself for re-election.

Mr Robert Dommisse (55)

Independent non-executive director since 14 December 2020

Qualifications: BAcc Hons, MBA *cum laude* (Stellenbosch), CA(SA)

BIHL committee memberships: Audit and risk committee, nominations committee and human resources committee

BIHL Group directorships: Botswana Insurance Fund Management and Bifm Unit Trusts Proprietary Limited

Major external positions, directorships or associations: Director of Saham Morocco and director of FNB Insurance Limited

Fields of expertise: Board experience, financial, insurance and accounting

The board recommends the re-election of this director.

Ordinary resolution number 3.3: Re-election of Lieutenant General Tebogo Carter Masire as a director

To re-elect Lieutenant General Tebogo Carter Masire who retires by rotation in terms of Article 19 of the Constitution of the company, being eligible and offering himself for re-election.

Lieutenant General Tebogo Carter Masire (67)

Independent non-executive director since 21 August 2015

Qualifications: Diploma and BSc from Troy State University and an MBA from the University of Southern Queensland Australia

BIHL committee memberships: None

BIHL Group directorship: BIHL

Major external positions, directorships or associations: Founding member of the SADC Standing Aviation Committee, founding board member of the Civil Aviation Authority of Botswana, Chairman of the Air Botswana board, Chairman of the Botswana Stock Exchange Limited board, board member of House Maintenance, board member of BelServest and THC Foundation. He is also a member of the Vision 2036 Council and Patron of Botswana Sports Foundation Trust

Fields of expertise: Strategic leadership and public sector governance

The board recommends the re-election of this director.

5. Ordinary resolution number 4

Ordinary resolution number 4.1: Approval of directors' remuneration

To note the total amount of non-executive directors' and executive directors' remuneration for the financial year ended 31 December 2022. Directors' remuneration is set out in the BIHL 2022 integrated annual report: executive directors on page 86 and non-executive directors on page 87 and is also included below for ease of reference.

Financial year 2022 directors' fees approved

Name	Retainer P	Board meeting P	Audit and risk committee P	Human resources committee P	Subsidiary boards P	Nominations committee P	Other P	Investment committee P	Credit committee P	Total P
C Chauhan	100 000	82 580	126 404	–	360 000	68 250	–	–	–	737 234
J Hinchliffe	100 000	82 580	126 404	–	275 000	–	–	–	–	583 984
M Mpugwa	–	498 751	–	–	20 000	–	–	26 819	35 769	581 339
Lt General T Masire	100 000	82 580	–	–	–	–	–	–	–	182 580
A Cartwright	100 000	82 580	287 644	–	132 000	–	–	–	–	602 224
R Dommisse*	100 000	82 580	126 404	56 700	125 900	–	–	–	–	491 584
N Suliaman*	100 000	82 580	–	–	125 900	–	–	143 076	107 276	558 832
K Vlok*	100 000	82 580	–	–	132 000	–	97 500	–	–	412 080
Total	**700 000**	**1 076 811**	**666 856**	**56 700**	**1 170 800**	**68 250**	**97 500**	**169 895**	**143 045**	**4 149 857**

* *The fees are paid to the Sanlam Group and not individual directors.*

6. Ordinary resolution number 5

To approve the remuneration of the auditor for the year ended 31 December 2022.

7. Ordinary resolution number 6: Reappointment of the auditor

To reappoint PricewaterhouseCoopers, as nominated by the company's audit and risk committee, as the independent auditor of the company to hold office until the conclusion of the next AGM of the company.

Voting and proxies

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a member of the company.
2. The instrument appointing such a proxy must be deposited at the registered office of the company not less than 48 hours before the meeting.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the board

Haig Ndzinge
Company Secretary

A shareholder/s entitled to attend and vote at this AGM is/are entitled to appoint one or more proxies (who need not be shareholders of the company), to attend, speak at and vote on behalf of the shareholder/s at the AGM.

NOTES TO THE FORM OF PROXY

Receiving and adoption of the annual financial statements together with the reports of the Statutory Actuary and the auditor

The directors are required to present to members at the AGM the annual financial statements, incorporating the report of the Chief Financial Officer for the period ended 31 December 2022, together with the reports of the valuator and the auditor contained in this integrated annual report.

Election of directors

In terms of the company's Constitution, one-third of the directors are required to retire at each AGM and may offer themselves for re-election. The Constitution also provides that the appointment of any person as a director of the company requires confirmation by shareholders at the first AGM of the company after the appointment of such person as director.

Shareholders' calendar reporting

Financial year-end	31 December
Announcement of financial year-end	
31 December 2022 results	8 March 2023
Integrated annual report released on or about	8 June 2023
Annual general meeting	30 June 2023
Interim results published	30 August 2023

Dividends

2022 final dividend payment	19 April 2023

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or names of two alternate proxies with or without deleting 'the Chairman of the AGM'; such a deletion must be initialled by the shareholder. The person, whose name appears first on the form of proxy and has not been deleted, will be entitled to act as a proxy to the exclusion of those whose names appear below his/hers.
2. A shareholder's instructions to the proxy must be indicated by the insertion of a cross or a tick or the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Office Park, Plot 50371, Gaborone, Botswana or PO Box 336, Gaborone, Botswana or faxed to +267 397 3657 for the attention of the Company Secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the AGM (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.
4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.
6. The Chairman of the AGM may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the shareholder concerned wishes to vote.
7. An instrument of proxy shall be valid for the AGM as well as any adjournment thereof, unless the contrary is stated thereon.
8. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the company not less than one hour before the commencement of the AGM or adjourned AGM at which the proxy is to be used.
9. At a meeting of shareholders, a poll may be demanded by:
   (a) not less than five (5) shareholders having the right to vote at the meeting, or
   (b) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting, or
   (c) a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10% of the total amount paid up on all shares that confer that right, or
   (d) the Chairman.

When a poll is taken, votes shall be counted according to votes attached to the shares of each shareholder present in person or by proxy and voting.

FORM OF PROXY

BIHL GROUP
BOTSWANA INSURANCE HOLDINGS LIMITED

Registration number: BW00000798601

To be completed by certificated shareholders with 'own name' registration
For use at the AGM to be held at 16:00 on 30 June 2023 at the Botswana Life Insurance Limited Boardroom, Plot 66458, Block A, 3rd Floor, Fairgrounds Office Park, Gaborone, Botswana.

I/We ______________________________ being a shareholder/s of

Botswana Insurance Holdings Limited, holding ____________________ number of shares hereby appoint:

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairman of the AGM as my/our proxy to vote for me/us on my/our behalf at the AGM of the company to be held at the Botswana Life Insurance Limited Boardroom, Plot 66458, Block A, 3rd Floor, Fairgrounds Office Park, Gaborone, Botswana on 30 June 2023 at 16:00, and at any adjournment thereof for the purpose of voting:

	For	Against	Abstain
1. Ordinary resolution number 1: To receive, approve and adopt the annual financial statements for the year ended 31 December 2022			
2. Ordinary resolution number 2: To approve the dividends declared by the directors on 17 August 2022 and 1 March 2023			
3. Ordinary resolution number 3: To re-elect directors in accordance with the provisions of the Constitution of the company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:			
3.1. Mr Nigel Suliaman			
3.2. Mr Robert Dommisse			
3.3. Lieutenant General Tebogo Masire			
4. Ordinary resolution number 4:			
4.1 To note the total amount of non-executive directors' and executive directors' remuneration for the financial year ended 31 December 2022			
5. Ordinary resolution number 5: To approve the remuneration of the auditor for the year ended 31 December 2022			
6. To appoint PricewaterhouseCoopers, as nominated by the company's audit and risk committee, as independent auditor of the company to hold office until the conclusion of the next AGM of the company			

Signed at ____________________on the ______________day of ______________2023

Signature______________________________

DEFINITIONS

Financial definitions

Basic earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares
Claim	A demand to the insurer for indemnification for a loss incurred from an insured peril
Dividends per share (thebe)	Total dividends paid to ordinary shareholders divided by the number of ordinary shares issued calculated in thebe
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured
Net asset value	Equity attributable to equity holders of BIHL Limited
Remuneration	Money that is paid or other financial compensation provided in exchange for an employee's services performed
Shares in issue	The number of ordinary shares in issue as listed by the BSE
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, to charge the proper premium for each

Subsidiaries and associates

African Life Financial Services	African Life Financial Services Limited
ALBOTS	African Life Assurance Company Botswana Proprietary Limited
BIC	BIHL Insurance Company Limited
Bifm	Botswana Insurance Fund Management Limited
BIHL	Botswana Insurance Holding Limited
BIHL Trust	Botswana Insurance Holdings Trust
Botswana Life	Botswana Life Insurance Limited
Khumo	Property Asset Management Company
KYS	Kgolo Ya Sechaba Investments Limited
LG	Legal Guard Proprietary Limited
Letshego/LHL	Letshego Holdings Limited
NICO	National Insurance Company Limited
PPB	Private Property Botswana Limited

A glossary of insurance-specific terminology

Assumptions	Underlying variables and uncertainties, which are taken into account in determining values, which could be insurance contract liabilities or financial assets at fair value.
Benefit experience variation	Difference between the expected benefit payout and the actual payout.
Deferred revenue	Initial and other front-end fees for rendering future investment management services, which are deferred and recognised as revenue when the related services are rendered.
Discretionary participation features	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on: • the performance of a specified pool of contracts or a specified type of contract • realised and/or unrealised investment returns on a specified pool of assets held by the insurer, or • the profit or loss of the company, fund or other entity that issues the contract
Embedded value	This is an estimate of the economic worth of a life insurance business. The measurement principles, however, do differ from the measurement principles under IFRS.
IBNR	Claims incurred by the policyholder but not yet reported to the insurance company.
IFRS 4	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contract	Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of non-financial variable that the variable is not specific to a party to the contract.
Investment management services	Managing of investment, for which a service fee will be charged.
Liability adequacy test	Reassessment of the sufficiency of the insurance liability to cover future insurance obligations.
Life insurance	Contract under which the term of insurance covers a period longer than 12 months e.g. whole life or term insurance.
Premiums earned	Premiums earned are when premiums are payable by the policyholder.
Premiums written	Premiums written are on acceptance of an insurance contract by the policyholder.
Reinsurance	Insurance risk is ceded to a reinsurer, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Unearned premiums	Reserve for premiums received for which the underlying risks have not yet expired. This reserve is released over the term of the contract as the underlying risk expires.

Acronyms and abbreviations

AGM	Annual general meeting
AI	Artificial intelligence
AIDS	Acquired immunodeficiency syndrome
AIP	Annual improvements
AML/CFT and P	Anti-money laundering/combating financial terrorism and proliferation
AUM	Assets under management
BAOA	Botswana Accountancy Oversight Authority
BGCSE	Botswana General Certificate of Secondary Education
BICA	Botswana Institute of Chartered Accountants
BOPEU	Botswana Public Employees Union
BSE	Botswana Stock Exchange
BWP	Botswana Pula, the functional currency of Botswana
CEE	Citizen economic empowerment
CEESOS	Citizen economic empowerment share option scheme
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CFO	Chief Financial Officer
CIU	Collective investment undertaking
CSI	Corporate social investment
CSP	Conditional share plan
CSR	Corporate social responsibility
DAC	Deferred acquisition cost
DCF	Discounted cash flow
DPF	Discretionary participation features
ECL	Expected credit loss/es
EIR	Effective interest rate
ERM	Enterprise risk management
ESG	Environmental, social and governance
EVP	Employee value proposition
FRA	Full retrospective approach
FVA	Fair value approach
GDP	Gross domestic product
GEMS	Girls Excelling in Mathematics and Science
HIV	Human immunodeficiency virus
HR	Human resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Claims incurred but not yet reported
IBOR	Interbank offered rate
ICT	Information and communications technology
IESBA Code	International Code of Ethics for Professional Accountants (including International Independence Standards)
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
<IR Framework>	International Integrated Reporting Framework of the IFRS Foundation
ISAs	International Standards on Auditing
IT	Information technology
King IV™	King IV Report on Corporate Governance for South Africa, 2016™
km	Kilometre
LGD	Loss given default
LIMRA	Life Insurance Marketing and Research Association
LOMA	Life Office Management Association
LTI	Long-term incentive
MRA	Modified retrospective approach
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
OVC	Orphans and vulnerable children
PCT	Prescribed capital target
PD	Probability of default
PiT	Point in time
SDG	United Nations Sustainable Development Goals
SOS	Share option scheme
SPA	Sanlam Pan Africa
STEM	Science, technology, engineering and mathematics
STI	Short-term incentive
TBO	The Broadcasters Organisation
TCFD	Task Force on Climate-related Financial Disclosures
Teledimo	Teledimo Proprietary Limited
TGP	Total guaranteed package
The board	The board of directors of BIHL
The year	The year ended December 2022
TI	Trans Industries Proprietary Limited
UNICEF	United Nations Children's Fund
USD	United States Dollar
VAT	Value-added tax
VPN	Virtual private network

CORPORATE INFORMATION

BOTSWANA INSURANCE HOLDINGS LIMITED

Incorporated in 1990 in Botswana
Company registration number: BW00000798601

REGISTERED OFFICE

Plot 66458, Block A
3rd Floor
Fairgrounds Office Park
Gaborone, Botswana
PO Box 336
Gaborone, Botswana
Tel: +267 370 7400
Fax: +267 397 3705
www.bihl.co.bw

DIRECTORS

Mahube Mpugwa *(Acting Chairman)*
Catherine Lesetedi
(Group Chief Executive Officer)
Kudakwashe Mukushi
*(Group Chief Financial Officer)****
Andrew Cartwright**
Chandrakant Chauhan
Robert Dommisse**
John Hinchliffe*
Lieutenant General Tebogo Masire
Nigel Suliaman**
Kobus Vlok**

** British*
*** South African*
**** Zimbabwean*

COMPANY SECRETARY

Haig Ndzinge
Plot 66458, Block A
Fairgrounds Office Park
Gaborone, Botswana

STATUTORY ACTUARY

Daan du Plessis
Sanlam Group Office
2 Strand Street, Belville 7530
South Africa

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BOTSWANA INSURANCE FUND MANAGEMENT LIMITED

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Fax: +267 390 0358
www.bifm.co.bw

TRANSFER SECRETARIES

PricewaterhouseCoopers Proprietary Limited
Plot 50371
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PO Box 294
Gaborone, Botswana

AUDITOR

Ernst & Young
2nd Floor, 22 Khama Crescent
PO Box 41015
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BIHL GROUP

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