



# BIHL GROUP



BOTSWANA INSURANCE HOLDINGS LIMITED (BIHL)  
(Incorporated in Botswana on 21 November 1990)  
(Registration number 90/1818)

(Converted to a public company in 1991)  
(Registration number CO: 1990/1818 )  
(Share Code: BIHL: BW 000 000 0033 )  
("BIHL" or "the Company")



# CIRCULAR TO SHAREHOLDERS



## Action Required:

- If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, banker, lawyer, accountant or other professional adviser immediately.
- If you have sold or transferred all your shares in Botswana Insurance Holdings Limited (“**BIHL**” or “the **Company**”), you should at once hand this Circular together with the attached Form of Proxy to the agent through whom you effected the sale and transfer for transmission to the purchaser or transferee.
- This Circular incorporates listing particulars and is issued in compliance with the Listing Requirements of the Botswana Stock Exchange for the purpose of giving information to the public with regard to the Shareholders of BIFM.

<b>BOTSWANA INSURANCE HOLDINGS LIMITED</b>
(Converted to a public company in 1991) (Registration number CO: 1990/1818 ) (Share Code: BIHL: BW 000 000 0033 ) (“BIHL” or “the Company”)

## Circular To BIHL Shareholders

Relating to the adoption and implementation of the BIFM Employee Share Incentive Scheme and the Shareholders approval of same.

Transaction Advisor	Legal Advisor	Sponsoring Broker
		
Date of issue: 18 January 2018		

<b>Board of Directors:</b> Batsho Dambe-Groth John Hinchliffe Chandra Chauhan Mahube Chilisana Mpugwa Catherine B Lesetedi Gaffar Hassam Lieutenant General Tebogo Carter Masire Andre Roux Gerrit Lodewyk Van Heerde	<b>Registered Office:</b> 3rd Floor, Block A Plot 66458 Fairgrounds Office Park Private Bag Br 185 Gaborone, Botswana
<b>Auditors:</b> Ernst and Young Gaborone, Botswana	<b>Company Secretary:</b> Haig Ndzingo
<b>Sponsoring Broker:</b> Motswedi Securities Plot 113, Unit 30, Kgale Mews , Gaborone Private bag 00223, Gaborone	<b>Legal Advisors:</b> Armstrongs Attorneys 2nd Floor Acacia, Prime Plaza Plot 74538, Cnr Khama Crescent Extension & PG Matante Road, New CBD P O Box 1368 Gaborone, Botswana
<b>Transfer Secretaries:</b> PricewaterhouseCoopers (Pty) Ltd Plot 50371 Fairgrounds Office Park PO Box 294 Gaborone	<b>Transaction Advisor:</b> Deloitte & Touche Fairgrounds Office Park Plot 64518, Gaborone, Botswana

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## SHAREHOLDERS OF THE COMPANY

Dear Sir/Madam,

### 1. INTRODUCTION

- 1.1. The directors of BIHL are pleased to announce an intention by the Company to seek the shareholders' approval to adopt and implement the Botswana Insurance Fund Management Limited Citizen Economic Empowerment Scheme.
- 1.2. The purpose of this Circular is to provide you with the details of the above as set out in this Circular.

### 2. DEFINITIONS

In this Circular and the annexures hereto, unless the context indicates otherwise, the terms in the first column have the meanings assigned to them in the second column. Words importing the singular shall, where applicable, including the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include the corporations.

<b>"Act"</b>	Companies Act, 2003 as may be amended, modified or re-enacted from time to time;
<b>"Award"</b>	a conditional right to a specified number of Performance Shares, Retention Shares and SARs to an Employee in terms of the Rules;
<b>"Award Letter"</b>	a letter containing information sent by Botswana Insurance Fund Management Limited, or its nominee, on the recommendation of the Remuneration Committee, to an Employee informing the Employee of the Award;
<b>"Beneficiary"</b>	means an Employee who is a vested beneficiary of the Botswana Insurance Fund Management Limited Citizen Economic Empowerment Share Trust, reflected as having been granted or having acquired the opportunity to acquire a beneficial interest in BIFM in terms of the Scheme and/or being entitled to a distribution as the case may be and for the avoidance of doubt, a person shall cease to be a Beneficiary if they cease to have any beneficiary interest in the Scheme Shares or have no Scheme Shares;
<b>"BIFM"</b>	Means Botswana Insurance Fund Management Limited, a wholly owned subsidiary of BIHL;
<b>BIHL or the "Company"</b>	Botswana Insurance Holdings Limited, a company incorporated in accordance with the Companies Act and listed on the BSE;
<b>"BSE"</b>	Botswana Stock Exchange;
<b>BIFM Shares or "Shares"</b>	the ordinary shares of BIFM
<b>"BIFM Citizen Economic Empowerment Share Trust"</b>	the Botswana Insurance Fund Management Limited Citizen Economic Empowerment Share Trust
<b>"BWP"</b>	the legal tender of the Republic of Botswana in which all monetary amounts in this Circular are expressed;

<b>“Circular”</b>	this Circular which sets out salient details of the Scheme to be issued on 18 January 2018;
<b>“Constitution”</b>	the Constitution of BIHL;
<b>“CSDB”</b>	the Central Securities Depository Botswana, a public company with limited liability duly incorporated in accordance with the laws of Botswana and operates as a central depository to the BSE;
<b>“Directors” or the “Board”</b>	the Board of Directors of BIHL;
<b>“EGM”</b>	the Extra Ordinary General Meeting to be held on 8 February 2018;
<b>“Employees”</b>	means a citizen of the Republic of Botswana who is in the full time employ of BIFM and qualifies under the Scheme;
<b>“Executive”</b>	the senior management and executive directors of BIFM, but excluding any non- executive director of BIFM;
<b>“the last practicable date”</b>	the date prior to the date of issue of the Circular, being 17 January 2017;
<b>“Listing Requirements”</b>	Listing Requirements of the Botswana Stock Exchange;
<b>“Participant”</b>	the persons who are eligible and who qualify to participate in the Scheme in terms of the Rules;
<b>“Performance Shares”</b>	conditional rights to Shares, the Vesting of which is subject to the fulfilment of the Employment Conditions and Performance Conditions as specified in the Award Letter;
<b>“Remuneration Committee”</b>	the remuneration and nomination committee of the Board, the members of which do not hold any executive office within BIFM delegated by the Trustees charged with the administration of the Scheme in accordance with the Rules;
<b>“Retention Shares”</b>	conditional rights to Shares, the Vesting of which is subject to the fulfilment of the Employment and Retention Conditions as specified in the Award Letter;
<b>“Rules”</b>	the Botswana Insurance Fund Management Limited Citizen Economic Empowerment Scheme: Sale of 15% Share Plan Rules; that contains provisions relating to the eligible Participants that can qualify under the Share Plan Scheme and the granting of benefits in terms of the Share Plan Scheme;
<b>“SAR”</b>	a Share Appreciation Right, being a conditional right to participate in the appreciation in the market value of a Share or any number of Shares (as specified in the Award Letter);
<b>“Scheme”</b>	the Botswana Insurance Fund Management Citizen Economic Empowerment Scheme;
<b>“Scheme Shares” or “Shares”</b>	21,849,246 BIFM Ordinary Shares representing 25.1 % of the issued capital which shall be allocated in terms of the Scheme;
<b>“Share Plan Scheme”</b>	13,109,548 BIFM Ordinary Shares, comprising 15% of the issued capital, which shall be offered for subscription in terms of the Scheme to Citizen Employees of BIFM;
<b>“Trust Deed”</b>	Botswana Insurance Fund Management Limited Citizen Economic Empowerment Scheme Trust Deed signed on the 18 December 2017 and registered at the Deed Registry;
<b>“Trustees”</b>	the trustees of the BIFM Citizen Economic Empowerment Share Trust, as set out in clause 5.1 of this Circular.

### 3. INTRODUCTION OF THE SCHEME

- 3.1 The Board of Directors proposes to convene an EGM to seek Shareholders’ approval to adopt and implement the Scheme.
- 3.2 The purpose of this Circular is to provide Shareholders with information relating to the Scheme and to seek Shareholders’ approval in relation thereto at the EGM to be held on 8 February 2018 at 2 p.m. at BIHL offices. The Notice of the EGM is set out on page 14 of this Circular.

### 4. BIFM CITIZEN ECONOMIC EMPOWERMENT SCHEME

- 4.1 BIHL has established 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 Share Plan Scheme signed on 18 December 2017.
- 4.2 A total 21,849,246 BIFM Shares, comprising 25.1% of the issued capital, have been reserved for the Share Scheme, which will be new shares issued by BIFM. The Fair Value of such shares has been determined by an independent external valuation exercise.
- 4.3 On inception of the Scheme, 15% of the Ordinary Shares issued by BIFM will be subscribed by its citizen employees under the Share Plan Scheme. In the event of these shares not being fully subscribed on the initial issuance of the scheme, the balance of the shares will be transferred to the Trust for future allocation.
- 4.4 The Trust shall be established for purposes of subscribing for 8,739,698 Ordinary Shares, representing 10.1% of the issued share capital in BIFM, to be held for the benefit of the citizen employees of BIFM and for holding the remainder of any of the shares not subscribed for in terms of the Share Plan Scheme.

### 5. TRUSTEES

- 5.1 The Trustees to the Trust shall be the following:
  - 5.1.1 Gerrit Lodewyk Van Heerde
  - 5.1.2 Andre Roux
  - 5.1.3 Mahube Mpugwa
  - 5.1.4 Catherine B Lesetedi, and
  - 5.1.5 Kudakwashe Mukushi

### 6. RATIONALE OF THE SCHEME

- 6.1 BIFM places strong emphasis on the recruitment and retention of Executives and quality Employees with talent in all areas of BIFM’s operations, and in particular, that possess the drive, leadership, skills, expertise and experience of such persons, as the Company considers to be qualities that will assist BIFM to realise its strategic and long-term business goals.
- 6.2 The Company believes that the implementation of the Scheme will enable BIFM to structure a competitive remuneration package, which is designed as an additional incentive tool to reward and retain Executives and quality Employees, as well as to achieve the following objectives:
  - 6.2.1 to motivate each beneficiary to achieve and maintain a high level of performance and contribution;
  - 6.2.2 to make Employee remuneration sufficiently competitive to recruit and retain beneficiaries whose contributions are important to the long-term growth and profitability of BIFM;



6.2.3. to foster an ownership culture within BIFM, which aligns the interests of Employees with the interests of the Shareholders; and

6.2.4. to attract potential Employees with relevant skills to contribute and create value for the Shareholders of the Company.

## 7. SUMMARY OF THE SCHEME

### Categorisation of the Scheme Shares

- 7.1. An initial 15% of the Shares in BIFM are offered for subscription to the Employees of BIFM as per the Share Plan Scheme.
- 7.2. BIFM will provide a loan facility for the equivalent of the value of the 15% Shares, secured against the shares issued to Employees. The loan will bear an arm's length interest.
- 7.3. 10.1% of the Shares will be issued to the Trust, which will hold these for the benefit of Employees of BIFM and for future allocation. These shares will be allocated from the Trust to the Employees on a periodic basis, on a grant basis, as determined by the Management of BIFM and the Trustees.
- 7.4. BIFM will provide a loan at arm's length interest to the Trust equivalent to the value of the shares allotted to the Trust to subscribe for the shares.
- 7.5. In terms of the Rules of the Scheme, the selected Participants will be granted the opportunity to receive benefits under the Scheme by:
- 7.5.1. annual awards of Performance Shares and Retention Shares; and/or
- 7.5.2. annual awards of SARs; and/or
- 7.5.3. ad hoc Awards of Retention Shares to selected Employees, based on individual performance, to address specific retention risks or sign-on requirements.
- 7.6. Vesting of Awards of Performance Shares and SARs will be subject to the satisfaction of the performance conditions, employment conditions and any other conditions set by the Executive, which shall be objective and set out in the associated Award Letter.
- 7.7. Vesting of Awards of Retention Shares will be subject to the satisfaction of the employment conditions set by the Executive.

### Eligibility

- 7.8. The following individuals shall be eligible to participate in the Scheme:
- 7.8.1. Citizen Employees who are confirmed full-time employees of BIFM; and
- 7.8.2. Citizen Executives, which include executive Directors of BIFM and Senior Management who, in the opinion of the Remuneration Committee, have contributed or will contribute to the success of BIFM.
- 7.9. The Trustees will from time to time call, upon the Executive to nominate Employees for participation in the Scheme. The Trustees will have final authority to decide which Employees will participate in the Scheme in respect of each Award, the aggregate quantum of Performance Shares and / or SARs and / or Retention Shares to comprise Awards to Employees.

7.10. The Trustees will also take into consideration the number of Performance Shares and / or SARs and / or Retention Shares that may comprise an Award to an Employee by reference to the Employee's salary, grade, individual performance, retention requirements and market benchmarks (as applicable) and any other factors.

### Size of Scheme

- 7.11. A total of 21,849,246 BIFM Shares, comprising 25.1% of the issued capital have been reserved for the Scheme. The aggregate number of Shares at any one time which may be allocated under the Scheme shall not exceed 25.1% of the number of BIFM Shares in issue.
- 7.12. Subject to any alteration in the share capital of BIFM, the maximum number of Shares allocated to any Participant under this Scheme in respect of all vested and unvested awards shall not exceed 4% of the issued share capital of BIFM with effect from date of adoption of this Scheme.
- 7.13. The total number of Shares that may be allocated to a Participant in accordance with the Scheme shall be determined at the absolute discretion of the Trustees. The Trustees believe that such discretion will allow sufficient flexibility in adjusting the number of Shares issued, to achieve certain goals of BIFM through the customisation of a balanced and commensurate compensation and incentive package for each Participant.

### Exercise Price

- 7.14. For the initial allocation, the Exercise Price of the Scheme Shares granted will be determined based on an independent valuation carried out by an external consultant, who will determine the value of the 25.1% Ordinary Shares, which will also be the cost of the shares for the initial allocation.
- 7.15. For future allocations, the Exercise Price of the Scheme Shares granted will be determined based on an internal valuation carried out on a periodical basis.

### Variation of Capital

- 7.16. If a variation in the number of issued Shares of BIFM (whether by way of a capitalisation of profits or reserves or rights issue or reduction, subdivision, consolidation or distribution or otherwise howsoever) should take place, then:
- 7.16.1. the Exercise Price in respect of the Shares, class and/or number of Shares comprised in the Award to the extent unexercised and the rights attached thereto; and/or
- 7.16.2. the class and/or number of Shares in respect of which additional Award may be granted to Participants, may be adjusted in such manner as the Trustees may determine to be appropriate, except for capitalisation issues, upon the written confirmation of independent external expert to be nominated by the Company (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable).
- 7.17. Unless the Trustee considers an adjustment to be appropriate, the following events shall not normally be regarded as a circumstance requiring adjustment:
- 7.17.1. issue of securities as consideration for an acquisition or a private placement of securities;
- 7.17.2. an issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to its Employees including Directors or Employees of BIFM pursuant to purchase or option scheme approved by Shareholders in general meeting, including the Scheme;
- 7.17.3. an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; and

7.17.4. any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by BIFM.

7.18. Upon any adjustment required to be made, BIFM shall notify each Participant (or his duly appointed personal representative(s)) in writing.

7.19. No such adjustment shall be made if as a result a Participant receives a benefit that a Shareholder does not receive.

#### Modifications to the Scheme

Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Trustees, except that any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of the Shareholders of BIHL in general meeting.

#### Duration of the Scheme

The Scheme may be terminated at any time by the Trustees or by resolution of the Shareholders of BIHL at a general meeting, subject to all other relevant approvals which may be required, and if the Scheme is so terminated, no further allocations will be made by BIFM in terms of the scheme.

#### Ranking of the Shares

Shares allotted and issued upon the exercise of a Scheme Share shall rank pari passu in all respects with the then existing issued Shares in the capital of BIFM, except for any dividends, rights, allotments or other distributions accrued prior to the date such Shares are subscribed and issued.

#### Details of the Scheme

The Rules of the Scheme are available for inspection in terms of clause 17 of this Circular.

## 8. EGM

8.1. Following hereafter and forming part of this Circular is the notice of the EGM of Shareholders of BIHL to be held at BIHL Offices, Gaborone on 8th February 2018 at 14h00 for the purpose of considering the business of the EGM.

8.2. For the reasons summarized above, the Trustees and the Board believe that it is in the best interest of the Shareholders to approve an extract of the Resolutions set out below in the notice of the EGM:

#### Ordinary Resolution

To receive, consider and approve the Botswana Insurance Fund Management Limited Citizen Economic Empowerment Scheme and its Rules and as such a total of 21,849,246 BIFM Shares, comprising 25.1% of the issued capital, will be issued by Botswana Insurance Fund Management and reserved for the Share Scheme.

## 9. DIRECTORS' RECOMMENDATIONS

The Directors, having considered all aspects of the Botswana Insurance Fund Management Limited Citizen Economic Empowerment Scheme and its Rules, are of the opinion that the passing of the above resolution is in the best interest of BIFM. Accordingly, they recommend that you vote in favour of the resolution to be tabled at the forthcoming EGM.

## 10. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in it, and confirm to the best of their knowledge and belief, after making all reasonable enquiries, that there are no other facts or omissions which would make any statement in this Circular misleading.

## 11. DATE OF IMPLEMENTATION

It is proposed that the Share Scheme be implemented within such period as the Board determines, subject to the approval of the Shareholders at the EGM.

## 12. ADVANTAGES OF THE SCHEME

12.1. The following are the advantages:

- 12.1.1. it rewards Employees, without competing on salary alone;
- 12.1.2. it aligns the interests of the Employees with that of BIFM, for greater success for BIFM, the employee and the economy;
- 12.1.3. after the issue of shares in terms of the Scheme, the Scheme will not affect the Company's dilution limits in future;
- 12.1.4. the Company will not incur any tax expenditure in respect of the issue of new shares in terms of the scheme.;

12.1.5. there are minimal administrative costs and regulatory requirements in maintaining the Scheme.

## 13. ADVISORS

Armstrongs Attorneys and Deloitte and Touche have been appointed to advise the Company and the Board for the purpose of the Scheme and the Circular.

## 14. MATERIAL CONTRACTS

Neither BIFM nor BIHL has entered into any material contracts (not being contracts entered into in the ordinary course of business) in the previous two years preceding the date of this Circular.

## 15. MATERIAL LITIGATION

BIHL is not involved in any material litigation, arbitration or is aware of any pending proceedings against BIFM.

## 16. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the BIFM registered office at Fairgrounds Office Park, 3rd Floor, Block A Plot 66458, Gaborone during business hours for a period between the date of this Circular to the date of the EGM.

- 16.1.1. Botswana Insurance Fund Management Limited Citizen Economic Empowerment Share Trust Deed signed on the 18 December 2017 to be registered at the Deeds Registry;
- 16.1.2. Botswana Insurance Fund Management Limited Citizen Economic Empowerment Scheme: Sale of 15% Share Plan Rules; and
- 16.1.3. the Audited Financial Statements of BIFM for the financial year ended 31 December 2016.

Signed by **Catherine B. Lesetedi** on behalf of the directors of Botswana Insurance Holdings Limited

**Dated at Gaborone this 20th day of December 2017.**



Director, Group Chief Executive Officer

**FORM OF PROXY FOR SHAREHOLDERS**

EXPRESSIONS USED IN THIS FORM WILL, UNLESS THE CONTEXT REQUIRES OTHERWISE, BEAR THE SAME MEANINGS AS GIVEN IN THE CIRCULAR ISSUED BY THE COMPANY TO SHAREHOLDERS ON 18 JANUARY 2018 ("THE CIRCULAR"). THIS FORM SHOULD BE READ IN CONJUNCTION WITH THE CIRCULAR.

For use at the extraordinary general meeting of Shareholders ("the EGM") to be held at 2pm on the 8th February 2018 at the BIHL offices.

I/We (BLOCK LETTERS PLEASE) \_\_\_\_\_

of (Address) \_\_\_\_\_

Being the holder/s of \_\_\_\_\_ Shares hereby appoint: \_\_\_\_\_

\_\_\_\_\_ or failing him/her,

\_\_\_\_\_ or failing him/her,

the chairman of the EGM,

	Number of Shares		
	For	Against	Abstain
Resolution 1			
Resolution 2			

as my/our proxy to act for me/us at the EGM called for the purposes of considering and, if deemed fit, passing with or without amendment or modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against such resolutions or any amendment or modification thereof and/or abstain from voting in respect of the linked units registered in my/our name(s) in accordance with the following instructions (see note 2).

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

Signature

Assisted by (where applicable)

Each Shareholder is entitled to appoint a proxy (who need not be a Shareholder of the Company) to attend, speak and vote in its/his/her stead at the EGM.

**Notes:**

A Shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space(s) provided with or without deleting "the chairman of the EGM" but the Shareholder concerned must initial any such deletion. The person whose name appears first on the form of proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

A Shareholder's instructions to the proxy must be shown by indicating in the appropriate box provided the manner in which that Shareholder wishes to vote. Notwithstanding the foregoing a proxy shall be entitled to vote on any amendment or modification of the resolutions. Failure to comply with the above will be deemed to authorise the proxy to vote for or against the ordinary resolutions or amendments or modifications thereof, if any, or abstain from voting as he/she deems fit in respect of all the 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.

All forms of proxy must be lodged with the company secretary at the registered offices by not later than 16:30 on 7 February 2018.

Any alteration or correction made to this form of proxy must be initialed by the signatory (ies).

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company secretary or waived by the chairman of the EGM. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

The chairman of the EGM may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the chairman is satisfied as to the manner in which the Shareholder wishes to vote.





