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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 12 to 120, 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 The Group has policyholder liabilities under insurance contracts 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 judgment. 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 5 - Significant accounting judgements, estimates and assumptions of the Group financial statements and Note 8 - Policyholder liabilities of the Group financial statements.	The following audit procedures, amongst 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 cashflow 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 macro-economic 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 macro-economic 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. 1. The global economic recovery from the COVID-19 pandemic, and 2. The Russia-Ukraine conflict. Refer to Note 5 - Significant accounting judgements, estimates and assumptions of the Group financial statements and Note 4.5 - Interest in associates and joint ventures of the Group financial statements.	The following audit procedures, amongst 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. The other information comprises the information included on page one to six of the document titled "Botswana Insurance Holdings Limited Annual Financial Statements for the year ended 31 December 2022", which includes the Report of The Independent Actuary and the Director's Report as required by the Companies Act (CAP 42:01). The 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 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 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

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08 March 2023