COMMITTED TO YOU NOW AND TOMORROW

Bridging the gap to a new day and better life

INTEGRATED REPORT 2020

National Social Security Fund

NSSF
a better life

TABLE OF CONTENTS

Our value creation story comprises the following six chapters, providing our stakeholders with a holistic view to assess our ability to create ongoing sustainable value.

NSSF
a better life

01. OUR REPORT OVERVIEW

Introduction

As the National Social Security Fund, mandated by Government to provide social security services to private sector employees, including non–governmental organisations not covered by the government's pension schemes, we are proud to present our first integrated report to you for the year ending 30 June 2020. This report has been aligned to the International <IR> Framework as a guideline. It is also in compliance with the National Social Security Fund Act (Cap 222) of Uganda. "National Social Security Fund", "NSSF" and "The Fund" are used interchangeably but refer to the same entity.

The 2020 financial year was the first year that the Fund adopted King IV™ on Corporate Governance alongside the UK Corporate Governance Code – and our governance section illustrates this alignment to both. We realise that this will be an ongoing journey where we will continue to develop our policies, practices and procedures in line with an integrated governance, risk and compliance framework.

Purpose, scope and boundary of report

Our integrated report is a demonstration of our value creation story and our ***commitment to you, our members, now and tomorrow, as we build a sustainable future together***. It aims to provide a balanced and accurate reflection of our strategy, performance, risks, opportunities and future outlook in relation to material financial, economic, social and governance issues. This report primarily addresses how we create value over the short, medium and long term, with a demonstration of the effects on the six capitals (i.e. outcomes) providing our stakeholders with a transparent and holistic view of our business operations.

This integrated report covers the performance of the National Social Security Fund (NSSF), both from a financial and non–financial perspective, for the financial year ended 30 June 2020.

Materiality determination process

Identify
Identify matters by scanning the internal and external environment

Prioritise
Prioritise matters and formulate the strategic risks and opportunity register

Define
Define strategy and targets incorporating performance measures

We discuss our material matters on page 40 of this report.

Forward–looking statements

This report may contain forward–looking statements with respect to the Fund's future performance and prospects.

While these statements represent our judgements and future expectations at the time of preparing this report, a number of emerging risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance.

Outlook

Outlook information comprises challenges, opportunities and disruptive factors we have identified that have the potential to affect the achievement of our strategic objectives and our mitigating response as well as opportunities identified. Outlook information can be found throughout this report.

See more information about our outlook on page 58 of this report.

Internal controls and assurance

The Internal Audit function supports the integrity and transparency underlying integrated reporting, by providing an independent assurance on business sustainability. Internal Audit's role is achieved through providing assurance on financial, as well as non–financial reporting, governance, risk management, and control processes supporting the main objectives of integrated reporting.

The Internal Audit function provides independent and objective assurance of the design and operating effectiveness of the framework of risk management, controls and governance processes, focusing on the areas of greatest risk.

Reporting frameworks

Our integrated report is guided by various codes and standards:

- International <IR> Framework
- King IV™ Report on Corporate Governance for South Africa (King IV™)
- UK Corporate Governance Code
- Global Reporting Initiative (GRI standards)
- Sustainable Development Goals (SDGs)
- International Financial Reporting Standards (IFRS)
- Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011
- National Social Security Fund (NSSF) Act 1985

Board approval

The Board, assisted by its Board sub–committees, is ultimately responsible for overseeing the integrity of our integrated report and verifies that they have applied their collective mind in the preparation and presentation thereof.

The Board confirms that after a comprehensive review, it is satisfied that the content is accurate, complete and a fair reflection of the Fund's material matters, presented in accordance with the International <IR> Framework. The Board approved the 2020 Annual Integrated Report on 28 September 2020. Any material events up to the Board approval of this report are also included.

Patrick Byabakama Kaberenge
CHAIRMAN, BOARD OF DIRECTORS

Richard Byarugaba
MANAGING DIRECTOR

About our theme: Committed to you...Now and tomorrow

As we give effect to our purpose to make lives better, we passionately dedicate ourselves to make saving a way of life, to enable more and more people to improve their well–being. Our commitment to you, we shall continue to be your dependable partner building your retirement wealth and catering for your social security needs.

Throughout the Financial Year, the Fund has been working tooth and nail on ways to address our members' needs. The relationships we have with our members are incredibly important to us and we have been committed to putting our members first, providing exceptional service and achieving the best outcomes we can.

We believe that the best results are achieved when we foster two–way partnerships with our stakeholders. Strong relationships, based on trust, integrity and respect are the foundation of our success. The Fund has served its members in the most unique and sustainable way that has led to business continuity and growth during the Covid–19 pandemic. During the lockdown period, we offered members a deferment of contributions to assist their cash flow.

The revamped NSSFGO App, which has numerous features, enabled us to host 88% of member transactions digitally, ensuring uninterrupted services. It is also an affirmation of the Fund's commitment to transparency to its members by giving them access to monitor their NSSF accounts anytime, anywhere. Added to that, The Financial Literacy Programme and the two innovation products that were launched last year, Agrodesk and Yollosave, are all focused on bettering the member.

Because we are committed to you, the Fund wants a comfortable retirement for its members. The Fund has maintained its market leadership position in the East Africa region (our diversified Investment portfolio, good performance of our investments). Despite the poor performance of East African Equities, we were able to give our members a favourable and competitive return on their savings. 10.75% interest was above 4.55% points of ten year inflation.

Because we are committed to you and a sustainable future, the Fund is at the forefront at reaching out to the less privileged in society, supporting communities in which we do business.

Navigating our report

Table of contents

In our business section, we present an overview of our organisation, financial and operational highlights and how we create value.

In our strategy section, we present our progress against our strategy, stakeholder relationships and outlook for the future.

In our governance section, we provide an overview of our alignment to King IV™ corporate governance principles and the UK Corporate Governance Code, governance structures, risk management, remuneration and oversight of the Funds operations, as well as our commitment to sustainability.

In our performance section, we showcase our financial performance.

Navigation icons

Throughout this report, we use the following navigational icons to show the interconnectivity between core concepts and the various sections of this report. Working together and also separately, these elements have the potential to substantially impact (positive and negative) our ability to create value over the short, medium and long term.

Capitals

Our financial, human, manufactured, intellectual, social and relationship and natural capitals facilitate every aspect of our business and our ability to create long term value.

We have accordingly defined our structure, activities and performance against our strategy in this report in terms of these six capitals.

The six capitals

See our Business Model on pages 34 and 35.

FINANCIAL CAPITAL

This tackles how we manage the Fund responsibly and in a profitable manner. We do this by making prudent investment decisions from our members contributions and competitive investment returns, which enable us to sustainably grow our assets and the members' Fund.

HUMAN CAPITAL

This resides in our employees, who are also members of the Fund and have a strong alignment with the rest of the NSSF members. In addition, the ability to attract, develop, enable and retain the best talent is one of the Fund's top objectives. We aim to create an exciting and vibrant work environment and we work continuously to provide our people with attractive career paths that will make them experts in their fields.

INTELLECTUAL CAPITAL

This lies in the Fund's reputation. Institutional knowledge and experience are intangible assets that have been built over time and have instilled confidence in us among our stakeholders and in Uganda at large.

MANUFACTURED CAPITAL

This comprises our governance, business processes, building infrastructure, leading systems as well as our investment in information technology infrastructure and innovation that together enable us to manage the organisation in a prudent and professional manner.

NATURAL CAPITAL

This is the effect of our operations on the environment and the sustainable development goals.

SOCIAL AND RELATIONSHIP CAPITAL

This comprises the relationships and collaborations we have with our key stakeholders – our members, employees, suppliers, communities, the Board, the Ministry of Finance, the Ministry of Gender and Social Development and our regulator, URBRA.

TRADE–OFF'S

At times, we are forced to make strategic decisions which are in conflict with our objectives and impact on our capitals, but are necessary for value creation in the long term. T*o read more on our trade–off's, please see the Chairman's statement on page 11 and the CIO Business Review on page 141.*

Strategic Objectives

Increase Customer Satisfaction

Increase Productivity

Increase Staff Satisfaction

Increase Profitability

Stakeholders

Members

Employees

Regulators and Legislators

Suppliers

Communities

Materiality Themes

Material matters are those issues that could substantially affect our ability to create value in the short, medium and long term.

ECONOMIC RECESSION
The impact of Covid–19 on the economy and Fund business

SOCIO ECONOMIC FACTORS
Growing unemployment

VOLATILITY OF EQUITY AND CURRENCY MARKETS
Decline in income from equities

REGULATORY RESTRICTIONS
Impacting the ability to provide a variety of benefits to members

CYBER RISK
Data protection and information security

Other Icons

This icon directs the reader to pages or supplementary reports with more info

King IV™

Covid–19

UK Corporate Governance Code

Sustainable Development Goals

The evolving business landscape and trends have prompted us to review our materiality analysis and reassess our sustainability priorities. We have prioritised stakeholder issues according to their economic, environmental, social and financial impact as guided by the GRI reporting framework and have adopted the Global reporting initiatives (GRI) G3/G3.1 for purposes of this report.

GRI supports the UN 2030 Sustainable Development Goals (SDGs) and our report demonstrates that the activities undertaken by the Fund contribute to the objectives of the SDGs, however a formal SDG strategy is not in place. Our business activities are geared to have a positive impact on people, the planet and prosperity.

The Fund contributes to the following 10 SDGs:

To read more on our commitment to sustainability refer to page 109.

Board and Committee Icons

Main Board

Staff Administration and Corporate Affairs (SACA)

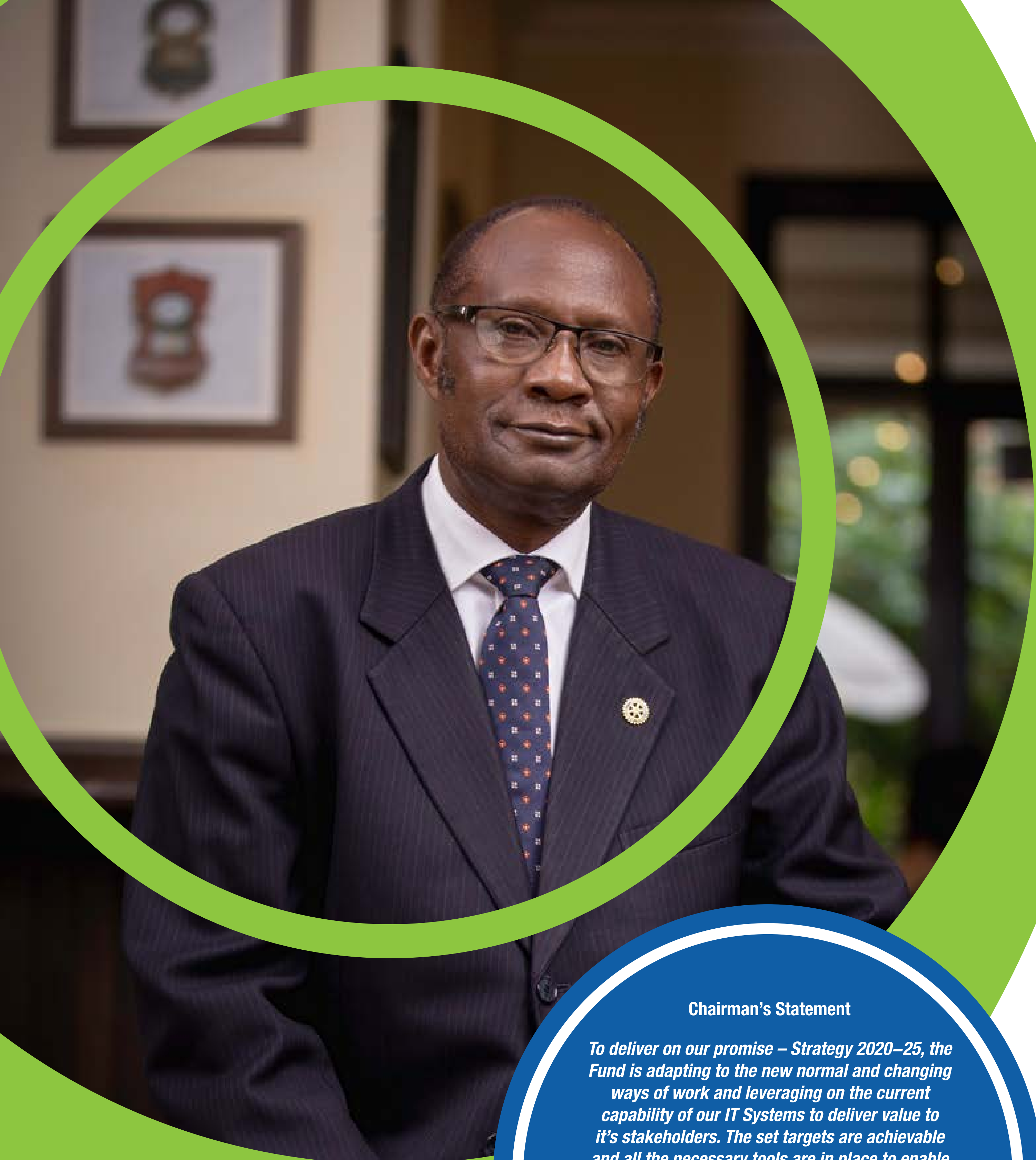
Investment and Project Monitoring Committee (IPMC)

Audit and Risk Assurance Committee (ARC)

Finance Committee

Our top ten risks

- 1–10 TOP 10 RISKS
- 1 BUSINESS/ STRATEGIC RISK
- 2 GOVERNANCE RISK
- 3 REPUTATION RISK
- 4 COMPLIANCE RISK
- 5 FINANCIAL CRIME RISK
- 6 INFORMATION SECURITY RISK
- 7 MARKET RISK
- 8 CREDIT RISK
- 9 OPERATIONAL RISK
- 10 LIQUIDITY RISK



Chairman's Statement

To deliver on our promise – Strategy 2020–25, the Fund is adapting to the new normal and changing ways of work and leveraging on the current capability of our IT Systems to deliver value to it's stakeholders. The set targets are achievable and all the necessary tools are in place to enable execution of our strategy. With most core functions of the Fund moving to online platforms that are automated, high speed, safe, reliable, cheaper, enabling self–service, the Fund will be able to pay the members within less than 1 week, satisfy our customers and staff to the desired levels as well as grow our asset base to the Ushs 20 Trillion mark.

Dear Stakeholders,

It is with great pleasure that I welcome you to this maiden Integrated Report for the National Social Security Fund (NSSF), which is a demonstration of our integrated thinking and commitment to value creation for our stakeholders and sustainability for the future.

Operating in an uncertain external environment

It has been a year of mixed performance, amidst uncertainty and the Fund has remained resilient even in these turbulent times. We are happy that head–line inflation remained low at 4.1%, thus members' funds are not unduly eroded. This supports the Fund's minimum commitment to pay an interest which is 2 basis points above the 10–year inflation.

The Board remains committed to fulfilling its mandate of providing an enabling corporate governance framework and supporting the Fund's management to deliver on its 10–year Strategic Plan. Our 10–year Corporate Strategy is in its 5th year and is anchored on 4 pillars of:

- Growing the Fund's asset base to Ushs 20 Trillion by 2025.
- Improving operational excellence and ensuring members are paid their benefits in less than one week, and ultimately within 24 hours.
- Becoming the employer of choice and attaining a 95% staff satisfaction rating.
- Delighting our Members and attaining a 95% customer satisfaction rate.

Delivering on our purpose

I am glad to note that we are generally on course to deliver our performance targets and as at 30 June 2020:

- Our total assets stood at Ushs13.2 Trillion against a target of Ushs 13.7 Trillion.
- Customer satisfaction stood at 88% against a target of 86%.
- Benefits payout averaged 7 days against a target of 7 days.
- Staff satisfaction was 93% against a target of 85%.

This is a testament that the Fund is performing well across most fronts and for that matter, I want to thank our members for your continued support, management and staff for your selfless service to the Fund and all other stakeholders who have contributed to this great performance in one way or another.

During the year, the Board was also fully constituted, with new members joining the Board. They include: Dr. Magoola, Mr. Mugole and Mr. Werikhe, who are serving on the Board for the first time. With proper governance structures in place, the Fund is committed to preserving members' savings, and under our leadership, the 11th Board will continue to leverage on the opportunities presented by the real estate projects and other opportunities for the Fund. The Fund remains the biggest financial institution in Uganda and the biggest pension Fund in the East African region. As you will notice in the financial performance, and the many challenges notwithstanding, we continue to pay qualifying members way beyond what the law stipulates. The Fund's growth would not have been possible without your support and in that regard, I want to extend my sincere appreciation to you all.

It is of great importance to add that the Fund was purposely set up to cater for the private sector savings. It is meant to collect savings from the private sector, invest the funds and pay its qualifying members their benefits together with a decent return earned. The Fund is not an emergency fund. It is a pension fund looking at limited life cycle interventions, but not all personal challenges. We would love to do all but we cannot do everything. That's why in the proposed law amendments, we hope to start offering annuities as an additional product choice to our members. This will go a long way in addressing challenges created by the lump–sum payment made to qualifying members.

I take this opportunity to reassure our stakeholders that the Fund is in a better position now, more than ever before. The able professional leadership coupled with a competent team of staff members continue to deliver exceptional performance. The integrity exhibited by our staff has led to zero frauds in the Fund. The Fund continues to choose investments that are relatively safe and provide a reasonable return that safeguards the value of members' savings. The benefit payments process has also improved. This year, the Fund paid Ushs 496Bn to qualifying beneficiaries within an average time of 7 days, reducing the payout time by 1 day.

Evolving NSSF regulation

The NSSF Act has been in existence for the last 35 years. It needs a thorough review for a better service to our members. More products and appropriate amendments including midterm access to qualifying members, among others, will make life better for our members.

In August 2019, the NSSF Amendment Bill was tabled before parliament. We expect that it will be passed in 2020 or early 2021 to address several bottle necks that were limiting our performance. Thank you for supporting the NSSF Amendment Bill. The decision to preserve NSSF as the mandatory scheme is the best decision government has made in the interest of Ugandans and, will go a long way in expanding social security coverage.

The Board is in support of the amendments because the Fund will be better positioned to play a more pivotal role in this country. I therefore urge our stakeholders to support the amendment to the current law.

National development and real estate projects

The Fund remains one of the few strategic entities owned 100% by Ugandans and contributing to the national development at the same magnitude. We must be proud of this entity which should be protected and supported, rather than unduly criticized. Our idea is not only to save but to participate in the national development Vision 2040. We envisage to invest in infrastructure development in Uganda including housing, power and roads under a government guarantee.

As we pursue the other carefully selected investment avenue of development of real estate projects, we are cognisant of two complimentary but at times conflicting objectives, and therefore trade–off's:

- Ensuring that the real estate project provides a good gross return to the member (our minimum commitment to our members is to preserve the value of their savings by paying 2 percentage points above the average 10–year inflation).
- Contributing to reduction of the residential housing deficit in Uganda, which currently stands at 2.1M housing units.

We do acknowledge that the challenge remains to address the affordability of the NSSF real estate housing projects. We have embarked on conducting feasibility studies for Temangalo and Nsimbe projects which will provide more affordable housing units targeted at the middle–and lower–income segments of our society.

However, the key challenge in real estate development, remains the cost of developing the basic infrastructure including land, roads, telecom, water, electricity among other things. All these increase the fixed costs of real estate development and at the end of the day affect the price of the final house to the consumer.

Demonstrating resilience through the global pandemic

For every dark cloud, there is a silver lining. With the outbreak of the global pandemic of Covid–19, we were able to perfect our already initiated remote working practices. Over 80% of our staff were able to work from home while the remaining 20% commuted to the office only for crucial functions. This has demonstrated resilience and provided us with an advantage from an Information Technology (IT) perspective.

With the Board, Management and all staff able to operate from anywhere, our IT Systems have proved to be reliable, flexible and relevant to support our operations and enable us to deliver on our strategy. This will be further demonstrated with the launch of the Pension Administration System (PAS) in the next few months from now. From a financial perspective, we anticipate Covid–19 to have a relatively minimal value eroding impact on the Fund because of the Fund's robust investment strategy. More impact will be felt on the contributions side especially with stress on the employers. The Fund remains in a better position to weather the storm because of our largely long term investments' strategy, mainly in long term fixed income investments.

We thank the Government of Uganda for all its efforts to fight the deadly Covid–19 virus and our wish is for our staff and stakeholders to keep safe to share in the prosperity of the Fund.

To deliver on our promise – Strategy 2020–25, the Fund is adapting to the new normal and changing ways of work and leveraging on the current capability of our IT Systems to deliver. The set targets are achievable, and all the necessary tools are in place to enable execution of our strategy. With most core functions of the Fund moving to online platforms that are automated, high speed, safe, reliable, cheaper, enabling self–service, the Fund will be able to pay the members within less than 1 week, satisfy our customer and staff to the desired levels, as well as grow our asset base to the Ushs 20 Trillion mark.

Challenges that kept the Board awake in the FY 2019–20

- Covid–19 challenge and the lockdown in the last six months since March 2020. Most of the economic activities came to a standstill because of the lockdown thus affecting our Members and subsequently contributions collections.
- Deferment of contributions by our customers / employers. This led to a slight reduction in members' contributions during the period.
- Review of the law has certainly not made life easy for the Board as it has been slow keeping us in suspense in relation to the right direction to follow. For example, requests for midterm access are put before us but we have no answer because of the pending law or rigidity of the law.
- Some nationals bringing disruptions to some of our planned investments especially in the real estates section, yet such investments help Ugandans.

Focus areas for the next 12 months

- Completion of the NSSF Amendment Bill within the next 12 months.
- Completion of various real estate projects milestones including: Pension Towers up to 80%
  - Lubowa Housing estate – 310 units are ready for sale and occupation
- Ability to continue paying good interest into members' accounts. Consistently paying 2 basis points above the 10–year average Inflation. At least Ushs 500Bn to members shared amongst themselves.

- Upgrade our IT infrastructure with the new Pension Administration System (PAS) which will bring more meaningful interaction of the members with the Fund through a virtual system.
- Continue delivering and maintaining resilience to shocks especially the Covid–19 challenge;
    - Keep our staff safe by working from home via our virtual network and interacting with our members with minimal risk to members' fund. We believe a large portion of our members will equally be working from home in a bid to stick to and follow the SOPs by MOH.
- Continue adhering to our 10–year strategic plan and sustaining the achievements of our 4 goals:
    - Growing the Fund
    - Happy customers
    - Happy staff
    - Benefits TAT in record time as earlier highlighted

We shall continue to monitor and promote good performance of our investee companies within the East African region. Together with maintaining and growing our fixed income investments in the East African Government Bond market. This will support our strategic target of paying a reasonable return to our members.

Conclusion and appreciation

On behalf of the Board of Directors, I thank you for supporting the Fund. I thank Management and staff for innovatively transforming the Fund to what it is today. The Fund is in a sound position, resilient and should continue to be the social security provider of choice.

Patrick Byabakama Kaberenge
CHAIRMAN, BOARD OF DIRECTORS

NSSF Board of Directors ensures that the Fund is moving in the right direction

NSSF BOARD OF DIRECTORS

Board of directors profiles

MR. PATRICK BYABAKAMA KABERENGE
Chairman, Non–Executive Director, Private Sector Representative

Appointed: 1 September 2015

Mr. Kaberenge joined NSSF after a distinguished career with the Bank of Uganda, where, among other roles, he was the Acting Deputy Governor, Executive Director Operations, Executive Director/ Chief Internal Auditor and Director for Domestic currency issuance. He brings extensive banking, finance and accounting experience and knowledge of business and risk management.

Patrick previously served as Chief Accountant with the Uganda Cooperative Transport Union (UCTU) as well as an Accountant/Executive officer in the ministry of Finance. He is also a past president of ACCA Uganda and Secretary of ICSA Uganda. Patrick recently served on the Board of Uganda Energy Credit Capitalization Company (UECCC) and currently remains a Volunteer member of the National Planning Authority (NPA).

He is a founder member of the Uganda Institute of Certified Public Accountants (ICPAU), a Chartered banker and is a Certified Internal Auditor. He holds a Master's of Science degree in Finance & Computing from University of Greenwich (UK) and a Bachelor of Science degree in Financial Services from the University of Manchester Institute of Science & Technology (UMIST).

Patrick also serves as the lead Consultant/Partner in an accounting firm–Byabakama, Kwemala and Associates, Certified Public Accountants.

RICHARD BYARUGABA
Managing Director/ CEO, NSSF Uganda

Richard Byarugaba is the Managing Director/ CEO of the National Social Security Fund (NSSF), Uganda's national savings scheme.He was appointed to the position in 2010, and re–appointed in October 2014. He has a wealth of experience spanning over a period of 31 years in managing large financial organisations of international repute including commercial banks.

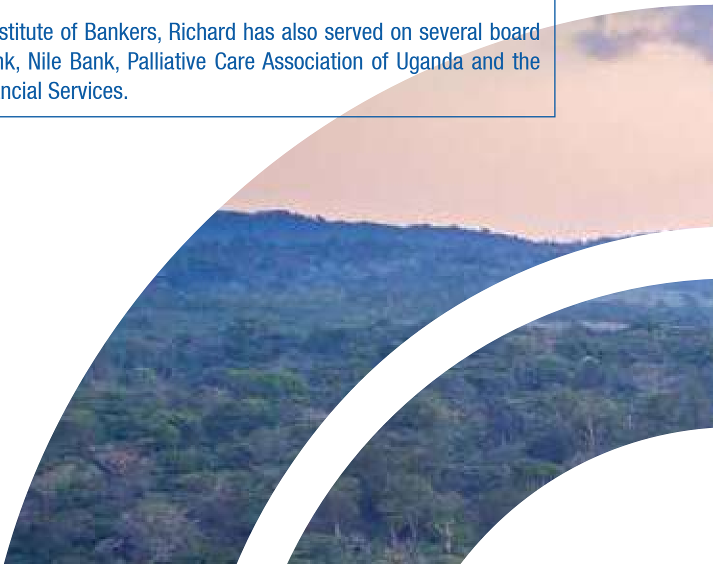
Previously served as Managing Director, Afrimax Uganda and had previously held similar position at Global Trust Bank and Nile Bank. In 2007 he also served as the Chief Operations Officer at Barclays Bank Uganda Ltd.

Richard started his career in 1983 with Standard Chartered Bank, and rose through the ranks to the position of Executive Director for Finance in 1992. In 1994, he was transferred to London as Regional Manager for Finance in charge of Africa region. In London, he made his mark through the implementation of a multi–million accounting software for the bank's Africa operations.

Richard is a qualified Accountant with the Association of Chartered Certified Accountants. He also holds an MBA from Edinburgh Business School, Heriot Watt University UK, a management diploma from the Henley Management College of UK and a Bachelor of Science, Statistics & Economics from Makerere University, Kampala.

He is the Chairman of the Board of Directors of Vodafone Uganda Ltd, and Kulika Uganda, a charitable trust. He also serves on the Board of Uganda Clays and Uganda Stock Exchange Governing Council. He is the former President of the East and Central Social Security Association and Chairman Nakasero Hospital Limited and Hospice Africa Uganda.

A former President of the Uganda Institute of Bankers, Richard has also served on several board positions at Standard Chartered Bank, Nile Bank, Palliative Care Association of Uganda and the Uganda Institute of Banking and Financial Services.



MR. PATRICK OCAILAP

Non–Executive Director Government Representative Ministry of Finance, Planning and Economic Development (MoFPED)

Appointed: 1 September 2018.

Mr. Ocailap is a Development Economist and currently the Deputy Secretary to the Treasury (MoFPED). He is also a Board Member of the Financial Intelligence Authority and National Housing and Construction Company Ltd.

Patrick has a wide experience and boasts a distinguished record in Public Policy and Financial Management, spanning over 36 years. He has previously served on the Boards of: National Medical Stores, Uganda Road Fund, African Institute of Capacity Development, Uganda Investment Authority, Uganda National Bureau of Standards, Pride Africa (U) Ltd and Pride Micro Finance Ltd with a degree of success.

He has also successfully held various positions in the Ministry of Finance including: Director of Budget, Commissioner Aid Liaison Department and Acting Commissioner Tax Policy Department. In 1992–1995, he served on a three–year Secondment as an Economist in the Office of the President of PTA Bank (now Trade and Development Bank).

He holds a Master's Degree in Development Economics from Williams College Massachusetts (USA) and a Bachelors of Commerce Degree (Finance) from Makerere University (Uganda). He is a Certified Public Private Partnerships (PPP) Member from the Institute of Public Private Patnerships–IP3 (USA); in addition to holding a number of Certificates in Public Finance, Taxation, Management and Fiscal Policy Management.

MR. FRED KANYAGOGA BAMWESIGYE

Non–Executive Director, Employers representative FUE (Federation of Uganda Employers)
Appointed: 1 November 2018.

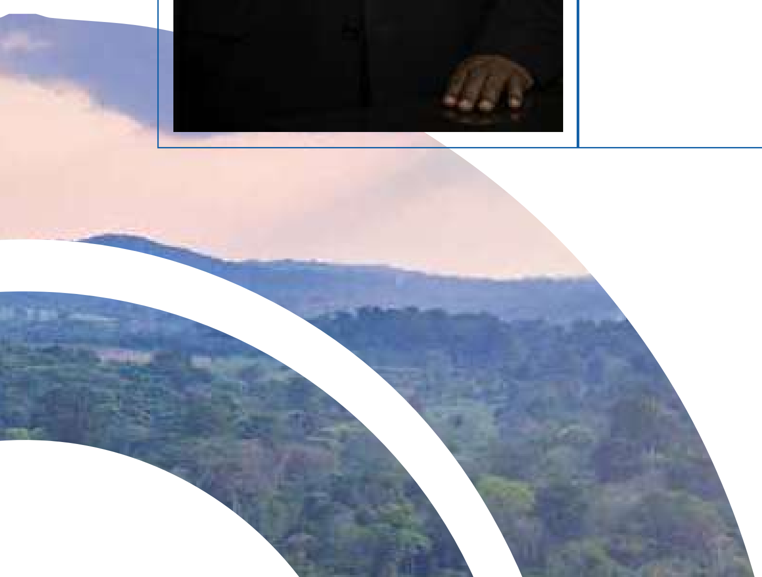
Mr. Fred Kanyagoga Bamwesigye is a Management specialist and is currently the Deputy Director General of Uganda Civil Aviation Authority. He has Senior Civil Aviation Management qualifications with exposure and skills in Civil Aviation Regulation, Senior Civil Aviation Management, managing Aviation Policy and Regulations, Transport Economics, managing Airport Operations and Air Navigation Services.

He previously worked at National Water and Sewerage Corporation as a Human Resource and Legal Manager (2007–2009) and National Environment Management Authority (NEMA) (1995 – 2007).

He is a Management and Quality Assurance Practitioner spanning 25 years of progressive uninterrupted tenure, he has aviation and legal skills, and has continuing roles to carry out/manage Corporate/Institutional resources both human, physical and financial with a view for achieving corporate objectives. He is a career public servant.

He is an advocate of the High Court of Uganda, a legal practitioner, a trainer, mentor, conflict resolution practitioner and volunteer for community and environmental stakeholder's initiatives.

Mr. Bamwesigye is a Graduate in the Master of Science Development Studies specialising in Human Resource management with further training in Corporate Management, Law, and Company Secretarial Practice.



MRS. FLORENCE NAMATTA MAWEJJE

Non–Executive Director, Employers' Representative FUE
Appointed: 1 September 2015.

Mrs. Mawejje is the General Manager Human resources at Centenary Bank. She has more than 15 years' experience in Provident Fund and Trusteeship. She sits on the Board of Uganda Clays Ltd, UMEME Ltd and is also a member of the Board of Trustees of Centenary Bank's Defined Contribution Fund.

She was the first chairperson of the MTN Provident Fund and participated in the structural review of the process of the pension sector while serving as Board member on the Federation of Uganda Employers' Governing Council.

She has previously worked at Unilever as the Cluster Human Resources Director, East and Southern Africa as well as the Head Human Resources at CARE International and National Agriculture Research Organisation (NARO). She has also served on the Board of Trustees of various provident and pensions schemes such as Unilever among others.

She holds an MBA in Strategic Management from Eastern and Southern Africa Management Institute (ESAMI) /Maastricht School of Management (MsM), a Master's of Science in Human Resource Development from the University of Manchester's Institute of Development Policy Management, a Post Graduate Diploma in Public Administration from Uganda Management Institute (UMI) and a Bachelors' of Arts in Education from Makerere University.

DR. ISAAC E.W MAGOOLA

Non–Executive Director, Workers' Representative COFTU
Appointed: 1 November 2018.

Dr. Magoola has been a Director of Programme Development Uganda Education Services Consortium and Board Member of Uganda Cancer Research Foundation (UCRF). He was also a Volunteer Chief Executive Officer, Uganda Cancer Research Foundation (UCRF).

He has been a member of the Public Service Negotiating and Consultative Council. He has also worked as the Head of Department of Business Administration at Makerere University Business School (MUBS). Isaac has also served as Chairman Makerere University Business School Academic Staff Association. He is currently Dean Faculty of Entrepreneurship and Business Administration at MUBS and General Secretary University Professional and Academic Staff Union.

He is Chairman of the Finance Committee of the NSSF Board. Isaac holds a Ph.D. in Business Administration from the University of Cape Town, a Master's in Business Administration and a Bachelor of Arts in Social Sciences from Makerere University.

MS. PENINNAH TUKAMWESIGA
Non–Executive Director, Workers' Representative COFTU
Appointed: 1 September 2015.

Ms. Tukamwesiga is the Head of Legal Aid at the Central Organisation of Free Trade Unions (COFTU) and is a lawyer and advocate of the High Court of Uganda.

She has previously worked as a panel member at industrial court, executive committee member of Uganda Parastatal, Statutory Authorities and Judiciary Workers' Union.

She has also served as an advocate and legal consultant for several law firms and companies and she's currently also a partner at Jojoma Advocates.

Peninnah holds a Masters in Law from Makerere University (Uganda), a Post Graduate Diploma in Legal Practice from Law Development Centre and a Bachelors of Law from Uganda Christian University.

MR. PETER CHRISTOPHER WERIKHE
Non–Executive Director, Workers' Representative NOTU
Appointed: 4 April 2019

Mr. Werikhe is the Secretary General, National Organisation of Trade Unions (NOTU). He currently serves as the Chairman East African Trade Union Confederation (EATUC) Arusha Tanzania, Internal Auditor for International Trade Union Confederation (ITUC) Brussels, Belgium and Deputy General Secretary of the Uganda Public Employees Union (UPEU).

He previously worked at National Water and Sewerage Corporation as a Human Resource Officer and also as Chairman of the Board of Directors for Co–operative Savings and Credit Union.

He holds Masters in Management Studies from Uganda Management Institute, a Post Graduate Diploma in Public Administration, a Bachelors of Arts in Public Administration and Management and a Diploma in Science Technology– Chemistry /biochemistry.

MR. D. STEPHEN MUGOLE MAUKU
Non–Executive Director, Workers' Representative NOTU
Appointed: 4 April 2019.

Mr. Mugole is the General Secretary /CEO of Uganda Hotels, Food, Tourism, Supermarkets and Allied Workers' Union (HTS–Union) and Deputy Chairman General, National Organisation of Trade Unions (NOTU). He is also Titular Head for Africa Region/member of the Strategic Committee for International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF) based in Geneva.

He previously worked as Africa's World Worker Expert for the International Labour Organization on Decent Work and Socially Responsible Tourism, also as 1st Vice Chairman General of Central Organization of Trade Unions (COFTU). Stephen has also served as Chairman Board Naiswa S.S and Chairman (Finance & Management) Committee of the Industrial Training Council (ITC) overseeing the Directorate of the Industrial Training (DIT). He has been Chairman Hotel, Restaurant, Catering and Tourism (HRCT) for Africa Region.

He holds Masters in Business Administration– (HRM) from the Institute of Management and Technical Studies –Nodia and a Bachelor's Degree in Business Administration–management from Ndejje University. In addition to that, he has a Diploma in Project Management from Uganda Chamber of Commerce and Industry–Kampala and a Diploma in Hotel and Institutional Catering from Makerere Business School Makerere Business School (MUBS).

MD'S STATEMENT

Despite the challenging and unprecedented operating environment, the Fund delivered a solid performance beyond expectations and ensured continuity of operations through enabling digital platforms. We are well positioned to deliver on our 2025 strategy.

Dear Stakeholders,

It gives me great pleasure to present the Fund's Annual Integrated Report for the Financial Year 2019/2020.
The Financial Year 2019–20 (FY 2019–20) has been a bag of mixed fortunes. The first half of FY 2019–20 was smooth, and the Fund performed well beyond its targets. We saw our collections and member registration exceeding set targets and the economy seemed well on the road to recovery. This was rudely interrupted by the outbreak of the Covid–19 pandemic towards the end of December 2019. The real impact materialised after March 2020, significantly changing the way businesses operate, with a devastating effect on the global economy.

Operating environment

In FY 2019–20, Uganda's economy grew at 3.3% compared to the projected rate of 6% and prior year's 5.5%. Inflation averaged 4.1% compared to 3.4% for the prior year. Other qualitative factors that characterised the economy during FY 2019–20 include; a relatively long wet season that favoured agricultural production and supply resulting in relatively low food prices, a strong shilling, and stable interest rate regime. However, Covid–19 slowed down the economy bringing it to a near total shut down in all sectors in the final quarter of the financial year.

Performance

The gross impact of Covid–19 was unprecedented, however the Fund weathered this storm and performed beyond expectations, remaining on track to achieving the 10–year Strategy (Vision 2025).

During the FY 2019–20, the Fund registered good performance in the following key financial areas:

- Total income grew by 65% mainly on account of Fixed Income interest that increased by 20%.
- Cost Income Ratio was 10.8% compared to the budget of 13.4%, due to the efficiency in cost management.
- The Balance sheet size grew to Ushs 13.28 Trillion, 17% better than FY 2018–19 figure of Ushs 11.34 Trillion.
- The accumulated members' balance also grew by 17% to Ushs 13.06 Trillion compared to Ushs 11.1 Trillion in the prior year.

Customer journey through digital innovation

Over the years, the Fund has registered tremendous business process improvements and high productivity fuelled by great innovations.

With respect to service delivery, the Fund's digital journey is well underway. With our tried and tested Relationship Management model and improved compliance levels which stood at 55% against a target of 60%, the Fund has demonstrated that business can continue uninterrupted even during hard times. From the on–boarding to the exit stage, members can now access services through various digital platforms such as the NSSFGO App, Web Chat, Social Media, Unstructured Supplementary Service Data (USSD), and Interactive Voice Response (IVR).

This year alone, 88% of our member transactions and interactions were hosted digitally. We are now fully utilising the e–Channels to collect members contributions. E–Collections' usage has risen from an average of 40% in July 2012 to 100% as of 30 June 2020. This is demonstrated in the minimally interrupted collections figures during the Covid–19 lockdown.

Customer perspective

We achieved an 88% rating in customer satisfaction compared to the 86% target. Our members are always considered the core of our existence, and we continue in striving to empower and meet their needs wherever they are. The empowerment of Fund members is anchored on two fundamental pillars; their financial wellness and their ability to access our offerings in a convenient, quick, and safe manner. To facilitate this, we have broadened reach through the Financial Literacy agenda across the country. The Fund is committed to ensuring that these two pillars define the customer journey because digital is the future and financial literacy is the new wealth.

From the Benefits paid perspective, the Fund paid Ushs 496 Billion. Using online services during the lockdown period, we received a total of 83 benefits claims online. This concretises movement towards self –service for our members. Over 86% of all benefits paid were completed within 7 days and we are on course to achieve all payments of benefits within 24 hours by 2025.

Investment portfolio

Interest to members' Fund was 10.75% compared to the budget of 10.5%, resulting into Ushs 1.15 Trillion credited to member accounts. Our investment portfolio is at Ushs 13.09 Trillion, with 77.25% in Fixed Income, 15.06% in Equities and 7.69% in Real Estate as compared to the Strategic Assets Allocation (SAA) of 70%, 22.5% and 7.5% respectively.

The Fund maintained an increased regional diversification into the Kenya, Tanzania and Rwanda markets helping to reduce the concentration into the Ugandan Stock Exchange which offers limited investment opportunities.

We also unlocked the real estate developments with various housing units constructed and sold. The real estate projects undertaken this year include Phase I of Lubowa Housing Estate with 306 housing units on 33.2 acres and phase II of Pension Towers, an intelligent and modern commercial complex

comprising of 3 towers of up to 32 floors.

Impact of Covid–19 and stakeholder support

In March 2020, Uganda registered its first case of Covid–19 and the government came up with a number of containment measures to curb the spread of the virus in the country. These included among others, the closure of many businesses and restrictions on local and international travel. Uganda's economic growth declined to 3.3% from the highly anticipated 6%. The sectors that were affected most include: transport and aviation, tourism and hospitality, wholesale and retail trade, manufacturing and infrastructure, financial and agricultural sectors. This inevitably affected our business on both the investments and collections front. The Fund, being customer centric, pioneered a mechanism for employers to defer payments until their cash flows stabilise, with many employers opting in with more than Ushs 69 Billion being deferred in collections.

The Fund also instituted all the Standard Operating Procedures as issued by the Ministry of Health and this included lockdown of our offices. However, due to the strong technological drive in the Fund's strategy, our operations did not cease, and services were and are still accessible by all customers through various electronic channels.

The Fund remains cognisant of the changes and issues raised by Covid–19 in terms of economic trends and the general operating environment. However, it is important to note that steps have been taken to avert any challenges that have or may still unfold.

Outlook for the year ahead

In FY 2020–21, we shall continue working towards attaining our 10–year Corporate Strategy. We will focus on supporting our staff to serve our members ubiquitously; a work mode we had already launched prior to Covid–19.

The Fund is committed towards implementing all core internal projects with minimal or no shift in timelines, despite the Covid–19 disruption. The key projects are the Pension Administration System (PAS) aimed at improving the management of members' funds through related innovations coming with this infrastructure. For construction projects, Pension Towers, and Lubowa Housing Estate remain high priority to complete the scheduled milestones to avoid extra

NSSF top management brainstorming during a strategy session.

costs related to delays.

We will look for diversification opportunities of the investment portfolio within Uganda and the East African Region specifically in both Fixed Income and Equity asset classes.
We will continue to create an enabling and exciting work atmosphere aimed at retaining and attracting talent to the Fund that will enable us to achieve our strategic goal and objectives. For the past two years, the Fund has been pursuing the innovation agenda and in 2017, this was elevated as a long term strategy to drive the Fund business. I would say this has yielded results and is continuously being embedded in the organisational culture as demonstrated by the customer journey through digital innovation highlighted above.

Challenges that need to be noted

The Covid–19 pandemic and the lockdown in the last six months since March 2020 has affected economic activities globally. On the side of business, this has led to a reduction in members' contributions during the period coming from two fronts; the deferment window and closure of some businesses. The NSSF Amendment Bill currently at the floor of parliament remains a significant management challenge as it creates an uncertain direction the Fund has to take.

Conclusion and appreciation

It has been a very challenging year for all of us, but we have delivered despite uncertainty in the current operating environment. I thank the Board for providing us with direction and supporting the Fund in all ventures. Above all, I convey my appreciation to the Management Team and Staff of the Fund whose resilience and innovativeness has always shone through. To our dear members, you are always at the centre of all that we do. We shall always remain committed to be your Social Security Provider of Choice.

Richard Byarugaba
MANAGING DIRECTOR

NSSF EXECUTIVE COMMITTEE

Executive committee profiles

MR. PATRICK AYOTA
Deputy Managing Director

Patrick joined NSSF in July 2011 and is currently the Deputy Managing Director. He is also in charge of the Fund's Strategy Function.

He was previously the Chief Financial Officer, a position he held for 6 years until November 2017. Patrick has been at the forefront of various projects at the Fund which he steered successfully, including set up of the strategy function, the rollout of the balance performance scorecard, and was named runner up at the 2017 National CFO Awards organized by ACCA.

Prior to joining the Fund, he was the Finance Director for Barclays Bank (Uganda). He has extensive experience in accounting and finance management that has been attained in various roles in Uganda and USA.

Patrick is a Certified Public Accountant (CPA). He holds an MBA from the University of South Carolina (USA) and a Bachelor of Science Degree in Finance from Liberty University, Virginia (USA).

MS. AGNES TIBAYEITA ISHARAZA
Corporation Secretary

Agnes joined the Fund as Corporation Secretary and Head of Legal effective 1 April 2019. She is a seasoned corporate lawyer with 19 years' experience.

Prior to joining the Fund, she was the Chief Legal Officer /Company Secretary of DFCU Bank, one of the leading financial institutions in Uganda by assets. Until 2014, she concurrently held the position of Corporation Secretary, DFCU Limited (which is the Bank's holding company and is listed on the Uganda Securities Exchange).

Agnes was a member of the Capital Markets Authority (CMA) Board of Directors for two terms (2011 – 2017) representing the Uganda Bankers Association. While on the CMA Board, she chaired the Board Legal and Regulatory Affairs Committee.

In 2017, she was listed on the General Counsel Africa Power List by Legal 500, a series of publications that highlight and recognise the most influential in–house lawyers driving the legal business in Africa.

Agnes holds a Bachelor of Laws degree (Hons) from Makerere University, a Post Graduate Diploma in Legal Practice from the Law Development Centre and an Executive MBA from the Eastern and Southern African Management Institute (ESAMI). She has attended several trainings over the years in various areas of business and legal practice including Board/corporate governance training from the prestigious Financial Times Non–Executive Directors Club, UK and the Institute of Directors in South Africa. She is a 2018 Graduate of the Female Future Programme which prepares women for top decision–making positions through training in leadership development and Board competences, amongst others. More recently, Agnes obtained a Master Trustee certification from the Johannesburg School of Finance/Jomo Investments.

MR. GERALD PAUL KASAATO
Chief Investment Officer

Gerald joined the Fund in July 2011 as Portfolio Manager Equities and rose through the ranks to become Chief Investment Officer.

He has been Chief Investment Officer since April 2014. He previously worked as Finance and Investment Manager (National Housing and Construction Company) and served as Manager Investment and Treasury (NIC) as well as fulfilling similar roles in various entities in the UK.
Gerald is a CFA Charter holder, a Chartered Accountant of the UK, a Fellow of the Chartered Management Institute of the UK, and a Certified Public Accountant of Uganda. Gerald is an alumnus of the Harvard Business School (USA). He holds an MBA in Finance from Exeter University in the UK, a Master of Science Degree in International Finance and Investments from the London Southbank University in the UK and a Bachelor of Science Degree in Accounting from Oxford Brookes University in the UK.

He is also an Aresty scholar of Wharton Executive Programme, University of Pennsylvania (USA) and has trained at the London Business School in the UK.

MR. STEVENS MWANJE
Chief Financial Officer

Stevens joined NSSF in February 2010 and is currently the Chief Finance Officer who is responsible for managing the financial actions of the Fund.

He was previously the head of Sales & Operations, a position he held for over 6 years until November 2017.

Prior to joining the Fund, Stevens worked with Bank of Africa (U) Ltd where he headed the Finance, Treasury and Commercial Departments.

Stevens is a Fellow of the Association of Chartered Certified Accountants. He holds an MBA in Business Management from Heriot–Watt University. He also holds a Post Graduate Diploma in Business Management from the University of Leicester and a Bachelors of Arts Degree from Makerere University.

He is also an alumni of the Executive Education Programmes of: The Wharton School (University of Pennsylvania), The Gordon Institute of Business Science (University of Pretoria) and, Strathmore Business School (Strathmore University). Stevens sits on the Boards of CiplaQCI (listed on the Uganda Securities Exchange) and Entrepreneurs Financial Centre – EFC (a Microfinance Deposit–Taking Institution).

MR. GEOFFREY WAISWA SAJJABI
Head of Business

Geoffrey joined NSSF in August 2008 and is currently the Head of Business where he is responsible for the Fund's business growth and retention through improved compliance and member recruitment.

He has worked across the Fund in a variety of commercial, operational and managerial roles. Having started off as a Benefits Officer, he quickly rose through the ranks to Senior Benefits Officer, Branch Manager, Contributions Manager and more recently Head of Business. He has played a critical role on a number of Fund projects and initiatives including; the Rebranding Project that oversaw major changes to the Fund's brand and more recently on the Sky Fall Project that is focused on process re–engineering. Geoffrey also serves as Chairperson of Contracts Committee.

Geoffrey holds a Bachelors of Social Science degree from Makerere University (Uganda) and a certificate in Administrative Law from the Law Development Centre (Uganda).

He is an alumni of the Strathmore Business School Executive Leadership Program and CEO apprenticeship programme. Geoffrey is a Balanced Scorecard Professional and a certified Hay Group Job Evaluator. He is currently pursuing his MBA.

MS. ARIMI BARBRA TEDDY
Head of Marketing & Communications

Barbra joined the Fund in December 2014 as the Head of Marketing and Communications, from Orient Bank where she was Group Head Corporate Communications and Marketing.

Barbra is a member of the Chartered Institute of Marketing (CIM) and a Member of the Chartered Institute of Public Relations (CIPR).

She holds an MBA from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Commerce Degree (Marketing) from Makerere University.

MR. GERALD MUGABI
Head of Procurement

Gerald joined the Fund in July 2013 as the Head of Procurement. Prior to joining the Fund, he worked for UNRA, the Ministry of Finance Planning and Economic Development under the Financial Management and Accountability Programme.

Gerald is a member of the Chartered Institute of Purchasing and Supply (UK) (MCIPS). He holds an MBA from Uganda Management Institute and a Bachelors of Commerce Degree (Transport Economics) from the University of South Africa. Gerald also has a number of qualifications as mentioned below.

- Diploma in Business Studies (UDBS)–Makerere University Business School (MUBS)
- Diploma Stores & Stock Control–The College of Professional Mgt–UK
- Diploma in Project Planning and Management–UNCCI
- Certificate in Procurement of Goods and Equipment (World Bank)
- Certificate in Performance Management –Balance Scorecard (K)
- Certificate in Electronic Procurements systems– (ILo–Italy)
- Certificate in Best Procurement Practices–Purchasing and Procurement Centre (Dubai)
- Min MBA in procurement and Supply Chain Management – Purchasing and Procurement Centre (Malaysia)

MR. EDWARD SENYONJO
Head of Risk

Edward is a risk professional, with vast experience in risk and business continuity management. He holds a Master's degree in Business Administration (MBA) from the University of Nicosia, Cyprus, and he is a Fellow of the Association of Chartered Certified Accountants (FCCA), UK, a member of the Institute of Certified Public Accountants of Uganda (ICPAU), and a member of the Institute of Internal Auditors, Uganda.

He holds a degree of Bachelor of Commerce of Makerere University, and currently, he is pursuing an FRM (Financial Risk Manager), by the Global Association of Risk professionals, USA.

MR. GEOFFREY BARIGYE
Head of Internal Audit

Geoffrey joined the Fund in March 2001 and is currently the Head of Internal Audit. He previously worked as Deputy Chief Internal Auditor, Audit Team leader and Internal Auditor for the Fund.
He also worked as an Accountant for Uganda Breweries Limited.

Geoffrey is a Fellow of the Chartered Association of Certified Accountants (ACCA), a member of the Institute of Certified Public Accountant (CPA) of Uganda and a member of the Institute of Internal Auditors.
He holds an MBA and a Bachelors of Commerce Degree both from Makerere University and a Diploma in Business Studies, from Makerere University Business School.

MRS. JEAN MUTABAZI KASIRYE
Head of Operations

Jean joined the Fund in January 2011 and is currently Head of Operations where she is responsible for continuously improving process efficiencies that drive the delivery of exceptional Customer Experience.

She has over 15 years' experience having previously worked as the Financial Controller and Compliance Manager at the Fund. Jean started out her career at EY, and has worked in various senior managerial roles.

Jean is a Fellow of the Chartered Association of Certified Accountants (ACCA). She is currently pursuing an ACE from Massachusetts Institute of Technology, holds a Master's Degree in Business Administration from Edinburgh Business School and a Bachelor's of Science Degree in Quantitative Economics from Makerere University.

Jean serves on the Boards of Housing Finance Bank Uganda, Crestals Africa Limited and Build Africa Uganda as a Chairperson and vice Chairperson respectively

MR. MILTON OWOR
Head of Human Resources and Administration

Milton joined the Fund in February 2017 as the Head of Human Resources and Administration. He comes with several years of Local and International work experience in leading multinational companies including British American Tobacco Plc, Royal Dutch Shell, and General Electric Company (GE), having worked across Africa, Europe, and the US over the years.

He holds an MBA in Strategic Human Resource Management (University of Leicester, UK), Certification in Global Business Leadership (INSEAD, France) a Bachelor's degree in Economics and Public Administration (Makerere University), and is a certified Predictive Index Psychometric Analyst.

Prior to his current role at NSSF, Milton was the Africa HR Director for GE, Regional HR Director Anglophone Africa for Royal Dutch Shell, Regional HR Director West and Central Africa for British American Tobacco, Regional HR Director East and Southern Africa for British American Tobacco, among others.

02. OUR BUSINESS

About the Fund

Currently, the Ministry of Finance, Planning and Economic Development is responsible for policy oversight of the Fund. Following Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011, NSSF will be forthwith regulated by URBRA.

The National Social Security Fund (NSSF) is a national saving scheme mandated by Government through the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security services to employees in Uganda. It covers all employees in the private sector including Non–Government Organisations' that are not covered by the government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life.

NSSF @ a glance

17 Branches

4 Sub–branches

23 Outreach Centres

566 Dedicated staff

2.1M Registered members

54.7K Registered Employers

1.19% Cost of administration

Ushs 1.271Tn Total contributions

Ushs 1.471Tn Total revenue

Ushs 13.284Tn Total asset value

7 DAYS Benefits turn around time

Ushs 496Bn Benefits paid out

Our locations

Purpose, vision, mission, and core values

Our purpose
Our purpose is to make lives better. We passionately dedicate ourselves to making saving a way of life, to enable more and more people to improve their well–being.

Our vision
To be the social security provider of choice.

Our mission
To be a relevant partner to our members through continuous innovation in provision of social security.

Northern Region

Lira
Plot No.43,
Bazar Road,
P O Box 406, Lira

Gulu
Plot No. 23,
Andrea Olal Road
Opposite Total
P O Box 730, Guru

Arua
Plot No. 49,
ML Plaza,
Adumi Road
P O Box 418, Arua

Hoima
Plot No. 33, Lusaka,
Hoima–Kampala Road,
Next to Messiah Clinic

Masindi
Plot No. 17/19, Port Road,
Opp. Masindi Court,
P O Box 199, Masindi

Western Region

Fort Portal
Plot No. 1,
Malibo Road

Ishaka
Plot No. 112,
Block 14, Bushenyi,
Ishaka Municipality

Kabale
Plot No.91–95,
Mbarara Road,
P O Box 203, Kabale

Masaka
Plot No.21, Edward Avenue,
P O Box 1290, Masaka

Mbarara
Plot No. 6 Galt Road
Mbarara City House

Eastern Region

Mbale
Plot No.1, Oval Plaza,
Court Road, near Housing
Finance Bank
P O Box 1574, Mbale

Soroti
Plot No.58A, Main Street,
Gweri Road,
P O Box 878, Soroti

Jinja
Ground Floor Jinja City
House, Lubas Road

Tororo
Plot No.8A, Uhuru Drive,
P O Box 1574, Mbale

Lugazi
Plot No. 102B, Jinja
Kampala Road,
P O Box 877, Jinja

Mukono
Plot 3A,
Bishop Tucker Road, Central
Business Area, Mukono

Central Region

Kampala
Corporate Branch Ground,
Floor, Workers House Plot,
No.1 Pilkington Road,
P O Box 7140, Kampala

Bugolobi
Branch, 1st Floor Village,
Mall Bugolobi, Plot 7–9,
Luthuli Avenue

Acacia Branch
Ground Floor Acacia Mall,
John Babiiha Avenue,
Kisementi

Bakuli Branch
Plot No.719,
Sir Apollo Kagwa Road,
K Hotel Building

Entebbe
Imperial Mall, Plot M79,
Lugard Avenue,
Kampala–Entebbe Road

Core values

Innovation
We are a robust organisation that is always looking for new ways of delivering value to our members.

Customer centric
We are committed to achieving higher levels of customer satisfaction through continuous improvement in our services.

Efficiency
We promise to continuously collaborate with stakeholders to discover and apply safer, better, faster and more cost efficient ways to provide services that our customers value.

Intergrity
We commit to be ethical and honest to inspire trust by matching our words to our actions.

Teamwork
We are committed to developing and maintaining healthy internal relations that harnesses respect, positive attitude and open mindedness in order to meet the demands of our customers.

Why save with NSSF?

We are the biggest institution in the region with centres in all regions of Uganda manned by competent and energetic teams, availing our members with the very best in social security.

We continue to be innovative in our products and services collecting member contributions, investing prudently and paying out benefits at the right time to qualifying beneficiaries in the shortest time possible.

How NSSF adds value?

Assuming three employees, Abbey (A), Betty (B) and Chris (C) all earn a monthly income of Ushs. 2,000,000 throughout their careers.

According to the NSSF Act, each employee should contribute 5% of their monthly income (Ushs. 100,000) to NSSF while their employers are required to contribute 10% of their monthly income (Ushs. 200,000) to NSSF. If we assume that the average interest paid out over the years is 10% then in a scenario where Abbey saves for 10 years, Betty saves for 20 years and Chris saves for 25 years.

Payment of benefits

NSSF administers and pays 6 types of benefits to contributing members in accordance with the provision of the NSSF Act as follows:

Age benefit
Payable to a member who has reached the retirement age of 55 years.

Withdrawal benefit
Payable to a member who has reached the age of 50 years and is out of regular employment for one year.

Invalidity benefit
Payable to a member who, due to illness or any occurrence, develops incapacity to engage in gainful employment. In this case, a medical practitioner's report is required to ascertain the condition.

Survivors benefit
Payable to the dependant(s) or Next of kin of a deceased member.

Exempted employment benefit
Payable to members who join employment that provides an alternative social security scheme recognised under existing law and exempted from contributing to NSSF. These include the Army, Police and Prisons, Civil Service and members of any scheme that the Minister responsible for social security has formally exempted.

Emigration grant
Payable to a member (Uganda or Expatriate) who is leaving the country permanently.

Mode of payment
The benefits are payable in a lump sum, comprising of the member's cumulative contributions and interest earned throughout the contributing period.

Term of Employment

10 Years

If Abbey chose to leave the company after 10 years, this would be his standing

Term of Employment

20 Years

If Betty chose to leave the company after 20 years, this would be her standing

Term of Employment

25 Years

If Chris chose to leave the company after 25 years, this would be his standing

This illustration above demonstrates that over time, NSSF's

DAY 1

A member submits their claim by completing a claim form and submitting it with supporting documents. For details on the required documents, visit www.nssfug.org. Our team identifies the member by verifying their details on our system prior to initiating the claim.

DAY 2

Once a claim is initiated on the system, we establish whether the employment history corresponds to what the member has provided. We identify any missing periods and credits on the member account, after which the claim documents are sent for verification.

Ushs 12M
Employees' total contribution over this term of employment

Ushs 24M
Employer's total contribution over this term of employment

Ushs 13.1M
NSSF's' Total contribution over this term of employment

Ushs 49.1M
is Abbey's accumulated NSSF savings over his term of employment

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Ushs 24M
Employee's total contribution over this term of employment

Ushs 48M
Employer's total contribution over this term of employment

Ushs 136.4M
NSSF's total contribution over this term of employment

Ushs 208.4M
is Betty's accumulated NSSF savings over her term of employment

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Ushs 30M
Employees' total contribution over this term of employment

Ushs 60M
Employer's total contribution over this term of employment

Ushs 206.5M
NSSF's total contribution over this term of employment

Ushs 296.5M
is Chris's accumulated NSSF savings over his term of employment

	Abbey	Betty	Chris
Term of employment (years)	10	20	25
Monthly income	2,000,000	2,000,000	2,000,000
Employee monthly contribution (5%)	100,000	100,000	100,000
Employer monthly contribution (10%)	200,000	200,000	200,000
Average interest over the years	10%	10%	10%
Employees' total contribution	12,000,000	24,000,000	30,000,000
Employer's total contribution	24,000,000	48,000,000	60,000,000
NSSF's total contribution	13,100,000	136,400,000	206,500,000

portion of the total benefits to the member exceeds either the employer or employees contribution.

DAY 3

Our team begins a detailed verification of the submitted documents. Once documents have been verified and proven authentic, the claim is then forwarded to the payment team. Delays only occur where third party verification is necessary or when inadequate documents are submitted.

DAY 4

Account details are then verified to confirm whether the member provided the right account for payment. Thereafter, payment is wired to their rightful account through CITI Bank.

DAY 5–6

Further authorisation is carried out in finance, followed by the MD's office and finally the investment department releases the money to the member's bank account.

DAY 7

Payment is made to the member's account. Currently, if all submitted documents are legitimate, the payment is made within 7 days of initial submission. Our long–term target is to reduce this process to one day.

OUR VALUE CREATING BUSINESS MODEL

OUR CAPITALS → ENABLE VALUE

FINANCIAL CAPITAL

Contributions, Investment returns

- Equity of Ushs 13,062Bn (June 2019: Ushs 11,138Bn)
- Cash balance Ushs 26Bn (June 2019: Ushs 18Bn)
- Contributions received Ushs 1,272Bn (June 2019: Ushs 1,208Bn)

INTELLECTUAL CAPTIAL

Fund knowledge and data, Fund's brand and experience, Our staff expertise – Finance systems, institutional knowledge

- A deliberately shaped, customer–centric culture
- A strong Brand that resonates with consumers
- Brand costs of Ushs 2.3Bn (June 2019: Ushs 2.4Bn)

HUMAN CAPITAL

Our staff

- 566 (June 2019: 502) skilled, customer–centric staff
- Experienced and ethical leadership team
- Staff satisfaction and engagement survey
- Significant investment in learning and development of Ushs 7Bn (June 2019: Ushs 8Bn)
- Employment Equity initiatives
- Ushs 76Bn (June 2019: Ushs 71Bn) paid in salaries and benefits

MANUFACTURED CAPITAL

Governance processes, business processes, IT infrastructure, Customer management, Innovation

- Digital channel and innovation spend Ushs 868M (June 2019: Ushs 715M)
- Infrastructure spend (branches and contact centers) Ushs 5.8Bn (June 2019: Ushs 5.1Bn)
- Substantial investment in our Enterprise Architecture (June 2020: Ushs 4.7Bn)

SOCIAL AND RELATIONSHIP CAPITAL

Members, governemt, community, regulators

- A focus on responsible procurement and supplier development
- Stakeholder engagement
- Focused and committed corporate social investment
- Prioritising commitment to identified SDGs and responsible ESG practices

NATURAL CAPITAL

Environmental impact, SDGs

- Energy efficiency and management
- A meaningful contribution to our environmental sustainability, aligned to the national, regional and global development goals
- Water conservation and waste management

EXTERNAL FACTORS DRIVING CHANGE AND INFLUENCING OUR STRATEGY AND BUSINESS ACTIVITIES

INPUTS

INPUTS

NSSF collects 5% contribution by member & 10% by employer

OUTCOMES

Members credited with interest and paid when eligable

MEMBERS

NSSF

Part of earning used for overheads

Interest declared to Members 10.75%

SUPPORTED BY STRATEGIC OBJECTIVES.

UNDERPINNED BY GOVERNANCE, RISK, LEGAL AND INTERNAL AUDIT WHILE MANAGING OUR KEY RISKS

1	2	3	4	5
BUSINESS/ STRATEGIC RISK	GOVERNANCE RISK	REPUTATION RISK	COMPLIANCE RISK	FINANCIAL CRIME RISK

ADDING ACTIVITIES

- Impacted by Covid–19
- Negative change
- Positive change

VALUE CREATION

NSSF invests prudently

OUTPUTS

Investment generate revenue

INVESTMENTS PORTFOLIO
- Real Estate
- Equities
- Fixed Income

OUTCOMES

ASSET ALLOCATION
Real Estate 7.69% Ushs 943Bn
Equities 15.06% Ushs 1.912Tn
Fixed Income 77.25% Ushs 10.235Tn

6 INFORMATION SECURITY RISK | 7 MARKET RISK | 8 CREDIT RISK | 9 OPERATIONAL RISK | 10 LIQUIDITY RISK

THAT CREATE VALUE FOR STAKEHOLDERS

Stakeholders impacted

FINANCIAL CAPITAL

We manage the Fund responsibly and in a profitable manner by making prudent investment decisions with our members contributions

- Fund growth Ushs 13.284Bn (June 2019: Ushs 11.339Bn)
- Cost–to–income ratio 10.8% (June 2019: 11.6%)
- Cost–of–Administration ratio 1.19% (June 2019: 1.28%)
- Interest to members (RoE) of 10.75% (June 2019: 11.0%)
- Investment in new business initiatives
- Benefits paid Ushs 496Bn (June 2019: 450Bn)
- % of Employer compliance 55% (June 2019: 68%)

INTELLECTUAL CAPTIAL

This lies in the Fund's reputation and brand image

- Tonality score 88% (June 2019: 89%)
- Customer satisfaction rate of 88% (June 2019: 84%)
- Attraction of specialist skills (Data Science Specialists, Software Developers)

HUMAN CAPITAL

This resides in our employees and ability to attract, develop, enable and retain the best talent is one of the Funds top objectives

Maintained employee motivation, skills and diversity through:
- Percentage salary increase for lower staff greater than Management
- Equity 55% male and 45% female
- Staff attrition of 3.2% (June 2019: 3.8%) compared to a rate of 10% in the April 2020 Mercer Total Remuneration Report for Uganda.

Improved people satisfaction levels:
- 93% (June 2019: 88%) staff engagement, above the 68% Core engagement level for Africa
- Investment in upskilling employees Ushs 7Bn (June 2019: Ushs 8Bn)

MANUFACTURED CAPITAL

This comprises our governance, business processes, building infrastructure, leading systems as well as our investment in information technology infrastructure and innovation that together enable us to manage the organisation in a prudent and professional manner.

- This year 88% of our member transactions and interactions were hosted digitally (June 2019: 60%)
- Uptime of application systems at 99% (up on June 2019: 98.6%)
- Staff work from home capability – well confirmed in lockdown
- 2.05 million customers (June 2019: 1.93 million)
- Social media reach of 12.8 million (FY 2019: 9.3 million)

SOCIAL AND RELATIONSHIP CAPITAL

We continue to build on the good relationships we already have with our key stakeholders – our members, employees, the Board, the Ministry of Finance, the Ministry of Gender and Social Development and our regulator, URBRA

- Percentage of clients that have ever made a complaint: 27% (June 2019: 21%)
- Responsible corporate citizen and commitment to SDGs
- Ushs 177.7Bn (June 2019: 194.5Bn) direct and indirect tax contributions
- CSI spend of Ushs 950M (June 2019: Ushs 1.1Bn)
- Buy Uganda Build Uganda (BUBU) (90% of procurements are with local suppliers)
- Financial literacy campaigns Ushs 190M (June 2019: 70M)
- Compliance with regulatory requirements of the URBRA Act, 2011
- New membership June 2020: 9% (June 2019: +9%)

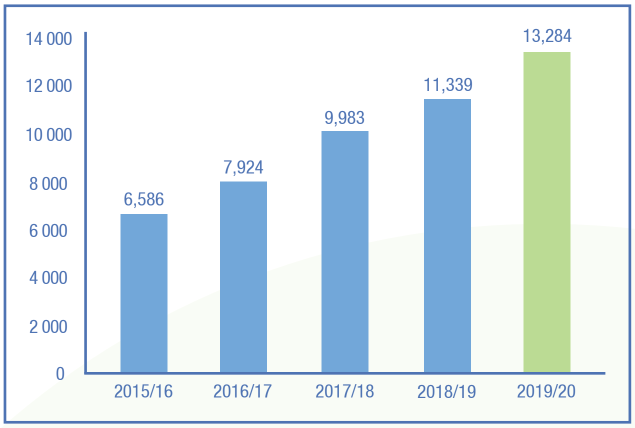
NATURAL CAPITAL

We use natural resources responsibly and continue to reduce our carbon footprint and water usage adopting a sustainable approach to waste management.

- 5.9% saving on water consumption
- 32% reduction on energy consumption
- 27% reduction in paper consumption
- 100% of the waste from our buildings was diverted to KCCA pipelines in accordance to the City Council Solid Waste Management Ordinance of 2000

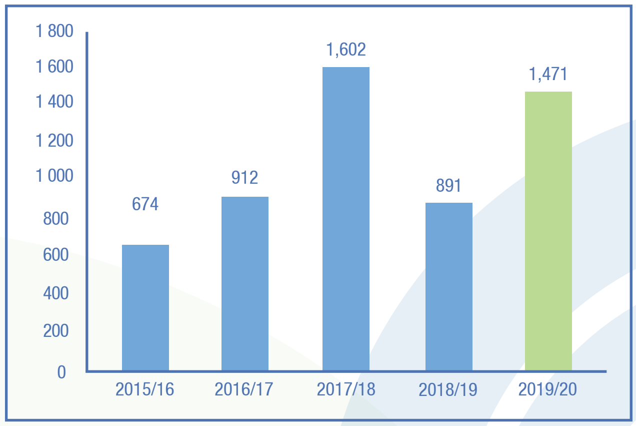
FINANCIAL AND OPERATIONAL REVIEW

NSSF ASSETS UNDER MANAGEMENT (AUM) IN USHs. BILLIONS



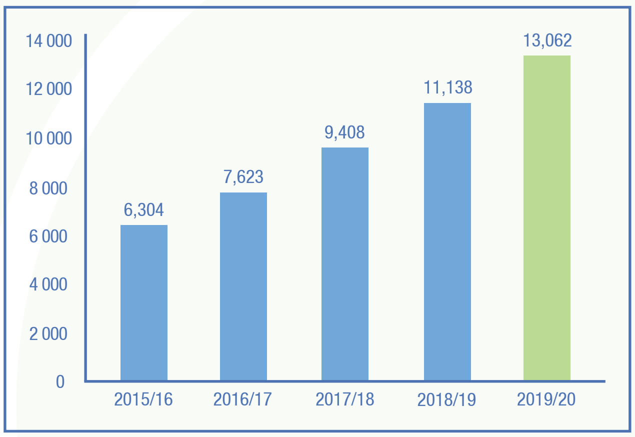
Fund Size grew by 17% from Ushs 11,339Bn in 2019 to Ushs 13,284Bn in 2020.

TOTAL REVENUE IN USHs. BILLIONS



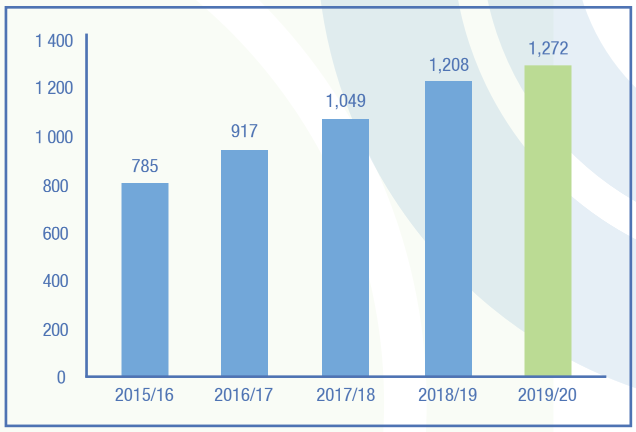
Total revenue grew by 65% from Ushs 891Bn in 2019 to Ushs 1,471Bn in 2020.

ACCUMULATED MEMBER'S FUNDS IN USHs. BILLIONS



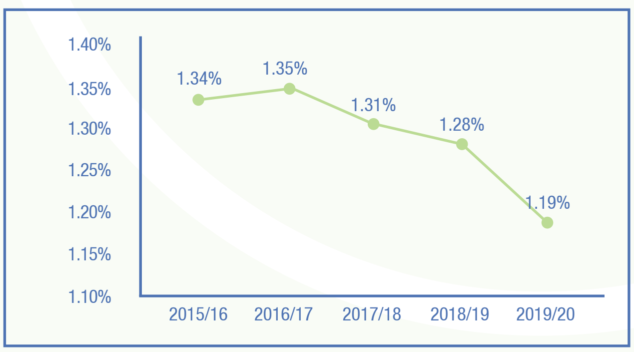
Accumulated Members' Fund grew by 17% from Ushs 11,138Bn in 2019 to Ushs 13,062Bn in 2020.

CONTRIBUTIONS RECEIVED IN USHs. BILLIONS



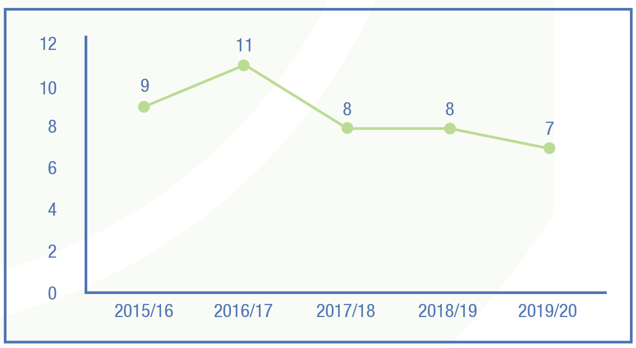
Contributions grew by 5% from Ushs 1,208Bn in 2019 to Ushs 1,272Bn in 2020.

COST OF ADMINISTRATION (%)



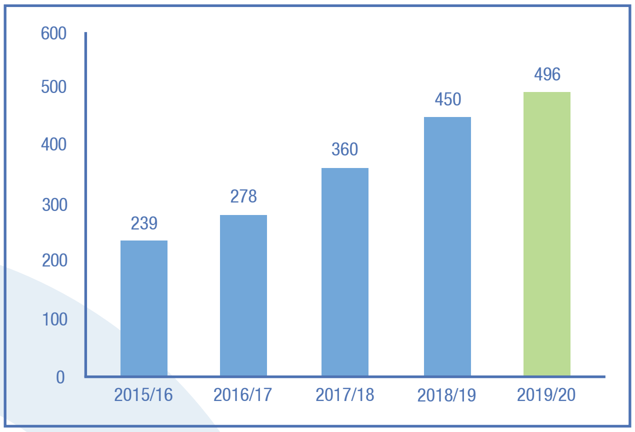
The Fund's cost of administration improved from 1.28% in 2019 to 1.19% in 2020.

BENEFITS TURN AROUND TIME (DAYS)



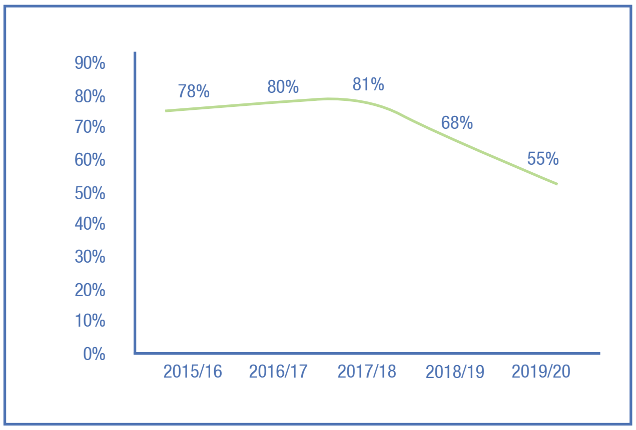
Benefit turnaround time was 7 days in 2020 in line with the target of 7 days.

BENEFITS PAYMENTS IN USHs. BILLIONS



Benefits paid grew by 10% from Ushs 450Bn in 2019 to Ushs. 496Bn in 2020.

COMPLIANCE LEVEL OVER THE YEARS (%)



One Month Compliance closed at 55% as at 30 June 2020.

NSSF FIVE YEAR PERFORMANCE REVIEW

Five year performance Review	Actual 2016 Ushs. Billion	Actual 2017 Ushs. Billion	Actual 2018 Ushs. Billion	Actual 2019 Ushs. Billion	Actual 2020 Ushs. Billion	Budget 2020 Ushs. Billion	Actual 2020 Vs Actual 2019 Var %	Actual '2020 Vs Budget 2020 Var %
Income Statement								
Total Revenue	674	912	1,602	891	1,471	1,602	65%	–8%
Realised Revenue	708	845	1,042	1,255	1,472	1,442	17%	2%
Profit before Tax	594	823	1,486	746	1,312	1,278	76%	3%
Profit After Tax	491	686	896	573	1,159	1,224	102%	–5%
Operating cost	80	96	116	145	158	164	9%	3%
Financial Position (Ushs' Bn)								
Total Assets	6 586	7,924	9,983	11,339	13,284	13,709	17%	–3%
Fixed Income Investments	4,940	5,999	7,478	8,693	10,235	10,140	18%	1%
Equity Investments	1,067	1,255	1,738	1,675	1,912	2,441	14%	–22%
Investment properties	454	512	642	802	943	941	18%	0%
Total Investments	6,461	7,766	9,858	11,170	13,090	13,523	17%	–3,2%
Accumulated Members' Funds	6,304	7,623	9,408	11,138	13,062	13,347	17%	–2%
Financial Performance (%)								
Return on average Investment (%)	11.3%	12.8%	18.2%	9.0%	13.82%	13.81%	53%	0%
Cost Income Ratio (%)	13.2%	13.4%	12.9%	11.6%	10.8%	12.0%	7%	10%
Cost of Administration (%)	1.34%	1.35%	1.31%	1.28%	1.19%	1.25%	7%	5%
Member's Fund Statistics (Ushs'M)								
Contributions Collected	785	917	1,049	1,208	1,272	1,260	5%	1%
Benefits Paid	239	278	360	450	496	580	10%	–14%
Interest Credited to members	597	681	1,100	978	1,154	1,120	18%	3%
Return on member's Fund (%)	12.30%	11.23%	15.00%	11.00%	10.75%	10.50%	–2%	2%
Compliance level (%)	78%	80%	81%	68%	55%	60%	–19%	–8%
Benefits Processing time (Days)	9	11	8	7	7	7	0%	0%
Customer Satisfaction Rate (%)								
Internal Customers (Staff)	86%	84%	84%	88%	93%	80%	6%	16%
External Customers (Members)	86%	92%	85%	84%	88%	86%	5%	2%

MATERIAL MATTERS PROCESS

Material matters are those issues that could substantially affect our ability to create value in the short, medium and long term. These matters influence our strategy and how we manage our associated risks, as well as opportunities we explore as a result of these factors.

The process we follow to determine our material matters is as follows:

DYNAMIC ITERATIVE PROCESS

	PROCESS	METHOD	STAKEHOLDERS ENGAGED
IDENTIFY	Scan the internal and external operating environment.	Identify strengths, weaknesses, opportunities and threats. Evaluate political, economic, social and technological factors which could threaten sustainability.	A series of interactive workshops are carried out with management, board, and staff. Surveys are also carried out to extract member needs and expectations.
PRIORITISE	Formulate the strategic direction, objectives, key risks and opportunity register.	Define the value creation process of the Fund. Clearly articulate how this value will be delivered over time. Assess materiality of matters and identify those that could threaten the ability of the organisation to deliver value.	The material matters are comprehensively assessed, monitored and updated as appropriate by the Board and Executive Committee as part of the strategic management process.
DEFINE STRATEGY AND TARGETS	Informs changes to strategic direction and business model		
	Targets are set to define objective measures.	Business unit and individual goals are incorporated into Balanced Scorecards which align to the overarching organisational Scorecard.	The Board and Executive Committee continuously monitor material matters to ensure they remain pertinent in the rapidly changing operating environment.

DYNAMIC ITERATIVE PROCESS

MATERIAL MATTERS

<table>
<tr><td>Strategic Objectives</td><td></td><td colspan="3">Increase customer satisfaction
Increase profitability</td></tr>
<tr><td>Material Themes</td><td></td><td>Material Matter</td><td>Risks</td><td>Mitigation Response</td></tr>
<tr><td rowspan="3">Economic Recession</td><td rowspan="3">IMPACTING</td><td rowspan="3">Covid–19 and the effect on the economy and Fund business
Financial Capital
Human Capital
Manufactured Capital
Social and Relationship Capital</td><td>Business / Strategic Risk
Negative impact on collections and investment income</td><td>Monitoring market variables and adjusting the portfolio mix to respond to the changing market environment</td></tr>
<tr><td>Operational Risks
Covid–19 infection to staff
Disruption to business operations</td><td>Strict hygiene (washing hands/ sanitisation), wearing masks and social distancing
Provision of the necessary tools for staff to work remotely (i.e. home)
Provision of support to staff infected with the virus</td></tr>
<tr><td colspan="2">Opportunities and impact on Business Model
Strengthening of business continuity and disaster recovery plans
Improving efficiency of operational processes and communication through automation and use of digital platforms
Review business and strategic imperatives
Accelerating digital transformation by increasing services hosted on electronic channels</td></tr>
<tr><td colspan="5">The impact of Covid–19 on our operations cannot be understated. Covid–19 has and continues to cause human and economic suffering, and will undermine economic growth in the next 2 or more years, hence affecting our collections and investment income.
The global economy will likely contract by about 3% in 2020. If containment efforts work, a recovery of 5% expected in 2021. The impact of Covid–19 on the Uganda economy is a lower growth of 3–4%, down from 6% projected for 2019/20. As a consequence of these external factors, the Fund's projected size will decline by almost Ushs 140B.</td></tr>
</table>

<table>
<tr><td>Strategic Objectives</td><td></td><td colspan="3">Increase customer satisfaction
Increase profitability</td></tr>
<tr><td>Material Themes</td><td></td><td>Material Matter</td><td>Risks</td><td>Mitigation Response</td></tr>
<tr><td rowspan="2">Volatility of Equity and Currency Markets</td><td rowspan="2">IMPACTING</td><td rowspan="2">Decline in income from equities
Financial Capital
Manufactured Capital</td><td>Market Risk
Changes in interest rates, fluctuations in exchange rates and volatility of stocks</td><td>Diversification at the overall portfolio level (fixed income, real estate and equities), as well as at asset level (equities)</td></tr>
<tr><td colspan="2">Opportunities and impact on Business Model
We are continuously evolving our business model to serve a large market, with a diverse range of social security needs, while fulfilling the core mandate to secure the retirement needs of Uganda's workers</td></tr>
<tr><td colspan="5">With restrictions to investment only in Uganda and in the region, the portfolio will continue to be exposed to concentration risk, which can be exacerbated by the volatility of equity and currency markets. To minimise this exposure, we regularly review and rebalance the investment portfolio.</td></tr>
</table>

Strategic Objectives		• **Increase customer satisfaction** • **Increase profitability** • **Increase productivity**		
Material Themes		**Material Matter**	**Risks**	**Mitigation Response**
Socio Economic Factors	IMPACTING	Growing unemployment Financial Capital Manufactured Capital Social and Relationship Capital	**Liquidity Risk** • Potential decline in contributions, increase in benefits payment and increase in real estate project implementation	• Dynamic cash flow forecasting and liquidity gap analysis
			Opportunities and impact on Business Model • While the Fund cannot solve the unemployment problem alone, we can play a value–adding role through skills programmes and support towards entrepreneurship • Lobbying with Parliament to enact the NSSF amendment Bill to enable the Fund to provide solutions to its members and drive innovation	
• The socio–economic environment within which we operate, and in which our members live, comprises a mix of factors that affect our ability to create and deliver value to our members. • Unemployment is a major national problem. It is estimated that Uganda must create 600,000 jobs every year. The unemployed youths are not able to register and make contributions to the NSSF as they do not have a regular income. • The majority of our members are young people, less than 40 years of age, who are not satisfied with the narrow range of benefits that seem to ignore their more immediate needs. The solution lies in Parliament passing the NSSF Amendment Bill to enable the Fund to provide additional benefits to its members.				

Strategic Objectives		• **Increase customer satisfaction** • **Increase profitability** • **Increase productivity**		
Material Themes		**Material Matter**	**Risks**	**Mitigation Response**
Cyber Risk	IMPACTING	Data protection and information security Intellectual Capital Manufactured Capital	**Cyber Risk** • Increase customer satisfaction • Increase productivity	• Robust information security controls and regular vulnerability and penetration testing • Regular sensitisation of system users
			Opportunities and impact on Business Model • Develop a cyber incident response strategy to deal with emerging cyber threats • Develop a comprehensive training programme to equip users with the necessary knowledge to detect cyber activities such as phishing	
• The business ecosystem is rapidly evolving across different sections of the Fund. Advancement in digital technology has continued to enable innovations and agility across the business. Cybersecurity directly affects the resilience of organisations, the economy and individual safety.				

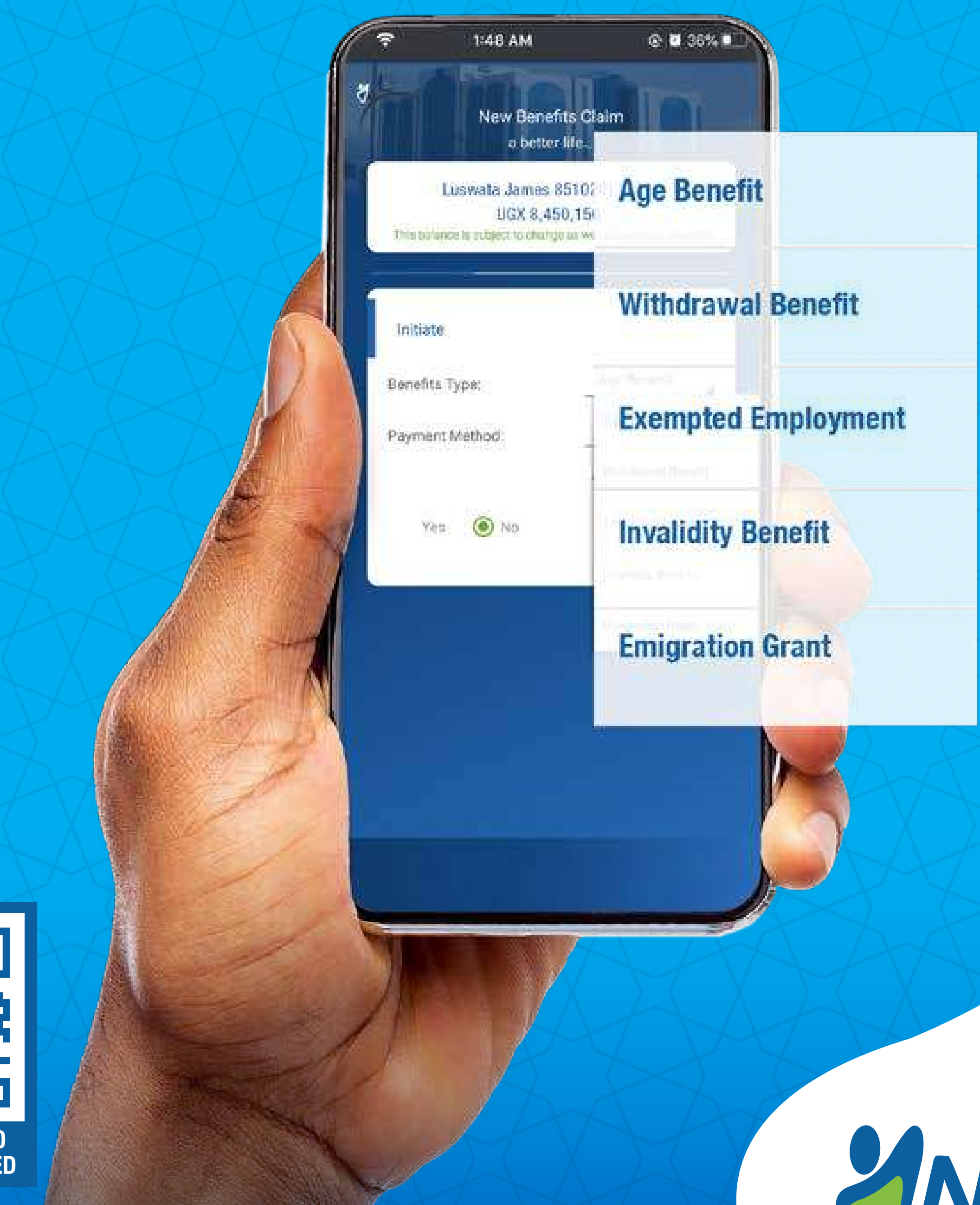
<table>
<tr><td>Strategic Objectives</td><td></td><td colspan="3">Increase customer satisfaction
Increase profitability
Increase productivity</td></tr>
<tr><td>Material Themes</td><td></td><td>Material Matter</td><td>Risks</td><td>Mitigation Response</td></tr>
<tr><td rowspan="2">Regulatory Restrictions</td><td rowspan="2">IMPACTING</td><td rowspan="2">Impacting the ability to provide a variety of benefits to members
Financial Capital
Intellectual Capital
Manufactured Capital
Social and Relationship Capital</td><td>Reputation Risk
Perceived denial by the NSSF to provide midterm access to its members</td><td>Continuous sensitisation of members through financial literacy programmes</td></tr>
<tr><td colspan="2">Opportunities and impact on Business Model
With the NSSF Amendment Bill still on the floor of Parliament, the Fund’s ability to innovate is constrained. However, our innovation spirit thrives on and this year we introduced Diaspora Connect which enables any previous NSSF member who is based in the diaspora to reactivate their account and remit contributions using any debit or credit card and, the Agency Model will gradually open up the services of over 10,000 Bank Agents to the Fund’s membership
Leveraging technology to build a better brand with our members
Fulfilling unmet customer needs through innovation
Data optimisation – extracting more value from the data we have available</td></tr>
<tr><td colspan="5">We operate under a mandate from the National Social Security Fund Act 1985 and in an environment regulated mainly by the Retirement Benefits Regulatory Authority (URBRA) under the URBRA Act 2011. Within the country’s and regional pension and general legal frameworks, there are both opportunities and risks for us to enable a better life for our members.
If the NSSF Amendment Bill is passed, it will give us an opportunity to increase coverage, collections and returns through limiting benefits growth by raising the retirement age to 60 years, and it will help us increase coverage , especially in the informal sector.
Customer demands such as mid–term access continue to affect the Fund’s brand and purpose. This comes with more interest in social security products from the informal sector.</td></tr>
</table>

The Fund makes a deliberate effort to provide an adequate retirement benefit to all its members

Queues

Skip the hassle

Submit your *benefits claim on the **NSSFGo App or NSSFGo Web.**



SCAN ME TO GET STARTED

***Applies only to qualifying Members'.** For more information call **0800 286 773** toll free.

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NSSF a better life

COMMITTED TO SAFETY, SECURITY AND STABILITY NOW AND TOMORROW

Driving digital strategy

BY HEAD OF BUSINESS DEPARTMENT
Geoffrey Waiswa Sajjabi

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

1 BUSINESS/ STRATEGIC RISK
2 GOVERNANCE RISK
4 COMPLIANCE RISK
5 FINANCIAL CRIME RISK
6 INFORMATION SECURITY RISK
9 OPERATIONAL RISK
10 LIQUIDITY RISK

Our response to the Covid–19 pandemic

The Business Department, which is charged with ensuring business growth through increased contributions and membership growth, had to undertake several improvements before and during the pandemic.

The Covid–19 pandemic has significantly changed the landscape of all businesses. Although the number of confirmed cases in Uganda remain very low in comparison to other countries, the containments adopted to curb the spread of the virus have affected business operations, at the same time presenting opportunities to accelerate digital strategies and support our stakeholders and communities within which we operate. Whereas the Fund had already embraced and reaped benefits of a digital transformation before Covid–19, we still had to respond with agility and quickly adapt to dynamic changes in the business environment. Our response strategy consisted of the following key objectives:

CUSTOMERS
Affirm our commitment to our customers in meeting their expectations

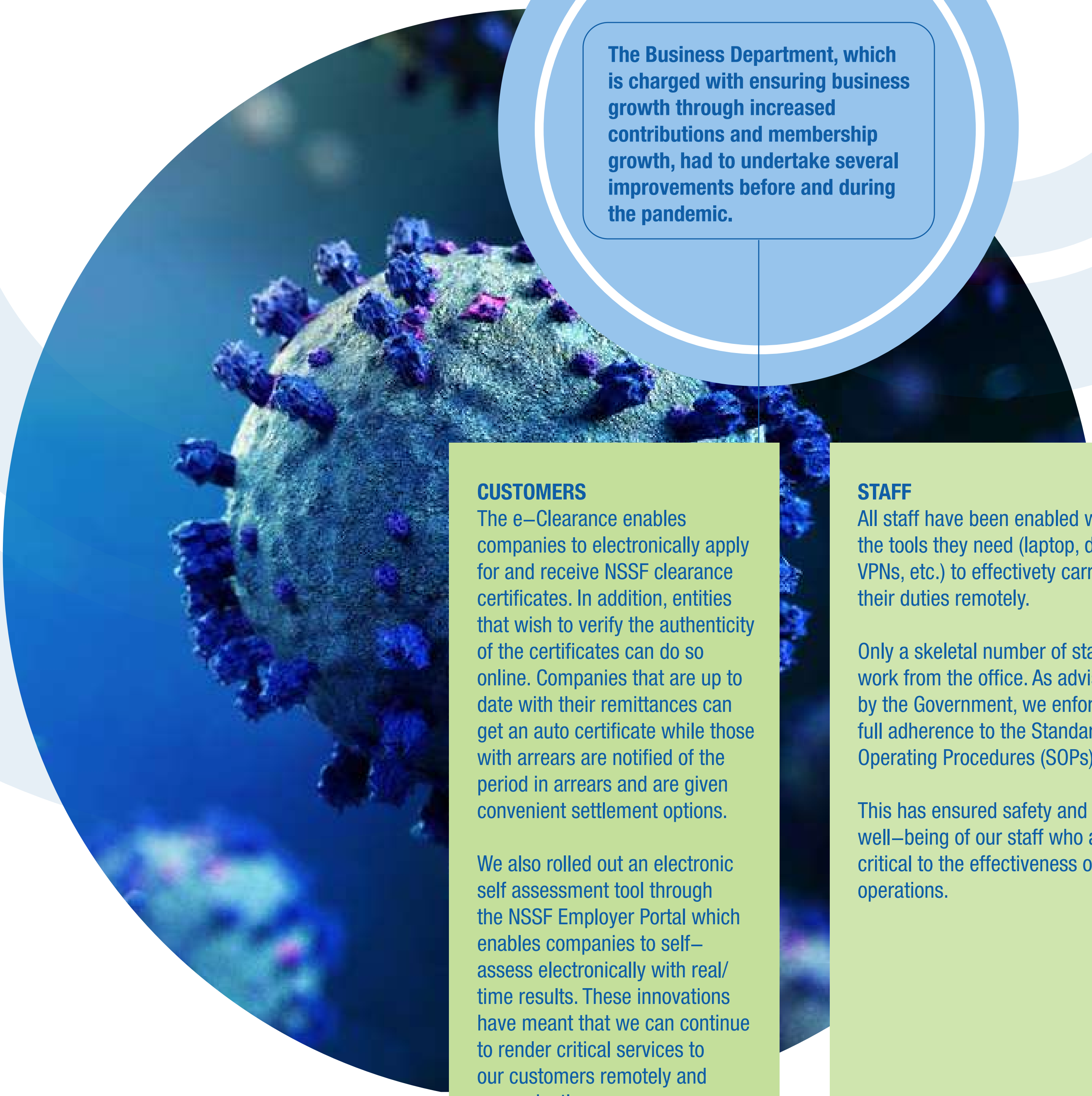
STAFF
Maintain the safety and well–being of our staff and create an enabling environment

STAKEHOLDERS
Deliver value to our stakeholders by introducing measures to assist in maintaining sustainability of their operations

CONTINUITY
Ensure stability and continuity of our business operations

SECURITY
Strengthen our internal control environment

OUR RESPONSE TO THE COVID–19 PANDEMIC



The Business Department, which is charged with ensuring business growth through increased contributions and membership growth, had to undertake several improvements before and during the pandemic.

CUSTOMERS

The e–Clearance enables companies to electronically apply for and receive NSSF clearance certificates. In addition, entities that wish to verify the authenticity of the certificates can do so online. Companies that are up to date with their remittances can get an auto certificate while those with arrears are notified of the period in arrears and are given convenient settlement options.

We also rolled out an electronic self assessment tool through the NSSF Employer Portal which enables companies to self–assess electronically with real/time results. These innovations have meant that we can continue to render critical services to our customers remotely and conveniently.

STAFF

All staff have been enabled with the tools they need (laptop, data, VPNs, etc.) to effectivety carry out their duties remotely.

Only a skeletal number of staff work from the office. As advised by the Government, we enforce full adherence to the Standard Operating Procedures (SOPs).

This has ensured safety and well–being of our staff who are critical to the effectiveness of our operations.

STAKEHOLDERS

The Fund led from the front and pioneered the deferral of contributions' payments from financially distressed companies. A total of 1,700 companies were granted a three months' deferral of contributions worth Ushs 67 Billion.

The rationale was to enable these companies manage their cash flows, return to profitability, and pay the contributions later without being penalised. As a result, many jobs were retained due to this short term measure. The long term expectation is increased loyalty; the fund listened and cared when it most mattered.

The Fund donated 5,000 Coronavirus (Covid–19) test kits worth over Ushs 381 million shillings to the Ministry of Health, of which Ushs 60 million was contributed voluntarily by individual NSSF employees.

CONTINUITY

Prior to the outbreak of Covid–19, the Fund had already built capacity to enable the employees to work remotely; therefore Covid–19 did not have a major impact on the continuity of operations of the Fund, as staff were enabled to work from home immediately when the lockdown was imposed.

From a customer's perspective, the Fund had already built various capabilities for customer self–service such as Apps for online registration, submission of claims, remittance of contributions and updates of member records.

Despite the unpredictable environment, the Fund was able to conduct the annual disaster recovery test to assess the resilience of the IT systems. Apart from only one application, all other applications tested were recovered within the target recovery time objective.

SECURITY

Information security and financial crime risks are elevated with the threat on increased cyber attacks, especially with reliance on digital channels and remote working practices.

The Fund has invested heavily in information security and continuously assesses the strength of the security infrastructure through penetration tests and vulnerability assessments.

Although there were a number of attempted attacks, all were detected and prevented by the Fund's security systems.

In addition, we launched an electronic audit software that enabled our Compliance Auditors to commence and complete audits online.

Highlights and successes

- **Reduction in expenses:** Savings amounting to Ushs 1.5Bn are expected from the following expenses: travel costs, operational mileage, staff meals and welfare costs, vehicle repairs and fuel costs as a result of the lockdown.
- **Increased uptake on digital channels:** The e–channels to walk–in ratio has grown in favour of the e–channel traffic. At the end of April 2020, nearly all customer service traffic was through the Fund's e–channels and the YTD ratio has significantly improved to 85%.
- **Effective communication over social media:** In May 2020 alone, our on–line media usage grew by 34% with a total of 140 000 customers using our social media and digital channels. We attribute this to the successful execution of "Our services are on–line campaign". This is evidence that convenience is critical in our communication and service delivery and even in the post Covid Era, we expect to see an increasing adoption of online platforms.
- **Stability of IT systems:** The IT department has been instrumental in providing flawless services during the lockdown period enabling 76% of our staff access to IT services to serve customers and continue with normal business operations.
- **Staff challenge for innovation:** The leadership at the Fund challenged staff through the Covid–19 outbreak to think of long term solutions that could help our members and customers.
    - The challenge at hand was "How might we help our members and customers to proactively prepare for disruptions to their income in the event of untimely crises?" Forty–three (43) solutions to the challenge were submitted by staff in groups of 3 to 5 staff and three of these submissions have been chosen to go through the design thinking process.
- **Staff feedback:** Positive feedback was received from staff in adapting to the changing ways of work.

Lowlights

- **Public events:** The Fund has had to cancel major events including the NSSF Kampala Hash 7 Hills Run, NSSF Monitor Career Expo and the Customer Connect week as a result of government banning public gatherings. With the gradual easing of the lockdown, life is slowly returning to normal, however in the absence of a vaccine, we expect that public gatherings will continue to be affected in the next 6 to 12 months.
    - The Fund will therefore need to consider a new approach to such initiatives and explore opportunities for online events, supported by key television stations for mass publicity.
- **Negative media:** Tonality scores for traditional media averaged at 90%, however online negative sentiments increased to 53.9% by end of the lockdown from 39% before the lockdown. We believe the main reason for this was because the Fund informed its members and general public that the current legislation, NSSF Act Cap 222 that governs the Fund's operation doesn't provide for midterm access benefits.

We however issued a media statement explaining to our members as below:

"The Fund empathises with members and understands the demands for payments to ease the lockdown. We feel the pain and understand outcry from our members. Unfortunately, the current legislation, NSSF Act Cap 222, that governs the Fund's operations does not provide for midterm benefits and regrettably has limited our ability to offer new benefits that would provide relief to our members".

Even before the outbreak of the Covid–19 pandemic, together with various stakeholders especially the Trade Unions, the Fund strongly supported amendments to the NSSF Act which among other changes provides for additional benefits.

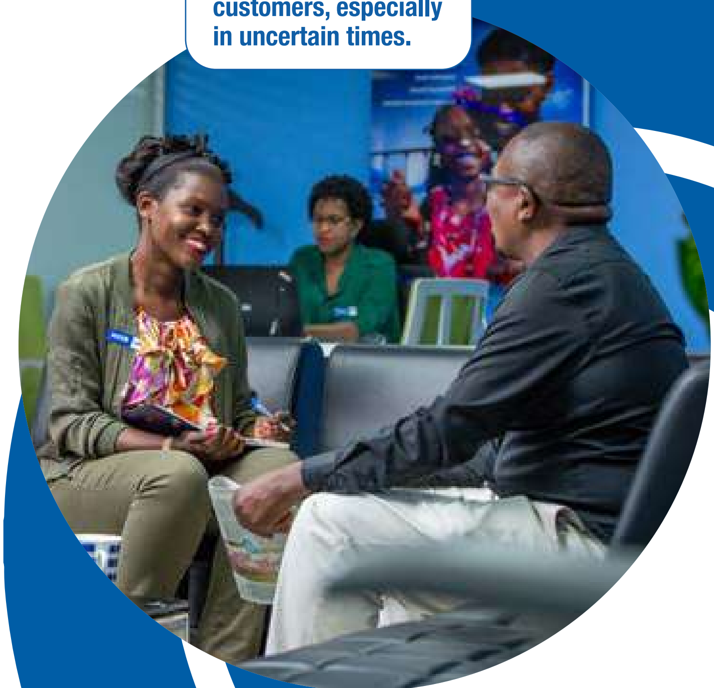
Nonetheless, the Fund reached out to its members during Covid–19 and introduced a 3 months amnesty to support businesses or Employers facing economic distress.

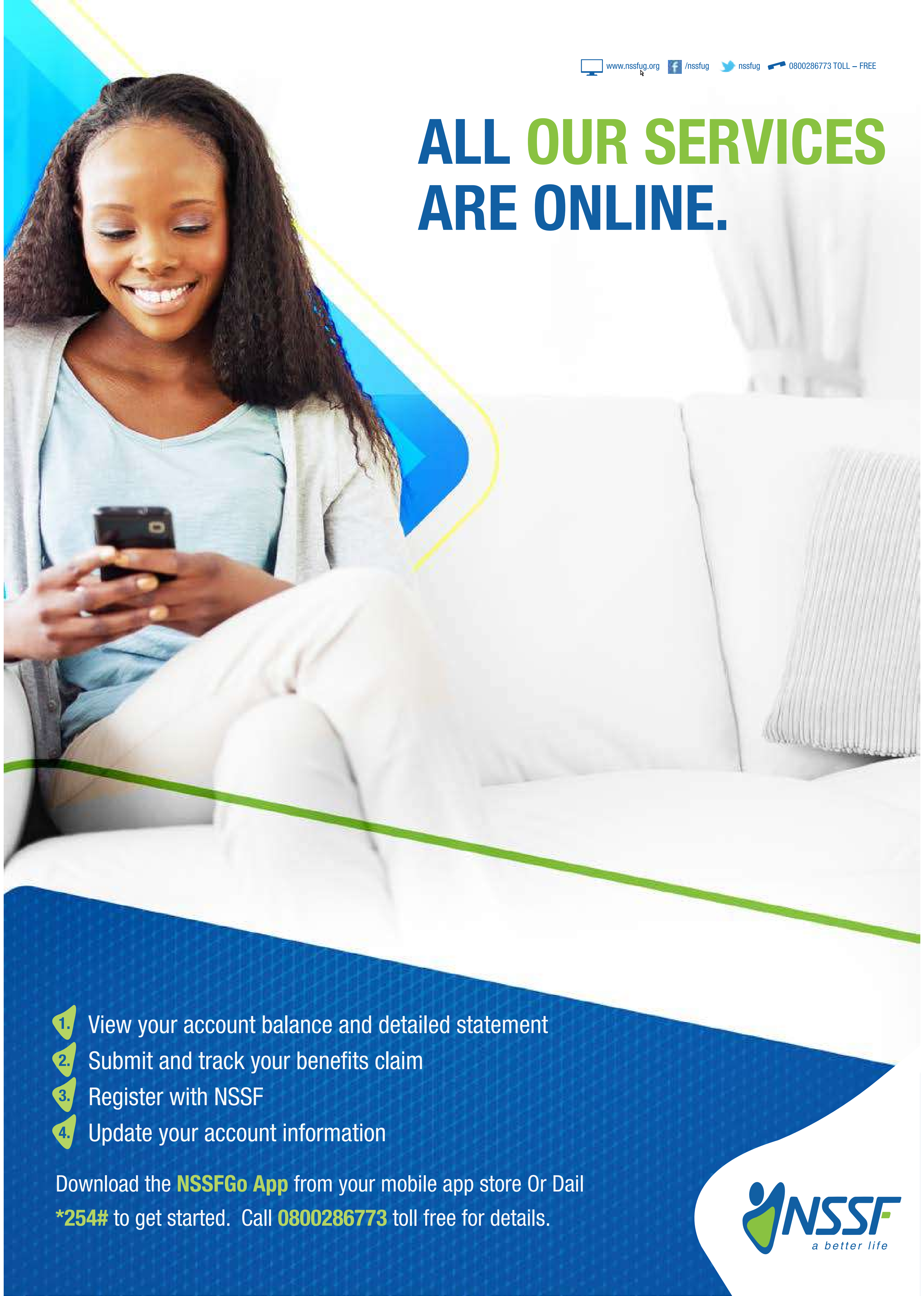
In summary, the Covid–19 pandemic brought to the fore the urgent need for our business to continue evolving. Even though we had initiated our digital transformation way before Covid–19, the rapid pace of change means that we need to continuously evolve and respond in an agile manner to meet changing expectations.

These uncertain times have also highlighted that businesses and societies are interdependent. In order for sustainable economic prosperity, organisations cannot act in isolation of one another. Companies that will survive, will be those that listened and supported their stakeholders during difficult times.

We are proud that NSSF has identified and recognised this imperative and delivered to all key stakeholders of the Coronavirus.

We are committed to meet the needs of our customers, especially in uncertain times.

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2. Submit and track your benefits claim
3. Register with NSSF
4. Update your account information
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NSSF
a better life

COMMITTED TO SAFETY, CONVENIENCE AND EMPOWERMENT FOR OUR CUSTOMERS NOW AND TOMORROW

THROUGH ENABLING TECHNOLOGY

BY DEPUTY MANAGING DIRECTOR
Patrick Ayota

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

6
INFORMATION SECURITY RISK

Our customer value proposition drives our technology strategy

In 2015, NSSF developed a 10–year Business Strategy that we dubbed Vision 2025. At its core, this strategy is aimed at creating value for our members. Our value proposition to members was defined as Safety of their savings, Convenience in interacting with us, and Empowerment to enable members to control more of their future.

Vision 2025, has four major strategic outcomes:

- Happy and Satisfied members as measured by a customer satisfaction rate target of 95%, up from 73% in 2015.
- Growth of the Fund to a Ushs 20 Trillion, which is a 26% year–on–year annualised growth from Ushs 5.5 trillion in 2015.
- Efficient Processes epitomised by a target of paying benefits within 1 day, from 15 days experienced in 2015.
- Engaged Staff who are delighted to work at the Fund as measured by a staff satisfaction rate target of 95%, up from 74% in 2015.

We realised quickly that we would NOT be able to deliver the value propositions without a new catalyst or enabler, and technology became that catalyst. We then developed our technology strategy to provide the following deliverables:

- Ubiquity, which simply meant “Any time Anywhere Service”.
- Self–Service, which empowers both staff and customers to initiate, monitor and manage the services they need without the inconvenience of visiting a branch.
- Straight–Through Processes which minimise human interventions and thereby create higher levels of efficiencies.

The above deliverables guide and inform the Fund IT solutions,as well as the skills that we require from our resources.

The results have exceeded all expectations. NSSF now boasts one of the most competent, agile and innovative IT departments in the region. The delivery of some of the benefits has been achieved ahead of schedule:

- Today, a member can register, make contributions and initiate a benefit claim from the comfort of his/her home.
- Over 80% of our staff can work and deliver quality services to members from their homes.
- Transparency with members has become the norm. A member can verify his/her balances, transactions, or simulate his or her savings future. All at a press of a button!
- This is but the beginning. We are taking advantage of the convergence of various technological forces such as: data, cloud, and speed to create more value for our members. We envision, from the interaction and engagement with our members, that we will be able to tailor make products that meet their needs as they enter the different phases of their life journey.

We are into our 5th year of the 10–year Business Strategy. Looking back on the successes we have achieved over the last 5 years; we can confirm that a technology strategy is one the greatest catalysts a firm can invest in for future sustainability.

While we have maximised the use of, and outcomes of our *manufactured and intellectual capitals* with this focus, our other four capitals are also positively impacted.

03. OUR STRATEGY

The National Social Security Fund is a Provident Fund established to recruit, collect from, invest for and pay out benefits to its members. The Fund pays out a lump sum equivalent to the members accumulated savings once they qualify.

KEY RISKS IMPACTING ACHIEVEMENT OF STRATEGY	LINK TO MATERIALITY THEME
BUSINESS / STRATEGIC RISK Impact of Covid–19 on the economy, affecting collections and investment income	
LIQUIDITY RISK Decline in contributions, increase in real estate project implementation impacting profitability	
MARKET RISK Changes in interest rates, fluctuations in exchange rates and volatility of stocks impacting income earned on equities	
CYBER RISK Unauthorised access to data and customer information impacting organisational resilience and reputation	
REPUTATION RISK Regulatory restrictions imposed by the NSSF Act to provide for midterm access impacting innovation will continue to have a negative impact on brand image	

Our strategic matters are informed by the following aspirations

STRATEGIC FOCUS AREAS

STRATEGIC OBJECTIVES

2020 HIGHLIGHTS

STRATEGIC FRAMEWORK

Core purpose

Our purpose is to make lives better. We passionately dedicate ourselves to making saving a way of life, to enable more and more people to improve their well–being

Our purpose drives our strategy

- Providing world class service to our members
- Achieving competitive returns
- Increasing efficiencies to improve service delivery
- Becoming the employer of choice

Underpinned by digital innovation

Increase Customer Satisfaction

- Meeting customer needs
- Improving service delivery
- Removing pain points
- Providing uninterrupted service

Increase Profitability

- Growing the Fund asset size
- Improving cost efficiency
- Investing prudently
- Generating good returns

Increase Staff Satisfaction

- Improving data quality
- Reducing turnaround time
- Enhancing technology impact
- Improving governance, compliance and risk management

Increase Productivity

- Investing in staff development
- Enhancing talent management
- Upskilling employees
- Promoting performance culture

Measured through defined Key Performance Indicators to track performance included in the organisation's Balanced Scorecard and cascading to employee scorecards. Reward and remuneration is linked to both individual and business performance

- 88% client satisfaction
- Uninterrupted service during the Covid–19 lockdown
- Revamped NSSFGO App
- Offering employers deferment of contributions during Covid–19

- Total assets of Ushs 13,2 Trillion against a target of Ushs 13,7Trillion.
- Fund Size grew by 17% from Ushs 11,34Tn in 2019 to Ushs 13,28Tn
- Income growth of 65%
- Total revenue Ushs 1,471Bn
- Cost efficiency 1.19%

- Automated processes
- 88% of member transactions were hosted digitally
- Benefits payout from 8 days to 7 days
- Introduction of a Que Management system to reduce waiting time and improve service delivery

- Engagement score of 93%
- Upskilling of employees to meet future needs
- Innovation campaign
- Support for the new way of work with remote working practices
- Increased communication via digital channels

Our top management has a feedback loop where they are constantly thinking about what we have done and how we can do it better.

Reflection on strategy for the period under review

We are currently in our 5th year of execution of our 10 year strategy.

Since our strategy was formalised in 2015, the Fund has delivered excellent results in all metrics we measure ourselves against to ensure achievement of milestones and execution of strategy. We are therefore confident that business is well positioned to deliver another solid set of results in the year ahead as well as the medium and long term.

The innovation strategy of the Fund extends to creating an ecosystem and community of innovators. In this respect, the Fund is working with strategic partners to incubate and accelerate new businesses that will be the future pipeline of contributions and new investment opportunities. The key partners of the Fund are Mastercard Foundation, Outbox Innovation Hub, Makerere University Business School Innovation Hub, and the Transformation Business Network (TBN). To date, the Fund has committed USD 100,000 to 5 start–ups, with a goal of supporting 500 start–ups in the next 5 years to create 45,000 new jobs in Uganda.

What we did to deliver value during 2019/2020 to achieve our long term aspirations

Providing world class service to our members

Our focus during the reporting period was on transforming customer experiences through electronic channels. By using feedback our customers provided us, to identify the issues that are most important to them, we were able to improve service delivery and ensure speedy uninterrupted service, especially during lockdown as a result of the Covid–19 pandemic.

See page 68 for further details on servicing our members.

Achieving competitive returns

The overall objective of the Fund`s investment strategy is to generate returns at an appropriate level of risk to provide members and beneficiaries with benefits as required by law. This is accomplished through a carefully planned and executed long term investment strategy that efficiently and effectively allocates and manages the assets of the Fund. This strategy is evidenced by the Funds Asset Allocation and this is what has led to the good set of results achieved.

Increasing efficiencies to improve service delivery

In order to reduce the number of days from the time a member submits a claim to payout, making a benefit claim today can now be done from the convenience of a smart phone via the NSSFGO App. The long turn–around time in completing benefit payments is now being addressed by Machine Learning capabilities.

This capability adds to key capabilities in the customer journey where registration and contributions could already be completed via the App on both mobile and web. The impact can be seen in the decline in walk–ins to branches for most services where the majority of NSSF customers today (65%) are now accessing services via electronic channels.

Becoming the employer of choice

In order to reward our top performers, and further promote a high performance culture, the performance bonus scheme was reviewed, enabling us to link reward to performance.

We were fully supportive of our staff during the outbreak of the Covid–19 pandemic and ensured they were provided with the necessary tools to work remotely.

Positive feedback was received from staff in adapting to the changing ways of work.

See page 75 for further details on employee engagement.

How we performed against key metrics to measure performance

Our reward and incentive structures are directly linked to both individual and business performance.

PERFORMANCE AGAINST STRATEGY

Aspiration	Providing world class service to our members				Weighting 30%
Objectives	**Key Measures**	**Target**	**2019**	**2020**	**Outlook for the year ahead 2020/2021 Target**
Improve customer satisfaction	Customer satisfaction index score	86%	84%	▲ 88%	85%
Improve brand image	Tonality score	90%	91%	▼ 88%	85%
	Brand health survey rating	78%	71%	▲ 80%	70%

▲ Achieving Target ▼ Below Target

Reason for decline in tonality score

Prior to the Covid–19 lockdown period (31 March to July 2020) tonality scores for traditional media averaged at 90% but we took the greatest hit from online media whose negative sentiments increased to 53.9%. This led to a drop in positive tonality. We believe the main reason for this was because the Fund informed its members and general public that the current legislation, NSSF Act Cap 222 that governs the Fund's operations does not provide for midterm access benefits and regrettably has limited our ability to offer members new benefits that would provide relief. We continue to appeal to Parliament to pass the NSSF Amendment Bill to enable the Fund to provide solutions to its members.

Aspiration	Achieving competitive returns				Weighting 30%
Objectives	**Key Measures**	**Target**	**2019**	**2020**	**Outlook for the year ahead 2020/2021 Target**
Increase contributions	Average monthly contribution collections	105 Billion	102 Billion	▲ 107 Billion	113 Billion
	1 Month employer compliance rate	60%	62%	▼ 56%	40%
Increase income earned	Gross target return on investment	13.81%	13.1%	▲ 13.82%	13.09%
Improve cost efficiency	Expense ratio	1.25%	1.28%	▲ 1.19%	1.23%

▲ Achieving Target ▼ Below Target

Reason for decline in 1 month employer compliance rate

The Fund intentionally introduced defferal of contributions' payments from financially distressed companies and this had a negative impact on the compliance rate.

PERFORMANCE AGAINST STRATEGY

Aspiration	Increasing efficiencies to improve service delivery				Weighting 20%
Objectives	**Key Measures**	**Target**	**2019**	**▲ 2020**	**Outlook for the year ahead 2020/2021 Target**
Improve data quality	Data quality index	100%	88%	124% ▲	100%
Improve service delivery	Benefits processing turn around time, days	7 days	8 days	▲ 7 days	7 days
Improve governance, compliance & risk mgt	Governance and compliance index	100%	100%	▲ 104%	100%
Enhance strategic partnering	% completion of target partnerships & stakeholder milestones (NSSF Act Amendments)	90%	100%	100% ▼	Internal milestones for the NSSF Act were all achieved. The bill is awaiting parliament decision.
Increase value added products and services	Number of new products and services	3	4	1 ▲	1
	% uptake of new product/service	33%	134%	▼ 33%	33% (This is the uptake of newly introduced products and services.)
Enhance technology impact	% completion of milestones for the deployment of the new pensions administration system	90%	92%	83%	90%

▲ Achieving Target ▼ Below Target

Reason for decline in new products
With the NSSF Amendment Bill still on the floor of Parliament, the Fund's ability to innovate is constrained.

Reason for delay in achieving milestones for the new Pensions Administration System.
Most of the delays in 2019/2020 have been due to consultants being unable to travel due to the Covid–19 lockdown, however the project is back on track for delivery in 2021.

Aspiration	Becoming the employer of choice					Weighting 20%
Objectives	Key measures	Target	2019	2020	Outlook for the year ahead 2020/2021 Target
Enhance performance culture	Staff satisfaction & engagement index	85%	88%	▲ 93%	85%
Enhance talent management	Talent development and management index score	90%	100%	▼ 85%	100%

▲ Achieving Target ▼ Below Target

Reason for decline in talent development and management index score
Due to the changes that are happening, the amendment to the Act and Covid–19, the Fund has decided to re–think its talent development and management strategy in preparation for a new operating environment.

Key initiatives planned for 2020/2021 in support of achieving our long term aspirations

Providing world class service to our members
In order to further increase customer satisfaction, our focus is to obtain a holistic understanding (360 degree) of our members across all touch points to proactively deliver a personalised experience.

Achieving competitive returns
The Fund mainly invests in mature markets whose returns are predictable and have been consistent over time. The aggressiveness for growth is in the Allocation of Assets that is governed by an Investment policy.

Increasing efficiencies to improve service delivery
Data
Our environment has multiple data sets that are not synchronized. This leads to duplication, errors, and poor customer experience. In order to resolve these pain points, customer facing systems will be integrated in the new Pension Administration System.

The strategy is to create a data service. Currently analytics is decentralised. Each department has an analytics arm that runs their numbers and serves their planning needs. Going forward we plan to keep the existing department analytics units and create capacity for a central unit to take overall accountability for data analytics, serve external requests and set up a central data store. This will enable data as a service in the Fund. As a result of deploying Machine Learning, we aim to significantly improve the Data Quality Index in the coming year.

Reduce turnaround time for benefits claims
- By developing and automating partnerships that will both de–risk and increase efficiency in the verification process will contribute to the reduction in Benefits turnaround time.
- benefits to members.

Becoming the employer of choice
The Fund acknowledges staff as one of its most important assets and will continue to actively engage staff to increase staff satisfaction in the new ways of work.

We have a strong succession pipeline with opportunities for staff to grow both internally and externally.

We also aim to increase staff satisfaction by providing opportunities for staff to participate in more meaningful work.

We have made innovation an integral part of the culture where ideas win over position and hierarchy. To demonstrate its intention, the Fund ran an innovation challenge to crowd–source transformative ideas from staff, test the most promising ones, and scale the ones that prove early value. As a result, two promising ideas emerged for development in the next year:

- **Yollosave – Enabling a passive saving lifestyle. The sponsors of this idea have designed an App that enables members to save as they spend. This is targeted for the Fund's voluntary savers who find it difficult to make monthly voluntary contributions to the Fund. Eventually, this product will address the challenge many workers face in saving and eventually investing the little hard–earned income.**
- **Agrodesk – Enabling farmers to save for retirement. This product aims to increase the amount of value that goes back to farmers when they sell their produce to market. It addresses a major existing challenge where farmers are highly dependent on middle–men to access markets. Because of Agrodesk, technology and bulk–purchasing will avail farmers higher margins, which they can then take advantage of to set aside funds for retirement.**

OUTLOOK

We have presented our integrated report to provide all of our stakeholders with balanced and transparent information, which can assist them in making more informed assessments of the organisation's prospects (including its viability/ sustainability) and value creation ability into the future.

The information on outlook is essential when reporting to stakeholders as it completes the value creation story of the Fund as told in our report, which will also continue to evolve over coming years.

Below our outlook information covers the organisation's strategic path ahead – the leadership's view of the material uncertainties, disruptive factors, challenges that may affect the achievement of the strategic objectives and the potential implications for the organisation and of course the opportunities that have been identified. We present the information under each of the six capitals.

Financial Capital	**Strategic Priorities** • Increase contributions • Increase income earned • Improve cost efficiency
Challenges, uncertainties and disruptive factors	**Mitigating factors/opportunities** **Key challenge:** • Changes in interest rates, fluctuations in exchange rates and volatility of stocks. **Mitigation measures:** • Diversification at the overall portfolio level (fixed income, real estate and equities), as well as at asset level, especially equities. **Outlook:** • Although there was a slight recovery of 0.62% in the fourth quarter, the stocks are expected to take a while to fully recover. However, the portfolio allocation emphasises stability of returns in the 12 – 13% region for the short to medium term.
Manufactured Capital	**Strategic Priorities** • Improve data quality • Improve service delivery • Improve governance, compliance and risk management
Challenges, uncertainties and disruptive factors	**Mitigating factors/opportunities** **Key challenge:** • Delays in payment of member benefits. **Mitigation measures:** • Management is deploying the Pension Administration System (PAS) and a mobile app to create a straight through process for benefits claims. **Outlook:** • The Pension Administration System is expected to go live in 2021. In the short term benefits processing time is expected to average at 7 working days and this will drop to 1 day after PAS go–live.
Human Capital	**Strategic Priorities** • Enhance performance culture • Enhance talent management
Challenges, uncertainties and disruptive factors	**Mitigating factors/opportunities** **Key challenge:** • Maintaining an agile, portable and engaged workforce. **Mitigation measures:** • The Fund will continue to recruit the best and the brightest staff available. The HR strategy emphasises growth and retention. Initiatives to enable remote work are operational now and have enabled the Fund to maintain its performance level even during the Covid–19 lockdown. **Outlook:** • Staff have been and will continue to be the fulcrum to ensure a strong and sustainable Fund.

Intellectual Capital	**Strategic Priorities** • Improve brand image
Challenges, uncertainties and disruptive factors	**Mitigating factors/opportunities** **Key challenge:** • Brand equity erosion due to changing customer experiences that arose from the recent rising expectations from our customers for a Covid–9 relief Fund that was not realised. **Mitigation measures:** • The brand has engaged a robust communication strategy that is involving policy makers and influencers; continuously communicating positively to influence the thinking of its members and how they feel about the brand. **Outlook:** • The brand is expected to grow stronger and committed to its mandate.
Social and Relationship Capital	**Strategic Priorities** • Enhance strategic partnering • Improve customer engagement and satisfaction
Challenges, uncertainties and disruptive factors	**Mitigating factors/opportunities** **Key challenge:** • Member needs are constantly evolving, however the Fund is not flexible enough to provide adequate social risk management solutions in the form of customised benefits. **Mitigation measures:** • The Fund provided input into the NSSF Amendment Bill that is before parliament. Within that bill there are clauses that will enable the Fund to provide more benefits and cover a wider range of risks faced by members. The Fund is also partnering with other institutions such as NIRA, URSB, URA and Internal Affairs to ensure that member recruitment and benefit payment is as seamless as possible. This coupled with the PAS capability will enable the Fund to achieve its objectives. **Outlook:** • The Pension Administration System (PAS) is expected to go live in 2021. The Bill is before parliament. The strategic partnerships with NIRA, Internal affairs and URSB are operational. In the short to medium term the Fund will be able to provide a wider range of benefits and cover more risks faced by members as is provided for under ILO convention 102.
Natural Capital	**Strategic Priorities** • Reduction in paper consumption • Improving energy and water management
Challenges, uncertainties and disruptive factors	**Mitigating factors/opportunities** **Key challenges:** • Slow staff adoption to sustainable energy, water and waste management. **Mitigation measures:** • Adopting a sustainable approach to waste management; and minimising our use of resources across our business, guided by our energy management policy. **Outlook:** • Continued adoption of technology that reduces the carbon footprint in all the Fund business operations.

Given our outlook, robustness of our risk management, governance, engagement – and partnering – with our stakeholders, refinement of our processes to achieve exceptional turnaround times, and implementation of the PAS etc., the Fund is well poised to deliver the intended value across the capitals in the short, medium and longer term.

COMMITTED TO BEING RELEVANT AND MAKING LIVES BETTER NOW AND TOMORROW

Building rewarding relationships and our brand

BY HEAD OF MARKETING & COMMUNICATIONS
Barbra Teddy Arimi

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

1 BUSINESS/ STRATEGIC RISK

2 GOVERNANCE RISK

3 REPUTATION RISK

How to remain relevant to clients during a time of lockdown

In addition to disrupting business models, Covid–19 increased public scrutiny of social security in Uganda to the extent that the relevance of the current legislation governing the Fund, the NSSF Act Cap 222 of 1985 is being questioned. The current NSSF Bill provides for Age, Invalidity and Survivors benefits but does not provide for unemployment benefits, therefore members have begun to question whether the current legislation caters for their social security needs.

Some members took a salary cut while others were laid off, as a result some members resorted to demanding a withdrawal of their retirement savings which we could not honour within the boundaries of current legislation. The impact of this has been reflected in our tonality scores which for the first time in three years has averaged at 88% in 2019/2020 compared to 91% in 2018/2019.

Relevance to employers and employees now

At the onset of the pandemic, the Fund demonstrated its relevance to employers by extending payment deferments to organisations whose business models had been disrupted. Over 1,800 employers responded by rescheduling the remittance of contributions for over 115,000 employees.

The Fund also demonstrated its relevance to its members by ensuring that despite the restrictions imposed by the lockdown, members had uninterrupted access to all Fund services. Overall a total of 163,098 transactions were registered during the months of March to June.

Relevance tomorrow

With the NSSF Amendment Bill still on the floor of Parliament, the Fund's ability to innovate is constrained, however, our innovation spirit thrives on and this year we introduced Diaspora Connect which enables any previous NSSF member who is based in the diaspora to reactivate their account and remit contributions using any debit or credit card and, the Agency Model will gradually open up the services of over 10,000 Bank Agents to the Fund's membership.

Our purpose remains to make lives better by dedicating ourselves to passionately make saving a way of life to enable more and more people improve their well–being.

We look forward to a time when social security will be a reality for the 16 Million Uganda labour force and our ratio of savings to GDP will stand at 40%. Only then will we truly know that we have fulfilled our purpose.

STAKEHOLDER ENGAGEMENT AND APPROACH

Building and maintaining mutually rewarding relationships with our stakeholders is integral to our success and commitment to deliver value now and for a better life in the future

We believe, to grow our social and relationship capital, that the best results are achieved when we foster two–way partnerships with our stakeholders, based on openness, transparency, trust, and good understanding of expectations. We have a programme of regular proactive engagement with our key stakeholders to make sure we listen to and understand their views. Ongoing engagement and evaluation of the quality and value we deliver to our stakeholders is vital to address sustainability concerns and interests and inform our strategic priorities.

NSSF has multiple stakeholders with varying interests and influence. The Fund's risk appetite is dictated by stakeholders with the highest interest and influence over its operations and strategic direction.

Stakeholder interest and influence matrix

INTEREST / INFLUENCE		
	HIGH	MEMBERS, EMPLOYEES
	MODERATE	SUPPLIERS, COMMUNITIES, REGULATORS & LEGISLATORS

The tables below demonstrate our commitment, engagement and quality of our relationships with key stakeholders through the value we have delivered.

Our Stakeholders	Why we engage	Our commitment to members	How we engage	Value delivered
Members **Strategic goal** **Empowering our members to build secure social security nets**	• Our members are the principal owners of the Fund and direct beneficiaries of Fund services • We engage to build a greater understanding of their changing needs to be able to provide relevant and high levels of service. This helps us retain quality customers and attract new ones	• Excellent customer experience • Convenience • Trust and responsibility • Response to feedback • Complaints resolution • Efficiency through digital innovation	• Surveys across all touch points and services • Annual Members Meeting	• Profitability and competitive returns • Financial skills and knowledge through the Financial Literacy campaign • Efficient service through digital enablement 9 INNOVATION AND INFRASTRUCTURE; 1 NO POVERTY; 4 QUALITY EDUCATION
Risks	• Poor service delivery due to unskilled staff resulting in customer dissatisfaction and negative impact on reputation			
Mitigating response and opportunities	• We are open to feedback and acknowledge when things go wrong to be able to improve our services • Identifying staff training needs and understanding their pain points to improve business processes and automation			
Did we deliver?	• Achieved 97.1% satisfaction rate during customer connect week • Overall customer satisfaction of 88% MEETING EXPECTATIONS FALLING SHORT OF EXPECTATIONS			

Our Stakeholders	Why we engage	Our commitment to our people	How we engage	Value delivered
Employees **Strategic goal** **Creating purposeful work and providing fulfilment to our employees**	• We engage with our people in order to drive commitment to provide our customers with excellent service to deliver on our strategy	• Employee engagement • Development opportunities • Learning organisation • Recognition, fair reward and benefits • Open and straight forward communication • Ethical, customer focused culture • Safety and well–being • Productive environment • Enabling tools	• Annual employee engagement surveys • Workshops • Multitude of online employee communication channels and daily updates promoting two–way communication • Annual staff conference	• Training • Enhanced work experience through Covid–19 • Reward and recognition for exceptional performance • Development, coaching and mentoring to grow leadership skills • Online learning
Risks	• Inability to attract and retain the skills required to execute on strategy, impacting negatively on customer service and continuity of operations • Unskilled staff could impact on customer service and lead to negative reputation			
Mitigating response and opportunities	• Our Employee Value Proposition is strong, making us a preferred employer brand both in country and across the region. We continue to attract exceptional talent from leading global brands, into the Fund • Service standards are continually reviewed to improve customer service and develop staff with the required skills and training			
Did we deliver?	• Achieved an employee engagement score of 93% • Positive feedback received from staff with regards to effectively working from home MEETING EXPECTATIONS FALLING SHORT OF EXPECTATIONS			

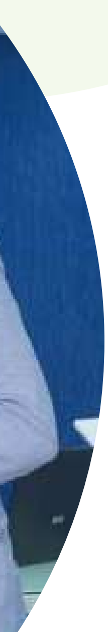
Our Stakeholders	Why we engage	Our commitment to our regulators & legislators	How we engage	Value delivered
Regulators and legislators **Strategic goal** **Build strong relationships with regulators to create mutually beneficial relationships**	• We engage with our regulators and legislators to build an understanding of the important role we play in society by providing social security to those that might not have a means of living after retirement	• Regulatory compliance • Control and supervision • Tax contributions • Fair employment contracts	• Ongoing discussions with Parliament, Ministry of Labour and Gender, PPDA and URBRA on issues including investment and procurement	• We continued to ensure that all our activities and operations comply with the existing legal and regulatory requirements through constant monitoring, evaluation, timely reporting and auditing of all our operations
Risks	• Lack of awareness of the legal and regulatory changes leading to inability to meet regulatory compliance, incur fines and damage reputation			
Mitigating response and opportunities	• A compliance strategy, incorporating the compliance universe, monitoring and reporting mechanisms, as well as a sensitization programme is in place			
Did we deliver?	• There were no fines or penalties against the Fund from our regulators • This further emphasises that the Fund is aware and compliant with the regulatory requirements of the country MEETING EXPECTATIONS FALLING SHORT OF EXPECTATIONS			

STAKEHOLDER ENGAGEMENT AND APPROACH

Our Stakeholders	Why we engage	Our commitment to our suppliers	How we engage	Value delivered
Value Chain **Strategic goal** **Through our purchasing procedures, we aim to treat our suppliers fairly to ensure our activities are unbiased and responsible**	• We engage with our suppliers to ensure that we source responsibly. All suppliers are given equal opportunity to compete for contracts to supply goods and services	• Responsible purchasing • Local suppliers support • Prompt payment schedules	• Annual supplier conference • Supplier surveys	• We continued to support our local suppliers in our quest to encourage domestic growth. Our aim is to support the businesses in the community in which we do business • The procurement committee exercises competitive procurement of goods and services at all times, and fairness is always maintained 8 DECENT WORK AND ECONOMIC GROWTH
Risks	• Engaging unscrupulous suppliers could lead to conflicts of interest, bribery and corruption impacting negatively on our reputation			
Mitigating response and opportunities	• The process for supplier selection and authorisation includes checking the ongoing suitability of existing suppliers and we take into account their compliance with statutory regulations, which includes paying taxes and NSSF for their employees • We have a controlled process for managing the proposals received from suppliers to prevent any supplier getting an unfair advantage, including scoring of suppliers' proposals			
Did we deliver?	• All suppliers were paid on time • 100% of suppliers were satisfied with the Fund's procurement process MEETING EXPECTATIONS FALLING SHORT OF EXPECTATIONS			

Staff teamwork is critical to our business

Our Stakeholders	Why we engage	Our commitment to our communities	How we engage	Value delivered
Communities **Strategic goal** **Commitment to ensure promotion of social and environmental well–being of the communities in which we do business**	• Building better relationships with our communities is important to us to attract members and employees • We help members to build their confidence in making financial decisions regarding savings and investments • We also get the key to maintain our social license to operate	• Financial literacy • Social well–being • Building trust for our business • Community support programmes • A good reputation	• Interaction with communities through planned CSR events • Television reality shows	• Career Expo with an objective of preparing students for the workplace, with a focus on Entrepreneurship and Financial Literacy • Blood donation drive – the Fund partnered with UBTS to organise a blood donation drive to respond to the appeal for safe blood • Promote volleyball in partnership with Kampala Amateur Volleyball Club (KAVC) and create international exposure for players • Friends with benefits campaign – building capacity for our members to manage their benefits better through financial literacy training • NSSF Kamplala Hash 7 Hills Run– raising funds to refurbish school infrastructure • Support provided to businesses and employers facing economic distress as result of the Covid–19 pandemic • Donation of Coronavirus test kits
Risks	• Inability to create a positive and sustainable impact on the communities, economy and environment within which we operate, has a negative impact on the sustainability of the Fund's operations and the economy as a whole			
Mitigating response and opportunities	• The evolving business landscape and trends have prompted us to review our materiality analysis and reassess our sustainability priorities. We have prioritized stakeholder issues according to their economic, environmental, social and financial impact as guided by the GRI reporting framework and have adopted the Global Reporting Initiatives (GRI) G3/G3.1 for purposes of this report • GRI supports the UN 2030 Sustainable Development Goals (SDGs) and our report demonstrates our support of these goals for a sustainable future. *See page 109 for our support of the SDGs.*			
Did we deliver?	• Positive feedback from students regarding the Career Expo • Increased blood collection from the ongoing blood donation drives • Opportunities created for volleyball players to join professional clubs abroad • Teaching people the benefit of saving early on so that they can thrive during retirement • Provided relief during Covid–19 to allow distressed employers to reschedule payment of NSSF contributions • The Minister of Health Dr. Jane Ruth Aceng acknowledged the Fund for supporting Government efforts and responding to the call and underscored the need for enhancement of Uganda's coronavirus testing capacity MEETING EXPECTATIONS FALLING SHORT OF EXPECTATIONS			



COMMITTED TO OUR CUSTOMERS NOW AND TOMORROW

Through digital transformation

BY HEAD OF OPERATIONS
Jean Mutabazi

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

1 BUSINESS/ STRATEGIC RISK
4 COMPLIANCE RISK
5 FINANCIAL CRIME RISK
6 INFORMATION SECURITY RISK
9 OPERATIONAL RISK

Leveraging technology to improve your quality of life

In my message to you last year, I underscored the 4IR (Fourth Industrial Revolution) technologies' wave and its impact on how businesses are reshaping how they operate in response to this technology driven change. I also shared some of the initiatives we were undertaking to harness the power of these 4IR technologies.

I am happy to be able to update that, because we are committed to you not just now, but also in the future, we have successfully implemented machine learning for data cleaning, which has significantly reduced the time to clean a beneficiary's account before payout from over 10 hours to now less than 5 minutes. Consequently, we now have 98% of all our active member accounts 'clean ready' for immediate payout. We developed and implemented a robust workforce model that predicts the rate at which our customers will walk into our centres, which has greatly improved our service levels for our valued customers.

Because we are committed to you throughout the entire customer journey; pre–joining NSSF, during and after active membership, we introduced a Financial Literacy programme for all Ugandans. We reached 25,000 Ugandans in our first year of launching this initiative and we plan to reach over 50,000 in the coming financial year. We are not just interested in collecting, investing and paying your benefits, but improving your quality of life as influenced by your saving and investing habits. Our aspiration is that you make saving a lifestyle. Together we can re–write history and change Uganda from a very low–income country to a middle–income country.

During the unfortunate and unprecedented Covid–19 pandemic outbreak and subsequent lockdown, I am pleased to inform you that NSSF continued to operate uninterrupted and serve our customers via our online channels. The positive feedback we received from you was humbling. This further highlights our commitment to transforming the Fund into a digital business, leveraging technology as an enabler for operational efficiency, which should be the focus of any business to remain sustainable.

OUR MEMBERS

Building long term relationships with our customers is core to our growth strategy and organisational values. Customer engagement helps us to deepen our understanding of our customers and reinforce our relationship with them.

ACTIVITIES THAT ENABLE AND CREATE VALUE FOR OUR MEMBERS

- NSSF collects 5% contributions from each member and 10% from their employer
- Members are credited with interest off these revenues and returns
- NSSF then prudently invests what has been collected in several assets that are sure to generate revenue and yield returns

VALUE CREATED

VALUE DERIVED

BENEFICIAL OUTCOMES FOR ALL

- Financial literacy
- Income security
- Digital innovation
- Responsive to customer needs
- Relationships built on trust

OUTPUTS

- Customer satisfaction
- Turnaround time
- Ubiquitous service
- Empowered members
- Service improvements
- Open communication

We foster a two–way partnership by listening and sharing pertinent information

We believe that the best results are achieved when we foster two–way partnerships with our stakeholders. Strong relationships are the foundation of our success and at every level of our business, our members have been at the heart of our strategy and decision–making processes.

We listen to our customers in a number of different ways, using these key insights to continuously improve our services and remain customer centric:

- Interaction
- Surveys
- Social media
- Complaints

Connecting with our customers

Our annual Customer Connect Week is geared towards real time interaction with the members.

To measure the impact of the Customer Connect Week in 2019, we conducted a customer survey and obtained a satisfaction rate of 97.1 % against a target of 86%.

We use the information our customers provide us to identify the issues that are most important to them and consequently also matter to the Fund. As a result, we have implemented new ways of working, designing and delivering solutions. In our commitment to deliver world class service, the customer centric digital innovations below were devised as a response to customer feedback.

In addition to the digital innovations mentioned above, we focused on the following areas to help us improve our services Making our services accessible by partnering with MTN Uganda to offer zero–rated services to the Fund on the USSD Short Code *254#, which increased uptake of the e–channels.

In our member's own words
"…I don't need to visit the physical offices regularly since I can now access the services virtually, but in any place where I have visited NSSF offices, they are very well maintained. There is order, the place is clean and you find they are located in places easy to access via any transport means…" KII, Kampala

Actions in progress to improve the customer experience for our members

To drive a customer centric culture amongst our staff, a company–wide Centricity Campaign was conducted during which we communicated the standards of service and disseminated key information on processes and soft skills to improve customer satisfaction levels.

We also identified service gaps from the Customer Satisfaction Index (CSI) and Mystery Shopper reports and worked with stakeholder departments/sections to close these gaps timeously. Root cause analysis was conducted to get to the heart of the issue, determine the true underlying cause of customer pain points and implement solutions to avoid recurrence of issues.

To ensure that our service delivery is aligned with customer expectations, we reviewed the standards of service at the beginning of the Financial Year and calibrated the same to all customer–facing staff.

In order to empower our staff to improve the customer experience, a Training Needs Assessment was undertaken to identify gaps in knowledge and skills and design a comprehensive Customer Experience Training plan. An online knowledge portal was launched for ease of access to information and resources. Weekly discussions were also held with frontline staff which provided a platform to share challenges, understand their hurdles in hindering service delivery and identify appropriate solutions.

We continually measure the quality of our service through surveys conducted with our members to identify opportunities to improve the client experience. The graph below illustrates the results of surveys conducted during the current reporting period

NSSF Members attending the Annual Members Meeting

The Fund's commitment is to provide timely and quality services to our members at all our touch points and services.

THE CHAT BOT

Routine processes in the Call Centre were automated by deploying a chat bot, an Artificial Intelligence (AI) tool.

POSITIVE RESULTS

Customer requests are resolved faster.
Better use of resources that were redeployed to handle more demanding tasks such as call handling.

QUE MANAGEMENT SOLUTION

A queue management solution was implemented in eleven walk–in service centres to manage queues seamlessly and monitor waiting and service times

POSITIVE RESULTS

Reduction in waiting times and more efficient service.
Collection of essential customer data to build a customer profile and better understand needs..

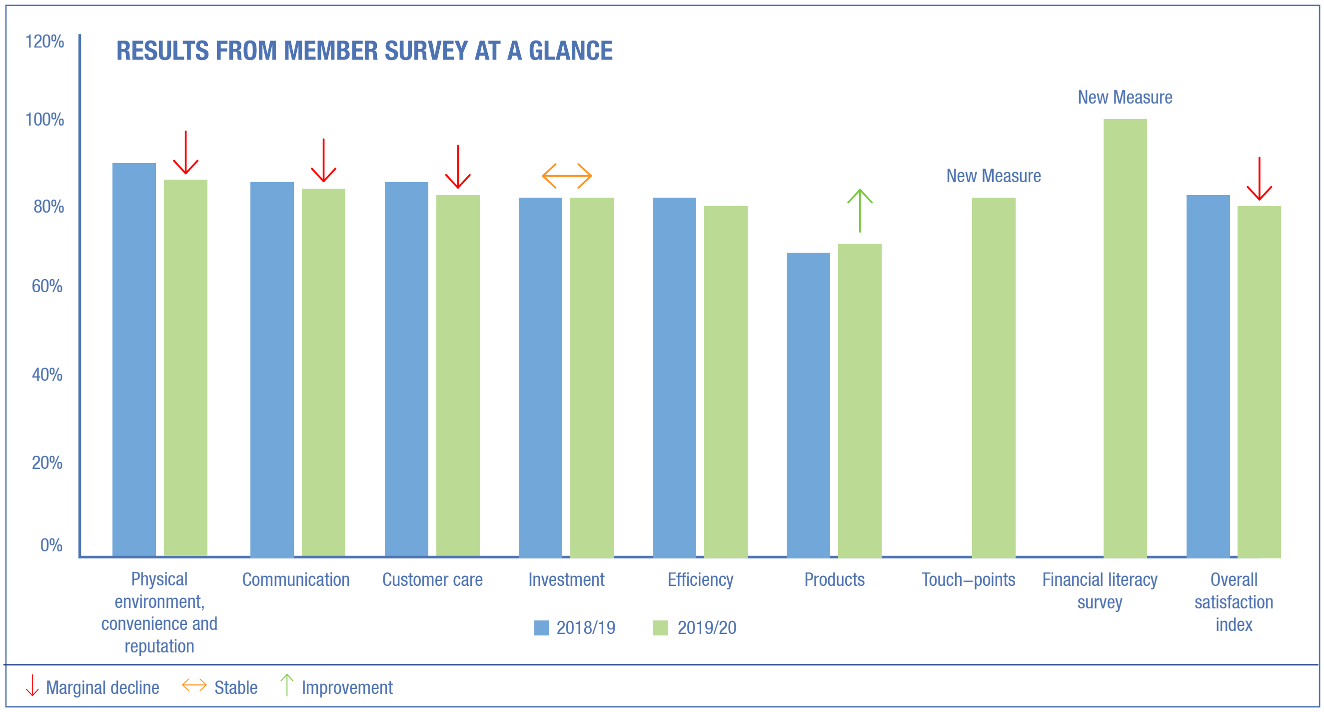
UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD) ENHANCEMENTS

The USSD short code, *254# was enhanced to include self–registration for employees who have National Identity Cards.

POSITIVE RESULTS

Customers have enjoyed more convenience and a good percentage of walk–in customers have now opted to use our online channels.

We continually measure the quality of our service through surveys conducted with our members to identify opportunities to improve the client experience. The graph below illustrates the results of surveys conducted during the current reporting period.



Although there was a marginal decline in the overall satisfaction index, from 84% to 83%, we have identified areas of improvement to enhance customer satisfaction levels.

Sharing information through interactions with our members (Annual Members Meeting)

An Annual Members Meeting (AMM) was introduced as a platform to share information and hear from employers and employees as key stakeholders of the Fund.

The AMM is also a forum for the Board of Directors to report on the performance of the Fund for the current Financial Year, its plans for the future and in turn receive feedback in an interactive forum. During the meeting, NSSF management share information about social security and current social security trends, the operations of NSSF in relation to contributions collection, benefits payments, investments and future initiatives.

NSSF Chairman, Board of Directors, Patrick Byabakama Kaberenge addressing guests at the AMM.

NSSF has continuously made great improvements in its operational efficiencies and are focusing on being responsive to the needs of our membership through a number of channels, the AMM being a primary one. At the same event, The Minister of Finance declared 10.75% interest rate to member's savings.

There were over 1,600 members in attendance for the 2019 AMM and below were some of their recommendations.

The government should fast track the introduction of mid–term benefits so that members realise a benefit out of the reform process.

The stakeholders would be happy with more performance details for example a full annual report.

Committed to empowering members with financial knowledge to manage their money

Financial literacy awareness programme

We aim to enable our members to thrive and prosper by helping them to fulfil their hopes and realise their ambitions. Through this programme, we provide tools and content that assist members and customers in having the confidence and competence to make the most of their money and save for their future.

We managed to reach over 7,481 individuals across the country through the Money Talk Campaign and Financial Literacy cohorts. The Money Talk Campaign registered participation from 6,214 individuals while the Financial Literacy Cohorts registered a total of 1,267 participants.

Having received impactful education on financial options, 201 participants enrolled with Xeno Investment Management while 66 participants opened Securities Central Depository (SCD).

In our member's own words:

"… My wife and I have been forever fighting over money. The programme helped to put us on the same page as far as money matters are concerned and now there is peace…"
– Mr. Musisi

When things go wrong

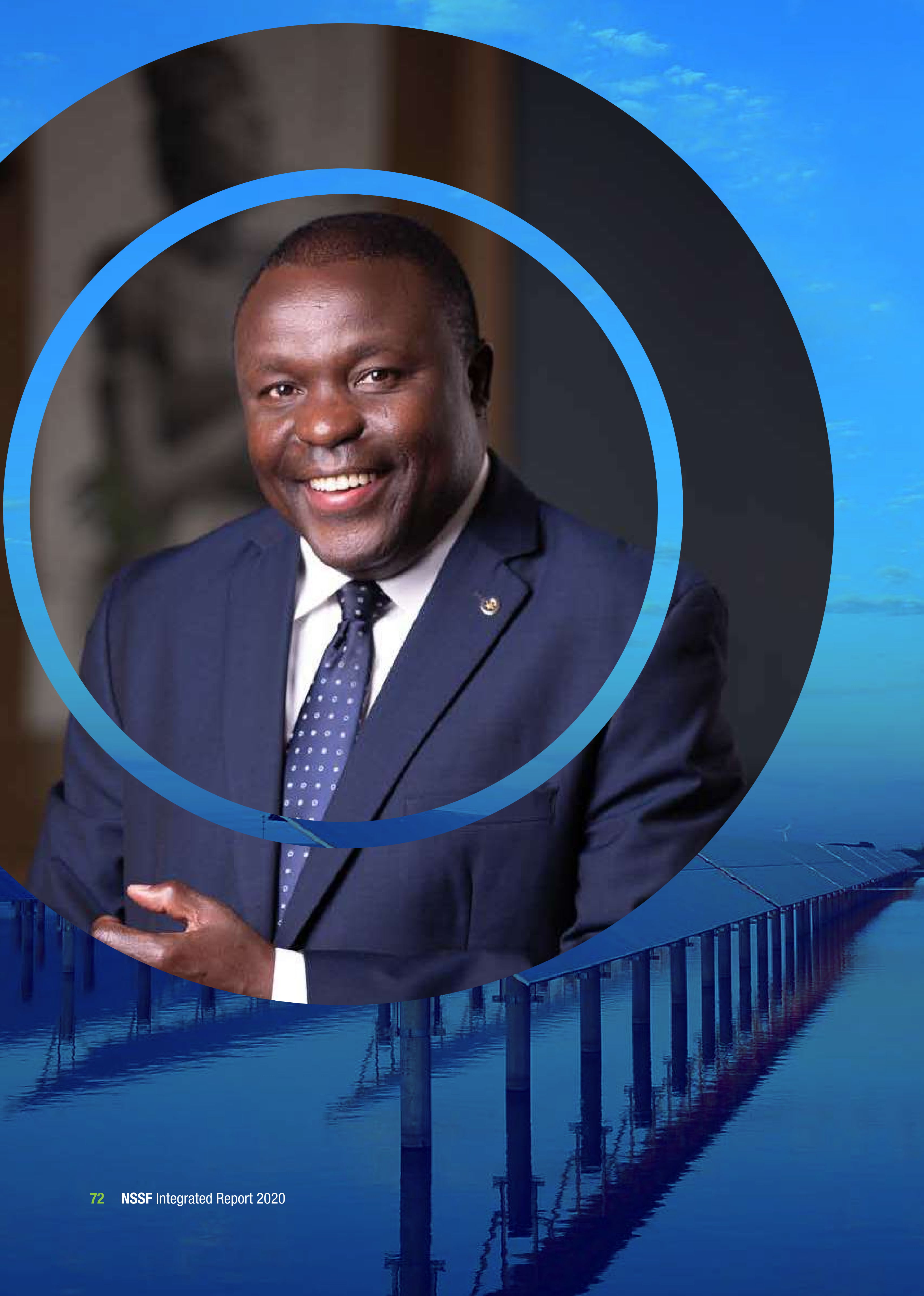
We must be open to feedback and acknowledge when things go wrong to continually improve our services. We encourage our teams to capture all complaints so we can address members' concerns and understand where we can improve processes, procedures and systems. Customer pain points were identified in the customer

–4%	–4%	–2%	–18%
% Satisfaction points missed from target in order to make Chat Customers happy.	% Satisfaction points missed from target in order to make Social Media Customers happy.	% Satisfaction points missed from target in order to make SMS Customers happy.	% Satisfaction points missed from target in order to make claimants happy with the benefits claim process and payout period.

satisfaction index scores below:
We aim to resolve these with the implementation of the following initiatives which are underway to ensure improvement across the touchpoints in the coming Financial Year:

- Scale up of Chatbot deployment to the social media and WhatsApp channels.
- NSSFGO App Benefits Claim media campaign to drive adoption of the improved claim process.
- Roll out of AB and WB claim initiation process on the USSD platform to cater for members who are unable to access the NSSFGO App.
- We further pledge to resolve customer statement complaints within 5 working days and update whistleblowers on a monthly basis until their complaints are fully resolved.

Customer Centricity is part of our DNA at the Fund



COMMITTED TO OUR PEOPLE NOW AND TOMORROW

Committed to a sustainable future

BY HEAD OF HUMAN RESOURCES AND ADMINISTRATION –Milton Owor

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

2 GOVERNANCE RISK

5 FINANCIAL CRIME RISK

6 INFORMATION SECURITY RISK

9 OPERATIONAL RISK

Fulfilling a purpose, drives commitment to sustained success

We recognise that our staff are the engine of our success and growth. Sustainable success is dependent on creating an environment where employees are respected and fully enabled to perform at their best. This is supported by an attractive value proposition, appropriate development interventions and an equitable reward system, all geared to drive intrinsic satisfaction and engagement. In this way, our staff consistently volunteer their discretionary energy and commitment to deliver for the Fund and our customers, to their best ability.

Our purpose is to make lives better. We passionately dedicate ourselves to making saving a way of life, to enable more and more people to improve their well–being. This is the cornerstone of creating purposeful work, providing fulfilment to our employees hence increasing employee commitment.

Through this purpose, all our staff are focused on making a difference to improving their own well–being, that of our members and the community in which we operate.

This purpose stood us in good stead in the wake of the Covid–19 outbreak, which required that we change the way we work to ensure the safety and well–being of our staff while still effectively supporting and serving our customers and members, from wherever they are. All staff have been enabled with the tools they need (laptop, data, VPNs, etc.) to effectively carry out their duties remotely. Only a skeletal number of staff work from the office. As advised by the Government, we enforce full adherence to the Standard Operating Procedures (SOPs).

Our strategic priority is ‘enhancing work experience and impact’ for all our staff. The key pillars for delivering these include:

- Organisational culture
- Reward and recognition
- Leadership
- Employee engagement
- Talent management

Our Employee Value Proposition is strong, making us a preferred employer brand both in country and across the region. We continue to attract exceptional talent from leading global brands, into the Fund. Though our Graduate Trainee Programme, we access and recruit the very best talent from local universities. This is growing our talent pipeline for today and tomorrow.

Oversight of Human Capital is the function of the Staff Administration and Corporate Affairs Committee – *see page 100.*

Strategic priority key pillars

ORGANISATION CULTURE	We pride ourselves in having a 'High Performance Culture' at the Fund. This is how we ensure consistent delivery of superior results to our staff, customers and members, today and tomorrow. Leveraging technology, our work culture focuses on agility, customer centricity and innovation.
REWARD AND RECOGNITION	Our reward and recognition architecture is structured to drive the right performance behaviour, by identifying and proactively rewarding exceptional performance. We ensure a market competitive, performance driven pay regime as well as quarterly and 'on–the spot' recognition to staff, through our Merci Recognition Scheme. Reward is based on both individual and business performance. We recently reviewed our performance bonus scheme, to significantly increase earning potential for our highest performers, while de–accelerating growth in fixed pay. In this way, we are able to more directly link total reward to actual performance.
LEADERSHIP	Our leaders have a direct influence and impact on overall employee experience at the Fund. Being the engine of our success, we want all our staff to feel valued, well respected, guided and supported with all the resources they require to perform and contribute to the organisational strategy, while enjoying the experience of being a member of the Fund family. To this end, we conduct an annual 360–degree assessment of all our senior leaders. This allows our staff the opportunity to provide confidential feedback to their leaders on various areas of development and opportunities to grow. Through our performance review and reward processes, our leaders are held accountable for addressing the identified areas for improvement. Leaders develop other leaders and we invest in developing tomorrow's leaders for organisational sustainability, through coaching, mentoring and promoting networking opportunities to benchmark skills for the next generation of leaders.
EMPLOYEE MANAGEMENT	We conduct annual Employee Engagement Surveys to obtain feedback from all our staff. This helps us identify areas of improvement, for our action. Currently, our core engagement score is 93% (up from 89% last year), which compares very favourably with the Africa benchmark of 69%. We aim to raise this to 95%, as part of our long term strategic plan.
TALENT MANAGEMENT	Our talent strategy revolves around attraction, development and retention of exceptional talent in the Fund. We pride ourselves as a learning organisation, offering growth opportunities to all our staff, enabling them to remain relevant now and in the future in a dynamic, constantly evolving business environment, as well realise their career aspirations. Our Employee Value Proposition is strong, making us a preferred employer brand both in country and across the region. We continue to attract exceptional talent from leading global brands, into the Fund. Through our Graduate Trainee Programme, we access and recruit the very best talent from local universities. This is growing our talent pipeline for today and tomorrow. We have a world class e–Learning Platform, Percipio, through which our staff are able to access learning resources from various resource centres across the globe. The learning material covers leadership competencies as well as functional/ technical skills. These can be accessed via audio, videos, as well as eBooks. Through partnerships with Strathmore University, University of Pretoria (Gordon Institute of Business Science – GIBS) and Harvard University, we have delivered specialised, cutting edge development for a large section of our staff.
SUCCESSION PLANNING	We have a healthy pool of succession candidates for all our key roles. Highly talented Individuals have been identified as potential successors for these roles and are being given appropriate development to prepare them for the roles.

OUR EMPLOYEES

Value is created and derived through our people

ACTIVITIES THAT ENABLE AND CREATE VALUE FOR STAFF

- Remunerate and reward
- Attract and recruit
- Train and develop
- Manage performance
- Engage and retain

VALUE CREATED

VALUE DERIVED

BENEFICIAL OUTCOMES FOR ALL

- Execution of strategy
- Committed employees
- Loyalty
- Productivity
- Innovation

OUTPUTS

- Values
- Organisational culture
- Workforce performance
- Capability
- Value proposition
- Diversity and inclusivity
- Well–being
- Inspired, motivated employees

Our employees (human capital) are vital to our success

Our employees are our human capital and their health, safety, competencies and welfare are Fundamental to the Fund's operational effectiveness and overall success. As such, the ability to attract, develop, enable and retain the very best employees in our industry is vital to our success. We aim to create an exciting and vibrant work environment and we strive to continuously provide our people with attractive career paths that will make them experts in their fields.

Diversity and inclusivity

'Ensuring transparency and equality'

The Fund has an open attitude to diversity, which is one of the core principles guiding our operations. The goal is to avoid any instances of discrimination due to gender, religion, race, nationality, civil status or social position.

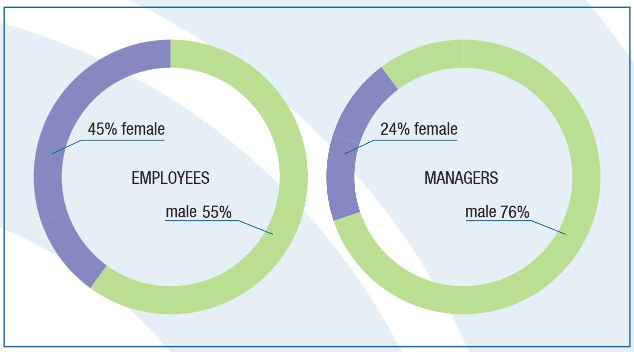
Our recruitment and selection process is undertaken in a fair and transparent manner in a way that promotes professionalism and equality, and all our appointments are based on merit.

Of the 566 staff present during the reporting period, 55% were male and 45% were female. We are continuously working to increase the representation of women in senior positions across the Fund. In the FY 2019/2020 out of 87 managers, 21 were female and we continue to encourage and support female employees to take up these managerial positions.

Human rights and other labour issues

The National Social Security Fund has the following policies:

- Anti–sexual harassment policy
- Anti–discrimination policy



In the Financial Year 2019/2020, no incident of discrimination and violation involving human rights was recorded.

Employee training and development

'Building a pipeline of future leaders'

We develop internal talent to support our succession plans and advance the skill sets of our employees to achieve our strategic priorities. Employee development areas are identified in the performance management process and development plans are formalised and monitored.

We invest in training and development at all levels enabling us to build a strong succession pipeline of future leaders. We are also investing in our employees looking to enhance their employability in a dynamic environment through re–skilling. This includes training and upskilling for the new way of working and competencies regarding digital transformation, a critical requirement for the future.

Our online learning platform ensures the availability of innovative skills development tools and learning content to all our employees. In addition, as a way of developing and improving employee skills, the Fund also runs internal secondment programmes where employees are able to learn new skills in different areas.

The learning platform take–up was 92% in the FY 2019/2020. This was after revamping the percipio learning platform in February 2020.

Performance management

'Promoting staff commitment and motivation'

Clear and measurable organisational, departmental and individual performance targets are set at the beginning of every financial year, so our employees know what is expected and can focus their energy and efforts on what matters most.

Clear rating descriptions provide our employees with an indication of where they stand in their personal performance and growth journey.

In 2019/2020 performance against targets was evaluated on a quarterly basis and staff were given regular feedback to ensure they realise their full potential while achieving and exceeding the targets.

Employee engagement

'Creating a platform for employees to be heard'

We conduct an annual employee engagement survey that enables staff to provide feedback and in the last 3 years employee engagement has been increasing. High levels of employee engagement help us attract, retain talent and deliver on our goals and objectives.

Our management team is equally assessed through a 360–degree review that enables employees to give feedback to the leaders either as their supervisor, their peer or their direct report. This feedback helps management identify areas of leadership strengths as well as areas for improvement.

During the Financial Year 2019/2020 the Fund carried out the activities as part of staff engagement:

- An annual staff party that was held in a centralised location allowing all staff to team build.
- Departmental/Sectional team building activities held for staff to interact with their colleagues away from the day–to–day office activity.
- The annual employee connect week which is designed to help management interact with employees and create rapport that is necessary to move the Fund forward and also achieve the set targets.
- The Quarterly MD Town Halls/Recognition scheme.
- Human Resource Roadshows to discuss the action plans based on the employee engagement survey.

The staff engagement survey conducted in FY 2019/2020 had an overall response rate of 80% and indicated a 93% employee satisfaction rate.

Employee communication

'Supporting employees to reach their full potential'

We strive for a harmonious and productive working environment based on trust and co–operation. Maintaining various channels of communication amongst members of staff is an ingrained part of the NSSF culture. NSSF has established several communication platforms to encourage employees to "speak", including online, conference calls, print and face–to–face communication. The intranet is the focal point of our communications with daily updates on what is happening across NSSF in Uganda and in the region.

We provided an online learning platform to enhance employee skills

The different communication channels have been helpful in keeping all staff informed about all developments despite working from different locations since most staff have been working from home. Covid–19 has caused extensive and fast–moving change in every organisation and NSSF has not been spared. The NSSF Covid–19 task force team has made sure that regular messages are sent to staff advising on all Standard Operating Procedures (SOPs) to prevent further spread of the virus, planning in terms of working from home, communicating on transport schedules, among others. Heads of Departments and their respective managers have also been pivotal in ensuring continuous communication to staff about all developments and work schedules using channels such as emails, telephone and meetings on Microsoft Teams.

This is also enhanced through the staff day mentioned earlier. The Fund holds an annual staff conference which provides an opportunity for staff from across all departments to ask questions to executive management, share experiences and give direct feedback to management on various experiences.

The Managing Director has been holding quarterly Town halls engaging all Fund staff on Microsoft Teams to communicate about the Fund Affairs and the fight against Covid–19.

Employee retention

‘Recognising the value of knowledge and talent retention’

Retention of high performing staff is critical to us. Our objective is to foster a culture of excellence with in the Fund. The organisation rewards employees who have stayed with the organisation for more than 10 years to appreciate their loyalty.

The organisation furthermore gives outstanding achiever awards to recognise exceptional employee performance and achievement. A stable and motivated work force contributes to our aim of meeting our business objectives, as it usually creates an environment that attracts the best talent on the market.

NSSF’s successful employee retention is evident from our employees’ length of service.

The average tenure of our employees is about 8 years with more than 54% of our employees having been with the Fund for more than 5 years.

Remuneration and benefits

‘Rewarding and acknowledging excellent performance’

The Fund conducts annual salary surveys to benchmark remuneration with the best in the country. This has enabled the Fund to develop a remuneration policy that supports our ability to attract and retain top talent, at all levels, and rewards employees for their contribution to the organisation.

Our remuneration is tailored to enhance a performance culture and promote fairness. The salary policy is the same in all branches and service points for all levels and there is no discrimination in terms of remuneration paid to male and female employees.

We provide medical insurance cover to all Fund employees and their dependants. In addition, a retirement benefit scheme “Staff Provident Fund” is provided to all non–executive staff as well a “Gratuity Scheme” for the Executive Staff (EXCO).

The reward structure at NSSF also includes a performance bonus scheme and is designed with the important objective of attracting, motivating and retaining talent. These benefits are in line with market practice and regulatory requirements.

Equal opportunity

The Fund espouses an equal opportunity policy where all staff, irrespective of gender, are supported and encouraged to grow their career to their highest potential. Available new job opportunities are resourced through an open competitive process. We particularly encourage our female staff to offer themselves to compete for higher roles that open up.

Maternity benefits

In addition to the 60 working days maternity leave for all mothers, the fund also provides a breast feeding hour every work–ing day for the six months after a mother resumes work after child birth. To support young mothers at the Fund, we also introduced a Crèche within our offices, to allow breast feeding mothers to come along with their babies to the office. With this, staff are able to ap–ply themselves fully at work, knowing that their children are under good care of professional child–minders.

Employee succession planning

'Strengthening and developing leadership skills'

Our performance culture reiterates the importance of succession planning and internal promotion. The NSSF People Development and Succession Planning Framework for senior management staff has been implemented since 2012.

In view of our rapid development and increasing complexity of business requirements, we aim to help strengthen and develop the strategic leadership skills of senior management.

A total of 31 employees were promoted to various senior positions in the Fund during the FY 2019/2020.

Health, safety & employee well–being

'Creating a safe and healthy working environment for employees to thrive'

The Fund is committed to providing a healthy and safe working environment for our employees. We do so by complying with all applicable legislation and regulatory and supervisory requirements.

The Fund has established an occupational, health and safety section within the Human Resources Department to enhance employee health and wellness. This has been pivotal in establishing and maintaining Covid–19 SOPs.

The major Covid–19 Standard Operating Procedures implemented are included in the table alongside.

The Fund is committed to providing a healthy and safe working environment

No.	Aspect	Procedure
1	Face masks	All persons accessing NSSF premises are required to wear face masks of prescribed specifications and make by the Ministry of Health at all times.
2	Temperature check	All persons accessing NSSF premises shall be subject to a temperature check at the entrance of the building.
3	Sanitisation	All persons accessing NSSF premises are required to sanitise their hands at entrances, as well as inside buildings. Door handles, lift knobs, desks and other frequently touched surfaces are regularly sanitised.
4	Social distancing	All persons in NSSF premises are required to maintain an adequate social distance of at least 2 metres from the next person.
5	Using the elevator	Staff, customers and visitors going up to the 5th Floor of the building, are encouraged to use the staircases to reduce congestion in the elevator. When descending all are encouraged to use the staircase No more than 5 people are permitted in the lift. All are requested to observe the guidelines outside or inside the lifts.
6	Gloves	The Fund provides gloves to customer facing staff.
7	Working in shifts	Apart from the customer–facing staff and those who support them directly, all other staff shall work on a structured rotational basis whereby not more than 50% of the staff in a department should be present on any given day.

Covid–19 and employee support

Covid–19 is not only a pandemic with widespread impact, it is changing the way we view and approach different aspects of our lives, businesses and economic order. With regards to the employer–employee relationship, we are also experiencing changes in compensation and benefit practices, mostly targeted at ensuring business continuity.

In this section, we review some of the changes to employee rewards, which represent our continuous efforts in balancing business continuity and providing the support that employees need at this challenging time.

Remote working	We have embraced remote working in a bid to adhere to social distancing guidelines. This has seen employees work from home and work from office on rotational basis, as deemed necessary by their supervisors. To this end, we provided our staff with the necessary tools (laptops), mobile data and airtime to enable them to work effectively.
Leave uptake	During the peak of the lockdown all employees were encouraged to take their outstanding leave and use the time to develop themselves with the various courses and content found on our e – learning platform.
Recognition	We continued to recognise the outstanding contributions made by our front–line staff to provide uninterrupted service to our members. Staff who contributed most significantly during the Covid–19 challenge were specially recognised.
Cancellation of international training programmes	With restrictions imposed on travel, all international training programmes that required physical attendance were either carried out remotely or cancelled.

We have embraced working from home in a bid to adhere to social distancing guidelines in the office.

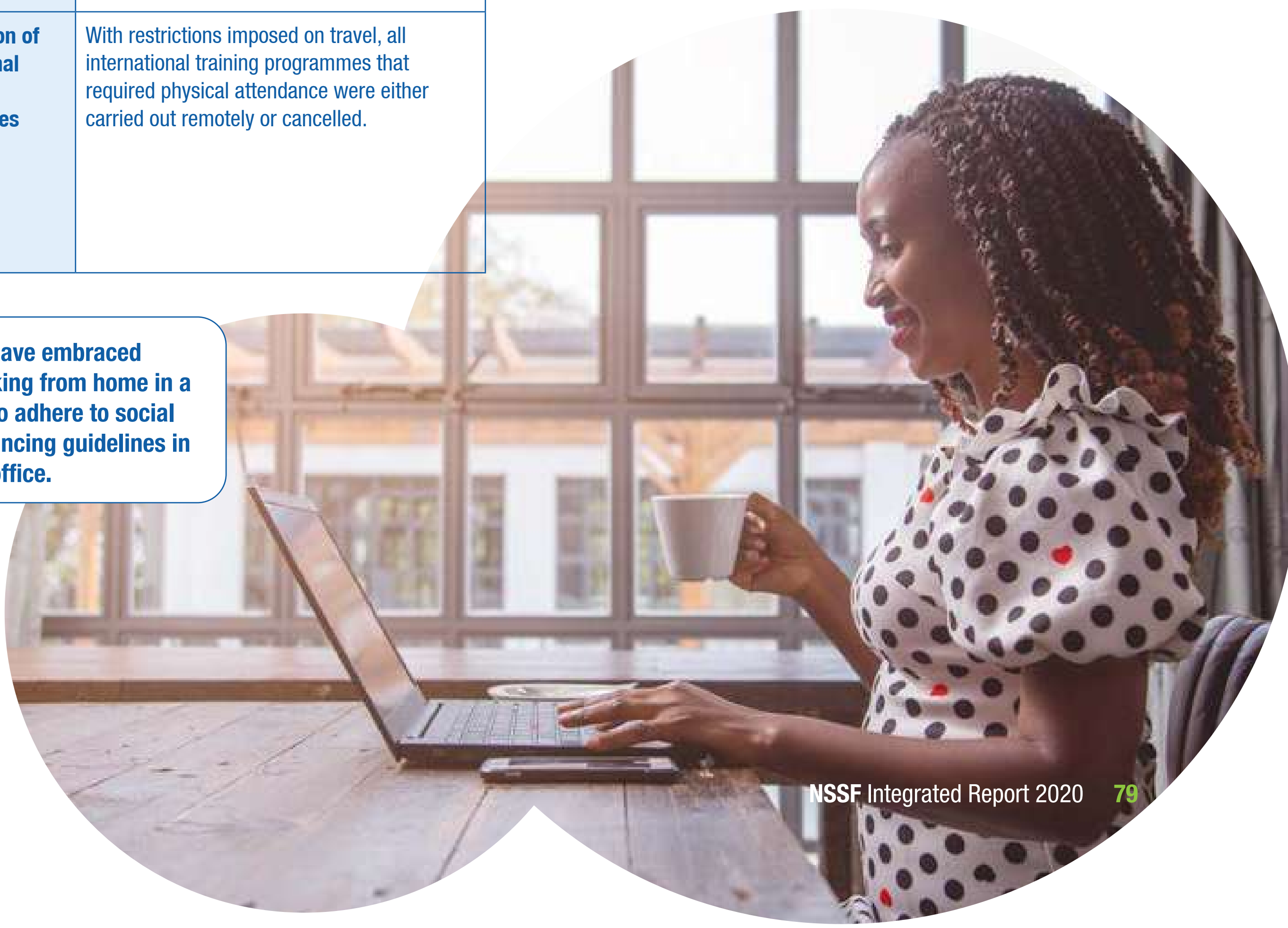
We strongly believe a safe and healthy work place is a condition for productivity of employees to deliver desired services to valued customers. The Fund is therefore committed to ensure a modern, healthy and safe work place for its employees. All our branches and every department of the corporate office are designed to provide a healthy ambiance characterised by a secure and hygienic environment.

The Fund has a wellness and fitness programme that is aimed to enhance our commitment to our employees' physical well–being. This is supposed to compliment medical insurance benefits that we are already providing. We believe that a healthy lifestyle including regular exercise translates into increased productivity at the workplace.

Socioeconomic factors generally trigger different categories of stress, which affects individuals at different life stages. Our employees well–being is supported by our constructive relationships with well–being service partners both internally and externally. These include access to free counselling services to employees and their immediate families through our independent services provider M/S Healing Talk Counselling Services.

Counsellors follow a strict, professional code of ethics to protect personal privacy. All the Fund employees and their immediate dependants can use the counselling services at no cost to the employee.

The Staff Administration and Corporate Affairs Committee (SACA) oversees remuneration and human capital.



OUR REGULATORS

ACTIVITIES THAT ENABLE AND CREATE VALUE FOR REGULATORS

- Timely reporting
- Compliance with laws and regulations
- Proactive engagement
- Proactive response to changing regulations

VALUE CREATED

VALUE DERIVED

BENEFICIAL OUTCOMES FOR ALL

- Safety of the pension system
- No fines or penalties
- Responsible corporate citizen
- Contribution to society
- Shaping the pension sector

OUTPUTS

- Improved compliance management
- Strong, open and transparent relationships with regulators
- Proactive response to changing regulations
- Sound governance and enhanced internal controls

During the financial year to June 2020, there were no fines or penalties against the Fund from our regulators. This is testament to our compliance with all applicable regulatory requirements.

We continued to ensure that our operations comply with existing legal and regulatory requirements through:

- Consistent monitoring and evaluation of controls
- Timely reporting
- Independent assurance conducted by the Audit function

We are committed to working closely with our regulators to manage the safety of the pension system, adhering to the spirit and the letter of the rules and regulations governing our industry. In an effort to restore trust in our industry, we aim to act with courageous integrity and learn from past events to help prevent their recurrence.

Anti–Money Laundering

During 2020 NSSF adopted a risk–based approach to ensure regulatory compliance to the provisions of the Anti–Money Laundering Act of 2013. Systems and controls were implemented to ensure that adequate Know your Client (KYC) practices are embedded in our processes. The following periodical mandatory reports below were submitted to the financial intelligence authority as a way of improving our compliance management:

- Weekly large cash return especially from the voluntary contributors
- Annual compliance report
- Risk assessment

We aim to automate our transaction monitoring process in the next financial year.

A responsible approach to tax

We recognise that tax is one of the ways in which the Fund contributes to society therefore appropriate, prudent and transparent tax behaviour is a key component of our responsibility.

We have a strong, open and transparent relationship with all government authorities and engage regularly with the Uganda Revenue Authority to ensure that the Fund is aligned to the evolving regulatory framework.

Our tax contributions for the reporting year, were as follows:

Ushs 25Bn	Ushs 150Bn
Taxes collected on behalf of the government	Taxes paid to government

Our engagement with legislators

We focus on establishing transparent and engaging relationships with our legislators as they play a key role in shaping the pension sector. Our priority is to ensure that they understand our business and the important contribution we make to the societies in which we operate. We also aim to ensure that any legislative changes deliver a sustainable outcome that is positive to our members and business alike.

During the reporting year, senior management met with the legislators to discuss various key themes such as the proposed amendment to the NSSF Act and the impact of the Covid–19 pandemic on our members and the economy. *For more information on this please refer to the Chairman's report on page 11 and Covid–19 report page 45.*

Control and supervision

Our performance is inextricably linked to the health of the Ugandan economy. The Fund is committed to complying with all the relevant legislation, especially that relating to prudential regulation. We therefore continue to monitor the status of our regulatory relationships to enhance proactive engagement across key regulatory changes and areas of focus.

The Fund is either supervised by and/or reports to the following government bodies:

1. Bank of Uganda
2. Capital Markets Authority
3. Parliament of the Republic of Uganda
4. Uganda Revenue Authority
5. Public Procurement and Disposal of Public Assets Authority (PPDA)
6. Uganda Retirement Benefits Regulatory Authority (URBRA)
7. Ministry of Finance, Planning and Economic Development
8. Ministry of Gender, Labour and Social Development
9. National Environment Management Authority
10. Financial intelligence authority (FIA)
11. National Identification and registration Authority (NIRA)
12. National Information Technology Authority (NITA)

In 2020/2021, we will continue to adapt our engagement strategy, ensuring alignment with emerging areas and the regulators business plans.

Stakeholders:

Strategic Objectives:

Capitals:

Risks:

2 GOVERNANCE RISK

4 COMPLIANCE RISK

COMMITTED TO DELIVERING QUALITY SERVICES NOW AND TOMORROW

Maintaining a sustainable value chain

BY HEAD OF PROCUREMENT AND DISPOSAL UNIT
Gerald Mugabi

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

1 BUSINESS/ STRATEGIC RISK

4 COMPLIANCE RISK

Procurement management

In the current climate of business disruption accelerated by Covid–19, it is organisations which have invested in automation and improvement of their supply chain that will survive and ensure sustainability in the long term. The impact of this disruption is aggravated by the extreme interdependencies of the global markets; the consequences of which have led to bankruptcies, failed deliveries, delayed project implementations, with additional cost and time overruns.

The investment in procurement automation and data science by the Fund and, the ability to effectively manage its contracts ensured we remained on top of our game. During the financial year ended 30 June 2020, the Fund experienced minimal disruptions in the procurement of goods, delivery and services, in spite of constraints imposed during the Covid–19 pandemic lockdown.

During the financial year, the Fund optimised the internal supply chain operations and leveraged on the excellent relationships with key stakeholders to deliver timely service, mitigate procurement risks and manage escalating costs; while complying with the Public Procurement & Disposal Act (PPDA) 2003. As a result, our PPDA improved to 90% from 88% compared to the previous financial year. The department also maintained a commendably engaged team at a rate of 96%. During the financial year, a total of Ushs 162 Billion worth of contracts was awarded through a competitive process.

Contracts worth Ushs 13.9 Billion were awarded to local firms. The Fund is committed to supporting the Buy Uganda Build Uganda (BUBU) initiative of the Government of Uganda to build capacity of Ugandan firms. The cumulative value of running contracts added up to Ushs 800 Billion, this may be compared to Ushs 4 Billion in 2014; a 200% growth.

The Fund maintained a clean record of zero complaints against its procurement award decisions. The transparency and integrity of the procurement process is attributed to the strong leadership from the top to the lowest cadre in the execution of assignments. The key projects awarded during the financial year include Design and Build of Temangalo Housing Project, Consultancy Supervision of Temangalo, Works and Supervision of the NSSF Learning Centre, acquisition of land in Mbale city and, IT Support Services.

The Fund realised significant progress in the implementation of running contracts for Pension Towers, Lubowa Housing Project, Off–taker Housing Project and, the Pension Administration System. The successful implementation of these real estate projects will be a game changer in the outlook of Kampala city and help boost both the Ugandan economy and satisfaction levels of our members.

OUR SUPPLIERS

ACTIVITIES THAT ENABLE AND CREATE VALUE FOR SUPPLIERS

- Timely payment
- Fair treatment of suppliers
- Strict code of conduct
- Zero tolerance for bribery and corruption
- Good relationships

VALUE CREATED

VALUE DERIVED

BENEFICIAL OUTCOMES FOR ALL

- Domestic growth
- Compliance with statutory legislation
- Sustainable value chain
- Responsible purchasing
- Support of local suppliers

OUTPUTS

- Competitive pricing
- Transparency of goods and services supplied
- Controlled processes for managing supplier proposals
- Suitable suppliers
- Professional and unbiased dealings
- Confidentiality of information

Through our purchasing procedures, we aim to treat our suppliers fairly to ensure our activities are unbi–ased and responsible. Our procurement requirements include respect for the basic rights of employees, health and safety, environmental protection, and ze–ro–tolerance on corruption and bribery. All these are set out in the code of conduct for NSSF's procurement policy.

Engagement with suppliers

Suppliers are key stakeholders for any business, providing both vital services and products, key components within an organisation's sustainable value chain. Guided by our Procurement Manual and policy, we aim to treat our suppliers fairly. We have an established and dedicated team of procurement experts who maintain strong relationships with our suppliers, and logistics providers.

We aim to ensure timely payment to all our suppliers in line with agreed payment terms (our commitment is to pay within 30 days). NSSF is a stakeholder in the Public Procurement and Disposal of Assets (PPDA) Act, which aims to ensure fairness, competitive pricing, and transparency in the supply of goods and services to public organisations.

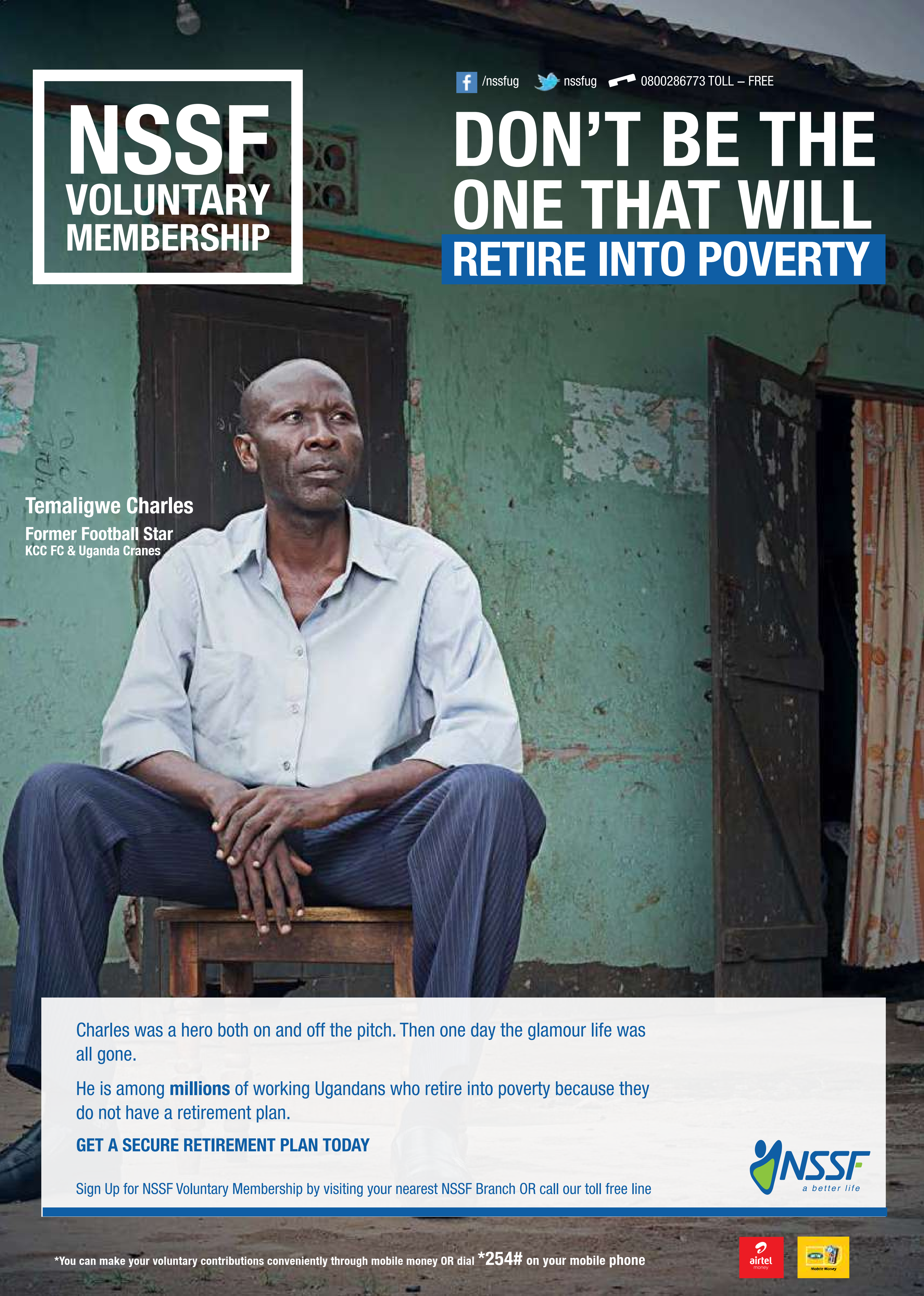
Supplier ethics – The process for supplier selection and authorisation includes monitoring the ongoing suitability of existing suppliers including their compliance with statutory regulations such as paying taxes and NSSF contributions on behalf of their employees. We strictly adhere to the principles of fairness and transparency when evaluating and awarding bids to suppliers of goods and services.

During the Financial year 2019/2020, our annual supplier conference was postponed due to Covid–19, however we continued to engage our suppliers, through various media channels and in the last two financial years, there has been no single administrative review held against the Fund.

NSSF implements the Buy Uganda, Build Uganda (BUBU) policy in line with the PPDA guidelines. All procurement for supply whose estimated cost is 1 Billion and below, Works 10Bn and below, services 200m and below are reserved for national and resident providers. In the FY 2019/2020, a total of 207 contracts were awarded.

93% of the awarded contracts were either to the national or resident providers.

Head of Procurement, Gerald Mugabi engaging suppliers at the suppliers forum



NSSF
VOLUNTARY
MEMBERSHIP
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0800286773 TOLL – FREE
DON'T BE THE
ONE THAT WILL
RETIRE INTO POVERTY
Temaligwe Charles
Former Football Star
KCC FC & Uganda Cranes
Charles was a hero both on and off the pitch. Then one day the glamour life was all gone.
He is among millions of working Ugandans who retire into poverty because they do not have a retirement plan.
GET A SECURE RETIREMENT PLAN TODAY
Sign Up for NSSF Voluntary Membership by visiting your nearest NSSF Branch OR call our toll free line
NSSF
a better life
*You can make your voluntary contributions conveniently through mobile money OR dial *254# on your mobile phone
airtel
money
Mobile Money

COMMITTED TO EMBRACING GOOD CORPORATE GOVERNANCE NOW AND TOMORROW

Fostering accountability and responsibility

BY CORPORATION SECRETARY
Agnes Tibayeita Isharaza

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

CAPITALS

RISKS

1 BUSINESS/ STRATEGIC RISK

2 GOVERNANCE RISK

9 OPERATIONAL RISK

Managing legal risk through proactive engagement with strategic partners

The main mandate of the Legal and Board Affairs Department is to advocate for and embrace the core principles of good corporate governance, and to proactively manage the Fund's legal risk. Our vision is "to be a highly motivated and innovative team that drives service excellence". The Department is also responsible for coordinating, managing and supporting the Board of Directors' work agenda to ensure that its mission and goals of providing strategic oversight and guidance to the Fund's Management are realised.

During the year ending 30 June 2020, in recognition and commitment to the Fund's principal stakeholders (the members), the Department vigorously engaged in the recovery of unremitted social security contributions through all means mandated under the law. This approach has seen a steady decline in instances of non–compliance. However, the steady gains have been slowed by the outbreak of the Covid –19 pandemic. Nonetheless, we adapted to this new reality by supporting the affected employers through re–negotiations of their payment plans to accommodate deferral of payments owing to financial distress.

Together with external Counsel, where deemed necessary, we are dedicated to protecting the Fund's assets for the benefit of our members. In the year 2019/2020, we successfully defended significant litigation cases that saw the Fund retain and consolidate proprietorship of its investment in land at Lubowa and Temangalo. During the reporting period, we continued to recognise and work closely with our strategic partners, enabling us to effectively support the Fund in achieving its statutory mandate.

These engagements included:

- Conducting a sensitisation session for practicing lawyers on retirement benefits and social security laws in collaboration with the Uganda Law Society and the Uganda Retirement Benefits Regulatory Authority.
- Training our Business Units on the importance of evidence in exercising the Fund's mandate to collect social security contributions with the Office of the Director of Public Prosecutions.
- Sensitising private security operators in Uganda through their apex body, Uganda Private Security Companies Association, together with the Uganda Police Force.
- Extending and providing legal aid services to one hundred fourteen (114) members in Mbarara District; as a continuation of the ongoing initiative launched in April 2017 with the Legal Aid Providers Network (LAPSNET).
- Creating awareness with NSSF staff on the benefits of land protection and emerging practices in land law with M/s Nangwala, Rezida & Co. Advocates.

The Legal Team provided key legal support to the Fund in the formulation of the proposed amendments to the NSSF Act, to improve services and benefits for members. We remain committed to our internal and external clients and are confident that together we will accomplish the Fund's mission, and specifically the Fund's purpose "to make lives better".

ACCOUNTABILITY
Board and management accountability to stakeholders

FAIRNESS
Treating all equitably and protecting stakeholder rights

TRANSPARENCY
Timeous and accurate disclosure on all material matters

RESPONSIBILITY
Recognise the legal rights of stakeholders and promote sustainable development

The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non–executive directors, and ensures that directors receive accurate, timely and clear information.

04. OUR GOVERNANCE

CORPORATE GOVERNANCE REPORT

Dear Member,

I am pleased to present our corporate governance report for the year 2019/20, which sets out our approach to sound governance practices, the work of the Board and reports from each of the Board's committees and their activities. We were delighted that the Fund was ranked second runner's up at the FIRE awards for its Corporate Governance report. I believe that the result reflects the focus and commitment that the Board and management dedicate to corporate governance in upholding the core fundamental principles: accountability, fairness, transparency and social responsibility in the way we conduct business.

The Board's approach is to ensure that corporate governance is embedded into the objectives, operations and processes of the Fund's business. The Board is committed to keeping abreast with new corporate governance practices from an international, regional and local perspective in fulfilment of its vision to become the social security provider of choice to its members and generate tangible sustainable returns.

The Fund's Governance approach is based on the main principles and provisions set out in the UK Corporate Governance Code, the King IV™ Code on Corporate Governance, and the Uganda Retirement Benefits Regulatory Authority (URBRA) that regulates the Fund's activities. The manner in which we have applied and explained these governance principles is demonstrated throughout the report. The Board confirms that the Fund complied with all applicable laws and regulations throughout the period under review.

Notable Outcomes 2019/2020

Stalled real estate projects were revived and construction commenced

Construction of the Pension Towers, which has changed Kampala's skyline, being the tallest building with 32 stories.

- Phase one for the Lubowa Housing Project is underway and in the final stage of completion.

Improved turn–around time for payment of benefits

- We have realised an improvement in the turn–around time for payment of benefits from 8 days to an average time of seven (7) working days.

Technology transformation

- The Fund embraced transformation in technology and was better prepared for the restrictive work environment following the Covid–19 pandemic outbreak, which enabled us to serve our customers though online channels.

Board approved NSSF Human Resources Manual and Board Charter

- The Board approved the amendment to the NSSF Human Resource Manual and Board Charter.

Challenges during 2019/2020

Slow procurement

- Procurement requirements continue to be an impediment to the speedy and efficient delivery of investments, especially in relation to real estate.

Product restrictions

- The NSSF Act Cap 22 is still pending amendment and this restricts the products that the Fund can offer to its members.
- This regulation further limits coverage to employers with five (5) or more employees in the private sector.

The Board has oversight of these projects through the Investments and Project Management Committee (IPMC) During 2019/2020 the IPMC reviewed performance of real estate projects, equities and fixed income on a quarterly basis in line with targets.

The Fund is making good progress with improving turnaround times for payout of benefits to achieve a 1 day turnaround time in 2025. The Board is responsible for strategy setting and oversight of strategy execution.

The Board has oversight of technology and information Governance through the Finance Committee.

The Board has oversight of Procurement through the Finance Committee. The procurement laws are undergoing amendment to promote efficiency.

The Board has oversight of Compliance regulation through the Audit and Risk Assurance Committee. The NSSF Amendment Bill is still before Parliament.

Although legislation is in place to protect the interests of all stakeholders, at times it impacts the agility of business to make prompt decisions.

NSSF Chairman Board of Directors
PATRICK BYABAKAMA KABERENGE

How the Board aligns to KING IV Principles and the UK Corporate Govern–ance Code

Principles 1–3: Leadership, Ethics and Corporate Citizenship IV

The board should establish the company's purpose, values and strategy and satisfy itself that these and its culture are aligned. The Board should ensure mechanisms are in place for the workforce to raise concerns, with proportionate and independent investigation of such matters and follow–up action.

The Board should ensure effective engagement with, and encourage participation from, the workforce and other stakeholders.

Effective and ethical leadership, promot–ing an ethical culture and being a good corporate citizen

Board sets the tone for accountability, ethics and integrity

The Board sets the tone for accountability throughout the organisation and upholds the highest level of integrity, acting in the best interests of all stakeholders.

We believe that the best results are achieved when we foster two–way partnerships with our stakeholders, based on openness, transparency, trust, and good understanding of expectations. We have a programme of regular proactive engagement with our key stakeholders to make sure we listen to and understand their views.

Personal conduct

Directors at all times exuded integrity and accountability, informed judgment, financial literacy, and willingly and candidly discussed issues, were committed to the Fund and ensured that the Fund maintained a positive image within the industry, national economy and general public.

Conflict of interest management

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Fund. The Board therefore has a set procedure and guidance to deal with actual or potential conflicts of interest and at the beginning of each Board meeting, Directors have an opportunity to declare any interest in any item on the agenda that could result in a conflict of interest.

Values, ethics and culture

Through the Fund's values, we commit to be ethical and honest and thereby inspire trust, in all our business dealings. The Fund has a formal ethics policy and code of conduct in place, as well as dedicated resources to embed requirements and investigate ethics and integrity concerns reported as endorsed by the Fund's 'Whistleblowing Policy'.

Ethics and organisational integrity

The Fund's code of conduct outlines the ethical standards that guide directors, employees and other stakeholders who interact with the Fund to make effective decisions and adhere to when conducting the affairs of the Fund. Additionally, as an institution holding our members savings in trust, we also aim to ensure adherence to the highest standards of responsible business practice.

The code of conduct incorporates and articulates the Fund values in greater detail and provides value–based decision–making principles to guide our conduct. It is aligned with other policies and procedures, and supports the relevant industry regulations and laws.

The Managing Director is the formal custodian of the code of ethics and is ultimately responsible for its implementation. Ethics incidents are reported via the whistleblowing line, human resources and administration department, risk department and business unit ethics officers. Reported cases are investigated by Internal Audit in a confidential and timely manner and the investigation reports are submitted to Management and the Audit and Risk Assurance Committee for oversight.

We seek to continually build strategic partnerships and maintain relationships with our stakeholders to underpin business sustainability, ethics and organisational integrity within the social, legal and economic context of the country.

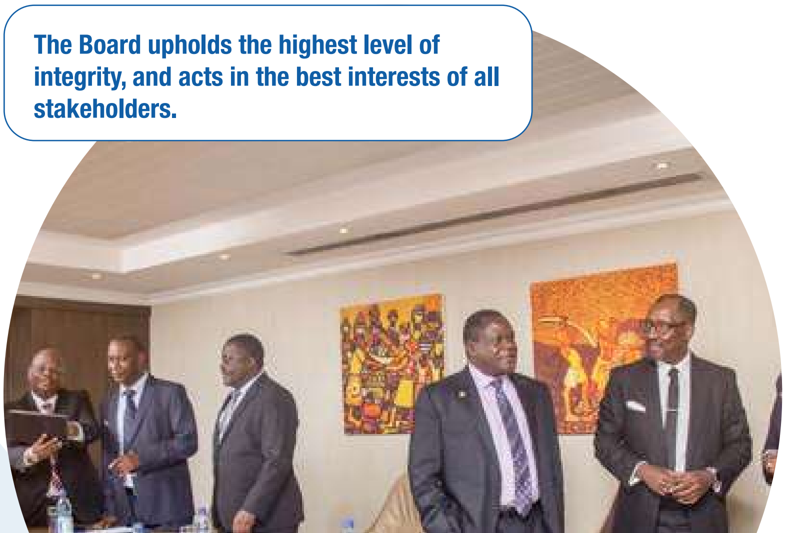
Oversight of ethics is the responsibility of the Audit, Risk and Assurance Committee. *See page 97.*

Leading as a good corporate citizen for a sustainable future

Sustainability is deep rooted in our DNA, and our purpose–driven leadership model continues to place value creation at the heart of our members. By enabling a better, safer and interconnected world, we deliver value, throughout our whole value chain, for our stakeholders and the wider society. Our objectives are focused on giving back to the community and promoting education, community health, clean environment and sports through our CSR activities and support of the Sustainable Development goals.

Oversight of sustainability is the responsibility of the Staff Administration and Corporate Affairs Committee. *See page 100. Also see our detailed sustainability report on page 109.*

The Board upholds the highest level of integrity, and acts in the best interests of all stakeholders.



Principles 4–5: Performance and Reporting IV

A successful company is led by an effective and entrepreneur–ial Board, promoting long term sustainable success of the company, generating value for shareholders and contributing to wider society.

Optimised performance, value creation and sustainability

Strategy and performance management

The Fund's purpose drives the Board approved 2025 strategy and defined key performance measures are aligned to the four strategic objectives which translate into an organisational scorecard, cascading into individual scorecards against which performance is measured. The Deputy Managing Director is accountable for strategy execution. Risk is integral to the Fund's success in both protecting and creating value, and related risks and opportunities are continually monitored to enable achievement of strategy.

Balanced reporting

Our transition to a fully Integrated Annual report is our commitment to evolve the standard of our reporting and communication to our stakeholders demonstrating value creation for the long term.

Our integrated report illustrates a balanced view of our entire operations and financial performance for the period under review.

We strive to give effect to the reporting requirements of the various leading practice codes/guidance/frameworks etc. as described on page 5.

Access to information

The Board and its committees are supplied with complete and timely information, to enable the Directors to discharge their responsibilities. All Directors have access to the advice of the Corporation Secretary who is responsible for advising the Board, through the Chairman, on matters of corporate governance.

The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Principles 6 –10: Governing structures and delegation IV

The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

Board as custodian of good governance

The Board provides strategic direction to NSSF within the parameters of an approved Board Charter, ensuring sound corporate governance principles are applied within the Fund. The Charter is reviewed annually and is intended to provide minimum standards and guidelines for the Board in the execution of their duties, so as to promote proper and consistent standards of conduct and sound practices, as well as ensure that they exercise their duties and responsibilities with clarity, assurance and effectiveness.

Responsibilities of the Board which are included in the Board mandate to fulfil the primary governing roles and responsibilities:

1. Ensuring good governance of the Fund by enhancing its long term sustainable success.
2. Setting the Fund's strategic objectives and organisational values.
3. Setting responsibilities and performance targets for the Managing Director and Senior Management.
4. Evaluating Management performance from time to time against agreed targets.
5. Ensuring that human resources are in place and oversees succession planning for senior management to meet its objectives.
6. Establishing policies and processes to guide the legal compliance and delivery of services.
7. Monitoring the management and implementation of plans and strategies on a quarterly basis.
8. Carrying out a review of internal control policies, risk management and procedures and ensures their effectiveness.
9. Approving and monitoring the progress of major investments (S.30) of the NSSF Act and 46{1} {b} of the URBRA Act.
10. Approving and monitoring major contracts, acquisitions and disposals.
11. Advising the Minister of Finance, Planning & Economic Development on the appropriate rate of interest to be declared on member's accounts (S.35 {2}) of the Act.
12. Ensuring compliance of statutory requirements, prosecution and defence or pursue litigation in the interest of the Fund.

As the Board; we regularly discuss and review the effectiveness of:

- **Our performance** today and our progress towards our goal to become the social security provider of choice.
- **Our brand** and reputation and how we can ensure that our behaviours and processes protect us for the future.
- **Our people**, and how we can create a high performing team, potential for future development and succession along with appropriate motivation and reward.
- **Our customers**, suppliers and local communities ensuring we treat them all fairly and respectfully.
- **Our members** and how we can communicate openly on the way we manage and challenge the business.
- **Updates from our Board committees** and management

on legislation and proposed consultations that may affect the organisation's legal and regulatory obligations, including proposals to reform the pension sector.
- **Assurance** that governance structures remain appropriate for the Fund.

Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Board evaluations

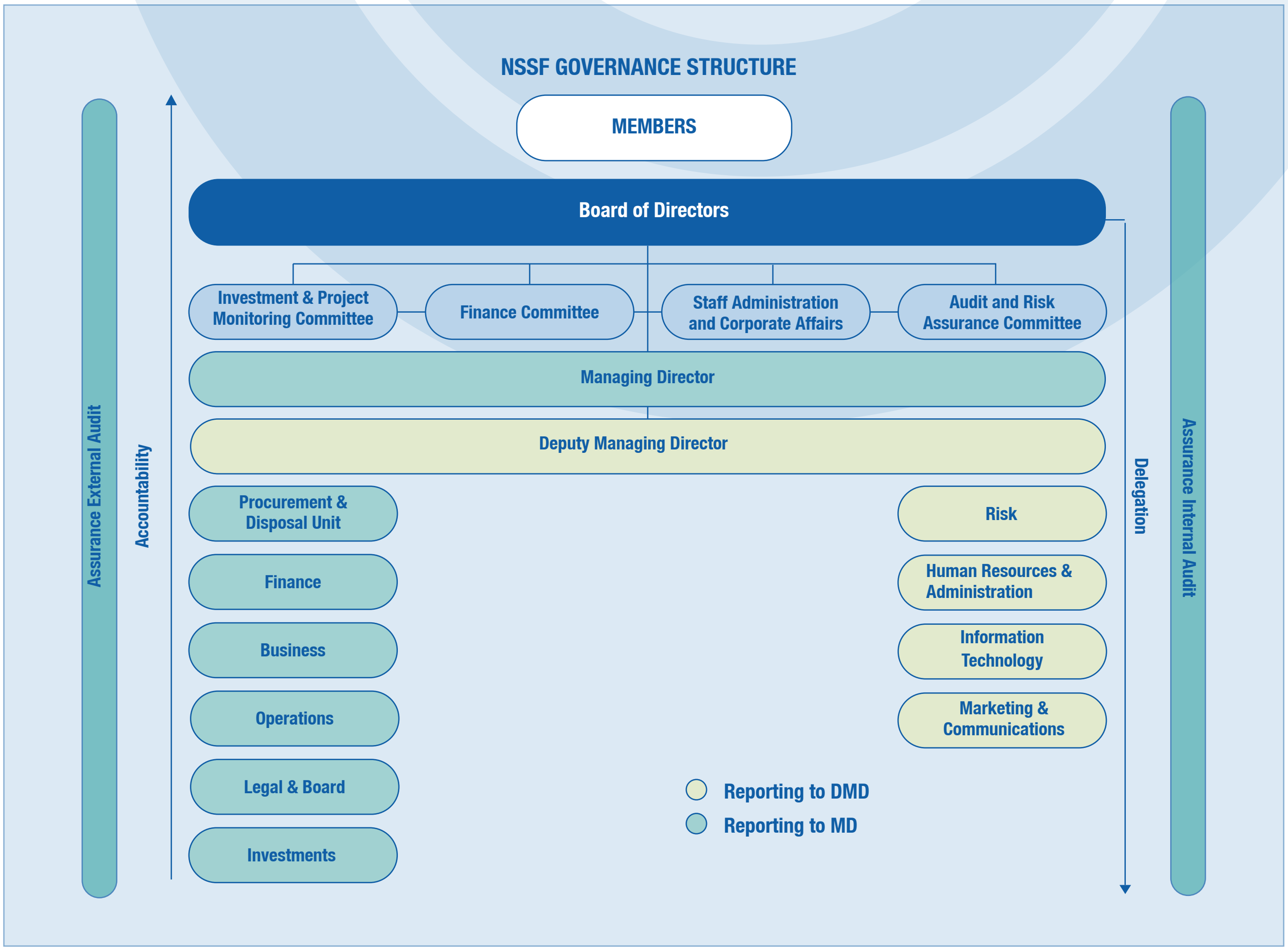
The Board is committed to continuous improvement and evaluates its performance. The Charter stipulates that the Board of Directors will conduct evaluations to determine whether the Board and its Committees are functioning effectively in terms of discharging their mandate as per the Board Charter and in line with leading practices on corporate governance. The Board evaluates its performance through a combination of both internal peer and external facilitated assessments. In the year of review, performance of the Board as a collective unit, committees, individual directors, Board and committee chairpersons and Corporation Secretary was assessed. The assessment was externally facilitated by Ernst and Young (EY) and the findings were discussed by the Board, which agreed an action plan for its improvement. We are pleased to report that the evaluation done by EY yielded 'Consistently Good to Outstanding' outcomes on all components.

Independence

Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment. The independence of each Director is assessed annually by the Board as part of its annual Board Effectiveness Review and in conducting its current assessment is was concluded that all Directors continue to bring strong independent oversight and continue to demonstrate those qualities and behaviours it considers essential to be considered independent as set out in the Board terms of reference

Governance structure

The Fund's Governance structure is illustrated in the diagram below and shows the interaction between the Members and the Board, demonstrates how the Board Committee structure facilitates the relationship between the Board and the Managing Director and indicates the flow of delegation from Members. We have robust processes in place to ensure that the delegation flows through the Board and its committees to the MD and Executive Committee (EXCO) into the organisation. At the same time, accountability flows upwards from the Fund to its Members. This process helps to ensure alignment and open communication with our members and all our stakeholders.



GOVERNANCE PHILOSOPHY

We do not regard governance as simply a tick box exercise, nor as a process of restrictive controls. Governance is rather viewed as core to instilling our value of integrity, ensuring we do the right things, in the right way, with the appropriate safeguards, checks and balances in place, to enable sound business decisions. We believe that this practical approach will support our performance for the long–term and protect the trust, integrity and value of our business and our brand.

As with previous years, our focus will continue on delivery of our strategy, creation of value and improvement in Member returns.

Board composition and tenure

The Board of Trustees is the governing body of the Fund and accountable for reviewing, evaluating and making recommendations about the Fund's strategic plan and objectives. The Board is headed by the Chairman and consists of nine (9) Directors, each of whom are appointed by the Minister of Finance, Planning and Economic Development for a three (3) year renewable term. Directors include one (1) Executive Director and eight (8) Non–executive Directors who represent each of the key stakeholder groups of members, employers and Government.

The Chairman is independent, his roles are separate from those of the Chief Executive Office, and this is in line with best practice. The roles and responsibilities of the Board are embodied in the Fund's Board Charter.

The Board should include an appropriate combination of executive and non–executive (and, in particular, independent non–executive) directors.

Board appointments and resignations

The Minister responsible for Social Security, currently the Minister of Finance, Planning & Economic Development, appoints directors for a three–year renewable term. Appointment of Directors is subject to a due diligence and approval of the Regulator (URBRA). The Managing Director is recommended by the Board following an interview process and appointed by the Minister. The Board appoints the Executive Committee. Under section 3(4) of the NSSF Act, a Director may, by writing in his or her hand a letter addressed to the Minister of Finance resign his or her office.

During the year in review, Mr. Pius Bigirimana resigned from the Board following his appointment to the Judicial Service Commission as Permanent Secretary/ Secretary to the Judiciary.

Board Chairman

The Chairman, Mr. Patrick Byabakama Kaberenge, is an Independent Non–Executive Director and was appointed on 1 September 2015.

The Chairman's roles include:

- Leading the Board and responsible for its overall effectiveness in directing the Fund and ensuring that it is operating to the highest governance standards.
- Encouraging a culture of openness and debate to foster a high–performing and collegial team of Directors that operates effectively.
- Ensuring strategic issues, members and relevant stakeholder views are regularly reviewed, clearly understood and underpin the work of the Board.
- Facilitating the relationship between the Board and the MD and providing close oversight, guidance, advice and leadership to the MD and management.
- Ensuring control over the quality and timeliness of information flow between the Board and Management.
- Setting agendas for meetings of the Board, in consultation with the MD and the Company Secretary that focus on the strategic direction and performance of the Fund's business.
- Ensuring that adequate time is available for discussion of all agenda items.
- Leading the Board and individual Director Performance assessments.
- Speaking and acting for the Board and representing the Board to members.

Role of the Non–Executive Directors (NEDs)

The basic responsibility of the Directors is to exercise their business judgement to act in what they reasonably believe to be in the best interest of the Fund and its members.

- Participate in all Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.
- Take the lead where potential conflicts of interests arise and as part of every meeting, Directors have an opportunity to declare any interest in any item on the agenda that could result in a conflict of interest.
- Scrutinise the Fund's performance in achieving agreed corporate goals and objectives, and monitor performance by Management.
- Make a positive contribution to the development of the Fund's strategy and policies by acting in the best interest of the Fund through making independent, ethical and informed decisions.
- Engage with senior management and other relevant parties, such as the Professional Advisors, the external or internal auditors as well as the Fund's legal department, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Fund are properly addressed.

Effective board structures and delegation of authority

As part of the NSSF Board Charter, the statement of delegated authority summarises, having regard to the functions and responsibilities of the Directors under the NSSF Act and URBRA Act, those matters delegated by the Board to:

- The Board Committees or any person as it may deem necessary to assist the Board in fulfilling its duties. The Board is supported by four committees. These committees have delegated responsibility to assist in specific specialist matters on a collaborative basis and provide reports of their activities and recommendations to the Board on a quarterly basis or as often as is necessary.
- Management, led by the Managing Director the authority to manage and control the day–to–day affairs of the Fund in relation to matters other than those reserved to the Board under the laws applicable and the Board Charter.

Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Managing Director

The Managing Director is the Chief Executive Officer of the Fund and is subject to the NSSF Act and to the general control of the Board on matters of policy, responsibility for running the day to day business of the Fund, general management, administration and organisation of the fund. He also ensures the strategies and policies set by the board are implemented. The Managing Director, Richard Byarugaba, is the only Executive Director on the Board and has been a Board Member since August 2010.

Matters reserved for the Board

These are detailed in the NSSF Act, URBRA Act, the Board's Charter and the Fund's policies in force and they include the following:

1. Appointment and termination of senior management and determination of their terms and conditions of service
2. Investment of member funds
3. Approval of the Fund's strategy, Fund's annual budget, significant changes to the organisational structure, acquisition and disposal of any assets of the Fund (subject to the laws in force), annual financial reports and Fund policies.

Board/Management relationships

The Board is ultimately responsible for succession planning for Directorships and key management roles. During the year, the Board and the Staff Administration and Corporate Affairs Committee discussed and reviewed the management composition and succession planning to ensure that the successors for key roles are identified and their performance is also assessed. This is critical for ensuring that the right structure and talent is in place to deliver on the Fund's strategy now and in the future.

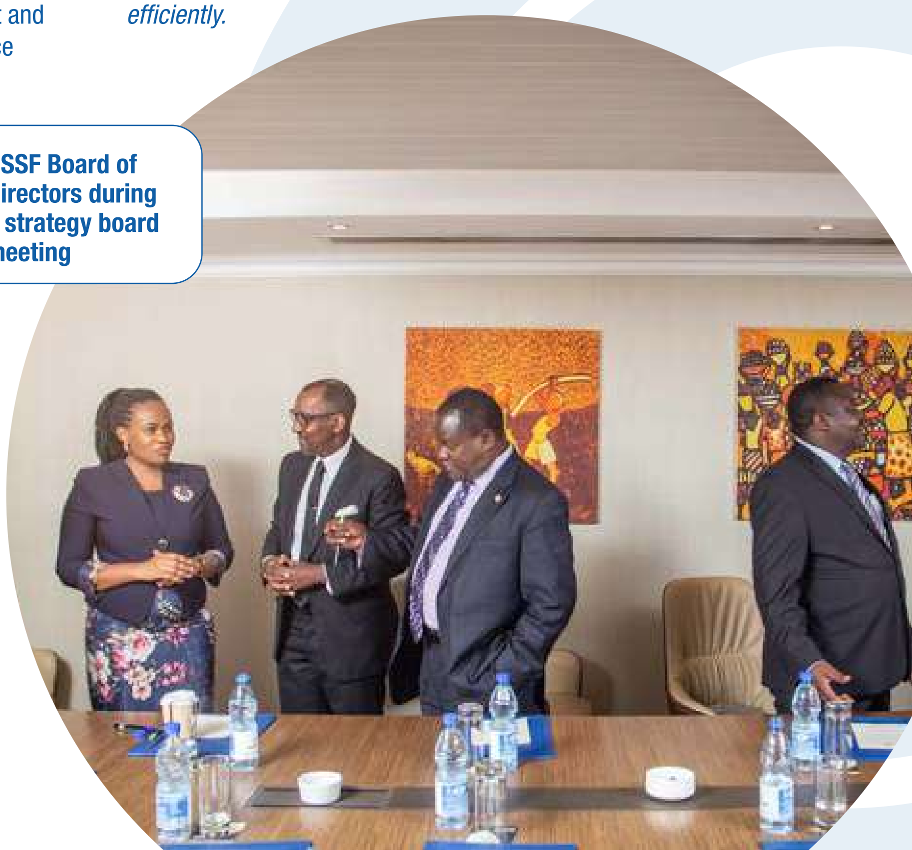
Corporation Secretary

The Corporation Secretary, Agnes Tibayeita Isharaza was appointed by the Minister of Finance, Planning & Economic Development and has been in that role since 1 April 2019. In addition to any other functions conferred upon her by the Minister and the Board, the Corporation secretary has the custody of the seal of the Fund and is responsible for:

- Ensuring good information flows within the Board and its Board committees and between management and the Board.
- Facilitates the orientation and assists with professional development required by the Board.
- Taking minutes of the meetings of the board and any of its committees and subcommittees.
- Keeping the records of all transactions of the Fund.
- The provision of legal advice on all Fund activities.
- Responsible for advising the board on all governance matters.

The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

NSSF Board of Directors during a strategy board meeting



Board activities 2019/2020 in support of strategy

Goal	Key Board Interventions	Achievements during 2019/2020
Asset Growth Increase profitability and grow the asset base of the fund to Ushs 20 Trillion	• The Board approved a relationship management model to increase enforcement of compliance requirements. • Ensure prudent investment and management of operational costs. • Unlock a number of stalled projects.	• Fund grew to an asset base of about Ushs 13.28 Trillion. • Increase in contributions to about Ushs 1. 27 Trillion. • The annual income grew by 65% from Ushs 891 Billion in FY 2018/2019 to Ushs 1.47 Trillion in 2019/2020. • Progress towards Pension Towers has been made. • Construction of the Lubowa Housing Project is ongoing. • Construction has begun in Kyanja under the pilot off taker concept.
Customer Satisfaction Improve customer service to ensure that customer satisfaction is achieved at 95%	• Set up a more robust customer service department being supported with increased staff resources and a modern call centre.	• The Fund established a modern call centre with longer operational hours.
Processes Improve business processes through innovation to enable benefits be paid within 24 hours	• Computerised Business Intelligence and Data maturity model. • Strategic partnerships with entities such as NIRA, KCCA, URSB and the Uganda Police.	• Increased integrity of member statements. • Streamlined operations within the Fund. • Turn–around time to process the payment of the benefits improved from 8 to 7 days.
People	• Carrying out a job re–evaluation for all positions to align job responsibilities. • Competitive remuneration that is aligned to the benchmarked market. • Explore options to convert temporary staff to permanent positions to increase productivity.	• All our jobs are evaluated and correctly graded. • Staff engagement increased from 89% in the FY 2018/2019 to 93% in FY 2019/2020. • Participated in the Mercer survey and appropriately aligned our total reward to market. • Our temporary staff are given an opportunity to apply and compete for appropriate jobs that open up in the establishment.

Board activities in 2019

July	Aug	Sep	Oct	Nov	Dec
• Review of the Fund's performance (Financial, Business, Operations, IT and Procurement)	• Review of the Board calendar. Review of Board mileage allowance. Approval of the Fund's bank signatories. • Review external audit Management Letter.	• Staff appraisal moderation.	• Review of the NSSF Bill.	• Review of ARC composition	• Nomination & Appointment of Board Committee Members. • Update on revised Board calendar.
• Oversight of Legal and Compliance Internal Audit and Risk Management reports	• Board representation in investee companies. • Draft NSSF Audited Financial Accounts FY 2018/2019. Consideration of interest rate proposed for FY 2018/2019.		• Review of Fund investments and real estate projects and portfolio returns.	• Review of Fund's performance	• Consideration of ExCo performance. Contract renewal of senior management. Exco appraisal FY 2017/2018. • Feedback on the staff surveys and proposed action from the surveys.

Board activities in 2020

Jan	Feb	March	April	May	June
Review of revised meeting dates and Board training plan. Interviews for the position of Corporation Secretary. Review of the Audit Manual.		Review of policies: • Strategy • Finance • Anti–money laundering • Information security • Business • Labour Union • Bonus • Communications Review of: Procurement Manual • Internal Audit Charter • Review of the Draw down product proposal • Terms of Reference (TOR) for the Board evaluation	Review of the BSC Allocation of new Board members to the Board Committees. Review of committee reports.	Approval of 2020/2021 budget for Minister's consideration. Actions from the Board strategy workshop.	Review of the Internal audit plan, Internal audit BSC, external audit plan. Meeting with external auditors.

KEY Strategy Implementation | Policy, Charter and Annual Review and Approval | Stakeholder Activity | Corporate Governance

The Board action plan 2020/ 2021 will cover:

- Board dynamics – Improve the Competence framework, succession plan, strategic annual plan and key performance indicators for the Board.
- Enhance the capability of the Board to provide the necessary oversight in risk management and internal control.
- Increase knowledge of and interaction with senior management and the wider employee community.

Board Committees

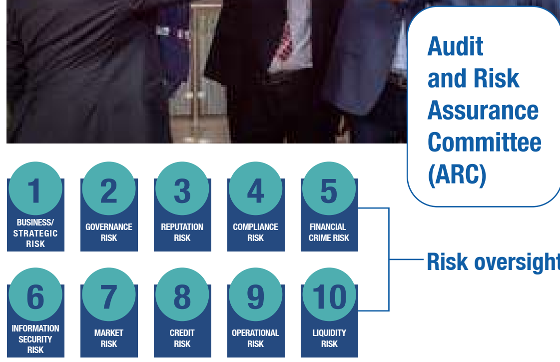
The Board Committees' functions shall mainly be for purposes of review, oversight and monitoring. The constitution, focus, activities and future outlook for each of the Board activities is outlined below.

- Chairperson: Mr. Patrick Byabakama Kaberenge
- Executive Director: Mr. Richard Byarugaba
- Non–Executive Directors: Patrick Ocailap; Fred K. Bamwesigye; Isaac Magoola; Florence Namatta Mawejje; Peninnah Tukamwesiga; D. Stephen Mugole Mauku; Peter Christopher Werikhe

Board Committee and Committee Composition

Audit and Risk Assurance Committee (ARC)

Chairperson	Fred K. Bamwesigye
Members	Peninnah Tukamwesiga
Advisors	D. Stephen Mugole Mauku
	Peter Christopher Werikhe
	Albert Richards Otete



Audit and Risk Assurance Committee (ARC)

The role of this committee is to assist the Board to effectively discharge its oversight responsibilities for financial reporting, risk management, internal controls, internal and external audit and regulatory compliance and governance. The Board has overall responsibility for ensuring that the Fund maintains an adequate system of internal control and risk management and for reviewing its effectiveness.

The ARC on behalf of the Board undertakes detailed monitoring of the controls through the internal Audit function and reports to the Board on its findings. The internal control environment in place to mitigate the impact of each risk that is monitored by the committee on a regular basis as are the principal actions being taken to improve them. The Board has reviewed the system of internal controls including financial controls for the year under review up to the date of approval of this Annual Report and Accounts.

2019/2020 ARC Activities

The committee focused its attention on regulatory challenges, information security and business continuity planning and management. It encouraged the continuing improvement of capabilities and connectivity of the risk management process across the business, with emphasis on its ability to identify and assess emerging risks.

ARC Committee's key activities in FY 2019/20 included review and approval of:

- The Fund's Risk Appetite statement
- Policies and process risk assessment
- Confirmation of compliance with relevant laws regulating the Fund
- Key litigation cases for and against the Fund
- Trends of litigation throughout the year
- Investee company ratings
- Key audit areas for action
- External Auditors conclusions report FY 2018/2019
- Management letter
- External Auditors Plan
- Detailed Internal Audit Plan and BSC for FY 2020/2021
- Quarterly department updates
- All financial statements and reports which are required to be published and/or signed by the Directors prior to the approval and adoption by the Board.

Key engagements:

- Quarterly meetings were held between the Chairperson of the ARC committee and the Head of Internal Audit are held in confidence.
- The ARC Committee met with the external auditors at the beginning of the audit to discuss the scope and at the end of the audit to discuss their findings and recommendations.

Challenges during FY 2019/2020

- The impact of Covid–19 on some of the activities of the Fund.
- The difference in reporting periods of some investee companies that is calendar year vs financial year making analysis of their performance based on previous year's data.
- The delay in passing the amendments to the NSSF Act which has hindered several regulatory developments.

Key focus for the following year FY 2020/2021

- Continue pursuing the NSSF Act amendments.
- Putting in place adequate risk measures to cushion the Fund and its members from the long term impacts of Covid–19.
- Monitor the Fund's investments in the different companies to ensure that the Fund is operating Within risk tolerance levels.
- Monitor the Fund's policies to ensure compliance with all relevant laws and policies.
- Monitor the implementation of recommendations made by internal and external audit.

Capitals Impacted

Stakeholders impacted

The Audit and Risk Assurance Committee of the Board complied with its mandate for the year under review. All the scheduled meetings were held.

Investments and Project Monitoring Committee (IPMC)

Role	Name	
Chairperson	Patrick Ocailap	
Members	Peninnah Tukamwesiga	
	Richard Byarugaba	
	Peter Christopher Werikhe	D. Stephen Mugole Mauku
Advisors	Kenneth Ssemwogerere	Felix Okoboi

Investments and Project Monitoring Committee (IPMC)

The Investments and Project Monitoring Committee (IPMC) of the Board is responsible for assisting the Board to fulfil its oversight responsibility as provided under Section 30 of the NSSF Act, which provides:

> ***"All monies in the Fund, including the reserve account, which are not for the time being required to be applied for the purpose of the Fund shall be invested in such investments as may be determined by the Board in consultation with the Minister."***

IPMC Committee's key activities in FY 2019/20 included:

- Review of the performance of real estate projects, equities and fixed income on a quarterly basis in line with the targets.
- Monitored the occupancy and rent collections of all commercial properties.
- Reviewed the Investment Policy Statement (IPS).
- Quarterly updates on the Funds investment asset classes.
- A total of Ushs 2,819,865,544,123 was invested for the financial year.

Asset Class	Amount (Ushs)	Percentage
Fixed Deposits	648,895,818,836	23.01%
T–bond–Uganda	1,165,938,987,825	41.35%
T–bond–Tanzania	527,911,352,009	18.72%
T–bond–Rwanda	4,071,026,324	0.14%
T–bond–Kenya	280,948,727,776	9.96%
Equity–Regional	176,599,631,353	6.26%
Equity–Uganda	15,500,000,000	0.55%
Total	2,819,865,544,123	100.00%

Challenges during FY 2019/2020

- The impact of Covid–19 on the Fund's investments.
- Delays on the many of the project sites as a result of the pandemic and the lockdown.
- Uncertainties in the market.
- The current NSSF regulatory regime that is not favourable for investments outside East Africa.

Key focus for the following year FY 2020/2021

- Encouraging proactive monitoring of equities, fixed income and real estate assets classes.
- To be more visible in the marketing of the Fund projects in real estate to drive occupancy and sales levels.

Capitals Impacted

Stakeholders impacted

The Investments and Project Monitoring Committee of the Board complied with its mandate for the year under review. All the scheduled meetings were held.

Finance Committee

Chairperson
- Isaac Magoola

Members
- Patrick Ocailap
- Florence Namatta Mawejje
- D. Stephen Mugole Mauku
- Richard Byarugaba

Finance Committee

The committee is mandated to assist the Board in fulfilling its oversight responsibility as provided under the NSSF Act.

The committee oversees Finance, Business, Operations, Information Technology and Procurement, respectively.

The following are the responsibilities of the Finance Committee of the Board:

- Determination of the Annual and Supplementary Budget: involves making and submitting to the Minster for approval estimates of the Fund's income, its capital recurrent and other expenditure likely to be incurred for the ensuing year.
- Reviews and approves audited financial statements prepared by management.
- Reviews provision of proper books of accounts and record in respect to the Fund's financial transactions, assets and liabilities.
- Recommends the interest rate for declaration depending on the Fund's realised income.
- Effective financial management of the Fund and of its assets.
- Reviews the Fund's accounting policies and principles.
- Reviews allocated Department policies and strategies.

The Finance Committee's key activities in FY 2019/20 included review and monitoring of:

- The financial performance for the FY 2019/2020.
- Review of the NSSF Budget for the FY 2020/2021.
- Review of the Operations, Information Technology and Innovations Policies.
- Reviewed the strategic targets for the Fund and alignment thereof.
- Set and monitored performance measurements of the Fund for the year.
- Review of the Finance Committee structure and appropriateness of resources.
- Assessment of the effectiveness of the CFO and finance function.

Challenges during FY 2019/2020

- The impact of Covid–19 on the growth of collections.
- The reduction in customer satisfaction as a result of a decline in media tonality.
- The Fund was unable to carry out planned Corporate Social responsibility activities and Customer Connect week.
- Closure of key verification partners such as embassies and NIRA during the lockdown period affecting the process of verification.

Key focus for the following year FY 2020/2021

- Monitor the legislative and regulatory developments relating to pension reforms.
- Increase drive in the usage of e–channels given the Covid–19 pandemic and requirement for minimal exposure of frontline staff.
- Review the progress regarding the legal tax matters between the fund and URA.

Capitals Impacted

Stakeholders impacted

The Finance Committee of the Board complied with its mandate for the year under review. All the scheduled meetings were held.

Staff Administration and Corporate Affairs Committee (SACA)

Chairperson	Florence Namatta Mawejje
Members	Peninnah Tukamwesiga
	Richard Byarugaba
	Fred K. Bamwesigye
	Isaac Magoola

The Staff Administration and Corporate Affairs Committee (SACA) of the Board is responsible for the following key areas:

- Oversee the effective and efficient administration and management of the Fund by establishing appropriate policies regarding staff, administration, and corporate affairs.
- Review and recommend an appropriate organisation structure and staff establishment and ensure that it is filled by competent and well–motivated staff.
- Oversee the management of corporate services such as marketing, public relations, and transport and records.
- During the financial year 2019/2020, SACA held meetings where they considered a number of activities for recommendation to the Board.

SACA Committee's key activities in FY 2019/20 included review of:

- Select department structures
- Staff appraisal moderation
- Balanced scorecards for all departments
- Salary survey report
- Crèche, security Exco Car and communications policies
- Terms for fixed terms contract staff
- The agency model proposal
- Quarterly updates from the Human Resources, and Marketing and Communications Departments

Challenges during FY 2019/2020

- Media tonality reduction as a result of the ongoing debate around the NSSF Act amendments and the public outcry for the Fund to pay out 20% of each member's contributions.
- Staff working from home as a result of the Covid–19 pandemic.
- The impact of Covid–19 on staff and their families.
- Postponement of a number of the Fund's corporate affairs key activities as a result of the pandemic.

Key focus for the following year FY 2020/2021

- Consider an organisational restructure in preparation for the implications of the NSSF Act amendments.
- Upskilling of staff as a result of digitalisation and the impact of the new work environment created by the Covid–19 pandemic.
- Public sensitization on the NSSF Act amendments, if passed.
- Guidance for Management in setting and defining culture at the Fund.

Captials Impacted

Stakeholders impacted

The Staff Administration and Corporate Affairs Committee of the Board complied with its mandate for the year under review. All the scheduled meetings were held.

We are committed to our members during the Covid–19 pandemic and we shall walk through this journey together to offer them a comfortable retirement

Board and Board committee meeting attendance

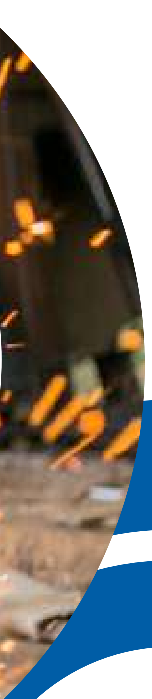
The Chairman shall preside at all meetings of the Board, but in his absence any member appointed on his behalf by the members present shall preside. The Board shall meet for the discharge of its functions at least once every three months at such time and place as the Chairman may appoint or upon the request of the majority of the Board members.

Decisions of the Board shall be taken by a simple majority of the members present and voting, with the person presiding having a casting vote. The Board may invite any person who is not a member to participate in the deliberations of the Board, but such person shall not be entitled to vote.

Non–executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Directors	Board		Investment and Project Monitoring Committee (IPMC)		Audit and Risk Committee (ARC)		Finance Committee		Staff and Corporate Affairs Committee (SACA)	
Name	**Meetings held**	**Attendance rate**	**Meetings held**	**Attendance rate**	**Meetings held**	**Attendance rate**	**Meetings held**	**Attendance rate**	**Meetings held**	**Attendance rate**
Mr. Patrick Byabakama Kaberenge	9/11	82%	–	–	–	–	–	–	–	–
Mr. Patrick Ocailap	9/11	82%	4/5	80%	–	–	3/5	60%	–	–
Dr.Isaac Magoola	11/11	100%	–	–	–		4/5	80%	9/9	100%
Mrs. Florence Namatta Mawejje	7/11	64%	–	–	–	–	4/5	80%	8/9	100%
Mr. Peter Christopher Werikhe	8/11	73%	5/5	100%	5/5	100%	–	–	–	–
Mr. Fred Bamwesigye	11/11	100%	–	–	5/5	100%	–	–	8/9	89%
Ms. Peninnah Tukamwesiga	11/11	100%	5/5	100%	4/4*	100%	–	–	9/9	100%
Mr. D. Stephen Mugole Mauku	11/11	100%	–	–	5/5	100%	5/5	100%	–	–
Mr. Richard Byarugaba	11/11	100%	5/5	100%	–	–	5/5	100%	9/9	100%
Overall attendance rate	–	89%	–	95%	–	95%	–	84%	–	98%

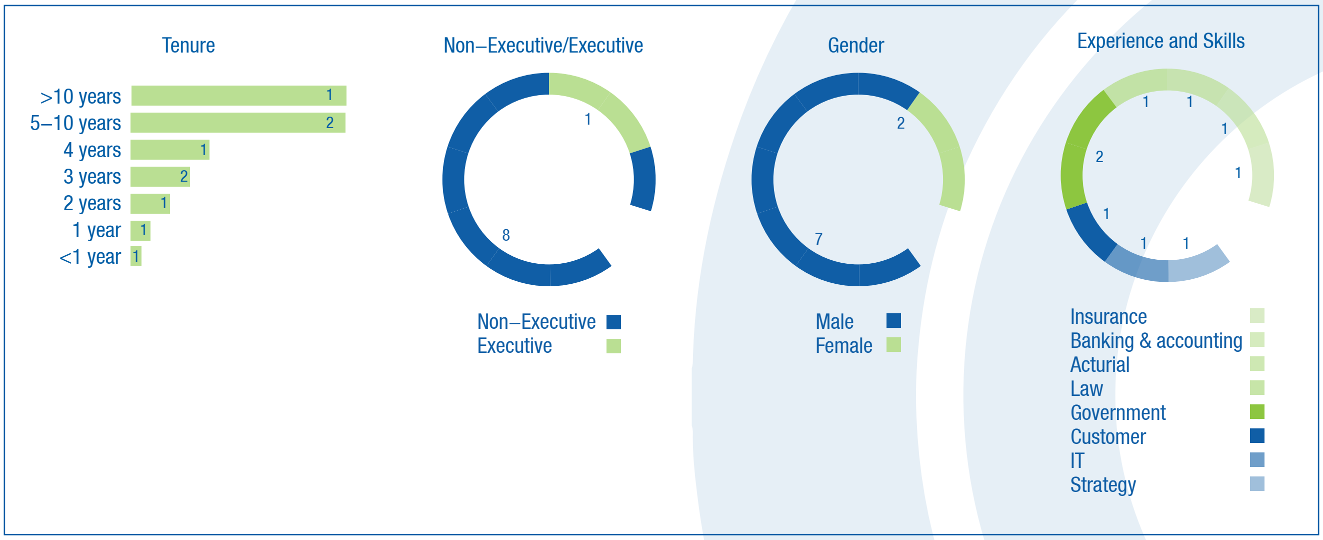
attended all required meetings whilst a member thereof.



Section 5 (5) NSSF of the Act empowers the Board to invite or co–opt any person to attend any Board meeting or be consulted as an independent advisor, but such a person shall not be entitled to vote on any matter being decided by the Board at that meeting. The Board shall determine the area or field where professional advice is required. Management follows the PPDA rules and regulations to engage the advisors so required. Management therefore co–opted the services of Mr. Kenneth Ssemwogerere and Felilx Okoboi as Investment and Project Monitoring Committee Advisors together with Mr. Albert Richards Otete as the Audit and Risk Assurance Committee Advisor.

The Board may seek independent professional advice in the fields of legal, accounting, engineering, architecture, surveying, valuation, information technology, auditing or any other regulatory matters.

The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.



Director induction, training and development

The Board considers that the development of industry and Fund knowledge is a continuous and ongoing process. Upon joining the Fund, each Director undertakes an induction programme to further their understanding of the nature of the Fund, its business and the environment in which it operates, and also enhance their knowledge of the Fund's operation and staff. The induction programme is tailored to each new director, depending on the experience and background of the director.

The Board considers the aforementioned trainings attended and/or participated in by the directors as adequate to enhance the directors' skills and knowledge to carry out their duties as directors. All directors are required to provide the company with their training records on an annual basis and such records are maintained by the Corporation Secretary for regular review by the Staff Administration and Corporate Affairs Committee.

In addition to directors' attendance at meetings and review of relevant materials provided by management during the year, the professional training attended by the directors are set out in the table that follows.

The Board, supported by the Corporation Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

NSSF Board of Directors having a discussion during a board meeting

Title	Date	Members	Training Details
Leading The Board Programme Strathmore Business School	22 –23 August 2019	Mrs. Florence Namatta Mawejje Dr. Isaac Magoola	Board dynamics
World Social Security Forum Brussels Belgium	14 – 18 October 2019	Mr. Patrick Byabakama Kaberenge Ms. Peninnah Tukamwesiga Mr. Richard Byarugaba Mr. Patrick Ocailap	The theme was “Protecting people in a changing world”, hosted by the public social security institutions of Belgium. In times of rapid technological, demographic, and economic changes, innovative approaches are needed to meet key challenges and strengthen the positive impact of social security to protect people.
World Bank Core Course On Pensions Washington Dc	28 October–9 November 2019	Mr. Fred K. Bamwesigye Dr. Isaac Magoola	In–depth understanding of the conceptual and practical issues involved in the development of pension and social security programmes and linkages to social protection and labour systems.
Customised Investments Training	9 –13 December 2019	Mr. Patrick Ocailap Ms. Peninnah Tukamwesiga Mr. Peter Christopher Werikhe Mr. Richard Byarugaba	The main aims and objectives were to review and confirm a broader understanding of the organisational strategy, governance and their implementation, consideration of the UK experience in relation to the models for pension fund outcomes and investment developed by the OECD, the World Bank, and others.
Benchmarking visit to Ghana social security and national insurance trust, (SSNIT) national pensions regulatory authority (NPRA) and the national health insurance (NHIA)	21–24 October 2019	Dr. Isaac Magoola Ms. Peninnah Tukamwesiga Mr. Peter Christopher Werikhe Mr. Mugole Mauku D. Stephen	Following the introduction of the NSSF Amendment Bill 2019 to Parliament, the Board members travelled to Ghana to benchmark and appraise themselves with the process of pension of reforms in Ghana, the impact, growth of the pensions sector, post reforms and administration of health care.
Nssf Trustee Training Programme	1 –5 July 2019	Mr. Patrick Byabakama Kaberenge Mr. Patrick Ocailap Dr. Isaac Magoola Mr. Fred K Bamwesigye Ms. Peninnah Tukamwesiga Mr. Peter Christopher Werikhe Mr. Pius Bigirimana Mr. Mugole Mauku D. Stephen Mr. Richard Byarugaba	Enhanced investment and related knowledge to become effective trustees and manage the Fund with confidence. This is a follow up on the certified training.
Customised Saca Training	17–21 February 2020	Mrs. Florence Namatta Mawejje Dr. Isaac Magoola Mr. Fred K Bamwesigye Ms. Peninnah Tukamwesiga Mr. Richard Byarugaba	Considering the UK experience in relation to models for pension fund outcomes by benchmarking from the Department of Work and Pensions in London. Understand the role and expectations of SACA to support senior management.

Continuous Professional Development Programme

As part of the Continuous Professional Development Programme, the Board members from time to time receive presentations from senior executives in the Fund on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The Fund also arranges appropriate visits and seminars covering the Fund's operations, the industry and governance matters for directors to facilitate their understanding of the business and have a better awareness of the risks associated with the Fund's operations.

Principles 11–15: Functional Governance Areas IV

Adequate and effective controls through risk, technology and information, compliance, remuneration and assurance governance.

Risk management IV 11

The Board of trustees is mandated to ensure good corporate governance and effective risk management in the Fund. The Board exercises this mandate through its committees which include Investment & Project Committee, Finance Committee, Staff Administration and Corporate Affairs Committee, and the Audit and Risk Assurance Committee, which is in charge of risk management and the integrity of financial reporting.

The fund has adopted an Enterprise wide Risk management (ERM) approach, where risk management is regarded as an integral part of business activities, meaning that for every key business activity, risk identification and assessment has to be carried out to understand the downside and the upside. The risk management process in the Fund is participatory, including process–owners and risk advisors. Through the ongoing materiality determination process, material matters and emerging risks are identified which could significantly impact the Fund's business model and ability to deliver value in the short, medium and long term.

To achieve effective risk management, and avoid conflict of interest, the three lines of defence model is a key component of the ERM framework to ensure a clear separation of roles between risk–taking functions and risk–control functions.

Oversight of risk and opportunities is the responsibility of the Audit, Risk and Assurance Committee. *See page 97 and 118 for the risk management report and page 40 for material matters and associated risks.*

The Board should ensure prudent and effective risk assessment and management practices, as well as robust process to identify emerging risks which could impact future success and sustainability of the business model school.

Technology and information governance IV 12

Strategies are in place for technology and information governance. As part of the Board charter, the Board has oversight of the Information and Technology Policy, systems and strategies. The Finance committee is mandated to assist the Board in fulfilling its oversight responsibility for technology governance.

With the accelerated digitalisation strategy and ongoing quest to improve efficiency of operational processes and communication through automation and use of digital platforms, the Fund has invested heavily in information security and continuously assesses the strength of the security infrastructure through penetration tests and vulnerability assessments. Appropriate preventive, detective, and corrective controls have been implemented.

Oversight of Technology and Information Governance is the responsibility of the Finance Committee. *See page 99.*

Remuneration policies and practices should be designed to support strategy and promote long–term sustainable success. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance.

Compliance governance IV 13

The Fund is committed to complying with all the relevant legislation, especially that relating to prudential regulation and monitors the status of regulatory relationships to enhance proactive engagement across key regulatory changes and areas of focus.

The Board oversees compliance with legislation, regulations, and codes of best practice governing the retirement benefits sector through the Audit, Risk and Assurance Committee, and seeks to maintain the highest standards of sound governance, including transparency, accountability and fairness to its members, the Regulators, and all our stakeholders.

The Board has established policies and processes to guide legal compliance and delivery of services.

Management continuously monitors its compliance with the key regulations through its quarterly reports to the Board and discloses its performance at the Members' Annual General meeting and further publishes its audited financial statements in the press and on its website.

Oversight of compliance is the responsibility of the Audit, Risk and Assurance Committee.

See page 97 and Engagement with Regulators page 80.

Remuneration governance IV 14

The Board, through the Staff Administration and Corporate Affairs Committee has established human resource policies governing the terms and conditions of employment, remuneration, training, promotions, discipline and other benefits which are fair and will attract, motivate and retain high calibre staff.

The reward and remuneration structures are directly linked to KPIs defined under each strategic objective, ensuring performance is linked to business performance as well individual performance, thereby promoting a high–performance culture and achievement of Strategy. Remuneration is subject to an annual performance review.

Sustainable reward is carried out responsibly and the Fund's reward framework is flexible to meet the changing needs of both the business and economy. The remuneration package and long term incentive for the MD, DMD and Corporation Secretary are determined on the same basis and using the same qualifying criteria as for other employees.

Oversight of remuneration governance is the responsibility of the Staff Administration and Corporate Affairs Committee. *See page 100 and 127 for the remuneration report.*

15 IV

Assurance – Function of Internal Audit

The Internal Audit function provides independent and objective assurance of the design and operating effectiveness of the framework of risk management, controls and governance processes, focusing on the areas of greatest risk. The Head of Internal Audit reports to the Chairman of the Audit and Risk Assurance Committee and frequent engagements take place throughout the year. In order to enhance the independence of Internal Audit function in the Fund, the Head of Internal Audit reports functionally to the Board (Audit and Risk Assurance Committee of the Board) and administratively to the Managing Director who is responsible for ensuring that issues raised by the Internal Audit function are addressed appropriately within agreed timelines. Confirmation to this effect is provided to the Chief Internal Auditor.

The Internal Audit function is established by the Board of Directors, and its responsibilities are defined by the Audit and Risk Assurance Committee of the Board as part of their oversight function. It is the policy of the Board to establish, empower and support the Internal Audit Department.

The Internal Audit Charter provides the framework that guides Internal Audit activities. The Charter states the purpose, authority and responsibility of Internal Audit and is approved by the Board of Directors.

The role of the Internal Audit function includes:

- Assessing the soundness of the Fund's internal control system/processes and making recommendations for improvement.
- Appraising the economy, efficiency and effectiveness with which resources are deployed and, identifying means for improvement.
- Reviewing the systems established for compliance with the rules, regulations, laws, policies and procedures.
- Providing internal consultancy services to Management.
- Conducting investigations as assigned by Management and the Board.

Overall, the Internal Audit function supports the Fund to accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Reporting and Monitoring

The work of Internal Audit is aligned to the strategic objectives of the Fund. On an annual basis, a risk–based audit plan is developed in consultation with Management and approved by the Audit and Risk Assurance Committee. The plan is derived from the annual risk assessments and is aimed at covering each significant auditable unit within the Fund.

Internal audit reports are submitted to the Audit and Risk Assurance Committee on a quarterly basis. Key audit findings are presented to Management and diligently monitored for resolution. Management is responsible for ensuring appropriate actions are taken to rectify any control deficiencies highlighted in the audit reports within a reasonable period.

In addition, Internal Audit follows up on the implementation progress of all internal control recommendations provided by the external auditors to ensure any issues noted are properly resolved within a reasonable period.

Overall, we note that the control environment at the Fund is improving continuously. The control environment is the foundation of an effective system of internal controls. It provides discipline and structure for the achievement of the primary objectives of the system of internal controls. In the Fund, the control environment elements are captured in the different policy frameworks that are continuously updated to reflect the changes in the business model.

Internal Audit's role towards Integrated Reporting

The Internal Audit activity adds value to the Fund by providing objective and relevant assurance, and contributing to the effectiveness and efficiency of governance, risk management, and control processes.

Specifically, Internal Audit assessed and made appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and fund values.
- Ensuring effective performance management and accountability to achieve strategic objectives.
- Communicating risk and control information to appropriate areas of the Fund.
- Coordinating activities and communicating information among the key stakeholders, in particular the Board, Management and external auditors.

Geoffrey Barigye
HEAD OF INTERNAL AUDIT

The Internal Audit function supports the integrity and transparency underlying integrated reporting, by providing an independent reassurance on business sustainability.

Internal Audit's role is achieved through providing assurance on financial, as well as non–financial reporting, governance, risk management, and control processes supporting the main objectives of integrated reporting.

In additional, Internal Audit has leveraged technology in order to incorporate data consistency and integrity, stronger collaboration among functions, concise information, and real–time visibility to help identify key areas of focus trends and opportunities to create and protect strategic business value. It also enables effective and continuous monitoring of data, as well as advanced analytics to identify gaps, key risks, metrics, and common issues.

Impact of Covid–19 on internal controls

The Covid–19 pandemic disrupted business processes across the world, and our business was not excluded from this impact. Due to the lockdown restrictions, all the Fund's business operations were channelled online in response to the need for remote working and ensuring uninterrupted services to our customers. Consequently, this had an impact on the internal control environment and the focus of internal audit in assessing established internal controls.

The audit plan was subsequently adjusted to focus on emerging risks that could potentially impact the Fund's operations and control environment. For example, information security controls became a particular focus as a result of remote/home working and increased threat of cyber–attacks.

In spite of this disruption, Internal Audit continued to deliver all assurance activities without affecting the normal course of business.

Overall, Internal audit has embraced innovation and use of technology in assessing, testing and remediating internal controls for their efficiency and effectiveness. Using data analytics, Internal Audit has been able to transform data into valuable and actionable information on a timely basis.

External Auditors

The powers to appoint external auditors for Public Institutions (like NSSF) is vested in the Office of the Auditor General of Uganda (OAG). In line with Section 23 of the National Audit Act (2008), the Auditor General may appoint private auditors to assist him or her in the performance of his or her functions under this Act. Section 32(2) of the NSSF Act gives the Auditor General the mandate to audit its financials or by an Auditor appointed by the Auditor General. The selection of the external Auditors is therefore a preserve of the Auditor General.

Accordingly, the Auditor General re–appointed Ernst and Young to conduct an annual audit of the National Social Security Fund for the year ending 30 June 2020. The length of service of external auditors is determined by the appointing authority who is the Auditor General. The general practice has been for a duration of three years.

The ARC reviews the external audit plan with the External Auditor and discusses their approach, nature and scope of work, audit and reporting obligations before the audit commences. In addition, the ARC oversees the relationship between the Internal and External Auditors and ensures that the external audit is coordinated with the internal audit programmes. The external auditors also review the NSSF audit plan and work done in preparation of their risk assessments.

Principle 16: Stakeholder relationships

16 IV

Adopt a stakeholder–inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

We continually engage with all our stakeholders to understand and respond to their needs, interests and expectations. These include the Government, the public, members, and suppliers such as bankers, custodians, administrators and Fund Managers. We seek to continually build strategic partnerships and maintain relationships with our stakeholders. This helps us to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Ongoing engagement and evaluation of the quality and value we deliver to our stakeholders is vital to address sustainability concerns and interests and inform our strategic priorities.

The NSSF has multiple stakeholders with varying interests and influence. The Fund's risk appetite is dictated by stakeholders with the highest interest and influence over its operations and strategic direction.

For details on our approach to stakeholders and engagement see page 62.

Principle 17: Responsible investment IV[17]

Ensure that responsible investment is practiced by the organisation to promote the good governance and creation of value by the companies in which it invests.

Approval of investment of member funds is reserved for the Board in consultation with the Minister of Finance, Planning and Economic Development and this is in line with Section 30 of the Act. The Fund invests prudently mainly in mature markets whose returns are predictable. The aggressiveness for growth is in the Allocation of Assets is governed by an Investment policy.

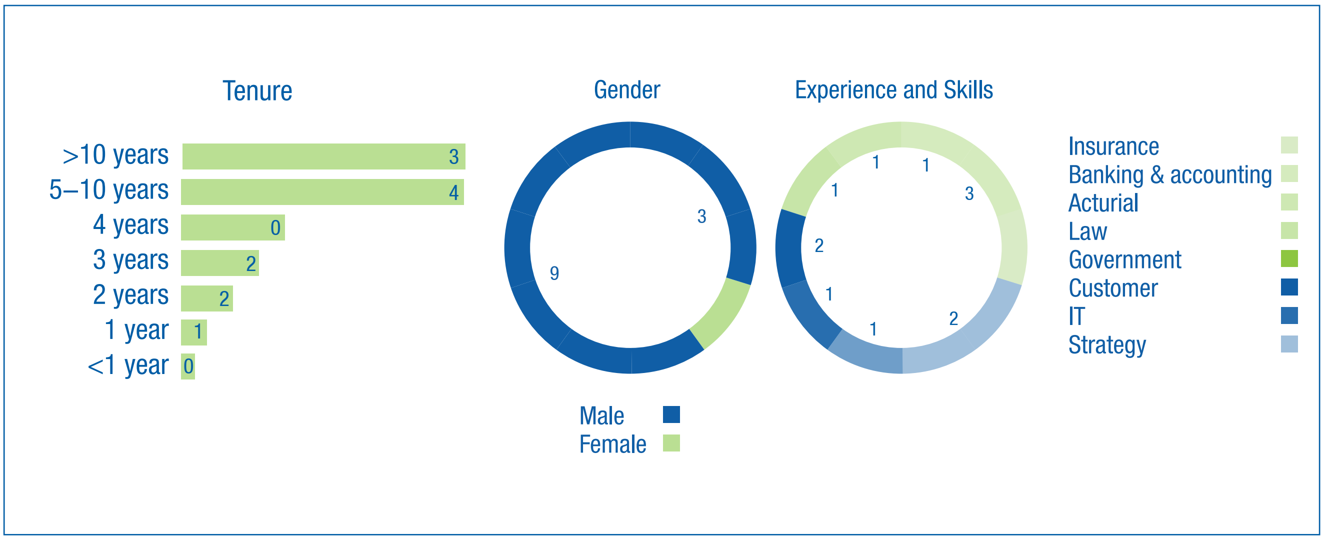
See the Chief Investment Officer business report on page 141 and the Investments and Project Monitoring Committee report on page 98.

In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

Executive Committee composition

The Fund's Administration role is carried out by the EXCO which comprises of 13 members with the MD, DMD, CS and 10 other Heads of Department.

We believe in having a diverse leadership team with regard to experience, skills, tenure, geographical expertise, professional background and gender as illustrated below:



SUSTAINABILITY REPORT

Children of Mbuya Primary School, one of the KCCA dilapidated schools, together with officials from NSSF, KCCA pose for a historical photo at the launch of Hash Run

OUR VALUE TO SOCIETY

Dear Stakeholders,

We are pleased to share this year's Corporate Sustainability Report with you. This report deals exclusively with the Fund's sustainability performance in 2019/2020, yet it would be remiss of us not to acknowledge the unprecedented Coronavirus outbreak, which is one of the most disruptive pandemics in history. We do not yet know what the full impact of the Covid–19 virus will be, medically or economically, but it is already clear that the social and economic disruptions will be deep, broad and long–lasting.

During these difficult times, sustainability continues to remain a part of our DNA, and our Purpose–driven Leadership model continues to place value creation at the heart of our members. By enabling a better, safer and interconnected world, we deliver value, throughout our whole value chain, for our stakeholders and the wider society.

We would like to thank our employees, stakeholders and suppliers for their continued dedication and enthusiasm. Without them, we would not have been able to achieve all that we have. While we are not certain how long the crisis will last, what we are certain of is that, when we come out on the other side, the world will be better placed to face the challenges of tomorrow.

Our strategy is expected to result into having an unmatched customer experience, having a paperless office, giving back to the community and we shall continue to promote education, community health, clean environment and sports through our CSR activities.

Our management has prepared a report on its sustainability measures from the perspective of economic, environment, social and governance impacts, risks and opportunities under strict compliance to applicable guidelines promulgated by Global Reporting Initiative (GRI).

In conclusion, I would like to extend my appreciation to the sustainability reporting team for their drive and commitment to produce the report through which our valued stakeholders will be able to understand the Fund's thinking, current initiatives and value creation which support ten of the sustainable development goals.

Patrick Ayota
DEPUTY MANAGING DIRECTOR

NSSF commitment to a sustainable future through value creation in the long term*

Stakeholders:

Material matters:

Capitals:

*To read more about SDG 5 refer to page 75 and 77.

Committed to a sustainable future

The evolving business landscape and trends have prompted us to review our materiality analysis and reassess our sustainability priorities. We have prioritised stakeholder issues according to their economic, environmental, social and financial impact as guided by the GRI reporting framework and have adopted the Global reporting initiatives (GRI) G3/G3.1 for purposes of this report.

GRI supports the UN 2030 Sustainable Development Goals (SDGs) and our report demonstrates our commitment to these goals for a sustainable future, in the manner in which we have aligned our strategy and business activities to have a positive impact on people, the planet, prosperity and peace for all. The Sustainable Development Goals provide a powerful framework for businesses to engage in Corporate Social Responsibility (CSR).

In support of the UN SDGs agenda, we have leveraged our CSR activities to achieve the SDGs for sustainable growth in a holistic manner. The Fund has been socially responsible, through several social and community initiatives that are being undertaken. From our perspective, CSR is a commitment to ensure promotion of social and environmental well–being of the communities in which we do business.

In combination, CSR and SDGs together provide great opportunities to develop an interconnected model for sustainable growth. The Fund's CSR interventions make a deliberate attempt to develop and build the very basics that support a decent life within our community.

We also lead the way on good corporate citizenship. The Fund's CSR interventions focus on the disadvantaged persons within our environment and the donations target groups and not individuals.

These include: Youth, Education, Health and the disadvantaged.

The Fund's approach to CSR is three–fold:

BUILDING PARTNERSHIPS

- We undertake collaboration and partnership with local institutions and communities
- Each partner has a specific role in the implementation of our initiatives

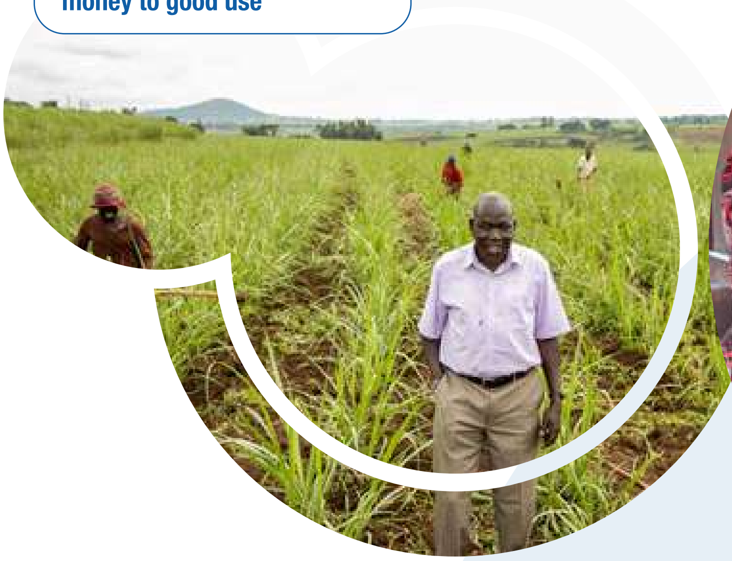
GOOD CORPORATE CITIZENSHIP

- Premised on the view that the Fund has a role to play in sustainable development and well–being of the community in which we do business, we will take responsibility for our actions that impact communities

CORPORATE PHILANTHROPY

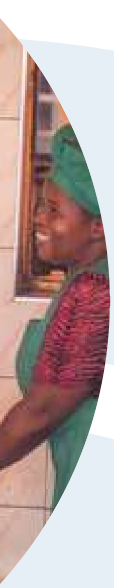
- The Fund from time to time gives back to the community in the form of ad–hoc contributions to support worthy causes

Simon Alira is one of the NSSF Friends with Benefits Contestants who put his money to good use



We encourage people from the informal sector to register with our Voluntary Membership Scheme

NSSF current contribution to sustainable development goals	
SDG Description	**NSSF Strategy**
Social protection systems help prevent and reduce poverty and provide a safety net for the vulnerable. **impacting**	• Increasing employment opportunities • Encouraging a saving culture • Making provision for retirement • Financial Literacy campaigns
NSSF Interventions	**Impact and value creation**
Career Expo The Fund started the Career Expo with an objective of preparing students for the workplace, equipping them with skills and knowledge to increase their employability. Every year, we give career advice and lessons on entrepreneurship, as an alternative to formal employment. This year, we went beyond that, with an intention to improve financial education. We believe that the best preparation for financial independence during retirement should start at a young age. Our focus was on Entrepreneurship and Financial Literacy. This is in line with the Fund's overall Financial Literacy programme, where we offer professional financial and investment advice to our members to enable them make better decisions when they receive their retirement funds. The Expo programme was specifically targeted to university students. Our focus on financial literacy was majorly on Personal finance management. Topics included Self–start ups, a session on Today's job market and career advice from the best employers in the country.	**There were a number of success stories that materialised from previous expos:** For the past eight years, the Fund has held these Expo's and has since registered over 100,000 University finalists of which over 8,000 of these have been absorbed in Employment. The Expo was planned to take place in 11 universities, namely Makerere University Business School, Kyambogo University, Makerere University, Ndejje University, Nkumba University, YMCA, Uganda Martyrs University Nkozi, IUIU, Gulu University Mutesa 1 University and Bishop Stuart University. For the past 8 years, we have engaged speakers who have taught the students about different professions, however, we realised the need to introduce a new direction and fresh approach to inspire students. This brought about real–life examples through new, fresh and relatable speakers who are everyday life businessmen and women with self–startups and how they manage their finances. This included the proprietor of safe boda and the CEO MAS group of companies in addition to people from the entertainment industry like Salvador, Richard Tuwangye, who took the students through self–start ups. We noticed from the surveys carried out in the past that students were very interested in starting their own projects and those who did not have these ideas strictly relied on formal employment, so we drew our inspiration from the extracts below. Our Customer Financial Advisor, Apollo Mbowa offering financial literacy training during a session held at the Career Expo.



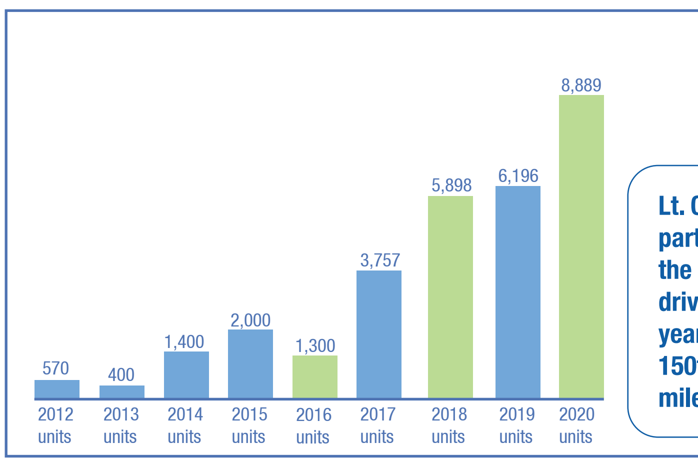
Our Customer Financial Advisor, Apollo Mbowa offering financial literacy training during a session held at the Career Expo

NSSF Interventions	Impact and value creation
"Friends with Benefits" Campaign At NSSF, we are working towards building capacity for our members to manage their benefits better through financial literacy training to ultimately transform their lives, hence the introduction of the "Friends with Benefits" campaign. The Friends with Benefits initiative takes place in the format of a television reality show, promoting financial literacy amongst Ugandans by highlighting success stories of people who received their NSSF savings and sustainably invested for their future.	The show is backed by a 29% increase in the amount of money paid in benefits to qualifying members from UGX 278 Billion in 2017 to UGX 360 Billion in 2018. The number of beneficiaries also increased from 19,027 to 23,665. This season, the Fund focused more on imparting financial literacy knowledge to benefit not only our members or those close of retirement age but also our young people to make better and informed decisions when managing their personal finances. This campaign not only motivates the public to start saving by demonstrating its value but also shines a light on viable investment options from members who have set themselves up to thrive even during retirement. The Top 16 successful stories were aired in a compelling TV show where winners were selected through voting by the public and an expert panel of judges. Three winners were then rewarded with a total of Ushs 55million to further improve their lives. The show also won a continental award as the best Corporate Image campaign during the Africa SABRE Campaigns awards held in Kigali in May 2019. It also won the 2017 International Social Security Association (ISSA) Financial Literacy initiative Good Practice Award. **Achievements** • 94% of sampled viewers affirm that it is important to save with NSSF after watching the series

The three top winners of the Friends With Benefits campaign walked away with Shs55M in total

SDG Description	NSSF Strategy
Improving health and well–being in communities. **Impacting**	• Improving health infrastructure • Promoting sport to aid in health and well–being • Blood donation drives

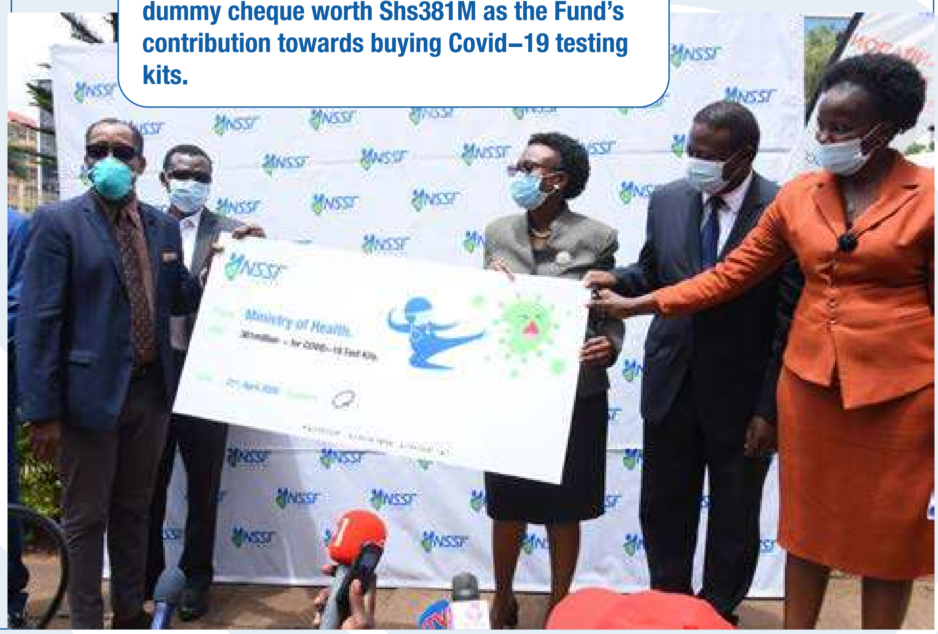
NSSF Interventions	Impact and value creation
Blood donation drive Uganda regularly faces a shortage of safe blood, forcing the Government to issue blood donation appeals. Only 1% of people eligible to donate blood in Uganda regularly do so, which causes frequent shortages of safe blood across the country. The people in most need of safe blood include expectant mothers, accident, cancer and AIDS victims. With the total population aged between 17 to 55 years totalling to 17m, the country can only collect about 170,000 units of blood a year, compared to the recommended 300,000 units by the World Health Organization (WHO). WHO also estimates that 5–10% of incident HIV infections may be attributed to unsafe blood transfusions. To reduce the risk of transfusion–transmitted infections, WHO encourages countries to pursue a strategy that focuses on availability of adequate supplies of blood. As a part of the CSR agenda, the Fund partnered with UBTS to organise a blood donation drive to respond to the appeal for safe blood.	Over 8889 units of blood were collected against a target of 6000 units. In the past 8 years, the mobilization efforts have yielded the following results: **BLOOD DRIVE YEAR ON YEAR**



Lt. Col. Egessa participated in the NSSF blood drive and this year marked his 150th donation milestone

Our Head of Business Geoffrey Sajjabi, setting an example to inspire others to donate much needed blood

NSSF Interventions	Impact and value creation
KAVC Tournament The National Social Security Fund (NSSF) and Kampala Amateur Volleyball Club (KAVC) entered into a partnership in 2008 to promote the development of the game of volleyball, which was at that stage, lagging behind other sports. This partnership has been realised through the NSSF KAVC International volleyball championship and is intended to provide Ugandan clubs and players international exposure to the high level competition.	Ugandan teams that compete on the continent – in Rwanda, Kenya and the Africa Club Championships have improved year on year. The partnership has led to growth of the sport at grassroots with primary schools now competing. Sitting volleyball (for disabled persons) is now also part of the tournament. The tournament has also inspired national interest in the sport as evidenced by record crowds at the games every year and wide coverage in the media. The tournament is now a fixture on the international calendar. The sports fraternity is much more aware of the importance of social security and the significance of promoting a culture of saving in Uganda both at individual and national level. The tournament provides a strong platform for individual players to showcase their talent and many of our players have been able to join professional clubs abroad. This year, the winners walked away with Shs10 million, the runners up Shs5.5 million and the third–place team bagging ShS3.7 million for both the men and women's categories.  **It is always cut throat competition at the KAVC tournament**

NSSF Interventions	Impact and value creation
Donation of 5 000 Covid –19 Test Kits Our decision to donate test kits is informed by the model Government is employing in combating the Coronavirus, which is an emphasis on testing as many suspected cases as possible, as well as their contacts. In addition, the World Health Organisation has also emphasised the need to escalate testing. Given the advice from health experts, a significant number of people who test positive for Coronavirus are asymptomatic. It is therefore obvious that there is a critical need to test as many suspected cases as possible in Uganda to control the spread of the disease. Procurement of the kits was undertaken in conjunction with the Uganda Virus Research Institute. The Fund responded to a call by the Government and health experts that testing for the Coronavirus is one of the most important steps in combating the spread.	The Fund donated 5,000 Coronavirus (Covid–19) test kits worth over Ushs 381 million shillings to the Ministry of Health, of which Ushs 60 million was contributed voluntarily by individual NSSF employees. **Endorsement** The Minister of Health Dr. Jane Ruth Aceng acknowledged the Fund for supporting Government efforts and responding to the call and the need for enhancement of Uganda's coronavirus testing capacity. *"We are tking a comprehensive approach in the fight against Coronavirus. But we recognise that in order to stop transmission of the disease, we have to test and treat those infected. Testing allows us to quickly know who has contracted disease," she said.* **NSSF MD, Richard Byarugaba handing over a dummy cheque worth Shs381M as the Fund's contribution towards buying Covid–19 testing kits.** 

SDG Description	NSSF Strategy
Improving access to education Impacting	• Improving the quality of learning • Refurbish school infrastructure • Promoting financial literacy
NSSF Interventions	**Impact and value creation**
NSSF Kampala Hash 7 Hills Run In 1997 Government introduced the UPE policy as a vehicle for providing facilities and resources to enable every child to enter and remain in school until the primary cycle of education is complete. However, some children in the City have not lived to this expectation due to poor learning facilities. For instance, it is not uncommon to find our children studying in congested classrooms. Currently, whereas toilet stance–pupil ratio is very good (1:47) the average classroom–pupil ratio is 1:68, while in some schools, desk–pupil ratio is as high as 1:5. All these ratios point to challenges of learning environments in our schools. As a result of these challenges, children often drop out of school before completing the UPE cycle, negatively impacting the objectives of UPE. In 2016, NSSF in partnership with KCCA embarked on a journey to refurbish the City's dilapidated school infrastructure. Resources for this noble cause have been raised through the Hash Run.	Hash Run proceeds have been used to refurbish dilapidated classrooms and this gives new lease of life for the education of children whose parents otherwise cannot afford private education. Over the intervening period, school enrolment has increased due to improvement in classroom facilities. Children now have access to good learning environments, and this has resulted in improved learning outcomes. This journey has seen a number of our schools benefit from the initiative; including St. Ponsiano Kyamula P/S, Nakivubo Settlement P/S and Makerere University P/S. This year, the actual event didn't take place due to the government directive against public gatherings. **In Nakivubo Settlement P/S, the intervention resulted in an increase in enrolment from 171 in 2016 to 312 in 2019**  **NSSF MD, Richard Byarugaba joined by partners during the official launch of the NSSF Kampala Hash 7 Hills Run at Mbuya Primary School.**
Financial Literacy	**Financial Literacy content has been deployed on E tablets to educate children in rural areas.**
Digital Learning Libraries In April 2019, the Fund through its Corporate Social Responsibility Programme (CSR) established digital e–learning libraries in 11 government aided schools. Through the programme, 440 digital learning tablets holding the approved national curriculum and student financial literacy content were donated. During this time, we also launched Financial Literacy Student Saving clubs in the schools with the aim of promoting a savings culture and practices. The programme also imparts knowledge, attitude and skills to teachers on expenditure, saving for and preparing for retirement and old age. The Fund set up 11 digital libraries all over the country to serve over 2500 students and 500 teachers	Access to the digital libraries through the 440 tablets was routed through compulsory review of Financial Literacy information. Over 100,000 hrs of use were posted by term one in 2020 which contributed to the set–up of savings clubs with over 400 student savers. Access to the digital libraries continues to improve the financial awareness levels of the learners as they are automatically logged onto a session of Financial Literacy on access and at periodic intervals of their study of other material. Savings clubs with a total savings of over 10M were up and running before the lockdown of schools due to Covid–19. **Encouraging saving and improving Financial Literacy from a young age, to build a security net for retirement**

SDG Description	NSSF Strategy
Creating employment opportunities Impacting	• Expansion strategies • Increasing investment opportunities • Increasing employment opportunities

NSSF Interventions	Impact and value creation
Amnesty campaign for Employers affected by the Covid–19 Pandemic We are mindful of the need to support distressed businesses overcome the challenges of Covid–19 and stay in business. As the world is grappling with the fight against Coronavirus, NSSF introduced a measure to support businesses or Employers facing economic distress as result of the Covid–19 pandemic and subsequent lockdown. The measure involved allowing Employers to reschedule their NSSF contributions for a period of three months without accumulating a penalty	The amnesty campaign enabled Employers to retain workers who would otherwise have been laid off due to cash flow challenges. In addition, by rescheduling NSSF contributions until employers have adequate cash flows and the businesses have stabilised, employers were able to inject the money that would otherwise have been remitted to the Fund back into their operations, hence savings thousands of jobs for their workers. The rationale for granting the Amnesty was in support of the Government of Uganda's interventions to combat the effect of Covid–19 pandemic on businesses in the private sector

NSSF Interventions	Impact and value creation
Creating Wealth and Economic Growth through Investment Opportunities NSSF continues to make an immense contribution and impact on Uganda's economic frontier. The Fund is the largest investor in Uganda's bond and equity markets and has a large footprint in the real estate market. These investments, and the returns they generate, additionally contribute to Uganda's fiscal revenue by way of various taxes paid, interest paid to members, salaries of our employees, and payment to suppliers of goods and services provided to the Fund.	Our value–added Statement reflects, at a high level, the wealth created by the Fund and how it was distributed among the key stakeholders. The stakeholders include the Members, Government, and NSSF Employees. The Fund retains some funds to re–invest for the future growth and operation.

Year Ended 30 June 2020	2020	2 019	2 018	2 017
	Ushs'Billions"	Ushs'Billions"	Ushs'Billions"	Ushs'Billions"
Investment Income	1 472	1,254	1,041	845
Other Income (Loss)	(54)	(213)	387	27
Net Increase in Value of Investments	97	(129)	238	46
Less Expenses (Excluding staff costs & Depreciation)	(78)	(68)	(53)	(48)
Wealth Created	1,437	844	1,613	870
Distribution of wealth created to stakeholders (Amounts)				
Members (Interest credited to accounts)	1,154	978	1,100	681
Employee Salaries, Wages and Other benefits including	76	71	56	42
Government Direct Tax	153	172	145	130
Retained Earnings for Future growth	(3)	(404)	240	11
Distribution of wealth created to stakeholders (Percentage)				
Members (Interest credited to accounts)	84%	120%	71%	78%
Employee Salaries, Wages and Other benefits including	5%	9%	4%	5%
Government Direct Tax	11%	21%	9%	15%
Retained Earnings for Future growth	0%	–49%	16%	1%

SDG Description	NSSF Strategy
Reducing consumption of natural resources by managing our natural capital **Impacting**	• Reducing carbon footprint • Improving energy and water management • Adopting a sustainable approach to waste management; and minimising our use of resources across our business, guided by our Energy Management policy

NSSF Interventions

Energy, water and waste management
Our approach
The Fund has a water and energy management policy, which is aligned to international standard ISO 14001:04 that aims to ensure efficient use of resources and aiding in monitoring and controlling the environmental objectives.

Energy efficiency and management
The Fund is committed to continual improvement in Energy Management Performance through prevention of energy wastage and compliance to local and national energy legislative and regulatory requirements. Electricity is the major source of energy supply to buildings owned by the Fund. This electrical power is supplied directly to the buildings by an UMEME distribution feeder. The feeder then distributes the power through three transformers. When the electrical supply to the building is cut–off, two diesel generators provide standby power.

The Fund implemented the following activities to ensure energy savings:
- Increased use of daylight in all our buildings which include Worker House, Social Security House, Jinja complex and Mbarara complex.
- Replacement of magnetic ballasts with electronic ballasts for fluorescent tubes.
- Replacement of fluorescent lights with Light Emitting Diodes (LEDs) that use less power.
- Increased de–lamping especially in tenants' offices.
- Re–lamping in areas with low lux levels.
- Improved lighting controls such as occupancy sensors and daylight level sensors.
- Replacement of the existing water–cooled chiller system, with a variable refrigerant flow system.
- Use of variable frequency drives on the lift motors.
- Use of lift optimisation software to ensure efficient use of the lifts.
- Grouping of lifts in odd or even numbers.

Water conservation and waste management
Water and waste handling, treatment, and disposal are handled in accordance with regulations, as identified in Section 4.2, Global Environmental Health and Safety (GEHS), which help in water monitoring and management.

The following activities were implemented to save on water usage:
- Shut off water to unused areas
- Install self–closing taps, automatic shut–off valves
- Install water–saving equipment in lavatories
- Use of closed–circuit cooling systems with cooling towers

Reduction in paper consumption
NSSF adopted paperless office with the use of Electronic Document Records Management System, namely ADA [Advanced Digital Archival]. It has greatly streamlined document management via workflow processes control. Both physical and digital copies are archived with a proper audit trail of all actions with relation to the documents.

Impact and value creation

The Fund aims to achieve an annual saving of 15% on water and energy bills

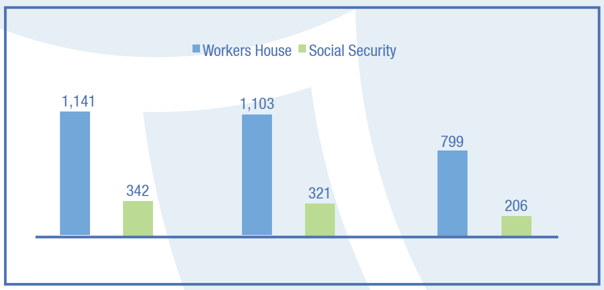
Our key environmental impacts last year included:
- 5.9% saving on water consumption
- 32% reduction on energy consumption
- 20% reduction in paper consumption
- 100% of the waste from our buildings was diverted to KCCA pipelines in accordance to the City Council Solid Waste Management Ordinance of 2000

During the year, the Fund achieved a 45% reduction in the annual water bill for both Workers House and Social Security House, from Ushs855M in 2018 to Ushs467M in 2020.

Total consumption of paper in our various offices reduced by 27% from 10500 kilograms in 2017 to 7680 kilograms in 2020.

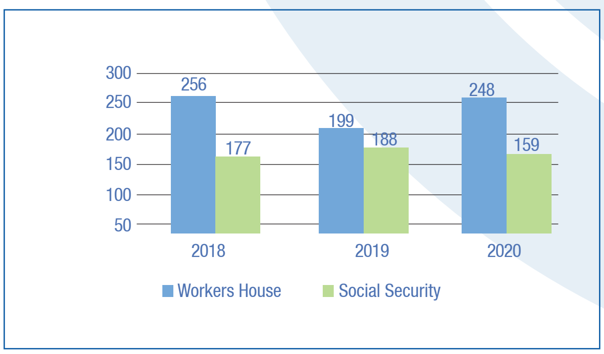
We shall continue to reduce on paper consumption by promoting usage of the e–channels. House and Social Security House, from Ushs 855M in 2018 to Ushs 467M in 2020.

ENERGY SAVINGS



In addition, the Fund acquired a 32% reduction in the annual Energy bills for both Workers House and Social Security House from Ushs 1.4 Billion in 2018 to Ushs 1 Billion in 2020

WATER SAVINGS



During the year, The Fund achieved a 45% reduction in the annual water bill for both Workers House and Social Security House, from Ushs 855M in 2018 to Ushs 467M in 2020.

SDG Description	NSSF Strategy
Technological progress is key to finding lasting solutions to both economic and environmental challenges, such as providing new jobs and promoting energy efficiency. **Impacting**	Committed to delivering world class service to our customers through customer centric digital innovations
NSSF Interventions	**Impact and value creation**
Digital strategy Agility, customer centricity and innovation are key fundamental components of the NSSF strategy. Our technology innovations provide ubiquitous service that enables instant gratification – a requirement in the new world.	This year 88% of our member transactions and interactions were hosted digitally. **NSSFGO App** The Fund revamped the Mobile Application dubbed NSSFGO App to include access to more self–services and improve customer experience. Some of the new features added include contributions payments for voluntary savers and employers whose payments are less than Ushs4m monthly, member contacts update, retirement benefits projections, employment history, e–statement and direct contact to Relationship Manager. The app and web also have the Benefits Claim feature which enables the Invalidity, Emigration and Exempted Benefit Claims. This feature allows a verified member to apply for their well–deserved benefit in under 3 minutes without the need to physically visit our branches. This app is an affirmation of the Fund's commitment to transparency for its members by giving our members access to monitor their NSSF accounts anytime, anywhere. Our plan is to improve our business processes by making them more efficient & convenient to members through various innovations by 2025. The new app not only increases efficiency and service delivery to our customers, but also puts the power back into members' hands to take control of their money. The upgraded app also gives members an opportunity to track their savings in a more detailed way and hold their employers accountable regarding their contributions. **Electronic self–assessment tool** Through the NSSF Employer Portal, this self–assessment tool enables companies to self–assess electronically with real/time results.
SDG Description	**NSSF Strategy**
Impacting **Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**	Promoting the rule of law to ensure equal access to justice for all.
NSSF Interventions	**Impact and value creation**
Pro–bono legal aid services In partnership with the Legal Aid Providers Network (LAPSNET).	As part of an ongoing initiative launched in April 2017 with the Legal Aid Providers Network (LAPSNET), we were able to extend pro–bono legal aid services to over 114 members in Mbarara District who are unable to afford legal services.

NSSF Legal staff posing for a photo after a successful legal clinic at Workers House

RISK MANAGEMENT

Mr. Edward Senyonjo
HEAD OF RISK

NSSF RISK MANAGEMENT PHILOSOPHY

Through effective risk management, the Fund is able to generate a positive return for its members to enable them to improve their well–being when they receive their benefits. The aim of risk management is to identify and manage risks within the approved risk appetite framework to reduce uncertainty associated with the implementation of the Fund's strategy, so as to create value for its members.

Our risk management philosophy, which is informed by our attitude towards risk, influences our risk appetite, which in turn impacts our behaviours that collectively form our risk culture.

Risk appetite is the nature and amount of risk an entity is willing to accept in pursuance of its objectives. The Fund's risk appetite is determined by the Board of Directors of the Fund and is well documented and communicated to all stakeholders in a statement displayed in all our offices.

Our risk appetite influences our strategic decisions, particularly regarding where and how much we invest. We have a high appetite for fixed income, that is, investment in government securities, as this has low risk but with reasonable returns.

Strategic asset allocation

Fixed income	Equities	Real estate
Max–30%	Max– 15%	Max– 80%

The yields on the 10–year bond and the 15–year bond averaged at 15.13% and 15.18% respectively in the year 2019/20 in Uganda.

Our perception of risk management is that; it is not a separate process but an integral part of business activities. Therefore, it is everybody's responsibility at the Fund to manage risk. We are aware that there are several risks associated with each business process or activity, and therefore, to execute the business process successfully, we ensure that the associated risks are managed effectively.

To achieve effective risk management, we believe it is important to have a clear separation of roles between risk–taking functions and the risk–control function– that is the concept of the three lines of defence, to avoid conflict of interest.

For instance, a Sales department performance is measured by how much revenue it generates. This inevitably creates a temptation for the Sales agent (risk–taker) to inflate sales in order to benefit from rewards of excellent performance. This compromises the controls, which could lead to erosion of value. Therefore, separation of the risk–taking (Sales) function and the risk–control function, provides effective checks and balance.

At the Fund, the first line of defence consists of managers in charge of various functions, who are commonly referred to as risk–owners. The second line consists of risk management, security, compliance and financial control, while the third line of defence consists of Internal Audit. External auditors play a similar, but not identical role to that of the internal auditors. External auditors provide assurance on the truth and fairness of the financial statements.

The three lines of defence

First line of defence	Second line of defence	Third line of defence
Risk control	**Risk assurance**	**Risk ownership**
Implements risk management policies and procedures, and conducts control self–assessments	Formulates risk management policies and coordinates risk management activities	Evaluates the adequacy and effectiveness of internal controls vis–a–vis the risks, and provides assurance to the Board on the status of the internal control system

We believe that the first line of defence plays a crucial role in risk identification, control and reporting. However, we are also cognisant of the fact that the staff in the first line of defence may not have the necessary skills and expertise to identify all potential risk exposures. Therefore, the team in the second line of defence support the first line of defence through sensitization and training to create awareness, as well as participating in risk identification and assessment.

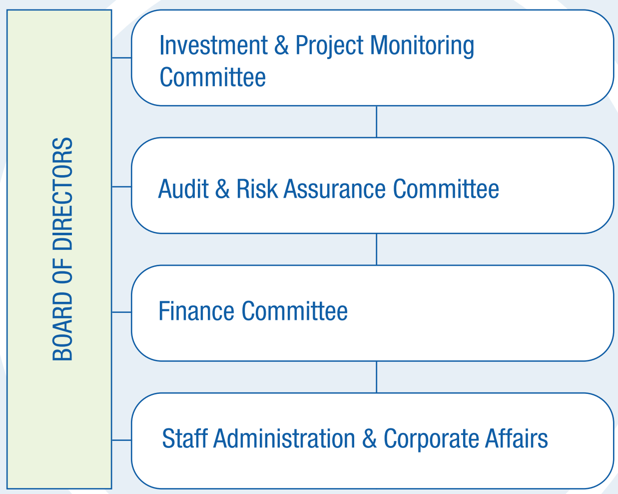
HOW WE MANAGE RISK

We embrace an Enterprise–wide Risk management (ERM) approach, where risk management is regarded as an integral part of business activities, meaning that for every key business activity, risk identification and assessment have got to be carried out to understand the downside and the upside. The risk management process in the Fund is participatory, including process–owners and risk advisors.

Risk governance

The Board of trustees is mandated to ensure good corporate governance and effective risk management in the Fund. The Board exercises this mandate through its committees which include the Investment & Project Monitoring Committee, Finance Committee, Staff Administration and Corporate Affairs Committee, and the Audit and Risk Assurance Committee, which is in charge of risk management and the integrity of financial reporting.

Board and Committees



Executive management

The Board delegates the day–to–day management of risk to Executive management. The Board receives quarterly reports on the status of existing risks as well as emerging risks and opportunities. At the Executive management level, the Head of Risk is responsible for developing risk management frameworks, policies and procedures, as well coordinating risk management activities and promoting a risk culture through regular training and sensitisation.

EXECUTIVE MANAGEMENT

Management Investment Committee

Risk Management Committee

Risk governance and management roles

OVERSIGHT

REVIEW AND ESCALATION

COORDINATION AND ADVISORY

OWNERSHIP AND CONTROL

Risk management process

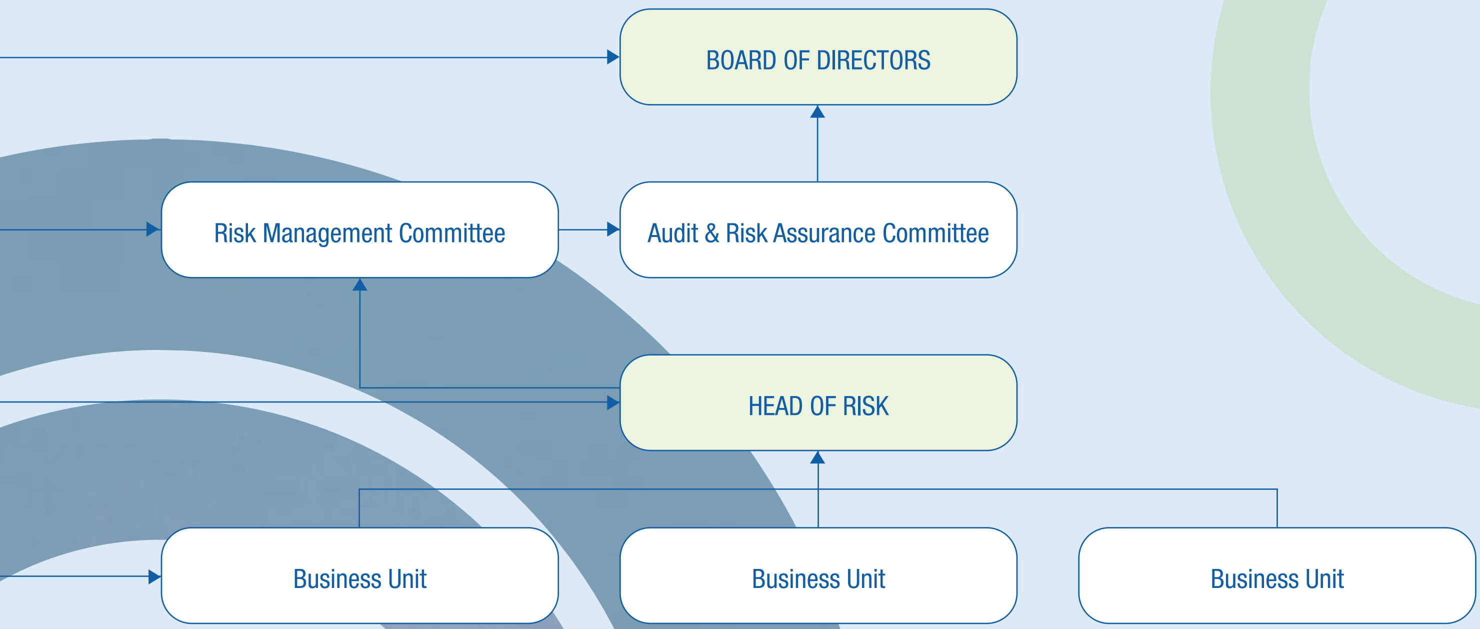
Risk identification and assessment

At all stages of business strategy, including planning, formulation, execution, monitoring and evaluation, risk identification and assessments are conducted and the risks identified are managed in accordance with the Fund's risk response strategy.
New investments, products, systems and processes are subject to extensive risk assessment to identify potential downside and upside before they are approved. This helps to ensure creation of value and avoidance of erosion of value.

Key risks experienced in 2019/20 and the outlook

			↑	↓	↔
LOW RISK	MEDIUM RISK	HIGH RISK	RISK IS INCREASING	RISK IS REDUCING	RISK IS NOT CHANGING

Risk category	Risk driver	Risk response	Outlook	
1. Business/strategic risk	The effects Covid–19 to business operations	The Fund facilitated its employees to work from home to ensure business continuity	The business environment continues to be unpredictable due to the uncertainty surrounding Covid–19	↑
2. Governance risk	Management stability	The Fund enjoys stability of management	No key issues are anticipated	↔
3. Reputation risk	Agitation for midterm access by members. The positive media tonality declined to 88% as at the end of the financial year compared to 91% at the beginning of the year	The Fund embarked on a sensitization campaign, issuing statements from time to time, to create awareness and appreciation of social security	Until Parliament amends the NSSF Act to provide for midterm access, the image of the Fund will continue to be affected by the perceived denial by the NSSF to provide midterm access	↑



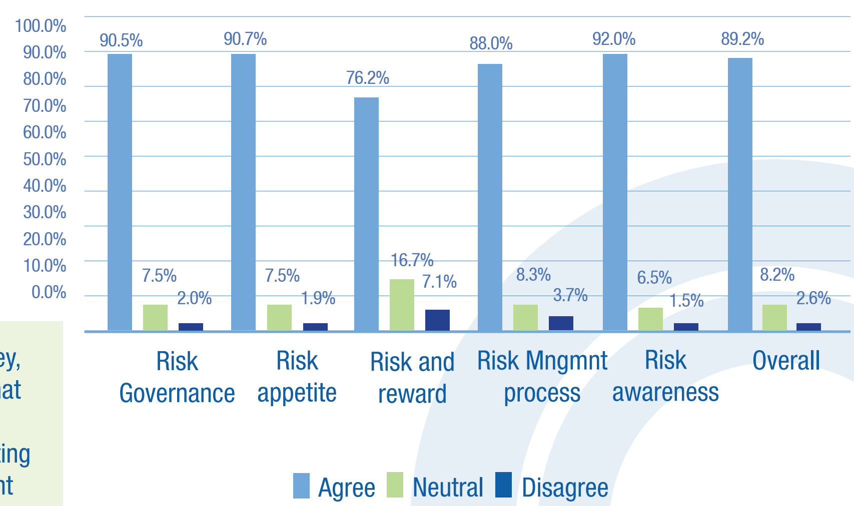
Risk category	Risk driver	Risk response	Outlook	
4. Compliance risk	Lack of awareness of the legal and regulatory requirements	A compliance strategy, spelling out the compliance universe, the monitoring and reporting mechanism, as well as sensitization programme is in place	The amendment of the NSSF Act is likely to give the Fund more leverage in terms of coverage and provision of additional benefits	↓
5. Financial crime risk	Weaknesses in the internal control environment and system create opportunities for fraud	The Fund believes in zero tolerance to financial crimes and has strengthened its control system to prevent or detect financial crimes. No successful fraud incidents were reported in the financial year	There is likely to be an escalation of financial crime in the form of fraud, as the effect of Covid–19 continues to place significant financial pressure on individuals	↑
6.Information security risk	Working from home, where the control environment is not as strong as in the office environment In February through to April 2020, cyber incidents increased by 47%, from 15 Billion attempted attacks to 22 Billion attacks globally. (source: Imperva)	The Fund has invested heavily in information security and continuously assesses the strength of the security infrastructure through penetration tests and vulnerability assessments Although there were a number of attempted attacks, all the attacks were detected and prevented by the Fund's Intrusion Detection and Prevention System [ID&PS].	The new phenomenon of working from home due to Covid–19 restrictions has increased the susceptibility of a cyber–attack because the control environment at home is relatively weak Communication over the internet at home is generally not through a firewall	↑

Risk category	Risk driver	Risk response	Outlook	
7. Market risk	Changes in interest rates, fluctuations in exchange rates and volatility of stocks In the 3rd quarter of the FY 2019/20, the stocks crashed due to the effects of Covid–19 The Fund registered Ushs 120.5Bn capital losses	Diversification at the overall portfolio level (fixed income, real estate and equities), as well as at asset level, especially equities	Although there was a slight recovery of 0.62% in the fourth quarter, the stocks are expected to take a while to fully recover	↑
8. Credit risk	Deterioration in financial performance of counterparties	Regular monitoring of counterparties' financial performance	Some of the counterparties' risk ratings are downgraded to marginal rating	↑
9. Operational risk	Weak internal control system and control environment	Regular review and assessment of internal processes, systems and products, and monitoring external events	For as long as a cure or vaccine remains unavailable, Covid–19 will continue to impact the business operations	↔
10. Liquidity risk	Decline in contributions, increase in benefits payment and increase in real estate project implementation	Dynamic cash flow forecasting and liquidity gap analysis The Fund maintained a healthy liquidity position throughout 2019/20 Although the Fund granted employers a deferment of contributions in the first quarter of 2020, this did not significantly affect the amount of contributions collected monthly, since annual contributions (Ushs1.29 trillion) exceed the budget (Ushs1.26 trillion) by Ushs 0.03 trillion	The proposed amendment to the NSSF Act to provide for midterm access will have a moderate impact on the liquidity of the Fund It is expected that a number of members will withdraw 20% of their balances, which translates into a total of Ushs 347Bn	↑

To read more about our material matters and associated risks, see page 40.

Internal risk culture survey

This high level of awareness of risk and risk management process has enabled the Fund to minimise variability of returns and operational losses. We shall continue to promote risk management practices through benchmarking the best practices, locally and internationally.



In the recent internal risk culture survey, 89.2% of the respondents indicated that they are satisfied with the Fund's risk management practices; with 92% stating they are aware of the risk management process of the Fund.

Strategy planning cycle and risk identification and assessment

STAGE	RISK IDENTIFICATION AND ASSESSMENT OBJECTIVE
Assess	To identify opportunities and threats, and ways and means to take advantage of the opportunities and counter the threats so as to create value
Formulate/review existing risk assessment	To reduce uncertainty regarding the implementation of the strategy
Plan	To ensure the strategy is implemented in a well coordinated and systematic manner
Communicate	To ensure adaptability of the strategy and minimise resistance, which could lead to failure to attain organisational objectives
Execute	To ensure that strategic initiatives are implemented as agreed, so as to attain the objectives
Monitor	To ensure that agreed performance targets are being or are likely to be achieved
Evaluate	To establish whether, at the end of the strategy period, approved performance targets have been attained

Control assessment

We are cognisant of the fact the risk environment is highly dynamic and the control system may become inadequate or ineffective, thus creating opportunity for the risk to crystallise. To ensure that the control system remains resilient and robust, we subject controls to continuous assessment and improvement. The assessment involves both the risk–owners, who conduct control–self assessments (CSA), and the risk advisors who validate the results of the CSA.

Risk awareness

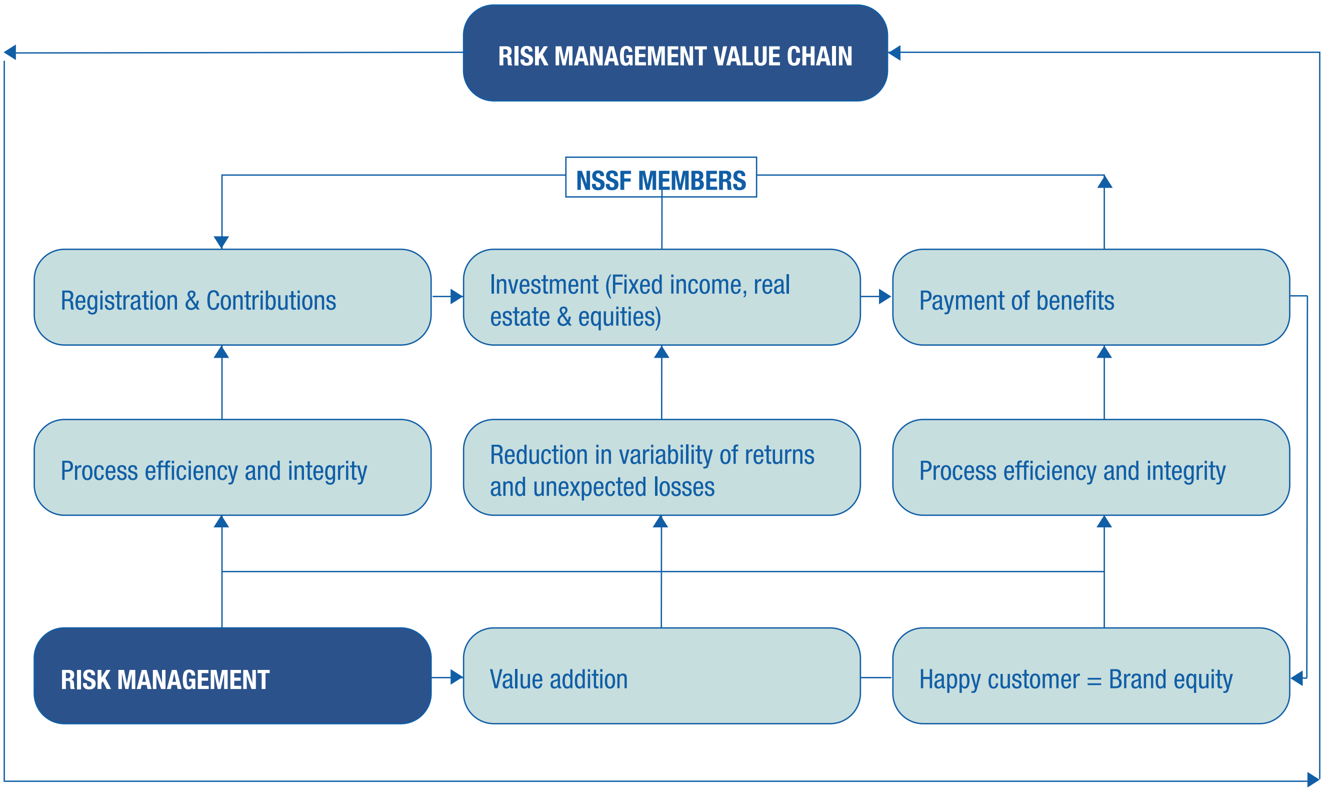
To embed a positive risk culture in the Fund, we ensure that all employees are fully empowered with the knowledge and skills on how to identify and manage risk, through regular training and sensitization. This is done right from induction of new staff and through the year; either face–to–face or by way of email, magazines, bulletins, etc.

Risk reporting

Risk reporting is extremely important for effective risk management, as it ensures that management and the Board are abreast with emerging risk exposures, and this helps them to take timely and appropriate decisions. Monitoring of risk is aided by the risk tolerance limits, based on the Fund's risk appetite.

The Fund holds annual Regional Employer Forums to update upcountry members about the state of the Fund

How risk management creates value



RESILIENCE AMID COVID–19 ONSLAUGHT

A number of businesses have collapsed due to the effects of Coronavirus, also known as Covid–19. The business environment remains extremely unpredictable.

The effects of Covid–19 on the global economy is enormous. According to the June 2020 Global Economic Prospects by the World Bank, the global GDP is envisioned to contract by 5.2%.

As a way of curtailing the spread of Covid–19, most countries, Uganda inclusive, resorted to lockdown measures, and directing citizens to stay at home.

NSSF constituted a Covid–19 response team which is a multi–disciplined group of representatives across the business, including Risk Management, which has coordinated the organisations response strategy and execution thereof.

NSSF business continuity

Working from home

Prior to the outbreak of Covid–19, the Fund had already built capacity to enable employees to work remotely; therefore, Covid–19 did not have a major impact on the continuity of operations of the Fund, as staff were enabled to work from home immediately when the lockdown was imposed.
From a customer's perspective, the Fund had already built various capabilities for customer self–service such as Apps for online registration, submission of claims, remittance of contributions and updates of member records. This ensured that customer operations continued unhindered.

Impact on financial performance

Covid–19 had an impact on the financial performance of the Fund; as annual income [Ushs1.471Tn] was nearly 8% below the budget [Ushs 1.602Tn), total investments [Ushs 13.28Tn] were about 3.1% below the budget [13.71Tn], while total assets [Ushs13.15Tn] were about 4.1% below the budget (Ushs 13.71).

However, total contributions [Ushs1.271Trn] exceeded the budget [Ushs1.26Tn] by about 2.4%, while cost administration [1.20%] was 0.05% below the budget [Ushs 1.25%].

Disaster recovery test

Despite the unpredictable environment created by Covid–19, the Fund was able to successfully conduct the annual disaster recovery test to assess the resilience of the IT systems.

Lessons learnt

The key lesson learnt with Covid–19 is that it is important to always think about a worst–case scenario and undertake stress testing to assess the resilience of the organisation's systems, because when the worst situation materialises, the unprepared will be affected more significantly. Additionally, being agile and dynamic is crucial in responding to crises like Covid–19.

RISK AS OPPORTUNITY

At NSSF we consider the downside and upside (opportunities) presented by risk. This section provides an insight into our management of risk as an opportunity.

Sustainability

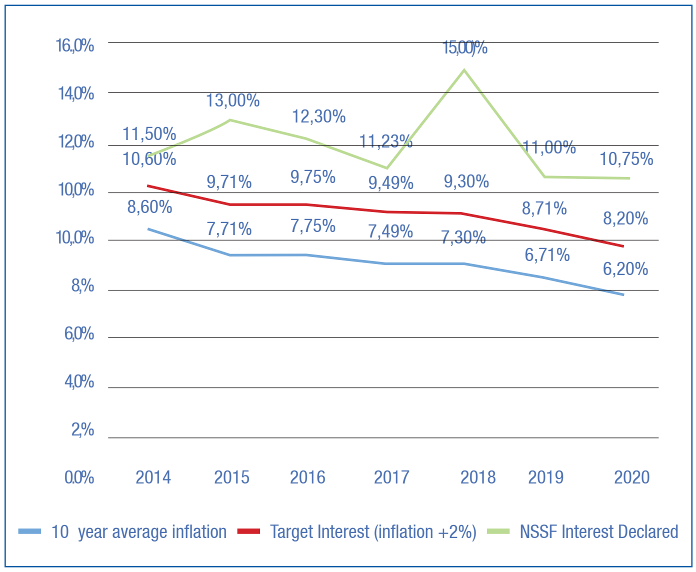
Generally speaking, sustainability is ensuring that the environmental and economic actions taken by the present generation do not deprive the future generations of opportunities to enjoy similar levels of wealth, utility or welfare.

Inconsiderate exploitation or use of resources deprives future generation of opportunities to a good quality of life. Every business derives its survival and growth from the society in which it operates. If the society is poor, the organisation will not grow and may eventually collapse. To mitigate this risk, and capitalise on opportunities, the Fund has implemented several interventions including:

Members

The purpose of the Fund is to make members' lives better by improving their financial well–being, especially at the retirement age of 55 years. Our internal research shows that the overwhelming majority of our members do not have any other savings besides the NSSF savings. Such a situation makes the members highly vulnerable to poverty at old age. The Fund therefore, made a commitment to give the members a reasonable return, which is 2% over and above the average 10–year inflation rate, each year. True to that commitment, despite the effects of Covid–19, the Fund provided an interest rate of 10.75% % for 2019/20.

INFLATION VS MEMBER INTEREST



Financial Literacy

Additionally, we also established that the majority of our members who receive benefits from the NSSF utilise all the money within 3 years. The Fund, in conjunction with the Bank of Uganda, decided to provide financial literacy to its members to enable them to manage their finances properly so as to better their lives, especially when they receive their benefits.

In the FY2019/20, 6,876 members attended financial literacy programmes facilitated by the Fund. It is still too early to tell the benefits of financial literacy but we believe that over time, this will equip the members with the knowledge and skill for effective financial management, so as to improve their financial wellbeing.

Financial literacy sensitisation

Employers

Upon realising that employers had been significantly affected by Covid–19 and that they were having trouble making statutory remittances, the Fund decided to offer to employers temporary amnesty to defer remittance of contributions. This released the pressure on their cash flow and enabled them to continue operations.

Employees

Beyond the pay cheque, the Fund has made various interventions to support its employees to attain a good quality of life. Through the staff welfare programme, the Fund has provided a crèche for lactating mothers, a gym facility, medical insurance and lunch for all employees, etc, as well as facilitating employee team–building activities.

Additionally, the Fund provides exciting professional training opportunities, by way of sponsorship for all employees.

The crèche for breastfeeding employees

Community

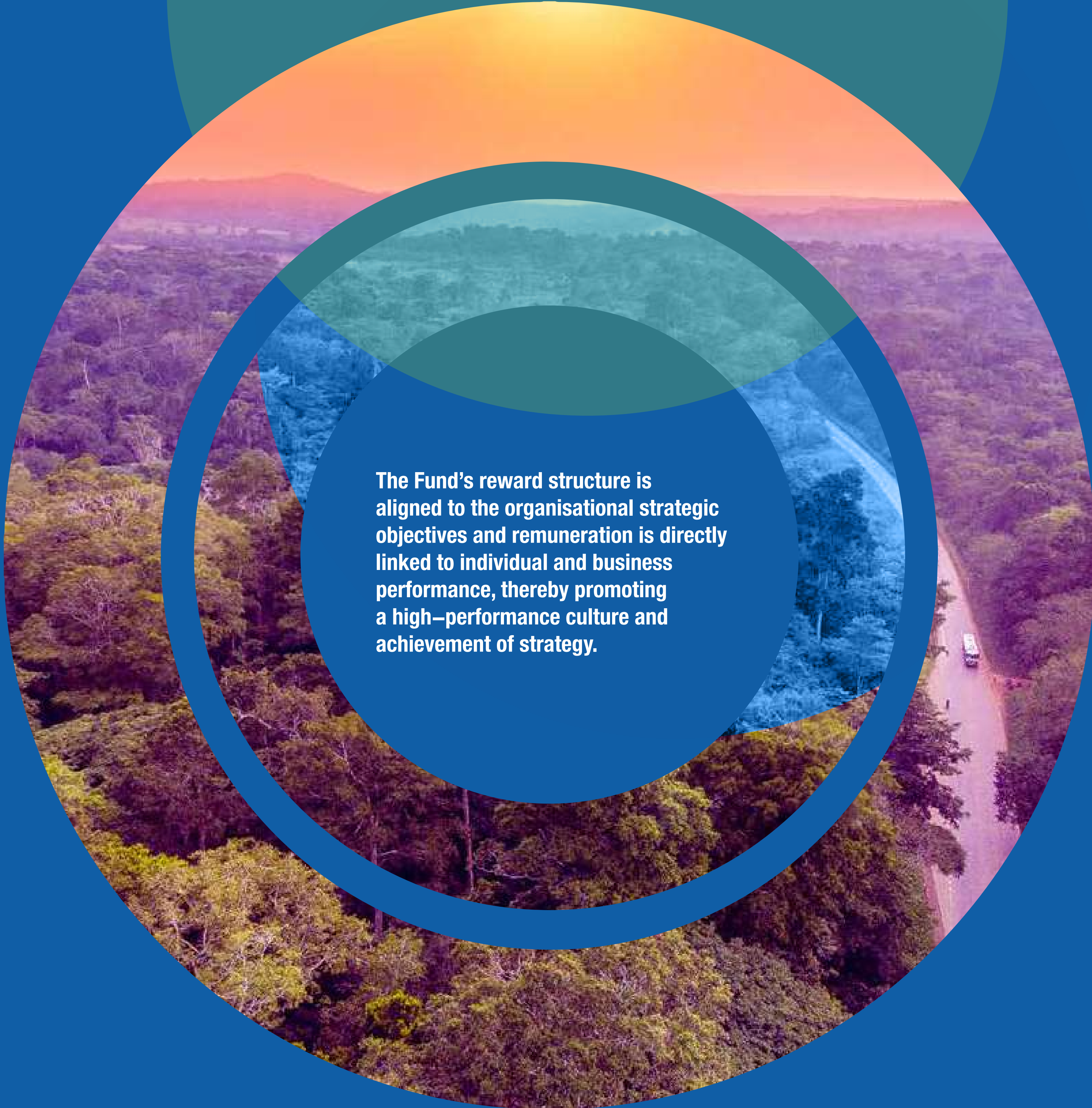
The Fund, through the corporate social responsibility programme, has sponsored various community–based activities to a tune of Ushs 750,500,000 in 2019/20.

Economy

By mobilising savings and investing in long term instruments, the NSSF provides long term capital to the government to undertake developmental projects such as power generation and infrastructure development.

Secondly, the Fund is a compliant taxpayer; for the financial year 2019/20, the Fund paid taxes to a tune of Ushs 154,647,000,000. This money goes to the consolidated fund and is used for developing infrastructure and provision of social services to the population.

Thirdly, through the real estate portfolio, the Fund contributes to the housing sector in Uganda. It is estimated that demand for housing in Uganda is 600,000 –1,000,000 over and above the supply of houses. By undertaking building construction, the Fund is playing a key role in supporting the population to address the problem of housing.



The Fund's reward structure is aligned to the organisational strategic objectives and remuneration is directly linked to individual and business performance, thereby promoting a high–performance culture and achievement of strategy.

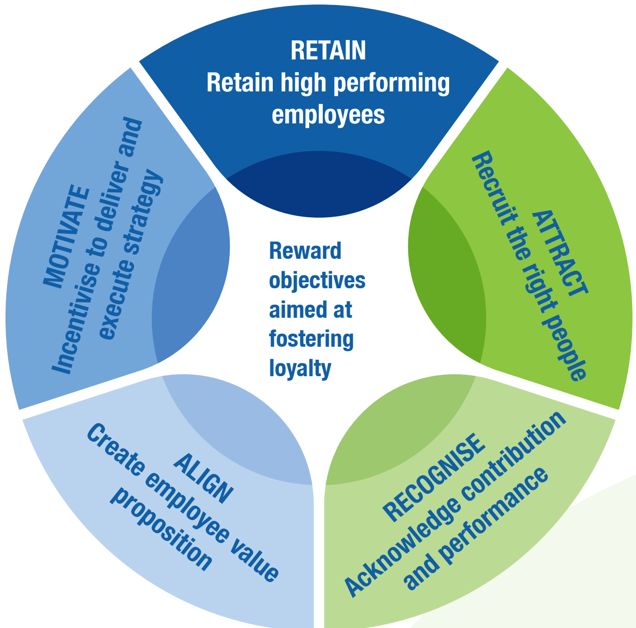
REMUNERATION REPORT

To determine fair remuneration of employees, the Fund conducts an annual benchmarking exercise, to compare market related remuneration.

The reward structure is aimed at:

- ATTRACTING
- MOTIVATING
- RETAINING TALENTED INDIVIDUALS

The Fund's remuneration policy at a glance



SUSTAINABLE
Reward is carried out responsibly

The reward framework is flexible to meet the changing needs of the business and the economy

FAIR
Policies are transparent, equitable and consistently applied

- Reward decisions are trusted and properly governed
- Reward is legal and compliant

SIMPLE
Easy to understand

- Reward is simple and clear, without complexity
- Reward is delivered accurately

COMPETITIVE
Assessed on a total reward basis

- Reward reflects an individual's role, experience, performance and contribution
- Reward is comparable to the external market and internal relativity

NSSF staff posing for a historical photo at the annual staff end of year party

The Fund's pay structure may include any or all of the following:

<table>
<tr><td>Fixed pay</td><td>

The Fund has developed a fixed pay range that is linked to an approved grading system.
This is aimed at ensuring that the pay is fair and there is internal equity and consistency within the Fund.
The pay is competitive compared to entities of a similar nature.

</td></tr>
<tr><td>Performance based increments</td><td>

Performance–Based Increment (PBI) is a method of remuneration used by the Fund to ensure appropriate reward for performance.
PBI links pay progression to an assessment of individual performance usually measured against pre–agreed objectives with a link to the organisation's scorecard.
Pay increases awarded through PBI are normally consolidated into basic pay. The increments are based on the appraisal results for the year, the positioning of each individual in the pay grades, as well as the pay increment budget for the year.
The PBI increases with performance and decreases as one's pay moves towards the maximum of the grade, as shown below.

<table>
<tr><th>Performance Rating</th><th>Q1</th><th>Position in Q2</th><th>Range Q3</th><th>Q4</th><th>Above max</th></tr>
<tr><td>A+</td><td>9.53%</td><td>7.62%</td><td>6.93%</td><td>6.24%</td><td>0.00%</td></tr>
<tr><td>A</td><td>6.48%</td><td>5.18%</td><td>4.71%</td><td>4.24%</td><td>0.00%</td></tr>
<tr><td>B</td><td>4.13%</td><td>3.30%</td><td>3.00%</td><td>2.70%</td><td>0.00%</td></tr>
<tr><td>C</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr>
<tr><td>D</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>0.00%</td></tr>
</table>
</td></tr>
<tr><td>Variable pay</td><td>

The Fund also has annual incentives in the form of bonuses paid to qualifying staff. Bonus pay is a one–time lumpsum payment and the objective is to recognise and reward employee's contributions, retain exceptional and very high performers, motivate staff and increase productivity.
Individual employee bonus awards are based on agreed and reviewed performance and the overall contribution to the Funds' results for the year in question.

</td></tr>
<tr><td>Benefits</td><td>

The Fund provides benefits in line with market practice and regulatory requirements.
The Fund provides medical insurance cover and death benefits to all Fund employees and their dependants.
In addition, a retirement benefit scheme "Staff Provident Fund" is provided to all permanent staff, where as a "Gratuity Scheme" is provided for the Executive Committee (EXCO).
Other benefits currently available to the MD; DMD and Corporation Secretary include:

Company car
Membership to health club/gym
Personal security

</td></tr>
</table>

Recognition policy

The Fund recognises and rewards individuals and groups of staff who:

- Make exceptional (sustained or one–off) contributions that promote achievement of the Fund's strategic objectives;
- Achieve exceptional shorter–term performance; or
- Overcome operational challenges.

The reward(s) can be awarded to a "Group" or an "Individual" and is(are) both financial and non–financial.

Long service incentive

Although length of service may not necessarily automatically contribute to performance, the Fund does value the commitment and loyalty of long serving employees. Long term service awards recognise service in 5–year bands, starting with 10 years' service and then continuing with awards every 5 years.

Remuneration of statutory appointees

The remuneration package and long term incentive for the MD, DMD and Corporation Secretary are determined on the same basis and using the same qualifying criteria as for other employees. The appointee's remuneration is subject to an annual performance review. This package is approved by the appointing authority, who is the Minister of Finance, Planning and Economic Development.

Annual single total figure of remuneration

Top Management	Salary (Millions)		Benefits (Millions)		Bonus (Millions)		Pension (Millions)		Gratuity (Millions)	
Year	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Managing Director	574	699	53	53	132	191	86	100	114	137
Deputy Managing Director	464	610	46	111	107	166	69	88	92	115
Secretary	420	432	34	31	82	109	63	55	84	86

Non–executive directors' remuneration and terms of engagement

Terms of service

All non–executive directors are provided with a letter of appointment setting out their remuneration. Directors are appointed by the Minister of Finance, Planning and Economic Development for a three–year term, renewable once.

Fees

Non–executive directors receive a retainer for their service on the Board and a meeting attendance fee for Board and Board Committee meetings. Fees are paid monthly in arrears. There are no contractual arrangements for compensation for loss of office. Executive director(s) do not receive any retainer or meeting attendance fee. In determining the remuneration of non–executive directors, the Board considers the extent and nature of their responsibilities, and comparative remuneration offered by other major entities of a similar nature.

Directors' fees (Ushs.)

Board Chairman	2019	2020
Annual retainer	114,000,000	114,000,000
Fee per sitting	2,000,000	2,000,000
Director		
Annual retainer	90,000,000	90,000,000
Fee per sitting	1,528,000	1,528,000
Board Committee		
Chairman (Fee per sitting)	2,000,000	2,000,000
Member (Fee per sitting)	1,350,000	1,350,000

Summary of 2019/2020 Board emoluments

Category of Directors	Board retainer fees & Board sitting allowance	Other benefits	Pension contributions	Total	Year
Non–Executive	771,009,714	532,658,099	42,877,400	1,346,545,213	2019
Non–Executive	890,189,600	582,542,166	62,914,860	1,535,646,626	2020

The oversight of Remuneration is done by the Staff Administration and Corporate Affairs Committee. *See page 100.*

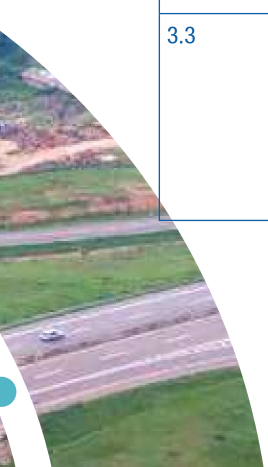
IV

GLOBAL REPORTING INITIATIVE

Reporting in accordance with the GRI Guideline

This Report is aligned with the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines. The index below gives full details of reporting against GRI disclosure profiles.

Profile Disclosure	Description	Level of Reporting	Cross–reference/Direct answer	Page Reference
1. Strategy and Analysis				
1.1	Statement from the most senior decision maker of the organisation.		NSSF Integrated Report 2020: Managing Director's overview.	20
1.2	Description of key impacts, risks, and opportunities.		2020 Integrated Report: Head of Risk Report. 2020 Integrated Report: Material Matters	118 40
2. Organisational Profile				
2.2	Products, and/or services.		NSSF Integrated Report 2020: Our Report Overview (About our theme: Committed to you...now and tomorrow), About Our Fund (Our Business) Adverts Performance against Strategy (Reason for decline in new products) Our Members	4 30 43,49,85 56 68
2.3	Operational structure of the organisation.		NSSF Integrated Report 2020: Governance.	88
2.4	Location of organisation's headquarters.		NSSF Integrated Report 2020 Registered Office: Workers House.	
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		National Social Security Fund operates solely in Uganda.	
2.6	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).		NSSF Integrated Report 2020: About the Fund.	30
2.7	Significant changes during the reporting period regarding size and mode of operation.		NSSF Integrated Report 2020: Business Model Our response to the Covid–19 pandemic Business Strategy Performance against strategy	35 44 52 55
2.8	Awards received in the reporting period.		NSSF Integrated Report 2020: Governance – Second runner's up at the FIRE awards for its Corporate Governance report	89
3. Report Parameters				
3.1	Date of most recent previous report.		NSSF's Sustainability Report was last published in June 2019.	
3.2	Indicate whether the Chair of the highest governance body is also an executive officer.		NSSF Integrated Report 2020: Governance The Chair of the Fund is a Board member and is a non–executive officer.	93
3.3	State the number and gender of members of the highest governance body that are independent and/ or non–executive Members.		NSSF Integrated Report 2020: Governance.	102



GLOBAL REPORTING INITIATIVE (continued)

3.4	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		NSSF Integrated Report 2020: Governance – Conflict of interest management	90
3.5	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.		NSSF Integrated Report 2020: Governance – Board evaluation.	92
3.6	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and It's committees.		NSSF Integrated Report 2020: Governance– Board composition and tenure	93
3.7	Basis for identification and selection of stakeholders with whom to engage.		NSSF Integrated Report 2020: Stakeholder Engagement and approach.	62
4. Market Presence				
4.1	Standard entry level wage by gender compared to local minimum wage at significant locations of operation.		NSSF only operates in Uganda and complies with Uganda legislation. As such, this indicator is not considered material.	–
4.2	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		NSSF only operates and recruits in the Uganda, as such this indicator is not considered material.	–
5. Indirect Economic Impacts				
5.1	Understanding and describing significant indirect economic impacts, including the extent of impacts.		NSSF Integrated Report 2020: Material Matters.	40
5.2	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, and other community investments, and payments to members.		NSSF Integrated Report 2020: Summary of outcomes in Business Model by Capitals.	34
6. Water				
6.1	Water sources significantly affected by withdrawal of water.		NSSF is not a major user of water, and while it is developing its reporting in relation to water, this indicator is not currently considered material to the Business.	
6.2	Percentage and total volume of water recycled and reused.		NSSF is not a major user of water, and while it is developing its reporting in relation to water, this indicator is not currently considered material to the Business.	
7. Biodiversity and Environment				
7.1	Total water discharge by quality and destination.		This indicator considers the scale of impacts associated with the organisation's discharge. NSSF is not a major user of water. This indication is not currently considered material to the Business.	
7.3	Energy saved due to conservation and efficiency Improvements.		NSSF Integrated Report 2020: Business Model under Natural Capital Outlook under Natural Capital Committed to a sustainable future.	 35 59 116
8. Compliance				
8.1	Monetary value of significant fines and total number of non–monetary sanctions for non–compliance with environmental laws and regulations.		NSSF Integrated Report 2020: Our Stakeholders – Regulators and Legislators Our Regulators	 63 81
9. Employment				
9.1	Total workforce by employment type, employment contract, and region, broken down by gender.		NSSF Integrated Report 2020: Our Employees	75

9.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	●	NSSF Integrated Report 2020: Our Employees Business Model – Human Capital	 75 35
9.3	Return to work and retention rates after parental leave.	○	The NSSF only employs people in Uganda and complies with all Uganda labour laws, including those relating to maternity and paternity leave.	–
9.4	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	✖	National Social Security Fund only operates and recruits in the Uganda, as such this indicator is not considered material.	–
9.5	Education, training, counselling, prevention, and risk–control programmes in place to assist workforce members, their families.	●	NSSF Integrated Report 2020: Our Employees Wellness Risk Management: Risk training Beyond the pay cheque, the Fund has made various interventions to support its employees to attain a good quality of life.	 75 123
9.6	Labour/management relations Occupational health and safety.	◉	NSSF Integrated Report 2020: Health, safety & employee well–being 'Creating a safe and healthy working environment for employees to thrive'.	 78
9.7	Percentage of employees receiving regular performance and career development reviews.	●	NSSF Integrated Report 2020: Our Employees: Employees receive regular performance and career development reviews and the strategy and performance department manages the process. Remuneration Report.	 76 127
10.	**Labour/ Management**			
10.1	Percentage of employees covered by collective bargaining agreements.	○	We encourage employees to become members of one of the trade unions recognised by the Fund.	–
10.2	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	○	Minimum notice periods are defined in our Human Resource Manual.	–
11.	**Occupational Health and Safety**			
11.1	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work–related fatalities.	◉	NSSF Integrated Report 2020: Our response to the Covid–19 pandemic	44
11.2	Security practices.	⊗	The Fund has a security manager who is fully in charge of all security issues. It also employs a full–time security firm and anti–terrorism police to ensure safety of staff, assets and clients.	–
12.	Corruption			
12.1	Actions taken in response to incidents of corruption.	⊗	NSSF only operates in Uganda and aligns practices to Uganda law. Incidences of corruption are dealt with as specified in the code of business conduct. Such information is considered business Confidential.	–

KEY

● **Full reporting**

◉ **Partial reporting**

✖ **Don't report, not considered to be of material importance**

⊗ **Don't report, confidential information**

○ **Don't report, will consider**

05. OUR PERFORMANCE

CFO's FINANCIAL REVIEW

BY CHIEF FINANCIAL OFFICER
Stevens Mwanje

Despite Covid–19 pandemic related challenges to the economy, the Fund managed to deliver a solid performance in the year 2020

As such, the Fund set itself up to deliver an interest return to the members that meets and exceeds the 10–year average inflation threshold

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

RISKS

1
BUSINESS/
STRATEGIC
RISK

CFO's financial and business review

In order to achieve its vision of being a valued business advisor and delivering key insights for decision making, the NSSF Finance Team has undergone tremendous transformations and improvements to adapt and respond to a rapidly changing business environment and dynamic future.

The team has a committed work force that envisions to be the centre of excellence in the Fund by providing timely, accurate and valuable information backed by analytics that is prized towards facilitating decision making. The team has therefore focused on cutting edge initiatives to drive the above agenda.

These include but are not limited to; review of the finance structure, 100% professionalising all finance staff, re–skilling of finance staff, automating all major processes and enhancing business insights with data analytics. Key among the initiatives is the transformation and implementation of a finance business advisory and partnering which will be at the heart of ensuring that the department is at the peak of business service delivery and value creation by 2023.

In a bid to automate all major processes to deliver significant efficiencies, the NSSF budgeting process has undergone a major revamp with the rolling out of the Finance Automated Budgeting System. The Automated Budgeting System is an NSSF online platform that enables various budget holders to collaborate offsite, prepare and submit budgets for real time consolidation and reporting. The tool, thereafter, provides real time updates and analytics on performance trends.

Integrated Reporting:

This year's annual report has adopted an integrated thinking model and as such conveys the story of the value creation process of the Fund through the lens of the 6 capitals:

- Financial Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Social and Relationship Capital
- Natural Capital

The integrated thinking approach enabled the Fund to enhance accountability and stewardship while promoting understanding on their interdependencies, improve information available for the efficient allocation of capital and, promote actions that focus on the creation of value over the short, medium and long term.

The economic environment and the effect of Covid–19 on the Fund

The World Health Organisation declared the Corona Virus a global health emergency on 30 January 2020. On 18 March 2020, the Government of Uganda announced a lockdown and restrictions as a countermeasure against the spreading of Covid–19. By the financial year–end, some of the lockdown and restrictions had been eased.

These measures adversely affected businesses, supply chains and stock markets across various industries. The Finance Team was key in ensuring continuous delivery during the lockdown. Please refer to note 44 in the Financial Statements for a full assessment of the impact of the pandemic on the Fund's business.

The economy, however, witnessed disruption of unprecedented levels in the 2nd half of the financial year 2019/20 resulting from global lockdowns aimed at combating the spread of the Covid–19 pandemic.

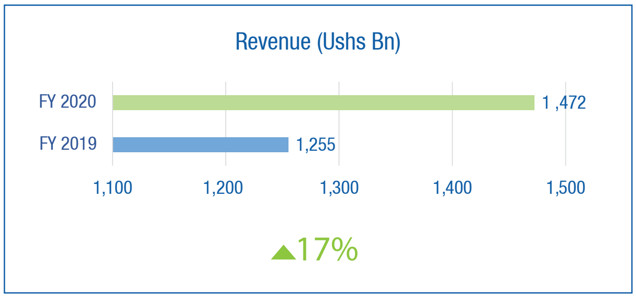
Uganda's GDP growth averaged 5.9% in 2019 and was on a trajectory to grow at 6% in 2020 amid steady agricultural growth, expansion in gold–processing and delays in oil projects. Due to the pandemic, the economy only managed to grow by 3.3%.

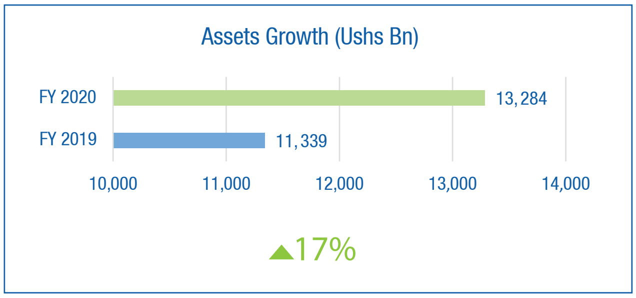
The post Covid–19 healing is expected to extend over a prolonged period with increased bouts of volatility and economic uncertainty.

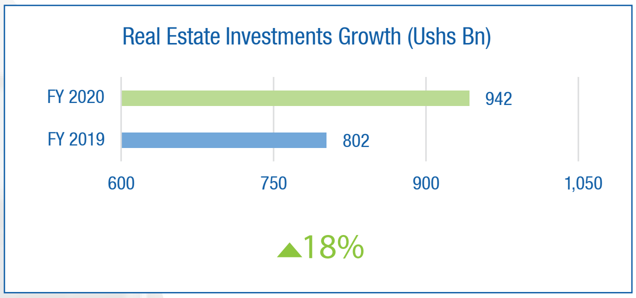
To aid the Fund to navigate this uncertainty, the Finance Team shall continue to upskill, innovate, adopt and re–learn in order to be a valued business advisor, delivering world class information to drive decision making.

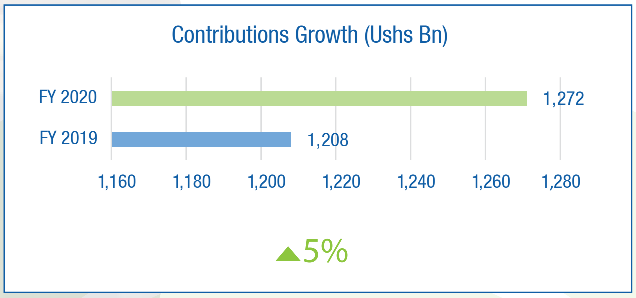
The Finance Team at its Strategic Retreat

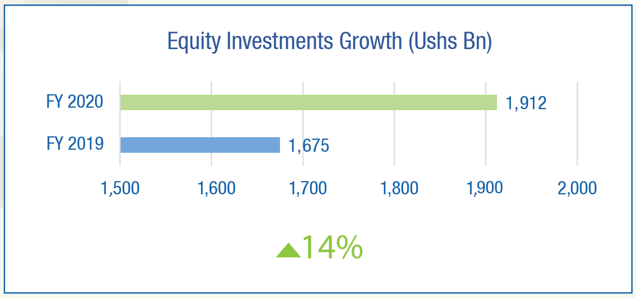
KEY PERFORMANCE HIGHLIGHTS











Analysis of Financial Results

The financial statements of the Fund were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) to meet the requirements of the National Social Security Fund Act (CAP 222), 1985 of Uganda. Overall, the Fund weathered the storm to deliver a good performance on all major benchmarks.

Below are the highlights:

Revenue

Gross interest income which makes up 95% of total Fund income, grew by 20% from Ushs 1,167 Billion in 2019 to Ushs 1,399Bn in 2020. This was attributed to higher interest rates on the fixed income investments especially bonds.

1. Rental income grew by 4% from Ushs 10.7 Billion in 2019 to Ushs 11.1 Billion in 2020 as a result of commissioning of new rental properties in Jinja and Mbarara.
2. Dividend income dropped by 19% from Ushs 77 Billion in 2019 to Ushs 62 Billion in 2020. This resulted from the slow down and uncertainty in the economy caused by the pandemic that led to the cancellation of dividend payouts by several companies.
3. As a result, total realised revenue grew by 17% from Ushs 1,255 Billion in 2019 to Ushs 1,472 Billion in 2020.

Operating costs

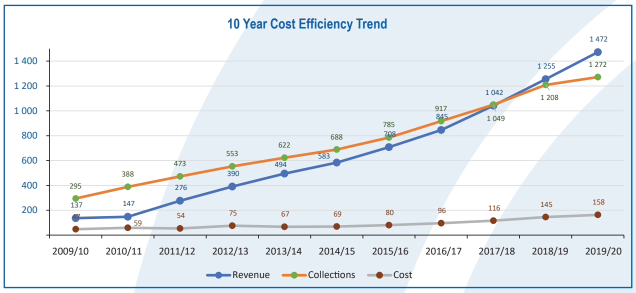
Annual operating costs amounted to Ushs 158 Billion in 2020, up by 8.9% from Ushs 145 Billion in 2019 and 3.8% lower than budget of Ushs 164 Billion. This was partly attributed to the slowdown in business activity in the last quarter as a result of the lockdown.
The annual cost to income ratio stood at 10.8% in 2020 down from 11.6% in 2019.

The expense ratio continued dropping from 1.28% in 2019 to 1.19% in 2020 and better than the target of 1.25% driven by prudent management of operating costs.

Interest credited to Members

Despite pandemic related challenges to the economy, the Fund managed to deliver a solid performance in the year 2020.
As such, the Fund set itself up to deliver an interest return to the members that meets and exceeds the 10–year average inflation threshold.

REVENUE, COST AND CONTRIBUTIONS TO MEMBERS



For the financial year 2019/2020, an interest rate of 10.75% was declared resulting into Ushs 1,154 Billion credited to members. This represents an increment of 18% from Ushs 978 Billion credited to members last financial year 2018/2019.

A prudent investment strategy coupled with an efficient cost management strategy have continuously led to higher productivity resulting into higher value for the NSSF members. Whereas revenue and collections have grown by a CAGR of 27% and 16% respectively, costs have only grown by a CAGR 13% over a 10 yr. period

Accumulated Member Fund Reserves

Member Funds and Reserves grew by 17% to Ushs 13,217 Billion in 2020 from Ushs 11,274 Billion in 2019. This growth was driven by contribution collections of Ushs 1,272 Billion, interest to be credited to members of Ushs 1,154 Billion and, minus benefits payouts of Ushs 496 Billion.

Financial position

The Fund balance sheet size grew to Ushs 13,284 Billion in 2020 from Ushs 11,339 Billion in 2019. This represents a 17% asset size growth. This growth is driven by investment returns and member contributions growth.

The Fund invests in 3 asset classes: Fixed Income Securities, Equity and Real Estate.

Fixed Income investments increased by 18% to Ushs 10,235 Billion from Ushs 8,693 Billion in 2019. This growth is mainly attributed to continued investments in treasury bonds with the governments of Uganda, Kenya, Tanzania and Rwanda.

Equity Investments increased by 14% to Ushs 1,912 Billion in 2020 from Ushs 1,675 Billion in 2019 driven by new share purchases and fair value gains.

Real Estate Investments increased by 19% to Ushs 943 Billion in 2020 from Ushs 802 Billion in 2019 as a result of ongoing work on projects such as Pension Towers on Lumumba Avenue and Lubowa Housing Estate.

Taxation

In March 2020, the Tax Appeals Tribunal ruled against NSSF in a significant income tax matter that has been under dispute since 2013. The Fund has appealed the ruling in the High Court. Please refer to note 37 in the financial statements for disclosure of full details of the case.

Cashflow analysis

The closing cash and bank balances stood at Ushs 26 Billion in 2020 compared to 18 Billion in 2019.

Net cash generated from financing activities amounted to Ushs 790 Billion. Net cashflows used in investing activities was Ushs 802 Billion whereas net cashflows used in operations was Ushs 20 Billion.

This is a clear indicator of the Fund's ability to generate enough cash for operations and investing activities.

Update on accounting standards

International Financial Reporting Standards (IFRS) are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). They aim to standardise the way the financial performance and position of businesses is measured and reported to ensure comparability and understandability.

The standards are updated, and new ones are issued to keep abreast of the ever changing global business environment. In January 2016, IFRS 16 was issued to replace IAS 17 on lease accounting for reporting periods after January 2019. The impact of the standard on the way NSSF accounts for its leases was assessed and the impact was fully reflected in its financial statements for the FY 2019/20.

The IFRIC 23 Interpretation on accounting for uncertainties of income taxes under the scope of IAS 12 was fully adopted and its impact on the financial statements of the Fund was assessed. The interpretation was determined not to have an impact on the financial statements of the Fund.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are not expected to have a significant impact on the Fund's financial statements.

Disclosure on fleet management statement

As at 30 June 2020, the Fund mastered a fleet of 52 vehicles and 5 motorcycles to facilitate service delivery within various regions of the country. All Fund vehicles are purchased and disposed of in compliance with Government vehicle acquisition guidelines and the Public Procurement and Disposal of Assets Authority (PPDA) guidelines.

The Fund has a detailed fleet management policy which guides the usage of all entity vehicles. All vehicles are maintained in a fixed asset register, comprehensively insured and have a tracking system to confirm utilisation for Fund business. Furthermore, repairs and servicing are conducted by authorised suppliers prequalified under the Public Procurement and Disposal of Assets Authority regulations.
A comprehensive review was conducted by the external

auditors and no exceptions were noted.

Disclosure on budget performance process

The Fund has a detailed budgeting and budget monitoring process which includes the key steps below:

- Identification of key initiatives to deliver the strategic goals: The budgeting process of the fund starts with an annual strategy review that is aimed at establishing the key initiatives that bring the Fund closer to achieving the goals set out in its 2025 strategic journey.
- Allocation of funds to the activities supporting the initiatives: Funds are then estimated for each key initiative and are allocated accordingly as assigned to each department head.
- Consolidation of the budget: The Finance department acts as a strategic partner to the process by coordinating all the activities and consolidating the Fund's budget. The finance team guides the budget heads with deep trend analysis and insights into past, current and future performance. This centres the discussion towards ensuring funds are accurately and appropriately allocated and distributed.
- Approval of Budget: The budget goes through a series of reviews by the Fund's senior management team and is finally drafted and presented to the Finance Committee of the Board for review and approval.
- Approval of the budget by the Minister of Finance Planning and Economic Development: Upon approval by the Board, a budget paper is sent to the Minister of Finance Planning and Economic Development for final approval.
- Monitoring Phase: The Finance department is the key driver of the post–approval phase and ensures that all expenditures are as per the budget. Monthly performance reports are issued by the department to the senior management team and quarterly reports are issued to the Board to review progress of all strategic initiatives.

Financial outlook over the short, medium and long term

The 2020–21 outlook hinges on expected recovery post the current economic and financial crisis induced by Covid–19.

2020–21 outlook

Covid–19 containment measures and the uncertain investment outlook for Ugandan oil are likely to weaken growth leading to a lower 2020 GDP growth forecast of 3.0% (from 6.0%), and 2021 forecast at 5.0%. CPI inflation is expected to average 3.3% in 2020 and 5.6% in 2021. This should allow the Bank of Uganda to continue monetary easing in response to weaker growth. We forecast the end–2020 central bank rate to hold at 7%, the lowest it has ever been.

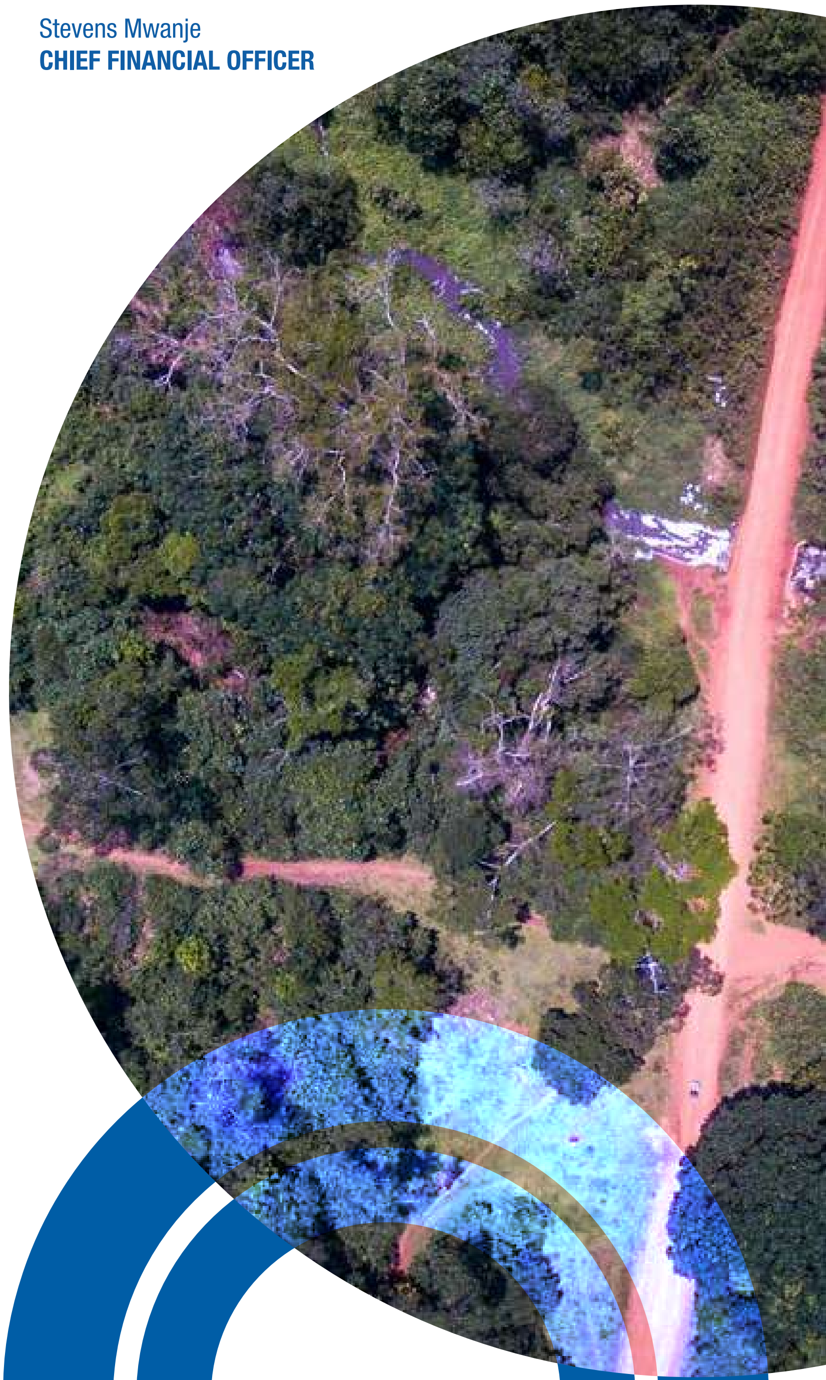
Medium to long term targets

Despite the sombre economic outlook, the fund is still on course to deliver on its 2015–2025 Financial Strategic goals of growing the fund size to Ushs 20 Trillion while keeping operating costs below 1% of the fund size.

Appreciation

To the Board and the Executive Team, thank you for your support and ongoing co–operation during the year. And great appreciation to the dedicated and hard–working Finance Team for ensuring that we maintain our high standards of professionalism and innovation.

Stevens Mwanje
CHIEF FINANCIAL OFFICER



CIO's BUSINESS REVIEW

BY CHIEF INVESTMENT OFFICER
Gerald Paul Kasaato

In the last 10 years, the Fund size has grown by over 540% from Ushs 2 Trillion to Ushs 13 Trillion

Despite challenges in the operating environment, the Fund has consistently delivered real returns

MATERIAL MATTERS

STRATEGIC OBJECTIVES

STAKEHOLDERS

RISKS

7 MARKET RISK

10 LIQUIDITY RISK

Dear Stakeholder,

On behalf of the Fund's investment team, I am pleased to report on the investment performance and initiatives for the one–year period ending 30 June 2020.

The Fund earned a time–weighted total rate of return of 13.82 percent for the fiscal year, with the ending value of investments at approximately Ushs 13 Trillion. Considering that this was coming against a backdrop of the effects of Covid–19 and a lockdown of the country/economy, it was a commendable performance.

30 June 2020 marks five years of the 10–year strategic plan, and in this period the Fund has grown in all dimensions.

The engine for the growth has been:

- Relationship management, which has resulted in improved compliance levels and a rise in contributions collected during the same period.
- Prudent investment strategy leading to a consistent growth in revenue numbers and investment returns.
- Leveraging technology to build efficiencies leading to better cost management.
- Robust customer engagements leading to higher satisfaction rates.

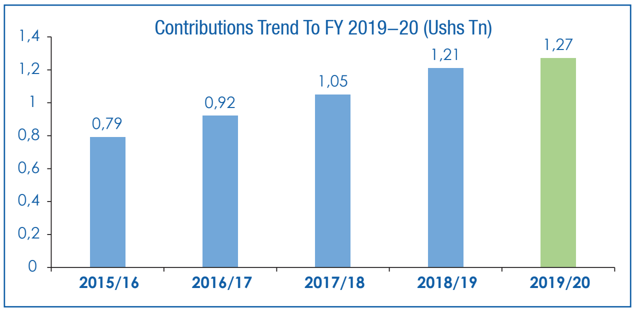
Compliance levels and contributions collected registered in the financial year ended 30 June 2020.

Compliance levels dropped from 68% in 2019 to 55% in 2020 against a target of 60% mostly as a result of the Covid–19 impact on businesses.

Despite this, the contributions continued their upward trend from Ushs 1,208 Billion in 2019 to Ushs 1,272 Billion in 2020 representing a 5% growth and a cumulative annual growth rate of 10.3% over the last 5 years is depicted in the graphs to follow.

The contribution trend in the last 5 financial years from 2015/2016 to 2019/2020

The Fund's average monthly contributions for the year stood at Ushs 107 Billion compared to a target of Ushs 105 Billion. With a view to offer some relief to the businesses negatively impacted by the pandemic and show commitment to the members, NSSF offered contributions deferral support to struggling employers. A total of 1,730 employers with Ushs 22.5 Billion in monthly contributions were granted amnesty during the period.



The impact of the Covid–19 Deferral of contributions on the business

Status of amnesty applications					Employers granted amnesty		
Review Status	**Employers**	**%**	**Members**	**Total Amount**	**Reason for Amnesty**	**Employers**	**Total Amount Ushs. Million**
Granted	1 730	98,35%	104 517	22 484	Total Business Closure	1122	9 977
Declined	29	1,65%	11 268	909	Cash Flow Challenges	559	11 308
Total	1 759	100%	115 785	23 393	Partial Business Closure	49	1 198
						1730	22 484

Breakdown of status by sector

Sector	Total Amount Ushs. Million	Declined	Granted	Total No. of Employers
Education	3 429	0	339	339
Professional,scientific and technical activities	2 947	1	219	220
Transport & storage, Real estate activities and construction	2 808	0	126	126
Human Health and Social Work activities	2 474	0	154	154
Manufacturing & Mining	1 948	1	89	90
Utilities & Energy	1 637	0	79	79
Agriculture, Forestry and Fishing	1 620	1	59	60
Recreation, Accomodation and food service activities	1 611	0	203	203
Trade	1 524	2	164	166
Public Administration & security companies	888	20	3	23
Financial & Insurance Services	869	3	67	70
Information,Communication & Technology	819	1	60	61
NGO,Political & Trade Unions	629	0	59	59
Unknown	189	0	109	109
Total	23 393	29	1 730	1 759

The impact of the Covid–19 deferral of contributions on the business

The financial services, education, human health and social work sectors have over the last 3 years been the largest contributors to the Fund. In the financial year ended 30 June 2020 however, there was a slight decline of the education sector's contribution as a result of the impact of Covid–19 on education institutions. The sector percentage contribution and the trend for the last three years is depicted below.

The Fund's contribution by sector in percentage terms and the trend in the last three years

Sector/Year	2018	2019	2020
	%	%	%
Financial & Insurance Services	14%	14%	14%
Education services	13%	14%	12%
Human health and social work activities	12%	12%	12%
Manufacturing and mining	9%	9%	9%
Public administration & security companies	9%	8%	9%
NGO, Political & Trade unions	7%	7%	7%
Trade activities	7%	7%	7%
Professional, scientific and technical activities	7%	7%	7%
Transport, Storage and Real estate activities	6%	6%	6%
Utilities and energy	5%	5%	5%
Agriculture, forestry and fishing	4%	4%	4%
Information, Communication & Technology	4%	4%	4%
Recreation and Accommodation Activities	3%	3%	3%
Others	0%	1%	2%
Grand Total	100%	100%	100%

Investments return and revenues

The 12 month returns were led by fixed income investments, which generated a 15.98 percent return. Equity investments delivered returns of 6.50 percent, while real estate returns came in at 6.40 percent. Although the equity returns might appear low, considering that the market as at 30 June 2020 was bearish, and some companies had dividend decisions rescinded, it was a solid performance. The performance of the equity returns over the 1–year period to 30 June 2020, compared to the market and some other markets in Africa and benchmarks for frontier markets is depicted below.

How the Fund's equity return compares with different markets over the one–year period to 30 June 2020

NSSF Global Equities/Comparable Markets	Year on year Movement to 30th June 2020
NSSF Global Equities	6.5%
MSCI Frontier Markets	–14.2%
Nairobi Securities Exchange Ltd All Share Index	–8.0%
Tanzania Share Index Real Time	5.6%
Uganda Stock Exchange Local Index	–9.8%
Rwanda Stock Exchange Share Index	–10.4%
FTSE/JSE Africa All Share Index	–6.6%
Nigerian Stock Exchange Main–Board Index	–18.3%
Egyptian Exchange EG X 30 Price Index	–23.9%
Ghanan Stock Exchange Composite Index	–20.7%

While the positive returns are encouraging in a period of downside volatility, our focus is always on the long term sustainability of the Fund. The Fund invests for decades, not a single year. To the extent that the Fund is focused on the long term, one–year returns are just part of the results picture for a retirement scheme like ours. Even returns over 3 years (15.31% annualised return), 5 years (14.44%) and 7 years (15.29%), represent only short–and intermediate–time periods for measuring results. When we consider the results over 10 years (14.26%) or 15 years (13.04%), the outcomes have a greater bearing on the retirement benefits we can sustainably provide. These two periods represent a stunning contrast in returns, primarily because the 10–year period began with markets close to a historic low level during the great financial crisis, whereas the 15–year period began with the Fund becoming a key institutional investor in Uganda—it was just over Ushs 600 Billion in assets under management.

A review of the historical return performance going back to 15 years

Periods through 30/06/2020	The Fund's Investment Total/Annualized Average return	Average 10–year/ Annualized Average inflation	Average 10–year inflation + 200 basis points	Average interest Members
1 Year	13.82%	6.29%	8.29%	10.75%*
3 Years	15.31%	6.42%	8.42%	12.00%
5 Years	14.44%	6.97%	8.97%	11.74%
7 Years	15.29%	7.30%	9.30%	11.89%
10 Years	14.26%	7.43%	9.43%	11.04%
15 Years	13.04%	8.46%	10.46%	9.90%
Avg 3–Years after 2008	8.80%	10.30%	12.30%	5.33%

If we compare the trend depicted in the table above, to the average performance 3 years after the financial crisis of 2008 (8.8% annualised return and interest to members of 5.33%), it is clear that we have managed to make the Fund's performance resilient to shocks over the years. Among the notable shocks was Brexit in May 2016, and the capping of interest rates in Kenya in September 2016—later repealed in November 2019. Every market participant agrees that Covid–19 turned out to have a more devastating effect on the global economy than the 2008 financial crisis. Despite the challenging environment, the Fund managed a solid double–digit return to members which is also positive in real terms. This was not the case during the financial crisis (FY 2007/2008—where interest declared was 3%, FY 2008/2009—interest declared was 7%). Yet the above return and interest to member performance is obscured by the size of the assets.

The reality is that, over the years, the Fund has grown tremendously. In the last 10 years, the Fund size has grown by over 540% from Ushs 2 Trillion to Ushs 13 Trillion.

It is always a challenge when the assets size is big relative to the size of investable assets in the local market. Moreover, the stock exchange in Uganda is still small and has only had 2 local listings in the last 10 years—Umeme and CiplaQCIL. Although regional markets in Kenya and Tanzania are bigger in size, they also have not witnessed many new and sizeable listings. The Fund is further constrained by regulation on where it can invest, and the bureaucracy in investing in asset classes like real estate and private equity.

Because of the limitation of benchmarks in frontier markets, we use the average ten–year inflation plus 200 basis points as the hurdle rate for the Fund's interest to members. In the last few years, the hurdle rate has been higher than the prevailing inflation at the end of the financial year and the date of interest declaration. Nevertheless, despite challenges in the operating environment, the Fund has delivered real returns irrespective of whether you take the Fund's hurdle rate or the prevailing annual inflation in the last 10 years.

The Fund's investment team continues to make strides to reduce the risk, cost, and complexity of the system. While we pay close attention to short term results and make course corrections along the way, our ability to take a long–term perspective is one of the Fund's key investment advantages.

Macroeconomic and market environment

We remain cautious on the macro environment, as many seemingly incompatible indicators have begun to co–exist: growing geopolitical tensions in nearly all parts of the globe and yet rising financial markets in some parts of the world; the economic meltdown after Covid–19, low oil prices and inflation; expanding national deficits; and sinking corporate confidence and consumer confidence.

During the first half of the financial year (second half of 2019), equity markets reacted positively to the expectations of sustained growth propelled by lower interest rates. In Kenya, the repealing of the law on interest caps saw the Nairobi Securities Exchange experience bullish activity from November 2019 that was sustained until March 2020. However, at times such as during the period, fear was the prevailing emotion — fear of the impact that escalating U.S.–China tensions could have on global growth and asset prices weighed in. During those times, faced with elevated uncertainty and dampened investor sentiment, central banks adopted a more dovish tone. As a result, interest rates globally remained quite low, with almost $13 trillion in debt having negative yields. That situation seemed like a positive for frontier markets at the time. However, from March to June 2020, the global trajectory changed. Covid–19 was declared a pandemic on March 11 2020 by the World Health Organisation. The world economy is expected to be in a recession in 2020. Since then, we have seen equity markets in the region experience downside volatility and low liquidity. We have also seen central banks in the region coming up with policy interventions that have kept the market very liquid which has caused the yield curves to shift downwards. Whereas the Ushs managed to hold steady against the USD, the KES depreciated more.

Long term investment approach

The Fund manages an investment portfolio to meet its current and future obligations over the long term, including paying benefits in a timely fashion, generating real long term annualised returns, and minimising the likelihood of a substantial, sustained drawdown of its assets. We will continue to accomplish this by doing the following:

1. Reducing the allocation to fixed income to 70% of the investment portfolio.
2. Increasing the allocation to equities to 22.5% of the investment portfolio. This will include listed and private equity.
3. Maintaining the allocation to real estate at 7.5% of the investment portfolio. This will include investing in build and sell projects, commercial and mixed–use properties and land banking.
4. Unlocking the value of real estate land by coming up with concepts to have it developed.
5. Diversifying by country (within the investment universe), asset class, sector, currency, and many other risk factors.
6. Exploring new asset classes that improve the risk return profile of the Fund and working with the regulator to have them cleared.

Outlook

Our investment management approach focuses on the following:

- Setting a well–thought–out asset allocation that balances the collection of acceptable risks.
- Carefully selecting and sizing a range of strategies that we believe can achieve our investment objectives.

We are committed to the Fund’s mission and aim to achieve attractive returns that, over the long run, will enable us to provide our members with sound returns that empower them to achieve economic security and believe in saving as a way of life. We are also committed to the success and sustainability of our system. Our mission remains the same—manage the Fund`s investment portfolio in a cost–effective, transparent, and risk–aware manner in order to generate returns and create value for members.

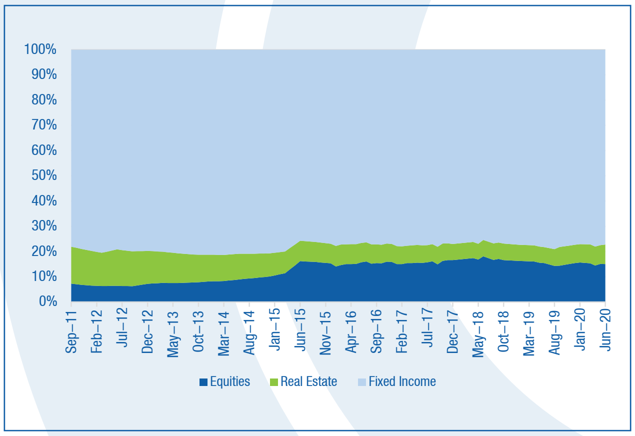
We are confident that the combination of the Fund’s skilled staff and well–considered investment strategy, will enable the Fund to deliver strong performance over the long term.

Gerald Paul Kasaato, CFA
CHIEF INVESTMENT OFFICER

INVESTMENT PERFORMANCE EXPLAINED

During the year, we reviewed our strategic asset allocation (SAA) from an optimal allocation of 70% fixed income, 25% equities and 5% real estate to 70%, 22.5% and 7.5%, respectively. This was on account of changing market conditions and the realisation that with few new listings and the steady growth in the member Fund, the previous optimal target in the SAA, especially the allocation to equities, was almost unachievable. Although the effect on the overall risk tolerance is modest, it resulted in a downward reduction in the average expected return going forward. The asset mix as at 30 June 2020 and how it compares to the SAA is depicted below.

The asset mix trend over the last nine years is depicted below:



Essentially, the investment mix has been predominantly skewed towards fixed income. As can be seen above, there have been deliberate efforts to diversify the investment portfolio since 2011. This has resulted in more allocation to equities on average. Over time, the real estate allocation has also reduced. This is mainly attributed to the slow absorption of funds into projects caused by a rather bureaucratic process of procurement and contract management. Yet the growth in contributions, continues to be at almost over 20% per annum on average over the last five years which has resulted in assets growing at a CAGR of 103% over the last 15 years.

The Fund investment strategy is premised on a moderate risk appetite stance. We believe this is reasonable for several reasons:

1. It recognises the inherent constraint posed by the nature of capital markets where the Fund invests—small, illiquid, concentrated in a few sectors and not deep. We still have few listings on the stock exchanges and the free float of several companies is less than 50%. This is exacerbated by the dominance of the financial services sector.
2. It recognises the need for sufficient liquidity for asset liability matching needs.
3. It takes advantage of the relatively attractive interest rates and stable inflation in Uganda and the East African region.
4. It augurs well with the investment governance structure.
5. It recognises the need to search for growth of the assets by taking calculated risk. There is no return without risk. We believe that the Fund can earn sufficient risk premiums by leveraging its liquidity and long term investment horizon.

In the financial year ended 30 June 2020, the Fund managed to achieve a strong risk adjusted performance as depicted below.

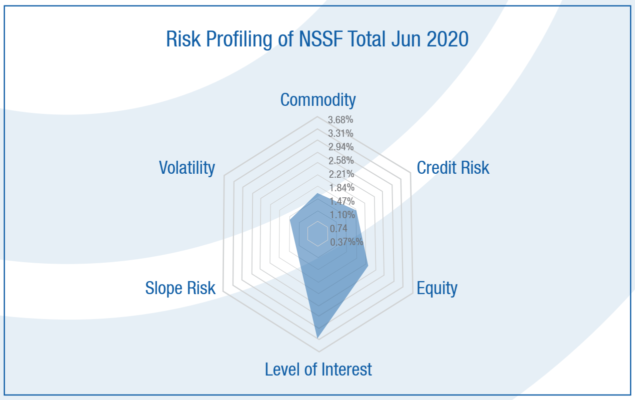
The Fund's asset mix and how it would compare to the SAA as at 30 June 2020

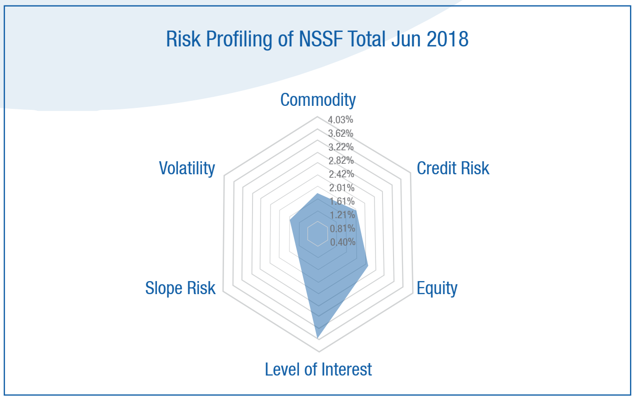
No.	Asset Class	Allocation	Performance	Sharpe Ratio
1	Equities	15.06%	6.50%	–0.22
2	Real Estate	7.69%	6.40%	–0.23
3	Fixed Income	77.25%	15.98%	51.03
	Total Portfolio	100.00%	13.82%	2.21

In the financial year ended 30 June 2020, the Fund managed to achieve a strong risk adjusted performance as depicted above.

The investment portfolio is mainly exposed to six risk factors as depicted below. The exposure to these risk factors has largely stayed the same if you compare the periods of 30 June 2020 and 30 June 2018.

The Fund's investment portfolio broad risk factors





Essentially, the biggest exposure of the portfolio is the level of interest rates. This is consistent with the large allocation to fixed income and investments in interest rate sensitive stocks like financial services companies, mainly banks. The second largest contributor to risk is company specific factors. This is consistent with the above illustration. The other risk factors include credit risk, volatility and commodity risk. It is clear that Covid–19 increased both credit and equity risks.

Investment markets

Over the 12month period to 30 June 2020 portfolio assets generally performed well against a backdrop of a positive economic expansion compared to the rest of the world and good tactical investments that offset the significant losses in currency because of a general appreciation of the Uganda shillings against major currencies and Kenya Shillings. Specifically, over the first half of 2020, however, equity markets experienced downward volatility since March 2020. This shift in market sentiment was largely a reaction to global flows after Covid–19 and effects of the lockdown and its impact on regional currencies.

Diversification

While the positive returns are encouraging, our focus is always on the long term sustainability of the investment mix. Ideally, given our young member profile, we invest for decades, not a single year. Consequently, going forward, our aim is to consolidate the positioning of the investment risk appetite as moderate. We don't think it's prudent to take too much risk if the return is not commensurate to the risk. We will continue to monitor the environment to evaluate our stance. That notwithstanding, the plan therefore is to continue looking for more exposure to equities provided there is value. This, however, exposes the portfolio to inherent vulnerabilities. To provide context, the Fund`s vulnerability is depicted by the top five equity position holdings which accounted for 50.17% of the total equity holdings as at 30 June 2020(it was 57.5% for June 30 2018). This is illustrated in the tables below.

The top five equity holdings as at 30 June 2020

Counter	% of internal Equity Portfolio – Jun'20	Amounts Ushs Billion
Safaricom	17.33%	333
Tanzania Breweries (TBL)	11.29%	217
Equity Bank	7.62%	146
PTA Bank	7.59%	161
KCB Group	6.29%	141
Others	49.87%	924
Total	100.00%	1,922

The top five equity holdings as at June 30 2018

Counter	% of internal Equity Portfolio – Jun'18	Amounts Ushs Billion
Safaricom	17.8%	311
Umeme	11.8%	206
Equity Bank	10.6%	185
TBL	9.2%	161
EABL	8.2%	141
Others	42.5%	742
Total	100.0%	1,746

Workers House, the headquarters of NSSF offices

The relatively few listings on the Uganda Securities Exchange and the limitation of the free float on some liquid counters invariably mean that meaningful diversification is undertaken by more investments in the region for as long as there are few or no new listings locally. But even in the region, we are limited to the blue–chip counters something that makes timing a valuable tool. Nevertheless, the drop in the top 5 holdings as a percentage of the equity holdings between 2018 and 2020 is evidence of the fruits of the diversification efforts we have taken.

We have also taken advantage of opportunities in the fixed income markets both in Uganda and the region. Table below gives a sense of the diversification in the fixed income asset class and the impact it achieved on income.

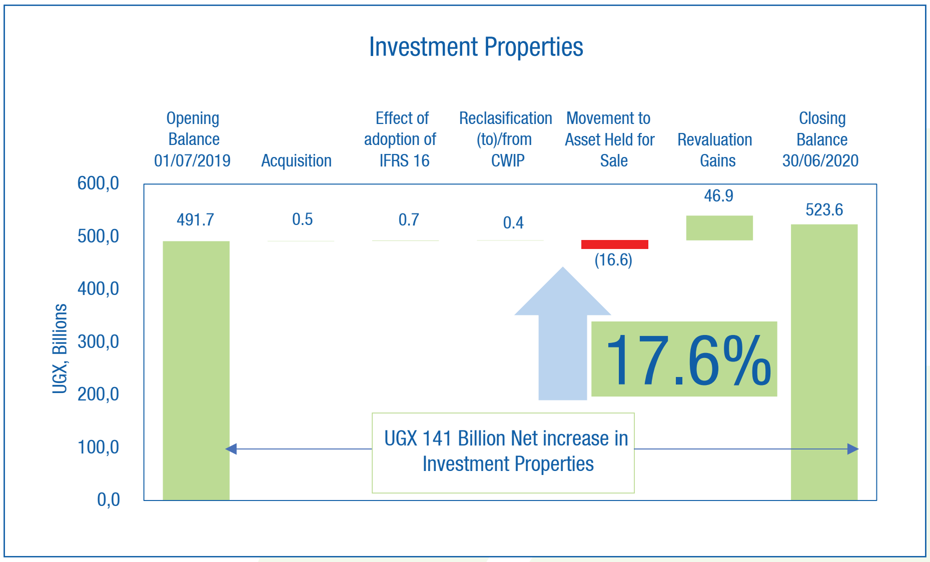
Real Estate Portfolio

We hold real estate assets to realise capital gains and earn income. Over 70% of this asset class comprises of undeveloped land. The strategy is to continuously work towards unlocking the value of some of the prime land through either, commercial developments for rent or sell. The real estate portfolio comprises of income–generating and non–income generating assets.

The entire real estate portfolio (including non–income generating assets) yielded 6.5% during the financial year to June 2020, is in line with the yields in the financial year to June 2019. This return is mainly attributed to capital gains. The capital gains were approximately Ushs 47 Billion for the period ended 30 June 2020. The Fund currently has six income generating properties namely Worker's House, Social Security House, Mvule Naguru and Yusuf Lule Land.

REAL ESTATE PROJECT INFORMATION UPDATE

Lubowa Housing project



The growth in the Fund's Investment Properties over the last one year

The illustration shows the build–up of the investment properties for the financial year ended 30 June 2020.

The Lubowa Housing Project is conceptualised as a self–sustaining satellite city with mixed–use housing and commercial developments on approximately 600 acres. The project is intended as a phased development with construction starting with an initial 306 housing units on 33.2 acres. Phase 1 will comprise of four (4) distinct house types; Apartments, Bungalows, Town houses and Villas.

The progress so far:
Construction works for all house types are ongoing and as at 30 June 2020, the progress was estimated at 70%.

Pension Towers

2020/2021 Outlook

We intend to continue with portfolio rebalancing. For the fixed income asset class, this will be done by way of corporate bonds and structured products and we will seek for more diversification opportunities within Uganda and the East African region.

In the equity asset class, we will explore opportunities in all the markets where we invest. Private equity also remains high on our radar.

In real estate, the strategy is to continuously work towards unlocking the value of some of the prime land through either undertaking commercial and mixed–use developments for renting out or building residential houses for sale. This is because about 70% of the real estate class is comprised of undeveloped land. Developing the land is one of the ways of unlocking the accumulated value over time. Consequently, we expect that in the financial year of 2020/2021, the Lubowa and off taker project in Kyanja will be completed. We also expect the commencement of works on Gulu, Mbale and Temangalo projects and progress at the Pension Towers Project. Medium–to–long term targets in the long term, as guided by the SAA, the Fund seeks to achieve better diversification across the different asset classes and geographically as a way of managing portfolio risk. This is what will make it possible to sustain a decent real return to members. In the medium term, the Fund will take advantage of tactical opportunities in the fixed income and equities asset classes and improve efficiencies.

Trade–off's

The biggest challenge for the Fund is the existence of few opportunities on the stock exchanges to provide meaningful diversification, as a result of few new listings. This has meant that most funds are absorbed by the fixed income space.

In the real estate, the plan is to improve project execution, manage project risks and improve decision making turn–around time. This should see projects like Lubowa, Temangalo, Off taker, Pension Towers and Yusuf Lule completed.

Pension Towers is conceptualized as an intelligent and modern commercial complex comprising of 3 Towers (up to a max height of 32 floors) all sitting on 4 basement floors of parking. The total built–up area will be approximately 75,000m that will house office and retail space. The project has frontage on both Lumumba Avenue and Nakasero Road.

The progress so far:
Construction works are ongoing and as of June 30, 2020 the progress was estimated at 32%. Estimated completion date is February 2022.

The Citadel Place apartments – Mbuya

The Citadel Place is a modern contemporary housing project on Plot 11, 13 Ismail Road, 2 & 2A Ismail Rise, Mbuya – an upscale Kampala Suburb.

The complex comprises of 40 high–end apartments that offer a host of amenities that include; CCTV Surveillance, a Club House with a Gym and Swimming Pool, ample parking, fire–fighting equipment and a green living environment.

Current status
The project officially launched on December 18 2019, and as at 30 June 2020, bookings stood at 75%.

The progress so far:
Construction works for all house types are ongoing and as at 30 June 2020, the progress was estimated at 70%.

NSSF MD, Richard Byarugaba (L) showing the State Minister for General Duties, Gabriel Ajedu the Citadel Place artistic Impression at the launch of the apartments

"We make choices that circle our commitment to a better life for all"

Workers House, NSSF Headquarters

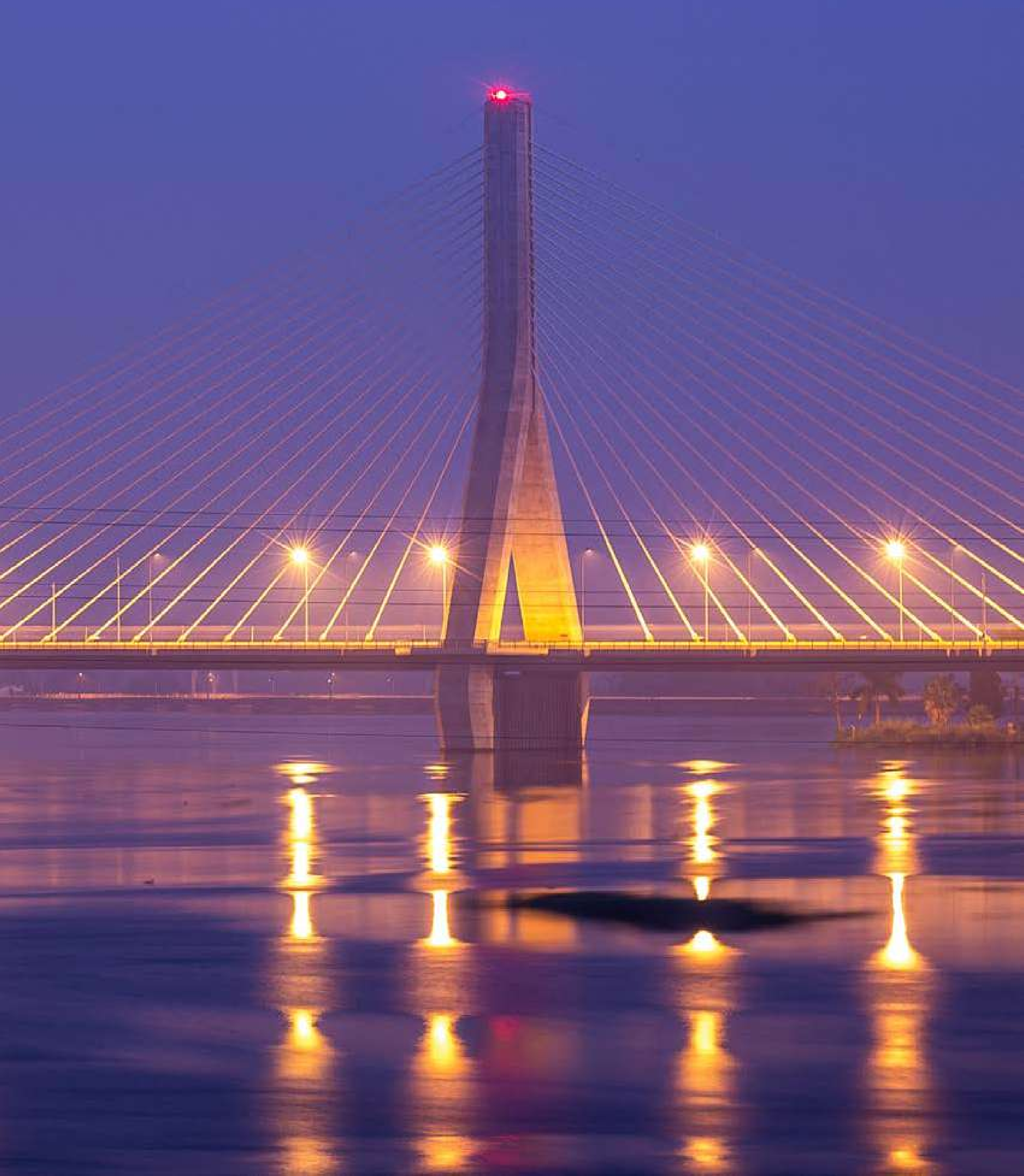
AUDITED FINANCIAL STATEMENTS 2020

For the year ending 30 June 2020

NSSF

a better life

The Fund is bridging the gap to a new day and better life for our members



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National Social Security Fund financial statements for the year ending 30 June 2020

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FINANCIAL STATEMENTS

NSSF
a better life

DIRECTORS

Mr.	Patrick Byabakama Kaberenge	Chairman
Mr.	Pius Bigirimana	Member (Resigned August 2019)
Mr.	Patrick Ocailap	Member
Mr.	Peter Christopher Werikhe	Member
Dr.	Isaac E.W. Magoola	Member
Mr.	Fred Kanyangoga Bamwesigye	Member
Mr.	D. Stephen Mugole Mauku	Member
Ms.	Penninah Tukamwesiga	Member
Mrs.	Florence Namatta Mawejje	Member
Mr.	Richard Byarugaba	Managing Director

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DELEGATED AUDITORS
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Certified Public Accountants
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Muhimbura & Co. Advocates
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GP Advocates
(Formerly Omunyokol & Co. Advocates)
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BNB Advocates
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Kiwanuka & Karugire Advocates
Plot 5A2, Acacia Avenue
P. O. Box 6061
Kampala, Uganda

BANKERS

Stanbic Bank Uganda Limited
Plot 17 Hannington Road
P. O. Box 7131
Kampala, Uganda

Guaranty Trust Bank Uganda Limited
Plot 56 Kiira Road
P. O. Box 7323
Kampala, Uganda

dfcu Bank Limited
Plot 26, Kyadondo Road
P. O. Box 70
Kampala, Uganda

Equity Bank Uganda Limited
Plot 390, Muteesa Road Kampala
P. O. Box 10184
Kampala, Uganda

Tropical Bank Limited
Plot 27 Kampala Road
P. O. Box 9485
Kampala, Uganda

PostBank Uganda Limited
Plot 4/6 Nkurumah Road
P. O. Box 7189
Kampala, Uganda

NCBA Bank Uganda Limited
Rwenzori Towers
P. O. Box 28707
Kampala, Uganda

Citibank Uganda Limited
Plot 4, Ternan Avenue Nakasero
P. O. Box 7505
Kampala, Uganda

Orient Bank Limited
Orient Plaza No. 14 Kampala Road
P. O. Box 3072
Kampala, Uganda

Exim Bank Uganda Limited
Plot 6, Hannington Road
P. O. Box 36206
Kampala, Uganda

KCB Bank Uganda Limited
Plot 7 Kampala Road
P.O. Box 7399
Kampala, Uganda

Ecobank Uganda Limited
Plot 4 Parliament Avenue
P. O. Box 7368
Kampala, Uganda

United Bank for Africa (Uganda) Limited
Plot 2, Jinja Road
P. O. Box 7396
Kampala, Uganda

Centenary Rural Development Bank
Plot 44–46 Kampala Road
P. O. Box 1892
Kampala, Uganda

Standard Chartered Bank Uganda Limited
Speke Road
P. O. Box 7111
Kampala, Uganda

Housing Finance Bank Limited
Plot 25 Kampala Road
P. O. Box 1539
Kampala, Uganda

Bank of Baroda Uganda Limited
Plot 18 Kampala Road
P. O. Box 7197
Kampala, Uganda

Absa Bank Uganda Limited
Plot 2A & 4A, Nakasero Road
P. O. Box 7101
Kampala, Uganda

Bank of Africa
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P. O. Box 2750
Kampala, Uganda

Finance Trust Bank Limited
Plot 121 & 115, Block 6, Katwe
P. O. Box 6972
Kampala, Uganda

Diamond Trust Bank Uganda Limited
Plot 17/19, Kampala Road
P. O. Box 7155
Kampala, Uganda

THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors submit their report together with the audited financial statements for the year ended 30 June 2020 which disclose the state of affairs of the National Social Security Fund ('the Fund' or "NSSF"), in accordance with Section 32 (Cap. 222) of the National Social Security Fund Act ('NSSF Act').

1. Incorporation
The Fund is a corporate body established by an Act of Parliament and is domiciled in Uganda and licensed as a Retirement Benefit Scheme under the Uganda Retirement Benefits Regulatory Act (2011).

2. Principal activity
The Fund was established by an Act of Parliament (1985) to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident fund (pays out contributions in lump sum). It covers all employees in the private sector including Non–Governmental Organizations that are not covered by the Government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life. The Fund is financed by the employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which 10% is paid by the employer and 5% is paid by the employee.

3. Results from operations
The results of the Fund are set out on page 165.

4. Interest to members
Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The rate paid during the year ended 30 June 2020 was 10.75% (2019: 11%).

5. Reserves and accumulated members' funds
The reserves of the Fund and the accumulated members' funds are set out on page 168.

6. Unallocated members' funds
These are collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers to update the individual members' accounts.

7.Directors
The directors who held office during the year and up to the date of this report are set out on page 156.

8. Auditors
In accordance with Section 32 (2) of the NSSF Act (Cap 222) Laws of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf. For the year ended 30 June 2020, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

9. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on 10 September 2020.

By Order of the Board,

Ms Agnes Tibayeita Isharaza
CORPORATION SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020

The Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011 and Regulations require the directors to make available to the Fund's members and other parties, audited financial statements for each financial year which show a true and fair view of the state of affairs of the Fund as at the end of the financial year.

It also requires the directors to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguard the assets of the Fund.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the URBRA Act and National Social Security Fund (NSSF) Act 1985; and, for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors confirm that, during the period under review, in the execution of their duties they have complied with the duties imposed by URBRA Act and the NSSF Act. The directors also confirm that:

- Adequate accounting records were kept inclusive of proper minutes of all resolutions passed by the Board of Directors;
- They took such steps as were reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities;
- Proper internal control systems were employed by or on behalf of the Fund;
- Adequate and appropriate information was communicated to the members including their rights, benefits and duties in terms of the rules of the Fund;
- Reasonable steps to ensure that contributions, where applicable, were paid timely to the Fund;
- Expert advice was obtained on matters where they lacked sufficient expertise;
- The rules, operation and administration of the Fund complied with the URBRA Act and all applicable legislation; and,
- Funds were invested and maintained in accordance with the Fund's investment policy statement and Investment Regulations issued by URBRA.

Approval of the annual financial statements

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and the NSSF Act. The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and its operating results.

The directors believe that the auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

Notwithstanding the above–mentioned information, the directors wish to draw attention to the following:

The Fund did not appoint a custodian for internally managed investments as required by section 60 (2) of the URBRA Act.

These financial statements:

- were approved by the Board of Directors on 10 September 2020.
- are, to the best of the directors' knowledge and belief, confirmed to be complete and correct; and,
- fairly represent the net assets of the Fund as at 30 June 2020 as well as the results of its activities for the year then ended in accordance with IFRS.

The directors confirm that for the period under review, the National Social Security Fund has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act.

Nothing has come to the attention of the directors to indicate that the Fund will not be able to meet its obligations and the requirements of the URBRA Act for the next twelve months from the date of this statement.

Mr. Patrick Byabakama Kaberenge
CHAIRMAN

Mr. Richard Byarugaba
MANAGING DIRECTOR

Dr. Isaac E.W. Magoola
DIRECTOR

Date: 24 September 2020

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2020 TO THE AUDITOR GENERAL

The Rt. Hon. Speaker of Parliament

Opinion

I have audited the financial statements of National Social Security Fund (NSSF) which comprise the Statement of Net Assets Available for Benefits as at 30th June 2020 and the Statement of Changes in Net Assets Available for Benefits, Statement of Changes in Members' Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 165 to 242.

In my opinion, the financial statements present a true and fair view of the financial position of the Fund as at 30th June 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Uganda Retirement Benefits Regulatory Authority Act and the NSSF Act.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the Constitution of the Republic of Uganda, 1995 (as amended), the National Audit Act, 2008, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

Without qualifying my opinion, I draw attention to Notes 33, 34, and 37 (b) to the Financial Statements, as follows:

- Unallocated Members' Funds

Notes 33 and 34 to the financial statements describe how the Fund accounted for contributions received from employers that had not yet been allocated to the members' individual accounts as a result of incomplete members' records and errors in the members' records amounting to UGX 38.21 Billion. There is a risk of failure by management to identify the individual beneficiaries, however, management explained that reconciliations are ongoing which are showing positive trends in regard to the most current years. In addition, management indicated that the Board will be contacted for approval of write–off of non–reconciling members' contribution to the Fund's general reserves.

- URA Tax Matter

Note 37(b) to the financial statements, which indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses relating to the years of income 2005 to 2012 and raised a tax assessment. The note also indicates the directors have not recognised any provision for the liability of Ushs 42.2 Billion to the URA, as management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act. The note gives details of the case and explains that the directors have disclosed the matter as a contingent liability as the ultimate outcome of the case cannot presently be determined.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matters described in the Emphasis of Matters section of my report, I have determined the matters described below to be the key audit matters to be communicated in my report. For each matter below, my description of how my audit addressed the matter is provided in that context.

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

Details are outlined in the tables that follow.

Key Audit Matter	How my audit addressed the key audit matter
Accounting for investment in associates	
As at 30 June 2020, the carrying amount of investments in associates was Ushs 361 Billion (2019: Ushs 318 Billion). As disclosed in note 3(a) to the financial statements, investments in associates are carried at cost and adjusted for post–acquisition changes in the Fund's share of net assets of the associates less any impairment in value. The financial reporting periods for the associates end on 31 December, necessitating the Fund to use half–year unaudited financial reports for the purpose of determining the Fund's share of post–acquisition changes in net assets of the associates. Valuation of investments in associates was considered to be a key audit matter due to the significance of the Fund's interest in associates and the judgements involved in the impairment assessment of the investments. I also considered the significance of the risk of incomplete disclosures of the investment in associates as included in note 21 to the financial statements.	My audit procedures included but were not limited to: Understanding the Fund's processes for recording the Fund's share of post–acquisition changes in net assets of the associates and other changes in the carrying amount of the investments. Understanding the Fund's processes for assessing impairment of investments in associates. Assessing that the computation of the Fund's share of post–acquisition changes in net assets of the associates was in accordance with the Fund's shareholding and associates financial statements. Assessing the adequacy of the Fund's disclosures in respect to investments in associates.
Litigation and other claims	
The Fund is involved in legal matters as disclosed in Note 37(c) to the financial statements. I focused on this because some of the legal matters relating to claims over the Fund's investment property are the subject of media coverage and are of interest to the Fund's members. Assessing the liabilities and contingencies that could arise from legal matters involves judgement. There is a risk that the disclosures in the financial statements which are significant to the understanding of the Fund's financial exposure to litigation are not complete.	My audit procedures included but were not limited to: Understanding the Fund's processes for recording and assessing of litigation provisions and contingent liabilities. Determining the completeness and reasonableness of the amounts recognized/ disclosed as litigation liabilities and contingent liabilities, including the assessment of the legal reports by the Fund's internal and external lawyers. Obtaining direct confirmations from the Fund's external lawyers and comparing the confirmed positions with the Fund management's assessment of the likely outcome of the legal matters. Obtaining written representation from the Fund's directors regarding completeness of the legal matters. Assessing the adequacy of the Fund's disclosures in respect to litigation.

Valuation of investment properties	
The Fund's investment property portfolio relates to land and buildings held to earn rental income and/or capital appreciation, with a total valuation of Ushs 524 Billion as at 30 June 2020 (2019: Ushs 491 Billion). As disclosed in notes 3(e) and 3(h), investment properties are carried at fair value on the Statement of Net Assets Available for Benefits. The fair value was determined by independent registered valuers appointed by the Fund. The fair value gain recorded for the current financial year amounts to Ushs 47 Billion (2019: Ushs 38 Billion) as disclosed in note 24. Valuation of the investment properties was considered to be significant to the audit due to reasons below: The determination of fair value involves significant judgement by management and the use of external valuation experts. In estimating the fair value of the investment properties, valuers used valuation techniques i.e. discounted cash flow, cost approach and sales comparison methods, taking into consideration the nature and usage of the investment properties. Due to uncertainty of the economic impact of COVID–19, management re–assessed the assumptions used to measure the fair value of the investment properties, on account of changes in the market conditions and related observable inputs. Given the market conditions that existed at 30 June 2020, the independent registered valuers have reported on a basis of "material valuation uncertainty" and note that, as a result, less certainty and a higher degree of caution should be attached to the valuation. In this situation, the disclosures in the financial statements provide particularly important information about the assumptions made in the valuation and the market conditions as at 30 June 2020. The valuation techniques as well as changes in carrying amounts of investment properties as a result of the valuation exercise by the valuers are indicated in notes 24, 28 and 40. Details on the effects of Covid–19 19 and related judgements and assumptions are indicated in note 44.	My audit procedures included but were not limited to: Understanding the Fund's processes for valuation of investment properties. Reviewing valuation reports for all properties and assessing the valuation methodology and the reasonableness of the significant underlying assumptions. Discussing with management and the valuers the nature of key assumptions and the expected impact of COVID–19 on these assumptions. Assessing the competence, objectivity and integrity of the independent registered valuers. I assessed their professional qualifications and experience. I also obtained representation from them about their independence and the scope of their work. Assessing the integrity of source data such as contractual rentals, vacancy factors, occupancy rates and expenditure used in the valuation calculations. Assessing the adequacy of disclosures in respect to investment properties. Obtained management representations for any adjustments made in the Fund's financial statements in respect to the valuation of investment properties.

Other information

The directors are responsible for the other information. The other information comprises the Fund information, the Directors' Report and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, Uganda Retirement Benefits Regulatory Act, National Social Security Act, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

John F.S Muwanga
AUDITOR GENERAL

24 September 2020

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Ushs'000	2019 Ushs'000
Revenue			
Interest income	5	1,398,768,129	1,167,203,782
Rental income	6	11,125,662	10,720,456
Dividend income	7	62,276,226	77,053,488
Total revenue		**1,472,170,017**	**1,254,977,726**
Other (loss)/income			
Fair value gains/(losses) on investments at fair value through profit/loss	8(a)	62,191,502	(168,857,234)
Foreign exchange (losses)	8(b)	(94,386,858)	(247,372,686)
Other income	8(c)	156,533	13,387,291
Total other loss		**(32,038,823)**	**(402,842,629)**
Expenditure			
Administrative expenses	9	(124,215,494)	(112,971,799)
Impairment losses on financial assets	10	(3,392,944)	(5,031,109)
Other operating expenses	11	(22,528,216)	(21,968,509)
Amortisation of intangible assets	25	(1,397,334)	(1,090,515)
Depreciation on property and equipment and right of use assets	26	(6,366,421)	(4,115,058)
Total expenditure		**(157,900,409)**	**(145,176,990)**
Finance costs	30	(519,721)	–
Share of results of associates, net of tax	21	30,497,502	39,011,232
Surplus from operations from continuing operations		**1,312,208,566**	**745,969,339**
Interest transfer to members	33	(1,154,269,188)	(978,000,706)
Surplus/(loss) before tax from continuing operations	12	**157,939,378**	**(232,031,367)**
Income tax expense (withholding tax as final tax)	13(a)	(153,049,039)	(172,861,268)
Surplus for the year from continuing operations		**4,890,339**	**(404,892,635)**
Discontinued operations			
Surplus after tax for the period from discontinued operations	29	588,563	–
Surplus/(loss) for the year		**5,478,902**	**(404,892,635)**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Ushs'000	2019 Ushs'000
Surplus/(loss) for the year		**5,478,902**	**(404,892,635)**
Other comprehensive income			
Other comprehensive income to be reclassified to surplus or deficit in subsequent years:		–	–
Items not to be reclassified to surplus or deficit in subsequent years:		–	–
Share of other comprehensive income of associates		–	–
Exchange differences on translation from functional to presentation currency, net of tax	21	(8,374,505)	330,524
Total other comprehensive loss for the year, net of tax		(8,374,505)	330,524
Total comprehensive income for the year, net of tax		(2,895,603)	(404,562,111)
DEALINGS WITH MEMBERS			
Contributions received during the year	33	1,271,505,205	1,208,290,143
Benefits paid	33	(496,411,396)	(449,965,213)
Net dealings with members		775,093,809	758,324,930
Net increase in scheme funds during the year		772,198,206	353,762,819

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30 JUNE 2020

	Note	30 June 2020 Ushs'000	30 June 2019 Ushs'000
ASSETS			
Cash and bank balances	14	26,022,095	17,640,161
Deposits with commercial banks	15	203,157,273	145,736,449
Trade and other receivables	16	52,961,898	69,289,155
Equity securities held–for–trading	17	87,662,482	91,432,601
Tax deposit receivable	13 (c)	25,323,522	25,323,522
Debt instruments at amortised cost	18	10,016,837,661	8,528,619,800
Equity investments at fair value through profit or loss	19	1,463,176,697	1,265,470,262
Loans and advances	20	15,382,874	19,024,785
Investments in associates	21	361,245,165	317,606,820
Inventories	22	14,447,603	14,447,603
Capital work–in–progress	23	419,354,937	310,279,797
Investment properties	24	523,638,485	491,746,647
Intangible assets	25	9,138,880	7,876,182
Property and equipment and right–of–use assets	26	23,559,101	12,564,918
Tax claimable	27	25,020,206	21,185,091
Finance leases	28	–	730,000
		13,266,928,879	**11,338,973,793**
Assets held for sale	29	16,631,516	–
Total assets		**13,283,560,395**	**11,338,973,793**
LIABILITIES			
Other payables	30	54,894,101	60,535,554
Contract liabilities	31	9,911,421	3,856,061
Provision for litigation	32	814,522	807,041
		65,620,044	**65,198,656**
NET ASSETS		**13,217,940,351**	**11,273,775,137**
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	33	13,062,237,946	11,138,207,557
Reserve account	34	142,056,178	125,212,466
Accumulated surplus		5,863,520	4,484,199
Translation reserve		7,782,707	5,870,915
TOTAL MEMBERS' FUNDS AND RESERVES		**13,217,940,351**	**11,273,775,137**

These financial statements were approved for issue by the Board of Directors on 10 September 2020 and signed on its behalf by:

Mr. Patrick Byabakama Kaberenge
CHAIRMAN

Dr. Isaac E.W. Magoola
DIRECTOR

Mr. Richard Byarugaba
MANAGING DIRECTOR

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 30 JUNE 2020

	Note	Reserve account Ushs 000 (Note 34)	Accumulated members' funds Ushs 000 (Note 33)	Accumulated surplus Ushs 000	Translation reserve* Ushs 000	Total Ushs 000
At 1 July 2018		105,313,084	9,407,593,129	417,845,044	5,540,391	9,936,291,648
Impact of adoption of IFRS 9		–	–	(4,422,994)	–	(4,422,994)
Share of impact of adoption of new standards of associates, net of tax	21	–	–	(3,341,597)	–	(3,341,597)
Share of prior period adjustments of associates, net of tax	21	–	–	(703,619)	–	(703,619)
Revised opening balance		**105,313,084**	**9,407,593,129**	**409,376,834**	**5,540,391**	**9,927,823,438**
Loss for the year		–	–	(404,892,635)	–	(404,892,635)
Other comprehensive income, net of tax	21	–	–	–	330,524	330,524
Total comprehensive income for the year, net of tax		–	–	(404,892,635)	330,524	(404,562,111)
Special contributions received	34(a)	14,453,476	–	–	–	14,453,476
Members' contributions received	33	–	1,208,290,143	–	–	1,208,290,143
Benefits paid to members	33	–	(449,965,213)	–	–	(449,965,213)
Interest allocated to members arising from arrears recovered	33	–	4,355,440	–	–	4,355,440
Provision for interest to members	33	5,445,906	967,934,058	–	–	973,379,964
At 30 June 2019		**125,212,466**	**11,138,207,557**	**4,484,199**	**5,870,915**	**11,273,775,137**
At 1 July 2019		**125,212,466**	**11,138,207,557**	**4,484,199**	**5,870,915**	**11,273,775,137**
Share of prior period adjustments of associates, net of tax	21	–	–	(4,099,581)	10,286,297	6,186,716
Revised opening balance		**125,212,466**	**11,138,207,557**	**384,618**	**16,157,212**	**11,279,961,853**
Surplus for the year		–	–	5,478,902	–	5,478,902
Other comprehensive income, net of tax	21	–	–	–	(8,374,505)	(8,374,505)
Total comprehensive income for the year, net of tax		–	–	5,478,902	(8,374,505)	(2,895,603)
Special contributions received	34(a)	10,936,142	–	–	–	10,936,142
Members' contributions received	33	–	1,271,505,205	–	–	1,271,505,205
Benefits paid to members	33	–	(496,411,396)	–	–	(496,411,396)
Interest allocated to members arising from arrears recovered	33	–	4,943,492	–	–	4,943,492
Provision for interest to members	33	5,907,570	1,143,993,088	–	–	1,149,900,658
At 30 June 2020		**142,056,178**	**13,062,237,946**	**5,863,520**	**7,782,707**	**13,217,940,351**

* The translation reserve comprises the Fund's share of translation differences arising from the translation of the financial statements of an associate (Umeme Limited) from its functional currency to its presentation currency.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Ushs 000	2019 Ushs 000
Net cash flows used in operating activities	**35**	**20,793,185**	**86,206,828**
Investing activities			
Purchase of software	25	(629,172)	(2,337,953)
Purchase of property and equipment	26	(7,922,449)	(5,761,948)
Purchase of investment properties	24	(486,240)	–
Additions to capital work–in–progress	23	(115,963,750)	(132,003,140)
Purchase of equity investments at fair value through profit or loss	19	(193,739,955)	(199,242,136)
Purchase of equity investments held for trading	17	(12,776,151)	(13,041,187)
Proceeds from disposal of equity investments held for trading	17	7,020,097	10,098,630
Purchase of debt instruments at amortised cost	18	(1,910,816,202)	(1,587,279,720)
Maturities of debt instruments at amortised cost	18	458,924,177	318,088,914
Placement of deposits with commercial banks	15	(656,066,104)	(233,988,588)
Maturities of deposits with commercial banks	15	598,317,434	190,460,779
Maturities of loans and advances	20	3,666,667	3,666,668
Interest received from debt instruments at amortised cost	18	1,034,884,756	763,380,789
Interest received from loans and advances	20	2,282,243	2,793,967
Interest received from commercial bank deposits	15	19,157,530	10,190,737
Increase in investment in associate	21	(31,557,500)	–
Dividends received from associates		3,378,299	11,378,946
Net cash flows used in investing activities		**(802,326,320)**	**(863,595,242)**
Financing activities			
Repayment of principal portion of lease liabilities	30	(1,058,374)	–
Benefits paid out to members	33	(496,411,396)	(449,965,213)
Contributions received from members	33	1,271,505,205	1,208,290,143
Interest recovered on arrears	33	4,943,492	4,355,440
Special contributions received	34	10,936,142	14,453,476
Net cash flows generated from financing activities		**789,915,069**	**777,133,846**
Increase/(decrease) in cash and cash equivalents		8,381,934	(254,568)
Cash and cash equivalents at the beginning of the year		17,640,161	17,894,729
Cash and cash equivalents at 30 June	**14**	**26,022,095**	**17,640,161**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

National Social Security Fund (the "Fund") is a corporate body domiciled in Uganda. The Fund is primarily involved in collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members as stipulated under the National Social Security Fund (NSSF) Act (Cap 222).

The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees' gross salary (employer contribution 10%, employee contribution 5%). During the year to 30 June 2020, 21,726 beneficiaries were paid (2019: 26,181).

According to the NSSF Act (Cap. 19), the benefits paid out of the Fund are:

- Age Benefits – payable to a member who has reached the retirement age of 55 years;
- Withdrawal Benefits – payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- Invalidity benefits – payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- Survivors Benefits – Payable to the dependant survivor(s) in the unfortunate event of member's death;
- Emigration Grants – Payable to a member (Ugandan or Expatriate) who is leaving the country for good. Such a member must have been contributing for a minimum of four financial years; else will have to forfeit the 10% employer contribution; and,
- Exempted Employment Benefits – Payable to a contributing member who joins employment categories that are exempted i.e. have their social protection schemes that are recognised under the existing law and are exempted from contributing to NSSF e.g. the army, police, prison, civil service and government teaching service employees or members of any scheme who have received exemption from the Minister responsible for Social Security in writing.

The Government is currently implementing policy reforms whose objective is a liberalised and regulated retirement benefits sector. These reforms have entailed the enactment of the Retirement Benefits Regulatory Authority Act 2011, which came into force in September 2011. The new law established the Uganda Retirement Benefits Regulatory Authority [URBRA] whose function is to regulate all retirement schemes including NSSF. The Fund has a valid operating license (Licence No. RBS 0002) issued by URBRA.

In March 2018, Cabinet approved the National Social Security Fund Amendment Bill 2018.This Bill was tabled before Parliament in 2019. The amendment seeks to permit the fund continue as a national scheme and seal off its position as sole recipient of mandatory contributions for the country's working population. The amendment also seeks to provide for mid–term access to benefits, and bring on board new products including education, maternity, housing, health and unemployment.

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership. Consequently, management's expectation is that government will do all it can to ensure that the Fund continues to exist in the foreseeable future.

The Board of Directors assessed the implications of the above developments and determined that they do not have an effect on the Fund's ability to continue as a going concern in the foreseeable future.

2. Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the requirements of the National Social Security Fund Act (Cap 222) of Uganda.

The financial statements have been prepared on a historical cost basis except for some financial assets (equity investments held–for–trading or designated at fair value through profit or loss), and investment properties that have been measured at fair value. The financial statements are presented in Uganda Shillings (Ushs), which is the Fund's functional currency, and all values are rounded off to the nearest thousand (Ushs 000), except where otherwise indicated.

3.Summary of significant accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in the financial statements.

a) Investment in associates

An associate is an entity in which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3. Summary of significant accounting policies (continued)

a) Investment in associates (continued)

The Fund's investments in its associates are accounted for using the equity method.

Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Fund's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of changes in net assets available for benefits reflects the share of the results of operations of the associates. Any change in OCI of the associates is presented as part of the Fund's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Fund recognises its share of any changes, when applicable, in the statement of changes in members' funds and reserves. Unrealised gains and losses resulting from transactions between the Fund and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Fund's share of profit or loss of associates is shown on the face of the statement of changes in net assets available for benefits and represents profit or loss after tax and non–controlling interests in the subsidiaries of the associates.

The financial statements of the associates are not necessarily prepared for the same reporting period as the Fund. Where the reporting periods differ by over 3 months, the Fund uses half–year unaudited financial statements for the differential period, with adjustments for over/under sharing of results upon receipt of the audited financial statements being made in the subsequent period. Where necessary, adjustments are made to make an associates accounting policies conform to those of the fund when the associates financial statements are used by the fund in applying the equity method.

After application of the equity method, the Fund determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Fund determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Fund calculates the amount of impairment as the difference between the recoverable amount of an associate and its carrying amount, and then recognises the loss within 'Share of profit of associates' in the statement of changes in net assets available for benefits.

Upon loss of significant influence over an associate, the Fund measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of changes in net assets available for benefits.

b) Foreign currencies

The Fund's financial statements are presented in Uganda Shillings, which is also the Fund's functional currency.

Transactions in foreign currencies during the year are translated into Uganda Shillings at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Uganda Shillings at the exchange rates ruling at that date. Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non–monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Uganda Shillings at the date when the fair value was determined.

Foreign currency gains and losses arising from settlement or translation of monetary items are recognised in the statement of changes in net assets available for benefits.

c) Revenue recognition

Revenue from contracts with customers
The Fund is in the business of collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members.
The Fund has three major classes of investments including;

- Fixed income portfolio, which includes government securities i.e. treasury bills and bonds as well as corporate bonds and other corporate debt. This is the largest class with a mirror image of the risk appetite of the fund and its major stake holders.

(c). Revenue recognition (continued)

- Equity Portfolio, which is majorly made of investments in equities with holdings not giving control nor significant influence.
- Real estate portfolio, which is made up of land and buildings and this forms the smallest portion of investment holding.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty.

Sale of properties

The Fund develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Fund due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. The Fund provides handover checklists at the time of handover of the properties for purposes of ensuring completeness of every aspect is duly noted and agreed to by the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The Fund has requirements for full prepayment of consideration under its standard property sale contracts. A contract liability for the advance payment is recognised at the time of the receipt. Revenue is recognised when the property sale is concluded under the contract terms which is generally at transfer of title deed or ownership.

The revenue is measured at the transaction price agreed under the contract. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Fund estimates the amount of consideration to which it will be entitled in exchange for transferring the properties to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The rights of return and volume rebates give rise to variable consideration. Currently under the standard contracts for the Fund the sale of properties do not provide customers with a right of return and volume rebates.

(ii) Significant financing component

Generally, the Fund receives short–term advances from its customers. Using the practical expedient in IFRS 15, the Fund does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Non–cash consideration

The Fund generally agrees all its contracts settlements to be in cash.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Fund performs by transferring properties to a customer before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Trade receivables
A receivable represents the Fund's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3 (d) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Fund has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Fund transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Fund performs under the contract.

The following specific recognition criteria must also be met before revenue is recognised:

Interest income/expense
The effective interest rate method
Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount.

The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating–rate financial instruments, periodic re–estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re–estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Dividends
Dividends on equity investments are recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established which generally after declaration of dividends and approval by the shareholders of investee companies.

Rental income
Rental income from investment properties is recognized in the statement of changes in net assets available for benefits on the straight–line basis over the term of the lease.

Other income
Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of the Fund's assets.

3 Summary of significant accounting policies (continued)

(d) Financial instruments

Financial instruments – initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 3(c) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Fund. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset 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 are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of changes in net assets available for benefits when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost are as indicated 39(d).

(d) Financial instruments

Financial assets at fair value through OCI (debt instruments)
The Fund measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of changes in net assets available for benefits and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de–recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Fund did not hold any debt instruments at fair value through OCI at reporting date.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument–by–instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund has not elected to classify irrevocably any equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with net changes in fair value recognised in the statement of changes in net assets available for benefits.

This category includes equity investments which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are also recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established.

(d) Financial instruments

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

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

Or

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a 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 Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

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 Fund could be required to repay

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 38)
- Debt instruments at amortised cost (Note 18)
- Loans and advances (Note 20)
- Trade and other receivables (Note 16)
- Deposits with commercial banks (Note 15)

The Fund recognises an allowance for expected credit losses (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 Fund expects to receive, discounted at an approximation of the original effective interest rate. 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12–months (a 12–month ECL). For those credit exposures for which 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).

For trade receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund is applying a single loss–rate approach to receivables or groups of receivables as might be appropriate based on its average historical loss rate.

Depending on the data, the Fund applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period. Currently invoices raised majorly relate to rental space occupied by the tenants on the Fund's lettable properties.

In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – Recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward–looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.

(d) Financial instruments

The Fund considers whether ECLs should be estimated individually for any period–end receivables, e.g because specific information is available about those debtors.

The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables e.g dividends receivable, an approach that does not include an explicit probability of default as an input per se.

For debt instruments at amortised cost which mainly relate to government debt securities issued by sovereign governments in their local currencies i.e Uganda, Kenya, Tanzania, Rwanda with fixed interest payments and no history of default, the Fund applies the low credit risk simplification. At every reporting date, the Fund evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the internal credit rating of the debt instrument. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Fund also uses the ratings from the Standard & Poor, Moody's and Fitch to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs. The ratings are utilised on the Debt instruments at amortised cost and Deposits with commercial banks.

The Fund's debt instruments at amortised cost are graded with stable outlook by Standard & Poor, Moody's and Fitch. It is the Fund's policy to measure ECLs on such instruments on a 12–month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Fund considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets are written off either partially or in their entirety only when the Fund has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of changes in net assets available for benefits.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities are other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Other payables
The Fund's payables majorly relate to amounts due to contractors for works being done on property developments and amounts due to other suppliers of goods and services consumed in day to day operations of the Fund.

Other payables are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

Gains and losses on derecognition and amortisation are recognised in Statement of Changes in Net Assets Available for Benefits.

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

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Fund didn't have any offsetting agreements in the years ended 30 June 2020 and 2019

(e) Fair value measurement

The Fund measures financial instruments, such as financial assets at fair value through profit or loss, and non–financial assets, such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non–financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re–assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Fair value measurement (continued)

The Fund's Management Investment Committee determines the policies and procedures for recurring fair value measurement of investment properties. The management Investment Committee delegates the role of selection of/determination of involvement of the external valuers to a Valuation Committee which is comprised of the real estate manager, finance manager, procurement manager and Legal Officer.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is determined every two years by the Valuation Committee and after discussion with and approval by the Contracts Committee and the Accounting Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated at each round of valuation with no single valuer performing consecutive valuations. The Valuation Committee decides, after discussions with the Fund's external valuers, which valuation techniques and inputs to use for each case.

Annually, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be re–measured or re–assessed as per the Fund's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee, in conjunction with the Fund's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Fund's external valuers present the valuation results to the Audit Committee and the Fund's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non–financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions – Note 4.
- Quantitative disclosures of fair value measurement hierarchy – Note 40.
- Financial instruments (including those carried at amortised cost) – Notes 14,17, 19, and 39
- Investment property – Note 24

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

(f) Property and equipment and right of use assets

Property and equipment is stated at cost excluding the costs of day–to–day servicing, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self–constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates. Right–of–use assets (except those meeting the definition of investment property) are presented together with property and equipment in the statement of financial position – refer to Notes 3(r) and 26. Right–of–use

3. Summary of significant accounting policies (continued)

(f) Property and equipment and right of use assets (conitnued)

assets (except those meeting the definition of investment property) are depreciated on a straight–line basis over the lease term.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the reducing balance method over their estimated useful lives and is generally recognised in surplus or deficit.

The estimated annual depreciation rates for the current and comparative periods are as follows: –

	Percentage
Machinery	20 %
Motor vehicles	20 %
Furniture and equipment	12.5 %
Computer equipment and other electronic gadgets	25%–33%
Right of Use Assets	Straight line over the lease term

Depreciation commences once the asset is capitalized and is ready for use as intended by management and ceases on the day derecognition.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal, when the fund loses control of the asset 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 other operating income in the statement of changes in net assets available for benefits when the asset is derecognised.

(g) 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 the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or 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 are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of changes in net assets available for benefits in the expense category consistent with the function of the intangible asset. There are no intangible assets with indefinite useful lives.

Intangible assets are amortised at a rate of 10% p.a.

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 asset and are recognised in the statement of changes in net assets available for benefits when the asset is derecognised.

(h) 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. All of the Fund's property interests held under operating leases to earn rentals or for Capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a valuation performed by an accredited external, independent valuer at most after every

(h) Investment properties (continued)

two years applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in surplus or deficit in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner–occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of property changes from owner occupied to investment property, the property is re–measured at fair value and reclassified as investment property.

Right–of–use assets that meet the definition of investment property are presented as investment property.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on average cost principle and includes the expenditure incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses or the replacement cost, as appropriate.

(j) Impairment of non–financial assets

The carrying amounts of the Fund's non–financial assets other than investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists, the asset's recoverable amount is estimated and an impairment loss recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash–generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in the statement of changes in net assets available for benefits in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of changes in net assets available for benefits.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

3. Summary of significant accounting policies (continued)

(k) Employee benefits

(i) Gratuity

The Fund's terms and conditions of employment provide for gratuity to qualifying employees equivalent to 20% of the monthly salary per year of service to the organisation. This employment benefit is accrued on a monthly basis and paid annually in arrears. The provision in the financial statements takes account of service rendered by employees up to the reporting date and is based on the calculated staff benefits payable.

(ii) Staff provident fund

The Fund operates a defined contribution plan for all qualifying employees with contributions being made by the employees and a portion by the fund on behalf of each employee. The contributions payable to the plan are in proportion to the services rendered to the Fund by the employees and are recorded as an expense under 'staff costs' in the statement of changes in net assets available for benefits. Unpaid contributions are recorded as a liability.

(l) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre–tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in surplus or deficit except to the extent that it relates to items recognised through other comprehensive income or equity, in which case it is recognised through other comprehensive income or equity.

Current tax is provided for on the surplus for the year adjusted in accordance with the Ugandan Income Tax Act. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided for using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the and reporting date. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable surplus or deficit, it is not accounted for. In respect of temporary differences associated with investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised 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, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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 surplus will be available to allow all or 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 has become probable that future taxable surplus 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 income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Summary of significant accounting policies (continued)

(m) Income tax (continued)

Tax is recognized as an expense/(income), except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or equity.

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or rendering of services is not recoverable from the taxation authority, in which case the value added tax 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 value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the statement of net assets available for benefits.

(n) Cash and cash equivalents

Cash and cash equivalents in the statement of net assets available for benefits comprise cash at banks and on hand and short–term highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances and short–term highly liquid deposits in form of mobile money balances (as disclosed in note 14) that are available on demand as at the reporting date.

(0) Capital work–in–progress

The ongoing construction/installation of capital projects are recorded at the cost to date or valuation and are only transferred into the relevant assets categories once completed and commissioned. No depreciation is computed on capital work–in–progress as these assets are not yet available for use. However, an expected impairment loss on capital work–in–progress is recognized immediately in surplus or deficit.

(p) Members' funds

The Fund is funded through contributions from members and investment income.

(i) Contributions from members
Contributions from employees remitted by the employers are recognized on a cash basis. Contributions due but not yet received at the end of the financial year are not accrued but accounted for and recognized in subsequent years when received.

(ii) Benefit payments to members
Benefits to members are accounted for on a cash basis. Benefit payments made but not collected by members are written back in the cash book and no liability thereof recognized in the financial statements.

(iii) Interest payments to members
Interest payable on members' accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The effective interest rate used to compute interest accrued to members is approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35 (1) and (2) of the National Social Security Fund Act and is treated as an expense.

(d) Reserve account

The reserve account is credited with contributions that cannot be allocated to members, special contributions by non–eligible employees and amounts recovered in form of fines and penalties from employers that fail to remit members funds as stipulated in the National Social Security Fund Act. The special contributions are credited directly to the reserve account while the fines and penalties are recognised through the statement of changes in net assets available for benefits and then appropriated from the accumulated surplus/deficit to the reserve account. Transfers from the reserve account require the approval of the Minister of Finance in accordance with the NSSF Act.

3. Summary of significant accounting policies (continued)

(r) Leases (For the year ended 30 June 2020)

The Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Fund as a lessee

The Fund applies a single recognition and measurement approach for all leases, except for short–term leases and leases of low–value assets. The Fund recognises lease liabilities to make lease payments and right–of–use assets representing the right to use the underlying assets.

– Right–of–use assets (except those meeting the definition of investment property)

The Fund recognises right–of–use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right–of–use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right–of–use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right–of–use assets are depreciated on a straight–line basis over the shorter of the lease term and the estimated useful lives of the assets. The Fund considered tenancy arrangements for its branches with an estimated lease term of 3 to 6 years.

If ownership of the leased asset transfers to the Fund at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
–The right–of–use assets are presented within Note 26 Property, equipment and right–of–use assets and are subject to impairment in line with the Fund's policy as described in Note 3(j) Impairment of non–financial assets.

Right–of–use assets (meeting the definition of investment property)

The Fund's accounting policy for investment properties is disclosed in Note 3(h)

– Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating the lease, if the lease term reflects the Fund exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Fund uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement 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.

The Fund's lease liabilities are presented within Other payables in Note 30.

– Short–term leases and leases of low–value assets

The Fund applies the short–term lease recognition exemption to its short–term leases of any rental payments (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low–value assets recognition exemption to leases that are considered to be low value. Lease payments on short–term leases and leases of low value assets are recognised as expense on a straight–line basis over the lease term.

The Fund as a lessor

Leases in which the Fund 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.

3. Summary of significant accounting policies (continued)

Leases (For the year ended 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Fund as a lessee
A lease is classified at the inception date as a finance lease or an operating lease.

Leases, where substantially all the risks and rewards incidental to ownership are transferred to the Fund are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in surplus or deficit. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in surplus or deficit on a straight–line basis over the lease term.

Fund as a lessor
Leases in which the Fund does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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.

(s) Current/non–current distinction

The Fund presents assets and liabilities in0 decreasing order of liquidity which provides information that is reliable and more relevant than a current/non–current presentation because the Fund does not supply goods or services within a clearly identifiable operating cycle.
The operating cycle of the Fund is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the Fund's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

Disclosures for the amounts expected to be recovered or settled in no more than twelve months after the reporting period and after more than twelve months for each asset and liability line item are in note 41.

The Fund classifies an asset as expected to be recovered in no more than twelve months after the reporting period when;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- it expects to realise the asset within twelve months after the reporting period;
- it holds the asset primarily for the purpose of trading; or,
- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle.

The Fund classifies a liability as expected to be settled in no more than twelve months after the reporting period when;
- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period

3. Summary of significant accounting policies (continued)

t) Non–current assets held for sale and discontinued operations

The Fund classifies non–current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non–current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

For investment property previously accounted for using the fair value model, immediately before the initial classification of the asset as held for sale, the carrying amounts of the asset are measured in accordance with policies as disclosed in note 3(h).

Assets and liabilities classified as held for sale are presented separately as current items in the statement of net assets available for benefits.
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as surplus or deficit after tax from discontinued operations in the statement of changes in net assets available for benefits.

Additional disclosures are provided in Note 29. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

(u) Changes in accounting policies and disclosures

New and amended standards and interpretations
During the current year, the Fund has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019.

The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Fund has listed the disclosure of new and amended standards and interpretations that are effective from 1 January 2019, that had an impact on the Fund's financial statements.

The adoption of these new and revised standards and interpretations is described below.

IFRS 16 Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC–15 Operating Leases–Incentives and SIC–27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Fund is the lessor.

3. Summary of significant accounting policies (continued)

(u) Changes in accounting policies and disclosures (continued)

The Fund adopted IFRS 16 using the option (ii) of the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied from the beginning of the current period with neither restatements nor effects to accumulated surplus. The Fund elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 July 2019. Instead, the Fund applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Fund has lease contracts for various branches and some plots of land. Before the adoption of IFRS 16, the Fund classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 3(r) for the accounting policy prior to 1 July 2019.

Upon adoption of IFRS 16, the Fund applied a single recognition and measurement approach for all leases except for short–term leases and leases of low–value assets. Refer to Note 3(r) for the accounting policy beginning 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Fund.

Leases previously classified as finance leases

The Fund did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right–of–use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.
The resulting right–of–use assets meet the definition of investment property and are therefore presented in the statement of net assets available for benefits within investment property.

Leases previously accounted for as operating leases

The Fund recognised right–of–use assets and lease liabilities for those leases previously classified as operating leases, except for short–term leases and leases of low–value assets. In some leases, the right–of–use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. The resulting right–of–use assets don't meet the definition of investment property and have been presented in the statement of net assets available for benefits within property, equipment and right of use assets.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right of Use asset was recognized an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of net assets available for benefits immediately before the date of initial application.

The Fund also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short–term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right–of–use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

(u) Changes in accounting policies and disclosures (continued)

The effect of adopting IFRS 16 as at 1 July 2019 led to an increase/(decrease) in the line items in the financial statements, as follows:

	1 July 2019 Ushs 000
Assets	
Property and equipment and right–of–use assets	4,958,371
Trade and other receivables	(276,432)
Investment properties	730,000
Finance Leases	(730,000)
Total Assets	**4,681,939**
Liabilities	
Other liabilities	4,681,939
Total liabilities	**4,681,939**
Members' fund and reserves	**–**

- Right–of–use assets (except those meeting the definition of investment property) of Ushs 4.96 Billion were recognised and presented in the statement of net assets available for benefits within "Property, equipment and right–of–use assets".
- Lease liabilities of Ushs 4.7 Billion (included in "Other liabilities") were recognised.
- Right–of–use assets that meet the definition of investment property of Ushs 730 million were reclassified from finance leases and to investment properties.
- The adoption of IFRS 16 had no impact on the Fund's accumulated surplus

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Ushs 000
Operating lease commitments as at 30 June 2019	6,237,902
Weighted average incremental borrowing rate as at 1 July 2019	15%
Discounted operating lease commitments as at 1 July 2019	4,681,939
Less:	
Commitments relating to short–term leases	–
Lease Liabilities at 1 July 2019	**4,681,939**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Fund determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Fund applies significant judgement in identifying uncertainties over income tax treatments. Since the Fund operates in a complex environment, it assessed whether the interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Fund considered whether it has any uncertain tax positions, particularly those relating to the tax matter as disclosed in note 37(b). The Fund's tax filings include deductions related to interest provision to members and the taxation authorities have challenged this tax treatment. This matter is before the courts for determination as described in note 37(b). The Fund determined, based on its tax compliance and legal experts' opinions, that it is probable that its tax treatment will be

3. Summary of significant accounting policies (continued)

(u) Changes in accounting policies and disclosures **(continued)**

be accepted by the taxation authorities upon conclusion of the tax matter. As such the Interpretation did not have an impact on the financial statements of the Fund.

Below are standards issued and effective during the year that had no impact on the Fund's financial statements;

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long–term interests in associates and joint ventures
- Annual Improvements 2015–2017 Cycle
    - IFRS 3 Business Combinations
    - IFRS 11 Joint Arrangements
    - IAS 12 Income Taxes
    - IAS 23 Borrowing Costs

New and revised International Financial Reporting Standards issued but not yet effective.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are not expected to have a significant impact on the Fund's financial statements.

These standards and interpretations are listed below;

- Definition of a Business – Amendments to IFRS 3 –effective 1 January 2020
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 –effective 1 January 2020
- Definition of Material – Amendments to IAS 1 and IAS 8 –effective 1 January 2020
- The Conceptual Framework for Financial Reporting–effective 1 January 2020
- Covid–19–Related Rent Concessions – Amendment to IFRS 16–effective 1 June 2020
- Classification of Liabilities as Current or Non–current – Amendments to IAS 1 –effective 1 January 2022
- Reference to the Conceptual Framework – Amendments to IFRS 3 –effective 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 –effective 1 January 2022
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37–effective 1 January 2022
- AIP IFRS 1 First–time Adoption of International Financial Reporting Standards – Subsidiary as a first– time adopter –effective 1 January 2022
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities –effective 1 January 2022
- AIP IAS 41 Agriculture – Taxation in fair value measurements–effective 1 January 2022
- IFRS 17 Insurance Contracts –effective 1 January 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 –postponed indefinitely

4. Determination of fair value

The fair value of both financial/non–financial assets and fair values have been determined for measurement and/or disclosure purposes based on the methods below.

(i) Investment properties

The Fund uses an external independent valuer with recognized professional qualification and experience to value the Fund's investment properties after every two years (previously on an annual basis). The fair values are based on the market conditions being the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. In the absence of an active price in an active market, the values are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. The yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

(ii) Investment in debt and equity instruments

The fair value of financial assets at fair value through profit or loss and debt instruments at amortised cost is determined by reference to their quoted bid prices at the reporting date, if available. The fair value for non–quoted equity instruments has been estimated using the adjusted net asset value methodology. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities (recognised and unrecognised).

5. Interest income

	2020 Ushs 000	2019 Ushs 000
Interest income on short term deposits with banks	21,382,495	16,403,361
Interest income on government bonds: debt instruments at amortised cost	1,365,625,028	1,136,529,434
Interest income on corporate bonds: debt instruments at amortised cost	9,571,915	11,632,872
Interest income on loans and receivables measured at amortised cost	2,188,691	2,638,115
	1,398,768,129	**1,167,203,782**

All interest income arises from financial assets that are not at fair value through profit or loss and is calculated using the effective interest method.

6. Rental income

	2020	2019
	Ushs 000	Ushs 000
Workers House	4,963,396	5,110,870
Social Security House	3,034,962	2,881,811
Service charge	2,123,826	1,900,563
Others – Naguru, Mbarara & Jinja	1,003,478	827,212
	11,125,662	**10,720,456**

This relates to rental income earned from investment properties (refer to Note 24) owned by the Fund, and rented out to tenants for commercial purposes. Tenants are charged rental fees based on the square metres occupied at agreed rental charges as specified in the tenancy agreements. The timing of revenue recognition for rental income is entirely over time as the tenants occupy the property.

7. Dividend income

	2020 Ushs 000	2019 Ushs 000
Stanbic Bank Uganda Limited	6,299	2,536,817
Bank of Baroda (Uganda) Limited	–	499,563
New Vision Printing and Publishing Company Limited	375,000	375,000
dfcu Limited	–	1,842,071
Safaricom Limited	16,277,080	20,794,969
Equity Group Holdings Ltd	–	7,911,641
Kenya Commercial Bank (KCB)	11,715,198	10,849,277
Bank of Kigali	2,439,554	4,758,684
Tanzania Breweries	1,933,790	7,190,982
East Africa Breweries	5,742,046	5,255,116
Dividend Inc –PTA Shares CB	4,260,568	3,400,770
Twiga Ltd	4,530,046	4,428,938
Britam Kenya	348,692	–
Vodacom Ltd	1,086,360	779,318
Jubilee Insurance Ltd	604,406	394,521
Kenya Re Ltd	85,068	99,525
Centum Ltd	181,898	197,410
CRDB Tanzania Ltd	5,472,194	1,286,080
National Microfinance Bank	3,676,907	–
Other dividend income earned from fund managers	3,541,120	4,452,806
	62,276,226	**77,053,488**

8. Other operating (loss)/income

(a) Fair value (loss)/ gains	2020 Ushs '000	2019 Ushs '000
Fair value gains on investment properties and finance leases	46,929,148	38,080,363
Fair value losses on equity investments held for trading	(7,581,995)	(17,375,852)
Fair value gains /(losses) from equity investments at fair value through profit or loss	22,844,349	(189,561,745)
	62,191,502	**(168,857,234)**
(b) Foreign exchange losses	**(94,386,858)**	**(247,372,686)**

Foreign exchange losses arose from appreciation of foreign currencies against the Uganda Shilling, which affected foreign denominated assets and liabilities.

(c) Other income	2020 Ushs '000	2019 Ushs '000
Write back of Alcon provision (Note 32)	–	12,989,504
Notional income on staff loans	73,070	106,769
Miscellaneous income	83,463	291,018
	156,533	**13,387,291**

Miscellaneous income mainly comprises fees from sale of bid documents, insurance claims.

9.Administrative expenses

	2020 Ushs 000	2019 Ushs 000
Staff costs (Note 9a)	76,284,904	71,170,996
Staff medical insurance	1,512,107	1,417,315
General staff and training expenses	6,865,726	8,256,531
Advertising and promotion	7,167,497	5,991,081
Auditors' remuneration	186,742	162,385
Bank charges and commission	98,387	10,559
Board expenses	1,337,004	826,179
Cleaning expenses	364,763	426,767
IT connectivity and internet	1,764,870	1,143,217
Directors' allowances	954,801	959,103
Professional fees	4,338,028	5,148,832
Legal fees	4,887,393	1,447,544
Motor vehicle fuel costs, maintenance & repairs	1,508,473	1,556,545
Printing and stationery	420,221	720,021
Subscriptions	873,357	705,511
Telephone, fax, telex and post	1,312,174	815,634
Travel and subsistence costs	4,643,560	4,525,205
Commission and brokerage fees	1,992,192	1,363,380
Uganda Retirement Benefits Regulatory Authority annual levy	6,854,508	5,749,723
Other administrative expenses	848,787	575,271
	124,215,494	**112,971,799**

9. Administrative expenses (continued)

a) Staff costs	2020	2019
	Ushs 000	Ushs 000
Leave pay	1,137,324	995,652
Overtime expenses	113,569	52,279
Salaries and wages	62,747,787	58,523,523
Social security contributions	6,601,346	6,218,763
Contributions to the staff provident fund	4,537,250	4,299,328
Gratuity	1,147,628	1,081,451
	76,284,904	**71,170,996**

Average number of employees: 532 (2019: 536)

10. Impairment losses on financial assets

	Note	2020 Ushs 000	2019 Ushs 000
Deposits due from banks	15	459,744	409,286
Trade and other receivables	16	3,003,947	4,532,489
Debt instruments at amortised cost	18	(25,509)	142,594
Loans and advances	20	(45,238)	(53,260)
		3,392,944	**5,031,109**

11. Other operating expenses

	2020 Ushs 000	2019 Ushs 000
Rent and rates*	812,455	1,822,291
Electricity and water	1,590,155	1,684,905
Repairs and maintenance	9,888,934	9,808,056
Insurance	4,225,807	3,459,298
Security expenses	2,357,054	1,931,921
Research and library expenses	3,653,811	3,262,038
	22,528,216	**21,968,509**

*The rent and rates expense for the year ended 30 June 2020 relate to KCCA Ground rent and rates charges paid to the Kampala Capital City Authority for some of the Fund's investment properties.

12. Surplus/(loss) before tax

Surplus before tax is arrived at after charging / (crediting):

	2020 Ushs 000	2019 Ushs 000
Amortisation of intangible assets (Note 25)	1,397,334	1,090,515
Depreciation on property and equipment and right of use assets (Note 26)	6,366,421	4,115,058
Auditors' remuneration	186,742	162,385
Directors' emoluments	954,801	959,103
Foreign exchange losses	94,386,859	247,372,685
Fair value (gains)/losses on equity instruments at FVTPL	(22,844,349)	189,561,745
Fair value losses on equity instruments held for trading	7,581,994	17,375,852
Fair value gains on investment property and finance leases	**(46,929,148)**	**(38,080,363)**

13. Tax

(a) Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 1,452 Billion as at 30 June 2020 (2019: Ushs 1,376 Billion). The tax on the Fund's surplus after interest transfer to member's funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2020 Ushs 000	2019 Ushs 000
Surplus before tax from continuing operations	**157,939,378**	**(232,031,367)**
Surplus before tax from discontinued operations	**588,563**	**–**
Surplus before tax	**158,527,941**	**(232,031,367)**
Tax calculated at 30%	47,558,382	(69,609,410)
Tax effect of: Expenses relating to income taxed at source	18,870,576	20,208,463
Non– taxable income	(3,560,936)	(11,703,370)
Other non–deductible expenses	(6,660,207)	591,741
Effect of differential between the income tax statutory rate and the WHT rate on government securities	41,500,834	54,593,183
Effect of discontinued operation	163,158	–
Prior year deferred tax over provision	(1,009,256)	(3,784,123)
Unrecognised deferred tax credit (Note 13(b))	56,186,488	182,564,784
Tax charge	**153,049,039**	**172,861,268**

(b) Deferred tax asset

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2019: 30%).

	At 30 June 2019 Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	At 30 June 2020 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(183,286,818)	177,102,362	(6,184,456)
Impairment allowance on financial assets	(10,915,964)	(1,017,883)	(11,933,847)
Provision for litigation	(242,112)	–	(242,112)
Lease liability under IFRS 16	–	(1,181,696)	(1,181,696)
Impairment of associate		(1,484,013)	(1,484,013)
Bonus provision	(4,323,109)	34,392	(4,288,717)
Tax losses carried forward	**(412,661,111)**	**(22,930,187)**	**(435,591,298)**
	(611,429,114)	**150,522,975**	**(460,906,139)**
Deferred tax liabilities			
Unrealized foreign exchange gains	247,925,358	(226,058,564)	21,866,794
Fair value gains on investment properties	100,705,278	14,078,744	114,784,022
Fair value changes on equity instruments	21,411,220	6,853,305	28,264,525
Right of use Asset	–	1,200,877	1,200,877
Unrealised gains in investments with fund managers	3,857,080	(2,480,111)	1,376,969
Accelerated depreciation	2,596,915	(303,714)	2,293,201
	376,495,851	**(206,709,463)**	**169,786,388**
Net deferred tax asset	**(234,933,263)**	**(56,186,488)**	**(291,119,751)**

13. Tax (continued)

(b) Deferred tax asset (continued)

	At 30 June 2018 Ushs 000	Charge/(Credit) to members' funds and reserves Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	At 30 June 2019 Ushs 000
Deferred tax assets				
Unrealized foreign exchange losses	(86,756,298)	–	(96,530,520)	(183,286,818)
Impairment allowance on financial assets	(9,402,462)	(1,326,898)	(186,604)	(10,915,964)
Provision for litigation			(242,112)	(242,112)
Bonus provision	(2,021,126)	–	(2,301,983)	(4,323,109)
Tax losses carried forward	(360,720,949)	–	(51,940,162)	(412,661,111)
	(458,900,835)	**(1,326,898)**	**(151,201,381)**	**(611,429,114)**
Deferred tax liabilities				
Unrealized foreign exchange gains	223,563,004	–	24,362,354	247,925,358
Fair value gains on investment properties	89,281,169	–	11,424,109	100,705,278
Fair value changes on equity instruments	83,492,499	–	(62,081,279)	21,411,220
Unrealised gains in investments with fund managers	9,198,360	–	(5,341,280)	3,857,080
Accelerated depreciation	**2,324,222**	**–**	**272,693**	**2,596,915**
	407,859,254	**–**	**(31,363,403)**	**376,495,851**
Net deferred tax asset	**(51,041,581)**	**(1,326,898)**	**(182,564,784)**	**(234,933,263)**

The net deferred tax asset of Ushs 291 Billion (2019: Ushs 235 Billion) has not been recognised in these financial statements because it is not probable that future taxable profit will be available against which the Fund can utilise the benefits therefrom. As at 30 June 2020, tax losses carried forward amounted to Ushs 1,452 Billion. Despite the Fund making surplus earnings, Section 22(1) and 25 of the Income Tax Act allows a deduction of interest incurred during the year of income in respect of a debt obligation. In addition, the Fund obtained a ruling from Uganda Revenue Authority in 2001 advising that interest declared to members is tax deductible. The Fund follows this ruling when preparing income tax computations and it is unlikely that the Fund will have taxable profits against which the deferred income tax asset can be utilised. The Fund's business is to collect contributions from members, invest and distribute interest to the members. With the deductibility of the interest distribution, it is unlikely that the Fund will have taxable profit against which to utilise the tax assets since the largest portion of the surplus earnings are distributed to members as interest. Subsequent to the 2001 ruling from URA, however, URA has since challenged NSSF's tax computations and the basis of the deductibility of interest declared to members. Details of this and the current status of the open tax matter are disclosed in note 37 (b).

c) Tax deposit receivable

	2020 Ushs 000	2019 Ushs 000
Tax deposit receivable	**25,323,522**	**25,323,522**

As disclosed in Note 37(b), the Fund received an assessment for tax from URA on 15 April 2013 which it disputed. In accordance with the Income Tax Act, the Fund was required to pay 30% of the assessed tax before proceeding to court. The directors believe that this amount is recoverable as the deposit will either be refunded in the event of a successful outcome, or applied toward the tax obligation in the event that the fund is not successful in its court case.

14. Cash and bank balances

	2020 Ushs 000	2019 Ushs 000
Absa Bank Uganda Limited	1,353,979	468,318
Citibank Uganda Limited	2,390,672	5,305,953
Housing Finance Uganda Limited	115,129	9,729
Stanbic Bank Uganda Limited	6,226,894	1,281,613
Standard Chartered Bank Uganda Limited	5,776,730	2,876,151
KCB Rwanda Custodian	1,371	10,531
Imperial Bank Limited	32,898	23,248
Eco Bank Uganda Limited	1,412	1,434,142
Bank of Africa	182,928	369,286
Centenary Bank	853,795	3,063
DFCU Bank Limited	449,428	512,438
United Bank for Africa	41,491	1,517,630
Orient Bank Limited	26,950	58,665
Guaranty Trust Bank	47,201	125,017
Tropical Bank –collection account	24,596	91,538
Bank of Baroda Uganda Limited–collection account	452,427	431,736
Post Bank	27,002	1,792,908
KCB Uganda	171,939	195,243
Finance Trust Bank	15,981	67,548
Diamond Trust	453,894	897,969
NC Bank	206	99,488
Equity Bank	194,334	–
Commercial Bank of Africa	23,128	–
Standard Chartered Tanzanian Custodian	6,917,703	–
KCB Kenya Custodian	79,865	–
Cash at hand	40,370	48,954
Mobile Money	119,772	18,993
	26,022,095	**17,640,161**

Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian, Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held to the Fund except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% respectively. The fair value of the cash and bank balances is equal to their carrying amount.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and bank balances above.

The Fund's cash and bank balances are not restricted for use.

15. Deposits With Commercial Banks

	2020 % in class	2019 % in class	2020 Ushs 000	2019 Ushs 000
Housing Finance Bank Limited	39.3	54.8	80,456,041	80,422,723
Stanbic Bank	25.9	2.0	53,007,405	3,001,048
Standard Chartered Bank Uganda Limited	5.3	15.6	10,945,036	22,941,395
Commercial Bank of Africa	9.9	6.8	20,195,616	10,007,056
United Bank of Africa	18.2	–	37,333,387	–
Kenya Commercial Bank	1.4	–	2,734,483	–
Equity Bank Uganda Limited	–	20.8	–	30,419,178
Gross deposits	**100**	**100**	**204,671,968**	**146,791,400**
Expected Credit Loss			**(1,514,695)**	**(1,054,951)**
			203,157,273	**145,736,449**

The gross deposits with commercial banks are analysed as follows:

	2020 Ushs 000	2019 Ushs 000
Amounts due within three (3) months	55,741,888	46,955,641
Amounts due after three (3) months but less than 1 year	57,596,241	8,571,421
Amounts due after 1 year	**91,333,839**	**91,264,338**
Gross deposits	**204,671,968**	**146,791,400**

The change in the bank deposits during the year was as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**145,736,449**	**99,835,759**
New placements / deposits	656,066,104	233,988,588
Maturities	(598,317,434)	(190,460,779)
Interest accrued	21,382,495	16,403,361
Interest received	(19,157,530)	(10,190,737)
Foreign exchange (losses)/gains	(2,093,067)	(2,784,792)
Allowance for credit losses	(459,744)	(1,054,951)
At 30 June	**203,157,273**	**145,736,449**

The deposits are carried at amortised cost and made for varying periods of between 1 and 365 days depending on the cash requirements of the Fund. The weighted average effective interest rate on deposits with commercial banks as at 30 June 2020 was 9.28% (2019: 13.12%).

The allowance for expected credit losses is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**1,054,951**	**–**
Impact of IFRS 9 adoption at 1 July 2018	–	645,665
Increase in impairment allowance during the year	459,744	409,286
At 30 June	**1,514,695**	**1,054,951**

The allowance relates to the expected credit losses. Refer to Note 39 (c) for details.

16. Trade and Other Receivables

	2020 Ushs 000	2019 Ushs 000
Trade receivable	8,015,701	6,911,655
Contributions receivable*	1,879,493	1,879,493
Dividends receivable	36,464,911	58,150,226
Other receivables	4,091,599	5,504,498
Provision for impairment loss	(13,378,933)	(10,374,986)
	37,072,771	**62,070,886**
Prepayments	2,008,955	1,979,144
VAT recoverable	13,470,595	4,756,477
Deferred staff expense	409,577	482,648
	52,961,898	**69,289,155**

*The contributions receivable relate to cheque payments in previous years (2011) that were not honoured and fully recognised as a receivable. These have been fully provided for.

The provision for impairment loss is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**10,374,986**	**10,739,257**
Impact of IFRS 9 adoption at 1July 2018	–	(497,108)
Utilised during the year (write offs)	–	(4,399,652)
Increase in impairment allowance during the year	3,003,947	4,532,489
At 30 June	**13,378,933**	**10,374,986**

The provision relates to the expected credit losses on trade receivables, contributions receivable, dividends receivable and other receivable accounts. Refer to Note 39 (c) for details.

17. Equity securities held–for–trading

	2020 Ushs 000	2019 Ushs 000
GenAfrica	6,281,038	6,607,884
Pinebridge Investments	81,381,444	84,824,717
	87,662,482	**91,432,601**

The investments in securities held–for–trading are equity investments managed by the Fund Managers; GenAfrica and Pinebridge Investments. The Fund Managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

17. Equity securities held–for–trading (continued)

	% in class 2020	% in class 2019	Number of shares held		Market Value	
			2020	2019	2020 Ushs 000	2019 Ushs 000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	33.70	25.3	193,169,286	114,549,447	4,636,063	3,321,934
dfcu Limited	48.95	53.3	10,440,437	10,440,437	6,734,082	6,995,093
New Vision Printing and Publishing Company Limited	5.01	5.5	2,185,857	2,185,857	688,545	721,333
Umeme Limited	6.51	8.4	3,654,088	3,654,088	895,252	1,096,226
Uganda Clays Limited	0.61	1.1	9,330,620	9,575,568	83,976	144,974
Bank of Baroda	5.22	6.4	6,525,000	6,525,000	717,750	839,967
	100	**100**			**13,755,668**	**13,119,527**
Nairobi Securities Exchange						
Absa Bank Kenya Limited	7.39	5.52	13,013,400	9,690,000	4,556,798	3,657,519
Bamburi Cement Limited	0.01	0.03	5,100	5,100	5,017	20,862
Britam Holdings Limited	–	1.43	–	3,207,400	–	949,978
Co–operative Bank of Kenya	3.79	3.59	5,485,564	5,485,564	2,334,918	2,377,656
Diamond Trust Bank Kenya	4.89	7.03	1,217,422	1,096,553	3,016,037	4,663,770
East African Breweries Ltd	12.83	14.67	1,390,316	1,348,416	7,912,596	9,728,754
Equity Group Holdings Ltd	15.58	12.72	7,899,442	5,504,042	9,601,331	8,432,416
I&M Holdings Ltd	2.25	2.38	793,400	793,400	1,389,649	1,576,164
Kenya Commercial Bank	13.23	12.53	6,406,674	6,013,174	8,157,663	8,307,718
Nation Media Group	–	0.13	–	47,779	–	84,563
NCBA Bank	0.06	1.58	40,260	949,505	37,552	1,049,458
Safaricom Limited	33.37	29.04	20,501,500	18,972,400	20,575,800	19,256,401
Stanbic Holdings PLC	6.38	6.95	1,334,000	1,289,400	3,935,453	4,610,727
Standard Chartered Bank Kenya Ltd	0.22	2.40	23,090	227,019	137,269	1,594,881
	100	**100**			**61,660,083**	**66,310,867**
Dar es Salaam Stock Exchange						
Tanzania Breweries Limited	80.99	85.3	560,000	560,000	9,918,465	10,242,636
CRDB Bank Plc	19.01	14.7	9,970,000	9,970,000	2,328,266	1,759,571
	100	**100**			**12,246,731**	**12,002,207**

The changes in held–for–trading investments during the year were as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	91,432,601	112,181,205
Purchases	12,776,151	13,041,187
Disposals	(7,020,097)	(10,098,630)
Fair value losses	(7,581,995)	(17,375,852)
Foreign exchange losses	(1,944,178)	(6,315,309)
As at 30 June	**87,662,482**	**91,432,601**

17. Equity securities held–for–trading (continued)

The trading prices at the last date of trading for the years ended 30 June 2020 and 2019 were as follows:

	2020			2019		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Limited	24.00	–	–	29.00	–	–
DFCU Limited	645.00	–	–	670.00	–	–
New Vision Printing and Publishing Company Limited	315.00	–	–	300.00	–	–
Umeme Limited	245.00	–	–	300.00	–	–
Uganda Clays Limited	9.00	–	–	15.50	–	–
Bank of Baroda (Uganda)	110.00	–	–	128.73	–	–
Safaricom Limited	–	28.65	–	–	28.10	–
Kenya Commercial Bank	–	36.35	–	–	38.25	–
East African Breweries Limited	–	162.5	–	–	199.75	–
Bamburi Cement ltd	–	28.00	–	–	113.25	–
Equity Group Holdings Limited	–	34.7	–	–	38.95	–
Stanbic Holdings Plc	–	84.5	–	–	–	–
NCBA Bank Limited	–	26.55	–	–	30.60	–
Absa Bank Kenya Limited	–	10.00	–	–	10.45	–
Nation Media Group	–	–	–	–	49.00	–
Diamond Trust Bank Kenya Limited	–	70.75	–	–	117.75	–
Standard Chartered Bank Kenya Limited	–	169.75	–	–	194.50	–
Co–operative Bank Kenya Limited	–	12.15	–	–	12.00	–
Britam Holdings Limited	–	–		296.18	8.20	–
I&M Holdings Limited	–	50.00		1,986.55	55.00	–
Tanzania Breweries Limited	–		10,900.00	18,290.16		11,400.00
CRDB Bank Plc	–		145.00	176.48		110.00

18. Debt instruments at amortised cost

	2020 % in Class	2019 % in Class	2020 Ushs 000	2019 Ushs 000
Treasury bonds	99.4	99.1	9,963,025,774	8,457,362,393
Corporate bonds	0.6	0.9	57,904,791	75,375,820
Gross investments	**100**	**100**	**10,020,930,565**	**8,532,738,213**

The gross investments are analysed as follows:

Maturing within 3 months	759,759,679	422,913,464
Maturing after 3 months but within 1 year	1,645,762,026	893,053,213
Maturing after 1 year	7,615,408,860	7,216,771,536
	10,020,930,565	**8,532,738,213**
Less: allowance for expected credit losses	(4,092,904)	(4,118,413)
Net carrying amount	**10,016,837,661**	**8,528,619,800**

The allowance for expected credit losses is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**4,118,413**	**–**
Impact of IFRS 9 adoption at 1 July 2018	–	3,975,819
(Decrease)/increase in impairment allowance during the year	(25,509)	142,594
At 30 June	**4,092,904**	**4,118,413**

18. Debt instruments at amortised cost (continued)

The allowance relates to the expected credit losses (ECL), refer to Note 39 (c) for detail. The change in debt instruments at amortised cost investments during the year were as follows:

	2020 Ushs 000	2019 Ushs 000
As at 01 July	**8,528,619,800**	**7,354,563,778**
Purchases	1,910,816,202	1,587,279,720
Maturities	(458,924,177)	(318,088,914)
Interest accrued	1,375,196,943	1,148,162,306
Interest received	(1,034,884,756)	(763,380,789)
Withholding tax deducted at source as a final tax	(153,049,039)	(172,861,268)
Foreign exchange losses	(150,962,821)	(302,936,620)
Allowance for credit losses	25,509	(4,118,413)
As at 30 June	**10,016,837,661**	**8,528,619,800**

The yield rates on the treasury bonds ranged from 10.81% to 21.22% (2019: 10.81% to 21.22%) and the treasury bonds have maturity periods of between 1 and 15 years. The interest rates for corporate bonds ranged from 11.5% to 14.7% (2019: 11.5% to 14.7%) and the corporate bonds have maturity periods of between 1 and 8 years.

19. Equity investments at fair value through profit or loss

	2020 % in Class	2019 % in Class	2020 % Held	2019 % Held	2020 Ushs 000	2019 Ushs 000
Bank of Baroda (Uganda) Limited	0.4	0.5	2.00	2.00	5,495,188	6,430,868
DFCU Limited	2.5	3.0	7.34	7.34	35,993,203	37,388,289
Safaricom Limited	22.8	24.0	0.83	0.75	333,098,829	303,900,171
Centum Investments Limited	0.3	0.4	0.73	0.73	3,966,644	5,127,936
Stanbic Bank Uganda Limited	3.4	3.1	4.00	2.61	49,155,248	38,719,841
Cooperative Rural Dev't	3.1	1.4	7.52	3.83	45,885,536	17,671,500
Vodacom TZ shares	2.6	2.8	0.24	0.24	38,086,302	35,750,241
New Vision Printing and Publishing Company Limited	0.3	0.4	19.61	19.61	4,725,000	4,950,000
Bank of Kigali	3.0	3.7	6.36	6.36	43,354,675	47,280,619
Tanzania Breweries Ltd	14.8	10.4	4.19	2.43	216,960,746	131,074,014
Equity Bank Kenya	10.0	12.3	3.25	2.97	146,421,875	155,404,067
Jubilee Insurance Ltd	1.1	1.6	2.60	1.93	15,953,543	20,173,362
East African Breweries Ltd (EABL)	7.0	10.0	2.29	2.22	102,901,687	126,774,559
Eastern and Southern African Trade and Development Bank (TDB Bank)	9.5	9.9	3.03	3.95	139,131,656	125,618,758
Tanzania Portland Cement (Twiga)	2.3	2.4	5.28	5.28	33,665,720	30,523,500
British–American Invest (Britam)	0.7	0.9	2.03	2.03	10,501,908	11,648,845
CIPLA QC	1.8	3.4	7.38	7.38	26,936,139	43,097,822
Kenya Re–Insurance	0.1	0.3	3.43	3.43	1,798,853	3,257,808
Kenya Commercial Bank	8.3	9.5	3.20	2.94	120,942,980	120,678,062
National Microfinance Bank (NMB)	6.0	–	4.68	–	88,200,965	–
	100	**100**			**1,463,176,697**	**1,265,470,262**

All the above equity investments are traded on the Uganda Securities Exchange (USE) except for Safaricom, KCB, Kenya Re–Insurance and Equity Group which are traded on the Nairobi Securities Exchange (NSE), Tanzania Breweries, NMB, EABL, Cooperative Development Bank, Vodacom and Twiga which are traded on the Dar es Salaam Stock Exchange (DSE), Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE), TDB Bank which is not traded on a stock exchange.

19. Equity investments at fair value through profit or loss (continued)

The trading prices at the last date of trading for the years ended 30 June 2020 and 2019 were as follows:

	2020					2019				
	Ushs	**Kshs**	**Tshs**	**Rwf**	**USD**	**Ushs**	**Kshs**	**Tshs**	**Rwf**	**USD**
Bank of Baroda (Uganda) Limited	110.00	–	–	–	–	128.73	–	–	–	–
dfcu Limited	645.00	–	–	–	–	670.00	–	–	–	–
Safaricom Limited	–	28.65	–	–	–	–	28.10	–	–	–
Centum Investments Limited	901.51	–	–	–	–	1,165.44	–	–	–	–
Stanbic Bank Uganda Limited	24.00	–	–	–	–	29.00	–	–	–	–
New Vision Printing and Publishing Company Limited	315.00	–	–	–	–	330.00	–	–	–	–
Kenya Re–Insurance	–	2.14	–	–	–	–	6	–	–	–
Vodacom	–	–	850	–	–	–	–	800.00	–	–
Cooperative Development Bank	–	–	145	–	–	–	110.00	–	–	–
Equity Bank Kenya	–	34.70	–	–	–	–	38.95	–	–	–
Jubilee Insurance	–	242.00	–	–	–	–	–	–	–	–
East African Breweries Ltd	–	162.50	–	–	–	–	–	–	–	–
Kenya Commercial Bank	–	36.35	–	–	–	–	38.25	–	–	–
Bank of Kigali	–	–	–	245.00	–	–	–	–	274.00	–
Tanzania Breweries Limited	–	–	10,900.00	–	–	–	–	11,400.00	–	–
Tanzania Portland Cement Limited	–	–	2,200.00	–	–	–	–	2,000.00	–	–
British–American Invest (Britam)	–	7.62	–	–	–	–	8.20	–	–	–
CiplaQC	100.00	–	–	–	–	–	–	–		–
Eastern and Southern African Trade and Development Bank (TDB Bank) *	–	–	–	–	12,213.00	–	–	–	–	11,463.00
National Microfinance Bank (NMB)	–	–	2,340	–	–	–	–	–	–	–

*The shares are not quoted in an active market and the price used to determine the carrying amount has been determined through techniques as described in note 40.

19. Equity investments at fair value through profit or loss (continued)

During the year, the Fund purchased the following shares:

2020	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
Stanbic Bank	Ushs	712,965,437	24.68	1.0	17,595,987
Equity Bank	Kshs	10,473,100	36.00	35.4668	13,372,105
Safaricom (K) Ltd	Kshs	32,384,000	28.00	34.4666	31,252,619
KCB Kenya	Kshs	7,604,300	45.00	35.7701	12,240,301
EABL	Kshs	500,000	138.00	36.851	2,542,716
Jubilee Insurance	Tzs	484,364	358.00	35.8123	6,209,932
Tanzania Breweries	Tzs	5,200,000	7,917.24	1.5929	65,579,148
CRDB Bank	Tzs	96,456,402	95.00	1.6079	14,733,353
NMB Bank	Tzs	23,400,000	700	1.6163	26,474,994
PTA Bank	USD	89	11,463	3664.75	3,738,803
					193,739,955

2019	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
CIPLAQC	Ushs	269,361,386	256.50	1.00	69,091,196
EABL	Kshs	700,000	181.76	37.549	4,777,432
Equity Bank	Kshs	7,500,000	38.71	37.7934	10,972,381
Safaricom (K) Ltd	Kshs	25,069,900	23.48	37.1504	21,868,266
Jubilee Insurance Limited	Kshs	1,397,859	409.91	37.1358	21,278,658
KCB Kenya	Kshs	22,818,600	43.18	37.7292	37,174,897
Tanzanian Breweries	Tzs	1,457,850	12,588	1.6222	29,770,319
Vodacom	Tzs	650,000	800	1.7116	890,032
TDB Bank	USD	86	10,418	3,816.0195	3,418,955
					199,242,136

The change in the equity investments during the year was as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**1,265,470,262**	**1,326,207,276**
Acquisition of new shares	193,739,955	199,242,136
Fair value gains/(losses)	22,844,349	(189,561,745)
Foreign exchange losses	(18,877,869)	(70,417,405)
At 30 June	**1,463,176,697**	**1,265,470,262**

The Fund's investments in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Fund holds less than 20% of the voting rights of the investee companies and the Fund does not have significant influence over the financial and operating decisions of the investee companies.

20. Loans and advances

	2020 Ushs 000	2019 Ushs 000
Uganda Clays Limited (Note 36)	20,592,838	20,592,838
Housing Finance Bank Limited (Note 36)	15,009,486	18,666,667
Staff loans	983,085	1,086,124
	36,585,409	40,345,629
Fair value of discount on staff loans	(409,577)	(482,648)
	36,175,832	**39,862,981**
Allowance for credit losses	(20,792,958)	(20,838,196)
	15,382,874	**19,024,785**

The allowance for credit losses is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**20,838,196**	**20,592,838**
Impact of adoption of IFRS 9 at 1 July 2018	–	298,618
Decrease in impairment allowance during the year	(45,238)	(53,260)
At 30 June	**20,792,958**	**20,838,196**

The change in the loans and advances during the year was as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**19,024,785**	**22,985,894**
Principle repayments	(3,666,667)	(3,666,668)
Interest accrued	2,188,691	2,638,115
Interest received	(2,282,243)	(2,793,967)
Fair value adjustment	73,070	106,769
Allowance for credit losses	45,238	(245,358)
At 30 June	**15,382,874**	**19,024,785**

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and was repayable within 96 months in equal monthly instalments commencing after a grace period of two years (effective 27 December 2013). The loan has a fixed interest rate of 15%. For the six months' period to 30 June 2020, Uganda Clays Limited made a loss before tax of Ushs 1,430 million and its current assets exceeded current liabilities by Ushs 16,420 million as at 30 June 2019. However, the Company has experienced financial problems since the loan was disbursed and no loan repayment had been received by 30 June 2020. Therefore, the loan has been fully impaired as recovery procedures continue to be enforced.

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 14.5 Billion at a rate of 11.5% (2019: 11.5%) and Ushs 4.5 Billion at a rate of 13.5% (2019: 13.5%), respectively. The Loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 14.5 Billion is repayable over a period of 15 years while that of Ushs 4.5 Billion is repayable over 10 years. Instalments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement. During the grace period, interest accrued is payable. The loans are secured by the bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 Billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2019: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the acquired houses and are to be paid over a period of 15 to 20 years. As at 30 June 2020, the average market rate for mortgages was 17.0% (2019: 17.0%)

All the above loans and advances are measured at amortised cost with exception of the staff loans which are marked to market.

21. Investments in associates

	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Ltd Ushs 000	Yield Fund Ushs 000	Total Ushs 000
At 1 July 2018	**69,502,077**	**12,243,130**	**8,709,544**	**206,116,640**	**1,738,576**	**298,309,967**
Share of profit / (loss)	9,755,835	238,163	519,370	28,747,312	(249,448)	39,011,232
Share of impact of adoption of new standards	(2,614,030)	–	–	(727,567)	–	(3,341,597)
Share of prior period adjustments	(1,555,169)	851,550	–	–	–	(703,619)
Share of OCI, net of tax	–	–	–	330,524	–	330,524
Less: dividends	–	(292,639)	(419,776)	(15,287,272)	–	(15,999,687)
At 30 June 2019	**75,088,713**	**13,040,204**	**8,809,138**	**219,179,637**	**1,489,128**	**317,606,820**
At 1 July 2019	**75,088,713**	**13,040,204**	**8,809,138**	**219,179,637**	**1,489,128**	**317,606,820**
Share of profit / (loss)	13,484,741	(423,004)	(269,600)	22,943,576	(291,502)	35,444,211
Impairment of associate	–	(4,946,709)	–	–	–	(4,946,709)
Share of results of associates	13,484,741	(5,369,713)	(269,600)	22,943,576	(291,502)	30,497,502
Additions	30,500,000	–	–	–	1,057,500	31,557,500
Share of prior period adjustments	–	(944,297)	–	7,131,013	–	6,186,716
Share of OCI, net of tax	–	–	–	(8,374,505)	–	(8,374,505)
Less: dividends	–	–	(419,776)	(15,436,780)	(372,312)	(16,228,868)
At 30 June 2020	**119,073,454**	**6,726,194**	**8,119,762**	**225,442,941**	**1,882,814**	**361,245,165**

As at 30 June 2020, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.2% and 9.8% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited, TPS Uganda Limited, Umeme Ltd and Yield Fund respectively. These investments have been accounted for under the equity method.

The Fund is involved in the activities of TPS Uganda Limited with board representation. Key investment and finance decisions are made in consultation with the Fund because of its holding in the company. This is therefore classified as an investment in associate even though the percentage holding is less than the presumptive 20%.

The Fund increased its involvement in the activities of Yield Fund in 2018 getting representation on the Board. Investment decisions and key decisions at Yield Fund have to be done in consultation with NSSF hence a change from equity investments at fair value through profit or loss to investment in an associate even though the percentage holding is less than the presumptive 20%.

The Fund's 50% holding in Housing Finance Bank Ltd does not give it a controlling interest nor does it give it joint control and as such, the investment continues to be accounted for as an associate.

Although the Fund holds 9.8% (2019:16.5%) the Yield Fund, it has a significant influence in it due to the fact that it has a third of the Board composition. In addition, the Fund's input is sought prior to approval of significant transactions. As such, the investment is accounted for as an associate.

21. Investments in associates (continued)

Nature of activities of associates

Company	Nature of activities
Housing Finance Bank Limited	The Bank is engaged in the business of commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004.
Uganda Clays Limited	The principal activities of the company are the production and sale of a wide range of clay building products. The main items produced are roofing tiles.
TPS (Uganda) Limited	The principal activities of the company are operating and running a hotel facility in Uganda, serving the business and tourist markets.
Umeme Limited	Through a concession with the Government of Uganda, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing electricity to Ugandan residents, commercial and government entities.
Yield Fund	Yield Uganda Investment Fund specializes in investments in small and medium agri–businesses in the form of equity, semi–equity and debt. The Fund targets agriculture–related businesses across all value chains, with clear competitive advantage and ambitious local management.

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited	Yield Fund
Principal place of business	Investment House, Plot 4 Wampewo Avenue, Kololo, P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi, P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue, P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue, P.O. Box 23841, Kampala	Plot M697 Equata Building UMA Showground, Lugogo, Kampala
Market price	Not Listed.	Ushs 9 per share	Not Listed	Ushs 245 per share	Not Listed

	Number of Shares Held		Price per Share		Fair Value	
	2020	2019	2020 Ushs	2019 Ushs	2020 Ushs 000	2019 Ushs 000
Umeme Limited	373,771,921	373,771,921	245	300	91,574,121	112,131,576
Housing Finance Bank	3,050,000	3,050,000	–	–	–	–
TPS (Uganda) Limited.	19,500	19,500	–	–	–	–
Yield Fund	753,936	500,000	–	–	–	–
Uganda Clays Limited	292,640,000	292,640,000	9	15	2,633,760	4,389,600
					94,207,881	**116,521,176**

21. Investments in associates (continued)

The summary of the financial information for the investments in associates as at 30 June is as follows:

	Housing Finance Bank Limited		Uganda Clays Limited		TPS (Uganda) Limited		Umeme Limited		Yield Fund	
	2020 Ushs 000	2019 Ushs 000	2020 Ushs 000	2019 Ushs 000	2020 Ushs 000	2019 Ushs 000	2020 Ushs 000	2019 Ushs 000	2020 Ushs 000	2019 Ushs 000
Percentage held	50%	50%	32.52%	32.52%	13.99%	13.99%	23.02%	23.02%	9.8%	16.5%
Current assets	902,922,244	844,445,131	22,967,152	25,259,000	18,630,831	21,522,357	596,079,000	450,046,000	10,191,406	16,374,640
Non–current assets	40,672,505	39,817,355	39,934,488	43,386,000	96,048,400	100,228,132	2,047,024,000	2,109,603,000	13,416,225	5,811,771
Current liabilities	661,206,008	565,615,035	5,115,337	6,852,000	13,363,725	14,567,480	860,103,000	864,472,000	114,294	585,386
Non–current liabilities	44,163,595	167,443,625	26,798,539	27,938,000	24,460,221	27,093,433	909,861,000	916,348,000	30,683,025	26,830,659
Net assets	238,225,146	151,203,826	30,987,764	33,855,000	76,855,285	80,089,576	873,139,000	778,829,000	(7,189,688)	(5,229,634)
Fund's share of Net assets	119,112,573	75,601,913	10,077,221	11,009,646	10,752,054	11,204,532	200,996,598	179,286,436	(704,589)	(862,890)
Reconciliation between Carrying amount and Share of Net Assets*	(39,119)	(513,200)	(3,351,027)	2,030,558	(2,632,293)	(2,395,394)	24,446,343	39,893,201	2,587,403	2,352,018
Carrying amount in the Statement of Net Assets available for benefits	119,073,454	75,088,713	6,726,194	13,040,204	8,119,762	8,809,138	225,442,941	219,179,637	1,882,814	1,489,128
Revenue	72,668,414	66,587,872	13,033,443	14,986,000	11,514,002	13,307,789	848,823,000	815,683,000	992,642	929,426
Profit after tax from continuing operations	11,571,081	7,094,149	(1,430,286)	(218,000)	(3,733,723)	1,697,631	21,767,000	61,238,000	(768,493)	(1,489,285)
Other comprehensive income, net of tax	–	–	–	–	–	–	17,852,000	41,184,000		–
Total Comprehensive income	11,571,081	7,094,149	(1,430,286)	(218,000)	(3,733,723)	1,697,631	39,619,000	102,422,000	(768,493)	(1,489,285)
Reporting date of associate	31 Dec 2019	31 Dece 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	30 June 2019	30 June 2019
Unaudited results for 6 months	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2020

In applying the equity method for all associates except Yield Fund, the Fund has used the audited financial statements for period ended 31 December 2019 in deriving the share of results for the 6 months to 31 December 2019 and the over/under sharing of results for the 6 months to 30 June 2020 as reported in the prior year financial statements of the Fund. The Fund has used unaudited results for the 6 months to 30 June 2020 in deriving the share of results for the 6 months differential period between the associates' reporting date and the fund's reporting date.

*Reconciliation between the carrying amount and Share of Net assets relates to the difference between the carrying amount of the investment in the Fund's Financial Statements and the Fund's share of the investee's net assets. The difference mainly relates to the results pre–acquisition reserves to which the Fund was not entitled to hence are not included in the carrying amount of the investment in the Fund's financial statements.

The associates do not require the Fund's consent to distribute profits.
The Fund had no contingent liabilities or capital commitments relating to its associates as at 30 June 2020 and 2019.

22. Inventories

	30 June 2020 Ushs'000	30 June 2019 Ushs'000
Mbuya project housing units	14,447,603	14,447,603
	14,447,603	**14,447,603**

Mbuya project– This relates to the Mbuya 2 Housing estate project (40 apartments) with amenities like a swimming pool, fully equipped gym, a club house and 24–hour CCTV surveillance. The apartments are now available for sale.

23. Capital work–in–progress (CWIP)

Cost	Arua Ushs '000	Lubowa Ushs 000	Mbarara Ushs 000	Lumumba Ushs 000	Bwebajja Ushs 000	CAPEX Ushs 000	Total Ushs 000
At 1 July 2018	**2,330,000**	**72,903,208**	**2,808,173**	**85,722,530**	**–**	**5,581,890**	**169,345,801**
Additions	–	30,737,939	1,955,974	5,630,342	91,272,668	2,406,217	132,003,140
Transfer to/ from investment property	–	17,419,397	(4,764,147)	–	–	(1,394,394)	11,260,856
At 30 June 2019	**2,330,000**	**121,060,544**	**–**	**91,352,872**	**91,272,668**	**6,593,713**	**312,609,797**
Additions	–	50,362,206	–	58,106,422	–	7,495,122	115,963,750
Transfer from/(to) investment property	–	–	–	–	–	(377,966)	(377,966)
Transfer to PPE	–	–	–	–	–	(4,479,784)	(4,479,784)
Transfer to intangibles	–	–	–	–	–	(2,030,860)	(2,030,860)
Provision for impairment (at 30 June 2020 and 2019)	(2,330,000)	–	–	–	–	–	(2,330,000)
At 30 June 2020	**–**	**171,422,750**	**–**	**149,459,294**	**91,272,668**	**7,200,225**	**419,354,937**
Net carrying amount							
At 30 June 2020	**–**	**171,422,750**	**–**	**149,459,294**	**91,272,668**	**7,200,225**	**419,354,937**
At 30 June 2019	**–**	**121,060,544**	**–**	**91,352,872**	**91,272,668**	**6,593,713**	**310,279,797**

The **Arua** capital work–in–progress relates to construction costs for a hotel at the golf course. As at 30 June 2009, construction of the hotel was near completion but modalities of share of interest in the hotel had not been finalized with the trustees of the Arua Golf Club. The Fund has estimated to incur losses as a result of the delayed implementation of this joint venture and ownership structure of the joint venture. Due to uncertainties surrounding the recoverability of these amounts, the balance was fully impaired in 2008. Management is currently negotiating with the trustees of the Golf Club with a view to finalizing the joint venture arrangements.
Lubowa–This relates to the Lubowa Housing Estate project (LHP) and the Fund Contracted Soleh Boneh International (SBI) holdings AG Uganda as the project designer and supervisor. The expected project completion date is December 2020 and to date approximately 60% of the overall works have been completed. The Project is classified under Work in Progress as it is still under construction and its fair value cannot reliably be determined and therefore it is carried at cost until completion.

Lumumba– This relates to the construction and development of Pension Towers on Lumumba Avenue. Phase two commenced on 25th July 2018 with the Construction Contract awarded to China Railway Construction Engineering Group. The expected completion date is 06th Feb 2022.

Bwebajja–This relates construction of headquarters of government ministries and agencies in Bwebajja on Entebbe Road. The Fund has so far secured the land and construction works are expected to commence later in 2020

Capex–This relates to the various CAPEX expenditure developments at the head office, designs for the biometric systems, contactless smart card solution design and development, portfolio management system, Electronic document and records management system (EDRMS) among others.

24. Investment properties

	Valuation at 30 June 18 Ushs 000	Change in Fair value Ushs 000	Reclassification from/(to) CWIP Ushs 000	Valuation at 30 June 19 Ushs 000	Effect of adoption of IFRS 16 (note 3(u))	Additions Ushs '000	Change in Fair value Ushs 000	Reclassification to Assets Held for sale (Note 29)	Reclassification from/(to) CWIP Ushs 000	Valuation at 30 June 20 Ushs 000
Workers House	63,471,915	3,558,127	859,958	67,890,000	–	135,394	2,524,606	–	–	70,550,000
Plot 5 Mvule Rd Naguru	3,500,000	500,000	–	4,000,000	–	–	–	–	–	4,000,000
Land on Yusuf Lule Road	20,000,000	2,000,000	–	22,000,000	–	–	2,000,000	16,631,516)	–	7,368,484
Independence Ave Arua	170,000	40,000	–	210,000	–	–	40,000	–	–	250,000
Land in Kisugu	300,000	50,000	–	350,000	–	–	50,000	–	–	400,000
Land in Kabale	230,000	70,000	–	300,000	–	–	20,000	–	–	320,000
Land in Tororo	200,000	50,000	–	250,000	–	–	15,000	–	–	265,000
Social Security House	30,420,000	2,612,500	–	33,032,500	–	–	109,500	–	–	33,142,000
Land in Lubowa	273,207,009	14,212,388	(17,419,397)	270,000,000	–	–	35,000,000	–	–	305,000,000
Jinja City House	2,728,216	737,348	534,436	4,000,000	–	139,707	232,327	–	377,966	4,750,000
Plot 6B Galt Rd Mbarara Municipality	–	–	4,764,147	4,764,147	–	211,139	201,715	–	–	5,177,000
Land in Busiro Temangalo	27,000,000	9,000,000	–	36,000,000	–	–	2,900,000	–	–	38,900,000
Nsimbe	43,400,000	5,100,000	–	48,500,000	–	–	3,771,000	–	–	52,271,000
Pl677& 678 Ndeba Kibuga	400,000	50,000	–	450,000	–	–	–	–	–	450,000
Plot 47 Masaka K'la RD*	–	–	–	–	260,000	–	15,000	–	–	275,000
Plot 87 Churchill Gulu*	–	–	–	–	220,000	–	15,000	–	–	235,000
Plot 8 Msk CL Mbarara*	–	–	–	–	250,000	–	35,000	–	–	285,000
Total	**465,027,140**	**37,980,363**	**(11,260,856)**	**491,746,647**	**730,000**	**486,240**	**46,929,148**	**(16,631,516)**	**377,966**	**523,638,485**

* These properties were acquired by the Fund under lease agreements to build offices. However, this was changed, and the plots are now held for capital appreciation and will later be sold off. These were reclassified from property and equipment and are accounted for as investment property. The lease terms for Plot 47 Masaka K'la Rd, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 49 years, 99 years and 49 years respectively. The lease payments were made at inception and the Fund does not make periodic payments for the finance leases. The Fund pays renewal fees for these leases to the respective land boards. On adoption of IFRS 16 the resulting right–of–use assets were reviewed and considered to meet the definition of investment property and have therefore been presented in the statement of net assets available for benefits within investment property.

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by four independent certified professional valuers including Stanfield Property Partners Ltd, Ridgeline Uganda Ltd, S–M Cathan Property Consult and Reitis Limited as at 30 June 2020.

24. Investment properties (continued)

The valuations were carried out in accordance with the International Valuation Standards, with regard to relevant local statutes, customs, and market practice. In determining the fair values of investment properties (majorly bare land), the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment. The valuers also utilised the income capitalisation approach by reference to the net cashflows/annual incomes from commercial property (majorly buildings) where the buildings were set up primarily for rental purposes unless the approach did not reflect reasonable estimates based on current market conditions. In such cases, an alternative was selected.

In instances where the market value of a property could not be ascertained due to lack of information, the valuers adopted the cost approach which is based on the depreciated replacement cost. With this method, the values for buildings and other improvements are determined by calculating the present–day replacement cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly.

Changes in fair values are recognised in surplus or deficit and included in 'other operating income'.

The impact of revaluing investment properties on surplus for the year is Ushs 47 Billion (2019: Ushs 38 Billion) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates.

Significant unobservable input		
		Range (weighted average)
Office properties	Estimated rental value	Ushs 3,788 million – Ushs 10,655 million (Ushs 7,221 million)
	Estimated rental expenditure	Ushs 1,273 million–Ushs. 3,983 million (Ushs. 2,628 million)
	Vacancy factor	4.35% – 4.49% (4.42%)
	Discount rate	7%– 9% (8%)
Land	Price per acre	Ushs.57 million –Ushs.5,618 million

Valuation techniques for investment properties:

Land	**Market Approach** Land was valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.
Buildings	A combination of approaches was adopted to obtain reasonable estimations of the market values of buildings. **Income capitalisation approach** The valuers used this approach to estimate the value of income–producing buildings. It is based on the expectation of future benefits. This method of valuation relates value to the market rent that a property can be expected to earn and to the resale value. **Cost approach** Some of the buildings, structures and services were valued at current replacement costs taking into account their depreciation. This was applied for property that was constructed in the form of residential property or single use property. **Market approach** Some buildings were valued by the sales comparison method on the basis of that these were vacant with tenants yet to obtained or by the nature of the buildings that they are not necessarily high rental value earners but are located in prime locations. Other factors such as location, services, accessibility, and proximity to prime locations were taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

24. Investment properties (continued)

Key underlying assumptions in valuation of investment properties included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs
- Property is unaffected by environmental issues
- Property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.
- The outbreak of the Novel Covid–19 was declared a global pandemic by the World Health Organization in January 2020. Due to this, the real estate market has been affected and is changing each day because of the several restrictions and regulations implemented by almost all the governments in the world in efforts to curb the spread of this pandemic. As of the date of this valuation, it was considered that there is significant market uncertainty and there is projected further market distortion which the professional valuers could not tell what extent this distortion will go. Therefore, it was recommended that the Fund keeps the reviewing the property values more often than usual.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

The Fund generated rental income from its investment properties as shown below:

	2020 **Ushs 000**	**2019** **Ushs 000**
Workers House	4,963,396	5,110,870
Social Security House	3,034,962	2,881,811
Service Charge	2,123,826	1,900,563
Others – Naguru, Mbarara & Jinja	1,003,478	827,212
	11,125,662	**10,720,456**

24. Investment properties (continued)

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year as shown below:

2020				
	Workers House Ushs 000	**Social Security House Ushs 000**	**Others – Naguru, Mbarara & Jinja Ushs 000**	**Total Ushs 000**
Maintenance & repairs	1,671,183	463,266	136,105	2,270,554
Ground & property rent	58,059	24,453	236	82,748
Cleaning services	161,606	52,624	82,177	296,407
Security services	536,787	146,427	57,940	741,154
Electricity	635,148	267,133	19,658	921,939
Water	236,793	163,869	19,071	419,733
	3,299,576	**1,117,772**	**315,187**	**4,732,535**
2019				
	Workers House Ushs 000	**Social Security House Ushs 000**	**Others Ushs 000**	**Total Ushs 000**
Maintenance & repairs	1,777,818	931,083		2,708,901
Ground & property rent	198,355	83,718	89,288	371,361
Cleaning services	180,283	67,780		248,063
Security services	565,354	93,360		658,714
Electricity	800,287	363,438	14,514	1,178,239
Water	160,357	145,853	–	306,210
	3,682,454	**1,685,232**	**103,802**	**5,471,488**

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties which did not generate rental income during the period as shown below (no expenses were incurred on properties other than those indicated in the table below):

2020					
	Land in Lubowa Ushs 000	**Land in Busiro Temangalo** Ushs 000	**Land in Nsimbe** Ushs 000	**Land in Kisugu** Ushs 000	**Total** Ushs 000
Security expenses	154,080	192,600	231,120	25,680	603,480
	154,080	**192,600**	**231,120**	**25,680**	**603,480**
2019					
	Land in Lubowa Ushs 000	**Land in Busiro Temangalo Ushs 000**	**Land in Nsimbe Ushs 000**	**Land in Kisugu Ushs 000**	**Total Ushs 000**
Security expenses	173,592	–	44,368	5,452	223,412
Demolition expenses	8,142	–	–	–	8,142
	181,734	**–**	**44,368**	**5,452**	**231,554**

As at 30 June 2019, there were no restrictions on the realisability of investment property with the exception of LRV 2172 Folio 10, Plot 1 Pilkington Road which had a caveat. There was no restriction to the remittance of income and proceeds of disposal and there were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Fund has not entered into any finance lease arrangements and bears no encumbrances on its titles of ownership of the reported properties. The Fund has several tenants on its properties including Workers House and Social Security House with tenancy agreements averaging three years in duration. The Fund maintains the properties and only charges a service fee to the tenants for auxiliary services and has, therefore, included these as investment properties in its financial statements.

24. Investment properties (continued)

Future minimum rentals receivable under non–cancellable operating leases are, as follows:

2020	Up to 1 year Ushs 000	1 to 5 years Ushs 000	Over 5 years Ushs 000
Property rentals	**10,160,159**	**20,320,318**	**–**
2019			
Property rentals	**8,368,024**	**16,736,048**	**–**

25. Intangible assets

	2020 Ushs 000	2019 Ushs 000
Cost		
At the beginning of the year	**27,387,695**	**25,049,742**
Transfer from capital work–in–progress	2,030,860	–
Additions	629,172	2,337,953
At 30 June	**30,047,727**	**27,387,695**
Amortisation		
At the beginning of the year	**19,511,513**	**18,420,998**
Charge for the year	1,397,334	1,090,515
At 30 June	**20,908,847**	**19,511,513**
Net carrying amount	**9,138,880**	**7,876,182**

Intangible assets mainly relate to software which makes up the Integrated Management Information System (IMIS) of the Fund.

26. Property and equipment and right–of–use assets

	Machinery Ushs'000	Motor Vehicles Ushs 000	Furniture and Fittings Ushs 000	Computer Equipment & other electronic gadgets Ushs 000	Right of use assets Ushs 000	TOTAL Ushs 000
Cost						
At 1 July 2018	**3,961,240**	**7,495,248**	**7,706,532**	**15,638,984**	**–**	**34,802,004**
Additions	164,932	743,204	4,133,864	719,948	–	5,761,948
At 30 June 2019	**4,126,172**	**8,238,452**	**11,840,396**	**16,358,932**	**–**	**40,563,952**
Effect of adoption of IFRS 16 (note 3(u))	–	–	–	–	4,958,371	4,958,371
Transfer from CWIP	–	–	–	4,479,784	–	4,479,784
Additions	1,721,345	–	4,536,881	1,664,223	–	7,922,449
Disposals	(116,688)	–	(153,161)	(329,238)	–	(599,087)
Change in asset class	–	–	(893,272)	893,272	–	–
At 30 June 2020	**5,730,829**	**8,238,452**	**15,330,844**	**23,066,973**	**4,958,371**	**57,325,469**
Depreciation						
At 1 July 2018	**2,726,054**	**3,804,190**	**3,781,771**	**13,571,961**	**–**	**23,883,976**
Charge for the year	499,741	1,559,659	892,310	1,163,348	–	4,115,058
As at 30 June 2019	**3,225,795**	**5,363,849**	**4,674,081**	**14,735,309**	**–**	**27,999,034**
Charge for the year	578,206	1,417,598	1,563,692	1,851,478	955,447	6,366,421
Change in asset class	–	–	(137,762)	137,762	–	–
Disposals	(116,688)	–	(153,161)	(329,238)	–	(599,087)
At 30 June 2020	**3,687,313**	**6,781,447**	**5,946,850**	**16,395,311**	**955,447**	**33,766,368**
Net carrying amount						
At 30 June 2020	**2,043,516**	**1,457,005**	**9,383,994**	**6,671,662**	**4,002,924**	**23,559,101**
At 30 June 2019	**900,377**	**2,874,603**	**7,166,315**	**1,623,623**	**–**	**12,564,918**

(i) The Fund has not pledged any item of property, equipment and right of use assets as security as at 30 June 2020 (2019: Nil)
(ii) Right of use assets all relate to branch offices

27. Tax claimable

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	21,185,091	16,929,197
Tax withheld at source during the year	3,835,115	4,255,894
At 30 June	**25,020,206**	**21,185,091**

This relates to tax withheld at source claimable from Uganda Revenue Authority.

28. Finance leases

	Valuation as At 30 June 2019 Ushs 000	Effect of adoption of IFRS 16 (note 3(u)) Ushs 000	Valuation as At 30 June 2020 Ushs 000
Plot 47 Masaka K'la rd	260,000	(260,000)	–
Plot 87 Churchill Gulu	220,000	(220,000)	–
Plot 8 Msk CL. Mbarara	250,000	(250,000)	–
	730,000	**(730,000)**	**–**

	Valuation as At 30 June 2018 Ushs 000	Change in fair value Ushs 000	Valuation as At 30 June 2019 Ushs 000
Plot 47 Masaka K'la rd	240,000	20,000	260,000
Plot 87 Churchill Gulu	190,000	30,000	220,000
Plot 8 Msk CL. Mbarara	200,000	50,000	250,000
	630,000	**100,000**	**730,000**

The finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. However, this was changed, and the plots are now held for capital appreciation and will later be sold off. These were reclassified from property and equipment and are accounted for as investment property. The lease terms for Plot 47 Masaka K'la RD, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 49 years, 99 years and 49 years respectively. The lease payments were made at inception and the Fund does not make periodic payments for the finance leases. The Fund pays renewal fees for these leases to the respective land boards.

The properties have not been pledged as security for liabilities.

The impact of revaluing finance leases on surplus for the year offended 30 June 2019 was a gain of Ushs 100 million as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the finance leases between the opening and closing dates.

As a result of adoption of IFRS 16 the finance leases were assessed to be right of use assets that meet the definition of investment property and were therefore reclassified to investment properties. The valuation techniques as disclosed in this note are applicable for the years ended 30 June 2020 and 30 June 2019.

Valuation techniques for finance leases:

Market Approach

Finance leases were valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

The fair value measurement for all of the finance leases has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of finance leases included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs
- Property is unaffected by environmental issues
- Property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption
- that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.
- The outbreak of the Novel Covid–19 was declared a global pandemic by the World Health Organization in January 2020. Due to this, the real estate market has been much affected and is changing each day because of the several restriction and regulations

28. Finance leases (Continued)

- implemented by almost all the governments in the world in efforts to curb the spread of this pandemic. As of the date of this valuation, it was considered that there is a significant market uncertainty and there is projected further market distortion which the professional valuers can't tell what extent this distortion will go because it is beyond their control. Therefore, it was recommended that the Fund keeps the reviewing the properties' values more often than usual.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

29. Discontinued operations

In a Memorandum of Understanding that was signed by the Minister of Finance on 20th September 2019, Government of Uganda committed to avail the African Export–Import (Afreximbank) with land to host the headquarters for the East African Region. The Government identified the Fund's land situated on Yusuf Lule Road as suitable for the project and therefore, intended to compensate the Fund in the Financial Year 2020/21 for its value so that the same can be availed to Afreximbank for the purpose. On 4th March 2020, the Fund received a letter from the Minister requesting the Fund to dispose the said land to the Government / Afreximbank and rescinding his earlier approval of the development of the Yusuf Lule land.

The matter was presented to the Fund's Board of Directors on 12th March 2020 and among the resolutions included immediate disposal to the Government of Uganda 2.3 acres of the Yusuf Lule land. The Chairman subsequently wrote to the Minister of Finance, Planning and Economic Development to communicate the Board's resolution on the matter.

The performance realised from the land to be disposed of for the year ended is presented below:

	2020 **Ushs 000**	**2019** **Ushs 000**
Rental income	605,009	558,373
Expenses	(16,446)	(14,514)
Operating income	**588,563**	**543,859**
Profit before tax from a discontinued operation	588,563	543,859
Tax expense*	–	–
Profit for the year from discontinued operation	**588,563**	**543,859**

*As disclosed in note 13(a) no tax expense has been recognised on the discontinued operations due to the accumulated tax losses.

The 2019 numbers disclosed are for comparative purposes. There were no discontinued operations as at 30 June 2019.

The major classes of assets and liabilities of the operation classified as held for sale as at 30 June 2020 are, as follows:

	2020 **Ushs 000**
Assets	
Yusuf Lule land	**16,631,516**

30. Other payables

	2020 **Ushs 000**	**2019** **Ushs 000**
Accounts payable	44,633,171	54,801,328
Accrual for legal costs	6,156,864	5,137,384
Lease liabilities	3,938,988	–
WHT payable	165,078	596,842
	54,894,101	**60,535,554**

The accounts payable are interest free and not overdue.

30. Other payables (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020 Ushs 000
At 1 July – Effect of adoption of IFRS 16(note 3(u))	**4,681,939**
Accretion of interest	519,721
Repayment of interest portion of lease liabilities	(204,298)
Repayment of principal portion of lease liabilities	(1,058,374)
At 30 June 2020	**3,938,988**

The Fund had total cash outflows for leases of Ushs 1.26 Billion in 2020. The Fund had no non–cash additions to right–of–use assets and lease liabilities in 2020.

The Fund has entered into commercial leases for premises. The leases have an average life of between three and six years. Generally, the Fund is restricted from assigning and subleasing the leased assets.

As at reporting date the Fund had no leases lease terms of 12 months or less and leases with low value.

The maturity analysis of lease liabilities is disclosed below:

Maturity period	2020 Ushs 000
Due within 1 year	591,640
Due with 1 to 5 years	3,347,348
Due over 5 years	–
Total liability	**3,938,988**

The maturity analysis of the lease liabilities for purposes of IFRS 7 is disclosed in note 39(b) as part of other payables.

The following are the amounts recognised in the statement of changes in net assets available for benefits:

	2020 Ushs 000
Interest expense on lease liabilities	519,721
Depreciation expense of right–of–use assets	955,447
	1,475,168

31. Contract liabilities

		2020 Ushs 000	2019 Ushs 000
Advance payments for housing	(a)	8,786,702	2,316,100
Advance payments for activities	(b)	588,421	380,010
Deferred rental income	(c)	536,298	1,159,951
		9,911,421	**3,856,061**

a) Advance payments for housing

Mbuya Housing project is a housing development by the Fund at Mbuya, an upscale residential area located about 7 kilometres from Kampala city Centre. The project comprises 40 high–end apartments with amenities like a swimming pool, fully equipped gym, a club house and 24–hour CCTV surveillance.

The housing project was completed and commissioned in December 2019. Currently, bookings are being made by prospective owners and this balance relates to the amounts received as booking fees for these apartments. The deposits are 10% of the value with each unit being sold for Ushs 650 million.

31. Contract liabilities (continued)

b) Advance payments for activities

The Fund has over the past years engaged in a number of corporate social responsibility initiatives, such as the Annual Torch Awards through which individuals or community–based organisations that are making a positive impact on the community are rewarded; Friends with Benefits Campaign – an initiative through which the Fund promotes savings by showcasing inspirational stories of savers who received their NSSF benefits and sustainably used them to do something life changing for themselves, their families or their community; blood donation drives in partnership with Ministry of Health and Uganda Blood Transfusion Services, the Annual Dental Camp at Mulago Hospital in partnership with Rotary Kampala North, the NSSF Kampala Hash 7 Hills Run, an initiative through which the Fund will progressively raises funds to improve learning conditions in public schools among others. The Fund in conducting these activities partners with several other organisations through sponsorship arrangements where collections of funds for the activities are made prior to the execution of the activities and ultimately channelled to the respective beneficiaries. This balance relates to funds received in advance before activities are done or funds not yet channelled to the respective beneficiaries

(c) Deferred rental income

The Fund collects an equivalent of one month's rent from its tenants which acts as a security deposit in case the tenant leaves behind damages when exiting the buildings. When a tenant leaves and the Fund deems that all is well with the property, the security deposit is then refunded to the tenant. Otherwise the deposit is used to repair any damages.

The Fund also bills and receives rental payments from some of its tenants for periods after the year–end. These amounts are not recognized as revenue during the financial year in which they are billed/received since they relate to the subsequent period. On average, for customers where this arrangement is present, billings/receipts are made 3 months in advance.

This balance relates to security deposits received as well as rental income billed/received for subsequent periods after the year end.

32. Provision for litigation

	2020 Ushs 000	2019 Ushs 000
Alcon International Limited		
At the beginning of the year	807,041	13,796,545
Write back during the year	–	(12,989,504)
Foreign exchange losses	7,481	–
At 30 June	**814,522**	**807,041**

This suit arose from the termination of the contract for construction of Workers House executed by the Fund and Alcon International Limited, a company registered in the Republic of Kenya. The suit was registered in 1998 under High Court Civil Suit No. 1255/1998 – Alcon International Limited (registered in Uganda) –vs–National Social Security Fund & Anor.32.)

The claim in Court by Alcon International Limited registered in Uganda "Alcon Uganda" was for USD 8,497,429.38 (United States Dollars Eight Million Four Hundred Ninety–Seven Thousand Four Hundred Twenty Nine and Thirty–Eight cents.) being sums due for unpaid certificates of works, plant & machinery, materials and damages.

Alcon Uganda obtained an award for the sums claimed against the Fund. However, the Supreme Court in 2013, overturned the award after finding that the construction contract was fraudulently assigned by Alcon Kenya to Alcon Uganda without the consent of the Fund.

The Supreme Court ordered the transmission of the matter back to the High Court for disposal of the case filed by Alcon Uganda in 1998.

The High Court dismissed the suit after finding that Alcon Uganda, the party in Court did not have a cause of action against the Fund based on a contract that they were not privy to and their participation in the fraudulent assignment.

A complaint was lodged with the Uganda Police Force, by which Alcon Uganda seeks to recover the plant, machinery and materials left at the site after the contract was terminated. Investigations are ongoing.

The plant, machinery and materials were valued at the point of termination of the contract and assigned a value of USD 64,252 (United States Dollars Sixty–Four Thousand Two Hundred Fifty–Two only)

32. Provision for litigation (continued)

The provision of USD 218,429 translating to Ushs 815 million is the present value of the equipment left at the site at the time of contract termination. Management has provided for this figure to cater for the costs, if any, that may be incurred if investigations culminate into a case filed against the Fund. Consequently, management wrote back the value of the claim that doesn't relate to the equipment in the year ended 30 June 2019

33. Accumulated members' funds

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**11,138,207,557**	**9,407,593,129**
Contributions received during the year	1,271,505,205	1,208,290,143
Interest on arrears	4,943,492	4,355,440
Interest allocation for the year	1,143,993,088	967,934,058
Members' fund liability before benefit payments	**13,558,649,342**	**11,588,172,770**
Benefits paid during the year		
Age benefits	(205,162,623)	(135,802,293)
Withdrawal benefits	(156,323,670)	(123,752,742)
Exempted employee benefits	(45,227,286)	(79,612,342)
Invalidity benefits	(33,742,996)	(33,655,756)
Survivors benefits	(8,012,301)	(11,265,618)
Emigration grant benefits	(47,942,520)	(65,876,462)
Total benefits payments	**(496,411,396)**	**(449,965,213)**
At 30 June	**13,062,237,946**	**11,138,207,557**

Interest to members:	2020 Ushs 000	2019 Ushs 000
Prior year over provision of interest to members	(4,368,530)	(4,620,742)
Charge to surplus or deficit	1,154,269,188	978,000,706
Total interest available to members	**1,149,900,658**	**973,379,964**
Allocated as follows: **To members funds**		
Opening provision balance	(4,368,530)	(4,620,742)
Charge to surplus or deficit	1,148,361,618	972,554,800
	1,143,993,088	**967,934,058**
To reserves		
Charge to surplus or deficit	5,907,570	5,445,906
	5,907,570	**5,445,906**
Total provision	**1,149,900,658**	**973,379,964**
Total charge to surplus or deficit		
Allocated to Members fund	**1,148,361,618**	**972,554,800**
Allocated to reserves	**5,907,570**	**5,445,906**
	1,154,269,188	**978,000,706**

The accumulated members' funds are made up of members' accounts which comprise all standard voluntary and supplementary contributions and interest on the contributions less benefits paid in accordance with Section 34 (1) of the National Social Security Fund Act, (Cap 222).

Interest provision for allocation to members is declared by the Minister in accordance with section 35 (2) of the National Social

33. Accumulated members' funds (continued)

Security Fund Act, (Cap 222). For the year ended 30 June 2020, the Minister for Finance, Planning & Economic Development approved an interest rate of 10.75% (2019: 11%) to be calculated and added to the members' funds.

Included in the accumulated members' fund balance is Ushs 42.3 Billion (2019: Ushs 38.21 Billion), which relate to collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual member accounts.

34. Reserves

	Note	2020 Ushs 000	2019 Ushs 000
Special contributions	(a)	81,194,465	70,258,323
Unallocated members' contributions	(b)	60,861,713	54,954,143
		142,056,178	**125,212,466**

a) Special contributions

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**70,258,323**	**55,804,847**
Special contributions received	10,936,142	14,453,476
At 30 June	**81,194,465**	**70,258,323**

In accordance with Section 13 (1) and Section 14 (1) of the National Social Security Fund Act, (Cap 222), special contributions by non–eligible employees are recognised directly in reserves since they relate to members' contributions and not operating results of the Fund.

b) Unallocated members' contributions

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**54,954,143**	**49,508,237**
Provision for interest on unallocated members' contributions	5,907,570	5,445,906
	60,861,713	**54,954,143**

The movement in the provision for interest on unallocated members' contributions was as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	30,361,642	24,915,736
Charged to surplus or deficit	5,907,570	5,445,906
At 30 June	**36,269,212**	**30,361,642**

As at 30 June 2020, the Reserve account included unallocated members' contributions and interest thereon amounting to Ushs 61 Billion (2019: Ushs 54.9 Billion), comprising contributions amounting to Ushs 24.6 Billion (2019 Ushs 24.6 Billion) and interest thereon amounting to Ushs 36.1 Billion (2019: Ushs 30.3 Billion).

The unallocated members' contributions amounted to Ushs 360 Billion as at 30 June 2007. This prompted management to undertake measures to identify the respective members whom the amounts belonged to and as a result, the unallocated amounts gradually reduced over the years to Ushs 24.6 Billion as at 30 June 2012. The directors believe that, in addition to putting in place measures to curtail the growth of the unallocated amounts, the Fund had exhausted all possible measures to identify the members whom these amounts belonged to and accordingly resolved to transfer the unallocated contributions balance of Ushs 24.6 Billion from the accumulated members' funds to the reserve account in accordance with Section 36 (1) (b) of the NSSF Act. In the event that a member of the Fund presents adequate documentation proving that these contributions should be credited to their individual members account, NSSF will transfer the contributions from the reserve account to the members' account following approval by the Minister of Finance as stipulated in Section 36 (2) of the NSSF Act. During the year, there was no transfer of funds from the accumulated members' funds to the reserve account and vice versa. However, as stated in note 33 above, interest was accrued on these balances and credited in the reserve account accordingly.

35. Net cash used in operating activities

	Note	2020 Ushs 000	2019 Ushs 000
Surplus before tax from continuing operations		**1,312,208,566**	**745,969,339**
Surplus before tax from discontinued operations	**29**	**588,563**	**–**
Surplus before tax		**1,312,797,129**	**745,969,339**
Depreciation on property and equipment and right of use assets	26	6,366,421	4,115,058
Increase in allowance for expected credit losses	10	3,392,944	5,031,109
Amortisation of intangible assets	25	1,397,334	1,090,515
Share of results of associates	21	(30,497,502)	(39,011,232)
Staff loans fair value adjustment	20	(73,070)	(106,769)
Unrealised foreign exchange losses on equity investments at fair value through profit or loss	19	18,877,869	70,417,405
Unrealised foreign exchange losses on debt instruments at amortised cost	18	150,962,821	302,936,620
Unrealised foreign exchange losses on held for trading investments	17	1,944,178	6,315,309
Unrealised foreign exchange losses on deposits with commercial banks	15	2,093,067	2,784,792
Fair value gains on investment properties	24	(46,929,148)	(37,980,363)
Fair value losses on equity investments held for trading	17	7,581,995	17,375,852
Fair value (gains)/losses on equity investments at fair value through profit or loss	19	(22,844,349)	189,561,745
Fair value gain on finance leases	28	–	(100,000)
Finance costs charged to lease Liabilities	30	519,721	–
Interest income on loans & advances	20	(2,188,691)	(2,638,115)
Interest income on debt instruments at amortised cost	18	(1,375,196,943)	(1,148,162,306)
Interest income on commercial bank deposits	15	(21,382,495)	(16,403,361)
Increase /(decrease) in provision for litigation	32	7,481	(12,989,504)
Changes in working capital			
Increase in inventories		–	(3,617,421)
Decrease/(increase) in trade and other receivables		16,327,257	(25,560,635)
Increase in Withholding tax claimable		(3,835,115)	(4,255,894)
(Decrease)/increase in other payables		(4,378,781)	27,578,623
Increase in contract liabilities		6,055,360	3,856,061
		20,997,483	**86,206,828**
Repayment of interest portion of lease liabilities	30	(204,298)	–
Net cash used in operating activities		**20,793,185**	**86,206,828**

36. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties. For further information regarding the outstanding balances at 30 June 2020 and 2019, refer to Notes 14, 15, 18, 19, 20 and 21:

	2020 Ushs 000	2019 Ushs 000
Bank balances		
Housing Finance Bank Limited	**115,129**	**9,729**
Loans and Advances		
Housing Finance Bank Limited	15,009,486	18,666,667
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	385,909	410,494
	35,988,233	**39,669,999**
Fixed deposits		
Housing Finance Bank Limited	**80,456,041**	**80,422,723**
Treasury Bonds		
Government of Uganda	**6,047,383,422**	**5,312,122,996**
Dividends receivable (Associate Companies)		
Housing Finance Bank Limited	–	2,990,419
Uganda Clays Limited	–	541,385
Umeme Ltd	13,121,263	8,959,313
As at 30 June	**13,121,263**	**12,491,117**

Other related party transactions during the year

Housing Finance Bank Limited		
Interest income on loans and advances	2,188,692	2,638,115
Interest income on corporate bonds	–	6,121
Interest income on term deposits	11,168,014	8,168,335
	13,356,706	**10,812,571**

Dividend Income

TPS (U) Limited	419,776	419,776
Umeme Limited	15,436,780	15,287,272
Uganda Clays	–	292,639
Yield Fund	372,312	–
	16,228,868	**15,999,687**

Government of Uganda

Withholding tax expense for the year	153,049,039	172,861,268
Interest income on treasury bonds	867,383,375	764,784,508

36. Related party disclosures (continued)

a) Housing Finance Bank Limited

The Fund has 50% shareholding in Housing Finance Bank Limited (the bank).

Bank balances – The bank balances relate to balances on the current accounts held by NSSF in the bank. These accounts are non–interest bearing.

Fixed deposits – The Fund has fixed deposit placements with the bank maturing within a period of 365 days.

Corporate bonds – Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of Ushs 17.5 Billion re–payable over a period of 15 years while that of Ushs 8.5 Billion is repayable over 10 years at rates of 13.5% and 13.75% respectively.

Loans – Loans to the bank are at interest rates ranging between 11.5% and 13.5%. Refer to Note 20 for the terms and conditions of the facilities.

b) Uganda Clays Limited

The Fund has 32.5% shareholding in Uganda Clays Limited. Refer to Note 20 for the terms and conditions of the loan facility. The outstanding amount on the loan facility as at 30 June 2020 amounted to Ushs 20.6 Billion (2019: Ushs 20.6 Billion).

c)TPS

The Fund has 13.9% shareholding in TPS.

d) Government of Uganda

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions disclosed in Note 18. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay As–You–Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from government ministries that occupy the Fund's properties. Rental income for the year amounted to Ushs 5 Billion (2019: Ushs 5 Billion).

e)Terms and conditions

Other than the terms disclosed above, there have been no guarantees provided or received for any of the above related party balances.

f) Compensation for key management personnel and directors' emoluments

	2020 Ushs 000	2019 Ushs 000
Non–executive directors' emoluments:		
Directors' allowances	954,801	959,103
Key management remuneration:		
Salaries and allowances	6,078,761	5,440,178
Gratuity	1,147,628	1,081,451
	7,226,389	**6,521,629**
Total compensation for key management personnel	**8,181,190**	**7,480,732**

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel and directors.

a) The Fund is a litigant in various cases for breach of contracts arising in the normal course of business. The directors are of the view that the Fund has high chances of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Fund's operation. The directors are confident that the Fund shall receive favourable rulings from the outstanding cases. Information on these cases has not been disclosed as the directors consider that the disclosure of the information could prejudice the Fund's position. The cases in which the Fund is a litigant mainly relate to alleged breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.

b) The Fund objected to a tax assessment by Uganda Revenue Authority (URA) on 15 April 2013 on the grounds that URA's tax computations wrongly disallowed expenses that are deductible for tax purposes. Management believes the tax treatment adopted

37. Contingent liabilities (continued)

by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act which allows a deduction for interest incurred during the year of income in respect of a debt obligation. Guidance received from the URA in 2001 allowed for these expenses to be deductible for tax purposes. There have been no changes to those sections of the Income Tax Act. The Fund has treated the interest incurred in the past in exactly the same way.

The Fund filed a suit with the High Court Commercial Division to challenge the assessment. During the mediation process, both parties agreed to reduce the taxes in dispute from Ushs.84.4 Billion to Ushs.42.2 Billion. On the 27th March 2020, the Tax Appeals Tribunal delivered its ruling in favour of the URA. The Fund through its lawyers has appealed against the Ruling of the Tribunal and the appeal is yet to be fixed for hearing as of the date of approval of these financial statements. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognised any provision for liability to the URA.

In accordance with the Income Tax Act, the Fund was required to pay 30% deposit of the assessed tax as disclosed in Note 13(c). Payment of this deposit is not an admission of guilt but purely a statutory payment.

The ultimate outcome of this case cannot presently be determined. Accordingly, this matter has been disclosed as a contingent liability as the Fund currently has a possible obligation but the existence of any obligation to URA will be confirmed only by the decision of the court. There have been submissions but with no significant change in the status of the case as there has not been any decisions taken nor changes made in the underlying facts.

c) The Fund is also a defendant on various legal actions arising from its investment property, mainly land.

The Directors have considered the 2 cases below to be of significance hence disclosure;

HCCS NO.414 OF 2016, TEMANGALO TEA ESTATES LIMITED V AMOS NZEYI, DANIEL MUGWANYA & NSSF
The suit was filed by the Plaintiffs against the defendants seeking for orders for recovery of land known as Temangalo Estate formerly comprised in LRV 6 Folio 7 (measuring 366.2 acres and reported under investment property note 24 as Land in Busiro Temangalo) , an order of eviction, mesne profits, general and punitive damages, a permanent injunction, a declaration that all transactions on the suit property are subject to the Plaintiff's interests by virtue of the Expropriated Properties Act and costs.

A written statement of defence in the matter was filed and leave was granted to issue a Third–Party notice against Mr. Amos Nzeyi to indemnify the Fund to the full extent of the judgement and orders of the court as may be passed against the Fund.

The Plaintiff applied to Court to amend its Plaint, which application was granted by Court on 6th November 2017. The Fund's written statement of defence in response was filed on 4th December 2018.

The matter came up on various dates for mediation culminating into an appearance on 6th May 2019 at the High Court, Land Division before the court–appointed Mediator when the Mediator closed the mediation proceedings and referred the matter for trial by the Trial Judge.

On 28th June 2019, the Fund filed Miscellaneous Application No. 1016 of 2019, seeking to have the suit struck out and/or dismissed for being caught by limitation of actions and for failure to disclose a cause of action.

The matter came up for mention before the court on 25th September 2019. The court reserved its ruling in the matter for delivery and on 28th November 2019 the matter was called for ruling.

The court agreed with the Fund's submissions and ordered that Civil Suit No.414 of 2016 and the applications arising thereunder are struck out with costs to the Defendants for being barred by limitation.

COURT OF APPEAL CIVIL APPEAL NO 26 OF 2020: TEMANGALO TEA ESTATES VS NATIONAL SOCIAL SECURITY FUND
On 12th December 2019 the Fund was served a Notice of Appeal filed by the Respondent and a letter requesting for a record of proceedings.

On 4th March, 2020, the Fund was served with a record of appeal (2 volumes) in the matter. The appeal arises from the High Court's ruling in the HCCS No 414 of 2020 which was dismissed for being barred by limitation. The matter is yet to be fixed for hearing in the Court of Appeal.

37. Contingent liabilities (continued)

The Fund's lawyers believe the Fund has a high likelihood of success. Accordingly, no provision for these liabilities have been made in these financial statements.

HCCS NO. 93 OF 2017, LEO LUKE KIMALEMPAKA V. NATIONAL SOCIAL SECURITY FUND & OTHERS

K&K Advocates received Instructions to defend NSSF in a litigation commenced by Leo Lule Kimalempaka (Administrator of the Estate of the Late Leo Lule Kimalempaka) in the High Court at Mpigi against the Attorney General, The Commissioner Land Registration, NSSF, Mugoya Estates Limited and James Abiam Mugoya Isabirye, seeking for cancellation of NSSF's certificates of title for land comprised in LRV 14 Folio 7 (app. 452.76 acres) and LRV 14 Folio 8 (app. 390.36 acres), and commonly known as Nsimbe Estate (reported under investment property note 24 as Nsimbe).

It is the Plaintiff's claim that the land comprised in the titles mentioned above is part of the Estate of the late Leo Lule Kimalempaka (his grandfather) on account of inter–alia a customary interest dating back to 1908.

A written statement of defence in the matter was filed in the main suit contending that the Plaintiff does not have a cause of action, the suit is misconceived and frivolous and that NSSF is a bona fide purchaser for value without notice of any fraud.

An application for leave to use a Third Party notice and an affidavit in support of the application were also filed on 5th July 2017 seeking for leave to issue a Third Party notice against Mugoya Estates Limited and James Abiam Isabirye to indemnify the Fund. The suit was fixed for mediation and after several appearances, mediation was closed and the matter was referred to the trial judge for hearing.

After several adjournments, the matter was fixed for mention on 14th June 2019 and subsequently on 12th July 2019. When the matter came up for mention the Court directed the parties to file a joint scheduling memorandum, witness statements and trial bundles by 2nd August.
The matter was to come up for hearing of the Plaintiff's case on 12th and 13th September 2019.To date the matter has not been re fixed for hearing

The Fund has been advised by its legal counsel that it is unlikely that actions from the cases will succeed. Accordingly, no provision for these liabilities have been made in these financial statements.

38. Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates

The accounting policies that involve high judgement in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

Provision for expected credit losses of financial assets – The Fund is applies a single loss–rate approach to receivables or groups of receivables as might be appropriate based on its average historical loss rate. Depending on the data, the Fund applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period. In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – Recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward–looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.

The Fund considers whether ECLs should be estimated individually for any period–end receivables, e.g because specific information is available about those debtors.

38. Use of estimates and judgements (continued)

The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables e.g dividends receivable, an approach that does not include an explicit probability of default as an input per se. The information about the ECLs on the Fund's trade and other receivables is disclosed in note 16. Further information on impairment is disclosed in Notes 39(c).

Estimation of expected credit loss on government treasury bills and bonds, corporate bonds, deposits with commercial banks and cash and bank balances is determined by getting a predefined default rate relating to the issuer of the bills and bonds and the bank where the cash is held, respectively, as established by one of the top credit rating agents namely Standards and poor's, Fitch and Moody's. These default rates are then used to estimate the expected credit losses on the outstanding amounts of the above respective financial assets.

The Loans and advances held by the Fund are mainly with corporate entities and has, therefore, used credit rating agency information rather than internal risk weighting methods. The information about the ECLs on the Fund's deposits with commercial banks, government treasury bills and bonds and corporate bonds and Loans and advances is disclosed in Notes 15,18 and 20, respectively.

(i) Impairment of non–financial assets–Impairment exists when the carrying amount 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 from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

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. The Fund also assessed impairment for the assets and no additional impairments were required. The Fund's non–financial assets include inventories, capital work in progress, investment properties, intangible assets, property and equipment and right of use assets and finance leases with carrying amounts as disclosed in notes 22,23,24,25,26 & 28 respectively.

(ii) *Current income taxes*–Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Fund and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing. Details on the current income tax amounts recognised in the financial statements are disclosed in note 13.

(iii) *Property and equipment and right of use assets*– Critical estimates are made by the management in determining the useful lives and residual values to property and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Details of the Fund's property and equipment and right of use assets are disclosed in note 26.

(iv) *Determining fair values* – The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Further information on determination of fair value is disclosed in Notes 24, 28 and 40.

(v) *Assets held for sale*– In a Memorandum of Understanding that was signed by the Minister of Finance on 20th September 2019, Government of Uganda committed to avail the African Export–Import (Afreximbank) with land to host the headquarters for the East African Region. The Government identified the Fund's land situated on Yusuf Lule Road as suitable for the project and therefore, intended to compensate the Fund in the Financial Year 2020/21 for its value so that the same can be availed to the bank. On 4th March 2020, the Fund received a letter from the Minister requesting the Fund to dispose the said land to the Government / Afreximbank and rescinding his earlier approval of the development of the Yusuf Lule land.

- The matter was presented to the Fund's Board of Directors on 12th March 2020 and among the resolutions included immediate disposal to the Government of Uganda 2.3 acres of the Yusuf Lule land. The Chairman subsequently wrote to the Minister of Finance, Planning and Economic Development to communicate the Board's resolution on the matter.
- The land is available for immediate sale and can be sold to the buyer in its current condition

38. Use of estimates and judgements (continued)

- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage

For more details on the discontinued operation, refer to Note 29.

(vi) Provisions and contingencies – A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management has made judgements in determining the provisions presented in Note 32 and contingencies disclosed in note 37.

(vii) Valuation of investment properties and finance leases– The Fund carries its investment properties and finance leases at fair value, with changes in fair value being recognised in surplus or deficit. Details of the Fund's investment properties and finance leases are disclosed in notes 24 and 28 respectively.

(viii) Determination of significant Influence–Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Details of the Fund's investments in associates are disclosed in note 21.

(ix) Determination of the lease term for lease contracts with renewal and termination options (Fund as a lessee) –The Fund determines the lease term as the non–cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Fund currently has no lease contracts that include extension and termination options.

The carrying amounts of the Fund's lease related balances are disclosed in note 30

(x) Estimating the incremental borrowing rate –The Fund cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right–of–use asset in a similar economic environment. The IBR therefore reflects what the Fund 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease. The Fund estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity–specific adjustments.

The carrying amounts of the Fund's lease related balances are disclosed in notes 24,26, 28 and 30.

(x1)Effective Interest Rate (EIR) method – The Fund's EIR method, as explained in Note 3(c), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life–cycle of the instruments.

The amounts determined using the EIR method are disclosed in notes 5,15,18,20.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

39. Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Market risk;
- Liquidity risk;
- Credit risk; and
- Capital management risk.

Included below is information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing the risks and the Fund's management of capital.

39. Financial risk management (continued)

Risk management framework

The Fund's Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board has established an Audit and Risk Committee, and the Risk Department, which are responsible for developing and monitoring the risk management policies in their specified areas. All Board committees have both executive and non–executive members and report regularly to the Board of Directors on their activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Fund's Audit and Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in these functions by Internal Audit and Risk functions. Internal Audit undertakes both regular and ad–hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(a) Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimising the return on investment.

Management of market risks

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse movements in the market variables such as equity, bonds, currency exchange rates and interest rates.
The Board grants authority to take on market risk exposure to the Management Investment Committee (MIC). This committee manages this risk through the guidelines set out in the Fund's investment policy.

Equity price risk

The Fund is exposed to equity securities price risk through its investments in quoted and unquoted shares. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy. Except for shared held in Eastern and Southern African Trade and Development Bank (TDB Bank), Housing Finance Bank Limited, Yield Fund and TPS Uganda Limited all shares held by the Fund are either quoted or traded on the Uganda, Dar es salaam, Rwanda and Nairobi Securities Exchanges.

The table below shows the effect of share price sensitivity on the surplus before tax based on the share price volatility as at 30 June:

2020		
Type of Investment	**Change in share price % Ushs 000**	**Effect on surplus before tax and reserves Ushs 000**
Equity securities held–for–trading	+/–5%	+/–4,383,124
Equity investments at fair value through profit or loss	+/–5%	+/–73,158,835

2019		
Type of Investment	**Change in share price % Ushs 000**	**Effect on surplus before tax and reserves Ushs 000**
Equity securities held–for–trading	+/–5%	+/– 4,383,124
Equity investments at fair value through profit or loss	+/–5%	+/–63,273,513

Currency risk

The Fund is exposed to currency risk through transactions in foreign currencies. The Fund transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of changes in net assets available for benefits. In respect of monetary assets and liabilities in foreign currencies, the Fund ensures that its net exposure is kept to an acceptable level by matching foreign currency assets to liabilities when considered appropriate. Monitoring of foreign currency fluctuations is done through the Management and Investment Committee. The Fund operates wholly within Uganda and its assets and liabilities are reported in Uganda Shillings, although it maintains some of its assets and trades with banks in foreign currencies.

(a) Market risk (continued)

The Fund had the following currency positions as at 30 June 2020. All balances are in Ushs '000's.

Financial assets	**USD**	**Kshs**	**Tshs**	**Rwf**	**Total**
Cash and bank balances	1,757,553	1,147,456	9,440,446	1,371	12,346,826
Deposits due from commercial banks	–	–	–	1,072,348	1,072,348
Equity securities held–for–trading	–	61,660,083	12,246,732	–	73,906,815
Trade and other receivables	3,815,238	17,017,125	86,356	2,360,943	23,279,662
Debt instruments at amortised cost	–	2,564,586,306	1,322,948,785	28,107,262	3,915,642,353
Equity investments at fair value through profit or loss	139,131,656	731,619,676	422,799,269	43,354,675	1,336,905,276
Total assets	**144,704,447**	**3,376,030,646**	**1,767,521,588**	**74,896,599**	**5,363,153,280**
Financial liabilities					
Other payables	–	–	–	–	–
	–	–	–	–	–
Currency gap At 30 June 2020	**144,704,447**	**3,376,030,646**	**1,767,521,588**	**74,896,599**	**5,363,153,280**

The Fund had the following currency positions as at 30 June 2019. All balances are in Ushs'000's

	USD	**Kshs**	**Tshs**	**Rwf**	**Total**
Financial assets					
Cash and bank balances	120,799	1,186,773	2,620,410	10,530	3,938,512
Equity securities held–for–trading	–	66,310,868	12,002,207	–	78,313,075
Trade and other receivables	–	2,560,008	4,326,887	1,987,005	8,873,900
Debt instruments at amortised cost	–	2,411,706,581	745,299,304	21,341,014	3,178,346,899
Equity investments at fair value through profit or loss	125,618,758	722,681,449	215,019,255	47,280,619	1,110,600,081
Total assets	**125,739,557**	**3,204,445,679**	**979,268,063**	**70,619,168**	**4,380,072,467**
Financial liabilities					
Other payables	–	–	–	–	–
	–	–	–	–	–
Currency gap At 30 June 2019	**125,739,557**	**3,204,445,679**	**979,268,063**	**70,619,168**	**4,380,072,467**

The table below indicates the currencies to which the Fund had significant exposure at 30 June on its non–trading monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement of the currency rate against the Uganda Shilling, with all other variables held constant, on the statement of changes in net assets available for benefits (due to the fair value of currency sensitive non–trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the surplus for the year and equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Uganda Shilling would have resulted in an equivalent but opposite impact.

39.Financial risk management (continued)

(a) Market risk (Continued)

Currency	Change in currency rate in %	Effect on surplus before tax and reserves	Change in currency rate in %	Effect on surplus before tax and reserves
	2020	2020 Ushs 000	2019	2019 Ushs 000
USD	+/–5%	+/– 7,235,222	+/–5%	+/– 6,287,135
KES	+/–5%	+/–168,801,532	+/–5%	+/– 160,222,292
TZS	+/–5%	+/–88,376,079	+/–5%	+/– 48,963,404
RWF	+/–5%	+/– 3,744,830	+/–5%	+/– 3,530,962

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020 Ushs	2019 Ushs	2020 Ushs	2019 Ushs
KES	35.87	36.98	35.02	36.10
USD	3720.82	3,744.78	3729.00	3,694.74
TZS	1.62	1.63	1.61	1.61
RWF	3.99	4.20	3.92	4.06

Interest rate risk

In broad terms, interest rate risk is the risk that concerns the sensitivity of the Fund's financial performance to changes in interest rates. The Fund's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest–bearing liabilities mature or re–price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Fund's business strategies. In order to minimize interest rate risk, the Fund has a policy whereby the approved investment commitments are matched to members' funds.

The Fund does not account for any fixed rate or variable rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date will not affect the Fund's surplus or deficit but would change the future performance of the Fund. The financial assets held at variable interest rates relate to the corporate bonds for African Development Bank (ADB). These balances are not significant when compared with the total financial assets of the Fund as at year–end, hence a change of 1 basis point in the interest rate for these instruments would have an insignificant effect on the statement of changes in net assets available for benefits.

The table below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual re–pricing dates and the maturity dates. All balances are in Ushs 000.

2020 Assets	<3 months Ushs'000	3–12 months Ushs'000	> 1 year Ushs'000	Non–Interest bearing Ushs'000	Total Ushs'000
Cash and bank balances	14,394,296	–	–	11,627,799	**26,022,095**
Deposits with commercial banks	55,728,952	57,059,180	90,369,141	–	**203,157,273**
Trade and receivables	–	–	–	37,072,771	**37,072,771**
Debt instruments at amortised cost	759,449,366	1,645,089,838	7,612,298,457	–	**10,016,837,661**
Loans and advances	–	15,382,874	–	–	**15,382,874**
Total assets	**829,572,614**	**1,717,531,892**	**7,702,667,598**	**48,700,570**	**10,298,472,674**
Liabilities					
Other payables	–	–	–	(54,729,023)	(54,729,023)
Total liabilities	**–**	**–**	**–**	**(54,729,023)**	**(54,729,023)**
Gap as at 30 June 2020	**829,572,614**	**1,717,531,892**	**7,702,667,598**	**(6,028,453)**	**10,243,743,651**

(a) Market risk (continued)

2019 Assets	<3 months Ushs 000	3–12 months Ushs 000	> 1 year Ushs 000	Non–Interest bearing Ushs 000	Total Ushs 000
Cash and bank balances	12,585,332	–	–	5,054,829	17,640,161
Deposits with commercial banks	14,409,150	40,062,961	91,264,338	–	145,736,449
Trade and receivables	–	–	–	62,070,886	62,070,886
Debt instruments at amortised cost	422,913,464	894,353,521	7,211,352,815	–	8,528,619,800
Loans and advances	–	3,666,667	15,358,118	–	19,024,785
Total assets	**449,907,946**	**938,083,149**	**7,317,975,271**	**67,125,715**	**8,773,092,081**
Liabilities					
Other payables	**–**	**–**	**–**	**(59,938,712)**	**(59,938,712)**
Total liabilities	**–**	**–**	**–**	**(59,938,712)**	**(59,938,712)**
Gap as at 30 June 2019	**449,907,946**	**938,083,149**	**7,317,975,271**	**7,187,003**	**8,713,153,369**

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management of liquidity risk

The Fund has access to a diverse funding base. Funds are raised mainly from members' contributions and reserves. The Fund continually assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Fund strategy. In addition, the Fund has a Management Investment Committee that meets on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

Exposure to liquidity risk

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2020 to the contractual maturity date. All balances are in Ushs 000.

At 30 June 2020	Matured Ushs 000	<3 months Ushs 000	3–12 months Ushs 000	1–5 years Ushs 000	> 5 years Ushs 000	Total Ushs 000
Financial assets						
Cash and bank balances	26,022,095	–	–	–	–	26,022,095
Deposits with commercial banks	–	55,734,513	57,603,616	103,452,378	–	216,790,507
Trade and other receivables		–	37,072,771	–	–	37,072,771
Debt instruments at amortised cost	–	759,449,366	1,645,089,838	6,779,105,301	14,224,957,177	23,408,601,682
Loans and advances	–	–	16,486,562	859,444	130,275	17,476,281
Total financial assets	**26,022,095**	**815,183,879**	**1,756,252,787**	**6,883,417,123**	**14,225,087,452**	**23,705,963,336**
Financial liabilities						
Other payables	–	(27,934,519)	(23,508,994)	(4,381,094)	–	(55,824,607)
Financial liabilities	**–**	**(27,934,519)**	**(23,508,994)**	**(4,381,094)**	**–**	**(55,824,607)**
Liquidity gap	**26,022,095**	**787,249,360**	**1,732,743,793**	**6,879,036,029**	**14,225,087,452**	**23,650,138,729**

39. Financial risk management (continued)

(b) Liquidity risk (continued)

At 30 June 2019	Matured Ushs 000	<3 months Ushs 000	3–12 months Ushs 000	1–5 years Ushs 000	> 5 years Ushs 000	Total Ushs 000
Financial assets						
Cash and bank balances	17,640,161	–	–	–	–	17,640,161
Deposits with commercial banks	–	15,012,197	46,219,821	128,095,344	–	189,327,362
Trade and other receivables		–	62,070,886	–	–	62,070,886
Debt instruments at amortised cost	–	427,913,464	1,093,531,230	5,529,243,549	9,948,105,560	16,998,793,803
Loans and advances	–	–	4,729,685	17,467,694	–	22,197,379
Total financial assets	**17,640,161**	**442,925,661**	**1,206,551,622**	**5,674,806,587**	**9,948,105,560**	**17,290,029,591**
Financial liabilities						
Other payables	–	(33,150,300)	(26,788,412)	–	–	(59,938,712)
Financial liabilities	**–**	**(33,150,300)**	**(26,788,412)**	**–**	**–**	**(59,938,712)**
Liquidity gap	**17,640,161**	**409,775,361**	**1,179,763,210**	**5,674,806,587**	**9,948,105,560**	**17,230,090,879**

(C) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including investments in investments in government and corporate bonds, loans and advances deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. For risk management reporting purposes, the Fund considers all elements of credit risk exposure such as individual obligator default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk
The Board of Directors has delegated responsibility for the management of credit risk to its Management Investment Committee. The Investments Department is responsible for oversight of the Fund's credit risk, including:

- Formulating credit policies, covering collateral requirements and credit assessments, risk grading and reporting. Documentary, legal procedures and compliance with regulatory and statutory requirements is done in consultation with the Fund's Legal and Compliance Department.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Management Investment Committee. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing compliance of investment mix with agreed exposure limits, including those for selected industries, country risk and product types. The Fund's Investment Committee is responsible for monitoring the credit quality of investments and ensuring that appropriate corrective action is taken and providing advice, guidance and specialist skills to business units to promote best practice throughout the Fund in the management of credit risk.

The Investment department is required to implement the Fund's credit policies and procedures, with credit approval authorities delegated from the Fund's Board of Directors. The Investment department is responsible for the quality and performance of the Fund's investment portfolio and for monitoring and controlling all credit risks in the Fund's portfolio, including those subject to Board approval.

Regular audits of the Investment department and the Fund's credit processes are undertaken by the Internal Audit department.

39. Financial risk management (continued)

(c) Credit risk (continued)

Exposure to credit risk

Debt instruments at amortised cost and cash deposits

The Fund's maximum exposure to credit risk for the components of the statement of net assets available for benefits at 30 June 2020 and 30 June 2019 is the carrying amounts or the principal deposits plus accrued interest.

For debt instruments at amortised cost, which mainly relate to government debt securities issued by sovereign governments in their local currencies i.e. Uganda, Kenya, Tanzania, Rwanda and no history of default, the Fund applies the low credit risk simplification.

At every reporting date, the Fund evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the internal credit rating of the debt instrument. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Fund also uses the ratings from the Standard & Poor, Moody's and Fitch to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs

The Fund's debt instruments at amortised cost are graded with stable outlook by Standard & Poor, Moody's and Fitch. It is the Fund's policy to measure ECLs on such instruments on a 12–month basis. However, when there has been a significant increase in credit risk since origination, the allowance is based on the lifetime ECL.

Except for financial instruments for which the simplified approach has been used, the credit risk for all the amortised cost financial assets has not increased significantly since initial recognition, therefore the Fund has measured the loss allowance for these financial assets at an amount equal to 12month expected credit losses (12mECL).

The staff loans have been considered insignificant and as such no ECLs have been computed.

The resultant ECLs on bank balances have been considered insignificant and as such no ECLs have been included for the amounts.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

The maximum exposure to credit risk at the reporting date is as disclosed in below:

	2020 Ushs 000	**2019 Ushs 000**
Cash and bank balances	25,981,725	17,591,207
Deposits with commercial banks	203,157,273	145,736,449
Trade and other receivables	37,072,771	62,070,886
Debt instruments at amortised cost	10,016,837,661	8,528,619,800
Loans and advances	15,382,874	19,024,785
	10,298,432,304	**8,773,043,127**

Set out below is the information about the credit risk exposure on the deposits with commercial banks, government and corporate bonds and loans and advances as at 30 June:

2020	**Note**	**Gross amount Ushs 000**	**ECL Ushs 000**	**Carrying amount Ushs 000**
Cash and bank balances		25,981,725	–	25,981,725
Deposits with commercial banks	15	204,671,968	(1,514,695)	203,157,273
Debt instruments at amortised cost	18	10,020,930,565	(4,092,904)	10,016,837,661
Loans and advances	20	36,175,832	(20,792,958)	15,382,874
		10,287,760,090	**(26,400,557)**	**10,261,359,533**

39. Financial risk management (continued)

(c) Credit risk (continued)

2019	Note	Gross amount Ushs 000	ECL Ushs 000	Carrying amount Ushs 000
Cash and bank balances		17,591,207	–	17,591,207
Deposits with commercial banks	15	146,791,400	(1,054,951)	145,736,449
Debt instruments at amortised cost	18	8,532,738,213	(4,118,413)	8,528,619,800
Loans and advances	20	39,862,981	(20,838,196)	19,024,785
		8,736,983,801	**(26,011,560)**	**8,710,972,241**

Movements in the allowance have been disclosed in Notes 15,18,20.

Trade and other receivables

An impairment analysis is performed at each reporting date using a single loss rate approach to measure expected credit losses. Under the loss rate approach, the Fund develops loss–rate statistics on the basis of the amounts collected over the life of the financial assets rather than using separate probability of default and loss given default statistics. The Fund then adjusts these historical credit loss trends for current conditions and expectations about the future. The loss rates are based on groupings of various customer segments with similar loss patterns (i.e., by building location). The calculation reflects a simple average of all loss rates per period, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Fund uses an overlay of measuring and forecasting the level of defaults. Generally, trade receivables are written–off if past due for more than one year and are not subject to enforcement activity. The Fund does not hold collateral as security.

The staff advances have been considered insignificant and as such no ECLs have been computed.

The maximum exposure to credit risk at the reporting date is the carrying amounts of the financial assets disclosed below:

	2020 Ushs 000	2019 Ushs 000
Trade receivables	4,378,422	5,987,515
Dividends receivable	31,377,835	53,406,919
Other receivables	1,316,514	2,676,453
	37,072,771	**62,070,887**

Set out below is the information about the credit risk exposure on the Fund's trade and other receivables using a single loss rate approach as at 30 June:

2020	Gross receivable Ushs 000	Loss rates	ECL Ushs 000	Carrying amount
Trade receivables*	8,015,701		(3,637,279)	4,378,422
Contributions receivable	1,879,493	100%	(1,879,493)	–
Dividends receivable	36,464,911	14%	(5,087,076)	31,377,835
Other receivables	4,091,599	68%	(2,775,085)	1,316,514
	50,451,704		**(13,378,933)**	**37,072,771**

2019				
	Gross receivable Ushs 000	Loss rates	ECL Ushs 000	Carrying amount
Trade receivables*	6,911,655		(924,140)	5,987,515
Contributions receivable	1,879,493	100%	(1,879,493)	–
Dividends receivable	58,150,226	8%	(4,743,307)	53,406,919
Other receivables	5,504,498	51%	(2,828,046)	2,676,452
	72,445,872		**(10,374,986)**	**62,070,886**

39. Financial risk management (continued)

(c) Credit risk (continued)

Movements in the allowance have been disclosed in note 16.

*Set out below is the information about the credit risk exposure on the Fund's trade receivables based on the customer segment i.e. building location using a single loss rate approach as at 30 June:

2020	**Gross receivable Ushs 000**	**Loss rates**	**ECL Ushs 000**	**Carrying amount Ushs 000**
Workers House	2,217,836	35%	(772,013)	1,445,823
Social Security House	4,711,338	51%	(2,410,962)	2,300,376
Yusuf Lule parking	600,633	63%	(376,170)	224,463
Naguru–Muvule	208,134	35%	(72,687)	135,447
Jinja City House	43,180	2%	(756)	42,424
Bwebajja	234,580	2%	(4,691)	229,889
	8,015,701		**(3,637,279)**	**4,378,422**
2019	**Gross receivable Ushs 000**	**Loss rates**	**ECL Ushs 000**	**Carrying amount Ushs 000**
Workers House	1,930,947	9%	(166,146)	1,764,801
Social Security House	4,396,814	14%	(605,366)	3,791,448
Yusuf Lule parking	440,846	26%	(113,417)	327,429
Naguru–Muvule	143,048	27%	(39,211)	103,837
	6,911,655		**(924,140)**	**5,987,515**

Movements in the allowance in 2020 have been disclosed in note 16.

39. Financial risk management (continued)

(d) Categories of financial assets and financial liabilities

Set out below, is an overview of financial assets and financial liabilities held by the Fund as at 30 June:

FINANCIAL ASSETS	**2020 Ushs 000**	**2019 Ushs 000**
Financial assets at fair value through profit or loss		
Equity securities held–for–trading	87,662,482	91,432,601
Equity investments at fair value through profit or loss	1,463,176,697	1,265,470,262
Total financial assets at fair value	**1,550,839,179**	**1,356,902,863**
Debt instruments at amortised cost		
Cash and bank balances	26,022,095	17,640,161
Deposits with commercial banks	203,157,273	145,736,449
Trade and other receivables	37,072,771	62,070,886
Debt instruments at amortised cost	10,016,837,661	8,528,619,800
Loans and advances	15,382,874	19,024,785
Total financial assets at amortised cost	**10,298,472,674**	**8,773,092,081**
Total financial assets	**11,849,311,853**	**10,129,994,944**
Total current	**2,591,500,671**	**1,455,116,810**
Total non–current	**9,257,811,182**	**8,674,878,134**
	11,849,311,853	**10,129,994,944**
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Other payables	54,729,023	59,938,712
Total financial liabilities	**54,729,023**	**59,938,712**
Total current	**51,381,675**	**59,938,712**
Total non–current	**3,347,348**	**–**
	54,729,023	**59,938,712**

Fair values

Set out below is a comparison of the carrying amounts and fair values of the Fund's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount 2020 Ushs 000	**Fair value 2019 Ushs 000**	**2020 Ushs 000**	**2019 Ushs 000**
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Equity securities held–for–trading	87,662,482	91,432,601	87,662,482	91,432,601
Equity investments at fair value through profit or loss	1,463,176,697	1,265,470,262	1,463,176,697	1,265,470,262
Debt instruments at amortised cost				
Debt instruments at amortised cost	10,016,837,661	8,528,619,800	10,554,195,495	9,397,886,707
Total financial assets	**11,567,676,840**	**9,885,522,663**	**12,105,034,674**	**10,754,789,570**

All financial liabilities have carrying amounts that approximate their fair values.

39. Financial risk management (continued)

e) Capital management

The primary source of capital used by the Fund is member contributions and income from investments. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board. There have been no significant changes in the Fund's capital management policies and processes and capital structure during the past year and previous year. An important aspect of the Fund's overall capital management process is the setting of target risk and inflation adjusted rates of return, which are aligned to performance objectives and ensure that the Fund is focused on the creation of value for the members. The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, and taking appropriate actions that will provide the target return in light of changes in economic conditions and risk characteristics.

The Fund seeks to optimise the structure and investment of capital to ensure that it consistently maximises returns to its members within an acceptable risk appetite. The NSSF Act provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 10.75% was declared for the year 2020 (2019: 11%).

40. Fair value measurement

Fair values of cash and deposits with commercial banks, trade receivables, loans and advances and other payables reasonably approximate their carrying amounts largely due to the short–term maturities of these instruments and/or because they carry interest rates that reasonably approximate market rates.

The carrying amounts of equity securities held for trading and at fair value through profit of loss are the same as their fair values since the instruments are presented at fair value.

The financial instruments whose fair values differ from the carrying amounts as shown in the statement of net assets available for benefits are analysed as follows:

	30 June 2020		30 June 2019	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	Ushs 000	**Ushs 000**	**Ushs 000**	**Ushs 000**
Debt instruments at amortised cost	**10,016,837,661**	**10,610,820,495**	**8,528,619,800**	**9,397,886,707**

Valuation techniques

Description of valuation techniques used and key inputs to valuation for investment properties and finance leases are disclosed under note 24 and 28 respectively, and below for debt instruments at amortised cost/held to maturity investments (Government debt securities and Corporate bonds) and investments at fair value through Profit or loss:

Government debt securities: – Government debt securities are bonds issued by sovereign governments i.e Uganda, Kenya, Tanzania, Rwanda. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Other debt securities: – Most of these instruments are standard fixed rate securities made up of mainly corporate bonds. The fund uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. Corporate bonds are generally Level 2 instruments where usually there is no sufficient third–party trading data to justify Level 1 classification. The corporate bonds held by the fund have sufficient third–party trading and have, therefore, been considered Level 1.

Equity instruments: –The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in funds are measured based on their published adjusted net asset value, taking into account redemption and/or other restrictions. Such instruments are generally Level 2. Equity instruments in non–listed entities including investment in private equity funds are initially recognised at transaction price and re–measured (to the extent information is available) and valued on a case–by–case and classified as Level 3. The Fund has no equities classified as level 3 as at reporting date.

40. Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Fund's assets and liabilities measured at fair value or those for which fair value is disclosed:

As at 30 June 2020

	Date of valuation	Total Ushs 000	Fair value measurement using Quoted price in active market (Level 1) Ushs 000	Significant observable inputs (Level 2) Ushs 000	Significant unobservable inputs (Level 3) Ushs 000
Assets measured at fair value					
Equity investments at fair value through profit or loss (Note 19)	30–Jun–20	1,463,176,697	1,324,045,041	139,131,656	–
Equity securities held–for–trading (Note 17)	30–Jun–20	87,662,482	87,662,482	–	–
Investment Properties (Note 24)	30–Jun–20	523,638,485	–	–	523,638,485
Assets for which fair values are disclosed					
Debt instruments at amortised cost	30–Jun–20	10,610,820,495	10,610,820,495	–	–

There have been no transfers between the levels during the period.

As at 30 June 2019

	Date of valuation	Total Ushs '000	Fair value measurement using Quoted price in active market (Level 1) Ushs 000	Significant observable input (Level 2) Ushs 000	Significant unobservable input (Level 3) Ushs 000
Assets measured at fair value					
Equity investments at fair value through profit or loss (Note 19)	30–Jun–19	1,265,470,262	1,139,851,504	125,618,758	–
Equity securities held–for–trading (Note 17)	30–Jun–19	91,432,601	91,432,601	–	–
Investment Properties (Note 24)	30–Jun–19	491,746,647	–	–	491,746,647
Finance leases (Note 28)	30–Jun–19	730,000	–	–	730,000
Assets for which fair values are disclosed					
Debt instruments at amortised cost	30–Jun–19	9,397,886,707	9,397,886,707	–	–

40. Fair value measurement (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

2020	Investment Properties Ushs 000	Finance Leases Ushs 000	Total Ushs 000
At 1 July 2019	**491,746,647**	**730,000**	**492,476,647**
Effects of adoption of IFRS 16 (note 3(u))	730,000	(730,000)	–
Total gains in surplus or deficit	46,929,148	–	46,929,148
Additions	486,240	–	486,240
Reclassifications	(16,253,550)	–	(16,253,550)
At 30 June 2020	**523,638,485**	**–**	**523,638,485**
Total gains for the period included in surplus or deficit for assets at the end of the reporting period (Note 8a)	**46,929,148**		**46,929,148**
2019			
At 1 July 2018	**465,027,140**	**630,000**	**465,657,140**
Total gains/(loss) in surplus or deficit	37,980,363	100,000	38,080,363
Reclassifications	(11,260,856)	–	(11,260,856)
At 30 June 2019	**491,746,647**	**730,000**	**492,476,647**
Total gains/(loss) for the period included in surplus or deficit for assets at the end of the reporting period (Note 8a)	**37,980,363**	**100,000**	**38,080,363**

Description	Input	Sensitivity used*	Effect on the Fair Value Ushs 000
Workers house	Estimated rental value	2020: 10%	12,366,000
		2019: 10%	7,446,000
	Estimated rental expenditure	2020:10%	4,768,000
		2019:10%	10,548,500
	Vacancy factor	2020:1%	1,234,000
		2019:1%	6,132,000
	Discount factor	2020:1%	8,298,000
		2019:1%	11,899,000
Social Security house	Estimated rental value	2020: 10%	5,261,000
		2019: 10%	3,139,000
	Estimated rental expenditure	2020:10%	1,597,000
		2019:10%	7,099,250
	Vacancy factor	2020:1%	526,000
		2019:1%	6,898,500
	Discount factor	2020:1%	3,682,000
		2019:1%	9,490,000

40. Fair value measurement (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2020 and 30 June 2019 are, as shown below:
* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

No sensitivity analysis was done for the other properties and finance leases as these were revalued using the sales comparison/ market approach which was considered to be the most appropriate to determine the fair values of the properties that were mainly composed of vacant land, residential properties, and unoccupied buildings with no establishments to warrant use of other methods with varying inputs.

Refer to Note 44 for disclosures on judgements relating to the Covid–19 pandemic.

41.Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 30 June 2020	Within 12 months Ushs 000	After 12 months Ushs 000	Total Ushs 000
ASSETS			
Cash and bank balances	26,022,095	–	26,022,095
Deposits with commercial banks	111,823,434	91,333,839	203,157,273
Trade and other receivables	52,961,898	–	52,961,898
Equity securities held–for–trading	–	87,662,482	87,662,482
Tax deposit receivable	–	25,323,522	25,323,522
Debt instruments at amortised cost	2,401,428,801	7,615,408,860	10,016,837,661
Equity investments at fair value through profit or loss	–	1,463,176,697	1,463,176,697
Loans and advances	15,153,572	229,302	15,382,874
Investments in associates	–	361,245,165	361,245,165
Inventories	14,447,603	–	14,447,603
Capital work–in–progress	–	419,354,937	419,354,937
Investment properties	–	523,638,485	523,638,485
Intangible assets	–	9,138,880	9,138,880
Property and equipment and right of use assets	–	23,559,101	23,559,101
Asset held for sale	16,631,516	–	16,631,516
Tax claimable	**–**	**25,020,206**	**25,020,206**
Total assets	**2,638,468,919**	**10,645,091,476**	**13,283,560,395**
LIABILITIES			
Other payables	51,546,753	3,347,348	54,894,101
Contract liabilities	9,911,421	–	9,911,421
Provisions for litigation	814,522	–	814,522
Total liabilities	**62,272,696**	**3,347,348**	**65,620,044**

41.Maturity analysis of assets and liabilities (continued)

As at 30 June 2019	Within 12 months Ushs 000	After 12 months Ushs 000	Total Ushs 000
ASSETS			
Cash and bank balances	17,640,161	–	17,640,161
Deposits with commercial banks	54,472,111	91,264,338	145,736,449
Trade and other receivables	69,289,155	–	69,289,155
Equity securities held–for–trading	–	91,432,601	91,432,601
Tax deposit receivable	–	25,323,522	25,323,522
Debt instruments at amortised cost	1,317,266,985	7,211,352,815	8,528,619,800
Equity investments at fair value through profit or loss	–	1,265,470,262	1,265,470,262
Loans and advances	3,666,667	15,358,118	19,024,785
Investments in associates	–	317,606,820	317,606,820
Inventories	14,447,603		14,447,603
Capital work–in–progress	–	310,279,797	310,279,797
Investment properties	–	491,746,647	491,746,647
Intangible assets	–	7,876,182	7,876,182
Property and equipment	–	12,564,918	12,564,918
Tax claimable	–	21,185,091	21,185,091
Finance leases	–	730,000	730,000
Total assets	**1,476,782,682**	**9,862,191,111**	**11,338,973,793**
LIABILITIES			
Other payables	60,535,554	–	60,535,554
Contract liabilities	3,856,061		3,856,061
Provisions for litigation	807,041	–	807,041
Total liabilities	**65,198,656**	**–**	**65,198,656**

42. Establishment

The Fund was established in Uganda under Section 2 of the NSSF Act (Cap 222).

43. Subsequent events

Refer to Note 44 regarding the Covid–19 pandemic.

There were no other material events occurring after the reporting date which had an impact on the financial position or results of the Fund.

44. Covid–19 pandemic

The World Health Organisation declared Covid–19 a global health emergency on 30 January 2020. On 18 March 2020, the Government of Uganda announced lockdown and restrictions as a counter–measure against the spread of Covid–19. By the year–end, some of the lock down and restrictions had been eased. As the Fund is an essential service provider, operations continued during the lock down period but with some general restrictions arising from the local and global disruptions caused by the pandemic.

Consequently, the Fund's financial performance was impacted as follows:

Effect on contributions received

The lockdown restrictions left businesses with cash flow challenges and as such some were unable to maintain payroll costs. To manage this, some businesses opted to lay off staff, send staff on unpaid leave or reduce staff salaries. All these measures resulted in a decrease in contributions. In response, NSSF extended some relief to the businesses through allowing them to defer NSSF contribution payments for up to 12 months on a case–by–case basis.

44. Covid–19 pandemic (conttinued)

As at 30 June 2020, a total of 1,759 employers had requested for contributions deferral amnesty amounting to Ushs 23.4 Billion in monthly contributions. However, only 1,730 were granted with an equivalent of Ushs 22.4 Billion. The total contributions received during the year are disclosed in note 33.

– Effect on fixed income and equities investment portfolios

The fixed income portfolio accounts for almost 80% of the Funds' assets as at 30 June 2020. This portfolio mainly includes Government Bonds in East Africa (i.e. Uganda, Kenya, Tanzania and Rwanda), Fixed Deposits with commercial banks and Corporate Bonds & Loans. There was no effect on this portfolio since the return on investment is fixed at commencement of the contract.

There were major effects realised within the equities portfolio as at 30 June 2020 on the cash flow returns in the dividends. The impact of reduced liquidity on the markets led to investee companies either being required or electing not to pay dividends hence affecting the returns. In Uganda, Bank of Uganda issued a directive to financial institutions to defer any dividends. As a result, the Fund earned no dividends from the financial institutions in which it holds shares i.e. Stanbic Bank Uganda Limited, Bank of Baroda and dfcu Limited. In Kenya, Equity Group and Absa Bank Kenya Limited that had previously proposed dividends when they released their annual results in March 2020, rescinded their decisions. Refer to note 7 for movements in the dividend income.

For the equities portfolio, there was an impact mainly on the Nairobi Stock Exchange(NSE) due to the market activity by investors who seemed wary of the long term economic impact of Covid–19 on the investee companies hence the market started pricing in such fears pushing share prices down as investors disposed of stocks. The all share price index dropped from KES 167.37 to KES 133.25 in March 2020.

In Uganda, Tanzania and Rwanda stock prices either dropped or remained unchanged except for a few companies that had marginal growth in prices. As the Fund's major exposure in the equities portfolio is on the NSE, the movements in the NSE significantly influenced the performance of the Fund's equities portfolio.
Refer to notes 8(a), 17 and 19 for movements in the equities values.

– Effect on Expected Credit Losses (ECLs)

Decrease in cash collections by tenants due to limitations in implementing cash collection strategies. This increased the 'probability of default' input to the ECL model, that is determined dependent on the collection patterns from past data.

The slowdown in the economy led to drops in the projected key macro–economic factors including inflation, Gross Domestic Product, interest rates etc. The effects of these have been considered as part of the overlays in the ECL model to incorporate the pandemic effects on the credit risk profile of the debtors.
Refer to note 39(c) for movements in the expected credit losses.

–Effect on real estate (Investment properties)

The Covid–19 containment measures enacted globally around March 2020 brought a disruption in the real estate sector in Uganda, with lockdowns and travel restrictions resulting in near collapse of some sub–sectors. There has been gradual lifting of the lockdown since March 2020 which has resulted in varied response from the different market segments depending on category, location, price bracket and availability of extra services. The Fund's investments in real estate are majorly in the residential and commercial property categories. Below is summary of effects that have also been considered in reassessment of the assumptions and judgments utilised in valuation of the properties as disclosed in note 24:

Residential

The residential real estate sector is comprised of single–family homes, apartments, condominiums, planned unit developments, and more. For the past few years, this segment of the real estate industry has been steadily increasing in value. While there was a lull in demand for new lettings and purchases during Covid–19 lockdown, the market showed signs of picking up with easing of the lockdown. Indications from real estate brokers and stamp duty returns at Ministry of Lands reveal that sales/purchases of standalone residential homes have been bullish.

Commercial (Office space)

The Covid–19 pandemic has left investors and tenants undecided on the ethical and prudent course of action regarding the nearly 3 months lockdown rent. While some landlords have waived at least one month's rent, majority of landlords have simply deferred payment of rent arrears incurred during the lockdown period. While the expected massive human resource layoffs have generally not materialized, it is likely that organisations will continue to encourage working from home therefore seeking to downsize on occupied space within commercial buildings. If this trend were to continue in the medium to long–term, there would be downward pressure

44. Covid–19 pandemic (conttinued)

on rental collections as landlords would have to offer incentives like rent free periods and rental discounts to keep or attract new tenants.

The Fund's commercial properties as disclosed in the investment property note 24 are almost 80% occupied by government institutions which didn't vacate the premises and therefore the Fund did not experience a reduction in occupancy rates.

Use of estimates and judgements

There have been no material revisions to the nature and estimates of amounts reported in prior periods. However, the effects of Covid–19 have required significant judgments and estimates to be made, including:

- Re–assessment of the assumptions used to measure the fair value of the investment properties, on account of changes in the market conditions and related observable inputs. Consideration of the extent to which the pandemic has affected property transactions and impacts to valuation models.
- Estimates of expected credit losses attributable to accounts receivable arising from credit customers, including the incorporation of forward–looking information to supplement historical credit loss rates.
- Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non–adjusting events after the reporting period').

Use of assumptions

The Covid–19 pandemic continued to affect the Fund, countries and businesses at the time of preparation of these financial statements. The directors expect that considering that the Fund is an essential service provider, the Fund's operations will continue despite the disruption caused by the pandemic. The directors have also assessed that:

- No adjusting events or conditions existed at the reporting date affecting the financial statements.
- The going concern status of the Fund will not be affected by this event and the Fund will continue to operate as a going concern. The Fund's management and directors are closely monitoring the economic developments in the key markets and sectors including undertaking scenario analysis. This enables the Fund's management and directors to take appropriate actions where necessary, including enhanced monitoring, amending strategically investing all contributions received.
- Customer credit risk is not expected to increase further. Management will continue to closely monitor customer segments to ensure that exposures are mitigated.
- There are no conditions that would warrant impairment of non–financial assets.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from the judgements and assumptions used, could require a material adjustment to the carrying amounts of the assets or liabilities reported in these financial statements. The directors and management will continue to monitor the measures taken by the Government of Uganda and adjust the Fund's business strategies and plans accordingly.

06: OUR ANCILLARY INFORMATION

FINANCIAL DEFINITIONS

Total Revenue (Ushs)
Income generated from various investment activities associated with the main operations of the Fund and shown before any costs
or expenses are deducted.

Realized Revenue (Ushs)
Profits or Income from completed transactions.

Unrealized Revenue (Ushs)
Profits or Income occurring on paper, but the relevant transactions not yet completed. Also called paper profit or paper Income, because it is recorded on paper but has not actually been realized. It includes gains on; Revaluation, Equity Investments and Foreign Exchange.

Cost of Administration
Total Operating costs / expenses, associated with company management, direction, policy or business activities / Operations.

Accumulated Members' Funds
Total Amount of money collected over a period of time from employees and other contributors in the private sector plus interest credited to members over time.

Interest to Members
Amount credited to members accounts based on the income earned from various investments.

Asset Growth
Movement in Total Assets.

Return on Average Investment (%)
Gain generated on an investment relative to the amount of money invested.

Cost Income Ratio (%)
Total Operating Costs expressed as a percentage of Total Income.

Return on Member's Fund (%)
Gain generated in the period expressed as a percentage of Member Fund balance.

Compliance Level (%)
Active members contributing consistently as a percentage of total active members.

Strategic Assets Allocation
A portfolio strategy that involves setting target allocations for various asset classes and re–balancing periodically.

Dividend Income
A distribution of a portion of a company's earnings, decided by the board of directors, paid to a class of its shareholders.

Share of Results/Profits from Associate
A portion, allocation or share of Investee company profits in which the Fund owns a significant portion of voting shares (20 – 50%).

Fair Value
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.

Investment Portfolio
A compilation of Investment assets designed to achieve a specific investment objective based on parameters such as risk tolerance, time horizon, asset preference, and liquidity needs with a potential to achieve the desired returns, while minimizing risk and volatility through proper diversification and balance.

Fixed Income Portfolio
Assets or securities in an Investment portfolio paying regular income in the form of coupon, interest and principal at maturity.

Equity Portfolio
Stock or any other security in an investment portfolio representing an ownership interest in Investee companies.

Real Estate Portfolio
Physical Securities and Assets in Investment portfolio purchased, owned, sold, managed for rental income or profit.

Convexity
Convexity is a measure of the degree of the curve, in the relationship between bond prices and bond yields. It demonstrates how the duration of a bond changes as the interest rate changes. We use it as a risk–management tool, to measure and manage out portfolio's exposure to interest rate risk.

Sharpe Ratio
Sharpe Ratio is the average return earned in excess of the risk–free rate per unit of volatility or total risk. Subtracting the risk–free rate from the mean return allows us to better isolate the profits associated with risk–taking activities. The greater the value of the Sharpe ratio, the more attractive the risk–adjusted return.

LIST OF ACRONYMS

ACCA	Association of Chartered Certified Accountants
ADA	Advanced Digital Archival
AMM	Annual Members' Meeting
ARC	Audit and Risk Assurance Committee
BA.	Bachelor of Arts
Bn.	Billion
BRITAM	British–American Investments Company
BSc.	Bachelor of Sciences
BUBU	Buy Uganda Build Uganda
CAGR	Compound Annual Growth Rate
CBD	Central Business District
CBK	Central Bank of Kenya
CBR	Central Bank of Rwanda
CCW	Customer Connect Week
COFTU	Central Organisation of Free Trade Unions
CMA	Capital Markets Authority
CMP	Crisis Management Plan
CSA	Control Self–Assessment
CSR	Corporate Social Responsibility
DRP	Disaster Recovery Plan
DSE	Dar–Es–Salam Stock Exchange
DFCU	Development Finance Company of Uganda Bank Ltd
EABL	East African Breweries Limited
ECASSA	East and Central African Social Security Association
EIA	Environmental Impact Assessment
ERM	Enterprise Risk Management
ExCo	Executive Committee
FCCA	Fellow of the Chartered Certified Accountants
FiRe	Financial Reporting
Fx	Foreign Exchange
FY	Financial Year
FUE	Federation of Ugandan Employers
GRI	Global Reporting Initiative
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICPAU	Institute of Certified Public Accountants of Uganda
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IPM	Investment and Project Monitoring Committee
ISSA	International Social Security Association
IMF	International Monetary Fund
Info	Information
IT	Information Technology
IVR	Interactive Voice Response
K	Thousand
KAVC	Kampala Amateur Volleyball
KCCA	Kampala City Council Authority
KES	Kenyan Shilling
KPI	Key Performance Indicator
Kshs.	Kenyan Shilling
LAPSNET	Legal Aid Providers Network
M	Million
MBA	Masters Degree in Business Administration
MoFPED	Ministry of Finance, Planning and Economic Development
MOH	Minister of Health
MSc.	Masters Degree in Science
MSCI	Morgan Stanley Capital International
NEMA	National Environmental Management Authority
NIRA	National Identification and Registration Authority
NIC	National Insurance Corporation
NOTU	National Organisation of Trade Unions
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
OECD	The Organisation for Economic Co–operation and Development
PAS	Pension Administration System
PBI	Performance–Based Increment
PPDA	Public Procurement and Disposal of Public Assets Authority
PDL	Premier Developments Limited
PRAU	Public Relations Association of Uganda
RAF	Risk Appetite Framework
Rwf.	Rwandese Franc
Rd.	Road
RMPP	Risk Management Policy and Procedures
RSE	Rwanda Stock Exchange
SAA	Strategic Asset Allocation
SACA	Staff Administration and Corporate Affairs Committee
SDG	Sustainable Development Goals
SBU	Stanbic Bank Uganda
SOPs	Standard Operating Procedures
STP	Straight through process
TBN	Transformation Business Network
TBL	Tanzania Breweries Limited
TWIGA	Tanzania Portland Cement Company Limited
Tz.	Tanzanian Shilling
UCL	Uganda Clays Limited
UK	United Kingdom
URA	Uganda Revenue Authority
USST	Unstructured Supplementary Service Data
URBRA	Uganda Retirement Benefits Regulatory Authority
URSB	Uganda Registration Services Bureau
USE	Uganda Securities Exchange
UShs.	Uganda Shilling
USSD	Unstructured Supplementary Service Data
VPDL	Victoria Properties Development Limited
WHT	Witholding Tax
YTD	**Year to Date**
Y/Y.	**Year on Year**

"Our report concludes, but our commitment to you never ends"

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