THE STATUTORY AUDIT COMMITTEE (SAC) OF NIGERIAN EXCHANGE GROUP PLC
Terms of Reference

1. INTRODUCTION

1.1. These Terms of Reference provides guidance on the operations of the SAC of Nigerian Exchange Group Plc. (“HoldCo”). The primary purpose of the SAC is to oversee the:

a) External Audit;
b) Internal Audit; and
c) Financial Reporting;

1.1.1. External Audit

The responsibility of the SAC for External Audit includes the following:

a) Review the scope and planning of audit requirements;
b) Make recommendations to the shareholders regarding the appointment, removal and remuneration of the external auditors of the HoldCo;
c) Review and recommend for shareholders’ approval the external auditor’s remuneration and ensure the level of fees is appropriate to enable an adequate audit to be conducted;
d) Approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
e) Assess annually their independence and objectivity, considering relevant professional and regulatory requirements and the relationship with the external auditor;
f) Review and approve the scope and planning of the audit by the external auditors including identified risk areas, relevance of audit plan to audit approach and reporting timetable;
g) Review the findings in Management Letter in conjunction with the external auditor and management responses thereon
h) Develop a policy on the nature, extent and terms under which the external auditors may perform non-audit services;
i) Preserve auditor independence, by setting clear hiring policies for employees or former employees of independent auditors; and
j) The Committee’s responsibility is an oversight function, and as such, it is not the duty of the Committee or its members to conduct auditing or accounting reviews or procedures.
1.1.2. **Internal Audit**

The responsibility of the SAC for Internal Audit includes the following:

a) At least on an annual basis, obtain and review a report by the Head of Internal Audit, describing the strength and quality of internal controls, including any issues or recommendations for improvement, raised by the most recent internal control review of the Company.

b) Ensure that an Internal Audit Charter is available and that Audit Plans are prepared on an annual basis.

c) Authorise the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

d) Review and monitor Management’s responsiveness to the findings and recommendations of the internal auditor.

e) Keep under review the effectiveness of the Company's system of accounting and internal control.

1.1.3. **Financial Reporting**

The responsibility of the SAC for Financial Reporting includes the following:

a) Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;

b) Review the draft financial and interim financial statements for adequacy; and

c) Ensure the adequacy and effectiveness of the accounting principles and financial controls applied, including controls relating to the “close-the-books” process.

2. **COMPOSITION**

a) The Committee shall consist of at least five (5) members including three (3) shareholder representatives, and two (2) NEDs of which one (1) shall be an INED.

b) All members of the Committee shall be financially literate;

c) At least one (1) member of the Committee should be a member of a professional accounting body in Nigeria established by an Act of the National Assembly;

d) The Chairman of the Committee shall be elected by the members of the Committee. However, the Chairman of the Board can neither be a member nor the Chairman of this Committee;

  e) The Committee shall have authority to invite members of management and other relevant individuals to attend its meetings and provide pertinent information as necessary; and

  f) The Group Company Secretary shall serve as the Secretary to the Committee.
3. **APPOINTMENT, TENURE AND RE-APPOINTMENT**

In compliance with the provisions of CAMA 2020, Members of the Committee will be appointed by shareholders at a general meeting for an initial term of one (1) year and are subject to election by shareholders annually, subject to satisfactory performance and attendance of at least seventy-five percent of all Committee meetings in the preceding financial year.

4. **RESTRICTION OF POWERS OF THE COMMITTEE**

The Shareholders shall reserve the right to make final approval on all matters above the delegated authority of the Committee.

5. **REMUNERATION**

Members of the Committee are not entitled to remuneration. However, they shall be entitled to reimbursement of expenses incurred in the course of performing their responsibility.

6. **MEETINGS**

   a) The Committee shall meet at least once every quarter. Meetings shall be convened upon in accordance with the calendar of meeting dates approved by the Committee. Ad-hoc meetings may also be held as required;

   b) Committee meetings may take place physically or via any medium, including telephone conference, video conference or such other means, provided that the means does not constrain any Director from contributing effectively to discussions.

   c) Virtual meetings shall be conducted in accordance with the Policy on Virtual Board and Committee Meetings.

   d) Having reviewed the matters to be considered at any meeting as enumerated in the agenda, the Committee’s Chairman shall have the discretion to determine whether or not a meeting should hold virtually or physically, provided that best efforts shall be used to hold at least one physical meeting annually, where practicable.

   e) Where a meeting is convened physically, a member may still attend such meeting virtually provided that the member notifies the Committee’s Chairman or the Secretary in advance of the meeting that he/she will be attending the meeting virtually.

   f) A Member who attends Committee meetings virtually by telephonic, electronic, video conference or other communication facilities will be regarded as being present in such meeting for the purpose of quorum, voting and all other purposes.

   g) More than half of the members of the Committee shall constitute a quorum.

   h) Where a member of the Committee leaves the meeting, and by reason of that departure, the number of Committee members in attendance falls below the required quorum, the
members of the Committee may proceed with the meeting and exercise all or any of its powers only where the Committee members present at the meeting are not less than three (3), one of whom shall be the Chairperson of the Committee or any other person duly appointed to chair the meeting.

i) In line with the approved calendar of activities, the Group Company Secretary shall reach out to Members at least two (2) weeks prior to the pre-agreed date for the meeting to determine whether the meeting would be quorate and can proceed as previously scheduled. When it is determined that the meeting shall be quorate, then notice is given to Member to provide confirmation. Notice may be given by mail (electronic or otherwise), personal delivery or facsimile transmission to the usual place of business or residence of the Director or any other address given to the Group Company Secretary by the Director.

j) Meeting Agenda and Board Papers scheduled for discussion shall be circulated at least one (1) week before the meeting.

k) Management will ensure that all information relevant to the discharge of the Committee’s responsibilities is provided to the Committee as requested. In addition, matters of material concern that are relevant to the Committee’s responsibilities will be brought to the attention of the Committee promptly.

l) The Group Company Secretary shall keep minutes of the Committee meetings and circulate the draft minutes to all members within one (1) month of the meeting after the Committee Chairman has given preliminary approval.

m) The minutes of the Committee meetings shall be presented for approval at the next meeting of the Committee or via email circulation to all members of the Committee. The Secretary shall follow up on action plans decided at meetings and present a status of implementation of the action plans at the next meeting.

n) In exceptional or urgent circumstances, the Committee may either dispense with meetings and pass resolutions by way of written resolution which may be administered through (i) execution of hard copy documents; (ii) electronic mail voting; or (iii) by voting on the board portal; or convene an emergency meeting at shorter notice as may be agreed.

o) The Group Company Secretariat shall present a report at the next meeting reflecting the decision(s) taken pursuant to clause 6 (n) above and including any comments made by Members during consideration of the matter. The matter(s) considered and the date of the decision/resolution shall be properly captured in the minutes. The date of the resolution shall however remain the date on which it was originally passed.

p) Minutes, agenda and supporting papers will be made available to any Member upon request to the Group Company Secretary, provided no conflict of interest exists.
7. CONFLICT OF INTEREST

(a) Members shall strive to avoid any action, position or interest that conflicts with the interest of the Group, or that can potentially conflict with the interest of the Group. Also, the personal interest of a Director should not take precedence over the Group.

(b) The Secretariat shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. A Committee member that has a conflict of interest shall physically or virtually recuse himself from discussions and the decision on the matter(s) regarding which he has a conflict.

(c) In circumstances where the Committee dispenses with meetings and chooses to pass resolutions electronically, in writing or via board portal, the Secretariat shall circulate the conflict of interest form via electronic mail to the Members for their completion. The completed forms would be reviewed by the Secretariat and Members who are conflicted would be noted. Papers on subject matter would not be sent to the conflicted Members and they would abstain from voting on the subject matter.

8. PERFORMANCE EVALUATION

As part of the annual Board Appraisal exercise, the Independent Consultant appointed by the Board for the appraisal exercise would carry out an assessment of the performance of the Committee. This evaluation will follow the following procedure:

a) At the beginning of the fiscal year, the Committee will set its annual goals;

b) The goals set above will be evaluated and approved by the Chairman of the Board;

c) At the end of the fiscal year, the Committee would perform a self-assessment on its performance in relation to the approved annual goals and forward the self-assessment report to the Independent Consultant;

d) The Independent consultant will review and evaluate the approved goals and self-assessment reports prepared by the Committee and present the evaluation report to the Board for approval;

e) The Board would review and approve the evaluation report; and

f) The Chairman of the Board would debrief the Committee on its strengths and areas for improvement.

9. ABILITY TO TAKE INDEPENDENT ADVICE

The Committee has the power to obtain advice and assistance from, and to retain at the Group’s expense, subject to approval from the Chairman of the Board, such independent professional advisors and experts as it determines necessary or appropriate to carry out its duties.
10. TRAINING AND CONTINUOUS EDUCATION

The Committee, through the Group Company Secretary, shall make available to new members of the Committee, suitable induction processes; and for existing members, on-going training as may be agreed by the Committee.

11. DISCLOSURES

a) The membership of the Committee and a description of its duties and activities during the year shall be disclosed in the Group’s Annual Report; and

b) The Committee’s Chairman or any other nominated member shall be available at the Annual General Meeting to answer questions that relate to the work of the Committee.

12. REVIEW OF TOR

The Committee shall review and re-assess this ToR at least annually or more frequently as required and make recommendations to the Board on required changes.

13. APPROVAL OF TERMS OF REFERENCE

The Terms of Reference were approved by the Board on ………………………. 2021

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