



Nigerian Exchange Group

Enterprise Risk Management Policy

November, 2021

Internally Reviewed & Approved by:

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Issue Date	Issue No	Obsolete/Current/Archived	Reason/Notes
March 2014	Issue 1	Obsolete	Old Version
April 2019	Issue 2	Archived	Re-organization
April 2021	Issue 3	Current	

Approvals

This policy was approved by the Board of The Nigerian Exchange Group on

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RISK MANAGEMENT POLICY

POLICY

The Executive Management on behalf of the Board is committed to protecting and enhancing Nigerian Exchange Group's (NGX Group) viability by managing the uncertainties that can hinder the achievement of set strategic objectives and goals. Additionally, it will ensure compliance with relevant laws, SEC regulations and other compliance requirements, thereby preventing negative impact on the NGX Group's reputation and in achieving its strategic objectives. The Executive Management will assist the Board in making risk-informed strategic decisions by providing comprehensive information relating to the risk profile and risk exposure of the NGX Group. Furthermore, it will ensure that risk taking activities of the NGX Group is in congruence with the Board approved risk appetite.

OBJECTIVES

Implementing an effective ERM policy across the NGX Group achieves the following key objectives:

- **Oversight:** All critical risks are identified, managed and monitored under a holistic approach consistent with the Board approved risk appetite statement
- **Ownership and Responsibility:** Ownership of identified risk will be assigned to individuals with detailed knowledge of the business unit / processes
- **Assurance:** The Board, the Board Risk and Audit Committee (BRAC) and the Executive Management members have reasonable assurance that risk is being appropriately managed within defined levels of risk appetite and tolerance, therefore enhancing stakeholders value
- **Awareness:** Employees of the NGX Group engaging in initiatives, transactions with inherent risks are aware of associated risks and are able to identify, analyze and evaluate risks before executing such initiatives or transactions.
- **Effectiveness:** Regular reviews are conducted to evaluate the effectiveness of risk mitigation measures against agreed targets

ERM BENEFITS

- Improve likelihood of achieving the NGX Group's objectives due to a better understanding and reduction in variation from expected outcome
- More holistic risk culture stemming from adoption of robust risk management policies and procedures required to effectively manage risks on a group-wide basis.
- Greater understanding of inherent group-wide risks stemming from the use of a common and consistent risk framework
- Increase in top / bottom line revenue stemming from greater efficiency in managing business risks and their interrelationships.

PHILOSOPHY

The NGX Group recognizes the importance of effective risk management to its business success. As a result, the Executive Management is committed to achieving strong controls over risk by implementing a Board approved risk management framework. Opportunities and threats faced by NGX Group are addressed through set risk management process.

ERM CULTURE

Consequent to NGX Group risk management philosophy, we will strive to entrench the following attributes as guiding principles of our risk culture:

- We shall institute a sound risk management governance structure that enables us to manage all major aspects of our activities through an integrated planning and review process.
- The Board and Executive Management of all entities within the Group shall establish and promote a strong culture of adherence to approved risk appetite and tolerance in managing risk exposure.
- Risk management in the NGX Group shall be governed by formally documented and defined framework, which is clearly communicated to all staff.
- We shall strive to maintain a balance between risk/opportunities and revenue consideration with our risk appetite. Thus, risk-related issues will be considered in all our business decisions.
- All staff with risk management responsibilities shall be empowered to perform their duties professionally and independently within clearly defined authority.

RISK APPETITE AND RISK TOLERANCE

In conducting set oversight, the Executive Management shall deal with fundamental questions such as: How much risk is acceptable in pursuing strategic objectives? How do we ensure that our business units are operating within the bounds that represent our appetite for specific kinds of risk? These questions are embodied in the notion of “risk appetite”. The risk appetite which has been defined and approved by the Board to ensure that risk is proactively managed at a desired level across the Group, sets a clear strategic direction that aligns the NGX Group’s risk tolerance with its business and objectives. Additionally, it outlines the aggregate level and types of risk the NGX Group is willing to assume within its risk capacity to achieve its objectives. Our risk tolerance specifies the acceptable level of variation relative to set risk appetite or achievement of specific strategic objectives. Furthermore, it outlines the level of risk which the NGX Group is willing to tolerate without incurring significant financial losses.

GOVERNANCE

Governance refers to the actions, processes, structures and institutions by which authority is exercised and decisions are taken and implemented. Applying good governance principles to risk management at

the NGX Group is essential in order to effectively control and direct the management of risk towards achieving set targets for strategic, tactical, operational and compliance core processes and activities. To ensure that the tone for risk is set correctly, the organisational structure of the NGX Group is considered in line with the roles, responsibilities and accountabilities of the Board, Executive Management, and the Enterprise Risk Management Department, to guide and direct the NGX Group risk program are also defined.

To ensure the effectiveness of the Enterprise Risk Management function at NGX Group, a model that dimensions the interrelationship between functional lines and provides the essence of their roles and responsibilities “Three Lines of Defense Model” has been adopted. The lines of defense model serve as a primary means to demonstrate and structure the roles, responsibilities, communication and accountabilities for decision making and controls towards achieving effective governance risk management and assurance.

The Three Lines of Defense model, articulate who does what and distinguishes among three groups (or lines) involved in the control of an effective enterprise risk management process and categorized thus:

- Functions that own and manage risks.
- Functions that oversee risks.
- Functions that provide independent assurance.

BOARD RISK AND AUDIT RISK MANAGEMENT COMMITTEE

- Advise the Board on ERM matters and support the risk oversight function of the Board, by monitoring the implementation, effectiveness and efficiency of the ERM processes
- Inform the Board of any material changes to The Exchange’s risk profile and recommend appropriate actions where necessary, with due consideration for The Exchange’s overall risk appetite
- Assist the Board in setting business risk strategy and policies in liaison with management and, in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting
- Regularly monitor The Exchange’s ERM performance and obtain reasonable assurance from management that The Exchange’s key risks are being effectively managed and that risk management policies, practices and tolerance levels are being adhered to
- Review the business risk bearing capacity of The Exchange in light of its reserves and insurance coverage
- Monitor and periodically examine the risk culture and governance aspects of The Exchange’s including but not limited to risk policies, practices and capabilities
- Required to regularly receive presentations and other ERM information such as quarterly risk reports sufficient for the Committee to understand and assess the adequacy of decisions made by

the management on the key risks faced by The Exchange and arising from new products, services or strategic initiatives