



The Nigerian Exchange Group

Internal Control Framework

Enterprise Risk Management Department

July 2021

NGX Internal Control Framework

ERM

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Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 2 of 29

9

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NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 3 of 29

9

TABLE OF CONTENTS

SECTION 1: INTRODUCTION	6
1.1 Background	6
1.2 Policy Objective	6
1.3 Applicability of the Framework	7
1.4 Framework Review Cycle	7
1.5 The Internal Control Process	7
SECTION 2: IMPLEMENTING INTERNAL CONTROL	8
2.1 Definition of Internal Control	8
2.2 Components of NGX Group System of Internal Control	9
2.3 The Three Lines of Defence	14
2.4 Internal Control Governance Structure	15
SECTION 3: CONTINUOUS MONITORING AND IMPROVEMENT OF INTERNAL CONTROL	22
3.1 Actions to Enhance and Strengthen Internal Control	22
3.2 Internal Control Gap Analysis Process	22
3.3 Monitoring and Reporting	23
SECTION 4: HANDLING INTERNAL CONTROL BREACHES AND OPERATIONAL ERRORS	24
SECTION 5: LIMITATION OF INTERNAL CONTROL	26
SECTION 6: APPENDICES	27

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 4 of 29

9

The following terms and abbreviations used in this Framework shall have the following meaning:

ARM	Audit & Risk Management committee of the Nigerian Exchange Group Plc and/ or its subsidiaries charged with duties relating to financial reporting, internal controls and risk management systems, whistleblowing and fraud, internal and external audit.
Board	Previously the National Council. The Board of the HoldCo and or Subsidiaries are responsible for providing oversight for NGX business and financial affairs, strategy, structures and policies; monitoring the exercise of any delegated authority; and dealing with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics
COSO	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence
Contract Employee	Employees who are employed for a fixed term and regularly scheduled to work more than [40] hours per week.
Consultants	Contract employees engaged by business units of the HoldCo and or Subsidiaries to provide specific services usually on projects or as otherwise stated in their contracts. Their monthly remuneration is administered as defined within their contract. They are required to submit monthly time sheet evidencing they have worked for the hours specified in their contracts. Where there are shortfalls, their remunerations are prorated accordingly.
HOD	The appointed Head of a Department in the various entities. As used in this framework the term/abbreviation is also applicable to Divisional Heads.
Employee	Any person employed or engaged by NGX Group or its subsidiaries irrespective of his position (officer, manager etc.), in the hierarchy, his type of remuneration (salaries, commissions, fees etc.) or his status (regular, part time, interns, contract, consultant etc.)
ExCO	The Executive committee/Management of the HoldCo and or its Subsidiaries charged with managing the day-to-day operations at NGX Group.
ICF	Internal Control Framework of the Nigerian Exchange Group Plc. Also referred to as “Framework and “Control Framework”

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 5 of 29

9

NGX Group	Nigerian Exchange Group is comprised of the HoldCo and its subsidiaries. Also referred to as NGX Group.
Stakeholders	These include institutions (as well as individuals working for these institutions) within the capital market echo system such as, Exchanges, Dealing Members, Listed Companies, Registrars, Trustees, Financial Advisers, Issuing Houses, and Central Securities Clearing System and other companies who transact business with NGX Group as vendors.
Subsidiary	An entity in which NGX holds more than 50% shareholding.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 6 of 29

9

SECTION 1: INTRODUCTION

1.1 Background

The Internal Control Framework sets forth the requirements for the design and operation of an effective system of internal control at The Nigerian Exchange Group (HoldCo and subsidiaries). Our Control Framework is patterned after the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Internal Control Integrated Framework best practices.

The NGX Group recognizes that effective internal control is fundamental to achieving its vision and mission. In line with this recognition, our Control Framework outlines the basic principles of internal control ("control") which are to be adhered to by all Employees in their respective functions in order to create business value and minimize risk at NGX Group. The application of a robust Control Framework ensures that procedures and activities are linked to the achievement of the strategic and business objectives of NGX Group. Our control system has as its primary objectives the elimination of waste, abuses, loss, and unauthorized use of assets while also ensuring that material/human errors or irregularities are identified and corrected. In line with global best practice, internal control at The Nigerian Exchange Group is an integral part of Enterprise Risk Management at NGX Group.

1.2 Policy Objective

The primary objective of this Framework is to outline the principles of internal control as applicable to NGX Group. Whilst the Framework is not intended to be exhaustive or prescriptive, it nonetheless provides valuable guidance to the Board, ExCO and other employees accountable for control in the HoldCo and or Subsidiaries.

The Nigerian Exchange Group Internal Control Framework:

- Defines the term "Internal Control" to ensure all Employees of NGX Group have a common understanding of the concept and how it is applied at NGX Group;
- Applies the governance structure and the "three lines of defence" model as part of control activities at NGX Group;
- Provides a set of principles based on best practice against which the system of internal control in the various entities in the Group can be evaluated and progressively enhanced to achieve optimal performance;
- Assigns roles and responsibilities to all Employees of NGX Group for implementing internal controls;
- Provides criteria that can be used to develop and assess the effectiveness of internal control in NGX Group;

- Underpins the importance of integrity and ethical values in establishing effective controls;

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 7 of 29

9

- Like every other system of control, our framework highlights the inherent limitations in internal control

1.3 Applicability of the Framework

Our Internal Control Framework is applicable to all employees of the HoldCo and its subsidiaries, including employees engaged on a contract or part-time basis as well as employees engaged as consultants the various entities. A breach of the Framework may result in disciplinary actions.

1.4 Framework Review Cycle

The Framework is reviewed by the Internal Control unit every two years or at other shorter periods as may be necessitated by material changes in the regulatory and/or operating environment provided that no update shall be effective until approval is given by ExCO and the Group Board.

1.5 The Internal Control Process

The Nigerian Exchange Group iterative process towards an effective Internal Control Framework is illustrated in **Figure 1** below. The outboxes in the illustration show how we continuously improve our Internal Control System through the identification and assessment of control risks and changes that may prevent NGX Group from achieving set objectives, and our response through improved processes, controls, and internal control awareness and training.

Figure 1: Internal Control Process

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 8 of 29

9



SECTION 2: IMPLEMENTING INTERNAL CONTROL

2.1 Definition of Internal Control

The Nigerian Exchange Group defines internal control as a process, effected by the various entities and Board, ExCO and other employees designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

The above definition of internal control provides insights into the fundamental concepts of control at NGX Group, specifically the following:

- Internal control is a **process** and a means to an end, and not to be considered an end in itself;
- Internal control can be expected to only provide **reasonable assurance** regarding the achievement of set objectives;
- Internal control is **effected by people** at every level of the organisation.

The scope of our internal control system extends to policies, processes, procedures, systems, activities, functions, projects, initiatives, and endeavours of all types and at all levels of NGX Group.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 9 of 29

9

2.2 Components of NGX Group System of Internal Control

Our Internal Control system is made up of five (5) key components: control environment, risk assessment, control activities, information and communication, and monitoring activities. The Group adopts seventeen (17) principles (See **Appendix I**) that must be present and functioning and operating together in an integrated manner to enable us to meet the five components of internal control, in order for NGX Group to achieve its control objectives.

- “Present” means that the components and the relevant principles exist in the design and operation of our business procedures that achieve set objectives;
- “Functioning” means that the components and relevant principles are serving their intended purpose within NGX Group business procedures by enabling NGX Group to achieve its objectives;
- “Operating together” refers to the determination that all five components collectively reduce, to within an acceptable level, the risks of the Holdco and its subsidiaries not achieving its objectives.

2.2.1 Control Environment

Our control environment is the set of standards, processes, and structure that provide the basis for carrying out internal control across the NGX Group. The Board of the various entities sets the tone at the top regarding the importance of control, and provides the necessary oversight to ensure that control risks associated with the NGX Group are proactively identified, assessed and effectively managed. The Audit and Risk Management Committee Board provides support to the Group Board in the discharge of its control oversight responsibilities. The Group demonstrates the commitment to a sound control environment by the following actions:

- Defined ethical principles in the Board approved Code of Conduct. The Board also maintains a Code of Conduct that all members are required to execute and adhere to;
- The Board and its sub-committees are independent of Management at the various entities and are responsible for providing oversight for the design and implementation of internal control;
- Management, with oversight from the Board, established an organisational structure that clearly shows functions and authority levels.
- The adoption of the three lines of defence model at NGX Group has formed a basis for holding employees accountable for control.

2.2.2 Risk Assessment

Risk assessment is the identification and analysis of threats to the achievement of NGX Group strategic and business objectives. A comprehensive risk assessment forms the basis for determining the control activities to be put in place to manage the identified risk. Effective controls cannot be designed and implemented until we fully identify and assess the risk to the achievement of objectives.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF /2021 07/ 2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 1 of 29

9

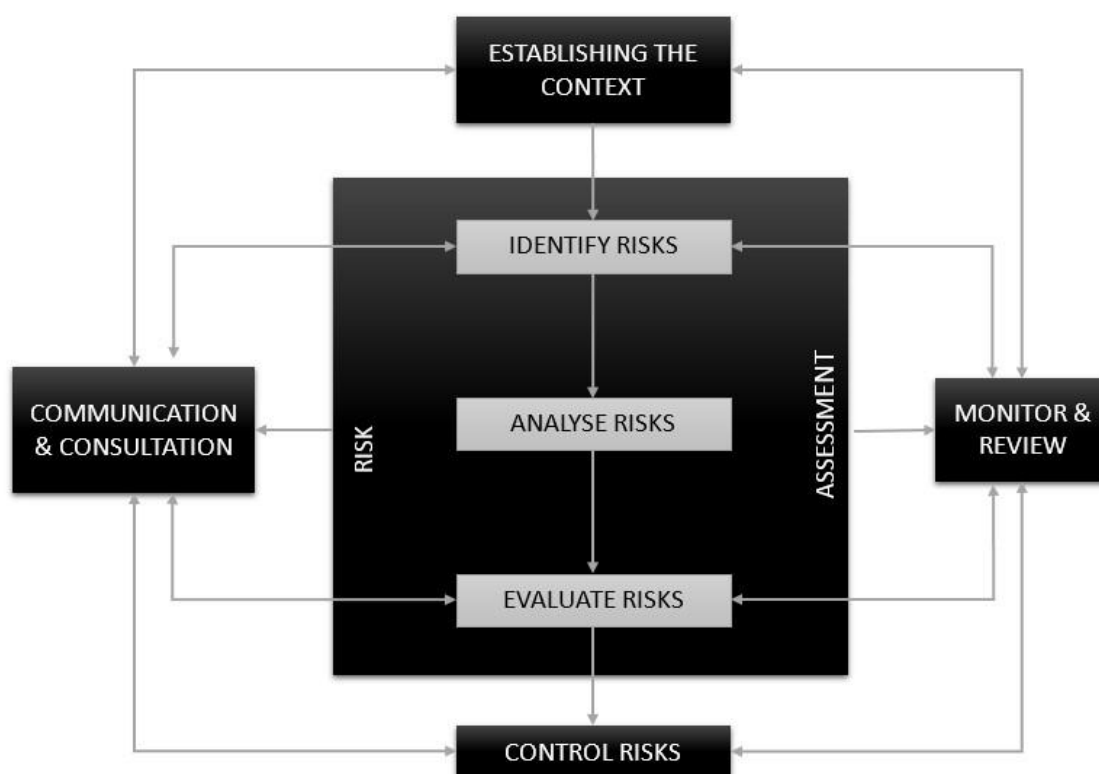
The Board and ExCO regularly assess all significant risks NGX Group is exposed to, including risks relating to our system of internal control. Our robust approved Enterprise Risk Management Framework sets forth the requirement for effective risk assessment in the various entities.

Our key principles with regards to risk assessment are outlined below:

- The Board and ExCO set clearly defined objectives to enable the identification and assessment of potential risk exposures to the achievement of those objectives;
- Risk owners identify risk exposures in their departments that may inhibit the achievement of The NGX Group objectives as the basis for determining how the risk should be managed;
- As risk owners, HODs identify and assess changes that could impact the department's system of internal control. Risk assessment is viewed as an ongoing and iterative process at NGX Group.

The control risk management process at NGX Group is illustrated in figure 2 below.

Figure 2: Control Risk Management Processes



2.2.3 Control Activities

Control activities are an integral part of our daily operations at The Nigerian Exchange Group. We continuously deploy control activities through policies that establish what is expected, and procedures that put policies into action. Our control activities are classified as preventive, detective or corrective.

Preventive controls are activities designed by NGX Group to keep undesirable events from happening.

Detective Controls do not prevent undesirable events but rather are designed by NGX Group to detect undesirable events after they have occurred. The timely detection of undesirable events enables management to promptly take corrective actions.

Corrective Controls are activities put in place by NGX Group to correct any undesirable events/errors found by the detective controls.

Examples of principal control activities practiced in NGX Group are depicted below:

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 12 of 29

Figure 3: Control Activities Practiced at NGX Group

Preventive	Detective	Corrective
<ul style="list-style-type: none">-Segregation of Duties-Pre-payment Audit Checks-Approvals and Authorisation-Goods Received Process - Verifications-Physical Access Controls	<ul style="list-style-type: none">- Performance Reviews- Data Analysis (Budget vs. Actual)- Benchmarks Against Best Practice- Reconciliation.- Audit Reviews	<ul style="list-style-type: none">-Training and Staff Awareness-Insurance- Control Changes or Additions- Operational breach procedures

2.2.3.1 Employees Responsibilities - Daily Internal Control Activities

Employees of NGX Group are faced with day to day decisions that may impact the strength of the system of internal control. Below are examples of activities that, when conscientiously performed would contribute to ensuring that operations are effective and efficient, reported financial results are reliable, and business activities are in compliance with applicable laws and regulations.

Approval and Authorisation

- Ensure that you obtain requisite approval in line with the Board approved Manual of Authority before committing the HoldCo or Subsidiaries to an expenditure or contract.
- Ensure that Purchase order, Expense requisition and other payment requests are supported by necessary documentation and approved by the applicable level of authority.

Documentation

- For all transactions you are responsible for, ensure that necessary documents has been completed, approved and distributed to the appropriate parties. Where in doubt as to the right supporting documents for a transaction, contact the ERM, Finance Strategy Group, and Legal.

Segregation of Duties

- Ensure that one person does not start and complete a task. At the minimum, there should be a supervisory review.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 13 of 29

Recording of Transactions

- Ensure that transactions are processed and recorded in the correct period and not duplicated.

Reconciliation and Verification

- Before approving a transaction, ensure that it is complete and accurate.
- Always review your work before final submission.

Compliance

- Ensure that applicable and approved regulations, policies, and procedures are adhered to as they relate to assigned roles and responsibilities.
- Ensure compliance with NGX Group Code of Conduct and Whistleblowing policy.

Safeguarding of Assets

- Ensure that The NGX Group assets in your custody are well secured.

2.2.4 Information and Communication

At The NGX Group (HoldCo and various entities), we fully understand the need to communicate relevant, reliable, and timely information to our employees, visitors, and people our operations impact for effective decision making and enhanced reporting. In line with global best practice, our activities are codified in standard operating procedure (SOP) of every Department/Unit. The SOP outlines the flow of processes and specifies the duties and responsibilities of every officer at NGX Group. We communicate to achieve the following:

- Raise awareness and understanding;
- Provide instruction on control responsibilities;
- Monitor performance;
- Report performance;
- Report breaches and incidents.

Communication medium employed at NGX Group includes the Intranet, email, training, press releases (external communication), town hall meetings, brown bag sessions, etc.

The key principles with regards to the information and communication component of Internal Control include:

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 14 of 29

- Policies and procedures are communicated to employees through email, the intranet, departmental meetings and NGX Group centralized policy repository (X-policy);
- Management, the Internal Control unit and the Chief Risk Officer reports quarterly to ARMC on Internal Control Activities at NGX Group.
- The NGX Group communicates externally with stakeholders on matters affecting the functioning of the internal control system.

2.2.5 Monitoring Activities

Monitoring includes the process for evaluating NGX Group system of internal control and reporting any findings or deficiencies, as well as identifying areas for improvement. The purpose of our monitoring activities is to establish whether Internal Controls are properly designed, operated, and effective. Internal controls are adequately designed and properly operated if all five components of Control (control environment, risk assessment, control activities, information & communication, and monitoring) are “present and functioning” and “operating together” as designed. Our key principles on the monitoring of internal control include:

- The Board and Management ensures that standard policies and procedure are developed, reviewed and approved for use in the organisation;
- Independent reviews of our system of internal control by the third line of defence (Internal and External Auditors) with findings or deficiencies reported to ExCO and the Board. Management actively monitors corrective actions on these deficiencies.

2.3 The Three Lines of Defence

A key element of our governance structure at NGX Group is the implementation of the three lines of defence model which establishes clear roles, responsibilities and accountability for the management of control risks.

- The first line of defence – process owners that own/manage risk and controls;
- The second line of defence – functions that oversee risk and control;
- The third line of defence – functions that provide independent assurance.

Lines of Defence - Roles and Responsibilities

First Line of Defence: As the first line of defence, Head of Departments (HODs) will be responsible for the following:

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0

Issue No: 2.0

Issue Date: 09/07/2021

Page 15 of 29

- Ownership, responsibility, and accountability for directly assessing, controlling and mitigating risks in their business area;
- Ensure controls are built into departmental processes and procedures;
- Implement corrective actions to address control deficiencies;
- Escalate issues/problems and changes that may significantly impact the system of internal control;
- Implement policies, procedures, and practices that are consistent with the goals and objectives of the department and NGX Group;
- Self-assessment of risk and controls/testing of controls and front line monitoring;
- Identify and participate in the analysis of emerging risks.

Second Line of Defence: The second line of defence is exercised by functions that oversee the risk and control activities of the first line of defence, and include Risk Management, Compliance, Internal Control, and Information Security. The responsibilities of the second line of defence include:

- Advise on the implementation of preventive, detective, and corrective actions/controls;
- Ensure that business units have an effective risk management and control process that operates within set guidelines;
- Alert management to emerging issues and control deficiencies;
- Conduct periodic/ongoing reviews of risk and controls;
- Advise and support business units with the interpretation of corporate policies; ▪ Establish policies and guidelines, including the Internal Control Framework.

Third Line of Defence: Audit (Internal and External Audit) will provide independent assurance on the effectiveness of processes and controls in place, including the manner in which the first and second lines of defence achieve control objectives. The scope of this assurance, which shall be provided to ExCO and Board, will cover:

- Independent Assurance as to the effectiveness of the design and implementation of the Internal Control Framework;
- Independent testing of departmental controls operating effectiveness.

Appendix II illustrates the three line of defence model adopted at NGX Group.

2.4 Internal Control Governance Structure

At the Nigerian Exchange Group Plc we recognize that good governance structure is essential for the effective implementation of our system of internal control. In line with this recognition, Management with

NGX Internal Control Framework

ERM

Document Control

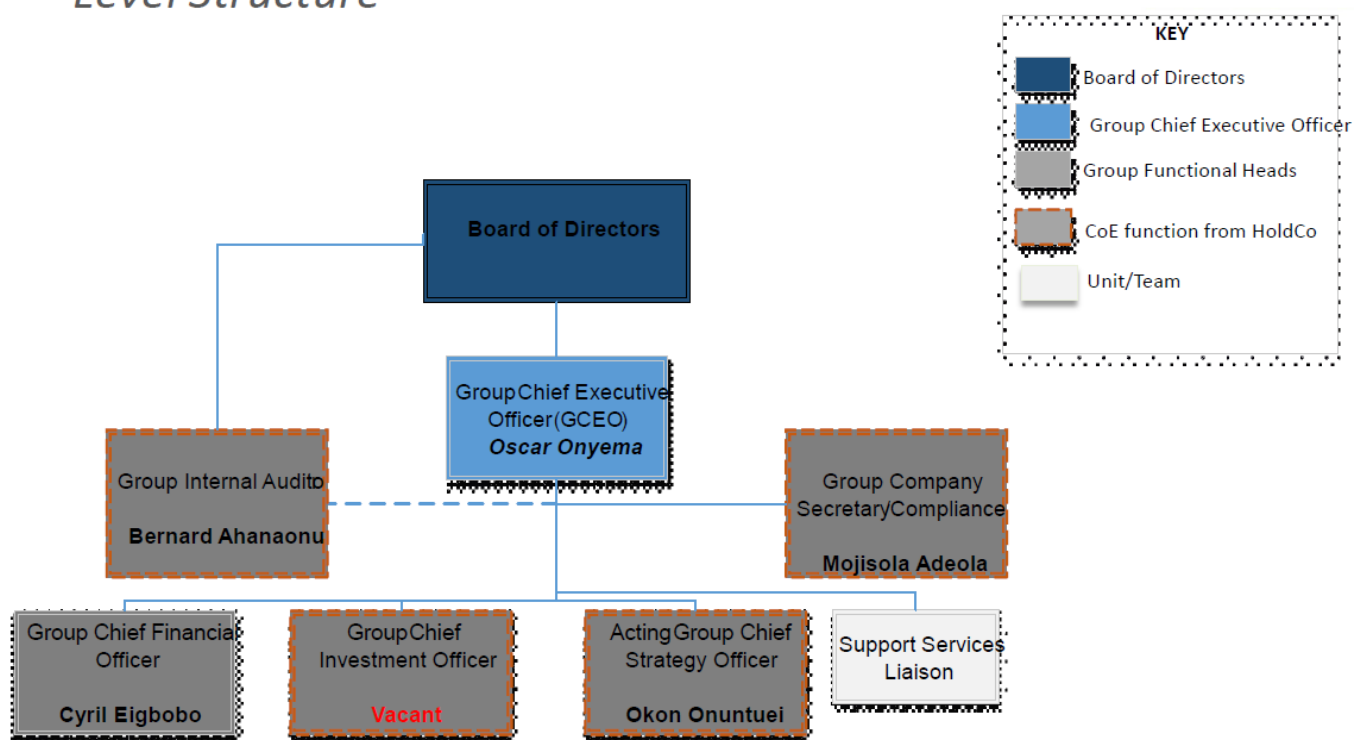
Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 16 of 29

oversight from the Board established structures, reporting lines, and appropriate authorities and responsibilities.

The organisation of NGX Group entities, Division and Departments are as depicted in the organisational chart below:

Figure 4: Organisational Structure of NGX Group

Nigerian Exchange Group Plc (HoldCo) - Top Level Structure



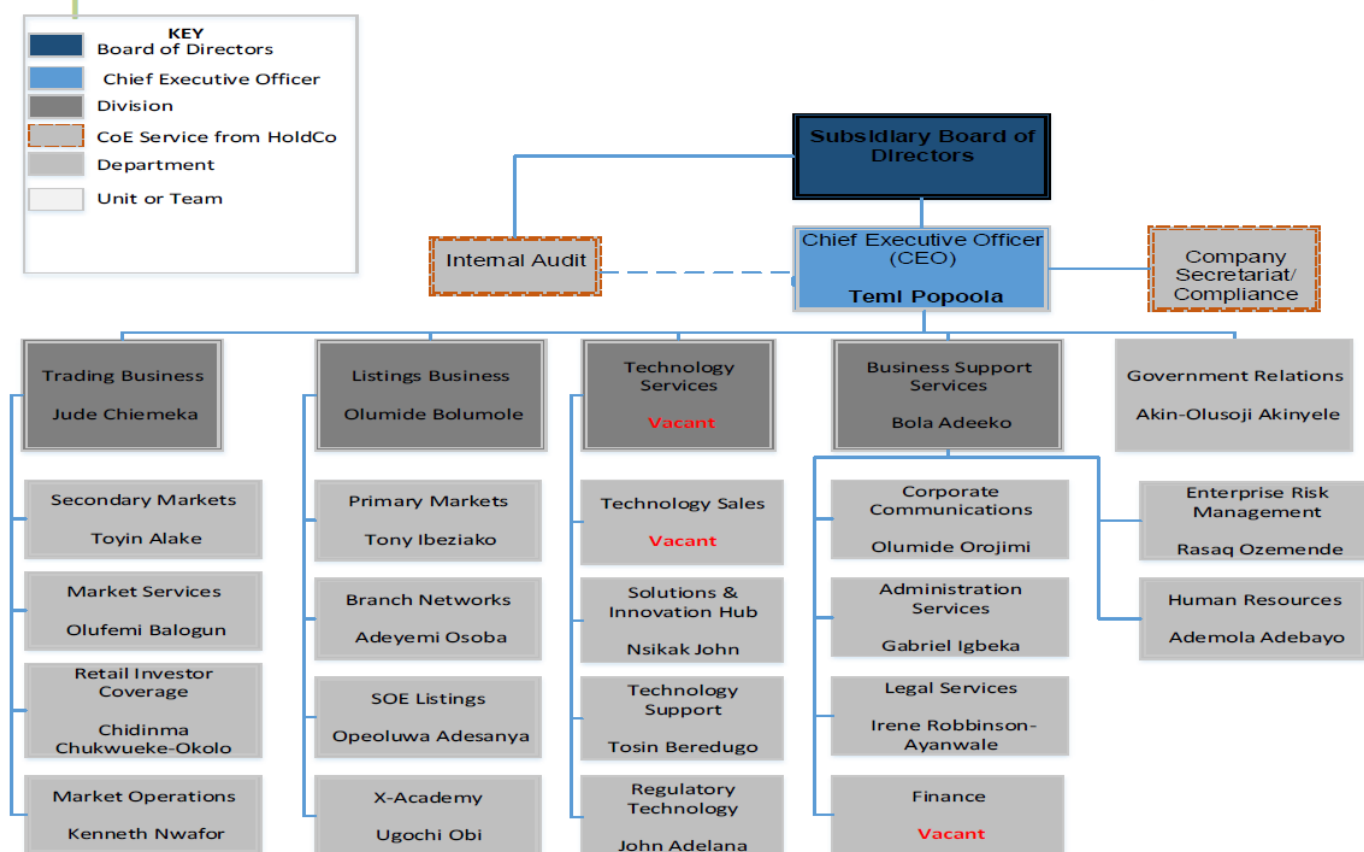
NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 17 of 29

Nigerian Exchange Limited (OpCo) - Top Level Structure



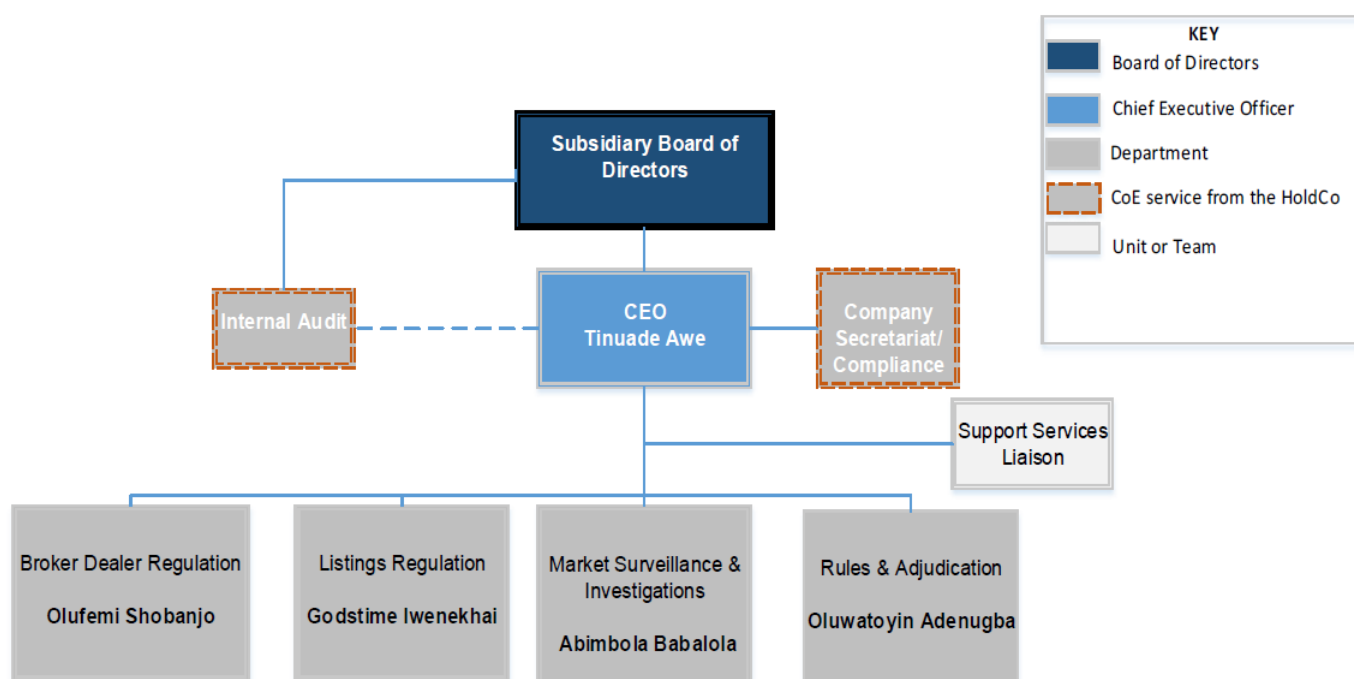
NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 18 of 29

NGX Regulation Limited (RegCo) - Top Level Structure



Our governance structure at NGX Group is implemented through the establishment of systems and processes that ensure that our branches and subsidiaries reflect the same control principles as that of the Head Office.

Assignment of Authority and Responsibility

The roles of the Board, The Audit and Risk Management Committee, Executive Committee, Chief Risk Officer, Internal Control Unit, and Internal Audit in ensuring an effective Internal Control system in NGX Group are as spelled out below:

The Board (HoldCo and Subsidiaries)

The Board of HoldCo and subsidiaries as the governing body of the Nigerian Exchange Group plc has overall responsibility for setting the tone of internal control in NGX Group. The Board has the ultimate accountability for approving the Internal Control Framework. The Board directs the various entities business and financial affairs, strategy, structures, and policies; monitors the exercise of any delegated authority; and deals with challenges and issues relating to corporate governance, corporate social responsibility, and corporate ethics. Other functions of the Board include:

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 19 of 29

- Ensure NGX Group has an appropriate Control Framework that sets out the basic principles of Internal Control which are to be adhered to by all Employees to create business value and minimize risk at the entity and or NGX Group;
- Oversight function over the effective implementation of the Internal Control Framework after it has been approved by the Group Board;
- Receive and consider the quarterly report on Internal Control.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARM) of the various entities provides supporting oversight to the Board on the management of control risks in the individual entities. Other functions include:

- Review the design and completeness of the Internal Control framework for managing control risks within the entity;
- Oversee management's process for the identification, assessment, and mitigation of significant control risk across its entity;
- Assess the scope and depth of control review activities and the resulting impact the findings have on the risk profile of the entity and or the HoldCo;
- Ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structure exists to ensure the smooth, efficient and prudent; stewardship of NGX Group;
- Review and recommend to the Board contingency plan recommended by Management for managing control risks;
- Review the process for ensuring compliance by its entities and or HoldCo with statutory and regulatory obligations.

Executive Committee

The Executive Committee of each entity is responsible for the day-to-day management of each subsidiary including its control arrangements. As part of this responsibility, management is charged with the following duties:

- Oversight responsibility for the management of the Internal Control Framework and procedures;
- Ensure that the control function is properly constituted, has the necessary resources, and operates professionally;
- Receives and considers the quarterly report on internal control activities;
- Timely/promptly and complete resolution of emerging control issues.

The Chief Risk Officer

The key responsibilities of the Chief Risk Officer (CRO) with regards to Control at NGX Group are outlined below:

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 20 of 29

- Ensure the NGX Group control and risk management policies and strategies comply with applicable regulations, the vision of the various entities, and global best practice;
- Review and improve control risk management tools, practices, policies, and reports developed by the Internal Control unit;
- Work with business units to establish, maintain and continuously improve control risk Management capabilities;
- Provide timely and accurate information to the External and Internal Auditors and the Control function as and when required;
- Perform appropriate internal control reporting to the CEO, Executive Committee, Board Committees and Group Board of NGX, facilitate enterprise-wide risk assessments (including Compliance, Internal Control) and monitor priority risks across the organisation;
- Supervise and review the tasks of the Internal Control Unit.

Internal Control Unit

The responsibilities of the Internal Control Unit include:

- Manage and develop a comprehensive framework for identifying, assessing, monitoring and minimizing internal control issues that could interfere with the organisation's objectives;
- Implement an effective control environment at all organisational levels including control activities tailored for defined processes, and creating minimum requirements for all business areas;
- Perform pre-payments audit process and reviews;
- Conduct and directs reviews of organisation controls, operating procedures, and compliance with policies and regulations;
- Responsible for ensuring appropriate documentation (procedures/process flows) exist for all key business controls;
- Responsible for reviewing the Standard Operating Procedures for all Business Units at NGX Group;
- Develop recommendations to strengthen internal controls and improve operational efficiency;
- Ensure sufficient ongoing review is being performed by all departments to review their processes and ensure effective controls are in place;
- Perform appropriate internal control reporting to ExCO and the Board of NGX Group;
- Train stakeholders on Internal Control related matters.

The Internal Control Unit shall have access to all records, Employees, and physical properties relevant to the performance of the Unit's responsibilities. The right of access to records is subject to restriction when the information infringes upon the personal rights of employees or other third parties. This implies that the Internal Control Unit shall not have access to personal data such as the medical reports of employees.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 21 of 29

Internal Audit

The Internal Audit Department is responsible for carrying out an independent review of the effectiveness of NGX Group internal control programs at periodic intervals.

The report of its audit will be presented to the applicable entities Executive Committee, Board Committee, and the Group Board.

SECTION 3: CONTINUOUS MONITORING AND IMPROVEMENT OF INTERNAL CONTROL

3.1 Actions to Enhance and Strengthen Internal Control

At The Nigerian Exchange Group Plc, we believe that our Internal Control system is only as sound and effective as the actions and attitudes of our employees toward them. And so we continuously seek out opportunities to enhance and strengthen our internal control system through the following actions and opportunities:

- Regular review by the Internal Control Unit of departmental risk registers and Standard Operating Procedures (SOPs);
- Quarterly Internal Control Activities report to the entities ExCO and Board;
- Normal oversight of NGX Group control activities by the Board and the Asset and Risk Management Committees of the various entities;
- Management reviews of policies, procedures, and practices;
- Biennial internal control gap analysis performed by the Internal Control Unit;
- Annual enterprise-wide Internal Control awareness training.

Risk owners will report to the Executive Committee and Enterprise Risk Management department, as necessary, on the steps taken to address identified control deficiencies.

All Employees in the various entities have the responsibility to apply existing controls in the discharge of their roles and responsibilities towards the achievement of the organisation's objectives. This responsibility is typically built into job descriptions and unit functions and procedures as outlined in policies and SOPs.

HODs should ensure that written policies and procedures developed to address risk are patterned after the approach outlined in the "Procedure for Control of Documents" developed by the Information Security Department. Segregation of duties should typically be built into the selection and design of internal control activities, wherever needed.

3.2 Internal Control Gap Analysis Process

As part of our actions to enhance and strengthen control, the Internal Control Unit conducts a biennial control gap analysis. The primary goal of the analysis to identify and correct gaps between desired and actual levels of controls relating to policies, procedures and practices. The result from the gap analysis would be used to identify improvement areas as it relates to the design and operation of internal control at NGX Group. Gap analysis at NGX Group is a two-step process and discussed below:

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 23 of 29

3.2.1 Step 1 - Identifying the Gaps

- Create a list of requirements and best practices, this may be in the form of questions;
- Review current practices at the various entities concerning the process/Unit reviewed, both written and unwritten;
- Compare current situation with regulatory requirements and best practices for:
 - I. Adequacy
 - II. Suitability
 - III. Effectiveness
 - IV. Compliance

3.2.2 Closing the Gaps

- Develop a plan to close identified gaps;
- Responsibilities and timelines for the closure of identified gaps are given out to ensure that the remedial actions are carried out.

3.3 Monitoring and Reporting

Monitoring the effectiveness of controls within HoldCo and its subsidiaries is a key element of the Internal Control Framework. It is a means of identifying control deficiencies; reviewing the effectiveness and efficiency of controls and ensuring controls are implemented to mitigate identified risks.

At NGX Group, we believe that our Internal Control system is effective when our people (employees) are effective because it is people who plan, design, develop, and implement Internal Controls. The effectiveness of Control is monitored based on the review of two areas:

- The architecture or design of the Internal Control system;
- The level of actual performance or functioning of the system, which may range from partial to the full execution of the controls as they were designed to be performed.

Continuous improvement is strategically integrated into the objectives of the ERM Group to ensure that the Group continues to evolve towards best practice. The Internal Control Unit is responsible for continual improvement of the Internal Control Framework. The ongoing evaluation and biennial review of the Internal Control Framework will consider:

- Opportunities to improve set policies, procedures, processes, methods, and tools;
- Validate that the Internal Control process is implemented consistently across all departments at NGX Group. Any material changes to the framework would be forwarded to the Board, ARM, and ExCO for approval.

Quarterly Internal Control Activities Report will be provided to the Board, ARMC, and ExCO. The report will at a minimum summarize key control issues, actions taken, and recommendations for improvements.

SECTION 4: HANDLING INTERNAL CONTROL BREACHES AND OPERATIONAL ERRORS

A control breach occurs when an Employee of the HoldCo and or entities fails to comply with applicable operational control policies, procedures, and practices.

An operational error, on the other hand, is simply a breakdown in one or more of controls which in some cases may result in operational losses. In some instances, an operational error could also be a control breach and vice versa.

Individual employees that fail to comply with established internal control requirements will be required to provide written explanation of the reason(s) for their non-compliance.

Our Breaches and Errors Reporting and Handling Procedure.

1. All control breach and operational errors must be immediately reported to the staff Head of Department, and the Internal Audit or Internal Control Unit;
2. Breaches reported to the Group Internal Audit department shall be handled as defined in the Audit Protocol for Investigation in the Internal Audit Protocol Framework.
3. For Breaches reported to the Internal Control Unit:
 - The Head of Department will advise the Internal Control Unit on the steps taken to rectify the breach and/or the error;
 - The Internal Control Unit will forward a preliminary report (email or oral) detailing the control breach and/or operational error and proposed investigation work program to the Chief Risk Officer.
 - Upon receipt of the primary report the CRO shall assign the case to the Internal Control Officer, Internal Audit, or Compliance Officer for investigation as applicable depending on the nature of the breach
4. For Control breach involving fraud allegations assigned to the Internal Control Unit for Investigation;
 - The Internal Control Unit will forward to the Chief Risk Officer a draft plan to investigate the breach for consideration and approval. The Chief Risk Officer would determine whether the control breach is minor /should be handled by the internal control unit or escalated to the Internal Audit unit (Major breach)
 - The plan may include seeking out the support of other departments where this is deemed necessary;
 - The investigation process may include internal reviews, interviews, requesting written representations from Employees, and engaging external parties where necessary;
 - Where internal resolution is not feasible, relevant law enforcement agencies may be invited to handle the case. The actual nature and extent of involvement by law

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 25 of 29

enforcement agents must be agreed between the Chief Risk Officer, Chief Security Officer, Head Legal Services, Internal Audit and Internal Control unit on a case by case basis with the CEO or ExCO approval.

- The Security Unit shall liaise with law enforcement agencies on cases forwarded to them for investigation and ensure that the law enforcement agents do not exceed their terms of engagement as approved by the CEO or ExCO.
- For investigation handled by the internal control unit, once the investigation is complete the Internal Control unit shall forward the investigation report to the Chief Risk Officer for review. The finalized report would thereafter be forwarded to management for directive on implementation, and corrective actions are taken accordingly.
- The Internal Control unit would as part of the quarterly Internal Control Reporting provide ExCOs and ARMC with the following:
 - Number of reported/known operational errors and control breaches that occurred within the reporting period;
 - Comparative analysis of the previous report with the current report;
 - Number of errors resolved and how it was resolved in the review period;
 - Any outstanding errors and/or breaches unresolved as at report date;
 - Root cause analysis of the breaches and/or errors.

The workflow for handling control breaches and operational errors at NGX Group is illustrated in Appendix III.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0

Issue No: 2.0

Issue Date: 09/07/2021

Page 26 of 29

SECTION 5: LIMITATION OF INTERNAL CONTROL

Our Internal Control Framework has been designed to provide reasonable assurance regarding the achievement of NGX Group objectives relating to operations, reporting and compliance. Furthermore, having a robust internal control framework is conducive to the organisation's control environment wherein all employees inspired by ethical values and integrity in their daily actions and attitudes. However, in designing our control framework we took cognisance of the following:

- The reality that human judgment in decision making can be faulty and subject to bias;
- Breakdowns that can occur because of human error;
- The ability of management to override internal control;
- The ability of two or more people (Employees/Vendors) to circumvent manual or automated controls through collusion;
- External adverse events beyond the organisation's control (e.g., political instability); ▪
Resource constraints - cost-benefit analysis.

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0

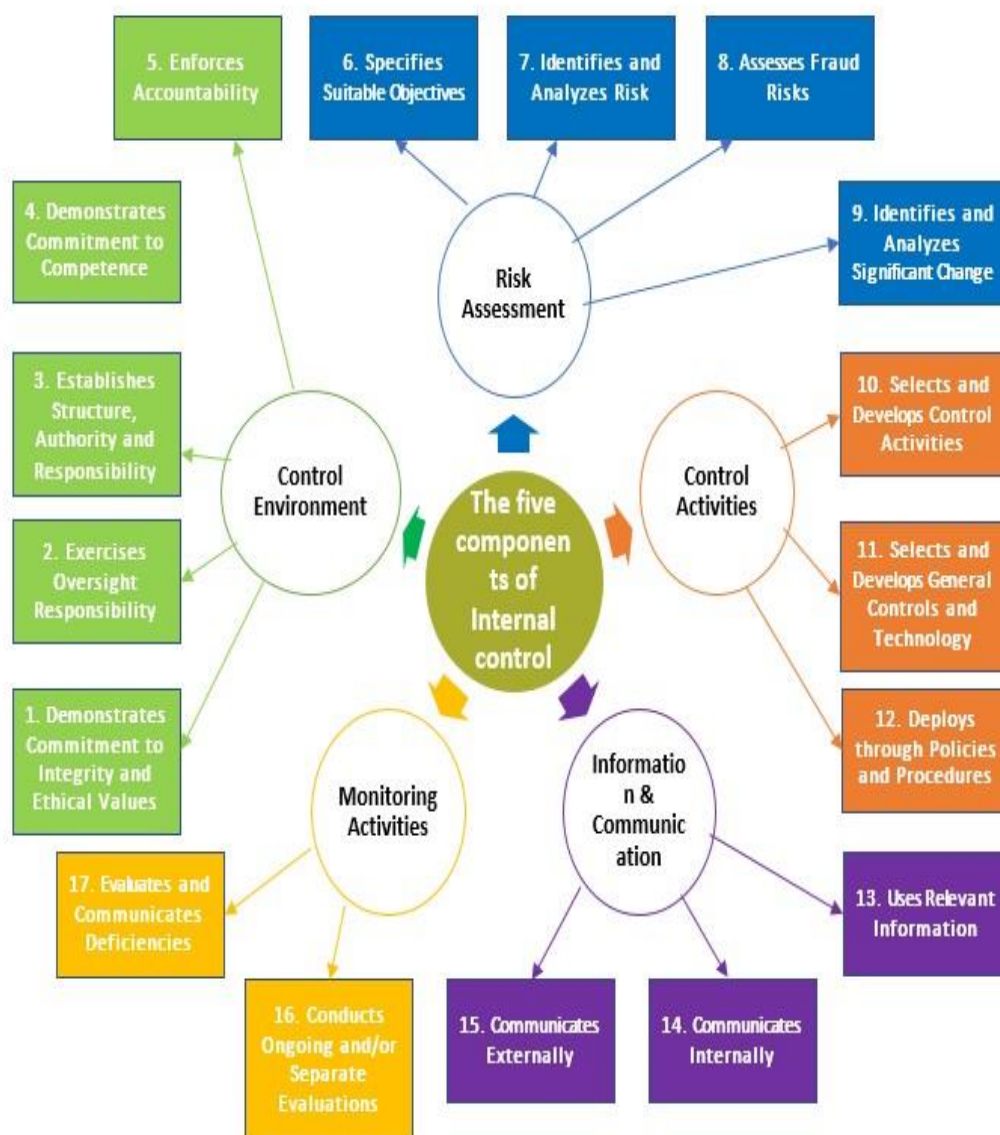
Issue No: 2.0

Issue Date: 09/07/2021

Page 27 of 29

SECTION 6: APPENDICES

Appendix I: Five Component and 17 Principles of Internal Control



NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0
Issue No: 2.0
Issue Date: 09/07/2021
Page 28 of 29

Appendix II: The Three Lines of Defence Model

	First line	Second line	Third line
Example roles	<ul style="list-style-type: none"> • Division/Business Units • Office of The CEO, Shared Services, Listings Business, Trading Business, Regulation 	<ul style="list-style-type: none"> • Standard Setters • Risk Management, Compliance, Information Security, Internal Control 	<ul style="list-style-type: none"> • Assurance • Internal Audit, External Audit
Example responsibilities	<p>Head of Departments (HODs) will be responsible for:</p> <ul style="list-style-type: none"> • Self-assessment of risk and controls/testing of controls and front line monitoring • Implement proactive corrective actions to address departmental processes and control deficiencies • Identify and participate in the analysis of any new risk that may occur • Implement set policies, procedures, and practices, and ensure that activities pursued are consistent with goals and objectives of the department. 	<ul style="list-style-type: none"> • Advise on the implementation of preventive and corrective actions/controls • Ensure that business units have an effective risk management and control process that operates within set guidelines • Alert management to emerging issues and control deficiencies • Conduct periodic/ongoing reviews of risk and controls • Advise and support business units with the interpretation of corporate policies • Establish policies and guidelines, including the Internal Control Framework 	<ul style="list-style-type: none"> • Independent testing of controls • Provide independent Assurance as to the effectiveness of the design and implementation of the Internal Control and Risk Management Framework

NGX Internal Control Framework

ERM

Document Control

Reference:
NGX/ERP/ICF/2021-07/2.0

Issue No: 2.0

Issue Date: 09/07/2021

Page 29 of 29

Appendix III: Internal Control Breaches and Errors Reporting and Handling Procedure

