1. INTRODUCTION

1.1. These Terms of Reference provides guidance on the operations of the Governance Committee of Nigerian Exchange Group Plc. (“HoldCo”). The primary purpose of the Board Governance and Remuneration Committee (“BGRC” or the Committee) is to provide oversight responsibilities in relation to:

a) Nomination;

b) Governance;

c) Remuneration;

d) Succession Planning; and

e) Board Evaluation.

1.1.1. Nomination

The responsibility of the BGRC for Nomination includes the following:

a) Establish criteria for Board and Board committee memberships, review candidates’ qualifications and any potential conflict of interest;

b) Prepare a job specification for the Chairman’s position, including an assessment of the time commitment required of the candidate;

c) Assess contribution of current Directors in connection with their re-nomination and make recommendations to the Board;

d) Make recommendations to the Chairman of the Board on experience required by Board committee members, board composition and effectiveness, committee appointments and removal and operating structure;

e) Review and regularly assess the size, composition and structure of the Board, including the qualifications, skills and competencies of Directors;

f) Ensure that all new Directors receive a formal letter of appointment specifying their roles, responsibilities, tenure, designation, expected time, commitment and the HoldCo’s expectation;

g) Nominate Directors for appointment on subsidiary boards; and
h) Approve search firm(s) to be used for Directors or Senior Management (requiring Board level input) search process as may be required.

1.1.2. Governance

The responsibility of the BGRC for Governance includes the following:

a) Review and make recommendations to the Board on the Board Charter and as requested by the Board (especially where the matter is of a general nature and would be applicable to all Board Committees) on Board Committee Charters as well as the Directors’ Terms of Engagement;

b) Assess the needs of the Board and Board Committees regularly in terms of the frequency of meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings;

c) In consultation with the Chairman of the Board and Committee, formulate annual objectives for the Committee for each fiscal year and review progress against them at least annually;

d) Advise on the Code of Conduct and its application;

e) Review and administer a system that enables the Chairman, Director, the Board or a Board Committee to engage independent advice, and be responsible for the ongoing administration of such a system;

f) Highlight the need for new Board Members to be able to devote sufficient time and resources to their duties as Directors;

g) Ensure the development and implementation of a policy for continuous education of all Board members which will provide for periodic briefings on relevant new laws and regulations to Board members;

h) Review the Governance Statement for inclusion in the Annual Report;

i) Review and approve the appointment, promotion and termination of senior management staff the recommendation of executives;

j) Review and approve disciplinary actions to be carried out against senior management staff as proposed by the executives; and

k) Any other role and responsibility that relate to duties of the Committee from time to time.

1.1.3. Remuneration

The responsibility of the BGRC for Remuneration includes the following:

a) Review and approve the terms of service upon appointment and any subsequent changes,
including the total individual remuneration package for the Executive Directors (EDs) and senior executives;

b) Oversee the operation of the Organisation's long term incentive plans, including making awards and setting performance criteria;

c) Review, and make recommendations to the Board for approval of the use of share and cash based short- and long-term incentive plans, including making awards and setting of performance criteria;

d) Review, and make recommendations to the Board for approval of any payments or benefits offered to employees which are of an unusual nature and do not form part of that employees’ expected remuneration benefits;

e) Keep abreast of external remuneration trends and market conditions including receiving periodic presentation from external remuneration advisers;

f) Ensure that the remuneration policies and levels for senior executives are sensitive to employment conditions elsewhere and consistent with the HoldCo and NGX Group's strategy for developing future leaders;

g) To be responsible for establishing the selection criteria, selecting, engaging and setting the terms of engagement for any remuneration consultants, who advise the Committee and to obtain reliable, up-to-date information about remuneration at other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

h) Ensure that individuals are not involved in setting their remuneration;

i) Review the Directors’ and Chairman’s remuneration at least every two years and recommend changes to the Board when warranted;

j) Make recommendations on the amount and structure of the remuneration of the Chairman and other NEDs to the Board, ensuring that the remuneration is fair and sufficient to attract and retain high caliber personalities.

k) Review the Remuneration Philosophy and Performance Incentive Structure to be put in place for the HoldCo and NGX Group

l) Ensure that there is a claw-back policy to recover underserved compensation from Directors and senior employees.

m) Review and recommend for approval by the Board, the Remuneration Report required to be prepared and included in the Annual Report; and

n) Ensure proper disclosure of Directors’ remuneration to Shareholders.
1.1.4. Succession Planning

The responsibility of the BGRC for Succession Planning includes the following:

a) Assess and plan the Board composition and succession considering the competencies and skills necessary for the Board as a whole, the competencies and skills that the Board considers each existing Director to possess, and the competencies and skills that each new nominee would bring to the Board.

b) Ensure that succession policy and plan exist for the positions of Chairman and NEDs. In addition, ensure there is a succession plan framework for Group Managing Director/ Chief Executive Officer (GMD/GCEO) and Senior Management.

c) Receive annual reports on the operationalization of the succession plan for Management of the HoldCo.

1.1.5. Board Evaluation

The responsibility of the BGRC for Board Evaluation includes the following:

a) Ensure the performance of an annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board’s structure, composition, responsibilities, individual competencies, Board operations, Board’s role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders among other parameters;

b) Evaluate the performance of individual Directors, the Board and Board Committees on an annual basis. The Committee should employ the service of the Independent Consultant approved by the Board for the annual board appraisal;

c) Review and agree, at the beginning of the year, the Key Performance Indicators (KPIs) for the (GMD/CEO and Executive Directors (EDs).

d) Formally assess the performance of the GMD/CEO against the agreed KPIs and provide feedback thereon;

e) Maintain oversight of the performance of the subsidiary boards against the agreed KPIs and provide feedback thereon; and

f) Ratify the performance appraisal of the EDs on the recommendation of the GMD/CEO.

g) In line with the provisions of the Code of Corporate Governance and pursuant to the decision of the erstwhile Council of The Exchange, participate in the appraisal process of other employees with reporting lines to the Board (apart from the Head of Internal Audit whose appraisal shall be carried out by the Audit Committee).
2. COMPOSITION
   
a) The Committee shall consist of at least Four (4) NEDs including at least two (2) INEDs.

b) The Board shall have the authority to appoint and remove a member from the Committee as it deems fit;

c) The Committee shall comprise members representing a balance of views, knowledge and experience;

d) The Committee shall have at least one member that is knowledgeable in human capital management;

e) The Chairperson of the Committee shall be an INED. However, the Chairman of the Board can neither be a member nor the Chairman of this Committee;

f) Where the Chairperson of the Committee is absent from a meeting, the members of the Committee present at the meeting shall have the authority to choose one from among them to be Chairperson for that meeting;

g) Where required, the GMD/CEO, Head of Human Resources and other senior management staff should be in attendance at BGRC meetings; and

h) The Group Company Secretary will serve as secretary to the Committee.

3. TENURE

Members of the Committee will be appointed for an initial term of two (2) years and may be re-appointed for a subsequent term of two (2) years or shorter if circumstances so dictate (e.g. resignation from the Board), subject to satisfactory performance and attendance of at least two-thirds of all committee meetings in the preceding financial year.

4. RESTRICTIONS ON POWERS OF THE COMMITTEE

The Board shall reserve the right to make final approval on:

a) The Board composition, criteria for membership, appointments to committees and positions, and the appointments of New Directors;

b) The remuneration of the Chairman of the Board and other Non-Executive Directors;

c) The remuneration and terminal benefits of the GMD/CEO/EDs;

d) The Remuneration Policy;

e) Evaluation of the performance of the Board and its Committees; and

f) Succession Plan for the GMD/CEO, EDs and other principal officers of the Board.
5. **REMUNERATION**

Members of the Committee shall be entitled to a sitting allowance as well as reimbursable expenses incurred in the course of their service to the Committee as necessary.

6. **MEETINGS**

   a) The Committee shall meet at least once every quarter. Meetings shall be convened upon request of the Chairperson of the Committee or any two members of 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 Chairperson 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 Chairperson 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 Members to provide confirmation. Notice may be given by mail (electronic or otherwise), personal delivery 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) Committee members must not be present at any meetings and must not participate in any decision or vote on any resolution of the Committee in relation to their own election, re-election or removal from the position of Director.

m) 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 Chairperson has given preliminary approval.

n) 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.

o) 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.

p) 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.

q) Minutes, agenda and supporting papers will be made available to any Director 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 matters.

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. REPORTING AND ACCOUNTABILITY

The Chairperson of the Committee will present a written report to the Board at its next meeting following a meeting of the Committee. The report shall cover all matters that should be brought to the attention of the Board, and any recommendations requiring Board approval and/or action.

11. 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.
12. 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 Chairperson or any other nominated member shall be available at the Annual General Meeting to answer questions that relate to the work of the Committee.

13. CHARTER REVIEW

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

14. APPROVAL OF TERMS OF REFERENCE

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

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Group Chairman     Chairperson, Board Governance and Remuneration Committee