

BOARD RISK AND AUDIT COMMITTEE (BRAC) OF NIGERIAN EXCHANGE GROUP PLC
Terms of Reference

1. INTRODUCTION

1.1. These Terms of Reference (ToR) provides guidance on the operations of the BRAC of Nigerian Exchange Group Plc. (“HoldCo”). The primary purpose of the BRAC is to oversee and advise the Board on its oversight in relation to:

- a) Enterprise Risk Management;
- b) Regulatory Compliance;
- c) Internal Audit;
- d) Internal Control;
- e) Financial Reporting; and
- f) Sustainability.

1.1.1. Enterprise Risk Management

The responsibility of the BRAC for Enterprise Risk Management includes the following:

- a) Review and approve the HoldCo and NGX Group’s risk management policy including risk appetite and risk strategy;
- b) Review adequacy and effectiveness of the HoldCo and NGX Group’s risk management and controls;
- c) Provide oversight of Management’s process for the identification of significant and ongoing risks across the NGX Group and the adequacy of prevention, detection and reporting mechanisms;
- d) Provide ongoing guidance and support for the refinement of the overall risk management framework, ensuring best practices are incorporated;
- e) Oversee Management’s process for the identification of significant fraud risks across the HoldCo and NGX Group and ensure that adequate prevention, detection, and reporting mechanisms are in place;
- f) Ensure the effectiveness of the whistle-blowing framework to encourage stakeholders to bring unethical conduct and violations of laws and regulations to the attention of Board/Management through the NGX Group’s KPMG ethics line or any other platform deployed from time to time ;
- g) Approve the HoldCo and NGX Group’s business continuity management, disaster recovery plans and information security plans and proposed amendments thereto. It shall also ensure that they are comprehensive and adequate;

- h) Review periodic updates provided by Management on matters relating to Information Security and Business Continuity;
- i) Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Group's risk profile;
- j) Consider, review and provide comments or take appropriate action promptly on the legal risk report provided by Management to evaluate the effectiveness of the Litigation Portfolio and the contingent liabilities that may arise therefrom
- k) Review and recommend for the Board, risk management procedures and controls for new products and services; and
- l) Review and recommend for approval of the Board, at least annually, the HoldCo and the NGX Group's Information Technology (IT) data governance framework to ensure that IT data risks are adequately mitigated, and relevant assets are managed effectively.

1.1.2. Regulatory Compliance

The responsibility of the BRAC for Regulatory Compliance includes the following:

- a) Have ultimate responsibility for financial, legal, operational and tax regulatory requirements, and ensure compliance accordingly;
- b) Review the HoldCo's compliance level with applicable laws and regulatory requirements that may impact the Group's risk profile; and
- c) Ensure adequacy of statutory reporting to regulatory bodies.

1.1.3. Internal Audit

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

- a) Review and approve the annual internal audit plan;
- b) At least on a quarterly 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;
- c) Review the results of Management's investigation of actual and suspected breaches of laws including fraud and theft and follow up with appropriate disciplinary actions;
- d) Have ultimate responsibility for the appointment, evaluation and termination of the Head of Internal audit;
- e) Regularly meet with the Head of Internal Audit in the absence of Management;
- f) Annually, obtain confirmation from the Head of Internal Audit on the organisational independence of the internal audit;
- g) Review and monitor Management's responsiveness to the findings and recommendations of the internal auditor; and

- h) Consider the budget of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure that the internal audit function has adequate standing and is free from management or other restrictions.

1.1.4. Internal Control

The responsibility of the BRAC for Internal Control includes the following:

- a) Ensure the development of a comprehensive internal control framework for the HoldCo; and
- b) Obtain assurance and report annually in the financial report on the operating effectiveness of the Company's internal control framework.

1.1.5. Financial Reporting

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

- a) Review and approve the Company's accounting and reporting policies used in the preparation of the financial statements, ensuring that they are in line with statutory requirements and agreed ethical practices;
- b) Assess judgments made by management in preparing the financial statements, including significant financial estimates;
- c) Review the draft financial and interim financial statements for adequacy;
- d) Ensure the adequacy and effectiveness of the accounting principles and financial controls applied, including controls relating to the "close-the-books" process;
- e) Review legal and regulatory matters, contingent liabilities or other sensitive information that may have material effect on the Company's financial statements, systems of internal control or regulatory compliance;
- f) Review and monitor related party transactions and assess their propriety; and
- g) Ensure completeness of related party disclosures.

1.1.6. Sustainability

The responsibility of the BRAC for Sustainability includes the following:

- a) Oversee the Group's corporate sustainability practices regarding economic, social and environmental obligations. This include policies and frameworks to adequately manage Environmental, Social and Governance (ESG) risks and demonstrate its commitment in ensuring that its activities and those of its employees, customers, vendors and suppliers adequately address relevant environmental, social and governance issues.
- b) Oversee the ethical culture across the Group by ensuring transparent dealings through

the establishment of a culture of integrity and zero tolerance to corruption and corrupt practices;

- c) Review and approve sustainability strategies and policies as recommended by the Board Committees; and
- d) Receive half yearly reports from the Management on corporate social responsibility and sustainability initiatives undertaken by the HoldCo.
- e) Report on the nature and extent of the HoldCo's social, ethical, safety, security, health and environmental policies and practices in the Company's Annual Sustainability Report.

2. COMPOSITION

- a) The Committee shall comprise of five (5) Directors two of whom shall be Independent Non-Executive Directors (INEDs), .
- b) The Board shall have the authority to appoint and remove members from the Committee as it deems fit. The Committee shall comprise members representing a balance of views, knowledge and experience;
- c) At least one member must be knowledgeable in risk management/compliance;
- d) At least one member must be knowledgeable in legal/regulatory matters;
- e) At least one member must be knowledgeable in Information Technology (IT)/IT governance;
- f) The Chairman of the Committee shall be an Independent non-executive Director (INED) with a finance background. In the absence of a suitable INED with a finance background, a NED with a strong finance background shall chair the committee.
- g) The Chairman of the Board can neither be a member nor the Chairman of this Committee;
- h) The Committee shall have authority to invite members of management and other relevant individuals to attend its meetings and provide pertinent information as necessary. The Group Chief Executive Officer, Chief Risk Officer (CRO) and Head of Internal Audit (HIA) shall be in attendance of the Committee's meetings; and
- i) The Group Company Secretary shall serve as the 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 seventy-five percent (75%) of all committee meetings in the preceding financial year.

4. RESTRICTION OF POWERS OF THE COMMITTEE

The Board shall reserve the right to make final approval on all matters above the delegated authority of the Committee and all major decisions of the Committee.

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 quarterly. 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 the Chairman of the Committee is absent from a meeting, the members of the Committee present shall have the authority to choose one of the Non-Executive Directors present to be the Chairman of that meeting;
- i) 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.

- j) 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.
- k) Meeting Agenda and Board Papers scheduled for discussion shall be circulated at least one week before the meeting;
- l) Management will ensure that all information relevant to the discharge of the Committee's responsibilities is provided to the Committee, as requested by the Committee. Management will also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought to the attention of the Committee promptly.
- 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 Chairman has given preliminary approval.
- n) The minutes shall be included in the working papers to be presented at the next meeting of the Committee.
- o) The Group Company Secretary shall follow up on action plans decided at meetings and present a status of implementation of the action plans at the next meeting.
- p) 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.
- q) The Group Company Secretariat shall present a report at the next meeting reflecting the decision(s) taken pursuant to clause 1.6.(o) 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.
- r) The Group Company Secretary shall make minutes of meetings, agenda and supporting papers available to any Director upon request, 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. REPORTING AND ACCOUNTABILITY

The Chairman 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 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 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.

13. 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.

14. APPROVAL OF TOR

The Terms of Reference were approved by the Board on 2021

Signature:		
Name:		
Designation:	Group Chairman	Chairman, Board Audit And Risk Committee