NIRSAL
THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING
De-Risking Agriculture ▪ Facilitating Agribusiness

NIRSAL PLC.

NIRSAL Plc Internal Control Policy Framework

Document Author	Internal Control & Compliance Business Unit
Date Created	19th December 2025
Current Status	Version 2.0
Next Review Date	December 2027
Head Internal Control & Compliance	
Managing Director/CEO	
Chairman, Board of Directors	
Date Approved	
Document Classification	Confidential

NIRSAL
THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING
De-Risking Agriculture ▪ Facilitating Agribusiness

Table of Contents

1.0 Internal Control Framework 3
1.1 Internal Control Framework Overview 3
a) Control Environment 4
b) Risk Assessment 4
c) Control Activities 6
d) Information and Communication 8
e) Monitoring Activities 9
1.2 Objectives of Internal Control 10
1.3 Responsibilities in the Control Environment 11
1.3.1 The Responsibilities of NIRSAL Plc's Board of Directors 11
1.3.2 Responsibility of NIRSAL Plc's Executive Management 11
1.3.3 Responsibilities of Internal Auditors 11
1.4 Management Reporting System 12
1.5 Monitoring Activities & Correcting Deficiencies 13
1.6 Establishment of a Compliance Culture 13

2.0 NIRSAL Plc Internal Control Framework Overview 14
2.1 Joint Responsibility for Internal Controls 15
2.2 Guiding Principles and Internal Control Standards 15
2.3 NIRSAL Plc Policies and Procedures 15
2.4 Philosophy/Sanction Grid 15
2.5 International Financial Reporting Standards 16

3.0 Guiding Principles 16
3.1 Introduction 16
3.2 Compliance with Applicable Laws and Regulations of Other Regulatory Agencies 17
3.3 Reasonable Assurance 17
3.4 Mitigating limitations in control 17
3.4.1 Control limitation Independent Mitigating Controls 18
3.4.2 Management Override 18
3.4.3 Absence/inadequate Procedures and Policies 18

4.0 Internal Control Standards 18
4.1 Documentation 18
4.2 Human Resources - Selection and Development 18
4.3 Segregation of Responsibilities 18
4.4 Safeguarding of Assets and Other Company Property 19
4.5 Policies and Procedures 19
4.6 Risk Assessment and Reviews 19
4.7 Information Technology 19
4.8 Financial Controls and Records 19
4.9 Assessment of the Internal Control Framework 20

5.0 Policy on Integrity and Prohibited Pratices 20
5.1 Policy on Whistleblowing 20
5.2 Policy of Anti-Money Laundering and Combating Terrorism Financing (AML/CFT) 21
5.3 Company Funds, Assets, Records and Payments 22
5.4 Conflicts of Interest 22

6.0 Business Unit Processes and Manuals 23
6.1.1 Credit Risk Guarantee and Portfolio Management Business Unit 23

1.0 Internal Control Framework

This policy framework applies to **all operations**, including those funded by international partners such as the Green Climate Fund (GCF), USAID, The World Bank, African Development Bank, amongst other international funding bodies; and in such cases, the specific requirements of the funding partner will apply.

1.1 Internal Control Framework Overview

An "internal control policy framework" is the overall operating framework of practices, systems, organizational structures; management philosophy; code of conduct; policies and procedures; actions that exist in NIRSAL Plc and are designed to accomplish the following:

- Ensure that essential business objectives are met, including operational efficiency and asset protection
- Maintain strict adherence to all relevant laws and regulations
- Ensure the accuracy of financial reporting and adherence to generally accepted accounting principles
- Ensure that transactions are recorded in a consistent and orderly manner
- Provide reasonable assurances that unfavorable events will be prevented or detected and corrected.

NIRSAL Plc's internal control and compliance framework ensures that the company's operations are efficient, that financial and other information is accurate, and that the company adheres to all relevant legislation and operating standards. NIRSAL Plc has adopted the three lines of defense approach whereby managers and staff in the first line are responsible for identifying and managing risk as part their accountability for achieving objectives while compliance functions in the second line monitor to judge how effectively the first line of defense is doing and therefore help check consistency and finally the third line of defense which sits outside the risk management processes provides independent assurance through a risk-based approach on the effectiveness of governance, risk management and internal control.

NIRSAL Plc has put in place a complete set of internal controls covering all aspects of the company's operations and financial reporting. The conceptual development adopted is based on the Treadway Commission's Committee of Sponsoring Organization's (COSO) internal control framework. Internationally regarded as a tool for internal control design, implementation, and evaluation, COSO framework was initially published in 1992.

NIRSAL
THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING
De-Risking Agriculture ▪ Facilitating Agribusiness

The five components of NIRSAL Plc's internal control and compliance framework are:

a) Control Environment
b) Risk Assessment
c) Control Activities
d) Information and Communication
e) Monitoring activities

a) Control Environment

NIRSAL Plc's control system revolves around the control environment, which has an impact on both individual and collective behavior. NIRSAL Plc's environment is established by policies, procedures, and manuals, which are enforced by the organizational structure with defined duties and authority.

It is the responsibility of NIRSAL Plc's Board of Directors to implement an effective internal control system. The Internal Control & Compliance (ICC) Business Unit (BU) is tasked with overseeing all aspects of internal control. The Board Audit Committee is responsible for overseeing financial reporting obligations, policies, and important accounting principles.

Instructions for delegation of responsibility, manuals, policies, and procedures, such as the NIRSAL Code of Conduct and the Policies and Guidelines for Information Technology, Finance, and Credit Risk Guarantee, as well as the accounting manual, specify the boundaries of responsibilities and authority.

All NIRSAL Plc staff are held accountable for adhering to these internal policies, which are part of the company's overall control framework, in addition to applicable laws and regulations. Each Business Unit must have adequate internal controls in place. Control activities must, at the very least, address the most high risk areas the company has identified. Executive Management is ultimately responsible for ensuring control measures are in place.

b) Risk Assessment

Broadly speaking, risk assessment is the combined effort of:

- Identifying and analyzing the potential (future) events that may negatively impact individuals, assets, and/or the environment (i.e., hazard analysis); and
- Making judgements on the tolerability of risk based on a risk analysis while considering influencing factors (I.e., risk evaluation).

Potentially, risk assessment determines possible mishaps, their likelihood and impacts, and the tolerances for such events. The results of this process may be expressed in a

quantitative or qualitative manner. Risk assessment is an inherent part of a broader risk management strategy to help reduce any potential risk-related consequences.

Environmental and Social Risk Management

The Environmental and Social Risk Management (ESRM) forms an integral component of NIRSAL Plc's internal control framework. The ESRM is established to ensure that all NIRSAL Plc activities, programs, and projects are assessed for potential **Environmental and Social (E&S**) risks in line with the organizations' commitment to sustainable operations and good governance. The ESRM mandates the adoption of E&S management system consistent with standards and requirements of international funding bodies, including the GCF, World Bank Environmental and Social Framework, African Development Bank, amongst other international funding bodies.

All Business Units and Project teams shall integrate E&S risk assessment into their operational risk process through the implementation of a formal Environmental and Social Management System (ESMS). The ESMS shall provide the procedural framework for identifying and managing E&S risks. These include:

- **E&S Screening and Categorization:** Each project, investment, or operational activity shall undergo a preliminary environmental and social screening to determine its potential risk level. Projects shall be categorized as:
    - **Category A (High Risk):** projects likely to have significant, diverse, or irreversible adverse or social impacts requiring comprehensive assessment and management.
    - **Category B (Moderate Risk):** Projects with limited, site-specific, and mitigable environmental and social impacts.
    - **Category C (Low Risk):** Projects with minimal or no adverse environmental or social impacts
- **Environmental and Social Impact Assessment (ESIA):** For all Category A and Category B projects, a detailed Environmental and Social Impact Assessment (ESIA) shall be conducted in accordance with relevant local regulatory frameworks and international standards. The ESIA shall identify potential risks and impacts on ecosystems, communities, and workers, and recommend preventive and corrective measures.

c) Control Activities

Control activities are established to ensure that Management's directives are effectively carried out, risks are mitigated, and organizational objectives are achieved through consistent and verifiable procedures.

NIRSAL Plc's control activities ensure that:

- Business operations are conducted efficiently
- Accurate, timely reporting of financial, operational and compliance information for informed decision-making is promoted.
- Adherence to relevant legal, regulatory, contractual and ethical requirements, including those mandated by international funding bodies
- Loss, misuse, and unauthorized access to organizational assets are prevented
- Environmental, Social and Gender commitments are integrated and reinforced and aligns with international funding standards and embeds gender equality principles across all activities.

Control Activities on Environmental and Social Risk Management

- **Environmental & Social Management Plans:** Following the development of the Environmental and Social Impact Assessment (ESIA), an Environmental and Social Management Plan shall be developed and implemented. Each Environmental and Social Management Plan shall include:
    - Specific mitigation and monitoring measures for identified risks
    - Defined roles, responsibilities, and timelines
    - Measurable performance indicators
    - Procedures for corrective actions and continuous improvements
- **Monitoring and Reporting:** The implementation of Environmental and Social Management Plan shall be monitored periodically to ensure compliance and effectiveness, Regular E&S performance reports shall be submitted to the internal control and compliance unit highlighting the following:
    - Progress of mitigation measures
    - Compliance status with internal policies
    - Incident management and corrective actions
    - Emerging E&S risks and trends

NIRSAL
THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING
De-Risking Agriculture ▪ Facilitating Agribusiness

NIRSAL Plc's Information Technology (IT) Controls:

Protecting NIRSAL Plc assets and confidential data requires IT controls that exhibit risk-free operations and high standards of efficiency and ethics. Network security depends on a series of interlocking controls, each of which can't fully safeguard the system by itself. The two most important components of NIRSAL IT Controls are the **automation of business controls** – that supports business management and **governance and Controls of the IT environment and operation**s - that supports the IT applications and infrastructure

Information systems imply specific types of control activities. Therefore, NIRSAL Plc's information technology controls consist of two broad groupings: General Controls and Application Controls

General Controls:

The term "general controls" refers to the frameworks, policies, and procedures that can be applied to most or all of an organization's IT infrastructure to guarantee its smooth functioning. They set up the conditions in which the application's systems and controls function.

The major categories of general controls are:

- entity-wide security program planning and management,
- access controls,
- controls on the development, maintenance and change of the application software
- system software controls.
- service continuity.

Planning, management, control over data center operations, system software acquisition and maintenance, access security, and application system development and maintenance fall into the area of general controls because they affect the entire organization.

Application Controls

The term "application controls" refers to the framework, policies, and procedures that govern isolated software applications. In general, the objective of these safeguards is to reduce the occurrence of errors and the impact of anomalies in data processing and storage.

Application controls are a set of checks and balances implemented in software application to guarantee the adequacy, accuracy, authorization, and validity of all

transactions. All inputs should be received and validated, and outputs should be disseminated correctly, hence it is important to implement controls at the points where an application interacts with other systems. Data format, existence, and validity are all checked by automated systems already integrated into the system.

There can be no full or accurate processing of information without both general and application restrictions. In the context of information systems, general control encompasses the mainframe, the minicomputer, the network, and the end-user environment. The scope of application control extends to include all data processing that occurs within the program itself.

Due to the dynamic nature of IT, it is essential that controls be regularly updated to ensure continued efficacy.

NIRSAL Information Technology Management Practices

The following are established in NIRSAL Plc as the minimum internal control for general and application controls:

- Conduct systematic assurance reviews of NIRSAL Plc's IT solutions to maintain strict adherence to security and compliance
- Develop and update IT policies in line with best practices for good IT governance principles, including ISACA, COBIT, ToGAF
- Ensure gaps in IT/IS process/application in collaboration with other assurance providers are assessed against inherent risks that may prevent NIRSAL from achieving business objectives
- Review mission critical applications for assurance
- Ensure adoption of change management
- Prepare timely and periodic IT control reports
- Ensure only authorized and required personnel use or remain on IT platforms
- Identify the risks that NIRSAL Plc operations and related Business Units face from an IT viewpoint and provide key advise based on practices on IT control
- Ensure quarterly review on availability report for service providers in line with signed Service Level Agreement

d) Information and Communication

NIRSAL Plc's ability to make sound business decisions is aided by the company's ability to communicate effectively about risks and controls. The NIRSAL control system runs on a constant stream of information and communication. Communication of results within the NIRSAL control system is the responsibility of Executive Management,

process owners, and control operators in general. Different sign-off techniques are employed to accomplish this.

Stakeholder Engagement and Grievance Redress Mechanism

NIRSAL Plc's Stakeholder Engagement and Grievance Redress Mechanism supports compliance with local regulations, corporate governance principles and international funding partner requirements. NIRSAL Plc maintains a structured Stakeholder Engagement and Grievance Redress Mechanism integrated into its internal control processes, including:

- **Grievance Logging and Central Register**: The grieveance log and central register shall maintain all grievances, and compliants. Access to the register is restricted to authorized personnel to preserve confidentiality and data integrity.
- **Acknowledgement of Grievances:** Each grievance shall be formally acknowledged with 48 hours, to confirm receipt and inform the complainant of the next steps.
- **Grievance Assesment and Categorization:** All grievances shall be promptly reviewed and categorized based on severity, subject matter, and potential impact
- **Referral and Review:** Grievances shall be directed to the appropriate Business Unit or responsible officer for resolution in line with established procedures
- **Tracking and Resolution:** Each grievance shall be tracked through all stages, using the central register.
- **Reporting:** Periodic reports, grievance issues, and trends, shall be submitted to executive management and lessons learned shall be used to enhance internal controls, and stakeholder management.

e) Monitoring Activities

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated. Efforts to regulate issues are constantly evaluated. Both formal and informal procedures are used by executive management, process owners and control operators, including assessments of results to budgets and plans, analytical procedures, and Key Performance Indicators (KPIs).

In NIRSAL Plc's control system, testing critical controls is the job of Executive Management. The Internal Audit Business Unit conducts independent testing of the controls that have been identified. The Board Audit Committee reviews reports on internal controls and financial reporting in addition to those received from the Internal

Audit business unit. The ICC Business Unit is well known for its proactive recommendations about the control environment.

1.2 Objectives of Internal Control

The primary objective of NIRSAL Plc's internal control system is to improve the efficient use of the company's resources. NIRSAL Plc identifies its weaknesses through internal control and takes the necessary steps to address them. The primary goals are:

- Reliability of financial management information, completeness, and timeliness (information objectives)
- Compliance with applicable laws and regulations (compliance objectives)
- Efficiency and effectiveness of activities (performance objectives)

NIRSAL Plc reaffirms its commitment to implementing and mainstreaming a Gender Policy across all its business operations, and international activities, including GCF-funded activities, World Bank, African Development Bank, amongst other international funding bodies. This ensures that gender considerations are integrated into project design, risk management, and performance monitoring to promote equality, empowerment, and non- discrimination in all spheres of the organization's work. Controls are established to ensure system collection, analysis, and reporting of gender-disaggregated data across projects and operations. These controls enable NIRSAL Plc to track gender inclusion outcomes, reinforce compliance with international gender equality standards and improve gender responsive programming and decision-making.

1.2.1 General NIRSAL Plc Control Objectives

- Reliability of financial records
- Achieve business objectives
- Transaction safety
- Safeguarding of assets
- Minimize financial losses attributable to control infractions and reconciliation problems
- Continuous testing the effectiveness of internal controls
- Zero tolerance for control and regulatory infractions

1.2.2 NIRSAL Plc's Information Systems Control Objectives

- Information security
- General information system integrity
- Compliance to IT internal policies
- Adoption of change management process
- Business continuity and disaster recovery
- Integrity of sensitive and critical business application systems

NIRSAL
THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING
De-Risking Agriculture ▪ Facilitating Agribusiness

1.3 Responsibilities in the Control Environment

1.3.1 The Responsibilities of NIRSAL Plc's Board of Directors

- The Board of Directors are ultimately responsible for formulating NIRSAL Plc's overall strategy, establishing important policies, and assessing the company's major risks
- The Board govern the organization and the relationship with the Managing Director/Chief Executive Officer
- As part of regular meetings with the NIRSAL Plc's executive management, the Board discusses the effectiveness of the company's internal control system and ensure that appropriate actions have been taken in accordance with recommendations from auditing firms and NIRSAL plc's assurance Business Units (Risk Management, Internal Control & Compliance Business Unit, Internal Audit Business Unit, Legal Services Business Unit)

1.3.2 Responsibility of NIRSAL Plc's Executive Management

Executive Management is responsible for developing and maintaining an adequate system of internal controls for all of NIRSAL Plc's operations. As stewards of the company's resources, Executive Management must adhere to basic standards of financial integrity and prudent business practices.

- The Managing Director/CEO plays a crucial role in establishing NIRSAL Plc's Executive Committee (EXCO), which will be in charge of overseeing the company's overall management. Risk management policies and procedures will be implemented by the EXCO under the guidance of the Board of Directors.
- In addition, EXCO will implement an internal control framework within NIRSAL Plc, which will clearly define roles, responsibilities, and lines of authority, as well as the relationships between them. Using established policies and procedures, the EXCO will monitor the internal control system's adequacy and effectiveness.

1.3.3 Responsibilities of Internal Auditors

Ensuring the success of an organization and bridging the gap between the Board of Directors and the corporate management team is a key performance indicator. Below are some of their specific responsibilities and duties:

- Evaluating risk management activities within the organization
- Determining the organization's compliance with relevant laws and regulations
- Providing reasonable assurances and making recommendations that can assist in improving internal control within the organization

- Investigating fraud via a fraud risk assessment that uses fraud deterrence principles.
- Offering an objective source of independent advice to help reach the goal and achieve legality and validity
- Performing audit assignments assigned to them
- Identifying audit scope and developing annual plans within the organization.
- Following up the audits to monitor the managements' intervention
- Promoting ethics and identifying improper conduct within the company

1.3.4 Responsibilities of External Auditors

The role of external auditors is to make sure that Board of Directors and the management are acting responsibly towards the shareholders' investment interests. By keeping objectivity, the external auditors can add value to shareholders by ensuring that the company's internal controls are strong and effective. Below are some of their specific responsibilities and duties:

- Plan effective auditing processes
- Audit financial statements and assess accounts for accuracy and regulatory compliance
- Inspect internal systems and controls
- Assess risk management tactics
- Perform audits of non-financial areas, like Health & Safety and IT
- Report systematic errors or fraud indicators
- Investigate specific issues regulatory bodies bring forward
- Explain audit findings and recommend solutions

1.4 Management Reporting System

- Information that is relevant to decision-making must be effectively reported in order to maintain an effective internal control system. Information must be accurate, timely, reliable and presented in a consistent manner across non-financial and financial domains.
- Decision makers must be informed about both the internal and external developments, including market trends, environmental conditions, social factors, and regulatory changes.
- NIRSAL Plc will maintain committees and oversight structures to evaluate information received from all systems of data generation and reporting. This includes the assessment of both the financial and non-financial performance metrics, to ensure executive management and international funding partners receive complete, accurate, and timely information for accountability and decision-making.

- NIRSAL Plc's internal information shall cover all major activities and performance areas, including sustainability, gender inclusion, stakeholder engagement, and environmental and social risk management. Manual and electronic information systems shall be designed to collect, store and transmit financial and non-financial data efficiently and securely. These systems shall be protected, independently monitored, and backed up to ensure data integrity, and business continuity in the event of an emergency.
- NIRSAL Plc shall implement internal controls to ensure accurate and timely reporting of non-financial metrics, including Environmental, Social, Governance (ESG) indicators, to international funding bodies, local and international regulators, and stakeholders. This shall be systematically achieved contract agreements and relevant frameworks.

1.5 Monitoring Activities & Correcting Deficiencies

- NIRSAL Plc's internal controls should be monitored on a regular basis to ensure their effectiveness and continued relevance to operational, compliance, and strategic objectives. Identifying and monitoring key-risk items should be done daily to promptly detect control weaknesses and risks.
- The scope of monitoring shall also include regular evaluation of project performance against approved internal funding projects indicators such as Green Climate Fund (GCF) indicators, climate results, E&S compliance, and gender action plan milestones.
- Executive Management has the authority to appoint individuals who are operationally independent, well-trained, and competent to conduct an internal control system audit. The Board of Directors will be informed on a regular basis of any significant flaws found by the audit team. Such a report should be sent to the Board Audit Committee for review
- Defects in internal control, whether discovered by business units, internal audit, or other control personnel, must be brought to the attention of the appropriate management level as soon as possible and rectified without delay
- Executive Management and the Board of Directors should be informed of any significant shortcomings in internal control, and recommendations should be made as appropriate.
- It is up to NIRSAL Plc to lay out its policies on Business Offices across States. There are exceptions to this rule, such as significant financial exposure or loss, significant process lapses, and serious staff misconduct, which must be taken into consideration

1.6 Establishment of a Compliance Culture

- When policies, procedures, and regulations are embraced by all levels of the organization, it is said to have a strong compliance culture. Even those at the lowest

levels of the organization should be able to speak up about anything that is not in line without fear of retaliation

- The Board of Directors and executive management must demonstrate a high level of ethics and integrity in order to establish a compliance culture
- There should be no inadvertent incentives for inappropriate behavior in NIRSAL Plc's policies and practices. Examples of such policies and practices include undue emphasis on performance targets or operational results, particularly short-term ones that ignore long term risks and compensation schemes that overly depend on short term performance
- Staff at all levels must sign a "Code of Ethics," which will be enforced by the Board of Directors and executive management. Compliance with the Internal Control Framework is a requirement for each business unit, and each unit is expected to implement an appropriate program of assessment, education, development, and ongoing improvement in controls, consistent with the standards outlined in this framework.
- **Whistle-blower Protection:** NIRSAL Plc., guarantees the protection of any person (staff or external stakeholder) who reports suspected Prohibited Practices in good faith. The Internal Control & Compliance (ICC) BU shall maintain a secure, anonymous reporting channel. Retaliation against whistle-blowers is treated as a severe control infraction subject to immediate sanction.
- **Investigation Function:** The Internal Audit BU is granted the independent authority to investigate all allegations of Prohibited Practices. These investigations shall be conducted free from interference by any other business unit or Executive Management, with direct reporting lines to the Board Audit Committee.

2.0 NIRSAL Plc Internal Control Framework Overview

Internal controls are critical to the NIRSAL Plc's ability to accurately record transactions, prepare reliable financial reports, achieve its business objectives, and make sound decisions. A company's ability to make decisions and its reputation with stakeholders, regulators, auditors, staff, and the public can be jeopardized if there are substandard controls in place.

In order to have an effective internal control structure, the entire organization must be involved, including outsourced service providers. Outsourced service providers should also be responsible for maintaining effective internal controls based on practices, policies, and procedures that promote fraud prevention, detection, remediation and timely and accurate financial reporting, an internal control system is built. Internal controls must be continually reviewed by financial and operational management in order to be optimized. The control system must be updated as the business process evolves.

The NIRSAL Plc Internal Control and Compliance Framework comprises of five components: Joint responsibility for internal controls, Guiding principles and internal control standards, NIRSAL Plc policies and procedures, philosophy/sanction grid, and International Financial Reporting Standards (IFRS)

2.1 Joint Responsibility for Internal Controls

Internal controls are the responsibility of everyone, including contractors and subcontractors. Financial and operating management must work together to optimize internal controls.

NIRSAL Plc's high-level internal control tone, culture, practice, policies, and procedures are generally the responsibility of the board of directors and executive management. Internal control measures are the responsibility of and are owned by Head of Business Units, Sub-Unit Heads, and team leaders, for example. NIRSAL Plc's internal control measures are embedded in the performance of each staff role, and each staff is personally responsible for adhering to them.

2.2 Guiding Principles and Internal Control Standards

Standards for Internal Control provide a comprehensive set of guidelines and definitions to ensure compliance with all applicable laws and regulations, as well as NIRSAL Plc policies, procedures, and Internal Controls. These principles and standards are outlined in Section 3 (Guiding Principles).

2.3 NIRSAL Plc Policies and Procedures

The detailed NIRSAL Plc Accounting and Standard Operational Policy and Control Procedures are an integral part of the Internal Control Framework and are incorporated by reference.

2.4 Philosophy/Sanction Grid

NIRSAL Plc's Philosophy serves as a resource for staff to better understand the company's code of conduct and the fundamental standards that govern it. The company's sanctions grid outlines the punishments for various offenses, control breaches, and defaults committed by staff.

Outsourced service providers can also face a minimum penalty for contract breaches, in accordance to the grid's sanctions.

2.5 International Financial Reporting Standards

International Financial Reporting Standards (IFRS) serve as a common global language for business affairs, making it possible to compare and understand the financial statements of different companies around the world.

NIRSAL Plc's Internal Control Framework must be adopted or agreed to by all controlled affiliates and joint ventures. Non-controlled affiliates must make and keep accurate books and records in reasonable detail and devise and maintain a system of adequate internal controls, to the extent that it is reasonable in the circumstances.

3.0 Guiding Principles

3.1 Introduction

Internal control standards and guidelines are outlined in this framework in order to ensure compliance with the Banks and Other Financial Institutions Act (BOFIA), the Central Bank of Nigeria Act, the Money Laundering Prohibition Act, the EFCC Act, the Failed Banks and Financial Malpractices Act, various tax laws, the Pension Fund Act, the Nigerian Standard Internal Accounting Standard Act, the Corporate Affairs Commission, CAC, and the Nigerian Securities and Exchange Commission (SEC) regulations, the Basel 2 Committee and the guidelines of the Central Bank of Nigeria.

All business units will support and maintain a system of internal control that is optimized to provide stockholders, the Board of Directors, and executive management, with reasonable assurance, based on a weighing of costs and benefits, that:

3.1.1 Transactions are executed in accordance with Executive Management's general or specific authorization and directives.

3.1.2 To maintain accountability and responsibility for assets and company resources.

3.1.3 Transactions are consummated at reasonable cost, beneficial and necessary for the business of NIRSAL Plc.

3.1.4 Access to assets and resources is permitted only in accordance with executive management's general or specific authorization

3.1.5 Recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3.1.6 Financial information is released outside NIRSAL Plc only upon proper corporate authorization and after consideration of the interests of the company.
3.1.7 Complete and accurate records and accounts are maintained to reflect transactions and the disposition of assets

3.1.8 Business objectives will be met.

3.2 Compliance with Applicable Laws and Regulations of Other Regulatory Agencies

Internal control systems must ensure compliance with all applicable laws and regulations, including tax laws, export laws, human resource requirements, government contracting, and safety and environmental requirements. Each jurisdiction where NIRSAL Plc conducts business has its own set of laws, regulations, and standards that must be adhered to. Violations of these laws can result in severe civil and criminal penalties for NIRSAL Plc and its staff.

3.3 Reasonable Assurance

The concept of reasonable assurance recognizes that there must be a balance between the cost of internal control and the expected benefits.

The benefits consist of the following:

3.3.1 Fairly stated operating results, including all items of revenue, expense, and income, as well as assets, liabilities, and equity

3.3.2 The avoidance of material mis-statement, and;

3.3.3 Proper authorizations and risk management are necessary to protect assets. As a result, reasonable assurance acknowledges that all internal control systems have inherent limitations. These can happen as a result of collusion, human error, or a lapse in judgment.

3.4 Mitigating limitations in control

In order to lessen the impact of control issues, NIRSAL Plc will take the following steps. Every staff should at the very least adhere to these guidelines, based on the circumstances of their own businesses.

3.4.1 Control limitation Independent Mitigating Controls

Changes in Business Revised Operational risk process mapping, Control impact assessment of the process change, continuous improvement in independent evaluation/review procedures etc.

3.4.2 Management Override

Total prohibition of management override of controls at all levels. Establishment of clear control deviation procedures duly approved.

3.4.3 Absence/inadequate Procedures and Policies

Inadequate procedures and policies for one-off and unusual transactions are developed. Process mapping for operational risk in one-off or unusual transactions in evaluation of the impact of a single, unusual event development of NIRSAL Plc's risk appetite, which will provide a list of prohibited one-off transactions.

4.0 Internal Control Standards

4.1 Documentation

Each aspect of an internal control evaluation relies heavily on the availability of appropriate documentation and the ability to access it. Written policies and procedures, formalized reporting responsibilities, and written descriptions of authority and responsibility enhance the overall internal control structure.

4.2 Human Resources - Selection and Development

Internal control systems are only as strong as the people who are responsible for them. The staff of NIRSAL Plc have an impact on the company's internal control system. Policies for hiring, training, evaluating, and promoting highly competent staff should be included in the company's HR handbook and manual.

4.3 Segregation of Responsibilities

To ensure the proper division of labor, executive management must assign duties to staff. For example, if only one staff in the company is responsible for a significant function or for two consecutive parts of a transaction process, reassigning positions may be necessary. This can be done through regular turnover in positions, planned rotation, or temporary reassignment of duties during vacation. Internal reviews and

audits should be conducted more frequently to provide the necessary assurances in cases where it is not possible to separate duties for a specific function.

4.4 Safeguarding of Assets and Other Company Property

There should be adequate physical safeguards in place for the company's assets and other property, depending on their value and risk of loss or misuse. All assets, whether capital or expense, should be assigned custodian responsibilities and those responsibilities documented appropriately. This includes both tangible and intangible assets. Due to theft or natural disasters, Risk Management Business Unit and ICC Business Unit should be tasked with reducing the overall risk and exposure.

4.5 Policies and Procedures

Written policies and procedures are required for all Business Units so that transactions and obligations under their jurisdiction can be processed completely and duplicated without unauthorized intervention.

4.6 Risk Assessment and Reviews

The identification and management of risks is a continuous process that is critical to an effective internal control system. This means that all levels of management must be aware of the risks they face and take appropriate measures to mitigate them. Both external and internal factors can contribute to the emergence of risks. There must be a clear set of goals for the organization in order to effectively assess risks.

Environmental, Social, and Gender Risk: As part of its risk assessment framework, NIRSAL Plc shall identify and assess Environmental and Social (E&S) risks and Gender-related risks associated with its lending, guarantees, and operations. Control activities must ensure that all projects comply with NIRSAL's Environmental and Social Management System (ESMS) and Gender Policy prior to approval.

4.7 Information Technology

Security measures need to be put in place to protect NIRSAL Plc's information technology infrastructure.

4.8 Financial Controls and Records

NIRSAL Plc is in charge of keeping track of, safeguarding, and disclosing financial data to all of the company's stakeholders, including investors, and government agencies. To comply with Nigerian securities laws, NIRSAL Plc must keep worldwide records that accurately reflect the company's transactions and asset dispositions. Additionally, the company must maintain an effective internal control structure. This

policy outlines the high standards that we hold ourselves to in order to meet those obligations. Records and reporting must be consistent so that NIRSAL Plc can measure and manage its business in an objective manner.

4.9 Assessment of the Internal Control Framework

It is the responsibility of Head, Internal Control and Compliance to determine whether an internal control system provides reasonable assurance, such that the broad goals of internal controls are achieved.

5.0 Policy on Integrity and Prohibited Pratices

The philosophy of NIRSAL Plc is incorporated by reference into the NIRSAL Plc's Internal Control Framework. The following Policy on Integrity and Prohibited Practices provides additional guidance on matters such as company fraud, corruption, funds, assets, records, and payments, as well as conflicts of interest.

5.1 Policy on Whistleblowing

5.1. 1 NIRSAL Plc is devoted to ensuring the highest standards of integrity, transparency, accountability, and ethical conduct in all its operations.

5.1.2 The Policy is designed to encourage reporting of legitimate concerns without fear of retaliation, discrimination, or victimization. It reaffirms NIRSAL Plc's zero-tolerance policy towards fraud, corruption, coercion, abuse of authority, financial irregularities, harassment, and other forms of misconduct.

5.1.3 The policy aligns with relevant regulatory requirements and best practices, including the Code of Corporate Governance, anti-corruption laws and standards on organizational ethics. It ensures that all reported concerns are addressed promptly, thoroughly, and impartially, and that whistleblowers are protected throughout the process

5.1.4 In alignment with international standards, NIRSAL Plc strictly prohibits the following practices in all its operations and funded activities:

- **Corrupt Practice:** The offering, giving, receiving, or soliciting, directly orindirectly, anything of value to influence improperly the actions of another party.
- **Fraudulent Practice:** Any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

- **Coercive Practice:** Impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- **Collusive Practice:** An arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
- **Obstructive Practice:** Deliberately destroying, falsifying, altering, or concealing evidence material to an investigation or making false statements to investigators.
- **Abuse:** Theft, misappropriation, waste, or improper use of property assets related to a project or corporate activity, either committed intentionally or through reckless disregard.

5.2 Policy of Anti-Money Laundering and Combating Terrorism Financing (AML/CFT)

5.2.1 The integrity of the financial system is crucial to the efficient functioning of NIRSAL Plc and the economy at large. NIRSAL Plc's AML/CFT Policy ensures that effective measures are in place to detect, prevent, and report any suspicious activity that may be related to money laundering or terrorism financing.

5.2.2 The Policy is guided by applicable acts, including Money Laundering Prohibition Act 2011, Terrorism Prevention Act 2011, Money Laundering (Prevention and Prohibition) Act, 2022, Terrorism (Prevention and Prohibition) Act, 2022, Proceeds of Crime (Recovery and Management) Act, 2022, and Central Bank of Nigeria (CBN) AML/CFT Regulations, 2022, and other applicable laws and regulations; and aligns with global best practices.

5.2.3 The Policy represents NIRSAL Plc's zero-tolerance approach to financial crime and emphasizes the organization's commitment to contributing to the global struggle against money laundering and terrorism financing.

5.2.4 The AML/CFT Policy ensures necessary controls are put in place for suspicious activity reporting, including verification of client identification, Know Your Client (KYC) Policies, and so on. This is consistent with standards and requirements of international funding bodies, including the GCF, World Bank, African Development Bank, amongst other international funding bodies.

5.3 Company Funds, Assets, Records and Payments

5.3.1 There shall be no illegal use of company funds or assets. Staff are prohibited from paying bribes, illegal political contributions, or any other illegal payments.

5.3.2 There shall be no unrecorded or undisclosed funds or assets established for any reason.

5.3.3 The company's books and records shall not be altered for any reason, and no staff shall engage in any arrangement that results in such a prohibited act, even if directed to do so by a line manager.

5.4 Conflicts of Interest

In order to protect the interests of the company, every staff must avoid any direct or indirect financial or business interest or relationship that conflicts with the company's or devalues the staff loyalty to the company. Such an activity must be avoided or terminated at any time it appears to present a conflict.

Whenever a staff has a question about whether a situation they are involved in constitutes a conflict of interest or appears to be one, they should inform their line manager in writing. It is the responsibility of each line manager to consult or notify the appropriate higher level of management before making a decision about a staff's future in the company. All disclosures and decisions made under this Policy must be communicated to Executive Management.

6.0 Business Unit Processes and Manuals

6.1.1 Credit Risk Guarantee and Portfolio Management Business Unit

Mission: To provide Credit Risk Guarantee instruments for finance and investment transactions across agricultural value chains, manage NIRSAL's CRG Portfolio to ensure minimal default, IDB management, process claims payments and recoveries, where applicable.

Processes:

6.1.1.1 Credit Risk Issuance: To issue Credit Risk Guarantee to Counterparty within 21 days from the day of reciept of application with complete documentation

1. Head, CRGO&PM BU minutes CRG requests to Portfolio Manager for review.
2. Portfolio Manager reviews CRG request and minutes to Analyst for desk review.
3. Desk review of the CRG request to confirm adequacy of documents submitted as indicated in the CRG Documentation checklist
4. Upon confirmation of adequacy of document submitted, analyst send desk reviewed report to portfolio manager for further review
5. Portfolio Manager reviews the analyst desk review report, validates, signs-off and sends to the Head, CRGO&PM.
6. The Head, CRGO&PM BU reviews the analyst desk review reports, validates and signs-off.
7. Head, CRGO&PM BU checks availability of staff and nominates staff(s) to perform a Pre-Guarantee Issuance Visit. If request is above N1bn a staff of Risk Management BU is recommended to go along for the trip.
8. Head, CRGO&PM writes a MEMO through the ED, Operations Directorate to MD/CEO, seeking approval for nominated staff(s) to proceed on Pre-guarantee visit to the project site.
9. CRGO&PM BU writes TE&P BU for booking of flight ticket or provision of other means of transportation as approved
10. CRGO&PM BU writes the PMRO in the State notifying them of a request for CRG and requesting they join CRGO&PM BU on a joint validation exercise.
11. CRGO&PM BU writes the counterparty PMRO in the State notifying them that their request for CRG has been received and a Pre-Guarantee Issuance Visit is to be made to further validate the request for CRG.
12. Pre- Guarantee report- The visiting team writes a Project Appraisal report/Credit Appraisal Memorandum (CAM). The report contains the analysis of the project/obligor, Directors/Management profile, Integrity due diligence (screening against UN Security Council Sanctions lists and Global Prohibited Practices list), Environmental & Social Risk Category (A, B, or C), Industry Analysis, Value Chain analysis, Risks & Mitigants, Recommendation for approval/decline etc.
13. After the CAM preparation, the report is reviewed by the Portfolio Manager and presented internally in the BU.
14. After CRGO&PM internal review, Head of CRGO&PM BU invite heads of: ICC, Risk Management and other relevant BUs for review.
15. After review by the relevant Bus, (the Head CRGO&PM BU seeks for consent from the ED Operations Directorate (Acting Chairman, CRECO) to schedule a CRECO meeting.
16. After receiving consent from the ED Operations, the Head CRGO&PM BU direct CRECO secretariat to circulate CAM to CRECO at least 48 hours before prior to the meeting.
17. The report is presented to the Credit Committee (CRECO) for consideration.
18. CRECO decision is communicated to the counterparty.
19. Upon approval by CRECO, Invoices are raised and sent to the counterparty for payment. The conditions for approval (if any) will be sent alongside the invoice.

20. Upon confirmation of payment by FAI BU, Head CRGO&PM directs the Portfolio Manager to prepare the CRG Certificate.
21. Portfolio officers to ensure The CRG Certificate is signed off by Head CRGO&PM and Executive Director Operations and company secretary affix the company seal on the certificate.
22. Portfolio officer sends certificate to counterparty and file the acknowledged copy.
23. The Portfolio officer communicates to PMRO and LMR on the approval of the CRG request for monitoring and reporting.

6.1.1.2 Interest Draw Back Processing: Effective management of IDB programme to prequalified obligors

1. Head, CRGO&PM BU delegates for first line of review of request.
2. Analyst performs first line review of the statement of account noting expected against actual loan repayment and signs-off.
3. Portfolio Manager validates the analyst report and signs-off.
4. Head CRGO&PM review the report and signs-off.
5. The analyst forwards the IDB request to ICC, and Risk Management BU for review.
6. If IDB request is declined, the counterparty is communicated with the reasons for decline.
7. If request is not declined by the reviewing Bus, CRGO&PM BU presents to CRECO for consideration and approval.
8. Execution of Approval by CRECO members.
9. The IDB payment schedule if approved, is sent to FAI

6.1.1.3 Claims management: To develop and implement a robust framework and procedures for claim processing and management

1. Head, CRGO&PM BU minutes Claims requests to Portfolio Manager for review
2. Portfolio Manager reviews Claims request and minutes to Supervisor/Analyst for desk review.
3. Desk review of the Claims request to confirm adequacy of documents submitted.
4. Upon confirmation of adequacy of document submitted, analyst send desk reviewed report to portfolio manager for further review.
5. Portfolio Manager reviews the analyst desk review report, validates, signs-off and sends to the Head, CRGO&PM.
6. The Head, CRGO&PM BU reviews the analyst desk review reports, validates and signs-off.
7. Head, CRGO&PM BU checks availability of staff and nominates staff(s) to perform a project site visit to validate claim request.
8. Head, CRGO&PM seek approval from management for nominated staff to proceed on claim verification
9. CRGO&PM BU writes TE&P BU travel arrangements.
10. CRGO&PM BU notify PMRO and counterparty in the states on the claim verification visit
11. The visiting team writes a post Project visit report on the claim request.
12. The report is reviewed by the Portfolio Manager and present for BU Staff review.
13. After internal BU review, Head CRGO&PM BU invites, ICC, Risk Management and other relevant BUs for review.

14. If the claim request is declined by CRGO&PM BU, and other relevant BUs, CRGO&PM BU will write management stating reasons for the decline.
15. If Claim is approved by CRGO&PM BU, and other relevant Bus, CRGO&PM BU schedule the report for CRECO consideration.
16. If approved by CRECO, CRGO&PM writes management seeking approval for the claim's payment.
17. Upon approval by management and payments of claims by FAI, CRGO&PM issue notification of claim to counterparty.

6.1.2 Finance & Investment Services Business Unit

Mission: To facilitate the flow of affordable finance and investment into Agriculture and Agribusiness.

Processes

6.1.2.1 Increase flow of FDIs and LDIs

1. Identify prospective financiers and investors (FDI & LDI)/counterparties (Impact Investors, Investment banks, Private Equity & Asset Management Firms, PPP etc.) for agribusiness funding.
2. Increase investment funding to potential Agribusinesses through structuring of investments and Blended Finance Frameworks.
3. Engage and sign-up potential investors and counterparties via written letters, meetings (physical & virtual), emails, telephone and visits
4. Engage Trade and Investment desks of embassies/high commissions in Nigeria
5. Regular review of NIRSAL's products with finance and investment institutions for Market assessments on agribusiness financing
6. Participate in industry functions with respect to finance and investment.
7. Provide financial advisory services to value chain players Training of staff of finance and investment firms on NIRSAL CRG.

6.1.2.2 Mobilization of Grant Finance for agriculture and agribusiness

1 Identification of applicable grants in line with the strategic focus of NIRSAL
2 Preparation of required documentation in order to access identified grants
3 Profiling of target beneficiaries in line with the Grant Guidelines
4 Leveraging blended finance to increase the financing available for agricultural and agribusiness actors
5 Establishment of transparent selection criteria and publication of grant opportunities to ensure competitive and fair access to grant finance
6 Any other activity required to actualize the mandate of the sub-unit

6.1.2.3 Ensure effective Stakeholders Relationship Management

1 Increase interest of stakeholders in supporting agribusiness
2 Managing Relationship of Stakeholders towards retaining business collaborations