

**Slated for review in December, 2015**

**TEXAS GUARANTEED STUDENT LOAN CORPORATION**

**POLICY REGARDING**

**POLICYMAKING RESPONSIBILITIES**

**OF**

**THE BOARD OF DIRECTORS**

**AND**

**MANAGEMENT RESPONSIBILITIES OF THE PRESIDENT AND STAFF**

The Board of Directors of Texas Guaranteed Student Loan Corporation (“TG” or the “Company”) is committed to adopting and implementing generally accepted best practices for governance of the Company. The Board has also provided for the delineation of management responsibilities of the President and Staff of TG (together, “Management”). In developing these policies, and in overseeing their implementation in the future, the Board has been and shall be mindful of the following Best Practices attributes.

<b>Common Best Practice Attributes</b>
1. Ensure the Board is knowledgeable, has expertise and is informed about the business – done typically through orientation type procedures.
2. Ensure the Company has a mission and purpose aligned with effective organizational planning.
3. Select, monitor and evaluate the CEO; set and monitor compensation policies for senior management and strive to strike the appropriate balance between CEO and the Board – not intended to micromanage everyday activities.
4. Ensure fiscal stability and long term economic health of the Company through practices of financial accountability, internal control processes and transparency.
5. Ensure management has appropriate and adequate resources and manages them effectively.
6. Ensure legal and ethical integrity of the Company.
7. Provide for and monitor enterprise risk management of the Company.
8. Enhance the Company’s public image.
9. Ensure duty of loyalty – no conflict of interest.
10. Determine, strengthen and monitor programs and services.
11. Advise management on significant issues or extraordinary activities.
12. Determine framework of corporate governance.

The following represents the separation between the respective responsibilities of the Board to govern and direct the affairs of the corporation and the management responsibilities of the president and staff of the corporation to manage the affairs of the corporation, and the Board directs that the following be observed in respect of the operation of the affairs of TG.

**A. Policymaking Responsibilities of the Board of Directors**

**1. Ethics, Compliance, and Risk Management**

In order to assure an ethical and compliant business climate and appropriate business conduct, the Board shall:

- a. Assure legal and regulatory compliance.
- b. Promulgate the Code of Business Conduct to set forth the Company’s standards of business conduct internally and with vendors and other third-parties. The Code of Business Conduct and any proposed changes shall be reviewed by the Board in advance of adoption. Individually, each member of the Board shall sign a statement agreeing to adhere to the Code of Business Conduct on an annual basis.
- c. Maintain a direct reporting relationship with the Chief Audit Executive, who reports directly to the Board, and who shall consult with the Board on a regular basis.

- d. Participate in the annual risk assessment, and approve the annual internal audit plan of the Company.
- e. Maintain a direct reporting relationship with the Chief Ethics Officer, who is appointed by and reports directly to the Board, and who shall provide a report to the Board regarding ethics issues on a semi-annual basis.
- f. Provide for and monitor enterprise risk management, including understanding risk issues associated with any activities of the Corporation, with special reference to those that are supervised by or come to be supervised by the Consumer Financial Protection Bureau.

## 2. Use of Funds

In order to provide for the use of funds, the Board shall:

- a. Approve the Company's annual budget.
- b. Review and approve any applicable authority levels and spending levels for corporate officers and employees.
- c. Approve expenditures beyond the authority of officers and not provided for in an approved annual budget.
- d. Approve officer compensation for the levels of Vice President and above, including the Chief Audit Executive as well as any compensation paid to board members, generally.
- e. Approve travel and procurement policies promulgated by the Company.
- f. Select and engage external auditors and maintain responsibility for the annual financial and compliance audit(s) of TG, as well as for its Pension Plan and 403(b) Plan, and review the results of the same with the respective auditors.
- g. Assure appropriate investments for corporate and federal funds held by the Company, and consider and approve the Company's Investment Policy and selection of brokers on an annual basis.
- h. Approve the corporate strategy and goals of the Company proposed by Management.
- i. Devise the compensation philosophy applicable to TG, and approve compensation charts, the corporate performance plan, documents establishing employee benefit plans, including those under ERISA, and contracts for employee benefits which exceed procurement policy dollar thresholds, in alignment with the same, provided that these expenditures are not included or exceed amounts provided for in the annual budget approved by the Board; in such event, Management will provide a report to the Board at the next regular Board meeting.
- j. Approve the budget and use of funds for extraordinary activities approved by the Board.

### 3. Non-Profit Mission

In order to assure a non-profit mission, the Board shall:

- a. Approve philanthropic activities engaged in by the Company.
- b. Review or approve the submission of certain Federal Tax Forms on an annual basis, including IRS Form 990.

### 4. Extraordinary Activities

In order to approve extraordinary activities and undertakings of the Company, the Board shall:

- a. Generally approve any intended objective/outcome of the Company's legislative slate to the extent that such activities are proposed by the Company solely in respect of the Company's own interests.
- b. Approve revenue-generating activities, other than those activities which are within the authority of Management as provided in Section B hereof, unless a resolution has been adopted by the Board that provides authority to Management to proceed otherwise.
- c. Approve contract outsourcing of Higher Education Act program responsibilities.
- d. Approve or revise procedures to implement TG's responsibilities relating to the license revocation of borrowers in default pursuant to Section 57.491(k) of the Texas Education Code, unless this responsibility is delegated to Management by the Board.
- e. Approve contracts outside the usual course of business of the Company and beyond its annual plan and budget, particularly those involving unusual or specialized subject matters or special risks.
- f. Approve agreements with the Department of Education in respect of guaranty agency activity.

### B. Management Responsibilities of the President and Staff

1. Any activities of the Company which do not specifically fall within the scope of Board Policymaking Responsibilities are designated as management responsibilities of the President and Staff of the Company by the Board, provided that such activities fall within the scope of the mission of the Company as promulgated by the Board. The Board hereby specially delegates to Management its responsibility to implement procedures relating to license revocation of borrowers in default pursuant to Section 57.491(k) of the Texas Education Code.

2. Management shall have the authority to engage in activities regarding state and federal legislation, and advance legislative proposals and regulations which affect the Company and its mission as promulgated by the Board. Moreover, TG personnel may also pursue other legislative and regulatory activities to assure a proper legislative and regulatory environment for the conduct of the Company's affairs, including, without limitation, responding to any legislative or regulatory proposals or inquiries which affect its mission or relevant undertakings; proposing legislation specifically involving TG's individual or collective business interests, provided that the objectives/outcomes of the former shall have been approved by the Board; participating in the negotiated rulemaking process conducted by the Department of Education or other agencies; and meeting with state and federal lawmakers and officials concerning legislative or regulatory matters which affect the Company's mission or relevant undertakings, without seeking or obtaining the approval of the Board.
  
3. Management may provide responses to requests for proposal, requests for submission, contracts, grant applications and approvals, or other similar processes, which seek products, services, expertise, and the like, whether alone or in conjunction with other entities. Such responses may contain binding terms ("Binding Offers"), *i.e.*, represent an enforceable commitment on the part of TG to perform the services described for the price stated, or for the grant applicant to perform activities proposed for a set grant of funds, or similar activity, which may not be amended, revoked, or unilaterally not pursued by TG between response and contract, and which may thereafter be reduced to contract, provided that each of which response (1) does not contain as its subject matter or objective anything which is in conflict with its non-profit purpose, (2) is projected to provide positive revenues to TG over the life of the agreement or undertaking or otherwise serves a strategic objective of the company, (3) is in alignment with TG's strategic plan; and (4) does not involve the acquisition of a company through the acquisition of shares or all or substantially all of its assets or a merger of TG with any other entity; (5) exceed \$1,000,000 per year in revenue for TG; (6) have a term exceeding five years; and/or (7) exceed \$5,000,000 in the aggregate; and Management may enter into contracts in respect of the same.

Any activity falling within the purview of "Management Responsibilities," as stated above, may be revised by the Board and thereafter defined as "Policymaking Responsibilities of the Board of Directors," upon its action.

The Board shall review and have an opportunity to revise the identified Policy Matters on no less than an annual basis. In connection with such annual review, this Board is hopeful and recommends that subsequent Boards review environmental factors that have changed since any prior review, including the current state of the Company and applicable best practices.