



FINAL 2005 SLC BOARD PERFORMANCE REPORT

THE STUDENT LOANS COMPANY LIMITED

BOARD PERFORMANCE EVALUATION REPORT FOR
12 MONTHS ENDING 30 JUNE 2005

Formally approved by the Main Board on 27th July, 2005

This report, which is produced annually, is my evaluation of the performance of the Company's Board during the twelve months since the last report dated 29 June 2004. It is the result of my observation of Board, strategy and committee meetings and a meeting on 28 June 2005 of non-executive directors to discuss Board performance. This report was seen by members of the Board in draft and this final version incorporates comments on the original draft.

Evaluation of performance, by definition, requires a set of objective criteria and for this, I have taken the guidance in this area set out in the revised Combined Code. An evaluation of my role as Chairman has been made separately under the direction of the senior non-executive director, Barbara Duffner, and can be found on page 6 below.

In addition to comments under the various evaluation criteria headings, Sections 4 and 5 record comments and feedback from directors and the Executive Team not reflected elsewhere.

Independently of the Board Performance Review, SLC's Internal Audit function undertook an audit of the SLC's Corporate Governance arrangements. Its findings were largely congruent with the points made in this review and the general conclusion was that the Governance arrangements in SLC were operating effectively and were formally assessed as being satisfactory. Directors have received a copy of the Internal Audit report.

1. Performance evaluation of the Board

- ***How well has the Board performed against any performance objectives that have been set?***

The Board of the SLC is responsible for:

1. setting strategic direction for the SLC
2. overseeing the effective and efficient discharge of the SLC's activities in accordance with statutory responsibilities and Ministerial guidance and ensuring that it does not operate beyond the bounds of Ministerial directions.
3. ensuring the highest standards of corporate governance are observed.

Under item 1, during the past twelve months, the Board has continued to have a strategic focus albeit within the constraints mentioned in Item 10 in Section 2.2. The shape of the Board's agenda was changed last year to enable this and at most meetings there is now at least one strategic issue tabled for detailed review by the Board. There has been a noticeable and welcome increase in interventions and comments by non-executive directors on strategic issues.

For item 2 (Oversight of Activities), in addition to the monthly CEO's report to the Board, the management information in the monthly Board pack is supplemented by written commentary by the appropriate member of the executive team. All relevant performance figures, including but not limited to those relating to Ministerial targets, are contained in the monthly Board pack and considered on an area by area basis with particular focus on any variances beyond what is expected or forecast. The Ministerial targets for the coming year have been re-shaped to focus more on outcomes rather than outputs and the regular evaluation of these

new targets by the Board will be a new and important dimension to the future work of the Board.

Under item 3 (Corporate Governance), as the SLC is incorporated as a limited company, the Board has formally adopted the revised Combined Code on Corporate Governance apart from the limited number of provisions that are inconsistent with the status of the Company as a non-departmental public body (“NDPB”). These largely relate to shareholder relationships (the Company being entirely State-owned) and the formalities of appointments to the Board. So far as the latter are concerned, the Company applies what it believes to be best practice in the public sector, with all non-executive vacancies advertised and with rigorous and competitive selection procedures being employed. The Board is structured to provide a diverse range of skills and experience.

In November 2004, the Treasury published a report of the Public Services Productivity Panel entitled “Building Effective Boards” (“BEB”). Much of the coverage of BEB is congruent with the recommendations of the Revised Combined Code, on which this review is based, but I have informally used the BEB Performance Evaluation Framework as a benchmark for this year’s review and the content of this Board Performance Review indicates that the SLC generally conforms to what BEB regards as good practice. In the expectation that the evaluation process outlined in BEB will become the standard for NDPBs, I have included a recommendation in Section 7 that we combine the Revised Common Code and BEB practices, to the extent that is possible, in future Board Performance Reviews.

- ***What has been the Board’s contribution to the testing and development of strategy?***

The Board has been closely involved in reviewing the detail of the strategic plans for the functional areas of the business. In a number of instances, the executive director responsible has been asked to review particular aspects of the proposed strategy and to report back to the Board either with a clearer or more succinct exposition. The Board is also closely involved in the development of strategies for the implementation of the provisions of the Higher Education Act and reviews progress in this area on a monthly basis. Twice a year, the Board has meetings on the longer term strategic direction of the Company.

- ***What has been the Board’s contribution to ensuring robust and effective risk management?***

The Corporate Risk Register is periodically reviewed by the Board. Detailed elements are reviewed by the Audit Committee. The risks associated with particular projects are a key part of Board discussions when individual projects come before the Board for consideration.

- ***Is the composition of the Board and its committees appropriate, with the right mix of knowledge and skills to maximise performance in the light of future strategy? Are inside and outside the Board relationships working effectively?***

When a vacancy was created by one of the non-executives retiring at the end of 2003, I proposed to Ministers that two new non-executives should be appointed, one with executive director-level experience of HR and one with similar experience in IT. Following a rigorous and competitive selection process, Barbara Duffner and Christian Torkington were appointed to the Board. Whilst Barbara’s HR experience and Christian’s IT background have been immensely useful in our discussions in those areas, the general management experience that they both have has also enabled them to make a much wider contribution to the work of the Board. I am pleased to say that this ability to take a generalist view of our business is a characteristic of each of the non-executive directors. One of our colleagues, Brian Booth,

sadly died at the end of 2004. Brian was senior non-executive director and also chairman of the Audit Committee. The role of senior non-executive director has been taken-up by Barbara Duffner. Ian Dickson, who joined the Board in April, has been appointed chairman of the Audit Committee. Overall, I believe the Board does have the right balance of background skills and competencies; the non-executives have no hesitation in bringing these to bear when required.

- ***How has the Board responded to any problems or crises that have emerged and could or should these have been foreseen?***

Whilst there have been no major crises requiring the involvement or intervention of the Board, the non-executives have been increasingly challenging when operational problems have been considered or reviewed by the Board. Probably as a result of the considerable experience of the Board, there is an understanding that even where a rigorous process of risk and programme management is in place, things do still go wrong. Whilst the Board does consider why a problem occurred in the first place, the focus of the ensuing discussion is on making sure that the appropriate lessons have been learned.

- ***Are the matters specifically reserved for the Board the right ones?***

The Company operates under an annual remit letter addressed to the Chief Executive as Accounting Officer. The matters formally reserved for the Board are listed in Appendix A. The Board also customarily covers the following matters:

- Contributing to the development of long term strategy for the business;
- Providing constructive and effective challenge to the executive team on matters brought before the Board or arising from the Board's scrutiny of the business of the Company;
- Contributing on guidance to the Company on issues coming to the Board;
- Providing independent advice to the Company on areas such as remuneration, audit matters, project delivery and customer service;
- Ensuring that the Company acts in line with Government policy and objectives at all times;
- Reviewing operational performance via monthly Management Information reports;
- Monitoring risk through the Risk Register;
- Monitoring progress of key major projects and initiatives.

As was the case last year, I recommend that the Board reviews the current formal list of reserved matters and if appropriate, revise it and submit an updated version to Ministers for approval.

- ***How well does the Board communicate with the management team, company employees and others? How effectively does it use mechanisms such as the AGM and the annual report?***

The culture of the Company is very much one of open communication and this extends to the relationship between the management team and the non-executives. Outside discussion at Board and strategy meetings, the advice of various non-executive directors is sought by

management in areas where they are known to have technical or specialist expertise. If a major operational or project problem arises, I advise the non-executive directors directly, without waiting for the next following Board meeting.

- ***Is the Board as a whole up to date with latest developments in the regulatory environment and the market?***

The Board receives a weekly summary of news and issues affecting the Company and each set of Board papers contains a business context paper which contains a round-up of news and developments which might affect the business or its operations. The latter is then discussed at the Board meeting.

- ***How effective are the Board's committees? [Specific questions on the performance of each committee should be included such as, for example, their role, the composition and their interaction with the Board.]***

The principal committees of the Board are the Audit Committee and the Remuneration Committee. The Audit Committee, now under the chairmanship of Ian Dickson, meets regularly on a scheduled basis and has a membership made up of suitably qualified or experienced non-executive directors. The Remuneration Committee, chaired by Barbara Duffner, meets when required, primarily to review the terms of proposed pay awards. I believe each committee is effective in carrying out its duties in accordance with its terms of reference.

- ***Is appropriate, timely information of the right length and quality provided to the Board and is management responsive to requests for clarification or amplification? Does the Board provide helpful feedback to management on its requirements?***

The main means of information provision to the Board is through the monthly Board pack, supplemented by oral commentary and updates at the Board by the relevant member of management. There is a standing rule on Board papers that papers on specific issues are restricted to three sides of A4 and this is a practice that works well, even if the font size of papers on occasion is somewhat small so as to get within the page limit. The quality of material in the Board pack is generally high but strategy papers (which fall outside the three page rule) still tend to be rather discursive.

Following the recommendation contained in the last Board Performance Review, representatives of various stakeholder groups involved either directly or indirectly in the business of the SLC have been invited to Board meetings in the past twelve months. Our practice has been to invite these representatives to attend the entire Board meeting. If they wish to comment or question any matter being discussed, they are free to do so but the prime purpose of their involvement is for them to present on their areas of interest and to pose questions to the Board on current issues relevant to them. These stakeholder attendances at the Board have been very useful to the Board in gaining a different perspective on the running of SLC.

- ***Are sufficient Board and committee meetings of appropriate length held to enable proper consideration of issues? Is time used effectively?***

I believe there are sufficient Board and committee meetings to enable the directors to discharge their duties satisfactorily. The length of Board meetings is usually 3 hours but on occasion if the agenda requires it, a longer meeting is scheduled. Similar flexibility is available for committee meetings. I believe that in both Board and committee meetings, time is used effectively.

- *Are Board procedures conducive to effective performance and flexible enough to deal with all eventualities?*

I believe this to be generally the case.

2. Performance evaluation of the Chairman

2.1 Background

The Student Loans Company (SLC) tries, wherever possible, to follow good practice guidelines. With this in mind, Keith Bedell-Pearce, the Chairman of SLC, asked the Non-Executive Directors to assess his performance, against the recommendations in the revised Combined Code. The shareholder representatives on the Board were also asked for their views on Keith's performance. Those views are reflected in the appropriate paragraphs below.

2.2 Assessment

The Effective Chairman

1 upholds the highest standards of integrity and probity

Keith personally upholds the highest standards of integrity and probity at all times. By his behaviour he makes it clear that he expects the same from others.

2 sets the agenda, style and tone of Board discussions to promote effective decision-making and constructive debate

Keith ensures everyone has the opportunity to challenge, express views and ask questions. Board papers are received 7 days before the Board meetings. He summarises and identifies key points from the debate in an effective manner. Occasionally, but not if the topic is particularly important, debate is curtailed in the interests of time.

3 promotes effective relationships and open communication, both inside and outside the Boardroom, between non-executive directors and the executive team

This is done, without relationships becoming so 'cosy' that the respective roles of execs and non-exec is muddled.

4 builds an effective and complementary Board, initiating change and planning succession in Board appointments, subject to Board and shareholders' approval

The non execs and shareholders believe the Board is well balanced in terms of expertise of the individual Board members and their willingness to contribute. Keith actively seeks to fill vacancies or create additional Board positions in order to develop and maintain an expertise mix appropriate to the needs of the company. He follows due process in filling Board positions.

- 5 *promotes the highest standards of corporate governance and seeks compliance with the provisions of the Code wherever possible*

Identified by Board members and shareholders as one of Keith's great strengths. Shareholders were particularly complementary.

- 6 *ensures a clear structure for and the effective running of Board committees*

There is a clear structure for the Board committees with terms of reference agreed by the Board, effective Board reporting arrangements and appropriate membership. Non- execs and shareholders are satisfied with the operation of the committees – which do not simply rubber stamp company proposals or actions.

- 7 *ensures effective implementation of Board decisions*

Generally this works well. There have been occasions where the minutes may not have fully reflected the Board's understanding of what has been agreed. There have also been occasions where more active follow up by the exec Directors would have been appropriate. The non-exec recognised that they have a role to play in addressing these points but would suggest that the Company Secretary be asked to summarise key action points at the end of each agenda item.

- 8 *establishes a close relationship of trust with the chief executive, providing support and advice while respecting executive responsibility*

There does seem to be a good working relationship. In public Keith is supportive and encouraging to the Chief Executive and Directors but clearly does challenge constructively but robustly 'behind the scenes' pushing for improved performance and focus especially in the development of strategy. On occasions (and it is on occasions) the CE can seem unnecessarily defensive when challenged.

- 9 *provides coherent leadership of the company, including representing the company and understanding the views of shareholders*

Keith is passionate about the company, its performance and opportunities. Shareholders believe he represents the company effectively behind the scenes as well as publicly. He has a very good understanding of what the shareholder wants and expects. He provides effective and highly skilled leadership recognising the political context within which it operates – while pushing at the boundaries.

Responsibilities of the Chairman

- 10 *Run the Board and set the agenda taking full account of issues and concerns of all Board members. Agendas should be forward looking and concentrate on strategic matters*

In large part the strategy for the company is set by the shareholders and the Board has an accountability for ensuring that their requirements are met in terms of delivery. This

necessitates a considerable focus on current and short term performance. The chairman does have a wider vision for the company and there is a feeling among Board members that they would like more involvement in the development of strategic options and opportunities.

11 ensure members of the Board receive accurate, timely and clear information in particular about the company's performance

Board members welcome the new reporting arrangements and the introduction of the KPIs. This is work in progress.

12 ensure effective communication with shareholders and ensure the members of the Board develop an understanding of the views of major investors

Shareholders are pleased with the communication between themselves and the chairman. Keith does ensure that the views of shareholders are understood by the Board.

13 manage the Board to ensure sufficient time for discussion of complex or contentious issues, where appropriate arrange for informal meetings before the Board. Particularly important that non-execs have sufficient time to consider critical issues

Keith balances the need to 'stick to the Agenda' with the need for complex or contentious issues to be given more time than planned. The non-execs would welcome the setting up of occasional informal meetings prior to the Board and perhaps earlier involvement in some developing issues e.g the accommodation strategy (and recognise they could have suggested this outside the current review process!)

14 take the lead in providing a properly constructed induction programme for new directors that is comprehensive, formal and tailored, facilitated by the company secretary

Non-execs were impressed with their induction programme.

15 take the lead in identifying and meeting the development needs of individual directors, with the company secretary having a key role in facilitating provision. Address development needs of the Board as a whole

Non-execs recognise that they have equal responsibility with the Chairman in identifying and seeking further development. In discussing this issue they agreed that there would be benefit in them, as a group, having a formal programme of updating on the company's activities and processes. In addition some individual development might also be appropriate

16 ensure that the performance of individuals and of the Board as a whole and its committees is evaluated at least once a year

This is done.

17 encourage active engagement by all members of the Board.

This is done, all members of the Board do get actively engaged. No-one is prevented from contributing

2.3 Good things this past year

- Effective open debate;
- Good progress in development and delivery of the single system;
- Development of a tripartite SLA and introduction of relevant KPIs;
- Increased team working among the Directors;
- Outcome of internal audit on corporate governance.

2.4 Things not so good this past year

- Some lapses in internal audit/control follow up on actions identified before the current Directors were in post;
- Scope to improve discussion of strategic issues and challenges;
- A concern that the Prince methodology is not working fully effectively (evidenced by very late reporting of a problem with release 1c of Protocol).

2.5 Conclusion

The non-execs all have a high regard for Keith's chairmanship, his passion for the company, determination to succeed and setting of clear standards of corporate governance. He operates an inclusive style and treats all Board members with courtesy and respect. We are aware that he is a very effective ambassador for the company.

Tanvi Davda, Ian Dickson, Barbara Duffner, Angela McCusker, Christian Torkington,

3. Performance evaluation of individual non-executive directors

The revised Combined Code lists the following points for individual self-evaluation and for consideration by the Chairman. It will be reviewed periodically for appropriateness and amended with the agreement of all directors.

- *How well prepared and informed are they for Board meetings and is their meeting attendance satisfactory?*
- *Do they demonstrate willingness to devote time and effort to understand the company and its business and a readiness to participate in events outside the Boardroom such as site visits?*
- *What has been the quality and value of their contributions at Board meetings?*
- *What has been their contribution to development strategy and to risk management?*
- *How successfully have they brought their knowledge and experience to bear in the consideration of strategy?*
- *How effectively have they probed to test information and assumptions? Where necessary, how resolute are they in maintaining their own views and resisting pressure from others?*
- *How effectively and proactively have they followed up their areas of concern?*
- *How effective and successful are their relationships with fellow Board members, the company secretary and senior management? Does their performance and behaviour engender mutual trust and respect within the Board?*
- *How actively and successfully do they refresh their knowledge and skills and are they up to date with:*
 - *the latest developments in areas such as corporate governance framework and financial reporting?*
 - *The industry and market conditions?*
- *How well do they communicate with fellow Board members, senior management and others, for example shareholders? Are they able to present their views convincingly yet diplomatically and do they listen and take on Board the views of others?*

In the case of each non-executive director I am able to confirm that I would respond positively in respect of each of the points.

My experience with private sector Boards leads me to the conclusion that both individually and collectively, the non-executive directors of SLC would compare very favourably with their counterparts in major businesses elsewhere. This should not be surprising as they all have held or still do hold senior-level executive positions. Whilst the non-executive directors are paid an annual fee, this is relatively modest by private sector standards for a business of the scale and complexity of SLC and inevitably the amount of time and effort put in by the individual directors means that their role as non-executive directors of SLC has a significant pro bono element to it.

Last year I said I would like to see further progress in the non-executives asking penetrating questions of the executives. I am pleased to say that this has happened. It is also good to note that this has been very much welcomed by the executive team.

Overall, I feel the SLC has a strong and diverse Board made up of non-executive directors who are committed to the continuing success of the business.

4. Summary of points made at the Board performance meeting of non-executive directors

The Board performance meeting was held on 28 June 2005 and was attended by all the non-executive directors except Christian Torkington, who was away on holiday at the time. Christian had, however, passed his comments to Barbara Duffner in advance of this meeting.

The comments of the non-execs fell into two main groupings: strategic matters and the practicalities of Board meetings.

On **strategic matters**, the directors expressed a wish to be involved earlier in the strategy development process. In particular, they would like to discuss and contribute to the early blue sky thinking on activities and initiatives that are still at the possibility stage. Although historically, the Company has been focused on delivering the practical requirements of the policy decisions of the Government and the devolved administrations, the redefinition of the role of NDPBs under Gershon and the scope for a more diverse range of activities for the Company means that strategy will increasingly mean that the Board needs to look at “what” as well as “how” things are done. The completion of the End to End Review was seen as a good transition point to bring about this change.

As I have recorded elsewhere in this review, the directors felt that the executive’s presentation of strategic initiatives, particularly in the form of papers coming to the Board, was too verbose and concentrated too much on the detailed mechanics of delivery rather than the reasons why a particular approach was being adopted and where the particular challenges and risks lay.

Turning to the **practicalities of Board meetings**, the directors said that the general structure and approach to Board meetings was fine. They did feel, however, that follow-up on matters where this was promised at Board meetings was not as prompt as it should be in some cases when the matter was not carried forward to the following Board meeting and it should be the responsibility of the Company Secretary to ensure that these longer term follow-ups do take place.

Whilst presentations to the Board were of a consistently high quality, the Directors felt that presenters should be prepared to take questions as they arose rather than asking the Board to defer questions until the end of a presentation. I agree with this.

The one other point that was raised at this meeting was that the Board should have sight of and periodically review a senior executive succession plan, up to and including direct reports to the CEO.

5. Comments from the Executive Team

I met with Ralph Seymour-Jackson, Ron Watson, Derek Ross and Chris Andrew on 18th July, 2005 to discuss this report in draft form. Wallace Gray was on annual leave and unable to attend.

The following comments were made by the Executive Team.

1. Whilst the Board does consider and "set" longer term strategy for the Company, the adoption and implementation of this big picture strategy is constrained to quite a considerable degree to what is consistent with what is laid-down as Ministerial policy and the shorter-term requirements of stakeholders. The bigger picture strategy for the Company would therefore run ahead of policy and moving forward may have to

be put on hold pending policy decisions. It was accepted that on occasion, elements of strategy may have to be modified or abandoned in the light of subsequent policy decisions.

2. Given the widening of the Company's franchise to include the Welsh devolved administration and Northern Ireland, the case was strengthening for the Company to have a more developed financial infrastructure in the form of some working capital. In addition, it would be appropriate in considering infrastructure projects (shared services as a good example) which will receive joint funding from England, the devolved administrations and Northern Ireland, the Company should host a plenary session involving representatives from these four stakeholders.
3. The Executive team (absent Ralph) did not recognise the comment in Section 2.2 (8) about the Chief Executive on occasions seeming unnecessarily defensive when challenged although, it was acknowledged that Ralph will respond in a robust way if he does not think the evidence supports a critical point being made.
4. The Stakeholder attendance at Board meetings initiated after the Board Performance Review last year had been very successful and should now be built into the annual Board programme on a more planned basis with at least two attendees a year.

6. Commentary of Recommendations contained in 2003 Board Performance Report

1. *Non-executive directors should be prepared to ask more questions by way of clarification and follow-up, especially in relation to the more technical aspects of the Company's business. As Chairman, I should facilitate more active questioning and debate when key issues come to the Board, notwithstanding time pressures.*

Comment: Informed questions and lively interventions have become a characteristic of the Board over the past twelve months. Whilst each non-exec has his or her specialist area of expertise, the willingness to question and intervene outside this area is a strong and important characteristic of the Board as presently constituted.

2. *On an occasional basis, on the afternoons of Board meetings when there are no Board committee meetings, there should be an opportunity for those directors who wish to participate to visit a particular operational area for a short briefing session and to meet members of staff from that area.*

Comment: This has happened on an ad hoc basis and has been very much welcomed by the staff having contact with the non-execs. I have recommended below (Section 7 (viii)) that these visits are arranged in future on a more planned basis.

3. *The Board should agree a definition and scope of its role in the context of the SLC's current and prospective activities and review the matters specifically reserved for Board decision, taking into account how this might interface with the Chairman's and CEO's remit letters and the role of the CEO as Accounting Officer. The resulting document should be submitted to Ministers for approval.*

Comment: The formal schedule of matters reserved to the Board is contained in Appendix A of this report. The full review mentioned in this recommendation will take place following the outcome of the End to End review

4. *Strategy papers and similar coming to the Board should be reviewed by the Company Secretary to ensure that they are sufficiently succinct whilst covering the relevant ground.*

Comment: From comments made by the non-execs, there is still some progress to be made in this respect. This is dealt with further in Section 7(v) below.

5. *The Chairman should meet with non-executive directors three times a year. This meeting, which will usually be no longer than half an hour, will take place immediately before a Board meeting. I also recommend that the non-executives and the CEO under the chairmanship of the senior non-executive director, should meet once a year to review my performance as Chairman with the results of that review being incorporated into the Board Annual Performance Report.*

Comment: a number of informal meetings have been held between myself and the non-execs this year. For the forthcoming 12 months, three meetings will be formally scheduled to coincide with Board meetings.

6. *Representatives from stakeholder organisations, which in this context should include LEAs, HEIs and the devolved administrations who do not have assessors on the Board, should be invited periodically to attend the Board to enable us to listen to issues that are important to them and present their views on how the Company is doing and how we might serve their interests better. The Board should also consider inviting the NUS to nominate someone to attend from time to time.*

Comment: This has been implemented with considerable success from the Board's point of view, with attendances from representatives of LEAs, HEIs and the devolved administrations. This programme of involvement will continue.

7. Recommendations

As a result of this review and the inputs received at the non-execs meeting of 28 June, I have the following recommendations:

- i. The Board performance evaluation process for the next twelve month period should be conform wherever possible both to the Revised Combined Code and the "Building Effective Boards" (BEB) performance evaluation framework. The Company Secretary should produce by the end of Q1 2006, a process for Board performance evaluation, with each step in the process being annotated with the requirements under the Revised Combined Code and BEB, with a note at the end of the process plan of where there are any gaps or departures. In producing the process plan, the Company Secretary will need to bear in mind that non-executive directors already give generously of their time and Board evaluation, whilst important, should do the job it is required to do and not become a burden to the directors;
- ii. Once the End to End Review has been completed, either the February or March Board meeting days should be reserved predominantly for consideration of longer term strategic issues. This meeting should be planned as an all-day session;
- iii. When new strategic ideas emerge from the executive, the thinking should be shared at an early stage with the non-execs on a possibility (even, remote possibility) basis for initial reaction, feedback or comment. This could be done if appropriate by an exchange of emails;
- iv. There should be at least one separate meeting a year limited to the non-execs, the CEO and myself which will enable the CEO to brief the non-execs on executive team performance and the status of the executive team succession plan;

- v. The Company Secretary should monitor Board papers for conformity to the three pages of A4 rule. I recommend the rule should normally apply to strategy papers, extending it to four sides in this case, unless previously agreed otherwise with me. For strategy papers conforming to the rule, I would normally expect content to be supplemented by a short presentation at the Board;
- vi. The Company Secretary should record action points during the course of the Board meeting and review these at the end of the meeting. It should be his responsibility to schedule follow-up items according to what is agreed where the item arises initially;
- vii. I should facilitate earlier involvement of non-execs on key significant issues that will come to the Board formally at some stage. This could take the form of taking soundings by phone or through an exchange of emails;
- viii. As a follow-up to the commentary on the review of recommendations contained in the 2003 Board Performance Report (see Section 5 above), I think it would be helpful to the executive team and the staff of SLC if non-execs could make occasional visits to departments within the SLC on days that they are in Bothwell Street for Board or Committee meetings. This already happens on an ad hoc basis but perhaps this could be arranged on a more planned basis in the future;
- ix. Stakeholders attendance of the kind initiated last year should now be built into the Board's annual programme with at least two attendances each year.

KB-P
18 July 2005

Appendix A

SCHEDULE OF MATTERS SPECIFICALLY RESERVED TO THE BOARD OF STUDENT LOANS COMPANY LIMITED FOR DECISION

1. Treasury policies in particular appointment of bankers.
2. Investment policies.
3. Risk management policies.
4. Significant amendments to accounting policies and procedures, including authority levels.
5. Consideration of internal audit plan as approved by Chief Executive
6. Annual and interim accounts.
7. Annual Report
8. Levels of dividend.
9. Corporate plan and budgets with reference to capital expenditure and letting of contracts.
10. Share issues.
11. Appointment and removal of auditors.
12. Appointment and terms of reference of Board committees.
13. Appointment and removal of company secretary.
14. Material guarantees to third parties.
15. Material litigation.
16. Insurance cover.
17. Material leasing or sub-leasing of premises.
18. Charitable or political donations and sponsorships.
19. Remuneration and pension policies.
20. Compliance with responsibilities concerning social, equal opportunity, health and safety, and environmental matters.

Records in the form of Board minutes must be made of all significant decisions concerning these matters, which decisions must also be taken in accordance with the requirements of the memorandum and articles of association of the company.

In the event of any such decisions being required to be made at a time other than that of a scheduled Board meeting, the Company Secretary will require to distribute, under direction of the Chairman, the necessary paperwork to allow directors to form their opinions in order that such decisions can be made in accordance with the normal rules.

Nothing in this schedule in any way supersedes the company's obligations under statute or its memorandum and articles of association.