

Meeting Our Commitment: A Report on How Navient Manages Risks



NAVIENT®

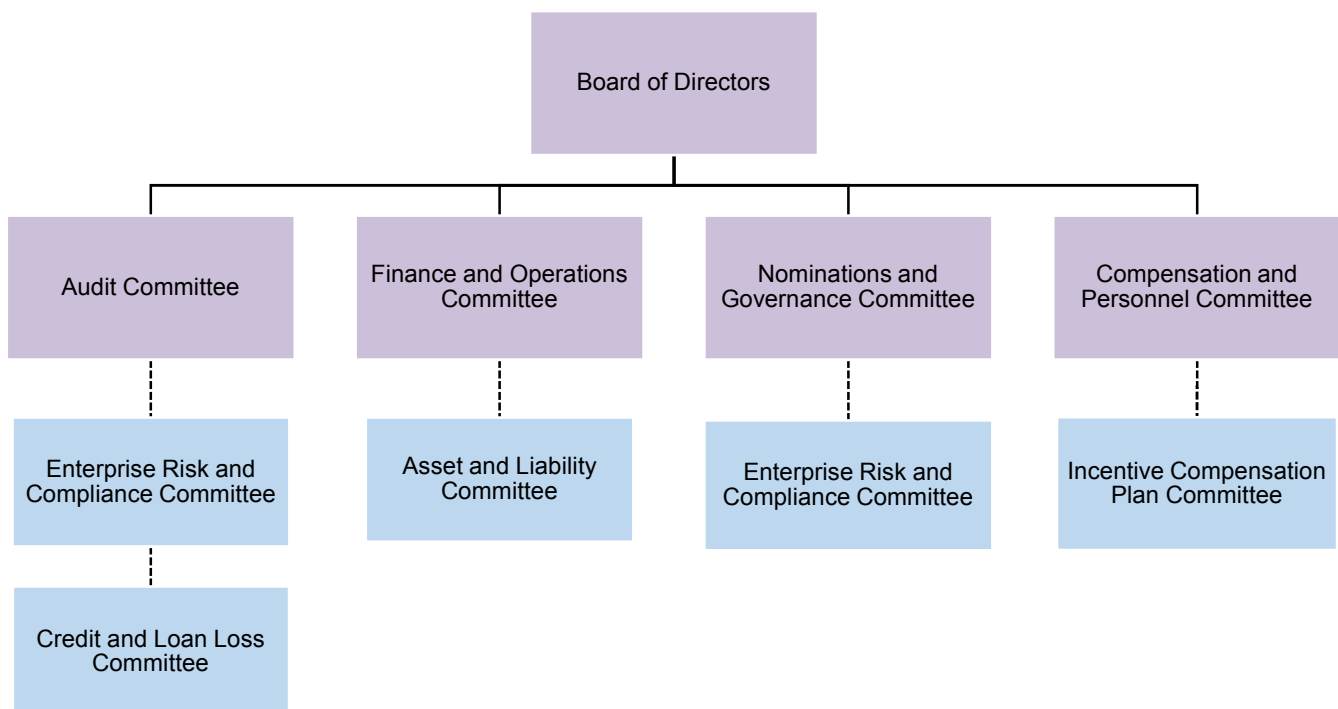
Our Commitment

Navient is committed to actively managing risk for all of our stakeholders, including our customers, clients, employees, and shareholders. We take this responsibility seriously as our success depends on the goodwill, support and success of our stakeholders. We are also committed to regularly reviewing our approaches and updating them to reflect changes, feedback and best practices. This report outlines our comprehensive approach.

Board of Directors' Role in Risk Oversight

Our Board of Directors has the ultimate responsibility for risk oversight for Navient's Enterprise Risk Management ("ERM") philosophy and framework. In carrying out this critical responsibility, the Board has designated the Audit Committee as having primary responsibility to assist the Board in the development, maintenance and governance of the company's ERM policy, standards and program. Other standing committees of the Board are charged with overseeing specific enterprise risks, as described below. The Board and its standing committees are responsible for ensuring we adhere to established risk tolerances and parameters that form a cornerstone of the company's ERM framework.

The Board has delegated day-to-day responsibility for risk oversight to our Chief Executive Officer and senior management team, who in turn have established the following management committees to implement this directive: Enterprise Risk and Compliance Committee, Credit and Loan Loss Committee, Asset and Liability Committee, and Incentive Compensation Plan Committee. These internal management committees, described in more detail below, provide regular reports to the Board and its standing committees—either directly or through one or more senior executives. The overall risk governance structure is illustrated below:



The Nominations and Governance Committee regularly reviews the composition and membership of each standing committee of the Board and makes recommendations to the Board. Outside of the SEC and Nasdaq requirements for eligibility to serve on certain committees, such as the Audit Committee and the Compensation and Personnel Committee, the Nominations and Governance Committee actively considers each committee's responsibilities, as outlined in its charter, as well as individual director skillsets when deciding which directors will serve on specific standing committees. For example, as detailed below, the Board's Finance and Operations Committee has oversight responsibility for information security and cybersecurity and therefore has committee members with that specific skillset. Likewise, our Nominations and Governance

Committee has oversight responsibility for the company's corporate governance and therefore is chaired by a lawyer who is a former SEC Chairperson and an expert in governance matters.

Enterprise Risk and Compliance Committee

The Enterprise Risk and Compliance Committee is critical to Navient's ERM framework. This management-led committee is responsible for identifying, measuring, mitigating, monitoring and reporting on all risks associated with the business operations of Navient Corporation and its subsidiaries (together, "Navient"). The Enterprise Risk and Compliance Committee provides a high-level forum for our executive management to review, discuss and direct action on enterprise risk issues. The committee is responsible for management oversight of the ERM framework and the processes for monitoring and measuring Navient's risk profile against our established Risk Appetite Framework (described below).

Our Enterprise Risk and Compliance Committee also oversees, reviews and approves Navient's compliance management program, which identifies, measures, mitigates, monitors and reports on compliance, consumer complaint processing, information security, asset protection, legal and government relations risks associated with Navient's business operations. The committee has responsibility for oversight of our compliance with laws, regulations and internal policies and programs, including:

- Consumer protections associated with debt collection and education loan management;
- Privacy of customer information;
- Navient's Code of Business Conduct
- Bank Secrecy Act, Office of Foreign Assets Control, and anti-money laundering requirements;
- Information security;
- Asset protection;
- Consumer complaint processing; and
- Vendor Management.

The Enterprise Risk and Compliance Committee is led by our Chief Risk and Compliance Officer and meets at least quarterly, preceding each regularly scheduled meeting of the Board, or more frequently as necessary. The Chief Risk and Compliance Officer, who reports to our CEO, provides regular reports to the Audit Committee and escalates to that committee any breaches of risk limits or thresholds established under the Risk Appetite Framework. These reports also include a review of corrective actions related to any breaches of risk limits or thresholds in the company's Risk Appetite Framework.

Enterprise Risk Management Policy

The Enterprise Risk Management Policy defines the overall ERM framework for Navient. This policy describes how Navient monitors, controls, and tracks material risks to which the company is exposed in the normal course of business. The policy also describes individual and functional responsibilities by Navient's ERM framework. The ERM Policy is reviewed and approved on an annual basis by our Enterprise Risk and Compliance Committee and the Audit Committee.

Risk Appetite Framework

Navient employs a Risk Appetite Framework to identify the most significant risks that could impact our business and provides the process for evaluating and quantifying those risks. The Risk Appetite Framework defines the type and degree of risk Navient is able and willing to assume, given its business objectives, contractual and other legal requirements, and obligations to stakeholders. As noted below, our Risk Appetite Framework segments enterprise risk across nine enterprise risk domains.

The Risk Appetite Framework specifies risk limits and risk thresholds for given risk domains. Risk limits set the boundary of acceptable risk levels, while risk thresholds are levels below the risk limits which serve as warning indicators and trigger additional monitoring, reporting or mitigation steps. Our internal ERM team, led by our Chief Risk and Compliance Officer, is responsible for monitoring and reporting on performance and testing against all risk limits and risk thresholds. Breaches of risk thresholds or risk limits, as well as proposed corrective actions, are reported by management to the Enterprise Risk and Compliance Committee on a regular basis. Breaches of risk thresholds, risk limits or their ongoing corrective actions continue to be reported to the Enterprise Risk and Compliance Committee at subsequent meetings as deemed necessary by the committee. The Chief Risk and Compliance Officer in turn reports information on limit breaches to the Audit Committee at least quarterly.

Enterprise Risk Domains

Our Risk Appetite Framework segments Navient’s enterprise risks into nine enterprise risk domains: (1) Credit; (2) Market; (3) Funding and Liquidity; (4) Compliance; (5) Legal; (6) Operational; (7) Reputational and Political; (8) Governance; and (9) Strategy. These risk domains are disclosed in our Form 10-K and proxy statements filed with the SEC.

The Board has assigned oversight responsibility for each risk domain to one or more of its standing committees. These risk oversight responsibilities are spelled out in each committee’s charter, which can be found at https://www.navient.com/about/investors/corp_governance/board_charters/.

Each of the enterprise risk domains is described below, along with the standing committee(s) responsible for risk oversight.

Enterprise Risk Domain	Board Committee	Risk Description
Credit	Finance and Operations Committee	Risk resulting from an obligor’s failure to meet the terms of any contract with the company or otherwise fail to perform as agreed.
Market	Finance and Operations Committee	Risk resulting from changes in market conditions, such as interest rates, spreads, commodity prices or volatilities.
Funding and Liquidity	Finance and Operations Committee	Risk arising from the company’s inability to meet its obligations when they come due without incurring unacceptable losses.
Compliance	Audit Committee Finance and Operations Committee	Risk arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards.
Legal	Audit Committee Finance and Operations Committee	Risk manifested by claims made through the legal system, including litigation brought against the company. Legal risk may arise from a product, a transaction, a business relationship, property (real, personal, or intellectual), employee conduct, or a change in law or regulation.
Operational	Finance and Operations Committee Compensation and Personnel Committee	Risk resulting from inadequate or failed internal processes, personnel and systems, inadequate product design and testing, or from external events.
Reputational and Political	Nominations and Governance Committee	Risk from negative stakeholder perceptions regarding actual or alleged violations of law, our internal code of conduct or other misconduct, as well as the risk associated with legislative and regulatory action.
Governance	Nominations and Governance Committee	Risk of not establishing and maintaining a control environment that aligns with stakeholder and regulatory expectations, including tone at the top and board performance.
Strategic	Executive Committee	Risk from adverse business decisions or improper implementation of business strategies.

Credit and Loan Loss Committee

The Credit and Loan Loss Committee is an internal management committee established to consider all matters relating to credit risk and loan loss management for Navient. It serves as the management-level forum for reviewing and approving credit and credit risk policy, credit products, pricing, and all aspects of managing and approving credit risk and the loan loss allowance at Navient. Our Chief Risk and Compliance Officer serves as the committee chairperson, who also serves as a liaison to the Enterprise Risk and Compliance Committee. The Credit and Loan Loss Committee meets at least quarterly prior to the filing of our SEC periodic filings.

Asset and Liability Committee

The Asset and Liability Committee is an internal management committee led by our Chief Financial Officer. The committee manages the assets, liabilities and the investments of Navient consistent with the guidance, goals and risk tolerance of the Enterprise Risk and Compliance Committee and the Board's Finance and Operations Committee. Our Chief Financial Officer reports on committee matters both to the Enterprise Risk and Compliance Committee and the Finance and Operations Committee. The Asset and Liability Committee meets at least quarterly.

Cybersecurity Risk

The Board, through the Finance and Operations Committee, also oversees Navient's cybersecurity risk management. The Finance and Operations Committee receives regular briefings from the company's Chief Information Officer and its Chief Information Security Officer on our information security program. These briefings include recent developments in cybersecurity prevention, detection, response and recovery, as well as updates on breaches and exploitations, both successful and unsuccessful, at other companies.

Incentive Compensation Risk

Navient maintains an internal Incentive Compensation Plan Committee to monitor incentive compensation plans, as well as the plan governance structure put in place to mitigate risks associated with the plans. The Committee has responsibility for ensuring that our incentive compensation practices properly incent our employees, do not improperly incent risk or non-compliance and reflect industry best practices. The Incentive Compensation Plan Committee conducts an annual risk review and assessment of the various incentive compensation plans covering our employees—including plans that cover our senior executives—to ensure that our employees are not incented to take inappropriate risks, which could impact our financial position and controls, reputation and operations. Our Chief Risk and Compliance Officer, Chief Legal Officer, Chief Audit Officer and Chief Human Resources Officer serve on the committee, along with senior business leaders.

Incentive awards made to our senior executives are subject to clawback in the event of a material misstatement of the company's financial results and other qualifying events. We enhanced our clawback policy twice in the last two years. In 2017, following the Compensation and Personnel Committee's extensive review and consideration of the previous clawback policy, we updated the clawback policy to give the Board discretion to recoup incentive compensation both in the event of a financial restatement and in the case of executive misconduct involving a material violation of a company policy or commission of fraud or other misconduct involving the company. In March 2018, following engagement with its shareholders, the Board further enhanced the clawback policy to add a clawback trigger in the event of misconduct committed by persons under a senior executive's supervision.

Our Operational Commitment

Our Enterprise Risk Management Program goes hand in hand with our daily operations and compliance routines, including:

- All employees participate in annual training in areas such as anti-discrimination, fair lending, and other consumer protection laws to ensure team members' compliance with laws, regulations, and policies.
- Education on our code of conduct for all new employees and regular refresher courses for existing employees
- Whistleblower Hotline to report any code of conduct violations
- Complaint tracking and analysis
- Legal and compliance expert review of marketing materials
- Regular quality assurance testing and call listening
- Consumer research to identify actionable insights to enhance our offerings

We also share learnings and make recommendations to our clients when we identify insights or opportunities that we believe would enhance their program. Further, we engage with policymakers to share practical recommendations on potential policy changes that we believe would benefit consumers.