

**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Tuesday 3rd December 2019 at (Redacted on Confidential Grounds)**

Present:

Sir Mark Boleat – Chairman
John Gill
Tracey Graham
John Howells
Lord David Hunt
Bill Raynal
Liz Richards

Apologies:

David Rigney

In Attendance:

Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive
Adrian Roberts – LINK Scheme Executive
Tom Sleight – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors and those in attendance to the meeting. He highlighted the significant issues affecting LINK which were relevant to the agenda:

- Whilst there is much variation, the decline in cash usage in recent weeks is now averaging approximately 12%, which compares with c.6% a year ago.
- (Redacted on Confidential Grounds)
- LINK is successfully keeping out of any election activity.
- The Post Office is increasingly being relied upon for access to cash.

Lord Hunt declared that his firm, DAC Beachcroft LLP, acted as solicitors to the Post Office and the Royal Mail.

The Board (with the exception of Lord Hunt who did not participate) then had a general discussion on the role of the Post Office, (Redacted on Confidential Grounds)

The Chairman reminded the Directors of their obligations under the Companies Act 2006 and the Articles of Association of the Company to declare the nature and extent of their interests (whether direct or indirect) in a situation in which he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. As required by section 175 of the Act and the Articles, each Director (as applicable) confirmed and declared the nature and extent of his/her interest (whether direct or indirect) in accordance with section 175 of the Act and the Articles (the Conflicted Directors).

Bill Raynal declared his position as a consultant to Scottish Building Society which has a contractual relationship with a Network Member.

The Chairman advised the Board that, although David Rigney was unable to attend the Board Meeting because of a previous commitment following the change of date of the meeting, he had provided input on various topics on the agenda which would be fed into the discussion. David Rigney had declared his position as Non-Executive Director of Principality Building Society which has a contractual relationship with a Network Member.

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 7th November 2019 had already been approved. The Chairman noted that the date of the next meeting in Item 22 had been incorrectly recorded. The approved minutes would be amended accordingly. **ACTION: FINANCE DIRECTOR.**

All actions from the previous meetings of the Company have been completed or were on the agenda for this or future meetings.

There were two matters arising:

(Redacted on Confidential Grounds)

3. Committee and Meeting Updates

The approved minutes of the Risk Committee held on 7th November 2019 had been included in the Board papers for this meeting.

John Gill (Chair of the Risk Committee) highlighted the main areas covered at the Risk Committee meeting. The Committee had:

- (Redacted on Confidential Grounds)
- Approved the Compliance Assurance Plan.
- Agreed that it would not recommend to the Board that LINK seeks designation under the Settlement Finality Regulations and that it is satisfied with LINK's compliance in respect of IOSCO Principle 8. A Board paper will be prepared to outline the rationale for this approach and decision. **ACTION: CRO.**
- Recommended to the Board for approval, the Business Continuity Management Framework, the Business Continuity Policy, the Code of Business Conduct and the Conduct Risk Policy.

The Board noted that a correction is required to the Risk Committee minutes. Item 9, first paragraph, second from last line, which should read "*the two lines of coverage were complementary ...*" **ACTION: CRO.**

The Board discussed the timing of the Risk Committee Effectiveness and Terms of Reference Review which expanded in to a general discussion on synchronising Committee reviews with that of the Board (see action in Item 17 below). The Board noted that the Consumer Council also had a review process, but this was different as it is not a Board Committee.

4. CEO's Report

The Board noted the contents of the CEO's Report which summarised the overall position of LINK. The key issues highlighted were:

(Redacted on Confidential Grounds)

The Board reviewed the latest data on ATMs and LINK transactions, noting that the number of free-to-use ATMs had decreased further to 46,524 at the end of October and that reductions in transaction volumes had been averaging c.12% in recent weeks.

The Board reviewed the data on network outages, noting that overall performance is satisfactory. The Board also reviewed the table of Notifiable Incidents.

The Board noted the information provided on the Vocalink Minimum Commitment Analysis, Operational Key Performance Indicators, the Financial Inclusion Programme and the LINK website.

5. Footprint Report

The Board noted the Footprint Report which outlined LINK's effectiveness in meeting its commitments to consumers and communities through the Protected ATM, Retail Centre and Community Request Initiatives, and the financial impact on Network Members.

The key issues highlighted were:

ATM Footprint

The Board noted that, since the start of the programme in January 2018, a total of 80 closed Protected ATMs have required replacement. 30 of those have been replaced (12 through Premiums, 3 through Direct Commissioning and 15 through the competitive free market). Of the remaining 50, 29 are at locations where a replacement is actively being sought and 21 are at locations where a replacement is not currently possible. The Board requested that the table showing the high-level summary of ATMs feeding through into Premiums and Direct Commissioning be extended to incorporate those ATMs (currently 30) that had completed the process. **ACTION: CCO.**

Financial Inclusion Programme ("FIP")

The Board noted that the programme is currently being updated under the guidance of the LINK Consumer Council to ensure the right areas are continuing to be targeted. The key changes are summarised below and will be made in the coming months, subject to Consumer Council support:

- The list of target areas will be refreshed based on the current Index of Multiple Deprivation data.
- Post Offices will be included as an acceptable channel to access cash and a means of resolving areas.
- Research will be commissioned from Toynbee Hall (for cities) and the CAB (for rural areas) to identify if and where pockets of financial exclusion exist.

- All outstanding areas will be manually reviewed and those that are rural with no conurbations and no retail premises that could host an ATM will be removed from the Programme.

Community Requests for an ATM

(Redacted on Confidential Grounds)

The Board agreed that the invitation to attend site visits should be extended to Members of the Consumer Council. **ACTION: CCO.**

The Board further noted that:

- (Redacted on Confidential Grounds)
- The Programme is currently a trial. Formal rules will be developed based on lessons learned after about a year.

ATM Forecast

The Board reviewed the ATM Forecast included as an appendix to the Board paper, noted the contents, and requested that this is reflected in the Strategic Plan. **ACTION: STRATEGY DIRECTOR.**

6. Communications Update

The Board noted the contents of the Communications update, in particular:

- The latest activities by Which? in its campaign for legislative guarantees of access to cash.
- The Daily Mail article on the ATM requirement at Catterick army barracks.
- The BBC Radio Kent interview.
- (Redacted on Confidential Grounds)
- That LINK will be giving evidence to the Scottish Parliament's Economy, Energy and Fair Work Committee on 10th December 2019.

7. Stakeholder Update

The Board considered the update on LINK's engagement with stakeholders, including regulators and Network Members.

(Redacted on Confidential Grounds)

8. Operational Summary

The Board considered the report on the overall operational position of LINK which provided updates in the following areas:

Operational Strategy Overview

(Redacted on Confidential Grounds)

Summary of Strengthening Member Oversight and Operational Resilience

The Board noted that, pending the publication of the joint regulatory Policy/Guidance on Operational Resilience, the Operations team has turned its focus to operational resilience within the LINK Network. The Board agreed that LINK needs to ensure that it has the appropriate oversight of Members and that the Rules are robust and in line with industry standards.

(Redacted on Confidential Grounds)

Summary of Next Steps from the Tender

The Board noted that a detailed review of the new Switching and Settlement Agreement had been carried out and all deliverables and associated timelines in the Agreement had been identified. This will form the basis of an implementation plan to be agreed with Vocalink.

Staffing and Capability Highlights

The Board noted that the contracts for the Tender Programme Manager and the Programme Management Officer have been extended by three months to manage the Operations Transformation Programme. This programme has been set up to ensure that the appropriate functions, roles, process and procedures are in place to support not only the operation of the LINK Network but the growing demands of and interactions with the wider LINK business functions.

Update on Critical Suppliers

The Board noted that, as set out in the COO Report, operations remain stable with Vocalink exceeding all SLA requirements. (Redacted on Confidential Grounds)

Member Incidents

The Board noted that Member performance has been stable with just the usual small number of Issuer/Acquirer incidents resulting in either service degradation or outages for a short period. (Redacted on Confidential Grounds)

The Board noted that the overall performance of the operations is satisfactory and that there are no major areas of concern.

9. Executive Risk Summary

The Board considered:

- (i) The key risks currently facing LINK and the actions underway to mitigate these.
- (ii) Progress in strengthening LINK's approach to managing risk.

(Redacted on Confidential Grounds)

10. Review of Policies Supported by the Risk Committee

The Board reviewed the following documents included in the Board pack which had been recommended for Board approval by the Risk Committee at its meeting on 7th November 2019:

- Business Continuity Management Framework.
- The Business Continuity Policy.
- The Code of Business Conduct
- The Conduct Risk Policy.

The Board agreed that the Code of Business Conduct should be amended to reference Director Obligations under section 172 of the Companies Act 2006. This section of the Act imposes a general duty on every director to act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole. ACTION: CRO.

The Board approved the Business Continuity Management Framework, the Business Continuity Policy, the Conduct Risk Policy and, subject to the amendment noted above, the Code of Business Conduct.

11. Finance Report

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

12. Launch of Polymer £20 Banknotes

The Board noted the update on the launch of the new Bank of England £20 banknote which is due to be issued on 20th February 2020.

13. Cash Usage Analysis

The Board noted the contents of the paper on cash usage which followed on from the paper presented at the previous meeting. The paper now compared ATM and cash usage, and cash acquisition per adult per year, over time using data from the UK Finance publications, UK Consumer Payments 2019 and 2018.

14. Approval of the Annual Scorecard Assessment and Scorecard for Next Year

The Board considered the annual Scorecard for 2020 and the performance against Scorecard objectives for 2019 as included in the Board papers.

The Board agreed changes to the proposed 2020 Scorecard under the Operations and Consumer Deliverables:

- The first deliverable within Operations should be re-worded to “*Continue to develop and implement an Operational Resilience framework to ensure risks in this area are managed appropriately*” or similar.
- The first deliverable within Consumer should be re-worded to “*Implement a revised Financial Inclusion Programme.*”
- The third deliverable within Consumer should be re-worded to “*Monitor changing consumer behaviour informed by independent research.*”
- The fourth deliverable within Consumer should be re-worded to “*Commission ATMs informed by Community Engagement Initiatives.*”

The Board approved the Annual Scorecard assessment for 2019 and, subject to the change noted above, the Scorecard for 2020.

The finalised Scorecard for 2020 will be circulated to Directors by email. **ACTION: CCO**

15. Update on the Consumer Council Annual Report

The Board noted the update on the LINK Consumer Council 2019 Annual Report and that comments from individual Directors would be welcomed for consideration by the Chair of the Consumer Council, provided this did not disrupt the timetable for production.

16. Review of the Travel and Expenses Policy

The Board considered the updated Travel and Expenses Policy included as an Appendix in the Board papers, noting that it included a small number of routine amendments to the value of certain allowances and now incorporated the “Heads of” tier of management into the rail travel policy.

On the basis of assurances given by the Scheme Executive that best value hotels are used where necessary, the Board approved the updated Travel and Expenses Policy.

17. Board Meeting Dates for 2020

The Board reviewed the proposed changes to the Board Meeting Schedule for 2020 which was included as an appendix to the Board papers.

The following changes to the draft Board Meeting Schedule presented were agreed:

- Change “*Approve*” to “*Consider the Consumer Council Annual Report*” in December.
- Changes in order to shorten and synchronise the process for reviewing the Board, Audit Committee and Risk Committee effectiveness and Committee Terms of Reference, culminating in Board sign-off in July.

- Where no formal meeting is to be scheduled for a particular month, the process whereby the CEO Report and Management Information (as needed) is distributed to the Board, will be formalised. **ACTION: COO.**

Subject to reflecting the above changes, the Board agreed the draft Board Meeting Schedule for 2020.

18. Noting of any e-mail Approvals

There were no e-mail approvals to note.

19. Any Other Business

There was one item of AOB:

(Redacted on Confidential Grounds)

20. Next Meeting

The next meetings will be:

- A Board call on Wednesday 4th December 2019 at 4.30 pm (Redacted on Confidential Grounds)
- A Board meeting to be held on Thursday 9th January 2020 at 11.00 am by conference call.