

**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 5th March 2020 at LINK’s offices (Redacted on Confidential
Grounds)**

Present:

Sir Mark Boleat – Chairman
John Gill
Tracey Graham (by phone)
John Howells
Lord David Hunt
Bill Raynal
David Rigney
Liz Richards

Apologies:

None

In Attendance:

Kate Blades – LINK Scheme Executive (*Item 16 only*)
Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive
Adrian Roberts – LINK Scheme Executive
Tom Sleight – LINK Scheme Executive
Ian Vernon – LINK Scheme Executive (*Item 5 only*)
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman declared that a quorum was present and that the meeting had been duly convened. He welcomed the Directors and those in attendance to the meeting. He then highlighted the significant issues affecting LINK which were relevant to the agenda:

(Redacted on Confidential Grounds)

- Diligent has now been introduced to manage board packs and other board papers. There will be an opportunity for Directors to give feedback on its use so far at the end of the meeting.

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.

David Rigney 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 6th February 2020 had already been approved.

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

There were no matters arising.

3. Committee and Meeting Updates

The approved minutes of the Risk Committee held on 6th February 2020 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:

(Redacted on Confidential Grounds)

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)

5. Footprint Report

Ian Vernon joined the meeting.

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 Financial Inclusion, and Community Request an ATM initiatives, and the financial impact on Network Members.

The key issues highlighted were:

ATM Footprint

The Board noted that, after taking account of a correction to the previous month's figures resulting from a Member incorrectly excluding 300 ATMs, the number of free-to-use ("FTU") ATMs continues to fall. There were 45,226 FTU ATMs at the end of January out of a total of 60,549 ATMs. With only 45 closed Protected ATMs requiring replacement, the footprint and hence the service to consumers continues to remain satisfactory.

(Redacted on Confidential Grounds)

Financial Inclusion Programme ("FIP")

The Board noted that the FIP is currently being updated under the guidance of the LINK Consumer Council to ensure the right areas are continuing to be targeted. The list of target areas is being refreshed based on the current Index of Multiple Deprivation data,

and Post Offices are now included as an acceptable channel to access cash and as a means of resolving areas. Of the 2,763 areas under the scope of the Programme, 2,163 have free access to cash through either a Post Office or FTU ATM, leaving 600 without. A second wave of analysis on the 600 areas is being performed, which will bring the number down further.

Community Requests for an ATM

The Board noted that there had been over 3,400 requests relating to 2,600 unique locations under this initiative, which was launched on 2nd October 2019, but the flow of new requests was now drying up. The likely number of ATMs that will be deployed remains in the 100-200 range as planned.

The Board considered the table comparing the source of requests, noting the much higher conversion rate (9%) of those received directly compared with via Which? (0.5%). The Board agreed that this information should be put into the public domain through the LINK monthly report. **ACTION: SD.**

The Board was informed that ATMs have been installed at 15 Direct Commissioning sites (Protected ATMs and Community Requests) to-date, with six more sites scheduled for March. The Board reviewed individual examples, including photos, of those ATMs that have been installed, noting that Directors have attended several of these locations, to demonstrate LINK's commitment to the programme.

Ian Vernon left the meeting.

6. Communications Update

The Board noted the contents of the update on LINK's communication strategy, in particular that:

(Redacted on Confidential Grounds)

7. Stakeholder Update

The Board considered the update on LINK's engagement with regulators and Network Members, including the UK Finance Community Access to Cash Pilots.

(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:

(Redacted on Confidential Grounds)

Subject to incorporating the above points, the Board approved the proposed response to the Bank's Consultation on Operational Resilience: Recognised Payment System Operators and Specified Service Providers. ACTION: COO.

(Redacted on Confidential Grounds)

Recovery and Wind Down Planning

(Redacted on Confidential Grounds)

Summary of Next Steps from the Tender

(Redacted on Confidential Grounds)

Staffing and Capability Highlights

The Board noted that the Operations and Support Services teams are still growing, with planned strengthening of individual teams in several areas.

Update on Critical Suppliers

(Redacted on Confidential Grounds)

Member Incidents

(Redacted on Confidential Grounds)

Operations Dashboard

The Board reviewed the latest data on ATMs, LINK transactions and Cash Usage by Region, noting that the number of free-to-use ATMs at the end of January was 45,226 out of a total of 60,549 ATMs and that reductions in transaction volumes had varied between 12% and 21% in recent weeks.

The Board reviewed the data on LINK Service Performance, including the table of Major Incidents.

The Board noted the information provided on the Vocalink Minimum Commitment Analysis, LINK Service Performance, Operational Programmes, LINK Liability and Settlement, Member Assurance, the Financial Inclusion Programme, the Information Security Management System and the LINK website.

9. Agenda item Redacted on Confidential Grounds**10. 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)

11. Finance Report

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

12. Approval of the Strategic Plan

(Redacted on Confidential Grounds)

13. Approach to 2020 Board and Committee Effectiveness Reviews

The Board considered the proposed methodology and timeframe for the annual effectiveness reviews of the Board and its Committees. The Board noted that LINK complies with the UK Corporate Governance Code where it is relevant in this regard. The Board further noted that none of the conditions that would require an externally facilitated board evaluation under the Code existed. Hence the Chairman had concluded that the review should be conducted in-house as it has been in previous years, although this will be reviewed on an annual basis.

The Board agreed that the review will follow the same methodology as 2019:

- Formal individual reviews, with each NED concentrating on their contribution to the Board, how their contribution is seen by others, and what more can be done to improve their contribution and expectation of their term of office. In addition to any necessary action being taken in respect of individual Directors, any general points are fed into the Board discussion of effectiveness.
- A short questionnaire to Board members asking them to rank points on a 1 – 5 scale.
- A structured discussion at the Board, considering the results of the questionnaire and then running through a checklist of key points.
- A review of the effectiveness of the Chairman, conducted by the Senior Independent Director.
- Action points based on the evaluation.

The Board agreed that there should be a consistent set of questionnaires and scoring across the Board and Committee reviews. This will include a review of the Remuneration and Nominations Committee effectiveness for the first time. The Board further agreed that the timetable should be amended so that the results of the individual Committee reviews feed into the Board effectiveness review which will now take place at the July meeting to allow time for the individual Committee reviews to be completed.

ACTION: CRO.

14. Update on LINK ATM Usage by Region

The Board considered the paper detailing the changes in ATM usage across the UK, noting the levelling up of the decline in LINK cash withdrawals by Region.

15. Agenda item Redacted on Confidential Grounds

16. HR Update

Kate Blades joined the meeting.

The Board noted the HR update. The following points were highlighted:

(Redacted on Confidential Grounds)

Kate Blades left the meeting.

17. Consideration of Changes to Information Security Management Policies

The Board considered the updated LINK Information Security Policy and its associated sub-policies (LINK Access Control Policy, LINK End User Policy, LINK Information Asset Classification Policy, LINK Incident Management Policy including the LINK Information Security Incident Report Template) which were included in the Board pack, noting that these had been reviewed at the February Risk Committee meeting and recommended to the Board for approval.

The Board approved the Information Security Policy (v2.2 dated 14/01/20) and associated sub-policies as listed above.

18. Consideration of BDO's Report on Member Assurance

The Board reviewed the report on Member assurance by Internal Audit (BDO) "*Member Monitoring Arrangements – Follow up*" included in the Board pack.

(Redacted on Confidential Grounds)

The Board approved the recommendations in the "*Member Monitoring Arrangements – Follow up*" report and endorsed the management responses.

19. Consideration of Updated ERMF

The Board reviewed the updated set of Risk Management documents, comprising the Enterprise Risk Management Framework (v4 dated 6th February 2020), Risk Appetites and Risk Taxonomy included in the Board pack and all of which have been refreshed as part of the Risk Committee's annual programme of work.

The ERMF will be updated to include external risks. **ACTION: CRO.**

Subject to the amendment above, the Board approved the updated Enterprise Risk Management Framework (v4 dated 6th February 2020), Risk Appetites and Risk Taxonomy.

20. Noting of any e-mail Approvals

There were no e-mail approvals to note.

21. Any Other Business

There were two items of AOB:

- (Redacted on Confidential Grounds)
- Directors requested that the following items are considered for the Diligent implementation by the COO. **ACTION: COO:**

- (i) Use of tabs to replicate the Board agenda.
- (ii) Activation of the print option.
- (iii) Inclusion of policies, agreements and internal audit reports.
- (iv) Inclusion of past committee papers and minutes.
- (v) Separate files for minutes.
- (vi) Supplementary packs to sit alongside main papers.
- (vii) Use of reading room for useful non-Board reports, e.g. horizon-scanning report.

22. Next Meeting

The next meeting will be held on Thursday 7th May at 10.30am (Redacted on Confidential Grounds).

Mike Knight, Graham Mott, Adrian Roberts, Tom Sleight and Sue Wallace left the meeting.

23. Regular Director Only Session

The Directors (including the CEO) held one of their scheduled sessions without the senior management team present. The discussion is recorded in a private minute.

ACTION: CHAIRMAN.