
Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting held on Thursday 6th June 2019 at (Redacted on Confidential Grounds).

Present:

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

Apologies:

None

In Attendance:

Mary Buffee – LINK Scheme Executive
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:

- There will soon be a new Prime Minister and government in place and the political focus will remain on Brexit.
- There continues to be a significant decline in transaction volumes, with each of the last six weeks registering a decrease of over 10% compared with the corresponding week in the previous year.
- The PSR has issued a paper calling for views on a “*Review of the structure of LINK interchange fees*” to which LINK has provided an initial response.
- The Board will be asked to consider the recommendation regarding the infrastructure tender from the Panel evaluation session. The process to reach this point has been a good one.
- The Board Governance Effectiveness review has been a very useful exercise which has provided a number of topics for Board consideration.

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).

David Rigney declared his position as Non-Executive Director of Principality Building Society which has a contractual relationship with a Network Member.

The Chairman informed the Board that he had recently been appointed chairman of Eldon Insurance Services Limited. He did not consider that this position would provide any conflict with the interests of the Company.

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 2nd May 2019 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

There were no committee and meeting updates to give.

4. CEO's Report

The Board noted the contents of the CEO's Report and discussed the main topics that were not covered elsewhere on the agenda:

(Redacted on Confidential Grounds)

The Board reviewed the ATM Fraud and Crime Report, noting the usefulness of the information it contained. This report will be prepared quarterly with interim updates on significant events as necessary. **ACTION : STRATEGY DIRECTOR.**

Directors discussed LINK's role in relation to fraud, noting competition issues and the importance of setting the correct expectation of LINK's role from a risk perspective. The Board was informed that the role was primarily to bring the industry, including law enforcement, together to share intelligence and knowledge. For Members, this includes the operational ATM Fraud Group. A paper on LINK's role in respect of fraud will be prepared for consideration at the November 2019 Board meeting (including details of the Operational Fraud Group). **ACTION : STRATEGY DIRECTOR/COO.**

5. Tender Recommendation from the Board Panel Evaluation Meeting

The Board considered the recommendation of the Board Panel, which had met immediately prior to the Board meeting, regarding the infrastructure tender, noting that:

- The tender team had been robustly challenged during the Panel session on the process, evaluation methodology, scoring and recommendation.

- The PSR and Bank of England had both remained closely engaged throughout the evaluation.
- The evaluation of the bids by the tender team had been performed in an extremely thorough and professional manner which had produced a clear preferred supplier.
- The process followed and the documentation produced to support the recommendation will withstand close scrutiny.
- BDO had given a positive review in its audit of the process.

The Board agreed the recommendation of the tender team that Vocalink is selected as the preferred supplier with eFunds selected as the reserve supplier.

The Board authorised the CEO and COO to:

- Advise the Bank of England and PSR accordingly.
- Notify Vocalink of its preferred supplier status and eFunds of its reserve supplier status.
- Notify Network Members of Vocalink's selection as preferred supplier and to forward the Heads of Terms for Vocalink to Network Members along with the request for an indicative poll of Member feedback.

(Redacted on Confidential Grounds)

6. Footprint Update

The Board was updated on the ATM network footprint, effectiveness of premiums, direct commissioning, response to the access to cash review, PR and public affairs, Post Office channel, PayPoint channel trial, and business rates.

(Redacted on Confidential Grounds)

Post Office Collaboration

The Board noted that a further meeting had been held with the Chairman of the Post Office to explore areas of common interest. The Post Office has subsequently been invited to become a member of the LINK Consumer Council.

The Board was informed that the launch of Post Office locations on the LINK App had now taken place.

PayPoint Channel Trial

The Board noted that the Scheme Executive and PayPoint are still working with the FCA on the regulatory structure for the terminal service. (Redacted on Confidential Grounds)

Business Rates

The Board noted that in May 2019 the Supreme Court confirmed that it will allow the Valuation Office Agency the right of appeal in its long running dispute with the major supermarkets regarding the payment of business rates on external ATMs. This means that it is now likely that the dispute will continue for a further 2-3 years with business rates being paid as normal in the meantime.

7. Draft LINK Access to Cash Commitment

(Redacted on Confidential Grounds)

8. Preparing to Set Interchange for the Next Calendar Year

(Redacted on Confidential Grounds)

9. Board Governance Effectiveness Review

The Chairman introduced the discussion on Board governance effectiveness by observing that it had been a valuable exercise, providing useful input through the questionnaire and discussions with Directors. It was particularly pleasing that there was close alignment in the scoring on the questions between the Board and the Senior Management Team.

The Board discussed the following points raised in the responses to the questionnaire:

(i) Does the Board need a formal "Terms of Reference"?

Directors commented that it would be odd for a Board to limit its powers, but a paper will be produced outlining the pros and cons of this approach for Board consideration.
ACTION : CRO.

(ii) Would a forward agenda showing standing items and items to be tabled on a set basis be useful?

This already exists, but needs to be formalized and published to the Board. **ACTION : COO.**

(iii) Would a quarterly update on all people issues be helpful?

Directors agreed that an annual review, with interim reports as needed, would be appropriate. As noted in Item 4 above, the Remuneration and Nominations Committee already considers a broad range of HR issues, not just LINK's organizational structure.

(iv) Greater understanding of the charging structure of competing schemes would be beneficial.

Directors agreed that this would be very useful. Information will be provided for the July Strategy Event. **ACTION : BILL RAYNAL / CCO.**

(v) Freeing up time for strategy/education/training would be helpful.

This was agreed and noted by the Board.

(vi) An independent review of Board effectiveness at some point would be useful.

This was agreed by the Board, but it was felt that it was not necessary yet.

(vii) Board needs to review adequacy of constitutional documents, whether the Board has the right mixture of knowledge and experience and succession planning.

It was agreed that the Board has the appropriate balance of skills.

The Board then considered the following issues:

Independence

The Board carefully considered the independence of Directors. After discussion, the Board confirmed that there had been no change to the situation in that all Directors, other than the single non-executive Director (the CEO), remained independent.

Experience and Expertise

Directors discussed the composition of the Board in terms of experience and expertise, noting that the list of requirements should be extended to include consumer and commercial skills. After discussion, the Board agreed that the Board contained the appropriate balance of experience and expertise in the areas relevant to the Company's business. The Board noted that Board development is scheduled for its next review at the September meeting, led by the CRO. A Board Development Plan will be developed for this meeting, based on feedback in the preparation for the Board Governance Effectiveness Review. **ACTION : CRO.**

Diversity

The Board noted the analysis of Directors in terms of the mix of age, sex, ethnicity and location. Whilst considering the mix broadly satisfactory, the Board agreed that the Remuneration and Nominations Committee should take this into account when recruiting successors to the current Directors.

Succession Planning

The Board noted that normal practice was for Directors to hold office for a maximum of two three-year periods, although this could be varied on a case-by-case basis if, for example, if it would avoid a large proportion of the Board needing to be replaced at the same time.

The Board agreed that the Remuneration and Nominations Committee will be asked to consider the options for dealing with the ending of the Chairman's term of office in February 2020 at its meeting on 4th July 2019. The Chair of the Remuneration and Nominations Committee will discuss this issue with other Directors prior to the meeting. **ACTION : LORD HUNT.**

Sub Committee Membership

The Board reviewed the membership of the Audit Committee, Remuneration and Nominations Committee, Risk Committee, and Consumer Council. The Board noted that, as a result of the need to rebalance workload and expertise following the appointment of new Directors to the Board in 2018, Tracey Graham will stand down from the Risk Committee. Bill Raynal agreed to join the Risk Committee in her place.

The Board also agreed that an assessment of options for a new Consumer Council Chair in good time for the end of Tracey Graham's current term should be initiated for discussion at a later Board meeting. **ACTION : TRACEY GRAHAM.**

Independent Director Sessions

The Board agreed that, in line with best practice, two Director-only sessions a year will be scheduled. The Board also agreed that it will have at least part of one meeting without the CEO being present. This will start in October, to coincide with the provision of the Board's input to the November Remuneration and Nominations Committee review of CEO and SMT compensation.

The Board agenda scheduler will be updated accordingly. **ACTION : COO.**

Attendance of Executives throughout Board Meetings

The Board considered that, given the nature of the work of LINK, it was desirable to have executives attending the whole of Board meetings, but with the provision of Director-only sessions as noted above.

Documentation

The Board noted that the Scheme Executive considers that the Scheme documentation is fully up-to-date, including:

- Memorandum and Articles of Association.
- Switching and Settlement Agreement.
- Members Agreement
- Policies.
- Terms of Reference for all Board Committees.

The Board noted that the online access tool to Scheme documentation for Directors will be commissioned and implemented by the end of Q3 2019. **ACTION : COO.**

10. Scheme Finances

The Board was updated on the Scheme's Finances.

(Redacted on Confidential Grounds)

11. Executive Risk Summary

The Board was updated on:

(Redacted on Confidential Grounds)

12. Members Agreement Changes

The Board considered the proposed changes to the Members Agreement (Redacted on Confidential Grounds)

The Board instructed the Scheme Executive to propose these changes to the Members Agreement to the Network Members for approval in accordance with the Members Agreement. **ACTION : COO.**

13. Operational Resilience

The Board noted the joint Bank of England, PRA and FCA Discussion Paper “*Building the UK financial sector’s operational resilience*”. The Board discussed LINK’s approach to operational resilience, noting that to-date it had been focused on the tender, but that the close of the tender would give the opportunity for much broader engagement towards the end of the year. The Board also noted that Raphael’s Bank had recently been fined £1.89m by the FCA and PRA in respect of failures in the systems and controls supporting the oversight and governance of its outsourcing arrangements. This reinforced the seriousness with which regulators were viewing operational resilience.

A tour of the Vocalink Data Centre will be arranged for new Directors and those Directors who were unable to attend the last tour. **ACTION : COO.**

The Board was informed that PwC had published a useful guide, “*Becoming Operationally Resilient: A Guide to Operational Resilience in Financial Services*”. This will be circulated to the Board. **ACTION : COO.**

14. Confirm Board Meeting Dates for 2020

The Board discussed and agreed the proposed meeting dates for 2020 as listed in the Board papers subject to the following amendments:

(Redacted on Confidential Grounds)

Bill Raynal gave his apologies in advance that he would not be able to attend the Board dinner on 2nd September 2020 and may not be able to attend the Board meeting on 2nd July 2020.

15. Noting of any E-mail Approvals

There were no e-mail approvals to note.

16. Any Other Business

There was no other business for the meeting.

17. Next Meeting

The next meeting will be held on Thursday 4th July 2019 at 10.30am (Redacted on Confidential Grounds)