

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 12 May 2021**

Members	Attendees
Mark Hoban (MGH) - Pay.UK Chair	Louise Beaumont (LB) - Ecosystem Engagement Lead
Richard Anderson (RA) - Independent NED	Heather Butler (HB) - Chief Services Officer
Christine Ashton (CA) - NED	Mary DaSilva (MD) - Head of Reward and Systems
Anna Bradley (AB) - Senior INED	Gregor Dobbie (GD) - CEO, Vocalink
Tim Fitzpatrick (TF) - Independent NED	Michael Ellis (ME) - Finance Director
Matthew Hunt (MH) - COO & Interim CEO	Tim Everest (TE) - Chief Transformation Officer
Jean-Yves Rotté-Geoffroy (JY)- Independent NED	Kate Frankish (KF) - Director of Strategy
Lesley Titcomb (LT) - Independent NED	Indrani Gardner (IG) - Head of Communications
Lars Trunin (LTR) - NED	Kevin Harris (KH) - Senior Finance Manager
Peter Wyman (PW) - Independent NED	Helen Hunter-Jones (HHJ) - Chief Risk Officer
	Emma Logan (EL) - Interim NPA Programme Director
	Dave McPhee (DM) - Director of Regulatory Engagement & Policy
	Scott Manson (SM) - Stakeholder Engagement
	Marc Pettican (MP) - Observer
	David Piper (DP) - Head of Service Lines
	Sherree Schaefer (SS) - HR Director
	Toby Sheldon (TS) - Director of Communications
	Louise Rebeck (LR) - Corporate Governance Manager
	David Gilbert (DG) - Company Secretary

*Due to the Covid 19 pandemic, Board members and attendees joined remotely by video conference

21/28 Opening Business

MGH welcomed Marc Pettican to the meeting, noting that he would be joining the Board once the necessary approvals had been received.

Quorum – The Chair opened the meeting and noted that a quorum was present in accordance with the Company’s Articles of Association.

Conflicts of Interest – Each director present confirmed that they had no other direct or indirect interest in any way in the proposed transactions to be considered at the meeting which they were required by section 177 of the Companies Act 2006 and the Company’s Articles of Association to disclose.

Registers – The register of gifts and hospitality together with the Directors Conflicts of Interest register, which had been circulated separately, were considered.

Minutes & Action Log – The draft minutes of the Board meetings held on 10 March and 29 April 2021 were reviewed and approved.

Progress with the current open action items was noted.

21/29 Committee Reports

The reports from the various Board Committees, updating on activity since the last Board meeting, were noted. RA drew attention to the discussions at the Risk Committee regarding the Wind Down Plan for the organisation, a copy of which had been circulated with the meeting papers, and the additional workshop on the Plan that had been held. The Board **approved** the Wind Down Plan.

It was noted that the Finance Committee were recommending Priority 19-05 for closure and this was **approved** by the Board.

MGH advised that following the recommendations of the PwC Governance Review, it was proposed that the Managed Services Committee, Legal, Governance & Standards Committee and the NPA Programme Committee be closed. It was noted that there were closing reports from each of the affected Committees in the meeting papers confirming the process that had been followed to ensure that all outstanding matters and actions had been formally handed over to management, another Board Committee or were to be adopted by the full Board. The closure of the three Committees was agreed and **approved**.

AB reported that EUAC had issued an Advice Note to the Board following its recent meeting. The note was advising of the need for assurance that, if the initial scope of the NPA was limited to Faster Payments, as per one of the options in the recent PSR Call for Views, the types of services offered by BACS would continue to be available to end users.

21/30

[Redacted - commercially sensitive]

GD joined the meeting

[Redacted - commercially sensitive]

The service issues that had taken place were summarised and MGH thanked GD for the openness and candour of his comments. He confirmed that the Board would require further updates to a future meeting to ascertain progress.

GD left the meeting

[Redacted - commercially sensitive]

KF joined the meeting

21/31 CEO's Report

MH advised that Maha El Dimachki had now returned to the FCA following her secondment and thanked her for her contribution whilst she was with Pay.UK. MH reported that a replacement Chief Payments Officer had been identified and would be joining the business on an interim basis the following month. A new Finance Director had also joined the business since the last Board meeting and would become a member of the Executive Committee.

MH commented on the current remote working arrangements, noting that the business continued to carefully follow Government guidelines. There was a process in place for colleagues who wished to go into the office and met certain criteria to be able to do so. Engagement with participants and others as to current market practice in response to working arrangements was continuing. Longer term, it was expected that a hybrid model would operate but that colleagues would be given at least until autumn to try out different working arrangements based only on their individual and team preferences.

MH highlighted that his report addressed the mechanics of approving the extension to the current supply contract with Vocalink for Bacs and Faster Payments – to match the new NPA schedule – following the Board's approval to the signing of a Letter of Intent at the March meeting.

[Redacted - commercially sensitive]

Given the level of discussion that the matter had received by the Board, MH requested that execution of the contract be delegated to CEO and Chair once regulatory approval had been received. This was **approved** on the understanding that near final terms were circulated to the Board at the time that regulatory approval was sought. **ACTION: MH to circulate**

LT sought further detail as to the Microsoft vulnerability that had been identified in email servers. HHJ confirmed that the issue had been addressed and that Microsoft had issued patches that had been applied. She further confirmed that all patching was up to date.

AB queried the current position regarding the recent call for views regarding APP scams. MH noted that the PSR had suggested that data sharing could be a potential tool to successfully facilitate the prevention of such scams. He confirmed that the executive were looking at a number of possible preventative approaches, as well as compensation arrangements, and reminded the Board that legislative changes may be required to implement a suitable solution.

KF referred to the revised KPI pack and noted that the KPIs were now closely aligned to the development of the strategy and would continue to evolve as the strategy matured. KF advised that the executive devoted a full session each month to consider the KPIs and challenged all areas that were not green.

The formatting of the report was considered and it was agreed that this would evolve to make it more user-friendly.

LTR queried the number of IT tickets raised per person per month which appeared high. HB advised that there were a number of known issues which had caused the number to increase. There had also been a number of new starters who had required support.

KF advised that a number of the current strategic initiatives were focussed on developing enhancements to existing platforms utilising the development funds held by Vocalink rather than

spending 'new' money. It was important to continue to respond to participant appetite to develop services on the existing platforms rather than wait for the NPA.

Noting that the Board had resolved to close the Managed Services Committee, MGH advised that it would be important for the Board to not lose sight of the various managed services and overlays that were provided and suggested that an annual update be brought to Board. This was agreed.

ACTION: MH

LB joined the meeting

21/32 Strategy Update

KF noted the Board's involvement in the development of the strategy refresh and set out the requirements for this to be developed further. The Board was being asked to approve the strategy paper contained in the meeting pack for internal publication, and to approve the scoping implementation plan to allow for further work to be done to enable a high-level paper and budget requirement to be presented to the July Board meeting for consideration.

MGH referred to some of the statements made in the paper that appeared to be overly ambitious. KF confirmed that the strategy was deliberately ambitious but that the statements made could be supported by data. MH confirmed that the number of challenges to the business meant that the strategy needed to be compelling for people to use Pay.UK's services rather than those being developed elsewhere. LB noted that there also needed to be a strong programme of stakeholder engagement to support the strategy, particularly with regard to the development of overlays that used the Pay.UK platform.

There was general agreement that the business needed to invest and compete to be able to survive. There was also a requirement for the business to be a thought leader and to be contributing positively to industry debate.

RA suggested that the right to operate such a strategy was in the gift of participants who provided the capital for the business to provide them with a utility platform. It was therefore important that the strategic imperatives were aligned. MGH confirmed that there was such an appetite from the CEOs of the larger participants for Pay.UK to play such a role. The Board noted that a distinct readout of the senior level conversations that were held with participants would be helpful on a regular basis. **ACTION: MGH/MH**

KF stressed that the strategy was not to take on and challenge other payments providers but to provide end users with a range of alternatives to choose from. MH added that the business fully understood that it did not have an automatic right to be the provider of choice but drew attention to the proposal that there were some elements that were appropriate for central delivery, such as a response to APP scams, whilst in other cases it was for Pay.UK to act as an enabler for others to deliver a solution.

The importance of the correct internal communications approach for the strategy refresh was emphasised to ensure that it had maximum impact and heralded the launch of the transformation process. It would also be important to demonstrate that the Board were fully supportive of the strategy once it had been formally agreed and it was proposed that some form of Board inclusion in the launch programme be considered. MGH noted that there would also need to be a further Board-level discussion before the document could be released externally.

AB challenged whether the Board was able to support the strategy refresh document as currently drafted. For example, there was uncertainty as to whether there was a consensus for a strategy that strove to be 'the preferred platform' or 'a preferred platform' and until that and other nuances were resolved the document could not be agreed. KF reminded the Board that the vision of any strategy document had to be stretching but acknowledged that the language could be reviewed to ensure that it was clear that Pay.UK was not looking to compete in all areas but was looking to provide end users with a choice.

LTR proposed that the strategy also required clarity as to its scope as to whether, for example, it was looking to address just inter-bank transfers or whether the strategy extended to all retail payments.

TF suggested that the strategy did not address how the end result could be achieved and advised that the publication of the document externally could not be supported until that had been evidenced. JY noted the significant changes in the company's culture and capability that the strategy required and supported the view that the policy should not be published until further clarity was available. MGH further suggested that it would be important for the interaction between the strategic vision and purpose to be made clearer given that participants and end users would all have different needs.

MH agreed that the points raised needed further reflection to ensure that the messaging was clear and unambiguous. Work was also required to consider the mechanics of the internal launch and ensure that a robust implementation plan was in place.

Thanking the team for the effort that had gone into the strategy plan to date, MGH confirmed that the Board supported the direction of travel that was being proposed but required further work to be done to ensure that the language was clear and unequivocal and that the implementation plan was in place.

LB left the meeting

TS joined the meeting

21/33 Stakeholder Survey Update

MH noted that the results from the first ever stakeholder survey had been included in the meeting pack and that they would feed into the metrics in the Key Performance Indicators.

TS took the Board through the key findings from the survey. It was apparent that those stakeholders closest to the organisation recognised and understood Pay.UK's role and function better than those who were more distanced. Similarly, those who used the services and engaged with Pay.UK had a better understanding than those who did not. However, the contrary position was found regarding the NPA Programme with those who were actively engaged providing less favourable scores.

KF advised that a number of areas had been identified as relevant to the KPIs and these would be monitored on a regular basis using pulse surveys. She noted that setting appropriate benchmarks was proving challenging. The results of the surveys would be reviewed monthly by the executive and provided quarterly to the Board.

LT noted that the survey had been run by an independent research company who had also collated the results. It was therefore helpful to have their unabridged summary of the findings in

the pack. MH noted that a shorter management summary had also been included to assist the Board.

MGH challenged whether the correct framework of stakeholder engagement was in place, noting that the number of channels being used did not necessarily equate to an appropriate engagement strategy. MH acknowledged that there needed to be a clear link between the proposed stakeholder engagement and the overall strategy, something the implementation of the new strategy would be designed to address.

KF & TS left the meeting

EL, SM & SS joined the meeting

21/34 NPA Update

TE advised that the overall status of the NPA Programme remained at Red given the need to ensure that the plan, identified as part of the s.82 process, had been properly embedded. Greater clarity was also required as to the overlays that were required to be in place from the outset. However, work was progressing well and it was expected that the status would be reporting at Amber by the next meeting.

TE reported that an assurance team had been established within the Programme to ensure that all of the process enhancements were being properly embedded and that the expected uplift that would create could be demonstrated.

With regards to the team capabilities, TE advised that KPMG had been onboarded during January and February to support the business. Focus was now on 'retained layer' Pay.UK hires to establish in-house competencies and address any capability gaps. Several key hires had already been identified and a number of executive searches were underway for the remainder. TE stressed that the roles were already being covered but that the focus was now on the resourcing mix and the way that those roles were filled. MGH noted the continuing focus from the regulators on capabilities and queried how those concerns would be addressed. SS confirmed that she had been working with TE to build out the team, focussing initially on the critical senior hires. Additional HR resource had also been engaged to support the NPA. A heat map was being developed that could be shared with the regulators to demonstrate the progress being made.

Noting the significant amount of activity within the NPA Programme, MGH challenged TE and EL to ensure that the Board was provided with appropriate information so that it could carry out its oversight function more efficiently and effectively. It was agreed that thought would be given to the style and content of the July reporting pack, possibly including the use of flowcharts that identified the key decisions that would be required and the likely timescales.

SM took the Board through the NPA's participant engagement update, noting that focus was on engaging with the right audience at the right time to ensure that the Programme was benefitting from industry expertise at key stages. It was understood that that it would not always be possible to achieve industry consensus on all areas. TE explained that engagement was currently with SPG members although it was accepted that the larger participants were complex organisations with complex needs. MGH noted that the pace of those conversations would be important as part of the overall participant engagement programme. AB welcomed the report and highlighted that it was imperative that the Board was kept informed of the market intelligence that was being gathered by the team so as to make informed decisions.

MGH referred to the joint letter that had been received from the Bank and PSR requesting confirmation as to how the Board would satisfy itself and evidence that the recommendations of the recent s.82 review by Deloitte had been implemented and embedded and the outcomes achieved. The work currently underway to provide that assurance was noted.

EL & SM left the meeting

MD joined the meeting

21/35 Gender Pay Gap

SS introduced the presentation, noting that the Company had met the threshold for disclosure under the relevant legislation during the previous year and was now required to make disclosures on its Gender Pay position. She explained the timescales for publishing the data and for reporting to HMRC, noting that it was best practice to provide a narrative when publishing the statistics. Given the importance of ensuring that the first statement was accurate, met the requirements and created a suitable template for future years' reporting, SS advised that external support had been sought to review the materials, with the intention of publishing the results in Q3 2021.

MD took the Board through the reporting requirements and noted that the Company's preliminary results compared favourably with the financial services sector generally. There was still more analysis to do before the final results could be published and the Board would be kept informed as to progress.

SS & MD left the meeting

ME joined the meeting

21/36 Headline Budget for Participants

PW reminded the Board that the Company provided provisional headline costs to participants so as to assist them with their own budgeting process for the following year. The Board was not being asked to formally approve a detailed budget at this stage of the process, although providing an indication to participants effectively placed a cap on known expenditure for the following year.

ME took the Board through the key points, including the indicative budget for the NPA Programme and where the revised capital target for the year had been set. A range of funding needs had then been developed. It was noted that the headline costs were broadly in line with the previous year although the impact of any savings that were achieved as part of the Vocalink contract extension had not been factored into the costings.

ME left the meeting

KH & IG joined the meeting

21/37 Financial Statements & Annual Report

HB presented the draft financial statements for 2020 and noted the work that had been undertaken to ensure that the lessons learnt from previous years had been heeded and applied. She explained that comments as to the overall tone of the document had also been incorporated into the production process.

Welcoming the progress and advances that had been made, the Board reflected on the draft statements and provided guidance on a number of areas, including the proportionate space devoted to each of the services and the need to ensure that the stakeholder feedback that was

presented to the Board earlier in the meeting was reflected. The requirements and content for the environmental impact assessment and the remuneration report were also considered.

MH thanked the team, particularly IG, for the effort that had been put into the delivery of the draft statements.

It was noted that the updated report would be sent to the external auditors the following week for their initial review. It would then presented to the Audit Committee in June for its formal sign off before being brought back to the Board in July for approval.

IG & KH left the meeting

DP joined the meeting

21/38 Investment Approval

DP referred to the request to approve expenditure from the Bacs Development Fund to implement a Direct Debit Indemnity Claim Challenge (DDIC) process via the Payment Services Website (PSW). The process was designed to encourage service users to challenge incorrect Direct Debit refunds. He noted that the work would also address a number of GDPR concerns and benefit end users. Noting that the approval had been brought to Board as the expenditure was above current delegated authority limits, the Board **approved** the investment.

DP left the meeting

21/39 Modern Slavery Statement

HHJ reminded the Board that they were ultimately responsible for the prevention of such unacceptable practices in the business and for seeking appropriate assurances from its suppliers. The Board welcomed the work that had been done to support the Statement and confirmed that it should be published on the Company’s website and a copy sent to the appropriate authorities.

There being no further business the Chair declared the meeting closed.

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Chair