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Pay. UK Limited

Minutes of a meeting of the Board of Directors held on 23 January 2023

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	Michael Ellis (ME)	Chief Finance Officer
Anna Bradley (AB)	Senior Independent NED	Kate Frankish (KF)	Chief Business Development Officer
Diane Côté (DC)	Independent NED	Sharon Hill (SH)	Head of People Operations
Helen Crooks (HC)	Independent NED	Carolyn Gibson (CG)	Head of Corporate Governance
Marc Pettican (MP)	NED	Chris Greany (CGR)	Director of Security
David Pitt (DP)	Chief Executive Officer	Lisa Mellor (LM)	Chief Risk Officer
Lesley Titcomb (LT)	Independent NED	David Morris (DMO)	Chief Technology Officer
Lars Trunin (LTR)	NED	Sherree Schaefer (SS)	Chief People & Culture Officer
Ajay Vij (AV)	Independent NED	Dan Smith (DS)	Head of Procurement
Peter Wyman (PW)	Independent NED	Shane Warman (SW)	NPA Programme Director
		Tyron Williams (TW)	Head of Inclusion
		Louise Rebuck (LR)	Company Secretary & Special Projects
		Externals	
		Simon Eacott	SPG Co-chair Head of Payments, Natwest

**Board members and attendees met using a hybrid meeting model with some attending in person and others joining remotely by video conference*

23/01 Opening Business

23.01.1 Quorum and welcome – The Chair welcomed HC and AV to their first Board meeting. He advised members would be contacted regarding the rescheduling of the Board and Executive Culture and Ways of Working sessions.

[Redacted – commercially sensitive]

23.01.3 LT reminded members they were welcome to attend the Colleague Strategy Day on 8 February.

23.01.4 The Chair confirmed a quorum was present.

23.01.5 Conflicts of Interest – The Conflicts of Interest Register and Gifts and Hospitality Register had been made available in the BoardEffect Board Reading Room (Library), prior to the meeting.

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Directors were asked to confirm they had no direct or indirect interests in relation to the business the business of the meeting.

23.01.6 Minutes– The minutes of the meeting held on 30 November 2022 were **approved** subject to the amendments discussed.

Post meeting note: All amendments requested were made, with the final version being submitted to FMID and published on the Company's website.

23.01.7 Approvals since last Board meeting – The Chair stated that since the November 2022 meeting, John Mountain had tendered his resignation, with effect from 31 December 2022, owing to the increasing demand on his time since his appointment as COO at Starling Bank. John Mountain's resignation was accepted and **Approved**.

23.01.8 LTR conveyed John's thanks to members for their support and noted it had been his pleasure to work with Pay.UK.

23.01.9 Action Log – Progress with the current open action items was noted.

23/02 Committee Reports

Risk Committee

23.02.1 DC highlighted the significant change in profile with only one principal risk out of appetite. This had been facilitated by the recent recalibration of the principal risks and the hard work of management.

23.02.2 DC provided an update on the cyber security risk managed on Pay.UK's behalf by the main FMI supplier. [Redacted – commercially sensitive]

[Redacted – Commercially sensitive]

23.02.5 DC provided an update on s.195 and confirmed 35 of the 40 actions from the Skilled Person report had been closed. She highlighted assurance in respect of this work had been received from EY and Internal Audit, and signed off by the Executive. DC confirmed the draft letter had been reviewed by the Committee and following final amendments she had been content to approve its submission to FMID. It was anticipated this would be prior to the 31 January deadline.

23.02.6 MGH flagged the 'Planning and Preparation for Technology Incidents Thematic Review Feedback' letter from FMID. The letter had been received subsequent to FMID's review of Pay.UK's self-assessment response to their questionnaire.

23.02.7 FMID's assessment ranked Pay.UK as being within the third quartile of respondents. DC noted the Risk Committee had challenged DP stating the organisation needed to be in the first quartile. DP advised a meeting had been scheduled with FMID to discuss and understand the feedback. A gap analysis would be carried out and a remediation plan submitted to FMID.

23.02.8 DP added the remediation plan requested in FMID's letter would be brought back to the Risk Committee and to the Board. **ACTION: LR/DP**

[Redacted- commercially sensitive].

Remuneration Committee

23.02.18 The Remuneration Committee meeting notes were taken as read and no questions were raised.

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Nomination Committee

- 23.02.19 MGH advised the Committee had met to discuss the recruitment of the Chair for the Industry Advisory Council. A preferred candidate, who was willing to take on this role, had been selected and DP and MGH would be meeting the nominee for an informal discussion the following week.

23/03 Executives' Reports

CEO report

- 23.03.1 The CEO Report was taken as read and DP commented that good progress had been made in 2022 including on the NPA programme. UK Finance's note in respect of the NPA programme had been added to the meeting papers. The areas highlighted in the note would provide a focus for management's attention.
- 23.03.2 Regulatory engagement had been substantial, topics included NPA, APP reimbursement, s.195 and Cloud. Good progress had been made in addressing the s.195 findings. However, the right metrics needed to be in place to enable progress on s.195 to continue to be measured. DP added an independent review had been committed to in the Risk Committee' Chair's letter to FMID.
- 23.03.3 Discussions with the PSR and Open Banking were taking place and DP stated Marion King had been confirmed as Chair of Open Banking Implementation Entity. A statement from the Joint Regulatory Oversight Committee (JROC) setting out its recommendations for the future Open Banking entity, a roadmap and vision for Open Banking, was expected in the near future. This would be shared with the Board when available.
- 23.03.4 It had been made clear at the Select Committee meeting held in December 2022 that the PSR should direct the market in relation to APP Reimbursement. At the meeting DP had been challenged on Pay.UK's course of action if a customer was non-compliant with APP Reimbursement rules. He had advised the meeting that one of the steps in the process would be to refer to the regulator and this had been supported by Chris Helmsley.
- 23.03.5 MGH referred to a question raised during the Select Committee meeting regarding Pay.UK's independence, given that its Guarantors were also its customers. At the meeting DP had responded the Guarantor structure did not impact Pay.UK's independence and had subsequently written to the Committee reconfirming this.
- 23.03.6 DP reflected having the reimbursement data would support the detection and prevention of fraud. He added a number of banks had already signed up to the Fraud Proof of Concept and it was expected further banks would commit in the near future.
- 23.03.7 The transition to the robust Third Party Management Framework provided a centralised model of management and oversight was highlighted. DP stated DMO was the accountable executive overseeing Vocalink and there had been further recruitment to enable a greater focus on the management of third parties.
- 23.03.8 Special Direction 17 set by the PSR seeking the adoption of Confirmation of Payee by a further 400 companies was noted. DP advised the regulator had helped to unblock an issue that had slowed down progress and this work was now moving forward.
- 23.03.9 KPIs were taken as read.
- 23.03.10 AB asked about the final position that had been reached on the proposed changes to Request to Pay after EUAC discussions. DP confirmed the option 'not to pay' had been removed and this

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would enable adoption to continue. AB asked for this to be communicated to EUAC. **ACTION: KF/DP**

23.03.11 DC asked where responsibility for the management of the risks associated with services provided by third parties would sit within Pay.UK. DP confirmed responsibility would sit with the accountable executive with oversight at the Executive Risk Sub-Committee and subsequently by the Risk Committee. The third party management framework would be controlled within the Procurement team to ensure a level of consistency across all suppliers. DP added this would support risk management. He confirmed supplier management had been separated from service management giving clearer accountabilities for the Executive.

[Redacted – commercially sensitive]

CFO report

23.03.13 ME stated he was seeking agreement from the Board to roll over the budget into 2023 which would provide more head room, particularly on NPA.

23.03.14 PW noted budget changes would usually come through the Audit Committee for recommendation to the Board, however, in this instance these had not been seen by the Committee, but observed these were modest changes of which he was in support.

23.03.15 Looking back at the full year ME observed the balance sheet, net assets and cash position were much the same at the end as at the beginning of the year. It had been planned to bring down the capital level and ME added this plan carried significant contingency, which was also necessary for the following year.

23.03.16 Core volumes in 2022 had been close to those forecast in the initial budget. Bacs growth persisted throughout the year whilst FPS volumes had been slightly below forecast. Core income had been in line with plan.

23.03.17 ME highlighted the drop off in headline revenue noting the underspend on CASS marketing went straight to customers through lower pricing.

[Redacted – commercially sensitive]

23.03.19 Mindful that contingency had been built up and rolled over from one year to the next AB queried how value could be obtained from it.

[Redacted – commercially sensitive]

23.03.21 ME had spoken with PW about the level of contingency who advised caution was needed. DP added the same price per click would be charted throughout the year regardless of when alternative funding was available. PW observed if this was the intention cash would need to be carefully monitored.

23.03.22 LTR queried whether Pay.UK's involvement in reimbursements would have an operational overhead and associated cost and what these would be. The meeting requested an end to end process flow chart for reimbursement be provided to make clear Pay.UK's role. **ACTION: DP/ KF**

23.03.23 DP stated the funding initiatives would be covered in the Strategy Day and added money had already been allocated for mandatory programmes of work and there was budget set aside for

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change. It was also anticipated that some of the costs associated with fraud and reimbursement could be funded from available budget.

23.03.24 DP noted It had been flagged in the PSR consultation that customers would pay for reimbursement.

23.03.25 The adjustment to the 2023 budget, as proposed was **approved** by the Board. [Redacted – commercially sensitive]

23.03.26 The Board approved the resolution required for Pictet as part of its know your customer (KYC) procedure on the purpose of Pay.UK and how its risk could be used. The Board agreed an account with Pictet be opened for the sole purpose of investing the company's surplus cash resources.

Post-meeting note

The change to Julius Bär has only recently come about as Pictet was unable to progress with onboarding due to the 'Limited by Guarantee' structure we hold. They were looking for assurance/guarantees from shareholders as well as the Board which was not feasible.

SE, KF and SW joined the meeting.

23/04 SPG Industry Update

23.04.1 SE reflected on the evolution of both Pay.UK as an organisation and the NPA programme over the last twelve months. He noted the structure of the SPG worked well and that the Terms of Reference were currently being refreshed to ensure the Group had the correct membership. He highlighted the relationship with UK Finance adding significant input was received from the Payments Board, chaired by Steve Allen, with its broader membership.

[Redacted – commercially sensitive]

SE left the meeting.

23/05 NPA

[Redacted – commercially sensitive]

DS joined the meeting.

[Redacted – commercially sensitive]

CGR and LM joined the meeting.

SW, DS and KF left the meeting.

23/06 Cyber Security

23.06.1 The Board received a briefing on cyber security from CGR covering the latest geo-political sector threat intelligence assessment from our security partners, Pay.UK's response to Russia – Ukraine from a security perspective, and common threats and vulnerabilities affecting people in senior positions, and how these could be exploited to create risk.

[Redacted – commercially sensitive]

23.06.3 CGR advised exercises had been carried out with the Executive to walk through cyber security scenarios and their response. He added honest, supportive conversations were held with the Executive that enabled the Security team to deal with threats.

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23.06.4 The meeting considered the changing geopolitical environment and what this could mean for cyber security.

23.06.5 DP requested the high level capabilities of Security team members were shared with the Board, to demonstrate the depth and strength of the team. **ACTION: CGR**

23.06.6 CGR provided a summary of how Pay.UK mitigated the risk of cyber security. DC added the Risk Committee received a regular report from CGR providing an update on how Pay.UK was protecting itself against cyber security attacks and threats.

23.06.7 DP commended the ongoing work and assurance carried out by CGR and the Security team and the value and assurance this provided.

CGR and LM left the meeting.

SS, TW and SH joined the meeting.

22/07 People

Colleague Engagement Survey

23.07.1 SS introduced SH and TW noting TW had been promoted to take on engagement and CSR in addition to inclusion.

23.07.2 Two colleague engagement surveys had been carried out in 2022 to ensure feedback was sought during the organisational design. SS confirmed the same provider had been used for the 2021 and 2022 surveys with the questions changing each year to ensure alignment with the strategy.

23.07.3 TW had spoken to colleagues about the questions and had found some questions were confusing or understood differently. Addressing these issues had helped shape this year's survey.

23.07.4 The themes colleagues scored consistently low were highlighted and DP confirmed he took accountability for the outcome of the scores for the Executive.

23.07.5 The score for organisational integrity was low with questions on values, behaviours and role modelling highlighting culture. SS added that in each survey colleagues were asked for a single word that described the organisation and this year the word was 'inclusion.'

23.07.6 TW described the All Colleague Engagement working group model and executive sponsorship of actions at both corporate and directorate level. This had been successful in 2022 and would be implemented again this year.

Gender Pay Gap

23.07.7 In 2021 Pay.UK met the reporting thresholds requiring the production and submission of a Gender Pay Gap report. The gap had increased in 2022 and, whilst still below the Financial Services norm, it was not where Pay.UK wished to be. Analysis had been carried out to understand the results and it had been determined the gap was due to structural issues within the colleague cohort and not a matter of pay inequality.

23.07.8 SS added it was recognised that longer term action was required to reduce the gap significantly. The increase was most likely due to the organisational design as the focus had been on capability and capacity without a gender lens. The details of the gender pay gap had been discussed at the Extended Leadership Team Committee (ELTC) to gain their input and the question of putting

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quotas in place was raised. The overall view of the ELTC was not to put quotas in place, a sentiment most strongly expressed by female members.

- 23.07.9 The meeting considered recruitment and how insight was gained into an agency's top line candidate pool. DC queried how shortlists would not be predominantly made up of male candidates if targets were not set for the recruiting agencies. The utilisation of targets and balance lists would enable progress to be clearly measured and would support the evidencing of the D&I strategy.
- 23.07.10 SS noted an Automated Tracking System (ATS) had been introduced in 2022, resulting in a shift from 95% hires through recruitment agencies to 70% direct. A recruitment charter had been launched to support this in-house work. Embedding these changes would be a key focus for 2023. SS agreed to reflect on building into Preferred Supplier Lists and their targets. She added ATS would enable the gender ratios to be seen at different stages of each recruitment process, which would provide the information needed to clearly identify where any issue may be.
- 23.07.11 LT queried the challenge of looking at diversity beyond gender to other protected characteristics and of this would be impacted by focusing on gender for too long. The meeting considered whether addressing the gender gap would facilitate positive change in other areas of diversity.
- 23.07.12 SS noted there was no clear mandate to obtain diversity data from colleagues however the People team continued to drive data collection on a voluntary basis.
- 23.07.13 LT asked what was being done about the development of female talent within the business. SS stated a 'Women in Leadership' programme sponsored by female executives would be run in house. The talent framework would be used to identify those women aspiring to and ready for leadership. It was agreed it would be important for the programme to have strong sponsorship from all male executives.
- 23.07.14 HC stated the way in which roles were communicated had a significant impact on candidates. SS confirmed a full review of job descriptions and job advertising materials would take place from a psychology element perspective.
- 23.07.15 Having targets and lead indicators in place would enable a good understanding of the gap. DP added diversity was particularly important. Pay.UK was on a journey and there was a need to tackle any unconscious bias, to look at both external and internal recruitment and talent. He highlighted the 'in your shoes' training recently undertaken by the Executive and the change of views expressed about the organisation on Glassdoor.'
- 23.07.16 MGH requested the next time the gender pay gap report was brought back to the Board it was clear what action had been taken to tackle the structural gap, the increased effectiveness of internal promotions and the concrete measures would demonstrate the actions taken to address the gender gap and their effectiveness. **ACTION: SS**

Employee voice in the Boardroom

- 23.07.17 LT emphasised the importance of the link between the Board and employees. She welcomed views and feedback from colleagues on her role of representing employees.
- 23.07.18 She added she would be attending an All Colleague Call and invited other members to do so too.

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- 23.07.19 The meeting considered the opportunities to engage informally with colleagues such as videos, social gatherings and brownbag sessions. DP agreed to look at how to keep LT informed of social events. **ACTION: SS/ TW**

SS, TW and SH left the meeting.

23/08 Governance

- 23.08.1 CG updated the Board on the follow-up work that would be undertaken in response to the results of PWC's review, including the use of the maturity matrix, which would incorporate the agreed success factors. This would be used to provide a continuous assessment of the development of governance effectiveness across the key areas highlighted by the report. CG drew the meeting's attention to the inclusion of systemic risk as a success factor. She added she would engage with the relevant executives to focus on where progress was needed.
- 23.08.2 The Board agreed the proposed Board Effectiveness Maturity Framework & Success Factors would be the means by which the effective governance of the business would be measured. MGH requested the actions to be taken be brought to a future meeting. **ACTION: CG**

Annual Report & Accounts

- 23.08.3 CG drew the meeting's attention to the timeline provided in the papers. She added the process for creating content for the Annual Report had begun and it was expected a version for approval would be brought to the May meeting to take to the AGM in July.
- 23.08.4 ME highlighted the timeline had a key dependency on the FMI supplier's service audit reports that would not be received until the end of March and had to be seen by the auditors.

Post-meeting Feedback

- 23.08.5 Members agreed that overall the quality of meeting papers continued to improve. MGH noted that in some instances the content needed by the Board was already provided in the cover note and was effectively duplicated in an additional paper or presentation. LT agreed in addition to this comment duplication with the content of the CEO report should be avoided.
- 23.08.6 LTR observed some papers focused on process rather than what the expected outcome would be and why Pay.UK was doing this. He added the business was good at process and the Board had confidence that the 'how' would be effective and efficient.
- 23.08.7 LTR reflected the time set aside to debate NPA at this meeting had been particularly valuable.

23/09 Any Other Business

- 23.09.1 As there was no further business the Chair thanked everyone present, closed the meeting and invited the NEDs and INEDs to remain for a private session.

Chair