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**Pay. UK Limited**

**Minutes of a meeting of the Board of Directors held on 27 September 2023**

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	Dougie Belmore (DB)	Chief Payments Officer
Anna Bradley (AB)	Senior Independent NED	David Chandler (DCh)	Director of Finance
Diane Côté (DC)	Independent NED	Kate Frankish (KF)	Chief Business Development Officer
Helen Crooks (HC)	Independent NED	Carolyn Gibson (CG)	Head of Corporate Governance
Michael Ellis (ME)	Chief Finance Officer	Andy Hollingdale (AH)	Chief of Staff (interim)
Marc Pettican (MP)	NED	Gerry Mansey (GM)	Chief Internal Auditor
David Pitt (DP)	Chief Executive Officer	David McPhee	Chief Policy & Engagement Officer
Lesley Titcomb (LT)	Independent NED	Lisa Mellor (LM)	Chief Risk Officer
Lars Trunin (LTR)	NED	David Morris (DMO)	Chief Technology Officer
Ajay Vij (AV)	Independent NED	Sherree Schaefer (SS)	Chief People & Culture Officer
Peter Wyman (PW)	Independent NED	Shane Warman (SW)	NPA Programme Director
		Tyron Williams (TW)	Head of Diversity & Inclusion
		Louise Rebeck (LR)	Corporate Governance
		Lorraine Brady (LB)	IAC Chair
		Simon Eacott (SE)	SPG Co-Chair and NatWest

*\*Board members and attendees met remotely by video conference*

**23/76 Opening Business**

[Redacted – Commercially sensitive]

*DB, SS, AH and KF left the meeting.*

Quorum and welcome

23.76.2 The Chair confirmed a quorum was present.

Conflicts of Interest

23.76.3 MGH reminded directors that under the CA 2006 and Pay.UK's Articles of Association (the "Articles"), directors were required to declare their interests to the other directors in any proposed transaction or arrangement with Pay.UK. MGH highlighted the importance of directors ensuring their entries in the Register of Directors' Interests were correct.

23.76.4 The Register of Directors' Interests had been made available for members' review and confirmation prior to the meeting.

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### Minutes

- 23.76.5 The minutes of the meetings held on 26 and 31 July 2023 were approved subject to minor amendments to the minutes of 31 July 2023.

### Matters approved since the last meeting

- 23.76.6 CG confirmed that the level of D&O insurance was collective rather than individual. It was agreed that sufficient cover was required to meet the legal fees that could be incurred for an individual. The Board **approved and ratified** the D&O insurance renewal, acknowledging the level of cover had been renewed at the previous level of £15m.

*LB joined the meeting.*

## **23/77 Committee Reports**

### IAC Committee Report

- 23.77.1 LB stated that IAC's second meeting had recently taken place. There was broad industry representation including fintechs and members who understood small businesses providing different perspectives that led to high quality debate. LB added that there had been strong engagement from Council members. The first meeting had been used for scene setting, with a deep dive covering account to account (A2A) at the second meeting. The Council had a strong appetite to see A2A developed and had observed a stronger commercial direction and framework were required. LB observed that the Council wanted to see Pay.UK playing a stronger role in moving A2A forward as it was a key player in the delivery of A2A.
- 23.77.2 The Board queried what this role would look like and LB reflected that this would depend on the broader industry. It would include involving a wider set of stakeholders in the delivery process and looking at a scheme level beyond the processing element of A2A. DP offered to discuss with LB offline the role of JROC in A2A and Pay.UK's role in the commercial environment and consumer protection. **ACTION: DP**
- 23.77.3 Noting that JROC had been put in place as the market had not been able to determine a path to A2A LTR asked whether there had been any opposition at the Council meeting to A2A. Arguments had previously been raised elsewhere that as Open Banking was funded by a small number of participants that its use to unlock the potential of A2A would enable free riding. LB said she had not sensed any strong opposition. Council members wanted to understand why they should invest and why A2A would be better. She agreed that these questions would be answered by the end user outcomes arising from A2A. There would be opportunities for greater consumer controls and a need to address the concerns of the impacts of A2A on the user experience and also on merchants. A strong framework would be required to enable competition and set out the rules for A2A.
- 23.77.4 Members agreed that the IAC meetings were productive and provided a source of insight for Pay.UK.

*LB left the meeting.*

### Audit Committee

- 23.77.5 PW drew Members' attention to the audit work that would be undertaken on transition risk and also cash management.

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- 23.77.6 GM provided a brief overview of the 2022 Internal Audit Opinion, a requirement of the Institute of Internal Auditors, the opinion provided an overview of and improvements in of Pay.UK's control environment and framework. GM added that a greater number of overdue audit actions had been seen. Often action owners had not understood the evidence required to complete actions and GM stated that Internal Audit was working with management to understand the reasons behind this trend.
- 23.77.7 The themes emerging from the audit work conducted and what they meant from a macro perspective was being reviewed. GM added that he was working closely with LM on alignment to the ERMF, with the work of the Internal Audit team.
- 23.77.8 Members requested that GM return to the Board in early 2024 to provide an update on the conclusions of the 2023 Internal Audit Opinion work, focusing on the thematics, demonstrating where Pay.UK was on in its journey in control improvements. **ACTION: GM**

*GM left the meeting.*

### Risk Committee

- 23.77.9 DC noted that a number of topics and recommendations from the Committee would be covered under later agenda items. The Board **approved** the Risk Committee's recommendation that AV be the Board sponsor for Third Party Risk.

### **23/78 Chief Executive Report**

#### CEO Report

[Redacted – Commercially sensitive]

*DCh joined the meeting.*

### **23/79 Finance Report**

[Redacted – Commercially sensitive]

*DCh left the meeting.*

*KF, SW and DM joined the meeting*

### **23/80 Pre-NPA Customer sentiment discussion**

The Board discussed the current customer sentiment on the NPA programme. [Redacted – Commercially sensitive]

*SE joined the meeting.*

### **23/81 NPA Customer Sentiment**

[Redacted – Commercially sensitive]

SE left the meeting

### 23/82 Post-NPA Customer Sentiment

[Redacted – Commercially sensitive]

### 23/83 NPA

[Redacted – Commercially sensitive]

SW, DM and KF left the meeting.

LM joined the meeting.

### 23/84 Risk Report

#### Principal Risks

23.84.1 LM observed that before she had joined the organisation Pay.UK had 26 principal risks. Since then a single suite of principal risks had been created with a full annual refresh carried out in Q1 2023. Each quarter the risks were reassessed and updated. LM noted that the risks presented were from the Q2 2023 assessment and that the Q3 assessment would be carried out in October.

[Redacted – Commercially sensitive]

#### Emerging risks

23.84.10 [Redacted – Commercially sensitive]

23.84.11 Referring to AI, LTR observed how powerful the available technology was and how it was being used to create new and convincing threats, in a very short space of time. Members considered how this could be applied to payments and also to provide information for Board that appeared to come from legitimate sources.

23.84.12 AV offered to run a deep dive on AI with both the Board and the Executive looking at the strategic opportunities and threats. He added that he would give a perspective on how companies in different industries were dealing with AI and also to cover the implications for Pay.UK. **ACTION: AV/ CG**

23.84.13 AV agreed that a great deal of harm could be done using AI and highlighted technology ownership as an emerging risk. Ownership enabled control over technology. Members discussed the pace of innovation in payments and whether any delay to the provision of the fraud POC could remove opportunities to take advantage of new innovation. AV added that there was a trend to utilise a blended model where the product was controlled and owned with some use of outsourcing.

[Redacted – Commercially sensitive]

LM left the meeting.

*TW and SS joined the meeting.*

**23/85 Culture and ways of working workshop**

- 23.85.1 TW provided members with a brief verbal update of what to expect at the 'In my shoes' session that would cover unconscious bias training.

**23/86 ESG**

- 23.86.1 SS stated that a considerable amount of work and engagement had been carried out to reach the point where an ESG strategy could be communicated. Whilst there was still further work to do a set of commitments that Pay.UK would make around ESG had been prepared.
- 23.86.2 LT requested that when communicating the ESG commitments to customers, that the language used was carefully considered, to ensure it was clear that they met expectations from end users, colleagues as well as customers.
- 23.86.3 The Board considered whether achieving net zero by 2040 was ambitious enough and queried the cost of achieving net zero by 2025. SS confirmed for Pay.UK's organisational operation net zero could be achieved earlier than 2040. [Redacted – Commercially sensitive]. SS highlighted that the intention was to reduce emissions rather than offset them. The Board acknowledged that 2040 was the floor of ambition and not the ceiling and requested that the costs of achieving net zero earlier were provided. **ACTION: SS**
- 23.86.4 AV observed that the approach was realistic and that it would be difficult to achieve a reduction of the last 10% of emissions.
- 23.86.5 The Board asked what Pay.UK's ambitions were for disclosure and whether Pay.UK would want to follow best practice and from which year-end disclosure would be made. Members discussed the standards that should be followed and DC suggested adopting those of Task Force on Climate-related (TCFD). It was agreed that there was an appetite for disclosure in line with best practice.
- 23.86.6 AB queried whether Pay.UK wanted to lead in the social and governance space and at how quickly this should be achieved, adding that the approach to be taken, would need to be signalled. SS confirmed that a statement would be made initially with five-year planning carried out, iteratively up until 2040.
- 23.86.7 SS stated that ESG would need to be woven through all Pay.UK activity . A separate ESG strategy was required, whilst ESG was embedded and it would then be part of the business strategy. The Board approved the high level ESG targets and commitments required. MGH requested that both targets and commitments were kept under review.

*SS and TW left the meeting.*

*AH, DM and KF joined the meeting*

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### 23/87 Strategy

AH stated that the strategic roadmap had been reviewed and refreshed, based on the work carried, out since the Board Strategy Day in May 2023.

[Redacted – Commercially sensitive]

#### Strategic initiatives – Bacs

23.87.6 [Redacted – commercially sensitive]

#### ICS

23.87.15 KF highlighted that there were no decisions to be made at this meeting. She noted that the ICS contract ended in 2027 and work was underway with customers.

#### Data

23.87.16 [Redacted – Commercially sensitive]

*AH, KF and SW left the meeting.*

### 23/88 Regulatory Matters

[Redacted – Commercially sensitive]

23.88.6 DM thanked the members for their feedback.

#### PFMI Self-assessment

[Redacted – Commercially sensitive]

*DM left the meeting.*

### 23/89 Policies

#### Resilience framework

23.89.1 DC stated that the framework had been discussed at the Risk Committee. The changes requested to bring Business Continuity Management, Operational Resilience and Crisis Management under the same umbrella document had been made. The standards had been articulated and the linkage between the three disciplines made clear. DC added that the Risk Committee recommended the Resilience Framework to the Board for its approval.

23.89.2 The Board **approved** the Resilience Framework.

#### Conflicts of interest policy

23.89.3 CG stated that feedback had been provided by AB prior to the meeting Noting that the policy covered the three different categories of third parties, colleagues both at the point of

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employment and whilst in post, and the Board. AB highlighted the value of Board members being involved in many different activities and the need for the policy to be more nuanced to reflect this in the management of risks arising from interests and especially perceived conflicts of interest.

23.89.4 The Board discussed the definitions that should be included in the policy to enable people to use their common-sense and self-assess whether there was a conflict.

23.89.5 CG agreed to update the policy to reflect the feedback received and to circulate the amended policy for approval offline.

### **23/90 Governance Update**

23.90.1 The paper was noted.

### **23/91 Post meeting feedback**

[Redacted – Commercially sensitive]

### **23/92 Any Other Business**

23.92.1 As there was no further business MGH thanked everyone present and closed the meeting.

23.92.2 A private session was held with the INEDs and NEDs only.

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Chair