

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 10 February 2021**

Members	Attendees
Mark Hoban (MGH) - Pay.UK Chair	Colin Bilkus (CB) - Ecosystem Strategy Manager
Christine Ashton (CA) - NED	Louise Beaumont (LB) - Ecosystem Engagement Lead
Anna Bradley (AB) - Senior INED	Heather Butler (HB) - Chief Services Officer
Tim Fitzpatrick (TF) - Independent NED	Maha El Dimachki (MED) - Chief Payments Officer
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
Russell Saunders (RSA) - NED	Helen Hunter-Jones (HHJ) - Chief Risk Officer
Lesley Titcomb (LT) - Independent NED	Emma Logan (EL) - Interim NPA Programme Director
Peter Wyman (PW) - Independent NED	Megan Lough (ML) - Strategy Manager
	Dave McPhee (DM) - Director of Regulatory Engagement & Policy
Apologies:	Dan Smith (DS) - Head of Procurement
Richard Anderson (RA) - Independent NED	Louise Rebeck (LR) - Corporate Governance Manager
	David Gilbert (DG) - Company Secretary
	Observers
	Toni Ashby (TA) - Partner, PwC
	Nicole McManus (NM) - Partner, PwC

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

21/08 Opening Business

It was noted that the meeting was being observed by PwC as part of the Governance Review.

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 13 and 25 January 2021 were reviewed and approved, subject only to MGH and MH being authorised to review the proposed redactions prior to final approval.

Progress with the current open action items was noted.

21/09 CEO's Report

MH referred to his report and highlighted the continuing impact of Covid-19, together with the associated working from home requirements, on colleagues. The recent colleague 'pulse' survey had shown that concerns over the pandemic continued although the leadership and management response scores had improved. A new executive committee structure had been put in place to allow the senior management additional time together to focus on risk, people and finance matters. LT queried whether the creation of additional meetings was appropriate or whether the issues could be addressed by greater empowerment of individuals. MH noted that the executive felt they needed more time together on these topics and agreed that the position should be kept under review, as needs may change.

MH advised that engagement with the regulators continued to be busy, with discussions regarding Pay.UK's response to the PSR's Consultation Document on the NPA and also significant engagement regarding consumer protection work.

MH noted that discussions with the Bank and participants regarding the use of Cloud technology were gaining momentum. It would be important to ensure that the current standards and rules were appropriate. MGH highlighted the need for the business to be providing strategic leadership on the matter whilst ensuring that appropriate assurance from participants was being provided. It was noted that a policy project to seek views in a collaborative manner could be a potential option.

JY requested that the Board be informed of feedback from participants as that became available. MH advised that the results of the first stakeholder survey were currently being compiled and would be shared with the Board at a future meeting. The results would also feed into the revised KPIs that were currently being developed.

Welcoming the revised format of the Report, AB requested that the Board be provided with further information on the work being done regarding the long-term future of ICS. She further suggested that it would be helpful for the Board to receive updates on the current activity within the Standards area and also on Managed Services. MH confirmed that Standards was already on the forward planner for a 'deep dive' or Board workshop later in the year, and the other asks would be factored in as further deep dives were planned.

Summarising the discussion, MGH noted that the Board had identified a number of areas where they wished to have greater insight. These included feedback from participants via the stakeholder engagement work and updates on ICS and Managed Services. The Board had also commented on the use of technology and the approach to horizon-scanning.

The Scorecard for Q4 2020 was reviewed and current activities noted.

21/10 Committee Reports

Risk Committee – in the absence of RA, MGH requested Board approval for the Financial Recovery Plan that had been circulated. Noting the governance process that the Plan had been through the Financial Recovery Plan **was approved**.

The reports from the Audit and LGAS Committees were noted.

Finance Committee – AB queried the current position regarding the management of participant funding. PW reminded the Board of the strategic approach that had been adopted to date and proposed that a short paper be brought to the Board at the next meeting to clarify the position. **This was agreed. ACTION: PW/MED**

Managed Services – The Committee's Terms of Reference were approved.

Nomination Committee – MGH referred to the appointment of Lars Trunin as a Non-Executive Director of the Company and that this **had been agreed** by the Board by email correspondence since the previous Board meeting. It was noted that the appointment was subject to the usual checks and references and that Mr Trunin was expected to commence his role at the beginning of March 2021. MGH updated the Board with the process for the selection of a CEO and advised that an external executive search agency was to be appointed to assist shortly.

DM, KF & EL joined the meeting

21/11 NPA Update

TE referred to his report and provided the Board with an overview of the current NPA Programme. The overall status remained at Red given the issues that had been self-identified and reiterated in the s.82 report that were still to be addressed. Work was continuing to develop a baselined plan by the end of March.

TE confirmed that the final s.82 report had been delivered to the regulator on time. It would be important to be able to measure implemented improvements. To assist the process, a tracker would be introduced that monitored the discovery findings and their resolution. TE advised that independent quality assurance would be used to support the process as appropriate.

Acknowledging the tight timeframe, TE advised that he expected to be able to present a Programme Plan and details of the resources required to implement it at the March Board meeting. Of necessity, the Plan would be predicated on a number of assumptions that would be refined and tested as the project progressed with amendments going through the change control process. Additionally, the range of outcomes that was possible from the PSR's consultation would also have a significant impact.

TE reported that the handover to KPMG from the previous service provider had been completed and thanked all involved in ensuring a smooth transfer of responsibilities.

TE advised the Board that the management response to the PSR's Consultation Document on the NPA was being drafted and would be considered at the March Board meeting.

TF sought clarity on the rollout of Confirmation of Payee 2 ('CoP2'), noting risks to the implementation, as there was no regulatory mandate. DM reminded the Board of the history behind the original regulator-mandated rollout and the requirement for those participants who took part in Phase One of the rollout to make technical changes to be able to implement Phase

Two. It was noted that a regulatory mandate may be required to ensure that all of the necessary changes were made. It was further noted that the end user community had been very receptive to the initial rollout and could be a useful ally in ensuring that all services were available to all users. MH confirmed that Pay.UK continued to be a strong advocate of CoP2.

MGH noted that it would be important for any changes to be undertaken in consultation with the industry to ensure that these could be accommodated within their own change programmes.

Noting that Pay.UK would be responding to the PSR's consultation, DM confirmed that a draft response would be shared with the Board at the next Board meeting once it had been through executive governance. MGH proposed, and **it was agreed**, that a short interim note be circulated to Directors before the end of the month to update them on the position. **ACTION: DM**

MH noted a change to the draft document since the joint workshop session which meant that the PSR were now consulting publically on a slightly broader range of scope outcomes.

DM & EL left the meeting

KF, LB, ML & CB joined the meeting

21/12 Strategy Discussion

MH introduced the Strategy discussion, noting that LB had recently joined the Strategy team to assist and had therefore stepped back from her membership of EUAC for the time being to ensure that there was no conflict of interest between the two roles.

MH noted that Pay.UK's original strategy had been determined as part of the Delivery Group's recommendations when the organisation was first proposed. It was now appropriate for the strategy to be refreshed and owned by the business, supported by quality analysis and with clear links between the strategy and the NPA.

KF highlighted the key areas that would form the basis for debate and noted that these had been developed based on analysis undertaken by the team. One key area was where the organisation's boundaries were to be set and whether it should engage with the wider ecosystem through facilitation, leadership, or a combination of the two.

KF emphasised that any strategy process needed to be kept under regular review and be able to adopt to changing circumstance. She cited the need for greater horizon-scanning to be undertaken to give the organisation sufficient time to move from monitoring to action if required.

LB then led the Board through a series of discussion points so as to better understand the Board's appetite on various aspects of strategy. The key themes were:

- Not to try and deliver strategy in isolation but to actively work with stakeholders (including regulators) as part of the process
- Ensure that any revised strategy document was written from a consumer standpoint
- Remove jargon and use clear language
- To reflect on whether Pay.UK was looking to be a platform leader or whether it was using platform technology as part of its overall strategy
- That any strategy put forward may not satisfy all stakeholders at all times
- To balance choice with cost and ensure that offerings were commercially viable
- To be an enabler for others ('providing the rails') and to understand the economic cost of not doing so

- To be in a position to be able to offer a real-time payments alternative to cards through FPS
- The organisation needed the correct resources and capabilities across the business to be able to implement its strategy in a credible manner
- The time and commitment to deliver any agreed strategy would be significant and should not be underestimated

MGH thanked the team for their input and for a thought-provoking discussion.

LB, ML & CB left the meeting

21/13 Operational Strategy

MED referred to her paper and noted that the strategy for the Operations area had been built using the existing six strategic objectives and in conjunction with the Strategy and Standards teams.

The key focus was to provide a robust and resilient environment for retail payments which could continue through into the post-NPA environment. A programme of cross-training was underway to ensure that there was sufficient resilience and to share existing knowledge.

The team was also keen to ensure value for money was obtained for participants either through cost management or by ensuring that enhancements – such as the consolidated assurance process – delivered value. Work was also ongoing with the main services provider to drive value for money for participants.

Noting the work that the team had done, MGH counselled that it would be important for the Operations area to be able to accommodate future requirements, with the NPA Programme being seen as a means to an end rather than being the end in itself. He suggested that it would be useful for the Board to have greater clarity on future innovation plans as these were developed over time as part of the plan to drive greater effectiveness.

KF left the meeting

DS joined the meeting

[Redacted - commercially sensitive]

Noting that a private session for Non-Executive Directors would follow, the Chair declared the meeting closed.

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Chair