

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 11 November 2020**

Directors	Attendees
Mark Hoban (MGH), Pay.UK Chair	Euan Burrows (EB), Ashursts
Richard Anderson (RA), INED	Sam Cope (SC), Senior Policy Adviser
Christine Ashton (CA), NED	Simon Deschenes (SD), Head of Finance
Anna Bradley (AB), INED	Maha El Dimachki (MED), CPO
Tim Fitzpatrick (TF), INED	Tim Everest (TE), CSO
Paul Horlock (PH), CEO	Kate Frankish (KF), Director of Strategy (NPA Product Owner)
Matthew Hunt (MH), COO	Helen Hunter-Jones (HHJ), CRO
Nathalie Oestmann (NO), NED	Dave McPhee (DM), Director of Regulatory Engagement & Policy
Jean-Yves Rotté-Geoffroy (JY), INED	Mike Owen (MO), Interim Head of NPA
Russell Saunders (RSA), NED	Philip Taylor (PT), Senior Legal Counsel
Rob Stansbury (RST), Senior INED	Lesley Titcomb (LT), Observer
Peter Wyman (PW), INED	Louise Rebeck (LR), Corporate Governance Manager
	David Gilbert (DG), Company Secretary
	Bank of England attendees:
	Simon Morley (SM)
	Stuart Campbell (SC)
	Philippa Cohen (PC)
	Justin Jacobs (JJ)
	Alison Kelly (AK)
	Robert Page (RP)
	Sophie Quarrell (SQ)
	KPMG attendees:
	Emma Logan (EL)
	Oliver Kirby-Johnson (OKJ)

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

20/84 Opening Business

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 an updated copy of the Directors Conflicts of Interest register, which had been circulated separately, were considered. The changes to the register in respect of RA were noted, together with the declarations made by MGH upon joining the Company.

Minutes & Action Log – The draft minutes of the Board meeting held on 14 October 2020 were reviewed and approved.

Progress with the current open action items was noted.

20/85 Nomination Committee Report

The Board considered a proposal from the Nomination Committee that, in the light of her other commitments, CA transition from an INED role to that of a NED until the end of her service contract and that the role continue to be remunerated. It was noted that this was not intended to set a precedent but was to allow the Board to retain her services in unique circumstances. This was agreed. It was clarified that this role was distinct to the industry representative NED roles.

CA's revised entry in the Conflicts Register was also approved.

CA, MED, TE & HHJ joined the meeting

20/86 Preparation for the Bank

PH referred to the Annual Risk Review letter that had been received and noted that the majority of the matters that it contained had been self-identified and self-declared by the business. He noted that he and MGH had met with the Bank the previous day and discussed the letter. MGH confirmed that he felt the letter to be fair and balanced. It was noted that it would be important to respond to the challenges as they were presented in the letter.

SM, JJ, SC, PC, AK, RP, SQ joined the meeting

20/87 Bank of England Annual Risk Review

[Redacted - commercially sensitive]

SM, JJ, SC, PC, AK, RP, SQ left the meeting

20/88 Chief Executive's Quarterly Report

PH referred to his report, noting the significant amount of activity that had been undertaken during the period. He highlighted that there had been no notable outages during the quarter and that a number of initiatives that had previously been paused had been restarted. Request to Pay (RtP) had gone live during the period and the Board noted the indicator mark that had been introduced for RtP following consultation with industry and utilities.

Considerable work to support colleague wellbeing had continued during the quarter. The levels of reported sickness continued to be low. PH advised the Board that the decision had been taken to defer the annual colleague engagement survey until Q1 2021 given the number of colleague pulse surveys that had recently been run and also to allow time to focus on the annual year end appraisal process.

TF noted that the annual Bacs inspections were, of necessity, being carried out remotely and queried how the lack of interaction was affecting the process. MED accepted that the process was not ideal and was being kept under review.

MED commented on the incident with ICS over the previous weekend and advised that a review had indicated issues with the provider's maintenance and change processes rather than with the software itself. A copy of the incident report was awaited. RA confirmed that the matter would be investigated further at the next Security Sub-Committee meeting.

The meeting paused to observe a period of silence and reflection at 11am.

Noting the increasing work being undertaken by the Standards area, it was agreed that this should form the focus of discussion at a future Board meeting and be added to the forward meeting planner. **ACTION: DG**

MO, OKJ & EL joined the meeting

20/89 NPA Update

MH advised that the Board would be receiving an update on client-side support onboarding and would be asked to confirm the oversight arrangements for the forthcoming reviews and consider a proposal for the ongoing reporting of the NPA programme.

MO took the Board through the proposals for acting as an Intelligent Buyer and the capabilities that were required to be able to achieve the desired outcomes. The timeline for the delivery of the various phases was noted, as was the requirement for additional support to be able to place the programme on a more sustainable delivery. Part of that support would be achieved through additional recruitment and industry secondments but there was also a requirement to re-engage with the external services provider who would be able to provide the required specialist support and additional capacity to take the project forward.

EL noted that KPMG had been appointed to assist the NPA project in Q1 2020 but that the process had been paused as a result of the Covid-19 pandemic. The project had been restarted the previous month and was currently completing the discovery phase to be able to identify key resource requirements and recommend how these could be supplemented. OKJ advised that once the critical capabilities had been identified, the team would focus on delivery management to ensure that Pay.UK and the industry were all working to deliver the same outcomes.

Considering the expected size of the team that would be tasked with delivering the NPA, the Board noted that KPMG had been involved with other, similar, projects globally and queried whether the proposed plan reflected the lessons that had been learnt elsewhere. OKJ confirmed that KPMG's proposed programme did benefit from the lessons the firm had learnt elsewhere. RA highlighted that there were also lessons from the recent ICS implementation which should be reflected.

EL commented on the workstreams that would be established to support the work. The team would work to ensure that these had the required visibility and appropriate participant involvement. It would be clear as to the required outcomes at each stage of the process.

MH clarified that the engagement was proceeding based on the original decision in early 2020. Board would get the chance to scrutinise in due course once the discovery phase was complete and an agreed structure emerged. **ACTION: MH**

EL & OKJ left the meeting

DM, KF, PT, EB & SC joined the meeting

[Redacted - commercially sensitive]

[Redacted under legal privilege]

[Redacted - commercially sensitive]

EB & PT left the meeting

[Redacted - commercially sensitive]

DM, MO, SC & KF left the meeting

20/90 Strategic Risk

HHJ presented an overview of the work that had been done to identify and confirm the strategic risks that faced the business. She noted that the work had also considered a number of emerging risks. HHJ advised that a strategy refresh was underway that could impact the risks that had been identified as it worked through the future threats and opportunities to the business and the payments ecosystem.

RA noted the work that HHJ had done since joining Pay.UK to raise the level of awareness of operational risk and also to have identified a number of key strategic risks. It was agreed that time should be devoted at a future Board meeting to consider those risks in greater detail. It was noted that this would also help to address the outstanding requirement to consider risks from a 'top down' perspective as well as 'bottom up'. **ACTION: HHJ**

SD joined the meeting

20/91 Finance Update

SD provided the Board with an update on the discussions at the recent Finance Committee meeting regarding the 2021 Budget and tariff setting process. Notwithstanding the current uncertainties regarding volumes, the Committee had felt that it was incumbent on the business to be able to consider what opportunities could be found to support participants as they sought to address the economic challenges that they were facing as a result of the pandemic. Given that the capital-raising was now expected to be complete by the year-end, it was agreed that it would be possible to collect less from participants by way of tariff than provisionally indicated earlier in the year, whilst still maintaining a level of prudence, caution and conservatism in the calculations.

MH noted the work that had been done by the finance team and the business generally to identify and control costs. A communication to participants explaining how the prudent approach that had been adopted would enable this reduction to be made would be produced. **ACTION: MH**

For the avoidance of doubt, PW reminded the Board that as part of the budget discussions the Finance Committee had agreed that certain unspent budget in 2020 relating to IT and the NPA could be rolled over into 2021.

The Board noted that the repayment of the second tranche of participants' advanced payment funding would be made in December by way of credit notes.

The Board noted that an invoice in respect of the Bank's supervisory fees was due for payment and had been brought to the Board for authorisation as the amount was in excess of the CEO's delegated authority. Noting that the invoice was within budget, the Board approved the payment as detailed in the meeting papers.

SD left the meeting

20/92 Committee Terms of Reference

Finance Committee – the Terms of Reference for the Finance Committee were reviewed and approved.

Audit Committee – the Terms of Reference for the Audit Committee were reviewed and approved.

MED, TE & HHJ left the meeting

20/93 Board Appointments

The appointment of Lesley Titcomb as an Independent Non-Executive Director with effect from 1 January 2021 for a period of three years to 31 December 2023 was agreed.

The resignations of Rob Stansbury and Nathalie Oestmann as Directors of the Company with effect from 31 December 2020 were noted and accepted. On behalf of the Board, RA thanked both directors for their service and noted the significant contribution that RST had made to the formation of the business and his work as a founder director in establishing the NPSO.

20/94 Subsidiary Board Changes

A paper setting out the proposed changes to the directors serving on the Boards of subsidiary companies within the Pay.UK group was noted and approved.

20/95 Quarterly Board Reports

The quarterly reports that had been submitted by the Board's formal committees for Q3 2020 were noted. TF drew attention to the Red-rated Cyber and Security audit report that had been included in the papers for information. He advised that the matter would be considered in detail at the forthcoming Audit Committee meeting the following week but that, given the timing of meetings, it was important for the report to be seen by the full Board at the earliest opportunity.

MH, LT, LR & DG left the meeting

20/96 Private Session

During a private session of the Board, MGH advised that he had, with regret, received and accepted the resignation of PH as CEO of the Company.

The Board agreed to appoint MH as interim CEO, subject to the necessary regulatory engagement, whilst the search for a permanent replacement was undertaken.

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

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Chair