

**PAYZONE BILL PAYMENTS LIMITED
(the "Company")**

**Minutes of a Board meeting held on Wednesday 26th January 2022 at 11:00 in
Wakefield, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ¹**

Present:

Owen Woodley Group Chief Commercial Officer, Post Office (Chair)
Andrew Goddard Managing Director, Payzone
Cathy Mayor Finance Director – Commercial, Post Office

In Attendance:

[Redacted] [Redacted] Post Office
[Redacted] [Redacted], Payzone

Apologies:

[Redacted] Post Office)

21/42 **WELCOME & CONFLICTS OF INTEREST**

ACTION:

The Chair welcomed everyone to the meeting and confirmed that the meeting was quorate. It was noted that participation was solely by conference call. However, given the requirements of the Company’s Articles of Association, the location of the meeting was agreed to be the Company’s Registered Office. No new conflicts of interest were declared.

21/43 **MINUTES**

The minutes of the meeting held on 7th October 2021, which had been circulated previously, were approved and were to be signed electronically by the Chair.

21/44 **MATTERS ARISING AND ACTIONS LIST**

The actions list from the previous Board meeting, which had been circulated previously, was noted. The following updates were provided:

Action 1 (Minute PZBPLB 20/16 (b)): Andrew Goddard explained that PZBPL (Payzone Bill Payments Limited) had circulated a notice which was in line with POL’s (Post Office Limited) guidance on returning to the office. Andrew said that PZBPL was trying to encourage colleagues to go back to office. Owen Woodley said that [Redacted] [Redacted] Post Office) advice was that social distancing POL’s office should continue and this was also what the office landlord wanted. Owen asked if this was a non-issue for PZBPL, and Andrew said that PZBPL was not insisting on the same protocol. Owen said that PZBPL should be thoughtful about accusations of inconsistency between POL’s guidance on returning to the office and PZBPL’s guidance. Nevertheless, Andrew said [Redacted] [Redacted] Payzone) had spoken to [Redacted] for advice and guidance. The action remained open.

Action 2 (Minute PZBPLB 20/20 (a)): Andrew Goddard said that the PZBPL strategy session was deferred to April where the Board would discuss the strategic direction of the business. He explained that in essence, PZBPL would take a lot of the market and the dynamics of the bill payments business. He

also said that PZBPL would widen its plan in terms of customer retail transactions, and there was a lot of work being done on network strategy. Further, Andrew said that when PZBPL were closer to the launch of Drop and Collect, he would give the Board an overview of this. Andrew outlined some other topics that he wanted to discuss at the strategy session: the underperforming parts of the business; a deep dive on some areas which were discussed in trading meetings that the Board needed a good perspective on and; people and structure, including some of PZBPL's work on talent development. Owen said that the date of the PZBPL's April 2022 strategy session may need to change as there were calendar clashes. Andrew Goddard said that he would issue a document/plan for the strategy session. The action remained open.

Action 3 (Minute PZBPLB 20/22 (f)): [REDACTED]

[REDACTED] The action remained open.

Action 4 (Minute PZBPLB 20/22 (h)): The Drop and Collect launch was delayed. The action remained open.

Action 5 (Minute PZBPLB 21/37 (b)): See the Risk and Compliance Update. This action was closed.

Action 6 (Minute PZBPLB 21/37(c)): Andrew Goddard explained that this HR insurances were retrospective and covered PZBPL from 1st September 2021 to August 2022. This action was closed.

21/45

BUSINESS UPDATE INCORPOATING:

(a) Q3 Performance Review & 22/23 Budget Update

Andrew Goddard introduced the paper and explained that Post Office had strong delivery across telecommunications, utilities, reseller, and energy, offset by underperformance in card acceptance, fees and transport. Further, he said that there was a bullish growth trajectory on the PZBPL side.

Moreover, Andrew said that there were implications as to how the profitability of PZBPL was reported. Also, there were more strategic initiatives such as Drop and Collect that were not revenue generating.

Cathy said that from a legal standpoint, it was not good for Payzone to be subsidising POL. Owen added that this was not a sustainable situation and that Post Office needed to think about how these inter-company commercial arrangements were dealt with.

Andrew said that the projections towards the end of the financial year were good, particularly in regard to EBIDTA (earnings before interest, taxes, depreciation, and amortisation). Cathy asked if this was combined rather than for the individual entity, to which Andrew said that it was combined.

Andrew explained that energy was strong and that the next couple of weeks were critical in regard to government announcements to protect vulnerable customers. He also said that PZBPL had resource planned to be able to scale the publicity from this. Also, the core transactions trajectory was positive.

Further, Andrew said that there was a dip in some other revenue generating transactions these transactions, notably when [REDACTED] lost some of its

customers. He also said that resellers and telecommunications followed the year on year pattern.

Cathy said that it needed to be easier to see each legal entities' trading trends versus the Group (Post Office Group). Further, she said that there was a concern in regard to the non-core business. She questioned why the PZBPL thought that the performance of the non-core business would turn improve, as outlined in the budget.

Andrew explained that there were more PayzonePlus+ devices being sold, and the expectation was that PZBPL would deliver. Also, he said that PZBPL sent 5,000 emails to the market and engaged with 18 retailers in the last week. He said PZBPL was encouraged by ability to sell the device to new customers and then turn its attention to the existing estate.

In regard to the budget, Andrew said that [REDACTED] had done a great job. He explained that [REDACTED] had looked at all of the cost base and key customers, and went by sector and client, looking at the existing portfolio and seeing what the normal trading decline may be. Moreover, PZBPL was looking at where it could drive improvements for example in fees and card revenue.

Further, Andrew said that the focus for next year was driving energy clients and getting them onboarded quickly. He reiterated that PZBPL was selling more PayzonePlus+ devices and that PZBPL was looking at whether it could increase up the fee of the devices.

[REDACTED]

Cathy added that bill payments would be complicated. Further, she said that PZBPL needed to understand the choices that could be genuinely made. Although she understood that Andrew was optimistic regarding trading, she said that this was different from how Alisdair Cameron (Group Chief Financial Officer, Post Office) looked at things. Moreover, Cathy said that PZBPL needed to be careful about narrating the downside risk and not being too enthusiastic about the upside risk.

Andrew agreed with Cathy and said that it was a tough budget and plan to deliver. He explained that PZBPL had to deliver to their clients so the assumption was that the clients would be onboarded on time.

[REDACTED]

Cathy thought that it would also be helpful to articulate what was running in both networks, for example Drop and Collect. Further, she said that there was cost challenges across the Group.

Andrew Goddard said that he would give the Board pointers about how much of the cost based is related to the non-core business at the end of the week.

Cathy said that PZBPL had to be in sync with the Group. Also, she explained that there was a worry about the 2% pay rise on the back of this financial year and the impact that it would have on morale. Owen said that this boiled down to the funding discussion. █████ explained that all of POL's pay rises were central however for the subsidiaries, this was in the product area. Cathy also explained that the Group needed to reach a certain profit in order to present pay rises before the Rem Co (POL Remuneration Committee). Owen said that there needed to be clarity in the budget on which goals the Group needed to reach, and the goals that PZBPL needed to reach. Andrew Goddard said that PZBPL would clarify this.

AG

As such, the Board **DISCUSSED** the Q3 Performance Review & 22/23 Budget Update.

(b) Risk and Compliance Update

█████ introduced this item and said that PZBPL were ahead of where he said the company would be at the last meeting. Moreover, he said that PZBPL had completed more financial crime items as well as 9 out of 10 internal audit actions.

Further, █████ said that by September 2022, PZBPL should have completed its financial crime recommendations and adopted all Group policies. Also, he explained that after September 2022, when Group Policies were updated, he would ask the Board to approve the adoption of the policies. Cathy thought that PZBPL had made good progress with this.

█████ explained that PZBPL had nearly implemented all Group policies and that PZBPL employees had completed their mandatory training. He said that he would provide a risk and compliance update to the Board Oct 2022.

Accordingly, the Board **NOTED** the Risk and Compliance Update and **APPROVED** the following policies for adoption by PZBPL:

- Conflicts of Interest
- Contract Execution Policy
- Modern Slavery Statement
- Change Management Policy
- Freedom of Information
- Protecting Personal Data Policy
- Vetting Employee Fit & Proper Policy

(c) Performance Bonus & Objective Setting (verbal)

Andrew Goddard said that PZBPL had issued details to those staff members entitled to bonuses for the 2021/22 financial year.

Moreover, he explained there was a challenge with PZBPL agreeing on performance targets for the 2022/23 financial year with ██████████, Post Office).

The Rem Co had said that PZBPL as an entity would have its own performance targets. He said thought that it was strange for PZBPL to have performance targets that were different from POL.

Owen said that this was further complicated by the fact that PZBPL were contributing to the wider Post Office directory.

Andrew suggested that PZBPL would revert back to the Rem Co when those performance targets had been set.

Owen asked if this could be dealt with by setting performance objectives, and Andrew said that this was not in the briefing that [REDACTED] gave to the Rem Co.

Cathy thought that this was more than just a mismatch between the management and team. In addition to that, she said that a lot the work that POL's subsidiaries were doing, were supporting the Post Office Network.

Andrew said that he would discuss this with [REDACTED]

The Board **DISCUSSED** PZBPL's Performance Bonus & Objective Setting.

(d) Technology Consultancy Update
[REDACTED] *joined the meeting.*

[REDACTED] introduced explained to the Board that in October 2021, he went through IT objectives for Payzone and agreed these objectives with Jeff Smyth (Group Chief Information Officer, Post Office) and Andrew Goddard. Following that session, PZBPL obtained approval for Encordia to provide IT consultancy services.

The first area that was looked in at was architecture. He said that PZBPL's current architecture was ok and reflected the fact that that the IT security team and PZBPL IT team had been working together. The final area related to how the PZBPL IT operating model and the POL IT model dealt with things. [REDACTED] explained that his team would finish the work in the next few weeks and give an update to Jeff Smyth and Andrew.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] said that his team and Encordia team had put together a future roadmap. Additionally, [REDACTED] and his team planned to meet with the PZBPL lead team to look at Encordia's recommendations including the risks. Owen asked when the recommendations would be ready by, to which [REDACTED] confirmed that they would be ready by the end of March 2022.

Andrew explained that PZBPL was linking this work and the budget together. Also, he said that PZBPL needed to look at the options which would be integrated when it came to changing the core settlement engine. This piece of core architecture was key. [REDACTED] said that Post Office had a robust settlement engine but that at the moment, PZBPL could not use it. Nevertheless, he said that he was looking at how PZBPL would be able to use Post Office's settlement engine.

Further, [REDACTED] said that on the change side, teams were delivering output. However, PZBPL did not do the scope, initiating and planning of projects very well, which meant that teams would end up teams having different views on what the scope was. Nevertheless, there were good project delivery frameworks in place and the delivery framework were perhaps heavier than what PZBPL needed.

In regard to tooling, PZBPL just had SharePoint lists. Colleagues would write a lot of information about projects, which was not every useful. He said that PZBPL could use some other tools from POL and that this tooling was not expensive. The tooling would give more clarity about which tasks belong to whom and how they would be managed.

The next steps were to look at how PZBPL wanted to deliver change, and in particular looking at hand offs and responsibility. Accordingly, [REDACTED] said that the PZBPL lead team would work on deciding the manner in which change was delivered and have discussions about ownership and product prioritisation.

Andrew Goddard said that this work would help give assurance to POL about PZBPL's development work and that this was very important.

Cathy said that it was sensible to bring this into the strategy session, particularly in regard to affordability. AG/[REDACTED]

[REDACTED] explained that in regard to the change work, this would not cost any more money however the architecture would cost more money. Nevertheless, he said that he did not intend to come back to the Board to ask for more money. Moreover, he said that PZBPL needed to make sure that it could take into account a burst of new work.

Accordingly, the Board **NOTED** the Technology Consultancy Update.

[REDACTED] left the meeting.

21/46

GOVERNANCE

(a) Revised Matters Reserved to the Board

[REDACTED] introduced this item and explained that the Matters Reserved to the Board had not allowed PZBPL senior management team (direct reports to the Managing Director) to delegate authority to their direct reports.

Accordingly, the PZBPL senior management team wanted to make an amendment to the Matters Reserved to the Board to be able to delegate a £20,000 spend authority to their direct reports.

As such, the Board **APPROVED** the revised Matters Reserved to the Board and associated Appendices to be effective from 27th January 2022.

(b) New Approach to Liabilities and Indemnities

explained that in September 2021, the POL Board approved a new approach to liabilities and indemnities when approving contracts via the Contract Approval Process. The proposed approach meant that for PZBPL, the PZBPL Qualified Legal Counsel and the Contract Owner would look at the risks that the liabilities and indemnities in each contract carried and assess whether they were low risk, medium risk, or high risk. Where risks were deemed to be medium/high, additional approval of the contract would be needed by Group Legal Director.

Accordingly, the Board **APPROVED** the proposed changes to sign offs with respect to unlimited liabilities and indemnities under the Contract Approval Process as set out in the papers.

21/47 **MEETING EFFECTIVENESS FEEDBACK**

Cathy thought that the papers were good.

21/48 **ANY OTHER BUSINESS**

Andrew Goddard said that (Payzone) was doing a great job with policies. He explained that had engaged with a third party on climate change and CO₂ emissions, and PZBPL wanted to change these discussions into a climate action.

Andrew said that PZBPL being environmentally friendly was a positive for the company. Moreover, he said that PZBPL would compile discussion with third parties into a plan and statement and discuss this with (, Post Office).

Further, Andrew said that PZBPL was working through the governance on the concession agreement to enable Drop and Collect. He said that this would give PZBPL and clients the ability to operate Drop and Collect. Additionally, this would give PZBPL the ability to align Drop and Collect with POL.

21/49 **NEXT BOARD MEETING**

(a) The Board noted that the next ordinary meeting would be held on 7th April 2022 at 9:00 however this date may be changed due to calendar clashes.

(b) There being no further business the meeting closed at 16:18.

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Chair

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Date