

PAYZONE BILL PAYMENTS LIMITED
(the "Company")

Minutes of a Board meeting held on Thursday 7th July 2022 at 11:00 in Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ¹

Present:	
Owen Woodley	Group Chief Commercial Officer, Post Office (Chair)
Andrew Goddard	Managing Director, Payzone
Max Jacobi	Finance Director – Commercial, Post Office (items 5 – 9)
In Attendance:	
██████████	██████████, Post Office
██████████	██████████ Payzone
██████████	██████████ Payzone
██████████	██████████ Payzone (item 7)
Apologies:	██████████ (Post Office)

22/17	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.	
22/18	MINUTES	
	The minutes of the meetings held on 28 th April 2022 and 10 th May 2022, which had been circulated previously, were approved and were to be signed electronically by the Chair.	
22/19	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:	
	<p>Action 1 (Minute PZBPLB 21/45 (a)): Andrew Goddard confirmed that this would be an ongoing action until the task force work was concluded. This action remained opened.</p> <p>Action 2 (Minute PZBPLB 22/02 (a)): This action was complete and accordingly, this action was closed.</p> <p>Action 3 (Minute PZBPLB 22/02 (b)): Andrew had signed the relevant sections of the 2020/21 PZBPL (Payzone Bill Payments Limited) Annual Report and Accounts, and the management representation letter. This action was closed.</p> <p>Action 4 (Minute PZBPLB 22/03): Andrew confirmed that ██████████ would present an update to the October Board. Owen Woodley commented that the cost reduction work was implicit to the wider work that the Post Office</p>	

	<p>commercial team were undertaking. As such, Owen asked if the cost reduction work would be partly dealt with by the commercial team or if the cost reduction work would be separate. Andrew replied that the cost reduction work was separate BAU (business as usual) to show how PZBPL was supporting the operating plan for the year.</p> <p>Furthermore, █████ explained that PZBPL needed to be cash positive by 2024/2025 and that there were certain time frames that PZBPL had to adhere to and accordingly, a lot of the work needed to shortly commence. Neil added that some of the major cost reduction plans were in line with the general running of the business. Also, there were some cases where PZBPL was spending too much money. Nevertheless, █████ said that he could present the headcount work at the October Board meeting. As such, this action remained open.</p> <p>Action 5 (Minute PZBPLB 22/10): Regarding the Annual Operating Plan, Andrew Goddard said that he would give an update at the Strategy Update and Q1 Performance Review item during the meeting and suggested that this action should be closed. Owen agreed and as such, this action was closed.</p> <p>Action 6 (Minute PZBPLB 22/11): Andrew stated that █████ would give a verbal risk update during the meeting. This action remained opened.</p> <p>Action 7 (Minute PZBPLB 22/12): There was no further update. This action was closed.</p>	
22/20	GOVERNANCE	
(a)	<p><u>Appointment of Max Jacobi as Director</u></p> <p>The Board APPROVED the appointment of Max Jacobi as Director of PZBPL and AUTHORISED █████ to file form AP01 with Companies House.</p>	
(b)	<p><u>Board Effectiveness Review</u></p> <p>Regarding the Payzone Board Effectiveness Review, Owen suggested that █████ check with Rachel Scarrabelotti (Group Company Secretary) that she had the same view as to the approach set out in the paper.</p> <p>Andrew commented that the rigour and pre-work preparation of Board meetings had always been discussed. He also said that he was not sure if the Payzone Board had sufficient time for debate and discussion of topics. He also added that it was difficult to separate Payzone Board meetings from the commercial team meetings.</p> <p>Owen Woodley questioned whether the Board could be regarded as functional or whether it should take a broader role. He suggested that it may be good to have non-commercial people to attend the Board.</p> <p>The Board NOTED and DISCUSSED the Board Effectiveness Review.</p>	█████
(c)	<p><u>Register of Interests Annual Review</u></p> <p>The Board NOTED the Register of Interests Annual Review.</p>	
22/21	BUSINESS UPDATE INCORPORATING	

(a) Strategy Update & Q1 Performance Review

██████████ introduced this item and explained that PZBPL had a good start to the year, driven by upsides in energy from the extra transactions due to the tariff increase. Moreover, PZBPL were seeing the benefits of onboarding new clients and PZBPL would start to see more upside in energy in the other quarters. Furthermore, ██████████ said that the only negative worth highlighting was Telco (telecommunications), and this related to the exchange between customers going into branches and having to decide between having money on their phone or paying their energy bills. Furthermore, there was a little negative in parcels.

Owen asked ██████████ to explain the section on reseller in P3 in the Board pack. ██████████ explained that this had been good and there was an accrual that had gone into P3. Neil added that in the previous year, PZBPL had overstated and the reversal of the accruals and the actions had gone into P3. Additionally, ██████████ stated that PZBPL had enough to take that accrual.

Neil remarked that there were pay-out costs that had caught up and all the Royal Mail payouts had come through POCA (Post Office Card Account). He also said that PZBPL needed to rethink some of the Royal Mail costs, take active control of costs in the cost areas, and take more ownership with postage and printing. Moreover, ██████████ stated that, that process had moved very fast and there was some upside within the revenue numbers of pay-out. Furthermore, PZBPL had been made responsible for the postage without realising the revenue.

Owen asked Andrew what the next steps were in relation to the ██████████ to which Andrew replied that he had a call with ██████████ (Post Office) and ██████████ to discuss this. Andrew also said that they had a position on what the remuneration should look like going forward. Furthermore, Andrew thought that the 70p must have arisen as a consequence of Board disclosure.

Owen advised that the rationale should be laid out and Andrew explained that there was enough volume coming into the network. There were 10 million vouchers being issued into the network and from a volume point of view, Postmasters would see a big surge. As such, PZBPL needed to think about the price per transaction that the business was willing to remunerate.

██████████ Owen commented that, this was an area that ██████████ (Post Office) had accountability for. Neil added that he made a commitment to Alisdair Cameron (Group Chief Finance Officer, Post Office) that he would update him with an answer.

██████████ continued that in regard to PZBPL, reseller was positive but it did not have the positive that the Post Office network had. Moreover, PZBPL had a good start to the year with the AT150 (PayzonePlus+ device) sales, and the sales were just 5% behind budget. He also added that PZBPL had been selling more new devices. Overall, PZBPL was doing well with revenue and there were good upsides in energy.

Regarding costs, ██████████ said that some of the cost of sales were higher than forecasted. He also said that there was an exercise to capitalise on some of the engineering costs. Additionally, the cost reduction plans began with the non-

staff costs. PZBPL also had permission to use Amazon Web Services and was able to save £8,000-£9,000 per annum. Moreover, in regard to staff costs, there were some vacant roles. For example, [REDACTED] informed the Board that he been running on a depleted finance team nevertheless, PZBPL had onboarded a new Financial Controller.

Upon reflection, [REDACTED] thought that he should have put the vacancies through to Post Office. Owen asked if, if that individual was on a contract, this could be changed. [REDACTED] said that he would look at this and that he could work with HR (human resources) to move those individuals to Post Office Limited as he did not want those costs sitting within Payzone. Owen suggested that if this could be mitigated, then it should be.

Moreover, [REDACTED] continued that Payzone had a solid Q1. Andrew asked [REDACTED] to talk about CAPEX and [REDACTED] explained that Payzone ultimately needed to reduce the CAPEX in future years and spend it wisely. Furthermore, [REDACTED] said that he would ensure that in the quarterly Board meetings, the Board would have a view on CAPEX. Payzone had a good control of its CAPEX spend but this needed to be analysed further in regard to being cash positive.

[REDACTED]

[REDACTED] said that he suggested to Max that PZBPL would receive delegated authority from POL (Post Office Limited), Payzone would approve the CAPEX, and then it would go back to SPO (Post Office Strategic Portfolio Office) and finally the Payzone Board on a quarterly basis.

Owen clarified that he was not asking about the historic situation but more so going forward. [REDACTED] said that he would take an action to understand how the governance in relation to this worked.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Owen thought that he needed to spend some time on this with [REDACTED] outside of the Board meeting. He presumed that all of this information would be in an integrated document that would come out of the work that [REDACTED] was chairing, to which [REDACTED] agreed. Owen suggested that at some point, they would need to share this information with the Post Office Group Executive.

Furthermore, Owen asked [REDACTED] to explain the 'do nothing' approach (page 27 of the Board pack). [REDACTED] explained that this was about where Post Office would be if it did not acquire PZBPL. In response to [REDACTED] Andrew remarked that this was in the business case and it was demonstrated that if Payzone was not acquired, footfall in the network would decline.

[REDACTED]

Furthermore, [REDACTED] stated that question 2 of the commercial and financial questions related to whether there was price elasticity in the £4,99 and the £7.99 PayzonePlus+ devices. The price difference of the devices ultimately depended on the content in the device. Also, PZBPL still had the legacy devices in place which PZBPL were only charging 99p a week for these devices. The legacy devices had the same content as the AT150 PayzonePlus+ devices, and thus justified an increase in the legacy device pricing.

Moreover, [REDACTED] remarked that Payzone needed to replace the legacy devices much quicker. [REDACTED] also said that himself and his team had looked at PayPoint

	<p>as such. Owen Woodley suggested that [REDACTED] bring this back to the next Board meeting.</p> <p>[REDACTED] continued that Payzone was implementing financial crime recommendations and that 21 of 39 of those recommendations had been completed. Nevertheless, the audit revealed that Payzone were within Post Office's risk appetite and he would update the Board in this at the next Board meeting.</p> <p>Furthermore, [REDACTED] was liaising with [REDACTED] team to check the Web3 entries. He also said that he had reviewed the contracts on Web3 and those were in order.</p> <p>Finally, [REDACTED] informed the Board that he had a risk tracker which he shared with [REDACTED]</p> <p>Accordingly, the Board NOTED the legal risk report.</p> <p>[REDACTED] and [REDACTED] left the meeting.</p>	
22/25	ANY OTHER BUSINESS	
	<p>Andrew said that he had been working with [REDACTED] (Post Office) and his team regarding bonuses and other payments.</p> <p>In relation to the mapping and distribution curve, Payzone were just below the curve, nevertheless, Payzone had a strong distribution curve and Andrew said that he would share a summary of that, factoring in Payzone's objectives, at a later date.</p> <p>Furthermore, Andrew said that the secondment letters that applied to [REDACTED] and himself expired in January 2023. Andrew Goddard said that [REDACTED] had indicated that he would not sign an extension to his secondment to Payzone. Accordingly, this needed to be mapped out against the three respective risks.</p> <p>[REDACTED] asked if this was because Andrew, [REDACTED] and [REDACTED] were not formally part of the Payzone business to which Andrew Goddard replied yes. Further, Max asked if Payzone would have to 'TUPE (Transfer of Undertakings (Protection of Employment) transfer' or second another person if the existing secondments were not extended. Andrew Goddard explained that this was more about the immediacy of managing [REDACTED]</p> <p>Additionally, Andrew said that the energy contracts could add £12m to Payzone's revenue and this was not factored into budget. Andrew suggested that a working group was needed because the impact on the network could be at peak.</p>	
22/26	NEXT BOARD MEETING	
(a)	The Board noted that the next ordinary meeting would be held on 6 th October 2022 at 11:00.	
(b)	There being no further business the meeting closed at 12:41	

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Chair

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Date