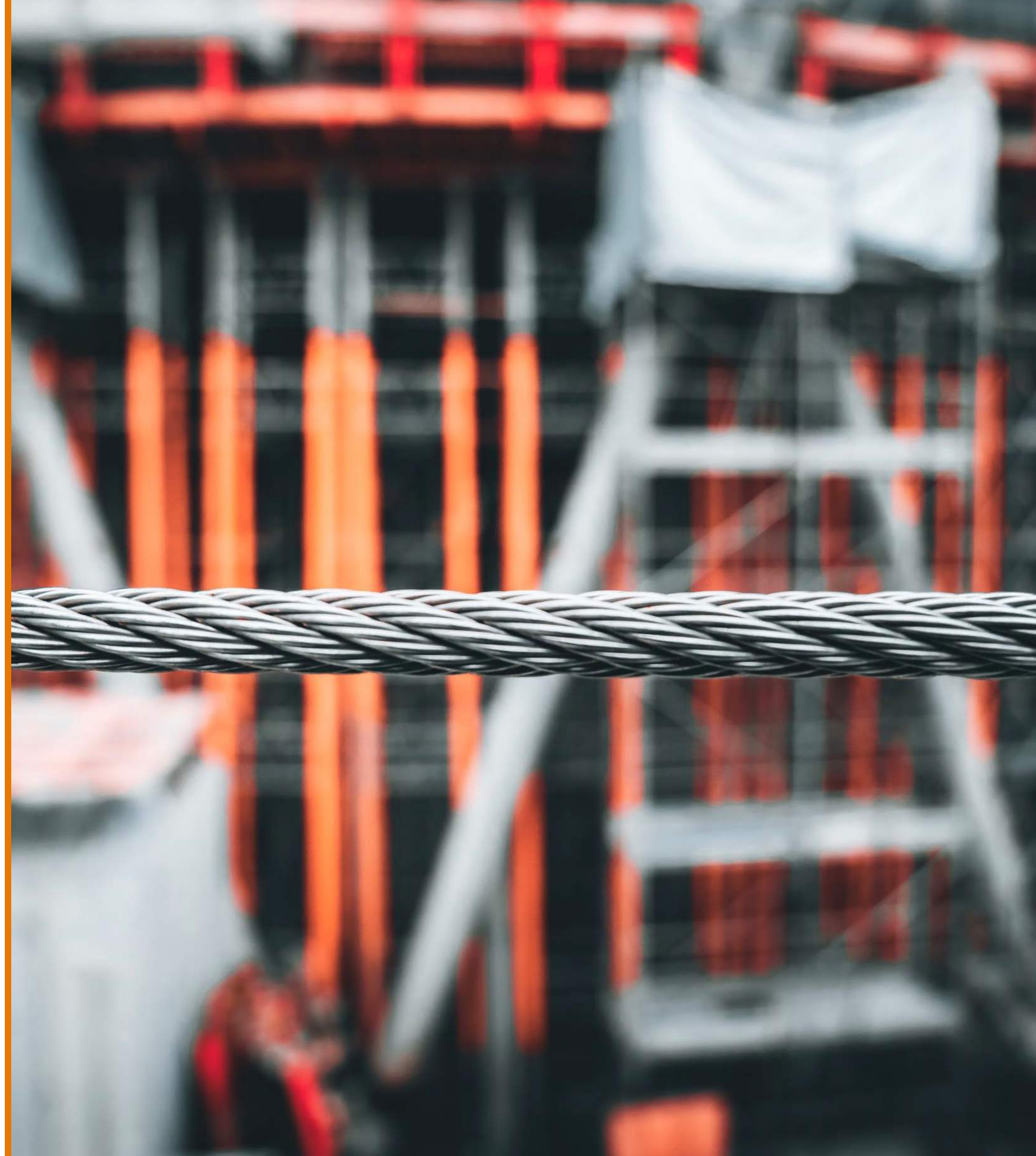


The Digital Evolution of Project Bank Accounts

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Founder & CEO, ProjectPay



Background

- 5 years researching and understanding construction payment flows globally.
- Former Chair of an Australian Subcontractors Association
- Working with governments on new laws to put an end to the social justice issue of no payments and delayed payments in the sector
- Sitting on government review panels to agree a solution
- Realization that legislation or mandates on their own was not going to solve the payments dysfunction
- That a digital solution was needed.

A social justice issue that needs to be addressed

6,000+ insolvencies are expected in construction this year. This is the direct result of late payments and main contractor collapses.

Economic Impact

Billions lost every year in payments to subcontractors, HMRC and owners funds

Ongoing low productivity & economic hardship

Sector devoid of innovation as SMEs fight to survive

Human Impact

Catastrophic mental health issues

Suicide rates up +30% in the past decade

Causes family breakdown

Creates unemployment and a sense of hopelessness



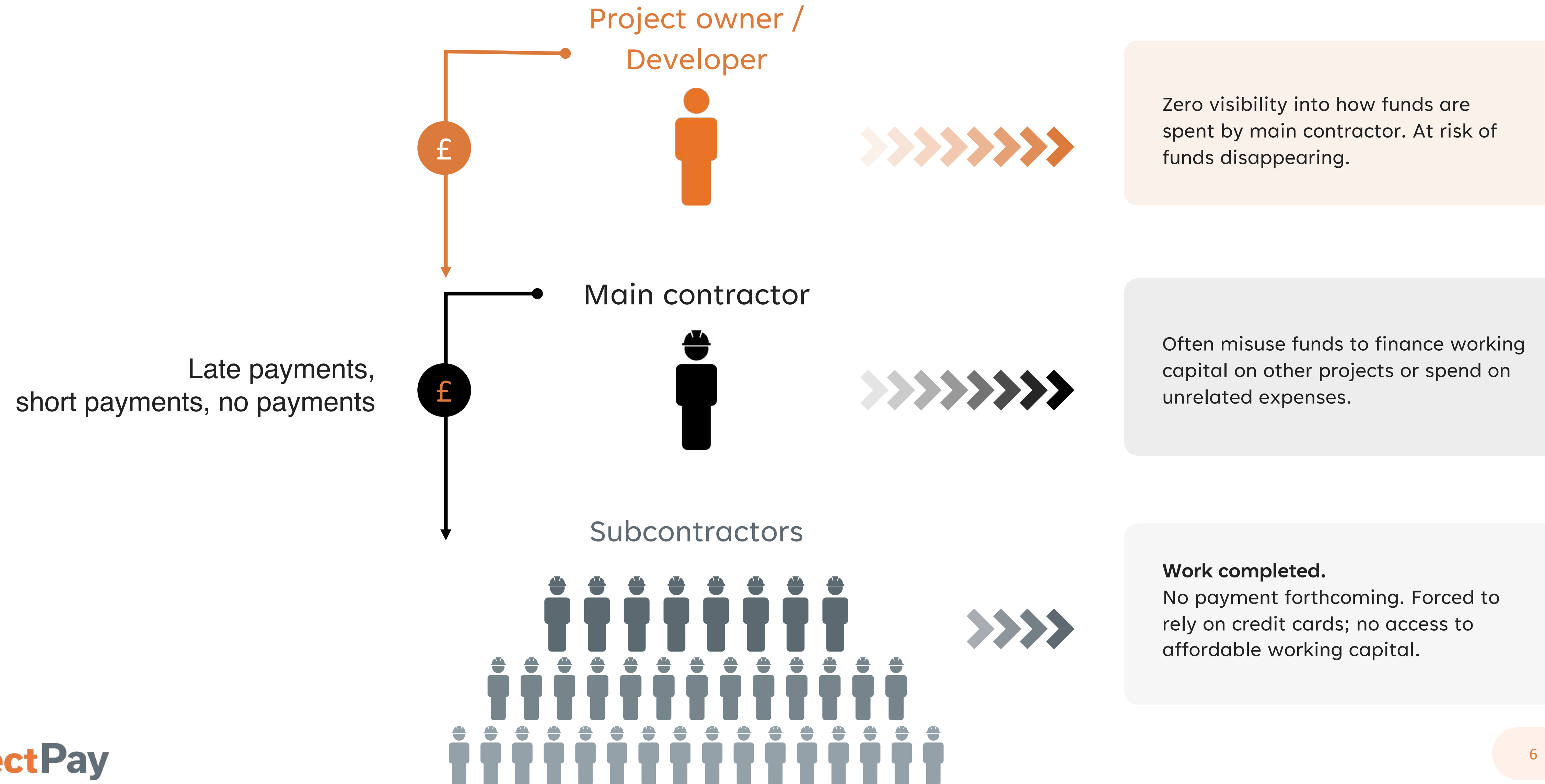
Introduction

1. Why Payment Flows Need to Change
2. Project Bank Accounts
3. New Digital Payment Flows
4. Trial Projects
5. Closing remarks
6. Q&As

A low-angle, upward-looking photograph of a modern skyscraper with a glass facade. The building's sharp lines and reflective windows create a strong geometric pattern against a clear, bright blue sky. The perspective emphasizes the height and modernity of the architecture.

WHY PAYMENT FLOWS NEED TO CHANGE

There is zero transparency & zero accountability



Governments globally are recognising **disruption to existing payment flows is needed.**

They are mandating the use of new payment flows.

UK

- mandate Project Bank Accounts (PBAs)

USA

- Construction Trust statutes in many states.
- Personal liability on GC for non-compliance
- Mechanics Lien ranks above Lenders in priority

AUST

- Committed to move to trust statutes. QLD has legislated Project Trust Accounts, governments using PBAs.

BUT

The USA has led the way,
YET,
delayed payments of 70+ days is still the norm.

It's ineffective

Banks are not prepared to administer project accounts.

Without a digital solution that fills the working capital gap, delayed payments will continue to be a problem

Payment risks

- High rates of main contractor insolvency
- High rates of misuse of payments which results in delayed payments.

In AUST and UK

- main contractor stops the payment flow with very high rates of main contractor insolvency.

In USA

SOLVED INSOLVENCY CONTAGION OF MAIN CONTRACTORS. But delayed payments are still a problem without a digital solution that provides transparency and compliance

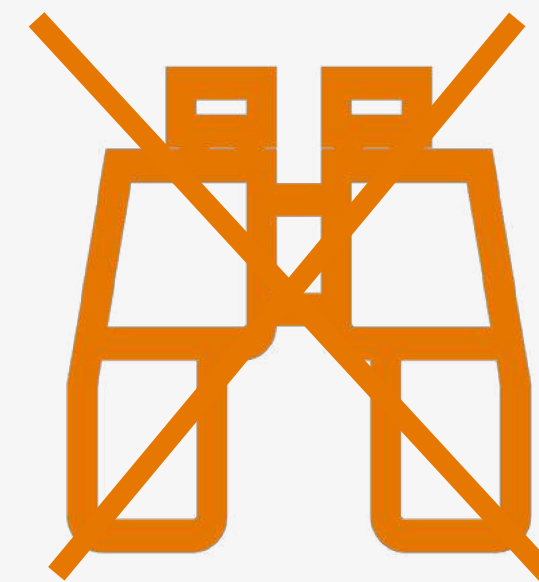
Sector Payment Challenges



Payment flows are disconnected and broken. Payment applications a manual process and fraught with disputes.



Cashflow issues created by misalignment of payments between contractors.



No visibility over payments being passed on, allows misuse.



Complex payment laws with little compliance enforcement.

Payments are the construction industry's biggest problem.

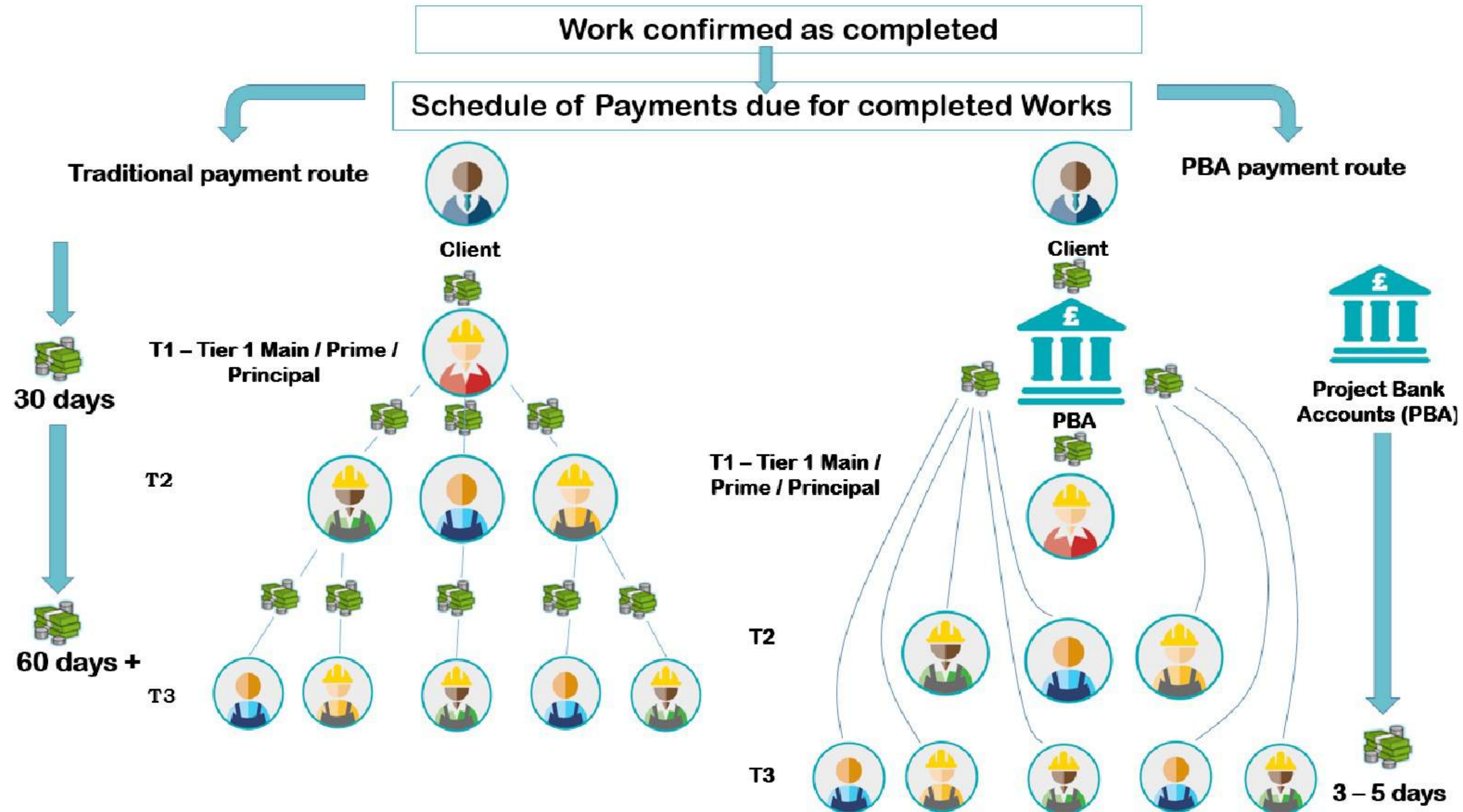
A low-angle, upward-looking perspective of a modern skyscraper with a glass facade. The building's sharp lines and reflective windows create a strong geometric pattern against a clear, bright blue sky. The text 'PROJECT BANK ACCOUNTS' is overlaid in white, sans-serif capital letters in the upper right quadrant.

PROJECT BANK ACCOUNTS

Example Government PBA flow

Addressing poor payment practices by facilitating fair and prompt payments

Diagram 1



Why a digital solution is needed

Some governments have acted and not considered a digital solution to minimise complexity and remove barriers to compliance

PBAs disliked by Main Contractors and Subcontractors

Make worse the working capital gap for the main contractor
Complex legal documents and joining deeds
Extra admin and bookkeeping compliance burden

PBAs don't connect to the payment request and approval workflows

No visibility over the workflow where most of the disputes and short payments occur. No visibility of the amount claimed for payment against amount paid.

PBAs don't protect lower levels of subcontractors

Only provide visibility and protections across top tier payments. Smaller contractors in lower tiers don't benefit from faster payments or insolvency protections. No visibility of Prompt Payment compliance

Challenges for Banks

Don't administer accounts to ensure compliance with requirements

Issues with onboarding all project participants with KYC/AML/CTF checks required on thousands of contractors

Don't provide access to project accounts to SMEs

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NEW DIGITAL PAYMENT FLOWS

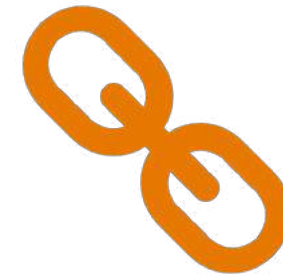
Key Benefits of New Digital Payment Flows

Accounts provided easily



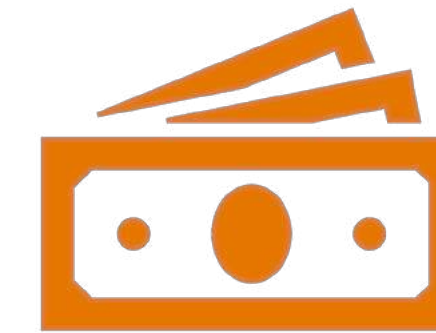
With banks in the UK not providing project accounts to SMEs, these new flows provide an account instantly, no matter the business size or turnover with all parties onboarded quickly and easily.

Fully connected solution



Project accounts are connected to the payment request and approval workflow.
Funds are protected all the way down the supply chain, no matter how many contractors are working on the project.

Cashflow



On demand cashflow for fast and guaranteed payments to subcontractors without waiting for payments to flow from project owner.
Removing any need for MC to 'top up' if the owner has not paid yet.

No complex set-up and legal documents



Setting up the account is instant. No need to fill out any complex documents or liaise with a third party to get set-up.

End to End digitized payments process that **saves time and money, removes admin burden and solves the working capital gap** improving cashflow for all parties.

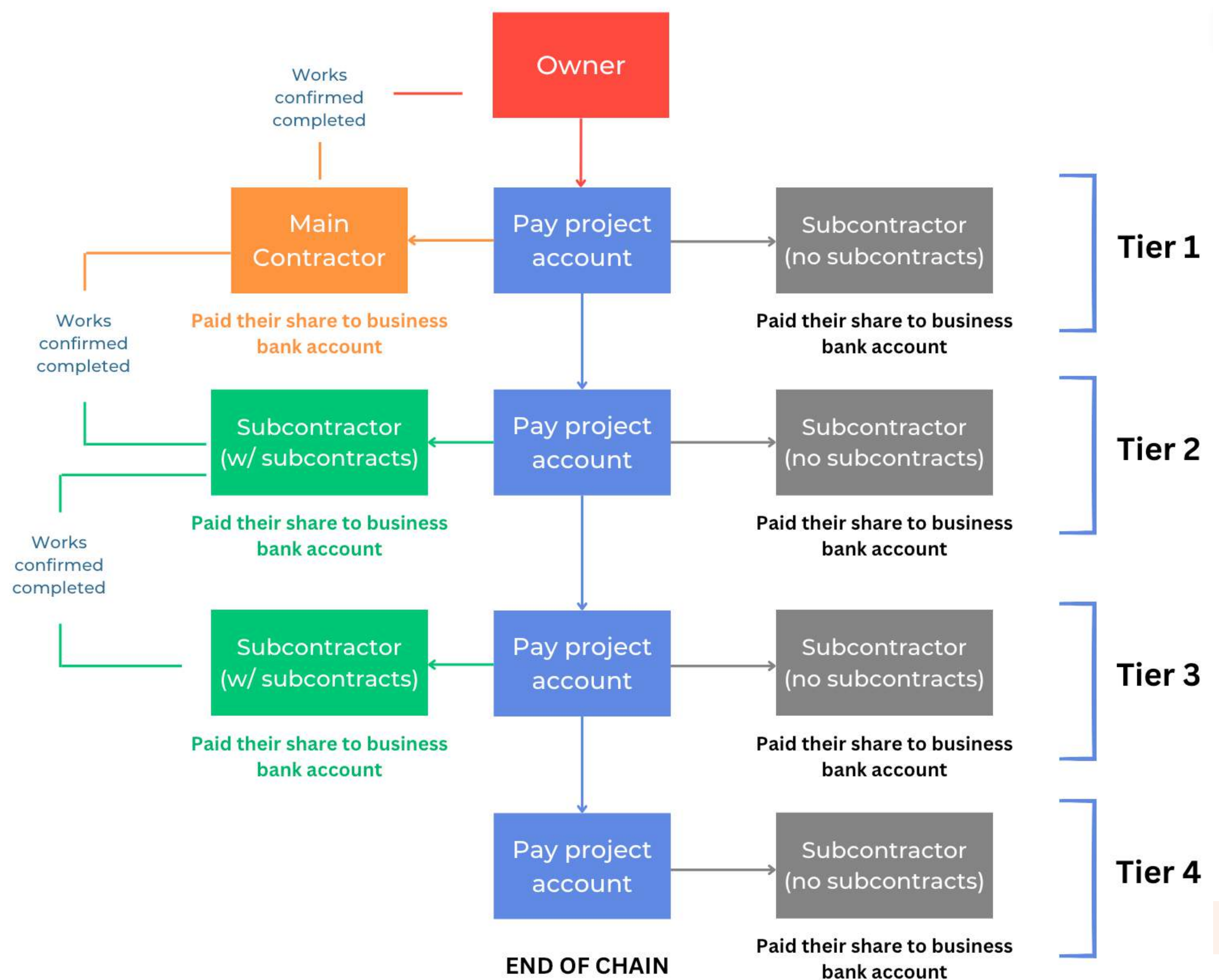
New Digital Payment Flows

Platform approach:

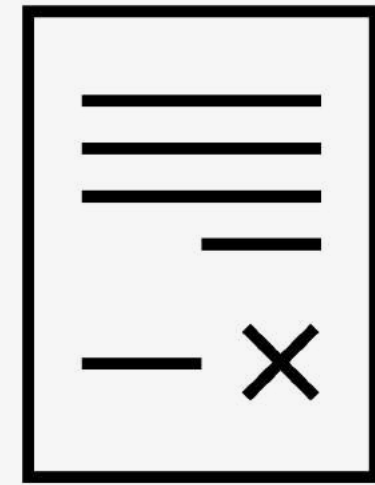
Payment flows administered in
accordance with

- the contract
- certified payment apps
- payment laws

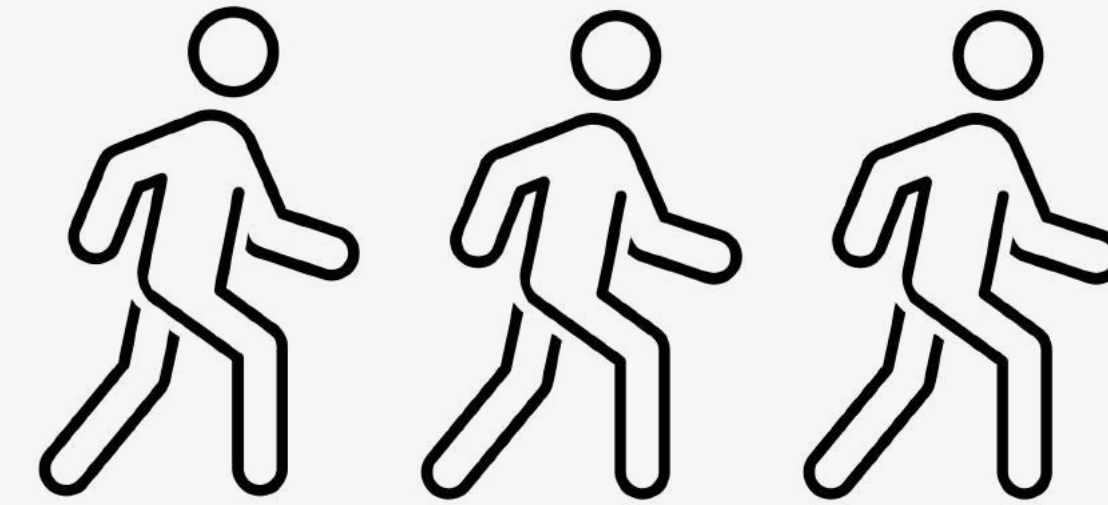
With risks removed liquidity gaps
can be filled without the MC needing
to 'top up' funds



98% of the industry are small businesses



Complex requirements **lock-out** the majority of small businesses in the sector who cannot comply to PBA mandates. Government entities will fail to achieve supplier diversity target on projects.



When subcontractors are paid exclusively online, it encourages their adoption of technology, especially when the platform is designed to protect their payments, user-friendly, tailored to their needs and provides fast and guaranteed payments.

A simple, low-cost, easy-to-use platform for use sector-wide is critical.



TRIAL PROJECTS

U K G O V E R N M E N T P B A s

- The UK Government has faced ongoing resistance from main contractors and skepticism from subcontractors
- They want to lead by example with digitised protected payment flows that remove barriers to use by addressing MC resistance, but also want a solution that can provide for sector-wide use.
- Trial projects for 2023-24.



W E L S H G O V E R N M E N T P B A M A N D A T E

- Mandating PBAs, sector has 9 months to be able to comply
- Prepared to be flexible with the solution and to be rigid.
- Addressing the access issue of banks not willing to provide project accounts.
- Trial projects in late 2023.



TRIAL PROJECTS IN 2023

- ProjectPay is offering trial projects to the industry in 2023
- The projects will incur no cost
- No limitations on project size
- Must involve a project with a main contractor and at least one subcontractor

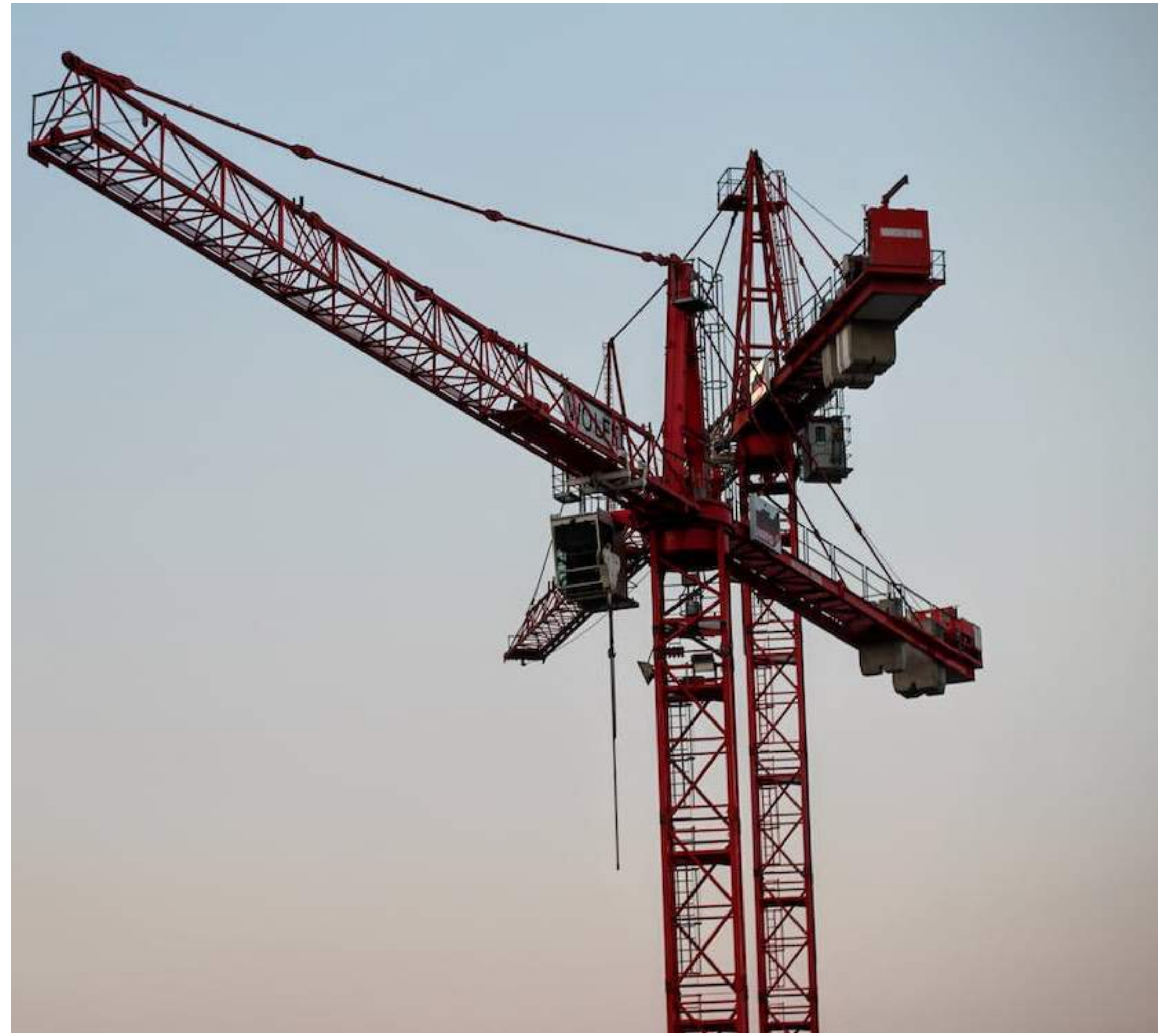


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CLOSING REMARKS

CONCLUSION

- Any government considering a protected payments mechanism for sector-wide use must ensure they have considered a digital payments solution
- Governments must be careful to not over-reach to ensure they don't end up with a mandate that no one can comply to and locks out SMEs
- Technology is a fundamental solution to payment problems within the sector



Q&As

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