



Independent Review of Westpac Banking Corporation's Integrated Plan to Remediate Risk Governance Deficiencies

Prepared by Promontory Australia, a business unit of IBM Consulting

Seventh Report

28 October 2022

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Independent Review of Westpac Banking Corporation's Integrated Plan to Remediate Risk Governance Deficiencies - Seventh Report

28 October 2022



Promontory Australia, a business unit of IBM, has been engaged to provide external ongoing assurance to Westpac Banking Corporation over the development and implementation of its Integrated Plan, which reflects the requirements of the Court Enforceable Undertaking entered into with the Australian Prudential Regulation Authority on 3 December 2020.

This Seventh Report is provided solely for the purpose of Promontory's assurance over the status of compliance with the Enforceable Undertaking, in the context of the requirements for the development, execution and implementation of the Integrated Plan.

A representative of Westpac has reviewed a draft version of this Seventh Report for the purposes of identifying possible factual errors. Promontory is responsible for final judgement on all views and information in this report.

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Abbreviations & Definitions

Abbreviation	Definition
3LoD	Three Lines of Defence
Activity	Each Deliverable in the Integrated Plan is comprised of a number of Activities, classified as either a ‘Design’, ‘Implement’ or ‘Embed’ Activity
APRA	The Australian Prudential Regulation Authority
BAU	Business As Usual
BCM	Business Control and Monitoring
BLRCC	Board Legal, Regulatory and Compliance Committee
BNGC	Board Nominations & Governance Committee
BRemC	Board Remuneration Committee
BRiskC	Board Risk Committee
CEO	Chief Executive Officer
Closure Criteria	The actions that should be taken to complete the Activity
Closure Pack	A package of documents collated by Westpac and submitted to Promontory, which sets out the tasks completed and materials evidencing completion of an Activity
CBB	Consumer and Business Bank
CORE Program or the Program	Westpac’s Customer Outcomes and Risk Excellence Program
CORE Team	A centralised team of the CORE Program responsible for managing various aspects of the CORE Program, including information flows across the various governance forums, Workstreams, Divisions and with Promontory
CTO	Chief Transformation Officer
DCRO	Divisional Chief Risk Officer
DDGF	Divisional Delivery Governance Forum
Deficiencies	Westpac’s risk governance shortcomings as set out in the Deficiencies Register
Deliverable	Each Workstream comprises a group of Deliverables

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Abbreviation	Definition
Deliverable Target State or Target State	Describes the outcomes to be achieved by completing a Deliverable
Divisions	The business units within the Westpac Group
EU	Enforceable Undertaking
FCC&C	Financial Crime, Compliance and Conduct
Fifth Report	Promontory’s fifth report on the Independent Review of Westpac’s Integrated Plan, dated 3 May 2022
GE	Group Executive
GM	General Manager
Integrated Plan or the Plan	The plan Westpac has established to address APRA’s concerns and to uplift Westpac’s risk governance
JUNO	Westpac’s integrated risk and compliance management system
Line 1	Westpac’s First Line of Defence, the front line and operational Divisions
Line 2	Westpac’s Second Line of Defence, the Group Risk function
Line 3	Westpac’s Third Line of Defence, the Internal Audit function
LoB	Line of Business
Outcome Measures	Outcome Measures are defined at the level of the Program and are used to assess progress towards achievement of the overall objectives of the Program
Package	Westpac’s delivery mechanism that groups Activities in the Integrated Plan over a coming 90-day period to create a consolidated view of Divisional change requirements over that period
Program Deliverable Metrics	A set of Deliverable-level metrics in the Integrated Plan used to consider progress against the Target State for CORE Program Deliverables, across the period of the Integrated Plan.
Promontory	Promontory Australia, a business unit of IBM Consulting
RAG	Red, Amber or Green rating
RAID	Risks, Assumptions, Issues and Dependencies
RAS	Risk Appetite Statement

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Abbreviation	Definition
RCMSA	Risk Culture Maturity Self-Assessment
RMF	Risk Management Framework
Reporting Date	30 September 2022
Reporting Period	This Report covers the period 1 July 2022 to 30 September 2022
RMS	Risk Management Strategy
Seventh Report, or this Report	Promontory's seventh report on the Independent Review of Westpac's Integrated Plan, dated 28 October 2022
Six-Monthly Review	Semi-annual review of the impact, effectiveness and sustainability of the CORE Program by Westpac
Sixth Report	Promontory's sixth report on the Independent Review of Westpac's Integrated Plan, dated 28 July 2022
SBD	Specialist Business Division
SteerCo	The Westpac executive-level Steering Committee for the CORE Program
Westpac or the Bank	Westpac Banking Corporation
WIB	Westpac Institutional Bank
Workstream	An area of work in in the CORE Program
Workstream Objective	A description of the objective Westpac is aiming to achieve through the work being done in that Workstream set out in the Integrated Plan

Executive Summary

On 3 December 2020, the Australian Prudential Regulation Authority agreed to accept an enforceable undertaking under which Westpac pledged to remediate significant risk governance shortcomings.

In accordance with the enforceable undertaking, Westpac established a remediation plan in March 2021. Within Westpac, the plan is being executed through the CORE program. The CORE program is an extensive multi-year transformation program that covers both financial and non-financial risk management and is made up of a comprehensive agenda of culture, governance and accountability initiatives.

Promontory has been appointed to provide independent review over the execution of the program.

Since March 2021, Promontory has delivered six reports on Westpac's response to the enforceable undertaking. As with our previous reports, this report, our seventh, focuses on:

- the status of Westpac's compliance with the remediation plan; and
- whether Promontory considers the implementation of the remediation plan to be effective and sustainable.

This report covers activity during the period 1 July 2022 to 30 September 2022. The status of the program is reported as at 30 September 2022.

Program Progress and Status

The remediation plan is made up of 350 separate design, implement or embed activities. During this reporting period Westpac has maintained its efforts to implement and embed uplift activities across the organisation, moving well into program operationalisation.

The program remained on track, and as at the reporting date Westpac had completed work on the design phase of the program with 118 of 119 activities submitted to Promontory for assessment, and 116 of 118 activities assessed as complete and effective. Nearly three quarters of implement activities have been submitted and work is now strongly focused on the embedment of activities. The activities across these three phases aggregate to a program 'deliverable', and the work on deliverables is also progressing, with the first deliverable closed during this reporting period.

Much has been achieved in the program to date, with uplifts to existing frameworks and the implementation of new ones. Program governance continues to be a focus, and governance forums provided important avenues for monitoring progress and identifying risks and remedial actions. As flagged in our sixth report, changes that contribute to the uplift of risk management are now being observed, and Westpac should see further evidence of these changes in the next period.

Given the scale of the transformation under the CORE program, sustained attention is required to ensuring that the momentum of change is maintained, and that reforms are consistently and sustainably embedded. Risks in execution remain, and a rigorous and timely approach to learning from implementation challenges is essential. In the September SteerCo reporting, risks associated with scheduling, resourcing and outcomes were reported by workstreams and divisions. Actions to address these risks are being actively considered and developed by relevant workstreams and divisions.

Program Developments

This reporting period saw a continued focus on ensuring sustainable and consistent execution across the Group. This was reflected in the recent change to governance committee structures which have now brought workstream and divisional conversations into a single forum to promote a consistent and coordinated approach.

Over the reporting period, there has been growing attention on how the program is delivering cultural change and supporting risk culture across the bank. This was among the matters raised during the director touchpoint sessions that occurred during the reporting period. Promontory also saw discussion of key issues such as the challenges within the three lines of defence and the need to uplift risk behaviours to drive greater ownership and accountability particularly across line 1 and line 2. Westpac continued to use communications as a tool to reinforce the importance of proactive risk management, with a particular focus on engaging middle management during the reporting period.

The challenges associated with resourcing and capability gaps continued during the reporting period, with the overall program health status for resourcing moving to amber and 'on-watch'. As described in governance forums and reporting, the challenges have largely been driven by capacity constraints, as well as strain on existing subject matter resources in some areas.

Westpac finalised its FY23 outcome measure objectives during the reporting period. This followed a challenge session with key stakeholders to test the appropriateness of objectives against the level of uplift expected to be delivered by the CORE program and the Board. The outcome measures have also been realigned with the program's target states, to enable greater focus on progress in addressing the program's root causes.

Promontory issued its second 'incomplete' assessment during this reporting period. The assessment related to the design of Westpac's assurance approach. We assess an activity as incomplete where there is a material issue with meeting an activity's description, closure criteria, or deliverable target state at the time an assessment is undertaken. Westpac is taking actions to address our concerns, and once finalised Promontory will reassess the activity.

Focus Areas

Westpac continues to operationalise and embed the changes under the CORE program within its business and should take satisfaction from the considerable improvements achieved to date. Key to the ongoing sustainability of these improvements and the overall success of the

program will be the change which is demonstrated through behaviours and organisational culture. Westpac should see growing evidence of progress including evidence of cultural transformation in the upcoming phase of the program.

Cultural transformation is a key outcome to sustaining the risk governance uplift that the program seeks to deliver. Promontory has observed some progress through improvements to key artefacts relating to risk culture, as well as greater evidence of robust challenge in governance forums. As the program progresses towards embedment, Westpac should expect to see more consistent evidence of broad-based cultural change through day-to-day behaviours, the way risks are identified and challenged, and how responsibilities are owned throughout all levels of the organisation. In aiming for sustained risk culture uplift, there is also utility for Westpac in reflecting upon how to address any tendency toward overly positive reporting. Employees should feel supported to raise issues, and a stronger voice of risk should be consistently encouraged through reporting and issue identification.

Challenges with developing a well understood and embedded three lines of defence model is an issue commonly faced across the financial services industry, and it is one of the key root causes Westpac is seeking to address under the CORE program. Effective implementation will require relentless attention, focused communications, well defined accountabilities supported by appropriately aligned structures, clear frameworks, and effective technical solutions. Westpac has encountered challenges in ensuring a consistent understanding of the model and the accountabilities between line 1 and line 2. In recognition of these challenges, Westpac established a working group of senior stakeholders to consider the issues impacting successful implementation and to agree actions to address them. In the coming phase of the program, Westpac should regularly check and challenge its approach to the implementation of its three lines of defence model and make adjustments as needed.


Unsurprisingly, in a program of this scale the risk of change fatigue persists. Given this, the elevation of risks such as capacity constraints requires additional focus. Governance forums will serve as important channels to test assumptions and the timeliness of planned mitigating actions and to adjust them as required. Communications and ongoing feedback will also play a key role in addressing the risks relating to change fatigue and resourcing, particularly for the middle management cohort who are increasingly relied upon to drive execution.

Maintaining the appropriate balance between quality and timeliness remains important, especially as implementation and embedment progresses. Promontory has observed scheduling coming under increased scrutiny during the reporting period, in the context of capacity constraints, increased complexity in execution and ambitious timeframes. Timing considerations and momentum remain important but should be balanced against the need for consistent quality in execution to deliver the intended target state. Closely monitoring the quality of execution through governance forums and the use of clear communications supporting the escalation of issues should facilitate execution to the required level of quality.

Consistency of execution continues to assume heightened importance as the program becomes less centralised during the implement and embed phases. Ensuring strong connectivity between workstreams and divisions and implementing decisive action where

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issues of consistency arise will help prevent and address material inconsistencies from arising. Continuing efforts to bring together workstreams and divisions, through mechanisms such as the newly established CORE GM governance forum will be key in ensuring that consistency of execution continues to receive attention.

1. Introduction

1.1. Background

On 3 December 2020, the Australian Prudential Regulation Authority (**APRA**) agreed to accept an Enforceable Undertaking (**EU**) from Westpac Banking Corporation (**Westpac** or the **Bank**), under which Westpac pledged to substantially lift its efforts to address its risk governance shortcomings.

In accordance with the EU, Westpac was required to establish a remediation plan, the Integrated Plan (**Integrated Plan** or the **Plan**), to address APRA’s concerns with the Bank’s progress in remediating weaknesses in its risk governance. The Integrated Plan covers both financial and non-financial risk.

1.2. The Integrated Plan

Westpac identified five root causes of its shortcomings, which the Plan is designed to address. The root causes are:

- an immature and reactive risk culture;
- an organisational construct that creates complexity;
- a three lines of defence (**3LoD**) model that is not well understood or embedded;
- a shortfall in risk management capacity and capability; and
- challenges in execution and ‘staying the course’.

The Integrated Plan consists of 19 areas of work (**Workstreams**), which are categorised into eight themes (**Themes**), as shown in Table 1.1 below.¹ For each Workstream, Westpac sets out in the Plan what it is aiming to achieve through the work being done in that area (**Workstream Objective**).

Table 1.1: Themes and Workstreams

Theme	Workstream
Board Governance	WS1 - Board Risk Governance
Culture and Capability	WS2 - Executive Culture & Capability
	WS3 - Risk Culture
	WS4 - Organisational Design

¹ Throughout this report we use the abbreviation ‘WS’ to refer to a particular Workstream, e.g. WS1 refers to Workstream 1 on Board Risk Governance.

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	WS5 - Remuneration & Consequence Management WS6 - Risk Roles & Capability
Transformation Capability & Delivery	WS7 - Transformation Capability & Delivery
Risk & Compliance Management	WS8 - Risk Management Framework WS9 - Non-Financial Risk Reporting & JUNO Functionality WS10 - End-to-end Risk & Control Environment WS11 - Assurance WS12 - Compliance Management
Conduct	WS13 - Conduct Risk
Complaints	WS14 - Customer Complaints
Technology & Data Risk	WS15 - Technology Risk Governance WS16 - Data Risk Governance
Financial Risk Classes	WS17 - Credit Risk Governance WS18 - Market Risk Governance WS19 - Liquidity & Capital Adequacy Risk Governance

Each Workstream is made up of one or more deliverables (**Deliverables**). In the Plan, Westpac sets out how the organisation should operate after each Deliverable has been completed (**Target State**). Westpac expects certain risk governance shortcomings that are set out in the Deficiencies Register (**Deficiencies**) to be addressed, either in whole or in part, once the Target State of a Deliverable has been achieved.

Each Deliverable is, in turn, made up of series of activities (**Activities**). In the Plan, Westpac sets out the actions that should be taken to complete each Activity (**Closure Criteria**). Each Activity is classified as either:

- a Design Activity, which involves work to define an approach to address the associated Deficiencies;
- an Implement Activity, which involves work to roll out that approach; or
- an Embed Activity, which involves demonstrating the operational effectiveness and ongoing sustainability of the approach.

Westpac plans to complete all Activities that make up the Integrated Plan by December 2023.

1.3. The CORE Program

The delivery of the Integrated Plan is being conducted through the Customer Outcomes and Risk Excellence (**CORE**) program (**Program**).

Accountability for the successful execution of the Program sits with executive leaders and has been incorporated into their Banking Executive Accountability Regime Accountability (**BEAR**) Statements. The Chief Transformation Officer (**CTO**) is the executive sponsor of the Program and is accountable for leading the Program. Individual Group Executives (**GEs**) are accountable for the delivery of specific Workstreams for which they are Workstream Sponsor and for the implementation and embedment of relevant Activities within their respective Divisions (**Divisions**). The principle underpinning the allocation of these accountabilities is that delivery should, as far as possible, align with existing Business As Usual (**BAU**) responsibilities.

Execution of the Program is managed by a central team (**CORE Team**). The CORE Team is led by the General Manager (**GM**) CORE, who reports to the CTO. Individual Workstream GM Owners work with the Workstream Sponsor manage the delivery of specific Workstream outcomes and partner with the CORE Team to manage integrated delivery of the Program.

The Executive Steering Committee (**SteerCo**) is the primary governance body that provides oversight over the execution of the Program. The Chief Executive Officer (**CEO**) and all GEs are members of the SteerCo.

The Board Risk Committee (**BRiskC**) provides primary Board-level oversight over the Program. Additionally, individual Directors have regular engagement with particular Workstreams and Divisions.

1.4. Promontory's Approach

Westpac appointed Promontory Australia, a business unit of IBM Consulting (**Promontory**) to provide external independent review over the execution of the Program.

Our role as independent reviewer includes:

- assessing the effectiveness of Westpac's execution of the Program; and
- delivering quarterly reports.

1.4.1. Assessing Effectiveness

Our role as independent reviewer includes assessing the effectiveness of Westpac's delivery of Design, Implement, and Embed Activities.

For Design Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met; and

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- there is evidence of a sound basis for sustainably achieving the Deliverable's Target State.

For Implement Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;
- any outstanding queries identified by Promontory in assessing a preceding Activity have been addressed;
- there is evidence of progress being made towards achieving the relevant Deliverable's Target State; and
- consideration has been given to the sustainability of the Activity being implemented.

For Embed Activities, our assessments focus on whether:

- the Activity Closure Criteria have been met;
- any outstanding queries identified by Promontory in assessing a preceding Activity have been addressed;
- there is evidence of the Deliverable's Target State being achieved, including whether the systems and processes designed for the Deliverable are operating effectively in addressing the Target State;
- there is evidence of the Program Deliverable Metrics (**Program Deliverable Metrics**), which measure performance against the Target State for individual Deliverables, reaching the required level; and
- the Deliverables are sustainable so they support and evidence the maintenance of the Target State on an ongoing basis.

Our role as an independent reviewer also includes assessing the effectiveness of Westpac's delivery of Deliverables. For Deliverables, our assessments focus on whether:

- any outstanding queries identified by Promontory in assessing a preceding Activity have been addressed;
- all further information requirements from Promontory have been addressed;
- the measures and mechanisms used to support the maintenance of the Target State have been operationalised; and
- the completed Deliverable has contributed to achieving the Workstream Objective or, for the final Deliverable within a Workstream, that the completed Deliverable (together with other completed Deliverables) have, in aggregate, achieved the Workstream Objective.

The Deliverables within the Plan have been designed to address the identified Deficiencies. We note there is not a one-to-one mapping between Deliverables and Deficiencies.

1.4.2. Reporting

Our role as independent reviewer also includes delivering quarterly reports on:

- the status of Westpac's compliance with the EU and progress against the Integrated Plan; and
- whether Promontory considers the implementation of the Integrated Plan to be effective and sustainable, and the reasons for Promontory's conclusions.

Promontory has delivered six reports on Westpac's response to the EU, since March 2021, with this being Promontory's seventh report (**Seventh Report** or **Report**). This Report covers the period from 1 July 2022 to 30 September 2022 (**Reporting Period**). The status of the Program is reported as at 30 September 2022 (**Reporting Date**).

1.5. Report Structure

The remainder of this Report is structured as follows:

- **Chapter 2** summarises progress on, and the status of, the Program;
- **Chapter 3** describes significant developments in relation to the Program that occurred during the Reporting Period;
- **Chapter 4** sets out Promontory's observations on recent Program developments and lists a number of areas for Westpac to focus on over the coming reporting period; and
- **Chapter 5** provides details about Activities assessed as complete during the Reporting Period.

2. Program Progress

The Integrated Plan is made up of 350 separate Design, Implement or Embed Activities. This is an increase from 344 Activities in the last Reporting Period, due to seven Activities being added and one Activity being removed:

- Activity 3.3.9 (Embed) from 1 January 2023 to 31 August 2023 as part of the broader agenda change for WS3.
- Activity 7.2.2a to support the implementation of 7.2.2.
- Activity 7.3.2a to support the Divisions in implementing the standards and tools which have been developed as part of WS7.
- Activity 8.4.2a to support the implementation of the enhancement to reputation risk and sustainability risk management as part of WS8.
- New Deliverable 9.4 and the accompanying Design, Implement and Embed Activities relating to risk and control assessment automation.
- Removal of Activity 11.1.2 as the creation of the FY22 Coordinated Assurance Plan considered no longer relevant to the Deliverable Target State.

These Activities are grouped into 83 Deliverables which make up 19 Workstreams. As at the Reporting Date, Westpac had delivered Closure Packs (**Closure Pack**) for 241 Activities to Promontory.

The Program has completed all of the Design Activities, with all but one submitted to Promontory. As at the Reporting Date, of 119 Design Activities:

- Westpac had submitted Closure Packs for 118 Activities to Promontory.
- Promontory had assessed a total of 116 Activities as complete and effective.
- Promontory had assessed one Activity as incomplete.
- We had not yet completed our assessment of one Activity.

The Program continued its work on Implement Activities during the Reporting Period. As at the Reporting Date, of 141 Implement Activities:

- Westpac had submitted Closure Packs for 104 Activities to Promontory.
- Promontory had assessed one Activity as incomplete.
- Promontory had assessed a total of 87 Activities as complete and effective.
- We had not yet completed our assessment of 17 Activities.

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The Program further progressed its work on Embed Activities during the Reporting Period. As at the Reporting Date, of 90 Embed Activities:

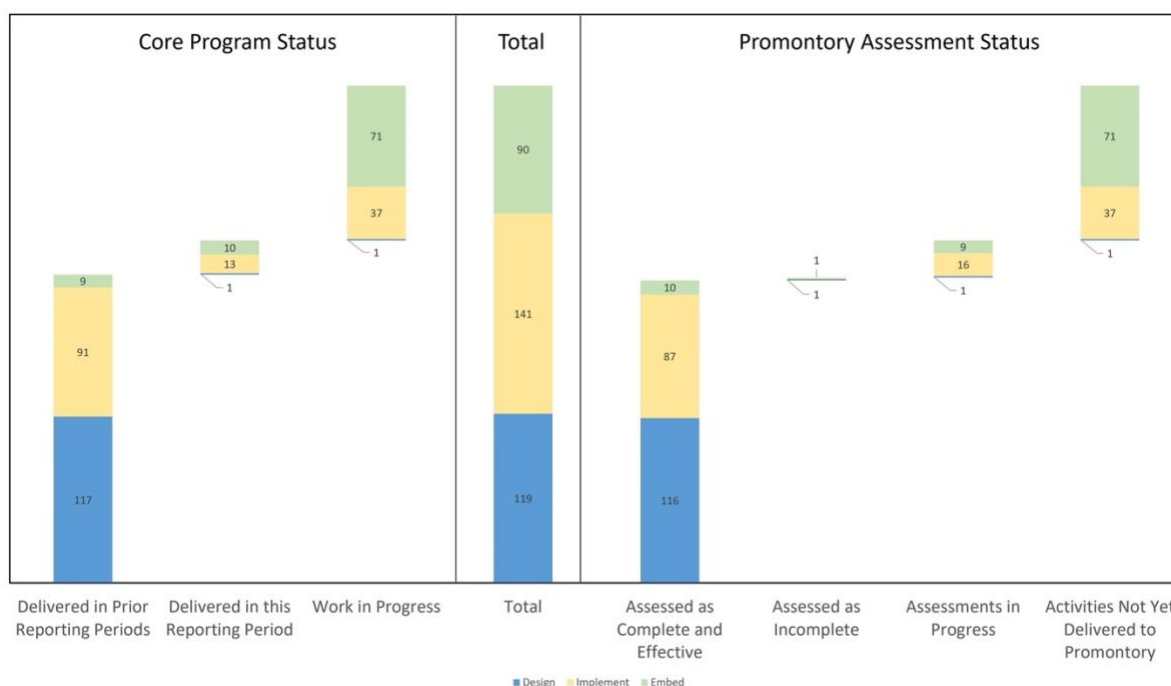
- Westpac had submitted Closure Packs for 19 Activities to Promontory.
- Promontory had assessed a total of 10 Activities as complete and effective.
- We had not yet completed our assessment of nine Activities.

The Program began to progress its work on Deliverables during the Reporting Period. As at the Reporting Date, of the 83 Deliverables:

- Westpac had submitted Closure Packs for 15 Deliverables.
- Promontory closed one Deliverable.
- We had not yet completed our assessment of 14 Deliverables.

Figure 2.1 provides a summary of overall Program progress, reflecting the status of both the CORE Program and Promontory’s assessments as at the Reporting Date.

Figure 2.1: Program progress



Of the 215 Activities closed by Promontory, assessments of 26 Activities were completed during the Reporting Period. This consisted of 10 Design Activities, 11 Implement Activities

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and five Embed Activities. Promontory also assessed one Deliverable as closed. Further information on the assessment of these Activities is provided in Chapter 5.

Progress as at the Reporting Date is set out by Workstream in Table 2.2.

Table 2.2 Program Progress by Workstream

WS	Activities with Westpac			Activities submitted to Promontory			Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory	Assessment underway	Assessed as complete and effective	Assessed as incomplete	
1	3	3	4	3	17	0	30
2	0	2	0	4	9	0	15
3	3	1	3	0	18	0	25
4	0	2	2	0	17	0	21
5	0	0	0	3	14	0	17
6	3	8	3	2	20	0	36
7	3	6	2	3	18	1	33
8	3	5	1	2	22	0	33
9	5	3	2	0	4	0	14
10	4	6	4	4	23	0	41
11	1	1	0	0	0	1	3
12	0	2	2	1	7	0	12
13	1	2	2	0	10	0	15
14	0	0	0	0	18	0	18
15	0	4	1	3	6	0	14
16	0	2	2	1	6	0	11
17	0	2	0	0	1	0	3
18	0	1	1	0	1	0	3
19	2	1	1	0	2	0	6
Total	28	51	30	26	213	2	350

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WS	Deliverables with Westpac			Deliverables submitted to Promontory			Total
	Work not commenced	Work in Progress	Completed but not yet submitted to Promontory	Assessment underway	Assessed as complete and effective	Assessed as incomplete	
1	0	5	2	1	1	0	9
2	0	2	0	3	0	0	5
3	0	3	1	0	0	0	4
4	0	2	2	0	0	0	4
5	0	0	0	3	0	0	3
6	0	7	0	1	0	0	8
7	0	7	0	0	0	0	7
8	0	6	0	2	0	0	8
9	0	4	0	0	0	0	4
10	0	7	0	0	0	0	7
11	0	1	0	0	0	0	1
12	0	2	2	0	0	0	4
13	0	3	1	0	0	0	4
14	0	0	0	4	0	0	4
15	0	4	0	0	0	0	4
16	0	2	1	0	0	0	3
17	0	1	0	0	0	0	1
18	0	1	0	0	0	0	1
19	0	2	0	0	0	0	2
Total	0	59	9	14	1	0	83

In the September SteerCo, the Program’s overall health status for August 2022 was reported as Amber. This was due to risks associated with resourcing, schedule and outcomes reported by Workstreams and Divisions. The Amber status can also be attributed, in part, to delivery risks associated with the need for Workstreams and Divisions to address concerns relating to progress on implementation and embedment.

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In addition, the status of two Workstreams, WS11 and WS18 were reported as Red in the September SteerCo. The status of WS18 primarily resulted from continuing schedule challenges as well as resource constraints. WS18 is further discussed in section 5.9.2. The status of WS11 was driven by an incomplete assessment of a Design Activity and is further discussed in section 5.5.4. Westpac is working to progress plans to move the status of these Workstreams out of Red.

This Reporting Period saw Westpac introduce two new high-rated Program risks. These relate to the risk of a lack of effective alignment, sequencing, and interconnectivity resulting in not achieving Target States, as well as the risk of inconsistent embedment across the Bank. In line with its approach to managing such risks, Westpac has developed relevant mitigating actions to address the risks identified.

3. Program Developments

3.1. Board Oversight

3.1.1. Board Committees

During the Reporting Period, Board oversight occurred mainly through the relevant Board Committees, including the BRiskC and Board Legal, Regulatory and Compliance Committee (**BLRCC**). These committees provide updates to the Board, which includes reporting on the CORE Program in the case of the BRiskC.

Promontory attended one full BRiskC and one BLRCC meeting during the Reporting period. These meetings involved discussions of various risk issues, including consideration of the progress of and risks associated with the Program. There were several agenda items directly related to the Program. These were:

- a discussion on Promontory's sixth report (**Sixth Report**);
- a CORE Report discussed at the August BRiskC; and
- the CORE Deep Dive on the Six-Monthly Review (**Six-Monthly Review**).

Promontory also attended a Board meeting in this reporting Period to observe discussion of annual financial targets and associated risk considerations.

During the Reporting Period the BLRCC held its final meeting with its responsibilities now rolled back to the BRiskC. The BLRCC was a sub-committee of the BRiskC and assisted the BRiskC on matters relating legal and compliance risk. Westpac will revert to operating with a single risk committee with responsibility for risk and compliance matters, as was the position prior to the establishment of the BLRCC in August 2020.

This matter was discussed at the Board Nominations & Governance Committee (**BNGC**), and on recommendation of the BNGC, approved by the Board following discussion. In recommending this decision, the BNGC noted the timing for recombining the BLRCC and BRiskC had been considered by the BLRCC and BRiskC Chairs, having regard to the recent recombining of the Risk and Financial Crime, Compliance and Conduct Divisions (**FCC&C**) under the Chief Risk Officer (**CRO**).

Promontory will continue to attend the BRiskC meetings and observe whether there is orderly integration of responsibilities.

3.1.2. Director Touchpoints

During the Reporting Period, Westpac conducted eight Director Touchpoints, as outlined in Table 3.1 below. All Director Touchpoints were observed by Promontory. Each Director

Touchpoint was attended by one or two Directors, and provided an opportunity for them to obtain deeper insights into a particular Division or Workstream and to provide challenge on the execution of aspects of the Program and Divisional execution.

Table 3.1 Director Touchpoint sessions observed by Promontory

Director Touchpoints	Date
Westpac Institutional Banking	2 August 2022
WS19 Liquidity	8 August 2022
WS7 Transformation Capability and Delivery	8 August 2022
WS2, WS3, WS4, WS5 and WS6 Culture and Capability	8 August 2022
WS15 and WS16 Tech and Data Management	8 August 2022
Specialist Businesses Division	16 August 2022
Consumer and Business Banking	17 August 2022
WS17 Credit	18 August 2022

During this round of Director Touchpoints, Promontory generally observed constructive discussion and challenge from the Directors on progress, risks, and outlook both within Divisional and Workstream sessions. Several recurring themes emerged across the Touchpoint sessions including:

- discussions around reporting to better understand the drivers underlying Red, Amber or Green ('RAG') status ratings and Outcome Measure reporting;
- challenges within the Three Lines of Defence (**3LoD**) including complexities involved in transitioning responsibilities from Line 2 (**Line 2**) to Line 1 (**Line 1**) and the need to uplift risk behaviours to drive greater ownership and accountability; and
- resourcing and capability challenges within the Divisions.

These interactions provide an important opportunity for Westpac to promote two-way communication between Directors and management, which is particularly important as the Program moves further into the Implement and Embed phases.

3.2. Program Governance Arrangements

3.2.1. Governance Forums

Program governance was enhanced in this Reporting Period with the establishment of the CORE GM Governance Forum (**CGF**). The CGF operates on a monthly cadence, and Promontory observed both sessions that occurred during this Reporting Period.

The CGF was introduced as part of a broader review of the CORE governance model that took place as part of the last Six-Monthly Review of the Program. The review identified that

better co-ordination across the Workstreams and Divisions could promote consistency and discussion through the Implement and Embed phases and drive improved engagement between Divisions and Workstreams. One of the aims of the CGF is to ensure consistency of application of the Program's activities through discussion and challenge.

The key themes discussed at the CGF remained largely consistent with the former forums and the SteerCo, with discussion on Workstream and Divisional status, Program risks, and outcome measures (**Outcome Measures**), among other matters. While the focus of the discussion remained consistent with other forums, there was strong engagement between Workstream and Divisional representatives in relation to implementation challenges identified through status reports, often leading to agreed actions and next steps to support the timely resolution of issues.

Promontory will continue to observe the operating effectiveness of the CGF in light of its intended purpose, and whether it is operating appropriately to provide a forum for constructive challenge between Workstreams and Divisions in relation to implementation and embedment.

3.2.2. Status Reporting

Reporting to governance forums on the status of the Program continued during the Reporting Period, including implementation progress, key risks, issues and challenges, dependency management and resourcing and financial performance.

Promontory observed robust discussion on Workstream and Divisional RAG status in governance forums including challenge on the appropriateness of ratings and whether they accurately reflect progress and risks. Promontory has also been monitoring the use of status reporting to ensure there is an appropriate level of transparency around the deficiencies or issues within each Workstream.

While discussion of the Program status has in general been sound, Promontory has observed some instances during the Reporting Period where there has been an overly positive approach to status reporting at the SteerCo. This has included:

- Reporting on WS11 at times did not sufficiently highlight the materiality of the issues required to be addressed. The RAG status for this Workstream moved to Red as at August 2022 after receiving Promontory's incomplete assessment.
- Reporting Green for WS13 despite issues being raised by Promontory over an extended period in relation to the assessment of Activities 13.2.2 and 13.2.3, and two major change requests that have extended Deliverable closure dates within this Workstream by up to 12 months. The RAG status for this Workstream moved to Amber as at August 2022 following Promontory's queries regarding Activities 13.2.2 and 13.2.3.

It is important that Westpac considers any lessons from these experiences. Transparency in status reporting is important to ensuring that risks are identified and accurately reported in a timely manner to enable appropriate oversight and action.

3.3. Risk and Group Audit Reviews

3.3.1. Risk Review

During the Reporting Period, Line 2 maintained its oversight over Program execution and the transition to BAU. This has involved continuing to move away from Workstream oversight to a more holistic focus on execution of the Program within Divisions and across the Group as a whole. The oversight operating model for Line 2 has continued to evolve as the Program has progressed, and now has three key components including:

- BAU oversight of work underway in each Division through individual dCROs.
- A monthly meeting bringing together all dCROs to share observations, progress and insights across Divisions.
- Attendance at the CGF, where any issues and observations identified as part of BAU activities are raised.

This approach is designed to reflect the current phase of the Program, where risks are increasingly influenced by Divisional embedment and where consistency is a key focus to ensuring sustainable uplift across the Bank.

Line 2 engagement during the Reporting Period focused on the following areas:

- The accuracy and use of status reporting, such as continuing to read across Workstream and Divisional ratings to identify inconsistencies, as well as ensuring that issues and risks identified are reflected in ratings and called out in the appropriate forums.
- End to end risk management, specifically value chain mapping in the Risk Division.
- Review of Program Risks, Assumptions, Issues and Dependencies (**RAID**), Transformation Workstream governance, and Package 9 process and readiness.

During the Reporting Period, Line 2 identified the following areas as requiring close monitoring going forward:

- Maintaining visibility where Divisions are facing delivery risk and facilitating pathways across Workstreams to provide support where needed.
- Maintaining clarity and visibility of the Risk Class Owner and dCRO roles and responsibilities.
- The ongoing balance in the tension between quality and timeliness, with quality findings from Line 1 and Line 2 reviews expected to highlight where impacts to outcomes are observed.
- The volume and frequency of change requests, in response to risks being raised in relation to the impact on Divisional scheduling.

3.3.2. Group Audit Review

During the Reporting Period, Group Audit finalised its fourth biannual CORE Program Oversight Review. This review provides Group Audit's observations on the design and operating effectiveness of the delivery processes and controls in the Program. As noted in our Fifth Report, the last review occurred in Q2 FY22 and concluded that there were adequate oversight processes in place.

The scope of the fourth review focused on the following aspects of the Program:

- delivery and change management of embedment activities;
- adequacy of reporting on Outcome Measures and Deliverable Metrics; and
- progress to remediate issues related to the CORE Six-Monthly Review and delivered risk management.

Group Audit concluded that there were adequate oversight processes in place and rated management control as 'effective'. This was driven by findings that the CORE Team has adequate processes to track and report progress of activities, delivery and change management is adequately managed with an operating model to enable Divisions to escalate delivery risks. Group Audit also found that the Program has adequate processes in place to report on Outcome Measures and Deliverable Metrics, and management actions from the CORE Six-Monthly Review have been completed (see section 3.6.2).

Promontory continued to meet with Group Audit monthly over the Reporting Period to discuss Group Audit reviews relevant to the Program's scope and to exchange observations on Program governance. Group Audit delivered 36 reports during the Reporting Period that were relevant to various Program Deliverables.

3.3.3. Funding

During the Reporting Period, reporting on Program financials continued to be provided to the SteerCo. Westpac remains aware of the importance of appropriate funding and the risk that inadequate funding may pose to resourcing and delivery of the Program.

As mentioned in our previous Report, Westpac continues to focus on appropriately transitioning costs to regular operating expenses, rather than project expenses, to reflect the Program moving towards a regular operating basis. This has been reflected in the Workstream's initial estimates reported to the SteerCo for the FY23 budget compared with FY22.

The risk of the cost reset resulting in the inability to meet CORE commitments continues to be a high-rated risk for the Program and it remains crucial that this risk is well-managed to maintain sustainability of improvements beyond the life of the Program.

3.3.4. Resourcing

Resourcing continued to be an area of focus during this Reporting Period, and the wider market remains challenging on this front. A number of Workstreams and Divisions highlighted resourcing as a challenge. Resourcing and capability challenges within the Divisions also emerged as a theme during Director Touchpoint discussions. The overall Program health status for resourcing was reported as Amber and 'on watch' in the September SteerCo, reflecting health as at August 2022. This has changed from a Green rating during the last Reporting Period with resourcing constraints now being reported across nine Workstreams and three Divisions. Resourcing challenges have been largely driven by:

- resourcing and capacity constraints to support the execution of certain Deliverables;
- lack of subject matter expert resource availability;
- skills potentially inadequate to ensure sustainability (WS9); and
- Divisional capacity constraints.

Westpac has acknowledged the relevant Program risks related to resourcing and has developed actions that will assist in monitoring and managing the risk over the next phase of the Program.

3.4. Communications and Change

Communications continued to be active, with the aim of supporting the risk culture and behavioural change aspects of the CORE Program during the Reporting Period. Over this Reporting Period there was a focus on using communications as a tool to drive sustainable change through reinforcing the importance of proactive risk management, building risk capability and delivering desired risk behaviours. The three key areas were:

- engaging managers with a refreshed strategy emphasising customer outcomes and continuing to reinforce strong risk foundations;
- reinforcing risk priorities through communications addressed at Divisional leaders and managers; and
- using data from internal and external reviews to further inform the communications plan to align with the refreshed strategy, ensuring momentum is maintained with a focus on change fatigue, and supporting the desired behavioural change and continuous improvement.

Research was conducted during the Reporting Period to help inform the communications to the middle management cohort over the next phase of the Program. This is due to the role that the middle management segment plays in modelling and influencing risk behaviour, which is essential to the effective execution of the Program. This research identified that simplification of communication channels and messages is needed.

We observed the following forums during the Reporting Period:

- A Culture Day for Senior Leaders, where Westpac’s GEs led discussions and presentations around constructive challenge, the need for leaders to role model behaviours of constructive challenge, escalate bad news quickly and own mistakes, build the right capability, and lead with trust.
- A People Leaders Forum for middle management and subject matter experts, which had a focus on the refreshed strategy and new digital tools for Westpac’s customers. During this event, Westpac’s CEO spoke about desired cultural traits including the need to stay the course and focus on customer outcomes, challenge constructively, and learn from mistakes and speak up.
- The CORE Quarterly Update for Divisional and Workstream personnel who are responsible for the Program implementation, which focused on embedding behavioural change and understanding Divisional progress on Activities. The discussion during the forum centred on what was needed to deliver collectively and the Divisions role to support and lead transformational change. The forum included a transparent dialogue across a panel of senior leaders about Divisional experiences to date and priorities moving forward.

Positive feedback has been received in relation to both the Culture Development Day and People Leaders Forum, and communications effectiveness surveys indicate an improved understanding of the culture Westpac is seeking to build. Communication is an important tool to promote and enable cultural and behavioural change, however this should be supported by broader actions across the organisation.

In the next Reporting Period, Promontory will continue to observe how communications are used to enable change in behaviour and culture, as well as how this is translating to practical and observable changes in the risk culture and behaviours across the organisation.

3.5. Change Management

3.5.1. Packages

Westpac continues to use the package (**Package**) mechanism to execute the Integrated Plan within the Divisions, and to supplement Program-level communications. Package 9, which was launched during the Reporting Period, has the message anchor of ‘maturing risk capabilities and disciplines through consistent practice to support a well-run business’. A summary of the Package message anchors to date is provided in Table 3.2.

Table 3.2 Package Message Anchors

Package number	Message anchor
1	Building a strong foundation.
2	Strengthening risk foundations and culture through enhancing capability, tools and learning.

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3	Sharpening our issues management capability.
4	Continuing to master the fundamentals of proactive, hands-on risk management.
5	Strengthening risk disciplines with a focus on obligations, issues and incidents.
6	Lifting our risk disciplines through improved risk management, infrastructure and reporting.
7	Managing the business well – lifting and strengthening risk disciplines.
8	Strengthening risk capability through consistent operating rhythms and practice.
9	Maturing risk capabilities and disciplines through consistent practice to support a well-run business.

These message anchors help to maintain focus on the overall aim of the Program, which is to uplift in Westpac's risk management and governance.

Package 9, which consists of 11 new and 36 in-flight Activities, is intended to drive outcomes through:

- further embedding value chain mapping and maintenance across obligations, risks and controls;
- continuing to onboard Critical Data Elements to enable Westpac to draw timely insights and make data-based decisions;
- continuing to roll out the Risk Capacity and Capability Uplift Assessment across risk classes for First and Second Line; and
- proactively managing risk by embedding RAS' and maturing risk culture reporting.

This is the first Package launch where the large majority of new Activities (10 of 11) are Embed Activities, reflecting that the Program is now focused on building on existing foundations to embed sustainable change. Throughout the launch, the considerable amount of work that has gone into the Program in getting to this stage was repeatedly reinforced, with an emphasis on the importance of staying the course to achieve sustainable and positive change for both the Bank and customers.

3.5.2. Change Control Mechanism

During the Reporting Period, Westpac continued to manage changes in a structured manner within the Program through the change control mechanism. In any program of this nature, it is important that there is an effective change control mechanism to ensure that the Program adapts when necessary and that there are appropriate governance processes around

changes. The change control register tracks change requests and includes details such as rationale, impact, records of approvals, and status of the request.

During the Reporting Period:

- 19 new change requests were logged in the change control register. These change requests included the addition of new Activities, the extension of Activity and Deliverable timeframes, reassignment of accountable GM Workstream owners, revisions of Workstream and Activity descriptions, and amendments to Program Deliverable Metrics. Of these 19 change requests, 4 have been assessed as having a 'major' impact.
- 24 change requests were closed as approved. This included a number of changes to the Plan including a new Activity for WS7 (Implement Activity 7.2.2a), a new Activity for WS3 (Embed Activity 3.3.9), a change to the Deliverable Description and Target State for WS13, an extension to Embed Activity 13.3.3, and the introduction of the new Deliverable 9.4.
- Three major change requests remain open covering the addition of new Activities and the extension of delivery dates.

3.6. Other Program Developments

3.6.1. Incomplete Assessments

During the Reporting Period, Promontory issued an 'incomplete' assessment for Activity 11.1.1 which relates to Westpac's assurance approach. WS11 is intended to build and embed a coordinated assurance approach across the 3LoD with clear roles and responsibilities, and enable Line 2 and Line 3 (**Line 3**) to prioritise their activities (see section 5.5.4). Westpac has been working to resolve the issues identified through the development of an updated framework and clarification of accountabilities.

Promontory assesses an Activity as incomplete where material issues are identified with meeting an Activity's description its Closure Criteria or the Deliverable Target State at the time the assessment is undertaken. This was the second incomplete assessment delivered by Promontory, with the first issued in relation to WS7 as set out in the Sixth Report.

Any concerns identified by Promontory are raised as early as possible through the assessment process to ensure that Westpac has an opportunity to respond to the issues and determine measures to address them. However, it is recognised that an early indication of issues will not necessarily avoid an Activity as being assessed as incomplete, nor will the early identification of issues always be possible. In circumstances where Promontory assesses an Activity as incomplete, and Westpac subsequently takes remedial steps, Promontory will reassess the relevant Activity.

3.6.2. Six-Monthly Review

As outlined in the Sixth Report, the second formal Six-Monthly Review of the Program was undertaken during the previous Reporting Period. The review provides an opportunity for Westpac to reflect on whether it is effectively executing the Integrated Plan and achieving the required risk governance uplift in ways that are sustainable and evidenced by demonstrable outcomes.

This Reporting Period, Westpac finalised the process of consolidating the outcomes from the Six-Monthly Review including a series of actions to be addressed. These included:

- the simplification of the CORE governance structure and forums;
- two proposed changes to the Integrated Plan based on reviews of risk governance matters across the Group;
- amendment of the frequency of critical risk priorities and Deficiencies reporting – from monthly to quarterly;
- the finalisation of relevant thresholds for FY22 and FY23 Program Outcome Measures; and
- operationalising remaining Program Deliverable Metrics.

The next Six-Monthly Review process will commence in the next reporting period, and serves as a critical opportunity to enable insights, feedback and data from multiple forums and sources to be considered in order to identify key actions. Promontory will continue to engage closely with Westpac to monitor how actions are implemented in a consistent, effective, and sustainable way.

3.6.3. Organisational Restructure and Program Leadership

As discussed in the Sixth Report, on 3 February 2022, Westpac announced a major restructure involving changes to its organisational structure and leadership team. The changes are intended to embed the Line of Business (**LoB**) model and clarify accountabilities. One of the significant changes with implications for the Program was the appointment of a new Chief Transformation Officer (**CTO**) tasked with taking over Program sponsorship.

The CTO commenced in April 2022 and the previous sponsor remained with Westpac until the end of September 2022 to ensure the continued transfer of institutional knowledge during this time. This transition has now been completed. Promontory has observed a well-managed transition of accountability for the Program.

3.6.4. Measuring Program Outcomes

Westpac's approach to measuring Program outcomes across the Group includes:

- 183 Program Deliverable Metrics, which measure performance against the Target State for individual Deliverables within the Integrated Plan.
- 51 Outcome Measures, which are BAU measures that will continue beyond the completion of the Program. These measures are intended to provide a view of select business performance measures that, in aggregate, will indicate whether Westpac is seeing the necessary uplift in risk governance and culture.

Deliverable Metrics

Reporting on Program Deliverable Metrics has been fully operationalised across the Program and will be reflected in Q422 outcomes reporting in October 2022, with the exception of Deliverable 9.4 which will commence reporting results in the last quarter of this year, and Deliverable 11.1 which will commence reporting results in the first quarter of next year.

Outcome Measures

During the Reporting Period, Westpac finalised its FY23 Outcome Measure objectives. A challenge session was run with all stakeholders to assess whether the outcome objectives represented the appropriate level of uplift consistent with what has been and will be delivered through the CORE Program and what would be expected by the Board. The FY23 objectives are intended to help Westpac identify potential concerns, and then determine the root cause to drive effective resolution. They will also be used to provide the BRiskC with more information on business performance.

During the last reporting period, Westpac experienced some challenges in developing consolidated reporting for Outcome Measures, due to reliance on 'BAU' reporting which was inconsistent across the organisation. Discussions with key stakeholders, including a GM review session addressed these challenges by standardising reporting for FY23 objectives to ensure alignment and cohesion across the organisation.²

To enable greater focus on progress in addressing the Program's root causes, the Outcome Measures have been realigned with the Program's Target States. Promontory continues to monitor progress on how Program Outcome Measures are contributing to Westpac's ongoing consideration of the Program's effectiveness.

² Deliverable 11.1 will commence reporting in Q2FY23 due to the First Line of Defence quality of assurance review activity commencing 1 October 2022. Deliverable 9.4 Risk will target commencing reporting by Q1FY23 as this is a new Deliverable introduced in August 2022 and is in the Design phase.

4. Observations and Focus Areas

In our Sixth Report, we observed that Westpac had reached a pivotal point in the Program, moving away from foundational design and towards operationalising and embedding changes within the business. During this Reporting Period, Westpac has continued in its efforts to embed risk uplift Activities across the organisation. This pivotal phase requires clear commitment in the tone from the top, sustained momentum in execution across the Group, a focus on consistency, and decisive actions in response to challenges.

Much has been achieved in the Program to date. As noted in our previous Report, in this phase of the Program Westpac should see further observable changes that contribute to the remediation of the identified root causes of its governance, culture and accountability shortcomings. The Bank should take satisfaction from discernible changes such as uplifts to existing frameworks and the implementation of new ones, the consolidation of existing procedures, as well as the consistent use of processes, policies, guidance, systems and supporting tools.

While the progress to date represents significant steps toward transformation of the Bank, ultimately the most important changes will be those that are evidenced through changed behaviours. This necessarily requires, among other things, continuing efforts to clarify roles and accountabilities, strengthening the voice of risk and ensuring that the 3LoD model is clear and understood. All of these will encourage an environment of constructive challenge and proactive risk management. Additionally, the implementation of value chains, the digitisation of systems and processes, together with the automation of controls will support the early identification of issues and lead to improved customer outcomes.

Westpac is cognisant that there is still much to do. Changing long held behaviours through holistic and sustainable changes to the Bank's risk culture requires unwavering commitment from all levels across the Bank, including the Board. While recognising that it can take an extended period before these behaviours are 'hard wired', Westpac should strive to see tangible indications of progress, including evidence of cultural transformation, during this phase of the Program.

During this phase, where significant work is required to ensure that Program Deliverables are adequately embedded within the Divisions, 'staying the course' takes on heightened significance. The Executive Sponsor, GEs, the CGF and the CORE Team should ensure that there is strong connectivity between Divisions and encourage issues to be raised early so that there can be continuous reflection and challenge through the governance forums.

While we have not observed any loss of momentum, it is normal at this stage of a large-scale Program for the impost of multiple uplift measures underway across Divisions to lead to capacity constraints and scheduling risks. Not surprisingly, these issues were raised by a number of Workstreams during this Reporting Period. It is critical that Workstreams and Divisions continue to raise these matters so that measures can be taken to ensure competing

demands are appropriately prioritised. It remains important for the Bank to ensure that sequencing is balanced against the desire to maintain timelines.

In a Program of this size and nature, risks such as maintaining consistency of execution, balancing quality and timeliness, and managing change fatigue will continue to be ongoing challenges. In this context, it should not be unexpected that these remain focus areas. Key to the coming phase of the Program and the ongoing sustainability of changes is the need to embed behavioural changes and a proactive approach to identifying and managing risks. It is in this context that we have introduced two focus areas relating to cultural transformation and the 3LoD model.

4.1. Cultural Transformation

Cultural transformation demonstrated through changed behaviours and a proactive approach to risk management is a primary indicator the CORE Program's progress. This will ultimately be a key outcome to sustain the risk governance uplift that the Program seeks to deliver.

Promontory recognises that achieving significant and sustainable uplift in risk culture and organisational culture takes an extended period of time. In continuing the progress to the embedment stage of the Program, Westpac should expect tangible evidence of these changed behaviours being demonstrated throughout all layers of the organisation.

Westpac has defined the key behaviours that it wishes to see through its "HELPS" mantra and the "Purpose/ Values/ Behaviours" included in its Code of Conduct. It has developed some supporting materials such as "Simple Steps" guides for these behaviours and is showcasing the desired behaviours in major events, such as Culture Days. Westpac should resist the temptation to continue to redefine or describe these desired behaviours in different ways. Rather, the task now is to demonstrate these behaviours in practice across the Group.

During the Reporting Period, Promontory observed examples of positive cultural shifts. For example, we saw greater challenge in governance forums, robust conversations during the Director Touchpoint sessions and communications targeting cultural and behavioural change during the Culture Day for Westpac's Senior Leaders, and the People Leaders Forum for Westpac's middle management cohort and subject matter experts.

In the coming phase, Westpac should expect to see more evidence of improvements in actions and behaviours driving improvements in risk culture. For example, risk culture self-assessments both raise awareness of desired behaviours and provide a basis to reward good behaviours. Other areas we expect to see this transformation are in effective and robust root cause analysis of risk issues that arise, and ensuring a strong voice of risk. These are examples of a mature and proactive risk culture.

Westpac may also seek to focus on transparency in reporting and continue to encourage a greater willingness to "speak up". Part of creating an environment where employees feel safe to speak up requires the Bank to reflect on how to address any bias toward positive reporting and positive news more broadly. This may support employees in raising issues or risks and

reporting these through governance forums. Similarly, greater transparency of how issues are escalated and then addressed is also an important mechanism by which employees can see how their improved behaviours are contributing to observable outcomes.

Seeking tangible evidence of cultural transformation through improved behaviours will be an important focus for Westpac during the next phase. Addressing the matters raised in the other focus areas in this Report are also intrinsically connected to sustainably improving cultural transformation. As such, Westpac should continue to apply an integrated approach through the next phase of the Program in seeking to drive improved behaviours and management of risks.

4.2. Three Lines of Defence

A well understood and thoroughly embedded 3LoD model is a concept that has historically challenged organisations across the financial services industry. There are a multitude of factors that contribute to this challenge, not least of which are the scale and complexity of large financial institutions. Westpac has not been immune to this problem, and this is among the key root causes the Bank is seeking to address.

Promontory has observed challenges relating to the implementation and embedment of the 3LoD model emerge in several ways. This has included difficulties in ensuring the model is consistently understood and embedded, and clarity of accountabilities between Line 1 and Line 2. Additionally, the disbursement of 3LoD related Activities across multiple Workstreams adds a further element which requires continuous oversight.

Recognising these challenges, a working group with key stakeholders was convened during the Reporting Period to consider the issues impacting the understanding and embedment of the 3LoD model. A number of actions were identified by the working group, including refinements to the 3LoD model, improved narrative and communications, actions to ensure required capacity and capability within business units to support effective embedment of the 3LoD Standard. The convening of the working group and the development of actions are positive steps in developing a consistent approach to implementation.

In the coming months, the agreed actions from the working group will require ongoing attention and should be regularly tested with the right stakeholders meeting regularly to ensure that the actions are mitigating the challenges that have emerged. It will be crucial for the relevant Workstreams and Divisions to monitor progress and to raise concerns through governance forums so that actions can be appropriately and promptly adjusted.

Thorough and rigorous implementation of a 3LoD model should be supported by clear and focused communications which are consistently reinforced, helping to make roles and lines of accountability clear. Over the long term, this will also engender sustainable risk behaviours which will contribute to an improved culture across the organisation.

4.3. Change Fatigue

As observed in our Fifth and Sixth Reports, it is not uncommon to see the risks associated with change fatigue during large-scale transformation programs. We continue to observe that change fatigue has remained a challenge for the Program and has received attention through various governance forums. In Westpac's case this challenge is also heightened by an extended period of broad-based organisational changes occurring simultaneously across the Group.

During this Reporting Period, Promontory observed the Program continued to report capacity constraints and capability gaps. A number of Workstreams also reported increased turnover. These themes were also discussed during the Director Touchpoint sessions observed by Promontory. The issue of persistent demand on particular subject matter experts was also highlighted, with concerns that this may cause a 'bottle neck' and affect the delivery of some key Activities.

While Westpac has continuously monitored Program resourcing, the elevation of risks associated with capacity constraints during the Reporting Period requires additional focus. This has the potential to affect the quality of execution and the sustainability of the uplift measures beyond CORE. Westpac may seek to use existing governance forums and the Quarterly Business Review processes to test its assumptions and the timeliness of any planned mitigating actions to address these challenges and potentially intervene earlier should it be required.

Communications also play a vital role in addressing risks associated with change fatigue and resourcing. As the Program becomes less centralised, middle management and their teams are being relied upon to drive execution. Communications and appropriately tailored messaging in relation to prioritisation can facilitate this approach.

Noting that some research has already been conducted into engaging middle management, Westpac may wish to build on this and consider how communications can be used, in conjunction with other tailored support measures. It may be that an increased focus on two-way communication is needed, or that resourcing issues and change fatigue are discussed more directly with this cohort. Meaningfully engaging with this cohort and seeking their input in developing mitigating actions could play an important role during the coming phase of the Program.

4.4. Quality and Timeliness

As discussed in our previous reports, the tension between quality and timeliness is a common challenge in major transformation programs. It is inevitable that designs developed at the beginning of the Program will need to be adapted to achieve operational effectiveness and deliver against the intended Target States. It is also likely that, for various reasons, the pace of execution will vary between Workstreams and Divisions.

The impacts of these variations can create risks to meeting the timelines set out in the Integrated Plan. With the execution of multiple Activities underway, many of which are interconnected or dependent on changes being delivered under other Workstreams, delays or variations in some Workstreams or Divisions can have a consequential impact on others.

Promontory has observed that Program scheduling has come under increasing scrutiny during the Reporting Period. Ambitious timeframes coupled with capacity constraints (as noted above in paragraph 4.3), increased complexities in deliverables and sustained reliance on subject matter experts across multiple simultaneous tasks are amongst the contributing factors.

Westpac has continued to monitor for potential scheduling risks through governance forums. These forums will also need to ensure that the quality of execution and the sustainability of changes over the long-term receive appropriate focus.

Closely monitoring the quality of execution and testing assumptions around delivery risks should facilitate early intervention where needed. In addition, the use of clear communications from the top of the organisation to encourage robust challenge and support the early escalation of issues, as well as driving stronger connectivity between Workstreams and Divisions should also facilitate execution to the required level of quality.

A key forum during this phase of the Program will be the CGF. This forum should provide a further mechanism to improve engagement between Divisions and Workstreams. In turn, this should help ensure that the quality of execution is not compromised by an overemphasis on timeframes.

4.5. Consistency


Consistency of execution remains a focus area in this Report as it was in our Fifth and Sixth Reports. Not surprisingly, consistency of execution assumes heightened significance not only because the Program is less centralised during the Implement and Embed phases, but also because those executing implementation are balancing multiple competing priorities. Ensuring strong connectivity between Workstreams and Divisions as well as implementing appropriate actions in response to matters that are escalated through governance forums will play a critical role in driving consistency.

During the Reporting Period we observed some examples of challenges relating to consistency of execution, for example:

- inconsistencies between Divisions in the work being completed under WS10 to implement and utilise the value chain management frameworks;
- there continue to be challenges with the consistent implementation of the data management operating model; and
- inconsistencies across the Divisions impacting the manner in which data was aggregated for risk culture assessment results.

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Consistency in execution is crucial as the Program increasingly becomes led by Divisions. A well implemented approach to value chain management supported by high quality data, will enable a markedly improved understanding of products, processes, systems, customers, risks and controls across Westpac's business on an end-to-end basis.

5. Workstream Assessment and Progress

5.1. Introduction

During the Reporting Period, Promontory closed 26 Activities (10 Design Activities, 11 Implement Activities and 5 Embed Activities). Promontory also closed one Deliverable. A further 26 Activities remained under assessment as at the Reporting Date.

As described in section 1.4, Promontory takes a structured approach to assessing Activities. In assessing whether an Activity is complete, we look for evidence that the specific tasks described in the Activity have been carried out. We also look for evidence that the completed Activity has contributed to achieving the Target State of the relevant Deliverable.

As noted in section 3.6.1, we assessed one Activity as incomplete during this Reporting Period. Activity 11.1.1 was assessed as incomplete due to insufficient evidence that several of the Closure Criteria had been met. Further detail about our assessment of Activity 11.1.1 is set out in section 5.5.4.

Table 5.1 provides a list of the Activities and Deliverables that were closed during the Reporting Period, and the balance of Chapter 5 provides summaries of the relevant assessments.³

Table 5.1: Overview of Activities Closed by Promontory during the Reporting Period

# ⁴	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
1	Board Governance	WS1	1.6.3	Implement	1 July 2022
2			1.7	Deliverable	31 August 2022
3	Culture and Capability	WS3	3.3.6	Implement	22 July 2022
4			3.3.7	Embed	22 July 2022
5		WS4	4.2.5a	Implement	18 August 2022
6		WS6	6.2.2	Design	15 July 2022
7			6.4.3	Design	8 July 2022

³ This includes both Activities which have been closed as ‘complete and effective’ and ‘incomplete’.

⁴ The numbers in this column have been assigned to each Closure Pack by Promontory for tracking purposes.

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# ⁴	Theme	Workstream	Activity	Phase	Activity Sign-Off Date
8			6.5.1	Design	15 July 222
9			6.6.3	Implement	31 August 2022
10			6.7.3	Design	19 July 2022
11	Transformation Capability & Delivery	WS7	7.7.5	Embed	26 August 2022
12	Risk & Compliance Management	WS8	8.1.6	Implement	19 August 2022
13			8.6.2	Implement	14 September 2022
14			8.7.3	Embed	27 September 2022
15		WS10	10.1.2	Implement	18 July 2022
16			10.1.2a	Design	19 August 2022
17			10.7.1	Design	14 July 2022
18		WS11	11.1.1	Design	25 August 2022
19		WS12	12.1.2	Implement	25 August 2022
20			12.2.2	Implement	12 August 2022
21	Conduct	WS13	13.2.2	Design	16 September 2022
22			13.2.3	Implement	16 September 2022
23	Complaints	WS14	14.3.6	Embed	22 August 2022
24			14.4.4	Embed	9 September 2022
25	Technology and Data	WS15	15.3.2	Implement	30 September 2022
26	Financial Risk Classes	WS19	19.1.1	Design	1 July 2022
27			19.2.1	Design	20 July 2022

5.2. Board Governance Theme Progress

During the Reporting Period, Promontory assessed one Board Governance Theme Activity as complete and effective, and closed one Deliverable. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 17 of the 30 Board Governance Theme Activities had been assessed as complete and effective.

During the Reporting Period, Westpac submitted Closure Packs for three Board Governance Theme Activities, and one Deliverable to Promontory. As at the Reporting Date, Promontory was in the process of assessing three Activities for this Theme.

At the Reporting Date, 10 Activities for this Theme remain to be submitted to Promontory for assessment.

5.2.1. Workstream 1 – Board Risk Governance (WS1)

WS1 relates to Board risk governance. The objective of WS1 as set out in the Integrated Plan is that:

The Board and Board Committees operate effectively, set clear direction for Westpac's risk appetite and culture, and provide appropriate oversight of risk management, having regard to the foundations for good governance as outlined in CPS510.

This Workstream has nine Deliverables consisting of 30 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.1: WS1 Activity Status



Table 5.2: WS1 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
1.1	Board direction on strategy and enterprise investment prioritisation	1	3
1.2	Board risk reporting	1	3

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#	Deliverable	Closed Activities	Total Activities
1.3	Board direction on risk appetite	2	3
1.4	Board direction on risk culture	2	4
1.5	Board direction on risk training	1	3
1.6	Board direction on consequences	3	5
1.7	Oversight of Advisory Panel Observations	3	3
1.8	Review of BRiskC and Board Legal, Regulatory and Compliance Committee (BLRCC) implementation	2	3
1.9	Review capacity and capability in the 3LoD	2	3
	Total	17	30

Assessment of Deliverable 1.6

Deliverable 1.6 requires the BRiskC, Board Remuneration Committee (**BRemC**) and/or Board to provide continued oversight of consequences for poor issues management and risks remaining out of appetite.

Activity 1.6.3

Design Activity 1.6.3 requires the BRiskC, CRO and GE FCC&C to review accountabilities for returning risks within risk appetite to confirm they are clearly defined. This is related to Activity 4.3.2. It also requires the BRemC to review formalised processes related to variable compensation at Executive level.

With respect to reviewing accountabilities for returning risks within risk appetite, the following were put in place:

- the requirement in the BRiskC Charter for the BRiskC to oversee the risk profile of the Group;
- the quarterly presentation of the Risk Appetite Dashboards to the BRiskC where, under the Risk Appetite Statement (**RAS**) Policy, each RAS measure is reported relative to its respective tolerance or threshold at least quarterly via the Risk Appetite Dashboard; and
- the responsibility of each Risk Class Owner to notify the Group CRO when measures move into their Amber or Red threshold, oversee remediation actions and plans and escalate to the BRiskC which then oversees the remediation plan.

The BRemC reviews formalised processes related to variable compensation at Executive level, including a 'look back' process before any equity vesting event for specified groups as set out in the Westpac Group Remuneration Policy, CEO performance review, reporting of relevant matters from other Board Committees, and evidence of the application of discretionary adjustments when making Executive pay decisions.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the statements of accountability and the various BLRCC memoranda provided in the Close Pack.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to show that the BRiskC, CRO, and GE FCC&C have demonstrated continued oversight is in place to review accountabilities for returning risks within risk appetite. We also concluded that the BRemC had reviewed the formalised processes related to variable compensation at Executive level.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 1.6, we will seek to further understand the oversight of consequence management for poor issues management and risks remaining out of appetite provided by the BRiskC, BRemC and/or Board through the various Board meetings that we will be attending from August 2022 to December 2022.

Assessment of Deliverable 1.7

Deliverable 1.7 requires the BRiskC and/or BLRCC, and accountable executives to oversee the implementation of the Advisory Panel's recommendations. We note this Deliverable and the associated Deliverable Metric, regular discussions at BRiskC and/or BLRCC with accountable executives of progress reporting on the implementation of the Advisory Panel's recommendations, has been achieved.

5.3. Culture and Capability Theme Progress

During the Reporting Period Promontory assessed six Culture and Capability Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 78 of the 114 Culture and Capability Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the Closure Pack for nine Culture and Capability Theme Activities to Promontory and seven Deliverables. As at the Reporting Date, Promontory was in the process of assessing nine Activities and 27 Activities for this Theme remain to be submitted to Promontory for assessment.

5.3.1. Workstream 2 – Executive Culture and Capability (WS2)

WS2 relates to Executive culture and capability. The objective of WS2 as set out in the Integrated Plan is that:

Westpac has a strong culture where Executives set the 'tone from the top' by role-modelling values and consistent behaviours and practices demonstrating sound risk management. Our Leaders coach our people to live our values and behaviours so that they can identify, report,

manage and resolve risks and be accountable. The culture is supported by aligned processes, structures and systems and is measured to monitor our progress and outcomes.

This Workstream has five Deliverables consisting of 15 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.2: WS2 Activity Status



Table 5.3: WS2 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
2.1	Executive leadership culture and practices	2	3
2.2	Performance Management and Recognition Platforms	2	3
2.3	Culture measurement	2	3
2.4	Executive capabilities	2	3
2.5	Strengthening application of the Motivate framework to actively manage under performance and developing leadership skills on performance management (GM & GM1 as required)	1	3
Total		9	15

5.3.2. Workstream 3 – Risk Culture (WS3)

WS3 relates to risk culture. The objective of WS3 as set out in the Integrated Plan is that:

Westpac’s risk culture supports effective risk management through the active management and oversight of risk culture within Divisions using measurement tools and assessment process to assess progress towards Westpac’s target state of Proactive, whilst enabling the Board to have oversight of risk culture across the Group.

This Workstream has four Deliverables consisting of 25 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.3: WS3 Activity Status

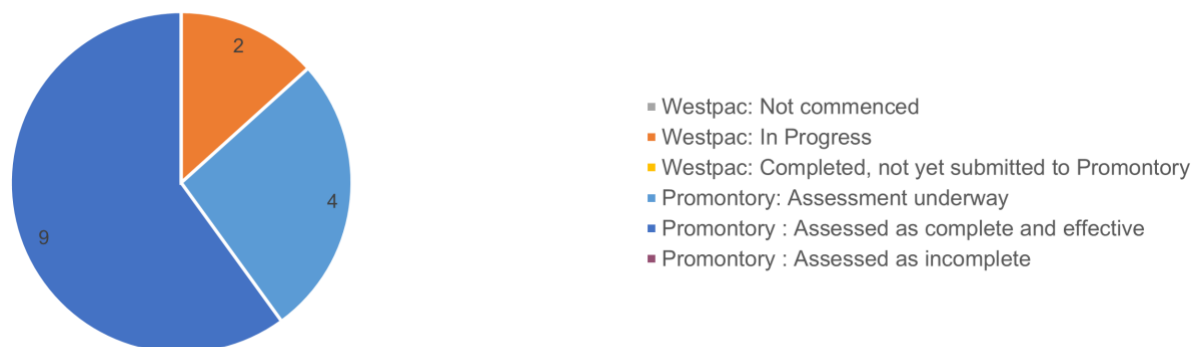


Table 5.4: WS3 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
3.1	Risk Culture Framework	4	5
3.2	Risk Culture Dashboard	3	5
3.3	Risk Culture Maturity Self-Assessment	7	9
3.4	Risk Culture Insights Program	4	6
Total		18	25

Assessment of Deliverable 3.3

Deliverable 3.3 requires the establishment of an annual Risk Culture Maturity Self-Assessment (RCMSA) process to be completed by Divisions. This is to determine each Divisions' risk culture maturity (relative to Westpac’s target of ‘Proactive’), to identify gaps and take actions in the Divisions to collectively move the Group towards Westpac's established target risk culture.

Activity 3.3.6

Implement Activity 3.3.6 requires Divisions to implement initiatives to improve risk culture and to perform the annual repeat of the RCMSA process to determine year-on-year progress and identify further areas of improvement.

As part of this Activity, the following key risk culture initiatives were performed:

- Divisions conducted the FY21 annual RCMSA. Two Divisions conducted it at a business unit or LoB level and aggregated results to determine the risk culture maturity of the Division. Results were tabled at Divisional risk forums.
- Divisions continued to implement and refine Divisional Action Plans that were developed following the FY20 annual RCMSA. The plans are monitored by respective Divisional Risk Committees.

- Westpac's Line 2 Risk Culture team reviewed the Divisional Action Plans to provide feedback.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding improvement areas identified by the Divisions as part of the FY21 RCMSA process, governance arrangements in place to support delivery and monitoring of risk culture initiatives across the Group and within Divisions. We also requested further information regarding the following inconsistencies we identified:

- two Divisions applied a different approach to determine their risk maturity rating; and
- the way in which the majority of Divisions conducted their RCMSA's compared to the design of assessment under Activity 3.3.1.

Based on our assessment of the Closure Pack, the additional documentation we received and interviews we conducted (which resulted in further activities being added to the Integrated Plan), we concluded that Westpac is taking appropriate steps to enable it to implement a consistent approach to conducting the RCMSA through these future additional activities.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 3.3, we will consider approvals in relation to Westpac's revisions to conducting future RCMSA's, the sustainability of resourcing and capability to support the conduct of the annual process and Divisional Action Plans, and the adequacy of supporting systems and technology.

Activity 3.3.7

Embed Activity 3.3.7 requires Divisions to report maturity self-assessment outcomes to the Group RiskCo and BRiskC and include them for consideration in the Board's annual Risk Management Declaration where relevant.

The Closure Pack indicated that all Divisions undertook a repeat of the RCMSA in 2021, except for FCC&C, SBD, and Treasury, which undertook the RCMSA for the first time in 2021. Divisional results were reported to RiskCo and BRiskC and Divisions reported on their risk culture Action Plans at Divisional RiskCos (or equivalent) on a consistent basis. Divisions have implemented initiatives (where possible) and improvement areas identified were progressed.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding whether there was any challenge or comments on the September 2021 RCMSA ratings and its appropriateness from the RiskCo and BRiskC.

Promontory also requested further information in relation to the changes made to the Integrated Plan and in the design of the RCMSA to address the deficiencies and feedback provided by Promontory. We were particularly interested in the revised process for the annual RCMSA, how revisions to the process and methodology will provide greater focus on behaviours in alignment with the risk culture model, and how a consistent approach to the annual RCMSA would be facilitated. We also sought confirmation as to whether the SteerCo had endorsed the changes to the Integrated Plan.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we consider that the maturity self-assessment outcomes have been reported to Group RiskCo and BRiskC. The outcomes have been compared against the baseline and the target aspiration and has been included for consideration in the Board's annual Risk Management Declaration. Where additional improvement areas have been identified, Divisions have implemented these additional risk culture initiatives.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 3.3, we will consider:

- how Westpac has conducted and implemented a consistent approach to the annual RCMSA that reflects revisions to the methodology and process to provide a greater focus on behaviours in alignment with its risk culture model;
- whether the RCMSA outcomes and changes to the method and process for the annual repeat assessment have been reported to Group RiskCo and BRiskCo; the inclusion of outcomes compared against the baseline as well as the target aspiration; and the consideration as part of the Board's annual Risk Management Declaration; and
- whether improvement areas identified for additional risk culture initiatives have been implemented by Divisions;

5.3.3. Workstream 4 – Organisational Design (WS4)

WS4 relates to organisational design. The objective of WS4 as set out in the Integrated Plan is that:

Westpac has a consistent, simplified organisational design aligned to the Group's strategy. The organisational design provides clear role accountabilities, clarity as to how roles interrelate through end-to-end processes, and the target engagement models to enable good decision-making, drive effective risk management and underpin strong engagement across roles and structure.

Westpac senior leaders have clear accountability statements as an enabler for good decision-making that facilitate effective engagement within roles and across businesses including corporate functions. This is supported by an effective First Line organisational structure and effective engagement across all three lines of defence. Effective and speed of decision-making is enabled by Westpac's roles and responsibilities and understanding of accountability, through clear principles and guidance. Where committees are necessary, they operate without dilution of individual accountabilities.

This Workstream has four Deliverables consisting of 21 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.4: WS4 Activity Status

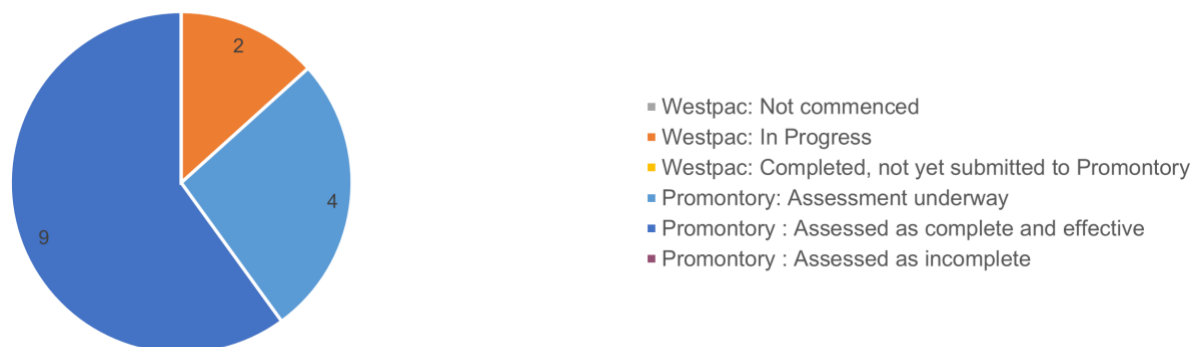


Table 5.5: WS4 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
4.1	Organisation Design Principles	4	5
4.2	3LoD model in the First Line	6	7
4.3	Roles, responsibilities, and delegations	5	6
4.4	Making decisions and engaging across roles	2	3
Total		17	21

Assessment of Deliverable 4.2

Deliverable 4.2 requires Westpac to strengthen first line ownership of and accountability for risk management and compliance (consistent with the 3LoD principles), establish a Hub and Spoke model across relevant Divisions, and clearly define responsibilities in front-line teams versus Business Control and Monitoring (**BCM**) teams as well as between central BCM team ('Hub') and LoB aligned teams ('Spokes').

Activity 4.2.5a

Implement Activity 4.2.5a requires Westpac to have completed Divisional implementation of the My Risk Accountability (MRA) profiles based on 3LoD and supported by Risk Goals.

Westpac launched a MRA SharePoint Hub with information related to the 16 MRA profiles, alongside Risk Goals in Motivate which have been supported by communication and education sessions. As of February 2022, 95% of employees across the Group have a Risk Goal in Motivate.

After reviewing the Closure Pack for this Activity, Promontory requested further information relating to the effectiveness measures of implementation and the ongoing guidance and support provided.

Based on our assessment of the Activity Closure Pack, the additional information we received and the interview conducted, we concluded that Westpac had taken appropriate steps to communicate and implement the MRA profiles, including ongoing monitoring of their effectiveness.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 4.2 we will consider the practical use of Risk Goals in performance discussions, and how any deficiencies or gaps in the effectiveness of the practical operation of the 3LoD model are being addressed as part of the ongoing sustainability of the organisational design principles.

5.3.4. Workstream 5 – Remunerations & Consequence Management (WS5)

WS5 relates to remuneration and consequence management. The objective of WS5 as set out in the Integrated Plan is that:

Consequence management and remuneration adjustment frameworks for GM1 and below, and those on discretionary arrangements, work together to reinforce positive, and deter negative, risk behaviours and are used effectively and consistently in practice to achieve their goals. Expected behaviours are reinforced through remuneration and performance management policies, oversight, and practices.

This Workstream has three Deliverables consisting of 17 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.5: WS5 Activity Status



Table 5.6: WS5 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
5.1	Remuneration adjustment process	5	6
5.2	Risk Gate and Remuneration Adjustment Criteria	6	7

#	Deliverable	Closed Activities	Total Activities
5.3	Remuneration Framework and Policy	3	4
	Total	14	17

5.3.5. Workstream 6 – Risk Roles and Capabilities (WS6)

WS6 relates to risk roles and capability. The objective of WS6 as set out in the Integrated Plan is that:

The Second Line operating model supports the organisation's strategic objectives and serves good risk management practices as required under the RMF and alignment with the 3LOD target model.

Adequate risk resourcing and capabilities are in place in both First and Second Line, operating in accordance with the model, including measurement systems for both capability and capacity on an ongoing basis.

There is an established operating model for risk capability development Group-wide (content owned by the Second Line as subject matter experts).

This Workstream has eight Deliverables consisting of 36 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Green.

Figure 5.6: WS6 Activity Status



Table 5.7: WS6 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
6.1	Organisational structure in the Second Line	2	6
6.2	Risk capacity across the 3LoD	3	5
6.3	Risk capability in the Second Line	2	4

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#	Deliverable	Closed Activities	Total Activities
6.4	Risk capability in the First Line	4	6
6.5	Risk capability assessment	1	3
6.6	Risk Fundamentals	3	4
6.7	Risk Knowledge Management Chatbot ('Risk Assist')	3	5
6.8	Risk reporting tools and capabilities	2	3
Total		20	36

Assessment of Deliverable 6.2 and 6.5

Deliverable 6.2 requires Westpac to assess the adequacy of the risk resource capacity across the 3LoD, to ensure Westpac has a capacity assessment methodology implemented and ensure the Second Line has sufficient capacity in specialist risk roles.

Deliverable 6.5 requires Westpac to establish an approach for risk capability assessment across the 3LoD to inform capability uplift priorities and initiatives as required.

Activity 6.2.2 and 6.5.1

Design Activity 6.2.2 requires Westpac to design the capacity assessment methodology for risk across the 3LoD including documents, templates and approvals for the risk capacity assessment methodology.

Design Activity 6.5.1 requires Westpac to design the risk capability assessment methodology and tools for usage across 3LoD.

The steps taken to design the capacity and risk capability assessment methodology began with a global benchmarking exercise completed by an external consulting firm. Whilst there was no immediate best practice identified through the benchmarking exercise, Westpac's aim was to develop a consistent Group-wide approach to assessing capacity and risk capability by introducing processes that were supported by tools that could ideally be integrated with existing Human Resource and JUNO systems (**JUNO**). A high-level design was developed through exploring existing processes and tools under the guidance of the Detailed Design Forum. The design was then finalised after engagement and feedback sessions with key stakeholders to ensure the solution was fit for purpose.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the guidance material which would support the capacity and risk capability assessments.

Based on our assessment of the Activity Closure Pack and the responses provided, we concluded that Westpac had taken appropriate steps to design the capacity and risk capability assessment methodology and obtain the necessary approvals and endorsements from stakeholders.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.2 and 6.5, we will consider and assess the guidance material which supports the risk capability and risk capacity assessments which have been developed and tested as per the design, the methodology implemented to test the effectiveness of the risk capability and risk capacity assessments in the RMFMA process and assess how the accessibility of guidance materials is measured and the mechanisms in place to understand whether the methodology and tools are being utilised when performing the risk capability and risk capacity assessments.

Assessment of Deliverable 6.4

Deliverable 6.4 requires the delivery of capability uplift in the First Line based on the gap analysis against target state guides. It defines that capability uplift may include activities such as training, communications, change management, recruitment and process change.

Activity 6.4.3

Design Activity 6.4.3 requires defining First Line capability uplift requirements for agreed risk classes (financial and non-financial risk classes) based on gap analysis against target state guides.

A Divisional capability gap assessment was completed against target state guides, with the exception of credit risk due to its transfer of activities to the new target operating model as part of another Workstream. The gap analysis was reviewed by Divisional Implementation Leads and endorsed by the dCRO and the Divisional GM BCMs. An indicative plan for how these gaps will be closed with activities was drawn out, with common capability gaps identified to be closed out together through common solutions.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the gap analysis design and further details and context around how it was completed.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to complete the gap assessments against target state guides for the 11 Divisions and met evidence requirements for providing the acceptance of gap assessments by GM BCMs.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.4, we will consider several matters such as clarity on how additional initiatives required to close the residual capability gaps are being followed up, finalisation of outstanding initiatives in Action Plans, progress on the credit risk assessment and execution, and the development of transition plans for Divisional changes post 1 March 2022.

Assessment of Deliverable 6.6

Deliverable 6.6 requires improving risk capability through delivery of the Risk Fundamentals Program.

Activity 6.6.3

Implement Activity 6.6.3 requires the roll out of the Risk Fundamentals Program (including communications and change) and to track effectiveness of training and rate of delivery. The Risk Fundamentals suite of learning programs seeks to ensure the consistent completion of learning to delivery risk capability uplift across the Group.

This Design of this activity originally included three risk micro-credentials, which were bite-sized qualifications issued by accredited educational institutions. Risk micro-credentials were originally only within scope of the Risk Fundamentals Program as an embedment Activity and involved reflecting and evidencing recent on-the-job experiences against a set of criteria. This was paused following stakeholder feedback in relation to the demands across the organisation in response to the COVID-19 impacts and that the volume of mandatory learning in aggregate was excessive. Whilst risk micro-credentials were originally introduced to support embedment of uplifting risk capability, since inception of the Risk Fundamentals Program, there have been multiple initiatives implemented to serve this purpose, including eLearn modules, workshops, Risk Learning Masterclasses, and an updated Risk Capability Framework.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews in relation to the decision of the GE Sponsor of WS6 to discontinue Risk micro-credentials following a review and alternative initiatives put in place, as well as risk indicator measures.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to follow the change control process when updates were made to the activity in the Integrated Plan, and that the Activity contributes to meeting the objectives of the Deliverable and aims to demonstrate successful participant completion and feedback of the Risk Fundamental programs, with the expectation that risk capability uplift will be achieved over time.

Assessment of Deliverable 6.7

Deliverable 6.7 requires designing and embedding across the 3LoD a consistent way of disseminating and accessing risk management policy and guidance information via a chatbot, 'Risk Assist.' It is noted that the chatbot may be supplemented by human assistance, especially for edge cases or complex queries.

Activity 6.7.3

Design Activity 6.7.3 requires designing the FY22 roadmap for the chatbot, Risk Assist. It requires the building of risk management content for Risk Assist in accordance with the FY22 Roadmap. This roadmap is informed by usage statistics, feedback and the logs from Risk Assist. Priority focus areas are determined through other Workstreams.

The FY22 Roadmap for Risk Assist was developed through a consultative process and was mostly informed by the priority focus areas determined through the Risk Class Owners and

other CORE workstreams. It considered stakeholder requirements, availability of resources, approach to delivering and included content delivery timing. This guided the completion of the building of Risk Assist content into Risk Assist. Additionally, a communication plan was also developed to promote the availability of new Risk Assist content and reinforce key messages.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding how Risk Assist had become part of a single, combined bot known as Astro and further information on the roadmap and the communication plan.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to design and approve both the Risk Assist roadmap and the communication plan.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 6.7, we will consider further development of the Risk Assist. We will also consider how the future operating model and governance structure is being designed and is expected to be finalised in accordance with the "Astro" project team, and how the Astro project team will be launching Group-wide communications to encourage interactions with the chatbot once the transition to Astro has been completed, including its approach and strategy.

5.4. Transformation Capability and Delivery Theme Progress

During the Reporting Period, Promontory assessed one Transformation Capability and Delivery Theme Activity as completed and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 19 of the 33 Transformation Capability and Delivery Theme Activities had been assessed as complete and effective.

During the Reporting Period, Westpac submitted the Closure Pack for one transformation capability & delivery Theme Activity to Promontory. As at the Reporting Date, Promontory was in the process of assessing three Activities for this Theme.

At the Reporting Date, 11 Activities for this Theme had not yet been submitted to Promontory for assessment.

5.4.1. Workstream 7 – Transformation Capability and Delivery (WS7)

WS7 relates to transformation capability and delivery. The objective of WS7 as set out in the Integrated Plan is that:

Westpac's transformation operating model, including clear roles and responsibilities, capability, frameworks, policies, standards (including Risk in Change) and tools, is designed and operationalised to successfully deliver Westpac's change agenda.

This Workstream has seven Deliverables consisting of 33 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber.

Figure 5.7: WS7 Activity Status

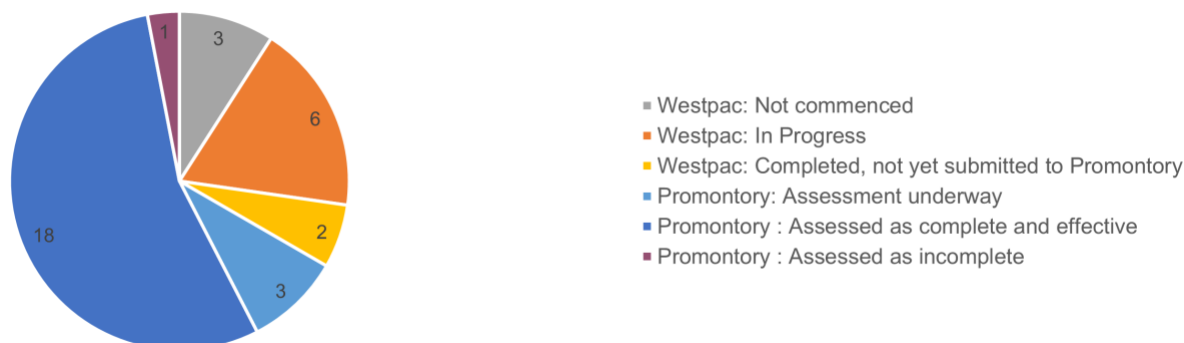


Table 5.8: WS7 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
7.1	Enterprise investment prioritisation reporting and submissions	2	4
7.2	Enterprise change oversight (incl. committees and Line 2 role)	2	4
7.3	Transformation governance and delivery standards	1	4
7.4	Transformation capability	1	3
7.5	Risk in Change accountabilities and training	4	5
7.6	Risk in Change practices	4	6
7.7	Risk in Change reporting	5	7
Total		19	33

Assessment of Deliverable 7.7

Deliverable 7.7 requires establishing improved accessibility to change and delivered risk management information, including forecasting of change impacts, delivery confidence assessment and governance reporting to strengthen management and delivery accountability and effectiveness.

Activity 7.7.5

Embed Activity 7.7.5 requires embedding and monitoring adherence of the application of Program and Project Confidence Assessments. It also requires reviewing the effectiveness of implementation and identifying areas for improvement.

The Program and Project Confidence Assessment was adopted by programs initially and an effectiveness review has been conducted to identify areas for improvement. As a result of the effectiveness review, recommendations included that the Confidence Assessment be

transitioned into the Pre-mortem and Risk Review processes. Consequently, the Confidence Assessment was retired.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the results of the effectiveness review and its outcome that led to the transition from the Confidence Assessment to the new processes of the Pre-mortem and Risk Review. Promontory also sought to understand the detail of this transition process.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to revise the Confidence Assessment to further enhance the management of Delivered and Delivery Risk, which resulted in extensive changes that led to its replacement by the Pre-mortem and Risk Review processes.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 7.7, we will consider the feedback and completion rates of the Program and Project Pre-Mortem and Risk Review are tracking.

5.5. Risk and Compliance Management Theme Progress

During the Reporting Period, Promontory assessed five Risk and Compliance management Theme Activities as complete and effective, and one Activity as incomplete and ineffective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 56 of the 103 Risk and Compliance Management Theme Activities had been assessed as complete and effective.

During the Reporting Period, Westpac submitted the Closure Pack for seven Risk and Compliance Management Theme Activities to Promontory. As at the Reporting Date, Promontory was in the process of assessing seven Activities for this Theme.

At the Reporting Date, 35 Activities for this Theme had not yet been submitted to Promontory for assessment.

5.5.1. Workstream 8 – Risk Management Framework (WS8)

WS8 relates to the RMF. The objective of WS8 as set out in the Integrated Plan is that:

Westpac's Risk Management Framework (including supporting components) establishes a sound basis for risk management across the Group through effective mechanisms for risk identification, measurement, monitoring and reporting. It is aligned with the organisational design and supports sound risk-based decision-making at Board and across the Group.

This Workstream has eight Deliverables consisting of 33 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.

Figure 5.8: WS8 Activity Status



Table 5.9: WS8 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
8.1	Risk Management Frameworks and 3LoD	6	7
8.2	Group and Divisional RAS	4	5
8.3	Risk Policy management	4	5
8.4	Reputation Risk and Sustainability Risk	1	4
8.5	Emerging Risks	1	3
8.6	Risk Committees	2	3
8.7	ERM Dashboard	3	3
8.8	Prudential Governance Framework	1	3
Total		22	33

Assessment of Deliverable 8.1

Deliverable 8.1 requires the updating of the Risk Management Framework (RMF). This includes alignment with the target state 3LoD model, Westpac’s new Risk Taxonomy and changes from other CORE Program Workstreams.

Activity 8.1.6

Implement Activity 8.1.6 requires the updating of the RMF and Risk Management Strategy (RMS) to incorporate changes from other CORE Program Workstreams and alignment with Westpac’s organisational design principles. Risk Class Framework owners were required to review and update the relevant Risk Class Framework for alignment with the updated RMF and RMS.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the approvals sought and obtained for the updated Risk Class Frameworks, as well as the artefacts supporting the BAU activities as they relate to the sustainability of Activity 8.1.6.

Based on our assessment of the Activity Closure Pack and the additional documentation we received we concluded that Westpac had taken appropriate steps to update the RMF and RMS, and is progressing with updating the remaining Risk Class Frameworks for alignment with the RMF and RMS.

Promontory noted that, as part of our assessment of the subsequent Activities within Deliverable 8.1, we will consider how the work being completed by WS11 on the 3LoD assurance approach affects the 3LoD Model Standard and target state guides, and whether the remaining risk class frameworks have been reviewed, updated and approved as appropriate for alignment with the updated RMF and RMS.

Assessment of Deliverable 8.6

Deliverable 8.6 requires the review and refinement of risk committee structures to support effective decision making and accountabilities.

Activity 8.6.2

Implement Activity 8.6.2 requires the charters and supporting structures to be updated to reflect agreed enhancements designed in Activity 8.6.1. It also requires the updated charters to be communicated and that the risk committees have commenced using the updated charters.

After reviewing the Closure Pack for this Activity, Promontory requested further information and regarding the evidence of the implementation of the updated charters and details of the mechanisms used to assess risk committee effectiveness.

Based on our assessment of the Activity Closure Pack and the additional documentation we received, we concluded that Westpac had taken appropriate steps to update risk committee charters to reflect agreed enhancements.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 8.6 we will consider Westpac's usage of the Committee Performance Reporting Tool, and whether there is any feedback on its useability as well as the Risk Ecosystem Report to be submitted in February 2023.

Assessment of Deliverable 8.7

Deliverable 8.7 requires implementation of the RMF Maturity Assessment for completion by each Division, the results of which will inform the Divisional RMF Dashboards and, in aggregate, the Group Enterprise Risk Management (**ERM**) Dashboard.

Activity 8.7.3

Embed Activity 8.7.3 requires Westpac to Embed the RMF Maturity Assessment Process via:

- Periodic review and refinements of the assessment in response to internal/external triggers.

- Divisional bi-annual assessments of their risk management practices maturity and associated action plans to improve those practices.
- Periodic review and challenge by the Board of Group ERM Dashboard outcomes and associated action plans.

The RMF Maturity assessment process involves five key steps:

1. Divisional/LoB BCM teams complete a bi-annual self-assessment of their risk management practices relative to the RMF.
2. Results are challenged and reviewed by respective Divisional CROs/LoB Heads of Risk.
3. RMF dashboard is approved by its GE and tabled at the Divisional Risk Committees.
4. Action Plans are required for components rated less than 'Effective'.
5. Operational Risk & Enterprise Risk insights aggregates the RMF Dashboards into the Group-wide ERM Dashboard and action plans to the Group RiskCo and BRiskC.

Westpac provided an outline of the RMF Maturity assessment process over FY21 and FY22 with 13 Divisions having completed the assessment over this period.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding consistency and effectiveness of the RMF maturity assessments and Second Line review and challenge, the process involved as part of the Group calibration session, and Group-wide thematic findings and Action Plans. We were particularly interested in receiving examples of the overall usefulness and practicality of the RMF Maturity Assessment process overall and how it has supported risk management understanding and improved its maturity across the Group, Divisions and LoBs.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to clearly define and embed accountabilities across the RMF maturity assessments process across the Divisions, and that the Group calibration process provides the opportunity and platform for the Divisional self-assessed results to be reviewed and challenged to ensure consistency in the assessments across the Group

5.5.2. Workstream 9 – Non-Financial Risk Reporting and JUNO Functionality (WS9)

WS9 relates to non-financial risk reporting and JUNO functionality. The objective of WS9 as set out in the Integrated Plan is that:

JUNO is enhanced, including provision of consistent, timely and meaningful risk information to the Board and management through standardised risk reports and dashboards that provide insights and inform decision-making. JUNO is the system of record for non-financial risks,

obligations, controls, issues, and incidents, with underlying data and quality requirements defined and reported against.

This Workstream has four Deliverables consisting of 11 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 5.9: WS9 Activity Status



Table 5.10: WS9 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
9.1	NFR infrastructure, analytics, and reports	1	3
9.2	JUNO functionality upgrade	2	4
9.3	JUNO data quality and support model	1	4
9.4	Risk and Control Assessment Automation	0	3
Total		4	14

5.5.3. Workstream 10 – End-to-End Risk and Control Environment (WS10)

WS10 relates to the end-to-end risk and control environment. The objective of WS10 as set out in the Integrated Plan is that:

A robust risk and control environment is in place to manage risks and obligations in business processes along the end-to-end value chain, including identifying and assessing risks, establishing controls for risks and obligations and where issues are identified or incidents occur, addressing them with appropriate diligence. Risks are regularly reviewed as an integral part of the business, and accountabilities and responsibilities are clear and understood. There is awareness and understanding of key issues and root causes, and issues are resolved in a timely and sustainable manner.

This Workstream has seven Deliverables consisting of 41 Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Amber.

Figure 5.10: WS10 Activity Status



Table 5.11: WS10 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
10.1	Risk assessment and Value Chains	4	7
10.2	Group Controls Library	3	8
10.3	Controls self-assessment	2	4
10.4	Issues management	8	10
10.5	Incident management	1	3
10.6	Root cause analysis	4	6
10.7	Value Chain Maintenance solution	1	3
Total		23	41

Assessment of Deliverable 10.1

Deliverable 10.1 requires the establishment of value chains in accordance with Westpac’s Group Value Chain Management Framework, including the mapping of obligations, risks and controls to the value chains and subsequent risk assessments. The Deliverable also required the strengthening of risk assessment practices.

Activity 10.1.2

Implement Activity 10.1.2 requires Westpac Institutional Bank (**WIB**) and Specialist Business Divisions (**SBD**) to have finalised their value chain mapping and to have mapped high-rated risks, obligations and controls in the context of value chains/risk profiles. This includes high inherent risks that are required to be assessed under the Group Value Chain Management Framework.

Under this Activity, the Consumer and Business Bank (**CBB**), WIB and SBD undertook the mapping activities as required under the Value Chain Management Framework.

After reviewing the Closure Pack for this Activity, Promontory requested further information and a number of follow up interviews. We were particularly interested in the attestation process, memoranda and analysis to ensure that processes had been undertaken in accordance with the Value Chain Management Framework and that the appropriate stakeholders had been involved in review, challenge and attestation. In addition, we also focused on Line 3 observations regarding value chain implementation and areas that had been identified for improvement. More specifically, we requested further information on the steps that were being put in place to formally address these matters.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that CBB, WIB and SBD had taken appropriate steps to undertake value chain mapping and mapping of their high rated risks. Westpac has also put steps in place to address identified implementation improvements which had been formally captured in a 'WS10 Maturity Model'.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.1 we will consider, among other things, how risks and issues identified by the LoBs under the value chain mapping process are being followed up, the robustness of ongoing Line 2 oversight, the implementation and sustainability of tools and other process outlined in the WS10 Maturity Model.

Activity 10.1.2a

Implement Activity 10.1.2a requires the following LoBs namely BT Superannuation, Investments, Platforms and Operation (SIPO), to finalise the value chain process mapping and linking of high-rated risks, obligations and controls in the context of value chains/risk profiles (excluding Prudential Obligations) and to perform the risk assessment in parallel to the control self-assessments activities under WS 10.

SIPO completed the value chain mapping process as per the Value Chain Management Framework and the risk and control assessment process as per the Group's policies and procedures. Westpac risk management's second line of defence participated in the above process and provided input and challenges.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the overall effectiveness of the value chain mapping and risk assessment in SIPO, the full scope and details of the second line of defence reviews and findings, and details of any post-implementation review conducted.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that consideration has been given to accommodate the Group's value chain and risk frameworks and related policies to suit the wealth business of SIPO. Furthermore, there was significant involvement from Line 2 in reviewing and challenging the work conducted under this Activity and to ensure it adheres to the Group's frameworks and related policies.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.1 we will consider the results of the post-implementation review and the management response to address any findings where applicable.

Assessment of Deliverable 10.7

Deliverable 10.7 requires the development of a solution(s) to enable Value Chain Owners and LoBs to maintain their value chain processes and data more efficiently and effectively.

Activity 10.7.1

Design Activity 10.7.1 required Westpac to define the system(s), processes and reporting enhancements to support the timely and effective communication of changes that impact the value chains.

Westpac firstly identified the key issues with its previous approach to capture, track and manage value chain impacts across the Group and developed a high-level target state of the solution to address the key issues. It was agreed that the solution would involve the use of Westpac's existing technology work management solution as a tool to capture, track and manage value chain impacts.

An iterative and phased design approach was adopted to develop the solution and involved three releases accompanied by a test and learn period following each release to gather feedback from the customer-facing Divisions and LoBs. The final design of the solution was approved by Westpac and will be further refined in subsequent Activities under Deliverable 10.7.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the process to develop the target state key features, the reporting and tracking capabilities of the tool for value chain changes and impacts, the process to gather and triage feedback and implement changes, and the scope of the tool in relation to non-customer facing Divisions and LoBs.

Based on our assessment of the Activity Closure Pack, the additional documentation and responses we received, we concluded that Westpac had taken appropriate steps to identify issues with the previous value chain change request process, and to gather inputs to develop the target state design features for the solution. Furthermore, there was a process to capture and record feedback and agree on the resolutions to be implemented.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 10.7, we will consider any additional feedback obtained in relation to the solution and the resolutions adopted, the process and steps to roll out the solution for non-customer facing Divisions/LoBs and the approach taken by LoBs to understanding and action downstream impacts (for example risks, controls) of changes to value chains.

5.5.4. Workstream 11 – Assurance (WS11)

WS11 relates to assurance. The objective of WS11 as set out in the Integrated Plan is that:

Westpac builds and embeds a targeted, agreed and repeatable coordinated assurance approach across the 3LOD with clear roles and responsibilities, defined minimum level of assurance coverage, and structured and clearly articulated reassurance and reliance across the 3LOD and external auditor. Clearly prioritised activities are detailed in Second Line and Third Line assurance plans.

This Workstream has one Deliverable consisting of three Activities. As at the Reporting Date, Westpac had assessed the health of this Workstream as Red. The main driver of the Red status are the material issues identified in relation to the design of the assurance approach as set out in the incomplete assessment of Activity 11.1.1.

Figure 5.11: WS11 Activity Status



Table 5.12: WS11 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
11.1	Assurance	0	3
Total		0	3

Assessment of Deliverable 11.1

Deliverable 11.1 requires the Bank to strengthen the effectiveness, efficiency and coverage of assurance practices and to establish an operating model that aligns coverage, approach and planning across the 3LoD. It also requires clear and differentiated roles and responsibilities, including clearly defined areas of reliance and a stronger ‘voice of assurance’ across Second and Third Line.

Activity 11.1.1

Design Activity 11.1.1 requires Westpac to define a coordinated assurance approach across the 3LoD including methodology, roles and responsibilities, planning and reporting. An objective of the assurance approach is to optimise the effectiveness and efficiency of assurance, e.g. avoiding unnecessary overlaps or similar assurance duplicated across the lines of defence.

With the assistance of a consulting firm, Westpac performed a current state review of its assurance practices which were benchmarked against peers. The outputs of these reviews were amongst the matters considered by the Bank when developing its coordinated assurance approach.

An approach was designed which was intended to set out the assurance coverage across risk domains, establish roles and responsibilities across the 3LoD, the mode of coordination between the 3LoD and prioritisation of activities in second and third line.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews. In particular we sought further clarification as to how coordination between the 3LoD would operate in practice, the prioritisation and planning of assurance activities, the adequacy of coverage across risk domains in scope, and to gain a better understanding of the frameworks and policy documentation to support the assurance approach.

Based on our assessment of the Closure Pack for this Activity, the additional documentation we received and the interviews we conducted, we concluded that the process for coordination, the clarity of roles and responsibilities and coverage of risk domains requires a material uplift in order to achieve the intended objectives under WS11. Promontory therefore assessed this Activity as incomplete.

Since the time of our assessment, Westpac has taken steps to review the design approach and is taking steps to address the matters raised. Promontory will re-assess this Activity once Westpac has completed the appropriate remedial steps and provided the relevant evidence to Promontory.

5.5.5. Workstream 12 – Compliance Management (WS12)

WS12 relates to compliance management. The objective of WS12 as set out in the Integrated Plan is that:

Westpac has a consistent view of its material obligations that is reflected in the Obligations Library, with clear responsibilities for ensuring consistency and completeness of each element of the Library. The processes to identify, assess and report breaches internally and to regulators if required are effective, efficient and conform with regulatory requirements. Regulatory commitments are systematically and effectively managed.

This Workstream has four Deliverables consisting of 12 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.

Figure 5.12: WS12 Activity Status



Table 5.13: WS12 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
12.1	Compliance Obligations management	2	3
12.2	Breach reporting	2	3
12.3	Regulatory commitments	1	3
12.4	Managing regulatory developments	2	3
Total		7	12

Assessment of Deliverable 12.1

Deliverable 12.1 requires the implementation of consistent governance across different risk class obligation libraries. In addition, relevant Risk Class Owners are required to review respective libraries for completeness and to evidence compliance with governance.

Activity 12.1.2

Implement Activity 12.1.2 requires the implementation of the obligations library policies with accompanying guidance to support the roll-out of the policies. In addition, the Activity required the implementation of consistent reporting on the maintenance and use of the libraries, and the capture of refreshed obligations in risk profiles.

During the implementation phase, Westpac defined the scope for each library and maintained them by having processes, namely the regulatory change process, to identify new or amended obligations and update the libraries accordingly as per the Group’s policies and procedures. A considerable amount of obligations were uplifted and incorporated into risk profiles. Westpac provided training and guidance, via different means such as presentations, playbooks, etc, to the first and second line of defence. Furthermore, Westpac implemented reporting

mechanisms, through the use of dashboards, to monitor the maintenance and use of the libraries.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the governance around the interpretation of the obligations, the consistency of the reporting across the obligation libraries and the consistency of the regulatory change process.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to ensure there is a robust regulatory change process to support the interpretations of obligations, assessing the materiality and the applicability to the Group and the Divisions, and assessing its relevance to risk Profiles. Westpac maintains evidence and records of the different decision-making points and assessments for the regulatory change process.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 12.1, we will consider the appropriate steps taken to address the findings from the WS12.1 reviews conducted in relation to components of the regulatory change process and the risk and control assessment process.

Assessment of Deliverable 12.2

Activity 12.2.2

Implement Activity 12.2.2 requires Westpac to implement a revised breach reporting approach in the Divisions including training and communications.

Westpac introduced a new breach reporting operating model in response to new ASIC requirements (RG78 Breach Reporting by AFS Licensees and Credit Licensees), which supported the provision of a larger volume of reports to ASIC within the required timeframes. The implementation of the new operating model was the subject of review by both ASIC and Group Audit. Group Audit did not identify any high rated issues.

Westpac introduced a number of mechanisms to train and communicate to Divisions ahead of the launch of the new breach reporting regime, including pre 'go-live' raining, a 30-day support plan for the First and Second Line post 'go live', refresher training sessions and four monthly reports to the Executive team on the implementation of the new operating model. Supporting technologies such as SIP and JUNO were updated to align with the enhancements to the breach reporting approach.

After reviewing the Closure Pack for this Activity, Promontory requested further information regarding the training and communication rolled out to support the enhanced breach reporting approach and actions being taken to continuously improve the approach. We were particularly interested any arrangements in place following the 30-day support plan to facilitate communication between first and second line, including any feedback from Line 2.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate

steps to provide Divisions with training and communication around the enhanced breach reporting approach and continuous improvement actions are being sought and implemented as appropriate.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 12.2, we will consider the actions being taken to address the issues raised by Group Audit (medium and low rated) as well as evidence of issues being addressed.

5.6. Conduct Theme Progress

During the Reporting Period Promontory assessed two Conduct Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of ten of the 15 conduct Theme Activities have been assessed as complete and effective.

During the Reporting Period Westpac did not submit any Closure Packs for the Conduct Theme to Promontory. As at the Reporting Date Promontory was in the process of assessing no Activities for this Theme.

At the Reporting Date, five Activities for this Theme had not yet been submitted to Promontory for assessment.

5.6.1. Workstream 13 – Conduct Risk (WS13)

WS13 relates to conduct risk. The objective of WS13 as set out in the Integrated Plan is that:

Management of Conduct Risk is supported by clear expectations that are anchored in the Code of Conduct, clear roles and responsibilities, relevant training, and a standard way of assessing, measuring and reporting conduct risk.

This Workstream has four Deliverables consisting of 15 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 5.13: WS13 Activity Status

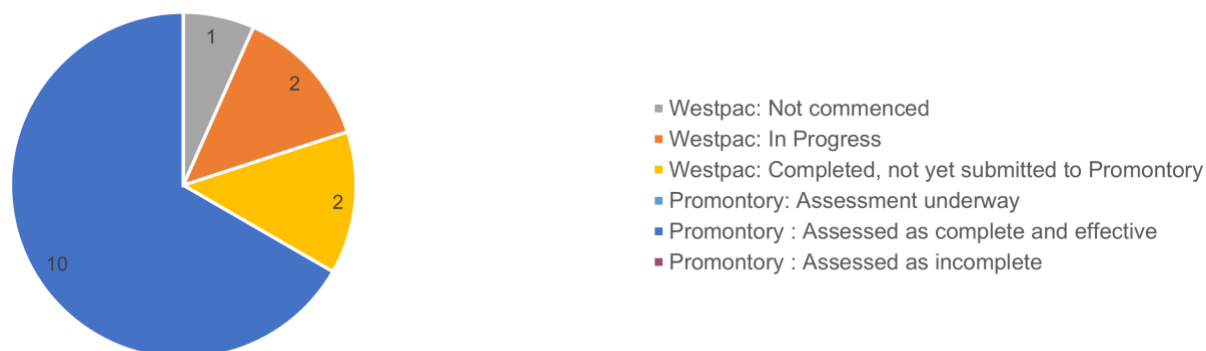


Table 5.14: WS13 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
13.1	New Code of Conduct	4	5
13.2	Conduct Risk training and guidelines	3	4
13.3	Conduct Risk 3LoD target operating model	2	3
13.4	Conduct Risk assessment and reporting	1	3
Total		10	15

Assessment of Deliverable 13.2

Deliverable 13.2 requires Westpac to establish a conduct risk training program and guidelines to raise awareness about conduct risk in Divisions, senior management, and Board, and integrate it with existing mechanisms (e.g. Learning Council, compliance training program).

Activity 13.2.2

Design Activity 13.2.2 requires Westpac to have:

- undertaken a stock-take and assessment of existing conduct-related guidelines and review these guidelines for consistency and completeness;
- developed additional conduct risk guidelines to provide staff with a practical and consistent approach in exercising judgment and consideration of conduct risk in day-to-day decision-making to supplement the current suite; and
- the approach has been integrated with Group initiatives relating to knowledge management outside of the CORE Program.

Westpac identified 121 existing conduct-related guidelines as part of its stock-take review. In developing additional conduct-related guidelines it developed an approach to releasing guidance through the use of Astro – Westpac’s platform that enables a single-point of access to information held across a variety of Westpac knowledge systems. As part of developing this approach, Westpac developed guidance about customer vulnerability. Westpac also created a Guidelines Library on its One Bank Intranet that has links to the 121 existing conduct-related guidelines that are organised by way of a hierarchy to the 31 conduct-related policies that are referenced in Westpac’s Code of Conduct.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding three issues identified with the approach taken by Westpac with respect to this Activity and Deliverable 13.2, being:

1. A review of conduct risk guidelines for their consistency with Westpac’s Code of Conduct that was updated in September 2020 had not been completed. To address this issue Westpac created a new Activity in Deliverable 13.2 to complete the consistency review and necessary uplift to conduct risk guidelines.

2. There was a misalignment with the sequencing of activities in Deliverables 13.1 and 13.2 around conduct risk training and the review of the 31 conduct related policies and associated guidelines with Westpac's Code of Conduct. To address this sequencing misalignment Westpac developed remediation steps, including:
 - a. extending the due date for the embedment Activity in Deliverable 13.2, subject to BRiskC approval to enable conduct risk training to be re-performed so that Westpac employees are directed to policies and guidelines that are updated and aligned to the Code of Conduct;
 - b. notifying its staff that the 31 policies referenced in its Code of Conduct now reference the 'Should We?' test and other conduct requirements, and that the 'Should We?' test and other conduct considerations built into these policies will be integrated with associated guidelines;
 - c. notifying its staff at relevant points on its intranet site that the conduct guidelines are being updated to align with their associated policy uplift.
3. Westpac designed additional conduct risk guidelines with respect to customer vulnerability, which required details on how this would support the achievement of the Target State for Deliverable 13.2, and the capability gaps of frontline staff that were identified in Deliverable 6.4. To address this issue, Westpac will provide further evidence in support of closure of future activities in Deliverable 13.2 about additional training modules and supporting guidance that is being conducted by Westpac to support the Target State of Deliverable 13.2 and address the requirements of Deliverable 6.4.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, and subject to the proposed additional activities and actions to address the issues we identified during the course of our assessment, we concluded that Westpac had taken appropriate steps to address the Closure Criteria of this Activity.

Promontory noted that, as part of our assessment of subsequent Activities 13.2.3a and 13.2.4 within Deliverable 13.2, we will consider the steps and actions Westpac has taken to address the identified issues, and the effectiveness of the conduct risk training and guidelines that have been developed to address the deficiencies that have been mapped to Deliverable 13.2 and the capability gaps of Westpac's frontline staff identified in Deliverable 6.4.

Activity 13.2.3

Implement Activity 13.2.3 requires Westpac to have rolled out conduct risk training across the Group referenced in Activity 13.2.1 and rolled out conduct risk guidelines with appropriate communication and training. Westpac launched number of training initiatives to raise awareness of conduct risk including:

- the Code of Conduct e-learning module;
- a Navigate session to deliver scenario-based training;

- leader-led training;
- conduct masterclasses;
- conduct risk training syllabus; and
- the Code and 'Should We?' module in Risk Assist

The additional guidance developed in relation to customer vulnerability was also launched in SupportPoint and Astro, and made available and communicated to all customer facing teams.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding issues identified with the approach taken by Westpac with respect to Activity 13.2.2. These issues had implications for Activity 13.2.3 which relates to rolling out conduct risk guidelines and training based on the updates made as part of Activity 13.2.2. This is because the conduct risk training rolled out as part of this Implement Activity was implemented at a time when the 31 Code Policies and Guidelines had not yet been updated to align with the Code of Conduct. To address this sequencing misalignment Westpac developed remediation steps, including:

- a. extending the due date for the embedment Activity in Deliverable 13.2 to enable conduct risk training to be re-performed so that Westpac employees are directed to policies and guidelines that are updated and aligned to the Code of Conduct;
- b. notifying its staff that the 31 policies referenced in its Code of Conduct now reference the 'Should We?' test and other conduct requirements, and that the 'Should We?' test and other conduct considerations built into these policies will be integrated into associated guidelines;
- c. attaching a note to conduct risk guidelines that these guidelines are being updated to align with conduct recommendations made in their associated policy uplift; and
- d. attaching a note on Westpac's conduct risk Guidelines Library that advises the conduct guidelines are being updated to align with conduct recommendations made in their associated policy uplift.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, and subject to the proposed additional activities and actions taken to address the issues we identified during the course of our assessment, we concluded Westpac had taken appropriate steps to roll out conduct risk training across the Group; and roll out conduct risk guidelines with appropriate communication and training.

5.7. Complaints Theme Progress

During the Reporting Period Promontory assessed one Complaints Theme Activity as complete and effective. Taking into account Activities assessed as complete and effective in previous Reporting Periods, as at the Reporting Date, a total of 18 of the 18 complaints Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted one Closure Pack for the Complaints Theme Activity to Promontory, as well as four Deliverable packs. As at the Reporting Date, there are no outstanding Activities for this Theme to be submitted to Promontory for assessment.

5.7.1. Workstream 14 – Customer Complaints (WS14)

WS14 relates to customer complaints. The objective of WS14 as set out in the Integrated Plan is that:

Westpac’s approach towards Complaints management creates a strong culture that welcomes feedback and values complaints. There is clear accountability in the frontline for timely first point resolution, and the escalation process into Customer Solutions is efficient. Effective complaints management is supported by systems, reporting, and training.

This Workstream has four Deliverables consisting of 18 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.

Figure 5.14: WS14 Activity Status



Table 5.15: WS14 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
14.1	Complaints Management changes	3	3
14.2	Operationalisation of updated Customer Complaints Policy	5	5
14.3	Complaints Management System, Release 1 (Main Bank excluding Wealth)	6	6
14.4	Release 2 of Complaints Management System (Divisions within Wealth and additional features)	4	4
Total		18	18

Assessment of Deliverable 14.3

Deliverable 14.3 requires the establishment of a centralised complaints system (Resolve) through a release 1 roll-out across the main bank of Westpac (excluding the Wealth business).

Activity 14.3.6

Embed Activity 14.3.6 requires a review of the effectiveness of the release 1 roll-out to Westpac's main bank, and the making of enhancements to complaints procedures, training and support materials, and Resolve functionality (as needed).

Westpac identified functionality enhancements to be applied in future releases of Westpac's centralised complaints system through conducting post-implementation reviews to consider the effectiveness of release 1 and inform improvements to be made in the second release (Deliverable 14.4). In considering the effectiveness of release 1, Westpac utilised various tools including measures of complaints performance outcomes, user feedback surveys and monitoring user behaviours.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding follow-up items from previous activities about controls and complaints escalation, and the design of sustainability mechanisms to support the maintenance of this Deliverable's Target State.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to assess the effectiveness of release 1 of its centralised complaints system, and to factor in any required enhancements to the functionality of its centralised complaints system into the second release (Deliverable 14.4).

Assessment of Deliverable 14.4

Deliverable 14.4 requires Westpac to establish a centralised complaints system (Resolve) through a Release 2 roll-out across its main bank and Wealth business, with additional features.

Activity 14.4.4

Embed Activity 14.4.4 requires Westpac to embed a governance process to monitor and sustain the adequacy of the Resolve functionality and system controls to support effective customer complaints management, compliance with ASIC Regulatory Guide 271: *Internal dispute resolution* where applicable and policy compliance.

As part of this Activity, Westpac finalised the delivery of a third release of its centralised complaints system to close out the remaining functionality, including onboarding non-main bank brand users and addressing legacy complaints systems. To support the embedment of the management of complaints and associated regulatory compliance in a business-as-usual operating environment, Westpac completed initiatives including: knowledge hand over such as business partner tool kits and support guidance, creation of a persistent team to implement ongoing enhancements and defect resolutions, service channels to support early complaints resolution, application of key frameworks and processes of Westpac's technology domain to the complaints system, and maintaining specific controls relating to the governance of the complaints system and monitoring of key functionality.

Based on our assessment of the Activity Closure Pack, we concluded that Westpac had taken appropriate steps to ensure governance processes are in place to monitor the functionality of its centralised complaints system to support the management of complaints and associated regulatory compliance.

5.8. Technology and Data Risk Theme Progress

During the Reporting Period Promontory assessed one Technology and Data Theme Activity as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, a total of 12 of the 25 technology and data Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac submitted the four Closure Packs for the Technology and Data Theme to Promontory. As at the Reporting Date, Promontory was in the process of assessing four Activities for this Theme.

At the Reporting Date, nine Activities for this Theme had not yet been submitted to Promontory for assessment.

5.8.1. Workstream 15 – Technology Risk Governance (WS15)

WS15 relates to technology risk governance. The objective of WS15 as set out in the Integrated Plan is that:

In accordance with the RMF, there are mechanisms in place to manage technology risk and resilience, including assessing the significance of systems, setting the technology risk appetite, delivering a multi-year technology roadmap aligned to strategy and business priorities as well as risk considerations, and regularly reviewing and recalibrating progress against the roadmap.

This Workstream has four Deliverables consisting of 14 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Green.

Figure 5.15: WS15 Activity Status



Table 5.16: WS15 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
15.1	Identification and measurement of technology risk (RAS and KRIs)	1	3
15.2	Technology service risk	2	5
15.3	Technology roadmap prioritisation and investment governance	2	3
15.4	Technology risk oversight and reporting	1	3
Total		6	14

Assessment of Deliverable 15.3

Deliverable 15.3 requires improvement of technology risk governance processes. This includes developing and delivering on multi-year technology roadmaps that are aligned to strategic, business and risk considerations.

Implement Activity 15.3.2 requires the operationalisation of ongoing processes to develop and maintain technology roadmaps. This includes delivery and monitoring of planned roadmaps, and ensuring that outcomes from the Quarterly Business Review process remain within technology risk appetite.

The documented methodology and accountabilities for developing and maintaining technology roadmaps was communicated to relevant stakeholders. Delivery of planned roadmaps is being monitored via reporting and tracking of deliverable metrics.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the scope of continuous improvements to the development and maintenance processes for technology roadmaps. We were particularly interested in the formalisation of the technology roadmap sign-off process and ongoing quality reviews.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to communicate and implement the established technology roadmap development and maintenance methodology, including ongoing monitoring, and business accountabilities.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 15.3 we will consider the delivery of continuous enhancements that seek to support sustainability and the embedment of technology roadmaps in business planning processes, including the Quarterly Business Review.

5.8.2. Workstream 16 – Data Risk Governance (WS16)

WS16 relates to data risk governance. The objective of WS16 as set out in the Integrated Plan is that:

The Group’s data oversight and operating model has been strengthened through appointing accountable owners for data quality across the Group and setting up oversight committees to manage delivery of the execution plan and the pathway to meeting risk appetite.

This Workstream has three Deliverables consisting of 11 Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 5.16: WS16 Activity Status



Table 5.17: WS16 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
16.1	Data oversight and reporting	3	5
16.2	Tooling and execution	1	3
16.3	Incident definition and rating	2	3
Total		6	11

5.9. Financial Risk Classes Theme Progress

During the Reporting Period Promontory assessed two Financial Risk classes Theme Activities as complete and effective. Taking into account Activities assessed as complete and effective in previous reporting periods, as at the Reporting Date, four of the 12 financial risk classes Theme Activities had been assessed as complete and effective.

During the Reporting Period Westpac did not submit any Closure Packs for the Financial Risk Classes Theme Activities to Promontory. As at the Reporting Date, Promontory was not in the process of assessing any Activities for this Theme, and eight Activities for this Theme had not yet been submitted to Promontory for assessment.

5.9.1. Workstream 17 – Credit Risk Governance (WS17)

WS17 relates to credit risk governance. The objective of WS17 as set out in the Integrated Plan is that:

Westpac has an effective control environment to track, manage, and report, internally and externally, on credit risk governance, ensuring consistent application of relevant Prudential Standards and Reporting Standards and appropriate controls to inform effective decision-making.

This Workstream has one Deliverable consisting of three Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 5.17: WS17 Activity Status

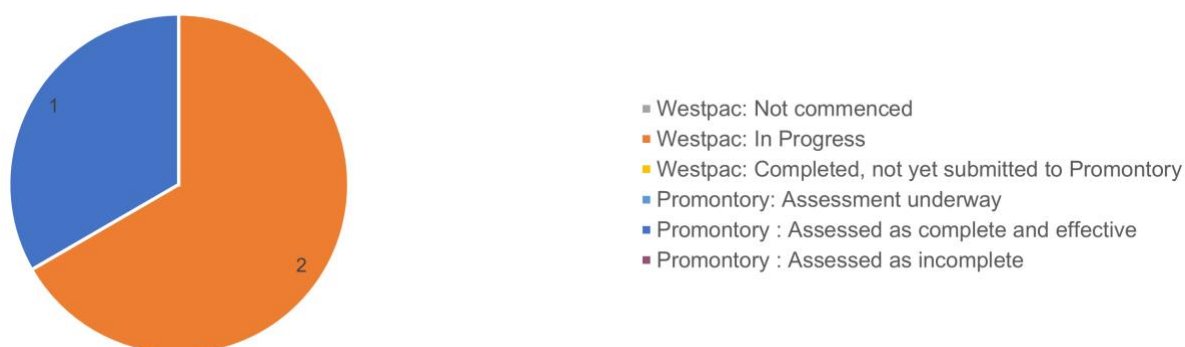


Table 5.18: WS17 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
17.1	Credit Risk governance	1	3
Total		1	3

5.9.2. Workstream 18 – Market Risk Governance (WS18)

WS18 relates to market risk governance. The objective of WS18 as set out in the Integrated Plan is that:

Westpac has an effective control environment to track, manage, and report, internally and externally, on market risk governance, ensuring consistent application of relevant Prudential Standards and Reporting Standards and appropriate controls to inform effective decision-making.

This Workstream has one Deliverables consisting of three Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Red. The rating was driven by scheduling challenges as well as resource constraints.

Figure 5.18: WS18 Activity Status

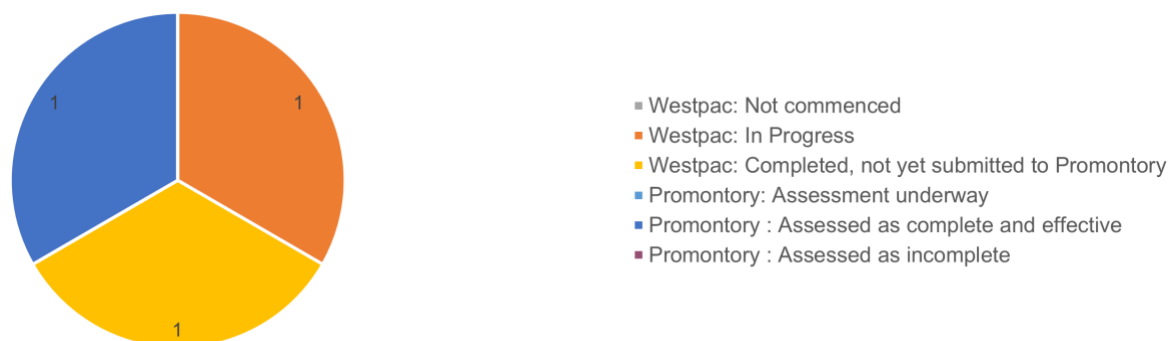


Table 5.19: WS18 Deliverable Progress

#	Deliverable	Closed Activities	Total Activities
18.1	Market Risk governance	1	3
Total		1	3

5.9.3. Workstream 19 – Liquidity and Capital Adequacy Risk Governance (WS19)

WS19 relates to liquidity and capital adequacy risk governance. The objective of WS19 as set out in the Integrated Plan is that:

Westpac has an effective control environment to track, manage, and report, internally and externally, on liquidity risk and capital adequacy risk governance, ensuring consistent application of relevant Prudential Standards and Reporting Standards, and appropriate controls to inform effective decision-making.

This Workstream has two Deliverables consisting of six Activities. As at the Reporting Date Westpac had assessed the health of this Workstream as Amber.

Figure 5.19: WS19 Activity Status



Table 5.20: WS19 Deliverables Progress

#	Deliverable	Closed Activities	Total Activities
19.1	Liquidity Risk governance	1	3
19.2	Capital Adequacy Risk governance	1	3
Total		2	6

Assessment of Deliverable 19.1

Deliverable 19.1 requires Westpac to review and enhance the Liquidity Risk Framework with particular focus on controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the Risk Management Framework (**RMF**) and Three Lines of Defence (**3LoD**) model.

Activity 19.1.1

Design Activity 19.1.1 requires Westpac to:

- review the Liquidity Risk Framework against the RMF, the 3LoD model and APS 210;
- review the adequacy of relevant compliance plans and controls over liquidity risk-related Prudential Standards and Returns, including the oversight and scrutiny of roles and responsibilities in relation to APRA Returns;
- identify Critical Data Elements (CDEs) for liquidity risk-related Prudential Standards and Returns;

- identify Prudential Obligations for liquidity risk-related Prudential Standards; and
- design improved process to identify, capture, approve, monitor and report liquidity risk policy exceptions against agreed tolerance thresholds.

As several components of this Activity received external assurance under the APS 210 Remediation, the scope of our assessment was limited to the components of the Activity that relate to identifying CDEs and Prudential Obligations.

Westpac identified 14 CDEs for the liquidity risk-related Prudential Standard. The new CDEs will be onboarded as part of the work being completed under WS16. Westpac also engaged an external provider to review its Prudential Obligations for APS 210. New compliance obligations were developed as per the external provider's recommendations and were operationalised in JUNO.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding the number of CDEs, the process followed to share new CDEs with WS16 for onboarding, and the process followed to review Westpac's Prudential Obligations for APS 210.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to identify CDEs and Prudential Obligations for liquidity risk-related Prudential Standards and Returns.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 19.1, we will consider whether Prudential Reporting Standards and Guides have been reviewed in line with the requirements of the Obligations Library Policy.

Assessment of Deliverable 19.2

Deliverable 19.2 requires Westpac to review and enhance the Capital Adequacy Risk Framework with particular focus on controls for compliance with Prudential Standards and Reporting Standards, external reporting, and alignment with the Risk Management Framework (RMF) and Three Lines of Defence (3LoD) model.

Activity 19.2.1

Design Activity 19.2.1 requires Westpac to:

- review the Capital Adequacy Risk Framework against the RMF, the 3LoD model, APS 110 and APS 111;
- review the adequacy of relevant compliance plans and controls over capital adequacy risk-related Prudential Standards and Returns, including the oversight and scrutiny of roles and responsibilities in relation to APRA Returns;
- identify Critical Data Elements (**CDEs**) for capital adequacy risk-related Prudential Standards and Returns;

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- identify Prudential Obligations for capital adequacy risk-related Prudential Standards; and
- design improved process to identify, capture, approve, monitor and report capital adequacy risk policy exceptions against agreed tolerance thresholds.

Westpac updated the Capital Adequacy Risk Framework, which was subsequently approved by the Board Risk Committee (**BRC**). Westpac also engaged an external provider to review its Prudential Obligations for APS 110 and APS 111 and the related controls. Separately, Westpac identified nine CDEs for the capital adequacy risk-related Prudential Standards.

After reviewing the Closure Pack for this Activity, Promontory requested further information and interviews regarding feedback from the BRC on the Capital Adequacy Risk Framework, the process followed to share new CDEs with WS16 for onboarding, and the need for an exceptions process.

Based on our assessment of the Activity Closure Pack, the additional documentation we received and the interviews we conducted, we concluded that Westpac had taken appropriate steps to review the Capital Adequacy Risk Framework and the adequacy of relevant compliance plans and controls, identify CDEs and Prudential Obligations, and establish that Capital Adequacy Risk Framework does not allow for exceptions.

Promontory noted that, as part of our assessment of subsequent Activities within Deliverable 19.2, we will consider whether Control Self Assessments have been conducted in line with the requirements of the Risk Control Assessment Policy, the management of any resulting issues, and the management of dependencies on WS10.



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